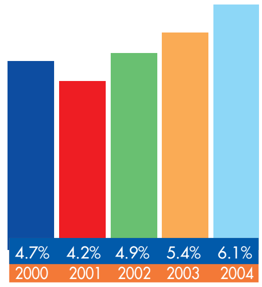
Financial Review

Revenue for the Group for the year ended 31 March 2004 increased approximately 4% to HK$744 million, compared to previous year's HK$717 million.

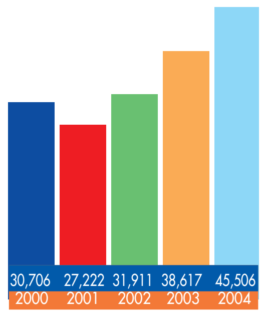
Profit Margin Before Tax
year ended 31 March



Management attributes the growth in revenue to continued support from major OEM customers. Sales from LC Tech and KG also contributed favorably toward the annual sales. Mainland China's revenue remained steady throughout the year under review. The turnover increment was mainly attributable to the Group's strategy of focusing on developing innovative products with higher margin for all segment of the business.

Due to fluctuating materials costs and customers' continuous request for competitive pricing, the Group had to leverage its volume advantage in sourcing lower cost materials. Management's decision to advance purchase and warehousing plastic materials plus utilization of slow season to stock up standard components, allowed the Group to maintain competitive pricing without sacrificing margins. Consequently, gross profit increased to HK$217 million compared with HK$210 million in the previous year. However, gross margin were maintained at 29% of the turnover for both years.

Profit Before Tax
(HK$'000)
year ended 31 March



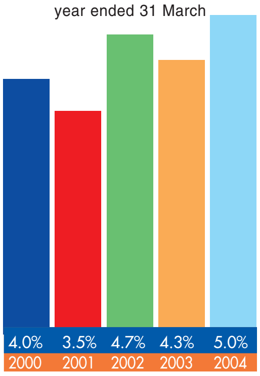
Operating expenses for the year ended 31 March 2004 comprised of selling and administrative expenses totaling HK$33 million and HK$126 million respectively. These figures compared favorably with last year's HK$36 million and HK$125 million for similar expenses. The decrease in selling expenses was mainly the result of normalization of marketing, sales and product development expenditures on the part of KG.

Administrative expenses accounted for 17% of the turnover for year ended 31 March 2004, slightly lower than that of 18% for the previous year. The Group has a policy of revaluing its interests in leasehold land and buildings on a periodical basis. The last valuation was commissioned three years ago on 31 March 2001. The recent appraisal as at 31 March 2004 resulted in revaluation deficit amounting to HK$2 million in value of certain leasehold properties belonging to the Group. This deficit has been included in the Group's administrative expense for the year ended 31 March 2004. Cost control measures undertaken by management registered positive results despite an increase in turnover.

Operating profit improved from HK$53 million in the previous year to HK$59 million for the year under review. Operating margin for the period under review also showed slight improvement from 7.4% to 7.9%.

The Group has benefited in the current low interest rates environment. There are two syndication loans currently provided to the Group. The First Syndication Loan initially amounting to HK$150 million was fully repaid on June 29, 2004. Interest expense for the year under review remained stable at HK$14 million. The Group achieved a profit before taxation of HK$46 million, an increase over last year's HK$39 million.

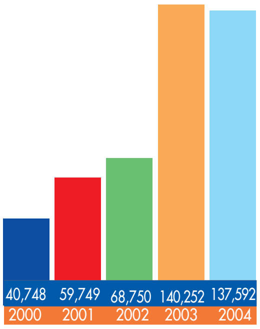
Net Profit Margin
year ended 31 March



Taxation provided for the year ended 31 March 2004 showed an increment to HK$8.6 million compared with HK$7.5 million for the previous year. The increase in the tax provision is partly due to the adoption of new accounting policy which is clearly defined in notes 1(k) and 5 to the accounts on page 40 and 45, respectively.

Overall, the Group's net profits attributable to shareholders were HK$37 million compared to HK$31 million in the previous year. Net profit margin was 5.0% as compared with 4.3% in the previous year. The basic earnings per share were HK8.3 cents for the year ended 31 March 2004 against HK7.2 cents for the year ended 31 March 2003.

