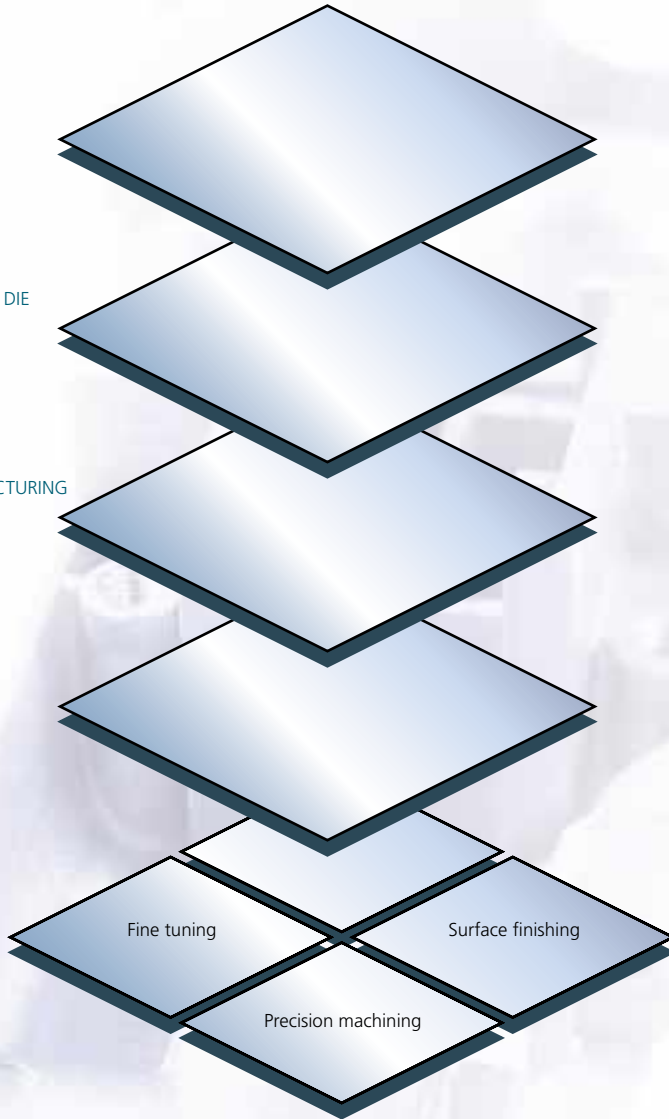


DESIGN OF DIE
Innovation,
customisation and
design capability

CONSTRUCTION OF DIE
Precision
and accuracy

PRIMARY MANUFACTURING
Technical expertise
and efficiency

**SECONDARY
MANUFACTURING**
Value-added
finishing services

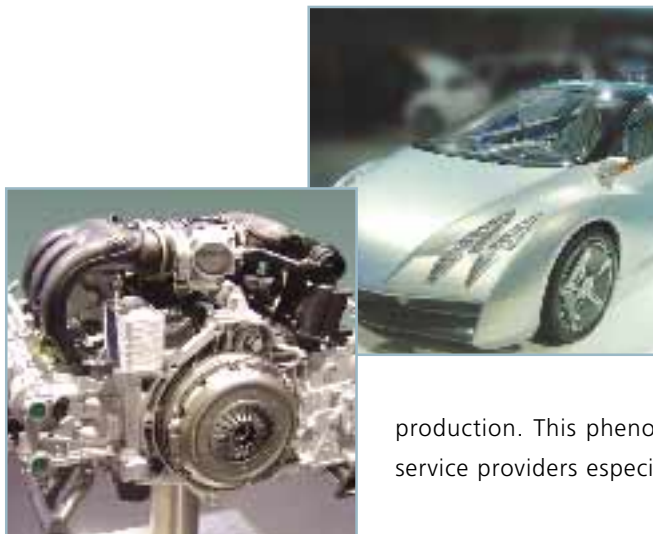


INDUSTRY OUTLOOK

The year of 2003 was well regarded as a challenging and dynamic year for the global economy. Despite the outbreak of Severe Acute Respiratory Syndrome (“SARS”), which inevitably affected manufacturers in the worldwide, the market sentiment gradually improved in the second half of the year. According to the State of the Industry Report, *DIE CASTING ENGINEER*, which was published in January 2004, the global die-casting market continued to experience rapid surge in demand driven by evolving models for automotives, information technology, telecommunications and audio & video devices etc. It is believed that such growth momentum will further accelerate in the coming years.

