

Management Discussion and Analysis

管理層之討論與分析

Our results for the year ended 31 December 2006 reflected increases in turnover, gross profit and net profit from that of the year ended 31 December 2005. Turnover was HK\$473.12 million, compared with HK\$438.76 million in 2005. Gross profit was HK\$208.25 million, compared with HK\$191.56 million in 2005. Net profit was HK\$133.60 million, compared with HK\$62.30 million in 2005. Earnings per share was HK\$0.083, compared with earnings per share of HK\$0.047 in 2005 (after the adjustment for the effect of share subdivision on 29 June 2006).

We have achieved a good balance in revenue growth from our four business segments as reflected by the revenue and contribution recorded for each segment.

Cash flows from operations were HK\$84.37 million, compared with HK\$74.60 million for 2005. With regard to our balance sheet, at the end of 2006, total assets as at 31 December 2006 amounted to HK\$847.11 million, compared with HK\$313.74 million as at 31 December 2005. Current assets as at 31 December 2006 was HK\$737.05 million, compared with HK\$275.77 million as at 31 December 2005.

Financial solutions, services and related products

During the year, the business segment recorded a turnover of HK\$164.47 million (2005: HK\$157.78 million) and profit of HK\$30.91 million (2005: HK\$13.10 million). The segmental profit has increased by 136% as compared to last year.

During the first half of this year, the Group increased expenses in new business lines, which bought in distinguished opportunities and remarkable benefits in the second half of the year. During the year, the financial solutions and consultancy services for ICBC (Asia), as well as, People's Bank of China, Bank of Communications and Bank of China were implemented smoothly.

本集團截至二零零六年十二月三十一日止年度的業績反映營業額、毛利及純利較截至二零零五年十二月三十一日止年度均有上升。營業額為473,120,000港元，相較二零零五年則為438,760,000港元。毛利為208,250,000港元，相較二零零五年則為191,560,000港元。純利為133,600,000港元，相較二零零五年則為62,300,000港元。每股盈利為0.083港元，相對二零零五年每股盈利則為0.047港元（經二零零六年六月二十九日股份分拆之影響作出調整）。

本集團在其四大業務分類收入增長中取得良好平衡，自每項分類均錄得盈利及貢獻可見。

來自業務之現金流量為84,370,000港元，相較二零零五年則為74,600,000港元。至於資產負債表方面，於二零零六年底，總資產於二零零六年十二月三十一日為847,110,000港元，較於二零零五年十二月三十一日則為313,740,000港元。流動資產於二零零六年十二月三十一日為737,050,000港元，較於二零零五年十二月三十一日則為275,770,000港元。

金融解決方案、服務及相關產品

年內，此業務分類錄得營業額164,470,000港元（二零零五年：157,780,000港元）及溢利30,910,000港元（二零零五年：13,100,000港元）。分類溢利較去年增加136%。

於本年度上半年，本集團所增加新業務之開支，為下半年帶來難得機遇及可觀利益。年內，本集團為中國工商（亞洲）銀行以及中國人民銀行、交通銀行及中國銀行提供之金融解決方案及顧問服務均順利實行。

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The Group was actively expanding into new business opportunities in the financial sector, achieving significant progress in signing cooperation agreement with bank. In certain cities, we have begun the installation and operation of ATM machines and have accomplished what we expected. We experienced short term negative contribution from the new division and will endeavour to strive for growing the division. We believe upon reaching a critical mass, the division will make significant contribution to the Group in the long run.

Given the astonishing growth and development of the banking sector in China, management believes that the Group has various business opportunities for the provision of system integration services, financial solutions and consultancy services, as well as the establishment and expansion of ATM networks in the coming years.

Electronic payment solutions and products

Turnover and profit recorded during the year were HK\$197.84 million (2005: HK\$133.07 million) and HK\$30.08 million (2005: HK\$12.91 million) respectively. Total shipment increased by 72% on a year-on-year basis.

Management is pleased to note the remarkable performance in the turnover and profit which demonstrated a development trend of advancing in unison. The rapid growth of electronic payment products and services was benefited from the positive exploration of both the Mainland China market and the international market. During the current year, the shipment for Mainland China market accounted for 85% of the total shipment, while that of international market was 15% of the total shipment.

It is a major global trend to move towards electronic payment methods and away from the traditional cash and checks transactions. The accelerating usage of credit and debit card based payments is the key driver to the growth of electronic payment solutions and products. Therefore, management believes that the potential growth is significant.

