

Chairman's Statement

Dear shareholders,

I have much pleasure in reporting that the performance of the Company and its subsidiaries (collectively, the "Group") in 2000 was satisfactory and achieved turnover and profit attributable to shareholders of RMB920,740,000 and RMB69,456,000 respectively, representing respective increases of 14.64% and 98.17% over last year. Earnings per share was RMB0.11. The Directors propose to pay a final dividend for 2000 of RMB0.05 per share. Subject to the approval of the shareholders in general meeting, the final dividend will be paid on 4th July, 2001 to shareholders whose names appear on the register of members of the Company on 23rd May, 2001.

BUSINESS REVIEW

Printed circuit boards ("PCB")

Turnover and net profit before minority interests of the PCB operations were RMB234,122,000 and RMB73,518,000 respectively, representing respective increases of 58.28% and 96.38% over the previous year.

The expansion programme of the Group's PCB operations has shown remarkable results with significant enhancement in production capacity and product quality. The production volume of PCB for the current year was 150,000 sq. m., an increase of 33.75% over the previous year. There were also upgrades in the product range of PCB layers. Sales of multi-layered PCB were RMB145,000,000, a growth of 142.66% over the previous year, and accounted for 61.97% of total sales.

Liquid crystal displays ("LCD")

Turnover and net profit before minority interests of the LCD operations were RMB319,375,000 and RMB28,440,000 respectively, representing respective increases of 17.50% and 24.29% over the previous year.

Leveraging on adjustments effected on products, customers and market structure in the past three years, the added value of LCD products was enhanced in 2000 with balanced development being basically achieved in the markets of Europe and the U.S., the PRC and Southeast Asia. Sales of super-twisted nematic liquid crystal displays ("STN-LCD") and liquid crystal module ("LCM") accounted for 24% and 21% of total sales, representing respective growths of 3% and 8% over the previous year.

Timepieces

Turnover and gross profit of the timepiece business were RMB176,491,000 and RMB74,126,000 respectively, representing respective decreases of 1.71% and 12.17% over the previous year.

The environment for the timepiece industry did not show any noticeable improvement during the year. The Group has increased its investment in product design, customer services and sales and distribution modes with the addition of three more timepiece chain stores.

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BUSINESS PROSPECTS

The Directors believe that the continual betterment of the PRC economy and the spectacular growth in telecommunications, software, micro-electronics and network products will confer better industry prospects for the principal businesses of the Group. In the next few years, the Group will research actively the changes and development directions of the market by making timely and effective adjustments in order to nurture further the core of our competitive advantages in technology, quality and service.

The Group will continue to upgrade the production capacity of multi-layered PCB and capitalize on the production technology of high-density linked boards to achieve small-scale production and upgrading of the capability to organize production swiftly. In respect of market expansion, we will actively strengthen business relationships with international electronic component purchasers.

In early 2001, Shenzhen Tian Ma Microelectronics Co., Ltd. ("Tian Ma"), a subsidiary of the Group, made a public offer of 16,500,000 A Shares in the PRC and raised net proceeds of RMB352,938,000. The funds will be applied in the purchase of an advanced STN-LCD production line and the expansion of the LCM production line. Upon completion of the above projects, it is expected that Tian Ma will have stable capacity to mass-produce high-end LCD products and modules like cellular phones, PDA and GPS.

The Group will continue to sustain the market image of "Fiyta" as a domestic mid- to high-end brand name for timepieces by launching new personalized timepieces on a timely basis and enhancing its sales and distribution network, customer service and internal management on an on-going basis.

FINANCIAL REVIEW

The financial condition of the Group has always been healthy. Through the tightening-up of budgetary management and capital control and adjustment of financing strategies, the Group maintained in 2000 a healthy capital structure and reasonable financial expenses whilst its major businesses were expanded continuously. As at 31st December, 2000, the debt-equity ratio of the Group was 70.88%.

CORPORATE GOVERNANCE

The Group has dedicated diligent efforts to corporate governance. We are committed to achieving good results and rewarding the shareholders through the Group's highly efficient and well managed operations. In 2000, the respective functions of various management departments were clearly spelt out with their internal performance assessments being gradually enhanced. The interests of the various subsidiaries were closely interwoven with the results of the Company. Concurrently, the Group's internal audit department has also further enhanced our internal monitoring and risk prevention system.

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APPRECIATION

I would like to take this opportunity to express my sincerest appreciation for the hard work and enthusiasm of fellow colleagues and the whole-hearted support of shareholders and customers of the Group.

Li Zhi Zheng
Chairman

Hong Kong, 23rd April, 2001