

Chairman's Statement

主席的話

It is my pleasure to submit on behalf of the Board of Directors (the "Board") the results of Hualing Holdings Limited (the "Company") (formerly known as GZITIC Hualing Holdings Limited) and its subsidiaries (the "Group") for the year ended 31st December 2003.

本人謹代表華凌集團有限公司(前稱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」)截至二零零三年十二月三十一日止年度之業績報告。



Chairman LI Yu Jun • 董事長 李宇君

Financial Highlights

Turnover of the Group amounted to approximately HK\$1,573,322,000 for the year ended 31st December 2003 (2002: HK\$1,261,072,000), representing an increase of approximately 25% as compared to the same period of last year. The audited loss attributable to shareholders amounted to approximately HK\$76,976,000 (2002: audited loss attributable to shareholders HK\$250,359,000). The Board does not recommend the payment of any final dividend for the year ended 31st December 2003.

Business Highlights

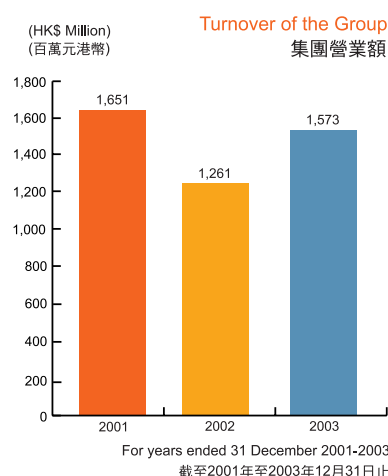
During the year under review, suffered from intense market competition, outbreak of SARS, cool-summer climate, dropping selling price and surging cost, the Group provided high quality product and service as usual. Through measures like stringent cost control, improved operating efficiency, brand establishment, enhanced product development, various businesses of the Group achieved satisfactory development during the year. Among which, the sales volume of air-conditioner reached approximately 691,000 units, representing an increase of approximately 66% as compared to the previous year. Turnover reached approximately HK\$1,005,654,000, representing an increase of approximately 35% as compared to last year. With regard to the refrigerator business, the sales volume reached approximately 786,000 units, representing an increase of approximately 24% as compared to the previous year. The turnover increased by approximately 10%, amounted to approximately HK\$567,668,000.

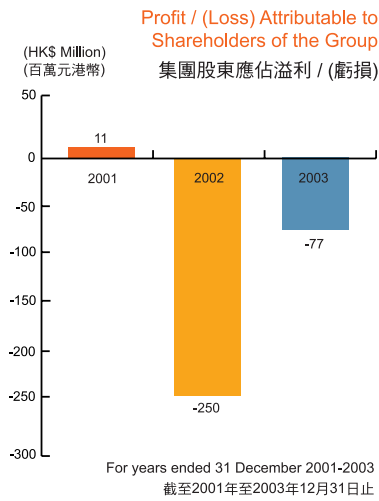
財務摘要

截至二零零三年十二月三十一日止年度，本集團的營業額約達1,573,322,000港元，(二零零二年：1,261,072,000港元)較去年同期上升約25%。經審核股東應佔虧損約為76,976,000港元(二零零二年：經審核股東應佔虧損250,359,000港元)。董事會不擬派發截至二零零三年十二月三十一日止年度之股息。

業務摘要

回顧年內，面對激烈的市場競爭、突發疫情、涼夏氣候、售價下滑及成本上漲的壓力，集團仍一貫推行高品質產品及服務的策略，透過嚴格控制成本、提高營運效率、推進品牌建設及加強產品開發等措施，年內各項業務取得了較好的發展；其中空調銷售量約達691,000台，較去增加約66%。營業額約達1,005,654,000港元，與去年比較，錄得約35%之升幅；冰箱業務方面，銷售量約達786,000台，較去年上升約24%。而營業額則比去年上升約10%，約達567,668,000港元。





Upon the PRC's accession to the World Trade Organization, the export volume of household appliance increases continuously. The export volume of air-conditioner was approximately 331,000 units, representing an increase of approximately 67%. While the export volume of refrigerator was approximately 429,000, representing an increase of approximately 31%.

