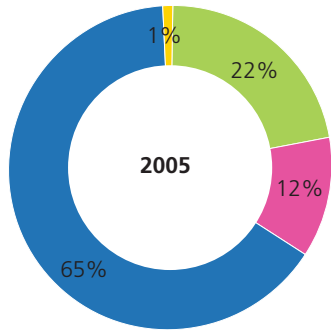
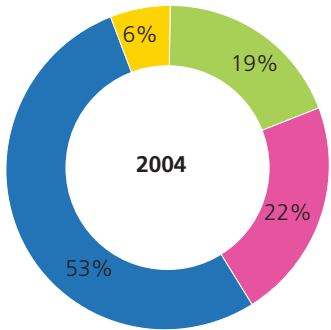
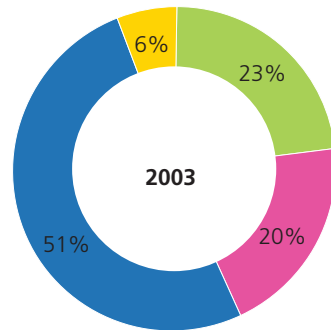
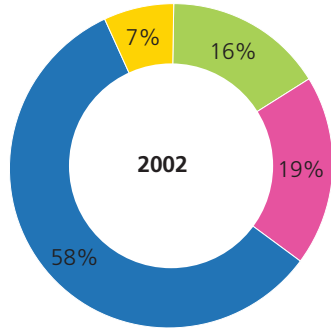


管理層回顧及業績分析
Management Discussion and Analysis

營業額
Turnover



- 電子計算機及電子記事簿
Electronic calculators and organisers
- 導電硅橡膠按鍵
Conductive silicon rubber keypads
- 印製電路板業務
Printed circuit boards
- 其他業務
Other operations





管理層回顧及業績分析 Management Discussion and Analysis

業務及營運回顧

儘管在加息及石油和商品價格持續高企以及恐怖主義威脅陰霾未散，全球經濟於年內繼續全面復蘇。中國、香港及其他亞洲國家的經濟發展再次報捷，惟若干跡象顯示增長速度較二零零五年已稍為放緩。整體而言，歐美兩地之消費信心依然強勁，為全球進出口貿易持續增長提供了有力支持。在本集團經營業務之大部分市場，均出現本地消費帶動國內增長的現象。

儘管全球經營環境充滿挑戰，本集團於二零零五年度錄得相當理想之業績。

截至二零零五年十二月三十一日止年度，本集團錄得營業額約647,004,000港元，較二零零四年度約774,255,000港元下跌約16.4%。

Business and Operational Review

The world economy generally continued to improve during the year, despite higher interest rates and sustained high oil and commodity prices and the threat of terrorism. The PRC, Hong Kong and other Asian countries continue to report healthy economies despite some signs of slowing growth relative to 2005. Generally, consumer confidence in Europe and America has remained strong and supports the continuing strength in import and export trade globally and domestic consumption led growth locally in most of markets in the Group.

Despite a challenging operating landscape in the global platform, the Group achieved a satisfactory result in the year of 2005.

For the year ended 31 December 2005, the Group recorded a turnover of approximately HK\$647,004,000, representing a decrease of approximately 16.4 per cent. as compared with approximately HK\$774,255,000 of the year in 2004.



管理層回顧及業績分析 Management Discussion and Analysis

截至二零零五年十二月三十一日止年度，整體毛利率由約15.7%提高至約19.3%。

於年內，持續採取嚴格和有效的成本監控，成功令行政開支保持在穩定和合理之水平。

由於本集團對多元化發展產品種類和提升生產力方面不遺餘力，本集團於截至二零零五年十二月三十一日止年度錄得溢利約28,036,000港元(二零零四年：約50,246,000港元)。

截至二零零五年十二月三十一日止年度，不包括分佔聯營公司溢利及視作出售聯營公司權益之溢利之本年度溢利由約19,302,000港元上升約67.8%至約32,383,000港元。

For the year ended 31 December 2005, the overall gross profit margin grew from approximately 15.7 per cent. to 19.3 per cent.

