

## Chairman's Statement

The Group's financial results in 2004 was adversely affected by the teething problem of photomask projects and increases in international metal prices. Despite these adverse effects, the Group has made achievements in investment diversification and enhancement in technology content in the Group's products.

Photomask is a critical tooling for the manufacture of integrated circuitry (IC). In 2004, the global sales value of IC exceeded US\$200 billion, representing a growth of approximately 25% as compared to 2003. The sales value of photomask is attributable to approximately 1% of the IC industry. Currently, the majority of photomasks sold in the market are photomasks of 0.35um to 0.25um. It is expected the market demand will move to photomasks of 0.18um, 0.15um and below in future. The high-end photomask commends better price and wider margin. In 2004, the Group's facility has the capability to sell and produce photomasks of 0.09um. Its technology skill has achieved international standard. According to market research, global semi-conductor manufacturing plants are expected to shift from the United States and Europe to Asian countries. The Group's photomask business is expected to benefit from this trend.

The Group has established two jointly controlled entities, Sky Light Communication (Shenzhen) Limited and Sky Land Navigator Technology (Shenzhen) Limited, for the development and sale of intelligent traffic field, space information technical and multimedia technical software. As a result of the economic growth in the PRC and the growth in individual's consumption in the PRC, this project has a good potential for growth in sales.

The nature of the Group's traditional businesses of telephone accessories and power cords, adaptors and electronic products, printed circuit boards and high precision metal components is labour intensive and has low technology skill. It is inevitably to be affected by the rising labour cost in the Pearl River Delta. Apart from making further effort on increasing market share, the Group will continuously enhance control in product quality, manufacturing expenses and overhead expenses to maintain profitability of the businesses.

On behalf of the Board, I would like to extend our sincere thanks to our customers, suppliers and shareholders for their continuous support to the Group. I would also extend my gratitude and appreciation to all management and staff for their hard work and dedication throughout the year.

**Cao Zhong**  
*Chairman*

Hong Kong, 18 April 2005