Management Discussion and Analysis

FINANCIAL HIGHLIGHTS

— Turnover increased 25.1% to HK$892.9 million from last year of HK$713.9 million;

— Earnings before interest and tax increased 83.8% to HK$56.8 million from last year of HK$31.0 million; and

— Profit attributable to shareholders reached HK$53.8 million more than doubled the amount of HK$23.4 million of last year.

BUSINESS REVIEW

Turnover of the Group for the year ended 31st March 2003 increased 25.1% to HK$892.9 million from the depressed level of HK$713.9 million in the prior year. Thanks to the favourable impact of our "Value Creation" strategy, significant sales orders flew through and unit volume sales grew approximately 20.0% during the year. In addition, the Group's product mix had greatly improved and enabled the Group to enjoy higher average selling prices as compared to fiscal 2002.

Geographically, consistent with previous years, sales to North America accounted for the largest portion of the segment sales and vigorous growth of 61.9% increase in North America sales to HK$567.1 million was reported for fiscal 2003. Sales to Europe also increased 26.6% to HK$155.9 million. Both markets contributed almost the whole of the current year growth in sales.

The Group's gross margin slightly increased 60 basis point to 11.4% of sales from the prior year of 10.8%. Our success in the "Value Creation" strategy lied greatly on the investments in research and development ("R&D"). For the year ended 31st March 2003, total R&D expenses approximated 4.0% of sales as compared to less than 2.1% of sales during 2002. Excluding the effect of the disproportionate increase in R&D spending, the Group's overall gross margin increased 2.5% as compared to the prior year. The increase was mainly attributable to the Group's strategy of focusing on high margin products and supply chain management to improve efficiency in logistics.

Other revenues decreased HK$6.2 million, or 36.3%, due primarily to a reduction in interest income and subcontracting income. The reduction in interest income was mainly caused by the falling market interest rates and the substantial decrease in the Group's cash reserve following last year's cash distributions of HK$153.3 million. In addition, the growth in sales this year had reduced the capacity for subcontracting orders, resulting in the decrease in subcontracting income.

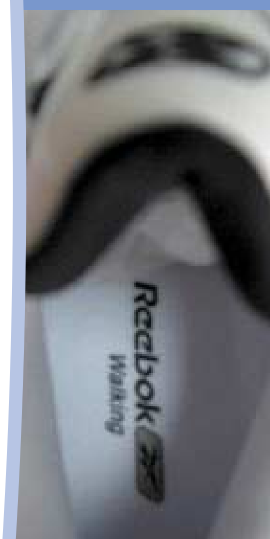
Management Discussion and Analysis

Our strategy of optimization of the Group's cost structure is on track. During the year, we closed our sourcing office in Taiwan with an aim at consolidating the Group's sourcing function in Mainland China. In addition, we streamlined the back-office functions in Hong Kong and shifted most of these activities to Mainland China. All of these initiatives were successfully implemented to lower the operational costs and reduce the general and administrative expenses from HK$63.1 million, or 8.8% of sales for 2002 to HK$56.0 million, or 6.3% of sales for 2003.

Earnings before interest and tax was HK$56.8 million, which almost doubled the amount of HK$31.0 million recorded last year. The Group continued to be essentially debt-free. Interest payments remained minimal this year and were made only in relation to small balances of temporary overdrafts. Taking into account of the provision of HK$3.0 million for the impairment loss on our office building in Hong Kong this year and last year's provision of HK$7.5 million for impairment loss on Indonesian investment securities, both of which were of a non-recurring nature, profit attributable to shareholders reached HK$53.8 million for the year ended 31st March 2003, which more than doubled the amount of HK$23.4 million last year.

DIVIDEND

An interim dividend of HK$3.4 million (HK$0.01 per ordinary share) for the financial year 31st March 2003 was approved and paid during the year and the directors proposed a final dividend of HK$0.03 per ordinary share, totalling HK$10.2 million, representing a total dividend of HK$13.6 million or HK$0.04 per ordinary share.



The dividend payout ratio for current year was approximately 25.3% of the profit attributable to shareholders.

FINANCIAL AND LIQUIDITY RESOURCES

As at 31st March 2003, the financial position of the Group continued to be strong. The cash and bank balances of the Group were HK$38.3 million as at 31st March 2003 as compared to HK$33.5 million last year. The Group had no bank borrowings except for a small balance of bank overdraft of HK$1.0 million and bills payable of HK$2.6 million and the total liabilities to shareholders' fund ratio was 60.2% as at 31st March 2003. As in the past, the Group's main source of liquidity was net cash from operating activities and the working capital position of the Group continued to be healthy with current ratio improved to 2.0 times from 1.89 times at the last year-end.

MANAGEMENT DISCUSSION AND ANALYSIS

Trade receivables increased significantly from last year's HK$74.3 million to HK$123.6 million, up 66.4%. The increase is in line with the significant growth in the last two months sales for fiscal 2003 as compared to the same period last year. Inventories also increased to HK$125.6 million, up 32.8%. The increase was primarily due to the increase in finished goods to cope with the customers demand in the coming months. In fact, the overall inventory turn of the Group had slightly improved from last year's 56 days to 50 days this year. Continuing efforts are being made to improve working capital.

There are no present plans for material capital expenditures and investments except for the Group's regular annual capital expenditures required to maintain its growth in sales.

We believe that the Group has sufficient working capital to sustain its day-to-day operations.

RISK OF CURRENCY FLUCTUATION

Like the past, the Group's sales were primarily denominated in US Dollar and the purchase of raw materials and manufacturing expenses were mainly in US Dollar, Renminbi and New Taiwan Dollar. As Renminbi and New Taiwan Dollar are relatively stable and the pegged exchange rate system between Hong Kong Dollar and US Dollar persists, we believe that the Group has no significant exposure to foreign exchange fluctuations.

PROSPECT

The trading position of the Group is generally positive and the momentum experienced in fiscal 2002 seems to be carrying through to 2003. In view of this, we expect steady growth in both revenues and profits in the coming year.