



KARCE INTERNATIONAL HOLDINGS COMPANY LIMITED

(泰盛實業集團有限公司*)

(Incorporated in Bermuda with limited liability)

(Stock Code: 1159)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2004

HIGHLIGHTS

The Group's turnover increased by approximately 31.3% to approximately HK\$774,255,000.

Earnings Before Interest, Taxation, Depreciation and Amortization ("EBITDA") increased by approximately 50.3% to approximately HK\$109,498,000.

Profit attributable to shareholders increased by approximately 136.1% to approximately HK\$54,415,000.

Bank balances and cash was approximately HK\$34,868,000.

Total net assets increased by approximately 19.5% to approximately HK\$394,365,000.

Basic earnings per share increased by approximately 135.8% to approximately HK9.88 cents.

ANNUAL RESULTS

The board of directors (the "Directors") of Karce International Holdings Company Limited (the "Company") announces that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2004, together with the comparative figures for the corresponding year in 2003 are as follows:

		For the year ended 31 December	
	<i>Notes</i>	2004 HK\$ '000	2003 HK\$ '000
Turnover	3	774,255	589,653
Cost of sales		(653,038)	(478,877)
Gross profit		121,217	110,776
Other operating income		14,613	7,893
Distribution costs		(18,815)	(13,183)
Administrative expenses		(85,184)	(84,489)
Profit from operations	4	31,831	20,997
Finance costs		(3,556)	(4,018)
Share of result of an associate		10,031	11,168
Negative goodwill released		726	374
Profit on partial disposal of interest in an associate		22,568	–

Profit before taxation		61,600	28,521
Taxation	5	<u>(10,292)</u>	<u>(4,295)</u>
Profit before minority interests		51,308	24,226
Minority interests		<u>3,107</u>	<u>(1,176)</u>
Profit for the year		<u>54,415</u>	<u>23,050</u>
Dividend proposed per share (HK cent)	6	<u>1.0</u>	<u>0.5</u>
Earnings per share	7		
Basic (HK cents)		<u>9.88</u>	<u>4.19</u>
Diluted (HK cents)		<u>9.84</u>	<u>4.19</u>

Notes:

1. Basis of presentation

The Company was incorporated as an exempted company with limited liability in Bermuda under the Companies Act 1981 of Bermuda on 8 July 1997. The consolidated results include the results of the companies comprising the Group. All material intra-group transactions and balances have been eliminated on consolidation.

2. Potential impact arising from the recently issued accounting standards

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have any significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. Segment information

The turnover and contributions to profit from operations of the Group for the year ended 31 December 2004, analysed by business segments and by geographical segments, are as follows:

Business segments:

For management purposes, the Group is currently organised into three principal operating divisions-electronic calculators and organisers, conductive silicon rubber keypads and printed circuit boards. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

2004

	Electronic calculators and organisers <i>HK\$'000</i>	Conductive silicon rubber keypads <i>HK\$'000</i>	Printed circuit boards <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
OPERATING RESULTS						
TURNOVER						
External sales	408,214	171,188	148,163	46,690	-	774,255
Inter-segment sales	9,825	11,137	23,413	-	(44,375)	-
Total	<u>418,039</u>	<u>182,325</u>	<u>171,576</u>	<u>46,690</u>	<u>(44,375)</u>	<u>774,255</u>

RESULT

Segment result	<u>32,014</u>	<u>1,490</u>	<u>3,007</u>	<u>(3,307)</u>	<u>-</u>	<u>33,204</u>
Other operating income						165
Unallocated corporate expenses						<u>(1,538)</u>
Profit from operations						31,831
Finance costs						(3,556)
Share of result of an associate						10,031
Negative goodwill released						726
Profit on partial disposal of interest in an associate						<u>22,568</u>
Profit before taxation						61,600
Taxation						<u>(10,292)</u>
Profit before minority interests						51,308
Minority interests						<u>3,107</u>
Profit for the year						<u>54,415</u>

