



Management Discussion & Analysis

管理層討論及分析

管理層討論及分析 Management Discussion & Analysis

長遠電信網絡集團有限公司 FORTUNE TELECOM HOLDINGS LIMITED

回顧及前景

財務回顧

本集團錄得1,947,000,000港元之營業額，較去年度下跌34%，原因在於本年度售出之手機數量減少，加上本集團主要產品諾基亞8250型號手機（截至上半年度完結止）於第三季被逐步淘汰前，零售價下跌約30%。毛利減少45%，至82,000,000港元。鑑於手機市場競爭熾烈，本集團之毛利率由去年度5.1%下降至4.2%，與截至二零零二年三月三十一日止年度之水平相若。經營溢利為51,000,000港元，較去年度下降約47%。本年度股東應佔純利為31,600,000港元，而去年度則為60,900,000港元。本集團於二零零四年三月三十一日之資產淨值為321,000,000港元或每股1.06港元，而本年度之每股盈利則為10.5港仙。本年度運用資本之平均回報率為10%。

本年度售出之移動電話數量達約1,678,000部，較去年度下跌約21.6%，主要為銷售諾基亞3100、2300、8250型號手機及西門子M55型號手機。於上半年，售出之手機數量為816,000部，跌幅為28%，主要由於中國內地及香港於首季受到非典型肺炎之負面影響所致。於下半年，售出之手機數量約為862,000部，較去年同期減少15%，主要乃因分銷諾基亞3300、6220、6600及8910i型號手機及科健528型號手機等較昂貴之電話，其目標銷量低於本集團去年出售低價電話之數量。

REVIEW AND OUTLOOK

Financial Review

The Group recorded a turnover of HK\$1,947 million representing a decrease of 34% as compared with last year. This is due to lower number of handset sold over the year as well as the drop in retail price of the Group's main product (up to the end of the first half year), Nokia's model 8250, by approximately 30% before it was phased out in the third quarter. The amount of gross profit has decreased by 45% to HK\$82 million. Due to the competitive handset market, the Group's profit margin decreased from last year's 5.1% to 4.2%, same level for the year ended 31 March 2002. Profit from operations amounts to HK\$51 million which represents a decrease of 47% as compared with last year. The net profit attributable to shareholders for the year amounts to HK\$31.6 million as compared with HK\$60.9 million for last year. The net asset value of the Group as at 31 March 2004 amounts to HK\$321 million or HK\$1.06 per share. The earnings per share for the year is HK10.5 cents. The return on average capital employed for the year is 10%.

The number of mobile phones, mainly Nokia's models 3100, 2300, 8250 and Siemens' model M55, sold during the year was approximately 1,678,000 sets, decreased by approximately 21.6% as compared with last year. In the first half year, the number of handset sold was 816,000 units representing a decrease of 28% which is mainly attributable to the adverse impact of SARS in mainland China and Hong Kong in the first quarter. During the second half year, the number of handsets sold was approximately 862,000 units representing a decrease of 15% as compared with the same period last year which is mainly due to the distribution of relatively higher value phones like Nokia's models 3300, 6220, 6600 and 8910i as well as Kejian's model 528 that have lower target volume than low value phones that the Group sold last year.

長遠智揚截至二零零四年三月三十一日止年度之營業額達119,000,000港元，而去年度則為100,000,000港元。長遠智揚繼續成為香港無線局域網及個人數碼助理產品之翹楚分銷商之一。

The turnover of Synergy has reached HK\$119 million for the year ended 31 March 2004 as compared with HK\$100 million for last year. It remains as one of the leading distributors of products of wireless local area network and personal digital assistants in Hong Kong.

