

It is my pleasure to submit on behalf of the Board of Directors (the "Board") the results of GZITIC Hualing Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2002.

Financial Highlights

Turnover of the Group amounted to approximately HK\$1,261,072,000 for the year ended 31 December 2002, representing a decrease of 24% as compared to last year. The audited loss attributable to shareholders amounted to approximately HK\$250,359,000 (2001: audited profit attributable to shareholders HK\$10,759,000). The Board does not recommend the payment of any final dividend for the year ended 31 December 2002.

Business Highlights

During the year under review, the sales volume of the Group's air-conditioners has reached approximately 416,000 units, representing a decrease of approximately 11% as compared to the previous year. Whereas impacted by the slashing retail price of domestic air-conditioning products, turnover reduced significantly by approximately 35% when compared with last year and amounted to approximately HK\$745,207,000. While the sales volume of refrigerator business decreased by approximately 4% in comparison to last year, amounted to approximately 636,000 units. Turnover slightly increased by approximately 0.8%, amounted to approximately HK\$515,865,000.

The Group's export business recorded satisfactory results, with the export sales volume of air-conditioners increased approximately 52% against prior year, while export sales volume of refrigerators increased by 31%. In order to broaden the Group's market share in the PRC and overseas markets and to improve the product varieties, during the year, the Group has completed 25 new product development projects. These have created huge momentum for the development in the coming year. Moreover, the Group's cost control measures have demonstrated great achievements. The procurement centre established in April has lowered the average procurement cost by over 10% as compared with the original procurement model.

The Group's application of information technology has obtained satisfactory results. Of which, the implementation of the Enterprise Resource Planning ("ERP") system has accelerated the overall business operation efficiency.



Chairman Chen Xiao Shi
董事長 陳小石

本人謹代表國信華凌集團有限公司(「本公司」)董事會(「董事會」)，欣然向各股東提呈本公司及其附屬公司(「本集團」)截至二零零二年十二月三十一日止年度之業績報告。

財務摘要

截至二零零二年十二月三十一日止年度，本集團的營業額約達港幣1,261,072,000元，較去年同期下跌約24%，經審核股東應佔虧損約為港幣250,359,000元(二零零一年：經審核股東應佔利潤港幣10,759,000元)。董事會不擬派發截至二零零二年十二月三十一日止年度之股息。

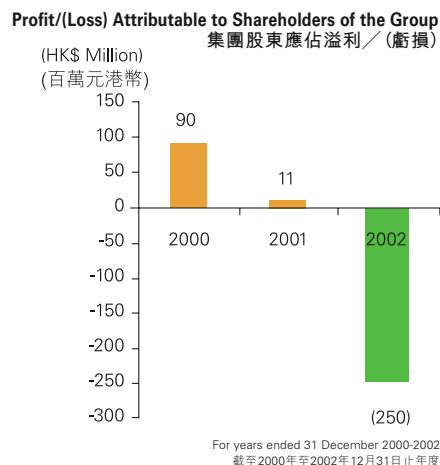
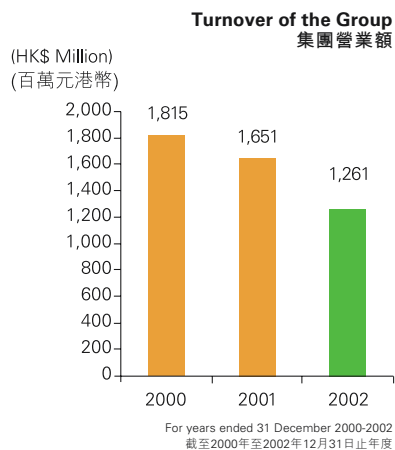
業務摘要

回顧年內，本集團之空調產品總銷量約達416,000台，比去年下跌約11%，然而受國內空調產品價格下調的影響，營業額大幅下跌約35%，錄得約港幣745,207,000元；至於冰箱業務之銷售量則較去年同期下降約4%，錄得約636,000台；而營業額則比去年同期稍微上升約0.8%，約達港幣515,865,000元。

本集團之出口業績理想，空調之出口銷量較去年增長約52%，而冰箱之出口銷量則較去年上升約31%。為擴大本集團於國內及海外市場的佔有率，以及優化產品種類，本集團於年內順利完成了25個新產品開發項目，為集團於未來一年的發展目標提供了強大的動力。另外，本集團的成本控制工作亦成效顯著。於四月初成立的採購中心，令採購平均成本比原來的採購模式下降了超過10%。

與此同時，本集團的資訊化建設取得理想的成績。其中企業資源規劃系統(ERP)的運行，提升了集團整體業務運作的效率。





The Group also strives to enhance the overall management level of human resources. During the year, the Group has further improved the human resources management structure, revised the screening method and advanced the remuneration scheme. More training opportunities were given to staff at different levels, the staff's professional expertise and the overall operation efficiency of the Group are therefore enhanced.

