

# CHAIRMAN'S STATEMENT

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## BUSINESS REVIEW

In 2002, the Group experienced a dramatic and prolonged business contraction in electronics markets and softening demand in electrical markets driven by weakening global economic conditions. Weak demand in networking, telecommunication and power conversion had affected the Group's business and profit.

For the year ended 31 December 2002, the Group's turnover was approximately HK\$115 million which represented a decrease of 30% over year 2001. The Group has also reported a net loss attributable to shareholders of approximately HK\$4.5 million or HK1.4 cents per share, as compared to net profit of approximately HK\$22 million or HK7.6 cents per share with turnover of approximately HK\$164 million for year 2001.

The global technology industry has stabilized but market conditions remain difficult and no meaningful recovery can be expected for the first six months of year 2003. Nonetheless, our current sales remain stable. We are cautiously optimistic regarding the continuation of a slow and gradual recovery into the third and fourth quarters of year 2003, despite continued weakness in the central office telecom equipment market and the power conversion market.

The Group continues to believe that growth in its legacy customized and high reliability magnetic components business will increase in the next few quarters and in the future.

It is the Group's strategy and efforts to increase its market share and strengthen its market position, along with the aggressive restructuring and cost-reduction activities. The Group will continue to invest in personnel and new technologies to improve operational efficiency and product performance.

The Group remains focused on developing new generations of products that incorporate the latest designs and advanced technologies.

The Group remained strong in its cash position. We believe that our aggressive cost-cutdown activities have positioned us very well for the future. In the next cyclical business upturn, our cost structure will allow us to produce strong operating margins, maintain the significant strength of our balance sheet, and create a more valuable enterprise for our shareholders.

The forward-looking focus continues to characterize the Group as a vibrant and agile company. Each year there are new markets and technologies to enter into, greater technical challenges to meet and more opportunities at which to excel.

## ACKNOWLEDGEMENT

I hereby express my gratitude to all directors, executive team and staff members for all their contributions and hard work.

**SIU Paul Y.**  
*Chairman*

Hong Kong, 25 April 2003