

To the Shareholders,

On behalf of the Board of Directors (the "Directors"), I herein present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2002.

During the year under review, sales were approximately HK\$256.5 million, representing a decrease of approximately 6.9% from the prior year. A net loss from ordinary activities attributable to shareholders of approximately HK\$63.4 million was recorded, resulting in a basic loss per share of HK6.63 cents.

I believe you all realise that this was a difficult and challenging year. On one hand, the global economy still remained stagnant and volatile which was reinforced by worldwide political conflicts and instability such as U.S.911 event, unfavourable stock markets and economic crisis in some South America countries. In addition, intense competition and severe price pressure in the electronics industry continued to affect the Group's performance adversely and as a result, the gross profit margin was unavoidably eroded. The management has adopted a prudent approach in assessing the recoverable amounts of assets.

To ensure the Group has adequate financial resources, the Directors have resolved not to recommend the payment of any dividend in respect of the year.

However, the Group successfully reduced its gearing ratio, calculated as a percentage of total debts to equity, from approximately 63.5% as at 31 March 2001 to approximately 29.2% as at 31 March 2002 through raising funds from several placements of new shares during the year. The Group's indebtedness, including trust receipt loans, bank overdrafts and loans, mortgage loans and finance lease payables, has decreased from approximately HK\$82.3 million as at 31 March 2001 to approximately HK\$25.9 million as at 31 March 2002. In view of the economic uncertainty, I think you should agree that the management's strategy to reduce indebtedness is appropriate and one of the key factors to ensure the survival of the Group.

To improve the overall profitability, the Group has been implementing cost-cutting measures, such as reducing headcounts and ceasing to manufacture non-profit making products, etc. Moreover, the finance costs should decrease in the coming year following the reduced indebtedness. The management will also put effort on improving production logistics and workers' efficiency, and developing new products which may enhance the Group's gross profit margin.

Further, the Group is prepared to diversify its business to catch up on the global changing economy and growing markets such as the mainland China so as to reduce the overall business risk. The management is actively looking for good diversification opportunities. As advised the shareholders previously, the Group had an intention to expand its business in the satellite telecommunication field and was in discussion with certain potential partners who had expertise in this field. I would like to tell you that these negotiations are in satisfactory progress. Other than that, the management is appraising some investment opportunities in other fields. So far, the Group has not yet come up with any agreement from these negotiations.

Looking ahead, the coming year will continue to be challenging but I am optimistic on the Group's prospect because it has a healthy financial position and the management is on the right track of refining the business of the Group by re-engineering the core business and seeking good diversification opportunities.

On behalf of the Board, I would like to express our gratitude to the shareholders for their support given in the past and wish you to extend this support in the coming future.

**Tong Yiu Lun**

*Chairman*

Hong Kong

25 July 2002