

2003 is a year of challenges and opportunities. During the year under review, the unexpected Iraq war and SARS outbreak in the first half year provoked an unprecedented contraction in economic activity in Hong Kong and the PRC. Having weathered the marked reduction in order placement during the second quarter of 2003, the Group pledged its unwavering commitment to the principle of "Ongoing Diversification and Innovation", and consolidated its production strengths to benefit from the resurgence in order demand due to the revitalized economy in both global and the PRC markets since the third quarter onwards. The Group's improved performance in the second half year was evident with the increase in turnover of 8.0% in the second half year compared with the previous year. During the year under review, the Group's turnover and net profit attributable to shareholders were approximately HK\$421.7 million and HK\$56.9 million respectively. (2002: turnover of approximately HK\$502.8 million and net profit attributable to shareholders of approximately HK\$62.4 million)

The Group recommended a final dividend of HK1.2 cents for the year ended 31 December 2003. (2002: HK0.8 cents)

STRENGTHENED PRODUCTION BASE AND CAPACITIES

During the year under review, the production facilities were expanded to cement the Group's leading position in consumer electronic products in the PRC. Despite the construction delay due to the SARS outbreak in the first half year, the approximately HK\$65.0 million Phase II factory expansion plan, including the two factory premises and one office and staff quarter complex, was completed in September 2003 after the SARS epidemic came to an end in mid-2003. Production scale and factory area would available be doubled to enlarge the production capacities of electronic calculators, as well as enhancing the Group's capabilities to produce value-added consumer electronic products, including multifunctional and waterproof watches and household telephones. The Group also reserved approximately 100,000 sq.m. of area adjacent to the Group's factory in Putian, Fujian in readiness of the future increase in the production volume of electronic products.

DEDICATION TO COST CONTROL MEASURES TO ENHANCE OPERATIONAL EFFICIENCY

Strict cost control and quality assurance were of prime importance for the Group to enhance operational efficiency. The further expansion in production facilities of electronic calculators components, in tandem with the existing vertical production line, could help improve the profit margin of the products to sharpen the Group's competitive edge. By the end of 2003, new sub-factories engaged in the production of circuit board, soft keypad and paper packaging carton were established within the new factory premises to further minimize the Group's reliance on external supply of components. The Group's commitment to expanding production capacities, combined with the well-established vertical production line, have favourably positioned the Group as the leading manufacturer and exporter of consumer electronic products in the PRC.

VAULT TOWARDS VALUE ENHANCEMENT PRODUCT AND MARKET DIVERSIFICATION

The Group was long committed to product and market diversification, and strived to develop a wide range of value-added consumer electronic products. This could help the Group tap into the

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prospectively high-growth markets and expand its global presence. During the year under review, 11 production lines of multifunctional and waterproof watches and 6 production lines of household telephones were added within the new factory premises to produce 43 types of multifunctional and waterproof watches and 24 types of household telephones, which were targeted mainly to developing countries and had received favourable market response.

The Group further expanded the product portfolio of electronic calculators and increased 130 models of different types of electronic calculators. The Group will further bolster its sales and marketing efforts to augment the sale of value-added products in the existing and newly developed markets. This can help further underpin the Group's brand awareness and strengthen the customer base.

Increasing global demand in state-of-the-art consumer electronic products and the growing prevalence of LCD appeared to be an inevitable trend. Since 2001, the Group stayed at the forefront and vaulted towards product diversification and value-enhancement, and commenced to manufacture TN-LCD for the internal component use of electronic products. The Group also flexibly re-directed part of the TN-LCD for external sales to widen the revenue sources. The Group plans to invest a minimum of HK\$30 million in 2004 for the establishment of STN-LCD factory premises and production facilities which are expected to commence production in the second quarter of 2004. The STN-LCD will be mainly deployed in the manufacturing of a wide array of consumer electronic products. The Group's well-established customer base, as well as the top-notch quality and well-acclaimed brand awareness in consumer electronic products, help pave the way for the Group to lure a wide spectrum of STN-LCD customers. Upon the manufacturing of STN-LCD in mid-2004, the Group is confident that the STN-LCD will become the Group's key revenue growth driver in the future.

I believe that the economic uncertainties in 2003 are not likely to recur again. The marked recovery in the global economy in the second half year appears to be sustainable till 2004 and the years ahead. This will help fuel the growth momentum of the Group's business in consumer electronic products. We will actively boost the existing consumer electronic products portfolio and spearhead into the manufacturing of STN-LCD in 2004. We will also expand into the development of other consumer electronic products, and look into collaboration with different companies in the manufacturing of consumer electronic products to tap into more prospective overseas markets. The PRC entry into the WTO unfolds tremendous business opportunities and the Group plans to further substantiate its presence in the PRC market. We are fully confident that the Group can become the leading manufacturer in the consumer electronic products in the world to embrace the burgeoning potential ahead.

Thanks to the concerted efforts of the management and staff amidst the formidable business environment in 2003, the Group's business growth momentum had picked up steadily. I would like to take this opportunity to devote my vote of thanks to all of the colleagues.

Mr. Lam Ping Kei
Chairman

15 April 2004