

### TO OUR SHAREHOLDERS

On behalf of the Board of Directors, I am pleased to report the return to profitability for the Group and to present the audited consolidated results for the financial year ended 31 March 2003. Turnover for the year rose 41% to HK\$1,689 million (2002: HK\$1,194 million). Net profit attributable to shareholders for the year amounted to HK\$12,566,000.

### BUSINESS REVIEW

#### Marketing and Distribution

For the year under review, turnover for the distribution of semiconductors rose by a substantial 45% to HK\$1,366 million (2002: HK\$944 million). The corresponding profit contribution from this business segment increased to HK\$37,433,000 (2002: HK\$8,151,000).

The growth in this business segment is largely attributable to the Group's dynamic performance in the distribution of Samsung Electronics semiconductor products in Hong Kong and in Mainland China.

Following the extraordinary drop in demand and inventory clear out in the semiconductors supply chain in the aftermath of September 2001, customers were keen to replenish depleted inventory. From the Spring of 2002, consumer demand for traditional as well as digital audio and video electronic products has gradually returned to normal. These translate into solid orders for electronic manufacturing customers of the Group, which in turn underpinned the Group's performance for the current financial year.

During the year under review, the Group gained market share against competitors of other brands of semiconductors products. The Group's marketing is focused in the traditional electronics manufacturing industries operating in Hong Kong and Southern China. The Group strives to secure reliable supply of Samsung Electronics products; at competitive prices and at the time required by our customers. Our relentless efforts in the marketing and promotion have enlarged the overall market share for the Group, and also for Samsung Electronics products, in the traditional system LSI and flash memory market. In the process, the Group has become one of the largest distributors for Samsung Electronics flash memory products in Hong Kong.

Turnover for distribution of semiconductors in Singapore has shown an encouraging recovery to HK\$144 million (2002: HK\$108 million). Together with management's positive steps taken to re-engineer the Singapore operation, the Group's Singapore semiconductors distribution business has been returned to a break-even position.

# Chairman's Statement

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## **Design and Manufacture**

The Group's manufacture of CD/MP3 products and flash type MP3 products for has steadily increased in volume and the profit margin has remained stable. Our consistent quality of manufacture has made our products amongst the most reliable in the market.

During the year under review, the Group rolled out a number of new own-designed MP3 products. Including advanced flash type MP3 players and specialised CD/MP3 discman. The products are well received in the market and orders are coming in from customers in USA, Canada and Europe. Through advanced engineering and higher level of integration, the new models carry lower material costs and improved profit margin. As these products were launched during the year, the full contribution to the Group's turnover and profit are not reflected in the year under review.

In respect of OEM business, mass production for a number of new OEM projects, including industrial CCD camera systems and consumer telecommunication products, commenced in the third and fourth quarter of the current financial year. These products require a high standard of engineering and manufacturing skills and carry a higher profit margin.

In November 2002, the Group established a new electronics manufacturing services ("EMS") division. This division is given the mission to further improve the manufacturing standard of our factory to that consistent with major Japanese manufacturers. A roadmap to adopt the Six Sigma methodology is actively being pursued. In March 2003, the Group won its first major Japanese EMS customer for the SMT sub-assembly of slim type DVD players. The directors are confident that the EMS division will provide a stable and long term source of revenue for the Group.

## **FINANCIAL PERFORMANCE AND PROSPECTS**

During the year under review, the Group went through a burst of rapid expansion in turnover driven by the increase in the distribution of semiconductors products. The management is optimistic that the growth momentum will continue through the quality service the Group provides to our customers and competitive semiconductors products from our principals, Samsung Electronics and Fairchild Semiconductors.

In support of the growth in the design and manufacture operations and the new requirement for the EMS division, the Group has embarked on a capital investment program to double the Group's existing SMT production capacity and to enlarge its engineering and product development team. The directors are confident that with the Group's new investments will generate a high return on investment for the manufacturing operation. Turning the Group's manufacturing operations into a solid profit contributor.

On behalf of the Board, I would like to thank all our customers, shareholders, financiers, suppliers and employees for their continued support.

On behalf of the Board

**So Yuk Kwan**

*Chairman*

Hong Kong

25 July 2003