GROUP RESULTS

Turnover of the Group dropped to approximately HK$387,744,000 for the year under review, representing a decrease of approximately HK$38,525,000 or 9.0%.

The effect of discontinuing warehouse and forwarding and delivery services business contributed to approximately HK$26,144,000 in drop of turnover.

The Group reported a profit of approximately HK$22,400,000 for the year ended 31 December 2003 representing a drop of approximately HK$3,884,000 as compared to 2002.

FINANCIAL REVIEW

Liquidity and financial resources

At 31 December 2003, the Group's gearing ratio (total borrowings divided by equity) has decreased to 0.19 (31 December 2002: 0.50) due to increase of equity through exercise of convertible bonds and placement of new shares, whereas current ratio (Current assets divided by current liabilities) has dropped to 1.38 (31 December 2002: 4.20) due to liquidity fund applied on investment of photomask business.

Bank loans had increased by approximately HK$86,927,000 to approximately HK$147,126,000 as at 31 December 2003.

At 31 December 2003, the Group had capital commitments contracted but not provided for amounting to approximately HK$4,902,000 (31 December 2002: HK$328,000).

After taking into account the existing cash resources and unutilized banking facilities, the directors are of the opinion that the Group will maintain an adequate liquidity position throughout 2004.

Exposure to fluctuations in exchange rates

Exposure to fluctuation in exchange rates is immaterial to the Group's financial result as both the Group's borrowings and revenue are mostly denominated in Hong Kong Dollars or United States Dollars.

Capital structure

On 21 August 2003, HK$200,000,000 convertible bonds were exercised at the conversion price of HK$0.66 per share resulting in the issue of 303,030,303 shares.

On 8 September 2003, 88,000,000 shares were issued for cash at a subscription price of HK$0.66 per share.

Management Discussion and Analysis

Contingent liabilities

The contingent liabilities of the Group, mainly from guarantees for banking facilities granted to a jointly controlled entity, increased from approximately HK$83,153,000 as at 31 December 2002 to approximately HK$101,039,000 as at 31 December 2003.

Pledge of assets

As at 31 December 2003, certain of the Group's assets with an aggregate net book value of approximately HK$462,404,000 (31 December 2002: HK$63,600,000) were pledged to secure general facilities granted to the Group.

BUSINESS REVIEW

The decrease in net profit for the year is mainly due to increase in finance cost, upon fund injected into new project for the year and the existence of some non-recurrent income in last year including write back of impairment provision for investment and gain on disposal of investment in a jointly controlled entity.

Telephone Accessories and Power Cords

Sales to external customers dropped 10.8% due to keen competition. A provision of approximately HK$4 million has been provided in 2003 to write down the value of obsolete materials and finished goods which adversely affected the performance of the division.

Adaptors and electronic products

New products of electronic switching adaptor have successfully expanded business. Despite rising trend of material cost, the division has improved its result in current year by increase in scrap sales recorded as other income.

Printed Circuit Boards

The operation of Dongguan factory was unable to cope with tightened quality demand of product quality from customers since in the second quarter of the year and turnover of the current year dropped by 10.3%. Following the restructure of the factory management, in the fourth quarter of the year, the factory has greatly improved its product quality and was able to achieve a profit for the year under review.

High Precision Metal Parts

Development of new products, in particular of metal parts for electrical appliances which becomes the major product of the division is attributable to the growth in turnover and profit of the division for the current year.

Discontinuous Business – Freight forwarding and delivery services

The Group has disposed of its loss-making warehouse business to an independent third party at HK$2,430,000 and discontinued its freight forwarding and delivery services business in January 2003. The division has sustained a loss of approximately HK$1.7 million in 2002.

Jointly Controlled Entity – Copper wire

The jointly controlled entity was badly hit by the outbreak of the Severe Acute Respiratory Syndrome (SARS) in the second quarter of the year because the jointly controlled entity has cut down selling price to compete for sales order. Hence, the decrease in profit was substantially mitigated by the strong rebound of sales and gross profit margin in the second half of the year.

Associate – Tianjin Printronic Circuit Corporation ("TPC")

The Group has reclassified its investment in TPC as an associate from long-term investment since February 2003 following a reorganization scheme implanted to rationalize the structure of TPC. As a result, the Group was able to exercise significant influence over TPC. During the year under review, TPC has reported an increase of turnover by 17.1% and profit by 16.2% in 2003.

New project – Photomasks

In April 2003, the Group commenced the photomask manufacturing business. The purchase of factory premises at Tai Po Industrial Estate was completed on 7 May 2003. The construction of cleaning room facility was completed in August 2003 and installation of machineries was commenced since September 2003.

By the end of 2003, the photomask factory has completed its trial run and successfully produced the first set of high quality photomask. The Group has written off the pre-operating cost before finance cost of approximately HK$1.5 million for the year ended 31 December 2003.

Employees and remuneration policies

The Group had a total of approximately 3,350 employees as at 31 December 2003.

The remuneration policies of the Group are to ensure the fairness and competitiveness of total remuneration to motivate and retain existing employees and at the same time to attract potential employees. Remuneration packages are structured in such a way that take into account local practices in the various geographical locations in which the Group and its associates operate. These remuneration packages include basic salaries, allowances, retirement schemes, service bonuses, fixed bonuses, performance related payments and share options where appropriate.

BUSINESS OUTLOOK

The Group will continue to improve profitability of its original business through development of new product and enhanced control on operating efficiency and quality control.

At the same time, development of the Group's photomask business is in good progress. The Group is committed to the photomask business development as the first step in its diversification strategy and an additional source of profit in the coming year.

By Order of the Board
Cao Zhong
Chairman

Hong Kong, 19 April 2004