

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a healthy financial position during this year. As at 30 September 2003, the Group had cash and bank deposit of approximately HK\$101 million (As at 31 March 2003: HK\$134 million) of which HK\$38 million (As at 31 March 2003: HK\$32 million) were pledged to banks for short-term loans granted to the Group. About 87.5% of the total cash and bank deposits were denominated in US dollars and Hong Kong dollars. The Group's net current assets amounted to approximately HK\$99 million (As at 31 March 2003: HK\$108 million). These indicate that the Group is able to meet future obligations without any difficulties.

Following the review of the need of working capital and funds for expansion in the near future, the Group has decided to invest surplus cash to the extent up to US\$6 million in securities and investment funds for the purpose of earning high yield return. As at 30 September 2003, the securities held for long-term purpose amounted to approximately HK\$46 million (As at 31 March 2003: HK\$38 million), of which about 55.7%, 36.1% and 8.2% were investments funds managed by overseas investment companies, several structural notes issued by overseas banks and several overseas listed bonds, respectively.

For the purposes of day-to-day liquidity management and future expansion, the Group has access to significant uncommitted banking facilities. As at 30 September 2003, the Group had aggregate banking facilities of approximately HK\$543 million (As at 31 March 2003: HK\$536 million) from several banks for overdrafts, loans, and trade financing, with an unused balance of approximately HK\$445 million (As at 31 March 2003: HK\$428 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 30 September 2003, the total borrowings of the Group were approximately HK\$81 million (As at 31 March 2003: HK\$75 million), of which about 94.9%, 4.0% and 1.1% were due within one year, in the second year and from the third to fifth year, respectively.

管理層討論及分析

流動資金及財務資源

本集團於年內繼續保持穩健之財政狀況。於二零零三年九月三十日，本集團約有101,000,000港元（二零零三年三月三十一日：134,000,000港元）現金及銀行結餘，其中38,000,000港元（二零零三年三月三十一日：32,000,000港元）已抵押予銀行作為本集團所獲短期貸款之擔保。該現金及銀行結餘總額其中約87.5%為美元及港元。本集團之流動資產淨值約為99,000,000港元（二零零三年三月三十一日：108,000,000港元），顯示本集團可從容應付未來承擔。

經審慎考慮集團短期內需要之營運資金及擴展業務所需之資源後，本集團決定將不高於6,000,000美元之現金盈餘，投資證券及投資基金，藉此賺取高收益回報。於二零零三年九月三十日，長期持有之證券金額約為46,000,000港元（二零零三年三月三十一日：38,000,000港元），其中約55.7%、36.1%及8.2%分別為海外投資公司所管理之投資基金、海外銀行所發行之多份結構式票據及多份海外上市債券。

就日常管理及未來擴展所需之流動資金而言，本集團已取得大額未承擔銀行融資。於二零零三年九月三十日，本集團之銀行融資合共約為543,000,000港元（二零零三年三月三十一日：536,000,000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445,000,000港元（二零零三年三月三十一日：428,000,000港元）。然而，由於上文所述現金盈餘充裕，現時並無需要動用任何重大金額之借款。

資本架構

本集團擬維持適當之股本權益與借款組合，以確保擁有具有效益之資本結構。於二零零三年九月三十日，本集團之借貸總額約為81,000,000港元（二零零三年三月三十一日：75,000,000港元），其中94.9%、4.0%及1.1%分別於一年內、第二年及第三至第五年到期。

CAPITAL STRUCTURE (CONT'D)

These Group's borrowings consisted of an unsecured three-year bank loan of approximately HK\$7 million (As at 31 March 2003: HK\$9 million), being denominated in Hong Kong dollars, and various secured short-term bank loans of approximately HK\$74 million (As at 31 March 2003: HK\$66 million), of which about 42.4% and 57.6% were denominated in US dollars and Chinese Renminbi, respectively, and being pledged by the Group's bank deposits of approximately HK\$38 million (As at 31 March 2003: HK\$32 million) and secured by the Company's corporate guarantee of approximately HK\$31 million (As at 31 March 2003: HK\$31 million). The short-term bank loans were primarily borrowed to finance the general operations of the production plant in Ningbo, PRC. During the period, the Group's borrowings bore interest at rates ranging from 2.1% to 5.8% (As at 31 March 2003: ranging from 2.4% to 7.0%).

