

On behalf of the Board of Directors (the "Directors"), I am pleased to report the annual results of the Company together with the subsidiaries (collectively the "Group") for the year ended 31 December 2004.

FINANCIAL RESULTS

For the year ended 31 December 2004, the Group's turnover reached HK\$349.3 million, representing a 28.5% increase over the previous year. Overall gross profit margin was also improved and increased from approximately HK\$57.8 million in the previous year to approximately HK\$78.7 million this year. Net profit attributable to shareholders was approximately HK\$17.7 million (2003: HK\$3.5 million).

Basic earnings per share for the year ended 31 December 2004 amounted to HK6.82 cents (2003: HK1.42 cents) per share.

BUSINESS REVIEW

I have pleasure to report that the Group's core businesses including consumer electronic products and precision parts and components collectively had another successful year and the Group achieved significant growth in turnover and earnings in the year under review. The turnover for the year is another new record level of the Group since the incorporation of the Company. Such growth in turnover resulted from a combination of several factors including sales revenue generated by new products, increased sales turnover to certain existing customers and to new customers.

As in the prior year, we have been facing with rising production and raw material costs. Our strategy of developing more new products with value added features, implementing cost control and reduction measures and improving our production efficiency so as to maintain our growth in turnover and profitability and to lessen the effect of rising product production costs have proved successful and fruitful.

With the development and introduction of new products with value added features that have better gross profit margin, the segmental results of the precision parts and components segment improved from approximately HK\$2.4 million in the last year to approximately HK\$20.0 million this year.

本人欣然代表董事會（「董事會」）提呈本公司及其附屬公司（「本集團」）截至二零零四年十二月三十一日之全年業績。

財務業績

截至二零零四年十二月三十一日止年度，本集團之營業額達349,300,000港元，較去年上升28.5%。整體毛利亦有改善，由去年約57,800,000港元上升至本年約78,700,000港元。股東應佔純利約為17,700,000港元（二零零三年：3,500,000港元）。

截至二零零四年十二月三十一日止年度，每股基本盈利為6.82港仙（二零零三年：1.42港仙）。

業務回顧

本人欣然報告，本公司的核心業務，包括消費電子產品及精密零部件的整體業務於本年度再創佳績。於回顧年度，本集團的營業額及盈利均顯著上升。本集團於年內的營業額創出本公司註冊成立以來的最高水平，主要由於多項因素所致，包括新產品帶來銷售收益及來自若干現有客戶及新客戶的銷售額增加。

一如往年，本公司繼續面對生產及原材料成本上漲的問題。然而，本公司藉著開發更多具增值功能的新產品、實施成本控制及節流措施及提高生產效率，以維持營業額及盈利增長，同時減輕產品生產成本上漲的影響，這些策略已證實成功並取得驕人成果。

隨著本公司開發及推出毛利較高及具增值功能的新產品，精密零部件的分類業務的業績由去年約2,400,000港元改善至本年約20,000,000港元。

On the other hand, the segmental results of the consumer electronic products segment reduced from approximately HK\$13.4 million in the prior year to approximately HK\$5.4 million in the current year. The lower operating results of the consumer electronic products segment stems mainly from increased operating costs that are related to our new office in the United States of America (the "USA"), to the research and development, and sales and marketing human resources.

Asia and Europe have always been our major markets. Sales to customers located in these regions account for approximately 93.5% of the Group's total turnover which is slightly less than that of the prior year. Although we will expand our marketing activities into other regions such as the North American market, the Group's sales turnover to the Asian and European markets are expected to maintain healthy growth in the coming years in terms of monetary amount.

We have planned to develop more businesses from the North American market so as to diversify the Group's customer base and to improve the Group's turnover. We are pleased to report that sales turnover to the North American market increased from approximately HK\$7.0 million in the prior year to approximately HK\$15.0 million in the current year.

During the year, as part of our strategy for expanding our sales into the North American market, we entered into a trademark license agreement with Honeywell Intellectual Property Inc of the USA. Under the agreement, our Group is licensed for a period of six years starting from 1 January 2005 to use the trademark "HONEYWELL" for sale and distribution of certain environmental conditions measuring and displaying products in the North and South American markets. Moreover, in the fourth quarter of 2004, we established a subsidiary in the USA the principal business activity of which is the distribution of the Group's consumer electronic products including those under the licensed trademark "HONEYWELL". As of today, the subsidiary has established good relationships with a number of reputable customers in the USA and is expected to contribute to the Group's turnover in year 2005.

