



Management Discussion and Analysis

管理層討論及分析

MANAGEMENT DISCUSSION AND ANALYSIS

Despite the global economic slow down, the lighting business is still regarded to be a highly potential market and an essential market. Aiming at offsetting the impact of the global slow down, the Group has implemented a new sales strategy by capitalizing on online trading services, gathering information of European customers from the Hong Kong Trade Development Council and participating in various lighting shows to enhance relationships with customers. The Group will focus on sustaining the growth of its home lighting and commercial lighting products to accomplish equal success.

Being the Group's sales strategies, the Group aims at focusing on manufacture of middle to high-end lighting products. Unlike other lighting manufacturers, the Group is committed to develop a wide range of products and to ensure utmost product quality, so as to combine design, production, quality assurance and sales into one comprehensive package.

PRODUCTION

The Group's production facility in Humen, Dongguan of the PRC, has a land area of approximately 57,000 square meters. There are 17 production lines and the utilization rate is around 85%. The Phase 4 of the existing factory is now under construction and is expected to be completed in mid-2002, so as to maximize the Group's production efficiency.

In order to complement production of the Group's commercial lighting products, the Group has planned to establish a die-casting factory. The new factory is planned to have a land area of approximately 35,000 square meters with 7 buildings. Phase 1 together with the foundation works has commenced. The completion and trial production are expected to be in June 2002. Phases 2 and 3 are expected to be completed by the end of 2002 and 2003 respectively.



Die-casting factory complex model

壓鑄廠房模型

經營環境分析

儘管全球經濟呈現衰退的現象，照明行業仍是一個極具潛力的市場，亦是一個不可缺少的行業。就針對全球經濟衰退情形下，集團已釐訂新營銷策略，利用網上交易及香港貿易發展局的管道蒐集歐洲客源資料，透過參加不同性質的燈展活動，加強與客戶的聯繫。集團致力維持家居照明及商業照明產品同步發展的目標，除鞏固家居照明產品成功基礎的同時，集團亦積極開拓商業照明產品及市場。

本集團一直以生產中、高檔層次的照明產品為目標。有別於其他照明廠商，本集團更注重研究開發不同的產品及保證產品的質量，集設計、配光、生產、銷售於一體。

生產情況

集團位於中國東莞虎門的生產基地佔地五萬七千平方米，擁有十七條生產線，生產線年利用率約85%。集團正動工擴建第四期廠房，預期二零零二年中完成，集團生產效益亦將提高。

此外，集團正計劃興建壓鑄廠，主要配合商業照明產品的生產計劃。新廠房佔地三萬五千平方米，預計有七棟建築物，首期工程基建已在進行，預期於二零零二年六月底可完成及試產。第二及第三期工程預計於二零零二年底及二零零三年會全部完成。





HEALTHY FINANCIAL FUNDAMENTAL

The internal cashflow generated by the Group is usually used as the working capital. As at 31 December 2001, the Group's cash on hand and bank balances totalled HK\$146 million with net current asset amounted to HK\$173 million. The Group had no long term or short term debt. No provisions of bad debt was made during the year. The turnover days of accounts receivable maintained at around 17 days (2000: 16 days) and the inventory turnover days was 27 days (2000: 23 days). Generally speaking, the Group had a solid financial positions which provide a good foundation for the Group's future business developments.

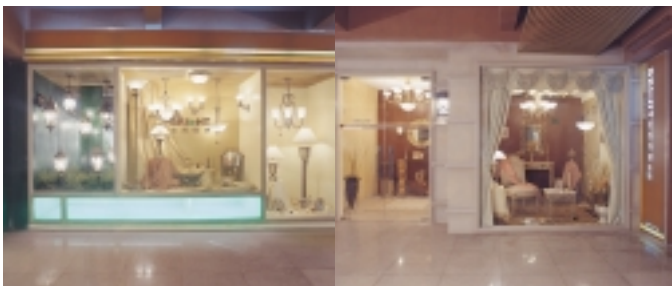
PROSPECTS

Besides maintaining its market share in US and other markets, the Group will also step up its efforts in developing the PRC market. The Group is seeking for more business opportunities so as to strengthen its business foundation. Along with its business development, the Group will enhance its internal training for management team and staff. All employees will be dedicated to value-adding, learning new information for meeting future challenges.

THE PRC DOMESTIC MARKET

The PRC market is the core of the Group's development area. In order to speed up the development pace, the Group will adjust its existing strategies. For home lighting, the Group plans to establish over 200 chain stores in three to five years. As for commercial lighting, the Group will cooperate with major property developers and obtain large-scale lighting construction projects. These will be coupled with the promotion of residential art lighting and more business opportunities will emerge.

