

# Chairman's Statement



**Mr. Lam Ping Kei**  
*Chairman and Executive Director*

## 2005 REVIEW

The global economy continued to grow with strong momentum in the year 2005. Thanks to our production expansion strategy, the Group's turnover recorded a growth of 6% to approximately HK\$516 million (2004: HK\$486.8 million). However, 2005 was a very challenging year for the Group. Although the Group has adopted vertical integration as its long term cost control strategy for the past few years and has effectively alleviated the impact of high raw materials and labour costs, surging oil price and labour cost had direct impact on the Group's performance. Consequently, the Group's net profit attributable to shareholders dropped to HK\$40 million (2004 restated: HK\$99 million).

The board does not recommend a final dividend for the year ended 31st December 2005 (2004: HK1.2 cents).

## NEW PRODUCTION BASE IN HENAN

The Group had long-term plan to diversify our production base. The new factory in Henan can mitigate the effect of labour shortage in Putian production headquarters. Henan factory had commenced its production from February 2005 and its daily production output has reached approximately 60,000 units of calculator at the end of year 2005.

## DEVELOPMENT ON NEW PRODUCTS

The Group has diversified its product varieties including electronic calculators, multifunctional watches, telephones and other gift and premium products. The Group's newest product "electronic game card" which was targeting US gambling markets was launched with great success in 2004 and its current development is exciting. Backed by the enormous production scale and extensive experience in product design and OEM manufacturing, the Group will put more effort on similar OEM products market and seek new market opportunities to foster the Group's growth dynamic in the future and achieve a more balanced product mix.

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## DEVELOPMENT ON LCD PRODUCTION LINE

The liquid crystal display ("LCD") production lines secure the Group's stable supply of LCD for manufacturing of electronic calculators and other electronic products and generate a major source of revenue from swiftly growth LCD market. To enhance the price competitiveness, the Group had established a new production line of ITO glass (a basic raw material of LCD) and commenced its production in April 2005. Furthermore, the Group will invest in chip on glass ("COG") production facilities in early 2006 to broaden the product range and upgrade manufacturing capability.

## PROSPECT

The global economy is expected to growth in 2006. We expect the electronic products market to achieve high growth rate notwithstanding the keen price competition. The Group's strong production capability and large scale of production enable it to capture the new market opportunity in fast growing electronic products market. 2006 will be another challenging year in anticipation of the soaring plastic price and keen price competition. The Group is committed to enhance its cost efficiency by realignment of our production geographically and improvement of the productivity of our Henan factory.

## ACKNOWLEDGEMENT

I would like to thank our management and staff for their dedication and hard work during the past year. Their efforts contributed to the rapid growth of the Group during the year. Moreover, I would like to take this opportunity to thank our shareholders and business partners for their unwavering support.

**Lam Ping Kei**

*Chairman*

Hong Kong, 28 April 2006