

總裁報告

本人謹代表台和商事控股有限公司向各股東提呈截至二零零五年三月三十一日止年度之週年報告。

本人藉此感謝各員工對集團之貢獻及努力，共渡艱難的營商環境及確保集團於過去一年成績令人鼓舞。

業績及股息

截至二零零五年三月三十一日止年度，本集團之營業額為十二億二千五百八十萬港元（二零零四年：八億四千一百六十萬港元），比去年財政年度增長百分之四十五點七。

截至二零零五年三月三十一日止年度，本集團錄得經營溢利二千四百六十萬港元（二零零四年：一千六百四十萬港元），比二零零四年增長百分之五十。除稅及少數股東權益後之綜合淨盈利二千零四十萬港元（二零零四年：一千四百五十萬港元），比去年

同期增長百分之四十點七。每股基本盈利為9.60港仙（二零零四年：9.13港仙）。董事局建議向於二零零五年八月十二日名列本公司股東名冊之股東派發末期股息每股2港仙。如股東週年大會上獲股東通過，末期股息將於二零零五年九月十二日派發。本年度集團宣佈已派發中期股息每普通股派1港仙或可選擇認股權証方案，每五股普通股收取一股認股權証。因此，中期股息以現金支付總額約收取一百二十萬港元及配發二千八百八十四萬三千二百零九股認股權証。

PRESIDENT'S STATEMENT

On behalf of Daiwa Associate Holdings Limited, I would like to present to shareholders the Group's audited report for the year ended 31 March 2005.

I am taking this opportunity to express our gratitude to the Group's staff for their contributions enabling the Group to work through a tough business environment and securing an encouraging performance for the preceding year.

RESULTS AND DIVIDEND

Turnover of the Group for the year ended 31 March 2005 is HK\$1,225.8 million (2004: HK\$841.6 million), which representing an increase of 45.7% from that of the previous fiscal year.

The Group has recorded an operation profit of HK\$24.6 million for the year ended 31 March 2005 (2004: HK\$16.4 million), an increase of 50% from the year of 2004. The consolidated net profit after taxation and minority interests is HK\$20.4 million (2004: HK\$14.5 million)

represents a growth of 40.7% from last reported year. The basic earnings per share is HK9.60 cents (2004: HK9.13 cents). The Board of Directors has recommended a final dividend of HK2 cents per ordinary share payable to shareholders whose names appear on the Register of Members of the Company on 12 August 2005. Subject to the shareholders' approval at the forthcoming annual general meeting, the dividend will be payable on 12 September 2005. During this year, the Group announced an interim dividend of HK1 cent per ordinary share with Warrant Alternative of 1 warrant for every 5 ordinary shares. As a result, cash interim dividend amounted to HK\$1.2 million and 28,843,209 warrants were distributed.



河源廠區

The Heyuan Factory Site

流動資金及財務資源

於二零零五年三月三十一日，本集團之流動資產淨值達一億八千六百一十萬港元，而股東資本為三億四千七百二十萬港元（二零零四年：二億八千零一十萬港元）。貸款與融資租約承擔總額為七千一百八十萬港元，而資本負債比率（即總借貸不包括少數股東權益及遞延稅項後除以股東資金）為0.21。年底現金及銀行結餘為六千五百萬港元。

於二零零五年三月三十一日，本集團所獲之總銀行信貸額約一億八千一百萬港元，其中仍可動用之信貸額為九千四百萬港元。在同日融資租約承擔為八百九十萬港元。

本集團之資產大部份由股東資金、應付營業賬項及銀行借貸組成。除了一項中期銀行貸款分期於兩年內償還外，應付營業賬項及銀行借貸需於一年內償還。借貸、現金及現金等額主要以港元、美元及人民幣為單位。由於本年度這些貨幣匯率較為浮動，本集團使用外幣遠期合約以對沖某些外幣應付款，以控制外幣交易帶來之風險。本集團亦監控與以上貨幣組合有關之借貸、應付賬、現金及現金等額，以減低融資成本及匯兌風險。集團之貸款均按浮動息率計算。

於二零零四年九月底，集團完成105,873,066股每股面值0.45港元之供股。扣除有關費用後，供股共籌得四千七百萬港元用於收購Elite Century Holdings Limited，該公司主要於加拿大從事電腦產品及配件經銷業務。由收購所出現之商譽為二千六百萬港元，此收購有利集團於北美洲發展數碼產品市場及增加產品及市場的組合。股東權益及總資產淨值亦因而加強集團將來籌集外來資金的能力。

LIQUIDITY AND FINANCIAL RESOURCES

At 31 March 2005, the Group's net current assets amounted to HK\$186.1 million and the shareholders' funds were HK\$347.2 million (2004: HK\$280.1 million). The total bank loan and finance lease was 71.8 million and the gearing ratio which is defined as total borrowings, excluding minority interests and deferred taxation to shareholders' funds, was 0.21. The year-end cash and bank balances were HK\$65 million.



