



Financial Review

財務回顧

In 2006, the Group invested substantially, being 6.6% of the Group's turnover, in research and development of various technologies and applications for different segments and markets. During the year, turnover amounted to HK\$611,215,000. Having the strong focus in research and development, profit after taxation dropped by 27.8% to HK\$18,458,000. Earnings per share were HK5.89 cents.

二零零六年本集團在研發上作出重大投資，佔營業額的6.6%，以配合各個業務範疇及市場的發展。年內，營業額為611,215,000港元。由於集中提升研發能力，稅後溢利下跌27.8%至18,458,000港元。每股盈利為5.89港仙。

Turnover

Turnover has decreased by 5.8% from HK\$648,559,000 to HK\$611,215,000. This is mainly caused by a reduction in sales of tuner modules for home audio.

Turnover of composite components has decreased by 9.1% from HK\$520,269,000 in 2005 to HK\$473,110,000 in 2006, representing 77.4% of the turnover (2005: 80.2%). Turnover of unit electronic components has increased by 7.7% from HK\$128,290,000 in 2005 to HK\$138,105,000 in 2006. This amount represents

22.6% of the turnover (2005: 19.8%).

Gross Profit

Despite a decrease in turnover, there has been an increase of 4.2% in gross profit from HK\$89,944,000 in 2005 to HK\$93,736,000 in 2006. As a result of cost reduction efforts and changes in product mix, gross profit margin has been improved to 15.3% in 2006, as compared to 13.9% in 2005.

Other Revenue

Other revenue has increased by 71.0% from HK\$4,051,000

in 2005 to HK\$6,928,000 in 2006, primarily as a result of an increase in bank interest income and gain from disposal of fixed assets.

Operating Expenses

Operating expenses have increased by 22.7% from HK\$65,004,000 in 2005 to HK\$79,779,000 in 2006. It is mainly due to the expansion in sales and research and development operations in Korea, which have increased expenses in personnel, marketing and sales, as well as depreciation.



營業額

營業額由648,559,000港元減少5.8%至611,215,000港元。營業額減少乃主要由於家用音響調諧器模組銷售額下降所致。

複合元件的營業額由二零零五年的520,269,000港元下降9.1%至二零零六年的473,110,000港元，佔營業額的77.4%（二零零五年：80.2%）。單位電子元件的營業額由二零零五年的128,290,000港元上升7.7%至二零零六年的138,105,000港元。

有關金額佔營業額的22.6%（二零零五年：19.8%）。

毛利

儘管營業額減少，毛利由二零零五年的89,944,000港元增加4.2%至二零零六年的93,736,000港元。努力削減成本之成果及改善產品組合使二零零六年的毛利率改善至15.3%，而二零零五年的毛利率為13.9%。

