

CHAIRMAN'S STATEMENT

主席報告



Mr. Poon Ka Hung
Chairman and CEO

潘嘉雄先生
主席兼行政總裁

FINANCIAL RESULTS

For the year 2003, the Group recorded a net profit of HK\$90.2 million, an increase of 49.8% from the previous year. Sales turnover growth was moderate at 6.3% for the full year. The net profit improvement was partly attributable to a change in depreciation estimates. The board is pleased to recommend an increase in the final dividend.

During the year 2003, our share price gained 187% with a more than 800% increase in trading volume. We attribute the substantial gain in share price to investors' interest in the sector and our increased activities in investor relations in the investment community. The Group leveraged the strong liquidity position and did a placement with net proceeds of around HK\$59.8 million in October.

BUSINESS REVIEW

In the Home Entertainment front, demands from consumers were strong as they purchased digital video products at favorable price points. Volume was significantly higher than the previous year but on commodity margin. Worldwide shortage of memory ICs and increase in raw materials price, as results of the booming digital camera market and weak US dollars respectively, led to additional squeeze on our margins.

財務業績

二零零三年，本集團錄得90,174,000港元純利，較去年增長49.8%。全年銷售營業額亦取得6.3%之適度增長。折舊估計方法改變是純利改善之部份成因。董事會欣然建議增加末期股息之金額。

於二零零三年，本公司股價大幅攀升187%，交投量錄得逾800%增長。集團認為，股價表現理想，乃因為集團所處行業受投資界重視，加上本集團加強與投資界之聯繫及溝通工作所致。本集團乘股市交投暢旺之勢，於十月進行配售，取得所得款項淨額約59,800,000港元。

業務回顧

在家庭娛樂方面，客戶需求殷切，彼等以相宜價格購買數碼影視產品。產品銷量較去年大增，但利潤水平亦與一般商品相若。由於數碼相機市場迅速增長與美元疲弱分別導致全球各地之記憶IC短缺及原材料價格上升，為本集團之利潤構成進一步壓力。

The competitive landscape of the digital AV market is changing as PC makers joined in, followed by their Taiwanese contractors. These manufacturers join the hardware market at the bottom rung with cutthroat pricing tactics to compete with Hong Kong and Mainland manufacturers.

The In-Car Division continues to capitalize on its dominant position in the after-sales market worldwide and reap the benefits from the strong demands by consumers for video products for in-car and portable use. First shipments to US car-makers began in the second half of 2003 thereby marking the commencement of our business in the primary, or OEM, market. The In-Car Division cushioned better against the adverse effects of component shortage and rising raw materials costs due to less competition as a result of high entry barrier for this market.

ORGANIZATION REVIEW

The Group recognizes that constant improvements within our organization must take place in order to sustain the growth we have experienced in the past several years in a business landscape of ever increasing competition and compressed product cycles. Senior management must take the lead in adopting a learning culture and building up our pool of human resources through both internal training and recruitment, as well as strategic use of information technology.

The Group engaged Dr. Thomas Leung of Vision Consulting Limited to review our organization during the second half of 2003. The aim of the review was to take a bird's eye view of our group's directions, vision, mission, values, human resources needs, and improvements wherever required, in order to accomplish our objectives in the next five years.

Several experienced executives joined our senior management ranks during the year. A number of our new recruits have doctorate and master degrees and are placed as management trainees in areas of engineering, marketing, and operations.

The Group's support of local institutions continued. Our ERP (enterprise resource planning) project with Chinese University, which uses information technology to streamline our operations, continues to make good progress.

由於個人電腦生產商加入市場及其台灣之承包商隨後，數碼影音市場之競爭環境正在轉變。此等製造商加入硬件市場內之低檔產品類別，實行以割喉價格策略與香港及中國製造商競爭。

汽車電子產品部門繼續發揮其在全球各地售後市場之優勢，業務因為集團能夠迎合客戶對汽車及手提式影視產品之殷切需求而受惠。於二零零三年下半年開始向美國汽車製造商裝運首批貨品，標誌著本集團之業務已開始在前置市場-即OEM市場起步。由於汽車電子產品市場之入行門檻較高，競爭不算太過激烈，故汽車電子產品部門受零件短缺及原材料成本上升之影響較輕。

架構檢討

本集團深明必須定期改善集團內部組織架構，才可以在競爭日趨激烈及產品週期縮短之營商環境中，延續本集團於過往數年之增長。高級管理層必須帶頭奉行主動學習之文化，並透過內部培訓及招聘人才建立本身之人力資源以及策略性地使用資訊科技。

本集團於二零零三年下半年委聘泓略顧問有限公司之梁國輝博士檢討集團之組織架構，從全盤之角度俯視本集團之發展方向、前景、使命、價值觀、人力資源需要及所需之改善，以求達到其後五年之目標。

年內有數名資深行政人員加盟集團之高級管理層。另有多名新入職僱員具備博士及碩士學歷，現正出任工程、市場推廣及營運方面之見習管理人員。

本集團繼續支持本地學府之發展，與中文大學之企業資源管理項目利用資訊科技來精簡集團營運，繼續取得良好進展。

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REVIEW OF MACHINERY USAGE

As the Group was aware that there is a significant difference between our Group's and the industry's practice in the estimated useful life of certain fixed assets, namely, plants and machinery for production, we have taken initiative to conduct a thorough review of the useful life of them at the beginning of the year. Having considered the actual years of usage of our current plants and machinery and the industry practice, we have decided to change the estimated useful life of our fixed assets from five years to ten years. After completion of the review later in the year, the board has considered that it is more appropriate, owing to the change in circumstances, to apply such new estimation to our depreciation expense. As the new estimate would appreciably benefit the Group's competitiveness, the board viewed that it should be put into effect as the awareness came about at the beginning of the year. The change has resulted in a decrease in depreciation charge of approximately HK\$29.9 million for the current year.