於二零零四年三月三十一日，本集團之總銀行借款約為390,000,000港元，其中104,000,000港元為於二零零四年九月到期之銀團貸款。本集團將透過與其往來銀行訂立雙邊融資安排，於到期日前償清該筆銀團貸款。其他之286,000,000港元（其中241,000,000港元以人民幣定值）主要為短期週轉性營運資金貸款，可讓本集團因應不斷轉變之每月貿易量加以靈活調度。所有貸款之息率以每月、每季或每半年基準定額計算。由於本集團截至二零零四年三月三十一日並無任何長期負債，故此資產負債比率為零。然而，倘若淨資產負債比率以所有短期銀行貸款減現金及銀行結餘為基準，截至二零零四年三月三十一日之資產負債比率則約為17%。截至二零零四年三月三十一日，總銀行存款及現金結存約為336,000,000港元，其中216,000,000港元已質押予銀行。由於銀行借款減少，本年度之融資成本則由去年之21,000,000港元減少至17,000,000港元。利息保障倍數約為3.2倍。本集團之融資策略為降低其於下一個財政年度之貸款質押比率。大部分以人民幣定值之貸款通過香港或海外銀行之中國分行辦理。因此，中國政府現時採納之宏觀經濟措施對本集團於國內訂立融資安排之影響甚微。然而，倘若借貸利率上升，則集團之營運成本將會增加。

As at 31 March 2004, the Group's aggregate bank borrowings amounted to approximately HK\$390 million, which includes HK\$104 million syndicated loan maturing in September 2004. The syndicated loan will be fully repaid before the maturity date through bilateral financing arrangement with the Group's bankers. The balance of HK\$286 million, of which HK\$241 million is denominated in Renminbi, is mainly short term revolving working capital loans. This would provide flexibility to the Group in response to the changing monthly trading volume. The interest rates for all the loans are fixed on either monthly, quarterly or semi-annual basis. The Group did not have any gearing as the Group did not have any long term liabilities as of 31 March 2004. However, if net gearing ratio was calculated based on all short term bank loans less amount of cash and bank balances, then the ratio was approximately 17% as at 31 March 2004. As at 31 March 2004 the total bank deposits and cash balances amounted to approximately HK\$336 million, of which HK\$216 million had been pledged to banks. As a result of the decrease in bank borrowing, the finance cost for the year decreased to HK\$17 million from last year's HK\$21 million. The interest cover is approximately 3.2 times. The Group's financing strategy is to lower the pledge ratio of its loans in the forthcoming financial year. A majority of the loans denominated in Renminbi is arranged through the PRC branches of either Hong Kong or foreign banks. As a result, the macro-economic measures currently adopted by the Chinese government had minimal impact on the Group's financing arrangement in China. However, should the interest rates of borrowings rise, it will increase the cost of operation.

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年內，本集團之融資及庫務政策並無重大轉變。由於本集團超逾90%之銷售額及購貨均以人民幣定值，而人民幣兌港元之匯率保持穩定，故本集團認為貨幣風險承擔甚微。

During the year, there was no material change in the Group's funding and treasury policy. As over 90% of the Group's sales and purchases are denominated in Renminbi and the exchange rate of Renminbi and Hong Kong dollar is stable, the risk of currency exposure is considered minimal.

於二零零四年三月三十一日之存貨金額為243,000,000港元，存貨週轉期相當於約為48日，而於二零零三年三月三十一日按存貨水平335,000,000港元計算之存貨週轉期則為44日。本集團之政策是將存貨週轉期全面定為少於60日，並採取審慎方針監管其存貨水平。絕大部分之存貨為近期型號之移動電話，集團因而毋須為存貨作出滯銷撥備。

The amount of inventory as at 31 March 2004 was HK\$243 million, which represented approximately 48 days stock turnover, as compared to 44 days stock turnover based on the inventory level of HK\$335 million as at 31 March 2003. The Group's policy is to maintain an overall stock turnover period of less than 60 days and taking a cautious approach to monitor its inventory level. Substantially all of the inventory is current models of mobile phones and no provision for obsolescence is necessary.

