

Management

Discussion and Analysis



OVERALL REVIEW

The Group recorded a turnover of HK\$486 million for the year, a gentle decline of 4.1% against HK\$506 million in 2002. The decline in turnover was mainly attributable to the drop in demand for communication products and multimedia products.

The major source of profits came from the group's electro-acoustic businesses, representing 67.5% of the turnover. These business segments consisted of audio products, communication products and multimedia products. The remaining 32.5% of the turnover was from the sales of electro-acoustic parts, electronic products and other accessories and rental income. Analysis of the turnover by business segments and geographical segments are included in Note 30 to the accounts.

The Group recorded a decline in the gross profit from operations, a decrease from HK\$159 million in 2002 to HK\$140 million in 2003. The overall gross profit margin of its products also dropped from 31.4% last year to 28.7% this year. The decline was mainly the result of the drop in turnover for communication products and multimedia products and the depreciation on the new plant facilities and equipments acquired in preparation for growing production volumes in the coming years.

For the year ended 31 March 2003, the Group reported a profit attributable to shareholders of approximately HK\$33.2 million, down by approximately 41.2% from HK\$56.4 million for the previous year. The decrease was primarily due to the depressed global consumer market and the inclusion in the results of a significant provision of approximately HK\$7.0 million made against a US customer and the one-off expenses aggregating HK\$3.5 million incurred during the year under review. These one-off expenses were mainly the spending on the customer promotional activities for strengthening the customer relationships during the Group's 20th anniversary, and the write-off of the carrying value of the offices' decoration and expenses incurred in relation to the removal of head office. Excluding this provision and the one-off expenses, the Group's profit would be HK\$43.7 million, representing a drop of 22.7% from last year. Basic earnings per share were approximately HK9 cents (2002: HK16 cents).

整體回顧

本集團於本年度之營業額為486,000,000港元，較二零零二年之506,000,000港元微跌4.1%。營業額下跌主要因為通訊產品與多媒體產品之市場需求放緩所致。

溢利主要來自佔本集團營業額67.5%之電聲產品業務，該類業務涉及音響產品、通訊產品及多媒體產品。其餘32.5%營業額來自銷售電聲產品部件、電子產品及其他配件與租金收入。以業務及地區劃分之營業額分析載於賬目附註30。

本集團之經營毛利減退，由二零零二年之159,000,000港元減至二零零三年之140,000,000港元。產品之整體毛利率亦由上年度之31.4%跌至本年度之28.7%。整體毛利率下跌，主要是由於通訊產品與多媒體產品之營業額下跌，加上為籌備往後提升產量而購入新廠房與器材錄得折舊開支所致。

於截至二零零三年三月三十一日止年度，本集團錄得股東應佔溢利約33,200,000港元，較上一年度之56,400,000港元減少約41.2%。股東應佔溢利減少，主要是因為全球消費市道疲弱，以及業績內記入對一名美國客戶作出約7,000,000港元之大額撥備及於回顧年內錄得合計3,500,000港元之一次性開支。有關一次性開支主要為慶祝本集團二十週年誌慶時為加強客戶關係而進行客戶推廣活動之經費，以及撤銷搬遷總辦事處所錄得之辦公室裝修賬面值及相關之開支所致。如撇除上述撥備及一次性開支，本集團之溢利將為43,700,000港元，較去年下跌22.7%。每股基本盈利約為9港仙。(二零零二年：16港仙)。

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a healthy financial position during this year. As at 31 March 2003, net current assets amounted to approximately HK\$108 million (2002: HK\$142 million). The Group's current and quick ratio (excluding inventories) were 1.70 times (2002: 2.30 times) and 1.28 times (2002: 1.85 times) respectively. These indicate that the Group is able to meet future obligations without any difficulty.

The Group had cash and bank deposit of approximately HK\$134 million (2002: HK\$136 million) of which approximately HK\$32 million (2002: HK\$2 million) were pledged to banks for short-term loans granted to the Group. About 3.2%, 0.2% and 79.4% of the total cash and bank deposits were denominated in Chinese Renminbi, Japanese Yen and US dollars respectively and the remainder in Hong Kong dollars.

Following the review of the need of working capital and funds for expansion in the near future, the Group had invested approximately of HK\$11 million (2002: HK\$27 million) surplus cash in securities and investment funds for the purpose of earning high yield return. As at 31 March 2003, the securities held for long-term purpose accounted for approximately HK\$38 million (2002: HK\$27 million), comprising several overseas listed bonds of approximately HK\$10 million (2002: HK\$7 million), several structural notes issued by overseas banks of approximately HK\$11 million (2002: HK\$12 million), and investments funds managed by overseas investment companies of approximately HK\$17 million (2002: HK\$8 million).

