



主席 ≥ 嬭 i 書
Chairman's Statement



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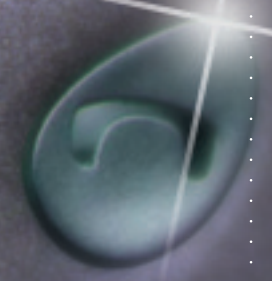
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主席報告書 Chairman's Statement

業務回顧

二零零零／零一財政年度對本集團而言是十分艱巨的一年。

全年營業額約為 1,612,622,000 港元，上升 14.7%，稅前虧損約為 272,699,000 港元。其中因業務經營而產生的虧損約為 226,068,000 港元；非關業務經營而產生的虧損則約為 46,631,000 港元，其中包括出售物業虧損約為 17,778,000 港元。因業務經營而產生的重大虧損，主要原因有三：（一）管理層決定淡出傳呼機業務，為存貨及應收賬作出特別撥備約為 95,145,000 港元；（二）清理積壓庫存及整固業務而錄得的銷售虧損；（三）整年的邊際利潤均因為電子零件價格上升而受到極大壓力，電子零件短缺同時導致貨源供應不足及來貨日期延誤，結果影響集團的利潤及營運效率。

集團管理層已採取一系列及時而有效的措施，整固業務範圍，檢討業務策略及精簡架構，以期令業績改善。

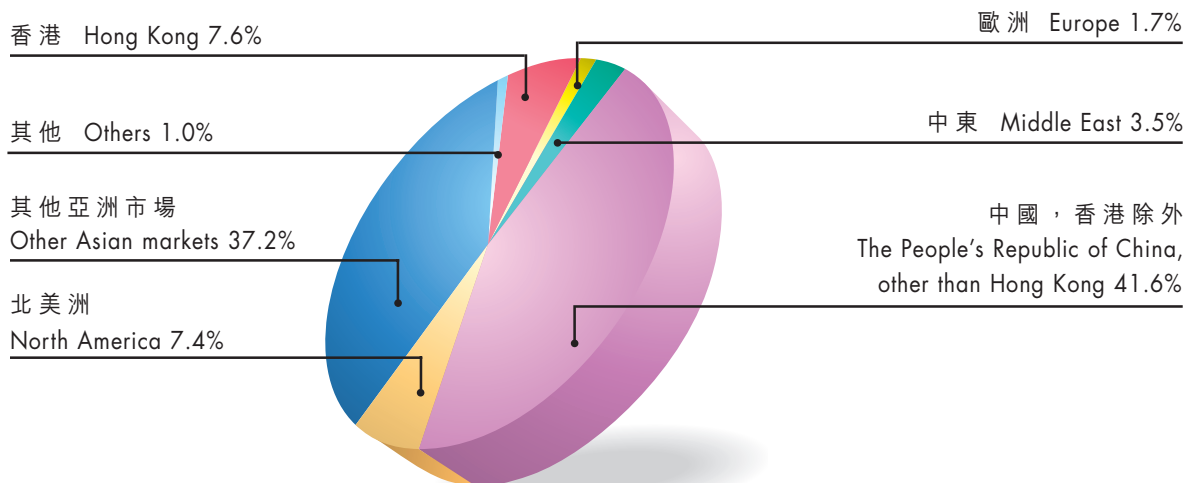
BUSINESS REVIEW

The financial year 2000/01 is a very difficult year to the Group.

Turnover of the year increased by 14.7% to approximately HK\$1.6 billion. Loss before taxation was approximately HK\$272.7 million, where loss arising from direct business operations was approximately HK\$226.1 million and loss from indirect business operations approximately HK\$46.6 million, including loss on disposal of a property amounted to approximately HK\$17.8 million. There are three principal reasons for the substantial loss arising from direct business operations: (a) a special provision of approximately HK\$95.1 million made for pagers inventory and accounts receivable in view of the management's decision to phase out the pagers business; (b) trading loss arising from sales of excessive and slow-moving inventory; and (c) gross margin throughout the year was under severe pressure of the surge of electronic component prices. The component shortage also undermined the Group's profitability and operational efficiency because of insufficient order allocation and delivery delays.