2003

	Electronic calculators and organisers <i>HK\$'000</i>	Conductive silicon rubber keypads <i>HK\$'000</i>	Printed circuit boards <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
OPERATING RESULTS						
TURNOVER						
External sales	300,116	120,748	133,093	35,696	-	589,653
Inter-segment sales	<u>4,706</u>	<u>9,942</u>	<u>16,730</u>	<u>125</u>	<u>(31,503)</u>	<u>-</u>
Total	<u>304,822</u>	<u>130,690</u>	<u>149,823</u>	<u>35,821</u>	<u>(31,503)</u>	<u>589,653</u>
RESULT						
Segment result	<u>19,401</u>	<u>1,863</u>	<u>13,324</u>	<u>(12,368)</u>	<u>-</u>	22,220
Other operating income						204
Unallocated corporate expenses						<u>(1,427)</u>
Profit from operations						20,997
Finance costs						(4,018)
Share of result of an associate						11,168
Negative goodwill released						<u>374</u>
Profit before taxation						28,521
Taxation						<u>(4,295)</u>
Profit before minority interests						24,226
Minority interests						<u>(1,176)</u>
Profit for the year						<u>23,050</u>

Geographical segments:

The Group's customers are principally located in Japan, Hong Kong, America and Europe.

The following table provides an analysis of the Group's sales by geographical market:

	Turnover		Contribution to profit from operations	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Hong Kong (<i>note a</i>)	285,160	157,054	12,151	6,018
Japan (<i>note b</i>)	95,286	110,735	4,060	4,243
People's Republic of China, other than Hong Kong ("PRC")	80,693	98,197	3,651	3,389
Europe	122,238	87,815	5,209	3,365
America	26,467	49,380	1,128	1,892
Other Asian countries	145,071	76,894	6,181	2,946
Others	19,340	9,578	824	367
	<u>774,255</u>	<u>589,653</u>	<u>33,204</u>	<u>22,220</u>
Other operating income			165	204
Unallocated corporate expenses			(1,538)	(1,427)
Profit from operations			<u>31,831</u>	<u>20,997</u>

Notes:

- The Directors believe that a portion of the Group's sales attributable to the Hong Kong market was subsequently resold to other markets.
- The Directors believe that a substantial portion of the Group's sales attributable to the Japanese market was subsequently resold to the European and American markets.

4. Profit from operations

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Auditors' remuneration:		
Current year	580	594
Underprovision in the prior years	–	60
Depreciation and amortisation:		
Property, plant and equipment	43,500	35,614
Intangible assets – development costs	–	8,190
Operating lease rentals	1,585	1,137
Impairment loss on property, plant and equipment	–	3,698
Loss on disposal of property, plant and equipment	–	279
Allowance for doubtful debts	1,856	–
Allowance for obsolete and slow-moving inventories	1,223	258
Research and development costs expensed	–	3,049
Revaluation deficit of land and buildings included in administrative expenses	–	136
Staff costs	<u>134,836</u>	<u>103,608</u>

5. Taxation

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax:		
Current year	2,659	25
Overprovision in prior years	–	(2)
PRC enterprise income tax	<u>5,800</u>	<u>2,279</u>
	8,459	2,302
Deferred taxation	<u>178</u>	<u>54</u>
	8,637	2,356
Taxation attributable to the Company and its subsidiaries	<u>1,655</u>	<u>1,939</u>
Share of taxation attributable to an associate	<u>10,292</u>	<u>4,295</u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profit for the year. PRC enterprise income tax is calculated at the rates prevailing.

6. Dividend proposed

A final dividend of HK1.0 cent (2003: HK0.5 cent) per share with an amount of approximately HK\$5,508,000 (2003: approximately HK\$2,754,000) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

7. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Earnings for the purposes of basic earnings per share	54,415	23,050
Effect of dilutive potential ordinary shares of an associate:		
Interest income on convertible loan and advances to an associate	(227)	–
Adjustment to the share of result of an associate based on dilution of its earnings per share	<u>7</u>	<u>–</u>
Earnings for the purposes of diluted earnings per share	<u>54,195</u>	<u>23,050</u>
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>550,776,000</u>	<u>550,776,000</u>

The exercise price of the Company's outstanding share options was higher than the average market price for shares in prior year and was therefore not considered in the presentation of diluted earnings. The Company did not have any outstanding share options during the year or at the balance sheet date.