截至二零零四年三月三十一日，貿易應收賬款為115,000,000港元，應收賬款週轉期約為22日，而上一個財政年度之週轉期則為13日。逾90%貿易應收賬款之賬齡均少於30日。本集團於本年度作出呆賬撥備1,200,000港元，約相當於本集團營業額之0.06%。中國手機市場中有超過40個品牌及800個型號，競爭非常激烈，本集團之客戶大多要求介乎7日至30日之信貸期。為了保持競爭實力，本集團於授出任何信貸期前，均會按個別基準仔細審閱其客戶之業務往績、還款模式及財務狀況。本集團不同省份之銷售代表亦會定期造訪客戶之店舖及辦事處，查察彼等之存貨水平，並在適當之情況下採取追收行動。

The amount of trade receivables as at 31 March 2004 was HK\$115 million, which represented approximately 22 days debtors' turnover period as compared with 13 days for the previous year. Over 90% of the trade receivables have an aging less than 30 days. The Group has made a provision of doubtful debts of HK\$1.2 million for the year, which represents approximately 0.06% of the Group's turnover. In an increasingly competitive handset market with over 40 brands and 800 models, most of the customers of the Group request credit period ranging from 7 days to 30 days. In order to remain competitive, the Group carefully reviews the business history, settlement pattern and financial position of its customers on an individual basis before granting any credit period. Sales representatives of the Group in different provinces also regularly visit the customers' shops and offices to check on their inventory level as well as to enforce collection measures if appropriate.

年內，本集團售出PacificNet Inc.之81,100股股份，並錄得1,900,000港元之溢利，該金額已入賬列為其他營運收入。截至二零零四年三月三十一日，本集團仍然持有PacificNet Inc. 78,217股股份，相當於該公司已發行股本約1.3%。年內，集團並無收購或出售重大投資、附屬公司、聯營公司或聯屬公司。本集團亦無計劃於來年作出重大投資或購入資本資產。截至二零零四年三月三十一日，集團並無重大或然負債或資本承擔。

於二零零四年三月三十一日，本集團於中國多個城市共聘用441名僱員，當中包括363名市場推廣代表及非合約推廣人員。僱員薪酬乃按彼等之工作性質及市場而定，集團每季進行表現評估，以釐定嘉許僱員之報酬。本集團根據中國及香港之適用規例提供員工福利及退休金供款。與去年度比較，集團之僱員數目、薪酬政策、花紅及購股權計劃並無重大變動。

市場綜覽

電訊市場

據信息產業部資料，截至二零零四年四月底，中國之移動電話服務用戶人數共有296,000,000人，為世界最大之移動電話市場，市場滲透率達22.4%。用戶當中最多為中國移動之GSM客戶，約有156,000,000人（包括104,000,000名儲值卡客戶及52,000,000名月費客戶）。中國聯通則約有77,000,000名GSM客戶及23,000,000名CDMA客戶。中國電信提供之小靈通服務取得約

During the year, the Group sold 81,100 shares in PacificNet Inc. and realized a profit of HK\$1.9 million which was booked as other operating income. As at 31 March 2004, the Group still held 78,217 shares in PacificNet Inc. or approximately 1.3% of its issued share capital. There was no acquisition or disposal of material investment, subsidiary, associates or affiliated company during the year. There is no plan for material investment or purchase of capital assets in the coming year. There was no significant contingent liability or capital commitment as of 31 March 2004.

As at 31 March 2004, the Group had a total number of 441 employees which included 363 marketing representatives and non-contracted promoters in various cities in the PRC. Employees are remunerated according to the nature of their job and market trend, with quarterly performance evaluation to determine rewards in motivating individuals. The Group provides staff welfare and fund contribution to its employees in accordance with prevailing regulations in the PRC and Hong Kong. There is no material change in the number of staff and remuneration policy, bonus and share option scheme as compared with the previous year.

