

總裁報告

本人謹代表台和商事控股有限公司向各股東提呈截至二零零四年三月三十一日止年度之週年報告。

本人藉此感謝各員工對集團之貢獻及努力，共渡艱難的營商環境及確保集團於過去一年成績尚穩健。

業績及股息

截至二零零四年三月三十一日止年度，本集團錄得經營盈利一千六百四十萬港元，而除稅及少數股東權益後之綜合淨盈利一千四百五十萬港元（二零零三年重列：一千一百八十萬港元），比去年同期增加百分之二十二點九。每股基本盈利為9.13港仙（二零零三年重列：7.42港仙）。集團之營業額亦增至八億四千一百六十萬港元（二零零三年：七億七千三百五十萬港元），比去年增長百分之八點八。

董事局建議向於二零零四年八月十八日名列本公司股東名冊之股東派發末期股息每股1.0港仙。如股東週年大會上獲股東通過，末期股息將於二零零四年九月二十八日派發。本年度已派發中期股息每普通股派1.5港仙，共二百四十萬港元。

PRESIDENT'S STATEMENT

On behalf of Daiwa Associate Holdings Limited, I would like to present to shareholders the Group's audited report for the year ended 31 March 2004.

I am taking this opportunity to express our gratitude to the Group's staff for their contributions enabling the Group to work through a tough business environment and securing a fair performance for the preceding year.

RESULTS AND DIVIDEND

The Group has recorded an operation profit of HK\$16.4 million. The consolidated net profit after taxation and minority interests for the year ended 31 March 2004 of HK\$14.5 million (restated 2003: HK\$11.8 million) represents a growth of 22.9% from last reported years. The basic earnings per share is HK 9.13 cents (restated 2003: HK7.42 cents). During the year, turnover of the Group was increased to HK\$841.6 million (2003: HK\$773.5

million), representing an increase of 8.8% from that of the previous financial year.

The Board of Directors has recommended a final dividend of HK1.0 cent per ordinary share payable to shareholders whose names appear on the Register of Members of the Company on 18 Aug 2004. Subject to the shareholders' approval at the forthcoming annual general meeting, the dividend will be payable on 28 Sep 2004. During this year, an interim dividend of HK1.5 cents per ordinary share amounting to HK\$2.4 million was distributed.



產品設計方案為電子器件分銷客戶的增值服務
Design Solution; Value-Added Distribution Services

流動資金及財務資源

於二零零四年三月三十一日，本集團之流動資產淨值達一億五千零四十萬港元，而股東資本為二億八千零一十萬港元。貸款與融資租賃承擔總額維持低水平為五千一百二十萬港元，而資本負債比率（借貸總額扣除少數股東權益及遞延稅項後除以股東資金）為0.18。年底現金及銀行結餘為六千八百萬港元，而扣除銀行借貸後，結餘為二千零六十萬港元。

於二零零四年三月三十一日，本集團所獲之總銀行信貸額約一億一千三百九十萬港元，而仍可動用之信貸額為四千二百四十萬港元。在同日融資租賃承擔為三百二十萬港元。

本集團之資產由股東資本、應付營業賬項及銀行借貸組成。應付營業賬項及銀行借貸需於一年內償還。借貸、現金及現金等額主要以港元、美元及人民幣為單位。由於這些貨幣匯率較穩定，本集團除了外幣合同之應付營業賬項外，在外幣負債、資產及投資一般沒有使用貨幣對沖工具。本集團監控與以上貨幣組合有關之負債、現金及現金等額，以減低匯兌風險。集團之貸款均按浮動息率計算。於二零零四年三月三十一日年度期間，本集團並無抵押固定資產作銀行信貸。本集團就銀行發出信貸擔保予供應商而有或然負債為二千四百一十萬港元。

由於本年度經銷及製造業務都得以擴展，營業額因而增加；存貨水平輕微上升至一億三千一百六十萬港元（二零零三年：一億二千一百三十萬港元），庫存流轉控制低於六十五天（二零零三年：六十天）。

LIQUIDITY AND FINANCIAL RESOURCES

At 31 March 2004, the Group's net current assets amounted to HK\$150.4 million and the shareholders' equity were HK\$280.1 million. The total loan and finance lease was at a low level of HK\$51.2 million and the gearing ratio which is defined as total borrowings, excluding minority interests and deferred taxation to shareholders' equity was 0.18. The year-end cash and bank balances were HK\$68 million while after net of bank borrowings was HK\$20.6 million.



