



Future

technology in mobile

Management's Discussion and Analysis

管理層論述及分析



FINANCIAL REVIEW

Financial results

For the year ended 31 December 2005, the Group's turnover increased substantially by 73.55% to HK\$2,719.6 million (2004: HK\$1,567.1 million) as compared with the year 2004. This was mainly due to the strong sales growth in all business segments of the Group.

The Group maintained a stable overall gross profit margin of 16.28% (2004: 16.33%) in the year 2005. This was mainly due to the sale of mobile handsets and handset design solutions (in Semi Knock-Down ("SKD")/Complete Knock-Down ("CKD") form) maintained a steady gross profit margin, the sale of wireless module solutions improved its gross profit margin which was offset by the lowered gross profit margin of the sale of Liquid Crystal Display ("LCD") modules.

The Group achieved a profit attributable to shareholders of HK\$290.7 million (2004: HK\$155.5 million) for the year 2005, representing a significant growth of 86.88%. The basic earnings per share for the year 2005 increased by 59.8% year-on-year to HK22.1 cents (2004: HK13.83 cents).



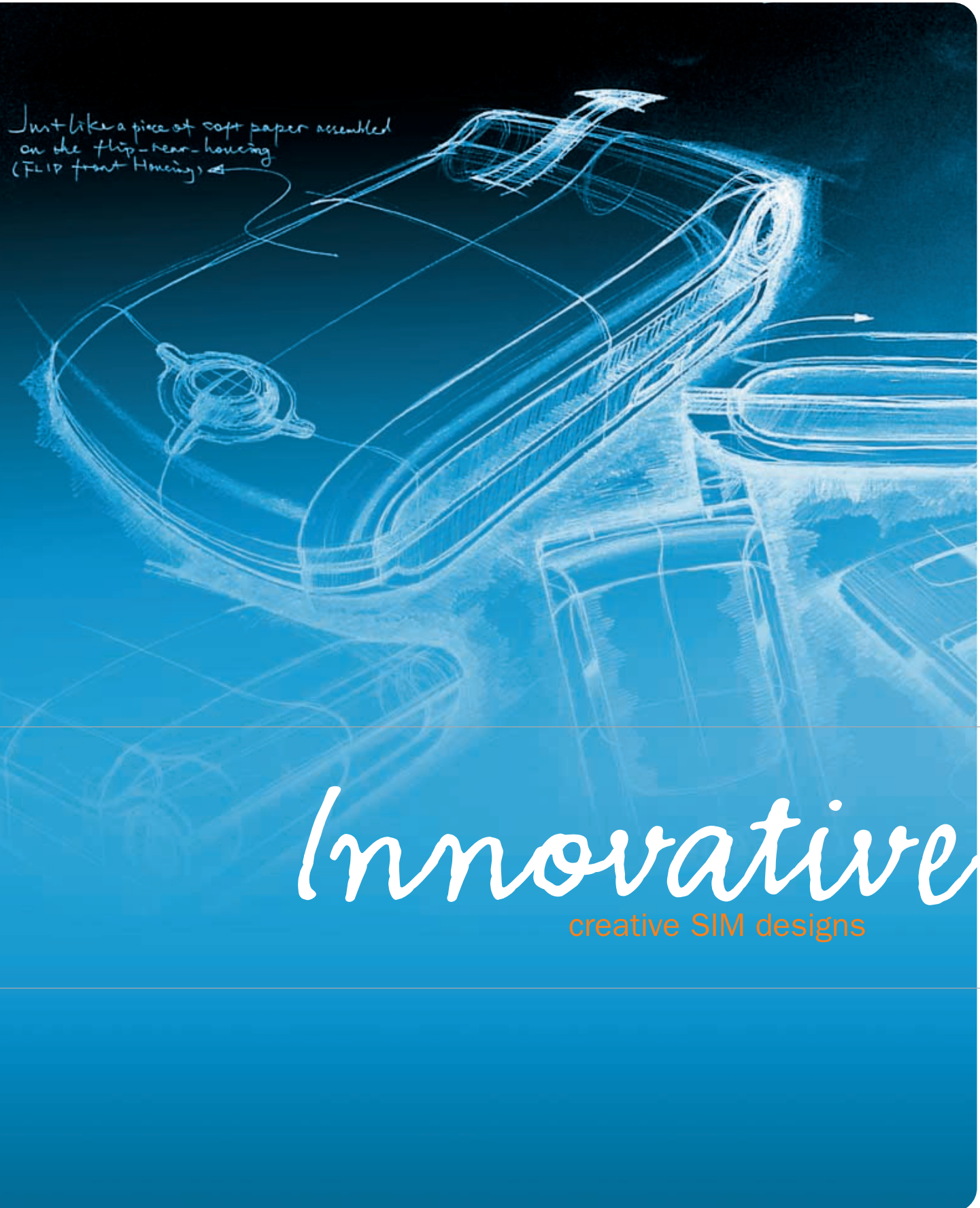
財務回顧

財務業績

截至二零零五年十二月三十一日止年度，本集團營業額達2,719,600,000港元(二零零四年：1,567,100,000港元)，較二零零四年度顯著增長73.55%。此成績歸功於本集團全部業務分部銷售均錄得強勁增長。

二零零五年，本集團將整體毛利率維持於16.28%(二零零四年：16.33%)之穩定水平。這主要是由於移動手機與手機設計解決方案(採取半製成組裝套件/組裝零件形式)的銷售持續提供穩定的毛利率，無線模塊解決方案銷售之毛利率有所增加，惟被液晶顯示模塊之毛利率下降所抵銷。

於二零零五年度，本集團錄得股東應佔溢利290,700,000港元(二零零四年：155,500,000港元)，顯著增長86.88%。二零零五年之每股基本盈利按年計增長59.8%至22.1港仙(二零零四年：13.83港仙)。



Innovative

creative SIM designs



Research and development expenses

The Group further strengthened its design and development capabilities by investing more engineering resources and recruiting additional experienced engineers in 2005. The design and development team members increased to 580 (2004: 372) in 2005. The research and development expenses also increased to 2.93% of the overall turnover of the Group (2004: 1.12%) in 2005, amounting to HK\$79.6 million (2004: HK\$17.6 million).

Selling and distribution costs

