

## Letter to Our Shareholders

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“ Net profit for the year increased to **HK\$88.3 million.** ”

Continuing from the previous year, your management has been faithfully implementing a series of effective financial control measures to maintain and improve profitability levels. In addition, our three-prong strategy of customer diversification, operational reorganization and expansion of our product range, has been set in motion and has met with encouraging results.

We are, therefore, very pleased to report that the excellent financial performance of the Group's existing core business (i.e. voltage converter and rechargeable battery business segments) has been sustained this year. On 31<sup>st</sup> March, 2001, the Group had bank and cash balances of HK\$87.3 million with a total bank debt of HK\$0.3 million, while the Group's net asset value was HK\$290.9 million or HK\$0.52 per share, with a very healthy current ratio of 291%.

The turnover of the Group's existing core business for the year was HK\$654.0 million, a slight decrease of 1% over the previous year. However, the profit attributable to shareholders increased by 11% to HK\$88.3 million this fiscal year, that was mainly due to the implementation of our three-prong strategy, the continuous market demand for mobile phone and

power tools charger products globally and improved sales volume of our rechargeable battery products, together with a successful combination of financial and operations-related programs.

As the Group had disposed of its equity interest in Goldwiz Holdings Limited (formerly known as Hong Kong Toy Centre International Limited) ("Hong Kong Toy") on 31<sup>st</sup> January, 2000, the profit contributed from the Group's existing core business of HK\$88.3 million will not have to be diluted by any negative impact from Hong Kong Toy after 31<sup>st</sup> January, 2000.

Accordingly, the consolidated result of the Group was a net profit of HK\$88.3 million, a substantial overall improvement of HK\$128.3 million over the consolidated net loss of HK\$40.0 million reported last year. From the investment return point of view, an outstanding return on shareholders' funds of 28% was recorded by the Group in current year (average consolidated shareholders' funds : HK\$316.6 million).

Operationally, we have begun to move our focus from Hong Kong to the PRC and much of our logistics is now based in our

PRC plants in Shenzhen, Guangzhou and Shanghai. This has led to cost-savings and a re-allocation of precious financial resources to improve our surface mount technology ("SMT") production line in Shenzhen and our Shanghai-based R & D centre. Already, the development of our SMT production line has seen new contracts being signed with global electronics giants such as Hitachi and TCL for the supply of switch-mode power supply products which are expected to be extended beyond their current term with a likely increase in orders.

Regarding our 29% equity interest in Climax International Company Limited ("Climax") which we had written off completely in 1998, your management has been vigilantly monitoring disposal opportunities of our shareholding interest in Climax in order to benefit our shareholders. We are pleased to report that on 11<sup>th</sup> January, 2001, the investment proposal under which Climax would have a new controlling shareholder, had been successfully completed leading to an enlargement of Climax's issued capital and a dilution of the then existing substantial shareholders (including United Pacific Industries Limited).

During the year, your management had successfully disposed of 40,650,000 Climax shares in the stock market at an average rate of HK\$0.30 per share, which was above the market rate as at 31<sup>st</sup> March, 2001, for a net realized gain of approximately HK\$12.2 million. In addition, on 5<sup>th</sup> February, 2001 we had signed an agreement with an independent purchaser for the sale of our remaining 68,408,000 Climax shares at a purchase price of HK\$0.30 per share. On 5<sup>th</sup> March, 2001, the purchaser failed to complete and we invoked our contractual right to forfeit the deposit of approximately HK\$1.8 million (net of legal costs). Accordingly, our total net realized gain, so far, for this financial year on the partial disposal of our Climax shares and the forfeiture of deposit is, therefore, approximately HK\$14.0 million.

As a result of the new share subscription in Climax and the partial market disposal of our Climax shares, our shareholding interest in Climax had been diluted to approximately 1.89%. Your management will continue to vigilantly monitor market

and other opportunities for further disposals of our remaining Climax shares to create value for our shareholders.

In view of the Group's continued excellent financial performance, on 18<sup>th</sup> July, 2001 your directors resolved to declare a final cash dividend of HK\$0.05 per share which is expected to be paid on or before 30<sup>th</sup> September, 2001. This together with the two special cash dividends/distribution totalling HK\$0.15 per share and the interim dividend of HK\$0.05 per share, gives a total cash dividend/distribution of HK\$0.25 per share or HK\$139.5 million, for the year ended 31<sup>st</sup> March, 2001.

Financially, we are pleased to add that the total cash dividend/distribution of HK\$139.5 million for the year ended 31<sup>st</sup> March, 2001 represented a dividend payout ratio of 158% (current year's consolidated net profit : HK\$88.3 million). We are confident that the Group will continue to create value for our shareholders.

In summary, your management is encouraged by the continued excellent financial performance of the Group's existing core business. In the years to come, your management will continue to focus on cash flow generation and expand progressively by optimizing our growth potential through prudent management of our business resources, sound financial control measures and the continued implementation of our three-prong business strategy, namely customer diversification, operational reorganization and expansion of our product range. We are optimistic that the Group will progress in terms of profit growth and cash flow generation for the long term once global market conditions begin to improve.

From a broader perspective, your management will continue to put its best foot forward to ensure that we trade with maximum efficiency to increase value to shareholders while, at the same time, take advantage of both investment and disposal opportunities as and when they arise.

**Ho Che Kong**

*Chairman & Group Managing Director*

Hong Kong

18<sup>th</sup> July, 2001