8. Reserves

	Share premium	Capital reserve	Special reserve	Statutory reserves	Asset revaluation reserve	Exchange reserve	Goodwill reserve	Capital redemption reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP										
As at 1 January 2003	82,364	35,597	19,487	6,553	40,799	(1,847)	(31,539)	922	98,001	250,337
Revaluation surplus on land and buildings	-	-	-	-	2,362	-	-	-	-	2,362
Exchange differences on translation of overseas operations	-	-	-	-	-	2,760	-	-	-	2,760
Minority share of post-acquisition reserve	-	-	-	-	(22)	-	-	-	-	(22)
Deferred tax liabilities arising on revaluation of land and buildings	-	-	-	-	(774)	-	-	-	-	(774)
Minority share of deferred tax liabilities arising on revaluation of land and buildings	-	-	-	-	8	-	-	-	-	8
Final dividend for 2002 paid	-	-	-	-	-	-	-	-	(2,754)	(2,754)
Profit for the year	-	-	-	-	-	-	-	-	23,050	23,050
As at 31 December 2003	82,364	35,597	19,487	6,553	42,373	913	(31,539)	922	118,297	274,967
Revaluation surplus on land and buildings	-	-	-	-	17,352	-	-	-	-	17,352
Deferred tax liabilities arising on revaluation of land and buildings	-	-	-	-	(4,693)	-	-	-	-	(4,693)
Final dividend for 2003 paid	-	-	-	-	-	-	-	-	(2,754)	(2,754)
Profit for the year	-	-	-	-	-	-	-	-	54,415	54,415
As at 31 December 2004	82,364	35,597	19,487	6,553	55,032	913	(31,539)	922	169,958	339,287

DIVIDEND

In appreciation of shareholders' support for the Group, the directors of the Company ("Directors") are pleased to recommend a final dividend of HK1.0 cent per share payable on or before 30 June 2005 to shareholders whose names appear on the register of members of the Company on 31 May 2005 and is subject to the approval by the shareholders in the forthcoming annual general meeting. The total dividend paid out to our shareholders represents about 10.1 per cent. payout ratio on the Group's profit attributable to shareholders. This generous dividend payout ratio is in line with our aim to enhance shareholders' return.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 24 May 2005 to 31 May 2005, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for attending the annual general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Secretaries Limited at 28th Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:00 p.m. on 23 May 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operational Review

The Group's activities continued to focus on five core businesses – electronic calculators and organisers, conductive silicon rubber keypads, printed circuit boards, electronic toys products and cordless telephone products.

The Group had proud achievements in 2004. The Group's turnover had well exceeded those in last year. For the year ended 31 December 2004, the Group recorded a turnover of approximately HK\$774,255,000, representing an increase of approximately 31.3 per cent. as compared with approximately HK\$589,653,000 in 2003. This was mainly due to launching new products in electronic calculators and organisers segment.

The overall gross profit of the Group increased by approximately 9.4 per cent. from approximately HK\$110,776,000 for the year ended 31 December 2003 to approximately HK\$121,217,000 for the year ended 31 December 2004. Gross margin for the year fell from approximately 18.8 per cent. to approximately 15.7 per cent. The drop in gross margin was mainly caused by the competitive prices in raw material costs and components affected by the worldwide economy.

The operating profit for the year ended 31 December 2004 was approximately HK\$31,831,000, an increase of approximately HK\$10,834,000 over the previous financial year. This was mainly attributed to the effective measures implemented by the management of the Group to tighten control over operational expenditure.

On the other hand, the directors are encouraged by the successful investment in an associate, Ascalade Communications Inc. (“Ascalade Inc.”, which together with its subsidiaries, the “Ascalade Group”).

As announced by the Company in November 2004, the Group entered into a share exchange agreement with Ascalade Inc. to reorganise the shareholding interest of its associate. In this transaction, the Group has made a profit on partial disposal of interest in an associate of approximately HK\$22,568,000.

As a result of the Group’s ongoing efforts in diversifying its products and increasing its productivity, the Group attained a consolidated net profit attributable to shareholders for the year ended 31 December 2004 of approximately HK\$54,415,000, representing an increase of approximately 136.1 per cent. over 2003.

Segmental analysis

Electronic calculators and organisers

The Group continued to focus on the market of electronic calculators and organisers under branded customers located throughout Japan, Europe and other Asian countries during the year under review. Apart from that, the Company launched new Original Equipment Manufacturer (“OEM”) operations in order to diversify the Group’s business.

For the year ended 31 December 2004, the turnover derived from sales of electronic calculators and organisers increased substantially by over approximately 36 per cent. to approximately HK\$408,214,000 (2003: approximately HK\$300,116,000), representing approximately 52.7 per cent. of the turnover of the Group.

A series of promotional activities continued to establish a broad and solid overseas customer base for the Group’s “KARCE” products.