For the year 2005, the overall selling and distribution costs increased resulted from the Group's expanded operations. The technical supports relating to the overseas market also increased during the year 2005. As a result, the selling and distribution costs increased to 1.57% of the overall turnover of the Group (2004: 1.11%).

Administrative expenses

For the year 2005, the Group's administrative expenses was HK\$74.8 million (2004: HK\$35.1 million), representing 2.75% (2004: 2.24%) of the overall turnover. The increase was mainly due to the establishment of the Hong Kong office, the employment of more senior executives and professional fees incurred to fulfill the listing compliance requirements.

In addition, the Group recognised a share-based payment of HK\$6.7 million for the share options granted by the Company to its employees in May 2005, in accordance to the newly applied International Financial Reporting Standards 2 "Share-based payment".

研究及開發費用

本集團於二零零五年通過投資更多資源及額外招聘經驗豐富的工程師，進一步鞏固其本身的設計及開發能力。二零零五年設計及開發隊成員增至580人(二零零四年：372人)。二零零五年研究及開發費用佔本集團整體營業額的百分比亦增至2.93%(二零零四年：1.12%)，為79,600,000港元(二零零四年：17,600,000港元)。

銷售及分銷成本

於二零零五年，整體銷售及分銷成本上升，乃本集團業務擴充所致。二零零五年，針對海外市場之技術支援亦出現增長。因此，銷售及分銷成本佔本集團整體營業額的百分比增至1.57%(二零零四年：1.11%)。

行政開支

於二零零五年，本集團的行政開支為74,800,000港元(二零零四年：35,100,000港元)，佔本集團整體營業額2.75%(二零零四年：2.24%)。增加的原因主要是在香港成立辦事處、招聘更多高級行政人員及產生更多專業費用以符合上市監管規定。

此外，本集團確認按照新應用的國際財務報告準則第2號「股份為基礎付款」，就本公司於二零零五年五月向其僱員授出的購股權以股份付款6,700,000港元。





Segment results

分部業績

		Year 2005 二零零五年				Year 2004 二零零四年			
		Turnover 營業額 HK\$'M 百萬港元	Units shipped 付運量 '000 千件	Gross profit 毛利 HK\$'M 百萬港元	Gross profit margin 毛利率	Turnover 營業額 HK\$'M 百萬港元	Units shipped 付運量 '000 千件	Gross profit 毛利 HK\$'M 百萬港元	Gross profit margin 毛利率
Handset design solutions (in SKD/CKD form)	手機設計方案(以半製成組裝套件/組裝零件形式)	1,484.4	4,245	283.5	19.10%	765.9	1,846	153.4	20.02%
Complete mobile handsets	移動手機制成品	261.4	325	51.4	19.67%	142.9	170	21.6	15.14%
LCD modules and others	液晶顯示模塊及其他產品	752.3	4,443	70.9	9.43%	537.9	5,357	68.3	12.69%
Wireless module solutions	無線模塊解決方案	221.5	992	36.9	16.67%	120.4	348	12.6	10.47%
Total	總計	2,719.6	10,005	442.7	16.28%	1,567.1	7,721	255.9	16.33%

