

Management Discussion and Analysis

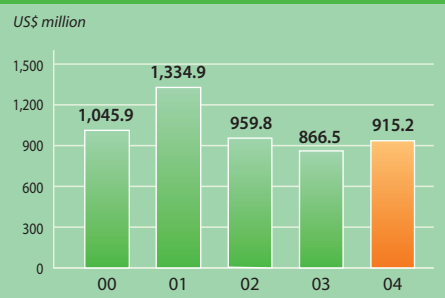
- Operating profit (excluding lawsuit settlement gain) increased by 94.1% to US\$49.5 million
- Profit attributable to shareholders* rose by more than 1.4 times
- Strong revenue rebound at telecommunication products
- Strong turnaround at electronic learning products business
- Earnings per share raised by 13.3% to US20.5 cents per share
- Total dividend of US10.0 cents per share for the year, representing 1.8 times increase
- Net cash of US\$102.6 million

* Excluding lawsuit settlement gain and non-recurring tax provisions

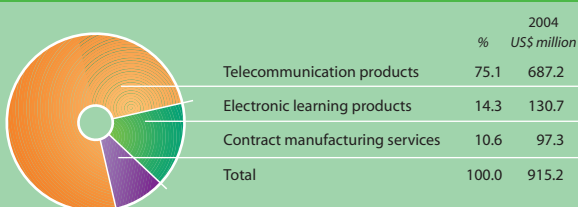
REVENUE

The Group has returned to a growth path as can be evidenced by the increase in the Group revenue. During the financial year ended 31st March 2004, the Group reported a revenue of US\$915.2 million, representing a growth of US\$48.7 million or 5.6% over the same in the previous financial year. This growth mainly came from strong demand for our telecommunication products, which recorded a 12.7% year on year increase in revenue to US\$687.2 million. The revenue from the electronic learning products business declined by 19.3% to US\$130.7 million due to underperformance in the US market resulting in the preceding financial year. The revenue for contract manufacturing services remained stable.

Group Revenue in Last 5 Years



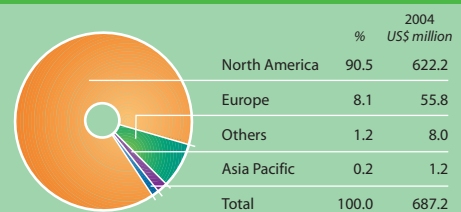
Group Revenue by Product Line



The Group revenue is mainly contributed by its three core businesses as follows: 75.1% of the Group revenue came from telecommunication products, 14.3% from electronic learning products and 10.6% from contract manufacturing services.

Group's largest market segment. Revenue from this market accounted for 74.5% of the Group revenue for the financial year 2004. Europe and Asia Pacific market segments contributed 21.9% and 2.6% respectively.

Telecommunication Products Revenue by Region

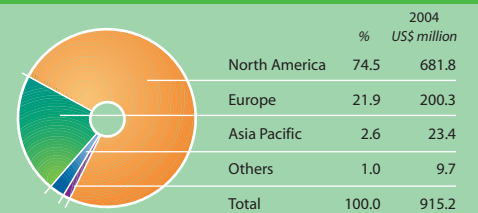


In the telecommunication products business, US\$622.2 million or 90.5% of revenue came from sales in North America. The business is, however, rapidly expanding in Europe. Revenue from the European market for the financial year 2004 was US\$55.8 million, an increase of 91.1% over the same in the previous financial year.

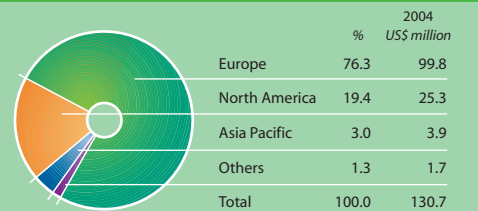
The electronic learning products business' revenue from the North American market declined from US\$64.1 million in financial year 2003 to US\$25.3 million in financial year 2004, a decrease of 60.5%. Such a decrease had been anticipated by management at the beginning of financial year 2004 and measures had been taken to ensure the bouncing back of revenue growth in the financial year 2005 and beyond. Revenue from the European market increased moderately from US\$88.0 million to US\$99.8 million.

