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FINANCIAL RESULTS

The year 2002 produced solid business growth for the Group. The Group's sales turnover broke new high to HK\$4.35 billion, a surge of 17.8% from the previous year. During the year, the Group continued to benefit from the digital convergence in products in the video and in-car electronics divisions. Profit attributable to shareholders made a 15.1% advance to HK\$55.3 million. The board is pleased to have recommended a final dividend of HK2.0 cents per share therefore increasing the total dividends for the year to HK2.5 cents from HK2.0 cents in the previous year.

BUSINESS REVIEW

The economic conditions in the Group's major markets in 2002 were generally affected by geopolitical events and consumers' cautious and conservative spending. Despite their cautious consumption pattern, consumers have embraced the impressive quality of video and audio effects as well as the interactive capability of AV products based on digital technologies. Capitalizing on the very competitive pricing at the retail level, these digital AV products have been penetrating the home AV and in-car AV environments in high gear. The video sector of consumer electronics, in particular, continues to experience double-digit growth in volume for products such as DVD players as consumers purchase for their homes and vehicles. Consumers, particularly families, can now take their home AV entertainment to the road.

財務業績

本集團於二零零二年度取得穩定的業務增長，本集團之銷售營業額創新高，達4,350,000,000港元，較去年攀升17.8%。於年度內，本集團繼續在影視及汽車電子產品部門數碼化而獲利，股東應佔溢利上升15.1%至55,300,000港元。董事會欣然建議派發每股2.0港仙之末期股息，因此本年度之股息總額由去年之2.0港仙增加至2.5港仙。

業務回顧

在二零零二年本集團多個主要市場之經濟情況，大致受到區域政治事件及消費者謹慎的消費模式影響。縱使消費者抱有審慎的消費態度，然而消費者深受品質超卓的影音產品，以及以數碼科技為主兼具互動功能的影音產品所吸引。由於此等影音產品的零售價格極具競爭力，故此產品正快速進佔家居影音及汽車影音市場。當中特別以消費電子影視產品在產品數量方面能夠取得雙位數字增長，這是因為消費者為家居及汽車添置例如DVD機等影音產品。故此，消費者，特別是家居成員目前亦可在駕駛途中享受家居影音娛樂。

Such rapid growth in digital audio and video products has been countered by cutthroat price erosion primarily from mainland China manufacturers entering the scene. Competition is particularly severe in the home AV sector. In the US market, for instance, the entire logistics chain from retailers all the way down to critical component suppliers has been under severe pressure to deliver digital AV products to consumers at very competitive price points with fast response time. The term "time-to-market" is constantly taken to test.

We credit our strategy of maintaining a balanced portfolio of customers, proactive product development, and a strong customer base to leverage from. Our customer base and volume output also make us an attractive partner for suppliers of critical components and solutions providers as an early adapter of their new technologies.

In essence, our strategy translates into win-win partnerships with our customers and suppliers together to offer consumers the best products and price points at the right time. Following this strategy, our business units turned in commendable growth in volume for AV products although margins were still under pressure.

Our efforts in entering the China market during 2002 were conservative by adopting a learning mode. We invested in local human resources in the areas of marketing, sales and engineering to develop products catered to local needs. We took time to build selected distribution network and sales nodes.

The gradual appreciation of euro and yen has helped the Group increase our business opportunities in Europe and Japan. The strong euro facilitated more export of our products to Europe. The strong yen created incentive for Japanese manufacturers to outsource to China-based manufacturers like us to lower their costs, i.e., more OEM business.

The Group's 51% owned joint venture in Beijing experienced weakness in sales of network information services, which contracted and remained a small part of the Group's turnover. This was mainly due to the slower than expected pace for its market and technology to reach maturity. During the year, the Group has written-off the impairment in its goodwill for the joint venture.