為通訊工業服務之另一EMS項目，移動電話內的微形喇叭
Micro-speakers for Mobile-Phone, another EMS project

At 31 March 2004, total available banking facilities of the Group were approximately HK\$113.9 million, of which HK\$42.4 million was available for use. Finance lease obligations outstanding on the same date amounted to HK\$3.2 million.

The Group's assets are mostly financed by shareholders' equity, trade payables and bank borrowings. Trade payables and bank borrowings are repayable within one year. The borrowings, cash and cash equivalents are mainly denominated in Hong Kong dollars, US dollars or Renminbi. As the exchange rates of these currencies are relatively stable, the Group generally does not use any financial instruments to hedge the foreign currency liabilities, assets or investments except for foreign currency contract for trade payables. The Group also monitors the mix of the borrowings, cash and cash equivalents relating to these currencies to minimize the effect of the exchange risk. The Group's borrowings are bearing interest at floating rates. Throughout the year ending 31 March 2004, the Group did not pledge any of its fixed assets for securing banking facilities. The Group had contingent liabilities in respect of guarantees issued by banks to the Group's suppliers amounting to HK\$24.1 million.

Due to the development of both distribution and manufacturing businesses, turnover in the reported year was increased and inventory level was relatively increased to HK\$131.6 million (2003: HK\$121.3 million). Stock turnover was controlled under 65 stock turnover days (2003: 60 days).

業務回顧及前景

本集團致力於以下二項主要業務：

- 合約電子專業生產服務(EMS)、原產品設計及生產(OEM and ODM)業務
- 電子元器件—經銷及製造業務

合約電子專業生產服務(EMS)及原產品設計及生產(OEM and ODM)

此部份之營業額為三億一千一百五十萬港元(二零零三年：二億七千九百九十萬港元)，比去年同期增長百分之十一點三。

合約電子專業生產服務(EMS)

本年度EMS製造業務成績顯著增長，此部份之營業額為一億七千八百八十萬港元(二零零三年：一億三千九百五十萬港元)，比去年同期增長百分之二十八點二。

為要求嚴格之客戶提供電子專業生產服務，是集團其中一個主要盈利來源。此業務之成功有賴專業管理、先進設備及生產環境控制。本集團不斷探索新裝配技術和可靠品質及管理系統。本年度，EMS新大樓已建成，並已裝置新設備包括無塵間及無靜電裝配工場。此外亦已添置先進之SMD貼片機、精確自動化錫漿印刷機、自動化光學檢測儀、in-circuit測量器及充氮回流爐；由於減少員工數量及提高盈利，此部份之成績令人鼓舞。

BUSINESS REVIEW AND PROSPECT

The Group is engaged in two major businesses, namely:

- EMS (Contract Electronic Manufacturing Services), OEM and ODM
- Electronic Components — Distribution and Manufacturing

EMS (Contract Electronic Manufacturing Service), OEM and ODM

Turnover under this category of the reporting year was HK\$311.5 million, representing a growth of 11.3% when compared with the same period of last reported year (2003: HK\$279.9 million).

EMS

The business of EMS manufacturing in the reported year is remarkable.

The sales turnover of this sector was HK\$178.8 million, which represents a rapid growth of 28.2% (2003: HK\$139.5 million) when compared with the same period of last reported year.

