

FINANCIAL REVIEW

For the year ended 31 December 2003, the Group's turnover was approximately HK\$145 million, which represented an increase of 25% as compared to HK\$115 million of last year. The Group reported a profit attributable to shareholders and earnings per share of approximately HK\$19.7 million and HK6.1 cents respectively as compared to a corresponding loss of HK\$3.7 million and HK1.2 cents respectively of last year. Gross profit margin rose to approximately 41% in 2003 as compared to 29% in 2002. The significant improvement in operating performance was largely due to the growth in turnover, increase in operational efficiency and the results of cost reduction efforts.

The increase in turnover was mainly due to higher demand in its military, aerospace, high reliability, telecommunications and power conversion markets, especially in the military and aerospace market which generated a higher profit margin. Sales to the military and aerospace market alone increased by over HK\$7 million (from HK\$14.4 million in 2002 to HK\$21.7 million in 2003), thus bringing a significant contribution to the improvement in the Group's gross profit margin and operating profits.

The overall business environment of electronics industry has improved with the gradual recovery of the global economy. The increase in sales in the telecommunications and power conversion markets indicated that there was gradual recovery of these markets, which contributed over 70% of the Group's turnover, especially in the US and Europe. The US and Europe markets remained the Group's major markets which accounted for over 90% of the Group's turnover.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2003, the Group had a total shareholders' equity of approximately HK\$177 million (2002: HK\$176 million), and cash and cash equivalents of approximately HK\$59 million (2002: HK\$65 million), which were predominately denominated in US and Hong Kong dollars.

For the year ended 31 December 2003, the Group had not arranged for any banking facilities and other resources for financing. With the above cash on hand, the Group has adequate resources to meet its working capital needs in the near future.

The Group has strong financial position. There were no debt and no bank loan for the year ended 31 December 2003.

The Group had limited exposure to foreign exchange fluctuations as most of its accounts receipts and payments are in US dollars.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2003, the Group employed approximately 1,250 personnel around the world, with approximately 100 in Hong Kong, 1,130 in the PRC and 20 overseas. The Group has a staff education sponsorship program and also provides training courses to staff on operational system, product and technology development, and product safety.

CONTINGENT LIABILITIES

There is no contingent liability as at 31 December 2003 (2002: HK\$Nil).

CAPITAL COMMITMENTS

The Group has no authorised and contracted capital commitment as at 31 December 2003 (2002: less than HK\$0.1 million).

UPDATED INFORMATION ON PUBLIC SHAREHOLDING AND THE ONBOARD LITIGATION

Trading in the shares of the Company has been suspended since 15 August 2002 due to the public float issue of the Company and the litigation of the Company's substantial shareholder, Onboard Technology Limited. Details of which have been published by the Company's announcement dated 21 April 2004.