

CHAIRMAN'S STATEMENT



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SUCCESSFUL LISTING

2001 was a momentous year for the Group. Apart from achieving highly satisfactory results during the year, the Group also entered a new era with its listing on the Main Board of The Stock Exchange of Hong Kong Limited on 18 September 2001. Despite the global economic slowdown and "911 tragedy" in the US which resulted in stock market falls worldwide, we still received an over-subscription of 1.5 times in our share offering. This demonstrates the strong confidence that investors held in the Group's business and prospects. We are extremely appreciative of the outstanding performance of our stock, as the success of the initial public offering ("IPO") relied very much on the support of our shareholders and financial professionals.



FINANCIAL RESULTS

Despite the depressed global economy and intense competition in the electronics industry, the Group recorded positive results. In the fiscal year ended 31 December 2001, the Group's turnover rose to approximately HK\$441 million, showing an increase of 61.3% as compared to approximately HK\$274 million in 2000. Net profit from ordinary activities attributable to shareholders increased to approximately HK\$50 million from last year's of approximately HK\$31 million, representing a growth of 60.8%. This amount was 11.3% higher than the profit of not less than HK\$45 million forecasted during the IPO.

DIVIDEND

The Board of Directors recommends a final dividend of 2 HK cents per share for the year ended 31 December 2001.

BONUS SHARES AND BONUS WARRANTS

The Board of Directors also recommends a bonus issue of new shares to be distributed to the shareholders whose names appear on the register of members of the Company on 8 May 2002 on the basis of two bonus shares for every one ordinary share of HK\$0.01 each in the issued share capital of the Company held. Based on the issued share capital of the Company as at the date of this report, 960 million additional ordinary shares of HK\$0.01 each will be issued as bonus shares. The bonus shares will rank pari passu in all respects with the ordinary shares of the Company in issue on the date of allotment but shall not be entitled to the proposed final dividend for the year ended 31 December 2001.

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The Board of Directors also recommends to grant bonus warrants to the shareholders whose names appear on the register of members of the Company on 8 May 2002 on the basis of one bonus warrant for every five ordinary shares of HK\$0.01 each held in the enlarged issued share capital of the Company, including the 960 million bonus shares stated above, at an initial subscription price of HK\$0.40 per share. Based on the issued share capital of the Group as at the date of this report and the 960 million bonus shares stated above, 288 million bonus warrants would be issued.

BUSINESS REVIEW

During the year ended 31 December 2001, the Group was able to sustain growth which was mainly attributable to our solid client base, strong research and development capabilities, stringent quality and cost control measures, and healthy financial position.



The Group's major markets are in India and Asia, accounting for approximately 60% of total turnover. The huge market potential in these areas have generated many positive and prosperous prospects for the Group.

The launch of the Euro on 1 January 2002 brought in numerous opportunities for the Group. As a forerunner, we diversified the variety of our products with a series of Euro converters, which were proactively designed and manufactured to meet the needs of the market. In November 2001, we received order to produce 6 million Euro converters, the single largest order placed among local manufacturers, from the Italian Government. This large order marked a major step in our expansion into the European market.

In addition to our current geographical distribution, the Group is exploring the Eastern European and Russian markets with products under our own brand names, KADIO and TAKSUN, and receiving orders from these new markets. Leveraging our long history in designing and manufacturing calculators, established brand names and good reputation, we will continue to produce competitive quality products to further strengthen and expand our market share.

PROSPECTS

In view of the enormous market demand, we will invest to enhance our competitive edge in production technology, research and development, and product services. To this end, the Group will acquire additional machinery and equipment to enhance the production capabilities of both products and components.

In June 2001, the Group commenced liquid crystal displays ("LCDs") commercial production, receiving a positive response from market trials. The Group finished the installation of another advanced LCDs production line by mid of March 2002. After the commencement of operation of such production line, the monthly capacity is expected to be 110,000 units, which is more than double the existing capacity of 50,000 units per month. It will enable the Group to produce LCDs for products with specific requirements, thus, improving overall production flexibility. It will also save time and lower production costs, and reduce our reliance on suppliers. The LCDs produced will not only serve as parts for the Group's products, but will also be sold to other manufacturers in accordance with market needs, generating a new income source for the Group.



As the new LCDs production line is equipped with highly sophisticated technology, it will produce high-end LCDs. Additionally, the Group will be able to produce advanced supertwisted nematic-liquid crystal displays by upgrading the new LCDs production facilities. This new production line will both strengthen the Group's production capacity and enhance our abilities to produce hi-tech products.

We are in the process of constructing a new factory premises and an office building adjacent to our existing production plant. The site area for the new building consists of approximately 39,000 square meters which is 1.5 times as large as our existing one. The new premises, which will be used for the production of LCDs and calculators, and integrated parts for these products, as well as the Group's offices, will improve production efficiencies and minimise production costs. Construction is expected to be completed in early 2003.

APPRECIATION

On behalf of the Board of Directors, I would like to express my sincere gratitude to the management and all colleagues for their efforts and contribution during the past year. I would also like to take this opportunity to thank all our shareholders and suppliers for their kind support. The Group is committed to developing quality hi-tech products to bring in better returns for our investors.

Lam Ping Kei

Chairman

20 March 2002