另一方面，消費電子產品分類業務的業績則由去年約13,400,000港元減少至本年約5,400,000港元。消費電子產品分類業務的經營業績轉遜，主要由於經營成本增加，包括來自設立美國（「美國」）新辦事處、關於研發之開支，以及銷售與人力資源方面。

亞洲及歐洲一向是本集團的主要市場。本集團向位於這些地區的客戶進行的銷售佔本集團總營業額約93.5%，該比重略低於去年。儘管本公司將會在北美等其他地區市場增加市場推廣活動，但以金額計算，預期本集團在亞洲及歐洲市場的銷售額於未來數年將維持穩健增長。

本公司經已計劃在北美市場開拓更多業務，以分散本集團的客戶基礎及提高本集團的營業額。本公司欣然公佈北美市場的銷售額從去年約7,000,000港元增加至本年約15,000,000港元。

於年內，為落實本集團拓展北美市場銷售的策略，本公司與美國的Honeywell Intellectual Property Inc.訂立一項商標特許協議。根據該協議，本集團獲特許於二零零五年一月一日起計六年內使用「HONEYWELL」商標，在北美及南美市場銷售及分銷量度及展示環境狀況的若干產品。此外，於二零零四年第四季，本公司於美國成立一間附屬公司，其主要業務為分銷本集團的消費電子產品，包括「HONEYWELL」特許商標項下的消費電子產品。該附屬公司至今經已與美國多名知名客戶建立良好關係，且預期將於二零零五年度為本集團的營業額作出貢獻。

Subsequent to the year end on 16 March 2005, a USA company (the "Complainant") has filed a patent infringement complaint with the United States International Trade Commission (the "ITC") against our Company and two subsidiary companies. The Complainant has claimed that certain features of two of our weather forecasting products imported into the USA have infringed two of its patent. We have sought legal and licensed patent counsel opinions on the patent infringement as claimed by the Complainant and have been advised that the features of our weather forecasting products do not infringe the patent rights being held by the Complainant. However, prior to the closure and settlement of this complaint, we expect that our sales turnover of weather forecasting products in the USA would be affected.

Investments

Investment in an associate

During the year in February 2004, we made a further capital injection of approximately HK\$3.2 million into the joint venture company YOUEAL TTI Limited (the "Associate"), after which our capital contribution commitment of US\$4.1 million was fulfilled.

Moreover, in the fourth quarter of the current year, the shareholders of the Associate have agreed to advance a shareholders' loan of aggregate US\$1.5 million to the Associate for financing its working capital requirements. Our proportionate share of the shareholders' loan is US\$0.62 million (HK\$4.8 million) and was advanced to the Associate in late October 2004.

The Associate's sales turnover increased from approximately HK\$7.5 million in the prior year to approximately HK\$101.8 million this year. Its customers include certain global renowned cellular phone manufacturers. However, contrary to our expectation, the Associate has not been able to contribute profit to our Group in the current year. Our share of the Associate's operating loss for the year amounted to approximately HK\$6.1 million. The operating loss is due to increasing operating costs and high production defective rates. Management of the Associate is implementing certain cost and production control measures aiming to improve the Associate's operating results in 2005.

於二零零五年三月十六日年結日後，一間美國公司（「投訴人」）已向美國國際貿易委員會（「貿易委員會」）提出一項針對本公司及其兩間附屬公司的專利侵權投訴。投訴人聲稱本公司進口美國的兩款天氣預測產品的若干功能侵犯其兩項專利權。本公司經已就投訴人聲稱的專利侵權指控尋求法律及特許專利律師的意見，並獲知會該項天氣預測產品的功能並無侵犯投訴人所持有的專利權。然而，在投訴結束及達成和解前，本公司預期該天氣預測產品在美國的銷售額將會受到影響。

投資

於聯營公司的投資

在年內，於二零零四年二月，本集團向聯營公司YOUEAL TTI Limited（「聯營公司」）再注資約3,200,000港元，隨此我們對聯營公司之資本貢獻的4,100,000美元已完全履行。

此外，於本年第四季，聯營公司的股東同意向聯營公司墊付合共1,500,000美元的股東貸款，以應付其營運資金所需。本集團按比例應佔的股東貸款份額為620,000美元（4,800,000港元），並已於二零零四年十月底向聯營公司墊付。

聯營公司的銷售額由去年約7,500,000港元增加至本年約101,800,000港元。聯營公司的客戶包括若干全球知名的流動電話製造商。然而，在本集團意料之外，聯營公司無法在本年為本集團貢獻溢利。本公司佔聯營公司年內的經營虧損約達6,100,000港元。錄得經營虧損乃因經營成本上漲及生產不合格率偏高所致。聯營公司的管理層現正實施若干成本及生產控制措施，以改善聯營公司於二零零五年度的經營業績。

Other investments

As reported in our interim report for 2004, on 1 February 2004, one of our unlisted equity investments with a carrying value of approximately HK\$0.3 million was converted into shares of an overseas listed company. We disposed of these converted shares during the period from 31 March to 6 April 2004 for an aggregate cash consideration of approximately HK\$5.4 million, giving rise to a net gain of approximately HK\$5.1 million. This unlisted equity investment was acquired in March 2002, when we were invited by an overseas customer to subscribe for their new shares that were issued for raising working capital to finance their operations. We decided to dispose of this investment as it is no longer a direct investment in our customer.

FUTURE PLAN AND PROSPECTS

Our Group has two core businesses, which include consumer electronic products (time, weather forecasting and other products) and precision parts and components (keypads, synthetic rubber and plastics components and parts and liquid crystal displays). These core businesses have been performing remarkably in accordance with our expectation. We will continue our focus on developing these core businesses so that we would remain competitive in the market and hence secure a larger market share for these businesses in the future.

