Letter to Our Shareholders

The financial performance of the Group's core businesses fared less spectacularly compared to last year as the worldwide economic slow-down caused a severe slump in global demand for our traditional product range, e.g. linear adaptors and chargers, and our product diversification plans met with some initial learning-curve related issues.

As anticipated in our report last year, the Group's core businesses have, this year, faced tremendous pressure from customers worldwide to reduce prices across the board due to a general slow down in sales orders and the continuous down-ward slump in global demand for mobile phone and other electrical/electronic products. This has, as your management had foreseen, affected the Group's performance for this year and will likely continue to do so in the near to medium term.

However, your management had already previously established long-range cost-cutting and financial control measures in anticipation of leaner times and the implementation of such measures has certainly helped the Group minimize its loss for this year. Your management is confident that such controls will continue to help the Group stem the worsening impact from negative global market conditions.

We have stream-lined our manufacturing facilities in the PRC by focusing operations in two main centers, namely, Songgang (Shenzhen) and Shanghai. This exercise had been carried out in phases during the year and was finally completed prior to 31st March, 2002. It entailed the closure of the Group's second Shenzhen plant in Fuyong and consolidating our electronics/electrical manufacturing operations wholly in Songgang.

As also previously reported, our rechargeable batteries production facilities and R&D Centre had also been moved entirely to Shanghai and this exercise was successfully completed before 31st March, 2002.

The total bill for the consolidation exercise, that resulted in our core manufacturing operations being centered in Songgang and Shanghai, had, no doubt, impacted our financial performance for the year. However, your management is of the view that the consolidation exercise was a prudent step that would help the Group minimize the continuing negative impact of the global recession in the ensuing months.

With the restructuring exercise entirely completed by 31st March, 2002, the Group had to record a non-cash accounting loss of HK$13 million which included a HK$7 million loss relating to share of results of associates and a HK$6 million loss in respect of non-operating items. Accordingly, the Group had to record a net loss for the year of HK$15 million.

From a cashflow point of view, the Group recorded a positive EBITDA ("earning before interest, taxation, depreciation and amortisation ") for the year of HK$14 million and a net cash inflow from operating activities of HK$57 million.

The financial position of the Group is still healthy given the poor global economic climate. On 31st March, 2002, the Group had bank balances, deposits and cash of HK$61 million with a total bank debt of HK$1 million, while the Group's net asset value was HK$231 million, with a healthy current ratio of 329%.

On 20th December, 2001, the directors of the Company had resolved to declare an interim cash dividend of HK$0.08 per share or HK$45 million which had already been paid to our shareholders in January, 2002. However, the directors of the Company resolved not to declare any final dividend for the year ended 31st March, 2002. Accordingly, the total dividend for the year would be HK$0.08 per share or HK$45 million.

On a more exciting note, we have begun to shift our business focus from an OEM manufacturer of traditional linear adapters to a provider of electronic/electrical manufacturing services ("EMS"). As the term suggests, an EMS provider has a wide variety of engineering and manufacturing capabilities that can offer a one-stop complete package to customers, e.g. from design through to production, assembly, quality control, packaging and shipping services. The Group's facilities in the PRC is equipped with state-of-the-art design, production, quality control, and R&D technology, machinery and equipment which gives us a definite edge in confronting the challenges ahead. Our production operations are also capable of multiple functions within the manufacturing process e.g. tooling, moulding, plastic injection, and coil winding, that can enable customers to have all components of their electronic/electrical appliance or product literally created under one roof.

Your management feels positively that the shift in business focus is the right move forward into the new millennium. Our major customers in the electronics and communications industries continue to merge, consolidate and/or restructure to drastically reduce cost. They, therefore, now demand a lower-cost, value-for-money alternative to multiple subcontracting, as was the industry practice previously. Giants like Ericsson and Motorola have already completely contracted out their manufacturing operations to single EMS providers like Flextronics and Microcell. We believe that this is the market trend and the process of our own internal change is expected to be completed within the next couple of years.

Ho Che Kong
Chairman & Group Managing Director

Hong Kong
22nd July, 2002