

Management Discussion and Analysis 管理層討論及分析



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OVERALL REVIEW

The Group recorded a turnover of HK\$602 million for the year, representing an increase of 24% against HK\$486 million in the previous year. The significant increase in turnover was mainly attributable to the growing demands for its new innovative audio products, such as Sound Bag and in-car FM transmitter for satellite radio broadcast, and high quality earphones for MP3 players and mobile phones.

For the year ended 31 March 2004, the Group reported a profit attributable to shareholders of approximately HK\$22 million, down by approximately 34.2% from HK\$33 million for the previous year. The decrease was primarily due to the significant decrease in gross profit margin. Basic earnings per share for the year were approximately HK6 cents (2003: HK9 cents), representing a drop of 36%.

Gross profit from operations decreased from HK\$140 million in 2003 to HK\$133 million in 2004. The overall gross profit margin dropped from 28.7% last year to 22.1% this year. The significant rise in cost of raw materials, such as copper, plastic and paper products, starting from the second quarter of the year under review was the impressive reason for the drop in gross profit. Besides, some of major components for the new products launched this year were purchased rather than self-produced. This, to some extent, had adverse influence on the gross margin. Nevertheless, the Group has been removing the hindrances to mass production of these components and expects synergy effect resulting from its vertical integration in production will improve its profitability. Moreover, operating cost was unavoidably increased following initial investments in rolling out several major projects this year. Acquisition of know-how and improvement of labour efficiency will then be the result of the investments.

整體回顧

本集團於本年度之營業額為602,000,000港元，較去年之486,000,000港元增加24%。營業額大幅上升主要因為市場對其新穎的音響產品（如Sound Bag及用於接收衛星電台廣播的汽車FM傳送器）及為MP3機及流動電話而設的高素質耳機之需求上升。

於截至二零零四年三月三十一日止年度，本集團錄得股東應佔溢利約22,000,000港元，較上一年度之33,000,000港元減少約34.2%。股東應佔溢利減少，主要是因為毛利大幅減少。每股基本盈利約為6港仙（二零零三年：9港仙），跌幅為36%。

經營溢利由二零零三年之140,000,000港元減至二零零四年之133,000,000港元。整體毛利率由上年度之28.7%下降至本年度之22.1%。銅、塑膠及紙製品等原材料之成本由本年度的第二季起大幅上升，導致毛利下跌。此外，於本年度推出市場的新產品的若干主要配件乃採購得來，而非自行生產。在若干程度上，對毛利造成不利影響。然而，本集團已解決技術問題而自行大量生產此等配件，預期透過將生產程序垂直合併而帶來協同效益，改善盈利。此外，由於集團投入資源發展數項於本年度展開之重要項目，故經營成本無可避免地有所增加。這些投資預計使集團能提升技術及改善員工效率。

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OVERALL REVIEW (Continued)

Distribution and selling expenses increased by 48% to HK\$27 million this year. The increase was primarily due to the surged turnover and royalty expenses and license fee for the Group's innovative products. General and administrative expenses dropped from HK\$83 million last year to HK\$77 million this year. Stripping out the one-off expenses and the significant provision made against the accounts receivable from a US customer in 2003, the Group controlled its general and administrative expenses at nearly the same level as in 2003.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a healthy financial position during the year. Net current assets as at 31 March 2004 amounted to approximately HK\$104 million (2003: HK\$108 million). The Group's current and quick ratio (excluding inventories) were 1.60 times (2003: 1.70 times) and 1.09 times (2003: 1.28 times) respectively. These indicate that the Group is able to meet future obligations without any difficulty.

The Group had cash and bank deposits of approximately HK\$74 million as at 31 March 2004, representing a decrease of 45% against HK\$134 million last year. The significant decrease was primarily attributable to the repayment of short-term bank loans matured during the year and the increase in inventories and accounts receivable due to surging sales orders received by the end of the financial year. About 14.6%, 8.4% and 47.1% 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.

The securities held for long-term purpose as at 31 March 2004 accounted for approximately HK\$36 million (2003: HK\$38 million), of which about 33.6% and 66.4% were several structural notes issued by overseas banks and investment funds managed by overseas investment companies respectively. Following the review of the need of working capital and funds for expansion in the near future, the Group intends to reduce the investments in the long-term securities to about HK\$16 million.

整體回顧 (續)

分銷及銷售支出於本年度增加48%，達27,000,000港元。支出增加主要由於營業額、本集團新產品的版權費開支及牌照費增加所致。一般及行政支出由上年度的83,000,000港元減少至本年度的77,000,000港元。將二零零三年度之開支扣除一次性開支及就一個美國客戶的應收貨款所作出之大額撥備後，本集團將其一般及行政支出維持於二零零三年的水平。

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。於二零零四年三月三十一日，流動資產淨值約為104,000,000港元（二零零三年：108,000,000港元）。本集團之流動及速動比率（不包括存貨）分別為1.60倍（二零零三年：1.70倍）及1.09倍（二零零三年：1.28倍），顯示本集團可從容應付未來承擔。

截至二零零四年三月三十一日止，本集團約有74,000,000港元現金及銀行存款，較去年之134,000,000港元下跌45%。大幅下跌主要由於償還於年內到期的短期銀行貸款，以及因本財政年度終結前接獲大量訂單致使存貨及應收貨款增加。現金及銀行存款總額中約14.6%、8.4%及47.1%分別為中國人民幣、日圓及美元，其餘則為港元。

於二零零四年三月三十一日，長期持有之證券約為36,000,000港元（二零零三年：38,000,000港元），其中約33.6%及66.4%乃分別為海外銀行所發出之若干投資票據及海外投資公司管理之投資基金。在對本集團短期內營運資金需要及擴展業務所需資源進行檢討之後，本集團擬減少長期證券投資至約16,000,000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 2004, the Group had aggregate banking facilities of approximately HK\$560 million (2003: HK\$536 million) from several banks for overdrafts, loans, and trade financing, with an unused balance of approximately HK\$463 million (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 31 March 2004, the total borrowings of the Group were approximately HK\$52 million (2003: HK\$75 million), a decrease of 30% and of which about 95.3% and 4.7% were due within one year and in the second year, respectively.

