

## OVERVIEW

For the year ended 31 December 2006 the Group recorded a turnover of approximately HK\$1,765 million which represents a decrease of 12% as compared to the corresponding figure for the year ended 31 December 2005. The gross profit for the year under review was approximately HK\$57 million as compared to approximately HK\$149 million for the previous year. Our operating profit was negatively impacted due to the decrease in sales price of products and the ever increasing in operating costs in the Shenzhen area.

Finance costs increased by 43% to HK\$27 million, due mainly to an increase in interest rates during the year.

## SEGMENTAL INFORMATION

### Turnover by Product

		2006		2005	
		HK\$ million	%	HK\$ million	%
		百萬港元		百萬港元	
DECT	數碼室內無線電話 (「DECT」)	1,724	98	1,906	95
Cordless telephone	無線電話	1	—	32	2
Corded telephone	有線電話	19	1	50	2
Others	其他	21	1	13	1
Total	總計	1,765	100	2,001	100

All of the Group's turnover and contribution to results were derived from the design, manufacture and sale of telephones and related equipment. Our existing product range includes corded telephones, cordless telephones, DECT and other telecom products. DECT products accounted for approximately 98% of our turnover for the year under review, up from 95% in the previous year. During 2006, sales of corded telephones amounted to 1% and sales of other telephone products amounted to 1% of the Group's turnover.

## 概覽

截至二零零六年十二月三十一日止年度，本集團錄得營業額約1,765,000,000港元，較截至二零零五年十二月三十一日止年度之相關數字下降12%。回顧年度之毛利約為57,000,000港元，上一個年度則約為149,000,000港元。本集團之經營溢利因產品之售價下跌及深圳地區之經營成本不斷上升而受到負面影響。

財務成本增加43%至27,000,000港元，主要由於年內利率上升所致。

## 分類資料

### 按產品分類之營業額

所有本集團營業額及業績貢獻，均來自設計、製造及出售電話及相關設備。本集團現有產品種類包括有線電話、無線電話、DECT及其他電訊產品。DECT產品佔本集團回顧年度之營業額由上一年度之95%上升至約98%。於二零零六年內，有線電話之銷售額佔本集團營業額之1%，而其他電話產品亦佔1%。

## MANAGEMENT DISCUSSION AND ANALYSIS

### 管理層論述及分析

#### SEGMENTAL INFORMATION (continued)

##### Turnover by Product (continued)

Our customer base continues to comprise prime telecom operating companies and telecom product distributors in Europe and Asia Pacific. Customers in European countries accounted for approximately HK\$1,578 million and in Asia Pacific region and other countries accounted for approximately HK\$187 million of the Group's turnover respectively.

Our new Aladino VoIP phone for Telecom Italia which carries a better profit margin commenced shipment in the second half of 2006 and has reached HK\$133 million in the first quarter of 2007 in terms of sales value. Current level of confirmed orders also remain strong, with a significant portion being products with higher profit margin.

#### BALANCE SHEET

##### Liquidity and Financial Resources

Current assets	流動資產
Current liabilities	流動負債
Current ratio	流動比率

The decrease in current ratio was mainly due to the impairment loss recognized on trade and other receivables from a jointly controlled entity.

As at 31 December 2006, the Group had cash on hand of HK\$61 million, net current liabilities of approximately HK\$172 million, total assets of HK\$586 million and shareholders' deficit of approximately HK\$39 million.

Among current assets, total trade receivables, not including the trade receivables from a jointly controlled entity, decreased 37% to HK\$225 million with trade receivables with insurance coverage decreasing 68% to HK\$79 million.

#### 分類資料 (續)

##### 按產品分類之營業額 (續)

本集團之客戶群繼續包括歐洲及亞太區之主要電訊經營公司及電訊產品分銷商。歐洲國家之客戶為本集團營業額帶來約1,578,000,000港元，而亞太區及其他國家之客戶則帶來約187,000,000港元。

本集團為Telecom Italia製造並具有較高邊際利潤之全新Aladino VoIP電話已於二零零六年下半年度付運，於二零零七年首個季度，按銷售價值計算，已達133,000,000港元。目前已確認之訂單水平仍然強勁，大部份訂單之產品均具較高之邊際利潤。

#### 資產負債表

##### 流動資金及財政資源

2006 HK\$'000 千港元	2005 HK\$'000 千港元
439,874	661,028
611,848	658,050
<b>0.72</b>	<b>1.00</b>

流動比率下調主要由於就應收一間合營公司貿易賬款及其他應收款項確認減值虧損。

於二零零六年十二月三十一日，本集團持有現金61,000,000港元、流動負債淨額約172,000,000港元、資產總額586,000,000港元及股東虧絀約39,000,000港元。

於流動資產中，應收貿易賬款(不包括應收一間合營公司貿易賬款)總額減少37%至225,000,000港元，而已投保之應收貿易賬款減少68%至79,000,000港元。

**BALANCE SHEET (continued)**

**Liquidity and Financial Resources (continued)**

As of 31 December 2006, total bank borrowings were HK\$201 million less than at the end of 2005.