雖然數碼音響及影視產品取得此快速增長，然而同時卻面對著來自中國大陸之製造商，為進佔市場而推出「割喉式」價格打擊的影響，當中尤其以家居影音市場的競爭情況最為白熱化。舉例說在美國市場，整體供應鏈一直面臨嚴峻情況，由零售商以致供應商均承受沉重壓力，他們需要在極短之時間內以極具競爭性的價格向顧客推出數碼影音產品。在目前之情況下產品上市速度經常受到挑戰。

我們貫徹一直奉行的策略，繼續維持平衡的客戶組合，採取積極的產品發展策略，以及保持強大的客戶基礎以獲取利益。我們的客戶基礎以及產品出口量，亦使我們成為重要配件及解決方案供應商在彼等採用新技術之初的重要夥伴。

基本上，我們所採取的策略致使我們與客戶及供應商均建立雙贏的夥伴關係，有助於適當時間共同向消費者提供最佳的產品及最優惠的價格。雖然邊際溢利仍然受到壓力，但在推行此策略後，我們的業務單位在銷售影音產品的數量不斷增加，成績令人鼓舞。

在二零零二年，我們在打入中國市場時採取較為保守的學習模式。我們在當地人力資源方面投資，包括市場推廣、銷售及工程等範疇，藉以開發迎合當地需求的產品。同時我們亦逐步建立特定的分銷網絡及銷售點。

歐元及日圓日漸增值有助本集團開拓在歐洲及日本的業務發展商機，歐元強勢亦有利本集團將更多產品出口歐洲。另外日圓強勁亦鼓勵日本製造商將部份業務(例如更多OEM業務)外判予中國製造，藉以減低成本。

本集團位於北京之合營公司(本集團持有51%)之網絡資訊服務銷售情況疲弱，其銷售額減少，仍然佔本集團營業額較少部份。出現此等情況主要由於此市場及技術達致成熟期之速度遠較預期為慢，而在年度內，本集團已撇銷其於合營公司之商譽減值。

As business volume increases and response time shortens, we are constantly reviewing our operations for efficiency and effectiveness. Many manufacturers have experienced implementation difficulties in their Enterprise Resource Planning ("ERP") efforts. Our experience, which began in 2001, was with no exception, but we remained committed to this program and have re-organized the IT personnel to drive the program to completion.

In addition to implementation of ERP, we started a collaboration project with experts from The Chinese University of Hong Kong to benchmark our logistics operations and look for areas that could gain us additional efficiency and effectiveness via information technology in our supply chain management.

PROSPECTS

The overall global economy in the coming year is expected to remain uncertain in major markets where the prosperity will depend upon post-war consumer attitude. The Group will consistently maintain its focus in product development and China market.

The Group believes that the growth for consumer electronics products for home AV and in-car AV sectors will stay positive due to rapid increase in availability of digital entertainment products such as games, movies with special effects, and audio and video programs downloaded from the Internet. We see consumers switching from analog equipment such as the VCR to digital products utilizing the latest recording technologies. Consumers have only seen the beginning of a proliferation of digital AV products and digital entertainment with more promised to come.

As more digital AV products find their way to the households, the next generation products will focus on features, acoustics, and additional capabilities that are perceived by consumers as value-add. The Group is ahead in availability of new products.

The Group firmly believes that the key to success is offering the right products ahead of our competitors as our primary weapon to compete in the ever-toughening time-to-market landscape. We are committed to investing in product developments by teaming with technology partners who are attracted to our strong clientele and volume as well as committed to working with us.

由於業務規模不斷增強而且市場反應時間縮短，因此我們經常檢討營運情況，以提高效益。許多製造商在推行企業資源計劃(「ERP」)時均面對重重困難，我們在二零零一年推出計劃時亦不能幸免，然而我們仍然會竭力推行此計劃，並重新調配資訊科技部門的人員，藉以完成計劃。

除了推行ERP外，本集團亦與香港中文大學之多位專家開展合作項目，評估我們的物流運作，透過在我們的供應鏈管理中運用資訊科技，找出能夠提升效能及效率之處。

展望

預期全球整體經濟在來年於多個主要市場仍然不明朗，而且經濟能否再次蓬勃起來將取決於戰後的消費態度。本集團將不斷貫徹其政策，專注於發展產品及中國市場。

本集團相信，由於數碼娛樂產品，例如遊戲機、具備特別效果之電影及可從互聯網下載之音響及影視節目日益普及，故此家居影音產品及汽車電子產品部門之消費電子產品將有正面增長。目前我們已發現消費者正由使用模擬產品(例如VCR)，轉移至使用具有最新錄影技術之數碼產品。基本上，消費者目前正體現數碼影音產品發展之初階，預期數碼娛樂日後將取得更好的發展。