The management has taken a series of timely and effective measures to consolidate the business scope, review the business strategies and rationalize the organization with a view to improve financial performance.

按市場地區分類之營業額分析 Analysis of Turnover by Geographical Market



主席報告書 (續)

Chairman's Statement (continued)

業務重組，減低營運開支

集團管理層在過去九個月已落實一系列業務重組的措施，以回應市場情況及減低營運開支，主要的措施包括：

- 成立策略性業務單位 (SBUs) 加強營運效率及管理層問責性
- 關閉在美國的辦事處及數個在中國大陸未有盈利的分公司
- 全面性的精簡架構計劃，終止某些虧損的非核心業務，以節省25%的員工開支
- 董事及高級管理層自願減薪10%至20%
- 出售一些非關鍵資產，例如使用率偏低的寫字樓物業
- 推遲一些資本性開支

以上各項及其他措施成功精簡了集團的營運，並節省了35%的每月的經常性開支。管理層相信，以目前的營業額而言，集團現時的架構應該極具效益。

清減庫存，加強應收賬管理

集團為整固業務，於過去九個月內致力清減積壓存貨，並加強對應收賬的管理，收緊銷售信貸。初步成績顯著，庫存及應收賬由中期業績時的高峰水平分別為約399,350,000港元及約327,101,000港元下降至財政年度末的較健康水平分別為約289,724,000港元及約185,623,000港元。

管理層認為以上的整固措施是必需而有效的，但須接受短暫階段的銷售虧損及營業額收縮。

Restructuring to reduce operating overhead

Over the past nine months, the management had implemented a series of restructuring measures to respond to the market situation and to save operating expense. The principal measures include:

- Formation of strategic business units (SBUs) to improve operational efficiency and management accountability
- Closure of the USA office and several non-profitable branch offices in Mainland China
- A company-wide rationalisation programme and cessation of certain loss-making non-core business to save 25% of staff overhead
- Directors and senior management voluntarily reduced their remuneration packages by 10% – 20%
- Disposal of certain non-critical assets, such as a surplus office property
- Deferment of certain capital expenditure

These and other measures have successfully streamlined the operation of the Group and led to a saving of monthly overhead up to 35%. The management believes the slimmer organization now is optimal for the Group's current business volume.

Inventory reduction and stringent credit control

As part of the business consolidation exercise, the management has been striving to reduce inventory level and to impose stringent credit control in the past nine months. So far the result is noticeable, inventory level and accounts receivable level dropped from approximately HK\$399.4 million and approximately HK\$327.1 million respectively at the time of interim result announcement to approximately HK\$289.7 million and approximately HK\$185.6 million respectively at end of financial year.

The management considers this business consolidation measure is necessary and has been effectively carried out, albeit the Group's short term financial performance could be adversely affected by drop in sales turnover and trading loss arising from sales below cost.

主席報告書 (續)

Chairman's Statement (continued)

從中期業績以來，集團的財政狀況有大幅改善，除存貨及應收賬已減低至較健康水平外，整體銀行借貸也因減低成本及改善流動資金而得以下調。截至財政年度末，集團流動現金約為125,339,000港元。

管理層一直與集團的往來銀行保持緊密的合作關係，確保銀行方面繼續支持。

淡出傳呼機業務

傳呼行業目前正經歷根本性的轉變，市場並不再適合那些精於創新產品及設計的公司。較小規模的公司反而能在定價上有更大的靈活性，並能迅速回應市場轉變，明顯在市場上佔優，而顧客亦只側重產品價錢。

管理層已於九個月前開始調整傳呼機業務的方向，停止低檔產品的開發而集中處理積壓庫存。集團現正積極尋求策略性合作夥伴或買家，共同經營或出售高增值的股票資訊廣播傳呼機業務。

為淡出傳呼機業務，管理層在本財政年度末作出特別撥備，將存貨及應收賬減值至可變現淨值，有關撥備約為95,145,000港元，連同營運虧損約為91,268,000港元，令傳呼機業務的總虧損約為186,413,000港元。

電子辭典

電子辭典目前仍佔集團的最大營業額。而以地區而言，中國大陸為電子辭典最大的單一市場(30%)，而大中華地區的整体營業額(包括香港及台灣)則約為70%，集團

The Group's financial position has improved significantly since its interim position as at 30th September 2000. Besides inventory and accounts receivable were reduced to healthier levels, total bank borrowings also went down as a result of cost saving and improved working capital. Cash on hand as at end of the financial year amounted to approximately HK\$125.3 million.

