

CHAIRMAN'S STATEMENT 主席報告書

Facing the increasing competition and taking into account current development, the Group plans to adopt "restructuring, rectification, adjustment and development" as the overall policy and aims at resuming profitability in a short period of time and becoming one of the top eight players in PRC's refrigerating industry in the short run.

面對競爭日趨激烈的行業形勢，以及根據集團的發展現狀，本集團計劃以「重組、整頓、調整、發展」為總體方針，力爭在短期內實現集團經營扭虧為盈的目標，並於不久將來成為中國製冷行業前八強。

Fang Hongbo Chairman
方洪波 董事長



FINANCIAL HIGHLIGHTS

Turnover of Hualing Holdings Limited (the "Company" or "Hualing") and its subsidiaries (the "Group") amounted to approximately HK\$1,891,483,000 for the year ended 31st December 2004 (2003: HK\$1,573,322,000), representing an increase of approximately 20% as compared to the same period of last year. The audited loss attributable to shareholders amounted to approximately HK\$628,755,000 (2003: HK\$76,976,000). The Board does not recommend the payment of any final dividend for the year ended 31st December 2004.

BUSINESS HIGHLIGHTS

During the year under review, competition of the industry was further intensified and the operation environment was much stiffer as a whole with the prices of raw materials continued to increase. Looking internally, factors such as limitation of capital, unhealthy corporate mechanism, inefficient organization structures, low management standard and shortage of high-calibre staff affected the development of the Group significantly. Facing the complicated and merciless operating environment both internally and externally, Hualing experienced an extraordinary difficult year in 2004 which was made possible by the efforts of our staff. Sales

財務摘要

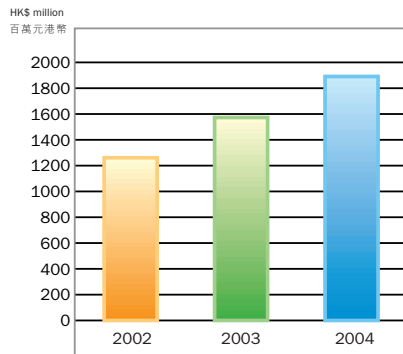
截至二零零四年十二月三十一日止年度，華凌集團有限公司（「本公司」或「華凌」）及其附屬公司（以下統稱「本集團」）的營業額約達港幣1,891,483,000元，（二零零三年：港幣1,573,322,000元），較去年同期增加約20%。經審核股東應佔虧損約為港幣628,755,000元（二零零三年：港幣76,976,000元）。董事會不擬派發截至二零零四年十二月三十一日止年度之末期股息。

業務摘要

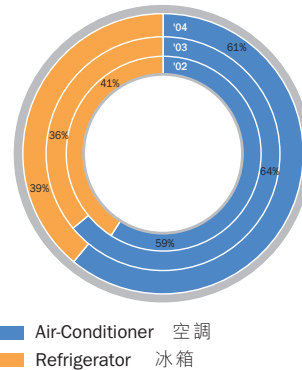
回顧年內，整個行業經營形勢進一步嚴峻，行業競爭更為激烈，原材料價格持續上漲。從集團內部來看，資金瓶頸、企業機制不合理、組織機構臃腫、管理水平、人才匱乏等問題嚴重影響集團發展。面對二零零四年複雜而殘酷的內外部環境，在全體員工的努力之下，艱難地度過了不平凡的一年。二零零四年本集團實現

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Turnover of the Group
本集團營業額

For years ended 31st December 2002-2004
截至二零零二年至二零零四年十二月三十一日止年度

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

For years ended 31st December 2002-2004
截至二零零二年至二零零四年十二月三十一日止年度

income of the Group in 2004 amounted to approximately HK\$1,891 million, representing an increase of 20% over the previous year. The sales volume of air-conditioners reached 830,000 units of which 419,200 units sold domestically and 410,800 units were exports, representing an increase of 17% and 24% over the previous year respectively. The sales volume of refrigerators registered 1,153,000 units of which domestic sales accounted for 360,000 units while exports totaled 793,000 units, representing an increase of 1% and 85% over the previous year respectively.

In 2004, the export volume of the household appliances from the People's Republic of China ("PRC") continued to maintain its rapid growth momentum. The total export volume of air-conditioners reached 25,720,000 units, representing a growth rate of 52.9% compared with last year. The total export volume of refrigerators amounted to 13,000,000 units, representing a growth rate of approximately 50% over last year.