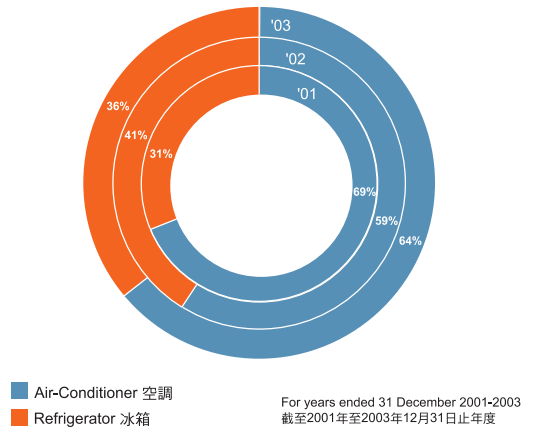
Since the price of household appliance kept falling, the Group proactively implemented initiatives to control the cost, including management, sales and technology aspects. The Group's overall administrative expenses ratio and distribution cost ratio decreased by approximately 6% and 2% respectively when compared to prior year. The Procurement Centre of the Group implemented centralized procurement that brought about positive effect in cost control.

Since the commencement of the implementation of Enterprise Resource Planning (ERP) and Product Data Management (PDM), the timeliness and accuracy of information transmission were greatly enhanced. As ERP project of more subsidiaries of the Group are connected online, the internal operating efficiency of the Group will be further enhanced. The overall future development of Group was hence facilitated.

As the living standard of the citizens in the PRC is ever-improving, customers prefer brand name products and high quality merchandises. The Group invited new image endorser to establish a refreshing concept of "Professionalism creates trend" and injected new element into Hualing's product.

Product is the driving force of the Group's continuous development. During the year, the Group invested approximately RMB62,670,000 in the research and development. 142 new products of air-conditioner and refrigerator were developed in total which enhanced the market competitiveness of the Group's product.

Turnover of the Group by Products
集團營業額之產品分佈



中國加入世界貿易組織後，家電出口量與日俱增。空調之出口量約為331,000台，較去年增長約67%。而冰箱之出口量約達429,000台，較去年上升了約31%。

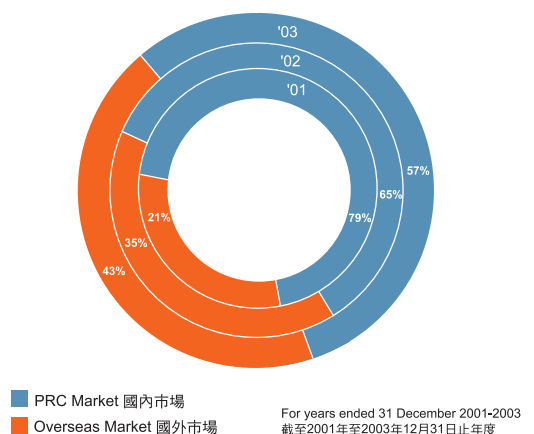
由於家電售價不斷下跌，集團採取積極的措施以控制成本，包括管理、銷售、技術等方面。本集團整體管理費用率和銷售費用率分別較上年下降了約6%和2%。集團之採購中心通過集中規模採購亦對控制成本起了正面的作用。

集團的企業資源規劃(ERP)及產品數據管理(PDM)項目推行後，使到集團資訊傳遞的及時性、準確性得以顯著提升；隨著集團內各個附屬公司ERP專案的相繼上線，集團內部的營運效率將會進一步得到提升，對集團未來的發展提供了有力的支援。

隨著中國國民的生活水平日漸提高，消費者傾向購買品牌及高質素之產品。集團通過新的企業形象代言人，以建立「專業創造時尚」的全新形象，使華凌的品牌注入了新的元素。

產品乃集團持續發展之動力，年內投放於研究及開發的金額約達人民幣62,670,000元。空調及冰箱產品共開發了142項新產品，進一步提升產品的市場競爭力。

Turnover of the Group by Markets
集團銷售額之市場分佈



Future Development Strategies

In order to continue the encouraging development this year, the Group plans to develop strategies like investing more in product development, reforming sales strategies, strengthening cost control, improving information technology and expanding production capacity, etc. The Group pledged to become one of the top five players in the household appliance industry soonest.

