

Chairman's Statement

On behalf of the Board of Directors of the Company ("the Board"), I hereby present the annual results of the Company and its subsidiaries (collectively referred to as the "Group") to our shareholders.

RESULTS

Turnover for the year ended 31 December 2003 was up by 18.2% to HK\$325,477,000 from HK\$275,478,000 for the year ended 31 December 2002. Gross profit for the year ended 31 December 2003 was HK\$56,421,000, an increase of approximately 49.3% compared to gross profit of HK\$37,777,000 for the year ended 31 December 2002. Profit from operations for the year ended 31 December 2003 was HK\$20,328,000, an increase of 63.3% compared to profit from operations of HK\$12,445,000 for the year ended 31 December 2002. Net profit for the year ended 31 December 2003 was HK\$37,012,000, an increase of approximately 227.5% compared to net profit of HK\$11,295,000 for the year ended 31 December 2002. Basic and diluted earnings per share for the year ended 31 December 2003 were 12.5 HK cents and 4.8 HK cents compared to earnings per share of 2.9 HK cents and 1.5 HK cents respectively for the year ended 31 December 2002.

DIVIDENDS

The Board declared an interim dividend of HK\$0.02 per share on 29 August 2003 and has proposed to pay a final dividend of HK\$0.022 per share for the year ended 31 December 2003.

BUSINESS REVIEW

The year of 2003 has been a rewarding year for the Company. We have successfully transformed the Company into a liquid crystal display ("LCD") business focused company. We have been able to dispose of the lower profit margin transformer business in the second quarter of 2003 so that we can dedicate our resources to our LCD business. As a result thereof, we can aggressively develop our business on chip on glass ("COG") products which have provided satisfactory results since the second half of 2003.

We have also reorganized our product mix. We have given up some of the products of lower profit margin, such as LCD for calculators and concentrated our resources on higher profit margin products, such as LCD for watches.

Liquid Crystal Display

For the year ended 31 December 2003, the turnover of the Company on the business of LCD increased by approximately 46.4% from approximately HK\$186,815,000 to approximately HK\$273,534,000.

Transformers

The Company disposed of its transformer business in June 2003 and realized a gain of HK\$17,620,000. For the year ended 31 December 2003, the turnover of such business recorded a decrease of 41.4% from approximately HK\$88,663,000 in 2002 to approximately HK\$51,943,000 in 2003.

Chairman's Statement

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2003, the Company's cash on hand increased from HK\$13,343,000 as at 31 December 2002 to HK\$40,670,000 and long term debt decreased from HK\$21,938,000 in 2002 to HK\$13,163,000 in 2003. As at 31 December 2003, the gearing ratio (total long term liabilities / total shareholders' equity) was 9% (31 December 2002: 19%).

As at 31 December 2003, the Company had total assets of approximately HK\$234,316,000, which were financed by current liabilities, non-current liabilities and shareholders' equity of HK\$81,929,000, HK\$13,163,000 and HK\$139,224,000 respectively. As at 31 December 2003, the Company has issued 352,544,465 ordinary shares of par value of HK\$0.01 each and 423,320,000 preference shares of par value of HK\$0.01 each. Such preference shares of the Company are convertible into ordinary shares of the Company at the conversion ratio of 1.03 preference shares to 1 ordinary share provided that no holder of preference shares shall be entitled to exercise the conversion rights if as a result, the minimum prescribed percentage of ordinary shares in "public hands" as prescribed in The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") is not satisfied.

Since the Company usually conducts its business transactions in Hong Kong Dollars and US Dollars and over 90% of the Company's cash is in either Hong Kong Dollars or US Dollars, the exposure to exchange rate fluctuation is minimal and there is no hedging requirement.

CONTINGENT LIABILITIES

At 31 December 2003, the Company had issued corporate guarantees to banks in respect of banking facilities granted to its subsidiaries amounting to approximately HK\$70,100,000 (2002: HK\$70,100,000) of which approximately HK\$33,879,000 (2002: HK\$37,948,000) had been utilized.

STAFF AND EMPLOYMENT

As at 31 December 2003, the Company employed a total of 1,476 employees (excluding Directors). The total employees' cost (excluding Directors' emoluments) amounted to approximately HK\$43,487,000 for the year.

The Company's remuneration policies, including both salaries and bonuses, are in line with the local practices where the Company and its subsidiaries operate. In addition to receiving salaries and bonus, employees are also entitled to other benefits, including medical subsidies and participation in retirement benefit schemes. The Company follows a policy of encouraging its subsidiaries to send their staff to attend training classes or seminars that are directly or indirectly related to the Company's businesses.

FUTURE PROSPECTS

Building on its success in 2003, the Company will continue to focus on its LCD business, especially the development and expansion of COG business and super twisted nematic ("STN") LCD business.

The construction of the new factory premises, which the Company has agreed to lease in Baoan County, Shenzhen, China, has already been completed. It is expected that the relocation to

Chairman's Statement

the new factory premises will be completed in the third quarter of 2004, after the internal renovation and equipment installation. The new premises, which are about 600,000 square feet, are two times the size of the existing factory premises. The same will provide room for future expansion of production capacity and capability of the Company. The Company intends to spend approximately HK\$55 million for this relocation and the same will be funded from internal resources of the Company and bank financing.

Subsequent to the year end, the Company has purchased 4 sets of COG bonding machines for its COG business. These machines have already been delivered and are currently under testing and adjustment. It is expected that these COG bonding machines will commence operation in March 2004.

The Company will also upgrade its two existing twisted nematic production lines so that these production lines can also produce STN LCD. Such upgrade will further enhance production capability and capacity of the Company.

The Company will also appoint sales agents and distributors in different countries, especially China

to increase the sales channels of the Company. For the first time, the Company participated in a trade fair held in Guangzhou in December 2003 and received favourable response thereof. The Company sees participating in such trade fairs as an opportunity to expand the customer base of the Company in China and to increase market exposure of the Company. The Company will therefore participate in trade fairs to be held in Shenzhen and Shanghai in February and April 2004 respectively.

APPRECIATION

I would like to take this opportunity to thank my fellow directors and all our staff members for their continuous hard work and support, as well as to our shareholders for their ongoing confidence in us. I would also like to express our sincere appreciation of the support from our customers and suppliers without which we would not have achieved our results of this year.

Seitaro Furukawa

Chairman

Hong Kong, 6 February 2004