North America continues to be the

Group Revenue by Region



Electronic Learning Products Revenue by Region



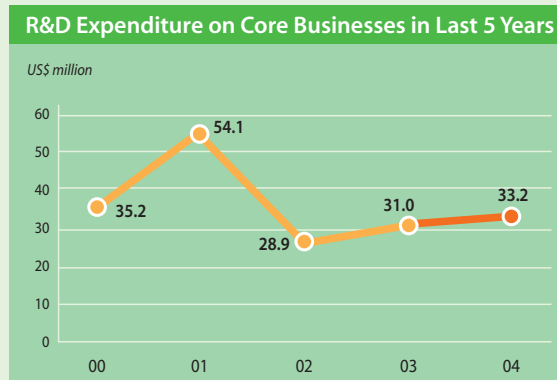
GROSS PROFIT/MARGIN

The gross profit for financial year 2004 was US\$281.3 million, a decrease of US\$7.7 million compared to the same in the previous financial year. Gross margin for the year fell from 33.4% to 30.7%. The reasons for the decrease in gross margin were mainly due to the change in sale mix and on-going price erosion of the Group's products.

OPERATING PROFIT

The operating profit for the year ended 31st March 2004 was US\$49.5 million, a decrease of US\$10.0 million over the previous financial year. If we excluded the gain on settlement of a lawsuit of US\$34.0 million which was included in the operating profit in the previous financial year, the operating profit in financial year 2004 increased by US\$24.0 million, or 94.1%. This improvement came from strong control of selling and distribution costs, administrative and other operating expenses. These expenses decreased from US\$232.5 million in financial year 2003 to US\$198.6 million in financial year 2004. During the financial year 2004, the appreciation of Euros and other currencies against US dollars gave rise to a net exchange gain of US\$5.0 million, compared to the net exchange gain of US\$2.2 million in the previous financial year.

Research and development activities are vital for the long-term development of the Group. During the financial year 2004, the Group spent US\$33.2 million on research and development activities, which represented 3.6% of total Group revenue.

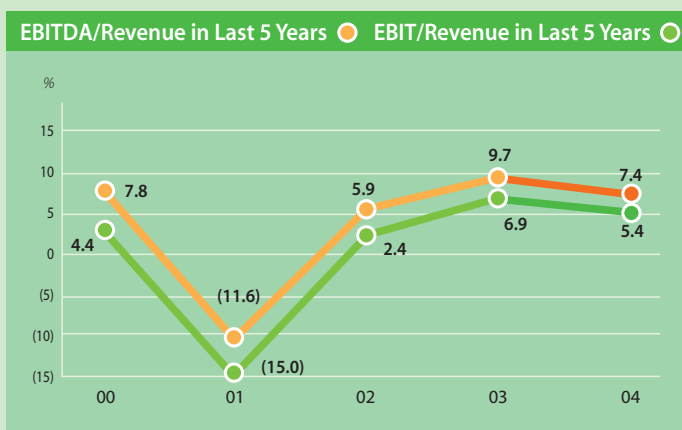
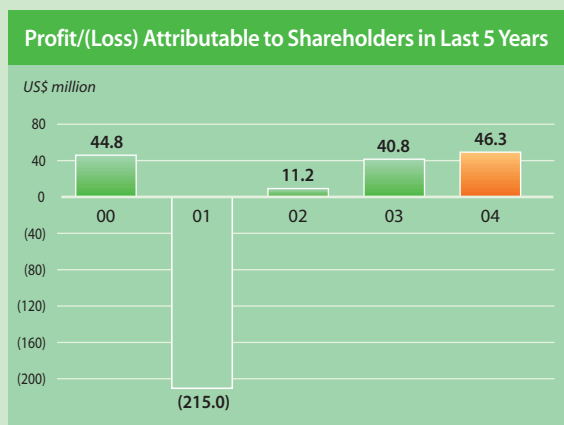


TAXATION

The Group settled its dispute with the Hong Kong Inland Revenue Department ("HKIRD") regarding offshore income claims. The final settlement resulted in a write back of overprovision for taxation relating to prior years of US\$3.3 million.

NET PROFIT AND DIVIDENDS

The profit attributable to shareholders for the year ended 31st March 2004 was US\$46.3 million, an increase of US\$5.5 million as compared to the previous financial year. If we excluded the gain on settlement of a lawsuit of US\$34.0 million in the previous financial year and the effects of taxation arising from the dispute with HKIRD in both financial years 2003 and 2004,



the profit attributable to shareholders in financial year 2004 rose by more than 1.4 times. For the financial year 2004, the ratio of EBIT and EBITDA to revenue was 5.4% and 7.4% respectively.

