

## Chairman's Statement 主席報告書

Dear Shareholders,

On behalf of the board of directors (the "Directors") of Karce International Holdings Company Limited (the "Company") and, together with its subsidiaries, (the "Group"), I am pleased to present the annual report and the audited consolidated results of the Group for the financial year ended 31 December 2006.

### RESULTS OF THE YEAR

The Group recorded revenue of approximately HK\$705,859,000 for the year ended 31 December 2006, representing an increase of approximately 9.1 per cent. as compared with approximately HK\$647,004,000 of the corresponding year in 2005.

各位股東：

本人謹代表泰盛實業集團有限公司（「本公司」，連同其附屬公司「本集團」）之董事會（「董事會」）提呈本集團截至二零零六年十二月三十一日止財政年度之年度報告及經審核綜合業績。

### 本年度業績

截至二零零六年十二月三十一日止年度，本集團錄得收益約705,859,000港元，較二零零五年同期約647,004,000港元上升約9.1%。



High operating costs in the People's Republic of China (the "PRC") for wages, electricity, transportation and material costs, the Group's overall gross profit margin dropped by approximately 2.2 per cent. to approximately 17.1 per cent. (2005 : approximately 19.3 per cent.).

The net profit attributable to shareholders of the Group was approximately HK\$2,431,000 for the year ended 31 December 2006 (2005: approximately HK\$28,036,000).

Basic earnings per share was approximately HK0.44 cents (2005 : approximately HK5.09 cents) for the year ended 31 December 2006.

## DIVIDEND

In appreciation of shareholders' support for the Group, the Directors are pleased to recommend a final dividend of HK1 cent per share payable on or before 30 June 2007 to shareholders whose names appear on the register of members of the Company on 29 May 2007 and is subject to the approval by the shareholders of the Company in the forthcoming annual general meeting. The share register of members will be closed from 22 May 2007 to 29 May 2007, both days inclusive.

## BUSINESS AND OPERATIONAL REVIEW

During the year ended 31 December 2006, the Group continued to focus on the manufacture and marketing of electronic products (mainly electronic calculators and organizers), conductive silicon rubber keypads and printed circuit boards.

For the year ended 31 December 2006, the Group gained a significant increase in sales volume and achieved a turnover of HK\$705,859,000, representing an increase of 9.1 per cent. as compared with approximately HK\$647,004,000 of the year in 2005.

由於與中華人民共和國(「中國」)之工資、用電、運輸及原材料成本有關之經營成本高企，本集團之整體毛利率下降約2.2%至約17.1%。(二零零五年：約19.3%)。

截至二零零六年十二月三十一日止年度，本集團之股東應佔純利約2,431,000港元(二零零五年：約28,036,000港元)。

截至二零零六年十二月三十一日止年度，每股基本盈利約0.44港仙(二零零五年：約5.09港仙)。

## 股息

為感謝股東對本集團之支持，董事欣然建議派付末期股息每股1港仙，該股息將於二零零七年六月三十日或之前派付予於二零零七年五月二十九日名列本公司股東名冊之股東。該建議須待於應屆股東週年大會上取得本公司股東批准後方可作實。股份過戶登記處將於二零零七年五月二十二日至二零零七年五月二十九日(首尾兩天包括在內)暫停股份登記。

## 業務及營運回顧

截至二零零六年十二月三十一日止年度，本集團繼續專注於電子產品(主要為電子計算機及電子記事簿)、導電硅橡膠按鍵及印製電路板之製造及市場推廣。

截至二零零六年十二月三十一日止年度，本集團之銷售量錄得可觀增幅，營業額達705,859,000港元，較二零零五年度之約647,004,000港元上升約9.1%。

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The business and operational environment remained uncertain in general. The slow down of the economy in America and Western European countries, coupled with protective measures adopted by some of these countries toward the Peoples' Republic of China (the "PRC"), had resulted in sluggish growth in market demand. The appreciation of Renminbi and the retreat of tax rebate on some export commodities in the PRC also slowed down the growth in the manufacturing sector in the PRC.

Facing unstable material costs, some customers of the Group held back their decision in placing order and shortening the lead time on delivery of finished goods. Consequently, there was pressure on the average selling price. Furthermore, the price fluctuation of raw materials in 2006 made it difficult for the Group to exercise cost control efficiently.

On the other hand, the labour cost was continuously uplifted in line with the living standard in the PRC. In 2006, labour shortage in the PRC continued to present problems as the Group's production capacity is mainly located in the Guangdong region. Wages and benefits needed to be increased in order to retain skilled workers. The labour issue remained one of the main concerns for the Group, compounded by the new concerns for working, living and safety standards for workers. In light of the above factors, additional labour cost in all PRC factories of the Group increased by approximately HK\$17,490,000 for the year ended 31 December 2006.

All these factors led to a drastic increase in the Group's overall cost of sales. For the year ended 31 December 2006, the overall gross profit margin were down to approximately 17.1 per cent. (2005: approximately 19.3 per cent.).