During the year, the Group commenced a new project with The Hong Kong Jockey Club on development and supply of tailored-made products. The Directors believe that one of the key attributes of the Group’s success is its ability to develop and maintain long-term “partner” relationships with reputable customers. Such partnerships are achieved and maintained by understanding the needs and concerns of customers and by providing to them not only products requested but also appropriate value-added services including, but not limiting to, product design refinements intended to reduce manufacturing costs, sourcing and supply chain-related services. These relationships provide the Group with insights from time-to-time into industry trends and other anticipated future events, which have allowed the Group to assist its customers to better compete in the market.

With the continuous growth in the business, the operating results rose strongly by approximately 65 per cent., from approximately HK\$19,401,000 in 2003 to approximately HK\$32,014,000 in 2004. Allowing more flexibility in proacting to fast changing market demands, the Group strived for a combined proven excellence in product development and cost-effective manufacturing strategy with a new customer-centric approach.

Conductive silicon rubber keypads

For the year ended 31 December 2004, the turnover of conductive silicon rubber keypads segment further increased by approximately 41.8 per cent. to approximately HK\$171,188,000 (2003: approximately HK\$120,748,000), representing approximately 22.1 per cent. of the turnover of the Group.

As announced by the Group on 31 August 2004, the Group also acquired a property leased by it previously (“Property”) for coping with its expansion of business in manufacturing of conductive silicon rubber keypads. This acquisition sustained the growth momentum of the Group by securing the place of production and thus providing a platform to secure orders from its customers.

Conductive silicon rubber keypads segment recorded an operating profit of approximately HK\$1,490,000 for the year ended 31 December 2004 (2003: approximately HK\$1,863,000).

The Group’s conductive silicon rubber keypads are mainly used in electronic calculators, databanks, electronic organisers, mobile phones and remote controls. With the steady establishment of On Shing Holdings Company Limited (the “On Shing Holdings”, which together with its subsidiaries, the “On Shing Group”) in which the Group owned 51 per cent. of the equity interest in On Shing Holdings, in November 2004, the Group acquired the remaining 49 per cent. equity interest from the minority shareholders. In order to penetrate into the advanced technology industry and to better meet the demands of worldwide markets, the Group is capable to upgrade its technical capabilities to develop more sophisticated conductive silicon rubber keypads products and high value-added plastic plus rubber (“P+R”) telephone keypads products.

Apart from the above, the Group used to own two factories which were both engaging in the business of manufacturing of conductive silicon rubber keypads. The Directors considered that the Group should streamline and concentrate on the development of its silicon rubber keypads business in one factory for more effective management on business operations, key employees and client base. In this connection, the Group disposed its entire equity interest in its wholly-owned subsidiary which owned one of the factories engaged in rubber keypads and the Property as announced by the Company on 31 August 2004.

The aim on the conductive silicon rubber keypads business is to reach out to customers in Asia and other markets and to provide advanced and better services to all of them. The Group has achieved the market reach expansion by training a strong sales and marketing team for penetration into different markets.

Printed Circuit Boards (“PCB”)

For the year ended 31 December 2004, the PCB segment achieved significant growth. Turnover derived from PCB segment increased by approximately 11.3 per cent. to approximately HK\$148,163,000 (2003: approximately HK\$133,093,000), representing an approximately 19.1 per cent. of the turnover of the Group.

The management continued to focus on developing the multi-layer manufacturing operations. With centralisation of managing the PCB business, the Group acquired the remaining 15 per cent. equity interest from the minority shareholders during the year.

The results dropped from approximately HK\$13,324,000 to approximately HK\$3,007,000. This was mainly attributed to the increase of prices in raw materials and components. In addition, the production facilities reached the maximum capacity during the year and part of the profit making work was subcontracted to other external parties.

Coping with the substantial growth in PCB’s turnover, the Group plans to build up a new factory complex and acquire new equipment and machinery for integration of the vertical manufacturing units in the factory in coming years. Another key focus set-up of the Group is the development of a series of tight cost control in order to keep the latest competitive prices in raw materials and components at a profitable and acceptable level.

Other operations

Electronic toys products

Turnover derived from the electronic toys products, such as infant toys and electronic learning products, recorded approximately HK\$46,690,000 for the year ended 31 December 2004 (2003: approximately HK\$35,696,000).

During the year under review, the electronic toys segment recorded an operating loss before taxation of approximately HK\$3,307,000 (2003: operating loss before taxation of approximately HK\$3,501,000).

As the result on this investment is not promising, the Group has reallocated its resources to other sound and rewarding investments so as to maximize the shareholders' wealth.

