

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

BUSINESS OVERVIEW

During the year ended 31 December 2006 (the "Year"), the Group recorded turnover of HK\$489.3 million, down 5.2% compared with approximately HK\$515.9 million last year. The Group's net loss for the year attributable to equity holders of the company was HK\$26.4 million in contrast to net profit of approximately HK\$39.7 million last year.

The Group's gross profit during the year recorded approximately HK\$23.1 million, representing a decline of 76.0% compared with approximately HK\$96.3 million last year. Gross profit margin had dropped to 4.7% (2005: 18.7%). The drop in gross profit was mainly due to general decrease in selling price and high fixed unit production overhead caused by reduced production output. Furthermore, the Group had made further provision of 4.7 million (2005: HK\$8 million) for electronic calculators and had written down of HK\$9 million (2005: 1.6 million) property, plant and equipment, which are mainly obsolete moulds.

During the Year, the Group's total production output of electronic calculators and other products had decreased by approximately 15% compared with year 2005. The management had reviewed the Group's production capacity and electronics calculator market conditions in the second half of the Year and concluded that the Group's inventory level was too high and required immediate action. The management had revised its estimation of the market demand to slow and medium grow and adopted a series of measures such as price reduction strategy, flexible production planning control and downsize of production scale during the second half of the Year. At the end of the Year, the inventory level had been successfully controlled and was reduced to HK\$108.4 million, representing a decline of 38.0% compared with approximately HK\$174.9 million last year.

業務回顧

截至二零零六年十二月三十一日止年度（「本年度」）內，集團錄得營業額489,300,000港元，較去年約515,900,000港元減少5.2%。本年度集團之公司權益持有人應佔虧損淨額為26,400,000港元，而去年之純利則約為39,700,000港元。

集團本年度之毛利約為23,100,000港元，較去年約96,300,000港元減少76.0%。毛利率下跌至4.7%（二零零五年：18.7%）。毛利下跌，主要是由於售價普遍下降及產量減少導致固定單位經常生產開支增加。此外，集團就電子計算機作出額外撥備4,700,000港元（二零零五年：8,000,000港元），並撇減9,000,000港元（二零零五年：1,600,000港元）之物業、廠房及設備（主要為陳舊模具）。

於本年度，集團之電子計算機及其他產品之總產量較二零零五年減少約15%。管理層已於下半年度檢討集團之生產力及電子計算機之市場情況，結論是集團之存貨水平過高，故需要即時行動。管理層已於下半年度將其對市場需求之估計修訂為低至中增長，並實施多項措施，例如減價促銷策略、靈活之生產規劃監控及縮減生產規模。於年結時，存貨水平已得以成功控制，並減至108,400,000港元，較去年約174,900,000港元減少38.0%。

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Electronic Calculators

During the Year, the sales of electronic calculators remained as the Group's core revenue generator, posting HK\$306.0 million or 62.5% of the Group's total turnover. (2005: sales of approximately HK\$364.8 million and 70.7% of the Group's total turnover). As the Group's inventory level of electronic calculators was too high and it had accumulated a lot of slow moving inventories, the Group had further reduced the selling price in the Year and resulted in a sharp decrease in revenue from electronic calculators. The management had reviewed its overall product mix and would try to cut down the production of models which had low profit margin in the further.

Other Consumer Electronic Products

The sales of multifunctional water resistance watches and household telephones recorded HK\$57.3 million and HK\$40.1 million respectively, contributing 11.7% and 8.2% of the Group's turnover (2005: sales of multifunctional water resistance watches and household telephones were approximately HK\$40.1 million and HK\$32.4 million respectively, or 7.8% and 6.3% of the Group's turnover). Thanks to our continuing effort in developing new types of models and refinement of production line, the revenue from multifunctional water resistance watches and household telephones had achieved slight growth. The management expected these other electronic products would play a more important role in our product portfolio in the further.

