

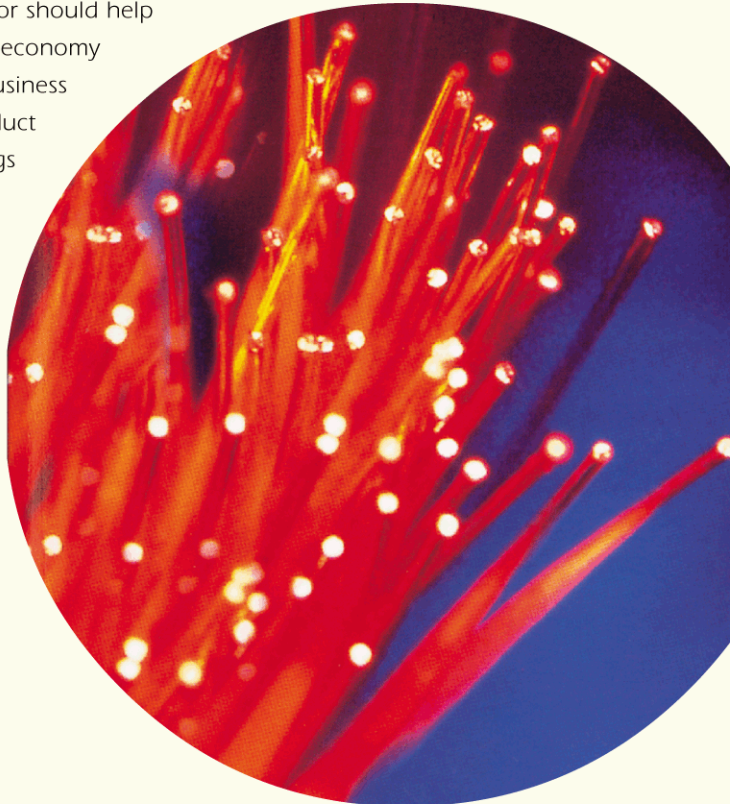
Chairman's Letter

FUTURE PROSPECTS

The recent economic adjustment has dented the overall US economic outlook. The slowdown in the US economy over the last two months has started to soften market demand for consumer products and consumer electronic products. Nevertheless, with the recent actions taken by the US Federal Reserve to relax its monetary policy in January and February 2001, the US economy may gradually improve and if so, demand for consumer products should pick up from the fourth quarter of the current financial year. The fast-growing Internet, broadband and wireless applications will also continue fuelling the demand for new products.

Printed Circuit Boards

The Group's past efforts in migrating away from the cyclical consumer electronics sector should help cushion the effect of the US economy slowdown on the Group's business performance. The latest product developments and order bookings for high value added and high layer count PCBs for high technology products are still on track in accordance with customers' plans. Orders on hand have held up well with six weeks' visibility and an even longer lead-time for 6-layer and above product categories.





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As customers have began launching new and more advanced products for the corporate sector after the Christmas festive season, the layer count mix in the second half of the financial year 2001 is expected to improve further. New customers have either already qualified or are in the process of qualifying the Group as their key PCB supplier. We expect to see an increase in PCB demand again from March 2001 onwards.

The Group's attractive location in the centre of a high-growth PCB region, i.e. Greater China, coupled with China's accession to the World Trade Organization ("WTO") this year will provide the Group with a significant competitive advantage. The imposition of fixed percentages of local content on electronic products built and sold in China would create additional business opportunities for the Group which is currently one of the largest PCB manufacturers in China. We believe that the increasing demand for PCB in the China market should offset the effect of any further slowdown in the US economy.

