

## CHAIRMAN'S STATEMENT

### BUSINESS REVIEW

In 2006, the Company continued to pursue production of higher value products such as LCD modules, while the business for simple TN LCD applications for calculators and watches had been decreasing. The Company was able to open up new markets and applications in relation to LCD modules. In 2006, the Company was successful in expanding product applications to Internet Protocol (IP) Phones, white goods and telecommunications products. These new businesses were developed from Europe.

En route to becoming a preferred global supplier, the Company met some challenges along the way. The LCD modules business of the Company which was expected to grow in the first half year of 2006 did not materialize. A major customer of the Company had reduced LCD module orders significantly during this period. The Company had developed some new LCD module customers and businesses but were not sufficient to compensate for such loss of business. Although the sales of LCD modules recovered in June 2006, the Company was unable to achieve the forecasted year on year growth in revenue.

LCD business continued to be competitive. In 2006, manufacturing costs increased especially the rise in overheads such as labour costs, which coupled with competitive pricing pressure were mainly responsible for the drop in profit margins in 2006. The Company has planned to improve manufacturing efficiencies and to increase the volume of LCD module business in 2007. The Company is confident to recover and improve profitability.

### FINANCIAL RESULTS

Revenue for the year was HKD504.3 million, a rise of approximately 10.0% as compared to that of 2005. The growth in revenue was mainly from lower margin LCD panels while the sales of higher margin LCD modules increased only marginally. Net profit for the year was HKD28.2 million, a decline of approximately 24.6% as compared to that of 2005.

### OUTLOOK

We remain optimistic about the long-term prospects of our business and the market. We expect the future growth in sales shall come from higher margin LCD modules. Plans have already been made to expand the existing manufacturing capacity and the resources needed to support it. Increasing marketing efforts will be placed on widening customer base in Europe and Korea. The Company will strive to achieve a better growth and profitability in 2007.

### APPRECIATION

I would like to take this opportunity to extend my gratitude to the other directors of the Company for their valuable contributions to the Group and would also like to thank our customers, suppliers and shareholders for their continuous support and our staff members for their dedication and hard work.

**CHUI Kam Wai**

*Chairman*

Hong Kong, 12 February 2007