Cordless telephone products

With the establishment of Ascalade Group, the Group's telecommunication business was consolidated and managed as an associate.

For the year ended 31 December 2004, the cordless telephone segment recorded a share of result before taxation of approximately HK\$10,031,000 (2003: approximately HK\$11,168,000).

With the steady growth of Ascalade Group, the Directors are pleased to announce that Ascalade Inc. filed a preliminary prospectus with securities regulators in each of the provinces of Canada on 8 April 2005 with the initial public offering of its common shares. Listing of Ascalade Inc. shares is subject to the approval by the Toronto Stock Exchange ("TSX") of Ascalade Inc.'s listing application and fulfilment by Ascalade Inc. of all the listing requirements. As of today, the TSX has not approved the listing of Ascalade Inc. Shares and there is no assurance that the TSX will approve Ascalade Inc.'s listing application. In connection with the reorganization plan for initial public offering, the Group entered into a share exchange agreement to reorganise the shareholding interest of its associate in November 2004. In this transaction, the Group has made a profit on partial disposal of interest in an associate of approximately HK\$22,568,000.

As announced by the Company in March 2005, the Group assigned the loan and advances to an associate of approximately HK\$70,984,000 in exchange of the issuance of CDN\$5,009,000 of convertible debentures and 62,612 warrants and 904,973 common shares. The warrants will expire in November 2007. The Group's attributable equity interest in Ascalade Inc. has since then increased from 30.8 per cent. to 39.2 per cent..

Share of result of an associate, the Ascalade Group

It was a very successful year for the Ascalade Group in 2004. The turnover derived from the telecommunication businesses and products with the current products of digital cordless phones, Voice over Internet Protocol phone system, digital wireless enterprise conferencing phones and digital wireless baby monitors amounted to approximately HK\$652,899,000 for the year ended 31 December 2004 (2003: approximately HK\$483,334,000).

The Group had been rewarded with the share of positive contribution to the Ascalade Group's profit before taxation amounted to approximately HK\$10,031,000 (2003: approximately HK\$11,168,000).

The sales orders of the Ascalade Group in the first half of 2005 have continued to be strong and the Directors are confident that a full order book can be attained for the balance of the year. Despite the competitive market condition, the Directors anticipate another exciting year ahead with full orders and growing customer base. The Directors believe that both the turnover and the net profit derived from the Ascalade Group will report another year of growth.

The goal of Ascalade Group is to become a world leader in the design and manufacture of wireless communication products in our target markets and to become the preferred provider of such products to industry-leading branded distributors and telecommunications companies.

FUTURE PLANS AND PROSPECTS

The results of 2004 reflect the overall solid growth of the Group's established businesses and the realisation of profit on disposal of investment in an associate. The Group's established businesses continued to generate strong and growing cash flow. EBITDA from the Group's established businesses grew by 50.3 per cent. to approximately HK\$109,498,000.

The world economy generally improved in 2004, despite rising US dollar interest rates and a high oil and commodities price. The Directors expect modest continuing improvements in 2005 under similar conditions with continuous strong growth in the People's Republic of China ("PRC") and Hong Kong, India and elsewhere in Asia. All of the Group's established businesses are expected to achieve strong operating as well as solid financial performances.

Demand for our core business products has continued to be strong in the first quarter of this year and we have a full order book for the balance of the first half of 2005. Sales prices continue to be firm, although some pressure is appearing at our low end product range. However, it is important to be cautious given the challenges that the current economic environment is presenting.

The Group will continue to promote its electronic calculators and organisers products and brand through well-executed media campaigns and in-store promotions. The Directors also expect to continue to regain shelf space, although the main improvement will occur in the coming financial year. At the same time of expanding the business, the Group retain a lean operating structure in order to mitigate the impact of any price increases in raw materials or components.

To build sales and profitability for the business in longer term, the Group will secure further licensing arrangements. To defend margins, the Directors will continue to make every effort to reduce cost through finding more local sources of supply, and improving working capital. The Group will also focus more strongly on those areas of the industry that offer the best margins, and explore opportunities in the production of SIM-card readers and health care products.

Stepping into 2005, the world has entered into the preliminary stage of 3G and digital era with continuous introduction of numerous new handset models and other digital products. Capitalising on the strong client relationship and all rounded technical skills, the Group will continue to develop the core businesses to meet different customers' needs. Overall, the Directors are optimistic about the Group's business outlook and performance.