流動資金及財務資源

本集團於年內繼續維持健全之財政狀況。於二零零三年三月三十一日，流動資產淨值約為108,000,000港元（二零零二年：142,000,000港元）。本集團之流動及速動比率（不包括存貨）分別為1.70倍（二零零二年：2.30倍）及1.28倍（二零零二年：1.85倍），顯示本集團可從容應付未來之承擔。

本集團有大約134,000,000港元（二零零二年：136,000,000港元）現金及銀行結餘，其中約32,000,000港元（二零零二年：2,000,000港元）已抵押予銀行作為本集團所獲短期貸款之擔保。現金及銀行結餘總額其中約3.2%、0.2%及79.4%分別為人民幣、日圓及美元，而其餘則為港元。

經檢討集團短期內營運資金需要及擴展業務所需資源後，本集團已動用約11,000,000港元（二零零二年：27,000,000港元）之盈餘現金，投資於證券及投資基金，藉此賺取高收益回報。於二零零三年三月三十一日，長期持有之證券金額約為38,000,000港元（二零零二年：27,000,000港元），包括數份海外上市債券約10,000,000港元（二零零二年：7,000,000港元）、海外銀行發行之多份結構性票據約11,000,000港元（二零零二年：12,000,000港元）以及海外投資公司管理之投資基金約17,000,000港元（二零零二年：8,000,000港元）。

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

For the purposes of day-to-day liquidity management and future expansion, the Group has access to significant uncommitted banking facilities. As at 31 March 2003, the Group had aggregate banking facilities of approximately HK\$536 million (2002: HK\$246 million) from several banks for overdrafts, loans, and trade financing, with an unused balance of approximately HK\$428 million (2002: HK\$153 million). However, due to the high level of surplus cash as mentioned above, there are no present needs for borrowings of any material amount.

CAPITAL STRUCTURE

It is the intention of the Group to maintain an appropriate mix of equity and borrowings to ensure an efficient capital structure. As at 31 March 2003, the total borrowings of the Group were approximately HK\$75 million (2002: HK\$9 million), of which about 92.3%, 4.4% and 3.3% were due within one year, in the second year and from the third to fifth year, respectively.

These Group's borrowings consisted of an unsecured three-year bank loan of approximately HK\$9 million (2002: Nil), being denominated in Hong Kong dollars, and various secured short-term bank loans of approximately HK\$66 million (2002: HK\$9 million), of which about 47.3% and 52.7% were denominated in US dollars and Chinese Renminbi, respectively, and being pledged by the Group's bank deposits of approximately HK\$32 million (2002: HK\$2 million) and secured by the Company's corporate guarantee of approximately HK\$31 million (2002: Nil). The short-term bank loans were primarily borrowed to finance the general operation of the production plant in Ningbo, PRC. During the year, the Group's borrowings bore interest at rates ranging from 2.4% to 7.0% (2002: ranging from 5.3% to 5.9%).

流動資金及財務資源 (續)

為有利於日常流動資金管理及往後發展，本集團亦已安排大額未動用銀行信貸。於二零零三年三月三十一日，本集團之銀行融資合共約為536,000,000港元（二零零二年：246,000,000港元），為來自多家銀行之透支、貸款及貿易信貸，而未動用之餘額約為428,000,000港元（二零零二年：153,000,000港元）。然而，由於如上文所述有大量現金結餘，因此目前無需大額借貸。

資本架構

本集團希望維持適當之股本借貸比例，確保維持有效之股本架構。於二零零三年三月三十一日，本集團之借貸總額約為75,000,000港元（二零零二年：9,000,000港元），而於一年內、第二年內及第三至第五年內到期之款項分別佔其中約92.3%、4.4%及3.3%。

上述本集團之借貸包括一筆約9,000,000港元（二零零二年：無）之無抵押三年期以港元結算之銀行貸款，以及多筆為數約66,000,000港元（二零零二年：9,000,000港元）之有抵押短期銀行貸款，其中約47.3%與52.7%分別以美元及人民幣結算，由本集團為數約32,000,000港元（二零零二年：2,000,000港元）之銀行存款作為抵押以及本公司作出為數約31,000,000港元（二零零二年：無）之公司擔保。短期銀行貸款主要用於中國寧波廠房之日常營運開支。年內，本集團之借貸按介乎2.4%至7.0%不等（二零零二年：5.3%至5.9%）之利率計息。

GEARING RATIO

The Group's gearing ratio as at 31 March 2003 was approximately 24.6% (2002: 3.1%), which was calculated based on the total borrowings of approximately HK\$75 million (2002: HK\$9 million) and total equity of approximately HK\$306 million (2002: HK\$302 million). If the net borrowings of approximately HK\$43 million (2002: HK\$7 million), being netted off the pledged bank deposits of approximately HK\$32 million (2002: HK\$2 million), were applied, the Group's net gearing ratio would be approximately 14.2% (2002: 2.4%).

