

## Industry Environment

In 2002, competition of domestic household appliance industry escalated further. The total production volume of household appliance increased sharply but sales growth rate has decreased, with the household air-conditioning products particularly impacted. The total production of household appliance increased by approximately 32% while the total sales increased by approximately 7% in comparison with last year. However, the sales growth rate recorded a dramatic decrease by approximately 34% compared to last year.

Retail prices of refrigerator and air-conditioner in the PRC are falling continuously. The average retail price of domestic air-conditioner decreased by approximately 25%. The average price for household refrigerator decreased further by approximately 4% on the base of already lowered price level last year.

Although the market development of domestic household appliance has slowed down, the export market experienced substantial growth; the sales and industry profit have both recorded significant growth. The production volume of electrical appliances in the PRC has amounted to about 20% of the global market share, and is now growing and consolidating its global niche as the household appliance manufacturing base. Among which the export of air-conditioner represented approximately more than 30% of the total export value in the PRC.

## Financial Highlights

### Working Capital and Financial Resources

For the year ended 31 December 2002, the bank borrowings of the Group amounted to approximately HK\$530,468,000, including short-term bank loans of approximately HK\$491,876,000 while bank balance and cash amounted to approximately HK\$174,262,000. The Group's trade receivable balance was approximately HK\$132,460,000.

All of the Group's sales and purchases are mainly denominated in Renminbi and Hong Kong Dollar. Accordingly, the Group does not have material risk with respect to currency fluctuation.

Balance Sheet Highlights		資產負債表摘要			
HK\$ Million 百萬元港幣	2000	2001	2002	01/02 Change 改變	
Non-current Assets 非流動資產	758	800	813	2%	
Inventories 存貨淨值	627	635	397	-38%	
Trade Receivables 應收賬款	201	301	132	-56%	
Cash on Hand 手頭現金	171	187	174	-7%	
Bank Loan 銀行貸款	540	535	530	-1%	
Shareholders' Equity 股東權益	601	682	431	-37%	

## 行業環境

2002年，國內家電企業的競爭進一步加劇。國內家電總產量迅速增長，但銷量的增速卻出現下滑。其中尤以家用空調產品的影響較大，國內總產量比去年上升約32%，總銷量比去年增加了約7%，然而總銷量之增長率比去年卻大幅下跌了約34%。

國內冰箱及空調市場的零售價格持續下調。家用空調產品的零售平均價格下降了約25%。而家用冰箱產品的平均價格亦在去年較低的基礎水平上，再度錄得約4%的跌幅。

儘管國內家電市場的發展放緩，然而行業出口卻快速增長，產銷和行業利潤方面均錄得可觀的增長。中國家電產量已佔據全球市場的約20%，正加速發展並鞏固其世界家電製造基地的地位。其中空調產品約佔全國家電出口總額約30%以上。

## 集團財務表現摘要

### 流動資金及財政資源

截至二零零二年十二月三十一日止年度，本集團之銀行貸款約為港幣530,468,000元，當中包括約港幣491,876,000元為短期貸款，銀行結餘及現金則為約港幣174,262,000元。本集團截至二零零二年十二月三十一日止年度的應收賬款總額約為港幣132,460,000元。

集團之銷售及採購的主要貨幣為人民幣及港元，因此本集團於匯率波動方面並無重大風險。

Profit and Loss Highlights		集團損益表摘要			
HK\$ Million 百萬元港幣	2000	2001	2002	01/02 Change 改變	
Turnover 營業額	1,815	1,651	1,261	-24%	
Gross Profit 產品銷售毛利	472	434	168	-61%	
Operating Profit/(Loss) 經營利潤/(虧損)	134	73	(200)	-374%	
Profit/(Loss) Attributable to Shareholders 股東應佔利潤/(虧損)	90	11	(250)	-2,373%	
Earnings/(Loss) Per Share (HK cents) 每股盈利/(虧損) — 港仙	7.7	0.8	(18.1)	-2,363%	

### Capital Structure

As at 31 December 2002, the shareholders' equity of the Group was approximately HK\$431,460,000, a decrease of 37% over prior year. As at 31 December 2002, the debt to equity ratio, calculation based on total of short-term and long-term loans against consolidated shareholders' equity, was about 1.2.

### Banking Facilities and Pledge of Assets

As at 31 December 2002, the Group had banking facilities of approximately HK\$709,931,000 (2001: HK\$634,896,000) for overdrafts, bank borrowings and trade financing. As at that date, HK\$530,468,000 were utilized (2001: HK\$535,074,000). Property, plant and equipment with net book value of approximately HK\$95,916,000 (2000: HK\$116,967,000) were pledged as security for the Group's short-term bank loans.