CAPITAL STRUCTURE

Shareholders' equity increased to approximately HK\$394,365,000 as at 31 December 2004 from approximately HK\$330,045,000 as at 31 December 2003. As at 31 December 2004, the short term and long term interest bearing debts to shareholders' equity was approximately 26.7 per cent. (2003: approximately 39.3 per cent.).

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operation by internally generated cashflow and banking facilities provided by its bankers.

Prudent financial management and selective investment criteria have enabled us to maintain a strong financial position. As at 31 December 2004, the Group had fixed deposits and cash balances aggregated to approximately HK\$34,868,000 (2003: approximately HK\$66,346,000).

As at 31 December 2004, the Group currently had banking facilities amounted to an aggregate sum of approximately HK\$381,102,000 (2003: approximately HK\$231,721,000) with various banks. Out of the trade and overdraft banking facilities of approximately HK\$307,800,000 (2003: approximately HK\$170,400,000) in Hong Kong granted to the Group, approximately HK\$17,567,000 (2003: approximately HK\$46,022,000) had been utilised as at 31 December 2004. The term loan banking facilities in Hong Kong and the PRC amounted to approximately HK\$73,302,000 (2003: approximately HK\$61,321,000). The term loan banking facilities in the PRC are denominated in Renminbi.

In 2004, the current ratio was maintained at approximately 1.1 (2003: approximately 1.1) based on current assets of approximately HK\$289,917,000 and current liabilities of approximately HK\$276,646,000 and the quick ratio was approximately 0.6 (2003: approximately 0.9).

As at 31 December 2004, total indebtedness including bank borrowings and obligations under finance leases contracts amounted to approximately HK\$105,362,000 (2003: approximately HK\$129,838,000), representing approximately 26.7 per cent. of the total shareholders' equity (2003: approximately 39.3 per cent.).

The Directors considered that the Group will have sufficient financial resources to meet its future expansion plan and working capital requirement after a due consideration of the net cash position and the availability of the existing banking facilities.

FOREIGN EXCHANGE RISK MANAGEMENT

Most of the Group's cash balances are deposited in Hong Kong dollars or United States dollars with major banks in Hong Kong.

As stated under the section headed "Liquidity And Financial Resources", the Group had term loan banking facilities in Hong Kong and the PRC amounted to approximately HK\$73,302,000 (2003: approximately HK\$61,321,000). The term loan banking facilities in the PRC are denominated in Renminbi.

Having considered the interest rate environment and the possibility on the appreciation of Renminbi, the Group has obtained a three-year term loan amounting to HK45,000,000 and repaid the term loan banking facilities in the PRC of RMB35,000,000 during the year.

The exposure to foreign currency of the Group mainly arose from the net cash flow and the net working capital translation of its PRC subsidiaries. The management of the Group will actively hedge the foreign currency exposures through natural hedges, forward contracts and options. As at 31 December 2004, we had no outstanding forward contract in place to hedge against possible exchange losses from future net cash flows. Speculative currency transactions are strictly prohibited. The management of currency risk is centralised in the headquarter of the Group in Hong Kong.

Apart from the above, most of the Group's assets and liabilities, revenues and expenditure are either in Hong Kong dollars or United States dollars. Therefore, the Directors consider the exposure risk to foreign currency fluctuations is minimal.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2004, the Group employed approximately 8,050 full time employees, out of which approximately 90 were based in Hong Kong and approximately 7,960 were based in the PRC. The Group remunerated its employees on the basis of industry's practice and the performance of individual employee. Employees may also participate in the share option scheme of the Company.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 December 2004 with the Code of Best Practice as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDIT COMMITTEE

The Audit Committee ("Committee") has reviewed with management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including a review of the audited consolidated results for the year ended 31 December 2004.

The members of the Committee included the three independent non-executive Directors of the Company, Mr. Sun Yaoquan, Mr. Tsao Kwang Yung, Peter and Mr. Goh Gen Cheung.

PURCHASE, SALES AND REDEMPTION OF SECURITIES

During the year ended 31 December 2004, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

PUBLICATION OF OTHER FINANCIAL INFORMATION

Other financial information containing all the information required by paragraphs 45(1) to 45(3) (both paragraphs inclusive) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be published on The Stock Exchange of Hong Kong Limited's website in due course.

By Order of the Board
Tong Shek Lun
Chairman and Managing Director

Hong Kong, 22 April 2005

* *for identification only*

Please also refer to the published version of this announcement in The Standard.