Providing Electronic Manufacturing Services to demanding customers is one of the major contributions to the Group's profit. The success of EMS business depends on the provision of dedicated and pin-pointed management with advanced facilities and production environment control. The Group endeavors to explore new assembling technologies and reliable quality and management systems. The new EMS production plant was opened and new equipment was set up to further facilitate the EMS manufacturing with dustproof clean-room and anti-statistic assembling floors. Advanced SMD mounters, high precision automatic solder paste printer, automatic optical checker, in-circuit tester and nitrogen filled re-flow furnace were also installed. With less headcount of labor resources and higher margin, the result of new EMS projects was encouraging.



利用表貼工藝之EMS項目
A sample of SMT EMS project

原產品設計及生產(OEM and ODM)業務

原產品設計及生產(OEM and ODM)電子消費產品業務表現穩定：此部份之營業額為一億三千二百七十萬港元(二零零三年：一億四千零四十萬港元)，比去年同期輕微減少百分之五點五。

集團於機械、電子及軟件工程方面擁有強大之工程隊伍。本集團自成為著名大型買家如Wal-Mart及Timex等其中一個少數合資格生產商後，亦吸引了一定數量之新客戶。管理層預期此方面業務於未來數年有合理之增長。

集團擁有可靠之品質控制及品質保證系統是EMS、ODM及OEM業務之主要成功因素。除了獲得ISO9000認證外，集團亦已成功取得QS9000之汽車業認證，集團之品質管理部現正在進行ISO14000之環保認證程序。

電子元器件 — 經銷及製造業務

本年度此部份成績持續穩定增長，本年度此方面之營業額為五億三千零十萬港元，比去年增長百分之七點四(二零零三年：四億九千三百六十萬港元)。

OEM and ODM

The OEM and ODM manufacturing business of consumer electronic products were steady. The sales turnover of this sector was \$132.7 million, which represents a slight decrease of 5.5% when compared with the same period of last reported year (2003: HK\$140.4 million).

The Group has strong engineering teams in mechanical, electronic as well as software engineering. As one of the few qualified manufacturers of renowned and sizable end buyers such as Wal-Mart and Timex, the Group gained quite a number of new customers and the management expects that business in this aspect would have a reasonable growth in the forthcoming years.



消費類電子產品
ODM Consumer Audio Product

Reliable quality control and quality assurance is the key to success to the Group's EMS, ODM and OEM business. Other than the ISO9000 certification, the Group successfully qualified for the QS9000 certification for the automobile industry. The Group is now implementing management systems towards the ISO14000 environmental certification.

ELECTRONIC COMPONENTS — Distribution and Manufacturing

Business under this sector grew steady in the last reported year. The sales turnover was HK\$530.1 million, representing a growth of 7.4% when compared with the same period of last reported year (2003: HK\$493.6 million).

電子元器件經銷業務

本年度此部份電子元器件之價格及需求均上升，營業額錄得四億二千八百一十萬港元(二零零三年：三億七千九百二十萬港元)，與去年同期比較增長百分之十二點九。

本集團是香港電子元器件經銷業之其中一領導者，為東芝、松下、安森美(On-Semiconductor)、Lite-on、Sino America Silicon及阿諾德磁材(Arnold Magnetics)之授權經銷商及銷售本集團之品牌COS。集團主要為這些著名品牌經銷集成電路、三極管、微型處理器、分裂及靜態(discrete and passive)電子元器件之市場。此類型電子元器件主要應用於影音產品、電子玩具、電源、家電、空調及其他電子消費產品等。



台和經銷的先進半導體器件
Advanced Semiconductor Devices distributed by Daiwa

集團在深圳、廣州、上海及北京已成立多個銷售辦事處。貨品在國內交收對集團之貢獻越來越重要；除了一般市場及經銷策略外，集團於保稅區設立辦事處，提供強大物流支援，以提供準時交貨之後勤服務。

集團繼續提供先進之軟件工程支援及為客戶提供硬件設計方案，使客戶享有完整解決方案後，一站式購買主要元器件。集團使用微型控制器(MCU)，已成功地為客戶之VCD、手提音響、音樂中心及電源提供解決方案，並獲得客戶之認同。

Electronic Components Distribution

In the reporting year, prices and demand for electronic components are increasing. Turnover for this segment was recorded as HK\$428.1 million, represent a growth of 12.9% (2003: HK\$379.2 million) when compared with the same period of last reported year.