The Group's management team actively improved the production technology, product quality and cost structure during the year under review. With a progressive business strategy, the Group has maintained a stable growth in the midst of an extremely competitive market environment.

Future Development Strategies

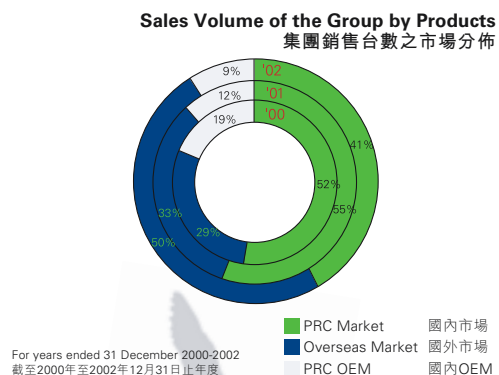
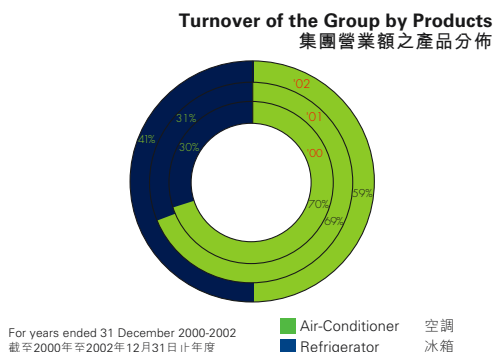
Due to the ever-increasing competition in the PRC household appliance industry, the Group will analyze its opportunities and threats, strengths and challenges taken into account the industry environment and characteristics of its competitors. This serves to facilitate the growth of the Group's businesses by continual improvement.

本集團亦致力提升人力資源之整體管理水平，於年內進一步完善人力資源管理體制、改進考核辦法及優化薪酬福利機制。更增加了各級員工培訓的機會，使員工的職業技能得以提升，從而提高了集團的整體工作效率。

本集團的管理層於年內積極提升產品製造之技術水平、優化產品之素質以及加強控制成本，以進取之業務策略，致力在競爭激烈的市場環境下，取得穩健的發展。

未來發展策略

由於國內家電行業的競爭越趨激烈，本集團在未來將根據行業環境及競爭對手特點，分析對集團的機遇與威脅、優勢與挑戰。務求能不斷創新，以促進集團各項業務的發展。



The management believes that the status of PRC household appliance manufacturing industry as "The World's Largest Household Appliance Manufacturing Base" will be continuously enhanced and strengthened and eventually will help the PRC household appliance enterprises to strive for more opportunities in the global market with a wider coverage. The Group will grasp this opportunity to consistently enhance, examine and utilize the technology and advantages of its products, to speed up its exploration of the overseas market network and to effectively implement its long-term and global operation target.

1. Market Exploration

With regard to the domestic market, the Group will keep on strengthening its existing market and will strive to explore markets outside the Guangdong province and other rural markets. This is to facilitate the further consolidation of the integrated, organized and efficient sales platform in the PRC; and in turn will maximize the domestic sales, realizing the strategy of small profit and large sales volume. As for overseas export markets, the Group will put in more resources and targets to have prominent development in 2003.

2. Product Development

The management believes that enhancement of product technology is the key to maintain the Group's market position. Therefore, the Group will continue to be market oriented and apply the latest technology to raise the technological advantages of HUALING products. Moreover, the Group will speed up the research and development of the new mini central air-conditioners and continue to improve the product structure, with an aim to satisfy the needs of different markets and to expand its market share.

The PRC household appliance industry is ever changing. To grasp the pulse of the market and to respond to the market needs, the Group will speed up the R&D of new products and to ensure that new products are launched on schedule. The Group will also strengthen its overall products development, to manufacture high value added and high profit margin products which could bring about contributions to the Group's profit.