銷售收入約港幣18.91億元，同比增長20%。其中空調銷售83萬套，內銷41.92萬套，同比增長17%；出口41.08萬套，同比增長24%。冰箱共銷售115.3萬台，內銷36萬台，同比增長1%；出口79.3萬台，同比增長85%。

二零零四年，中華人民共和國（「中國」）家電的出口保持高速增長，空調總出口量達2,572萬台，較去年同期增長52.9%；冰箱總出口量約達1,300萬台，較去年同期增長50%左右。

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In November 2004, the Midea Group Co., Ltd. ("Midea Group") took over the operation management of the Group and smoothened the communications both internally and externally. Leveraging on the strong back-up from Midea Group and the dedication of the entire staff, the Group preliminary relieved the problem of capital constraint, radically reformed the operation mechanism, fully reinstated the Group's reputation and brand image, and actively pushed forward the streamlining of organization and personnel. All of these resulted in the overall gradual improvement of the Group's operation and laid a good foundation for an entire recovery in 2005.

Facing the drastic rise in the prices of key raw materials of household appliances, and the extremely high operating cost of old Hualing, the Group conducted an overall review on Hualing's cost structure which brought about a substantial reduction in management fee, and enforced the cut-down of non-operating expenditure. Through the introduction of the comprehensive bidding system for procurement and taking advantage of the resourceful supply chain of Midea, the procurement cost was trimmed down significantly.

In sales management, the mode of sales was shifted from "salesperson" to "team sales". Aiming at rebuilding the Hualing brand and uplifting the corporate image as well boosting its influence in the market, measures were taken to strengthen the establishment of channel network, enhance the formation of sales team, establish preliminary the structure of sales flow and increase market promotion.

The Group highly focused on and invested more resources in the research and development of products. Over 200 R&D development projects regarding new air-conditioners and refrigerators were completed which further increased its product competitiveness in the market.

With the introduction of the advanced management model from Midea Group, a full set of management tools was established gradually and well in place to enhance the internal management standard and the establishment of information system. This has led to an initial improvement of the Group's inefficiency in its overall business.

於二零零四年十一月，美的集團有限公司（「美的集團」）全面接手本集團經營管理，對公司內外部環境進行全面梳理和溝通。在美的集團的支持以及全體員工共同努力下，企業的資金瓶頸問題得到初步緩解，在企業運營機制方面進行了大刀闊斧的改革，全面恢復企業信譽及品牌形象，積極推進組織和人員精簡工作，本集團整體營運情況逐漸好轉，取得了初步的成果，為二零零五年本集團全面恢復發展奠定了良好的基礎。

面對家電行業關鍵原材料價格大幅度上升以及老華凌過去營運費用過高的現實，本集團全面檢討華凌成本結構，大幅度削減管理費用，強制性壓縮非經營性支出。通過全面引入採購招標競價機制及共享美的供應鏈資源優勢，大幅度下降採購成本。

營銷管理方面，從過去「個人營銷」轉向「體系營銷」，加強渠道網絡建設，加強營銷人才隊伍的建設，初步搭建起營銷制度流程體系，同時加大市場推廣力度，重塑華凌品牌，提升企業形象和市場影響力。

產品研發方面，本集團着重產品研發工作，加大資源投入，年度內本集團共完成了空調及冰箱新產品開發方案達200多個，進一步提升產品的市場競爭力。

本集團引進美的集團先進的管理模式，逐步建立起一套完整的管理模式，提高內部管理水平，同時加強信息化建設，本集團整體營運效率得到初步的提升。

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FUTURE DEVELOPMENT

Facing the increasing industry competition and taking into account current development, the Group plans to adopt "restructuring, rectification, adjustment and development" as the overall policy. By focusing on air-conditioner and refrigerator business, further optimization of organizational structure and human resources, increasing investment in the research and development of new products, shifting of sales strategy, producing high quality products, strictly tightening cost control and further enhancement of the information system, the Group aims at resuming profitability in a short period of time and becoming one of the top eight players in PRC's refrigerating industry in the short run.

Business Development Strategy

Hualing's will focus on the air-conditioner and refrigerator business and meanwhile scale down or close the non-core business in the very near future. The Group will dedicate and specialize in the main business of air-conditioner and refrigerator.

Human Resources Strategy

The Group will continue to rationalize the organizational structure and optimize human resources to establish a simplified, high efficient and dynamic operation management model and enhance management in human resources. Through implementing Midea Group's corporate culture to build up teamwork and its own business culture in order to regenerate the Company's vigor and vitality.

Research and Development Strategy

Adhering to the "market-oriented" principle, the Group's products will be positioned as medium-to-high end products by increasing investment in technological research and development, strengthening the incubation in core technology, facilitating product research and development, consistently improving product competitiveness, and achieving technological leading position and product diversification.