消費電子產品
Consumer Electronics Product

At 31 March 2005, total available banking facilities of the Group were approximately HK\$181 million, of which HK\$94 million was available for use. Finance lease obligations outstanding on the same date amounted to HK\$8.9 million.

The Group's assets are mostly financed by shareholders' funds, trade payables, finance lease and bank borrowings. While a medium term bank borrowing is repayable by instalments within two years, trade payables and bank borrowings are

repayable within one year. The borrowings, cash and cash equivalents mainly denominated in Hong Kong dollars, US dollars or Renminbi. Facing the fluctuation of exchange rates during the year, the Group has engaged in foreign currency forward contracts with banks to hedge certain foreign currency trade payables to control the risk in foreign currency transactions. The Group also monitors the mix of the borrowings, trade payable and cash and cash equivalents relating to these currencies to minimize the effect of the finance cost and exchange risk. The Group's borrowings are bearing interest at floating rates.

At the end of September 2004, the Group completed a right issue of 105,873,066 Right Shares at a price of HK\$0.45 each. After deduction of related expenses, HK\$47,000,000 was raised from the right issue to finance the acquisition of Elite Century Holdings Limited, a company mainly engaged in the distribution of computer products and accessories in Canada. Goodwill arisen from this acquisition was about HK\$26 million. This acquisition enables the Group to develop the digital product market in North America and benefits the Group from the enlarged product and market mix. The shareholders' equity and total net assets have been strengthened that enhances the Group's ability to raise further funds by external debts.

集團於中期業績宣佈派發現金股息或可選擇每五股普通股收取一股認股權証，初步認購價為每股認股權証以0.50港元認購一股普通股，認股權証有效期為二零零五年二月二十五日至二零零八年二月二十四日。於二零零五年二月底，集團發行28,843,209股認股權証，代替可選擇現金中期股息。如所有認股權証全面行使，將可額外籌得一千四百四十萬港元給集團作為未來投資之用。

The Group declared a cash dividend with Alternative Warrants of 1 Warrant for every 5 ordinary shares in the interim result announcement. The initial subscription price for one ordinary share is HK\$0.50 and the warrants are valid from 25 February 2005 to 24 February 2008. At the end of February 2005, the Group in result issued 28,843,209 warrants as an alternative of cash interim dividend. If the warrants are fully exercised, there will be additional funds of HK\$14.4 million which will facilitate the Group's future investment.

由於本年度經銷及製造業務繼續擴充發展，營業額因而增加，存貨水平輕微上升至一億八千八百一十萬港元（二零零四年：一億三千一百二十萬港元），管理層滿意庫存平均流轉控制在低於六十天。



數碼產品 — MP3隨身聽
Digital Product — MP3 Player

Both distribution and manufacturing businesses continue their expansions. Turnover in the reported year was increased and inventory level was relatively increased to HK\$188.1 million (2004: HK\$131.2 million). The management is pleased to keep the average stock turnover controlled to below 60 stock turnover days.

業務回顧及前景

BUSINESS REVIEW AND PROSPECT

本集團致力於以下三項主要業務：

The Group is engaged in three major

businesses, namely:

- 合約電子專業生產服務(EMS)及原產品設計及生產(OEM and ODM)業務
- 電子元器件—經銷及製造業務
- 個人電腦及數碼產品—經銷及製造業務
- EMS (Contract Electronic Manufacturing Services), OEM and ODM business
- Electronic Components — Distribution and Manufacturing
- Personal Computer and Digital Products — Distribution and Manufacturing

合約電子專業生產服務(EMS)及原產品設計及生產(OEM and ODM)業務

EMS (Contract Electronic Manufacturing Service), OEM and ODM

本年度，EMS、OEM及ODM業務充滿挑戰性，但成績令人鼓舞。此部份之營業額錄得四億三千九百五十萬港元（二零零四年：三億一千一百五十萬港元），比去年同期顯著增長百分之四十一點一。

Business of EMS, OEM and ODM in the reported year is encouraging and challenging. Turnover for this sector recorded a substantial increased by 41.1% to HK\$439.5 million for the reported year (2004: HK\$311.5 million) when compared with last year.