Complete mobile handsets and handset design solutions (in SKD/CKD form)

The revenue for the complete mobile handsets and handset design solutions (in SKD/CKD form) for the year 2005 increased by 92.1% to HK\$1,745.8 million (2004: 908.8 million) compared with the year 2004. The Group successfully maintained the gross profit margin at 19.18% (2004: 19.26%) under the strong sales volume growth momentum by launching 152 new design solutions under 11 different mother board platforms in year 2005.

LCD modules and others

During the year 2005, the Group migrated the LCD display modules technology from CSTN to TFT in order to support our new multi-media and PDA handset solutions. The average selling price of the LCD modules increased significantly. As a result, the gross profit for this sale segment increased 3.81% to HK\$70.9 million (2004: HK\$68.3 million) though the sales volume decreased 17.06% in year 2005 compared with the previous year.

手機製成品及手機設計方案(以半製成組裝套件/組裝零件形式)

二零零五年年度手機製成品及手機設計方案(以半製成組裝套件/組裝零件形式)的收入,較二零零四年增加92.1%至1,745,800,000港元(二零零四年:908,800,000港元)。本集團通過於二零零五年推出基於十一種不同母板平台的152項新設計解決方案,令銷售額出現強勁增長動力,保持毛利率於19.18%(二零零四年:19.26%)。

液晶顯示模塊及其他產品

於二零零五年內,本集團將其液晶顯示模塊的技術從CSTN轉為TFT,以支援新多媒體PDA手機解決方案。液晶顯示模塊的平均售價因此顯著上升。故此,本銷售分部的毛利增加3.81%至70,900,000港元(二零零四年:68,300,000港元),惟銷量於二零零五年較去年減少17.06%。

Wireless module solutions

During the year 2005, the PRC government increased investment in communication facilities in rural areas through the use of wireless phone booths solutions which stimulated the demand of wireless module solutions in China. Taking advantage of this opportunity, the revenue for the sale of wireless module solutions for the year 2005 increased by 83.98% as compared with the year 2004 and the gross profit margin also improved substantially to 16.67% (2004: 10.47%).

USE OF PROCEEDS OF THE GLOBAL OFFERING

The Company issued 375 million shares of HK\$1.7 per share in its initial public offering ("IPO") in June 2005. The net proceeds after deducting the relevant expenses was approximately HK\$598.2 million.

During the year 2005, the Group utilised the above proceeds in accordance with that disclosed in the prospectus issued by the Company dated 21 June 2005 (the "Prospectus"), namely, HK\$6.2 million for the development of 3G mobile handsets; HK\$113.5 million to repay the bank and other borrowings; HK\$3.3 million for the acquisition of the new LCD panel back-end production and assembly line; and HK\$5.2 million for the establishment of the new design and development centre.

The balances of the proceeds were placed in banks as short-term deposits as at 31 December 2005.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The financial position of the Group remains strong and healthy. As at 31 December 2005, the Group had bank balances of HK\$579.9 million (2004: HK\$198.7 million), of which 81.53% was held in Renminbi, 3.69% was held in Hong Kong dollars and the remaining balance was held in United States ("US") dollars. The bank balances are expected to finance the Group's working capital and capital expenditure plans in developing new technologies for mobile handsets.

