

CEO'S REPORT

行政總裁報告書



2004 was a difficult year for the electronic components industry. Fundamentally, the consumer markets for audio and video segment were sluggish in the absence of new products with extraordinary features. In addition, the cost of materials including plastics, metal and copper surged significantly and remained high throughout the year, making it difficult for us to keep to our budget. Our cost structure was also affected by pricing pressure from customers especially on new models we launched during the year. As a result, all factors taken into account, the Group's profitability was squeezed in 2004.

FINANCIAL REVIEW

During the year, the Group recorded a turnover of HK\$613,607,000, up 13.3% from the HK\$541,809,000 recorded last year. Facing overall adverse business environments, profit attributable to shareholders dropped by 48.8% to

HK\$38,941,000 as compared to HK\$76,045,000 for the year 2003.

Despite a 13.3% increase in turnover, gross profit still decreased by 24.2% to HK\$97,937,000. The decrease was mainly attributable to pricing pressure from customers and increase in raw material cost during the year. In addition, raw materials, which the Group stocks up during the first half year of 2004 to meet forecasted customer demand and prepare for possible supply shortages during the peak season, were stuck with customers focusing on clearing their inventories. Even our major customers were not as keen with ordering as expected. The drop in demand from our forecast required us to make an inventory provision of HK\$10,075,000, including those which contain materials such as lead and cadmium which are prohibited under the latest environmental standards.

Mr. YANG Jai Sung 梁在星先生

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二零零四年對電子元件業而言乃艱辛的一年。基本上，由於缺乏具備特別功能的新產品，消費音響及視像業務的發展於回顧年度內停滯不前，加上原材料(包括塑膠、金屬及銅)成本上漲且持續高企，均令我們大失預算。本集團的成本架構，尤其於年內推出的新型號產品亦受到源自客戶的價格壓力影響，因此，鑒於以上各項因素，本集團於二零零四年的盈利有所縮減。

財務回顧

年內，本集團的營業額由去年的541,809,000港元上升13.3%至本年度的613,607,000港元。面對整體不利的營商環境，股東應佔溢利較二零零三年的76,045,000港元下降48.8%至38,941,000港元。

儘管營業額上升13.3%，毛利仍下降24.2%至97,937,000港元。這下降主要由於年內源自客戶的價格壓力及原材料成本上升所致。此外，由於客戶專注於清除舊有存貨，令本集團於二零零四年上半年為應付高峰期客戶殷切的需求及可能出現的供應短缺而儲備的原材料出現囤積情況。再者，集團主要客戶的訂單數目亦未如預期般理想。由於需求較預期為低，就存貨作出10,075,000港元的撥備，包括最新頒佈之環保守則內所禁止使用的如含鉛及鎘等原材料。

經營開支

倘不計投資減值虧損及重估土地及樓宇虧絀，經營開支由二零零三年的44,721,000港元增加至二零零四年的53,978,000港元。經營開支因應二零零四年內擴展業務而上升。

Operating expenses

Excluding impairment loss on investment and deficit on revaluation of land and buildings, operating expenses increased from HK\$44,721,000 in 2003 to HK\$53,978,000 in 2004. The increase was in line with expansion of business during the year 2004.

Taxation

Taxation expenses amounted to HK\$4,690,000 in 2004 as compared with HK\$7,840,000 in 2003. The effective tax rate was 10.7% (2003: 9.3%).

Dividend

An interim dividend of HK\$0.024 per share was paid in October 2004. Taking into account that the Group has sufficient cash flow to fund future development, the board of directors has recommended the payment of a final dividend of HK\$0.014 per share in respect of the year ended

31 December 2004 (2003: HK\$0.055), making the total dividend payment for the year to HK\$0.038 per share. This translates into an approximately 30% dividend payout ratio. The final dividend is subject to the approval of shareholders at the Annual General Meeting to be held on 18 May 2005.

The share register will be closed between 11 May 2005 and 17 May 2005, both dates inclusive, during which no transfer of shares will be registered, dividend cheques will be dispatched to shareholders on or about 25 May 2005. In order to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrar, Standard Registrars Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wan Chai, Hong Kong not later than 4:00 p.m. on 10 May 2005.