未來發展策略

面對競爭日趨激烈的行業形勢，以及根據本集團的發展現狀，本集團計劃以「重組、整頓、調整、發展」為總體方針，專營空調和冰箱業務，進一步優化組織架構及人才結構，加大新產品研發投入，轉變營銷策略，實施高品質戰略，嚴格控制成本，進一步加強信息化運作，力爭在短期內實現本集團經營扭虧為盈的目標，並於不久將來成為中國製冷行業前八強。

業務發展策略

華凌主營業務將以空調和冰箱為主，迅速緊縮或關閉非主營業務，全力以赴，做好、做精空調、冰箱主營業務。

人力資源策略

繼續完善組織架構調整，優化人才結構，建立精簡、高效、有活力的管理運作模式，加強人力資本管理。全面輸入美的的企業文化，促進團隊建設和企業文化建設，全面恢復企業的生機和活力。

研發策略

堅持以「市場為導向」，堅持產品中高端路線，加大技術研發投入，加強核心技術能力的培育，加快產品開發，不斷提升產品競爭力，努力實現技術領先優勢和產品差異化。

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Sales Strategy

To change the "salesperson" concept completely and strengthen training in team sales. Meanwhile, to focus on improving the quality of team sales and increasing the core competitiveness of the overall sales system. With Guangzhou, Jiangsu, Sichuan and Chongqing as the main markets, the Group targets at developing Shanghai, Anhui and Huadong market and to get through the Beijing market. For overseas sales, the Group will further develop and expand in overseas markets, consolidate further the international air-conditioner business and Zhongxue's export department, establish new overseas sales companies to secure rigid growth in export scale effectively and systematically and to enhance its international competitiveness.

High Quality Strategy

The Group will adopt the high quality strategy and its products will be positioned as medium-to-high end products for the manufacture of "fine works" by adding value to the products. It will strengthen quality control and adhere to the "quality-oriented" principle, endeavor in production and quality management while striving to lower cost without giving way to quality.

Cost Strategy

Tightening of cost control with vigor, continued enforcement of cutting-down non-operating expenditure. In addition, taking full advantage of Midea's resources platform to effectively reduce cost and broaden the scope of business development. In controlling the growth of procurement cost, the Group will push forward the cost management in quality and design with emphasis on cost management in workshop. Labour efficiency will further be improved to realize the target of lowering refrigerators production cost by 10% and air-conditioners production cost by 7%.

營銷策略

徹底轉變「個人營銷」理念，加強體系營銷能力培育，逐步完善營銷體系；同時着重提高營銷隊伍的素質，增強整個營銷體系的核心競爭力。內銷市場主要以廣東、江蘇、浙江、四川、重慶為重點，着重發展上海、安徽、華東市場，打通京廣線市場。海外銷售方面，加大海外市場建設和擴張，同時在組織上集團將進一步整合空調國際業務部和中雪的出口部，成立新的海外營銷公司，為出口規模的迅速增長提供有效的組織保障，提升參與國際競爭的能力。

品質策略

本集團將實施高品質戰略，產品定位於中高端路線，提高產品附加值，打造華凌「精品」。加強品質控制，遵從「品質領導一切」的原則，狠抓生產管理和質量管理，努力降低質量成本。

成本策略

實行剛性的成本控制，繼續強制性壓縮非經營性支出，同時充分利用美的的資源平臺，大力壓縮成本，拓展營運空間。在控制採購成本上漲幅度的基礎上，持續推進降低顯性成本、質量成本、設計成本，重點加強對車間成本進行管理，大力提高勞動效率，實現冰箱成本下降10%、空調成本下降7%的目標。

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Information System

The Group will invest more in the information system and focus on building up sales information system in 2005. Based on the existing information system and taking into account the needs of development, reform will be carried out for the current financial, logistic, official and other information system in order to enhance the overall standard and efficiency of sales platform and management platform and to secure the fulfillment of the Group's business development demand.

ACKNOWLEDGEMENT

I would like to express my sincere gratitude to the Board, the management team and all the staff for their dedication to the Group's development. I would also like to convey my cordial thanks to the shareholders for their support. The Group will make every endeavor to the best running and management of the company, and to reverse from loss in a short period of time so as to maximize return for the shareholders.

By order of the Board

Fang Hongbo

Chairman

Hong Kong, 22nd April 2005

信息化建設

本集團將加大信息系統投入力度，二零零五年重點建設營銷信息系統，同時在現有信息系統的基礎上，根據業務發展需要，改革財務、物流、辦公等系統，全面提高營銷平臺及管理平臺的整體水平和效率，確保滿足本集團業務發展的需要。

致意

最後，本人謹借此機會，再一次感謝董事會各董事、各管理人員及全體員工，感謝大家為本集團的發展不斷作出的努力和貢獻。同時本人也衷心感激股東們的支持，本集團所有員工必將竭盡所能，努力經營和管理好公司，爭取在短期間使本公司能夠扭轉目前虧損的局面，為股東們帶來最大的回報。

承董事會命

董事長

方洪波

香港，二零零五年四月二十二日