GEARING RATIO

The Group's gearing ratio as at 30 September 2003 was approximately 27.0% (As at 31 March 2003: 24.6%), which was measured on the basis of total borrowings as a percentage of total shareholders' equity. If the net borrowings of approximately HK\$43 million (As at 31 March 2003: HK\$43 million), being netted off the pledged bank deposits of approximately HK\$38 million (As at 31 March 2003: HK\$32 million), were applied, the Group's net gearing ratio would be approximately 14.3% (As at 31 March 2003: 14.2%).

FOREIGN EXCHANGE EXPOSURE

Most of the Group's transactions, including borrowings, were conducted in US dollars, Hong Kong dollars or Chinese Renminbi. To mitigate risks due to fluctuations in foreign currency exchange rates, the Group had used forward foreign exchange contracts to hedge against major currency exposures during the period. The net exchange loss were approximately HK\$535,000 (2002: HK\$494,000).

資本架構 (續)

本集團此等借款包含以港元計值之無抵押三年銀行貸款約7,000,000港元(於二零零三年三月三十一日:9,000,000港元)·以及多項有抵押短期銀行貸款約74,000,000港元(於二零零三年三月三十一日:66,000,000港元)·其中約42.4%及57.6%分別以美元及人民幣計值·並以本集團之銀行存款約38,000,000港元((於二零零三年三月三十一日:32,000,000港元)作為抵押·以及本公司作出為數約31,000,000港元(於二零零三年三月三十一日:31,000,000港元)之公司擔保。集團借入該等短期銀行貸款乃主要為了就中國寧波之生產廠房提供一般營運資金。期內·本集團之借款按介乎2.1%至5.8%不等(二零零三年三月三十一日:介乎2.4%至7.0%不等)之利率計息。

資本負債比率

本集團於二零零三年九月三十日之資本負債比率約為27.0%(二零零三年三月三十一日:24.6%)·乃根據借貸總額及股東權益總額之百分比計算。如以扣除已抵押銀行存款約38,000,000港元(二零零三年三月三十一日:32,000,000港元)後之借貸淨額約43,000,000港元(二零零三年三月三十一日:43,000,000港元)計算·本集團之淨資本負債比率將約為14.3%(二零零三年三月三十一日:14.2%)。

外匯風險

本集團大部份交易(包括借貸)均以美元·港元或人民幣進行·為減低匯率波動引起的風險·本集團於期內利用遠期外匯合約對沖主要貨幣匯兌風險。滙兌虧損淨額約為535,000港元(二零零二年:494,000港元)。

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 period.

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 scheme, Mandatory Provident Fund scheme for employees in Hong Kong, and state-sponsored retirement plans for employees in the PRC.

As at 30 September 2003, the Group's operations engaged a total of over 5,600 staff and workers. The employment costs (including the directors' emoluments) accounted for approximately HK\$52 million (2002: HK\$50 million).

COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2003, the Group had total outstanding capital commitments, operating lease commitments and foreign exchange contracts of approximately HK\$2 million (As at 31 March 2003: HK\$0.4 million), HK\$4 million (As at 31 March 2003: HK\$6 million) and HK\$16 million (As at 31 March 2003: HK\$31 million) respectively. In view of the Group's high level of liquid funds, it is confident to fulfil all these commitments without any difficulty.

As at 30 September 2003, the Company had provided guarantees of approximately HK\$142 million (As at 31 March 2003: HK\$142 million) to several banks to secure banking facilities of its subsidiaries.

