

CHAIRMAN'S STATEMENT



Mr. Chan Ho Sing,
Chairman of the Group

INTRODUCTION

I am very pleased to report that the Group achieved remarkable results during the financial year ended 31 December 2006 ("FY2006"). We made record high revenue and profits for the fifth consecutive year. On the product front, we launched a brand new and technologically innovative product known as the Conductive Polymer Aluminum Solid Capacitors ("Polymer Caps"). On the operation side, we opened our own aluminium foil factory in Qingyuan, which has strengthened our integrated value chain upstream. In the area of environmental protection, we led the market in early adoption of and compliant with the RoSH requirements of the European Union and similar requirements in other major markets in the world. As for business development, we obtained direct vendor approval from several global technology leaders in the computing field based in the USA. All in all, FY2006 marked several important milestones in the history of the Group.

FINANCIAL RESULTS AND APPROPRIATIONS

Group revenue reached HK\$1,239.1 million in FY2006, representing a 12.2% increase over that of last year. The Group also managed to improved its Gross Margin to 25.3% (FY2005: 24.0%) and Net Margin to 9.8% (FY2005: 8.7%) despite production and operating costs are increasing sharply in FY2006.

In view of the satisfactory performance in FY2006 and to show appreciation for the support from shareholders, the Board of Directors (the "Board") recommends payment of a final dividend of HK3.5 cents per share (2005: HK2.0 cents per share). Including the interim dividend of HK2.0 cents per share (2005: HK1.5 cents per share) already declared and paid, the total dividend for the year amounted to HK5.5 cents per share (2005: HK3.5 cents per share).

On 18 April 2007, the Board also proposed a conditional bonus warrant issue to the shareholders of the Company on the basis of one bonus warrant for every ten ordinary shares of the Company held. The initial subscription price was determined at HK2.25 per share, subject to adjustments, and the bonus warrants are exercisable at any time from 6 June 2007 to 5 June 2009 (both days inclusive).

MARKET AND BUSINESS OVERVIEW

The estimated value and output of global E-Cap market for FY2006 were approximately USD 3.6 billion and 101.5 billion pieces respectively. Our current share of the market is approximately 4% in value and 9% in output. Since 2004, we are ranking as the seventh largest E-Cap supplier in the world after five Japanese and one Korean competitors. However, the Group boasts the highest year on year revenue and net profit growth among these top E-Cap suppliers and its cumulative annual growth rate for revenue and profit between 2002 and 2006 were approximately 26.9% p.a. and 56.2% p.a. respectively.

In the past years, we have established strong foothold in major Asian markets including Japan, Greater China (including Taiwan), Korea and Southeast Asia. During the year, the Group acquired several new customers, the majority of whom are global computing technology leaders based in the USA. These global technology leaders used to purchase E-Caps solely from the top Japanese suppliers but, starting in 2006, we are probably the only non-Japanese company supplying E-Caps directly to them.



On the product front, the Group launched an innovative product known as the Conductive Polymer Aluminum Solid Capacitors in 2006. Before then, the kind of products was carried by only three large capacitor manufacturers in Japan, and now the Group has joined them in offering the product to the global customers in computing and high end consumer electronic products industry.

On the manufacturing front, the Group has been expanding its production capacities to keep up with rapidly increasing demand for its products. At present, the Group is capable of producing over 790 million pieces of E-Caps per month, 80 million pieces per month more than last year. To cater to increasing customer

orders, we need to secure a stable supply of raw materials. To stabilize the supply of aluminium foils, a critical raw material in production of E-Caps, we opened our own aluminium foil factory in Qingyuan in January 2006. The Qingyuan factory is currently supplying up to 20% of the Group's foil consumption. Producing aluminum foils in-house also helped the Group to improve its profit margin.

Protecting the environment is a major focus of the Group. Thus, we make sure all the Group's manufacturing facilities comply fully with relevant environmental regulations. In addition, all of the Group's products comply fully with the RoSH requirements of the European Union and the like of the major markets in the world.

FUTURE OUTLOOK

We are fairly optimistic about the performance of the Group for 2007 and the years beyond. We will continue to expand our business in the USA and Europe by securing more top-tier global customers. At the same time, we will tighten ties with existing global customers so as to generate more sales orders from them. To fulfil increasing sales orders, we will continue to boost production capacity. We expect our overall production capacity to increase notably in Q2 of 2007 when our new Dongguan facility begins operation. The added manufacturing space will allow us to expand the production of traditional E-Caps and Polymer Caps. For some of the critical raw materials such as aluminum foils, we expect continuous tight supply in 2007 and thus the need to expand our aluminum foil production capability. Our target is to be to self-supply up to 50% of the Group's internal aluminum foil consumptions by the end of 2007. The Group is one of the few E-cap

suppliers who can fully satisfy RoSH and similar requirements of all major markets. This advantage alone has brought and will continue to bring in substantial orders for the Group. Research and development excellence is a key factor to the success of the Group. To fully realise this expertise, the Group is setting up a "Technical Panel" composing of renowned researchers and scientists in electronic fields. To be chaired by Professor Feng Guan Ping, President of Shenzhen Tsinghua, this Panel will guide the Group in the areas of new technology applications and product development roadmaps.



All in all, we are expected to grow our revenue and profit faster than some of our key competitors in Japan and Korea and take its place among the five largest E-cap manufacturers in the world by 2009.

APPRECIATIONS

I would like to take this opportunity to express my sincere thanks to my fellow directors, senior management team and all staff for their dedication and commitment in helping the Group expand its business. My thanks also go to shareholders of the Company for their continuing support to the Group.

Chan Ho Sing

Chairman

Hong Kong, 18 April 2007