

RESULT OVERVIEW

The Group reported a delighted result for the financial year 2006. Turnover has risen to approximately HK\$636.2 million from HK\$554.0 million and represented an increase of 14.8% during the year. Net profit attributable to shareholders has increased 45.6% to approximately HK\$62.2 million.

DIVIDEND

The Board recommended the payment of a final dividend of HK\$0.045 per share for the year ended 31 December 2006, subject to the approval by shareholders at the forthcoming Annual General Meeting. This proposed final dividend together with the interim dividend will make a total of HK\$0.06 per share for the financial year 2006.

BUSINESS REVIEW

2006 is a prosperous year for the global economy with tremendous investment and business opportunities. As a result, the demand for consumer products reached a record high. It boosted the global sales of semiconductors by 8.9 percent when compared with 2005 as released by Semiconductor Industry Association. Although the appreciation of RMB, the increase in energy and labour cost and problem of labour shortage were all needed to be solved by many enterprises with establishment in the PRC, the Group was able to increase both the turnover and the profit during 2006. Our sensitivity and awareness to this ever changing environment coupled with the various proper cost control measures help to deliver a better than expected result.

The electronic components business remained the major revenue and profit generator of the Group for the financial year 2006. Turnover for this segment amounted to HK\$503.4 million (2005: HK\$395.4 million) with a segment result of HK\$78.4 million (2005: HK\$55.6 million).

The trend for compact and handy consumer products provide a strong market potential for our SMD SOD/SOT-series component products. Turnover for this series has increased more than double from 2005 to HK\$90 million this year and more importantly, over 60% of this turnover was generated in the second half of 2006. Apart from the SMD SOD/SOT-series components, the turnover for other existing products has also increased by over 16%, which represented a better than average performance in the semiconductors market.

At the same time, the Group has continued to streamline the operation in the lighter business, turnover for the year has reduced to HK\$132.8 million (2005: HK\$158.6 million) and the segment result was a loss of HK\$1.1 million (2005: loss of HK\$0.9 million). Since the lighter business is facing serve competition with low profit margin and low entry barrier, we will keep on monitoring its performance from time to time and to focus only on the products with higher contribution margin.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The Group continued to maintain a healthy financial position. The Group does not have any outstanding bank loan nor overdraft as at 31 December 2006 (2005: Nil). The only borrowing refers to finance lease obligation of approximately HK\$799,000 (2005: HK\$135,000). The gearing ratio (defined as total interest bearing borrowing divided by shareholder's fund) was 0.22% (2005: 0.05%).

The Group's bank balances and cash amounted to HK\$86.6 million (2005: HK\$48.1 million) and its current ratio at year end increased from 2.43 to 3.23. The Group generally finances its operations with internally generated cash flows. At the present moment, the Directors believe that the Group has sufficient financial resources to satisfy its current operations and capital expenditures requirement.

Charges on Group's Assets

The Group did not have any asset pledged at the balance sheet date (2005: Nil).

Foreign Exchange Exposure

The Group mainly earns revenue and incurs costs in Hong Kong dollars, US dollars and Renminbi. The management is aware of possible exchange rate exposure due to the continuing appreciation of Renminbi. However, the Group's cash outlay on purchase of raw materials are mainly denominated in Hong Kong dollars and US dollars, foreign exchange exposure to the Group would be minimal so long as the Hong Kong SAR Government's policy to peg the Hong Kong dollars to the US dollars remains in effect and the use of financial instruments for hedging purposes is considered not necessary at the present moment.

Contingent Liabilities

The Group did not have any significant contingent liabilities at the balance sheet date (2005: Nil).

FUTURE OUTLOOK

The growth in demand for those popular consumer products such as mobile phones, MP3 players, PDAs, personal computers and HDTV sets has driven the surge in global sales of semiconductors. We expected that the growth will continue in the coming years. People are now demanding consumer products with increased capacity and functionality, more handy and fashionable. With the PRC government's announcement of the digital TV terrestrial transmission standard in August 2006 and the formal launch of the terrestrial transmission by the end of 2007 in Hong Kong, the production of the HDTVs will start to speed up in the coming two years in order to seize the golden opportunity during the Beijing's 2008 Olympic Games. The Group, being one of the major players in the electronic components industry, should be able to benefit from such a boom.

The Group does not stop its pace in its development route. As indicated last year, we have initiated the study in the possibility of the radio frequency identification technology (the "RFID") in different applications. During this year, we have started the discussion in exploring business opportunity in the RFID industry with many technical parties, orders for the production machines of RFID tags and inlays have been placed with Mühlbauer, Germany, the world leading supplier of production equipment in the RFID and smart card industry. The machines are expected to be delivered to us by the end of second quarter 2007 and we expect production will start in third quarter 2007. An informal network has been established for both technical support and customer base, we foresee this inevitable trend will be another source of contribution for the Group in the future.

On top of this, the Group also started the study and analysis in the production of light emitting diodes ("LEDs") in view of the energy saving and environmental concerns in the world. LEDs, a cost effective solid state lighting solution, which produce more light per watt, ideal for use in applications that are subject to frequent on-off cycling and have extremely long life span, is now an advanced methodology in the lighting applications which include traffic lights and signals, railroad crossing signals, Christmas lights, architectural lighting, exit signs and outdoor display panels etc. We are now considering possible cooperation with one of the market leaders in this field, when we have a solid investment plan, we will publish an announcement if it is required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

ACKNOWLEDGEMENTS

On behalf of the Board, I wish to sincerely thank my fellow directors, dedicated employees, supportive shareholders and our customers and suppliers for their continued support to the Group in the past year, the delightful performance and achievement could not be accomplished without their wholehearted devotion and commitment.

Lam Yat Keung

President

Hong Kong
16 April 2007