

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

In 2003, the Group's revenue increase was driven mainly by stronger demand in its military, aerospace, high reliability, telecommunications and power conversion markets. Growing unit volumes and stable revenues at the Group indicate a continuation of the slow recovery in overall electronics markets. The Group showed significant profits in 2003 reflecting the success of its marketing activities and cost reduction efforts.

For the year ended 31 December 2003, the Group's turnover was approximately HK\$145 million which represented an increase of approximately 25% over year 2002. The Group has also reported a net profit attributable to shareholders of approximately HK\$19.7 million or HK6.1 cents per share, as compared to a net loss of approximately HK1.2 cents per share with turnover of approximately HK\$115 million for year 2002.

The global technology industry has stabilized and the business environment of electronic manufacturing industry has improved with the recovery of global economy. The Group continues to believe that a strong growth in its legacy customized, military, aerospace applications and high reliability magnetic components business will increase in the next few quarters and in the future.

It is the Group's strategy and efforts to increase its market share and strengthen its market position, along with the aggressive restructuring and cost reduction activities. The Group will continue to invest in personnel, new technologies and automatic equipment to improve operational efficiency and performance.

The Group remained in its good cash position and strong balance sheet. We believe that our aggressive cost-cutdown activities have positioned us very well for the future. Our cost structure will allow us to produce strong operating margin and create a more valuable enterprise for our shareholders.

The Group knows that it will be faced with many challenges resulting from global economy and political forces which are beyond our control. However, the Group is well prepared to withstand these uncertainties and position her for the future.

ACKNOWLEDGEMENT

I hereby express my gratitude to all directors, executive teams and staff members for all their contributions and hard work.

SIU Paul Y.

Chairman

Hong Kong, 21 April 2004