

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

REVIEW OF RESULTS

For the year ended 31 December 2006, the Group's revenue (continuing and discontinued operations) amounted to HK\$717,711,000, an increase of HK\$97,875,000 over last year. Gross profit increased by HK\$562,000 to HK\$82,424,000 while net profit attributable to equity holders increased by HK\$65,622,000 to HK\$22,347,000.

(1) Property Development Business

Beijing Jing Guan Property Development Co. Ltd. ("Beijing Jing Guan"), a wholly-owned subsidiary of the Group, achieved satisfactory operating results. Two residential blocks of Sunpalace Mercury Garden, with a total area of 46,772 sq.m., were completed and sold, generating revenue of HK\$266,781,000 during the year. The structural work of the office block, with a total area of 23,184 sq.m., has been commenced and were pre-sold at an average selling price of RMB8,450 per sq.m. Such revenue will be recognised in 2007.

Beijing Xin Yang Property Development Co. Ltd. ("Beijing Xin Yang"), a 80% owned subsidiary of the Group, has completed the resettlement work of the Guangqumen redevelopment project, which has a total site area of 11.62 hectares, a construction area of 8.66 hectares and a gross floor area of 545,400 sq.m. Preparatory works for the construction are in progress.

(2) Watches and Timepieces Business

Revenue of EBOHR Luxuries International Company Limited ("EBOHR"), a wholly-owned subsidiary of the Group, increased by 6% to approximately HK\$130,358,000 in 2006 over the previous year, contributing net profit of approximately HK\$18,765,000 to the Group. The growth was mainly attributable to the innovative designs, emerging brand recognition, and strong sales network and market development. As at the end of December 2006, there were 25 sale offices in key cities, approximately 300 distribution points and 300 authorized dealers all over the PRC. In 2006, institutional sales and exports accounted for 20% and 3% of total sales respectively.

業績回顧

截至二零零六年十二月三十一日止年度，本集團來自持續經營業務及已終止經營業務的收入為717,711,000港元，較上年度增加97,875,000港元。毛利增加562,000港元至82,424,000港元，而權益持有人應佔純利則增加65,622,000港元至22,347,000港元。

(1) 房地產開發業務

本集團的全資附屬公司北京京冠房地產開發有限公司（「北京京冠」）取得良好的經營業績。年內太陽星城水星園兩幢面積合共46,772平方米的住宅樓宇落成售出，為本集團帶來266,781,000港元收入。另總面積23,184平方米的辦公大樓的結構工程已經展開，並以每平方米人民幣8,450元的平均售價推出預售。所得收入將於二零零七年入賬。

本集團擁有80%權益的附屬公司北京鑫陽房地產開發有限公司（「北京鑫陽」）已完成廣渠門重建工程項目的拆遷工程。該項目總規劃用地11.62公頃，建設用地8.66公頃，總建築面積545,400平方米。現正進行工程前期工作。

(2) 鐘錶業務

本集團全資附屬公司依波精品（深圳）有限公司（「依波精品」）於二零零六年度的銷售收入增至130,358,000港元，較上年度增長6%，為本集團帶來淨利潤約18,765,000港元。增長主要歸因於產品設計新穎、品牌聲譽日隆以及加強銷售網絡及市場拓展。於二零零六年十二月末，本集團在中國主要城市設有25個銷售辦事處，另有約300個分銷點及300名認可經銷商分布全中國。於二零零六年，機構銷售額及外銷額分別佔總銷售額20%及3%。

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REVIEW OF RESULTS (continued)

(3) Timber Business

Seti Timber Industry (Shenzhen) Company Limited (“Seti Timber”), a wholly-owned subsidiary of the Group, remained in tatters in 2006. Of all the negative factors contributing to the unsatisfactory performance, the imbalance between supply and demand of the products is crucial. Owing to increase in business volume during the second half of 2006, the performance in the second half showed slight improvement. The management has implemented strategies to realign product mix, increase production and sales of profitable products, save costs, focus on profitable product lines and streamline the operation in order to resume profitability in 2007.

(4) Enamelled Copper Wires Business

Fuzhou Dartong M&E Co. Ltd. (“Fuzhou Dartong”), a 49% owned joint venture of the Group contributed revenue and net profit after tax of approximately HK\$196,414,000 and HK\$4,287,000 respectively in 2006. In the first half of 2006, the annual full production capacity was 7,500 tons with an additional production capacity of 2,500 tons being added in the latter half. At the end of 2006, annual production capacity of 10,000 tons was fully operational. The increased production capacity led to corresponding increases in revenue and net profit after tax in 2006. The annual production capacity will be increased to 15,000 tons in 2007.