本集團積極在金融界開拓嶄新商機，與銀行簽訂合作協議方面亦取得重大進展。本集團已在若干城市開始安裝及操作自動櫃員機，並取得預期成果。本集團在此項新業務錄得短期虧損，儘管如此，本集團將致力令此業務達致增長。本集團深信，在達致一定規模後，此業務定能為本集團帶來重大貢獻。

鑑於中國銀行業增長及發展速度一日千里，管理層相信，本集團能掌握無數商機，得以於未來數年提供系統集成服務、金融解決方案與顧問服務，以及設立及擴充自動櫃員機網絡。

電子付款解決方案及產品

年內錄得之營業額及溢利分別為197,840,000港元（二零零五年：133,070,000港元）及30,080,000港元（二零零五年：12,910,000港元）。總出貨量按年上升72%。

營業額及溢利均表現卓越，彰顯同步躍升之發展趨勢，管理層對此深感欣喜。本集團於中國內地及國際市場開拓業務，成績理想，帶動電子付款產品及服務急速增長。於本年度，中國內地出貨量佔總出貨量85%，而國際市場則佔總出貨量15%。

逐步以電子付款方式取代傳統現金及支票交易，乃全球主要趨勢。日趨普及的信用卡及借記卡付款模式，乃電子付款解決方案及產品增長之主要推動力。因此，管理層相信，此項業務具龐大增長潛力。

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Following the positive progress of the strategy of China market, Olympic Game, management considers that the volume of credit card issuance in Mainland China will be growing rapidly. The environment/infrastructure of credit card usage will also be further improved.

These factors will sustain to drive the market demand for electronic payment solutions and products. In the coming future, it is envisaged the electronic payment products and services will attain a more considerable development.

Telecommunication solutions, services and related products, information technology operation value-added services and related products

During the year 2006, the turnover and profit recorded were HK\$110.81 million (2005: HK\$147.76 million) and HK\$44.60 million (2005: HK\$68.02 million) respectively. The main reasons for the drop in turnover and profit was the change in the revenue sharing scheme and certain policy changes implemented by China Mobile under the directives of China's Ministry of Information Industry (the "MII") that negatively impacted our IVR business.

During the year, China Mobile have implemented certain policy changes under the directives of the MII. These policy changes aim to address a number of issues, including reducing customer complaints, increasing customer satisfaction and promoting the healthy development of the IVR platform. Coupled with the works in migrating of platforms of all Service Providers to our platform, these policies had led to short term negative impact to our IVR business in the second half of 2006.

Despite these negative impacts, the market size of the IVR business continued to expand further. Taking out the effect of the decrease in revenue sharing percentage, the Group's IVR platform maintained its business volume as compared to last year. Management considers that following the continuous expansion of the business scale and the migration of the IVR platform, the IVR business will be able to achieve outstanding performance in the long run.

隨著中國市場策略及籌辦奧運之工作順利進行，管理層認為，中國內地信用卡發卡量將迅速攀升，而使用信用卡之環境／基建亦將進一步改善。

此等因素亦將持續帶動電子付款解決方案及產品之市場需求上升。展望未來，預計電子付款產品及服務將取得更理想發展。

電訊解決方案、服務及相關產品、資訊科技運營增值服務及相關產品

於二零零六年度錄得之營業額及溢利分別為110,810,000港元（二零零五年：147,760,000港元）及44,600,000港元（二零零五年：68,020,000港元）。營業額及溢利下降，主要原因為收入分成比例有變及中國移動按中國信息產業部（「信息產業部」）之指示推行若干政策變動，對本集團語音互動業務造成負面影響。

年內，中國移動在信息產業部之指示下作出若干政策變動。此等政策變動旨在針對多個問題，包括減少顧客投訴、提高顧客滿意度及令語音互動平台穩健發展。加上所有服務供應商割接至本集團平台，此等政策於二零零六年下半年對語音互動業務造成短期不利影響。

儘管面對此等負面影響，語音互動業務之市場規模仍不斷擴大。撇除收入分成比例下調之影響，本集團語音互動平台之業務流量跟去年保持平穩。管理層認為，不斷擴充業務規模及割接語音互動平台後，長遠而言，語音互動業務將達致突出表現。

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PROSPECT

In 2007, following the completion of the construction of several commercial core banking systems in China and Hong Kong, our level of expertise and market position in this niche market has been greatly enhanced. We will continue to strengthen our market position and technical expertise in the banking solution. Based on the established market position and experience, we have been engaged in the initial preparation for the ATM and electronic fund transfer POS operation services as well as outsourcing for the financial institutions.

In the telecommunication front, we will keep innovating to adapt to the ever-changing environment in order to provide first class value-added platform operation for our partners. New technology based on 3G communication are well prepared and several new products and services for mobile service delivery are also under development. Further resources in these areas will be invested in the coming years.

