

# CHAIRMAN'S STATEMENT

## FINANCIAL RESULTS

The year 2000 proved to be another exciting year for the Group's financial performance. Profit attributable to shareholders for the year reached HK\$69 million, an increase of 31% over the previous year. Turnover for the year was HK\$3.9 billion, an increase of 26%. At the end of the year, Total Shareholders' Funds or Net Asset Value of the Group continued its non-stop yearly increase and reached HK\$462 million or HK\$1.07 per share. In addition, both profit and turnover achieved the highest level since listing of the Group in 1991.

The Board of Directors is pleased to recommend a final dividend of HK2.0 cents per share, to be paid in scrip form with a cash alternative. Including the interim dividend per share of HK1.0 cent already paid, the total dividend per share for year 2000 amounts to HK3.0 cents, same as the previous year.

## REVIEW OF OPERATION

The Group's strategy to be more aggressive in expanding its business last year in light of the anticipated strong consumer demand for digital products resulted in the highest profit and sales volume of the Group in its corporate record. The successful sales of its new digital products contributed significantly to the results of the Group.

During the year, an unprecedented high proportion of more than 25% of sales of the Group was attributable to digital products. As the Group diversified into the manufacturing of digital electronics products, we acquired and developed through our own efforts, core technology for further application into new products. Our continuous effort to enhance our technology and knowhow is essential to our ability to produce products with more advanced features in the consumer electronics field to satisfy the ever-increasing demand from OEM/ODM customers, consumers and industrial participants such as cable TV operators and Internet Services Providers.

Besides the continuous break-through in providing new generations of existing digital products, new products were also being developed. They included portable and in-car navigation devices by our Xian development center, Orient Power Xian GPS Electronics Limited. Other efforts included in-car entertainment devices, information and entertainment devices developed by our Beijing joint venture Orient Power-Sunniwell IT Limited and our Hong Kong based engineers. The initial phase of most of these developments will be completed this year.

The Group has also put in effort to implement new business models. One new business model has emerged in Orient Power-Sunniwell IT Limited. The business model of this 51% owned Beijing based joint venture formed in March, 2000 is entirely different from the Group's traditional manufacturing operations. This joint venture provides solutions to cable TV operators and other institutional customers in China. Other than providing self-designed hardware solutions, one of its key areas of technology expertise is to provide infrastructure solution for broadband network, enabling speedy transmission of signals. This business model of providing tailor-made solutions to industrial participants or institutions, vis-a-vis the traditional OEM business, will be used for our information entertainment devices being developed.

The Group commenced its e-commerce initiatives during the year after much observation and deliberation. The basis of our initiatives was to improve efficiency by enabling the delivery or management of our existing business through new electronics vehicles either in terms of sales, procurement or on-line database. In March 2001, together with three publicly listed companies, the Group launched a vertical portal eGlobalex for the trading of electronics parts, with a view to improve procurement costs. The Group had also commenced the exercise to re-examine our existing business processes and to implement an Enterprise Resource Planning ("ERP") system offered by Oracle. This exercise is expected to last for more than one year.

## **PROSPECTS**

The Group believes that demand for digital entertainment and information products is much less affected by a slow down of the economy of our markets, when compared with the traditional commodity products. The Group is expecting sales of the existing digital products to grow at a more moderate rate than last year. New digital products for this year will include mobile GPS and information device, and home entertainment and information device. Sales of these products are unlikely to have significant contribution immediately since some of the items would only be ready for mass production towards the end of the year.

The Group's customers are concerned about the economy of the USA. In the first quarter of this year, orders from the USA for commodity products for home use have slowed down by more than 10%. This trend is likely to continue. However, this type of business is estimated to represent not more than 15% of our total sales last year. This slow down of demand is likely to be compensated, to a large extent, by the increase in demand for our existing digital products, sales of new digital products, sales to China and an increase of OEM/ODM business this year. The Group anticipates that sales to Europe, our second

biggest market, and the rest of the world are likely to be relatively steady with smaller adjustment downwards when compared with the US market this year.

The Group will put more emphasis on the China market this year. One of the reasons is obviously the prospect of China joining the World Trade Organization. The other important reason is that China is still about the only major market in the world that has not been affected historically by a slow down in the US economy. As of last year, only a small fraction of the Group's sales were in China. Other than the anticipated improvement of business of our Beijing joint venture using a different business model, the Group has formed two sales teams located in Shenzhen, Guangdong Province and Shaoxing, Zhejiang Province. The former sales team will concentrate in consumer electronics products, while the latter will concentrate in sales to automobile manufacturers in China. It is however anticipated that the build up will require some time and efforts.

The other emphasized area is the continuous build up of research and development ("R&D"). The Group has R&D capability in various parts of China: Xian, Beijing, Shanghai, Nantong, Nanjing, Wuxi, and three groups in Shenzhen. The Group is committed to expand in this area due to our view that successful new products are the keys to our future and it is only through R&D and innovation, with in-depth marketing that we can introduce products to meet market demand.

Last but not least is the Group's OEM/ODM business. The risk associated with such business is low, accounting for the reason of low margin. For the purpose of risk management under this economic slow down scenario, we will concentrate more on our efforts to satisfy the demand from our OEM/ODM customers this year. This business is likely to grow this year.

I would like to thank the Board of Directors and all Group employees for their hard work and efforts. I would also like to express our sincere appreciation to our shareholders and the financial institutions for their continued supports.

**Poon Ka Hung**

*Chairman*

Hong Kong, 10th April, 2001