

CHAIRMAN'S STATEMENT

Both operational and financial performances of the Group have improved since the last reporting date. Although the PCB industry has encountered very substantial price increases in almost all major materials though out the whole year of 2004, the Company has still been able to increase its gross profit margin by improving its products mix through strengthening its production efficiency and sales and marketing coverage, and thereby has been able to maintain a good return on investments for its shareholders.

Financial Performance

For the year ended 31 December 2004, the Group's turnover increased by 13.3% to HK\$1,313 million. Operating profit was HK\$93 million, as compared to HK\$52 million in 2003. Profits attributable to shareholders amounted to HK\$89 million, as compared to HK\$33 million in 2003. Basic earnings per share were 13.9 Hong Kong cents, as compared to 5.1 Hong Kong cents in 2003.

Dividends

The Board of Directors (the "Board" or "Directors") has proposed a final dividend of 2.8 Hong Kong cents per share for the financial year ended 31 December 2004. The final dividend, if approved at the forthcoming annual general meeting, will be payable to shareholders whose names appear on the Register of Members at the close of business on 17 May 2005.

Barring unforeseen circumstances and based on cash flow requirements, the Board of Directors proposes to distribute approximately 22% of the Group's annual earnings as dividends to shareholders.

Business Review

To all operators of the PCB industry, 2004 was a year ridden with challenges. Price of all major materials hiked sharply. Price of 7628 prepreg (a non-conducting glass cloth coated with resin for lamination purpose) went up 100% from two years ago, price of copper foil went up by 50% from two years ago. Accordingly, price of laminate such as 0.059" FR-4 went up by over 90% and 0.047" FR-4 went up by 60%.

As the Company continued to change its product mix to higher layered and special material products in 2004, its turnover reached HK\$1,313 million, up by 13.3% from the turnover of HK\$1,159 million in 2003. Total shipment volumes, in terms of square footage, went up by 3.8% as compared with last year. The shipment of multi-layered boards (6-layered and above) increased by 40% over the number last year. Currently, such 6-layered and above multi-layered boards contribute about 35% to the Group's sales. Production reached an average utilization rate of 95%.

Despite the increase in cost of major materials as aforesaid, gross profit was HK\$260 million, a 20.3% growth over that of 2003. The Group's gross profit margin increased from 18.6% in 2003 to 19.8% in 2004. Net profit rose from HK\$33 million in 2003 to HK\$89 million in 2004, up by 170%. Net profit margin increased from 2.8% in 2003 to 6.8% in 2004.

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The Company continued to invest resources in upgrading its technical initiatives and strengthening its marketing efforts to expand market coverage and further improve its product mix.

The Company expected to benefit from the re-location of all its low-margin products to its new factory in Shaoguan in 2005. Construction of the new factory is on schedule.

Prospects

In order to fight against the industry's norm of continuous price erosion for mature products over long term and improve its profit margin, the Group will continue to identify areas of low manufacturing costs so that it can re-locate its manufacturing base to benefit such opportunities. In addition to this strategy, the Group will continue its day-to-day target of improving its product mix, sourcing better and more price-competitive products, re-engineering and enhancing its production processes and therefore its yield.

The new Shaoguan plant, which will begin mass production shortly, will not just offer the Group a condition to improve its profit margin, but will also offer opportunities for revenue growth in the near future. Manufacturing of current products will be shifted in an orderly and timely fashion from the current Shekou Plant to this new plant to take full advantage.

Accordingly, the Group has confidence in continuing to improve its return on investments in the near future.

Through recent appointments of more independent directors and the impending re-structuring of its Board, the Company will continue to improve its corporate governance and strike a good balance between conformity to the highest business standards and performance, thus satisfying The Stock Exchange of Hong Kong Limited ("the Stock Exchange") requirements and ensuring protection of shareholders' interest.

Appreciation

On behalf of the Board, I would like to extend my gratitude and sincere appreciation to all management and staff members for their diligence and dedication, and also to our business partners and the Company's shareholders for their continuing support.

CHEOK HO FUNG

Chairman and Chief Executive Officer

Hong Kong, 7 April 2005