

Management Discussion & Analysis

管理層之討論及分析

ANALYSIS OF THE GROUP'S PERFORMANCE

During the year, the Group has adopted the newly effective Hong Kong Financial Reporting Standards. As a result, certain comparative figures for the year ended 31st December, 2005 have been restated.

For the year ended 31st December, 2006, the Group had consolidated the results of the subsidiaries carrying on manufacturing and trading of batteries products and related accessories, investment in securities holding and advance as well as sand mining activities in the People's Republic of China. The operation of sand mining was discontinued during the year following the Group Reorganisation.

The revenue of the Group for the year ended 31st December 2006 totaled HK\$32.8 million, a slight decrease of 1.2% from HK\$33.2 million as compared to the financial year ended in 2005. The revenue for the year was mainly generated from the manufacturing and trading of batteries products and related accessories. The production and sales in China's battery industry remained fairly stable in 2006 but the international competition in battery market remained keen and pricing was still under competitive pressure which had negatively impacted the revenue of the Group. The Group nevertheless continued to embark on new efficiency and cost cutting measures to minimise the effects of such negative external influences.

The consolidated net loss attributable to equity holders of the parent for the year ended 31st December 2006 decreased from approximately HK\$81.8 million for the same year ended in 2005 to approximately HK\$38.4 million in the current year of 2006. There was notable decrease in the areas of administrative expenses as well as other expenses which resulted from lower allowance for loans and interest receivables being recognised during the year. The net loss incurred for the current year was mainly attributable to the loss on dilution of interest in an associate.

本集團業績分析

年內，本集團已採納新生效之香港財務報告準則。因此，截至二零零五年十二月三十一日止年度之若干比較數字經已重列。

截至二零零六年十二月三十一日止年度，本集團已綜合於中華人民共和國從事電池產品及相關配件之製造及買賣業務、證券投資、墊款及採砂活動之附屬公司業績。採砂業務於本年度集團重組後終止。

本集團截至二零零六年十二月三十一日止年度之收入共32,800,000港元，較二零零五年財政年度33,200,000港元輕微下跌1.2%。年內收入主要來自電池產品及相關配件之製造及買賣業務。中國電池業於二零零六年維持穩定生產及銷售，但由於國際間競爭維持激烈，以及在定價上備受競爭壓力，因此為本集團收入帶來負面影響。然而，本集團持續從事新之效率及成本控制措施以減少該等負面因素之影響。

截至二零零六年十二月三十一日止年度，母公司股權持有人應佔之綜合虧損淨額由二零零五年度約81,800,000港元減少至二零零六年度約38,400,000港元。於年內行政費用及其他支出範圍之明顯減少乃由於確認之應收貸款及利息撥備減少。本年度虧損淨額主要由於攤薄一間聯營公司虧損所致。

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LIQUIDITY AND FINANCIAL RESOURCES

During the financial year of 2006, the Group financed its operations mainly through cash generated from its business activities, banking facilities provided by its principal bankers and external borrowings. As at 31st December, 2006, the Group had working capital calculated by current assets less current liabilities of approximately HK\$0.2 million and the current ratio decreased to 1.00, compared with working capital of approximately HK\$755.7 million and current ratio of 3.68 as at 31st December 2005.

In the fiscal year of 2006, the net cash used in operating activities was approximately HK\$27.7 million compared with HK\$11.8 million used in operating activities in the same period of 2005. The net cash used in investing activities and used in financing activities in the fiscal year of 2006 was approximately HK\$58.3 million and HK\$15.7 million, respectively; compared with the net cash from investing activities approximately HK\$56.9 million and net cash used in financing activities HK\$45.4 million, respectively, in the same period of 2005.

The Group's short-term bank overdraft and bank borrowings increased from approximately HK\$8.6 million as at 31st December 2005 to approximately HK\$12.9 million as at 31st December 2006, representing an increase of 50%. There were no long-term bank loans and other borrowings as at 31st December 2006 and 31st December 2005. The gearing ratio, calculated to the total long-term borrowing bank loans and other borrowing divided by total shareholders' funds, remains nil as at 31st December 2006 and 31st December 2005. As at 31st December 2006, the Group's total borrowings of approximately HK\$12.9 million were mainly denominated in Hong Kong dollar, the maturity profile were all within one year, and bear interest at floating rates.

Capital expenditure aggregated to approximately HK\$34.2 million for the year ended 31st December 2006 and was used primarily for purchasing of property, plant and equipment. The Group's capital expenditures will continue to be funded primarily by internal resources or external borrowings or a combination of both as required.

Cash and bank balances and pledged bank deposits amounted to approximately HK\$10.1 million as at 31st December, 2006, and is mainly denominated in Hong Kong dollars. During the year ended 31st December 2006, the Group did not experience significant exposure to exchange rate and interest rate fluctuations. As a result, the Group did not enter into any material foreign exchange contracts, currency swaps or other financial derivatives.