合約電子專業生產服務(EMS)

本年度EMS製造業務成績是另一個成功的一年，此部份之營業額為二億一千七百四十萬港元(二零零四年：一億七千八百八十萬港元)，比去年同期上升百分之二十一點六。

合約電子專業生產服務是集團其中一個主要業務，集團繼續集中改善管理及品質系統，以達到產品在時間及品質上之高度要求。此外，集團已安裝先進機器以生產更精密及高質素產品。本年度，EMS車間已獲得ISO14001及ANSI/ESD S20.20品質證書，加上之前已得到的ISO9001及QS9000認可資格，EMS車間之品質系統已可以迎合大部份客戶的嚴格品質要求。



OEM產品
OEM products

原產品設計及生產(OEM and ODM)業務

本年度原產品設計及生產(OEM, ODM)電子消費產品製造業務有著重大的躍進，由於成功的爭取到大規模新客戶下的訂單，此部份之營業額為二億二千二百一十萬港元(二零零四年：一億三千二百七十萬港元)，比去年同期大幅增加百分之六十七點三。

EMS

The EMS manufacturing business has performed another successful year. The turnover of this sector was \$217.4 million, which represents a growth of 21.6% (2004: HK\$178.8 million) when compared with last reported year.

As Electronic Manufacturing Services is one of the Group's major businesses, the Group has focused on the continuous improvement on the management and quality system to cope with the time and quality demanding products. By the installation of up-to-date machineries, the Group is capable to handle more high precision products. In the reported year, the EMS workshops were awarded the ISO14001 and ANSI/ESD S20.20 quality certifications. Together with the previous certified ISO9001 and QS9000 qualifications, the quality system of the EMS workshops can cater for most customers with critical quality requirements.

OEM and ODM

In the reported year, the OEM and ODM manufacturing business of consumer electronic products has a leap of growth. With the contribution from new customers of the massive merchants, turnover of this sector grew to HK\$222.1 million, which represents a remarkable increase of 67.3% when compared with the last reported year (2004: HK\$132.7 million).

集團長期維持穩定業務於具合理毛利率之中價電子消費產品，由於集團在OEM及ODM業務已有超過二十年之經驗，集團成功獲得供應給美國及歐洲大型超市之大規模客戶之訂單。為了改變由中型高質客戶設計生產管理系統至低毛利大數量標準生產系統，集團已付可觀的成本以調整管理系統。因此，令去年下半年此項目之經營溢利帶來負面影響。現時集團已有效率地重組管理系統，並欣然見到生產成本已控制至收支平衡水平。為了進一步減低生產成本，此業務將會搬至於國內河源之新廠房，管理層預期此方面業務於未來數年將有可觀之貢獻。



電子元器件 — 經銷及製造業務

本年度此部份成績繼續令人滿意，營業額為六億一千一百九十萬港元，比去年同期增長百分之十五點四（二零零四年：五億三千零一十萬港元）。而經營盈利亦大幅增至九百九十萬港元（二零零四年：五百九十萬港元）

電子元器件經銷業務

本年度此部份之營業額錄得四億七千四百九十萬港元（二零零四年：四億二千八百一十萬港元），與去年同期比較增長百分之十點九。

The Group has long maintained steady business in middle price consumer electronic products with fair gross profit margin. With over two decades of experience in OEM and ODM business, the Group successfully gained new customers in supplying to Mega-stores of USA and Europe. To change the management system from medium batches of high quality custom design production to low profit margin massive quantity and standard production, the Group paid considerable cost in management adjustments which adversely affected the operating profit of this sector in the second half of this fiscal year. After efficient re-engineering of management system, the Group is happy to see

that the cost of production is being controlled to the break-even level. To further lower down the cost of production, the sector will move to its new factory site in Heyuan, PRC. The management believes that the business would have an aggressive contribution to the Group in the near future.

ELECTRONIC COMPONENTS – Distribution and Manufacturing

EMS專業代工產品 EMS products

The result of distribution and manufacturing of electronic components for the year is satisfactory. The turnover was HK\$611.9 million, representing a growth of 15.4% when compared with last reported year (2004: HK\$530.1 million). The operating profit greatly increased to HK\$9.9 million (2004: HK\$5.9 million).

