

總裁報告

本人謹代表台和商事控股有限公司(「本公司」)及其附屬公司(統稱為「本集團」)向各股東提呈截至二零零六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之成績。

業績及股息

截至二零零六年三月三十一日止年度，本集團之營業額為十五億四千零十萬港元(二零零五年：十二億二千五百八十萬港元)，比去年財政年度增長百分之二十五點六。

截至二零零六年三月三十一日止年度，本集團錄得經營溢利二千一百

二十萬港元(二零零五年：二千四百八十萬港元)。除稅及少數股東權益後之綜合淨盈利一千二百三十萬港元(二零零五年：二千零五十萬港元)，比去年同期減少百分之四十。每股基本盈利為4.65港仙(二零零五年：9.67港仙)。董事局建議向於二零零六年八月二十八日名列本公司股東名冊之股東派發末期股息每股1港仙。如股東週年大會上獲股東通過，末期股息將於二零零六年九月十五日派發。本年度，集團宣佈派發中期股息每普通股派1港仙。

PRESIDENT'S STATEMENT

On behalf of the Board of Directors, I would like to present to shareholders the audited report of Daiwa Associate Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2006.

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 the business growth for the preceding year.

RESULTS AND DIVIDEND

The Group reported a turnover of HK\$1,540.1 million (2005: HK\$1,225.8 million) for the year ended 31 March 2006, which indicates an increase of 25.6% from last financial year.

The operating profit of the Group is HK\$21.2 million for the year ended 31 March 2006 (2005: HK\$24.8 million).

Consolidated net profit after income tax expenses and minority interests is HK\$12.3 million (2005: HK\$20.5 million), which represents a decrease of 40% from last year. The basic earnings per share is HK 4.65 cents (2005: HK 9.67 cents). The Board of Directors has recommended a final dividend of HK 1 cent per ordinary share payable to shareholders whose names appear on the Register of Members of the Company on 28 August 2006. Subject to the shareholders' approval at the forthcoming annual general meeting, the dividend will be payable on 15 September 2006. During the year, the Group announced an interim dividend of HK 1 cent per ordinary share.



河源廠房
New Production site in Heyuan

流動資金及財務資源

於二零零六年三月三十一日，本集團之流動資產淨值達一億七千七百四十萬港元，而股東資本為三億五千八百二十萬港元（二零零五年：三億四千八百七十萬港元）。貸款與融資租約承擔總額為九千三百二十萬港元，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0.26。年底現金及銀行結餘由去年六千五百萬港元增至八千三百五十萬港元。

於二零零六年三月三十一日，本集團所獲之總銀行信貸額約二億四千零二十萬港元，而仍可動用之信貸額為一億二千七百二十萬港元。在同日融資租約承擔為四百四十萬港元。本公司提供信貸擔保予多間銀行促使該等銀行借貸予全資擁有之附屬公司。於二零零六年三月三十一日，公司已提供之信貸擔保總額為三億一百七十萬港元。

本集團之資產由股東資金、應付營業賬項、融資租約及銀行借貸組成。應付營業賬項於一年內償還，而銀行借貸包括於一年內償還之商業貸款及分期於兩至五年內償還之銀行貸款。於年底，集團增加一個中期貸款以應付位於中國河源市新廠房之未來發展。由於製造業務及新資本性開支增加，銀行借貸亦因而增加。

借貸主要以港元為單位從而減低匯兌風險。而集團之現金及現金等額主要以港元、美元、加拿大元及人民幣為單位。由於本年度這些貨幣匯率較為波動，本集團使用外幣遠期合約以對沖某些外幣應付款，以控制外幣交易帶來之兌換風險。除了外幣遠期合約，本集團繼續將日常之採購及銷售產生的付款及收款作出配對。綜合這些方法，集團監控以減低財務成本及匯兌風險。集團之貸款均按香港銀行同業拆息率計算。

LIQUIDITY AND FINANCIAL RESOURCES

At 31 March 2006, the Group's net current assets amounted to HK\$177.4 million and the shareholders' funds were HK\$358.2 million (2005: HK\$348.7 million). The total bank loan and finance lease was HK\$93.2 million and the gearing ratio which is defined as total borrowings to shareholders' funds, excluding minority interests, is 0.26. The year-end cash and bank balances were increased to HK\$83.5 million from HK\$65 million.