The Group is one of the leading distributors of electronic components in Hong Kong acting as an authorized distributor for Toshiba, Panasonic, On-semiconductor, Lite-on, Sino America Silicon, Arnold Magnetics and the Group's own brand COS. The core products that Group distributes are integrated circuits, transistors, microprocessors, discrete and passive electronic components for these renowned brands. Major application of electronic components in this sector are for audio and video products, electronic toys, power supplies, household appliances, air-conditioners and other consumer electronics.

The Group has established various sales offices in Shenzhen, Guangzhou, Shanghai and Beijing, PRC. The contribution of PRC local delivery is becoming more and more essential. Other than normal distribution approach of marketing and sales, the Group also provides strong logistic support by setting up liaison offices in free trade zones to furnish the just-in-time delivery and service support.

The Group is keeping on providing advanced engineering support for software as well as hardware design-in service for customers in a way such that the customers can enjoy a total solution of one-stop purchase of major components. The sector successfully provides MCU (Micro Computer Unit) solutions for VCD, Boom-box, Music Centre, and Power Supply and has gained good recognition from customers.

元器件製造業務

本年度此部份之業務受到一定的壓力，電子元器件製造業務之營業額為一億零二百萬港元（二零零三年：一億一千四百三十萬港元），與去年同期比較減少百分之十點八。

本集團製造二極管（DO35、DO34、微型MELF及DO41封裝）、三極管（SOT23及TO92封裝）、可變電阻及電線。

二極管及三極管

於報告期間，二極管之需求穩定，但三極管之需求則大幅下降。此部份營業額與去年比較下降百分之十九點二。

本集團已有超過十五年在集團註冊商標「COS」之下製造二極管及三極管的經驗。集團生產環氧樹脂封裝之TO92、SOT23及DO41

二極管及三極管、玻璃封裝之DO35、DO34及微型MELF貼片型二極管、小功率三極管、電壓穩流器、場效應管、雙向可控硅(triacs及diacs)、矽特基、插孔型號之整流、開關及穩壓二極管。二極管及三極管普遍應用於一般電子產品，例如影音產品、個人電腦、數碼相機、MP3、省電電燈及電子玩具，有基本及龐大之需求。

本年度最後一個季度，二極管及三極管之需求回復正常水平，預計在下一個財政年度的銷售額會上升。

Electronic Components Manufacturing

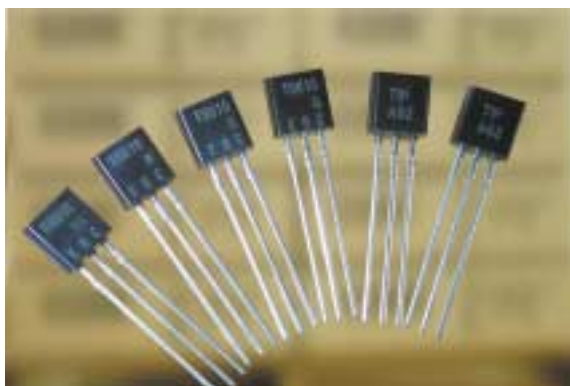
Business under this sector was under pressure in the reported years. Turnover of Electronic Component Manufacturing was HK\$102 million (2003: HK\$114.3 million), which represents a decrease of 10.8% when compared with the same period of last reported year.

The Group manufactures Diodes (DO35, DO34, mini-MELF and DO41 packages), Transistors (SOT23 and TO92 packages), Variable Resistors, Electronic Wires and Harnesses.

