

## BUSINESS REVIEW

Despite the continuous weakened economic climate during the period, the consumer demand for low cost electronics products in the mass market was still growing. The Group achieved a 5.7% growth in turnover from the corresponding period of 2001. The Group's net profit slightly increased from HK\$123 million to HK\$125 million of the same period of last year. Overall performance of the Group during the period under review was sound and along with the continuous expansion to achieve further vertically integrated production establishments, the Group expects to further benefit from the economies of scale and to contribute to the profitability to the Group in near term.

During the period under review, the Group successfully signed a HK\$210 million syndicated loan with six bankers. The loan is mainly for repaying certain existing bank loans and the financing of Qingyuan Industrial Estate's development, that further consolidates the Group's production capacity. The additional long term funding which has been set at a competitively lower pricing than the prevailing borrowing rate helps to strengthen the Group's overall liquidity in both short and medium-term financing and to enhance the entire corporate cost structure by significantly lowering the Group's borrowing costs in the future.

### The Electronics Manufacturing Services ("EMS") Division

As the core business of the Group, the EMS division contributed about 94.2% of the Group's sales turnover during the period. The division enjoyed continuous growth in sales of 5.4% from last period as a result of the fairly strong demand for the consumer electronics products during the period. Among which, home audio and digital products have become more popular within the consumer products market.

In order to expand customer base, the Group's R&D team is dedicated towards developing new products and models. Certain high-valued digital products, including DVD combos and home theatre systems will be launched to the market in 2003.

In addition, the Group further diversified its vertically integrated production bases. The new component manufacturing operations added during the period included electroplating and production of springs and flexible circuit boards. Certain surface mount machines and assembly lines were also added to increase the automation and production capacities respectively.

## 業務回顧

儘管期內經濟環境持續疲弱，消費者對大眾化低成本電子產品需求持續上升。本集團之營業額較二零零一年同期上升5.7%，錄得純利由去年同期之123,000,000港元輕微增加至125,000,000港元。本集團於回顧期間之整體表現理想，再加上不斷開拓垂直綜合生產，預期可進一步獲享規模經濟所帶來之優勢，及於不久將來提升本集團盈利能力。

於回顧期內，本集團成功與六家銀行簽訂一份210,000,000港元之銀團貸款。該筆貸款主要用作償還部份現有之銀行貸款及興建清遠工業村之用，清遠工業村將進一步加強本集團之生產能力。此新增長期資金之利率較現時借貸利率為低，既可加強本集團短期及中期之資金流動性，更藉著大幅減低本集團未來之借貸成本以鞏固整個企業成本架構。

### 電子製造服務("EMS")部門

作為本集團之核心業務，EMS部門於期內佔本集團之銷售營業額約94.2%之收益。由於期內消費電子產品之需求仍然殷切，因此此部門之銷售持續增長，較去年同期上升5.4%，當中家庭音響產品及數碼產品於消費產品市場上更廣受客戶歡迎。

為擴展客戶基礎，本集團之研發隊伍致力開發新產品及型號。多款高價值數碼產品包括數碼光碟音響組合及家庭影院系列等將於二零零三年推出市面。

此外，本集團已進一步開拓垂直綜合生產基礎，以擴充新業務。於期內增添之新配件製造業務包括電鍍和生產彈簧及軟性線路板。本集團已購置若干表面貼片機器及增設裝配生產線，以加強生產自動化及生產力。

## The Motorcycle Division

The Group's strategy on the Motorcycle division as the secondary business segment of the Group remains unchanged. The division accounted for about 5.8% of the Group's turnover for the period under review.

After the completion of the first phase of the new motorcycle plant construction in Dongguan early this year, sales turnover of the Motorcycle division increased by 9.8%, amounting to HK\$100 million as compared to the same period of last year.

As the motorcycle market development in the PRC is only moderate as compared to the Group's expectations, the Group experienced challenges in the operations of its Motorcycle division. However, the Group still managed to achieve break-even results during the period under review.

