

### BUSINESS REVIEW

Overall, 2004 was a successful year for the Group as our operating profit had improved throughout the year. The Group showed significant profit increase in 2004. The Directors believe that it is reflecting the continued success of the Group's efforts to design for a new variety of customized magnetic components and its manufacturing efficiency.

For the year ended 31 December 2004, the Group's turnover was approximately HK\$184 million which represented an increase of approximately 28% over year 2003. The Group has also reported a net profit attributable to shareholders of approximately HK\$40.8 million or HK12.8 cents per share as compared to approximately HK6.1 cents per share with turnover of HK\$145 million for year 2003.

The Group continues to believe that there will be a strong growth in its legacy customized military, aerospace applications, high reliability magnetic, aerospace components and power conversion markets. The Group remains cautiously optimistic about revenue growth and earnings of year 2005. The Group recognizes and anticipates that the electronics industry will continue to be competitive. In order to compete and expand business growth, it is increasingly necessary for higher productivity and efficiency in production and overheads cost reduction.

It is the Group's strategy and efforts to increase its market share and strengthen its market position through direct sales and sales representative forces. The Directors believe that its coordinated sales effort provides a high level of market penetration and efficient coverage of its customers on a cost effective basis. 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. The Directors believe that its aggressive cost-cutdown activities, high productivity and efficiency have positioned us very well in the future. The Directors believe that its cost structure will allow the Group to produce strong operating margin and create a more valuable enterprise for our shareholders.

The forward-looking focus continues to characterize the Group as a vibrant and agile company. Each year, there are new markets and technologies to enter into, greater technical challenges to meet and more opportunities at which to excel.

### ACKNOWLEDGEMENT

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

**Siu Paul Y.**  
*Chairman*

Hong Kong, 22 April 2005