稅項

二零零四年的稅項開支為4,690,000港元，二零零三年則為7,840,000港元。實際稅率為10.7%（二零零三年：9.3%）。

股息

每股0.024港元的中期股息已於二零零四年十月派付。考慮到本集團擁有充裕現金流量以應付未來發展所需，董事會建議派發截至二零零四年十二月三十一日止年度的末期股息每股0.014港元（二零零三年：0.055港元），全年合共派發股息每股0.038港元。派息率約30%。末期股息須待股東在即將於二零零五年五月十八日舉行的股東週年大會上批准後方告作實。

股份過戶登記處將於二零零五年五月十一日至二零零五年五月十七日（包括首尾兩日）暫停開放，期間不會辦理任何股份過戶登記手續，股息支票



將會於二零零五年五月二十五日或相近日子寄發予股東。為符合收取末期股息之資格，所有填妥之股份過戶表格連同有關股票，最遲須於二零零五年五月十日下午四時正前送達本公司之股份過戶登記處標準證券登記有限公司，地址為香港灣仔告士打道56號東亞銀行港灣中心地下。

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BUSINESS REVIEW

Composite components business

During the year, the composite components business achieved a total revenue of HK\$494,449,000, representing an increase of 21.6% compared with HK\$406,585,000 in 2003, and accounting for 80.6% (2003: 75.0%) of the total turnover. The continuous healthy growth in composite components business demonstrates that the Group, boasting capability in tailoring research and development and products according to specific customer requirements, is well positioned in the outsourcing market.

Among the different composite components, car audio FM front-end tuners and AM/FM tuner modules and FM tuner modules for portable devices, such as MP3 players and mobile phones, continued to experience encouraging organic

growth of 50.4% and 65.6% respectively, to HK\$55,367,000 (2003: HK\$36,805,000) and HK\$50,680,000 (2003: HK\$30,610,000). The contribution of these two products accounted for 11.2% and 10.2%, respectively of the composite components business. Although the portion was still small at the moment, we believe their contribution will gradually increase and will become one of our major growth drivers in the future.

The sales of home audio FM front-end tuners and AM/FM tuner modules remained steady, amounting to HK\$335,863,000 (2003: HK\$330,791,000) or 67.9% of the composite components business. This segment remained as the major revenue contributor of the composite components business.

During the year, the Group also launched new categories of composite components – wireless microphones with transmitting and receiving



業務回顧

複合元件業務

年內，源自複合元件業務的總收益為494,449,000港元，較二零零三年的406,585,000港元增加21.6%，佔總營業額80.6%（二零零三年：75.0%）。複合元件業務持續錄得穩健增長，顯示本集團為不同客戶度身訂製切合其特別需求的產品並進行研發的雄厚實力，並於外判市場建立穩固地位。

於各種複合元件中，汽車音響FM前端調諧器及AM/FM調諧器模組及用於可攜式裝置的FM前端調諧器（如MP3播放機及手提電話）繼續錄得本體增長分別為50.4%及65.6%至55,367,000港元（二零零三年：36,805,000港元）及50,680,000港元（二零零三年：30,610,000港元），成績令人鼓舞。此兩項分別佔複合元件業務之11.2%及10.2%。儘管

現時此兩項產品的貢獻只佔一小部份，本集團相信其貢獻將逐漸提升，並成為本集團未來的主要增長動力之一。

家用音響之FM前端調諧器及AM/FM調諧器模組業務的銷售額維持穩定，達335,863,000港

元（二零零三年：330,791,000港元）或佔複合元件業務之67.9%。此業務繼續成為複合元件業務的主要收益來源。



modules, built-in type of FM transmitters for MP3 players, and digital amplifier modules for high power audios. Wireless microphones are equipped with transmitters and receivers, and built-in FM transmitters in MP3 players facilitates signal transmission from the MP3 players to main audio devices such as home theater systems, mini combos and car audios. These new categories were successfully supplied to our key customers. It also shows that the Group has the necessary technologies to integrate and combine different technologies in developing new products in the coming years.

