

## CHAIRMAN'S STATEMENT

### FINANCIAL PERFORMANCE

For the year ended 31 December 2005, the Group achieved record sales of HK\$1,631 million with an increase of 24% over that of last year. Operating profit before interest and tax was HK\$121 million, representing an increase of 30% as compared to HK\$93 million in 2004. Profits attributable to shareholders amounted to HK\$93 million, showing also an increase of 4.8% as compared to HK\$89 million in 2004. Basic earnings per share was 13.3 Hong Kong cents, as compared to 13.9 Hong Kong cents in 2004.

### DIVIDENDS

The Board of Directors (the "Board" or "Directors") do not recommend the payments of a final dividend for the year ended 31 December 2005.

### BUSINESS REVIEW

During the year under review, the Group posted a record turnover of HK\$1,631 million, up from HK\$1,313 million in last year, representing an increase of HK\$318 million or approximately 24%. Total shipment volumes in terms of square footage had gone up by 15% as compared with that of last year. The shipment of multi-layered boards (6-layered and above) also increased by 33% over that of last year. These multi-layered boards had contributed about 40% to the Group's annual sales. Production facilities were operated at nearly full capacity.

Despite the various pressure from Renminbi appreciation since July 2005, recent increase in material costs, electricity and labour cost, the Group's effort in changing our sales mix in favour of multi-layered boards and our improvements in production efficiency allowed us to achieve a gross profit margin of 19.3%, marginally lower than 19.8% last year. Cost savings were achieved through economy of scale in expanding our production capabilities with the new production plant in Shaoguan, which had commenced operation in the second quarter of 2005. We continue to maintain stringent cost control to enhance cost efficiency across the Group.

Gross profit of HK\$315 million had increased 21% over that of 2004. The increase was attributed to the change of its product mix in 2005 to higher layered and special material products which had better margins. Operating profit before interest and tax margin increased from 7.1% in 2004 to 7.4% this year. Despite significant improvement in gross profit, the net profit only rose from HK\$89 million to HK\$93 million in 2005, up by 4.8% and net profit margin decreased from 6.8% in 2004 to 5.7% in 2005. The flat improvement in net profit was mainly due to an increase in interest expenses of HK\$14 million during 2005 and the lack of a non-recurrent tax refund of HK\$13 million for reinvestment of profits in a PRC subsidiary in last year.

The Shaoguan plant commenced operations in April 2005. It had produced over 500,000 square feet per month by the end of 2005. The Group will continue to increase the production capacity in the Shaoguan plant by new investment in machineries and also reallocation of machineries from the existing plant in Shekou, Shenzhen so as to achieve a better profit margin on the one hand and to enhance the Group's competitiveness in the market on the other. Total production capacity of the Group increased to over 1.9 million square feet per month by the end of 2005.

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In order to mitigate impact of rising manufacturing costs including labour, electricity and water, all of which have been rapidly increasing lately in Shekou, Shenzhen, the Group had planned to further expand additional capacity to the new plant in Tongliao, Inner Mongolia of China. Tongliao is about one hour by plane from Beijing or 4 hours by car from Shenyang. A highway between Shenyang and Tongliao is being built and upon completion the transport between the two cities will be around 2 hours. The construction of the Tongliao plant commenced in mid 2005 and targeted to be completed by late 2006 with trial run production in 2007.

### PROSPECTS

In view of the continuous rise in manufacturing costs in Shenzhen, the Group will continue to downsize its Shekou plant, previously producing an average of 1.4 million square feet per month during year 2005, to a targeted output of 900,000 square feet per month by end of 2006. Products in this reduced output target will consist mainly of 8 layers and up, HDI and special materials. Accordingly, production will continue to shift from the Shekou Plant to Shaoguan Plant, and by the second quarter of 2006, the relocation will allow Shaoguan Plant to have a monthly capacity of 1 million square feet outer layers and eventually to expand to 1.2 million square feet outer layers per month by end of 2006, making a total production capacity of both plants to 2.1 million square feet outer layers per month.

Although the shifting of production has been conducted in a planned and orderly manner, such move has not been achieved without short-term costs. For Shaoguan plant, it is having a learning curve situation due to the continuous expansion whereas for Shekou plant there has been down-sizing pain. Such costs should however be short-termed, though inevitable in any circumstance, and the management has taken proper action plans to mitigate such impacts insofar as financial terms are concerned. The Management is of the opinion when the relocation is completed and both plants are running smoothly in accordance with the original plan, the performance of the Group will be improved tremendously.

In order to continue to ramp up the production capability of the Shaoguan plant and to obtain a better performance of both plants, the Management considered it is necessary to restructure its organisations in both plants in order to achieve its financial targets. This restructure has been carried out recently and management expects that it will take a few months for operating efficiencies to normalize. However, the management viewed this is necessary under the very demanding requirement of its customers and the forever fierce competition in the market. Meanwhile, the Group will continue to identify and enlist talented engineers and experienced managers in the PCB market in order to strengthen its foothold as a world-class PCB manufacturer.

From marketing perspective, the Group remains optimistic for the year of 2006. Such optimistic view is substantiated by the successful engagement of targeted new and major customers for high-end products in the last few months and envisaged in the near future as well.

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### APPRECIATION

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

### **CHEOK HO FUNG**

*Chairman and Chief Executive Officer*

Hong Kong, 6 April 2006