### Employees' Remuneration Policy

As at 31 December 2002, the Group employed approximately 3,000 full time staff in Hong Kong and the PRC. The Group follows research report on remuneration which was prepared by professional consultants in the PRC to determine employee remuneration based on employee performance, experience and industry practice. The Company has set up share options scheme and provided free housing to part of its staff in the PRC.

### Business Performance

During the year under review, the Group endeavored to maintain the domestic market share of air-conditioner and refrigerator business and to expand the overseas market share. In order to achieve this, stringent cost control, enhanced operation efficiency and strengthened product development were implemented to cater for the market needs. As to the internal corporate management, the Group has actively enhanced the human resources and corporate culture, with an aim to make necessary external and internal adjustment, as well as to alleviate the impact of the fierce market competition.

### 資本結構

截至二零零二年十二月三十一日止年度，本集團之總股東權益約為港幣431,460,000元，比較去年同期下調約37%。於二零零二年十二月三十一日止，將短期貸款及長期貸款總和除以綜合股東權益後，借貸比率約為1.2。

### 銀行融資及資產抵押

於二零零二年十二月三十一日，本集團有關透支、貸款及貿易融資之銀行信用額度約為港幣709,931,000元（二零零一年：港幣634,896,000元）。截至該日已動用港幣530,468,000元（二零零一年：港幣535,074,000元）。短期借款乃由集團的賬面淨值約港幣95,916,000元（二零零一年：港幣116,967,000元）之若干物業、廠房及設備等資產抵押。

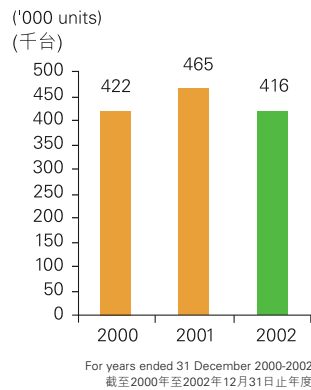
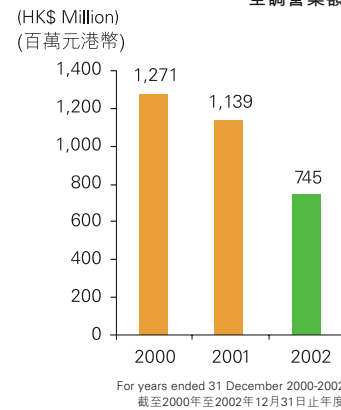
### 僱員及薪酬政策

於二零零二年十二月三十一日，本集團於中港兩地共聘用約3,000名全職員工。本集團並按照國內專業顧問公司提出之薪酬研究報告，根據員工之表現、經驗及當時行業薪酬水平釐定僱員酬金。本公司並設有購股權計劃及為部分國內僱員免費提供宿舍。

### 業務表現

於回顧年內，本集團致力鞏固空調及冰箱在國內的市場佔有率，擴大國外的市場佔有率，以嚴格的成本控制、提高營運效率及加強產品開發來迎合市場的需要。企業內部管理方面，本集團於年內亦積極優化人力資源及強化企業文化，務求以對內及對外的結構調整，盡力減低因市場劇烈競爭所帶來的影響。



**Sales Volume of Air-Conditioner**  
空調銷售台數**Turnover of Air-Conditioner**  
空調營業額

## Air-Conditioner Business

During the year, the air-conditioner business of the Group decreased by 11% against prior year and the number of units sold amounted to approximately 416,000 units. 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.

Among different products, the sales of window-type air-conditioner accounted for 27% of the entire sales volume, representing an increase of 12% over the same period last year, while that of cabinet-type and split-type accounted for 15% and 58% of the total sales volume respectively, representing a decrease of 16% and 17% respectively over the same period last year. Since the general price level has decreased, the profit attributed to air-conditioner business was subsequently weakened.

## Overseas Export Market

Capitalized on last year's growth momentum, the Group succeeded to record an increase in the total export volume of air-conditioner by approximately 52% over prior year and amounted to approximately 198,000 units. In particular, the performance in the European market was comparatively better. In the first half of 2002, the export units to Greece already reached 23,000, far above the total annual export volume to Greece in last year. In March, the Group obtained the 'TSE' license in Turkey and recorded export volume of approximately 14,000 units in this market. Spain was the newly developed market of the Group during the year with export volume of approximately 8,000 units.

