

CHAIRMAN'S STATEMENT

FINANCIAL PERFORMANCE

For the year ended 31 December 2002, the Group's turnover decreased by 9.4% to HK\$1,041 million. Operating profit was HK\$69 million, as compared to HK\$148 million in 2001. Profits attributable to shareholders amounted to HK\$48 million, as compared to HK\$110 million in 2001. Basic earnings per share were 8.4 Hong Kong cents, as compared to 23.0 Hong Kong cents in 2001.

DIVIDENDS

The Board of Directors (the "Board" or "Directors") has proposed a final dividend of 1.5 Hong Kong cents per share for the financial year ended 31 December 2002. The final dividend, if approved at the forthcoming annual general meeting, will be payable to shareholders whose names appear on the Register of Members at the close of business on 15 May 2003.

Barring unforeseen circumstances and based on cash flow requirements, the Board of Directors proposes distributing approximately 20% of annual earnings as dividends to shareholders.

BUSINESS REVIEW

In the second half of fiscal year 2002, products from some customers required additional treatment in certain production processes, which created output imbalance in the different operational processes. Because of this, the Group was not able to reach its projected monthly production output of an average of 1.5 million sq. ft. during the second half of fiscal year 2002. The monthly output remained at its average of 1.2 to 1.3 million sq. ft. for the second half of the fiscal year 2002.

Coupled with this process imbalance, the continuing price erosion during the year turned out to be serious. This is mainly due to the over capacity of the PCB industry. The average loading for the PCB industry worldwide, as estimated by NT Information Ltd, was only around 71% in 2002. In fact, for many medium to large sized PCB manufacturers, the average loading during 2002 could be less than 60%. The Group was able to out-perform the market with its loading running around 80% in the second half of fiscal year 2002. According to a survey conducted by Prismark, an electronics industry consulting firm, a total of seven U.S. PCB manufacturers with around 20 locations shut down during fiscal year 2002 and the permanent capacity loss may be as high as 30,000,000 sq. ft. per year. The worldwide over-capacity would of course be even higher if there were no such shut downs in the U.S., and in some parts of Europe as well. According to estimates by NT Information Ltd released in 2003, in 2002, the U.S. was estimated

CHAIRMAN'S STATEMENT

to sustain negative growth of 30% whilst Western Europe was estimated to suffer negative growth of 25%. However, China was estimated to enjoy a positive growth of 17% though this does not mean that China is immune from further price erosion. World production saw negative growth of 4% to 7% in 2002. As a result, the weighted average price of the Group's PCB products dropped by 12% in fiscal year 2002.

However, despite the drop in the sales amount, the Group managed to expand output volume, in terms of square footage, by approximately 3% as compared to the previous year, thanks to the efforts of its strong marketing team and the support of key customers who are looking for a reliable source to support their new production facilities in China. As a result of the decrease in costs of raw materials and with effective cost controls, the overall cost of sales decreased by approximately 4% in 2002. The gross profit ratio decreased to 23.2% in 2002 from 27.5% in 2001.

The growth in sales of multi-layered boards in 2002 has been working well in line with the Group's business strategy for the year. The output volume and sales of multi-layered boards (six layers and above) increased by 51.3% and 23.2% respectively in 2002 against 2001. During the year, the Group observed a significant change in the geographical location of sales. Some of the Group's customers shifted their production bases from North America and Europe to South East Asia. This factor, together with the growth of sales from customers in South East Asia, contributed to the increased proportion of sales in South East Asia from 31.9% to 43.0%, while those from North America and Europe dropped from 25.1% to 17.7% and from 6.4% to 5.8% respectively as compared to the prior year. One of the Group's customers, who is headquartered in Hong Kong, delegated its procurement function to its group companies in South East Asia. As such, sales to customers in Greater China (ie. China, Hong Kong and Taiwan) decreased slightly from 36.5% to 33.5%. Within Greater China, sales to local customers in China (excluding foreign invested production plants) rose from HK\$15,000 in 2001 to HK\$10,000,000 in 2002 due to strong marketing efforts such as the opening of the Shanghai office and the setting up of a new marketing team in Shenzhen.