電子計算機

本年度內，銷售電子計算機仍然是集團之主要收益來源，錄得306,000,000港元或佔集團總營業額62.5%（二零零五年：銷售額約為364,800,000港元或佔集團總營業額70.7%）。由於集團之電子計算機之存貨水平過高，並已積累大量滯銷存貨，集團於本年度進一步調低售價，導致電子計算機之收益大幅下滑。管理層已檢討其整體產品組合，日後亦會減少生產毛利偏低之型號。

其他電子消費產品

多功能防水手錶及家用電話之銷售額分別為57,300,000港元及40,100,000港元，佔集團營業額11.7%及8.2%（二零零五年：多功能防水手錶及家用電話之銷售額分別約為40,100,000港元及32,400,000港元及佔集團營業額7.8%及6.3%）。有賴集團持續致力開發新型號產品及改良生產線，多功能防水手錶及家用電話之收益錄得輕微增長。管理層預期其他電子產品日後將會在集團產品組合中擔當重要之角色。

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Liquid Crystal Display (“LCD”)

During the Year, the sales of LCD was HK\$46.2 million or 9.4% of the Group’s turnover (2005: sales of HK\$38.5 million or 7.5% of the Group’s turnover). The increase in sales of LCD was partially due to reduction in internal production demand following the downsizing of production scale of electronic calculators and new orders from LCD products were received during the year. During the Year, the Group had upgraded its LCD production lines to include chip on glass (“COG”) production facilities. COG is a value added service of LCD that can boost the Group’s STN-LCD sales and enhance our customer profile. As the opportunity of LCD market is immense, the Group will spend more resources on the marketing function of LCD in the coming year to boost the revenue from LCD products.

Corporate Development

During the Year, the Group had scaled down its production level of electronic calculators with an aim to bring the inventory level to a more healthy status. The overestimation of market in previous years and rapid expansion in production facilities had resulted in over-capacity, which required adjustment in our corporate strategy. The Group will focus on more balanced product mix and cut down production of low margin products. Due to the severe competition in electronic calculators, the Group’s aggressive pricing strategy adopted in the Year was only short-term strategy. The Group will focus on production higher margin models calculators, LCD modules and OEM products. Upgrading of production facilities will be done in more selective and careful manner with higher priority on high margin and high market potential products.

液晶體顯示屏（「液晶體顯示屏」）

年內，液晶體顯示屏之銷售額達46,200,000港元或佔集團營業額9.4%（二零零五年：銷售額為38,500,000港元或佔集團營業額7.5%），部分原因是電子計算機的生產規模縮減後內部生產需求減少，以及在年內取得液晶體顯示屏產品之新訂單。本年度內，集團將其液晶體顯示屏生產線升級，以加入玻璃芯片（「COG」）生產設施。COG乃液晶體顯示屏一項增值服務，可推動集團STN液晶體顯示屏之銷售及增強客戶組合。由於液晶體顯示屏市場商機龐大，集團將於來年投放更多資源至液晶體顯示屏之市場推廣工作，以刺激液晶體顯示屏產品之收益。

企業發展

本年度內，集團已縮減其電子計算機之生產量，務求將存貨水平調整至更健康的水平。往年高估市場需求，加上急速擴充生產設施，導致產量過剩，故集團須於企業策略作出調整。集團將專注於在產品組合中取得平衡，減少低利潤產品之產量。由於電子計算機市場競爭激烈，集團於本年度採納之進取定價策略僅為短期策略。集團將集中生產利潤較高之計算機型號、液晶體顯示屏模組及原設備製造產品。集團將更審慎選擇予以升級之生產設施，並優先處理高利潤和高市場潛力之產品。

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Open offer

The Company completed an open offer on 17 October 2006 and issued 576,001,920 offer shares at a price of HK\$0.05 each on proportion of two offer shares for every five shares. The gross proceed from open offer before issue expenses amounted to approximately HK\$28.8 million. The Board of Directors consider that the open offer will enable the Group to strengthen its capital base and to enhance its financial position for future strategic investments as and when opportunities arise. Proceed from the open offer will be apply as to (i) approximately 5 million towards sales and marketing expenditure on new LCD products (ii) approximately 15 million towards possible diversified investment or project which is expected to improve the profitability, sustain the Company's growth momentum and broaden the revenue stream of the Group and (iii) the remaining balance of approximately 8 million for general working capital.