Diodes and Transistors

In the reported year, the demand for Diodes was steady but the demand for Transistor dropped sharply. Turnover of this sector was decreased by 19.2% when compared with the last reported year.

The Group has over 15 years of experience in the manufacturing of Diodes and Transistors under the Group's registered trademark "COS".



台和的「COS」品牌半導體元件
Daiwa's own brand COS semiconducting components

The Group produces epoxy encapsulated TO92, SOT23 and DO41 Transistors and Diodes, glass sealed DO35, DO34 and mini-MELF diodes. Major models of these packages are employed as small signal transistors, voltage regulators, mosfets, triacs, diacs, schottky diodes, rectifier diodes, switching diodes, and zener diodes from axial types to surfaced mounted types. The Diodes and Transistors are generally applied for general electronic products such as audio and video products, personal computer, digital camera, MP3, energy saving lamps as well as electronic toys. The demand is essential and substantial.

Demand for Transistors picked up in the last quarter of the reported year and there is a good projection of sales increase in the coming fiscal year.

本集團致力投資於提高二極管及三極管品質、效率及高產品及格率。為達到更佳的生产效益，二極管生產量由每月八億粒上升至十億粒，並預計下一個財政年度將上升至十二億粒。本集團將於雲浮廠房設立新的DO41整流二極管設備，每月生產能力將由現時四千萬粒增至六千萬粒。

The Group has invested substantial efforts to enhance the quality, efficiency and product yield rate of the Diodes and Transistors. Keeping up to a more economic scale of production, monthly capacity of the Diodes was increased from 800 million pieces to 1,000 million pieces in the reported year and will further be increased to 1,200 million pieces in the coming fiscal year. The Group will also set up new facility for DO41 rectifier diodes in the Yun-fu production plant and the monthly capacity will be increased from the present 40 million pieces to 60 million pieces.

電線

此部份需求穩定，營業額較去年同期輕微增長百份之一點四。

製造電線業務在整個集團中仍是處於初階水平。產品主要應用於電子消費產品如電源線、電子線、電腦電線及連接器等，此方面之需求穩定。集團已取得UL、CUL、CCC、VDE、CSA及BS等之國際安全標準證書。產品之品質亦維持穩定，並已開始供應給中國國內之客戶。



電線產品
Wire Products

Wire and harnesses

The demand for this sector was steady. Sales turnover of this sector had a slight growth of 1.4% in the same period last year.

Manufacturing of electronic wire and harnesses is still at an entry level of business for the Group. Main application of this category is for consumer electronic such as power cords, electronic wires, computer cables and connectors etc. The Group obtained international safety standard certifications such as UL, CUL, CCC, VDE, CSA and BS. Quality of these products was steady and the sector had started to supply products to PRC customers.

員工

於二零零四年三月三十一日，本集團共聘請了約六千名員工，其中香港有一百二十名，其餘大部份為國內各生產基地之員工。業務員之薪酬包括工資及佣金，佣金是按個人營業指標而釐定；一般員工除薪金外，可享有年終花紅，金額因應部門之盈利及個人表現評估而決定。集團亦提供強積金及醫療福利予所有香港員工。於此報告時期，沒有員工被授予購股權。

EMPLOYEES

At 31 March 2004, the Group employed a total of approximately 6,000 employees of which 120 were Hong Kong based while most of the others were PRC employees in various production site. Sales personnel are remunerated by salaries and incentives in accordance with the achievement of their sales target. General staff are offered year-end discretionary bonus, which is based on the divisional profit and individual appraisals. The Group also provides a Mandatory Provident Fund and medical benefits to all Hong Kong employees. During the reported period, no share options had been granted to employees.