資產負債表 (續)

流動資金及財政資源 (續)

於二零零六年十二月三十一日，銀行借貸總額較二零零五年底減少201,000,000港元。

		2006 HK\$'000 千港元	2005 HK\$'000 千港元
Trust receipt loans	信託收據貸款	23,527	95,689
Other bank loans, unsecured	其他銀行貸款(無抵押)	-	14,352
Finance lease obligations	融資租賃項下之債務	29,082	45,359
Advances drawn on trade receivables	預支應收貿易賬款之墊款	79,726	218,918
Advances drawn on bills receivables	預支應收票據之墊款	128,149	87,492
		<hr/>	<hr/>
Total bank borrowings	銀行借貸總額	<b>260,484</b>	461,810

**GEARING RATIO**

資產負債比率

		2006 HK\$'000 千港元	2005 HK\$'000 千港元
Total assets	資產總值	585,609	860,129
Total bank borrowings	銀行借貸總額	260,484	461,810
Ratio of bank debt to total assets	銀行債務與資產總值之比率	44.5%	53.7%

No debt to equity ratio is available as the Group is in a negative equity position.

由於本集團處於負股本狀況，因此無法提供債務與資本比率。

**CAPITAL STRUCTURE AND EXCHANGE RATE**

股本架構及匯率

During the year, 725,000 new shares were issued at exercise price of HK\$1.02 per share upon the exercise of share option by options holders.

年內，因購股權持有人行使購股權，本公司按每股1.02港元之行使價發行725,000股新股份。

On 18 August 2006, 82,000,000 new shares were issued to Uniden Hong Kong Limited ("Uniden HK") at an aggregate subscription price of HK\$143.5 million pursuant to a subscription agreement dated 10 July 2006 entered into among the Company, Uniden and Uniden HK.

於二零零六年八月十八日，根據本公司、Uniden及Uniden Hong Kong Limited (「Uniden HK」) 於二零零六年七月十日訂立之認購協議，已按總認購價143,500,000港元，向Uniden HK發行82,000,000股新股份。

## MANAGEMENT DISCUSSION AND ANALYSIS

### 管理層論述及分析

#### CAPITAL STRUCTURE AND EXCHANGE RATE (continued)

On 11 December 2006, the Company announced a proposed rights issue in the proportion of 1 rights share for every 2 shares in the share capital of the Company held on 3 January 2007. The rights issue was completed in January 2007 and the Company issued a total sum of 204,871,830 new shares at the subscription price of HK\$0.3 per rights shares which successfully raised approximately HK\$61.5 million before expenses.

All sales in the current year were in US dollars and the majority of the Group expenses was in RMB and HK dollars. The appreciation of RMB on the other hand also had a negative impact on our cost structure. The Group studied and discussed with its banks the possibility of hedging against the RMB, but ultimately decided against this as the premium was considered too expensive. The Group does not speculate in currencies.

All bank borrowings of the Group were made in either HK dollars or US dollars and carried interest at fixed-rate except the trust receipt loans which carried interest at variable rates.

#### INVESTMENTS

The Group did not make any significant investments during the year under review.

#### CONTINGENT LIABILITIES

On 28 February 2007, the Company was served with an Amended Writ issued and filed by Uniden and Uniden HK on 1 February 2007 against the Company, Suncorp Partners Limited and its four executive directors, alleging that certain misrepresentations had been made by the Company and four executive directors, and that the Company had breached a business alliance agreement and a production agreement. On the basis of these allegations, Uniden and Uniden HK sought, inter alia, (i) a rescission of the Subscription Agreement entered into on 10 July 2006 between the Company and Uniden HK for the subscription of 82,000,000 shares in the Company; (ii) a return of HK\$143.5 million to Uniden HK which it paid to the Company under the Subscription Agreement; and (iii) damages, interest and costs, from the Company and its executive directors.

