

OPERATIONS REVIEW

The following highlights the Group's results for the year ended 31 December 2004.

- Turnover increased by 28.5% from the prior year to HK\$349.3 million for the year.
- Gross profit margin has been improved from 21.3% for 2003 to 22.5% for the year.
- Profit from operating activities before finance costs and share of the results of an associate was HK\$32.2 million, improving by HK\$16.4 million from the last financial year.
- Finance costs decreased by HK\$0.3 million from last year to HK\$5.5 million.
- Share of loss of an associate increased by HK\$1.8 million to HK\$6.1 million.
- Net profit for the year was HK\$17.7 million, improving approximately 5.0 times as compared to last year.

The Group's precision parts and components segment comprises manufacture and sale of keypads, synthetic rubber and plastic components and parts, and liquid crystal displays. In the year under review, sales turnover of this segment increased by approximately 29.1% as compared with the previous financial year. On the other hand, the consumer electronic product segment has achieved approximately 27.8% increase in sales turnover from the previous year. As in the previous year, the overall increase in the Group's turnover is mainly attributable to the increased sales turnover related to new products with new value added features and, to both existing and new customers.

Despite the increasing raw material costs, we are able to continue improving our gross profit margin in 2004. This is mainly due to our shift of product mixes to products with value added features.

營運回顧

以下是本集團於截至二零零四年十二月三十一日止年度主要業績概況。

- 營業額比去年上升28.5%至349,300,000港元。
- 毛利由二零零三年之21.3%改善至本年之22.5%。
- 經營業務溢利於計及融資成本及所佔聯營公司業績前為32,200,000港元，較前財政年度改善16,400,000港元。
- 融資成本比去年減少300,000港元至5,500,000港元。
- 所佔聯營公司虧損增加1,800,000港元至6,100,000港元。
- 本年度純利為17,700,000港元，相比去年改善約5倍。

本集團之精密零部件業務包括製造及銷售按鍵、合成橡膠及塑膠零部件以及液晶顯示器。於回顧年度，此分類業務之銷售額對比上一個財政年度上升約29.1%。另一方面，消費電子產品分類業務之銷售額比較去年獲得約27.8%的增長。一如去年，本集團之整體營業額的增長，主要是對現有及新客戶增加銷售具新增值功能的新產品所致。

儘管原材料成本上漲，但本集團於二零零四年的毛利持續提高，主要由於本集團的產品組合轉而以具增值功能的產品為重點所致。

With the increases in both turnover and gross profit margin, the group's operating profit before finance costs and share of an associate company's operating loss improved remarkably by HK\$16.4 million.

The Group's finance costs remained at the same level as in the prior year. Interest and redemption premium related to the loan notes and convertible loan notes amounted to approximately HK\$1.67 million. Since we have redeemed all of the loan notes and a portion of the convertible loan notes in 2004 and the remaining balance of the convertible loan notes would mature in June 2005, the interest and redemption premium related to these notes would reduce in year 2005.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and banking facilities provided by its principal bankers and other financial institutions in Hong Kong.

The Group currently has aggregate composite banking facilities of approximately HK\$113.0 million with various banks and financial institutions. The total borrowings from banks and financial institutions include long term loans, finance leases, overdrafts, import and export loans, amounted to approximately HK\$64.9 million as at 31 December 2004, of which HK\$59.8 million is repayable in 2005.

The Group's financial position remains healthy. At the balance sheet date, the aggregate balance of cash, cash equivalents and pledged deposits of the Group amounted to approximately HK\$27.3 million.

The Group's borrowings are mainly on a floating rate basis and are mainly denominated in either Hong Kong dollars or United States dollars. These match with the principal currencies in which the Group conducts its business. Therefore, the Group does not have any significant foreign exchange risk.

The gearing ratio on the basis of total debts to total assets as at 31 December 2004 is 56.9% (2003: 57.3%)

隨著營業額及毛利大幅上升，本集團未計及融資成本及應佔聯營公司經營虧損前的經營溢利顯著增加16,400,000港元。

本集團之融資成本與去年相同。與貸款票據及可換股貸款票據相關的利息及贖回溢價約達1,670,000港元。由於本集團經已於二零零四年贖回所有貸款票據及部份可換股貸款票據，而餘下的可換股貸款票據將於二零零五年六月到期，因此，與該等票據相關的利息及贖回溢價將於二零零五年減少。

流動資金及資金來源

本集團一般以內部產生之現金流量及其香港主要往來銀行及其它財務機構所提供之銀行備用信貸作為其營運資金。

本集團現有獲各間銀行及財務機構提供之備用信貸合共約為113,000,000港元。於二零零四年十二月三十一日，銀行及財務機構借款總額，包括長期貸款、融資租賃、透支及進出口貸款約為64,900,000港元，其中59,800,000港元將於二零零五年內償還。

本集團的財務狀況維持健康。於結算日，本集團之現金、現金等值專案及作抵押定期存款之總額共27,300,000港元。

本集團之借款主要按浮動息率並以港元或美元結算為主，而名下之業務營運亦以該等貨幣為主，因此本集團並沒有重大的匯兌風險。

於二零零四年十二月三十一日，根據總債項相對總資產基礎計算之負債為56.9%（二零零三年：57.3%）。

CHARGE ON THE GROUP ASSETS

Certain bank borrowings are secured by fixed charges over the Group's medium term leasehold land and buildings with aggregate net book value of HK\$21.5 million and bank deposit amounting to approximately HK\$8.2 million.