業務前景

當EMS廠房落成，加上優質之專業生產、管理及品質隊伍後，集團獲得現有及新客戶之認同，不單現有客戶主動將其新計劃轉到本集團之EMS廠房，同時亦吸引了蘇格蘭及日本之新EMS客戶。管理層相信此部份盈利貢獻在來年將會有所激增。

在電子元器件經銷業務方面，本集團除繼續投資於銷售管理外，並將於中國成都設立新銷售辦事處。由於主要電子元器件品牌發展及新供應商之盈利貢獻，管理層相信來年銷售及盈利均有合理增長。

於ODM部份，集團獲得Wal-Mart之重大訂單。為了配合ODM及OEM業務之未來發展，集團已購買位於中國河源兩幅總面積二十四萬平方米之土地，土地價值分別為人民幣四百萬及八百萬元。集團期望將五金生產部門、電線生產部門、ODM及OEM廠房搬至此地點。集團亦考慮在此成立合伙經營塑膠廠。

FUTURE PROSPECT

After setting up the EMS production plant with dedicated professional production, management and quality team, the Group has gained good recognitions from existing customers as well as new customers. Not only new projects from exiting customers are moving actively to the Group's EMS plant, the Group has also attracted new EMS customers from Scotland and Japan. The management believes that contribution in this sector will have an aggressive growth in the coming fiscal year.



Daiwa's own brand "COSMOS" Variable Resistors
台和自產自銷的「環宇牌」可變電阻

In the Distribution sector of electronic components, the Group has extended further investment in sales management and will also set up a new sales office in Cheng-du, PRC. With the development of the core electronic components brands and with contributions from new suppliers, the management believes that the turnover and profit contribution will have a reasonable growth in the coming fiscal year.

In the ODM sector, the Group also gained substantial orders from Wal-Mart. To cater for the future development of ODM and OEM business, the Group has acquired two pieces of land in He-yuan, PRC of a total area of 240,000 square meters to cater for the future development of ODM and OEM manufacturing businesses. The cost of the land is Rmb 4 million and Rmb 8 million dollars respectively. The Group intends to move the metal work production, wire and harnesses production together with the ODM and OEM factory to the site. The Group will also set up a joint venture plastic injection factory in the area.

集團剛簽訂一項收購協議，以四千七百萬港元購入「Elite Century Holdings Ltd」。此公司由劉得還先生，本集團主席控制。Elite於一九八九年在加拿大成立，主要從事個人電腦業務，在加拿大多倫多、新斯科細亞、英屬哥倫比亞及亞伯達均設有銷售辦事處。Elite營業額其中百分之三十購自亞洲，而其中大部份之產品可由集團之設備生產。Elite及台和合併後可綜合發展兩家公司在市場銷售及製造業務。此次收購之資金將於二零零四年八月由按每持有三股現有股份配發兩股供股股份所籌得之資金支付。劉先生亦依據上市規則及／或收購守則申請清洗豁免。



為通訊工業服務之台和EMS項目，移動電話受話耳機線
Hand-Free Earphone-Mic, a Daiwa EMS project servicing
the Telecommunication Market

管理層相信過去數年投資於產品發展及管理層推廣，來年將會是收成的一年。

The Group has also entered into a sales and purchase agreement for the acquisition of a company "Elite Century Holdings Ltd" at the price of HK\$47 million. The target company is controlled by Mr. LAU Tak Wan, the President of the Group. Elite has been established in Canada since 1989 and is engaged in personal computer (PC) business in Canada with sales offices in Toronto, Nova Scotia, British Columbia and Alberta. 30% of Elite's turnover is purchasing from Asia in which most of the products can be produced by the Group's facilities. The synergy of merging the capabilities of Elite and Daiwa can bring the

development of the two companies towards the integration of marketing and manufacturing. The fund for acquisition will be financed by a right issue of 2 Rights Shares for every 3 Shares at the price of HK\$0.45 per share and will be proceeding in August 2004. Mr. LAU has also applied for Whitewash Waiver pursuant to the requirements under the Listing Rules and/or Takeovers Code.

The management believes that the coming year will be a year of harvest after the investment in product and management development of the Group in the past years.

總裁
劉得還

香港，二零零四年七月二十三日

LAU TAK WAN
President

Hong Kong, 23 July 2004