With the Group's success in widening and commercializing its product technology, the sales of switching mode power supplies, wireless microphones, digital amplifier modules and FM transmitters amounted to HK\$24,001,000 (2003: HK\$8,379,000), HK\$14,345,000 (2003: HK\$ Nil), HK\$12,335,000 (2003: HK\$ Nil) and HK\$1,858,000 (2003: HK\$ Nil)

respectively, and accounting for 4.9%, 2.9%, 2.5% and 0.4% respectively of the composite components.

Unit electronic components business

As more and more customers shift to purchasing composite components instead of unit electronic components, sales of the unit electronic components business decreased by 11.9% to HK\$119,158,000 (2003: HK\$135,224,000). Its contribution to the total turnover also dropped to 19.4% as compare to 25.0% in 2003, demonstrating that customers continued to find economic benefits from outsourcing composite components to suppliers. However, to meet market demand for smaller in size and higher frequency filter products, the Group launched a new product series – 5.8 GHz dielectric band pass filters – to make roads for multilayer LC filters to substitute existing band pass filters in the coming years.



年內，本集團亦推出多項新種類複合元件—具備發射及接收模組的無線擴音器、用於MP3播放機的內置式FM發射器及數碼擴音器模組。無線擴音器配備發射器及接收器，而MP3播放機的內置式FM發射器則把信號由MP3播放機發射至主要音響裝置，如家庭影院系統、迷你音響及汽車音響。我們已成功向主要客戶供應有關產品。此舉亦顯示本集團具備所需技術，以結合各種不同科技以於未來數年開發各種新產品。

隨著本集團成功擴大及將產品技術商品化，開關電源器、無線擴音器、數碼擴音模組及FM發射器的銷售額分別達24,001,000港元（二零零三年：8,379,000港元）、14,345,000港元（二零零三年：

零港元）、12,335,000港元（二零零三年：零港元）及1,858,000港元（二零零三年：零港元），分別佔複合元件業務之4.9%、2.9%、2.5%及0.4%。

單位電子元件業務

由於越來越多客戶從採購單位電子元件改為採購複合元件，單位電子元件的銷售額減少11.9%至119,158,000港元（二零零三年：135,224,000港元）。此業務佔總營業額的比例亦由二零零三年的25.0%下降至19.4%，反映客戶將複合元件的生產工序外判予供應商以享經濟效益的趨勢持續。然而，為應付市場對體積較細及頻率較高的過濾器產品的需求，本集團推出新產品系列—5.8GHz介質頻帶濾波器，務求於未來以多層LC過濾器取代現有頻帶過濾器。

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PROSPECTS

Notwithstanding that overall business environment, including the material and product markets, is expected to remain uncertain in the coming year, the Group will continue to make sure that we possess the adequate technologies for producing products that will appeal to the market so as to widen its customer base and achieve business growth.

The Group believes its efforts made during the soft period of year 2004 which included reinforcing research and development and marketing, especially for wireless solutions will translate into outstanding new products and find diverse applications in 2005. We will launch in the first half year of 2005 wireless speaker systems for home theater in a box, which consolidates the Group's technologies for radio frequency ("RF"), power and amplifier. The Group anticipates that this new

product will become one of our major revenue drivers and enhance our operational efficiency in 2005.

Electronic goods will continue to proliferate in our daily lives, especially in the areas of mobile communication and other wireless devices. This presents tremendous market potential for our composite components – FM tuner modules (receivers) and FM transmitters for portable devices. The Group believes that it is on the key track to success with diversified mobile and wireless technology in the coming digital era.

The sales of tuner modules for car audio sector is expected to continue to experience encouraging growth at the Group's continual efforts to launch new models to secure more orders from after-market customers and car audio makers for automobile manufacturers in Korea, which require



前景

儘管預期整體營商環境，包括原材料及產品市場於來年將持續不明朗，我們將繼續確保本集團配備廣受市場歡迎的產品所需之技術，以擴闊客戶基礎及達致業務增長。

本集團相信，其於二零零四年淡季在加強研發及市場推廣，尤其於研發及推廣無線解決方案所作出的努力，將於二零零五年推出的優質新產品及多元化應用中充分體驗。於二零零五年上半年，集團將推出應用於家庭影院之無線擴音器系統，這結合本集團用於射頻、能源及擴音之技術。集