The management maintains a very close working relationship with the Group's bankers to ensure their continuing support.

Pagers business to phase out

The pagers industry is undergoing a fundamental change such that the market is no longer viable for companies whose expertise is product innovation and design. Smaller players that have higher degree of flexibility in pricing and quicker response time to market changes are obviously in an advantageous position. Customers put price concern before anything else.

The management has revised its pagers business strategy nine months ago to stop all R&D work for low-end pager products but to concentrate management resources to clear inventory. The Group is now actively seeking potential strategic business partners or buyers to take up the business of the high-end financial broadcasting pagers.

In response to the corporate decision to phase out the business, the management had made a special provision at the end of the financial year under review to write down the value of inventory and accounts receivable to their net realizable value. This special provision amounted to approximately HK\$95.1 million, together with the loss arising from trading operation amounted to approximately HK\$91.3 million, gave rise to a total loss for the pager business in the amount of approximately HK\$186.4 million.

Electronic Dictionaries

This SBU is still the largest turnover contributor to the Group. In geographical terms, Mainland China is the largest single market (30%) while the aggregate for the Greater China region (including Hong Kong and Taiwan) is around 70%. It is believed

主席報告書 (續)

Chairman's Statement (continued)

相信，中國大陸的市場增長潛力也是眾多市場之最。以其強大的市場推廣與銷售網絡及品牌效應為基礎，集團將繼續致力擴大市場佔有率。隨著電子零件成本回落至合理水平及即將有嶄新產品推出市場，集團相信，邊際利潤也會逐步改善。

原件設計生產 (「ODM」)

電子零件短缺對 ODM 部門影響比較大，價格不穩定及交貨時間混亂直接減低邊際利潤及影響營運效率。與自己品牌產品不同，ODM 合約的邊際利潤對這些因素尤為敏感，電子零件交貨延誤無可避免地延誤向客戶交貨的時間，邊際利潤更因貨運成本增加或合約性懲罰而進一步減低。

管理層已仔細檢討了 ODM 業務的策略，並已採取合適的措施確保所有新訂單均經過嚴格審核，而邊際利潤也有足夠保障。另一方面，集團亦不斷改善其生產部門的生產效益，以提高邊際利潤。

集團能克服因電子零件短缺而產生的各種困難，令產品質素及訂單的完成不受影響，令 ODM 客戶印象深刻，加強了對集團的信心。毫無疑問，這為集團建立良好聲譽，為將來業務的發展產生積極作用。

管理層有信心 ODM SBU 的財務表現於今個財政年度 (二零零一／零二) 中，將有所改善。

個人數碼助理 (「PDA」)

集團已制定 PDA 作為未來數年的策略性重點。無可置疑，PDA 已一般被公認為將由現時以個人資訊處理為主的袋裝儀器，發展成保持人際聯繫及接收資訊的流動數據通訊工具。集團以尖端技術開發的創新 GSM PDA 已取得國際認可入網審批，預計

that the market growth potential of Mainland China is also the largest among all. The Group will continue to expand its market share by leveraging its strong marketing and sales network and branding. Profit margin is expected to improve as component cost resumes to a more reasonable level and new products' launch to the market.

Original Design Manufacturing ("ODM")

ODM division has been a victim of the component shortage problems. The chaotic price and delivery situation directly led to gross margin erosion and drop in operational efficiency. Unlike own-branded products, margins of ODM contracts are particularly vulnerable to factors like those. Delivery delays of components inevitably resulted in shipment delays to customers where profit margins again were damaged because of increased freight cost or contractual penalty.