管理層相信中國家電製造業成為「全球最大家電製造基地」的地位必將不斷提升及鞏固，使未來國內家電企業可在全球更廣闊的市場範圍內爭取更多商機。本集團亦將抓住此機遇，不斷提升、審查及發揮本集團產品的技術和產品優勢，加速海外市場網絡的開拓，更有效地實踐長遠及國際化的經營目標。

1. 積極開拓市場

於內銷市場方面，本集團將繼續鞏固現有之市場，並致力拓展廣東省外及農村市場，務求進一步推進和完善國內統一、協調、高效的營銷平台整合，擴大國內銷售，實現薄利多銷。在開拓海外出口市場方面，集團將投入更多的資源，力爭在2003年會有一個更大的發展。

2. 加強產品研發

管理層深信產品技術水平之提升實為保持集團市場地位之最佳方案。因此繼續以市場為導向，不斷以新技術提升「華凌」產品的技術優勢；同時亦將加快新型小型中央空調的研發進度，不斷優化產品結構，以滿足不同市場的需要，擴大市場佔有率。

國內家電行業瞬息萬變，本集團將加快新產品的研發及確保新產品如期推出，以抓緊市場脈搏，即時回應市場的需要。與此同時，本集團亦將加強整體產品的研發，以生產高附加值及高毛利率的產品，為集團的盈利作出貢獻。



3. Application of Information Technology

With the application of information technology, the Group has obtained satisfactory results in enhancing the operation efficiency during the year under review. In view of this, the Group will continue to develop the ERP software with Legend Holdings Limited. The Group will continue to improve the ERP on air-conditioners and at the same time actively implements the ERP project in China Refrigeration Industry Co., Ltd. The Group aims to further accelerate the overall information technology level, in order to exercise to the greatest extent the power of information technology management.

4. Cost Control

In view of the keen price competition in the household appliance market, effective cost control measure is definitely the key for the Group to strengthen its competitiveness in order to raise its profit. Therefore, the Group will work on different aspects to lower its cost, which include R&D, design, procurement, production, management, etc. At the same time, the Group will further improve the "centralized tender and shop around" principle; to implement the integrated procurement model and to enforce strict procurement cost control. On the other hand, the Group has integrated the sales network of air-conditioners and refrigerators. This is to lower the Group's operation and sales costs and to further restructure the procurement system for air-conditioners and refrigerators, in turn the Group's bargaining power would be enhanced and effective production cost control would therefore be resulted.

To efficiently lower the overall operation cost of the Group, the following measures will be adopted: strengthening of internal management, bad debts clearance, strict adherence to the annual budget plan; and in accordance with the principle of "survival of the fittest and efficiency comes first"; to review staff productivity and minimize resources wastage.

Acknowledgement

I would like to express my sincere gratitude to the Board, the management team and all the staff for their contribution to the Group's development. I would also like to convey our cordial thanks to the shareholders for their support and the Group will make every endeavor to bring in substantial return for our shareholders.

By Order of the Board

CHEN Xiao Shi

Chairman

Hong Kong, 16 April 2003

3. 推進資訊化建設

有鑒於年內資訊化建設在提高企業營運效率方面的表現令人滿意，因此本集團將繼續與聯想集團合作發展ERP軟件程式，並在繼續完善空調ERP的同時，積極推進中雪的ERP專案，以此進一步提升集團整體資訊化水平，以更加充分地發揮資訊管理的綜合效能。

4. 嚴格控制成本

面對現今價格競爭甚為激烈的家電市場，有效的成本控制措施毫無疑問是集團取得競爭優勢提高盈利的關鍵成功因素。因此，本集團將從開發、設計、採購、生產、管理等各個環節入手，全方位的開展降低成本工作。同時要進一步完善“統一招標、貨比三家”的原則，實行集團統一採購的模式，嚴格控制採購成本。另外集團已將空調和冰箱的銷售網進行整合，減少集團在營運及銷售方面之成本及進一步整合空調和冰箱的採購系統，以增加集團的議價能力，控制製造成本。

另一方面本集團將通過強化內部管理，加速清理呆壞帳，嚴格按照預算執行年度財務計劃，並按照「優勝劣汰、效率優先」的競爭原則，精簡人員及減少物資損耗，以更有效地降低集團的整體營運成本。

致意

最後，本人謹藉此機會，再一次感謝董事會各董事、各管理人員及全體員工，為集團的發展不斷作出貢獻。同時本人亦衷心感激股東的支持，本集團定必竭盡所能，為股東們帶來更可觀的回報。

承董事會命

董事長

陳小石

香港，二零零三年四月十六日