無線模塊解決方案

於二零零五年度，中國政府增加了對農村通訊設施的投資，所採用的無線電話亭刺激了中國對無線模塊解決方案的需求。憑藉這一機遇，二零零五年度銷售無線模塊解決方案的收入較二零零四年增加83.98%，而毛利率亦大幅上升至16.67%（二零零四年：10.47%）。

全球發售所得收入用途

於二零零五年六月，本公司於首次公開招股（「首次公開招股」）按每股1.7港元發行375,000,000股。所得款項淨額扣除相關費用後約為598,200,000港元。

於二零零五年度，本集團按由本公司於二零零五年六月二十一日發佈之招股章程（「招股章程」）所披露，動用上述所得款項即6,200,000港元以供開發3G移動手機；113,500,000港元用於償還銀行及其他貸款；3,300,000港元用於收購新液晶顯示屏後端生產及組裝線；及5,200,000港元用於成立新設計及開發中心。

於二零零五年十二月三十一日，所得款項餘額存放於銀行作短期存款。

流動資金、財務資源及資本結構

本集團具有雄厚及穩健的財務狀況。於二零零五年十二月三十一日，本集團的銀行結餘為579,900,000港元（二零零四年：198,700,000港元），其中81.53%以人民幣持有，3.69%以港元持有，其餘則以美元持有。預期銀行結餘將用作本集團營運資金以及為開發移動手機新科技的資本開支計劃提供融資。



As at 31 December 2005, the Group had total bank borrowings amounting to HK\$9.6 million (2004: HK\$133.5 million) comprising factored notes receivable and denominated in Renminbi, were matured within one year. The annual interest rate on the above bank borrowings was 3.48%. At the date of this report, all factored notes receivable have been matured.

The Group's inventory turnover, trade receivables together with notes and bills receivable turnover and trade payables turnover period were decreased to 57 days, 26 days and 54 days (2004: 70 days, 37 days and 68 days respectively) respectively in 2005. The turnover periods are consistent with the respective policies of the Group on credit terms granted to customers and credit terms obtained from suppliers.

After reviewing the current financial position based on the Group's finance policy, the management of the Group considered that it was not necessary to any financial instrument for hedging purpose or adopt any particular hedging policy.

As at 31 December 2005, the Company had an issued capital comprising 1,500,000,000 ordinary shares of HK\$0.10 each.

於二零零五年十二月三十一日，本集團的銀行借貸總額達9,600,000港元(二零零四年：133,500,000港元)，包括以人民幣持有並須於一年內到期已融資應收票據。上述銀行借貸的年息率為3.48%。於本報告日期，所有已融資應收票據均已到期。

於二零零五年，本集團之存貨、應收貿易賬款及應收票據及賬單和應付貿易賬款的週轉率分別下降至57日、26日及54日(二零零四年：分別為70日、37日及68日)。週轉期與本集團就授予客戶之信貸條款及從供應商獲得之信貸條款所訂相關政策貫徹一致。

於根據本集團之融資政策檢討現有財政狀況後，本集團管理層認為無須使用任何金融工具作對沖用途或採納任何特定對沖政策。

於二零零五年十二月三十一日，本公司已發行股本包括1,500,000,000股每股面值0.10港元之普通股。



CASH FLOW DATA

		2005 二零零五年 HK\$'000 千港元	2004 二零零四年 HK\$'000 千港元
Net cash inflow from operating activities	經營活動現金流入淨額	217,188	217,916
Net cash outflow from investing activities	投資活動現金流出淨額	(72,942)	(119,775)
Net cash inflow from financing activities	融資活動現金流入淨額	231,938	75,538
NET INCREASE IN CASH AND CASH EQUIVALENTS	現金及現金等值項目增加淨額	376,184	173,679

The Group's net increase in cash and cash equivalents for the year 2005 were primarily attributable to the cash inflows from operating activities and the IPO proceeds, offset by the purchases of fixed and intangible assets and repayment of bank and other borrowings.

於二零零五年，本集團之現金及現金等值項目增加淨額主要來自經營活動之現金流入以及首次公開招股所得款項，惟受購買固定及無形資產和償還銀行及其他借貸所抵銷。



Due to the significant increase in operating profit under the strong sales growth in 2005, there was a net cash inflow from operating activities of HK\$217.2 million and offset by shortening of the payable days.

The net cash outflow from investing activities in 2005 was mainly due to the acquisitions of fixed assets and intangible assets for the development of new mobile handset solutions including the 3G handset solutions, the wireless module solutions and LCD modules. The Group also established a new design and development centre in 2005.

The net cash inflow from financing activities in 2005 was mainly derived from the IPO proceeds received, which offset with repayment of the bank and other borrowings.

PLEDGE OF ASSETS

As at 31 December 2005, the Group had total secured short-term bank borrowings amounting to HK\$9.6 million which were factored notes receivable. At the date of this report, the said factored notes receivable have been matured.