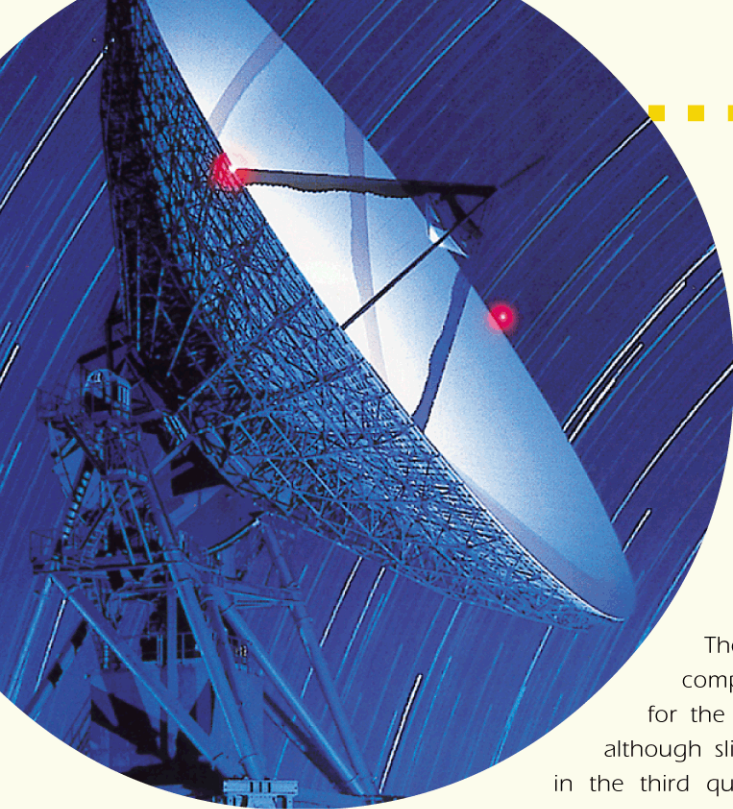
The new Kaiping plant phase IV is expected to be profitable at the end of the third quarter of the current financial year and to reach its full weekly production capacity of approximately 70,000 sq. ft. by the end of the financial year 2001.

The Group's expansion plan for High Density Interconnect ("HDI") capacity in Huangpu Eastern Park remains on schedule and the facility is set to start production in the first half of the financial year 2002. We believe HDI would become a more widely applicable technology for PCB design within the next few years.

Provided that there is no severe recession in the U.S., the Directors expect the PCB Business to maintain good results for the second half of the current financial year.

Liquid Crystal Displays

Switching from low-end to high-end LCD products, the sales mix of the LCD Business has built up a proven track record during the Period. An enormous market demand for the higher end LCD and Module products is expected, particularly in the communication, audio/visual, automotive and data instrument sectors. Our constant commitment to improving technology and quality will provide opportunities for the LCD Business to expand rapidly. Particular focus will also be given to the ongoing development of the new Module products, which is our primary goal in the communication sector.



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Based on product development and sales effort in the Period, it is expected that the LCD Business would steadily increase its market share in the high-end sector in the second half of the financial year 2001.

Magnetic Products

The outlook for the magnetic components market remains strong for the rest of the financial year 2001, although slight adjustments may take place in the third quarter as a result of the recent slowdown in the U.S. economy. The proliferation of DSL applications as a global trend is expected to continue. Together with broadband technologies such as cable modem and direct broadcast satellite, these applications will stimulate high-speed broadband usage by consumers at an exponential rate.

The design team of the Magnetic Products Business is developing new products for upcoming IC chip sets and new applications, with a concentration on broadband access markets such as DSL and cable modem. The influx of new product enquiries is growing at a steady pace.

The ongoing automation of manufacturing processes and rationalisation of production methods continue to improve product quality and overall competitiveness to meet our business expansion requirements.

The Magnetic Products Business is expected to continue contributing profits to the Group in the coming period.

Information Technology

The IT Business is on course to deploy its Logistics and Supply Chain Management Portal in the second half of the year 2001 and this is expected to make a contribution to our revenues. Meanwhile, the Beijing joint venture is building a nationwide B2B e-marketplace for electronic components in China. The IT Business will continue to focus on developing its IT products, services and solutions including ERP, SCM, CRM, web design and professional consultancy and is expected to generate revenues from these business development activities in the second half of the financial year 2001.

By Order of the Board
David So Cheung Sing
Chairman

Hong Kong, 5 February 2001