

DIVIDENDS

The Directors has resolved to declare an interim dividend of HK7 cents (2002: HK6 cents) per share for six months ended 30 September 2003. The dividend will be payable on or about 8 January 2004 to shareholders of the Company whose names are on the Register of Members on 2 January 2004.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 29 December 2003 to 2 January 2004, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrars, Tengis Limited, G/F., BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 p.m. on 24 December 2003.

BUSINESS REVIEW

The Group's turnover for the six months ended 30 September 2003 was HK\$1,652 million, representing a decrease of 4%, as compared with HK\$1,722 million for the same period of last year. The decline in turnover was mainly attributable to the disposal and discontinuance of the motorcycle business during the period under review. The net profit for the period was decreased slightly from HK\$124 million to HK\$121 million as the Motorcycle division incurred a loss of about HK\$8 million prior to its disposal.

The Electronics Manufacturing Services ("EMS") Division

During the first quarter of the financial year, the business environment was temporarily affected by the United States ("US")-Iraq war and the outbreak of Severe Acute Respiratory Syndrome ("SARS").

In the second quarter of the financial year, customer orders have picked up rapidly as the impact of SARS has subsided and the demand for consumer electronics products has experienced strong growth. Although the sales performance of the EMS division in the first quarter was affected by the outbreak of SARS to a certain extent, the recovery of customers' confidence and their accumulated demands contributed to a boost in sales turnover in the second quarter after the spread of SARS was

股息

董事會已議決派發截至二零零三年九月三十日止六個月之中期股息每股7港仙(二零零二年: 6港仙)。有關股息將於二零零四年一月八日或前後向於二零零四年一月二日名列本公司股東登記冊內之股東派發。

暫停辦理股份過戶登記手續

本公司在二零零三年十二月二十九日至二零零四年一月二日(包括首尾兩天)之期間內將會暫停為股東辦理股份過戶登記手續。為符合收取中期股息之資格,務請股東在二零零三年十二月二十四日下午四時三十分之前,將所有有關之過戶文件連同有關股票交回本公司之香港股份過戶登記分處登捷時有限公司,地址為香港灣仔告士打道56號東亞銀行港灣中心地下,方為有效。

業務回顧

截至二零零三年九月三十日止六個月,本集團之營業額為1,652,000,000港元,較去年同期1,722,000,000港元減少4%,營業額下跌主要由於在回顧期間出售及終止電單車業務所致。期內純利由124,000,000港元輕微下跌至121,000,000港元,乃由於電單車部門於出售前產生約8,000,000港元之虧損。

電子製造服務("EMS")部門

於財政年度第一季期間,營商環境暫時受到美伊戰爭及爆發嚴重急性呼吸系統綜合症(「非典型肺炎」)之影響。

於財政年度第二季期間,由於非典型肺炎之影響已減少,消費電子產品需求大幅上升,因此客戶訂單亦迅速增加。儘管EMS部門於第一季之銷售表現在若干程度上受到非典型肺炎爆發之影響,但由於非典型肺炎之疫情其後受到控制,消費者信心恢復,加上彼等之積壓需求,因此第二季之銷售額顯著上

controlled. The EMS division achieved a total revenue of HK\$1,625 million (2002: HK\$1,622 million), representing a slight increase of 0.2% over the same period of last year. The net profit of the EMS division amounted to HK\$129 million (2002: HK\$124 million), representing an increase of 4%. Home audio products remained the Group's core business and the Group successfully expanded its business in digital related products, including MP3 discmans and DVD players. A number of high-valued digital products, including DVD combos and home theatre systems, were launched to the market in June 2003 and these products have received very positive market response.

In view of intensified market competition, the Group has strategically moved towards production of higher-margin products and increased its market share in production of high-margin products on a steady basis, while maintaining its leading position in the home audio product mass market.

During the period under review, America was still the Group's major market. Sales in America reached HK\$997 million, which accounted for 60% of total turnover of the Group. European sales continued to grow satisfactorily to HK\$390 million, which accounted for 24% of total turnover.

Vertical Integration Strategies

The Group procures and consumes a large quantity of different components for the fulfillment of its mass market orders. The Group already manufactures a majority of common or passive components in-house and continues to further vertically integrate its operations by developing in-house upstream production. During the period under review, the Group had significantly expanded its plastic injection capacity through the acquisition of 85 sets of plastic injection machine. Moreover, the operations of electroplating and the manufacture of springs and speakers had been enhanced and had started to contribute to the profits of the Group.

