



r e v i e w o f o p e r a t i o n s

The Group has been operating under a challenging and demanding business environment throughout 2005. The Group has, nonetheless, managed to maintain its position as one of the world's leading manufacturers of cordless phones and hi-tech electronic products on an original design manufacturing basis and contract manufacturing basis. The Group has not only been able to sustain increase in orders and sales volume from existing customers but has also managed to broaden its customer base with the addition of a number of worldwide distributors of telecom products. Turnover in 2005 has, therefore, only decreased slightly by 1.4% to HK\$3,795 million.

We continued to benefit from robust consumer spending in the U.S. market in 2005, thus, enabling us to achieve growth in sales orders and volume from our U.S. customers. Revenue, however, decreased slightly due to the reduction in the average selling price of our products. Our business in the markets outside the U.S., especially Europe and the Asian Pacific regions, performed well as the markets in these regions continued to grow. The increase in revenue from these regions has been encouraging to say the least.

We faced a number of challenges in 2005. Keen competition in the Group's major markets brought pressure from our customers to offer them ever more competitive prices. Operating costs especially labour wages increased substantially. Crude oil and material prices escalated and stayed on average at high levels throughout 2005. Fluctuations in material prices continued to affect the Group's cost and operating margin.

The prolonged problem of labour shortage in the Pearl River Delta area has led to a general increase in wage levels in that area in order to attract and retain workers. The Group, likewise, had to increase wages substantially which led to a surge in the Group's labour costs during the year under review. Some shipments of our products to customers during the year under review were delayed due to insufficient labour in our Guangdong factories to meet the production schedule. In order to alleviate the pressure, the Group has actively and continuously invested in new technologies and highly automated procedures and equipment to enhance product quality and reduce reliance on manual labour. We also improved our operational efficiencies in all aspects and implemented cost cutting and stringent control measures in order to compensate for the increase in operating costs caused by the surge of materials and labour costs.





Research and development (“R&D”) capability continues to be a core strength of the Group. Our R&D centre in Singapore that commenced operation in early 2005 has enhanced the Group’s product development capability and has attracted many skilled and experienced engineers from the region. The number of engineers employed in Singapore has increased to 40. We will expand our engineer teams in Singapore and Shenzhen to strengthen our advantage in this respect. Together with our strong team of engineers in Hong Kong, we have been able to develop and launch innovative and highly advanced telecom products ahead of market expectations which has helped us to maintain a competitive edge. New products such as 5.8 GHz digital cordless phones, multi-handsets, cordless phones with colour LCD display, camera, short message features and a number of new DECT products with advanced features were launched during the year under review.

We have also developed a range of hi-tech wireless electronic products such as VoIP (Voice over Internet Protocol) cordless phones, cordless phones with Skype capabilities and wireless broadband products during the year under review. We believe that demand in hi-tech wireless electronic products will continue to gain momentum in today’s world of technology and the potential of this business area will

therefore be very promising. We expect the launch of our new generation of products in 2006 to raise substantial interest in the market and become a key contributor to the Group's growth in the future.

We will also continue to step-up our efforts to utilize advanced machinery and equipment as well as information technology to manufacture our telecom products at our facilities in Huiyang and Dongguan, the PRC. During the year, we continued to invest considerably in our production machinery and equipment. We now have a total number of 61 surface mount technology ("SMT") manufacturing lines and 132 bonding machines to support our increasing ODM and contract manufacturing orders. We also have advanced testing equipment such as automatic PCBA testers and automatic casing testers in order to ensure that only products with the best quality are delivered to our customers.







CCT Technology Park, our principal manufacturing base in Huiyang, Guangdong Province, the PRC







Our factory complex in Dongguan, Guangdong Province, the PRC

