

GROUP RESULTS

Turnover of the Group has increased to HK\$436,532,000 for the year under review, representing an increase of HK\$48,788,000 or 12.6%.

The Group reported a loss attributable to shareholders of HK\$94,019,000 for the year ended 31 December 2004, representing a drop of HK\$116,419,000 as compared to 2003.

FINANCIAL REVIEW

Liquidity and financial resources

At 31 December 2004, the Group's gearing ratio (total borrowings divided by equity) has increased to 0.29 (31 December 2003: 0.19) whereas current ratio (current assets divided by current liabilities) has dropped to 1.20 (31 December 2003: 1.38).



Bank loans had decreased by approximately HK\$28,978,000 to HK\$118,148,000 as at 31 December 2004.

At 31 December 2004, the Group has capital commitments contracted but not provided for amounting to approximately HK\$278,000 (31 December 2003: HK\$4,902,000).

After taking into account the existing cash resources and unutilized banking facilities, the directors are of the opinion that the Group will maintain an adequate liquidity position throughout 2005.

Exposure to fluctuations in exchange rates

Exposure to fluctuation in exchange rates is immaterial to the Group's financial results as both the Group's borrowings and revenue are mostly denominated in Hong Kong Dollars or United States Dollars.

Capital structure

On 9 January 2004, 4,500,000 share options were exercised at the subscription price of HK\$0.58 per share resulting in issue of 4,500,000 shares.

On 23 April 2004, 800,000 shares options were exercised at the subscription price of HK\$0.58 per share resulting in issue of 800,000 shares.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Contingent liabilities

The contingent liabilities of the Group, mainly from guarantees for banking facilities granted to a jointly controlled entity, increased from approximately HK\$101,039,000 as at 31 December 2003 to approximately HK\$125,610,000 as at 31 December 2004.

Pledge of assets

As at 31 December 2004, certain of the Group's assets with an aggregate net book value of approximately HK\$402,133,000 (31 December 2003: HK\$450,609,000) were pledged to secure general facilities granted to the Group.

BUSINESS REVIEW

The Group reported a loss of HK\$94,019,000 for the year which is attributable from a profit of HK\$20,549,000 from original businesses, a loss of HK\$99,391,000 from photomask project, a loss of HK\$4,340,000 from 3S projects and total financing cost of HK\$10,837,000 for the Group. The photomask project has completed its trial run at the end of 2003. For 2004, the management team of the photomask project has allocated most resources to go through quality



tests and verification process set by potential customers and obtain their approvals on our product. Depreciation expenses for the photomask project of HK\$74,445,000 have been provided for 2004 and were accounted for part of the loss of the Group. With respect to the Group's original businesses, a loss was reported for the sale of the Group's telephone accessories, power cords and adaptor products due to sharp increase in the price of metal and plastic materials in the year under review. The Group's jointly controlled entity which engaged in the manufacturing of copper wire, namely Hoperise Industrial Limited ("Hoperise"), has reported a profit.

Conservatively, the Group has decided to write down the carrying value in the amount of HK\$9,750,000 for its export approvals classified as intangible assets in the Group's balance sheet as at 31 December 2004.



BUSINESS REVIEW (continued)

Photomasks

In April 2003, the Group commenced its photomask business. By the end of 2003, the photomask facility has completed its trial production run and successfully produced the first-set of high-quality photomasks. Photomask is an indispensable tool in the mass production of wafer. Customers will be significantly affected by the quality and delivery time of photomask in their production of wafers. Therefore, customers require stringent testing procedures before they approve a new vendor of photomask. The Group has made its first sale of photomask in July 2004 after several months of intensive efforts by the management team of the photomask project. Although the photomask business has recorded sales of only HK\$2,167,000 for the second half of 2004, the Group has successfully obtained product approval from several large wafer fabs which provides solid basis for the development of photomask project.



The business activities of the photomask project in 2004 mainly involved work done for obtaining product approvals. However, in accordance with the Group's accounting policy, the Group is required to provide depreciation expenses of HK\$74,445,000 since the equipment was set up and ready for use. Loss before financial cost of HK\$99,391,000 from the photomask project was recorded in 2004.

Photomask is a high-end technology manufacturing business. Development of business and market requires a much longer period for a photomask manufacturer as compared to manufacturer of other industrial products. Professional technology knowledge and skill in photomask production is a barrier to new entrants and is an asset for maintenance of high profit margin to established manufacturers.

Telephone accessories and power cords

While sales of the Group's telephone accessories and power cords has increased by 21% to HK\$239,491,000, the business has recorded loss due to increase in material costs, including costs for plastic and metal materials, petroleum and commodity prices during 2004. Since competition in the telephone accessories and power cords market is intense, it is difficult to pass the cost increase to customers. Furthermore, the labour cost of Pearl River Delta has increased in the year under review as a result of the economic growth in the PRC. This has further increased the Group's manufacturing costs.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Telephone accessories and power cords (continued)

In view of the operation is under severe competitive market environment, the division's performance will be adversely affected by the rising trend of material costs. The Group has decided, conservatively, to accelerate the depreciation of its approval expenses under intangible assets, so as to write down the full carrying value at the end of 2004. This has increased the loss of the division by HK\$3,730,000.