Earnings per share for the year ended 31st March 2004 were US20.5 cents as compared to US18.1 cents in the previous financial year. During the year, the Group declared and paid an interim dividend of US3.0 cents per share, which aggregated to US\$6.8 million. The directors have proposed a final dividend of

US7.0 cents per share, which will be aggregated to US\$15.8 million. Total dividend for the year amounted to US10.0 cents per share, representing an increase of US6.5 cents or 1.8 times from the previous year.

LIQUIDITY AND FINANCIAL RESOURCES

The shareholders' funds as at 31st March 2004 were US\$162.6 million, a 27.5% increase from the US\$127.5 million reported for financial year 2003. The net assets per share increased by 27.6% from US56.5 cents to US72.1 cents.

As at 31st March 2004, the Group had net cash of US\$102.6 million, as compared to US\$67.7 million as at 31st March 2003. Total interest bearing liabilities were US\$2.6 million, of which US\$0.6 million

was repayable within one year, US\$0.4 million was repayable between one and two years, US\$0.6 million was repayable between two and five years and US\$1.0 million was repayable after five years. A majority of the Group's borrowing is denominated in Euros and is on a fixed-rate basis. An amount of US\$2.4 million of the total gross interest bearing liabilities is secured against land and buildings. The gross debts to shareholders' funds as at 31st March 2004 was 1.6% against 2.1% in the previous financial year.

Liquidity and Financial Resources

As at 31st March 2004 and 2003 All figures are in US\$ million unless stated otherwise		
	2004	2003
Cash	105.2	70.4
Less: Total interest bearing liabilities	(2.6)	(2.7)
Net cash position	102.6	67.7
Gross debts to shareholders' funds	1.6%	2.1%

TREASURY POLICIES

The objective of the Group's treasury policies is to manage its exposure to fluctuation in foreign currency exchange rates arising from the Group's global operations and interest rates on its interest bearing loans. It is our policy not to engage in speculative activities. Forward foreign exchange contracts and interest rate swaps are used to hedge certain exposures.

WORKING CAPITAL

The stock balance as at 31st March 2004 increased by 14.4% over the balance at 31st March 2003 to US\$96.1 million. The turnover days increased from 63 days to 69 days. The trade debtors balance as at 31st March 2004 was US\$137.6 million, an increase of 11.9% as compared to that reported for the previous financial year. The turnover days fell from 71 days in the previous financial year to 60 days in financial year 2004.

Working Capital

As at 31st March 2004 and 2003 All figures are in US\$ million unless stated otherwise		
	2004	2003
Stocks	96.1	84.0
Average stocks as a percentage of Group revenue	9.8%	10.3%
Turnover days	69 days	63 days
Trade debtors	137.6	123.0
Average trade debtors as a percentage of Group revenue	14.2%	14.5%
Turnover days	60 days	71 days

CAPITAL EXPENDITURE

For the year ended 31st March 2004, the Group invested US\$19.5 million in plant, machinery, equipment, computer systems and other tangible assets. All of these capital expenditure were financed from internal resources.

CAPITAL COMMITMENTS AND CONTINGENCIES

During the year, the Group committed to the implementation of a new global enterprise resources planning system to enhance the supply chain management. The total investment for the project is estimated at approximately US\$12 million in which US\$3.0 million has been incurred in the financial year 2004. It will be financed from internal resources.

As of the financial year end date, the Group had no material contingencies.

EMPLOYEES

Number of Employees

As at 31st March 2004 and 2003		
	2004	2003
Manufacturing	18,200	12,100
Non-manufacturing	1,500	1,400
Total employees at year end	19,700	13,500
Average for the year	18,700	15,600

As at 31st March 2004, the Group had approximately 19,700 employees, an increase of 6,200 from 13,500 in the previous financial year. Employee costs for the year ended 31st March 2004 were approximately US\$99 million, as compared to US\$90 million in the financial year 2003.

The Group has established an incentive bonus scheme and a share option scheme for its employees, in which the benefits are determined based on the performance of the Group and individual employees.