During the year, sustained, stringent and effective cost controls were successful in keeping administrative expenses at a stable and reasonable level.

As a result of the Group's ongoing efforts in diversifying its products and increasing its productivity, the Group attained a profit for the year ended 31 December 2005 of approximately HK\$28,036,000 (2004: approximately HK\$50,246,000).

For the year ended 31 December 2005, the profit for the year excluding share of result of an associate and profit on deemed disposal of interest in an associate increased 67.8% from approximately HK\$19,302,000 to approximately HK\$32,383,000.



管理層回顧及業績分析 Management Discussion and Analysis

分部分析

電子計算機及電子記事簿

儘管全球對於銅和石油供應並不穩定而需求卻在不斷上升，對原料供給和成本造成相當壓力，但憑藉充份發揮本集團之經濟規模和行之有效之成本控制，電子計算機及電子記事簿業務之營業額於年內仍能錄得增長，繼續為本集團帶來穩定收益貢獻。

截至二零零五年十二月三十一日止年度，電子計算機及電子記事簿之營業額仍佔本集團收益之主要部份，增至約419,720,000港元(二零零四年：約408,214,000港元)，佔本集團總營業額約64.9%。

受到香港和中國兩地之產品開發工程師和設計師支持下，本集團過往每年均能推出多款不同產品。除開發產品外，研發隊伍對於改善和調整本集團生產工序，藉此加快產品推出市場的時間扮演着重要角色。接二連三的宣傳活動繼續為本集團之「Karce」產品建立出龐大和穩定之海外客戶基礎。



Segmental analysis

Electronic calculators and organisers

Despite the worldwide unstable supply and rising demand of copper and oil which have placed considerable pressure on both the supply and costs of the raw materials, the turnover of the electronic calculators and organisers business managed to grow and continued to contribute stable revenue to the Group during the year by taking full advantage of economies of scale of the Group and implementing effective cost control.

For the year ended 31 December 2005, the turnover of electronic calculators and organisers remained as the core revenue generator of the Group, increased to approximately HK\$419,720,000 (2004: approximately HK\$408,214,000). It accounted for approximately 64.9 per cent. of the Group's total turnover.

Supported by the product development engineers and designers based in Hong Kong and the PRC, the Group boasts a consistent track record of the different product launch every year. Besides product development, the research and development team also plays an important part in improving and refining the Group's production processes to speed up time to market. A series of promotional activities continued to establish a broad and solid overseas customer base for the Group's "Karce" products.

管理層回顧及業績分析 Management Discussion and Analysis

另一方面，本集團亦建立出一系列嚴控成本之政策，務求在原料和原件價格高企不下之情況下，把有關價格保持在對本集團有利可圖之合理水平。

隨著業務量不斷增加，經營業績大幅增長約55.6%，由截至二零零四年十二月三十一日止年度約30,917,000港元增至本年度約48,113,000港元。

導電硅橡膠按鍵

截至二零零五年十二月三十一日止年度，導電硅橡膠按鍵之營業額貢獻下跌約53.1%至約80,299,000港元（二零零四年：約171,188,000港元），佔本集團營業額約12.4%。儘管如此，此項分部錄得經營溢利約4,799,000港元（二零零四年：約1,497,000港元）。

本集團過去一直自設兩座從事製造導電硅橡膠按鍵業務之廠房。於回顧年度，導電硅橡膠按鍵業務進行了一連串業務重組。繼於二零零四年十一月收購安盛控股有限公司其餘49%股權後，本集團於二零零五年一月出售東莞德鉅之全部股權，獲得代價12,000,000港元。出售所產生之收益約2,227,000港元已於本年度入賬。

On the other hand, the Group has also developed 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.