These Group's borrowings consisted of an unsecured three-year bank loan of approximately HK\$6 million (2003: HK\$9 million), being denominated in Hong Kong dollars, and various short-term bank loans of approximately HK\$47 million (2003: HK\$66 million), of which about 32.1%, 66.9% and 1.0% were denominated in Hong Kong dollars, US dollars and Chinese Renminbi, respectively, and being pledged by the Group's bank deposits of approximately HK\$142,000 and secured by the Company's corporate guarantee of approximately HK\$88 million. The short-term bank loans were primarily borrowed to finance the general operation of the production plants in PRC. During the year, the Group's borrowings bore interest at rates ranging from 1.1% to 6.6% per annum (2003: ranging from 2.4% to 7.0% per annum). In addition, approximately HK\$19 million (2003: nil) of land and buildings has been pledged as security for the Group's banking facilities.

流動資金及財務資源 (續)

為配合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。於二零零四年三月三十一日，本集團之銀行融資合共約為560,000,000港元（二零零三年：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463,000,000港元（二零零三年：428,000,000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。於二零零四年三月三十一日，本集團之借貸總額約為52,000,000港元（二零零三年：75,000,000港元），下跌30%，其中約95.3%及4.7%分別於一年內及第二年到期。

此等借貸包括一項為期三年約6,000,000港元（二零零三年：9,000,000港元）之無擔保銀行貸款，以港元結算，以及多項合共約47,000,000港元（二零零三年：66,000,000港元）之短期銀行貸款，其中約32.1%、66.9%及1.0%分別以港元、美元及中國人民幣結算，並以本集團約142,000港元之銀行存款作抵押，並加上約88,000,000港元之公司擔保。短期銀行貸款主要用於支付中國生產廠房之日常營運開支。年內，本集團之借款之年息率由1.1%至6.6%不等（二零零三年：年息率由2.4%至7.0%不等）。此外，約19,000,000港元（二零零三年：無）之土地及樓宇已為本集團銀行融資作抵押。

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CAPITAL STRUCTURE (Continued)

The Group's gearing ratio as at 31 March 2004 was approximately 17.3% (2003: 24.6%), which was measured on the basis of total borrowings of approximately HK\$52 million (2003: HK\$75 million) as a percentage of total shareholders' equity of approximately HK\$303 million (2003: HK\$305 million).

FOREIGN EXCHANGE EXPOSURE

Most of the Group's transactions, including borrowings, were conducted in US dollars, Hong Kong dollars or Chinese Renminbi. To mitigate the 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 year. Net exchange loss was approximately HK\$1,015,000 (2003: HK\$637,000).

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

As at 31 March 2004, the Group's operations engaged a total of over 6,500 staff and workers. The employment costs (including the directors' emoluments) accounted for approximately HK\$108 million (2003: HK\$98 million).

資本架構 (續)

本集團於二零零四年三月三十一日之資本負債比率約為17.3% (二零零三年: 24.6%)，乃根據約52,000,000港元 (二零零三年: 75,000,000港元) 之借貸總額及約303,000,000港元 (二零零三年: 305,000,000港元) 之股東權益總額之百分比計算。

外匯風險

本集團大部份交易 (包括借貸) 均以美元、港元或中國人民幣進行，為減低匯率波動引起的風險，本集團於年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1,015,000港元 (二零零三年: 637,000港元)。

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。

於二零零四年三月三十一日，本集團合共聘用逾6,500名員工及工人從事業務。包括董事酬金之僱員成本約為108,000,000港元 (二零零三年: 98,000,000港元)。

COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2004, the Group had total outstanding capital commitments, operating lease commitments and foreign exchange contracts of approximately HK\$8 million (2003: HK\$0.4 million), HK\$4 million (2003: HK\$6 million) and HK\$44 million (2003: HK\$31 million) respectively. In respect of the foreign exchange contracts, the Group had committed to sell approximately US\$5.6 million at various rates for a total of approximately HK\$44 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 2004, the Company had provided guarantees of approximately HK\$168 million (2003: HK\$142 million) to several banks to secure banking facilities of its subsidiaries. In addition, according to a foreign exchange option agreement with a bank, the Group will be obliged to sell approximately US\$16.8 million at a pre-determined rate for a total of approximately HK\$131 million if the market foreign exchange rates exceed that pre-determined rate within a specific period.

承擔及或然負債

於二零零四年三月三十一日，本集團分別有合共約8,000,000港元（二零零三年：400,000港元）、4,000,000港元（二零零三年：6,000,000港元）及44,000,000港元（二零零三年：31,000,000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，本集團已承擔按不同匯率出售約5,600,000美元，以獲取合共約44,000,000港元之款項。由於本集團有大量流動現金，故此履行所有此等承擔並無困難。

於二零零四年三月三十一日，本公司為其附屬公司所獲銀行融資向數家銀行作出約168,000,000港元（二零零三年：142,000,000港元）擔保。此外，根據一項與銀行訂立之外匯期權協議，倘市場之外匯匯率在指定期間內超過預訂之匯率，本集團須按此預訂匯率以131,000,000港元出售約16,800,000美元。