CHAIRMAN'S STATEMENT

RESULTS

For the year ended 31 December 2005, the Group achieved turnover amounting to approximately HK$330 million, representing a decrease of 9% as compared with HK$364 million in 2004. The Group reported loss attributable to shareholders for the year at approximately HK$135 million while profit attributable to shareholders was approximately HK$20 million last year. The loss was mainly from the one-off impairment loss recognised for plant and machinery used for the manufacture of media products and allowances for bad and doubtful debts of certain debtors and other receivables.

REVIEW OF OPERATIONS

During the year under review, the Group made significant progress in shifting its focus to computer accessories production, which became one of the Group's core business segments, while computer media production and media products distribution continued to bring in steady income for the Group. The computer accessories production segment not only experienced substantial growth in sales, but also delivered higher margins.

COMPUTER ACCESSORIES PRODUCTION

Sales of the computer accessories production business increased substantially by 29% from approximately HK$77 million to approximately HK$99 million, accounting for 30% of the Group's total revenue in current year. The United States ("US") was the Group's major market, followed by Australia and the rest of world (including Europe), and they contributed 34%, 11% and 55% of the total sales of the segment respectively.

The Group made strides in its computer accessories production business, largely as a result of the Group's strategy to expand its product mix and focus on remanufactured toner cartridges that have higher profit margins. Enabled by advanced technology from the US and devoted efforts of the Group's research and development team, the quality of the remanufactured toner cartridges was certified by Standardized Test Method Committee. The Group has developed 120 to 170 different models of remanufactured toner cartridges.

The Group sees great potential in this environmentally friendly product and is sourcing used toner cartridges from several global collectors. The growing trend of European and US manufacturers migrating factories to Asia also favors the Group. In addition, this product has the advantage of not affected by supply and price fluctuation of oil, electricity and raw materials.

COMPUTER ACCESSORIES PRODUCTION *(continued)*

In addition to devoting resources to strengthen research and development and to widen the variety of remanufactured toner cartridge products, the Group has extended efforts in expanding its production facilities to boost production capacity. In addition to the existing plant in Zhuhai, the PRC, the Group's new plant in Shenzhen, the PRC, commenced operation in October 2005, which doubled the Group's production capacity, enabling it to cater to increasing customer demands.

In 2005, the Group also invested in marketing campaigns for remanufactured toner cartridges to boost its market position. The related one-off expenses caused sales and distribution costs to increase significantly during the year.

COMPUTER MEDIA PRODUCTION

Sales of the computer media production segment was HK$127 million, which accounted for approximately 38% of the Group's total revenue. The PRC and other Asian countries remained as the Group's major markets, contributing 36% and 42% of the total sales of the segment. During the year under review, the Group made inroads into South Korea, a new market.

As global demand for computer media products dwindles, the continued consolidation of the computer media production industry has benefited the Group. As one of the three major players in this sector, the Group was able to strengthen its position and continued to receive substantial orders from its long term customers. One of the other two major players in the sector has also outsourced production to the Group.

The Group completed automation of its production in 2005. As a result, the Group was able to reduce labour cost by 30 to 40% and maintain its profit margin. Change in technologies in the storage format medium industry in the past few years made it beneficial for the Group to write off a substantial amount of semi-auto machines for manufacturing media products, which will reduce depreciation amount in the future. In addition, with its own power generators installed in 2004, shortage of electricity supply in the PRC had no impact on the Group's production.

DISTRIBUTION OF MEDIA PRODUCTS

The tough CDR and CDRW market in 2005 affected the Group's distribution business. The segment recorded a revenue of approximately HK$104 million, representing a decrease of 20% over that of last year, and accounted for 32% of the Group's total revenue.

During the year under review, the Group was able to maintain growth in certain products such as DVD Recordable Disc despite keen competition in the distribution of media products.

To further expand its distribution business, the Group will continue to widen its product line by exploring and adding to its new computer products, particularly digital imaging and consumable data recording products of renowned brands.

PROSPECTS

The Group expects the expanded computer accessories production business to become its major growth driver in the future. The Group will continue to strengthen research and development on the high margin colour remanufactured toner cartridges. On the market front, the Group will further develop sales in Europe and the US. With the Group's new plant in Shenzhen, the PRC, having commenced operation giving it expanded production capacity, the Group is poised to cater to the increasing demand for digital imaging products, especially remanufactured toner cartridges.

The new plant in Shenzhen, the PRC, that commenced operation in the fourth quarter of 2005 enjoyed a faster flow and saved on logistics cost. The Group plans to move 80% of computer accessories manufacturing to Shenzhen, the PRC, in 2006. The technical staff turnover rate has been more stable at the Shenzhen plant than the Zhuhai plant. The Group expects lower logistics cost and higher margin going forward, and the new plant's stable output to suffice increasing orders.

As the computer media production industry continues to consolidate and the number of players declines, the Group expects to receive stable demand from reputable clients for blank information storage media products. In the second half of 2006, the Group will start supplying to a new major customer from the US. The Group will also continue to expand its geographical reach to new markets such as Mainland China, and has been developing sales in China for a well-known Japanese brand. Given that it has established bases in the PRC which enjoy cost advantages, the Group is confident that the business segment will continue to generate stable revenue.

In February 2006, the anti-dumping duty on computer media products was waived. The Group closed down the Macau factory and relocated the capacity to the Shenzhen plant, making it the Group's only factory that supplies worldwide. The move will further improve the Group's profit margin.

CHAIRMAN'S STATEMENT

PROSPECTS *(continued)*

Meanwhile, the Group expects to achieve steady growth for its media product distribution business. The Group has obtained the distribution right for a new data media product and has been its sole distributor starting early 2006. As the Group is also the manufacturer of this new data media product, it enjoys a better margin than just handling distribution of the product. The Group also expects to benefit from the appreciation of Renminbi as its distribution revenue is mainly derived in the PRC.