Electronic Components Distribution

The turnover of this sector was HK\$474.9 million which represented an increase of 10.9% (2004: HK\$428.1 million) from last reported year.

本年度，電子元器件需求增長穩定，集團已成功與三家電子元器件製造商簽訂授權經銷協議，分別為 Chino-Excel Technology Corp (CET)、Elan Microelectronics Corp (ELAN)及MCS Logic Ltd (MCS Logic)。集團亦為東芝、松下、安森美(On-Semiconductor)、Lite-on及阿諾德磁材(Arnold Magnetics)於香港及國內之授權經銷商，集團經銷一系列之電子元器件及半導體零件，此等零件可應用於多種類之影音產品、光碟產品、電子玩具、電源、家電、空調及大部份電子消費產品等。

集團在深圳、上海及北京之銷售分公司表現理想。經過多年經驗及市場開發，國內銷售分公司已日趨完善。除了作為輔助香港總辦事處提供物流支援外，這些國內辦事處已擴展其範疇至發展及開發地區性市場，並顯著地為集團帶來新商機及可觀利潤。深圳銷售部更已成為香港銷售隊伍與已將經營基地搬到廣東區域客戶間的一個重要聯繫基地。



QA品質確認部
QA Division

In this reported year, demand for electronic components grew steadily. The Group had successfully signed authorized distributorship with three electronic components manufacturer namely Chino-Excel Technology Corp. (CET), Elan Microelectronics Corp. (ELAN) and MCS Logic Ltd. (MCS Logic). Being one of the leading authorized distributors for Toshiba, Panasonic, On-semiconductor, Lite-on, Arnold Magnetic in Hong Kong and China, the Group distributes series of electronic components and semi-conductors with wide range of application such as audio and video products, CD products, electronic toys, power supplies, household appliances, air-conditioners and most of the consumer electronics.

The sales offices in Shenzhen, Shanghai and Beijing performed well. After years of experience and market development, these PRC sales offices are well established. Other than acting as auxiliary offices to and provision of logistic support for Hong Kong head office, these PRC offices have extended their business scope to develop and explore markets in local regions. As a result, they have gained significant new opportunities as well as good profit contribution to the Group. Shenzhen office now is also an important liaison station

between Hong Kong sales teams and its customers who have moved their operation base into Guangdong region.

電子元器件製造

本年度此部份之業務激烈競爭，但有賴銷售隊伍及製造隊伍致力合作，電子元器件製造業務之營業額為一億三千七百萬港元（二零零四年：一億零二百萬港元），與去年同期比較增加百分之三十四點三。

二極管及三極管

本集團製造及銷售集團註冊商標「COS」之二極管及三極管，製造產品包括環氧樹脂封裝之TO92、SOT23三極管及DO41二極管、玻璃封裝之DO35、DO34及微型MELF貼片型二極管。

Electronic Components Manufacturing

Manufacturing of electronic components is under keen competition in the reported year. By the joint devotion of sales teams and manufacturing teams, turnover of Electronic Component Manufacturing was HK\$137 million (2004: HK\$102 million), which represents an increase of 34.3% when compared with the same period of last reported year.

Diodes and Transistors

The Group manufactures and markets Diodes and Transistors under the Group's trademark "COS". Products manufactured includes epoxy encapsulated TO92, SOT23 and DO41 Transistors and Diodes, glass sealed DO35, DO34 and mini-MELF diodes.

二極管營業額與去年比較上升百分之三十三點八。本年度，二極管銷售成績有令人滿意之增幅，但是毛利率則稍為下降。玻璃封裝之DO35、DO34及微型MELF貼片型二極管之生產量已增至每月一億二千萬粒。同時，集團已獲得STM (SGS-Thompson Microelectronics)認可生產DO35及微型MELF封裝，此更能增強集團於品質系統及科技之認知。