Total capital expenditure incurred during the period under review amounted to HK\$93 million, of which HK\$41 million was spent on the development of the first phase of the Qingyuan Industrial Estate. Further, the Group acquired plant and machinery worth HK\$37 million for production enhancement and invested in moulds worth about HK\$8 million to further increase production capacity.

升，EMS部門錄得總銷售1,625,000,000港元(二零零二年：1,622,000,000港元)，較去年同期輕微上升0.2%。EMS部門之純利為129,000,000港元(二零零二年：124,000,000港元)，增幅達4%。家庭音響產品仍為本集團之核心業務，本集團成功將業務擴展至數碼相關產品，包括MP3手提鐳射唱機及DVD機。本集團已於二零零三年六月將一系列高質素數碼產品推出市面，包括DVD機組合及家庭影院系列，並廣受市場歡迎。

鑑於市場競爭激烈，本集團已有策略地將生產轉移至高利潤產品，以及穩定地增加生產高利潤產品之市場佔有率，並維持其於家庭音響產品市場之領導地位。

於回顧期間，美洲仍為本集團之主要市場，其銷售額達至997,000,000港元，佔本集團總營業額之60%。歐洲之銷售額亦錄得滿意增長達至390,000,000港元，佔營業總額之24%。

垂直綜合策略

本集團採購及使用大量不同元件以滿足廣大市場訂單之需求。本集團已內部製造大部份普通或被動元件，並發展內部上游生產以繼續進一步發展垂直綜合運作。於回顧期間，本集團透過購買85台塑料注塑機大幅增加注塑產量。此外，電鍍及製造彈簧與揚聲器之工序業務亦已擴充，並已開始為本集團帶來盈利。

於回顧期間產生之資本開支總額為93,000,000港元，當中41,000,000港元已用作發展清遠工業村第一期工程。此外，本集團亦增添價值37,000,000港元之機器設備以擴展生產能力，並投資價值8,000,000港元之模具以進一步增加產量。

The Discontinued Business – Motorcycle Division

The Motorcycle division was a non-core business of the Group.

In view of the relatively weak performance of the Motorcycle Division and its challenging operating environment, the Group disposed of the Motorcycle Division to City Harvest Limited for a consideration of HK\$63,892,000 (the "Disposal"), resulting in a loss on the Disposal of HK\$67,000, during the period under review. Details of the Disposal were disclosed in the Company's circular dated 15 August 2003. The proceeds from the Disposal were utilised to pay a special dividend of HK8 cents per share to the Company's shareholders whose names appeared on the Company's register of members on 30 September 2003.

PROSPECTS

The Group's sales orders have picked up significantly in the post-SARS period and the global economy has shown signs of recovery, particularly in the US. The Group is confident that sales will continue to rise in the foreseeable future.

Looking forward, the audio product mass market will remain the major source of profit contribution for the Group. The world consumer market for audio products is expected to grow steadily and the high fidelity digital formats of MP3, DVD and enhanced CD technologies are expected to be the key drivers of market growth. In spite of the keen market competition in the consumer electronics markets, the Group will continue to develop new products and uphold stringent quality control on its products. Order placements from existing customers are promising.

Currently, production capacity at Dongguan Ngai Lik Electronics Industrial City is fully utilised. Upon completion of the new Qingyuan Industrial Estate, the Group expects to achieve greater synergies between its two production plants and benefits from economies of scale. The Qingyuan Industrial Estate measures about 660,000 square metres and has been developed to about one-third. The development of the first phase of the Qingyuan Industrial Estate, which includes factory buildings, dormitories and canteens, will be completed by the end of 2003. The Group's production capacity will then be increased by 15% and currently there are 10 assembly lines in the Qingyuan Industrial Estate, making up a total of 72 lines. The Group plans to install about 20 assembly lines in the coming year to cope with the strong customers demand. The Qingyuan Industrial Estate will enjoy a number of advantages in operating costs such as cheaper electricity and labour.