## PROSPECTS

### Overall Corporate Enhancement

The Group's financial performance is expected to be satisfactory in the coming year. With the signing of the syndicated loan during the period under review, the Group is able to achieve considerable savings in its overall interest expenses, efficiency and flexibility in its financial management and thereby creating more room for growth. The Group will also pursue a proactive policy to promote investor relations by increasing the channels of communication and maintaining regular meetings with institutional investors and analysts. The diversification of the Group's vertical integration system is expected to help improve its overall competitiveness in the field by increasing its control over the routine production of its own products and at the same time to reduce overall product cost. All of the above efforts should continue to take effect to benefit the Group.

### The EMS Division

As a result of the West Coast Port Strike in September and October 2002, the Group has unfortunately built up certain stocks for US shipments as at the end of September 2002. However, since the stock built up during the Strike was subsequently delivered to the respective customers, we have seen a positive increase in sales turnover in October and November 2002 to compensate for the dip in the sales in September that was attributable to the Strike. Since this incident has been recently resolved with the signing of a six-year continuous operation contract between West Coast Port workers and the shipping companies, the Group does not foresee similar episodes happening again in the near future.

### 電單車部門

本集團視電單車部門為本集團次要的業務之經營策略維持不變。此部門於回顧期間佔本集團之營業額約 5.8%。

於本年初東莞新電單車廠房之第一期工程竣工後，電單車部門之銷售營業額較去年同期增加 9.8%，達至 100,000,000 港元。

由於中國電單車市場之發展較本集團所預期平庸，為本集團在電單車業務方面帶來挑戰。然而，本集團於回顧期間仍然能夠達至收支平衡之業績。

## 前景

### 整體企業發展

本集團之財務表現於未來一年預期持續理想。憑藉於回顧期內所簽訂之銀團貸款，本集團於整體利息開支方面得以減低，令其於財務管理方面更為有效及更具靈活性，因而締造更多發展空間。本集團亦將採取積極政策，透過增加溝通渠道以加強與投資者之關係，並定期與機構投資者及分析員舉行會議。本集團垂直綜合系統之多元化發展預期可增加對本身產品生產程序之控制，並同時減少整體產品成本，有助改善整體競爭力。上述策略定可為本集團帶來貢獻。

### EMS部門

受到美國西岸於二零零二年九月及十月發生之港口罷工事件影響，本集團於二零零二年九月底積存若干已準備送抵美國之貨品。然而，由於受罷工事件影響而積存之存貨其後已陸續付運至各客戶，使本集團於二零零二年十月及十一月錄得銷售增長，足以彌補因罷工事件而引致之九月份銷售額下跌。由於最近西岸港口工人與船務公司已簽訂為期六年持續經營合約，本集團預期在短期內不會發生同類事件。

The first phase of construction for the Qingyuan Industrial Estate commenced during the period. The development includes the construction of factory premises, staff dormitories and canteens with a total usable floor area of about 86,000 square meters and is expected to be put into use in the middle of 2003.

With the gradual completion of the new Industrial Estate in Qingyuan, the Group is expecting to see greater synergies and benefits of the economies of scale. A more efficient and streamlined cost structure will provide the Group with a competitive niche over major competitors in the industry and it is expected to contribute to better profit margins for the Group.

Order placements from existing customers are promising. Based on its strong sales relationship attained with Wal-Mart and other major customers, the Group is confident of having satisfactory sales growth in the coming year.

To further preserve its leading position in the field, the Group continues to demonstrate its commitment in broadening its production capacity by enhancing its vertically integrated processes. The Group plans to manufacture corrugated papers, speakers and connectors in 2003 to further enhance its component manufacturing operations. The Group believes the future increase in profitability depends on the success of its vertical integration strategies in the years to come.