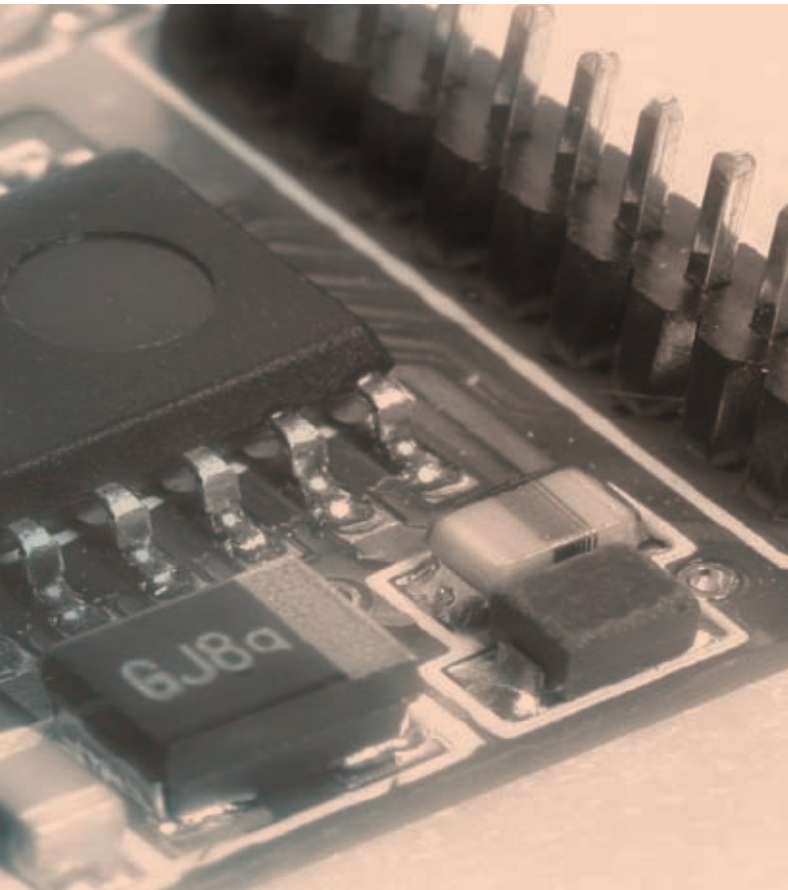
其他收益

其他收益由二零零五年的4,051,000港元上升71.0%至二

零零六年的6,928,000港元，乃主要由於銀行利息收入增加及出售固定資產的收益。

經營開支

經營開支由二零零五年的65,004,000港元上升22.7%至二零零六年的79,779,000港元。經營開支上升乃主要由於韓國的銷售及研發部門擴展，導致員工、市場推廣及銷售方面的開支與折舊上升所致。



Taxation

Income tax expense has reduced by 29.2% from HK\$3,430,000 in 2005 to HK\$2,427,000 in 2006, primarily as a result of reduced profit before tax. Our effective income tax rate has decreased from 11.8% in 2005 to 11.6% in 2006.

Profit for the Year

The profit attributable to our equity shareholders has decreased by 27.8% from HK\$25,561,000 in 2005 to HK\$18,458,000 in 2006. Net profit margin for the profit attributable to equity shareholders decreased from 3.9% in 2005 to 3.0% in 2006.

Financial Condition, Liquidity and Financial Resources

The Group generally finances the operations with internally generated cash flow. As on 31 December 2006, the Group has cash and cash equivalents of HK\$169,679,000 (2005: HK\$173,234,000) and net current assets of HK\$265,048,000 (2005: HK\$264,613,000). Shareholders' funds are at HK\$361,662,000 as on 31 December 2006 (2005: HK\$350,738,000).

At the year-end, the Group has had no outstanding borrowing. The current ratio, being the ratio of current assets to current liabilities, has been maintained at a strong level of 3.92 (2005: 3.96), and the gearing ratio, in terms of total liabilities to total assets, stands at 0.20 (2005: 0.21).

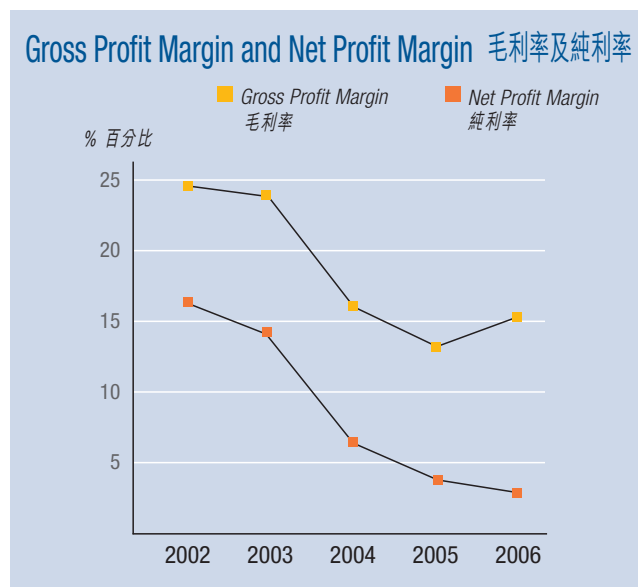
We have recorded a better debtor turnover than in 2005 (2006 average debtor turnover: 77 days; 2005 average debtor turnover: 85 days). Average creditor turnover and average inventory turnover were 65 days (2005: 68 days) and 64 days (2005: 57 days) respectively.