團預期此項新產品將於二零零五年成為其中一個主要收益來源，並提升集團的營運效率。

電子產品將繼續在我們的日常生活中，尤其於流動通訊及其他無線裝置方面佔一重要席位，此趨勢反映複合元件，包括用於可攜式裝置的FM調諧器模組(接收器)及FM發射器具龐大市場潛力。本集團深信，我們的多元化流動及無線技術將成為我們於未來數碼年代的重要成功因素。

經本集團不斷努力，汽車音響調諧器模組的銷售額預期會錄得令人鼓舞的增長。本集團會不斷致力推出新型號產品，以尋求更多源自韓國售後市場客戶及汽車音響製造商的訂單，惟這需要較長

long process and makes persistent efforts to prove our product's reliability. Thus, the contribution of car audio components is expected to further enlarge, generating stable revenue to the Group.

Meanwhile, we expect our well-established home audio components business to continue to experience steady growth, widening its customer base to small-to-medium sized companies jumping onto the outsourcing bandwagon.

In operation for more than a year, our Korea research and development centre took over most of the research and development functions from Kwang Sung Electronics Co., Ltd. ("Kwang Sung Korea"). Starting from the year 2005, the Group will substantially reduce reliance on research and development service from Kwang Sung Korea. With the research and development of its entire product portfolio conducted in house, the Group expects a

much closer relation to be forged between research and development and marketing, generating added synergies in the value chain of the Group.

Although the Group has introduced several digital solutions such as digital RF modules and digital amplifier modules, the market for these products is not expected to mature until the full adoption of digital broadcasting in European countries and the US, which is scheduled after 2006. However, since Korea, where the Group has maintained long term and good relations with reputable customers, will start its trial of digital multimedia broadcasting ("DMB") in 2005, the Group will actively work with potential customers to launch a threshold product for DMB in late 2005 or early 2006. With the full launch of DMB application in Korea and digital application gaining popularity, the demand for digital components in the country is expected to grow encouragingly in 2006 and onwards. Turning



過程及努力去證明本集團產品之可靠性，使源自汽車音響元件的盈利貢獻將進一步增加，從而為本集團帶來穩定的收益。

此外，我們預期已穩定發展的家用音響元件業務將繼續錄得穩定增長，並把客戶基礎擴闊至中小型企業，充分掌握外判的趨勢。

本集團位於韓國的研發中心已投入服務逾一年，並已接手株式會社光星電子（「韓國光星」）的大部分研發工作。由二零零五年起，本集團對韓國光星所提供的研發服務的依賴將會大幅降低。由於整個產品組合的研發工作均由內部研發部門進

行，本集團預期研發及市場推廣工作將更緊密聯繫，為本集團的價值鏈帶來更大協同效益。

儘管本集團推出數項數碼方案，如數碼射頻模組及數碼擴音器模組，惟由於歐洲及美國延遲全面採納數碼廣播，預期這些產品之市場直至二零零六年後方可發展成熟。然而，由於本集團與韓國著名客戶建立長期及良好關係，而韓國亦將於二零零五年展開韓國數碼多媒體廣播標準（「DMB」）之廣播測試，本集團將積極與潛在客戶合作，於二零零五年底或二零零六年初推出一項DMB入門產品。隨著DMB應用於韓國全面推行，及數碼應用的日趨普及，預期市場對數碼元件的需求將於

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to the development of digital audio broadcasting standard in the U.S., as progress was slower than expected, the Group decided to postpone the signing of license agreement with its U.S. licensor.

Low temperature co-fired ceramic ("LTCC") technology, acquired by the Group to develop multi-layer LC filters, will provide the Group with a variety of new application possibilities – miniaturization and development of more cost effective products – in the coming years for its existing product groups such as FM tuner modules for portable devices and home audio applications as well as digital multimedia tuner modules.

The Group is committed to further expanding or upgrading existing production lines and further strengthening our research and development capability, especially in wireless application. We expect our continuous commitment and efforts in

research and development to start bearing fruit in 2005 with new products to be launched. With the Group's business on the growth track, we expect to achieve benefits from economies of scale, which will be reflected in a decrease in per unit operating expense.

