

## Letter to Our Shareholders

The financial performance of the Group's core businesses fared equally without sparkle as that of last year as the worldwide economic slow-down continued to depress the global demand for our traditional product range, e.g. linear adaptors and chargers.

As anticipated, the Group's core businesses have, this year, faced continued pressure from customers worldwide to reduce prices across the board due to a general slow down in sales orders and the down-ward slump in global demand for mobile phone and other electrical/electronic products. The global trend of how customers place orders had shifted from a 3 to 6 months rolling forecast to on a "just in time" basis. This had changed our customer ordering pattern and exerted significant pressure for the Group in production and materials requisition planning. As a result, as your management had foreseen, the Group's performance for this year had been adversely affected and is likely to continue in the near to medium term.

However, your management had already previously established long-range cost-cutting and financial control measures in anticipation of leaner times and the implementation of such measures has certainly helped the Group minimize its loss for this year. Your management is confident that such controls will continue to help the Group stem the worsening impact from negative global market conditions.

We have started to stream-line our manufacturing facilities in the PRC by focusing operations in one main center, namely, Songgang (Shenzhen). This exercise is being carried out in phases and is expected to be completed before the next statutory reporting date. It entails the closure of the Group's battery manufacturing facilities and R&D center in Shanghai and consolidating our electronics/electrical manufacturing operations wholly in Songgang.

The financial performance for the year remains stable. Turnover for the year was HK\$321 million, down by 12% with a positive EBITDA (earning before interest, taxation, depreciation and amortization) of HK\$22 million, up by 57%.

With the restructuring exercise in respect of the closure of the Group's battery manufacturing facilities, a non-operating item of HK\$18 million (relating to the write off of certain assets and provision for restructuring expenses) had been recorded by the Group in the current year. We are pleased to add that it is the intention of the Group to strategically cease the manufacturing of batteries but continue with battery trading activities after this restructuring exercise.

After taking into consideration the above mentioned non-operating loss, the Group, therefore, had to record a net loss for the year of HK\$18 million.

On the financial management side, the Group follows a policy of prudence in managing its cash balance, and maintains a high level of liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business.

As at 31st March 2003, cash and bank balances amounted to HK\$59 million with certain trade loans amounting to HK\$11 million (net cash of HK\$48 million), while the Group's net asset value as at 31st March 2003 was HK\$191 million with a healthy current ratio of 355%.

On 21st July 2003, the directors of the Company have resolved to declare a final cash dividend of HK\$0.04 per share or HK\$22.3 million which will be paid to our shareholders on or before 30th September 2003. Together with the interim dividend of HK\$0.04 per share or HK\$22.3 million for the period ended 30th September 2002, the total dividend for the year will be HK\$0.08 per share or HK\$44.6 million.

## Letter to Our Shareholders

On a more exciting note, our shift in business focus from an OEM manufacturer of traditional linear adapters to a provider of electronic/electrical manufacturing services (“EMS”) in FY 2002 has started to see some results. As the term suggests, an EMS provider has a wide variety of engineering and manufacturing capabilities that can offer a one-stop complete package to customers, e.g. from design through to production, assembly, quality control, packaging and shipping services. The Group’s facilities in the PRC is equipped with state-of-the-art design, production, quality control, and R&D technology, machinery and equipment which gives us a definite edge in confronting the challenges ahead. Our production operations are also capable of multiple functions within the manufacturing process e.g. tooling, moulding, plastic injection, and coil winding, that can enable customers to have all components of their electronic/electrical appliance or product literally created under one roof.

Your management feels positively that the shift in business focus is the right move forward into the new millennium. Our major customers in the electronics and communications industries continue to merge, consolidate and/or restructure to drastically reduce cost. They, therefore, now demand a lower-cost, value-for-money alternative to multiple subcontracting, as was the industry practice previously. Many electronics giants have already completely out-sourced their manufacturing operations to single EMS providers. We believe that this is the market trend and the process of our own internal change is expected to be completed within the next couple of years.

**Brian Cyril Beazer**  
*Executive Chairman*

Hong Kong  
21st July 2003