On the whole, the Group has maintained a healthy financial status, with sufficient financial resources for our future development.

Foreign Exchange Exposure, Hedging and Off Balance Sheet Financial Instruments

The Group is exposed to foreign currency risks primarily through sales and purchases denominated in United States Dollars ("USD") and Japanese Yen ("JPY") and our operation in Korea where the operating expenses are paid in Korean Won ("KRW").

As Hong Kong Dollars ("HKD") is pegged to USD and Renminbi ("RMB") is managed float with reference to a basket of currencies yet within the limited per day fluctuation, the Group does not expect any significant fluctuation in the HKD/USD and RMB/USD exchange rate. For other currencies such as JPY and KRW, the Group has taken steps to ensure that the net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates where necessary to address short-term imbalance.



稅項

所得稅支出由二零零五年3,430,000港元下降29.2%至二零零六年2,427,000港元，乃主要由於除稅前溢利下降所致。本集團的實際稅率由二零零五年的11.8%下降至二零零六年的11.6%。

年度溢利

股本持有人應佔溢利由二零零五年的25,561,000港元下降27.8%至二零零六年的18,458,000港元。股本持有人應佔溢利之純利率由二零零五年的3.9%下降至二零零六年的3.0%。

財務狀況、流動資金及財務資源

本集團一般以其內部產生的現金流為其業務提供資金。於二零零六年十二月三十一日，本集團的現金及現金等價物為169,679,000港元（二零零五年：173,234,000港元），而流動資產淨值則為265,048,000港元（二零零五年：264,613,000港元）。於二零零六年十二月三十一日的股東資金為361,662,000港元（二零零五年：350,738,000港元）。

於年結日，本集團並無未償還的借貸。其流動比率（流動資產與流動負債的比率）維持於3.92的強勁水平（二零零五年：3.96），而負債比率（總負債與總資產計算）則為0.20（二零零五年：0.21）。

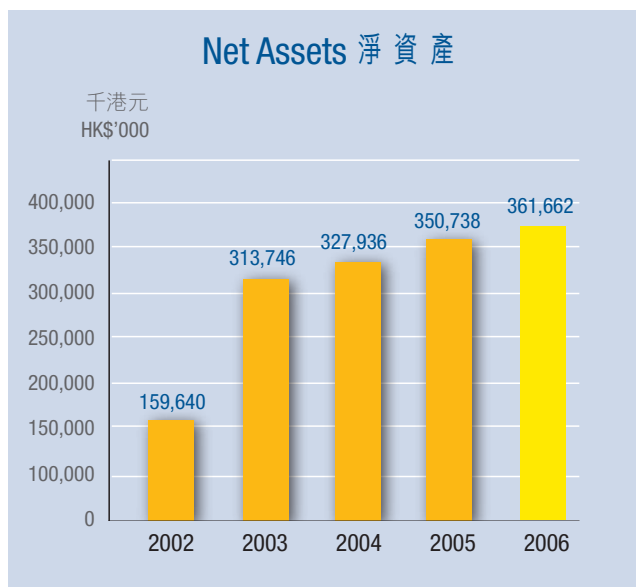
應收賬款周轉天數較二零零五年有所改善（二零零六年的平均應收賬款周轉天數：77天；二零零五年的平均應收賬款周轉天數：85天）。平均應付賬款周轉天數及平均存貨周轉天數分別為65天（二零零五年：68天）及64天（二零零五年：57天）。