招聘、培訓及薪酬政策

本集團已以結構性及系統性方式為其管理層及僱員發展培訓計劃。本集團已於期內為其僱員提供定期管理及技術課程。

本集團亦根據表現及成績制訂人力資源政策及程序，以確保其僱員之薪酬水平具有競爭力，以及僱員在薪金及花紅制度之一般結構下獲得按其表現為基準之回報。酌情花紅則視乎本集團之表現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內地僱員之國家退休金計劃。

於二零零三年九月三十日，本集團共有逾5,600名僱員及職工。僱員成本（包括董事酬金）約為52,000,000港元（二零零二年：50,000,000港元）。

承擔及或然負債

於二零零三年九月三十日，本集團分別有合共約2,000,000港元（二零零三年三月三十一日：400,000港元）、4,000,000元（二零零三年三月三十一日：6,000,000港元）及16,000,000港元（二零零三年三月三十一日：31,000,000港元）之未履行資本承擔、經營租約承擔及外匯合約。由於本集團有大量流動現金，故此深信其履行所有該等承擔時並無困難。

於二零零三年九月三十日，本公司為附屬公司所獲銀行融資向數家銀行作出約142,000,000港元（二零零三年三月三十一日：142,000,000港元）擔保。

BUSINESS REVIEW

Despite the steadily improving market sentiment after the war in Iraq, further challenges brought about by the SARS outbreak and the macro environment changes in the review period posed an adverse effect to the Group's business development and operations. Several project rollouts among the Group's customers were delayed due to SARS. However, building on its investments made last year, the Group has been able to capture the opportunities in the PRC market during the period. For the six months ended 30 September 2003, the Group's turnover increased slightly by 6.2% from HK\$249 million to HK\$264 million which was mainly attributable to the increase in sales of electronic parts and accessories in the PRC. As these products have relatively low margins, coupled with the increase of raw material costs during the period, the Group's margins were adversely affected. Besides, one of its major communication customers changed its buying patterns and reduced orders to the Group. As a result, gross profit margin dropped from 30.4% in 2002 to 23.4% for the period. Net profit attributable to shareholders also decreased from HK\$22.9 million to HK\$10.5 million for the review period.

Geographically, sales from the Asia Pacific region jumped 48.4% from HK\$61 million to HK\$90 million. The increase was mainly driven by the influx of foreign investments and the flourishing consumer market in the PRC. With the establishment of Ningbo Fusion Electrical Materials Co., Ltd. and Full-Sound (Dongguan) Electrical Products Ltd., the Group was well-positioned to capture these opportunities and obtained a number of orders from an international mobile phone accessories manufacturer and one of the largest computer manufacturers in the region. As a result, sales in the PRC market surged 98.9% to HK\$44 million during the review period. In addition, the Group was also delighted to see that orders for its innovative Sound Bag, which combines a CD case with speaker function by means of the patented NXT technology, has received overwhelming responses worldwide. The Group believes that this growth momentum will continue in the second half of the year.

With the commencement of shipment orders for several sizeable customers, sales in Europe improved from HK\$41 million to HK\$44 million during the review period. The Group is expecting continuous growth in this market after the commencement of mass production of communication headsets for a leading European mobile phone manufacturer in the second quarter of the review period.

業務回顧

雖然市場氣氛於伊拉克戰爭後逐漸好轉，然而在非典型肺炎(SARS)及外圍環境因素改變的情況下，集團期內的業務運作及發展均受到影響。集團部份客戶原定於期內推出新項目亦由於SARS的爆發而受到阻延。儘管如此，憑藉去年發展國內市場的投資，集團成功於期內在內銷市場取得成績。截至二零零三年九月三十日止六個月，集團的營業額由249,000,000港元增加6.2%至264,000,000港元。增長主要來自電子零配件於期內在國內的理想銷售表現。然而，由於這些產品的毛利較低，加上期內原材料價格上升，集團的整體毛利因而受到影響。此外，集團其中一個通訊產品客戶改變了其購買模式，以致減少了訂單數目。因此，集團的毛利率由二零零二年的30.4%下降至期內的23.4%。股東應佔溢利亦由22,900,000港元下降至期內的10,500,000港元。

市場分佈方面，亞太地區的銷售額由61,000,000港元大幅上升48.4%至90,000,000港元。有關升幅主要由於外資大量流入，以及內地消費市場發展蓬勃所致。而集團亦憑藉成立寧波富舜電業材料有限公司及富聲(東莞)電器配件有限公司，成功把握商機，取得來自一家跨國流動電話配件生產商客戶及區內其中一間最大的電腦生產商的訂單。因此，集團於中國市場的銷售額於期內飆升98.9%至44,000,000港元。同時，集團亦感到非常欣悅，其應用卓越的NXT專利技術而融合揚聲器及CD盒兩種功能的Sound Bag，於全球市場獲得熱烈反應。集團相信此增長動力將能延續至下半年。