Market Overview

Telecommunications market

By the end of April 2004, according to the Ministry of Information Industry, there is a total of 296 million mobile phone service subscribers in China, the world's largest mobile phone market. The penetration rate reaches 22.4%. The majority of approximately 156 million subscribers are GSM subscribers of China Mobile (comprising 104 million pre-paid SIM card users and 52 million contracted subscribers). China Unicom has approximately 77 million GSM subscribers and 23 million CDMA subscribers. Xiaolingtong (or Little smart)

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50,000,000名用戶，預料其用戶數目至二零零四年年底增至60,000,000人。移動電話用戶數目現以每個月約5,400,000戶之速率增長，至二零零四年年底，用戶數目可達334,000,000人。截至二零零四年四月底，固網電話用戶人數亦達到約285,000,000人，主要是中國電信及中國網通之客戶。

年內，第三代(3G)移動電話服務在香港市場推出。憑藉3G技術，用戶以手機傳送話音及數據之速度較使用2.5G GPRS網絡更快。用戶甚至可透過手機舉行視像會議。中國方面，深圳華為技術有限公司及大唐移動通信設備有限公司已於二零零四年上半年完成3G手機之開發，然而，預料中國政府最早要待二零零五年當國內之TD-SCDMA制式準備就緒作商業用途時，才會發出3G牌照。當3G服務推出時，預計3G手機之產量足能應付需求。此外，美國開發之CDMA2000及歐洲開發之寬帶CDMA亦正力爭成為中國另一個3G制式選擇。

移動電話市場

截至二零零四年五月，中國手機零售市場有超過800款移動電話型號，分別採用GSM、CDMA或PHS網絡，市場競爭情況相當熾烈。根據二零零四年五月發表之行業研究報告，五大手機品牌之市場佔有率排名如下：諾基亞19%、摩托羅拉15%、三星8%、波導8%及TCL 7%，餘下43%市場由超過35個品牌瓜分，其中主要為國產品牌。年內，某些台灣品牌如迪比特及明基與國內廠商締結成夥伴在國內推廣自身品牌。TCL亦接

services operated by China Telecom attracted approximately 50 million users and it is expected to increase to 60 million by the end of year 2004. The number of mobile phone users are growing at a rate of approximately 5.4 million accounts every month and by the end of year 2004, the number of subscription may reach 334 millions. The number of fixed line telephone users have also reached approximately 285 million by end of April 2004 which are mainly customers of China Telecom and China Netcom.

The 3G mobile service has already been launched in Hong Kong during the year. The 3G technology allows users to exchange voice and data on handsets more quickly than the 2.5G GPRS network. Users can even hold video conferencing via handsets. In China, Shenzhen Huawei Technology and Datang Mobile Communications Equipment Co. Ltd. have developed 3G handsets in the first half of year 2004. However, it is anticipated that the Chinese authority will not issue 3G licences until year 2005 when the local time division synchronous code division multiple access (TD-SCDMA) standard has been well prepared for commercial use. By the time the 3G services is launched, it is expected that mass production of 3G handsets will be able to meet the demand. The US-developed CDMA2000 and the Europe-developed wide-band CDMA are also competing for acceptance as alternate 3G standard in China.

Mobile phone market

There are over 800 different mobile phone models, using either GSM, CDMA or PHS networks, in the handset retail market in China as of May 2004. The competition is very intensive and according to one of the industry research report in May 2004, the market shares of the top five brands are ranked as follows: Nokia 19%, Motorola 15%, Samsung 8%, Bird 8%, TCL 7%. The remaining 43% are shared by over 35 different brands which are mainly domestic brands. During the year, it is observed that Taiwan brands like DBTel and BenQ are partnering with some domestic manufacturers to promote their own brands in China. TCL has also taken up the mobile phone

收阿爾卡特之移動電話業務，進一步增強其產品開發實力。中國現有超過40,000個手機零售點，遍佈全國各地2,300個縣市。一些台灣大型3C(即通信、電腦及消費電子產品)連鎖零售商如燦坤亦涉足中國市場，令競爭更為劇烈。高度競爭之環境引發減價戰並縮短手機之壽命週期。對手機分銷商而言，該環境同時帶來機遇和挑戰，一方面手機製造商更為倚賴分銷商將其產品放上銷售渠道，但利潤率卻因競爭加劇而收窄。