整體而言，本集團的財務狀況穩健，具備充足財務資源應付其未來發展。

外匯風險、對沖及賬外金融工具

主要由於本集團之銷售及購買部份以美元及日圓計值，加上集團於韓國之業務以韓圓支付經營開支，本集團因而承受外幣風險。

鑑於港元與美元掛鈎，而人民幣則以有管理的浮動匯率制度在有限之每日波幅以內參考一籃子貨幣進行調節，本集團預期港元兌美元及人民幣兌美元之匯率不會出現任何重大波動。至於日圓及韓圓等其他貨幣，本集團已採取措施，在必要情況下，按即期匯率買賣外幣，以針對短期之不平衡，從而確保淨風險額維持於可接受的水平。



Investment Activities

The Group has not made any material acquisition or disposal of subsidiary and associated company during the year ended 31 December 2006.

Charges on Assets

As on 31 December 2006, there are no assets pledged to bank to secure banking facilities of HK\$133,400,000 (2005: HK\$104,000,000).

Contingent Liabilities

The Group does not have any significant contingent liabilities as on 31 December 2006 and 2005.

Employees and Remuneration Policy

As on 31 December 2006, the Group has about 1,951 employees (2005: 2,092) of whom 22 are based in Hong Kong (2005: 41), 1,828 in PRC (2005: 1,968), and 101 in Korea (2005: 83).

For the year ended 31 December 2006, staff costs have increased to HK\$89,467,000 (2005: HK\$74,064,000), due to expanding operations in Korea. Our employees are remunerated according to performances, working experiences and market conditions. In addition to basic salaries and retirement schemes, staff benefits include medical schemes, discretionary share options and performance bonuses.

Proposed Final Dividend

The board of directors has recommended the payment of final dividend of HK1.1 cents per share in respect of the year ended 31 December 2006 (2005: HK1.9 cents) to shareholders whose names appear in the register of members on 18 May 2007. The final dividend is subject to the approval of shareholders at the Annual General Meeting to be held on 18 May 2007. The Group's long-term dividend policy will be not less than 30% of its net profit for each financial year. However, the board of directors will review the dividend policy from time to time in order to provide an attractive return to our shareholders.

Closure of Register of Members

The Company's share register will be closed from 14 May 2007 to 18 May 2007, both dates inclusive. During which, no transfer of shares will be registered. Dividend cheques will be dispatched to shareholders on or about 28 May 2007. In order to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Standard Registrars Limited, at Level 25, Three Pacific Place, 1 Queen's Road East, Hong Kong not later than 4:00 p.m. on 11 May 2007.

BUSINESS REVIEW

Composite Components Business

Composite components business has remained the Group's major source of revenue in 2006 and contributed to around 77.4% of the Group's total income. In 2006, the revenue of this segment has amounted to HK\$473,110,000, 9.1% down from last year's HK\$520,269,000. The lower revenue was mainly the result

投資活動

截至二零零六年十二月三十一日止年度，本集團並無任何收購或出售附屬公司及聯營公司之重大事項。

資產抵押

於二零零六年十二月三十一日，本集團並無抵押任何資產予銀行，以取得133,400,000港元之銀行備用信貸額（二零零五年：104,000,000港元）。

或然負債

本集團於二零零六年及二零零五年十二月三十一日並無任何重大或然負債。

僱員及酬金政策

於二零零六年十二月三十一日，本集團約有1,951名僱員（二零零五年：2,092名），其中22名駐守香港（二零零五年：41名），1,828名駐守中國（二零零五年：1,968名），而101名則駐守韓國（二零零五年：83名）。

截至二零零六年十二月三十一日止年度，由於本集團擴展於韓國的業務，員工成本上升至89,467,000港元（二零零五年：74,064,000港元）。本集團僱員之酬金是根據表現、工作經驗及市況釐定。除基本薪金及退休計劃，員工福利亦包括醫療計劃、酌情購股權及表現花紅。

擬派末期股息

董事會建議派付截至二零零六年十二月三十一日止年度末期股息每股1.1港仙（二零零五年：1.9港仙）予於二零零七年五月十八日記錄在股東名冊上的股東。末期股息須待股東在即將於二零零七年五月十八日舉行的股東週年大會上批准後方告作實。本集團的長期派息政策將為不少於每個財政年度溢利淨額30%。然而，董事會將不時檢討股息政策，確保為股東提供吸引的回報。