由於更多數碼影音產品將以不同形式打入家居市場，新一代產品將集中於功能及聲效方面，特別是被消費者視為增值項目的額外功能。本集團在研發新產品方面一直有領先地位。

本集團堅信，只要早著先機，較我們的競爭對手率先推出適當的產品乃成功的關鍵，亦是我們在此艱巨的市場環境中爭勝的主要對策。我們矢志透過與一眾技術夥伴合作，在產品發展方面投資。此等夥伴大多因為我們擁有強大的客戶基礎及產品出口量而積極與吾等合作。

In the in-car AV sector, we are expecting both video equipment and navigation systems based on Global Positioning System (GPS) technology to further penetrate western markets in the after-market segment as the price point reaches a level of consumers' acceptance in the coming years. Our in-car electronics division, with its ample experience in original-equipped and after-market products, is in the best position to benefit from this committed development.

Contrary to the West, China has built substantial momentum to continue its strong economic growth in 2003 and beyond. Consumer products such as home AV appliances, mobile phones, personal computers, and automobiles have all seen double-digit growth. Extrapolating from current trends, the market for DVD players in China, for example, will surpass that of the US by 2005. Similarly, the opportunities for in-car AV products are enormous considering the growth in the number of vehicles in China and relatively few qualified manufacturers. China's accession to the World Trade Organization ("WTO") in 2002 only served to fuel more growth this decade.

The Group's investments in joint ventures in Nanjing (in-car AV products) and Wuxi (home AV products) are well positioned to benefit from China's growth. We continue to take a learning mode for the China market. We are committed to building our presence in China with products that are designed for the China market and through our distribution network.

Recruiting senior and mid-level management talents was a main objective in 2002 and remains so in 2003. We continue to add depth to our core group of senior executives and mid-level managers.

The Group appreciates the enormous efforts that our staff made throughout a challenging year and the board understands the pressure that everyone has been under. On behalf of the board, I would like to express my most sincere thanks to everyone of the staff who have given their best to the Group. It is especially my hope that we continue to make improvement with such effort in the coming year.



Poon Ka Hung
Chairman

Hong Kong, 14 April 2003

在汽車影音產品方面，我們預期利用衛星定位系統(GPS)技術之影視設備及導航系統，可進一步在售後市場打入西方市場，這是由於在未來幾年產品的價格基準會達到消費者可接受的水平。至於汽車電子部門，由於此部門在原設備及售後市場產品方面擁有豐富經驗，因此現時為在此等發展中獲益之最佳時機。

與其他西方國家不同，中國已有龐大的源動力，在二零零三年或以後維持其強勁的經濟增長。消費產品，例如影音用品、手提電話、個人電腦及汽車等全部均錄得雙位數字的增幅。從目前之趨勢推測，中國的DVD產品市場，舉例而言可望於二零零五年超越美國。與此同時，在考慮到中國的汽車數目增多，而相對有較少合資格的製造商而言，汽車影音產品之商機極為龐大。此外，中國於二零零二年加入世界貿易組織(「世貿」)亦有助在此十年內加快中國的經濟增長。

本集團於南京(汽車影音產品)及無錫(家居影音產品)合營公司之投資，有助本集團在中國之經濟增長中獲益。在中國市場內我們繼續抱著學習的態度，矢志透過為中國市場度身訂造的產品及我們的分銷網絡，在中國建立知名度。

我們在二零零二年之主要目標為招募優秀的高級及中級管理人才，並於二零零三年繼續貫徹此招聘方針。同時，我們將不斷鞏固高級行政人員及中高級經理等核心成員的陣容。

本集團感謝員工在此充滿挑戰的一年內作出的極大努力，而董事會亦體會各位所承受的壓力。本人謹代表董事會向各位對本集團作出莫大貢獻之員工致以萬分感謝，同時本人亦希望憑藉此等努力，在來年繼續取得更佳之成績。

主席
潘嘉雄

香港，二零零三年四月十四日