業務及經營環境整體上依然充滿不明朗因素。美國及西歐國家經濟放緩，加上其中一些國家對中華人民共和國（「中國」）實施貿易保護措施，導致市場需求增長呆滯。人民幣升值及中國撤銷對一些出口商品的退稅亦減慢了中國製造業的增長。

面對不穩定之原材料成本，本集團一些客戶取消訂單及縮短製成品付運訂貨通知期，導致產品平均銷售價受壓。此外，原材料價格在二零零六年出現較大波動，使本集團難以有效推行成本控制。

另一方面，中國勞工成本跟隨當地生活水平提升而持續向上。於二零零六年，由於本集團之生產設施主要位於廣東地區，中國勞動力短缺持續為本集團帶來營運壓力。為挽留熟練技工，本集團需要提高薪金及福利待遇。勞工問題仍舊困擾本集團，加上工人之工作、居住及安全標準不斷提高，更添成本考慮。鑑於上述因素，本集團所有中國廠房之額外勞工成本於截至二零零六年十二月三十一日止年度增加約17,490,000港元。

這些因素最終導致本集團之整體銷售成本大幅上升。截至二零零六年十二月三十一日止年度，整體毛利率下降至約17.1%（二零零五年：約19.3%）。

During the period under review, sustained, stringent and effective cost controls proved 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 consolidated profit attributable to equity holders for the year ended 31 December 2006 of approximately HK\$2,431,000 (2005 : approximately HK\$28,036,000). Basic earnings per share for the year ended 31 December 2006 was approximately HK0.44 cents (2005 : approximately HK5.09 cents).

For the year ended 31 December 2006, profit for the year excluding impairment loss on available-for-sale investment decreased by approximately 30.7 per cent. from approximately HK\$28,036,000 of the year in 2005 to approximately HK\$19,431,000.

## FUTURE PLANS AND PROSPECTS

The Group's growth prospects will continue to be driven by organic growth, outsourcing deals and selective acquisitions.

The global economy is expected to grow modestly in 2007, as US dollar interest rates and energy prices stabilised. Hong Kong will continue to benefit from the strong growth in the PRC. The Group will continue to seek new opportunities in the PRC as well as overseas. Looking ahead, the major economies around the world are expected to be healthy and rapid development in the PRC and in Asia is supporting positive worldwide trends. With our diversified portfolio of business worldwide and a sound financial position of the Group, the Directors are confident that the Group's businesses will continue to perform well in 2007.

於回顧期內，本集團持續採取嚴格有效的成本監控，成功令行政開支保持在穩定合理之水平。由於本集團繼續致力產品多元化發展策略和提升生產力，截至二零零六年十二月三十一日止年度錄得股權持有人應佔綜合溢利約2,431,000港元（二零零五年：約28,036,000港元）。截至二零零六年十二月三十一日止年度之每股基本盈利約為0.44港仙（二零零五年：約5.09港仙）。

截至二零零六年十二月三十一日止年度，不包括可供出售投資之減值虧損之本年度溢利，由二零零五年度約28,036,000港元下跌約30.7%至約19,431,000港元。

## 未來計劃及展望

本集團之增長前景將繼續由自然增長、外判安排及細選收購項目推動。

由於美元利率及能源價格穩定，全球經濟於二零零七年可望溫和增長。香港將繼續受惠於中國之強勁經濟增長。本集團將繼續於中國及海外尋求新機會。展望未來，全球主要經濟體系將健康發展，而中國及亞洲之強勁發展將為全球趨勢帶來支持。憑著本集團多元化之全球業務組合及穩健財務狀況，董事有信心本集團之業務於二零零七年將繼續有良好表現。

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The Directors will scrutinize the markets closely and adopt a conservative strategy in its investment and promotion plans. At the same time, the Directors will strive to simplify its operations so as to enhance the operational efficiency and better control of the labour and distribution costs. The Directors will also focus on developing high value-added products to maintain the Group's leading position in the market. Further, the Group will continue to diversify its products on expanding the ODM and OEM businesses.

With these encouraging trends and the Group's strong financial position, the Directors are confident of further improving performances in the coming financial year as the Group's growth platform has been refined and strengthened.

### ACKNOWLEDGEMENTS

Finally, on behalf of the Directors, I wish to express my sincere appreciation to the Directors and all employees of the Group for their loyal support and dedication, their professionalism, enterprise and hard work. I would also like to thank our shareholders, our suppliers, our bankers and our customers for their continued support.

**Tong Shek Lun**

*Chairman*

17 April 2007

董事將密切留意該等市場之發展，及在推行投資及推廣計劃時採取較保守策略。與此同時，董事將致力簡化其營運，以提升營運效率及更有效控制勞工及分銷成本。董事亦將專注發展高增值產品，以維持本集團於市場之領導地位。此外，本集團亦會繼續擴展產品種類，壯大ODM及OEM業務。

憑著此等令人鼓舞之趨勢及本集團穩健之財務狀況，加上本集團之增長平台經優化及加強，董事有信心於下一個財政年度進一步提升業績。

### 致謝

最後，對於本集團董事及全體員工之盡忠職守及鼎力支持、彼等之專業精神、企業精神及勤奮，本人謹代表董事致以深切謝意。此外，就各股東、供應商、往來銀行及客戶對本集團不斷之支持，本人謹此致謝。

**唐錫麟**

*主席*

二零零七年四月十七日