已終止經營業務—電單車部門

電單車部門為本集團之非核心業務。

於回顧期間，鑑於電單車部門之表現未如理想，而且營商環境充滿挑戰，本集團已將電單車部門出售予 City Harvest Limited，作價為63,892,000港元（「出售事項」），出售事項帶來67,000港元之虧損。出售事項之詳情已於本公司在二零零三年八月十五日刊發之通函中披露。出售事項所得之款項已用作於二零零三年九月三十日名列於本公司股東名冊之股東派發特別股息每股8港仙。

前景

本集團之銷售訂單在非典型肺炎過後大幅回升，而全球經濟亦漸漸出現復甦跡象，尤其是美國。本集團深信銷售額於可見未來將不斷提升。

展望將來，音響產品市場仍為本集團之主要收入來源，音響產品之全球消費市場預期增長穩定，而高度精確數碼制式之MP3、DVD機及改良之CD技術已成為市場增長之主要動力。縱使面對消費電子市場之激烈競爭，本集團將不斷開發新產品及繼續對其產品採取嚴謹之品質控制。現有客戶給予訂單之情況亦理想。

目前，東莞毅力電子工業城之生產力已全面運用。本集團預期於清遠工業村之建築工程完成後，兩地生產基地將可達致更大之協同效益，並盡享規模經濟之成果。清遠工業村佔地約660,000平方米，已發展面積約佔三分之一。清遠工業村第一期發展工程（包括工廠大廈、宿舍及設有飯堂）將於二零零三年底前竣工，屆時本集團之生產能力將增加15%。現時，清遠工業村設有10條裝配線，令本集團生產線總數增至72條。本集團計劃於未來一年增添約20條裝配線以配合客戶之熱切需求。清遠工業村於經營成本方面將享有多方面之利益，例如更廉宜之電力及工資。

The Group is also planning to further expand its vertically integrated operations by manufacturing corrugated papers, rubber parts, 3.5 inch and 4 inch speakers, connectors, cassette deck motors, labels, packaging materials and by upgrading the single layer PCB operations as well.

While the Group is well positioned to supply quality goods at affordable prices to its customers, it always aims at increasing its market share and maintaining its competitive market position through continuous development of new products. New digital products, including LCD TV with DVD players, DVD recorders and MPEG4 – DVD players will be launched to the market in the future.

After the disposal of the Motorcycle Division, the Group will re-deploy all management resources to focus on its core EMS business. The Group aims to deliver better results in the future by adopting different strategies to expand its revenues through expanding the Group's production capacity and broadening its customer base, while effectively controlling and reducing its costs through further expansion of its vertically integrated operations.

EMPLOYEE INFORMATION

As at 30 September 2003, the Group had 150 employees in Hong Kong (31 March 2003: 139) and approximately 29,800 employees in the PRC (31 March 2003: 26,000). The increase in the headcount in the PRC was the result of further expansion of the Group's production capacity and its vertically integrated operations in the PRC. The remuneration packages are generally structured with reference to market conditions and the qualifications of the employees. The salaries and wages of the Group's employees are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Bonuses are normally paid to management staff based on individual's merits as well as the results of the respective companies with which the staff works for.

Staff benefit plans for the Hong Kong staff include a provident fund scheme and medical and life insurance. The Company also maintains a Share Option Scheme, under which options may be granted to employees, to subscribe for shares in the Company. This Share Option Scheme is designed to give employees both an incentive to perform and a stake in the Company.

本集團亦計劃生產瓦楞紙、橡膠組件、3.5吋及4吋揚聲器、連接器、卡式機芯摩打、標籤、紙塑包裝及加強單面電路板之生產運作，以進一步擴展垂直綜合運作。

本集團已準備以相宜價格向客戶提供高質素貨品，並一直履行不斷發展新產品以增加其市場佔有率及保持市場競爭力之目標。將來，本集團將向市場推出更多新款數碼產品，包括液晶體電視連DVD機、DVD錄影機及MPEG4-DVD機等。

隨著出售電單車部門後，本集團將重新分配所有管理資源於核心EMS業務方面。本集團矢志透過增加集團之生產能力及擴大客戶層、以及進一步擴充採用垂直綜合運作以有效控制及減低成本，並藉著採取不同策略以增加收益，從而於日後取得更佳業績。

僱員資料

於二零零三年九月三十日，本集團於香港之僱員總數為150名（二零零三年三月三十一日：139名），而於中國之僱員總數則約為29,800名（二零零三年三月三十一日：26,000名）。增聘中國之員工乃由於本集團進一步擴大於中國之生產能力及實施垂直綜合營運所致。薪金一般參考市場標準及個別員工資歷而釐定。本集團僱員之薪金及工資一般於每年根據表現評估及其他相關因素作出檢討。本集團亦按管理層人員各自之良好表現及各公司之業績發放花紅。

香港員工之員工福利計劃包括公積金計劃及醫療及人壽保險。本公司亦提供購股權計劃，據此可向僱員授予購股權以認購本公司股份。此項購股權計劃旨在給予僱員動力及權益以為本公司提供更佳表現。