展望

於二零零七年，隨著本集團於中國及香港完成多項核心銀行系統之建設後，本集團於此專門市場上之技能和市場地位均大大提升。本集團將繼續鞏固其市場地位，並增強銀行解決方案之專業知識。建基於固有之市場地位及經驗，本集團著手籌辦專為金融機構而設之自動櫃員機及電子支付運營服務與外包項目。

於電訊業務方面，本集團將不斷創新，配合瞬息萬變之環境，務求為合作夥伴提供頂級增值平台運營服務。以3G通信為基礎之新技術已準備就緒，另就提供移動通訊服務研發之多項新產品及服務亦正在開發中。本集團將於未來數年在此等範疇投放更多資源。

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In addition, the Group also actively seeks opportunities for expansion. On 10 February 2007, the Company entered into a sale and purchase agreement pursuant to which the Company conditionally agreed to procure the acquisition of the entire registered capital of the Hualong Group, which represents a group of companies comprising Baifu Hualong which holds Hualong Electronic and Hualong Information, and Pacific Sheen and their respective subsidiaries, for a total consideration of RMB300.7 million (equivalent to approximately HK\$302.9 million) (the “Hualong Acquisition”). The Directors are of the view that the entering into of the Hualong Agreement allows the Group to diversify its business to the electronic power meters and solutions industry. The Directors believe that demand for power meters and solutions will experience significant growth given the booming PRC economy which in turn drives the need to replace the traditional mechanical meters with more technologically advanced and automated electronic meters. Given the profitable track record of the Hualong Group, the Directors consider that the Hualong Acquisition will strengthen the Group’s revenue and profit base. The Directors further believe that the Hualong Acquisition will allow the Hualong Group to leverage on the Group’s management, sales and solution implementation experience, particularly in high end solution execution and cooperation and developing the overseas market.

With these exciting opportunities as well as challenges, the Group will maintain its top quality services and products and encourage innovations in order to maintain sustainable development.

此外，本集團亦正積極尋求擴充業務的機會。於二零零七年二月十日，本公司訂立買賣協議，據此，本公司有條件地同意促使收購華隆集團全部註冊股本，華隆集團由多家公司組成，包括持有華隆電子及華隆信息技術之百富華隆、富順國際及彼等各自之附屬公司，總代價為人民幣300,700,000元（約相當於302,900,000港元）（「華隆收購」）。董事認為，訂立華隆協議致令本集團業務多元化擴展至電子式電能表及解決方案行業。中國經濟蓬勃發展，先進自動電子式電能表將逐步取代傳統機械電能表，有見及此，董事相信，電能表及解決方案之需求將大幅增長。鑑於華隆集團往績均錄得盈利，董事認為，華隆收購將加強本集團之收益及盈利基礎。董事進一步相信，華隆收購有助華隆集團善用本集團之管理、銷售及解決方案實施經驗，特別是執行及合作製作高科技解決方案，以及開發海外市場方面。

面對此等令人振奮之機遇及挑戰，本集團將繼續提供高優質服務及產品，並鼓勵創新，以維持業務持續發展。

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Liquidity and Financial Resources

As at 31 December 2006, the Group reported total assets of HK\$847.11 million (2005: HK\$313.74 million), which were financed by total liabilities of HK\$167.44 million (2005: HK\$186.31 million) and equity of HK\$679.67 million (2005: HK\$127.43 million). The net asset value was HK\$679.67 million (2005: HK\$127.43 million). It amounted to HK\$0.36 per share as compared to HK\$0.10 per share as at 31 December 2005 (adjusted for the effect of share subdivision on 29 June 2006).

As at 31 December 2006, the Group had cash of HK\$528.08 million (2005: HK\$156.58 million) and short term borrowings of HK\$7 million (2005: HK\$48.08 million). The net cash position as at that date was HK\$521.08 million as compared to HK\$108.50 million as at 31 December 2005. The short term borrowings included short term bank loan to fund the Group's working capital requirements. As at 31 December 2006, the Group had financial liability portion of convertible preference shares issued by a subsidiary of HK\$22.49 million (2005: HK\$21.17 million). The gearing ratio (defined as total borrowings divided by shareholders' equity) was 0.04 compared to 0.54 as at 31 December 2005. The gearing ratio is considered healthy and suitable for the continued growth of the Group's business.

Capital Structure and Details of Charges

As at 31 December 2006, the Group's short term borrowings included short term bank loan which was denominated in Renminbi, amounting to RMB7 million. The short term bank loan was charged at interest of 6.8% per annum.