With the continuous growth in business, the operating results rose strongly by approximately 55.6 per cent., from approximately HK\$30,917,000 for the year ended 31 December 2004 to approximately HK\$48,113,000 for current year.

Conductive silicon rubber keypads

For the year ended 31 December 2005, the turnover contributed from the conductive silicon rubber keypads business decreased by approximately 53.1 per cent. to approximately HK\$80,299,000 (2004: approximately HK\$171,188,000), representing approximately 12.4 per cent. of the turnover of the Group. However, the segment recorded a profit from operations of approximately HK\$4,799,000 (2004: approximately HK\$1,497,000).

The Group used to own two factories which were both engaging in the business of manufacturing of conductive silicon rubber keypads. During the year under review, the conductive silicon rubber keypads segment was under a series of consolidation. After the acquisition of remaining 49 per cent. equity interest of On Shing Holdings Company Limited in November 2004, the Group disposed the entire equity interest in DTEC in January 2005 at a consideration of HK\$12,000,000. The gain arising from the disposal of approximately HK\$2,227,000 has been recorded in this year.



管理層回顧及業績分析 Management Discussion and Analysis

業務重組後，董事會認為本集團可整頓及專注在一間廠房內發展其導電硅橡膠按鍵及高增值塑膠加硅橡膠（「P+R」）電話按鍵產品之業務，從而對業務營運、主要僱員和客戶基礎進行有效之管理。

隨著成功收購和整合導電硅橡膠按鍵業務，本集團進一步多元化發展產品比重、地區覆蓋範圍及客戶基礎，並因而取得經濟規模效益。

董事會相信，有關業績將符合管理層所預期，隨著此項業務持續與客戶之期待相符、生產量上升及縱向生產線有所擴展，未來年度將會錄得令人欣喜之業績。

印製電路板

截至二零零五年十二月三十一日止年度，印製電路板之營業額錄得輕微減少約3.2%至約143,387,000港元（二零零四年：約148,163,000港元），佔本集團營業額約22.2%。

此項業務於截至二零零五年十二月三十一日止年度錄得虧損約7,970,000港元，而二零零四年則錄得溢利約3,035,000港元，主要原因為原料及元件價格上漲。此外，本集團之生產設施於回顧年度已達生產力上限，而一部份工序已外判予分包商。

由於環球市場對於印製電路板之需求與日俱增，本集團已策略性地製訂出生產藍圖，大大增強生產規模以盡量獲得經濟規模生產所帶來之好處。

After the consolidation, the Directors consider that the Group could streamline and concentrate on the development of its conductive silicon rubber keypads business and high value-added plastic plus rubber (“P+R”) telephone keypads products in one factory for more effective management on business operations, key employees and client base.

With the successful acquisition and integration of the conductive silicon rubber keypads segment, the Group is more diversified in terms of product mix, geographical coverage and customer base, and enjoys economies of scale.

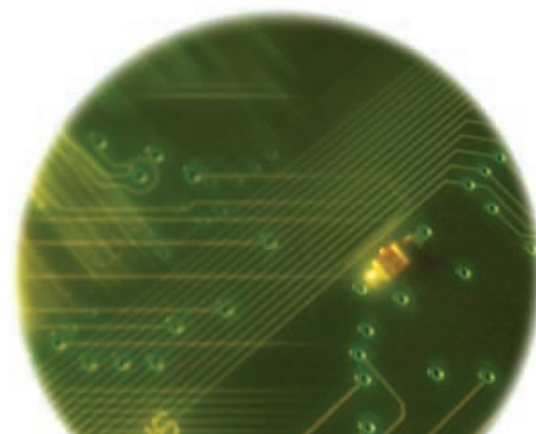
The Directors believe that the results will be in line with the management’s expectations and turns into a sound result in the coming year as the segment is continued to keep pace with customer expectations, increase production volume and expand the vertical production line.