CONTINGENT LIABILITIES

Except for corporate guarantee given to banks and other financial institutions in relation to facilities granted to the subsidiaries, the Company and the Group had no other contingent liabilities as at the balance sheet date.

CAPITAL STRUCTURE

As at 31 December 2004, the Company had approximately 265.5 million shares in issue with total shareholders' funds of the Group amounting to approximately HK\$127.0 million.

Pursuant to the share option scheme of the Company, the Board of Directors granted share options to certain senior executives and employees of the Group. The exercise in full of those share options granted but remaining not exercised would result in the issue of 2.5 million additional shares and proceeds of approximately HK\$0.65 million.

FUND RAISING

General

Other than obtaining additional general banking facilities to finance the Group's trading requirements, we did not have special fund raising exercise during the year 2004.

Fixed rate loan notes and convertible loan notes

During the year on 17 March 2004, the Company exercised its option to redeem all of the fixed rate loan notes of US\$1,282,500 at 108% of the loan notes face value. On 30 June 2004, the Company at the request of the convertible loan notes holders redeemed half of the issued convertible loan notes of which principal amount aggregating US\$641,250. The loan notes were redeemed with the Company's cash resources.

本集團已抵押資產

若干銀行借款，乃以本集團賬面淨值共21,500,000港元之中期租賃土地及樓宇及為數約8,200,000港元之銀行存款作固定抵押。

或然負債

除了公司給予銀行及其它財務機構有關附屬公司的貸款擔保外，本公司及本集團於結算日並沒有其他或然負債。

資本結構

本公司於二零零四年十二月三十一日之已發行股份約為265,500,000股，本集團之總股東權益約為127,000,000港元。

按本公司購股權計劃，董事會授予本集團部份資深行政人員及僱員購股權。全面行使已授出但未獲行使之購股權將會導致2,500,000額外股份之發行以及約650,000港元之收入。

籌集資金

一般

除了取得額外一般銀行備用信貸以支付本集團之買賣要求外，本集團於二零零四年內概無特別資金籌集。

固定利率貸款票據及可換股貸款票據

年內，於二零零四年三月十七日期間，本公司行使其期權以貸款票據面值之108%贖回1,282,500美元之全部固定利率貸款票據。於二零零四年六月三十日，本公司應可換股貸款票據持有人要求贖回一半已發行可換股貸款票據，其本金總值641,250美元。有關貸款票據乃由本公司以現金資源贖回。

As at 31 December 2004, the principal amount of the outstanding unlisted convertible notes aggregated US\$641,250. These convertible notes bear interest at 2% per annum and are convertible into shares of the Company at an initial conversion price of HK\$0.4 per share, subject to adjustment, during the period commencing from 17 March 2004, up to and including the day immediately prior to the maturity date of the convertible note. The maturity date of the convertible notes is 16 June 2005. Each of the holders of the convertible notes can on demand request the Company to redeem the whole or part of the convertible notes after 16 March 2004 had an interest at 15% of the principal amount compounded annually from the date of issue until the relevant due date for redemption. At the maturity date, the Company shall redeem all the then outstanding convertible notes at 132.25% of their face value.

EMPLOYEES

As at 31 December 2004, the Group had a total workforce of approximately 3,580 of which approximately 80 were based in Hong Kong, approximately 20 were based in overseas and approximately 3,480 were based in the PRC.

The Group remunerates its employees largely based on the prevailing industry practice and labor laws. Since December 1996, the Company has adopted a share option scheme for the purpose of providing incentives and rewards to the employees of the Group.

Moreover, under the Mandatory Provident Fund Scheme Ordinance of Hong Kong, the Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme for all its Hong Kong employees. For overseas and PRC employees, the Group is required to contribute a certain percentage of its payroll costs to the central pension scheme operated by the respective local government.

於二零零四年十二月三十一日，未獲行使之非上市可換股票據本金總值641,250美元。這些可換股貸款票據按年息2厘計算利息，且可按每股0.40港元（可予以調整）之初步兌換價，由二零零四年三月十七日起，至可換股貸款票據到期日（包括該日在內）止之期間兌換為本公司之股份。可換股貸款票據之到期日為二零零五年六月十六日。每位可換股貸款票據之持有人可要求本公司於二零零四年三月十六日後贖回全部或部份可換股貸款票據，而利息將根據本金以複息15%之年利率由發行日至有關到期贖回日計算。於到期日，本公司需以票面值之132.25%贖回全部未行使之可換股貸款票據。

僱員

本集團於二零零四年十二月三十一日共有約3,580名僱員，其中約80名駐香港，約20名駐海外及約3,480名駐中國。

本集團主要根據目前業內慣例及勞工法例釐定僱員酬金。本集團自一九九六年十二月以來已實行一項購股權計劃，目的是提供獎勵及報酬予本集團僱員。

此外，本集團根據香港強制性公積金計劃條例，為於香港之所有僱員實施一項定額供款強制性公積金計劃。至於海外及中華人民共和國的僱員，本集團須要按照其當地政府所營辦的中央公積金，以僱員薪金的若干百分比作供款。