Placing of shares

On 8 November 2006, the Company had placed, through the placing agent, 288,000,000 new shares of the Company at a price of HK\$0.089 per share under general mandate. The gross proceed from placing of new shares before issue expenses amounted to approximately HK\$25.6 million. The proceed from placing was intend to be applied towards possible diversified investment or project which is expected to improve the profitability, sustain the Company's growth momentum and broaden the revenue stream of the Group.

On 22 December 2006, the Company had entered into a placing agreement with the placing agent to place 460,800,000 new shares of the Company at a price of HK\$0.215 per share under general mandate. The placing was completed on 9 January 2007 and 460,800,000 new shares of the Company were issued. Gross proceed from placing of new shares before issue expenses amounted to approximately HK\$99.1 million. The proceed from placing was intend to be applied towards possible diversified investment or project which is expected to improve the profitability, sustain the Company's growth momentum and broaden the revenue stream of the Group.

公開發售

公司於二零零六年十月十七日完成公開發售，並按每股0.05港元之價格發行576,001,920股發售股份。基準為每持有五股股份可獲發兩股發售股份。公開發售之所得款項毛額（未計開支）約為28,800,000港元。董事會認為，公開發售將有助集團加強其資本基礎，並增強財政狀況，銳意於機遇出現時作出未來策略投資。公開發售之所得款項將用作以下用途：(i)約5,000,000港元用作新液晶體顯示屏產品之銷售及市場推廣開支；(ii)約15,000,000港元用於可行之多元化投資或項目，此舉預期可改善盈利能力、維持公司增長動力，以及擴闊集團之收入來源；及(iii)餘款約8,000,000港元撥作一般營運資金。

配售股份

於二零零六年十一月八日，公司透過配售代理根據一般授權配售公司288,000,000股新股，作價每股0.089港元。配售新股之所得款項毛額（未計開支）合共約為25,600,000港元。配售之所得款項擬用於具潛力之多元化投資或項目，預期能藉此改善溢利能力、保持公司增長動力及擴闊集團之收入來源。

於二零零六年十二月二十二日，公司與配售代理訂立配售協議，以根據一般授權配售公司460,800,000股新股，作價每股0.215港元。配售已於二零零七年一月九日完成，而公司發行460,800,000股新股。配售新股之所得款項毛額（未計開支）合共約為99,100,000港元。配售之所得款項擬用於具潛力之多元化投資或項目，預期能藉此改善溢利能力、保持公司增長動力及擴闊集團之收入來源。

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Employees and Remuneration Package

As at 31 December 2006, the Group had approximately 5,000 employees (2005: approximately 10,900 employees). The decrease in employees was attributable to scale down of production and outsourcing of certain labour intensive production procedures such as assembly. The remuneration package was based on their work performance, experience and the industry practice. The Group also participated in retirement benefits schemes for its staff in Hong Kong and the PRC.

Capital Expenditure

During the Year, the Group spent approximately HK\$27.6 million (2005: approximately HK\$56.9 million) on acquisition of property, plant and equipment, which was financed by internal cash resources.

Contingent liabilities

The Group did not have any significant contingent liabilities at the balance sheet date.

FINANCIAL REVIEW

Liquidity and Finance Resources

During the Year, the Group generally financed its operations with internally generated resources and banking facilities provided by its principal bankers in Hong Kong and the PRC. As at 31 December 2006, the Group had HK\$50 million interest-bearing borrowings (2005: HK\$100 million), which was floating-interest bearing and denominated in Hong Kong Dollars. The Group's banking facilities were secured by corporate guarantees given by the Company and certain subsidiaries of the Company.

