

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the annual results of the Group for the year ended 31 December 2000.

RESULTS

The Group's profit attributable to shareholders for the year was HK\$32.5 million. Earnings per share amounted to HK4.7 cents, compared with the loss per share of HK10.2 cents in the previous year. We reported a solid cash and balance sheet position. At 31 December 2000, the Group's net cash position amounted to HK\$138.5 million (1999: HK\$40.9 million), represented 36.7% of the shareholders' fund of HK\$377.1 million.

The Board of Directors does not recommend the payment of any final dividend (1999: Nil).

BUSINESS REVIEW

After the financial turmoil in 1997, the economy of most of the Asian countries including Hong Kong gradually recovered during the year of 2000. Therefore, the Group performed prominently for the year ended 31 December 2000. Total turnover increased by 9.7% to HK\$659.8 million compared with last year. The Group recorded a net profit of HK\$32.5 million, comparing to a net loss of HK\$44.9 million in 1999.

Owing to the improving political situation and stable investment environment, most of the sizeable firms engaging in the electronic industry from North America and Japan have moved their subcontracting activities to the Mainland China. The Group's electronic products business largely benefited from this move. On the other hand, new products like digital compass, household electronic products and radio control clocks attracted more customers. As a result, turnover increased by 14.1% to HK\$456 million for the year under review. In addition to the effective cost control measures, the electronic product business performed very satisfactory.

For the manufacture of PCBs, although price competition in the market was still high, a growth of 27.8% in turnover was recorded during the year of 2000. Turnover amounted to HK\$137.5 million for the year ended 31 December 2000. Loss suffered by the printed circuit board ("PCB") operations was significantly reduced as a result of the effective cost and quality control policies. It is expected that the PCB business would have profit contributions to the Group in the years to come.

In view of the keen competition in the trading of electronic components and parts both in Hong Kong and the Mainland China, the Group has significantly scaled down the trading and distribution business in the second half of the year under review. The sales and representative office in Shanghai and Shenzhen were closed in July and August, respectively, during the year. Therefore, turnover for the trading and distribution of electronic components and parts for the year ended 31 December 2000 decreased by over 50% compared with 1999.



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In September 2000, the Group has completed the sale of 45% interests in the PCB operations to Cedar Base Electronic (Group) Limited ("Cedar Base"), a listed company in Hong Kong, at a consideration of HK\$67.5 million. The consideration was satisfied by the allotment and issue of 178,250,000 new Cedar Base shares, representing approximately 30.8% of the enlarged issued share capital of Cedar Base. The Group recorded a gain of HK\$33.4 million arising from this transaction. Before the year end, the Group has disposed of 16,000,000 Cedar Base shares. The Group considers the remaining interest in Cedar Base to be a short term investment and will dispose of such interest based on market condition.

Through four placements of new shares during year 2000, the Group raised funds of approximately HK\$149.4 million. With sufficient resources on hand, the Group has been searching for various investment opportunities. The Group has started the business of short term loan financing. Due to unforeseen circumstances, the performance of the short term loan financing business was less satisfactory.

In view of various positive measures launched by the Government of the HKSAR in relation to Hong Kong residential property market, the Group purchased three residential properties, amounting HK\$19.8 million for short term investment purpose.

FUTURE PLANS

It is generally believed that the economic growth in the United States of America may slow down in the year of 2001. However, most of the European countries have a sign of recovery in the recent months. The Group will closely monitor the changing market environment and formulate its business strategies on a conservative basis. In addition, diversification to other related electronic field is also our business plan in mind.

For the Electronic Products Division, more new products especially those with radio control features like electronic weather-forecast and wireless thermo-sensor will be developed to satisfy the customer needs. A selected range of electronic products are being promoted with our own brand "iDigit" through a number of household stores in Hong Kong. It is going to pave the way to establish the Group's product image and to explore the local retail market in the coming future.

For the manufacture of PCBs, concentration on orders with large quantity and high-end products with higher margin will be our targeted marketing strategies. In the coming year, certain enhancement program will be considered on the production equipment mainly for the reduction of operating costs and the enlargement of the production capacity.

Although the trading and distribution of electronic components and parts business will still confront with keen competition, our good relationship with well-known Japanese electronic groups will place us in a more favourable position. The Group's trading division is undergoing a restructuring plan and we are negotiating various distributorships and agency agreements with potential business partners.

The Group is in a position of solid base and will continue to explore suitable investment opportunities to enhance its earning base and acts promptly as and when suitable opportunities arise.



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On behalf of the Board of Directors, I would like to take this opportunity to express our appreciation to all our staff for their conscientious efforts and dedication over the past year.

On behalf of the Board

Yau Tak Wah, Paul

Chairman

Hong Kong, 20 April 2001

