

Results

The current year is a changing point of both Hong Kong and the People's Republic of China ("PRC") economic environment. With the gradual de-escalation of impact from Severe Acute Respiratory Syndrome after the mid 2003, global electronics industry recovered in late 2003, and many electronics manufacturers purchased additional electronic production equipment. As a result, the Group's orders increased significantly in late 2003. Therefore, the turnover from continuing operations for the year recorded a favorable growth, and the Group managed to achieve a profit instead of a loss for the year ended 31 March 2004.

The year 2004 is the 20th anniversary of the Group. An enterprise being able to engage in its own business for 20 years is attributable to its choice of right business, plus the management's commitments to its brief, and continuous investment in its business and development. In the past 20 years, as the Group has developed to a certain scale in order to maintain ever-lasting development, the management of the Group has kept pace with time, been consistent in innovation of ideas and motive forces, and evolution of present management concepts, business directions as well as operational styles to move forward to a higher level.

In order to be in line with the recovery of electronics market, we have actively positioned ourselves, modified our business, integrated resources and enhanced competitiveness. By the end of the year, the reorganization has almost been completed, and the position of the Group as an one-stop electronics production equipment supplier has been formed, to realize the synergy of the Group in production, operation and sales. Presently, Printed Circuit Board (PCB) assembly production equipment is our core business, accompanied with logistic transport centre and automated storage warehouse, through high-density electronics shell assembly, the Group diversified its business, and developed semi-conductor package equipment as its potential growth motive forces.

Business Review

1. AUTOMATIC PICK AND PLACE MACHINES

The business growth in the circuit board assembly equipment sector for the year was mainly derived from the increase in demand for Automatic Pick and Place machine. From the fourth quarter of 2003, orders from customers were not affected by the Chinese New Year holiday (which was traditionally a low season in the past), and continued to grow steadily. We estimate that the demand from customers of a wider range of sectors will further increase which will bolster the performance of the Group. The fully-automated stencil printer developed by the Group received Hong Kong Award for Industry (Machinery and Equipment Category) in October 2003 recognizing the Group's research and development capability. The Group will continue to develop a wider variety of electrical equipment so as to explore local and overseas market with its own brand.

2. SOLDERING EQUIPMENT

Since the lead-free regulation becomes effective on 1 July 2006 in Europe and China, customers have tended to purchase lead-free soldering machines. We have noticed that the sales of lead-free soldering equipment has risen to nearly 50% from approximately 30% in early 2003. We expect the relevant trend of sales volume will keep on rising. As the pricing and gross profit of lead-free soldering machines are both higher than those of lead soldering machines, it will contribute positively to the Group's profits in the coming future.

Business Review (continued)

2. SOLDERING EQUIPMENT (CONTINUED)

In addition, in order to aim at the target of high value products, the Group formed a joint venture company “Rehm Suneast International Limited” with a Germany enterprise in November 2003 and set up a production base in the PRC. The business partner from Germany provides technical support to manufacture high value and efficient soldering equipment, so as to meet the needs of large-scale and foreign owned electrical manufacturers. It is expected that the joint venture company will operate in full scale in August 2004. The ultimate aim of the joint venture company is to introduce a complete set of printed circuit surface mount equipment, enhance the production quality to international standards as well as expand the high-end market so as to increase the profit margin and earnings of the Group.

3. WIRE BONDING EQUIPMENT

The Group has been exploring into potential high-value business and has entered into the micro precision wire bonding machines for semiconductors sealing equipments market. The technology is going to be mature and our clients have gradually developed confidence in us. There are not many competitors in the market and there are a lot of restrictions and barriers for market penetration. We believe that the market will have positive potential for our development.

Business Review (continued)

4. AUTOMATED PRODUCTION EQUIPMENT AND LOGISTICS DELIVERY CENTER

Even though the business of automated production line of the Group is facing an increasingly mature market, it has been developing its business towards the development of automobile electrical auxiliary equipment and the manufacture of auxiliary facilities. Since the business for automobile electrical and the manufacture of auxiliary facilities is high-value business and the production scale is large, the business of automated production line can sustain business growth and fully utilize the synergy effects with the core business in sales. We believe that the Group has established its exposure in the market and has become one of the five largest suppliers of the market in China.

DEVELOPMENT DIRECTION

1. With the market for electrical business recovering, the production activities of the business, particularly the suppliers for Electronic Manufacturing Service ("EMS") which has great potential is becoming more active. The Group will develop its business vertically and horizontally and to pursue a larger market share actively. At the same time it will also promote its one-stop production equipment service to its existing customers.
2. In addition, as the counterparts of the Group always developed their business in the southern China market in the past but the market there is very mature, the Group will actively capture clientele in the Changjiang River Delta which has rapid economical development in recent years.
3. The Group will continue to enhance its developments in high-end and overseas markets by joint venture and self-development of high value-added products.

Business Review (continued)

DEVELOPMENT DIRECTION (CONTINUED)

4. The Group will continue to strengthen its leading position in lead-free soldering equipment in China in order to meet the increasing demand in the market. Meanwhile, the Group will also alert on the changes in the environment so as to explore relevant products to meet the market demand. For instance, we are developing soldering equipment which is environment friendly and energy saving.
5. Since the year 2002, the Group has developed its business in accordance with the clients demand in electronic production equipment in the production process. For example, it sets up a company which focuses on precision plate work to manufacture the metal covers and accessories for customers. Apart from meeting the demand in accessories processing, this will expand the Group's business scale continuously and to develop a production chain. The Group will develop its business in this direction.

Prospects

At present, many research institutes are optimistic about the semi-conductors industry for the year 2004 to the year 2007. According to the estimation of Semiconductor Industry Association, the growth rate for the sales of semi-conductor in 2004 will increase by 20% and will be able to maintain an average growth rate of 10% or above from 2005 to 2007. As the semi-conductor market is leading the electronic industry, we estimate that the electronic manufacturing industry still can grow steadily in the coming three to four years. The Group notices that many foreign and local suppliers of EMS have been expanding actively and these trends have protected the future performance of the major business of the Group.

With the improving electronic industry and our strategies for business growth, we believe that there will be substantial growth in profits in the coming years.

Acknowledgement

On behalf of the Board, I would like to take the opportunity to thank all my fellow directors, shareholders, customers, business partners, suppliers and banks for their long-term supports. Meantime, we sincerely appreciate all staff's hard work and devotion to achieve better results for the Group at present and in the coming future.

By Order of the Board

But Tin Fu

Chairman

Hong Kong, 26 July 2004