



Chairman

LEUNG Kai Ching, Kimen

I am pleased to announce the annual results for the year ended 31st March 2002.

We recorded a total turnover of approximately HK\$3.6 billion during the year (2001: HK\$3.9 billion), with profit attributable to shareholders at HK\$99 million, an increase of 19% compared with last year's figure of HK\$83 million. Earnings per share were HK19.3 cents (2001: HK16.4 cents).

Subject to the approval of shareholders at the forthcoming Annual General Meeting, the Directors recommend a final dividend of HK4.5 cents (2001: HK3 cents) per share. Together with the interim dividend of HK1.5 cents (2001: HK1.5 cents) per share paid, this makes a total dividend of HK6 cents (2001: HK4.5 cents) per share for the financial year.

BUSINESS REVIEW

Overview

The year under review presented the global economy as a whole with a number of unprecedented challenges. The global economy remains fragile, in reaction to the US economy's brief encounter with recession during the year and the tragic events of 11th September 2001. Various global industries experienced cyclical economic lows, with the electronics industry no exception.

Against this challenging background, our experienced management, healthy financial status and established business foundations have proven their worth, helping us improve our net profit by 19% during the year. By carefully monitoring and controlling the costs of materials, we were able to achieve these satisfactory levels of performance while maintaining high levels of product quality.

Earlier investment in Surface Mount Technology ("SMT") demonstrated its value during the year. Our SMT capabilities have already improved our ability to secure orders from existing clients and attract orders from potential clients such as those involved in computer peripherals and data storage, and the investment has thus contributed to an increase in profit margins and an overall boost in competitiveness.

In a move that will further sharpen competitiveness, our R&D capacity was boosted by the establishment of a 14,000 square feet R&D centre in Shenzhen. In recent years, many high fliers from renowned universities around China have migrated to Shenzhen, a rich recruitment source from which we have drawn high calibre personnel for our new R&D department. Shenzhen offers comparatively lower operational costs than Hong Kong, and with the transfer of some administrative operations to our Shenzhen office we expect to make significant cost savings without compromising the quality of our operations.

Business development

The year under review saw us remain dedicated to the development of audio-visual products, an ongoing source of reliable profit. To improve quality, retain regular customers and attract new ones, we have committed ourselves both to ongoing upgrading our research and development facilities and to achieving ISO9000:2000 certification.

AUDIO-VISUAL AND TELECOMMUNICATION PRODUCTS

Audio-visual products remained our major source of income in the year under review. On the strength of our quality products, efficient productivity and high capabilities, we have consolidated our strategic partnerships with some renowned electronic OEM customers. The result has been the production of a wide range of high-quality yet competitively priced audio-visual products, further strengthening our revenue base and leading to repeat orders.



Today's ever more sophisticated consumers are now demanding the availability of high end, high quality products with increasingly advanced specifications. This market trend lies behind the success of our Home Theatre Systems incorporating DVD players with built-in amplifier capabilities. Other advanced features of our products have also received highly positive responses from users over the year, including features such as Dolby Prologic surround sound effects and our patented 5CD changer. Over recent years, our audio-visual products have maintained solid market shares in both North America and Europe.



In the current telecommunications market, consumer demand is particularly focused on the superior transmission quality and increased capabilities offered by digital technology models. Since its European launch in 2000, the market for our Digital Enhanced Cordless Telecommunications ("DECT") range of high frequency telecommunication products has been consolidated, with demand reported to be steady. To meet growing North American demand for high tech phones, we will continue to develop and expand our series of 2.4GHz digital cordless phones for that market.

QUALITY ASSURANCE

We remain committed to producing quality products and maintaining the highest delivery standards. A major goal is to reach our prime quality assurance target by achieving ISO9000:2000 certification in 2003. We have also established a Quality Committee made up of members from all management levels that meets monthly to review our quality status and achievements.

PROSPECTS

Looking ahead, we believe that market conditions will gradually improve as economic confidence returns to the US, a situation that will be closely monitored in the coming months. By consolidating our resources to maximize productivity and profitability, we will be ready to take advantage of signs of economic improvement. We will maintain our focus on the North American and European markets, but will also explore possible business opportunities in other new markets for future expansion. At the same time, we will strengthen our strategic partnerships with existing OEM/ODM customers while seeking other promising co-operative ventures to improve profitability.

To further expand our existing markets, we will diversify our product mix by the end of 2002 with the development of more digital products, including computer peripheral products, LCD-TVs with DVD players, and DVD+VCR Combo players/recorders. Our continuing investment in R&D enables us to continue developing new digital products that meet the demands of increasingly sophisticated consumers, and respond rapidly to changing market trends.



The recent renovation of some of our existing manufacturing facilities saw the introduction of anti-electrostatic floors and clean zones which provides an advanced area for the manufacture of high end products, especially computer peripheral products. The acquisition of 36 additional sets of SMT equipment will boost our production processes, increasing both the scale and cost efficiency of our manufacturing operations.

Looking towards the PRC market, it is widely believed that China's WTO membership and the hosting of the 2008 Olympics will provide many opportunities for increased foreign trade in China. We enjoy an established reputation for quality manufacturing, and we believe we are now well situated on the doorstep of the PRC market.

In the 34 years since our first establishment in Hong Kong, we have witnessed many fluctuations within the electronics industry. The end of 2002 will mark the tenth anniversary of our listing on the Main Board of The Stock Exchange of Hong Kong Limited. Over the last decade, we have laid solid business foundations and maintained satisfactory performance and a steady growth. We have also shown ourselves committed to developing high quality products, putting in place viable cost control measures, guaranteeing on-time delivery, and exploring new business opportunities. By leveraging these valuable and well-developed business qualities, we are confidently optimistic of our ability to offer shareholders ever better returns in the years ahead.



APPRECIATION

Finally, I would like to extend my sincere thanks to all our staff, management and shareholders for their invaluable dedication, commitment and support over the past year.

LEUNG Kai Ching, Kimen
Chairman

Hong Kong, 11th July 2002