Boasting high quality products and a well established customer base and distribution network, the Group is poised to grasp opportunities in the flourishing market bolstered by a thriving global economy, and in turn enrich its profit margins and achieve strong returns for shareholders.

FINANCIAL REVIEW

Financial Results

For the year ended 31 December 2005, the Group recorded a turnover of HK$329,745,000, representing a decrease of 9% compared with HK$363,765,000 in 2004. The Group's loss attributable to shareholders amounted to HK$135,219,000 in 2005 (2004: Group's profit attributable to shareholders of HK$20,117,000). Basic loss per share in 2005 was HK19.77 cents as compared with basic earnings per share of HK3.95 cents in 2004.

The Group's loss was mainly due to decrease in turnover in 2005 and high finance costs as a result of increase in interest rates during the year.

Capital and Debt Structure

As at 31 December 2005, the Group's total net assets was approximately HK$208 million (31 December 2004: HK$319 million), representing approximately HK$111 million decrease compared with that of previous year, mainly due to the impairment loss recognised for plant and machinery used for the manufacture of media products and allowances for bad and doubtful debts of certain debtors and other receivables.

FINANCIAL REVIEW *(continued)*

Capital and Debt Structure *(continued)*

As at 31 December 2005, the Group's total borrowings and obligations under finance leases increased by HK$37 million to HK$237 million (31 December 2004: HK$200 million), of which HK$214 million was payable within one year and HK$23 million was payable after one year. If taken out the effect of changes in accounting policies, the Group's total borrowings and obligations under finance leases were increased by only HK$7 million. The majority of the total borrowings and obligations under finance leases were bank import and export loans that amounted to HK$136 millions (2004: HK$84 millions). Most of the bank borrowings and obligations under finance leases are denominated in Hong Kong dollars and subject to floating interest rates. Hence the risk of currency exposure was minimal. The Group's total bank balances and cash amounted to approximately HK$20 million (31 December 2004: approximately HK$35 million), representing a decrease of approximately HK$15 million.

The Group's net debt to equity ratio was kept at 1.0 (31 December 2004: 0.5), which is expressed as a ratio of total borrowings and obligations under finance leases after deducting bank balances and cash over the total net assets.

Working Capital and Liquidation

As at 31 December 2005, the Group's current ratio and quick ratio were 1.1 and 0.9 respectively (2004: 1.3 and 1.0). Inventory turnover on sales increased to 81 days (31 December 2004: 56 days) due to the expansion of remanufactured toner cartridge business that require to increase inventory level for production during the year. However, receivable turnover deteriorated to 136 days (31 December 2004: 77 days) which was mainly due to the longer credit terms provided to the customers. The Company is now considering to factor majority of the debts to factoring companies.

Subsequent to the balance sheet date, after receiving the net proceeds of the unsecured notes amounted to approximately HK$24 millions together with the partial Award Proceeds of approximately HK$80 millions up to the date of this announcement, the Group significantly improves its working capital position as well as current ratio, quick ratio and net debt to equity ratio.

Employees and Remuneration Policies

As at 31 December 2005, the number of employees of the Group was approximately 1,470. The remuneration packages of the Group's employees are mainly based on their performance and experience, taking into account the current industry practices. Remuneration package of employees includes salaries, insurance and medical cover, mandatory provident fund and share option scheme. Other employee benefits include educational allowance and discretionary bonuses.

CHAIRMAN'S STATEMENT

FINANCIAL REVIEW *(continued)*

Contingent Liabilities and Charges on the Group's Assets

The Group had pledged its assets with an aggregate net book value of HK$60.6 million (2004: HK$42.5 million) to secure bank loans granted, and obligations under finance leases to its subsidiaries.

Issuance of Unsecured Notes and Unlisted Warrants

Pursuant to the subscription agreements entered into between a wholly-owned subsidiary of the Company (the "Issuer") and certain independent third parties (the "Subscribers") on 28 December 2005, the Issuer issued, and the Subscribers subscribed for notes (the "Notes") in the aggregate principal of HK$25 million on 24 March 2006. The Notes are unsecured and carry interest at 10% per annum. The Company is intended to utilize the proceeds to further expand the manufacture of computer accessories business and improve general working capital. On the same date, the Company issued unlisted warrants (the "Warrants") to the Subscribers conferring rights entitling the holders to subscribe for up to HK$17,872,920 in aggregate in cash for 137,484,000 new shares of HK$0.10 each of the Company at an initial subscription price of HK$0.13 per share, subject to adjustment. The Warrants are exercisable within a period of three years from 24 March 2006 to 23 March 2009.

ARBITRATION AWARD

Following the publication of the arbitration award made on 30 July 2005 in favor of a subsidiary of the Group (the "Subsidiary") in the sum of US$15,360,839 (approximately HK$119,814,544), the Subsidiary applied to the Shanghai First Intermediate People's Court ("Shanghai Court") for enforcement of the award against a former customer. The Subsidiary received the sum of RMB20,691,953 (approximately HK$20,071,200) on 26 April 2006 and the sum of RMB62,025,767 (approximately HK$60,164,994) on 16 May 2006 from the Shanghai Court as part of the recovery. The Group will continue to pursue the enforcement application to recover the full amount of the damages together with interest and legal costs.

CONCLUSION

On behalf of the Board of Directors, I would like to express my sincere gratitude to our colleagues for their hard work and dedication in the past year. In the future, we will continue our commitment to achieving better results and reward to our shareholders.

By Order of the Board
Ho Yin King, Helena
Chairman

Hong Kong, 18 May 2006