暫停辦理股份過戶登記手續

本公司股份過戶登記處將於二零零七年五月十四日至二零零七年五月十八日（包括首尾兩日）暫停開放，期間不會辦理任何股份過戶登記手續，股息支票將會於二零零七年五月二十八日或相近日子寄發予股東。為符合收取末期股息之資格，所有填妥之股份過戶表格連同有關股票，最遲須於二零零七年五月十一日下午四時正前送達本公司之股份過戶登記處標準證券登記有限公司，地址為香港皇后大道東1號太古廣場3座25樓。

業務回顧

複合元件業務

複合元件業務仍為本集團二零零六年度收益的主要來源，佔本集團總收入約77.4%。於二零零六年，本分部的收益為473,110,000港元，較去年度520,269,000港元下降9.1%。收益下降乃主要由於家用及可攜式裝置的調諧器模組收益下降。然而，汽車音響調諧器模組的銷售額持續取得滿意增長。

of a drop in revenue from tuner modules for home audio and portable devices. Sales of tuner modules for car audio, however, has recorded a satisfactory level of growth.

The Group's persistent efforts in expanding market share by strengthening ties with existing and new customers pushed up sales of tuner modules for car audio by a marked 41.1% to HK\$103,580,000. With our constant improvement in product quality and strong backing from our research and development centre to provide localized technical support, thereby sharpening the competitive edge during the year, the Group has earned the continuous support from existing customers and orders from new customers. Building on our solid business foundation, the Group is ready to capture additional business opportunities in the future.

As for tuner modules for home audio, serving a mature home audio equipment market ridden with competition from different types of alternative portable devices, sales dropped from last year's HK\$304,813,000 to HK\$245,076,000, accounting for 51.8% of the total turnover of the composite components business. During the year, the turnover of tuner modules

for portable devices was HK\$19,443,000, down 64.4%, a result of more portable devices incorporating tuner function into chip-on-board and fewer devices such as MP3 players requiring radio function.

Launched in 2005, wireless solutions, including wireless speaker systems and microphones, have reported a slight growth of 1.3% in turnover to HK\$45,470,000 in 2006. The products are mainly supplied to leading electronic product companies and most of them are installed in the final products. The sales of switching mode power supply ("SMPS") products has reduced by 60.9% to HK\$5,806,000 in 2006 mainly due to the Group's strategic phaseout of SMPS for audio segment as a separate product.

Turning to digital products, the Group has launched digital tuner modules for digital multimedia broadcasting ("DMB") in navigation systems and personal multimedia players ("PMP") for Korea market. Though both are relatively new products, they have gained satisfactory market share in their respective markets so far, and as such have enabled the Group to expand our overall market share. Turnover from the digital tuner modules for DMB and digital audio broadcasting

("DAB") was HK\$27,530,000 in 2006. Though contributions from the two new products are still relatively small, the Group is confident in their market potentials and in capturing the demands for them.

Aside from the new products of digital tuner modules for DMB and DAB, the Group has been actively on process research and development activities for new products development such as global positioning system ("GPS") engines, MP3 decoders for car audios, Bluetooth modules, and digital tuner modules for Integrated Services Digital Broadcasting - Terrestrial ("ISDB-T"), a Japanese digital multimedia broadcasting standard, to make the Group's product mix rich and diversified.

Unit Electronic Components Business

The revenue from unit electronic components business has amounted to HK\$138,105,000 in 2006, 7.7% more than HK\$128,290,000 in 2005. It accounts for 22.6% of the Group's total turnover. The increase in sales of unit electronic components mainly stemmed from increased the contribution from new products launch of antenna and increased regional market share of transformers during the year.