## 空調業務

於年內，本集團空調業務的銷售量比去年同期下降約11%，約達416,000台。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。

其中，窗機之銷售數量佔總銷售額的27%，比去年同期上升約12%，而櫃機及分體機則佔總銷售額的15%及58%，比去年同期分別下跌16%及17%。由於整體價格水平下降及銷售價格調低，削弱了空調業務之盈利貢獻。

## 海外出口

承接去年增長的優勢，年內本集團的空調出口量較去年同期上升約52%，約為198,000台。其中尤以歐洲市場的發展較佳，希臘市場於二零零二年上半年的出口量已達約23,000台，遠超過去年全年此市場的出口量；土耳其市場在三月獲得TSE認證後，出口量亦錄得約14,000台，呈恢復性增長；西班牙是集團今年新開拓的市場，出口量達約8,000台。



Sales Volume by Products of Air-Conditioner 空調銷售台數之產品分佈

	Window-type 窗機	Cabinet-type 櫃機	Split-type 分體機	Total 合計
Year 年度	Units 台數	Units 台數	Units 台數	Units 台數
2000	42,000	90,000	290,000	422,000
2001	102,000	73,900	289,500	465,400
<b>2002</b>	<b>114,000</b>	<b>62,000</b>	<b>240,000</b>	<b>416,000</b>

### The PRC Market

The sales volume of air-conditioner in the PRC dropped by approximately 24%, reached approximately 215,000 units. The major reason leading to the decline of sales volume was the cut-throat price competition initiated by those new manufacturers of air-conditioner, in a bid to raise brand awareness and market share. In order to maintain market share, apart from continuing the provision of quality products and services to the clients, the Group also adjusted the selling price downward. This act might bring forth impact on the Group's performance of air-conditioner in the PRC during the year, while in the long-term perspective, will be beneficial to the enhancement of the Group's image and competitiveness in the air-conditioner business.

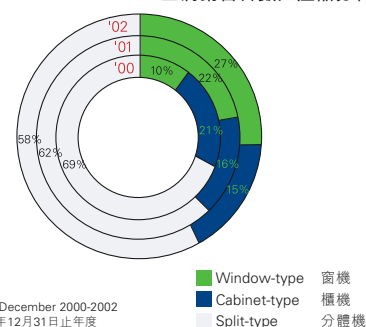
### OEM Market in the PRC

During the year under review, the sales volume of OEM air-conditioner amounted to approximately 3,000 units, representing a decrease of approximately 94% as compared with last year. Turnover decreased by approximately 93% over prior year and recorded approximately HK\$9,000,000. This was because the domestic household appliance manufacturers established their own production facilities, resulting in a fall in the demand for OEM.

Sales Volume by Markets of Air-Conditioner 空調銷售台數之市場分佈

	PRC Market 國內市場	Overseas Market 國外市場	PRC OEM 國內OEM	Total 合計
Year 年度	Units 台數	Units 台數	Units 台數	Units 台數
2000	243,000	62,000	117,000	422,000
2001	284,000	129,900	51,500	465,400
<b>2002</b>	<b>215,000</b>	<b>198,000</b>	<b>3,000</b>	<b>416,000</b>

Sales Volume by Products of Air-Conditioner  
空調銷售台數之產品分佈



For years ended 31 December 2000-2002  
截至2000年至2002年12月31日止年度

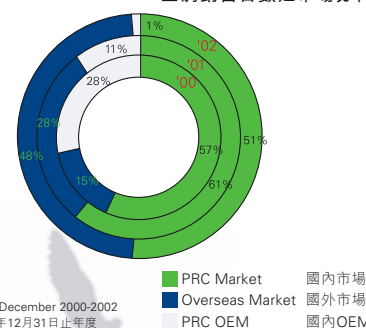
### 國內市場

年內空調產品於國內之銷售量下跌了約24%，達約215,000台。國內市場銷量下調的主要原因是由於國內眾多新加入的空調製造商為迅速提高知名度及市場份額，以低價進佔市場。管理層為維持市場佔有率，除繼續向用戶提供高品質的產品與服務外，還調低價格。此舉雖在年內令集團於國內的空調業績受到負面影響，然而長遠而言將有利於提升集團空調品牌形象和競爭力。

