

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group delivered a strong earnings result for year ended 2006. Turnover reported HK\$272.1 million as of 31 December 2006, increased 30% or HK\$63.5 million, from HK\$208.6 million as of 31 December 2005.

Gross profit in 31 December 2006 increased 22.9%, or HK\$24.5 million to HK\$131.4 million from HK\$106.9 million in 31 December 2005. Gross margin was 48.3% as of 31 December 2006, compared to 51.2% for the same period last year. Profit reported HK\$78.4 million in 31 December 2006, increased HK\$17.6 million, or 28.9% from HK\$60.8 million in 31 December 2005. Net profit margin was 28.8% in 31 December 2006, compared to 29.1% in 31 December 2005. The slight decrease in profit margin was due to rising costs of material and labour.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2006, the Group had a total equity of approximately HK\$310.4 million (2005: HK\$250.6 million), and cash and cash equivalents of approximately HK\$155 million (2005: HK\$111 million), which were predominately denominated in US dollars and Renminbi.

For the year ended 31 December 2006, the Group had not arranged for any banking facilities and other resources for financing. With the above cash on hand, the Group has adequate resources to meet its working capital needs in the near future.

The Group has strong financial position. There were no debt and no bank loan for the year ended 31 December 2006.

The Group had limited exposure to foreign exchange fluctuations as most of its accounts receipts and payments are in US dollars.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2006, the Group employed approximately 1,630 personnel around the world, with approximately 110 in Hong Kong, 1,500 in the PRC and 20 overseas. The Group has a staff education sponsorship program and also provides training courses to staff on operation system, product and technology development, and product safety.

The remuneration policy for the Group's employees is reviewed by management on a regular basis. Competitive remuneration packages will be offered to employees based on business performance, market practices and the performance of individual employees. The Group has adopted a provident fund scheme for its employees.

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CONTINGENT LIABILITIES

The Group did not have any material contingent liability as at 31 December 2006 (2005: HK\$ Nil).

CAPITAL COMMITMENTS

The Group did not have any material capital commitment as at 31 December 2006 (2005: HK\$ Nil).

PROSPECTS

Looking ahead, the prospects for global electronics business are cautiously optimistic and the Group will continue to build on its competitive advantage to sustain growth in the coming years.