

## PROSPECTS

The Qingyuan Industrial Estate has about 660,000 square meters and the Group has developed about 45% of the plot as phase one of the plant. Currently, it has a production capacity of around 21 assembly production lines. The Group will carefully install new assembling lines at an appropriate pace to cater for the demand for additional production capacity. The operations of Qingyuan Industrial Estate is fully vertically integrated. The electroplating operations and manufacture of printed circuit boards have been relocated to Qingyuan and upgraded with advanced manufacturing facilities. The Qingyuan Industrial Estate is expected to bring synergies to the existing production plants of the Group and it is expected that the Group will further enjoy the benefits of economies of scale for its production.

In line with our determination to improve our production efficiency, the Group will further increase the number of surface mount machines, plastic injection machines and swing robots. With the Group's efforts in automation processes, the Group is confident in achieving better operation efficiency and product quality. The Group has also planned to implement various energy saving programs in production plants so as to conserve energy and reduce energy costs. The installation of inverters on injection moulding machines is one of the pilot schemes adopted by the Group. At the same time, the Group will continue to evaluate and pursue vertical integration processes that will provide positive contribution for further reducing our overall operational costs.

Looking forward, the Group is trying to restore the operating profit margin level and provide reasonable returns to shareholders. The Group is consciously reviewing the product mix profit contribution. The Group sees itself in a good position to produce mass-market products that can leverage on our larger scale of productions. Preliminary order placements from customers are desirable. New high value digital products will also be launched to further enhance our competitiveness in the consumer electronics industry.

## 前景

清遠工業村佔地約660,000平方米，而本集團所發展之規模已達到規劃中約45%之面積，作為該基地之第一期。目前，本集團已開發約21條裝配生產線。本集團將以適當步伐審慎裝置新裝配線，以應付額外生產力之需求。清遠工業村之運作已進行全面垂直整合。電鍍運作及印刷線路板製造已遷往清遠並透過先進製造設施進行提升。清遠工業村預期可為本集團之現有生產基地帶來協同效益，並預期本集團將可進一步受惠於其生產方面之規模經濟效益。

本集團銳意提升生產效益，本集團將進一步增加表面裝貼機、注塑機及機械臂之數目。憑著本集團推動自動化流程，本集團深信可達致更佳之營運效益及產品質素。本集團亦計劃在生產基地實行多項節省能源計劃，以此節省能源及減少能源成本。在注塑機裝設倒流器為本集團試驗計劃之部份。與此同時，本集團將繼續評估及繼續發展垂直綜合工序，以進一步減少本集團之整體經營成本，並將為本集團帶來正面盈利貢獻。

展望將來，本集團正致力重新提升邊際利潤水平，並為股東提供合理回報。本集團現正計劃檢討產品組合盈利貢獻。本集團相信本身正處於有利位置，以龐大生產規模製造擁有大眾化市場之產品。本集團獲得客戶初步之訂單情況理想。本集團亦將會推出更多全新之高價數碼產品，以進一步提升本集團於消費者電子行業之競爭力。

The Group is aware of the costs of commodity materials still maintaining at high levels. In order to remain competitive, the Group will continue to maintain a tight cost control and expand its product range and customer base at the same time. The new digital products, such as LCD TV with DVD players, Hard Disk Drive MP3 players, Flash MP3 players and MPEG4 players are anticipated to make healthy and favorable profit contributions in the near future. As a sizable consumer electronics manufacturer, the Group is committed to consolidating its leading market position in traditional audio products and will launch new product systematically and extend our geographical presence around the world.

All in all, the Group's financial results for the period have been adversely affected by the drastic increase in certain raw materials costs. However, the Group maintained a healthy balance sheet. In particular with the signing of the syndicated loan during the period under review, the Group is able to achieve savings in its overall interest expenses, efficiency and flexibility in its financial management. The Group will also benefit from the enhanced production operations in Qingguan and Dongguan in the long-run.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Working Capital Management and Dividend Policy

As at 30 September 2004, the Group maintained bank balances and cash of approximately HK\$341 million (31 March 2004: HK\$274 million) and working capital utilisation rate continued to be efficient. The Group's average inventory turnover was about 48 days (30 September 2003: 44 days). The Group's average trade receivables turnover was only 10 days (30 September 2003: 26 days), reflecting improvement in credit control of the Group.

The Directors has declared an interim dividend of HK3.5 cents per share.

The Directors considers the policy of maintaining a normal dividend payout ratio of about 50% on net profit as appropriate. Whilst providing rewards to the investors for their on-going support, the cash available after dividend payments is sufficient to match the Group's future funding requirements.