PRC's entry into WTO, the 'Go West' project and the ever increasing living standard of the PRC people are going to bring a lot of business opportunities. In order to raise the Group's brand awareness in the PRC, the Group will manufacture and design innovative products coupled with advanced lighting technology imported from Japan. The Group will also stringently control the quality of commercial lighting products and enhance its efforts in marketing and promotion. Its goal is to have commercial lighting products and home lighting products commanding equal share of the Group's turnover in five years' time. In view of PRC's rapid economic development, the Group is optimistic to the prospect of the PRC domestic market and is expecting significant profit contribution from this market in the future.



穩健的財務狀況

集團一般以內部衍生之現金流量應付營運所需。集團截至二零零一年十二月三十一日止，現金金額及銀行結餘合共約達一億四千六百萬港元，流動資產淨額為一億七千三百萬港元，並無任何長期或短期負債及呆壞帳撥備。應收帳款周期維持約17天(二零零零年為16天)，而存貨周轉期為27天，(二零零零年為23天)。整體而言，集團的財務狀況相當穩健，有助集團未來在業務上的發展。

展望

集團在維持美國及其他市場的市場佔有率之餘，亦將加快發展中國市場的步伐，尋求更多的商機，強化集團的業務基礎。在業務拓展的同時，集團亦會增加內部培訓，加強各部門主管及員工之培訓，吸取新知，自我增值，迎接未來的挑戰。

中國內銷市場方面

中國燈飾照明市場是集團主力拓展的市場。為了加速市場之拓展，集團將原有經營策略改變。在家居照明產品方面，集團預期在三至五年內將陸續成立超過200家連鎖加盟店，以圖大舉進軍中國市場。此外，在商業照明方面，集團將與大型房地產開發商合作，承接大型工程項目，配合住宅藝術燈飾共同推廣，尋求更多商機。

中國將加入世界貿易組織、中國西部大開發建設及中國人們生活水平不斷提高帶來的商機。本集團將生產、設計創新優勢與日本高科技照明技術相結合，嚴格控制商業照明的質量，加大市場銷售宣傳力度，打開在中國照明市場的知名度，期望在五年內，商業照明可與家居照明平分集團營業額。隨著中國經濟迅速發展，集團對內銷市場的發展亦充滿信心，並預期能為集團帶來可觀的利潤。



2002 NATION WIDE FRANCHISE
2002 年全國加盟連鎖





US MARKET

The Group's US business was slightly affected by the slow down of the US in economy and the Group is still able to maintain steady performance, the main reason being home lighting is a necessary appliance and more resistant to economic fluctuations. Various figures showed that the US economy is gradually picking up and the Group expects satisfactory results for the year 2002. Besides strengthening its relationships with existing customers, the Group will pro-actively develop other major segments of the US market so as to secure large-scale orders. For its new products like commercial lighting and advanced lighting technology, the Group is actively seeking new markets and customer base. The Group is confident in having a growth in its turnover in the US market in the coming year.

PRODUCT DIVERSIFICATION

The Group will be targeting at the huge hotel appliance market in Europe and the US and establish a specialize department so as to develop sales to this market. The first order will be finalized in the near future and the Group is in negotiation with a number of other projects. The Group is confident in this new market and expects to reap fruitful returns.

The Group is also planning to develop the international DIY markets and to obtain larger scale orders from existing product categories and new products. In the future, through different channels, the Group will meet with major department stores, chain stores and specialty stores in Europe and the US, so as to develop the DIY markets.

The Group is pro-active and diligent. With its innovative spirit and expertise in lighting, the Group will continue to shine in the coming year and move forward in leaps and strides.

CONTINGENT LIABILITIES

At 31 December 2001, the Group had no significant contingent liabilities.

CHARGE ON ASSETS

At 31 December 2001, the Group had time deposits of HK\$7,556,000 pledged for general banking facilities granted to the Group. Except for the above, the Group has no other assets pledged as security for any debt and loan borrowings.



美國市場方面

集團在美國的業務雖然受到經濟放緩所影響，仍能維持平穩的業績表現，主要是由於燈飾行業屬影響較少的日常家用品行業。從各種數據顯示，美國之經濟已有復甦現象，預期於二零零二年將有不俗的成績。集團除了加強與現有客戶之關係外，亦將積極開發其他美國的主要市場以增取較大量之訂單。另外其他新產品項目如商業照明燈飾以及光源產品等，集團亦努力開拓新的客源，故集團有信心來年在美國市場之營業額得以回復增長。

產品多元化

集團將針對歐美之龐大酒店用品市場，成立專業部門，並開始有計劃拓展銷售酒店用品市場。目前首張訂單很快會落實，此外其他數個項目亦在洽談當中，集團對此新市場甚具信心，預期將能為集團帶來良好的回報。

