

CHAIRMAN'S LETTER

The year 2002 was a new start for the Group. After the investment of the new shareholder, CCT Telecom, the Group immediately turned around from its past heavy loss-making situation. I am very pleased to report that the Group recorded a net profit of HK\$98.2 million on turnover of HK\$106.4 million for the fifteen months ended 31 December 2002.

CCT Telecom injected new operating capital and business into the Group through a restructuring of the Group. After the completion of the restructuring on 17 May 2002, the Group's severe financial straits were then resolved. Share trading in the Company was resumed on 7 June 2002 after its suspension for more than fifteen months. A new management team joined the Group to reactivate the operations and to manage the newly injected business.

In June and July 2002, we placed shares and convertible notes to independent investors and successfully raised HK\$37.4 million for the Group. The success of the placements not only provides additional funding for the Group's operation and expansion, but, most importantly, also signifies the confidence of the public in the new management.

On the management side, the Group now operates in a healthy environment and sufficient internal controls have been implemented. On the business side, we are now focusing on the manufacture and development of telecom products including linear and switching power supply products. CCT Telecom, whose core business is the manufacture and sale of cordless phones, is also one of the major customers of the Group in respect of power supply products. CCT Telecom is expanding at a high rate due to the satisfactory growth of its business in markets worldwide and we can expect to enjoy significant growth in our business due to the increasing demand from CCT Telecom.

Going forward, we will on one side continue to strengthen our research and development team to develop more innovative and high-end telecom products and components so as to increase our market share in the industry. On the other side, we will also explore and seize any valuable investment opportunity with the aim of expanding the Group through acquisition and co-operation.

Leveraging on the strength of our research and development team and the extensive business network of CCT Telecom, our major shareholder, as well as the leadership of our sound and prudent management team, we are confident that the future of the Group is highly promising and will be equally rewarding to both our staff and our shareholders.

On behalf of the Board, I would like to express our gratitude again to all of the staff and to the professional team for their contributions and efforts over the past year towards the successful completion of the restructuring of the Group.

Mak Shiu Tong, Clement

Chairman

Hong Kong, 15 April 2003

Disclaimer of the Board of Directors

The Board of Directors expressly disclaims any liability for the financial and other information of the Group disclosed in this report in respect of the transactions and assets and liabilities before 17 May 2002, for the reasons detailed in note 5 to the financial statements.



Mr. Mak Shiu Tong, Clement (Chairman)