

Chairman's Statement

PROFIT FOR THE YEAR

The Group's audited consolidated net profit after taxation for the year ended 31st December, 2003 amounted to HK\$87,819,000. Earnings per share were 19.80 cents.

DIVIDEND

The Board recommends the payment of a final dividend of 7 cents per share, payable to shareholders whose names appear in the Register of Members of the Company on 13th May, 2004. This dividend, together with the interim dividend of 3 cents per share already paid, will make a total distribution of 10 cents per share for the full year. Subject to shareholders' approval at the Annual General Meeting to be held on 13th May, 2004, warrants for the final dividend will be posted on 18th May, 2004.

The register of members of the Company will be closed from Monday, 10th May, 2004 to Thursday, 13th May, 2004, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the share registrars of the Company, Standard Registrars Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 7th May, 2004.

BUSINESS REVIEW

Electric Fans: Ceiling Fans and Table Fans

Sales of the Group's electric fans has maintained growth this year, attributable to higher growth from North American, European and Asian markets whereas Middle East and African markets are stable. As a result of higher manufacturing cost due to price increases of raw materials since the second half of 2003 together with reduction in China export tax refund in 2004, we expect that business will be affected next year.

Sales of the Group's table fans increased over last year due to higher growth in the North American market. Price increase in raw materials is expected to continue next year and, as selling price is still under pressure, sales of table fans will be difficult next year.

Vacuum Cleaners

The performance of this product division has improved substantially in the 2nd half of the year. The ODM contract manufacturing has lifted the volume enabling the division to achieve a profit for the full year. We expect the sales of this business unit will continue to grow in 2004 despite the higher costs in plastic and metal.

Optics and Imaging

The laser scanner EMS business continues to grow healthily. The new models were successfully tested and are going into volume production. We are planning to double the production capacity and extend the clean room facility in the second half of 2004. The pilot run of fuser unit was successful. We expect the product volume and yield rate will continue to improve in 2004. This high-tech, high precision, instant-on component will bring in promising sustainable business growth in the next few years.

Electric Wire and Cable

There was a slight increase in business turnover over last year for the Group's 98% interests in Guangdong Macro Cables Company Limited. Although selling price had increased commensurate with the price increases of major raw materials during the year, turnover had eased. The company had planned to implement reorganization and cost control measures in 2004 for improving profitability.

Stainless Steel Welded Tubes Products

The Group holds 90.1% equity interests in Shunde Hua Feng Stainless Steel Welded Tubes Limited. Although loss was recorded after depreciation charges on the plant and machinery, the overall business performance has improved over last year with a balanced cash flow position. As the global price increase of stainless steel continues to rise and the market is flooded with low grade welded steel tubes, business environment will become more difficult. Developing overseas markets and enhancing customers' relationships are expected to improve business performance.

Steel Processing and Steel Trading

Improved results over the prior year were recorded by the Group's 70% owned joint venture steel-processing business with Shinsho Corporation of Japan in Guangzhou China. Due to sharp increases in steel prices during the second half of 2003, market supply reduced thus resulting in an over demand situation. In March 2004, the Group has entered into an agreement for the sale of its 70% interest in the steel processing and steel trading business to an independent third party. The strategic divestiture is in line with the Group's strategy to rationalize its non-core activities and to consolidate resources to strengthen its strategic market positions in its core businesses.

Taxi Operation

The Group holds 95% equity interest in Guangzhou SMC Car Rental Company Limited which was awarded in 2003 one of the "Ten Best Taxi Operators in Guangzhou". The expected rapid economic growth in Guangzhou will have a positive impact on taxi operation and the company has already established new management system in mid 2003 to cope with the company's growing business requirements.

Real Estate Investment & Development

The Group holds Hong Kong Construction SMC Development Limited which owns property investment portfolio in CITIC Plaza at Tien He District Guangzhou, a property complex comprising an 80-storey Grade A office building, two 38-storey deluxe service apartment blocks and a shopping arcade. By the end of 2003, the Group's wholly-owned and jointly-owned holding of investment interests in CITIC Plaza represented attributable share of office premises and shopping arcade for 24,000 and 6,800 square meters (after revaluation) respectively. The Group's interest in rental income has still increased by 28% over last year despite the impact of SARS in the 1st half of 2003.

