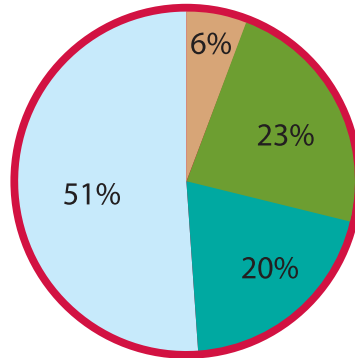
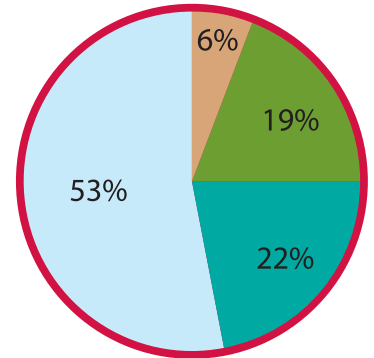


Management Discussion and Analysis 管理層回顧及業績分析

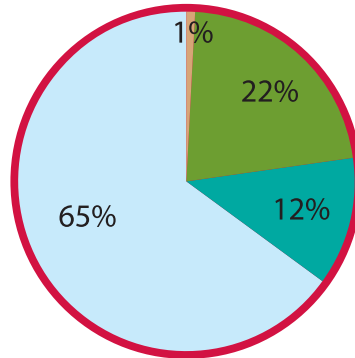
Turnover 營業額



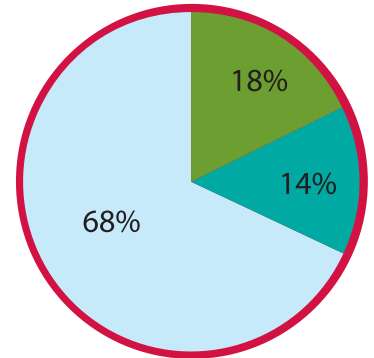
2003



2004



2005



2006

- Electronic Products
電子產品
- Conductive Silicon Rubber Keypads
導電硅橡膠按鍵
- Printed Circuit Boards
印製電路板
- Other Operations
其他業務



IBBER KEYPADS
< ELECTRONIC PRODUCTS
< OEM PROJECTS

Management Discussion and Analysis 管理層回顧及業績分析

SEGMENTAL ANALYSIS

Electronic products (mainly electronic calculators and organizers)

During the year under review, the Group continued its focus on the manufacture and marketing of electronic calculators and organizers. With the growth in the existing key Japanese customers' businesses and the Group built up relationship with a number of potential clients, the Group managed to increase its revenue last year through expansion of businesses on Original Design Manufacturing Products ("ODM products") and Original Equipment Manufacturing Products ("OEM products"), such as SIM card reader for on-line banking system, digital printer control panel, security systems, gambling device, printer/fax/scanner/copier (multi-function) control panels, electronic D-box for vehicles, interactive handheld dictionary and RF price tags. Accordingly, the Directors considered that it was more appropriate to redefine the business segment under the heading "Electronic products", instead of under the heading "Electronic calculators and organizers".

分部分析

電子產品(主要為電子計算機及電子記事簿)

於回顧年度內，本集團繼續專注於電子計算機及電子記事簿之製造及市場推廣。由於現有主要日本客戶業務增長，加上本集團與多個潛在客戶建立良好關係，本集團透過擴大原設計製造產品（「ODM產品」）及原設備製造產品（「OEM產品」）業務，於去年得以增加其收益。該等產品包括供網上銀行系統使用之SIM卡讀取器、數碼打印機控制面板、保安系統、博彩裝置、打印機／傳真／掃描器／影印機（多功能）控制面板、電子汽車性能測試儀、互動電子辭典及射頻價格標籤。基於以上產品性質，董事認為把業務分部名稱由「電子計算機及電子記事簿」改為「電子產品」較為合適。





Management Discussion and Analysis 管理層回顧及業績分析

Despite uncertainties in the global economies remained in general, the market demands for the Group's electronic products have been growing steadily. Competition is still intense. For the year ended 31 December 2006, the turnover of electronic products remained as the core revenue generator of the Group, increased to approximately HK\$476,623,000 (2005: approximately HK\$419,720,000). It accounted for approximately 67.5 per cent. of the Group's total turnover.

