

Chairman's Statement

On behalf of the Board of Directors (the "Directors"), I have pleasure to report the annual results of the Company together with the subsidiaries (collectively the "Group") for the year ended 31 December 2001.

FINANCIAL RESULTS

During the year under review, slowdown of the global economy continued and has significantly affected the Group's operating results. Consequently, the Group recorded a turnover of approximately HK\$187.0 million for the year ended 31 December 2001, representing a decrease of 12.6% from last year. Overall gross profit also decreased from approximately HK\$49.2 million in the previous year to HK\$29.4 million this year.

Because of the decreases in turnover and gross profit margin, the Group has a net loss attributable to shareholders of approximately HK\$10.6 million (2000: HK\$6.4 million net profit). Loss per share for the year ended 31 December 2001 amounted to HK4.23 cents (2000: earnings per share HK2.58 cents).

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2001.

BUSINESS REVIEW

Electronic and related components and parts segment

The turnover of the electronic and related components and parts segment dropped by approximately 15% as compared with the previous financial year.

During the financial year under review, the sluggish global economy was further aggravated by the September 11 incident in the United States. As a result, some of our customers of the silicone rubber keypads division had postponed their plan of launching new products into the market and reduced their product production scale. Moreover, we had also faced with pressure on price reduction from our customers. Though the new synthetic rubber component division and the precision plastic division achieved satisfactory growth in the year under review, the overall turnover and gross profit margin of this segment are still affected unfavorably by the general declining global economic situation.

During the year, we have continued our strategy to become a global supplier of critical precision components and parts. Accordingly, we have built up a strong team of sales and marketing professionals. In spite of the unsatisfactory sales level during the year, we are pleased to report that our sales and marketing team have successfully broadened our overseas customers base and secured sales orders from some renowned multinational corporations.

The products of this segment are major critical components and parts for high value added consumer products. Our customers, in particular multinational corporations, have a very high demand on our product's quality and our services. Therefore, during the year, we have implemented various changes so as to meet the increasing stringent requirements from our customers. These changes, which include improving our technical and product development skills, tightening the quality control system and upgrading our production facilities so as to automate certain production processes, have brought positive results to our capability to serve customers' needs. Moreover, we have successfully developed various new products with value added features. These new products have been well received by our customers and we have obtained orders for these products for delivery in the year 2002.

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Consumer electronic products segment

Though the turnover of this segment had declined by more than 22% in the first half year as compared with the corresponding period last year, its sales performance has improved in the latter half year. The total quantity of consumer electronic products shipped during the year under review is approximately the same as the prior year. However, due to keen competition amongst suppliers leading to reduction in product price, turnover declined by approximately 9.7% from year 2000.

Our Group has established well in the European market, in particular German market. Therefore, sales to the European market have been growing steadily.

With our increased marketing efforts to potential customers in Asian region, we have succeeded in developing business with another large OEM Japanese customer this year. Several OEM products have been developed for this customer. We have also developed new products targeting the American market and started to market them to potential customers in that region. Contributions to sales and profit from these geographical segments are expected in the coming year.

Strategic investment

In April 2000, the Group has made a strategic investment in a software development company Xteam Software International Limited ("Xteam"). Xteam is a leading Linux software company in China and has its shares listed on the Hong Kong Growth Enterprise Market since late December 2001. The Group currently holds approximately 6.6% of issued shares of Xteam. Based on the prevailing market prices, the Group has a significant capital gain to be realized. Apart from this strategic investment, the Group does not have other related investment.

FUTURE PLAN AND PROSPECTS

Year 2001 was a difficult year to most manufacturers as the market sentiment was pessimistic and consumer demand dropped significantly. However, since the beginning of year 2002, there are signs that the economy of the United States is improving. This should benefit the export-oriented industries in Hong Kong and Mainland China.

The Group's near term goal is to capture opportunities in Mainland China following its accession to the World Trade Organization. We expect that the demand for critical components and parts in the China market will be increasing significantly. Therefore, we have planned to strengthen our presence in the China so as to capture this golden opportunity for business growth.

As part of our continuing cost control and reduction measures, the directors together and the Group's senior management have accepted to reduce their salaries since the beginning of year 2002. On the other hand, we expect the year 2002 sales revenue would increase as there will be increased businesses from the broadened customer base and orders for our newly developed value added products. Therefore, we are confident that the operating results of the Group will be improved in year 2002.

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APPRECIATION

I would like to take this opportunity to thank the directors and the Group's senior management who have expressed their support to the Group and cast a vote of confidence to the Group's future by accepting salary reduction.

Moreover, on behalf of the Board, I would like to express my thanks and gratitude to all our staff for their loyalty and hard work and to our suppliers, customers and shareholders for their continued support.

Lai Pei Wor

Chairman

Hong Kong, 26 April 2002