

CHAIRMAN'S STATEMENT

It is my great pleasure to announce to our shareholders that the Group achieved over HK\$1.5 billion in sales for the first half year period in 2004 which was a new record in the Group's 25 year history. Unaudited consolidated turnover for the six months ended 30 June 2004 was HK\$1.538 billion which was 213% more than the last corresponding period (HK\$492 million). Unaudited net profit for the period was about HK\$256 million, representing a tremendous increase of 338% over the same period in 2003 (HK\$58 million). The various profit margins secured during the period including gross, operating and net margins, were also satisfactory.

The continuous jump in sales of the CSTN LCD ("Colour Super-twisted Nematic Liquid Crystal Display") products during the interim period further boosted our LCD operation which constituted 91% of the Group's business. Sales from this hot full colour display item have contributed more than HK\$800 million to the Group's turnover in the first half year of 2004. Compared to nothing in the same period last year and only HK\$350 million during the second half year in 2003, the growth was attributable to the extensive applications of CSTN LCD by mobile handset manufacturers worldwide and in electronic consumer products and industrial products. This business line will therefore continue to be an important growth driver for our LCD division in the long term. With the over-inventory of mobile handsets in the China market recently and unforeseeable market factors ahead, we anticipated our growth to slow down in the third quarter and pick up again by the end of the year.

In April this year, the Group successfully enhanced the productivity of the CSTN LCD production line by modifying related machinery. Thereafter, the maximum production capacity was increased by around 40%. Production yield also improved to more than 90%. Depending on the upcoming market condition and our sales projection, we will evaluate the need and decide on the timing for adding new CSTN LCD production facilities during the second half year. The maximum capital expenditure is about HK\$150 million.

CHAIRMAN'S STATEMENT

Apart from a volatile global economy, the Group is also facing a lot of challenges in both technology breakthrough and marketing strategy. The recent success in accomplishing a faster response time (down to 90 mini-second) in CSTN LCD application and the development of full colour OLED ("Organic Light Emitting Display") products in our own factory has put us one step ahead of our competitors in the display segment. Together with our hands-on experience in assembling TFT ("Thin Film Transistor") display modules, we are fully confident of making the Company one of the greatest players in the full colour display industry.

Last but not least, I would like to thank our shareholders, business partners, staff and workers for their continuous support to the growth of the Group.