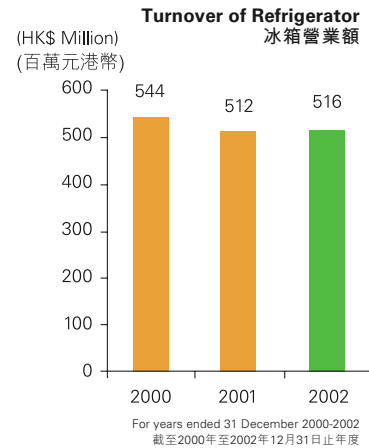
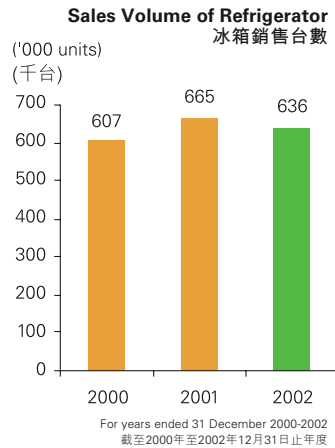
### 國內OEM市場

回顧年內，本集團的空調OEM總銷售量約為3,000台，較去年下跌約94%。營業額錄得約港幣9,000,000元，較去年下跌約93%。這是由於國家內家電銷售商自行設廠製造，以致對國內OEM的需求下跌。

Sales Volume by Markets of Air-Conditioner  
空調銷售台數之市場分佈



For years ended 31 December 2000-2002  
截至2000年至2002年12月31日止年度



## Refrigerator Business

During the year under review, the Group's sales volume of refrigerator business decreased by approximately 4% in comparison to the corresponding period last year, amounted to approximately 636,000 units. Turnover slightly increased by approximately 0.8%, amounted to approximately HK\$515,865,000.

### Overseas Export Market

The refrigerator business of the Group experienced satisfactory performance during the year. Total export volume reached approximately 327,000 units, representing an increase of approximately 31% as compared with last year. Turnover increased by approximately 15% over prior year and amounted to approximately HK\$198,253,000.

### The PRC Market

During the year, the performance of refrigerator business was hampered by the persistent flattened demand from the domestic market, which resulted in a reduction of approximately 35% in sales volume and amounted to approximately 219,000 units. Turnover decreased by approximately 15% over prior year and amounted to approximately HK\$229,612,000.

### OEM Market in the PRC

The sales volume of OEM refrigerator amounted to 90,000 units, representing 13% increase against last year. Turnover increased by approximately 28% over prior year and amounted to approximately HK\$88,000,000. This was due to the increased orders from clients.

## 冰箱業務

年內，本集團之冰箱業務銷售量較去年同期下降約4%，錄得約636,000台；而營業額則比去年微升約0.8%，約達港幣515,865,000元。

### 海外出口

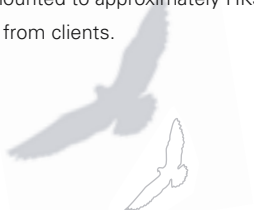
本集團於年內的冰箱業務獲得理想的發展。年內冰箱總出口量達到約327,000台，上升了約31%；銷售額亦比去年增長了約15%，約達港幣198,253,000元。

### 國內市場

於年內，由於國內市場總體需求持續平淡，令集團國內冰箱之銷售量比去年同期下降了約35%，約達219,000台。營業額則比去年下降了約15%，約為港幣229,612,000元。

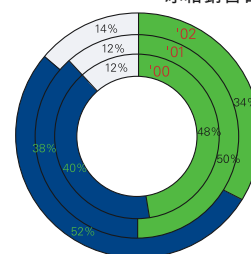
### 國內OEM市場

年內冰箱OEM產品的銷售量約達90,000台，較去年上升13%。營業額亦比去年上升約28%，約為港幣88,000,000元。此乃由於部份客戶增加訂單所致。



Sales Volume by Markets of Refrigerator 冰箱銷售台數之市場分佈

Year 年度	PRC Market 國內市場 Units 台數	Overseas Market 國外市場 Units 台數	PRC OEM 國內OEM Units 台數	Total 合計 Units 台數
2000	290,000	240,000	77,000	607,000
2001	336,000	250,000	79,000	665,000
<b>2002</b>	<b>219,000</b>	<b>327,000</b>	<b>90,000</b>	<b>636,000</b>

Sales Volume by Markets of Refrigerator  
冰箱銷售台數之市場分佈

For years ended 31 December 2000-2002  
截至2000年至2002年12月31日止年度

PRC Market 國內市場  
Overseas Market 國外市場  
PRC OEM 國內OEM

## Overall Operation Performance

The Group discerned that after the PRC's accession to the World Trade Organization, the domestic household appliance products will be opened up to the international market. Therefore, the Group aggressively developed its export business during the year and achieved competent performance which alleviated the impact brought about by the sluggish development of the domestic market.