Riding on the strong business foundation we have built over the years through diversifying our products to serve different application markets, we strongly believe Kwang Sung is well-positioned to benefit from the thriving market environment and triumph over future challenges.

Liquidity and financial resources

The Group continued to maintain healthy financial position with cash on hand reached HK\$130,821,000 as at 31 December 2004 (2003: HK\$183,398,000). As at 31 December 2004, banking facilities amounting to approximately HK\$104,000,000 were available



二零零六年起大幅增加。至於美國市場方面，由於美國的數碼音頻廣播標準發展比預期緩慢，本集團決定延遲與美國特許商簽訂協議。

本集團採納以發展多層LC過濾器的低溫共燒陶瓷 (LTCC) 技術將於未來為我們現有產品組合，如用於可攜式裝置的FM調諧器模組、家用音響應用及數碼多媒體調諧器模組提供多種新應用方案，包括開發微型及更具成本效益的產品。

本集團致力增加及提升現有生產線及進一步加強研發能力，尤其是無線應用方面。隨著新產品於二零零五年陸續推出，我們於提升研發能力所作的承諾及努力將取得成果。由於業務不斷增長，我們將可享有規模經濟效益，這將由每單位經營開支的下降中反映。

憑藉多年來透過擴闊產品組合以服務不同應用市場所建立的穩固業務基礎，我們深信本集團已準備就緒，受惠於未來蓬勃發展的市場環境及克服各項挑戰。

流動資金及財務資源

於二零零四年十二月三十一日，本集團維持穩健的財務狀況，手頭現金維持於130,821,000港元（二零零三年：183,398,000港元）。於二零零四年十二月三十一日，可動用的銀行備用信貸額約為104,000,000港元（二零零三年：104,000,000港元）。本集團繼續以無債務模式經營，並無未償還的債務淨額。

(2003: HK\$104,000,000). The Group continued to operate under a debt-free model with no outstanding net debt.

The Group had net current assets of HK\$249,234,000 as at 31 December 2004 (2003: HK\$269,220,000). Shareholders' funds further increased from HK\$313,746,000 as at 31 December 2003 to HK\$327,936,000 as at 31 December 2004.

Current ratio, being the ratio of current assets to current liabilities, was maintained at a strong level of 4.7 (2003: 4.0). Gearing ratio, in terms of total liabilities to total assets, stood at 0.17 (2003: 0.22). As the Group's strong liquidity and financial resources position continues to be strong, the board of directors considers that the Group has sufficient financial resources to finance future capital expenditure plans.

Foreign exchange exposure, hedging and off balance sheet financial instruments

The Group's purchases of raw materials are principally made in HKD, USD, RMB and Yen and the Group's sales are made in USD and HKD.

As both the HKD and RMB are pegged to the USD under the current exchange rate system in Hong Kong and the PRC, the Group is not exposed to significant foreign exchange risk in HKD, RMB and USD.

During the year under review, the Group adopted prudent treasury policies via forward contract to reduce foreign exchange exposure arising from fluctuation of the Yen.



本集團於二零零四年十二月三十一日的流動資產淨值為 249,234,000 港元（二零零三年：269,220,000 港元）。股東資金進一步由二零零三年十二月三十一日的 313,746,000 港元增加至二零零四年十二月三十一日的 327,936,000 港元。

流動比率（即流動資產與流動負債的比率）維持在 4.7（二零零三年：4.0）的強勁水平，而資本與負債比率（即負債總額與資產總值的比例）為 0.17（二零零三年：0.22）。由於本集團的流動資金及財務資源狀況穩健並持續強勁，董事會認為本集團有充足財務資源應付未來資本開支計劃的資本所需。

