

OPERATIONS REVIEW

The following highlights the Group's results for the year ended 31 December 2005.

- Turnover increased by 11.1% from the prior year to HK\$388.1 million for the year.
- Gross profit decreased by approximately HK\$1.9 million from 2004 to approximately HK\$76.8 million for the year.
- Profit from operating activities before the finance costs and the share of the results of an associate was HK\$29.2 million, decreased by HK\$2.5 million from last financial year.
- Finance costs increased by HK\$1.8 million from last year to HK\$7.6 million.
- Share of loss of an associate decreased by HK\$0.3 million to HK\$5.8 million.
- Profit for the year was HK\$13.7 million.

In the year under review, sales turnover of the precision parts and components segment has increased by approximately 7.7% as compared with the previous financial year. On the other hand, the consumer electronic products segment has achieved approximately 15.3% 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, to both existing and new customers.

Although we have shifted our product mixes to products with value added features, our product's gross profit dropped by approximately 2.7% because of increasing production costs attributable to increased raw material and labor costs and appreciation of Reminbi.

The Group's finance costs increased to HK\$7.6 million from the prior year due to the increased market interest rate and the Group's borrowings.

During the year, the Group's share of loss of the associated company amounted to HK\$5.8 million. Such loss is offset by the gain on disposal of interest in the associate YOUEAL TTI Limited of approximately HK\$16.3 million.

營運回顧

以下是本集團於截至二零零五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11.1%至本年之388,100,000港元。
- 毛利相比二零零四年下降1,900,000港元至本年約76,800,000港元。
- 經營業務溢利於未計及融資成本及所佔聯營公司業績為29,200,000港元，較上財政年度下跌2,500,000港元。
- 融資成本比去年增加1,800,000港元至7,600,000港元。
- 所佔聯營公司虧損減少300,000港元至5,800,000港元。
- 本年度溢利為13,700,000港元。

回顧本年度，精密零部件分類業務之銷售額與上財政年度相比增長約7.7%。另一方面，電子消費品業務之銷售額與去年相比增長約15.3%。如上年度，本集團營業額整體上升主要來自銷售予現有及新客戶之具增值功能之新產品的貢獻。

儘管本集團的產品組合轉而以具增值功能的產品為重點，然而，本集團產品之毛利下跌約2.7%，原因是原材料及勞工成本上漲及人民幣升值令生產成本上升。

本集團融資成本上升至7,600,000港元。原因是市場利率及借貸較去年上升。

於年內，本集團所佔聯營公司虧損為5,800,000港元。該虧損已抵銷出售於聯營公司YTTI權益帶來之約16,300,000港元之收入。

管理層之討論及分析

Management Discussion and Analysis

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 total borrowings from banks and financial institutions include long term loans, finance leases, overdrafts, import and export loans, amounted to approximately HK\$87.5 million as at 31 December 2005, of which HK\$80.0 million is repayable in 2006.

The Group's financial position remains healthy. At the balance sheet date, the aggregate balance of cash and cash equivalents and pledged time deposits of the Group amounted to approximately HK\$48.1 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 2005 was 55.6% (2004: 57.0%)

CHARGE ON THE GROUP ASSETS

Certain bank borrowings are secured by fixed charges over the Group's leasehold land and buildings with aggregate net book value of HK\$25.5 million and bank deposits amounting to approximately HK\$8.4 million.

CONTINGENT LIABILITIES

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

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。

於二零零五年十二月三十一日，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87,500,000港元，其中80,000,000港元將於二零零六年償還。

本集團的財務狀況維持健康。於結算日，本集團之現金、現金等值項目及作抵押定期存款之總額約48,100,000港元。

本集團之貸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。

於二零零五年十二月三十一日，根據總債項相對總資產基礎計算之負債率為55.6%（二零零四年：57.0%）。

本集團已抵押資產

若干銀行借款，乃以本集團賬面淨值共25,500,000港元之租賃土地及樓宇和為數約8,400,000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，本公司於結算日並沒有其他或然負債。

CAPITAL STRUCTURE

As at 31 December 2005, the Company had approximately 265.5 million shares in issue with total shareholders' funds of the Group amounting to approximately HK\$137.2 million.

Pursuant to the share option scheme, 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 2005.

Convertible loan notes

During the year, the holders of the convertible notes aggregated US\$641,245 did not request the Company to convert the whole of the convertible notes. At the maturity date of 17 June 2005, the Company redeemed all the convertible notes at 132.25% of their face values. The convertible loan notes were redeemed with the Company's cash resources.

EMPLOYEES

As at 31 December 2005, the Group had a total workforce of approximately 3,900 of which approximately 90 were based in Hong Kong, 25 were based in overseas and approximately 3,785 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.

資本結構

本公司於二零零五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137,200,000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·本集團於二零零五年內概無特別資金籌集。

可換股貸款票據

年內·總額為641,245美元之可換股票據之持有人並未向本公司要求將有可換股票據轉換公司股份。於二零零五年六月十七日到期日·本公司以可換股要據132.25%的面值贖回所有可換股票據。本公司以現金贖回可換股貸款票據。

僱員

本集團於二零零五年十二月三十一日共有約3,900名僱員·其中約90名駐香港·25名駐海外及約3,785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。