Bank Balances and Cash
(HK$'000)
as at 31 March



Group Capital Resources and Liquidity

The Group's total shareholders' funds amounted to HK$390 million as at 31 March 2004 compared with HK$356 million in the previous year. The increment reflects primarily the net profit for the year ended 31 March 2004. Changes in reserves and retained profits including the impact of deferred tax adjustments as well as revaluation write down of certain leasehold properties owned by the Group. The conversion of previously issued convertible preference shares into ordinary shares in early November 2003 also contributed to the changes in share capital and reserves.

The capital expenses in equipment and renovation for LC Tech and STP were the main addition to the Group's fixed assets. Total fixed assets increased from HK$258 million to HK$267 million as at 31 March 2004. These investments were spent in anticipation of further contribution form LC Tech and STP in the years to come.

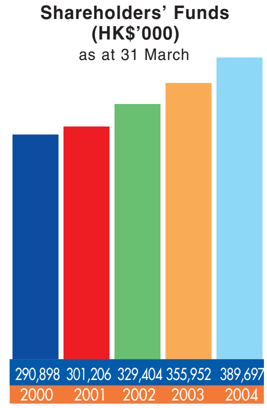
Goodwill consists mainly of the acquisition costs relating to KG. The Board decided to amortize this asset expenditure in accordance with the Group's current principal accounting policies as stated in note 1(e) to the accounts.

Other investments remained stable at HK$33 million as at 31 March 2004. Included in this asset are the investments in life insurance contracts for the Group's key officers, being certain Executive Directors. The investments have a cash surrender value of HK$28 million as at the balance sheet date. Details of this investment are clearly defined in note 15 to the accounts.

The initial payment for the acquisition of an industrial leasehold land in Changping, Dongguan is shown as other long term assets as at 31 March 2004 in the balance sheet. Management expects to complete this acquisition within the next financial year with the issue of land use rights for this land in Changping, Dongguan and completion of the other terms and conditions of the contract.

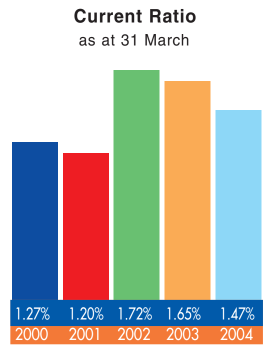
Notwithstanding the management's efforts to protect margins, the inventory balance as at 31 March 2004 stood at HK$191 million, slightly above HK$183 million at previous year end date. The stocking of plastic materials, metal parts and certain work in progress contributed towards this figure. However, due to the increase in sales, inventory turnover reduced slightly from 93 days to 92 days in 2003/04.

Trade receivables as at 31 March 2004 increased to HK$164 million compared with HK$124 million in the previous year. Management attributes the increase directly to increment in sales as well as extension of credit period to certain customers. Receivable turnover increased from 59 days in 2002/03 to 71 days in 2003/04. Management has a policy of constantly reviewing the Group's credit policies and assessing its customers' financial position and risks. Sales to certain customers are covered by export credit insurance.



The Group's major source of revenue currency is in US dollar. However, the Group's major expenses are in Hong Kong dollar and Renminbi for materials purchases, salaries and other forms of expenditures. Total cash and bank balances as at 31 March 2004 remained at HK$138 million compared with HK$140 million at the previous year end date.

Trade payables increased from HK$50 million to HK$64 million at 31 March 2004, mainly for financing inventories. As a result, creditors' turnover day increased from 46 days in 2002/03 to 55 days in 2003/04. Trust receipts loan increased from HK$75 million to HK$84 million as at 31 March 2004, mainly for financing the increment in trade receivables.



Short term loans increased significantly from HK$130 million to HK$162 million as at 31 March 2004 mainly due to the expiration of the First Syndication Loan, which was fully repaid on 29 June 2004. The repayment was financed by a Second Syndication Loan amounting to HK$200 million arranged on 3 December 2002.

Total interest bearing debts remained stable at HK$344 million at 31 March 2004. This represent a slight change in net debt (interest bearing liability less cash and bank balances) from HK$204 million in 2002/03 to HK$206 million in 2003/04. Thus, the gearing ratio on a net debt to shareholders' funds basis reduced from 57% to 53%. However, the management will constantly review the Group's overall debts and strive to strengthen our financial position if opportunity arises.

The Group generally finances its operations and investing activities from internally generated cash flows and banking facilities. Bearing unforeseen circumstances and with the current cash balances and available credit facilities, the management believes the Group has adequate financial resources to meet its future working capital needs.