Jiangsu Dartong M&E Co. Ltd. (“Jiangsu Dartong”), a 25% owned associated company of the Group recorded contributions of approximately HK\$5,028,000 in 2006. Jiangsu Dartong increased production capacity to satisfy market demand in 2006. As such, sales volume increased from 13,000 tons in 2005 to 16,000 tons in 2006.

業績回顧(續)

(3) 木材業務

本集團全資附屬公司森帝木業(深圳)有限公司(「森帝木業」)於二零零六年仍錄得經營虧損。在導致森帝木業表現欠佳的所有不利因素中,主要某些產品不能適銷對路屬關鍵因素。由於二零零六年下半年的生意額上升,故下半年表現略有改善。管理層已實施調整產品結構、增加可盈利產品之生產及銷售、控制成本、專注有利可圖的產品系列及精簡業務的戰略,務求於二零零七年恢復盈利能力。

(4) 漆包線業務

本集團持有49%權益的合營企業福州大通機電有限公司(「福州大通」)於二零零六年的收入及除稅後純利分別約為196,414,000港元及4,287,000港元。於二零零六年上半年,福州大通全面運作的年產量為7,500噸,下半年再增加2,500噸。於二零零六年底,福州大通全面運作的年產量達到10,000噸。產量增加令二零零六年度的收入及除稅後純利亦相應增加。二零零七年的年產量將會增加至15,000噸。

本集團持有25%權益的聯營公司江蘇大通機電有限公司(「江蘇大通」)於二零零六年帶來進賬約5,028,000港元。江蘇大通於二零零六年提高產量以滿足市場需求。因此,銷量由二零零五年的13,000噸增至二零零六年的16,000噸。

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(5) Property Investment

The factory complex in Dongguan, the property on Yan He South Road, Luohu District, Shenzhen and the office floor and three shop units on Xianghua Road, Zhuhai, in Guangdong Province of the PRC, owned by the Group have been leased out, with stable rental returns to the Group for the year under review.

In December 2006, the Group purchased an investment property in Hong Kong for HK\$98,640,000. Such investment is expected to generate satisfactory returns to the Group, given the robust luxury residential market conditions in Hong Kong.

FINANCIAL POSITION

(1) Liquidity, Financial Resources and Capital Structure

As at 31 December 2006, the Group had non-pledged cash and bank balances of approximately HK\$234,616,000 (31 December 2005: HK\$370,909,000). Based on bank loans of HK\$501,701,000 (31 December 2005: HK\$413,462,000) and shareholders' equity of HK\$537,935,000 (31 December 2005: HK\$459,018,000), the Group's gearing ratio (being loans divided by shareholders' equity) was 93% (31 December 2005: 90%). As at 31 December 2006, the Group's bank loans amounting to HK\$116,353,000 (23% of all bank loans) were repayable within one year.

業績回顧(續)

(5) 物業投資

本集團位於中國廣東省東莞市的工廠綜合大樓、深圳市羅湖區沿河南路的物業及珠海市香華路一層辦公樓及三個舖位已全部用作出租用途，並於回顧年度為本集團帶來穩定租金回報。

於二零零六年十二月，本集團以98,640,000港元在香港購入一項投資物業。鑑於香港的豪宅市道暢旺，預期該項投資將為本集團帶來理想回報。

財務狀況

(1) 流動資金、財務資源及資本結構

於二零零六年十二月三十一日，本集團無抵押現金及銀行結存約為234,616,000港元（二零零五年十二月三十一日：370,909,000港元）。根據銀行貸款501,701,000港元（二零零五年十二月三十一日：413,462,000港元）及股東權益537,935,000港元（二零零五年十二月三十一日：459,018,000港元）計算，本集團的資本負債率（貸款除股東權益）為93%（二零零五年十二月三十一日：90%）。於二零零六年十二月三十一日，本集團23%銀行貸款共116,353,000港元須於一年內償還。

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FINANCIAL POSITION (continued)

(2) Charge on Assets

Bank loans of HK\$330,000,000 were granted to Beijing Jing Guan, which is secured by the land use rights of the East Part of E Area, Taiyanggong New District, Chao Yang Qu, Beijing, the PRC. Bank loans of HK\$27,000,000 and other banking facilities of Seti Timber are secured by land and buildings in Nanshan District, Shenzhen owned by the Group in the PRC with net book values amounting to approximately HK\$128,233,000 as at 31 December 2006.

(3) Capital Commitments

As at 31 December 2006, the Group had capital commitments of approximately HK\$198,383,000 mainly relating to the construction costs payable in respect of the Group's property development projects in Beijing and the proposed acquisition of 21% equity interests in Beijing Haidian Science Park Development Co., Ltd., which will be satisfied by funds generated from the sales of property and the Group's available cash.

(4) Contingent Liabilities

The Company had no material contingent liabilities as at the balance sheet date.

