

## CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Directors"), I am pleased to report the annual results of the Company together with the subsidiaries (collectively the "Group") for the year ended 31 December 2002.

### FINANCIAL RESULTS

For the year ended 31 December 2002, the Group's turnover reached HK\$200.7 million, representing a 7.4% increase over the previous year. Overall gross profit margin was also improved and increased from approximately HK\$29.4 million in the previous year to approximately HK\$33.0 million this year. Net profit attributable to shareholders was approximately HK\$1.1 million (2001: HK\$10.6 million net loss).

Basic earnings per share for the year ended 31 December 2002 amounted to HK0.42 cents (2001: HK4.23 cents loss per share)

### BUSINESS REVIEW

#### **Electronic and related components and parts segment**

The Group's electronic and related components and parts segment comprises manufacture and sale of keypads, synthetic rubber and plastic components and parts, and liquid crystal displays. In the year under review, sales turnover of this segment has increased by approximately 11% as compared with the previous financial year.

During the financial year under review, the global economy remained sluggish. In spite of the poor economic situation, the Group obtained steady orders from its established customers and has successfully secured orders from new customers. As mentioned in the last annual report, the Group's near term goal is to capture opportunities in Mainland China following its accession to the World Trade Organization. Our continued marketing effort in China has resulted in increased sales turnover to this market during the year.

The products of this segment are major critical components and parts for high value consumer products. Due to keen market competition, the Group has faced with pressures from both customers and competitors in the market. This leads to reduction in the gross profit margin of the existing products of this segment.

Since the previous two years, we have continued our strategy to become a global supplier of critical precision components and parts and therefore have recruited a team of sales and marketing professionals for serving overseas customers and multinational corporations. With broadened overseas customers base, we believe that our overseas marketing team would start contributing profit to the Group in the coming year.

## CHAIRMAN'S STATEMENT

### **Consumer electronic products segment**

The consumer electronic products segment has achieved approximately 3% increase in sales turnover from the previous year. Although the sales level remained at approximately the same level as last year, the operating results of this segment have been improving through the continuous efforts of the management in cost reduction and development of new value added products for customers' selection.

European market has been the major market of the consumer electronic products segment. In the first half of the year under review, the sales turnover of this segment to the European market was approximately 13.2% lower than the corresponding period in the previous year. However, in the second half of the year under review, the sales to the European market have returned to a satisfactory level and the overall sales turnover for the year is not much different from that of last year significantly.

With the strengthening of Euro dollars, we are optimistic that the demand from the European market and hence the growth of our sales turnover to the same would sustain.

In the past years, we have increased marketing efforts to potential customers in Asian region and have succeeded in developing business with several large OEM Japanese customers. We are pleased to report the sales to the Japanese market have been increased by more than 2.5 times from last year.

### **Investment**

In April 2000, the Group made a strategic long term investment in a software development company Xteam Software International Limited ("Xteam") with the intention to develop certain operating software system jointly with Xteam for the Group's new consumer electronic product lines. Owing to changes in market condition, the Directors decided to end such new product's development. As a result, during the year under review, the Group disposed of all of the investment in Xteam and has realized a net capital gain on this long term investment of approximately HK\$9.3 million.

On 29 October 2002, the Group's wholly-owned subsidiary Technology Trends International Limited ("TTI") entered into a memorandum of understanding with YOUEAL Electronics Co. Limited ("YouEal") for the formation of a joint venture company in Mainland China for the manufacture and sale of mobile phone keypads. YouEal is a Korean company with its share listed on KOSDAQ Stock Market and is principally engaged in the design and manufacture of mobile phone keypads and inter-connectors to transmit electric signals to LCDs.

Subsequent to the balance sheet date, on 20 February 2003, TTI finalized and entered into a shareholders' agreement with YouEal and You Eal (China) Ltd. to, among other matters, regulate the respective rights and obligations of the shareholders and the arrangements between them with respect to the ownership, management and operations of the joint venture company (the "JV"). The JV company is owned as to 41% by the Group and is treated as an associated company of the Company. The aggregate amount to be contributed by the Group in funding the JV company would be US\$4.1 million.

The JV was formed as a special vehicle to act as the holding company of a wholly foreign-owned enterprise (the "WFOE") established in Tianjin, the PRC. The scope of business of the WFOE is manufacturing and sale of mobile phone keypads.

## CHAIRMAN'S STATEMENT

### FUTURE PLAN AND PROSPECTS

Leveraging on the experience of the Group in the manufacture and sale of electronic components and parts including keypads, the Directors consider that the investment in the manufacture of mobile phone keypads through the JV company would create a synergy effect to the Group's existing business. The Directors are also of the view that the experience and expertise in the manufacture of mobile phone keypads of YouEal would certainly be beneficial to the WFOE.

In order to enhance the profit margin of the electronic and related components and parts segment, we have been developing products with new value added features for meeting demand from our customers. During the year, new machines were acquired and facilities are set up for the manufacture of certain newly developed products. It is expected that the new products would bring additional revenue and profit to the Group in year 2003.

We have also been developing consumer electronic products with new features for our customer's selection and have planned to launch several new products in the near future. We are confident that the performance of the consumer electronic products segment would improve significantly in the coming year.

### APPRECIATION

On behalf of the Board, I would like to express my thanks and gratitude to all our staff for their loyalty and hard work and to our suppliers, customers and shareholders for their continued support.

**Lai Pei Wor**

*Chairman*

Hong Kong, 25 April 2003