

BUSINESS SUMMARY

The audio division was the most successful division last year. It continued to acquire new ODM customers during the year despite a slow down in the consumer demand in traditional audio products. However, due to sharp drop in prices of finished products, turnover for the division declined marginally. Gross profit margin improved 27% with the large proportion of ODM business, the Group's efficient material management and quality control.

The video division, which emphasized on its digital video products, experienced a significant decline of 47% in margin as the products entered into a mature phase during the year and prices dropped. The latter resulted in a decrease in turnover.

The in-car electronics division fared better especially during the second half of the year when car sales improved significantly in the US. The decline in turnover narrowed from 20% in the first six-month to 4.5% for the whole year. Profit margin for this division was similarly squeezed as the video division and registered a decline of 24% in gross profit margin.

The networking division achieved satisfactory business growth. Despite the worldwide slow down in investment and over-supply situation in the networking infrastructure industry, demand in China remained stable with expectation of growth in demand following the joining of the WTO.

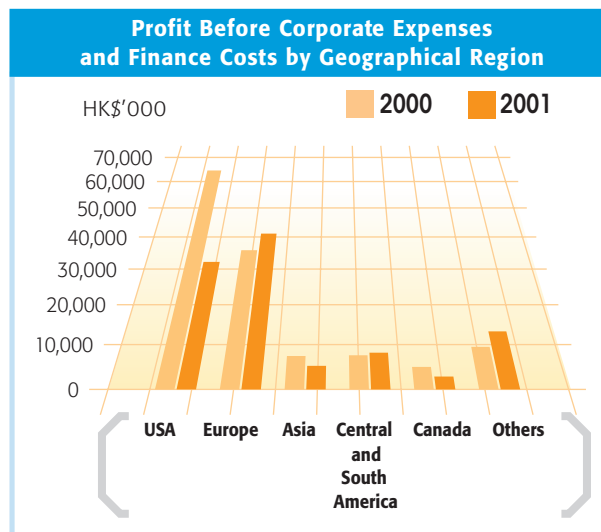
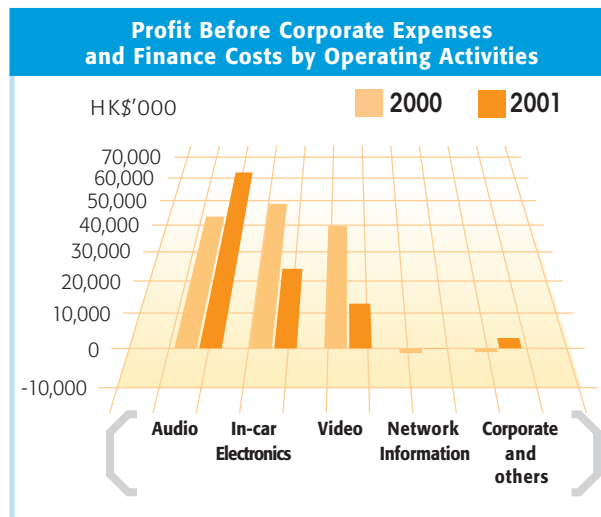
The higher proportion of ODM business had produced other benefits to the financial results of the Group last year. The Group's provision (warranty provision) on possible return goods under our brand names was substantially reduced from HK\$43 million to HK\$19 million.

The Group's investment in E-Global Electronics Trading Platform Limited has not begun to yield returns during the year. The Group has not made any material acquisitions and disposals of subsidiary or associated company in the course of the financial year.

RESEARCH AND DEVELOPMENT

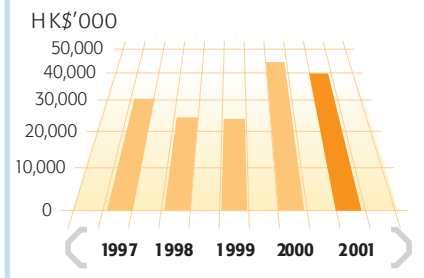
The Group continues to maintain that new products will remain the key elements for the growth of its market share. Over the past year, the Group invested HK\$40 million in such research and development, resulting in launches of new products. This is also a key to the success of the ODM business of the Group.

The Group is expecting to make a similar amount of investment in this section of our operation during the current year.

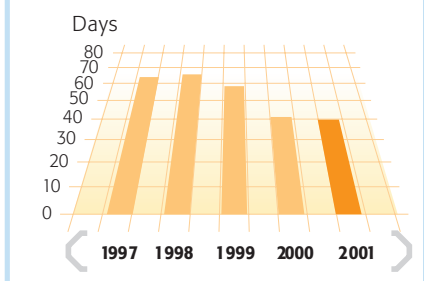


MANAGEMENT DISCUSSION AND ANALYSIS

R & D Expenditure



Inventory Turnover (Day)



INVENTORY MANAGEMENT

Inventory turnover period remained steady while the implementation of ERP system continued with the purpose to increase logistics efficiency.

FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity of the Group was at a satisfactory level with cash and cash equivalent at 31 December, 2001 of HK\$221 million, mainly held in US dollar and Hong Kong dollar denomination. The Group's liquidity was enhanced with the successful arrangement of a syndicated bank loan in three-year term for HK\$100 million during the year. In addition, this loan benefited the Group with reduced borrowing cost as it had more favourable interest spread than the syndicated loan arranged in the previous year. A reduction of 18% in finance expense was achieved during the year. Both of these loans were with rates based on the Hong Kong Inter-Bank Offer Rate "HIBOR."

Gearing ratio, calculated by total borrowings from banks and financial institutions net of cash divided by tangible net worth, improved to an unprecedented low level of 7.9%. Aside from the two syndicated loans drawn over the past two years with a total outstanding of HK\$199 million, the Group has no other long-term debt. The Group's capital structure remains at a satisfactory level and considered its financial resources adequate to support the business in the coming year.

At the end of the year, the Group had contingent liability, consist of bills and post dated cheque discounted, a counter indemnity given to the controlling shareholder of an associated company and employee long service payment exposure, of totally HK\$274 millions. At that time, no asset of the Group was pledged.

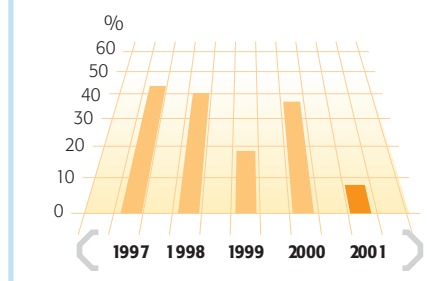
EXCHANGE EXPOSURE

Sales and purchases of the Group are mostly transacted in US Dollar denomination. The Group considered its exchange exposure adequately managed.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December, 2001, the Group had 11,900 (2000: 13,200) employees. The Group remunerated its employees largely based on industry practice and performance evaluation. Apart from salaries, certain employees were entitled to provident fund, some employees were rewarded discretionary bonuses and participated in the Group's share option scheme.

Gearing Ratio



Shareholders' Fund