隨著多個大客戶的訂單陸續開始付運，集團來自歐洲的銷售額亦於期內由41,000,000港元增加至44,000,000港元。由於集團在第二季度開始便為其歐洲著名流動電話客戶大量生產通訊耳機，因此集團預期歐洲市場將會繼續增長。

BUSINESS REVIEW (CONT'D)

Both the US and the Japanese markets experienced declines during the period with sales decreased by 4.7% to HK\$107 million and by 29.1% to HK\$7 million respectively. However, the Group has secured one of the top automobile manufacturers in the US as a customer for its wireless audio headphones, with shipments commencing in the end of 2003. The Group believes that it will be a major growth driver for the coming few years when the trend of in-car AV entertainment system is about to take off. On the other hand, the Group was selected by a leading Japanese electronics company as its strategic manufacturing partner for high-end micro speakers in June 2003. The majority of these speakers are for mobile phone uses. It has indeed opened up a new business segment for the Group. Mass production of these high-end micro speakers has commenced in the second quarter of the fiscal year. The Group believes this business will become an important contributor to overall sales in the future.

In the Group's product mix, audio headphones remained the largest business during the period, representing 46.6% of total turnover. However, the SARS epidemic delayed the rollout of some of its new projects and, as a result, sales from audio products decreased from HK\$132 million to HK\$123 million for the six months ended 30 September 2003 while sales of communication products fell slightly by 3.3% to HK\$27 million. On a positive note, sales from multimedia products improved slightly to HK\$22 million while sales from electronic products and accessories jumped 32.2% to HK\$92 million during the period.

PROSPECTS

Despite the challenging market conditions during the review period, the Group sees ample growth potential along with the rollout of a number of exciting projects in the next few months. The Group expects its sales and profits in the second half of this fiscal year to benefit from its satisfactory business performance.

業務回顧 (續)

期內，由於美國及日本消費市場繼續放緩，集團來自美國的銷售額因而下降4.7%至107,000,000港元，而日本則下降29.1%至7,000,000港元。儘管如此，集團於期內成功取得美國著名汽車生產商為客戶，為其生產無線音響耳機，而訂單付運將於二零零三年底開始。隨著汽車內置影音娛樂系統逐漸成為潮流，集團相信有關業務將成為未來數年主要的增長動力。另一方面，集團於二零零三年六月獲日本一間電子公司選定成為其高檔微型揚聲器的策略性生產夥伴，而這些揚聲器大部份將應用於流動電話上。此項合作協議亦成功為集團開拓了一個新的業務範疇。集團已於第二季度開始大量生產這些高檔微型揚聲器，相信此項業務將於未來為整體銷售額帶來重要貢獻。

產品組合方面，集團的音響耳機於期內繼續成為其主要業務，銷售額佔集團總營業額46.6%。然而，SARS疫症令集團延遲推出一些新項目。因此，來自音響產品的銷售由132,000,000港元下降至二零零三年九月三十日止六個月的123,000,000港元，而通訊產品的銷售額亦輕微下降3.3%至27,000,000港元。相反，集團多媒體產品的銷售錄得輕微增長，達22,000,000港元，而電子產品及配件的銷售亦大幅上升32.2%至期內的92,000,000港元。

展望

縱然期內市場環境極具挑戰性，但隨著集團於未來數月推出數個新的項目，集團展望未來的增長潛力將非常龐大。集團預料其銷售額及盈利將受惠於本財政年度下半年理想的業務表現。

PROSPECTS (CONT'D)

The Group's European mobile phone customer will continue to be the main growth driver. In addition to retail handsfree headsets, demands from the bundling side will further boost growth of the Group's communication products. To fulfill the growing demand, the Group plans to significantly ramp up its production volume starting from the fourth quarter of the fiscal year. The Group believes that this European customer will become one of its largest customers in next fiscal year. Sales from the communication business are expected to reach about 30% of total turnover by the end of fiscal 2004/05. Together with orders for audio headphones from the newly acquired European customers, sales from Europe are expected to make a substantial contribution to the Group's total turnover of around 30-35% by the end of fiscal 2004/05.