The Group's wholly-owned 30,000 square meters hi-tech facility in Shenzhen continues to provide long-term leasing income under a 10-year lease till beginning of year 2011.

The total rental income of the Group's office complex in Livermore, California has increased by approximately 10% despite slow economic growth in the Silicon Valley. We expect to sign up a few more tenants in 2004 to boost up the rental income.

Liang Xing Highway

In compliance with local Government's measures, the Group's 52% interest in Shunde Shunyue Highway Construction Limited had suspended collection of tolls at its Xin Cong Bridge toll station since 15th March, 2003 and has been receiving temporary monthly compensation based on 90% of the average monthly tolls in 2002. After prolonged discussions with the local Government departments regarding compensation, the Group has recently entered into both a share transfer agreement and loan repayment agreement on 20th February, 2004 with Shunde City Heng Shun Communication Investment Management Corporation. Under the aforesaid agreements, the Group is entitled to receive RMB429,762,220.33 (HK\$405,020,000 equivalent approximately) up to 31st December, 2003, of which RMB80,820,172.22 (HK\$76,170,000 equivalent approximately) will be received in U.S. Dollars at an exchange rate quoted on the payment date. Upon completion of the agreements, the relevant income will be recorded in 2004. For details regarding the transfer of shares and loan repayment agreements, please refer to the circular issued to the shareholders on 11th March, 2004.

Technology Investment Projects

Internet Automatic Migration Software for Enterprises

The Group's 72.45% equity interest in Apeon Corporation has successfully launched a more versatile version of Apeon 2.7 Power Builder software. The company has received sale orders upon launching of the software by Sybase in the world market in 2003. The company employed 260 software engineers by the end of 2003 and has formed a task force to continue working with one of the world's largest corporations for developing translation software under a new platform.

Internet Server

The Group's investment in Galactic Computing Corporation has started pilot production in Shenzhen China in 2003. The prototype server had been installed in customers' computer centers for trial run. By the end of 2003, the company has signed up a number of distribution networks for sales within China and received the first orders (including Taiwan). To cope with business expansion, the company has planned to enhance its research and development, sales and supporting teams and has embarked on the development of advanced server products equipped with salient features.

System Integration and Software Development

The Group's 28% equity interest in MDCL-Frontline (China) Limited was affected by SARS at the beginning of the year resulting in delays in a number of projects under discussion. Business has picked up in the second half of the year especially for the newly developed low-end hardware trading business which recorded satisfactory growth resulting in overall profits for 2003 versus a loss in previous year.

Broadband Communication IC

Broadband Physics has completed development of the field programmable gate array (FPGA) implementation for its patented Sub-band Division Multiplexing technology. In-house benchmark tests confirm performance is meeting expectation. Lab and field testing is beginning with industry partners for validation of the technology and its commercial application benefits. The successful validation will be an important support for the company's continual development. Interim secured bridge financing by installments are being extended carefully by the Group.

Electronic Integrated Rectifier Chips

The company has embarked marketing campaign in the 4th quarter of 2003 for the Group's investment in APD Semiconductor, Inc. in the United States. We expect a full product launch in the 1st half of 2004 and to generate revenue in 2004.

Financial Investments

Thanks to the world major financial markets which recorded favorable performances, the Group achieved HK\$30,544,000 gain in financial investments for the year ended 31st December, 2003 and the market value of the Group's holding of financial investments amounted to HK\$33,571,000 at the year end date.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

The Directors of the Company are pleased to announce that Mr. Peter WONG Chung On was appointed as an independent non-executive director of the Company with effect from 30th March, 2004.

The Company is pleased to take this opportunity to welcome Mr. WONG to join the Board.

By Order of the Board
BILLY YUNG KWOK KEE
Chairman

Hong Kong, 30th March, 2004