流動資金及財務資源

於二零零六年財政年度，本集團主要以業務活動所得現金及主要往來銀行與對外借款提供之銀行信貸作為營運資金。於二零零六年十二月三十一日，本集團按流動資產減流動負債計算之營運資金約為200,000港元，而流動比率減少至1.00，相較於二零零五年十二月三十一日之營運資金則約為755,700,000港元及流動比率約為3.68。

於二零零六年財政年度，經營業務所用現金淨額約為27,700,000港元，相較二零零五年度經營業務所用現金淨額為11,800,000港元。於二零零六年財政年度，投資業務及融資活動所用現金淨額分別約為58,300,000港元及15,700,000港元；相較二零零五年度投資業務提供之現金淨額約56,900,000港元及融資活動所用之現金淨額約45,400,000港元。

本集團之短期銀行透支及銀行借貸由二零零五年十二月三十一日約8,600,000港元，增加至二零零六年十二月三十一日約12,900,000港元，增幅為50%。於二零零六年十二月三十一日及二零零五年十二月三十一日，概無長期銀行貸款及其他借貸。資本負債比率（即長期銀行貸款與其他借貸之總額除以股東資金總額），於二零零六年十二月三十一日及二零零五年十二月三十一日維持於零港元。於二零零六年十二月三十一日，本集團之總借貸約12,900,000港元，主要以港元計值，還款期全部均於一年內，以浮動息率計算。

於截至二零零六年十二月三十一日止年度，資本開支合計約34,200,000港元，並主要用於購置物業、廠房及設備。本集團之資本開支將主要繼續以內部資源或向外借款或於需要時結合兩者而撥付。

於二零零六年十二月三十一日，現金及銀行結餘及已抵押銀行存款約達10,100,000港元，主要以港元計值。於截至二零零六年十二月三十一日止年度，本集團概無遇到重大匯率及利率波動風險。因此，本集團並無訂立任何重大外匯合約、貨幣掉期或其他金融衍生工具。

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SIGNIFICANT INVESTMENT

Super Energy Group Limited

Super Energy Group Limited (“Super Energy”) is principally engaged in the manufacturing and trading of batteries products and related accessories. Its major products are the primary battery and the rechargeable battery. Super Energy is also actively engaged in new product development by introducing the latest technology into its products.

Since 2004, all Super Energy batteries are manufactured in compliance with the standards of ISO 9001 and Super Energy provides full range of batteries free mercury and cadmium and proud to present its invention of “No Mercury Button Cell Battery” and “Lithium-Ion Battery” are representing high quality, high capacity and advance technology.

Over the years, Super Energy insists on quality production as the crucial path to gain reputation. In order to produce high quality and reliable batteries, high-level vertical integration is employed in our manufacturing process. Starting from electro-plating of metal case, plastic injection, all processes are manufactured and controlled by experienced teams.

A new factory is scheduled to set up in the coming year and occupy over 110,000 square meters. The new set up of the factory are fully equipped with advanced machinery based on the best combination of Japanese and European technologies and facilities. Direct and onsite supervision from our technical experts will ensure that highest quality and efficiency are achieved.

With the recovery of the world economy, the import and export of the battery products in China has increased. For the coming future, Super Energy aspires to achieving further growth in revenue by introducing more high margin products.

NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEME

As at 31st December, 2006, the Group employed approximately 165 staff, remuneration packages comprised of salary and year-end bonuses based on individual merits.

No options were granted or exercised during the year ended 31st December, 2006.

重要投資

超量集團有限公司

超量集團有限公司(「超量」)主要從事電池產品和相關配件之製造產銷。其主要產品為原電池及可充電電池。同時,超量亦為產品引入最新技術,積極從事新產品開發。

自二零零四年起,所有超量電池之生產均已符合國際標準化組織9001之標準,超量電池並推出整個不含水銀及鎘之電池系列,且榮譽推出其開發集高質素、高容量及先進技術於一身之「環保鈕扣電池」及「鋰離子電池」。

多年來,本公司堅信高質素之生產是建立良好信譽之重要途徑。為確保電池為優質可靠,本公司之生產過程高度縱向整合。由金屬外殼之電鍍到塑膠物料注入,所有工序均由本公司富有經驗之團隊進行和控制。

新廠房計劃在明年興建,佔地超過110,000平方米。新建廠房全面設有先進機器,結合日本及歐洲之卓越技術及設施。在本集團技術專家直接及實地監督下,將確保達至最高品質及效率。

隨著全球經濟復甦,中國電池進出口量均有所增加。展望將來,本公司將致力引入更多高邊際產品,以增加收入。

僱員數目、薪酬政策及購股權計劃

於二零零六年十二月三十一日,本集團約有165名僱員。薪酬組合包括薪金及按個別表現計算之年終花紅。

於截至二零零六年十二月三十一日止年度內,並無購股權獲授出及於其後行使。

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CORPORATE DEVELOPMENTS

As stated in the joint announcement of the Company dated 19th April, 2005, the Company announced the following proposals, if approved and implemented, resulted in below.