據估計，現時約60%之型號為摺合式電話，70%具備彩色屏幕，但僅20%擁有內置照相機。銷售表現最出色之價格範圍，依然為售價介乎人民幣1,000元至2,000元之手機。我們預測，來年具照相功能之手機型號數量將會增加，並把其售價壓低至人民幣2,000元以下。中國手機市場瞬息萬變而且增長迅速，鑒於壽命週期縮短以及價格競爭，估計大城市之銷售增長其中30%至50%會來自更換手機之需求。

業務回顧

中國大陸之移動電話分銷業務仍然為本集團之核心業務，佔本集團營業額90%以上。受二零零三年四月至八月期間非典型肺炎之影響，全年度手機銷售量下跌約20%，由2,100,000部減至1,700,000部。售出之手機數目當中，一半為諾基亞8250型號。此型號已銷售達兩年，其壽命週期於二零零三年最後一季完結。諾基亞3100型號及西門子M55型號分別佔本年度手機銷售量約19%及8%。除以上主要型號外，本集團亦經銷諾基亞2300、3300、3610、6610及8910i型

units of Alcatel to further strength their product development capabilities. There are over 40,000 handsets retail outlets covering 2,300 cities and counties in all regions in China. Some large Taiwan 3C (communications, computer and consumer electronics) retail chain stores like Tsann Kuen is entering the China market which intensified the competition. Such competitive environment results in price war and shortened life cycles of handsets. Such competitive environment provides both opportunities and challenges to handset distributors when the handset manufacturers are relying more on handset distributors to push their products to the channel and at the same time, the profit margin is narrowed as a results of keen competition.

It is estimated that approximately 60% of the current models are clam shell phones, 70% are color display but only 20% has built in camera. The best selling price segment is still handsets pricing between Renminbi 1,000 to 2,000 yuan. It is forecasted that the number of models with camera phones will increase in the coming year when pricing of these models are driven to below Renminbi 2,000 yuan. The handset market in China is fast changing and growing in a fast pace. Due to the shortening of product life cycle and the price competition, it is estimated that in large cities, the handset replacement market represents some 30 to 50% of the sales increase.

Business Review

The distribution of mobile phones in mainland China remains the principal activities of the Group which accounts for over 90% of the turnover. Due to the impact of SARS during the period from April to August 2003, the number of handset sold for the full year had dropped by approximately 20% from 2.1 million units to 1.7 million units. Half of the units sold are attributable to the Nokia's model 8250 which life cycle ended in the last quarter of year 2003 after selling for two years. Nokia's model 3100 and Siemens model M55 accounted for approximately 19% and 8% respectively of the number of handset sold during the year. Besides these key models, the Group also distributed Nokia's models 2300, 3300, 3610, 6610

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號，以及明基、迪比特、易美、科健及OKWAP等其他品牌。本集團現時在全國各地有超過4,000名客戶，並於30個主要城市設立全功能分銷及物流中心。鑒於手機市場競爭日趨激烈，本集團已增加直接銷售予零售商，取代經本地二級分銷商銷售，此舉有助銷售管理人員集中注意零售商及消費者行為，從而較佳地掌握定價及分銷策略。然而，該等零售商（不論為大型連鎖店或小商戶）一般會要求給予兩至四星期之信貸期，而實際付款日期更可能拖延達六星期。審慎平衡銷售量增長與應收賬風險，乃本集團一貫政策。因此，所有信貸於批出時，均會就客戶之信譽、規模、還款記錄以至銷售能力及經營歷史進行仔細審查。本集團會密切監察零售商之狀況及存貨，在支付任何佣金前，銷售隊伍對追收銷售所得款項負有最終責任。集團亦會繼續將存貨週轉期保持在兩個月以內。