We will continue to leverage on our committed team of research and development professionals to focus on developing products with high level of quality, reliability and technology innovation.

Our engineering department has a multi-disciplinary engineering approach employing both Hong Kong and the PRC product development engineers and designers who are involved in design, testing and quality of new products from concept through production, transforming customer's ideas into reality. Our products are widespread not only limited to establishing a broad and solid overseas customer base for the Group's "Karce" products but also to diversifying the business development on ODM and OEM products. This is a long term investment which the Directors believe will set the stage for growth in the newly selected product categories, and the new ODM and OEM businesses under development.

雖然全球經濟整體存在不明朗因素，但市場對本集團電子產品之需求續見增長，惟競爭仍然激烈。截至二零零六年十二月三十一日止年度，電子產品之營業額仍佔本集團收益之主要部份，增至約476,623,000港元（二零零五年：約419,720,000港元），佔本集團總營業額約67.5%。

本集團擁有一支專業及努力不懈的研發隊伍，故可繼續專注開發高質素、可靠及創新之產品。

本集團之工程部具多方面專長，產品開發工程師及設計師來自香港及中國，負責新產品從概念至生產過程中設計、測試至品質之工作，能把客戶之構思轉化為成品。本集團產品行銷世界各地，除「Karce」品牌已建立廣闊而穩固之海外客戶基礎，本集團更將業務擴展至ODM及OEM產品市場。董事相信這項長期投資可為經挑選新產品類別以及開發中之ODM及OEM業務奠定良好增長基礎。



Management Discussion and Analysis 管理層回顧及業績分析

During the year under review, the Group was under great pressure to control increasing cost arising from higher materials costs especially plastic materials, rising labour costs, inward freight and transportation costs initiated by rising fuel prices. Erratic electricity supply in the PRC that often caused production disruptions also added to operating costs, while insufficient skilled labour in the Pearl River Delta also impeded production and cost efficiency.

With the significant surge in labour and staff costs, the operating results decreased by approximately 30.8 per cent., from approximately HK\$48,113,000 for the year ended 31 December 2005 to approximately HK\$33,306,000 for the year ended 31 December 2006.

Conductive silicon rubber keypads

To cope with our rapid growth in sales, the Group concentrates on the development of conductive silicon rubber keypads business and high value-added plastic plus rubber ("P+R") telephone keypads products and extends to customer base into different geographical region.

For the year ended 31 December 2006, the turnover contributed from the conductive silicon rubber keypads business increased by approximately 26.1 per cent. to approximately HK\$101,241,000 (2005: approximately HK\$80,299,000), representing approximately 14.3 per cent. of the turnover of the Group.

於回顧年度內，由於原材料(特別是塑膠材料)成本及勞工成本持續上升，加上進口運費及運輸成本因燃料成本上漲而不斷上升，本集團在控制此方面的成本增加承受巨大壓力。中國電力供應不穩定，經常導致生產中斷，亦增加了營運成本；而珠江三角洲技術工人不足亦拉低生產及成本效益。

隨著勞工及員工成本急升，經營業績由截至二零零五年十二月三十一日止年度約48,113,000港元減少約30.8%，至截至二零零六年十二月三十一日止年度之約33,306,000港元。

導電硅橡膠按鍵

為應付本集團於銷售方面之大幅增長，本集團集中發展導電硅橡膠按鍵業務及高增值塑膠加橡膠電話按鍵產品，以及把客戶基礎擴展至不同地區。

截至二零零六年十二月三十一日止年度，來自導電硅橡膠按鍵業務之營業額增加約26.1%至約101,241,000港元(二零零五年：約80,299,000港元)，佔本集團營業額約14.3%。



Management Discussion and Analysis 管理層回顧及業績分析

Conductive silicon rubber keypads are crucial components in the production of electronic calculators, electronic organizers, mobile phones and audio visual products. The business becomes an increasingly important sector of the Group and contributed an increase in the operating profit for the year to approximately HK\$5,480,000 (2005: approximately HK\$4,799,000). The Directors are confident that such steady growth of profit can provide a positive effect on the shareholders' value of the Group.

The Directors are confident that the business will be in line with the management's expectations and turns into a sound growth in the coming year as the segment continued to keep pace with customer expectations and increase production volume with expanding of the vertical production lines.