Printed circuit boards (“PCBs”)

For the year ended 31 December 2005, turnover derived from PCBs segment slightly decreased by approximately 3.2 per cent. to approximately HK\$143,387,000 (2004: approximately HK\$148,163,000), representing approximately 22.2 per cent. of the turnover of the Group.

The results dropped from approximately a profit of approximately HK\$3,035,000 in 2004 to approximately a loss of approximately HK\$7,970,000 for the year ended 31 December 2005. This was mainly attributed to the increase of prices in raw materials and components. In addition, the production facilities of the Group had reached the maximum capacity during the year under review and part of the procedures was subcontracted to external parties.

Due to the increasing demand of PCBs in the global market, the Group strategically mapped out the production blueprint and largely expanded the production scale to enjoy the maximum benefits on the economies of scale.



管理層回顧及業績分析 Management Discussion and Analysis

為配合印製電路板營業額之顯著增長，本集團已於二零零五年開始興建一座新工廠大廈，預期將於二零零六年下半年落成。本集團亦將購置新設備和機器，以為新工廠大廈之生產部門進行縱向式整合。

於回顧年度，本集團察覺到有需要改善經營效率，於各項業務均面對成本及營運資本需求上升之環境尤需如此。帶動效率之關鍵在於查找主要價值推動因素及每個業務環節上欠妥善之處，並清楚界定有效程序從而達致創造價值之目的。

因此，本集團已實施有關企業資源規劃系統之計劃，實施該系統再配合本集團之幹練員工所具備之知識，將為本集團提供所需工具，支援規劃、加快決策及營運效率並提升本集團每項重要表現指標。

其他業務

電子玩具產品

其他業務主要包括電子玩具產品(例如嬰兒玩具及電子教學產品)之營業額貢獻。截至二零零五年十二月三十一日止年度，電子玩具業務錄得之營業額約為3,598,000港元(二零零四年：約46,690,000港元)。

於回顧年度，截至二零零五年十二月三十一日止，電子玩具業務之分部業績錄得除稅前經營虧損約7,236,000港元(二零零四年：約3,307,000港元)。

分佔聯營公司Ascalade集團之業績

於成立Ascalade集團後，本集團之電子通訊業務已經綜合及作為一間聯營公司進行管理。

截至二零零五年十二月三十一日止年度，本集團錄得應佔Ascalade集團之業績虧損約5,453,000港元(二零零四年：應佔Ascalade集團之業績溢利約8,376,000港元)。

Coping with the substantial growth in PCBs' turnover, the Group started to build up a new factory complex in 2005 and expects to be completed in the second half year of 2006. The Group will also acquire new equipment and machinery for integration of the vertical manufacturing units in the new factory complex.

During the year under review, the Group recognised the needs to improve the operational efficiency particularly in the face of rising costs and working capital needs of the business. The key to driving efficiency is to identify the key value drivers and inefficiencies in each part of the business and to establish clear and effective processes that can enhance value creation.

The Group has therefore undertaken a project to implement an Enterprise Resource Planning (ERP) system. The system together with the knowledge base of our dedicated staff will provide the Group with the necessary tools to support planning, rapid decision making and operational effectiveness, and improve our key performance indicators.

Other operations

Electronic toys products

Turnover derived from other operations is mainly contributed by the electronic toys products, such as infant toys and electronic learning products. For the year ended 31 December 2005, turnover from the electronic toys segment recorded approximately HK\$3,598,000 (2004: approximately HK\$46,690,000).

During the year under review, the segment results from electronic toys segment recorded an operating loss before taxation of approximately HK\$7,236,000 for the year ended 31 December 2005 (2004: approximately HK\$3,307,000).

Share of result of an associate, the Ascalade Group

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

For the year ended 31 December 2005, the Group recorded a share of loss result of Ascalade Group of approximately HK\$5,453,000 (2004: share of profit result of Ascalade Group of approximately HK\$8,376,000).

