Chairman's Statement

FINANCIAL RESULTS

The Group's turnover for the year showed strong growth, rising 20.7% to HK$2,192.3 million. Earnings before interest expense and taxation ("EBIT") increased by 19.9% to HK$153.3 million. Profit attributable to shareholders increased by 29.9% to HK$128.2 million and basic earnings per share was HK2.01 cents, 14.2% ahead of last year. This was particularly satisfactory given the challenges posed to the Group and its major customers by the war in Iraq and the outbreak of severe acute respiratory syndrome (SARS) in the first half of 2003.

Although the toy operation remains the largest of its businesses, contributing 82.4% of Group's turnover and 59.2% of Group's EBIT in 2003, the technology division in its first full year of operation achieved a higher rate of growth and this diversification improved the overall growth rate of the Group for the year.

Strong cash flows and prudent financial policies ensured that the Group remained well capitalised at the end of 2003, with cash and cash equivalents plus other liquid listed investments totalling HK$2,047.5 million, after capital investments, to expand its operations and to ensure its competitiveness.

Guaugzhou i.Tech Electronic Technology Ltd.

DIVIDEND

The directors have decided to recommend the payment of a final dividend of HK1.7 cents per share in respect of 2003 (2002 - HK1.5 cents per share), to shareholders whose names appear on the Register of Members of the Company on 20 May 2004. The Register of Members will be closed from 13 May 2004 to 20 May 2004, both days inclusive and the proposed dividend will be paid on 21 May 2004 following approval at the Annual General Meeting.

Rooting

BUSINESS REVIEW

The Group reported solid results in its financial year ended 31 December 2003, despite difficult markets. The toy operation's revenue grew and it consolidated its position as a leading toy manufacturer, although contribution was adversely affected by spiraling plastics costs. The Group continued to diversify and is now a producer of both OEM toys and a variety of high quality electronic consumer products. These products contributed significantly to the success of the Group's technology operation in its first full year of operation. Its strategy is to develop specialised products, initially in the area of mobile telecommunications accessories, where it can benefit from synergies with Hutchison Whampoa group ("Hutchison group") companies and expand its market to other mobile telecommunications operations.

Chairman's Statement

(Continued)

The property operation benefited from the rationalisation of its portfolio at the end of 2002 that has focused the business on its two properties in Shanghai, namely Harbour Ring Plaza and Harbour Ring Huang Pu Centre. Shanghai continues to attract substantial investment as it consolidates its position as the commercial centre at the heart of the Yangtze River Delta, helping to increase occupancy and ensure stable rental income.

In all its operations, the Group continued to improve processes to reduce costs, and to invest in both hiring and training the necessary people to ensure it continues to expand in a profitable manner.

OUTLOOK

The outlook for 2004 appears promising, despite growing competition. Economic growth in markets around the world appears to have a reasonably solid footing, while the Group's technology operation should begin to benefit increasingly from the roll out of 3G mobile telecommunications services in Europe and Asia.

Sewing

In 2003, association with Hutchison group, which has a wide variety of businesses worldwide, allowed the Group, in a remarkably short space of time, to become a specialist supplier of mobile telecommunications accessories and to take the first steps in its evolution to becoming an ODM supplier and move up the value chain. This evolution is expected to accelerate in 2004. The technology division is expanding its product offerings. The toy division expects to increase production of digital cameras, and expects to benefit from the licensing and sourcing agreement with Warner Brothers, mainly covering Hong Kong, Mainland China and Macau. The Warner Brothers agreement provides a template for a business that spans the entire value chain from sourcing to distribution and brand licensing.

In both the short term and longer term, the evolution of the Group is expected to lead to further growth in shareholder value.

I would like to thank my fellow directors and all the Group's employees for their hard work, support and dedication during the year.

Fok Kin-ning, Canning
Chairman

Hong Kong, 16 March 2004