Printed circuit boards ("PCB")

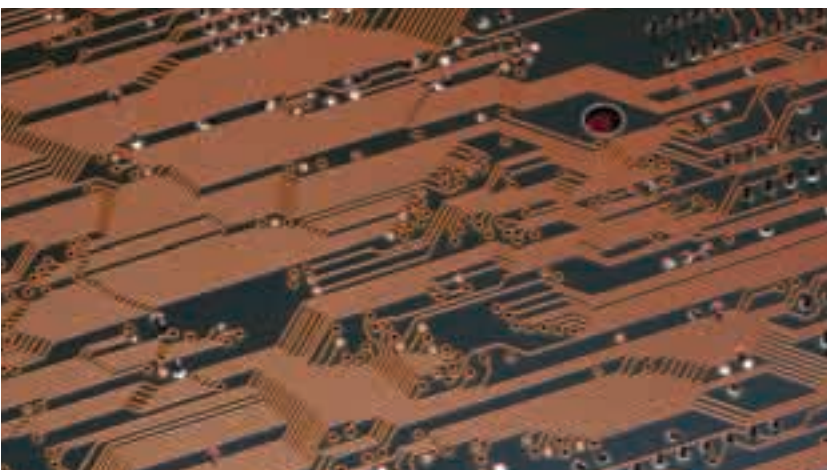
The market for PCB was fiercely competitive during the year under review. For the year ended 31 December 2006, the turnover of PCB decreased to approximately HK\$127,995,000 (2005: approximately HK\$143,387,000), representing approximately 18.1 per cent. of the turnover of the Group. During the year under review, the business strategy was focused to consolidate on its key client base and serve a range of and some well known customers in Japan and the Asian Pacific Region.

導電硅橡膠按鍵為生產電子計算機、電子記事簿、手提電話及影音產品之重要組件。該業務佔本集團業務日益重要部份，為本集團本年度帶來經營溢利增長至約5,480,000港元(二零零五年：約4,799,000港元)。董事有信心這項持續溢利增長有助提高本集團之股東價值。

董事預期，由於此產品將可繼續滿足客戶之期望及需要，加上產量隨着垂直生產線擴充而增加，故董事有信心此業務可符合管理層之預期並在來年有可觀增長。

印製電路板

於回顧年度內，印製電路板之市場競爭極為激烈。截至二零零六年十二月三十一日止年度，印製電路板之營業額下跌至約127,995,000港元(二零零五年：約143,387,000港元)，佔本集團營業額約18.1%。在回顧年度內，業務策略集中在整合主要客戶基礎，以及為日本及亞太地區知名客戶服務。



Management Discussion and Analysis 管理層回顧及業績分析

As the production facilities reached its maximum capacity, some of the procedures were subcontracted to external parties. This eroded the profit contribution to PCB and recorded a negative contribution of approximately HK\$11,057,000 (2005: operating loss of approximately HK\$7,970,000).

Due to the increasing demand of PCB in the global market, the Group strategically mapped out the production blueprint and largely expanded the production scale to enjoy the maximum benefits on the economies of scale.

Coping with the substantial growth in PCB's turnover, the Group started to build up a new factory complex during the period under review and expects to be completed in the first quarter of 2007. The Group will also acquire new equipment and machinery for integration of the vertical manufacturing units in the new factory complex.

As at 31 December 2006, the new production complex was at its final construction stage. The new factory complex is expected to significantly improve our competitive edge in two ways : streamlining the production process and offering an immediate increase of approximately 30-40 per cent. in our production capacity. The management of the Group believe that the additional capacity will enable the PCB segment to effectively keep pace with growing product demand, while creating strategic opportunities to increase factory throughput and effectively lower our unit manufacturing costs.