本集團不斷致力提升其市場份額，藉穩固與現有及新客戶的關係將汽車音響調諧器模組的銷售額大幅推高41.1%至103,580,000港元。於本年度內，憑藉本集團繼續提升產品質素，以及研發中心作為強大後盾，提供地區性技術支援，大大提升了本集團的競爭力，並使本集團繼續贏得現有客戶的信任，以及來自新客戶的訂單。憑藉穩固的業務基礎，本集團已作好準備於短期內吸納更多新商機。

就家用音響調諧器模組而言，家用音響設備市場經已成熟，不同種類可攜式裝置帶來激烈競爭，其銷售額由去年304,813,000港元下降至245,076,000港元，佔複合元件業務總營業額的51.8%。年內，可攜式裝置調諧器模組的營業額為19,443,000港元，下降64.4%，此乃由於越來越多可攜式裝置將調諧器功能加入底板的晶片上，且現今的裝置（如MP3播放器）較少需要收音機裝置。

於二零零五年推出的無線方案包括無線揚聲器系統及擴音器系統於二零零六年的營業額為45,470,000港元，錄得1.3%的輕微增長。該產品主要提供予頂尖電子產品公司，當中大部分均安裝於最終產品。電源開關器（「SMPS」）產品於二零零六年的銷售額下降60.9%至5,806,000港元，此乃由於本集團有策略地將用於音響分部電源開關器變為一種獨立產品。

於數碼產品方面，本集團於韓國推出數碼多媒體廣播（「DMB」）數碼調諧器模組，其應用於導航系統及個人多媒體播放器（「PMP」）。儘管該等為相對較新的產品，但目前已於彼等各自的市場中取得滿意的佔有率，而本集團因而得以擴大其整體市場佔有率。DMB及數碼音響廣播（「DAB」）調諧器模組於二零零六年的營業額為27,530,000港元。儘管來自該兩項新產品的貢獻對集團整體仍相對較少，本集團對其市場潛力充滿信心，並相信能取得來自有關需求的商機。

除應用於DMB及DAB的新產品數碼調諧器模組外，本集團已積極為開發全球定位系統（「GPS」）機器、汽車音響MP3解碼器、藍芽調諧器模組、用於日本數碼多媒體廣播標準之綜合服務數碼地面廣播（「ISDB-T」）的數碼調諧器模組等新產品進行研發活動，以使本集團的產品組合更加豐富及更多元化。

單位電子元件業務

於二零零六年，單位電子元件業務的收益為138,105,000港元，較二零零五年的128,290,000港元上升7.7%，佔本集團總營業額的22.6%。單位電子元件的銷售額上升乃主要由於年內推出新天線產品及轉換器的地區市場佔有率擴大所帶來的貢獻所致。

Prospects

Looking forward, tuner modules for car audio, a product with relatively high potential, will continue to be the Group's growth driver. Currently, the Group has a relatively small market share, but demand for the products in underdeveloped and developing countries is rising continuously. The Group will continue to strengthen collaboration with key customers in before and after car audio markets around the world. To capture opportunities arising from digitalization of consumer products, the Group will try to maintain growth in the sales of tuner modules for car audio and try to recapture demands for tuner modules for home audio with digital tuner modules such as DMB, DAB and hybrid digital radio ("HD Radio").

With the successful launch in Korea of digital tuner modules for DMB in navigation systems, PMP and car multimedia that have navigation functions, the Group expects strong growth both in terms of sales and market share in 2007. Drawing from the experience in Korea, the Group will modify and enhance the technology while applying it to other overseas markets.

In June 2006, the Group has signed an intellectual property license and marketing support

contract with iBiquity Digital Corporation ("iBiquity") in the United States to develop tuner modules for HD Radio. Taking advantage of the strategic alliance between United States radio broadcasters and iBiquity in addition to the demand for hybrid broadcasting of analog and digital in tandem, the Group expects to generate its revenues from the tuner modules for HD Radio in the years to come.