PROSPECTS

The Group opines that Year 2004 will be affected by uncertainties due to different geopolitical events, terrorism concerns, and also weak US dollars. However, the demands for digital AV products in the home and in-car markets will remain strong.

We believe that such strong demands will also be hampered by the same concerns cited above, i.e. price erosions, fierce competition, shortage of selected ICs and price hikes of raw materials as a result of weak US dollars. Therefore, the Group will draw from our prior experience and cautiously navigate through this challenging period.

We anticipate that strong growth will continue with the In-Car Division with new products riding on its dominant position in car audio equipment in the after-sales market. OEM services for car-makers will also grow steadily.

For home entertainment products, consumers are looking for hardware products with more power, features, and sound quality for their digital entertainments. The Group was among the top suppliers for home-theatre product series as reported by a US survey during the holiday season of 2003. This product line will be an anchor of our revenues in home products.

檢討機器之使用

由於本集團得知本集團在處理若干固定資產(即用於生產之設備及機器)之估計可用年期方面之做法與行業慣常做法有明顯分別。本集團已在年初著手檢討此等固定資產之可使用年期。考慮到現設備及機器實際使用年期及行內慣例，集團決定將固定資產之估計可使用年期由五年調為十年。於本年度較後時間完成檢討工作後，董事會認為，由於環境有變，將此等新估計應用在折舊開支為更加合適。由於新估計有利提升本集團之競爭力，董事會認為新做法應在年初得悉後隨即實施。此項轉變導致本年度之折舊開支減少約29,890,000港元。

展望

本集團認為二零零四年將受到不同之區域性政治事件、憂慮恐怖份子活動以及美元疲弱所造成之不明朗因素影響，但家庭娛樂及汽車市場對數碼影音產品之需求將保持強勁。

吾等相信此等強勁需求亦難免受到上述因素所拖累-價格下跌、競爭激烈、特定IC短缺以及美元疲弱導致原材料價飆升。因此，本集團將利用以往經驗，在此充滿挑戰之期間內審慎前行。

吾等預計隨著汽車電子產品業務利用本身在汽車影視設備售後市場之領導位置來推出新產品，汽車電子產品業務之強勁增長將會持續。向汽車製造商提供之OEM服務亦會穩定增長。

家庭娛樂產品方面，客戶現多選購功率更高、功能更多、音質更上乘之家庭娛樂設備。據美國一項調查所報導，於二零零三年年底之假期銷售中，在家庭影院產品系列中，本集團是名列前茅之供應商。此產品系列將成為本集團於家庭娛樂產品之收入之基石。

Although the financial contributions of our investments in new products and new markets to our Group have not yet reached its full strength, we have seen positive developments. The status of our investments are summarized as follows:

For the China market, our in-car AV products from the Nanjing factory are now undergoing approval processes by China automobile manufacturers. These approval processes normally take over a year.

The cable broadcast authorities in China finally announced their selection of the video format in 2003 thereby turning on the green light for digital broadcast to be the primary means of entertainments for Chinese consumers. Our subsidiary in Beijing is now selling these digital cable boxes made by our Wuxi factory. We continue to take a conservative approach in establishing distribution and sales points in China for our home AV products by our operations in Wuxi.

In the area of new products, the demand for navigation products is steadily rising in the US and Europe as the price point approaches that suitable for the mass market. With PC makers joining the digital media industry come both opportunities and threats. More new products will be developed to satisfy consumers who are after technologies and connectivity with the PC. In recognizing this trend earlier, the Group has taken steps to align our business development efforts to serve PC makers. We also have home networking products that connect the PC with regular AV equipment.

Looking ahead beyond 2004, the Group is steadfastly committed to investing in development of new products and opening up new markets as means of growth. The investments we have made in the past several years will provide a steady stream of opportunities to us in the next three to five years with substantial returns.

I would like to take this opportunity to express my sincere appreciation to our shareholders and the financial institutions for their continued support and my fellow directors and staffs of the Group for their commitments and contributions to the Group throughout the year.



Poon Ka Hung
Chairman

Hong Kong, 22 April 2004

雖然集團在新產品以及新市場之投資對本集團之財務貢獻仍未達到最高水平，但仍然有正面進展。集團投資項目之現況概列如下：

中國市場方面，來自南京廠之集團汽車影音產品現正由國內汽車製造商審批。此等審批工作一般需時超過一年。

中國之廣播電視當局終於在二零零三年公佈其選取之影像製式，批准以數碼廣播形式作為向中國用戶發放娛樂資訊之主要形式。集團在北京之附屬公司現正出售無錫廠製造之數碼有線電視盒。集團亦會繼續以審慎態度在中國建立由無錫廠出產之家庭影音產品之分銷及銷售點。

至於新產品方面，由於定價方法切合大眾市場，美國及歐洲市場對導航產品之需求正穩定增長。個人電腦生產商進軍數碼媒體行業同時帶來機遇與威脅。本集團將開發更多新產品以迎合對追求最新技術及要求與個人電腦接駁之客戶需要。本集團早已知悉此發展趨勢，故已為配合個人電腦生產商而調整業務發展方向及步伐。本集團亦擁有將個人電腦連繫到常見影音產品之家庭網絡產品。

展望未來，本集團正穩健投資於新產品開發以及開拓新市場以推動增長。本集團於以往數年所作出之投資將為本集團在其後三至五年帶來具備可觀回報之一連串商機。

本人謹藉此機會對股東及往來金融機構之不斷支持，以及本集團董事與員工年內為本集團而全力以赴及作出寶貴貢獻致以衷心謝意。

主席
潘嘉雄

香港，二零零四年四月二十二日