As at 31 December 2006, the financial liability portion of convertible preference shares issued by a subsidiary was HK\$22.49 million (2005: HK\$21.17 million) which was denominated in Hong Kong dollars and the effective interest rate was 8.27% per annum.

流動資金及財務資源

於二零零六年十二月三十一日，本集團錄得資產總額為847,110,000港元（二零零五年：313,740,000港元），相應負債總額為167,440,000港元（二零零五年：186,310,000港元）及權益總額679,670,000港元（二零零五年：127,430,000港元）。資產淨值則為679,670,000港元（二零零五年：127,430,000港元）。每股資產淨值為0.36港元，相對於二零零五年十二月三十一日則為每股0.10港元（經就二零零六年六月二十九日進行股份分拆之影響作出調整）。

於二零零六年十二月三十一日，本集團有現金528,080,000港元（二零零五年：156,580,000港元）及短期借貸7,000,000港元（二零零五年：48,080,000港元）。於該日之現金淨額狀況為521,080,000港元，相對二零零五年十二月三十一日則為108,500,000港元。短期借貸包括短期銀行貸款，乃撥作應付本集團營運資金需求。於二零零六年十二月三十一日，本集團擁有由一家附屬公司發行的可換股優先股財務負債部分22,490,000港元（二零零五年：21,170,000港元）。資本負債比率（界定為借貸總額除股東資金）為0.04，相對二零零五年十二月三十一日則為0.54。此資本負債比率屬穩健，且符合本集團業務持續增長之需要。

資本架構及抵押詳情

於二零零六年十二月三十一日，本集團之短期借貸包括以人民幣列值之短期銀行貸款人民幣7,000,000元。短期銀行貸款按年利率6.8厘計息。

於二零零六年十二月三十一日，本公司以港元列值之一家附屬公司發行的可換股優先股的金融負債部分為22,490,000港元（二零零五年：21,170,000港元），實際利率為每年8.27厘。

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Approximately HK\$76.04 million, HK\$342.28 million and HK\$109.76 million of the Group's cash balances were denominated in Renminbi, Hong Kong dollar and US dollar respectively as at 31 December 2006.

As at 31 December 2006, short term bank loans of RMB7 million were secured by the leasehold land and building of a subsidiary of the Company and the corporate guarantee from an independent third party, 深圳市高新技術投資擔保有限公司 (Shenzhen High and New Technology Investment Guarantee Company Limited).

Exchange Rates Exposure

The Group derives its revenue, makes purchases and incurs expenses denominated mainly in US dollars, Renminbi and Hong Kong dollars. Currently, the Group has not entered into agreements or purchased instruments to hedge the Group's exchange rate risks. Any material fluctuation in the exchange rates of Hong Kong dollar or Renminbi may have impact on the operating results of the Group.

Contingent Liabilities

The Group had no contingent liability as at 31 December 2006.

Employees

The total number of employees of the Group as at 31 December 2006 was 799. The breakdown of employees by division is as follows:

Financial solutions, services and related products
Electronic payment solutions and products
Telecommunications solutions, services and related products
and information technology operation value-added services
Corporate office

於二零零六年十二月三十一日，本集團之現金結餘分別約76,040,000港元、342,280,000港元及109,760,000港元乃分別以人民幣、港元及美元列值。

於二零零六年十二月三十一日，為數人民幣7,000,000元之短期銀行貸款乃以本公司之一家附屬公司之租賃土地及樓宇，以及獨立第三方深圳市高新技術投資擔保有限公司之公司擔保作抵押。

匯率風險

本集團產生之收益、進行採購或支付之費用主要以美元、人民幣及港元列值。目前，本集團並無訂有任何協議或購買任何工具對沖本集團之匯率風險。倘港元或人民幣之匯率出現任何重大波動，均可能對本集團之經營業績造成影響。

或然負債

於二零零六年十二月三十一日，本集團並無任何或然負債。

僱員

本集團於二零零六年十二月三十一日之僱員總數為799人。僱員按部門細分如下：

金融解決方案、服務及相關產品	356
電子支付解決方案及產品	147
電訊解決方案、服務及相關產品及 資訊科技運營增值服務	280
企業辦公室	16
	799

The Group ensures that its remuneration packages are comprehensive and competitive. Employees are remunerated with a fixed monthly income plus annual performance related bonuses. The Group also sponsors selected employees to attend external training courses that suit the needs of the Group's businesses.

本集團確保其薪酬待遇全面且具有競爭性，而僱員之薪酬包括每月固定薪金，另加與表現有關之年度花紅。本集團亦資助獲挑選之僱員參與符合本集團業務所需之外界培訓課程。