在香港，本集團推出多款最新手提裝置及智能電話，計有：O₂ xda II、Treo 600、Tungsten E、Tungsten T3以及Zire 21。企業及個人客戶對該等產品之反應甚佳。

展望及前景

本集團繼續將本身定位為3C生產商之最佳合作夥伴，替彼等於中國市場分銷產品。由於本集團負責銷售的諾基亞3300型號音樂手機於全國熱賣，取得空前成功，本集團已被委任為最新型號之諾基亞7610型號手機之全國分銷商。諾基亞7610型號為三頻手機，具有6萬5千色顯示屏，內置100萬像素相機及數碼音樂播放器。由於本集團覆蓋地區全面，加上具備優良分銷渠道管理能力，管理層相信彼等能採購優質產品，為本集團帶來利潤。本集團已於二零零四年六月開始為明

and 8910i as well as other brands like BenQ, DBTel, Emol, Kejian and OKWAP. The Group has now over 4,000 customers all over China and has established full functional distribution and logistic center in 30 major cities. Due to the increasingly competitive handset market, the Group has increased direct selling to retailers instead of through local co-distributors. This enable the sales management to better control the pricing and distribution strategy by focusing on the retailer and consumer behavior. However, such retailers, whether large chain stores or small shops, usually request credit terms ranging from two weeks to four weeks and the actual payment date may be lengthened to six weeks. As it is always the Group's policy to balance the sales volume growth and receivables risk with caution, all the credit approval is scrutinized carefully with regard to the reputation and size of the customers, its settlement record as well as its selling capability and history of operation. The Group will monitor the situation and inventory of the retailers closely and the sales team is responsible for the ultimate collection of the sales proceed before any commissions are paid. The Group will also continue to control its inventory within two months turnover.

In Hong Kong, the Group has launched various latest handheld devices and Smartphones: O₂ xda II, Treo 600, Tungsten E, Tungsten T3 and Zire 21. These products are well received by both enterprises and individual customers.

Prospect and Outlook

The Group continues to position itself as a preferred partner for 3C manufacturers to channel their products in the China market. Due to the Group's successful sales record for Nokia's model 3300 music handsets on nationwide basis, the Group was appointed as national distributor for the latest Nokia's model 7610 tri-band 65,000 color display handset with integrated 1 mega pixel camera and digital music player. Based on its full geographical coverage and well established channel management capabilities, the management is confident to source good products to generate profit. The Group already started to distribute MP3 audio players for BenQ in June 2004.

基分銷MP3機。本集團亦獲委任為Soul及Sign MP3機之特許獨家全國分銷商，預期貨品將於二零零四年八月中交付。分銷手機繼續為本集團收益及溢利之主要來源，而另一方面，管理層相信MP3機之分銷業務為另一個增長潛力極高之商機。MP3機之目標客戶及分銷渠道與手機相似，本集團並未預期進軍MP3機市場須投入大量額外成本。

憑藉作為創業板上市公司時所取得之過往盈利記錄，本集團於年內成功遷往主板上市。管理層與全體僱員及各生產商共慶這項成就。展望將來，快速增長之中國市場充滿挑戰，同時亦隱含無限商機，管理層將繼續致力取得佳績，為股東帶來理想回報。

The Group was also appointed authorized exclusive nationwide distributors for Soul and Sign MP3 audio players in China and delivery is expected to commence in mid August 2004. While the distribution of handset continues to be the Group's principal source of revenue and profit, the management is confident that the distribution of MP3 will be an opportunity and the growth potential is high. The target customers and distribution channels are also similar to those of handsets and the Group does not foresee any significant additional cost to be incurred in capturing the MP3 market.

During the year, the Group has successfully moved its listing to Main Board based on its profitable track records while being a company listed on GEM. The management celebrates this achievement with all the staff and its suppliers. For the future ahead, there is a lot of challenges as well as opportunities in the fast changing market in China and the management will continue to do its best to deliver good results and returns to the shareholders.