In 2006, the Group has invested substantial capital and human resources into research and development - comparable to 6.6% of the Group's total revenue - for the development and enhancement of various technologies and applications, especially those related to digital products. These efforts are a long-term commitment of the Group and will empower the Group in meeting the ever-changing demands in the digital era. The Group will, at the same time, remain prudent in financial management and cost control while keeping an eye for opportunities that ensure its continuous growth and expansion in the business.

Corporate Social Responsibility

The Company believes, as a good corporate citizen, it has the responsibility to help improve social well-being. In 2006, the Company donated a total of HK\$1,560,000 (2005:

HK\$1,345,000) to charity to promote the welfare of the needy. The Group is attentive to the health and work safety of its staff and treats its employees fairly.

The Group conforms to the European Union's green requirements including the Restriction of Hazardous Substances ("RoHS") on manufacturing activities for all its products, and provides adequate health and work safety training to all its managers and employees. The Group maintains appropriate safety systems and effective control to minimise staff exposure to potentially hazardous materials or adverse conditions at work. The Group also ensures employees enjoy equal opportunities, and does not tolerate any form of harassment or discrimination in respect of employment and occupation.

Appreciation

On behalf of the management, I wish to thank our customers, suppliers, business associates and shareholders for their support. I would also like to express my special thanks to our staff for their invaluable service and contribution last year.

Yang Jai Sung
Chief Executive Officer

Hong Kong, 17 April 2007

前景

展望未來，潛力較高的汽車音響調諧器模組產品仍為本集團的增長動力。現時，本集團所佔的市場份額較少，但未發展及發展中國家對該產品的需求持續上升。本集團將繼續加強與全球汽車音響市場主要客戶的合作。為把握消費產品數碼化所帶來的商機，本集團將繼續嘗試維持汽車音響調諧器模組的銷售增長，並希望藉DMB、DAB及混合式數碼收音機（「HD收音機」）的數碼調諧器模組重奪家用音響調諧器模組市場。

隨著於韓國成功推出DMB數碼調諧器模組（應用於導航系統，以及具備導航功能的PMP及汽車多媒體），本集團預期，於二零零七年在銷量及市場佔有率上將有強勁增長。憑藉於韓國市場的經驗，本集團將把技術改良及提升並應用於其他海外市場。

於二零零六年六月，本集團與美國的iBiquity Digital Corporation（「iBiquity」）簽訂知識產權許可及市場推廣支援

合約，發展用於HD收音機的調諧器模組。除類比及數碼混合廣播所帶來的需求外，連同美國廣播電台與iBiquity的策略關係所帶來的優勢，本集團預期HD收音機調諧器模組能為其帶來收入。

於二零零六年，本集團投放大量資本及人力資源於研發方面，動用本集團總收益約6.6%於發展及提升各種技術及應用，尤其為有關數碼產品方面。本集團將繼續作出上述長遠投資，其有助迎合數碼化年代瞬息萬變的產品需求。與此同時，本集團將繼續實施審慎的財務管理及成本控制，並留意能令確保其業務繼續取得增長及擴展的商機。

企業社會責任

本公司相信，作為良好企業公民，其有責任為社會建設出一分力。於二零零六年，本集團作出慈善捐款合共1,560,000港元（二零零五年：1,345,000港元），以提升有需要人士的福

利。本集團一向關注員工的健康及職業安全，並會平等對待僱員。

本集團遵守歐盟的環保規定，包括就其所用產品的製造活動遵守有害物質限制使用（「RoHS」），以及向所有經理及僱員提供充足的健康及工作安全培訓。本集團亦設有適當的安全系統及有效控制措施，以減低僱員接觸有害物質或處於惡劣工作環境。本集團確保各僱員均享有平等機會，且絕不容忍有關就業及職業的任何騷擾或歧視行為。

致謝

本人謹代表管理層，向集團客戶、供應商、業務聯繫人及股東的支持致謝。本人亦謹此向集團員工去年的寶貴服務及貢獻致以特別謝意。

行政總裁

梁在星

香港，二零零七年四月十七日