由於生產設施已達生產力上限，因此需把一些工序外判予分包商。此舉削減了印製電路板之溢利，並錄得負溢利約11,057,000港元(二零零五年：經營虧損約7,970,000港元)。

由於環球市場對於印製電路板之需求與日俱增，本集團已勾劃出策略性生產藍圖及大幅擴充生產規模，以盡量享受經濟規模生產之好處。

為配合印製電路板營業額之顯著增長，本集團於回顧期內開始興建一座新工廠大樓，預期將於二零零七年第一季落成。本集團亦將添置新設備和機器，以把垂直生產單位集中於新工廠大樓內。

於二零零六年十二月三十一日，新生產大樓已接近完工階段。預期新工廠大樓將從兩方面大大提升本集團之競爭力：優化生產程序及即時提升本集團之生產力約30-40%。本集團之管理層相信，新增生產力將可滿足印製電路板分部不斷上升之需求，亦同時帶來提高產量及有效降低單位生產成本之策略性機會。



Management Discussion and Analysis 管理層回顧及業績分析

The management attributed this result to the Group's long committed determination and continuous effort on improving product quality and operational efficiency.

Other operations

The other operations in the previous years represented the operation on electronic toys product, such as infant toys and electronic learning products. Owing to fierce competition, rising marketing costs and competitive pricing which adversely affected the results, the Group chose to restructure this part of investment and reallocated its resources to other major and core rewarding businesses including electronic products, conductive silicon rubber keypads, PCB as well as other ODM and OEM businesses.

Accordingly, this segment recorded nil operating result during the year under review (2005: operating loss of approximately HK\$7,236,000).

Available-for-sale investment

Ascalade Communications Inc. ("Ascalade Inc.") was successfully listed on the Toronto Stock Exchange ("TSX") in June 2005. The Group's attributable equity interest in Ascalade Inc. maintained at approximately 14.7 per cent. as at 31 December 2006. The Group is no longer in a position to exercise a significance influence over Ascalade Inc. as at 31 December 2006. Ascalade Inc. is classified as an available-for sale investment.

With the annual results announced by Ascalade Inc., which continues to focus on increasing technological advancement with new areas such as VoIP (Voice over Internet Protocol) and WiFi (wireless fidelity), the Directors are confident in the future prospects of Ascalade Inc. and believe that such investment in Ascalade Inc. will give a positive contribution to the Group in long run. Additional information of Ascalade Inc. may be found on SEDAR at www.sedar.com.

管理層認為，此有賴本集團不斷提升產品質素及營運效率之長期決心及持續努力。

其他業務

於過往年度，其他業務指電子玩具產品業務(例如嬰兒玩具及電子教學產品)。由於競爭激烈、市場推廣成本不斷上升及價格競爭等因素對業績產生不利影響，本集團決定重組這一部份投資，將資源重新投放至回報較高之其他主要核心業務，包括電子產品、導電硅橡膠按鍵、印製電路板及其他ODM及OEM業務。

因此，於回顧年度內，此一分部錄得經營業績為零(二零零五年：經營虧損約7,236,000港元)。

可供出售投資

Ascalade Communications Inc. (「Ascalade Inc.」) 於二零零五年六月在多倫多證券交易所(「多倫多證交所」)成功上市。於二零零六年十二月三十一日，本集團應佔Ascalade Inc.股權維持於約14.7%。由於本集團於二零零六年十二月三十一日已無法再對Ascalade Inc.行使重大影響，故Ascalade Inc.被歸類為可供出售投資。

按Ascalade Inc.公佈之年度業績，該公司將繼續專注於在VoIP(互聯網協議語音傳送)及WiFi(無線上網)等新領域加速技術改良。董事對Ascalade Inc.之前景充滿信心，相信該投資長遠將為本集團帶來正面貢獻。Ascalade Inc.之其他資料請瀏覽SEDAR，網址為www.sedar.com。

Management Discussion and Analysis 管理層回顧及業績分析

The Group's available-for-sale investment is measured at fair value at each balance sheet date, which expose the Group to equity security price risk. Changes in fair value are recognized in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognized in equity is removed from equity and recognized in consolidated income statement.

During the year under review, the investment in Ascalade Inc. was undermined by the fall of its share price below its IPO price. In September 2006, Ascalade Inc. revised downward its guidance of year-over-year sales growth and basic earnings per share primarily because of the softness in forward orders estimated to be received for its cordless DECT phones, a segment which had been impacted by intense industry competition and price cutting. The change also reflected a slower-than-expected order ramp up for VoIP products from its largest customer.

As announced by the Company in September 2006, the Directors regularly reviews the value of the available-for-sale investment and will consider adequate impairment to be made when necessary. For the year ended 31 December 2006, the Directors consider that it was a prudent decision to make an impairment loss on available-for-sale investment of approximately HK\$17,000,000. Accordingly, the diminution in the fair value of the investment in Ascalade Inc. was represented by a reduction of investment revaluation reserve by approximately HK\$24,266,000 to a negative investment revaluation reserve of approximately HK\$3,470,000.

