

Chairman's Statement

On behalf of the Board of Directors (the "Directors"), I am pleased to report the annual results of the Company together with the subsidiaries (collectively the "Group") for the year ended 31 December 2003.

FINANCIAL RESULTS

For the year ended 31 December 2003, the Group's turnover reached HK\$271.8 million, representing a 35.4% increase over the previous year. Overall gross profit margin was also improved and increased from approximately HK\$33.0 million in the previous year to approximately HK\$57.8 million this year. Net profit attributable to shareholders was approximately HK\$3.6 million (2002: HK\$1.1 million).

Basic earnings per share for the year ended 31 December 2003 amounted to HK1.42 cents (2002: HK0.42 cent) per share.

BUSINESS REVIEW

I have pleasure to report that the Group's operations collectively have a successful year and the Group achieved significant growth in turnover and earnings in the period under review. In spite of the war in Iraq and the outbreak of Severe Acute Respiratory Syndrome ("SARS") in early 2003, our business was not seriously affected. The turnover for the year is a record level of the Group since the Company's shares are listed on the Stock Exchange in 1997. The growth in turnover resulted from the introduction of new products with value added features to the market in response to customer demand, the broadened customer base and the investment in new machines and facilities for production in last year.

In order to cope with the increased demand for our products from the customers, we continued the expansion of our production capacity, refurbishing the set up at our production facilities as well as strengthening our research and development team during the year under review. As a result, we were able to expedite the process of new product development and launching the same into the market.

The products of the electronic and related components and parts segment are major critical components and parts for high value consumer products. Due to keen market competition, the Group has always faced with pressures from both customers and competitors in the market. This leads to reduction in the gross profit margin of the existing products of this segment from time to time. We have counteracted these pressures by developing new products with value added features for the customers continuously, which has brought us fruitful results.

The segment results of the electronic and related components and parts segment improved from a loss of approximately HK\$7.7 million in the last year to a profit of approximately HK\$2.4 million this year. The current year's segment results include the operating loss of approximately HK\$5.0 million of our overseas marketing office in Singapore. With broadened overseas customer base including some prestige customers, the Singapore marketing office is expected to contribute profit to the Group and thereby improve the overall results of this segment in the coming year.

The new products developed by the consumer electronic products segment in the prior year have been well accepted by our customers since they were launched into the market. As anticipated in last year, the performance of this segment in the year under review is outstanding. The current year's segment results have improved by 4.5 times from last year and reached the level of HK\$13.4 million this year.

At present, sales to customers located in Asia and Europe account for approximate 95.6% of the Group's total turnover. Our customer base has been broadened and diversified to include more prestige overseas customers with the efforts of our strong sales team. With the strengthening of Euro dollars and Japanese Yen, we are optimistic that the demand from both the European and Japanese markets and hence the growth of our sales turnover to these territories would increase.

Investments

Investment in an associate

During the year, on 21 February 2003, the Group's wholly-owned subsidiary Technology Trends International Limited ("TTI") finalized and entered into a shareholders' agreement with YOUEAL Electronics Co., Ltd. and You Eal (China) Ltd. ("YEC") to, among other matters, regulate the respective rights and obligations of the shareholders and the arrangements between them with respect to the ownership, management and operations of the joint venture company YOUEAL TTI Limited (the "Associate"). The Group is interested in 41% of the equity of the Associate, with capital contribution commitment amounting to US\$4.1 million.

The Associate completed the set up of a manufacturing plant in Tianjin, the PRC in the latter half of 2003. The manufacturing facility is for the manufacture and sale of mobile phone keypads and has started its commercial production in late 2003. Net loss of the Associate for the year ended 31 December 2003 was approximately HK\$10.6 million, of which the Group shared HK\$4.3 million.

Up to 31 December 2003, we have made capital injection into the Associate of approximately HK\$28.8 million. Subsequent to the balance sheet date in February 2004, we made a further capital injection of approximately HK\$3.2 million into the Associate, after which our capital contribution commitment of US\$4.1 million in funding the Associate is fulfilled.

Other investments

During the year in May, the Group invested HK\$2.5 million for long term purposes in a private company of which principal activities are financial consultancy and investment holding. We believe that through the network of this company, we would be able to access opportunities for new business development that could enhance the Group's turnover and profitability.

We are also pleased to report that subsequent to the year end on 1 February 2004, one of our unlisted equity investments with a carrying value of approximately HK\$0.3 million was converted into shares of an overseas company, which is listed in an overseas stock exchange. We disposed of these converted shares during 31 March to 6 April 2004 for an aggregate cash consideration of approximately HK\$5.4 million, giving rise to a net gain of approximately HK\$5.1 million. This unlisted equity investment was acquired in March 2002, when we were invited by an overseas customer to subscribe for their new shares that were issued for raising working capital to finance their operations. We decided to dispose of the converted listed investment as such investment is no longer a direct investment in our customer.

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FUTURE PLAN AND PROSPECT

We anticipate that the global economy will continue to improve and are pleased to report that the demand for our products has continued to grow after the year end date. As a result, we foresee the growth of our turnover would be continuing throughout the year 2004.

Nonetheless, one of our challenges in the coming year is to maintain our profit margin in view of the rising production and raw material costs. In order to maintain our growth in turnover and profitability and to lessen the effect of rising product production costs, we would continue our strategy of developing more new products with value added features, implementing cost control and reduction measures and improving our production efficiency. We hope that this would in turn increase the Group's market share and strengthen the Group's market position.

Our emphasis on new product development is one of our success factors. Therefore, the Group will continue to invest in its human resources and product research and development capabilities. Moreover, we will invest in new machinery and production facilities so as to increase our production capacity for meeting the demand of our products from the customers.

At present, sales to the United States market account for approximately 2.6% of the Group's total turnover. In order to diversify the Group's customer base and to improve the Group's turnover furthermore, we are planning to develop more businesses from the United States market in the near future.

The Associate has commenced its mass production in late 2003 and has obtained orders of keypads from some renowned mobile phone manufacturers. We anticipate that the Associate would turn around in 2004.

APPRECIATION

I would like to take this opportunity to thank the directors and senior management of the Group who have expressed their support to the Group.

Moreover, on behalf of the Board, I would like to express my thanks and gratitude to all our staff for their loyalty and hard work and to our suppliers, customers and shareholders for their continued support.

Lai Pei Wor

Chairman

Hong Kong, 27 April 2004