#### 股本架構及匯率 (續)

於二零零六年十二月十一日，本公司宣佈擬按於二零零七年一月三日每持有本公司股本中股份兩股可認購一股供股股份之比例進行供股。供股已於二零零七年一月完成，本公司按每股供股股份0.3港元之價格發行共204,871,830股新股份，成功籌集約61,500,000港元（未計開支）。

本年度內之所有銷售均以美元進行，而本集團之開支大部分以人民幣及港元列值。另一方面，人民幣升值對本集團之成本結構亦造成負面影響。本集團已跟其往來銀行研究及磋商對沖人民幣之可能性，惟鑑於溢價過高而最終遭否決。本集團並無進行貨幣投機活動。

本集團所有銀行借貸均以港元或美元列值及按固定利率計息，惟信託收據貸款則按浮動利率計息。

#### 投資

於回顧年度內，本集團並無作出任何重大投資。

#### 或然負債

於二零零七年二月二十八日，本公司獲送達Uniden及Uniden HK於二零零七年二月一日向本公司、Suncorp Partners Limited及其四名執行董事發出及存檔之經修訂傳令，指控本公司及其四名執行董事作出若干失實陳述，以及本公司已違反一項商業聯盟協議及一項生產協議。基於該等指控，Uniden及Uniden HK要求（其中包括）(i)撤銷本公司與Uniden HK於二零零六年七月十日就認購本公司股份82,000,000股而訂立之認購協議；(ii)向Uniden HK退還根據該認購協議向本公司支付之143,500,000港元；及(iii)本公司及其執行董事賠償有關損失、利息及費用。

### CONTINGENT LIABILITIES (continued)

On 6 February 2007 and 20 March 2007, the Company issued announcements, in relation to these legal proceedings and the termination by the Company of the business alliance agreement and the production agreement. The directors strongly refute, and intend to vigorously defend Uniden's allegations and believe, based on legal advice, that the action can be successfully defended and therefore no losses will be incurred.

In addition, the Group is involved in products recalls with two customers in connection with the supply of adaptors to these customers. The adaptors were purchased from an independent supplier and this supplier has agreed to indemnify the Group for an amount of approximately HK\$2,257,000 if there is any claim from these customers. The directors believe that the dispute can be settled without losses to be incurred by the Group and therefore no provision for losses in this aspect has been made.

In addition to the above, the Group has given guarantee to banks in respect of credit facilities utilised by a jointly controlled entity amounted to approximately HK\$31,504,000 as at 31 December 2006 (2005: HK\$70,251,000).

### CAPITAL COMMITMENT

As at 31 December 2006, the capital expenditure in respect of acquisition of intangible assets contracted for but not provided in the financial statements amounted to approximately HK\$2 million (2005: HK\$3 million).

### EMPLOYEES

The Group's emolument policies are formulated on the performance of employees with reference to the market condition. The Board may exercise its discretion to grant share options to the executive directors and employees as an incentive to their contribution to the Group. No option has been granted to the employees during the year under review.

### 或然負債 (續)

於二零零七年二月六日及二零零七年三月二十日，本公司就此等法律訴訟及本公司終止該商業聯盟協議及生產協議發出公佈。董事強烈反駁及擬積極抗辯 Uniden 之指控，並根據法律意見，相信可成功抗辯該訴訟，因此不會令本集團引起任何損失。

此外，本集團現正與兩名客戶牽涉一宗關於向該等客戶供應變壓器之產品回收事件。本公司向一名獨立供應商購入該等變壓器，而此供應商已同意，倘該等客戶提出任何索償，會償付本集團約 2,257,000 港元之金額。董事相信該爭議可在本集團毋須引起任何損失之情況下解決，因此沒有就此方面作出虧損撥備。

除上述者外，本集團已就一間合營公司於二零零六年十二月三十一日所動用之信貸融通約 31,504,000 港元（二零零五年：70,251,000 港元）向銀行作出擔保。

### 資本承擔

於二零零六年十二月三十一日，有關收購已訂約但未於財務報表中作出撥備之無形資產之資本開支約為 2,000,000 港元（二零零五年：3,000,000 港元）。

### 僱員

本集團之酬金政策，乃參考市況就僱員之表現而制定。董事會可酌情授予執行董事及僱員購股權，作為彼等對本集團貢獻之獎勵。於回顧年度內，本集團並無向僱員授出任何購股權。