集團亦於雲浮工廠安裝了DO41二極管新生產設備，令總生產量擴大百分之五十至每月七千萬粒。

TO92及SOT23之需求於本年度快速恢復，本年度營業額與去年比較顯著上升百分之一百三十，而毛利貢獻則增加超過百分之二百。

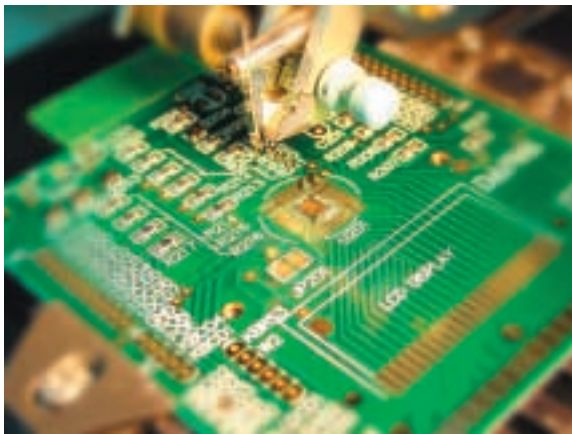
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此部份營業額與去年比較增長百分之二十二點七。此部份因包括銅線及膠樹脂等材料價格持續上升，因而面對較大之壓力，管理層於本年度已執行謹慎的成本控制及價格政策，但是此項目仍處於虧損狀態。

Turnover of Diodes was increased by 33.8% when compared with last reported year. Sales performance of Diodes in the reported year achieved satisfactory growth with a slightly drop in gross profit percentage. Manufacturing of glass sealed DO35, DO34 and mini-MELF diodes was increased to monthly capacity of 120 million pieces. In addition, the Group has been qualified by STM (SGS-Thompson Microelectronics) to produce DO35 and Mini-MELF packages for the company which brings further knowledge in quality and technologies.

The Group has also installed new DO41 diode production facilities in the reported year in Yun-fu factory and has enlarged the total capacity of this package by 50% to 70 million pieces per month.

Demand for TO92 and SOT23 in the reported year recovered quickly. Turnover for the reported year increased significantly by 130% from last reported year. The gross profit contribution also increased by more than 200%.



線焊工序
Wire Bonding Process

Wire and harnesses

Turnover of this sector grew by 22.7% from last reported year. This sector has been under great pressure of increasing material cost including copper wire and plastic resin. Management of this sector has executed careful cost control and pricing policy during the year but yet, profit contribution of this sector was negative.

電腦產品及配件經銷及製造業務

集團最近已收購Elite Century Holdings Limited及其附屬公司，該公司主要業務是在加拿大經銷個人電腦及配件（「Daiwa Canada」）。收購於二零零四年九月底完成，下半年之營運業績亦已錄入本財政年度內，此方面業務在期內持續穩定。Daiwa Canada已從事電腦業務十四年，並與供應商關係緊密，亦維持良好之銷售網絡及市場滲透能力。

Daiwa Canada為多間具名氣的電腦產品 — MSI (Microstar), ECS, KDS, SMC, Thermaltake, Mercury及GVC的授權經銷商，Daiwa Canada亦為Microsoft聯營經銷商及Intel, AMD, Epson, Netgear及HP之商業伙伴。集團收購Elite Century Holdings Limited及其附屬公司後，將會發展國內供應網絡及揉合集團的數碼消費產品製造業務和Daiwa Canada的銷售網絡以產生協同作用。



集團代理之電子元器件
Electronic Component that the Group distribute

PERSONAL COMPUTER AND DIGITAL PRODUCTS – Distribution and Manufacturing

The Group has recently acquired a company, Elite Century Holdings Limited and its subsidiaries that mainly distribute computer products and accessories in Canada (“Daiwa Canada”). As the acquisition was completed at the end of September 2004, operating result of second half year was incorporated in the reported financial year. The business of this sector was steady during the period.

As Daiwa Canada had been involved in computer business for 14 years, it has

established close relation with suppliers and has maintained good sales network as well as good market penetrations throughout Canada. Daiwa Canada is the authorized distributor of renown brand names of PC products such as MSI (Microstar), ECS, KDS, SMC, Thermaltake, Mercury and GVC. Daiwa Canada is also an associate distributor of Microsoft and business partner of Intel, AMD, Epson, Netgear and HP. After joining the Group, this sector began to develop supplier chain in

PRC and also started to market the Group's digital consumer products in Canada. The acquisition enables a good synergy to merge the Group's manufacturing capability and Daiwa Canada's sales network.