## Stringent Cost Control

The Group is committed to exercise prudent cost control. The strategic cost control measures started from the aspects of development, design, production, procurement, management, etc, in a bid to consolidate resources and strengthen the financial management. The Group established the Enterprise Procurement Centre in early April which enabled the Group to centralize the procurement issues and effectively control the procurement cost. As at the end of 2002, over half of the Group's raw material procurement is by bidding system so as to reduce the average procurement cost by over 10% against the original mode of procurement.

In addition, the Group has boosted the financial budget and the degree of cost control and would strictly adhere to the financial budget. The Group also streamlined the manpower structure appropriately, which allowed the Group to reduce the overall operating cost effectively.

## 整體營運表現

本集團看準中國家電產品在國際市場的渠道將在中國加入世貿後逐漸放寬，於年內積極發展其出口業務，成績理想；減低因國內家電市場發展放緩所帶來的影響。

## 嚴格控制成本

本集團於回顧年內嚴格控制成本，從開發、設計、生產、採購、管理等環節入手開展降低成本工作，採取了整合資源及強化財務管理等策略控制成本。本集團於四月初成立的集團採購中心，採取集團統一採購的方法，有效地控制了採購成本的增長。截至二零零二年底，本集團已實現大半以上的原料通過招標實施集團採購，使採購平均成本比原來採購模式下下降超過10%。

另外，本集團積極加大了財務預算和成本控制，使各項預算得到嚴格執行。集團亦適當地精簡了營運架構，有效降低了集團的整體營運成本。



## Upgrading the Operating Efficiency

Overall operating efficiency is an enterprise's key to success. The Group obtained encouraging results in the establishment of information technology. Enterprise Resource Planning (ERP) and Product Data Management (PDM) were successfully executed in April, of which, the ERP project exhibited substantial development. Inventory was considerably curtailed yet at enhanced efficiency in the aspect of decision-making. The amount of inventory in the year decreased by approximately 38% against last year, while the trade receivables decreased by approximately 56% when compared to last year.

With regard to the PDM project, the Group is currently undergoing the Phase 2 development and perfecting the information storage. In the year ahead, the Group will further build up the information technology system and to fully utilize the integrated capability of data management.

## Catering for the Market Needs

During the year under review, the Group has actively reshaped and enhanced the product mix together with the development of new products. The Group catered for the different level of market needs by differentiated product characteristics as well as the proportion of product portfolio. The Group also made use of the internet to rapidly revert to market information and to enhance the efficiency of logistics with respect to inventory flow.

## Enhancement of Product Development

All of the Group's subsidiaries were market oriented during the year under review. Through dedicated efforts in the adjustment of the R&D system, enhanced allocation of resources and the rewarding system of the R&D staff, the Group's efficiency and successful rate in the aspect of technical development have been raised significantly. The Group completed the development of 25 new products in the year and it is believed that this could provide fresh impetus to the Group in the market development in 2003.

The Group expedited the development of mini central air-conditioning business in the year and obtained successful development of 18 types of model. Among which, the duct machine series were technologically advanced and could be applied to a wide range of fields, with particular advantage of easy installation and operation. This series paved the way for the new generation of air-conditioner by opening up a brand new dimension.

## Value-Adding Human Resources

The Group has always emphasized the quality enhancement of its staff. During the year, the Group further enhanced its management of human resources and provided ample training opportunities for staff in all levels. The assessment and the remuneration schemes have been improved, in order to upgrade the overall management of human resources.

## 提高營運效率

企業整體之營運效率是企業致勝之道。本集團於去年的信息化建設取得了可喜的成果。企業資源規劃(ERP)及產品數據管理(PDM)項目均於四月成功推行。其中以ERP項目的發展最為顯著，大大的降低了庫存及提高了決策效率。年內的庫存金額比去年下降達約38%，應收賬款比去年下降約56%。

PDM項目方面，目前正在完善知識庫並進行第二期開發工作。未來一年，本集團將進一步拓展信息化建設，以充份地發揮信息管理的綜合效能。

## 迎合市場需要

於回顧年內，本集團在開發新產品的同時，積極調整及優化產品結構，以差異化的產品特色和產品佈局迎合不同層次的用戶需求。本集團還利用互聯網科技，提高了市場資訊反饋及市場物流運轉的效率。