管理層回顧及業績分析 Management Discussion and Analysis

由於Ascalade Inc.在過去數個年度之收益及溢利能力均錄得強勁增長，董事會欣然宣佈Ascalade Inc.已於二零零五年六月二十七日在多倫多證交所上市，股票代碼為「ACG」。

誠如本公司於二零零五年三月所宣佈，本集團把Ascalade集團其中一間成員公司所結欠之貸款及墊款約70,984,000港元轉讓予Ascalade Inc.，以換取發行Ascalade Inc.之5,009,000加元可換股債券及62,612份認股權證及904,973股普通股。本集團於Ascalade Inc.之應佔股權已於當時由約30.8%增加至約39.2%。

於多倫多證交所上市而發行8,000,000股Ascalade Inc.新普通股後，本集團於Ascalade Inc.之應佔股權已於二零零五年六月二十七日完成在多倫多證交所上市後，由當時約39.2%減少至約19.2%。於二零零五年六月三十日，由於本集團對Ascalade Inc.之財務及經營職能和決策上仍具重大影響力，故Ascalade Inc.仍屬本集團之聯營公司。於此項交易中，本集團錄得一項視作出售聯營公司權益之收益約1,106,000港元。

誠如本公司於二零零五年六月十六日所宣佈，本集團已於二零零五年六月十五日訂立一項轉讓協議，據此本集團已同意向Yeebo Investment Limited（於馬來西亞Labuan註冊成立之公司，為香港聯合交易所有限公司上市公司億都（國際控股）有限公司之附屬公司）出售所購入之債券及所購入之認股權證（「轉讓事項」），總代價分別約為4,118,000美元（約32,120,000港元）及1美元（「出售事項」）。

董事會認為，鑑於本集團所擁有之Ascalade Inc.股份於該公司在多倫多證交所上市後須受到凍結期所規限，故透過出售事項把本集團於Ascalade Inc.部份投資變現屬審慎決定，此舉有助平衡可能出現之風險，並且於短期內提高流動資金及改善現金流量。

With the strong growth in revenue and profitability of Ascalade Inc. in the past few years, the Directors are pleased to announce that Ascalade Inc. was successfully listed on the TSX and commenced trading of its common shares on 27 June 2005 with the stock symbol as "ACG".

As announced by the Company in March 2005, the Group assigned a loan and advances owed by a member of the Ascalade Group to Ascalade Inc. 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 in Ascalade Inc.. The Group's attributable equity interest in Ascalade Inc. has since then increased from approximately 30.8 per cent. to approximately 39.2 per cent.

Upon the new issue of 8,000,000 common shares in Ascalade Inc. for the listing on the TSX, the Group's attributable equity interest in Ascalade Inc. has since then decreased from approximately 39.2 per cent. to approximately 19.2 per cent. after the completion of the listing on the TSX on 27 June 2005. As at 30 June 2005, Ascalade Inc. remains the Group's associate as the Group has significant influence on its financial and operational functions and decisions of Ascalade Inc.. In this transaction, the Group made a gain on deemed disposal of interest in an associate of approximately HK\$1,106,000.

As announced by the Company on 16 June 2005, the Group had entered into a transfer agreement on 15 June 2005 pursuant to which the Group had agreed to sell (the "Transfers") the purchase debentures and purchase warrants at a total consideration of approximately US\$4,118,000 (approximately HK\$32,120,000) and US\$1, respectively to Yeebo Investment Limited, a company incorporated in the Labuan, Malaysia and is a subsidiary of Yeebo (International Holdings) Limited, a company listed on the Main Board of the Stock Exchange (the "Disposals").

The Directors consider that it is a prudent decision to realise part of the Group's investment in Ascalade Inc. through the Disposals so as to balance its possible risk, enhance its liquidity and improve its cash flow within a relatively short period of time given that the Ascalade Inc. shares owned by the Group will be subject to lock-up after the listing of Ascalade Inc. on the TSX.