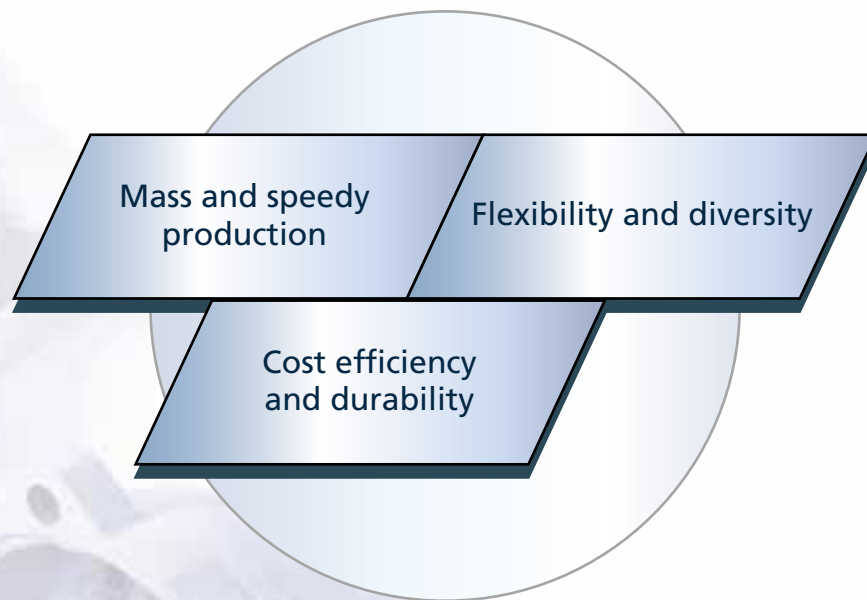


On a worldwide scale,
the automotive market
dominates the die casting market place



The People's Republic of China (the "PRC"), being the economic pulse of the new era, demonstrated its unrivaled competitiveness and global economic leadership by the instant and strong rebound right after SARS subsided. As a global manufacturing base with vast domestic consumption, the PRC continued to enjoy a booming demand for quality and efficient die-casting services, especially under the growing popularity of outsourcing of die-casting production. This phenomenon will keep on benefiting quality die-casting service providers especially in the Guangdong region.

The automotive sector, which constitutes about two-third of the total market for die-casting manufacturers in most industrialized countries, is by far the most important market for the world die-casting industry. While the global automotive industry has been expanding at a fairly modest rate in recent years, the adoption of aluminium and magnesium parts in cars and trucks, on the



Thanks to its sound and flexible business model, the Group managed to achieve a resilient growth over the year.

contrary, increased tremendously. The average aluminium and magnesium content in vehicles is now about 270 pounds per vehicle and 9 pounds per vehicle respectively. This is expected to grow to 350 pounds for aluminium and 40 pounds for magnesium within the next five years. This, coupled with the rapid expansion of the PRC automotive market, which is most likely to continue for many years, implies that the global die-casting market will expand dramatically in the foreseeable future.

Capturing the enormous potentials in both local and global die-casting markets, the Group, the fully vertically-integrated die-caster for both domestic and overseas customers, is well prepared to speed up its development and fortify its business growth.

BUSINESS REVIEW

For the year ended 31 December, 2003, the Group once again recorded an increase in turnover by 12.2% to approximately HK\$150.5 million. The growth is mainly attributable to increase in sale of aluminum die casting parts, which accounted for approximately 86% of turnover. Magnesium parts, since its commencement of production in 2002, has also started its profits contribution and is expected to become another source of income in near future.



a year of consolidation...

Fully Vertically-Integrated

die-caster for domestic
and international clients

Thanks to its sound and flexible business model, persistence in enhancing production capacity and dedication to product quality, the Group managed to minimize the adverse impact brought by the outbreak of SARS during the first half of year and achieved a resilient growth over the year. The Group expanded healthily in terms of client base and sales order, which was in parallel with the overall growing global die-casting market. With its dedication for operational efficiency and effectiveness, the Group also succeeded in combating the volatile raw material prices in 2003 and maintained the profit margin.

Profit for the year declined slightly by 9.8% to approximately HK\$25.8 million primarily due to the increase in labor cost and those administrative expenses for organizational re-structuring and listing compliance following its listing in the Stock Exchange. With the commencement of new production facilities, further economy of scale will be realized and growth in revenue is expected to resume in future.