To further improve its operating efficiency, the Group will gradually upgrade its existing computer systems by launching an entirely new ERP system in late 2003. Moreover, the Group has upgraded its ISO 9001 quality system to the latest 2000 version. All of the above illustrates the strong commitment of the Group towards continuously upgrading and improving its quality system and operations.

### **The Motorcycle Division**

Given the complicated business environment of the motorcycle market in the PRC, the Group will implement certain cost control measures and also consider more efficient means for utilization of the existing facilities of the Group by both the EMS and Motorcycle divisions. In particular, the Motorcycle division will make use of the Group's vertically integrated facilities (e.g. coating and electroplating).

清遠工業村之第一期建築工程，於本期間開始動工，包括興建廠房、員工宿舍及飯堂等，可用面積約為86,000平方米，預期第一階段將於二零零三年年中開始啟用。

隨著清遠新工業村興建工程日漸完成，本集團預期可享有更大之協同及規模經濟效益。配合更有效率及精簡之成本架構，令本集團於業界競爭者中脫穎而出，預計可為本集團帶來更佳邊際利潤。

現有客戶之訂單量大致理想，加上與沃爾瑪及其他主要客戶所建立之穩固銷售關係，本集團深信於未來一年定可取得滿意之銷售增長。

為進一步鞏固市場領導地位，本集團秉承過往不斷加強生產能力的承諾。增置更多垂直綜合工序。本集團計劃於二零零三年開始製造瓦通紙、揚聲器及連接器，以進一步拓展其配件製造業務。本集團相信，垂直綜合策略之成果會於未來數年成為取得溢利增長之關鍵因素。

為進一步改善營運效益，本集團將於二零零三年底推出全新企業資源策劃系統(ERP)以逐漸提升其現有之電腦系統。此外，本集團之ISO 9001品質系統已更改至最新之二零零零版本。由此可見本集團矢志繼續提升及改良質素系統及擴張營運之決心。

### **電單車部門**

由於中國電單車市場複雜之營商環境，本集團將實施若干成本控制措施及考慮更多有效方法以使EMS及電單車部門善用本集團之現有設備。其中包括，電單車部門將採用本集團之垂直綜合生產設施(如塗漆及電鍍)。

The construction of Dongguan production plant is due to be completed by the first quarter of 2003. Upon the completion of these production facilities, the overall productivity of the Motorcycle division is expected to improve to a certain extent.

In addition, the Group will review the business prospects and viability of the Motorcycle division. With the aim to increase the overall return from the investment made in the division, business strategies to benefit the Company and its shareholders will be considered and adopted as appropriate in the near term.

## EMPLOYEE INFORMATION

As at 30 September 2002, total numbers of employees of the Group were 139 in Hong Kong (31 March 2002: 143) and approximately 26,000 in the PRC (31 March 2002: 23,000). Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Bonuses are normally paid to management staff based on individuals' merits as well as the results of the respective companies.

## WORKING CAPITAL MANAGEMENT AND DIVIDEND POLICY

The Group maintained a cash level of HK\$254 million during the period and the Group's average trade receivables recovery period has been maintained at 19 days demonstrating the effective cash management and stringent credit control policies being pursued by the Group's management.

The inventories increased from HK\$371 million to HK\$498 million as certain stocks for US shipments had piled up because of the West Coast Strike in September and October 2002. Nevertheless, the inventories level has come down to its normal level after delivery of these stocks to the respective customers were fulfilled in October and November 2002.

The strong liquidity supported by the rich cash surplus enables the Board of Directors to declare an interim dividend of about 38% of the net profit for the period while maintaining an optimal gearing position on one hand and maximizing the overall return for the shareholders on the other.

