

CHAIRMAN'S STATEMENT



Chairman
LEUNG Kai Ching, Kimen

I am pleased to announce the annual results for the year ended 31st March 2001.

During the year, the Group recorded a total turnover of approximately HK\$3.9 billion, an increase of 20% over last year's figure of HK\$3.2 billion.

Profit attributable to shareholders was HK\$83 million, a decrease to 5% compared with last year's figure of HK\$88 million.

Earnings per share for the financial year were HK16.4 cents (2000: HK18.3 cents).

Subject to the approval of shareholders at the forthcoming Annual General Meeting, the Directors recommend a final dividend of HK3 cents per share. This, together with the interim dividend of HK1.5 cents per share already paid, gives a total dividend of HK4.5 cents per share for the entire year.

BUSINESS REVIEW

Overview

The year 2000 presented the electronics industry as a whole with many challenges, due especially to a global shortage of components and raw materials which caused prices of integrated circuits and plastic resins to rise sharply. However, the Group's management was able to anticipate these developments and was ready and prepared to deal with them. By taking timely steps to secure stable supply sources, and by reducing additional costs where possible, we were able to optimize conditions within the Group in the face of industry-wide difficulties.

While imposing effective cost controls on materials, the Group did not neglect investment, spending about HK\$54 million on new surface mount technology (SMT) facilities during the year to enhance productivity. SMT not only enables us to respond to demand from existing OEM customers by producing a wider variety of technologically sophisticated products, it also attracts attention from potential new customers looking for high manufacturing specifications. This investment has further enhanced the reliability and quality of our products, lowering our labour costs and, most importantly, allowing us to produce complex products effectively and efficiently.



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It is axiomatic that long-term funding is vital to the manufacturing industry, since it provides the stability that enables companies to grow and develop. With this in mind, in October 2000 the Group secured from its bankers a three-year term loan of HK\$250 million, thereby gaining an enlarged pool of working capital that will allow us to expand our current businesses as well as develop new high-end products. We are particularly pleased with the positive relationships we have been able to build with our bankers, this loan demonstrates the level of their confidence in the Group's current and future development.

Business Development

The year under review saw the Group placing increased emphasis on developing new high-end products, and on diversifying its product mix to include product segments with strong growth potential, with a view to capturing new market share.

Audio-Visual and Telecommunication Products

As analog products drift into obsolescence, consumers globally are enthusiastically embracing the latest in digital consumer electronics. Consequently, audio-visual products continued to be one of the Group's major sources of income in 2000. Demand for our existing audio products, such as hi-fi systems utilizing proprietary 5 disc changer and other advanced features like MD record/playback and Dolby Prologic sound effects, remained stable. We also continued to cooperate with several large OEM customers to develop high-end audio-visual products, and are confident that our new range of DVD players, incorporating many advanced special features, will be very well received.



Returns from our telecommunication products remained steady, and development has continued to progress. In addition to existing products such as our 900MHz cordless phone series, we developed a range of high frequency telecommunication products, including our Digital Enhanced Cordless Telecommunications (DECT). These DECT products began shipment late in the third quarter of 2000, enabling us to grasp new opportunities in Europe in what is a rapidly growing product segment. A series of 2.4GHz digital



cordless phones are currently under development for the North American market, and are due to appear in 2002.



Digital Information Appliances and Internet Services

The latest market trend in the world of high technology is to incorporate sophisticated wireless capabilities into rapidly emerging Internet technologies. The Group intends to play a full part in this development, and is currently applying innovative ideas to products

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such as web browsers, Internet telephones, personal digital assistants, and MP3 players. Our innovations are now taking shape, with launch schedules planned for 2002.

In the first quarter of 2001, the Company, together with three other listed companies in the industry, launched an independent exchange platform – eGlobalex – for trading in electronics components. The benefits of this e-trading facility are twofold, increasing our available sources of supply and enabling us to source components at lower prices. Furthermore, adopting the simplified trading procedures used on eGlobalex can also reduce procurement and administration costs.

Research and Development

The Group recognizes the importance in our industry of being at the forefront of ever-changing technologies, and this is reflected in the emphasis we place on R&D. With a number of specialized R&D teams based around the globe, including Hong Kong and the PRC, North America and the UK, we are well positioned to remain in the vanguard of cutting-edge development in the electronics industry.



Opening our new R&D center in Shenzhen in July 2001 is in fact a strategic move in more than one direction. Our new PRC base enables us not only to leverage the technical expertise currently available in the Mainland, but at the same time to reduce our operating costs.

Quality Assurance

A bottom-line expectation of today's consumers is ever-improving quality, and the Group is committed to raising the quality of its own products by improved productivity and increasingly stringent quality control systems. Our prime quality assurance target for the coming year is to achieve ISO9000: 2000 certification. Overall, our foundation principle is to deliver the highest quality products to our broad and demanding customer base, and this principle underlies our diverse goals of developing new and high-end products, diversifying our product mix, and streamlining our production facilities.

FUTURE PROSPECTS

Despite difficult existing market conditions, the management is confident that the Group's competitiveness will remain strong. By expanding our production facilities, widening our market, and committing ourselves to R&D and product development, the Group has shown a practical awareness of what today's customers require.



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Our focus remains firmly on existing core products, but this is now being complemented by our development of new sophisticated high-end products, as we anticipate the direction of future customer demands. Nowadays, customers also come with increasingly complex technical requirements, or challenging demands for high volume, and our state-of-the-art manufacturing facilities ensure that we can satisfy these needs. Equipped with the most advanced SMT technology available, our totally integrated and fully structured production lines ensure that our customers will continue to receive products of the highest quality and the highest value.

The PRC's imminent admission to the World Trade Organization will shortly bring with it new and valuable opportunities, especially as import tariffs are lowered. The Group, with its Shenzhen operation giving it an on-the-spot presence, will be well positioned to take advantage of the tremendous growth potential in the PRC market. We believe that opportunities in the PRC will provide an important key to the Group's future development.

APPRECIATION

Finally, I would like to extend my sincere thanks to all our staff, management and shareholders for their invaluable dedication, commitment and support over the past year.

LEUNG Kai Ching, Kimen

Chairman

Hong Kong, 12th July 2001