The management has reviewed the ODM business strategies carefully and has taken appropriate measures to ensure that all new orders are to be critically evaluated and profit margins are to be sufficiently protected. Besides, we are taking steps to further improve production efficiency in order to improve profit margin.

The Group's ability to maintain product quality and order fulfillment despite the difficulties created by component shortage has helped to enhance customer confidence. This is certainly building up a goodwill among the ODM customers which is a valuable asset to the ODM SBU.

The management is confident that the financial performance of the ODM division will be improved in the current financial year.

PDA's

The Group has chosen PDA as its strategic focus in the coming years. It is becoming an undisputable fact that PDA will be emerging from a pocket-sized machine mainly for personal information management to a mobile data communication device that is good for keeping people connected and information retrieval. The Group's state-of-the-art GSM PDA has successfully

主席報告書 (續)

Chairman's Statement (continued)

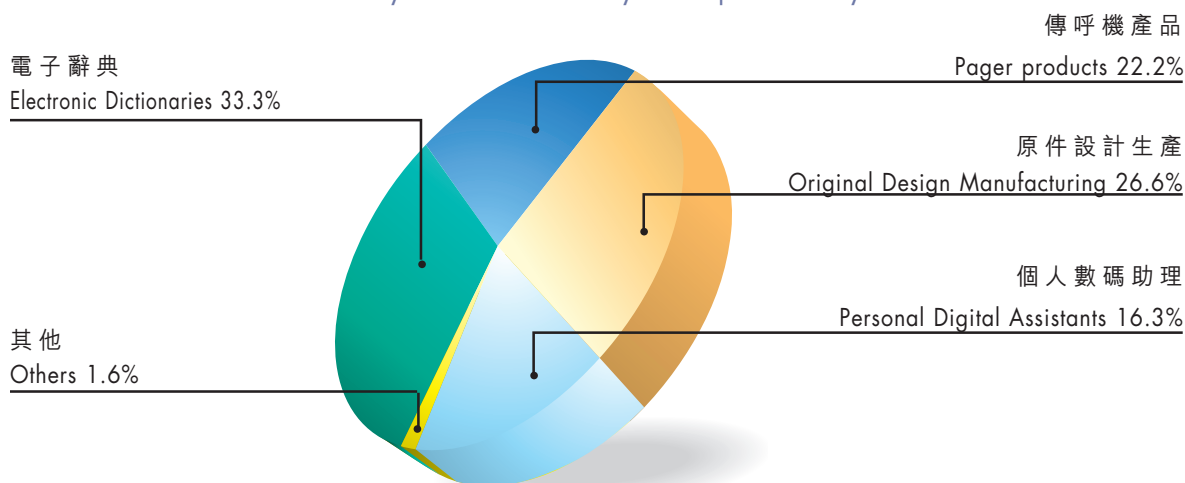
將於七月推出市場。有關 PDA 內置 GSM 模組，兩者渾然一體，令 PDA 能保留其小巧輕便的體積之餘，又能夠為客戶提供各種流動通訊功能，如電子郵件，傳真，話音電話及短訊 (SMS) 等。有關 PDA 較早時向客戶預展，反應十分積極，令人鼓舞，預期這類具備通訊功能的 PDA 產品將發展成集團的『旗艦產品系列』，並成為集團的主要收入來源。隨著流動商務 (m-Commerce) 即將起飛，這類以流動數據通訊為骨幹的數碼化工具將在各專業應用上，如股票交易、銀行、物流管理及企業解決方案上，扮演一個極為重要的角色。

二零零一年五月，三間策略性投資者，包括 Intel Capital Corporation，SB China Holdings Pte Limited (軟庫集團子公司) 及 UTStarcom, Inc. 與集團達成投資協議，向集團子公司「權智 PDA 控股有限公司」認購 A 類優先股。三間公司合共投資一千零五十萬美元，以換取該公司 16% 的股權。與此同時，該 PDA 子公司也與 Intel Semiconductor Limited 達成合作協議，在技術及產品開發上共同合作。管理層相信，以上的策略性投資者不但為集團帶來新資金，也將為集團帶來所需的技術及商業網絡。

passed the test for international type approval and is scheduled for launch in July. The seamlessly built-in GSM module allows the PDA to retain its compact and handy size but offers to customers the various wireless functions like e-mail, fax, voice phone and short messages (SMS) communications. The initial pre-launch feedback is very positive and encouraging. It is envisaged that communication-enabled PDA products will grow as the flagship product series of the Group and hence a major income contributor. With the imminent taking-off of m-Commerce, these mobile-data-centric digital devices will be playing a critical role in enabling professional applications like stock trading, banking, logistics management and enterprise solutions.

