



Chairman's Statement

2005 had been a very challenging year for the Group.

The up surging increases in costs of metal prices together with persistently high oil prices had seriously affected the turnover and gross profit margin of the Group's traditional business segments including telephone accessories and power cords, adaptors and electronic products, printed circuit boards and high precision metal components. In response to such adverse environment, the Group has relentlessly taken measures to optimize the operations, enhance cost control and inventory management in order to achieve better cost saving and high production efficiency. The Group holds a cautious and yet optimistic view for these segments to return profitable in the future.

In addition, the high depreciation expenses coupled with the impairment provision made during the year for the photomask projects had remained a teething problem of the Group. However, the growth in turnover was encouraging notwithstanding the fact that the Group has only started commercial operations since July 2004. Although the Group has currently engaged in production of photomasks of 0.35um to 0.25um, the Group will adjust its product mix and tap on the upward trend in demand for products from 0.13um and below that give better price and wider margin. According to international survey, the overall IC consumption in China will reach US\$124 billion by 2010, and the Group has positioned itself as high-end manufacturer for products with 0.09um in order to take first mover advantage to capture the growing China IC market.

In April 2006, the Group has completed its acquisition of Sino Stride Technology (Holdings) Limited, a company listed on GEM board and engaged in the development and provision of system integration solutions in China. This acquisition is in line with the Group's strategy of investment diversification and enhancement in technology content of its products, which will ultimately deliver benefits to the Group.

On behalf of the Board of Directors, I would like to express our sincere thanks to our customers, vendors, shareholders and business partners for their continuous support and would like to extend my gratitude to all management and staff for their dedication and contribution to the Group's endeavor of continuous improvement throughout the year.

Cao Zhong
Chairman

Hong Kong, 20 April 2006