管理層回顧及業績分析 Management Discussion and Analysis

鑑於近期全球市況不穩，例如油價波動及利率上漲，董事會相信預留充裕資金符合本集團利益，而所得款項令本集團本來已經十分穩健之財政狀況進一步增強。

於出售事項完成及Ascalade Inc.之其他投資者進一步兌換債券及行使購股權及認股權證後，本集團於Ascalade Inc.之應佔權益已由約19.2%進一步減少至於二零零五年十二月三十一日之約14.7%。因此，由於在Ascalade Inc.之股份減少及本公司代表辭任於Ascalade Inc.之董事職務，再加上本集團於二零零五年十二月三十一日已不再對Ascalade Inc.行使重大影響力，Ascalade Inc.已被重新分類為可供出售投資。

Ascalade Inc.之其他資料請瀏覽 www.sedar.com。

股本結構

於二零零五年十二月三十一日，股東資金上升至約441,446,000港元，於二零零四年十二月三十一日之股東資金約為390,361,000港元。於二零零五年十二月三十一日，短期及長期計息債項佔股東資金約13.1%（二零零四年：約27.0%）。

流動資金及財政資源

本集團一般以內部產生之現金及其往來銀行提供之銀行信貸為其業務提供資金。

審慎理財及選擇性投資，令本集團之財政狀況維持穩健。於二零零五年十二月三十一日，本集團之銀行結存及現金增至約92,064,000港元（二零零四年：約34,868,000港元）。

In view of the recent unstable global market conditions such as the fluctuation of oil prices and raising interest rates, the Directors reckon that it is in the interest of the Group to maintain a sufficient amount of capital and the proceeds can make the already robust financial position of the Group even stronger.

Upon the completion on the Disposals and further conversion of debentures and exercise of options and warrants by other investors in Ascalade Inc., the Group's attributable equity interest in Ascalade Inc. has further decreased from approximately 19.2 per cent. to approximately 14.7 per cent. as at 31 December 2005. Accordingly, due to the decrease in shareholding of Ascalade Inc. and the resignation of the Company's representative as director in Ascalade Inc., Ascalade Inc. has been reclassified as an available-for-sale investment as the Group is no longer in a position to exercise a significant influence over Ascalade Inc. as at 31 December 2005.

Additional information relating to Ascalade Inc. may be found at www.sedar.com.

Capital structure

Shareholders' equity increased to approximately HK\$441,446,000 as at 31 December 2005 from approximately HK\$390,361,000 as at 31 December 2004. As at 31 December 2005, the short term and long term interest bearing debts to shareholders' equity was approximately 13.1 per cent. (2004: approximately 27.0 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 2005, the Group's bank balances and cash increased to approximately HK\$92,064,000 (2004: approximately HK\$34,868,000).

管理層回顧及業績分析 Management Discussion and Analysis

於二零零五年十二月三十一日，本集團獲得多間銀行之融資總額度約為281,900,000港元(二零零四年：約381,102,000港元)。於香港之貿易及透支之銀行融資總額度約為234,400,000港元(二零零四年：約307,800,000港元)，於二零零五年十二月三十一日，已動用其中約3,988,000港元(二零零四年：約17,567,000港元)。

於二零零五年十二月三十一日，中國國內銀行之所有定期貸款銀行融資均已償還(二零零四年：約28,302,000港元)。

於二零零五年，流動比率約為1.5(二零零四年：約1.1)，此乃按流動資產約289,612,000港元及流動負債約199,373,000港元之基準計算。二零零五年之速動比率約為1.1(二零零四年：約0.6)。

於二零零五年十二月三十一日，債項總額(包括銀行借貸及融資租賃合約項目下之總債務)約為57,860,000港元(二零零四年：約105,362,000港元)，約佔股東權益總額約13.1%(二零零四年：約27.0%)。

