MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

1. Financial

For the year ended 31 December 2004, the Group's turnover was approximately HK$816 million, representing a significant growth of about 83% compared to year 2003, and recorded a profit of approximately HK$98.3 million, a growth of about 68% compared to year 2003.

Sales during the year were characterised by continued strength across most business lines, in particular in handset accessories, aluminium casing, digital satellite television modems and fiber optic cable, which had a significant contribution to the growth during the year.

2. Operational

Segmental information

The Group maintains its core manufacturing activities, namely Electrical Fittings, Ironware Parts and Communication Facilities.

a. Electrical Fittings Division

The core product in this Division remains on In-Mould Decoration (IMD), which has occupied more than 80% of the gross sales in this Division.

The turnover of IMD for the year has increased by 1.2 times compared to last year's turnover. The profit contribution of IMD is over 40% of the total Group's profits. It is the most significant product and the fastest growing point of the Group for the current year.

During the year, we have manufactured nearly 32 million pieces of IMD, a growth of 100% in comparing with last year. In the second-half of the year, the consolidation of handset manufacturing business in China has negative impact to the demand of our Group's IMD and has retarded our growth.

Despite the challenges, the Company remains confident about future prospects. We target to diversify the application of IMD. Subsequent to the year end, the application of IMD in other sector of products such as MP3 and game sets become popular. IMD business will continue to play a significant role in our Group.

During the year, the turnover of Membrane Touch Switches (MTS) has shown a growth of 71% in comparing with last year. Although the contribution of this product is relatively little, it has reflected that our Group's business have experienced an overall growth.

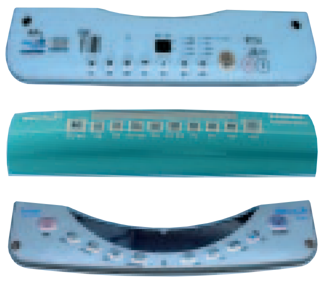
MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(continued)*

2. Operational *(continued)*

Segmental information (continued)

b. **Ironware Parts Division**



The operation of the factory in Shenzhen, Guangdong Province has grown by nearly 30% in comparing with last year. This factory is now mainly focused on aluminium products, which have a relatively higher margin than the traditional ironware products. Overall, the aluminium products now account for more than 50% of the turnover in Ironware Parts Division while the profit contribution is more than 75% of the Division. In comparing with last year, the turnover of aluminium products has grown in above 100%.

For the ironware products, there are 25% growth in sales in comparing with last year. The profit margin of this sector has shown a decline for facing the relatively serious price pressure.

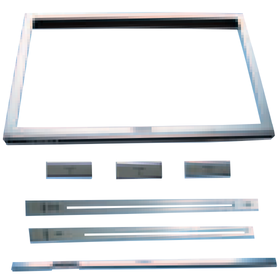
The Group's commendable business practices have always been a source of pride. Subsequent to the year end, on or about March 2005, the Shenzhen factory was granted "ISO14001" by TUVNORD CERT.

c. **Communication Facilities Division**

The two main products of the Division are fiber optic cable and digital satellite television modems which occupies about 54% and 40% of the Division sales respectively.

Fiber optic cable

The turnover has increased over 70% in comparing with last year. Although the profit contribution in this sector is relatively immaterial to the Group, the improvement in profit margin in this business has demonstrated that the business is in a healthy growth.



In order to maintain the market competitiveness, we have to strengthen our production capability. A new factory was developed in Xiamen, Fujian Province to expand our production capacity during the year. Full production of the new factory is expected in the mid of 2005 and the production capacity will be increased by 100%.

BUSINESS REVIEW *(continued)*

2. Operational *(continued)*

Segmental information (continued)

c. **Communication Facilities Division (continued)**

Digital satellite television modems

"Tongtel", the brandname of Tongda's digital satellite television modem, become popular in the market, in particular in the Middle Eastern and Indonesian markets. During the year, sales is booming and the growth is more than 200% in comparing with last year.

d. **Trading of electrical appliances**

We sell electrical appliances to the Australian market. The demand for "Made in China" electrical appliances remains strong. Sales has increased for over 140% in comparing with last year.

3. Liquidity and financial resources

The Group has experienced rapid growth during the year. With the support of the profitability of the business and the careful monitoring of the liquidity position of the Group, the liquidity of the Group are maintained at a healthy level.

Our Group generally financed its development and operations with internally generated cash flow and other banking facilities by its principal bankers. Subsequent to the year end, on 11 April 2005, our Group was supported by a Group of Banks to grant a 3 years' long term loan amounting to HK$125 million at an annual interest rate of HIBOR plus 1.25. The loan is to repay the short term loan and to add as additional working capital. We aim at maintaining a high level of liquidity for our further expansion in the coming days.

As at 31 December 2004, we had cash and bank balances of HK$87,741,000 (2003: HK$56,864,000), of which more than 90 per cent were denominated in Hong Kong dollars and RMB. Our Group carried on its trade mainly in Hong Kong dollars and RMB. As the exchange rates of RMB against Hong Kong dollar were relatively stable, the Group was not exposed to any material exchange rate fluctuation.

As at 31 December 2004, the gearing ratio (total debt/total asset of the Group) was 0.55 (2003: 0.55).

BUSINESS REVIEW *(continued)*

4. Employee

As at 31 December 2004, the Group had about 4,600 (2003: 2,400) employees. The Group provides competitive remuneration packages to employee commensurable to the level and market trend of pay in the business in which the Group operates, with mandatory provident fund schemes and a share option scheme.

5. Capital structure

All of the Company's shares are ordinary shares. Other than the non-current portion of bank loans of HK$5.9 million (2003: HK$7.3 million), the Group's borrowings are repayable within one year as at the balance sheet date.

6. Charge on assets

The Company's properties at Room 1201-03, 12/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong and 7C Sea Bright Plaza, 9-23 Shell Street, North Point, Hong Kong were pledged as a first legal charge to banks for securing certain of the banking facilities for the Group's operation.

7. Contingent liabilities

As at the balance sheet date, the Group had contingent liabilities in respect of outstanding irrevocable letters of credit of HK$23.4 million (2003: Nil).

In addition, the Company had contingent liabilities in respect of corporate guarantees provided for banking facilities for certain subsidiaries and an associate, which were utilised to the extent of HK$50.8 million (2003: HK$16.1 million) at the balance sheet date.

Save as disclosed above, neither the Group nor the Company, had any significant contingent liabilities at the balance sheet date.