

CHAIRMAN'S STATEMENT

(Amounts expressed in Hong Kong dollars)

BUSINESS REVIEW

Global economy faced severe decline in year 2001. As a result of September 11th incidence in the United States, the business environment has worsened even further. Weak demand in networking, telecommunication and power conversion had affected the Group's business.

For the year ended 31st December, 2001, the Group's turnover was approximately \$164 million, which represented a decrease of 32% over year 2000. Profit attributable to shareholders was approximately \$22 million, down 48% from year 2000. With the Group's implementation of effective and efficient cost control program, the Group had achieved a higher gross profit margin of 38% in year 2001 as compared to 37% in year 2000.

The Group continues to strengthen her presence in new markets and among new customers for Datatronic products in order to broaden and diversify her revenue streams. The Group has increased product development activities for military / aerospace applications, high reliability magnetics, telecommunications, DC/DC converters and automotive applications.

The DSL (Digital Subscriber Line) market has been a focal point of product development efforts for the Group in recent years as this technology offers an economical means of substantially increasing bandwidth in residence and small offices. The Group is well positioned with its portfolio of DSL products and will take full advantage of this market requirements.

The Group develops new products for the emerging technologies that support high-speed communications market. The Group continues to grow and prosper by using high volume manufacturing techniques to deliver high quality products worldwide. Further quality improvement can be achieved upon obtaining QS9000 certification by the end of year 2002.

As the Group continues to grow their current business in the future, plans are under way to expand into new markets through internal grown initiative and acquisitions including companies in the business of ethernet switch and routers for data acquisition and industrial control products.

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2002 OUTLOOK

The present slowdown in the electronics industry and global economy in general makes forecasting difficult. However, the group is seeing significant increase in design and quoting activities for component subassemblies in Europe and North America. The Group is taking every step to prepare for full participation upon economy recovery. Cost-cutdown efforts will continue in order to maximize operating profits as recovery proceeds. The Group intends to keep the balance sheet strong and cash position growing. In addition, the Group will remain very conservative for capital spending.

It is the Group's efforts to increase market share and market position, along with aggressive restructuring and cost-reduction activities. This will benefit the Group's performance immediately and into the future.

The forward-looking focus continues to characterize the Group as a vibrant and agile company. Each year there are new markets and technologies to enter into, greater technical challenges to meet and more opportunities at which to excel.

ACKNOWLEDGEMENT

I hereby express my gratitude to all directors, executive team and staff members for all their contributions and hard work.

By Order of the Board

Paul Y. SIU

Chairman

Hong Kong, 25th April 2002.