員工

於二零零五年三月三十一日，本集團共聘用約六千名僱員，其中香港有一百二十名，加拿大有僱員約一百名，其餘大部份為駐國內各生產基地之僱員。業務員之薪酬包括工資及佣金，佣金是按個人營業指標而釐定；一般僱員除薪金外，可享有年終花紅，數額因應部門之盈利及個人表現評估而決定。集團亦提供強積金及醫療福利給予所有香港僱員。於此報告時期，沒有僱員被授予購股權。

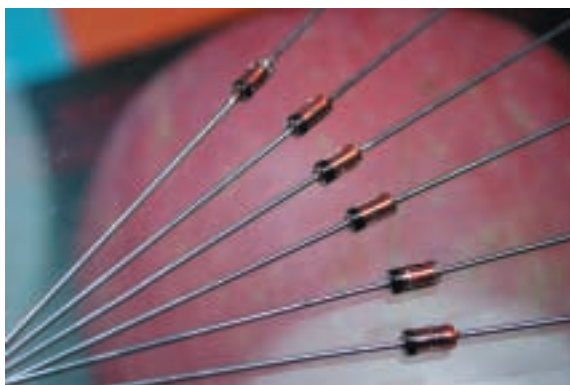
EMPLOYEES

At 31 March 2005, the Group employed a total of approximately 6,000 employees of which 120 were Hong Kong based and 100 were employee in Canada. Most of the others were PRC employees in different production sites. Sales personnel are remunerated by salaries and incentives in accordance with the achievement of their sales target. General staff are offered year-end discretionary bonuses, which are based on the divisional profit and individual appraisals. The Group also provides a Mandatory Provident Fund and medical benefits to all Hong Kong employees. During the reported period, no share options were granted to employees.

業務前景

EMS業務仍在繼續發展中，本集團獲得日本及歐洲客戶的滿意認同，使EMS業務在來年仍會有相當良好的增長。此外，本集團亦獲客戶信任，以委托形式投資新的貼片SMD生產設備於集團之工場，使集團能以低資本投資增加產能額。

本集團購買的位於國內河源可用總面積二十萬平方米之土地，將會用於擴充現有的生產基地。為了減低東莞生產基地電力及勞工短缺，兩座生產廠房已在河源生產基地落成。該兩座生產廠房將於今年八月投入生產，生產範圍將會集中於密集式零售消費產品。除現有的電子生產設備外，集團將會設立新的塑膠注塑廠房，以供應本集團大部份以往外購的塑膠零件。本集團有信心相信此安排將會減低員工成本，能源成本及物料成本，同時使本集團較其他競爭者有明顯的優勢。



玻璃二極管
Glass Diodes

本集團在去年成立的數碼業務部門，本年度在MP3隨身聽產品及USB記憶裝置產品表現非常成功。由於具備強大的產品設計、軟件及硬件，集團已得到具規模客戶的良好反應。

電子元器件經銷業務方面，本集團繼續擴大及加強現有的銷售隊伍，以便進一步進佔中國市場。集團新簽訂的品牌電子元器件將會進一步加強提供給客戶的全面解決方案。在上一個年度，本集團已開始加進閃存記憶及數碼元器件的業務行列，集團預計將能受惠於這個發展迅速的業務。

管理層相信來年將會是另一個美好的一年。

總裁
劉得選

香港，二零零五年七月十四日

FUTURE PROSPECT

The EMS business of the Group is still developing. The Group gains good recognition from customers in Japan and Europe. Business in this sector will have a considerable growth in the coming year. The Group has also gained new SMD production facilities from customer on consignment basis and further enables the Group's production capability with minimum capital investment.

The Group has acquired a land in Heyuan, PRC of usable area 200,000 sq. meters which provides a sizable site for future development of factory area. In order to minimize the impact of electricity and labor shortage in Dongguan area, two blocks of new factory buildings have been built in this site. Production in these two new blocks will commence in August of this year. The site will be assigned as the production base of massive merchant consumer products. Other than standard electronic production facilities, a new plastic injection factory will also be set up to provide most of the outsourcing plastic parts to the Group. The Group is confident that labor cost, power cost and material costs will be reduced and such cost reductions will enable the Group to be in a distinct position among competitors.

The new Digital Team which the Group set up last year has already performed successfully in designing MP3 products and USB memory drives. The strong product design, software and hardware team has already created good attractions from sizable customers.

In the Distribution of electronic components sector, the Group continues to expand and strengthen existing sales teams to explore more new market opportunities in PRC. The signing of distributorship of new brands of electronic components will further enhance the Group's total solution services to customers. The Group also starts to enter into the distribution of Flash Memories and Digital Components since last fiscal year and expects that the Group can share the benefit of fast market in this sector.

The management believes that the coming year will be another bright year of the Group.

LAU TAK WAN
President

Hong Kong, 14 July 2005