1. Product Development

Despite the temporary vicious price competition in the market, the Group will continue to expand the self-development of core technology so as to lead in the technological aspect. The Group will be directed by market, actively search for the optimal level of the combination of product technology, quality and cost, in order to realize cost advantage and technological differentiation of product.

2. Sales Strategies

Since the increase in sales targets of the PRC and export markets was higher than those in 2003, sales activity in the coming year assumes an important role in the Group's development. Regarding the PRC market, the Group will actively speed up the exploration of new markets and establish far-reaching distribution channels. According to the development trend of household appliance's distribution channel in the PRC, the Group will enhance the cooperation with large-scale chained retailers based on its existing market network so that the development of sales network could satisfy the sales target. Regarding the overseas market, the Group will further adjust the structure of the export department and establish a quality sales team. The Group will also consider establishing branches in the core overseas sales regions that enable better understanding of overseas markets in order to realize the goal of high export growth.

In order to satisfy different needs of the customers, the Group will reform the product structure to high, middle and low ranks that match with market development.

未來發展策略

承接本年度良好的發展勢頭，來年集團計劃透過加大新產品研發投入、改革營銷策略、嚴格控制成本、完善資訊化建設及擴大產能等措施，為集團早日進入行業的前五名打下良好的基礎。

1. 產品研發

面對市場暫時的惡性價格競爭，集團將繼續加大資源投入，加速自主核心技術研發，擴大技術領先優勢。切實堅持以市場為導向，積極尋求產品技術、質量與成本的最佳結合點，實現產品的成本優勢和技術差異化。

2. 營銷策略

由於國內及出口銷售量的目標均比二零零三年的銷售目標有較大幅度的增長，來年銷售工作對集團有舉足輕重的影響。國內市場方面，集團將積極加快開拓市場的速度和建立更大的銷售渠道，根據國內家電銷售渠道的發展趨勢，在原有的市場網絡基礎上注重加強與大型家電連鎖零售商的合作，以使到銷售網絡的發展能滿足銷售目標的需要；海外市場方面，集團將進一步調整出口部門的結構及建立優秀之銷售隊伍，在現有的基礎上考慮在海外的核心銷售區域建立分支機構，以達到更加貼進國際市場，實現出口高速增長的目的。

為了要滿足不同消費者的需要，集團將形成高、中、低三檔次的產品結構，以配合市場的發展趨勢。



www.hualing.com

Chairman's Statement 主席的話

3. Cost Control

Confronted with the ever-increasing raw material price, the Group will, on the ground of its existing business, set up a better procurement information platform, strengthen the management of procurement supply chain, shorten procurement and production cycles, form strategic alliance with supplier, improve the universal feature of product parts, etc., in order to control cost stringently.

4. Information Technology

In the coming year, the Group will focus on enhancing the actual effectiveness and reinforcing internal management of the information system. In addition, the Group will strive to enhance the management and optimization of the system and to raise the overall safety and reliability so that the system could fulfill the development needs of the business.

5. Expansion of Production Capacity

Scale is the major prerequisite for household appliance enterprise to achieve cost advantage. The next step of the Group is to expand production capacity in order to achieve economies of scale and thus attaining competitive advantage. The Group will structure the current overall production capacity in order to become one the top five players in the PRC's household appliance industry.

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
LI Yu Jun
Chairman

Hong Kong, 22nd April 2004

3. 成本控制

面對原材料價格持續高漲的市場情況，在現有工作的基礎上集團將通過進一步完善採購資訊平台、加強採購供應鏈的管理、縮短採購和生產周期、與供應商建立戰略聯盟、提高產品部件的通用性等一系列措施達到嚴格控制成本的目的。

4. 資訊化系統

集團的資訊化建設來年之重點為提高系統之實際效用和加強內部之管理；在現有的資訊化系統基礎上加強系統之管理和優化，提高整體安全性和可靠性，使資訊系統能持續滿足業務流程發展的需要。

5. 擴大產能

規模已成為目前國內家電競爭取得成本優勢的主要前提條件，擴大產能以達規模效應取得競爭優勢將是集團下一步的重要工作；為成為中國家電行業前五強，集團將對目前集團整體的產能進行規劃。

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
李宇君

香港，二零零四年四月二十二日