The growth of the mobile phone industry has also provided the Group with tremendous opportunities as it became a strategic supplier of high-end micro speakers for its new Japanese customer. Not only does the Group obtain the technology know-how from the customer, these products will become an important income source, contributing around 15% of the Group's total turnover in about two years' time. The Group has started shipment in the second quarter of the fiscal year and is in the process of ramping up production volume.

The Group believes that the innovative Sound Bag will continue to generate satisfactory sales for the Group in the second half of the year. Sales volume in the first four months has already surpassed the Group's initial sales target for the entire year. Sales are estimated to be about 10% of total turnover for the fiscal year.

Fiscal 2003/04 is proving to be an important year for the Group as it successfully explores opportunities in the fast growing AV entertainment systems in the automobile industry. The Group is proven a first mover to the industry with the provision of wireless audio headphones to a top US automaker, in which the first shipment is due to start in December 2003. Statistics show that 19 million new cars were sold in the US last year. As manufacturers compete for market share with value-added features, the Group is sure that demand for wireless audio headphones will be robust, creating strong growth impetus for its business in the years ahead.

Looking forward, Fujikon believes the projects and products to be rolled out in the next few months will allow the Group to achieve significant revenue and profit growth. Nevertheless, the Group will remain cautiously optimistic and will closely monitor changes in external market conditions. Leveraging its continuous improvements in production efficiency, commitment to R&D and aggressive marketing strategies, the management believes Fujikon will emerge as a stronger market contender as it consolidates its leading position in the electro-acoustic industry.

展望 (續)

集團的歐洲流動電話客戶將繼續成為其主要增長動力。除免提聽筒的零售外，來自配件組合的需求亦甚為殷切，相信將可進一步加速集團通訊產品方面的銷售。為滿足需求，集團計劃於本財政年度第四季開始大幅提升有關產量。集團相信此歐洲客戶將於下個財政年度成為其最大客戶之一。集團更預期來自通訊業務的銷售額將於二零零四/零五財政年度末佔集團總營業額約30%。此外，新歐洲客戶亦將陸續落實新的音響耳機訂單，因此來自歐洲市場的銷售將為集團帶來重大的貢獻，並於二零零四/零五財政年度佔集團總營業額30%至35%。

另一方面，隨著集團獲新日本客戶選定為其高檔微型揚聲器的策略性供應商，流動電訊業的發展將為集團帶來無限商機。集團不單從這家新客戶獲得最新研發技術，這些產品亦將成為集團的重要收入來源，預期於未來兩年內可佔總營業額約15%。集團已於本財政年度第二季開始有關付運，並正逐步提高產量以配合市場需求。

集團相信其極具創意的Sound Bag將繼續於下半年為集團帶來理想的銷售。同時，此產品首四個月的銷售量已超逾初定的全年銷售目標。集團預期此產品的銷售將佔本財政年度總營業額約10%。

隨著集團成功進軍增長迅速的汽車內置影音娛樂系統市場，二零零三/零四年財政年度對集團來說是非常重要的。集團率先為一家美國著名汽車生產商提供無線音響耳機並成為該市場的先驅，而有關付運亦將於二零零三年十二月開始。根據統計數字顯示，美國去年新車的銷售量達19,000,000輛。由於各汽車生產商為爭取市場份額而紛紛提供更多增值設備，集團因此相信無線音響耳機的需求將大大提高，並推動集團未來的業務發展。

展望將來，富士高相信未來數月內推出的項目及產品將可刺激集團的營業額及盈利，締造顯著的增長。同時，集團將保持審慎樂觀的態度，密切留意外圍市況的改變。憑藉其不斷提升的生產效率、對產品研發的熱忱，以及積極進取的市場推廣策略，管理層深信富士高將成為業內強勁的競爭者，更穩佔電聲行業的領導地位。