本集團知悉商品材料成本仍處於高水平。為維持競爭力，本集團將繼續保持嚴謹之成本控制措施，並擴大其產品種類及客戶基礎。預期全新之數碼產品如配備DVD機之液晶體電視、硬碟驅動器MP3機、快取MP3機及MPEG4機於可見將來帶來穩定及可觀之盈利貢獻。作為一家大型消費者電子製造商，本集團銳意鞏固其於傳統音響產品之市場領導地位，並將有系統地推出新產品及擴大在世界各地之業務範圍。

整體而言，本集團於期內之財務業績受到若干原材料成本急升之不利影響。然而，本集團仍能維持穩健之資產負債狀況。尤其於期內簽署銀團貸款協議後，本集團能夠達致節省其整體利息開支及提升其財務管理之效益及靈活程度之目標。長遠而言，本集團亦將受惠於提升清遠及東莞之生產運作所帶來之效益。

### 管理層討論及分析

#### 營運資金管理及股息政策

於二零零四年九月三十日，本集團之銀行結存及現金維持約341,000,000港元（二零零四年三月三十一日：274,000,000港元）及繼續有效地善用營運資金。本集團之平均存貨流轉期約為48日（二零零三年九月三十日：44日）。本集團之平均貿易應收賬款流轉期僅為10日（二零零三年九月三十日：26日），反映本集團已加強信貸管理。

董事會已宣派中期股息每股3.5港仙。

董事會認為，維持派付約純利之五成作為普通股息之政策恰當而適切，此政策既可回饋投資者對集團不斷支持，且於派付股息後仍有足夠之現金水平應付本集團未來之資金需求。

## Financing and Capital Structure

Total debts of the Group stood at approximately HK\$459 million (31 March 2004: HK\$343 million). In August 2004, the Group entered into a four-year syndicated loan agreement with a syndicate of ten banks for the amount of HK\$350 million. As at 30 September 2004, the facility, with a more preferential interest rate, has been fully drawdown to refinance the Group's existing certain credit facility, including the outstanding balance of the HK\$210 million syndication loan arranged in 2002. The balance of the facility was mainly used to finance the construction costs of Qingyuan Industrial Estate. Because of drawdown of the above facility and the capital expenditure of about HK\$183 million for the period, the gearing ratio increased to 0.42 (31 March 2004: 0.31).

The Group's borrowings are primarily denominated in Hong Kong dollars and the Group has no significant exposure to foreign exchange fluctuations.

## Liquidity and Financial Resources

The net current assets of the Group as at 30 September 2004 stood high at a level of approximately HK\$334 million (31 March 2004: HK\$318 million). Accordingly, the current ratio still stood at a very healthy level of 1.43 (31 March 2004: 1.47). Shareholders' funds were maintained at approximately HK\$1,084 million (31 March 2004: HK\$1,098 million).

## Exchange Exposure

The majority of the Group's sales and purchases are denominated in US Dollars and HK Dollars. As HK Dollars and US Dollars are hedged, the Group's exposure to foreign exchange risk is insignificant.

## 融資及資本架構

本集團之債務總額約為459,000,000港元(二零零四年三月三十一日: 343,000,000港元)。於二零零四年八月, 本集團與十家銀行之銀團訂立金額為350,000,000港元之四年期銀團貸款協議。於二零零四年九月三十日, 該項設有較優惠之利率之貸款已獲全數支取, 以償還本集團之若干現有借貸包括於二零零二年安排金額為210,000,000港元之銀團貸款。貸款餘額主要用作支付清遠工業村之建築成本。因已支取該銀團貸款及期內資本支出約183,000,000港元, 資產負債比率已上升至0.42(二零零四年三月三十一日: 0.31)。

由於本集團之借貸主要以港元定值, 因此本集團毋須承擔重大外匯波動之風險。

## 流動資金及財政資源

於二零零四年九月三十日, 本集團之流動資產淨額維持於約334,000,000港元(二零零四年三月三十一日: 318,000,000港元)。因此, 流動比率仍處於1.43(二零零四年三月三十一日: 1.47)之穩健水平。股東資金維持於約1,084,000,000港元之水平(二零零四年三月三十一日: 1,098,000,000港元)。

## 匯兌風險

本集團之銷售及採購大部份以美元及港元結算。由於港元與美元掛鈎, 令本集團承受外匯風險並不重大。

### Employee information

As at 30 September 2004, the Group had approximately 173 employees in Hong Kong and Macau (31 March 2004: 157) and approximately 28,600 employees in Dongguan, the PRC (31 March 2004: 29,000) and approximately 9,800 in Qingyuan, the PRC (31 March 2004: 5,800). The increase in headcount in the PRC was a result of further expansion of its production capacity and its vertically integrated operations in the PRC. The remuneration packages are generally structured with reference to market conditions and the qualifications of the employees. The salaries and wages of the Group's employees are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Bonuses are normally paid to management staff based on individual merits as well as the results of respective companies with which the staff works for.

Benefit plans for its Hong Kong staff include a provident fund scheme and medical and life insurance. The Company also maintains a Share Option Scheme, under which options may be granted to employees to subscribe for shares in the Company. This Share Option Scheme is designed to give employees an incentive to perform.

### 僱員資料

於二零零四年九月三十日，本集團於香港及澳門之僱員人數約為173名(二零零四年三月三十一日：157名)，而於中國東莞之僱員人數約為28,600名(二零零四年三月三十一日：29,000名)，於中國清遠之僱員人數則約為9,800名(二零零四年三月三十一日：5,800名)。增聘中國之員工乃由於本集團進一步擴大於中國之生產能力及實施垂直綜合業務所致。酬金一般參考市場標準及個別員工資歷而釐定。本集團僱員之薪金及工資一般於每年根據表現評估及其他相關因素作出檢討。本集團亦按管理層人員各自之良好表現及各公司之業績發放花紅。

香港員工之福利計劃包括一項公積金計劃及醫療及人壽保險。本公司亦設有一項購股權計劃，據此可向僱員授出認購本公司股份之購股權。購股權計劃旨在給予僱員盡展所長之機會。