OPERATIONAL REVIEW

2003 marked a year of consolidation for the Group, the fully vertically-integrated die-caster for domestic and international clients. Despite the challenging environment, the Group maintained a steady organic growth during the year. Tapping the growing global die-casting market, the Group has also made several significant business progresses, with the aim not only to further expand its scope of business, but most important of all, to pave its way to capture the enormous market potentials ahead.

Enhanced production capacity

The Group continued to enhance its production capacity so as to fulfill the rise in the global and domestic demands for die-casting services. In line with its expansion plan, the third die-casting workshop in Dongguan was completed and commenced operation during 2003. Together with the two existing plants, current total GFA amounted to approximately 17,720 sq.m.. In light of the growing need for one-stop die-casting services, the scale of internal tooling center was enlarged by 100% to improve quality and productivity of the tooling process and over 18 units of new CNC machineries were installed to increase the capacity for perfecting machining of die-casting products. To enhance its surface finishing capability, the Group has also added a new paint spraying line, equipped with state-of-the-art ABB robotic operation.

By increasing advanced production machineries to 135 sets, at the utilization rate of approximately 80%, the Group enjoyed a surge of production capacity from approximately 250 tons per month in 2002 to 350 tons per month in 2003. Further benefits from the scale of economies will be expected in coming future.

Product diversification

The Group strived to provide a comprehensive range of product offerings with the aim to offer choices and diversity for leading manufacturers. Aluminium remained the most widely applicable metal alloy and the core income contribution for the Group, increased from approximately 83% in 2002 to 86% of the total sales volume in the year under review.

Magnesium parts, since its commencement of production 2002, started profit contribution for the Group. With the growing needs for lightweight, the demand for magnesium die-casting product will surge continuously.

Diversified clientele with new orders received

During the year under review, the Group significantly enlarged its client base. Turnover generated from the first five customers reduced from 67.1% to 55.8%, which marked a positive sign of risk diversification. With over 70 clients spanning across the PRC, Japan, Singapore, North America and Europe, the PRC remained the largest shipment delivery country, amounting to 51.9% of total turnover. Several new contracts have also been secured. In addition to the three-year contract with a compressor manufacturer, the Group have entered into agreement with several automotive manufacturers and commenced product development in particular items.

Captured potentials in the automotive market in the PRC

In view of the booming PRC economy and its entry into WTO, more foreign automotive manufacturers are expected to invest and commence production in the PRC, especially in Shanghai and Guangdong regions, while renowned local automotive manufacturers are also prepared to expand intensively to meet with booming domestic market demand. In view of the rising demand for automotive die-casting products in the PRC, the Group has entered into agreement with respective local authorities to build and operate new production facilities in the PRC.



To further expand its capability in automotive parts manufacturing, the Group has started to explore into the technology of gravity casting in the second half of 2003. It has also committed to implement the stringent quality system TS16949 to meet specific requirements of automotive supplier, with the aim to provide satisfactory services to this expanding group of clients.

FUTURE STRATEGIES

Looking forward, the PRC is expected to be one of the key die-casting markets with promising outlook. Capitalizing on its geographical advantage, together with the series of strategic moves made in 2003, the Group has fully prepared itself for future business growth. The Group will continue to solidify its business foundation as well as to speed up its pace of development in two particular market segments: automotive industry and international industrial companies with manufacturing bases in the PRC.

To capture the market potentials, the Group will continue to extend its production capacity for quality die-casting products and services. The new production facilities, divided into two phases, will be completed in mid 2005. Situated in Shanghai, the production facilities will cater particularly for the needs of those new entrances of foreign automotive manufacturers and international industrial companies in Shanghai and the surrounding regions. Upon completion of the project, production capacity will be significantly increased by four times as compared with its current facilities. In addition, the establishment of a new enterprise in Guangdong will also enjoy the official right of sales directly to the PRC market. The successful application of license will serve as a breakthrough for the Group, facilitating its strategic entrance into the PRC die-casting market in the future.



a single die can produce up to a
million pieces of components
Cost efficiency and durability

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December, 2003, the Group had about 2,100 employees (at 31 December, 2002: 1,500) of whom 20 were based in Hong Kong (at 31 December, 2002: 15), 2,080 was based in the Group factories in Dongguan PRC (at 31 December, 2002: 1,485).

Remuneration policies and packages for the Group's employees are based on their performance, working experiences and condition prevailing in the industry. In addition to basic salaries, retirement schemes and medical scheme, discretionary share options and performance bonuses to eligible staff are according to the financial results of the Group and the performance of individual employees. To raise work quality and management abilities of its employees, the Group provides job rotation, in-house training and external training courses to employees.