僱員及酬金組合

截至二零零六年十二月三十一日，集團擁有約5,000名僱員（二零零五年：約10,900名僱員）。員工減少主要是由於縮減生產及外判若干勞動密集生產工序（例如裝配）之規模所致。集團員工之薪酬是根據僱員之工作表現、經驗及行業慣例釐定。此外，集團亦為中港兩地之僱員提供退休福利計劃。

資本開支

本年度內，集團使用約27,600,000港元（二零零五年：約56,900,000港元）收購物業、廠房及設備，有關資金乃以內部現金資源撥付。

或然負債

於結算日，集團並無任何重大或然負債。

財務回顧

流動資金及財務資源

本年度內，集團均以內部產生之資源及中港兩地之主要往來銀行提供之銀行信貸撥付營運所需。於二零零六年十二月三十一日，集團之計息銀行借貸為50,000,000港元（二零零五年：100,000,000港元），全部均為浮息港元貸款。集團之銀行信貸由公司及其若干公司附屬公司提供之公司擔保作為抵押。

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As at 31 December 2006, the Group's bank borrowings were denominated in Hong Kong dollars. The Group's sales and purchases were either denominated in Renminbi, Hong Kong and US dollars. Accordingly, the Directors consider the Group has no significant exposure to foreign exchange fluctuations in view of the stability of the exchange rates of Renminbi, Hong Kong and US dollars. During the year, the Group did not use any financial instrument for hedging the foreign exchange risk. However, for hedging of interest rate risk, the Group used interest rate swap which could effectively convert the floating interest rate bank loan to fixed interest rate. The amount of swap outstanding as at 31 December 2006 was HK\$13.3 million (2005: HK\$20 million).

As at 31 December 2006, the Group had current assets of approximately HK\$346.4 million (2005: HK\$347.1 million) and current liabilities of approximately HK\$163.1 million (2005: HK\$192.1 million). The Group's current ratio had increased from approximately 1.8 times as at 31 December 2005 to approximately 2.1 times as at 31 December 2006. The Group had total assets of approximately HK\$583.8 million (2005: HK\$600.0 million) and total liabilities of approximately HK\$179.8 million (2005: HK\$242.1 million), representing a gearing ratio (expressed as total liabilities to total assets) of approximately 30.8% as at 31 December 2006 as compared with approximately 40.4% as at 31 December 2005.

PROSPECTS

Owing to the keen price competition in the market of electronic calculators the Group expect the market of electronic calculators to be stable in 2007. The Group is closely monitoring the market condition of electronic consumer products to explore new market opportunities. The Group will adopt blue ocean strategy in the further in exploring new market or products.

The Group had strengthened its capital structure by raising new funds from open offer and placing of new shares during the Year, which enable the Group in seizing potential investments.

於二零零六年十二月三十一日，集團之銀行借貸以港元列值，集團之銷售額及購貨額則以人民幣、港元或美元列值。由於人民幣、港元及美元之匯率頗為穩定，因此，董事認為集團並無承擔重大之外匯波動風險。年內，集團並無為對沖外匯風險而使用任何金融工具，然而，集團使用息率轉換方法對沖利率風險。此方法可有效將銀行貸款由浮息轉為固定利息。於二零零六年十二月三十一日，未動用之調期款項為13,300,000港元（二零零五年：20,000,000港元）。

於二零零六年十二月三十一日，集團之流動資產約為346,400,000港元（二零零五年：347,100,000港元），流動負債約為163,100,000港元（二零零五年：192,100,000港元）。集團之流動比率由二零零五年十二月三十一日約1.8倍增加至二零零六年十二月三十一日約2.1倍。集團之資產總值約為583,800,000港元（二零零五年：600,000,000港元），負債總額則約為179,800,000港元（二零零五年：242,100,000港元），即於二零零六年十二月三十一日之資本負債比率（以總負債對總資產呈列）約為30.8%，而於二零零五年十二月三十一日則約為40.4%。

展望

由於電子計算機市場價格競爭激烈，集團預期電子計算機市場於二零零七年將保持穩定。集團正密切監察電子消費產品之市場狀況，以開拓新市場商機。集團日後將採取藍海策略，以開拓新市場或產品。

集團已於本年度透過籌集公開發售及配售新股之新資金加強其資本架構，以便集團取得有潛力之投資項目。