## 加強產品開發

年內，集團各附屬公司堅持以市場為導向，通過積極調整研發體制，優化資源配置及完善研發人員獎勵機制等，使本集團技術研發的效率與成功率均得到明顯的提升。本集團於年內順利完成了25個新產品開發項目，相信將為本集團實現二零零三年發展市場的新目標提供強大的動力。

本集團於年內加速發展小型中央空調業務，成功開發了18個機種。其中風管機系列產品不但技術先進，而且具有通用性強，安裝與操作方便的技術特點，為新一代空調的發展開闢了廣闊的空間。

## 優化人力資源

本集團高度重視員工專業素質的提升。回顧年內，本集團進一步完善人力資源管理體制，增加了各級員工獲得培訓的機會，改進了考核辦法，優化了薪酬福利機制，使人力資源整體管理水平提高。

## Establishment of Corporate Culture

The Group endeavored to create an organization and cultural environment for its employees which could facilitate their deployment of capability and creativity. The Group has proactively strengthened the establishment of corporate culture and to provide an active and creative environment for its employees. This could improve the Group's overall efficiency of production and management.

## Future Prospects

Looking forward, the Group will capitalize on the favorable PRC's macro economic environment and the stable economic policies; and to realize the opportunities to explore the global markets as offered by the various trading policies of the WTO. Moreover, the Group also envisages a growth in demand with the domestic electrical appliances entering a new era and the boost in the rural market.

Regarding product development, the Group will further enhance its product series: refrigerators, household air-conditioners, mini central air-conditioners, refrigerated cabinets, wine cabinets and mini electrical appliances have already formed high, middle and low rank peripherals. Mini central air-conditioner has successfully developed 18 new models. Of which, the duct machine series have competitive technical and functional edges and have received favorable responses after its first launch into the market. In the coming year, the Group will speed up its market development and fully utilize its technical advantages, in a bid to bring forth new income growth driver for the Group.

As for the export market, the Group will endeavor to better the quality of its products. The air-conditioner factory and the refrigerator factories have already obtained various export quality accreditations, including ISO9002, CCEE and CE, CB, GS for exports and EMC in which facilitated the Group to further explore the overseas market. The Group places strong emphasis in the specific technical and functional requirements of export models, thus the product R&D capability was further enhanced which strengthened the competitiveness of the Group's export products.

In the future, the Group is dedicated to accelerate its research and development capability, broaden its current product series and adopt the production of mini electrical appliances on OEM basis, in order to exemplify the brand value of HUALING. The Group will also implement reform in the structure of technical development and to motivate the R&D staff. Furthermore, the Group will better its techniques to respond promptly to the market changes and to strengthen the establishment of its technical network to elevate the satisfactory level of its customers. In the coming year, the Group will be in full strength to enhance its brand awareness and to deepen its penetration rate in the PRC market.

## 強化企業文化

於年內，本集團積極為員工創造一個易於發揮才能和創造力的組織與文化環境，建立和諧的企業文化，提供全體員工的積極性和創造性，使集團生產及管理的整體工作效率得到明顯的提高。

## 未來發展方向

本集團於未來將積極掌握有利的宏觀經濟環境及穩定的經濟政策，並落實世界貿易組織的各項經貿政策，開拓海外市場的新機遇；而居民家用電器更新換代及農村市場的啟動，管理層預期需求將有所增長。

產品發展方面，集團將進一步優化產品系列：冰箱、家用空調、小型中央空調、冰櫃、酒櫃、小家電，已經形成高、中、低三檔次的配置。小型中央空調現已成功開發了18個機種，其中風管機系列具有較強的技術與性能優勢，並已推出市場，初步反應良好，未來一年，集團將加快市場推廣，充分發揮其技術優勢，為集團帶來新的收入增長點。

至於出口市場方面，集團將致力令產品質量體系更加完善，空調廠及冰箱廠已完成了多種產品的出口認證工作，通過了ISO9002、CCEE環保標誌認證以及出口CE、CB、GS及EMC認證，有利集團進一步擴大海外市場；集團高度重視出口機型技術和性能的特殊要求，產品研發能力有了很大的提高，出口產品競爭力進一步加強。

集團於未來將致力提升技術研發能力，擴大現有產品系列，採用OEM形式生產小家電，充分發揮華凌品牌的價值；並推進技術開發體制改革，提高研發人員工作積極性；另外，集團將提高技術對市場變化的應變能力，加強技術網絡建設，增加客戶滿意度。於未來一年，集團將致力提高品牌知名度，以深化國內市場的滲透率。