Group Reorganisation

- (i) the Company continuing to be a public listed company with its subsidiaries concentrating on its business of manufacturing and trading of battery products and investments in securities;
- (ii) all other subsidiaries of the Company carrying on property development, investment holding business and vessels for sand mining business, and all other associates of the Company carrying on manufacturing and marketing of tires and business of providing package tour, travel and other related services were grouped under Group Dragon Investments Limited (“GDI”, a former wholly-owned subsidiary of the Company) and its subsidiaries and operated by the former management of the Company; and
- (iii) shares in GDI were distributed as dividend in specie to the then shareholders of the Company on the effective date of the Group Reorganisation, on the basis of one GDI share for every share in the Company after the shares consolidation pursuant to the capital reorganisation.

Capital Reorganisation

The Company has carried out the Capital Reorganisation during the year which involves, inter alia, the following:

- (i) subdivision of the Company’s shares into two shares of HK\$0.05 each;
- (ii) cancellation of the paid-up capital of 881,595,087 issued shares of HK\$0.05 each (“Capital Reduction”) and the cancellation of the entire share premium account of the Company;
- (iii) consolidation of two shares of HK\$0.05 each into one ordinary share of HK\$0.10 each;
- (iv) the credits of approximately HK\$44,080,000 and HK\$1,900,916,000 resulting from the Capital Reduction and the cancellation of the share premium account, respectively transferred to the special capital reserve account of the Company; and

公司發展

誠如本公司於二零零五年四月十九日發表之聯合公佈所載，本公司宣佈下列各項建議，若該等建議獲批准及進行，導致下文各項。

集團重組

- (i) 本公司繼續保持上市地位，其附屬公司專注於電池產品製造及銷售及證券投資；
- (ii) 本公司旗下經營物業發展、投資控股業務及採砂船隻之所有其他附屬公司，以及本公司旗下經營輪胎製造及銷售、提供旅行團、旅遊及其他相關服務之業務之所有其他聯營公司已收歸群龍投資有限公司（「群龍」，本公司前全資附屬公司）及其附屬公司旗下，並由本公司前管理層營運；及
- (iii) 於集團重組生效日期，於群龍之股份以實物方式發派予本公司股東，基準為根據股本重組進行股份合併後，每持有一股本公司股份獲發一股群龍股份。

股本重組

本公司於年內已進行以下股本重組，當中包括下列：

- (i) 將本公司股份拆細為兩股每股面值0.05港元之股份；
- (ii) 註銷881,595,087股每股面值0.05港元之已發行股份之繳足股本（「削減股本」），及註銷本公司之全部股份溢價賬；
- (iii) 把每兩股每股面值0.05港元之股份合併成為一股面值0.10港元之普通股；
- (iv) 將分別因削減股本及註銷股份溢價賬所產生之進賬款項約44,080,000港元及1,900,916,000港元，轉撥至本公司之特別資本儲備中；及

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(v) such special capital reserve set off against the accumulated deficit of the Company as the date of the completion of the Group Reorganisation.

Details of the Group Reorganisation and the Capital Reorganisation are set out in the Company's circular dated 10th September, 2005.

The abovementioned proposals relating to the Capital Reorganisation; and the Group Reorganisation have been completed on 18th May, 2006 and 19th May, 2006 respectively.

The Company had been informed by Hanny Holdings Limited ("Hanny") and PYI Corporation Limited ("PYI") that they have entered into the share sale agreement with Nation Field Limited ("Nation Field") on 10th March, 2005 pursuant to which and subject to, inter alia, the implementation of the Group Reorganisation in full, Nation Field agreed to acquire 135,000,000 shares (equivalent to 67,500,000 consolidated shares of the Company upon the Capital Reorganisation having become effective) from each of Hanny and PYI, which shares represent approximately an aggregate of 30.6% of the issued share capital of the Company, for an aggregate consideration of HK\$52,110,000, equivalent to about HK\$0.193 per share (or HK\$0.386 per consolidated share). The share sale agreement has been completed on 24th May, 2006.

On 23rd March, 2006, China Enterprises Limited, a former non-wholly owned subsidiary of the Company, entered into an agreement with Wing On Travel (Holdings) Limited ("Wing On") for the subscription of the 2% convertible exchangeable note issued by Wing On to the Group for the consideration of HK\$300,000,000 (the "Subscription"). The Subscription under an agreement constituted a major transaction for the Company under the Listing Rules. Accordingly, the Subscription and the transactions contemplated under the agreement were subject to the approval of the shareholders of the Company at general meeting. This transaction has been completed in June, 2006.