Overall, the Management is disappointed with the results achieved by the Group during fiscal year 2002. The Management has taken steps to further reduce costs including reducing its world-wide staff head count at the end of November 2002. Facing on-going competition in the PCB industry in the year 2003, the Management and all staff have taken measures to overcome the difficulties by adopting and rigidly adhering to various improvement programs with the aim of returning to, or even exceeding, previous earning levels. More information of these programs can be found in the "Prospects" section.

RECOGNITION

Although the current business environment is difficult for technology-related industries, the Group can improve its comparative position in the PCB industry as well as the technology industry in a wider sense.

CHAIRMAN'S STATEMENT

According to a well-established industry survey, in 2001 the Group was ranked 13th (2000: 15th) amongst PCB companies in the Asia Pacific region (excluding Japan), and 39th (2000: 52nd) in the world, based on revenue generated over the years.

Furthermore, the Group was also recognized as a fast growing company in the Asia Pacific region. In 2002, the Group was included in the "Asia Pacific Technology Fast 500" by Deloitte Touche Tohmatsu (DTT), in recognition of its impressive growth in turnover in the past three years. The Group was the one of the only nine Hong Kong companies listed in the 2002 program. This was the first time that the program has included the Asia Pacific region; companies in technology/media/telecommunication industry from 13 places, including China, Hong Kong, Japan, Singapore and Taiwan were ranked according to their turnover growth in the three years to June 2002.

PROSPECTS

An average of 73% to 75% of its total turnover relates to PC and PC-related industry. Although there is high demand for PCB products in the PC and PC-related markets, competition within this industry is intensifying and the relevant technologies are subject to rapid changes. Therefore, the Group is diversifying to alleviate the pain brought about by the over-capacity in the PC-related PCB market which has resulted in strong price erosion. Because of the continuous investment in very advanced equipment and the recruitment of more experienced and talented engineers in the last few years, the Group will be able to gradually transform its product mix from the most competitive PCB products (such as 4 layers mother-boards) to other niche products such as special materials including high Tg, Getek, Rogers and Halogen-free materials. The Group is also entering into the supply of higher layers for back panels, blind-buried-vias PCBs for the application of notebooks, PDA, servers and the supply of HDI microvias PCBs for hand-phones. On average, these products can command a higher profit margin than that of PC-related PCBs. All these products will go into mass-volume production once the new plant is ready in early third quarter, 2003. Additionally, production capacity is expected to increase to 1.5 million sq. ft. subsequent to the commencement operations of the new plant. The capability to launch all these high-end and high-margin products forms the basis of the Group's confidence that it will return to its previous earning levels.

With increasing globalization, pricing pressure on end products and its components will force more and more multi-national electronics manufacturers to move their production plants to or to source their components from low cost regions. The Group, as a result, estimates a further consolidation in the PCB industry in such high cost regions as North America, Europe and Japan in the coming years. Particularly, PCB manufacturers in less competitive areas will continue to shut down. Meanwhile, the PCB industry in Asia, specifically China and South East Asia, is expected to grow rapidly in future. With well established networks and multi-national customers, particularly their group companies in Greater China and South East Asia, the Group is in an advantageous position to gain from this trend.

CHAIRMAN'S STATEMENT

In the absence of any further unforeseen circumstances such as a more serious world-wide economic down-turn, the Group remains optimistic in its medium and long term future outlook in view of the situation as described earlier.

APPRECIATION

On behalf of the Board, I would like to extend our gratitude and sincere appreciation to all management and staff members for their diligence and dedication, the continuing support of our business partners and the Company's shareholders.

CHEOK HO FUNG

Chairman and Chief Executive Officer

Hong Kong, 11 April 2003