

Chairman's Statement

The year 2001/2002 was a period during which our effort spared over the last few years in streamlining our operations, enriching our product mix and exploring new markets bore fruit, enabling us to strategically capitalize on strengths to pursue better value for our shareholders.

These measures are crucial to propel Sunway's conquest of new frontiers and continual corporate development. This is particularly relevant for Sunway as a player that has already enjoyed a dominant share in market.

To further our lead in the consumer electronics industry, Sunway always puts product and technology advancement high in our management priority.

Rapidly maturing technologies for consumer electronics and intensifying competition squeezed manufacturers' margins, pushing them to innovate in product designs and functionalities in an effort to stimulate sales and maintain profit.

Sunway always gives considerable weight to product research and development ("R&D"), believing investment in this area can engineer unwinding and realization of the capacity potential we accumulated during years of experience in vertically integrating our manufacturing operations.

Suitably implemented, R&D had supported positive growth in our turnover and sustainable gross margin against the background of severe price reduction pressure. On the back of an extremely rugged business landscape, our perseverance in maintaining a leading position in production capacity and product diversification also squeezed a lot of weaker counterparts out of competition, fostering better relationship with our existing and potential customers.

Electronic calculators, manufactured under OEM and ODM agreements and the Group's proprietary "Sunway", "Kenko" and "Gavao" labels, continued to be a stable backbone of our revenue base. This stability provided room for us to develop other electronics-backed devices including television game consoles, digital timepieces, electronic dictionaries and organizers, calculators with currency conversion functions that command higher prices and margins.

Already reached a leading position in capacity, we believe continuous growth for Sunway can only be possibly achieved through ongoing product innovation, market diversification, effective cost control, disciplined manufacturing and operations management and maintenance of high staff morale.

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Our resources endeavored to R&D has always been above the industry average. We have been blending in the industry's best technical, design and costing capabilities to maintain a product mix that strikes optimal balance between margin and volume.

To effect better management control over the expanding scope of businesses, we have re-aligned our operations under distinctive business entities. The restructuring will also bring tax benefits to the Group in the next few years.

As part of our ongoing initiative to foster staff morale and efficiency, we plan to refurbish the staff quarters in our manufacturing base in Fujian that currently accommodates some 7,000 workers. Establishment of childcare and kindergarten facilities will also come as part of this plan.

Sunway has been enjoying a leading position in the consumer electronics industry for years, winning over its closest peer by a comfortable margin. We believe only through discipline, diligence and dedication can we maintain this position and survive in this extremely competitive environment. We will continue to maintain a close scrutiny in the key areas of management including inventory, delivery logistics, defective rate control, research and development and production management.

Sunway has been successful in sustaining its status as one of the world's largest manufacturers of calculators. Our next task is to increase shareholders' value through product mix enhancement, innovation and efficiency improvement.

This year we saw a noted improvement in revenue, profit, cost and other key areas of operation. I am sure that we have already been on our way to a period of sustainable growth. I wish to thank all of our staff and business partners for your hard work and devotion over the period under review.

Wong King Ching, Helen
Chairman

23 January 2003