財務狀況(續)

(2) 資產抵押

銀行貸款330,000,000港元乃向北京京冠授出，以集團位於中國北京朝陽區太陽宮北街太陽宮新區E區東部的土地使用權作抵押。森帝木業的27,000,000港元銀行貸款，以位於深圳市南山區於二零零六年十二月三十一日賬面淨值約128,233,000港元的土地及樓宇作抵押。

(3) 資本承擔

於二零零六年十二月三十一日，本集團的資本承擔約為198,383,000港元，主要涉及就本集團於中國北京市的物業發展項目所應付建築成本及建議收購北京海澱科技園建設股份有限公司21%股本權益。上述資本承擔將由出售物業所得的資金與本集團可動用的現金支付。

(4) 或然負債

截至結算日，本公司並無重大或然負債。

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OUTLOOK

The growth of the PRC economy is expected to be buoyant in the next few years, which will benefit our property, watches and timepieces, enamelled copper wires and property investment segments.

In the next few years, the 2008 Olympiad will favour the property market in Beijing and the Group's project in Guangqumen.

For the watches and timepieces business, the Group will devote more efforts in expanding sales network and establishing cooperation with famous international brands. Leveraging on its market leading position and comprehensive sales network and the awareness of the international brands, it will achieve increasing revenue in the PRC. Besides, export sales are also growing steadily.

Following the consolidation of the enamelled copper wires industry, our peers with poor product quality and weak financial strength have been gradually eliminated. Sales revenue and market shares of Fuzhou Dartong and Jiangsu Dartong are expected to increase due to advanced technology with international standards, specialized products and strong financial capability. China's accession to WTO and the gradual shift of global manufacturing base to the PRC will also contribute to the growth of Fuzhou Dartong and Jiangsu Dartong. The Group is actively seeking further growth of the enamelled copper wires business by acquiring and teaming up with our peers. In 2007, the Group will continue to engage in the existing five business segments. Capitalising on the economic growth of PRC and Hong Kong, the Group will actively expand all business segments except timber segment. More efforts will be put in the timber segment to stem the loss. Besides, the Group will seek additional opportunities so as to diversify the Group's sources of revenue and generate satisfactory returns for shareholders.

展望

預期中國經濟將於未來數年強勁增長，屆時本集團的房地產、鐘錶、漆包線及物業投資等業務將會受惠。

於未來數年，二零零八北京奧運將有利於北京房地產市場的發展，亦惠及本集團的廣渠門項目。

鐘錶業務方面，本集團將投入更大的人力物力來擴展銷售網絡及與國際知名品牌合作。憑藉本身的市場領導地位、廣泛的銷售網絡及對國際品牌的認識，本集團在中國的收入將與日俱增。此外，外銷額亦穩步增長。

在漆包線業界進行整固後，生產劣質產品及財力薄弱的同業逐步遭淘汰。福州大通及江蘇大通掌握符合國際標準的先進技術，有能力生產專門產品及財力雄厚，預料其銷售收入及市場佔有率將會增加。中國加入世貿及全球企業逐步將生產基地轉移至中國，亦促使福州大通及江蘇大通的業務有所增長。本集團正積極尋求透過收購及夥拍同業來進一步擴展漆包線業務。於二零零七年，本集團將繼續從事五項現有業務。本集團將把握中港兩地經濟增長之利，積極擴展木材業務以外之全線業務，而木材業務方面則致力減少虧損。此外，本集團將努力發掘商機，務求增闢收入來源，為股東爭取理想回報。

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EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2006, the Group had approximately 2,000 full-time staffs in Hong Kong and the PRC. Remuneration packages offered to the employees are determined and reviewed on the principles of fairness with reference to market condition and individual performance. The Group also provides other benefits to its employees, including year-end double pay, medical insurance and retirement benefits, and incentive bonus are offered with reference to the Group's operating results and employees' individual performance. All employees of the Group in Hong Kong have joined the provident fund scheme.

APPRECIATION

The Directors would like to take this opportunity to express our gratitude to all shareholders, customers, bankers, professional consultants, the management as a whole and all staff for their dedication and contribution to the Group.

Shang Jianguang
Chief Executive Officer

Hong Kong, 25 April 2007

僱員及薪酬政策

本集團於二零零六年十二月三十一日分別在香港及中國內地聘用全職員工約二千名。僱員薪酬乃本着公平原則，參考市場情況及根據個別員工表現制定及檢討。本集團並為員工提供其他福利，包括年終雙糧、醫療保險及退休福利，並視乎集團的經營業績及員工個人的工作表現向僱員發放獎金花紅。本集團全體香港僱員均已參加公積金計劃。

致意

董事會願藉此機會，衷心感謝所有股東、客戶、往來銀行、專業顧問、管理層和全體員工於回顧年內對本集團之竭誠服務及貢獻。

行政總裁
商建光

香港，二零零七年四月二十五日