In May 2001, the Group completed a deal with three strategic investors namely Intel Capital Corporation, SB China Holdings Pte Limited (a Softbank subsidiary) and UTStarcom, Inc. for a Series A Preferred Shares placement in the Group's subsidiary company Group Sense PDA Holdings Limited. The investors took a stake of 16% at a consideration of US\$10.5 million. At the same time of the investment, the PDA subsidiary also entered into a collaboration agreement with Intel Semiconductor Limited for technology and product development co-operation. The management believes that these strategic investors bring to the Group not only new capital but also the much needed technology and business networking.

按主要業務分類之營業額分析 Analysis of Turnover by Principal Activity



主席報告書 (續)

Chairman's Statement (continued)

展望

董事局相信，集團的業務整固計劃可望於本財政年度（二零零一／零二）首六個月完成，隨著新產品的推出，下半年的營業額將會顯著回升。而在二零零零／零一財政年度嚴重打擊集團的電子零件短缺問題已接近完全解決，大部份於高價購入的存貨將於上半年用罄，其後較低的電子零件成本將於下半年有助改善邊際利潤。

美國經濟放緩可能會對中國大陸市場造成一定影響，但隨著中國加入世界貿易組織及消費能力急速攀升，部份影響將被消弭。香港及台灣市場將繼續偏軟，預期這情況最少會維持至二零零二年中。但另一方面，其他市場如日本、東南亞地區等，將會穩定地增長。利率下調勢亦必有助改善集團盈利能力。

結合股東、員工、業務夥伴及往來銀行的支持，董事局對集團未來的業績抱審慎樂觀態度，相信可望在本財政年度（二零零一／零二）後期轉虧為盈。

股息

董事會建議不派發截至二零零一年三月三十一日止年度之末期股息（二零零零年：0.5港仙）。

鳴謝

本人謹代表董事會感謝股東一直以來對本集團之支持，並對所有員工於過去一年之辛勤工作及貢獻表示衷心謝意，員工的積極投入是集團業務重組得以成功的重要因素。

承董事會命
主席
譚偉豪

香港，二零零一年七月四日

OUTLOOK

The Directors believe the business consolidation exercise would be finished in the first half-year of the current financial year (2001/02). Sales turnover in second half will see significant growth following the launch of new products. The component shortage problems that had badly stricken the Group during the financial year 2000/01 has almost fully recovered. Most of the inventory that had come in at high cost will be consumed in the first six months. After that, the cheaper component cost will start to benefit the profit margin in the second half.

The slow-down of the U.S. economy might to some extent also affect the Mainland China market but the impact will be compensated by China's WTO entry and the exuberant growth in consumer spending. Hong Kong and Taiwan markets are expected to remain soft until at least mid-2002 whilst Japan and Southeast Asia markets will have stable growth. On the other hand, interest rate cuts would definitely help improving profitability.

With the support from shareholders, employees, business associates and bankers, the Directors are maintaining a cautiously optimistic view that the financial results of the Group could be turn-around towards the end of the financial year.

DIVIDEND

The Directors do not recommend the payment of a final dividend in respect of the year ended 31st March, 2001 (2000: HK0.5 cent).

APPRECIATION

On behalf of the Board of Directors, I wish to thank our shareholders for their continuing support to the Group and to extend my appreciation to all members of staff for their dedication and contribution throughout the year. Employee commitment has been a critical element in making the restructuring plans possible.

By order of the Board
Tam Wai Ho, Samson
Chairman

Hong Kong, 4th July, 2001