OEM產品
OEM Products

At 31 March 2006, total available banking facilities of the Group were approximately HK\$240.2 million, of which HK\$127.2 million was available for use. Finance lease obligations outstanding on the same date amounted to HK\$4.4 million. The Company issued corporate guarantees to banks for granting of banking facilities to wholly owned subsidiaries. At 31 March 2006, total amount of corporate guarantee outstanding was HK\$301.7 million

The Group's assets are mostly financed by shareholders' funds, trade payables, finance lease and bank borrowings. Trade payables are repayable within one year. Bank borrowings composed of trade financing repayable within one year and term loans repayable by installments from two to five years. At the end of the year, the Group raised new medium term loans from banks to finance the coming development of the new factory site in He Yuan, PRC. Total bank borrowings have increased due to the increase in manufacturing business and new capital expenditures.

The borrowings are mostly denominated in Hong Kong dollars to prevent currency risk. The Group's cash and cash equivalents are denominated in Hong Kong dollars, US dollars, Canadian dollars and Renminbi. The Group has engaged in foreign currency forward contracts with banks to hedge certain daily foreign currency trade payments to control the conversion risk arising from foreign currency transactions. Other than forward contract, the Group continuously matches the payment and receipts of foreign currency arising from routine purchase and sales. Combining these methods, the Group is able to control and minimize the financial cost and exchange risk. The Group's borrowings are bearing interest at floating rates which are in reference to Hong Kong Hibor rate.

由於本年度營業額增加，存貨水平亦相對地由一億八千八百一十萬港元增加至二億二百萬港元，管理層滿意庫存平均流轉控制低於六十天。而應收營業賬項及應付營業賬項均按營業額增加比例而上升。

As the turnover in the reported year moved upwards, inventory level was relatively increased to HK\$202 million from HK\$188.1 million as of last financial year. Average stock turnover is controlled to less than 60 stock turnover days. The trade receivable and payable also increased in proportion with the increase in turnover.

本年度，集團透過認股權証被行使，而發行6,746,799股普通股股份，行使價為每股0.5港元。另外，集團亦於公開市場購回534,000股普通股股份，回購價由每股0.46港元至0.53港元不等。

In the reported year, the Group issued 6,746,799 new ordinary shares due to the exercise of warrants. The exercise price was HK\$0.5 per share. The Group also repurchased 534,000 ordinary shares in the open market. The purchase prices were ranged from HK\$0.46 to HK\$0.53 per share.

業務回顧及前景

本集團致力於以下三項主要業務：

- 合約電子專業生產服務 (EMS) 及電子消費產品業務；
- 電子元器件—經銷及製造業務；及
- 個人電腦及數碼產品—經銷及製造業務。



家居中央音響放大器
Amplifier for Audio in Demand

BUSINESS REVIEW AND PROSPECT

The Group is engaged in three major businesses, namely:

- EMS (Contract Electronic Manufacturing Service) and Consumer Electronics;
- Electronic Components — Distribution and Manufacturing; and
- Personal Computer and Digital Products — Distribution and Manufacturing.

合約電子專業生產服務 (EMS) 及電子消費產品業務

EMS and Consumer Electronics

本年度，EMS及電子消費產品業務成績充滿挑戰性。此部份之營業額錄得五億七千五百二十萬港元（二零零五年：四億三千九百五十萬港元），比去年同期顯著增長百分之三十點九。由於原材料成本、生產成本、工資及電費激增，經營溢利因而比去年減少。

Business of EMS and consumer electronics in the reported year was full of challenge. Turnover of this sector significantly increased by 30.9% to HK\$575.2 million in reported year from last year (2005: HK\$439.5 million). However, due to the rapid increase of costs of materials, production, wages and electricity, the operating profit contribution is lower than that of last year.

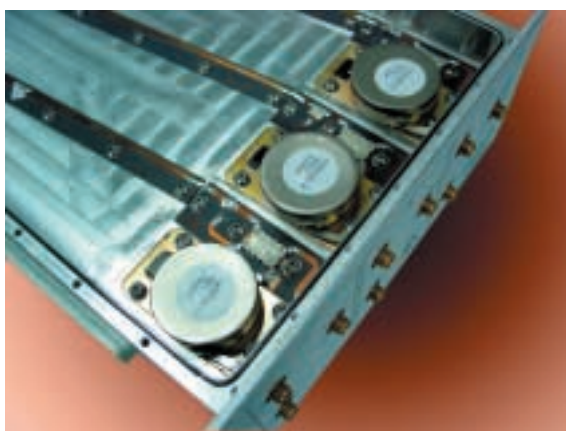
為了額外增加電子消費產品之生產力，集團已於河源市購買一幅生產用地。直至現在，集團已興建了144,000平方呎廠房，並於本年一月已開始試產，直至多層廠房於年底建成。為了預備未來發展，集團需要投放更多資源，本年度利潤亦因而減少。

In order to further increase the capacity of production in consumer electronics, the Group has acquired a piece of land in He Yuan area. Up to this moment, 144,000 sq ft of production area has been developed and the Group has already started test run from January of this year. The He Yuan pre-production will go on until the multistory premises finishes at the end of this year. For this preparation of future development, the Group drained more resources and reduced the profit contribution of this sector in the reported year.

