

CHAIRMAN'S STATEMENT

Over the last two years our Group has completed major milestones in its strategic development plan. Firstly, the production base has been expanded to include the Pearl River zone where a new factory has been successfully set up in Shenzhen, Guangdong province. And secondly, the Group has restructured its product mix by investing to develop expertise in handset decorative nameplates. This allows the company to focus on relatively high margin products and at the same time increasing its production efficiency.

Whilst the rewards from our previous years investment will follow in future, we are full of confident in running the business. Our Group has entered into "high return" period. More specifically:

- a) our Group is achieving critical mass, with annual turnover breaking through HK\$400 million in 2003 and growing strongly;
- b) the Group is establishing a leading role in its product areas. As our manufacturing technique becomes mature, we can develop new products and cope with the market trends more effectively;
- c) our customer base has been broadened to include increasingly large numbers of prestige overseas and local customers who will come to rely upon our specialised expertise;
- d) with the support of an enhanced sales team and the rapid expansion of our production base in China, our Group's market share has increased.

THE OUTLOOK FOR THE YEAR OF 2004

In 2004, we expect that the world's economy will continue to improve. We expect the economy in China will maintain strong growth.

China is already a world-leading supplier of such products – ranking the third behind the USA and Japan. This concept of China as a "world factory" is a trend which is set to continue. China is an efficient producer of such products, and the Group also benefits from the increasing domestic demand for higher quality electronic products.

Our Group is ideally placed to benefit from this and has established a framework for capturing these opportunities:

1. Market leading ideas

We insist to base on one centre, (effectiveness is the center), facing two markets (China and overseas), containing the three main elements (major customers, major areas and major products). We insist people are the primary factor, to develop, to complete, to co-ordinate, and to continue developing our vision. We insist on leading the market.

THE OUTLOOK FOR THE YEAR OF 2004 *(continued)*

1. **Market leading ideas *(continued)***

We are research and development base to strengthen our internal management and to upgrade our business quality. We target a favourable return to our shareholders and investors.

2. **Operational Targets**

Our targets include developing new products, investing in our people, upgrading our brand name, and improving our production efficiency.

3. **Strategic Development Targets**

We shall continue to concentrate our resources to develop higher margin products, including:

- a. the accessories for handsets including IMD decorative nameplates and hinges;
- b. different consumer electronic and electrical accessories products;
- c. to maintain steady growth in electrical and electronic consumer accessories products and the ironware parts products;
- d. to explore IMD application to other areas such as in motor vehicles;
- e. to continue developing communication products such as fiber optic cable, digital satellite TV modem and set top box.

The first three products are already in a mature stage and generating a profitable return for shareholders. We are optimistic about the prospects from these business areas in future years and they will provide the bulk of the Group's profitability.

The last two products are still in the development stage. We expect them to contribute materially to the company over the coming two to five years.