



I would like to present the annual report of Yeebo (International Holdings) Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31st March, 2004.

REVIEW OF OPERATIONS

For the year ended 31st March, 2004, the Group registered a turnover of HK\$308 million. Excluding approximately HK\$14 million rental income generated from the investment properties, turnover of Liquid Crystal Displays ("LCD") and other products recorded HK\$294 million (2003 : HK\$268 million) representing a 10% growth. Gross profit uplifted from HK\$22 million to HK\$37 million (excluding rental income). Taking into account of the realized and unrealized gain in investments in trading securities and the rental income from investment properties, the total profit for the year amounted to HK\$54 million (2003: loss of HK\$23 million).

Throughout the year, the Group operated in a highly competitive market. The outbreak of SARS between March and June of year 2003 not only cut back the demand of the customers but also crippled the Group's marketing activities. With the increase of new suppliers, the selling price of LCD products continued to be under pressure throughout the year. Nevertheless, the Group managed to increase the gross profit margin by various means. Firstly, with the full operation of the new automated production line installed in 2002, the production yield and efficiency had greatly enhanced during the year. Secondly, through innovative design and manufacturing processes, the Group had successfully introduced to the market certain LCD products with special applications with a higher value and margin than LCD products of normal applications. Thirdly, material costs were reduced as a result of our proactive effort to tighten our material control.

As reported to our shareholders in the annual report for the year ended 31st March, 2003, the Group invested during that year approximately HK\$83 million in securities of Hong Kong blue chips companies and HK\$191 million in acquiring a commercial property ("the Property") at a prime location in Central District in Hong Kong. These investments have proved to be worthy ones and provided significant profit contributions to the Group. The Group recorded a realized gain of approximately HK\$18 million and an unrealized gain of approximately HK\$23 million on the investment in trading securities for the year ended 31st March, 2004. The Property now held for long term investment purpose by the Group is providing a stable source of income. It contributed rental income of approximately HK\$14 million during the year. Further, according to professional valuation, the market value of the Property increased by HK\$62 million during the year.

In January 2004, the Group acquired effectively a 34.45% interest in Beijing Visionox Technology Company Limited ("Visionox"), a company based in Beijing. Worth special mentioning is that Tsinghua Holdings Company Limited, which in turn is 100% owned by the Tsinghua University Enterprise Group, holds 15.53% of Visionox. The principal activities of Visionox are development, manufacture and marketing of Organic Light Emitted Display ("OLED"). OLED is a new generation of flat panel display and is recognized as an innovation in display technology and will be widely applied in the telecommunication, audio-video and instrument devices. The Group's investment in Visionox will provide a platform for extending its future growth in color and high performance display devices.

PROSPECTS

Looking forward, the Group has well-positioned itself to face the prevailing challenges. The Group is committed to becoming a global supplier of display devices by leveraging on its strong marketing team and through continuous investment in hardware equipment and human talents. Firstly, the Group has established a strong sales force covering an extensive clientele base of over 400 customers. Together with the effort of the newly established overseas sales vehicles in the United States, Europe, Japan, Taiwan and Korea, the customer base is set to become well diversified both in terms of geographic locations and industries. Secondly, the Group has broadened the product range of LCD from Twisted Nematic ("TN") to Highly Twisted Nematic ("HTN"), Super Twisted Nematic ("STN") and LCD Module ("LCM"). In the last two fiscal years, the Group allocated considerable financial resources to upgrade its production facilities. For LCD products, the Group has installed two fully automated production lines for STN products. For LCM, the Group has enlarged its production capacity by opening a new factory in Jiangmen with additional production facilities to manufacture Chip on Glass, Chip on Board and Tape Automated Bonding ("TAB"). In terms of human resources commitment, the Group had recruited a number of experienced industrial experts in the field of STN and LCM to facilitate launching the expansion program. Being one of the major LCD suppliers in the world, the Group's position will be further strengthened by the capability to deliver a wider range of display-related products. In addition, the Group's investment in Visionox, as mentioned above, will pave the way for a more long term development of the Group in the flat panel display industry.

LIQUIDITY AND CAPITAL RESOURCES

During the year, the Group invested a total of HK\$88 million for acquisitions of interests in associates and fixed assets such as plant and equipment. The above-said expenditure were mainly financed by internal operating funds and proceeds from disposal of investments in securities. As a result, its bank balances and cash decreased from HK\$16 million to HK\$10 million. The Group's current ratio and quick ratio were 2.2 times (2003:2.3 times) and 1.5 times (2003: 1.5 times) respectively. A sound liquidity position is consistently maintained.

As at 31st March, 2004, the Group had total assets of HK\$700 million which were financed by liabilities of HK\$245 million and shareholders' equity of HK\$455 million.

The Group had banking facilities amounted to HK\$317 million of which HK\$161 million were utilized ; HK\$113 million related to the acquisition of the Property and balance of HK\$48 million were for working capital of the Group.

The gearing ratio, as a ratio of bank borrowings to net worth, stood at 35% at the end of the year.

The Group did not have any material exposure to fluctuation in exchange rates.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of the Group's purchases and turnover attributable to major suppliers and customers were as follows:

	2004	2003
Percentage of purchases from the Group's largest supplier	15%	13%
Percentage of purchases from the Group's five largest suppliers	53%	53%
Percentage of turnover to the Group's largest customer	6%	8%
Percentage of turnover to the Group's five largest customers	19%	28%

As a result of our customer diversification, the percentage of turnover to the Group's five largest customers to total turnover decreased as compared to 2003.

As at 31st March, 2004 none of the directors, their associates, or any shareholders which to the knowledge of the directors owned more than 5% of the Company's share capital had any beneficial interest in the Group's five largest customers and/or five largest suppliers.

EMPLOYMENT AND REMUNERATION POLICY

The remuneration policy and package of the Group's employees are structured by reference to market terms and industry's practice. In addition, discretionary bonus and other individual performance are awarded to staff with reference to the financial performance of the Group and the personal performance of individual staff. Staff benefit plans maintained by the Group include mandatory provident fund scheme, share option scheme and medical insurance.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to thank all staff members their dedication to the Group during the year and the Shareholders, valuable customers and suppliers for your continuous support.



Fang Hung, Kenneth
Chairman

15th July, 2004