合約電子專業生產服務 (EMS)

EMS (Contract Electronic Manufacturing Service)

EMS製造業務是公司既定之發展目標，業務持續增長。此部份之營業額為三億二千七百九十萬港元（二零零五年：二億一千七百四十萬港元），比去年同期上升百分之五十點八。



EMS專業代工產品
EMS products

Towards the direction of the company's development goal, business of EMS kept growing. Sales of this sector increased by 50.8% to HK\$327.9 million when compared with last reported year (2005: HK\$217.4 million).

合約電子專業生產服務是集團其中一個重要業務，過去數年，大部份EMS客戶將原材料無償給予集團，而集團只向客戶收取加工費用。由去年開始，集團已成立一強大採購管理隊伍，為客戶搜尋可代用零件及元器件，此項增值服務獲得客戶積極回應。EMS業務逐漸由單純加工業務發展至整體產品供應業務，集團之營業額及毛利因而可獲得額外之增長。

EMS plays a more important role in the Group's business. In the past years, most EMS customers consigned materials to the Group and the Group just charged customers sub-contracting charges. Starting from last year, the Group has equipped a strong supply chain management team to seek for replacement parts and components for customers. This add-on value gained positive responses from customers. The model of EMS will gradually change from a merely sub-contracting model to a turn-key model and the Group can have further growth in turnover and gross profit amount.

電子消費產品業務

Consumer Electronics

電子消費產品製造業務增長穩定，此部份之營業額為二億四千七百二十萬港元（二零零五年：二億二千二百一十萬港元），比去年同期增加百分之十一點三。

The turnover of OEM and ODM manufacturing of consumer electronics grew steadily to HK\$247.2 million, which represents an increase of 11.3% from last reported year (2005: HK\$222.1 million).

本年度，此業務因為現時廠房之規模限制，未能有效發揮其潛力；集團策略上集中生產高毛利的電子消費產品及標準毛利的長期流水訂單。待河源市廠房落成後，情況將得以改善，此部份之利潤將維持健康增長。

In the reported year, the OEM and ODM manufacturing was limited by the production space in the existing factory site in Yantian, Dongguan. Under this circumstance, the Group focused on manufacturing consumer electronics models with higher margins or on those massive orders with standard margins. The situation will greatly be improved after the new He Yuan Factory Site is finished. Profit margin of this sector was maintained with a healthy sign of growth.

電子元器件 — 經銷及製造業務

Electronic Components — Distribution and Manufacturing

本年度此部份成績平穩，營業額為五億八千八百六十萬港元，比去年輕微減少百分之三點八（二零零五年：六億一千一百九十萬港元）。



電子原器件經銷
Electronic Component under distribution

The results of distribution and manufacturing of electronic components for the year is fair. The sales turnover was HK\$588.6 million, representing a slightly drop of 3.8% when compared with last reported year (2005: HK\$611.9 million).

電子元器件經銷業務

Electronic Components Distribution

本年度此部份之營業額錄得四億六千六百九十萬港元（二零零五年：四億七千四百九十萬港元），與去年同期比較輕微減少百分之一點七。

The sales turnover of this sector was HK\$466.9 million (2005: HK\$474.9 million) representing a small decrease of 1.7% when compared with last reported year.

雖然電子元器件需求下降，惟集團仍能在此艱難情況下得到理想成績。集團在深圳、上海及北京銷售分公司增長表現令人滿意。此外，集團已於上海成立聯營軟件公司，為集團之開發設計 (design-in) 業務提供進一步支援。另外，在主要供應商支持下，電子元器件經銷業務將得到理想成績。

The demand for electronic components was slowed down in the industry but the Group still maintained the momentum despite of the tough market conditions. Sales offices in Shenzhen, Shanghai and Beijing achieved satisfactory growth. The Group has established a new joint venture software house in Shanghai to further support the design-in activities for the Group. With support from principal suppliers, the Group will have more aggressive result in the sales of electronic modules in kit form.