本集團之可供出售投資按各結算日期之公平值計算，使本集團承受股票證券價格風險。公平值之改變於權益內確認，直至金融資產被出售或確認出現減值，於該時候，之前於權益確認之累計收益或虧損將從權益中移除，並於綜合損益表中確認。

於回顧年度內，於Ascalade Inc.之投資因其股價下跌至其招股價以下而受損。於二零零六年九月，主要由於數碼無線電話分部業務市場競爭劇烈及受減價影響，預期將取得之遠期訂單將減少，故Ascalade Inc.把其按年比銷售增長及每股基本盈利指引向下修訂。此改變亦反映來自其最大客戶之VoIP產品訂單增加速度較預期慢。

如本公司於二零零六年九月之公佈所述，董事會定期檢討可供出售投資之價值，並將於需要時考慮作出足夠之減值。於截至二零零六年十二月三十一日止年度，董事為審慎起見作出可供出售投資減值約17,000,000港元。因此於Ascalade Inc.之投資之公平值減少相當於投資重估儲備削減約24,266,000港元至負額投資重估儲備約3,470,000港元。

Management Discussion and Analysis 管理層回顧及業績分析

Upon the release of first and second lock-up of Ascalade Inc.'s shares on 27 June 2006 and 27 December 2006 respectively, the Directors consider that it is a prudent decision to realise part of the Group's investment in Ascalade Inc. through the disposal so as to balance its possible risk, enhance its liquidity and improve the cash flow within a relatively short period of time.

The Directors will update the shareholders on the progress when appropriate.

CAPITAL STRUCTURE

Shareholders' equity decreased to approximately HK\$416,487,000 as at 31 December 2006 from approximately HK\$441,446,000 as at 31 December 2005. As at 31 December 2006, the short term and long term interest bearing debts to shareholders' equity was approximately 10.6 per cent. (2005: approximately 13.1 per cent.).

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operation by internally generated cashflow and banking facilities provided by its bankers.

Prudent financial management and selective investment criteria have enabled the Group to maintain a strong financial position. As at 31 December 2006, the Group's fixed deposits and cash balances decreased to approximately HK\$65,890,000 (2005: approximately HK\$92,064,000).

As at 31 December 2006, the Group currently had banking facilities amounted to an aggregate sum of approximately HK\$249,123,000 (2005: approximately HK\$281,900,000) with various banks. Out of the trade and overdraft banking facilities of approximately HK\$216,206,000 (2005: approximately HK\$234,400,000) in Hong Kong granted to the Group, approximately HK\$3,112,000 (2005: approximately HK\$3,988,000) had been utilised as at 31 December 2006.

Ascalade Inc. 股份之首個及第二個禁售期分別於二零零六年六月二十七日及二零零六年十二月二十七日結束，董事認為透過出售將本集團於 Ascalade Inc. 部份投資變現屬審慎決定，藉以平衡可能存在之風險，以及在短時間內提高流動資金及改善現金流量。

董事將於適當時候向股東提供最新有關資料。

股本結構

於二零零六年十二月三十一日，股東資金下降至約416,487,000港元，而於二零零五年十二月三十一日之股東資金則約為441,446,000港元。於二零零六年十二月三十一日，短期及長期計息債項佔股東資金約10.6%（二零零五年：約13.1%）。

流動資金及財政資源

本集團一般以內部產生之現金及其往來銀行提供之銀行信貸為其業務提供資金。

審慎理財及選擇性投資，令本集團之財政狀況維持穩健。於二零零六年十二月三十一日，本集團之定期存款及現金結存減少至約65,890,000港元（二零零五年：約92,064,000港元）。

於二零零六年十二月三十一日，本集團獲得多間銀行之融資總額度約為249,123,000港元（二零零五年：約281,900,000港元）。於香港之貿易及透支之銀行融資總額度約為216,206,000港元（二零零五年：約234,400,000港元），於二零零六年十二月三十一日，已動用其中約3,112,000港元（二零零五年：約3,988,000港元）。

Management Discussion and Analysis 管理層回顧及業績分析

In 2006, the current ratio was approximately 1.4 (2005: approximately 1.5) based on current assets of approximately HK\$293,889,000 and current liabilities of approximately HK\$205,694,000 and the quick ratio was approximately 0.9 (2005: approximately 1.1).

