

On behalf of the Board of Directors, I am pleased to present the annual results of the Group for the year ended 31 December 2002.

RESULTS

The Group's profit attributable to shareholders for the year was HK\$62.8 million. Earning per share amounted to HK2.23 cents, compared with HK2.63 cents in the previous year. We reported a solid cash and balance sheet position. At 31 December 2002, the Group's net cash position amounted to HK\$322.4 million (2001: HK\$373.8 million), representing 46.9% of the shareholders' fund of HK\$688.1 million (2001: 62.4%).

The Board of Directors does not recommend the payment of any final dividend (2001: Nil).

BUSINESS REVIEW

Although in a year full of uncertainties and most of the enterprises experienced revenue decline, the Group still outperformed in the electronics industry. Together with contribution from Swank International Manufacturing Company Limited ("Swank") through acquisition in March 2002, the total turnover increased by 36% to HK\$741.1 million (2001: HK\$544.2 million) and the profit attributable to shareholders amounted to HK\$62.8 million (2001: HK\$31.1 million), representing a 102% growth compared with last year.

Electronic Products Division performed satisfactory and contributed an encouraging profit to the Group for the year under review. Turnover increased by 3% to HK\$434.4 million compared with last year (2001: HK\$420.6 million). In the keen competitive consumer product market, the Group successfully diversified and enlarged its product range. Apart from clock, thermometer and timer which were still our major products, other newly developed items like radio frequency items, radio controlled clock and solar product gradually played an important role in the total turnover. These new products properly matched the market changes and the ever-changing consumer's taste. On the other hand, a steady growth in the OEM business with Japanese customers also helped to maintain the Group's business position.

The year of 2002 was still a hard time for printed circuit board ("PCB") business. Continuing price-cut together with abundant supply derived an unfavourable competition in the industry. However, as a result of the persistent sales efforts and efficient management, the Group had achieved a sales growth in such an adverse situation. Turnover increased by 14% to HK\$96.9 million compared with the same period of last year (2001: HK\$84.7 million). Operating losses from the PCB Division were substantially narrowed down as well.

The trading and distribution business remained dormant throughout the year of 2002. The turnover of about HK\$0.1 million for the year represented the proceeds from clearance of stocks on hand. The management of the Group considered that it was not the right time to recommence its trading business.

BUSINESS REVIEW (continued)

During the year, the Group completed the acquisition of controlling stake of Swank. Swank has basically met the operational objectives set out for the year. These included decreasing the fixed costs significantly to lower breakeven point, by streamlining the organization through eliminating non-mission critical job positions and restructuring the organization to become leaner. On the revenue side, however, due to sudden slow-down in customer delivery schedule towards the year end, Swank could only finish the year at the same level as last year. As this was the first year for the Group to incorporate the result of Swank, turnover contributed from Swank amounted to HK\$207.7 million. Furthermore, due to pressure on price in the optical market, Swank experienced a significant squeeze in gross margin in the fourth quarter, which resulted in drop in overall gross margin.

In view of an unfavourable stock market condition, turnover for trading of listed equity investments decreased significantly to HK\$0.7 million compared with HK\$31.6 million in the year of 2001.

The uncertain economic condition and prevailing low interest rate in Hong Kong caused decreases in both the demand for and return from loan financing. Therefore, interest income from loan financing decreased by 81% to HK\$1.2 million compared with last year (2001: HK\$6.4 million).

Following the acquisition of the controlling stake in Swank by the Group, Swank had made a turnaround in its financial results. However, Swank is under a tight cashflow position to make principal repayments and interest payments for the outstanding principal of the loan of HK\$250 million. On 4 March 2003, the Group entered into a conditional asset disposal agreement and a conditional loan restructuring agreement with Swank. For details, please refer to the circular of the Company dated 7 April 2003.

FUTURE PLANS

In mid-March 2003, the war in Iraq has added up uncertainty to the anticipated recovery of the world economy in 2003. In addition, Hong Kong is also affected by the spread of atypical pneumonia recently. The whole economy is full of panic and anxiety. Confidence of the people is not expected to be restored until this infectious disease is brought under control. Nevertheless, the Group remains conservative but optimistic to forecast its business development in the coming year. To be backed-up by the PRC economy which is still growing and less affected by the war, there are ample opportunities for the Group to further develop its manufacturing businesses in the PRC.

In the Electronic Products Division, further expansion of OEM business is our target. It might help to reduce the impact from the possible contraction of export sales that are affected by the weakened demand from American and European countries. On the other hand, as wireless applications are becoming popular in electronic products, the Group has conducted extensive research and development studies in this area with an aim to widen the product range. In addition, in order to diversify the Group's business in the electronic industry, the management is looking for opportunities to work with internationally well-known electronic manufacturers to produce different type of electronic products or components on a co-operation basis.

FUTURE PLANS (continued)

Although the PCB market is volatile and the profit margin therein seems not attractive, it creates more room for development to become well-established corporations like us in consequence to the rule-out of most of the unsuccessful PCB manufacturers from the industry. The Group will pursue to develop new customers for high-ended products with more satisfactory margin. With persistent operating cost controls, it is believed that the Group's PCB business is on the right track to achieve its goal.

Swank has regained its reputation as a key player in the optical industry. Many of the business fundamentals have been significantly improved, which included: better product quality, more reliable shipment delivery, and better-controlled product development programs. In the first quarter of 2003, Swank began to focus on a number of new initiatives including (i) reviewing all Equipment, Process, Technology (EPT) as part of the competitive manufacturing strategy to ensure that they are in alignment with the target segment and that they are competitive; (ii) establishing a more aggressive outsourcing program to lower cost of procurement and to make better make-versus buy economic decisions, both of which will help to improve gross margin; (iii) establishing a target segmentation program whereby design department can take the lead with sales to develop product programs directed at specific target market segments, by giving more value to customers through product concept management and better component integration; and (iv) further reducing Swank's overhead expenses through elimination of cost structures that do not result in immediate revenue generation.

With a strong financial strength and cash position, the Group will continue to grow by exploring more attractive investment opportunities, both locally and in Mainland China, which could bring promising returns to shareholders.

On behalf of the Board of Directors, I would like to thank all our employees, for their dedication and support throughout the year, as well as our suppliers, customers, bankers and shareholders.

On behalf of the Board

Yau Tak Wah, Paul

Chairman

Hong Kong, 28 April 2003