

Chairman's Statement

Financial Performance

For the year ended 31 December 2003, the Group's turnover increased by 11.3% to HK\$1,159 million. Operating profit was HK\$52 million, as compared to HK\$69 million in 2002. Profits attributable to shareholders amounted to HK\$33 million, as compared to HK\$48 million in 2002. Basic earnings per share were 5.1 Hong Kong cents, as compared to 8.4 Hong Kong cents in 2002.

Dividends

The Board of Directors (the "Board" or "Directors") has proposed a final dividend of 1.02 Hong Kong cents per share for the financial year ended 31 December 2003. The final dividend, if approved at the forthcoming annual general meeting, will be payable to shareholders whose names appear on the Register of Members at the close of business on 25 May 2004.

Barring unforeseen circumstances and based on cash flow requirements, the Board of Directors proposes distributing approximately 20% of annual earnings as dividends to shareholders.

Business Review

In the second half of fiscal year 2003, the Group benefited from the economic recovery in the United States and Europe and the continuous outsourcing of the supply chain to low-cost regions such as China and South East Asia. As a result, shipment volumes, in terms of square footage, were up by 24.4% as compared to last year. Production reached an average utilization rate of over 90% in the second half of the year with the rate even reaching about 95% in the fourth quarter.

During the second half of 2003, supply and demand in the PCB industry became more balanced, major raw material prices started moving upwards and PCB sales prices became more stable as compared with the first half of 2003. However, the average sales price for the year still fell by about 10.5% as compared to last year.

Total turnover reached HK\$1,159 million represented an increase of about 11.3% from last year. The shipment of multi-layered boards (6-layered and above), which bring in higher profit margins, increased by about 24%, as compared to last year. Currently, multi-layered boards contribute about 25% to the Group's sales.

The Group continued to invest resources in upgrading its technical capabilities and in enhance its marketing efforts to expand market coverage and further improve in product mix.

Prospects

With continuous cost controls and constant efforts to change its product mix to higher layered and special materials products, the Group witnessed a promising recovery in its profit levels during the second half of FY2003, although the average monthly profit achieved was still below the target, set at the previous average monthly profit for FY2001 and the first six months of FY2002.

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Fundamental problems still lie in the current cost structure and the average sales per sq ft in the products that the Group is currently manufacturing at its Shekou facilities.

Accordingly, the Group plans to re-locate all its low-end, low-priced products, primarily 2 and 4 layer boards, to another manufacturing site, which will be located in Shaoguan, because major costs such as labour, electricity and water will be much cheaper there than in Shekou. A factory with a covered area of approximately 33,800 sq meters will be constructed shortly and is expected to be completed at the end of 2004. Initially all outer-layers of the Group's low-end products will be manufactured there, and eventually the inner-layers of its 4-layered product will also be built there. The relocation of these manufacturing facilities will allow the Group to once again become competitive in this category of products, while at the same time leaving sufficient room to grow its high-layered and high-priced products at the present Shekou facilities.

After the completion of the relocation, expected to be in FY2005, both the Shekou and Shaoguan plants will each possess an outer-layer capacity of one million sq ft per month, reaching a total outer-layer capacity of two million sq ft per month. The inner-layer capacity to outer-layer capacity of the present Shekou plant will also be greatly improved, increasing the average sales price and profit margin for products built at this site. This will provide a solution to the Group's current problem areas.

In the short term before the completion of the Shaoguan plant, the Group will continue to work towards its profit targets by further decreasing its orders in the low-end 4 layered mother board market and seeking more business in high-layered, other specialty products such as HDI, blind-and-burried vias, special products and metal-laminated boards.

N.T. Information Ltd, an industry research firm, in its Jan 2004 report forecasted that world-wide PCB growth will be 6.9% for 2004 and 9.9% for 2005. China will continue to lead this growth, at an average rate of 20 to 22 % per year during the two years. This will therefore provide a springboard for the Group's expansion plan as it realizes its primary objective to streamline its manufacturing cost structure and to achieve its profit target.

Appreciation

On behalf of the Board, I would like to extend our gratitude and sincere appreciation to all management and staff members for their diligence and dedication, the continuing support of our business partners and the Company's shareholders.

CHEOK HO FUNG

Chairman and Chief Executive Officer

Hong Kong, 16 April 2004