As at 31 December 2006, the total indebtedness including bank loans and obligations under finance leases contracts amounted to approximately HK\$44,320,000 (2005: approximately HK\$57,860,000), representing approximately 10.6 per cent. of the total shareholders' equity (2005: approximately 13.1 per cent.).

The Directors considered that the Group shall have sufficient financial resources to meet its future expansion plan and working capital requirement after a due consideration of the net cash position and the availability of the existing banking facilities.

FOREIGN EXCHANGE RISK MANAGEMENT

Most of the Group's assets and liabilities, revenues and expenditure are either denominated in Hong Kong dollars or the United States dollars. As a measure of additional prudence, the Group uses different derivative instruments to manage its exposure to foreign currency risks on the receivables and payables.

The fair value of the Group's outstanding derivative instruments as at 31 December 2006 represents the net amount the Group would receive/pay if these contracts were closed out at 31 December 2006. The gain was largely caused by a period-end premium in the forward currency markets for the Hong Kong dollars. In the current year, the Group has adopted the new HKAS 39 — Financial Instruments: Recognition and Measurement, the fair value of these outstanding derivatives has been recognised as assets or liabilities.

於二零零六年，流動比率約為1.4(二零零五年：約1.5)，此乃按流動資產約293,889,000港元及流動負債約205,694,000港元之基準計算。二零零六年之速動比率約為0.9(二零零五年：約1.1)。

於二零零六年十二月三十一日，債項總額(包括銀行貸款及融資租賃合約責任)約為44,320,000港元(二零零五年：約57,860,000港元)，約佔股東資金總額約10.6%(二零零五年：約13.1%)。

經仔細考慮現金淨值結餘及現時可動用之銀行融資後，董事認為本集團將具備充足之財政資源以應付其日後拓展計劃及營運資金之需求。

外匯風險管理

本集團大部份之資產及負債、收益及開支乃以港元或美元計值。作為提供額外保障之措施，本集團使用多項衍生工具管理其應收款項和應付款項之外幣風險。

本集團於二零零六年十二月三十一日仍未到期之衍生工具之公允值，指本集團在該等合約於二零零六年十二月三十一日將作平倉之情況下將收取／支付之淨金額。有關收益主要來自期末時港元遠期貨幣市場之溢價。在本年度內，本集團已採納新訂香港會計準則第39號—金融工具：確認和計量。該等仍未到期之衍生工具之公平值已作為資產或負債確認。

Management Discussion and Analysis 管理層回顧及業績分析

The exposure to foreign currency of the Group mainly arose from the net cash flow and the net working capital translation of its PRC subsidiaries. The management of the Group will actively hedge the foreign currency exposures through natural hedges, forward contracts and options. Speculative currency transactions are strictly prohibited. The management of currency risk is centralised in the headquarter of the Group in Hong Kong.

Apart from the above, most of the Group's assets and liabilities, revenues and expenditure are either denominated in Hong Kong dollars or the United States dollars. Therefore, the Directors consider the exposure risk to foreign currency fluctuations is minimal.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2006, the Group employed approximately 6,560 full time employees, out of which approximately 80 were based in Hong Kong and approximately 6,480 were based in the PRC. The Group remunerated its employees on the basis of industry's practice and the performance of individual employee. Employees may also participate in the share option scheme of the Company.

本集團之外匯風險主要來自其在中國之附屬公司的淨現金流量及淨營運資金滙兌。本集團之管理層將透過自然對沖、期匯合約及期權積極對沖外匯風險。本集團嚴禁進行投機性貨幣交易。貨幣風險由香港總公司統一管理。

除上述者外，本集團大部份之資產及負債、收益及支出乃以港元或美元計值。因此，董事認為本集團所承受之外匯波動風險實屬微不足道。

僱員及酬金政策

於二零零六年十二月三十一日，本集團僱用約6,560名全職僱員，其中約80名駐於香港，而約6,480名駐於中國。本集團按行業慣例及個別僱員之表現釐定其員工薪酬。僱員亦可參與本公司之認購股權計劃。