The composite offer document containing terms and details of the offer made by Kingston Securities Limited ("Kingston Securities") on behalf of Nation Field to acquire all the issued shares in the Company other than those already owned by Nation Field and parties acting in concert with it, together with the acceptance form have been despatched to the shareholders of the Company on 26th May, 2006. The offer has been closed on 16th June, 2006.

(v) 該項特別資本儲備於集團重組完成日期與本公司之累計虧損對銷。

集團重組及股本重組之詳情載於本公司於二零零五年九月十日刊發之通函內。

上述有關股本重組及集團重組之建議已分別於二零零六年五月十八日及二零零六年五月十九日完成。

本公司獲錦興集團有限公司(「錦興」)及保華集團有限公司(「保華」)知會,彼等於二零零五年三月十日與Nation Field Limited(「Nation Field」)訂立股份出售協議,據此並待(其中包括)集團重組全面付諸實行後, Nation Field同意向錦興及保華收購135,000,000股股份(相當於股本重組生效後67,500,000股本公司合併股份),該等股份共佔本公司已發行股本約30.6%。收購之總代價為52,110,000港元,約相當於每股股份0.193港元(或每股合併股份0.386港元)。股份出售協議已於二零零六年五月二十四日完成。

於二零零六年三月二十三日,本公司之前非全資附屬公司China Enterprises Limited與永安旅遊(控股)有限公司(「永安」)訂立協議,以認購永安向本集團發行之2厘可換股可交換票據,代價為300,000,000港元(「認購事項」)。根據上市規則,協議項下之認購事項構成本公司之一項主要交易。因此,認購事項及協議項下擬進行之交易須經本公司股東於股東大會上批准後,方可作實。該項交易已於二零零六年六月完成。

載有金利豐證券有限公司(「金利豐證券」)代表Nation Field提出收購建議以收購本公司之全部已發行股份(不包括Nation Field及與其一致行動人士經已擁有之股份)之條款及詳情之收購建議綜合文件,連同接納表格已於二零零六年五月二十六日寄發予本公司之股東。收購建議已於二零零六年六月十六日截止。

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Immediately following the close of the offer, the valid acceptance of 135,782,321 shares of the Company received under the offer, Nation Field and parties acting in concert with it, (including Hanny and PYI), owned or controlled an aggregate of 394,602,115 shares of the Company, representing approximately 89.52% of the issued share capital of the Company as at the date of close of offer (out of which 270,782,321 shares of the Company, representing approximately 61.43% of the issued share capital of the Company, are held by Nation Field) and there were 46,195,428 shares of the Company in the hands of the public, representing approximately 10.48% of the voting rights of the Company.

Given that the public of shares of the Company was less than 25% of the issued share capital of Company after the close of offer, the Company is required to suspend trading in the shares of the Company until the public float was restored as required under the Listing Rules.

On 29th January, 2007, Nation Field, a controlling shareholder of the Company, entered into the placing agreement (the "Placing Agreement") with Kingston Securities. Pursuant to the Placing Agreement, Nation Field agreed to place, through Kingston Securities, an aggregate of 65,000,000 existing shares of the Company, on a fully underwritten basis, at a price of HK\$0.32 per placing share (the "Placing").

Immediately after completion of the Placing, there were 111,195,428 shares of the Company in the hands of the public, representing approximately 25.23% of the issued shares of the Company. The Company confirmed that the public float of the shares of the Company had been restored. The trading of shares of the Company had resumed on 1st February, 2007.

緊隨收購建議截止後，根據收購建議有效接納之135,782,321股股份，Nation Field及與其一致行動之人士（包括錦興及保華）擁有或控制本公司合共394,602,115股股份，佔本公司於收購建議截止日期已發行之股本約89.52%（其中Nation Field持有270,782,321股股份，佔本公司已發行之股本約61.43%），而本公司46,195,428股股份則由公眾人士所持有，佔本公司之表決權約10.48%。

由於本公司股份之公眾持股量於收購建議截止後少於本公司已發行股本之25%，本公司須暫停股份買賣直至恢復上市規則規定之公眾持股量。

於二零零七年一月二十九日，本公司控股股東Nation Field與金利豐證券訂立配售協議（「配售協議」）。根據配售協議，Nation Field同意經金利豐證券按全數包銷基準及每股配售股份0.32港元之價格配售合共65,000,000股現有股份（「配售」）。

緊隨配售完成後，公眾人士持有本公司111,195,428股股份，相當於本公司已發行股份約25.23%。本公司確認，公眾人士持股量已恢復。本公司股份已於二零零七年二月一日恢復買賣。