GEARING RATIO

As at 31 December 2005, the total assets value of the Group was HK\$1,461.9 million (2004: HK\$928.9 million) and the total bank borrowings were HK\$9.6 million (2004: HK\$133.5 million). The gearing ratio of the Group, calculated as total bank borrowings over total assets, was 0.66% (2004: 14.37%).

由於二零零五年錄得強勁銷售增長帶動經營溢利大幅上升，經營活動錄得現金流入淨額217,200,000港元，惟受縮短應付期日數所抵銷。

二零零五年產生投資活動現金流出淨額，主要因為購買固定資產及無形資產作開發新移動手機方案(包括3G手機解決方案、無線模塊解決方案及液晶顯示模塊)所致。本集團已於二零零五年設立一個新設計及開發中心。

二零零五年自融資活動產生的現金流入淨額，主要來自首次公開招股所得收益，惟受償還銀行及其他借貸所抵銷。

資產抵押

於二零零五年十二月三十一日，本集團的有抵押短期銀行借貸總額達9,600,000港元，屬已融資應收票據。於本報告日期，上述已融資應收票據已到期。

負債比率

於二零零五年十二月三十一日，本集團之資產總值為1,461,900,000港元(二零零四年：928,900,000港元)，銀行借貸總額為9,600,000港元(二零零四年：133,500,000港元)。本集團的負債比率(按銀行借貸總額除以資產總值計算)為0.66%(二零零四年：14.37%)。





EMPLOYEES

As at 31 December 2005, the Group had 1,971 (2004: 1,185) employees. The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme for all its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulation of the PRC. The Group also offers discretionary bonuses to its employees by reference to individual performance and the performance of the Group. Total staff costs incurred by the Group amounted to HK\$124.3 million (2004: HK\$54.8 million) during the year 2005.

The Board believes that the Group's employees are among the most valuable assets of the Group and have contributed to the success of the Group. The Group provides in-house training for its employees to enhance their knowledge in relation to their job.

The Company has adopted share option schemes. A summary of the principal terms and conditions of the share option schemes are set out in note 35 to the financial statements.

僱員

截至二零零五年十二月三十一日，本集團共有1,971名（二零零四年：1,185名）僱員。本集團為其所有香港僱員設立一項界定供款之強制性公積金退休計劃，並根據中國適用之法律及規例之規定向中國僱員提供福利計劃。本集團亦根據僱員個別表現及本集團之表現向僱員提供酌情花紅。於二零零五年，本集團產生之總員工成本為124,300,000港元（二零零四年：54,800,000港元）。



董事會相信，本集團員工為本集團最具價值資產之一，並為本集團之成功作出貢獻。本集團根據員工本身之職責提供內部培訓，以提升彼等之知識。

本公司已採納購股權計劃。購股權計劃之主要條款及條件概要載於財務報表附註35。

FOREIGN EXCHANGE EXPOSURE

Since most of the sales of the Group are denominated in Renminbi and most of the purchases of inventories are denominated in US dollars, the Directors believe the Group's risk exposure to foreign exchange rate fluctuations is minimal as a result of the recent appreciation of the Renminbi value.

On the other hand, as the Renminbi's peg to US dollars has been replaced by a more elastic exchange rate regime, the Renminbi exchange rate movements might become more volatile, creating an uncertainty effect on the Group's business. The Group will continue to monitor any further changes in Renminbi's exchange rate and would proactively take measures to minimise any adverse impact that fluctuations of exchange rates might have on the Group.

FUTURE PLANS FOR MATERIAL INVESTMENT

Other than the investment plans as disclosed in the Prospectus, the Group did not have any other material investment plans as at 31 December 2005.

CONTINGENT LIABILITIES

As at 31 December 2005, the Group did not have any material contingent liabilities.

外匯風險

由於本集團大部分銷售額均以人民幣計算幣值，而購買存貨大部分以美元計算幣值，故董事相信因近期人民幣升值，而導致本集團承受的外匯波動風險程度僅屬輕微。

另一方面，由於人民幣與美元掛鉤已被更具彈性的匯率制度所取代，人民幣匯率變動波幅可能更大，因而對本集團的業務構成不明朗影響。本集團將繼續監察人民幣匯率的任何進一步變動，並積極採取措施將匯率變動可能為本集團帶來的任何不利影響減至最低。

未來重大投資計劃

除招股章程所披露的投資計劃外，截至二零零五年十二月三十一日，本集團並無任何其他重大投資計劃。

或然負債

於二零零五年十二月三十一日，本集團並無任何重大或然負債。