本年度，集團成功獲得京瓷 (Kyocera) (一家於日本在 passive 電子元器件方面非常有名的製造商) 之新代理權。加上成為現時東芝、松下、安森美 (On-Semiconductor)、Lite-on 及阿諾德磁材 (Arnold Magnetic)、China-Excel Technology Corp (CET)、Elan Microelectronics Corp (ELAN) 及 MCS Logic Ltd (MCS Logic) 於香港及國內之授權經銷商，集團將更強化在香港及國內之授權經銷電子元器件及半導體業務之領導地位。

電子元器件製造業務

本年度電子元器件製造業務之競爭持續激烈，此部份之營業額為一億二千一百七十萬港元 (二零零五年：一億三千七百萬港元)，與去年同期比較減少百分之十一點二。



EMS 專業代工產品
EMS Products

二極管及三極管

本集團製造產品包括環氧樹脂封裝之 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。

雖然本年度主要原材料之供應及價格均很波動，惟二極管經銷及製造總體成績仍令人滿意，營業額與去年比較輕微上升百分之四點九，而毛利亦輕微地增加。

電線

由於本年度銅線及樹脂塑膠之價格與日俱增，原來可具利潤之訂單於短期內可變為虧損；為了適應此趨勢，管理層只有減少此方面的業務，只接受非虧損之訂單。本年度，此部份營業額減少百分之三十二點五，業績亦有虧損。

In the reported year, the Group gained new distributorship from Kyocera, a renowned passive electronic components brand from Japan. Together with existing distributorship of Toshiba, Panasonic, On-semiconductor, Lite-on, Arnold Magnetic, Chino-Excel Technology Corp (CET), Elan Microelectronics Corp (ELAN) and MCS Logic Ltd (MCS Logic), the Group can further strengthen its status as one of the leading authorized distributors for electronic components and semi-conductors in Hong Kong and PRC.

Electronic Components Manufacturing

The keen competition in the manufacture of electronic components business continued in the reported year. Turnover of Electronic Components Manufacturing was HK\$121.7 million (2005: HK\$137 million), which represents a decrease of 11.2% when compared with last reported year.

Diodes and Transistors

The Group manufactures epoxy encapsulated TO92, SOT23 and DO41 Transistors and Diodes, glass sealed DO35, DO34 and mini-MELF diodes.

Although both the supply and price in major materials fluctuated this year, aggregated results of distribution and manufacturing of Diodes was satisfactory with a slightly increase of 4.9% in turnover when compared with last reported year. The gross profit percentage also slightly increased.

Wire and harnesses

Since the cost of copper and plastic resin raised day by day in the reported year, profitable orders would become negative within a week. To cope with this business model, the Management had no choice but to slowdown the business activities by accepting the non-loss orders only. Turnover of this sector therefore dropped by 32.5% and profit contribution was negative in the reported year.

個人電腦及數碼產品 — 經銷及製造業務

個人電腦及數碼產品業務在本年度顯著增長，營業額錄得三億七千六百三十萬港元（二零零五年：一億七千四百四十萬港元），與去年同期比較增長百分之一百一十五，而盈利貢獻亦增長百分之八十七至五百六十萬港元（二零零五年：三百萬港元）。

集團已成功發展如MP3及USB drive(優益)之數碼消費產品。隨著新投資的工程部、注塑部及模具部門，集團已獲得客戶之良好認同，同時，此部門為集團帶來合理之利潤和日益增加之訂單。由於得到東芝電子提供之Flash Memory(閃存記憶體)之支援，使集團能於激烈競爭之中得到更有利的位置。



MP3隨身聽
MP3 Audio Players

加拿大業務發展穩定並有輕微增長，除了增加電腦產品之代理經銷商外，部門開始搜尋更多樣化及高利潤之數碼消費產品及配件。此部門已於中國成立一個新採購部，於國內搜尋更多產品及供應商。同時，加拿大台和亦協力經銷集團工廠製造的MP3音響及USB drives產品。

Digital and Personal Computer Products — Distribution and Manufacturing

Turnover of the personal computer and digital products business grew significantly to HK\$376.3 million (2005: HK\$174.4 million) which represents a growth of 115% in the reported year. Profit contribution has also grown by 87% to HK\$5.6 million (2005: HK\$3 million).

The Group has successfully landed in the development of digital consumer products such as MP3 and USB drives. By new investment in the engineering team and tooling house, the Group had gained good recognitions from customers. Profit margin of the team was fair and orders are increasing. By the integration of Flash Memory support from Toshiba from the distribution sector, the Group was in a high position in facing the keen competition in the industry.

