



### OPERATING RESULTS

For the year ended 31 December 2004, the Group recorded a turnover and net loss of approximately HK\$82,840,000 and HK\$18,401,000 respectively. Turnover was decreased of HK\$26,600,000 or approximately 24.3% as compared with last year. Loss per share amounted to Hong Kong cents 3.8 (2003: loss per share Hong Kong cents 2.3). The gross profit margin of the Group decreased from 29.5% of last year to 12.8% this year. The loss attributable to shareholders was approximately HK\$18,401,000.

### BUSINESS REVIEW

During the year under review, the Group focused on high-end aluminum chassis. In addition, the performance of the Company attributed to the mass production of certain middle-to-low-end products, such as iron computer chassis and power supply. In view of the global market consumption, mark-downs in the retail industry as well as the increase in costs of raw materials, the clients have been exerting downward pressure on price, leading to a decrease in the gross profit margin to 12.8%. In order to maintain its turnover, the Group was forced to cut down its sales price to retain the orders from our agents while there was a slightly increase in OEM orders. As such, under the management of the administration expenses, the Group strengthened its costs control, streamlined its structure and fully utilised the production capability, in order to minimise the loss of company.

IMC mini-barebone system, aluminum chassis, iron chassis and power supply attributed a contribution of 3.9%, 33.5%, 54.3% and 4.3% to the Group's turnover respectively.

#### IMC Mini-barebone System

IMC mini-barebone system is the new product developed by the Group in 2004. Though the turnover derived from such system amounted to HK\$3,251,000 only, it recorded a remarkable gross profit margin of 32%. In order to satisfy the market needs and to follow the direction of the motherboard manufacturers, the Group will contribute more resources to develop more barebone system products which are equipped with the functions of a digital product.

#### Aluminum Chassis

The turnover of aluminum chassis was HK\$27,760,000.

#### Iron Chassis

The turnover of iron chassis was HK\$44,960,000.

#### Power Supply

The turnover of power supply was HK\$3,587,000.



## Future Plans

The Group believes that the advanced technology computer products market will continue to generate vast opportunities in the future. Therefore, the Group continues its development of high-end products with significant profits, and launched the IMC6389 mini-barebone system, BTX chassis, PMP and other products equipped with digital functions accessories in the CEBIT Exhibition held in Germany in March 2005.

## Geographical Analysis

In respect of the marketing network, the Group keeps subcontracting new products orders. OEM/ODM business contributed a 43.1% to the Group's turnover, which is mainly derived from those stable clients of the Group such as EXPO, I WILL, FREE TECH, MSI, IDOT and the renowned self-embedded market brands ANTEC and ENERMAX. The Group's turnover from Asia Pacific region, North America region and Europe region represented a 23.3%, 55.2% and 20.5% to the total turnover of the Group for the year ended 31 December 2004, which shows the sales order of the Group remaining steady.

## Research and Development Direction and Product Strategy

For the future development of new products, the Group will focus on the barebone system from the personal computer system development to the home theatre system as well as digital audio-video products, in order to entertain our customers without limitation.

## Staff and Training

During the year under review, the Company recruited more sales staff for its Taipei office and strengthened its internal trainings and team combinations by sending the potential sales staff with high caliber to foreign regions to develop the business thereof.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2004, the Group's working capital requirements were mainly financed by internal cash flow and short term banking facilities. As at 31 December 2004, the current assets of the Group was HK\$94,988,000, of which cash and bank deposits amounted to approximately HK\$5,451,000, inventories of approximately HK\$42,065,000 and trade receivable amounted to approximately HK\$40,599,000. Short-term bank loan and overdrafts was of approximately HK\$2,959,000, all repayable within one year or on demand. Bank loans were subject to fixed interest rates at approximately 4% per annum.



## FOREIGN CURRENCY EXPOSURE

Most of the Group's cash and bank deposits were held in US dollars, Renminbi and Hong Kong dollars. The Group's loans were denominated in US dollars and New Taiwan dollars in order to avoid exposure risk arising from foreign currency fluctuations. During the relevant period, the exchange rates of US dollars and Renminbi in relation to Hong Kong dollars were stable. The Group was not subject to any significant exposure relating to exchange rates risk and it will remain cautious in financial management.

## USE OF PROCEEDS

As at 13 February 2004, the Company entered into a subscription agreement, pursuant to which investors agreed to subscribe and the Company agreed to allot and issue 80,000,000 new shares at a subscription price of HK\$0.118 per share. The net proceeds raised from the subscription amounted to approximately HK\$9,200,000. Approximately HK\$6,200,000 has been applied towards sales development and marketing promotion of the Group balance of approximately HK\$3,000,000 has applied as general working capital respectively.

## CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2004.

## EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2004, the Group had approximately 500 employees in the PRC (including Hong Kong), Taiwan and overseas. During the year, the remuneration for the employees amounted to approximately HK\$9,103,000. In order to maintain the competitiveness, the salary and bonus of the staff are determined based on their individual performance. Apart from the basic salaries, discretionary bonus, contributions to the statutory retirement scheme and a share option scheme. For its staff in Hong Kong, Taiwan and the PRC, the Group has also provided them with various training and development programs.

## IMPROVEMENT OF SALES NETWORK

In addition to the manipulation of the latest development momentum of computer products, we have been competing with other players by launching more products from time to time which further enhancing the operating efficiency. During the year, we will actively train up our staff of different sectors from all regions and recruit additional sales staff for the development of particular markets so as to extend its sales network.

## CONCLUSION

The Directors believe that there will be an economic rebound in progress in future. Though the market competition is increasingly intensified, the Group is optimistic about the prospect of its business.