FINANCIAL REVIEW

Liquidity and financial resources

In view of the net proceeds of approximately HK\$41,600,000 from the issue of 55,000,000 new shares during the year, together with the Group's profit generating cash from its operation, the Group's cash on hand increased from HK\$21,734,000 as at 31 December, 2002 to HK\$62,124,000 as at 31 December, 2003. As at 31 December, 2003, total bank borrowings was HK\$5,111,000 (at 31 December, 2002: HK\$7,778,000), of which HK\$2,667,000 (at 31 December, 2002: HK\$2,667,000) would be due within one year and HK\$2,444,000 (at 31 December, 2002: HK\$5,111,000) would be due after one year. The bank borrowings is denominated in Hong Kong dollars and charged at fixed interest rate. Therefore, the Group is not exposed to any exchange rate and interest rate risks.

The Group had net current assets of HK\$98,423,000 as at 31 December, 2003 (at 31 December, 2002: HK\$51,674,000). Stock turnover days increased from 36 days at 31 December, 2002 to 48 days at 31 December, 2003 due to the pile-up of inventories for subsequent shipments in January 2004. Debtors' turnover days decreased to 72 days (at 31 December, 2002: 74 days). Current ratio, being the ratio of current assets to current liabilities, was maintained at a strong level of 5.6 (at 31 December, 2002: 2.9). Shareholders' funds further increased from HK\$98,251,000 as at 31 December, 2002 to HK\$161,191,000 as at 31 December, 2003.

As at 31 December, 2003, the Group's total debt was approximately HK\$24,843,000 (at 31 December, 2002: HK\$31,939,000); whereas the Group's total assets was HK\$186,034,000 (at 31 December, 2002: HK\$130,190,000). The gearing ratio, in terms of total debt to total assets, stood at 0.13 (at 31 December, 2002: 0.25).

As at 31 December, 2003, total banking facilities amounting to HK\$40,000,000 was available (at 31 December, 2002: HK\$40,000,000), of which merely HK\$5,111,000 (at 31 December, 2002: HK\$7,778,000) was utilized in term of bank term loan. As the Group's strong liquidity and financial resources position continued to be strong, the Board considers that the Group will has sufficient financial resources to finance future investment and capital expenditure plans.

Foreign exchange exposure, hedging and off balance sheet financial instruments

The Group's purchases of raw materials were principally made in HKD, RMB and USD and the Group's sales were made in HKD and USD.

As both HKD and RMB are pegged to the USD under the current exchange rate system in Hong Kong and the PRC, the Group is not exposed to significant foreign exchange risk in HKD, RMB and USD.

Acquisition and disposal

The Group did not have any material acquisition or disposal of subsidiary and associated company during the year.

Charges on assets

As at 31 December, 2003, the Group pledged its investments in securities amounted to approximately HK\$1,225,000 (at 31 December, 2002: HK\$1,191,000) to bank to secure banking facilities of HK\$5,111,000 (at 31 December, 2002: HK\$7,778,000).

Contingent liabilities

As at 31 December, 2003, the Group did not have any significant contingent liabilities.

USE OF THE PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The net proceeds of approximately HK\$41,600,000 from the issue of Company's new shares of 55,000,000 on the Stock Exchange on 6 January, 2003 were applied as follows:–

- as to approximately HK\$17,500,000 was incurred for the purchase of production facilities, inspection equipments and expansion of sales and marketing activities in order to increase production capacity, strengthen quality checking, expand sales term and participate in trade shows;
- as to approximately HK\$22,500,000 worth of contracts were under construction in progress for additional production facilities and tooling making facilities.

The Group intends to pay the remaining proceeds in the year of 2004 to increase production capacity.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK\$0.02 per share for the year ended 31 December, 2003 (2002: Nil), payable to shareholders whose names appear on the Register of Members of the Company on Thursday, 27 May, 2004. This final dividend distribution, together with the interim dividend distribution of HK\$0.02 per share, will make a total dividend distribution of HK\$0.04 per share for the year ended 31 December, 2003. The proposed final dividend distribution, if approved, will be paid on Tuesday, 8 June, 2004.

The Register of Members of the Company will be closed from Thursday, 20 May, 2004 to Thursday, 27 May, 2004, both days inclusive. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrars, Computershare Hong Kong Investor Services Limited, at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 19 May, 2004.