REVIEW OF RESULTS AND OPERATION

Dampened commercial activities, sluggish buyers' interests and severe price competition brought on by the outbreak of the Severe Acute Respiratory Syndrome ("SARS") had a bearing in the Group's performance. For the year ended 30 September 2003, the Group recorded a consolidated turnover of HK$691,337,000, down only slightly by 0.3% from a year ago. Pretax profit for the year was HK$21,937,000, compared to HK$33,789,000 a year ago. Severe price competition tightened gross margin to 12.5%, compared with the previous 13.6%, resulting a 44.5% decrease in net profit for the year to HK$16,781,000 from HK$30,219,000 a year ago.

The Group remained to be one of the largest manufacturers of electronic calculators and liquid crystal displays ("LCD") in Mainland China. Sales of electronic calculators and LCD rose 3.0% and 14.3% respectively. This achievement is due to the Group's expansion on LCD production capacity, growing applications and demand for electronic calculators and LCD, and also the aggressive efforts by the marketing team. These two business categories contributed 65.4% and 7.5% respectively of the Group's turnover for the year.

The Group added an STN-LCD line for the manufacturing of larger 14" x 16" LCD panels during last year. The larger panels are commonly used for higher-ended products of more favourable profit margins, including electronic dictionaries and caller identity display panels. This further opened up product development and expansion areas for the Group, allowing more flexibility in proacting to fast changing market demands.

Finance costs went down significantly by 63.2% to HK$6,368,000 as the Group had fully redeemed the convertible bonds in 2002 with no further interest incurred thereon in the year under review.

Account receivables also dropped 11.3% as the Group further tightened credit control during the SARS period to minimise risk exposure. The Group has continued to monitor the debtors' repayment time and certain long outstanding debts have been recalled.

Inventory level rose 9.1% during the year under review as certain stocks had been stuck during the SARS period. There had been an encouraging lowering of the inventory level since the close of the financial year as sales were promising during the three months from October to December 2003. The Group will continue its efforts to maintain inventory at a reasonable level.

LIQUIDITY AND FINANCIAL RESOURCES

The Group normally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers in both Hong Kong and Mainland China. At 30 September 2003, the total shareholders' equity of the Group was approximately HK$866,949,000, an increase of 0.7% over last year. The Group's cash and bank balances stood at HK$131,048,000. The Group's bank loans and trust receipt loans amounted to HK$99,025,000, a decrement of 36.6% as compared to last year. The decrement was mainly due to the repayment of secured bank loans by HK$58,519,000. During the year, the Group did not use any financial instruments for any hedging purposes. The gearing ratio, which was computed by dividing the current liabilities and long term liabilities by shareholders' equity, has been lowered from 29.3% last year to 24.6% at 30 September 2003.

CAPITAL STRUCTURE

No repurchases of shares were made and no share options were exercised, granted, cancelled or lapsed during the year.

PLEDGE OF ASSETS

The Group's investment property, certain leasehold land and buildings held by the Group and a related company, and time deposits of HK$3,087,000 of the Group, together with the corporate guarantees given by certain related companies and the Company are used to secure banking facilities for the Group. At 30 September 2003, such facilities were utilised to the extent of approximately HK$99,025,000.

APPLICATIONS OF PROCEEDS OF SHARE OFFER

The remaining balance of about HK$137.3 million of the net proceeds raised from the share offer in 1999 has been allocated to the investment in the joint venture, Taiwan Communication (Fujian) Company Ltd. As progress of the projects as implemented by Taiwan Communication (Fujian) Company Ltd proceeded at a slower pace than anticipated, the Company's directors are considering to allocate part of such proceeds to other investment opportunities. If any specific targets are identified, the Company's directors will make announcement in accordance with the applicable rules.

EMPLOYEES AND REMUNERATION POLICIES

The Group has approximately 17,000 full time management, administrative, technical and production staff in Mainland China and Hong Kong. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practice. The Group's directors and employees in Hong Kong joined the Mandatory Provident Fund Scheme. Other staff benefit includes share options granted under the share option scheme of the Group.

FOREIGN EXCHANGE AND CURRENCY RISKS

Since most of the revenue generated from the sale of products and the payment for purchases of materials, components, equipment and salaries are either made in Hong Kong dollars, Renminbi, or Hong Kong dollars pegged currencies, no use of financial instruments for hedging purposes is considered necessary and the exposure to exchange rate fluctuations is minimal.

CONTINGENT LIABILITIES

At 30 September 2003, the Company had contingent liabilities in relation to corporate guarantees given by the Company to banks for facilities granted to subsidiaries of the Company amounting to HK$71,000,000.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

PROSPECTS

In the 2002/03 financial year that was underlined by severe market challenges worldwide, the Group succeeded in sustaining its industry leadership and customer base with enhanced competitive strengths in product innovation and manufacturing capabilities. Coupled with an extensive distribution network, the management believes that the Group will soon return to the fast track of growth of sales. We are confident about achieving double-digit revenue growth in the coming year, and this belief is supported by our sales order books.

New product research and development capability will be further bolstered, as this is a recognised lifeline in the consumer electronics industry. The Group's success in building up its market leading core operations, namely the manufacturing of electronic calculators and components, is phenomenal and well recognised. Blessed with such remarkable track record and expertise, the Group is confident in repeating the accomplishment with the latest product launches of waterproof watches and corded telephones with innovative designs. These two products will be the Group's growth drivers in the coming year.

Over the years, the Group has grown its production base in Putian, Fujian Province, into one of the largest manufacturing companies for consumer electronics and components in Asia. The Group will consider to further expand its facilities to sustain and support future growth. In particular, the Group will take into account the possible acquisition of a 230-acre site in Putian High Technology Industrial Zone that is in the vicinity of existing premises for the development of additional production plants.

Meanwhile, manufacturers with production facilities in the coastal regions of Mainland China are facing the issue of an increasingly tighter labour availability. The Group is cautiously considering a strategic diversification of its production base with the establishment of additional facilities in Yiwu, Zhejiang Province, to take advantage of a more favourable and cost efficient labour supply in the area. We believe that a further investment in expanding our manufacturing capabilities to keep pace with the expected demand growth is critical to sustaining our leadership advantage.

Business development activities will be further stepped up to support the new product launches and also to further boost sales and marketing momentum effectively as the market sentiment starts to pick up. Geographical expansion mainly to overseas markets is also on the agenda with plans to broaden the export sales teams to extend the reach with customers directly.

Having experienced a difficult year, the management believes that the Group has come out stronger and better equipped to drive business growth and attain another level of corporate development in an economic and market recovery.

Wong King Ching, Helen
Chairman

Hong Kong
20 January 2004