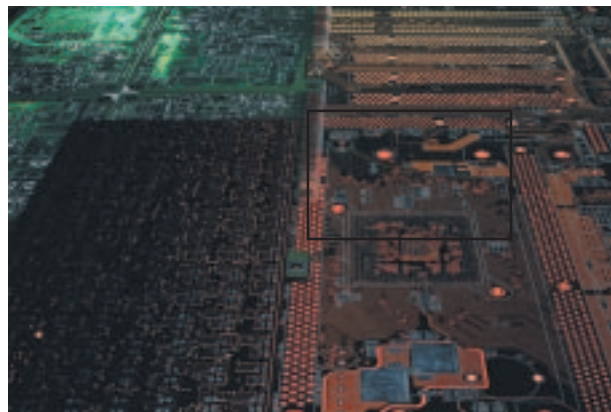
Adaptors and electronic products

The division has achieved growth in turnover by 46% to HK\$91,880,000. Faced with a business environment similar to that for telephone accessories and power cords division, the division reported a loss due to rise in labour costs and material costs.

Faced with fluctuating material costs, the Group has decided to write down a total of HK\$5,580,000 being the carrying value of export approvals at the end of 2004 under intangible assets.

Printed circuit boards

Sales of the division has increased by 4% to HK\$65,329,000. A major portion of the materials are products supplied by other manufacturers, such as laminates, prepreg, copper foil and chemicals. Only a few items such as gold salt, nickel and copper anodes of which the purchase prices will follow the international market prices. The Group was able to reduce the extent of rise in material costs through its control on material purchases. The division reported a profit for 2004.



High-precision metal components

Sales of the division has increased by 2.4% to HK\$54,975,000. The proportion of its costs component accounted by material costs for the division is relatively low and the division was able to improve operation efficiency to mitigate cost from rise in material price. The profit before financial cost has decreased to approximately HK\$4,219,000 in 2004 as compared to approximately HK\$4,720,000 in 2003.

Jointly controlled entity – copper wire

Profit attributable to the Group from its jointly controlled entity producing copper wire, Hoperise, has increased to HK\$35,140,000 in 2004 as compared to HK\$13,750,000 in 2003. Sales volume of Hoperise remains constant but sales value of Hoperise has increased by 47.5% in 2004 reflecting the rise in international copper price. In the market, price of copper wire is fixed by reference to international copper price plus a negotiated subcontracting fee rate. The jointly controlled entity is able to maintain a normal operating profit in addition to a profit from inflation value on its stockholding of copper wire in 2004.



BUSINESS REVIEW (continued)

Associate – Tianjin Printronics Circuit Corporation (“TPC”)

TPC is a sino-foreign entity joint venture which principal activities are sale and production of printed circuit boards in the PRC. The Group’s interest in TPC is 28.17%. In view of increased demand in local market, TPC has increased its production capacity in 2003 and 2004. The Group’s attributable profit from TPC has increased from HK\$6,040,000 in 2003 to HK\$10,388,000 in line with increase in sale of TPC by 55.9% in 2004.

3S projects (GPS, GIS, RS)

The Group incorporated 3S Technology Holdings Limited February 2004 for the development and sale of car navigation and termination GPS equipment (GPS), and development and sale of the Geographic Information System (GIS). In 2004, the Group has completed investment of RMB15,000,000 to acquire 75% of Sky Light Communication (Shenzhen) Limited and RMB15,000,000 to acquire 75% of Sky Land Navigator Technology (Shenzhen) Limited. Manufacturing process of these two projects has not yet commenced. The Group has written off a total of HK\$4,340,000 preliminary expenses for the year under review.

EMPLOYEES AND REMUNERATION POLICIES

The Group had a total of approximately 3,665 employees as at 31 December 2004.

The remuneration policies of the Group are to ensure the fairness and competitiveness of total remuneration to motivate and retain existing employees and at the same time to attract potential employees. Remuneration packages are structured in such a way that take into account local practices in the various geographical locations in which the Group and its associates operate. These remuneration packages include basic salaries, allowances, retirement schemes, service bonuses, fixed bonuses, performance related payments and share options where appropriate.

PROSPECTS

The Group has completed the product quality testing procedures for photomasks prescribed by several wafer fabs and has become their approved vendors. It is expected the Group’s photomask division will see better results. Sale orders of high-end photomask with minimum line width 0.15 um have been received as proof of our technology skill in producing high-end photomasks. It is acknowledged that photomask is a business involving high-end technology and requires a relative long development period. It is anticipated that further investment in production equipment to expand the existing production capacity of photomask will be made, when appropriate, to cope with the necessary future growth in sales and to achieve future operating profit. In addition to market development and exploration, the Group also considers to establish strategic partnership with investors that may bring synergy effect and accelerate business development of the photomask business.

Management Discussion and Analysis

PROSPECTS (continued)

It is expected that products will be launched by the 3S projects to the market in the second quarter of 2005 and bring additional source of income and profit for the Group.

Quality and cost control will be enhanced to the original businesses. Sale in products with higher profit margin such as electronic adaptors will be promoted in order to put the Group in a better position when material cost are inflated in the short run.

Performance of the Kun Shan factory of the Group's copper wire jointly controlled entity was break-even in the past. With expansion in local sales in 2005, the Kun Shan factory will become an additional source of profit for the jointly controlled entity.

TPC, the Group's associated company, has made an investment plan of RMB120,000,000 to construct a new factory funded partly through internal source from previous years' profit and partly from new bank loans. This will facilitate the development and profit for the associated company.

By Order of the Board

Cao Zhong

Chairman

Hong Kong, 18 April 2005