東莞生產廠房之建築工程將於二零零三年第一季前完成。於該等生產設施之建築工程竣工時，電單車部門之整體生產效率預計可進一步改善。

此外，本集團將審閱電單車部門之業務前景及發展。以增加部門之整體投資回報為目的，本集團將採取對本公司及各股東而言均能達至最佳利益之合適業務政策。

## 僱員資料

於二零零二年九月三十日，本集團於香港之僱員總數為139名(二零零二年三月三十一日：143名)，而於中國之僱員總數則約為26,000名(二零零二年三月三十一日：23,000名)。酬金一般參考市場標準及個別員工資歷及表現而釐定。薪金及工資一般於每年根據表現貢獻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。

## 營運資金管理及股息政策

本集團於期內保持現金水平於254,000,000港元，應收貿易賬款期仍維持於19日，可見本集團管理層於實施現金管理及嚴謹信貸控制政策方面表現超卓。

由於在二零零二年九月及十月美國西岸發生港口罷工事件，致令若干已準備運往美國之貨品積存，存貨額由371,000,000港元增加至498,000,000港元。然而，經二零零二年十月及十一月將該等存貨付運到各客戶後，存貨量已回復到正常水平。

本集團擁有大量現金盈餘，流動資金亦十分充裕，董事會因此擬於本期間內宣派約佔期內純利38%之中期股息，一方面維持恰當之資本負債比率，另一方面亦使股東獲得更高之整體回報。

The Board of Directors considers that a dividend policy declaring not more than 50% of the net profit as dividend payments is appropriate. Whilst providing reward to the investors for their on-going support, the cash available after dividend payments is to be healthy and sufficient to match the Group's future funding requirements.

## FINANCING AND CAPITAL STRUCTURE

The strong cash management, along with the plunging lending rates driven by the downturn in the US market, contributed to a significant interest cost saving of HK\$3 million as compared to the corresponding period of last year.

The Group managed a low level of debt balance as evidenced by the decrease in the gearing ratio from 0.21 to 0.19, calculated based on the total borrowings to the shareholders' equity, and total debts stood at HK\$191 million as at 30 September 2002.

In May 2002, the Group entered into a syndicated loan agreement with six bankers in the amount of HK\$210 million for a term of four years. The facility will be applied mainly for the purpose of financing the land and construction costs of the new Industrial Estate in Qingyuan. As at 30 September 2002, an amount of HK\$50 million was already drawn down by the Group. For day-to-day liquidity and to maintain flexibility in funding, the Group has also been provided with several significant uncommitted short-term borrowing facilities by its relationship banks. There are, however, no present need for borrowings of any material amount. The Group considers its financial resources to be adequate to support the business in the coming year.

The Group's borrowings are primarily denominated in Hong Kong dollars and the Group has no significant exposure to foreign exchange fluctuations in relation thereto.

At 30 September 2002, the Group had bills discounted to banks amounted to HK\$96 million.

董事會認為，派付不超過純利50%作為股息之股息政策乃切合時宜，既可回饋投資者對集團之不斷支持，且於派付股息後所持有之現金水平仍然充裕，並足以應付本集團未來之資金需求。

## 財務及股本結構

憑藉卓越之現金管理能力，再加上由美國市場帶動下使貸款息率下調，較去年同期，本集團之利息開支節省達3,000,000港元。

於二零零二年九月三十日，根據總借貸相對股東資金計算，本集團之資本負債比率已由0.21減至0.19，維持在一個低水平債務結餘款額，而總負債結餘則為191,000,000港元。

於二零零二年五月，本集團與六家銀行訂立一項銀團貸款協議，金額為210,000,000港元，為期四年。該筆融資主要撥作東莞新工業村土地及建築成本之用。於二零零二年九月三十日，本集團已提取50,000,000港元。為維持日常現金流量及使用資金之靈活性，本集團亦已獲多間銀行提供充裕之未承諾短期貸款額，然而，現時仍毋須作出任何重大款額之借貸。本集團認為其財務資源足以支持來年之發展。

本集團之借貸主要以港元結算，而本集團於借貸方面並毋承擔任何外匯波動之重大風險。

於二零零二年九月三十日，本集團有銀行貼現票據合共96,000,000港元。