Business in Canada was steady with slightly growth. Other than adding on new products in distributorship in personal computer products, the team began to diversify into the high margin market of digital consumer products and accessories. The team has set up a new supply chain group in PRC to source for new products from China. Canada Daiwa is also distributing MP3 audio products and USB memory drives that are manufactured by the Group.

業務前景

本集團購買位於中國河源的廠房用地，能為集團大幅度增加電子消費產品及電線之生產力；於本年底，將會建成約500,000平方呎之新廠房及宿舍，屆時之生產管理成本將會被攤薄；同時，當地之電費及政府費用亦比現時為低，此方面之節省將會為此部份業務帶來可觀之貢獻。

合約電子生產服務之轉營為整產品供應服務可為集團帶來額外之物料採購收益。同時，集團正和北美洲及歐洲之新EMS客戶進行最後階段之磋商，預期EMS之增長亦是來年其中一個重要的盈利貢獻。

最近數年，集團已與多間著名的電子元器件品牌簽訂授權經銷協議，經過一段投資時期，這些品牌已踏入收成期。

本集團在去年投資於MP3、MP4及USB drives之研究及開發，得到正面的市場反應，管理層相信數碼產品將是來年其中一個成功的產品。

總而言之，管理層相信來年將會是美好的一年。

FUTURE PROSPECT

The newly acquired production land in He Yuan area provides the Group a big opportunity of development in production capacity in consumer electronics and wires. By the end of this year, 500,000 square feet of new production area and dormitories will be finished and the management cost of manufacturing will greatly be diluted. The lower cost in electricity and local government charges will also be a considerable contribution to the profit margin of this sector.



iPod連接站
iPod Docking

The turn-key program in EMS manufacturing will bring in further trading benefits of material supply. The Group is in final stage of negotiating with new EMS customers from North America and Europe. The growth in EMS will be one of the important contributions in the coming year.

In recent years, the Group has entered into new distributorship with a couple of renowned electronic component brands. The investment periods of these brands have matured and these sectors are showing symptoms of harvest.

By the investment in R&D of MP3, MP4 and USB drives in the last years, feedback from the market is positive. The management believes that digital products will be one of the most successful products of the Group in the coming year.

As a summary, the management believes that the coming year will be a bright year for the Group.

員工

於二零零六年三月三十一日，本集團共聘請了約六千名僱員，其中香港及加拿大分別有一百二十名及一百名僱員，其餘大部份為駐國內各生產基地之僱員。

集團之薪酬政策根據市場趨勢及按個別員工工作表現及經驗而釐定。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；一般僱員除薪金外，可享有年終花紅，數額視乎部門之盈利及個人表現評估。集團亦提供強積金及醫療福利給予所有香港僱員。根據本公司於二零零五年八月十八日採納之購股權計劃，集團可授予購股權給公司董事及符合要求的僱員。直至二零零六年三月三十一日，沒有僱員被授予購股權。

集團將投放更多資源於提供僱員在集團內部及參加外間的培訓；除了讓僱員出席講座外，集團繼續推薦合資格的僱員報名參加例如：TS16949及Six-Sigma品質管理系統之專業課程等，此等培訓課程不單提供僱員事業發展，亦同時可提升集團之管理能力。

總裁

劉得運

香港，二零零六年七月二十一日

Employees

At 31 March 2006, the Group employed a total of approximately 6,000 employees of which 120 were Hong Kong based and 100 were employees in Canada. Most of the others were PRC employees in different production sites.

The Group's remuneration policy is in line with the prevailing market practices and is determined on the basis of performance and experience of the individual. Sales personnel are remunerated by salaries and incentives in accordance with the achievement of their sales target. General staff are offered year-end discretionary bonuses, which are based on the divisional profit and individual appraisals. The Group also provides a Mandatory Provident Fund or ORSO scheme and medical benefits to all Hong Kong employees. Pursuant to the terms and conditions of the share option scheme adopted by the Company on 18 August 2005, the Group may grant share options to directors and eligible employees. Up to 31 March 2006, no share options had been granted.

The Group is committed to devoting more resources in providing internal and external training to the employees. Other than sending staff to participate in seminars and talks, the Group continues to recommend qualified staff to take part in professional courses such as the TS16949 and Six-Sigma Quality Systems. The training program not only enhance employees' career development and professional knowledge, but also contributes to up-grading the management system of the group.

LAU TAK WAN*President*

Hong Kong, 21 July 2006