As envisaged in the prior year, the global economy has been improving and the demand for our products has continued to grow satisfactorily. Based on the current market situation, our newly established customer bases and marketing strategy, we believe that the momentum for the growth of our turnover would continue into 2005.

The Group's commitment in investing in human resources of both sales and marketing, and product research and development is important for sustaining our competitive edge and business growth. In the previous years, our commitment has proved to be fruitful. We will continue to invest and enhance our research and development workforce, sales and marketing organization for supporting continuous business growth. We strongly believe that such investment will certainly lead to growth in the Group's core businesses in the long run.

其他投資

如本集團二零零四年中期報告所述，於二零零四年二月一日本公司其中一項賬面值約達300,000港元的非上市股份投資已轉換為一間海外上市公司的股份。本公司於二零零四年三月三十一日至二零零四年四月六日期間以總現金代價約5,400,000港元出售這些轉換股份，因而產生淨收益約5,100,000港元。這些非上市股份投資乃於二零零二年三月購入，本集團於當時接受一名海外客戶邀請認購其為經營業務籌集營運資金而發行的新股份。由於該等股份不再是於本集團向客戶的直接投資，本集團因而決定出售該項投資。

未來計劃及前景

本集團的兩項核心業務包括消費電子產品（時間、天氣預測及其他產品）及精密零部件（按鍵、合成橡膠及塑膠零部件及液晶體顯示器）。這些核心業務一直表現出色，符合集團期望。本集團將繼續專注於發展這些核心業務，務求維持市場競爭力及因而在日後為該等業務爭取較大的市場佔有率。

一如去年所預期，全球經濟持續好轉，本集團產品的需求亦繼續錄得理想增長。基於目前市況，本集團新建立的客戶基礎及本集團的市場推廣策略，本集團相信營業額的增長動力可望於二零零五年持續。

本集團不斷投資於銷售及市場推廣與產品研發的人力資源上，原因是這些資源對本集團維持競爭優勢及業務增長甚為重要。在往年，集團在這方面的投資取得成果。本集團將繼續投資於並加強集團的研發及銷售與市場推廣隊伍，以配合本集團的持續業務增長。本集團深信在這方面的投資將必定帶來本集團核心業務的長遠增長。

With the expansion of the Group's business, we will also invest and enhance our information systems in order to improve our resources planning and operational flows control. We are currently studying various ERP systems and, barring any unforeseen circumstances, expect to have an ERP system in place by the end of 2005.

As previously reported, in year 2002 we entered into an agreement with a third party to acquire a piece of land in Zhongshan, the PRC. The purchase transaction was completed in the fourth quarter of 2004. We intend to construct a new manufacturing facility on this land so as to cope with future business growth.

We anticipate there will be a requirement to expand our production capacity in the coming years in order to capture business opportunities and to meet increasing customers' demands for the Group's products. Funding of this anticipated expansion includes utilizing our internal cash resources and obtaining external financing, where appropriate.

The Company has not declared and paid a dividend to our shareholders since year 1999. Subject to the approval of our shareholders at the forthcoming annual general meeting, we are delighted to report that the Company would declare and pay a dividend for the year 2004 and expect that we would continue sharing the Group's results with our shareholders through regular dividend payments in the future.

APPRECIATION

I would like to take this opportunity to thank the directors and senior management of the Group who have expressed their support to the Group.

Moreover, on behalf of the Board, I would like to express my thanks and gratitude to all our staff for their loyalty and hard work and to our suppliers, customers and shareholders for their continued support.

Lai Pei Wor
Chairman

Hong Kong, 26 April 2005

本集團亦因應業務擴充而投資於並提昇其資訊系統，以便更有效地規劃資源及控制營運流程。本集團現正研究不同的企業資源規劃系統，假設並無任何不可預見的情況發生，預期本集團將於二零零五年底前安裝企業資源規劃系統。

一如較早前公佈，本集團於二零零二年度與一名第三方就購買一幅位於中國中山的土地訂立一項協議。購買交易於本年第四季完成。本集團計劃在該幅土地上興建一座新的生產設施，以應付日後的業務增長。

本集團預計有需要於未來數年提高生產能力，以把握業務機會及應付客戶對本集團產品日增的需求。本集團將動用內部現金資源及在適當時安排外來融資為該項產能擴大計劃提供所須資金。

本公司自一九九九年並無向股東宣佈派發及支付股息。待本公司股東在應屆股東週年大會批准後，本公司欣然公佈將會在二零零四年度宣派及派付股息。本公司預期將於日後繼續定期派付股息，藉以與股東分享本集團的成果。

致謝

本人藉此機會感謝本集團之董事及高級管理人員對本集團的支持。

同時，本人代表董事會，謹就本集團各員工之忠誠服務及貢獻以及供應商、客戶及股東之持續支持向彼等亦致以忠心感謝。

主席
賴培和

香港，二零零五年四月二十六日