經仔細考慮現金淨值結餘及現時可動用之銀行融資後，董事認為，本集團具備充足之財政資源，能應付其日後拓展計劃及營運資金之需求。

外匯風險管理

本集團大部份之資產及負債、收益及開支乃以港元或美元結算。作為提供額外保障之措施，本集團使用多項衍生工具管理其應收款項和應付款項之外幣風險。

As at 31 December 2005, the Group currently had banking facilities amounted to an aggregate sum of approximately HK\$281,900,000 (2004: approximately HK\$381,102,000) with various banks. Out of the trade and overdraft banking facilities of approximately HK\$234,400,000 (2004: approximately HK\$307,800,000) in Hong Kong granted to the Group, approximately HK\$3,988,000 (2004: approximately HK\$17,567,000) had been utilised as at 31 December 2005.

As at 31 December 2005, all the term loan banking facilities in the PRC were repaid (2004: approximately HK\$28,302,000).

In 2005, the current ratio was approximately 1.5 (2004: approximately 1.1) based on current assets of approximately HK\$289,612,000 and current liabilities of approximately HK\$199,373,000 and the quick ratio was approximately 1.1 (2004: approximately 0.6).

As at 31 December 2005, the total indebtedness including bank borrowings and obligations under finance leases contracts amounted to approximately HK\$57,860,000 (2004: approximately HK\$105,362,000), representing approximately 13.1 per cent. of the total shareholders' equity (2004: approximately 27.0 per cent.).

The Directors considered that the Group shall 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 assets and liabilities, revenues and expenditures are either in Hong Kong dollars or United States dollars. As a measure of additional prudence, the Group uses different derivative instruments to manage its exposure to foreign currency risks on the receivables and payables.

管理層回顧及業績分析 Management Discussion and Analysis

本集團於二零零五年十二月三十一日仍未到期之衍生工具之公平值，指本集團在該等合約於二零零五年十二月三十一日將作平倉之情況下將收取／支付之淨金額。有關收益主要來自期末時港元遠期貨幣市場之溢價。在本年度內，本集團已採納新訂香港會計準則第39號－財務工具：確認和計量。該等仍未到期之衍生工具之公平值已作為資產或負債確認。

經考慮利率情況及人民幣或會升值等因素後，本集團已獲得為期三年之定期貸款，金額為15,000,000港元，並於年內償還於中國國內銀行之定期貸款銀行融資人民幣28,000,000元。

本集團之外匯風險主要來自其在中國國內之附屬公司的淨現金流量及淨營運資金折算。本集團之管理層將透過自然對沖、期匯合約及期權積極對沖外匯風險。本集團嚴禁進行投機性貨幣交易。貨幣風險由香港總公司統一管理。

除以上所述者外，本集團大部份之資產及負債、收益及支出乃以港元或美元結算。因此，董事認為本集團所承受之外匯波動風險實屬微不足道。

僱員及酬金政策

於二零零五年十二月三十一日，本集團僱用約6,070名全職僱員，其中約90名位於香港，而約5,980名位於中國。本集團按行業慣例及個別僱員之表現釐定其員工薪酬。僱員亦可參與本公司之認購股權計劃。

The fair value of the Group's outstanding derivative instruments as at 31 December 2005 represents the net amount the Group would receive/pay if these contracts were closed out at 31 December 2005. The gain was largely caused by a period-end premium in the forward currency markets for Hong Kong dollars. In the current year, the Group has adopted the new HKAS 39 – Financial Instruments: Recognition and Measurement, the fair value of these outstanding derivatives has been recognised as assets or liabilities.

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 HK\$15,000,000 and repaid the term loan banking facilities in the PRC of RMB28,000,000 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. 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 2005, the Group employed approximately 6,070 full time employees, out of which approximately 90 were based in Hong Kong and approximately 5,980 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.