FOREIGN EXCHANGE EXPOSURE

The Group had limited exposure to foreign exchange rate fluctuations as most of its transactions, including borrowings, were conducted in US dollars, Hong Kong dollars or Chinese Renminbi. During the year under review, the exchange rates of these currencies were relatively stable, and hence the Group reported only net exchange loss of approximately HK\$637,000 (2002: HK\$1,175,000).

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

The Group has developed its training programs in a structural and systematic manner to its management and employees. The Group has provided regular management and technical courses to its employees during the year.

The Group has also developed its human resources policies and procedures based on performance and merit. It ensures that the pay levels of its employees are competitive and employees are rewarded on a performance-related basis within the general framework of its salary and bonus system. Discretionary bonus is linked to the profit performance of the Group as well as individual performance. Benefits include staff accommodation, medical schemes, share option schemes, Mandatory Provident Fund scheme for Hong Kong employees and state-sponsored retirement plans for employees in the PRC.

資本負債比率

本集團於二零零三年三月三十一日之資本負債比率約為24.6% (二零零二年：3.1%)，乃根據借貸總額約75,000,000港元 (二零零二年：9,000,000港元) 及股東權益總額約306,000,000港元 (二零零二年：302,000,000港元) 計算。如以扣除已抵押銀行存款約32,000,000港元 (二零零二年：2,000,000港元) 後之借貸淨額約43,000,000港元 (二零零二年：7,000,000港元) 計算，本集團之淨資本負債比率將約為14.2% (二零零二年：2.4%)。

外匯風險

由於本集團大部份交易 (包括借貸) 均以美元、港元或人民幣進行，故此本集團之匯率波動風險不高。回顧年內，該等貨幣之匯率相當穩定，故此本集團僅有大約637,000港元 (二零零二年：1,175,000港元) 淨外匯虧損。

招聘、培訓及薪酬政策

本集團已為管理層及僱員設立有系統之培訓計劃。本集團已於年內為僱員定期提供管理及技術課程。

本集團亦已根據員工之表現及成績制訂人力資源政策及程序，以確保僱員之薪酬水平具競爭力，並根據慣常之薪酬及花紅制度按員工表現給予員工報酬。酌情花紅視乎本集團之溢利及個別員工之表現而定。僱員福利包括宿舍、醫療計劃、購股權計劃、香港僱員之強積金計劃及中國僱員之國家退休金計劃。

EMPLOYMENT, TRAINING AND REMUNERATION POLICY *(Continued)*

As at 31 March 2003, the Group's operations engaged a total of over 4,900 staff and workers. The employment costs (including the directors' emoluments) accounted for approximately HK\$99 million (2002: HK\$91 million).

DIVIDEND POLICY

It is the intention of the Group that the dividend paid should over the long term provide the shareholders with relatively consistent dividend income. In view of the Group's growth potential, it is also intended to retain sufficient cash reserves to take advantage of any expansion or acquisition opportunities in the future. Accordingly, the total dividend for the year will be maintained at HK7 cents per ordinary share (2002: HK7 cents per ordinary share).

COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2003, the Group had total outstanding capital commitments, operating lease commitments and foreign exchange contracts of approximately HK\$0.4 million (2002: HK\$6 million), HK\$6 million (2002: HK\$5 million) and HK\$31 million (2002: HK\$78 million) respectively. In respect of the foreign exchange contracts, the Group had committed to sell approximately US\$4 million at various rates for a total of approximately HK\$31 million. In view of the Group's high level of liquid funds, it is confident to fulfil all these commitments without any difficulty.

As at 31 March 2003, the Company had provided guarantees of approximately HK\$142 million (2002: HK\$62 million) to several banks to secure banking facilities of its subsidiaries.

招聘、培訓及薪酬政策 (續)

於二零零三年三月三十一日，本集團合共聘用逾4,900名員工及工人從事業務。包括董事酬金之僱員成本約為99,000,000港元(二零零二年：91,000,000港元)。

股息政策

本集團計劃讓股東長期收取穩定之股息收入。基於本集團之發展潛力，本集團亦有意維持足夠現金儲備，以掌握日後之擴充及收購機會。因此，本年度之總股息將保持在每股普通股7港仙(二零零二年：每股普通股7港仙)之水平。

承擔及或然負債

於二零零三年三月三十一日，本集團分別有合共約400,000港元(二零零二年：6,000,000港元)、6,000,000港元(二零零二年：5,000,000港元)及31,000,000港元(二零零二年：78,000,000港元)之未履行資本承擔、經營租約承擔及外匯合約。對於該等外匯合約，本集團已決定按不同匯率出售約4,000,000美元，以獲取合共約31,000,000港元之款項。由於本集團有大量流動現金，故此履行所有該等承擔並無困難。

於二零零三年三月三十一日，本公司為附屬公司所獲銀行融資向銀行作出約142,000,000港元(二零零二年：62,000,000港元)擔保。