集團亦有計劃進軍國際大型DIY市場，為爭取現有燈飾產品及其他新產品之大量訂單。未來集團將針對歐美各大百貨商場、連鎖店及專賣店，透過不同之管道，進軍DIY市場。

憑藉集團積極進取，努力不懈、不斷創新的精神、豐富及專業的燈飾經驗，集團於新一年將延伸綻耀光芒，繼續向前邁進。

或然負債

於結算日，集團並無重大或然負債。

物業抵押

於結算日，集團有定期存款7,556,000港元已抵押予若干銀行，以作為若干銀行信貸之擔保。除上述外，集團並無任何其他物業抵押以作任何信貸之擔保。



FOREIGN EXCHANGE AND CURRENCY RISKS

The majority of the Group's accounts receivable and accounts payable were denominated in US dollars. Due to the fact that HK dollar is pegged to the US dollar, the Group is exposed to a very low currency risk. Also, during the year, the Group has no hedging activity.

EMPLOYEE REMUNERATION POLICY

As at 31 December 2001, the Group has approximately 1,400 employees (2000: approximately 1,220). We remunerate our employees based on their performance and the prevailing industry practices and the remuneration policy and package are reviewed by the Board on a periodical basis. Bonus and share options may be awarded to employees. These are drives and encouragements for personal performance. Up to now, no share option has been granted by the Group to its employees.

USE OF PROCEEDS OF THE INITIAL PUBLIC OFFER

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in November 1999. Through the issue of 75 million new shares at HK\$1.13 each, the Group has raised HK\$84.75 million. After deduction of necessary expenses, net proceeds are HK\$71 million.

To date, the Group has used HK\$10 million for production facilities construction and equipment purchase, HK\$4 million on research and development expenses. HK\$4 million was used as marketing expenses, primarily for the Europe and PRC market. HK\$16 million as working capital which had been fully consumed in previous years. The unused HK\$37 million of the listing proceeds will be used as planned for the construction of a new production plant for commercial lighting products. Phase 1, comprising of 2 buildings, is now under construction and expects to complete and trial production by the end of June 2002. This HK\$37 million is deposited in a bank in Hong Kong and receiving interest income.

NEW SHARE OPTION SCHEME

On 23 August 2001, the Stock Exchange announced amendments to Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in respect of share option schemes, which have come into effect on 1 September 2001. In compliance with the amendments to the Listing Rules and the announcement of the Stock Exchange, the Board considers that it is in the interests of the Company to terminate the existing share option scheme of the Company adopted on 20 October 1999 and to adopt a new share option scheme. An ordinary resolution will be proposed at the Company's forthcoming Annual General Meeting to be held on 25 April 2002 for the approval of the said adoption of the new share option scheme and termination of the Company's existing share option scheme. A circular containing the details and conditions of the adoption of the new share option scheme will be despatched to shareholders of the Company shortly.



外匯及對沖風險

集團應收賬款和應付賬款大部分均以美元結算，由於港元和美元是聯系匯率制，因此，本集團之貨幣對換風險非常低。於年內，集團並無任何外匯對沖投資之活動。

僱員薪酬政策

於二零零一年十二月三十一日，本集團旗下員工共約1,400人(二零零零年：約1,220人)。員工薪酬乃按工作性質和市況而制定，並按每年增薪評估內設有表現評估部分作出調整。每年增薪評估之機制由董事會作定期之調整。以獎勵及推動員工之個人工作表現，集團會向員工發放花紅及認股權證。於年內，集團並沒有授予員工認股權證。

公開發售所得款項用途

本公司股份於一九九九年十一月在聯交所正式上市，透過發行七千五百萬新股，每股作價1.13港元，集資八千四百七十五萬港元，在扣除有關支出後，集資淨額約為七千一百萬港元。

至目前為止，集團在興建生產設施及購買有關機器設備方面，動用了一千萬港元。科研方面的支出，動用了四百萬港元。支付歐洲和國內市場推廣方面動用了四百萬港元。流動資金，動用了一千六百萬港元。仍未動用的三千七百萬港元將按原本集資用途興建壓鑄廠，主要配合商業照明產品的生產計劃。第一期共兩棟廠房正在興建，預計於二零零二年六月底可完成及試產。該三千七百萬港元存放在香港銀行，收取利息。

新購股權計劃

聯交所已於二零零一年八月二十三日公佈，對聯交所證券上市規則(「上市規則」)第17章有關購股權計劃作出修訂，並已於二零零一年九月一日起生效。為遵守上市規則之修訂及聯交所之公布，董事會認為終止本公司於一九九九年十月二十日採納之現有購股權計劃及採納一份新購股權計劃對本公司有利。即將於二零零二年四月二十五日舉行之股東大會上將提呈一項普通決議案，徵求批准採納上述新購股權計劃及終止本公司之現有購股權計劃。載有採納新購股權計劃之詳情與條件，以及新購股權計劃主要條款之概要之通函，將盡快寄予本公司各股東。