外匯風險、對沖及賬外金融工具

本集團主要以港元、美元、人民幣及日圓採購原材料，而本集團的銷售則主要以美元及港元進行。

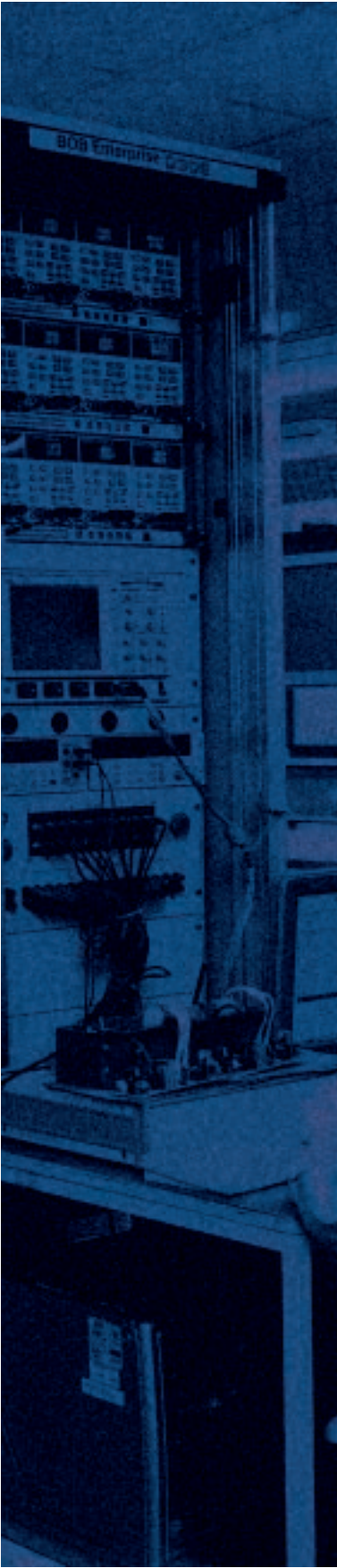


由於在香港及中國現行的匯率制度下，港元及人民幣均與美元掛鈎，故本集團並無因港元、人民幣及美元而承受重大外匯風險。

於回顧年度，本集團採納保守的財務政策，藉遠期合約降低因日圓波動帶來的外匯風險。

CEO'S REPORT

行政總裁報告書



As at 31 December 2004, there were no outstanding foreign currency contracts to hedge against the exposures to foreign currency fluctuations of trade payables denominated in Yen.



於二零零四年十二月三十一日，本集團並無尚未到期的外幣遠期合約，以對沖日圓應付貿易款項所承受的外匯風險。

收購及出售事項

截至二零零四年十二月三十一日止年度，本集團並無任何收購或出售附屬公司及聯營公司之重大事項。

Acquisition and disposal

The Group did not have any material acquisition or disposal of subsidiary and associated company during the year ended 31 December 2004.

Charges on assets

As at 31 December 2004, there are no assets pledged to bank to secure banking facilities of HK\$104,000,000 (2003: HK\$104,000,000).

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2004 and 2003.

資產抵押

於二零零四年十二月三十一日，本集團並無抵押任何資產予銀行，以取得銀行備用信貸額104,000,000港元（二零零三年：104,000,000港元）。

或然負債

本集團於二零零四年及二零零三年十二月三十一日並無任何重大或然負債。

Employees and remuneration policies

As at 31 December 2004, the Group had about 1,909 employees of whom 37 were based in Hong Kong, 1,840 were based in the factories in Shenzhen, PRC, and 32 were in the research and development centre in Korea.

Remuneration policies and packages for the employees are based on their performances, working experiences and prevailing industry conditions. In addition to basic salaries, retirement schemes and medical schemes, discretionary share options and performance bonuses may be paid to eligible staff at the discretion of the board of directors and determined according to the financial results of the Group and the performance of individual employees.

Appreciation

Finally, I would like to express my sincere appreciation to the management and all our staff for their dedicated services during the year.

Yang Jai Sung

Chief executive officer
Hong Kong, 15 April 2005



僱員及薪酬政策

於二零零四年十二月三十一日，本集團約有1,909名僱員，其中37名駐守香港，1,840名駐守位於中國深圳的廠房，而32名則駐守位於韓國的研發中心。

僱員的酬金政策及組合是根據彼等的表現、工作經驗及市況釐定。除基本薪金，退休計劃及醫療計劃外，合資格僱員更可按董事會之酌情權及因應本集團的財務業績及個別僱員的表現獲發酌情購股權及表現花紅。

致謝

最後，管理層及員工全人於年內為集團盡心服務，本人謹藉此致以衷心謝意。

行政總裁
梁在星

香港，二零零五年四月十五日