

Management Discussion and Analysis

Overview

During the six months ended 30 June 2005, the business environment was tough for electronic industry. Raw material price continued to maintain at substantially high level and pricing pressure from customers remained due to fierce market competition. As an upstream supplier in the industry supply chain, the Group was affected by the adverse market conditions. All in account, while the Group managed to increase turnover by 2.9% to HK\$282,573,000 for the six months ended 30 June 2005 (Six months ended 30 June 2004: HK\$274,742,000), gross profit dropped by 35.6% to HK\$32,661,000 as compared to HK\$50,752,000 of the corresponding period last year. The decline was mainly attributed to high raw material price and increasing labour cost.

Profit after taxation reduced by 71.7% to HK\$6,670,000 as compared to HK\$23,607,000 of the corresponding period last year. The net profit has incorporated a revaluation surplus of HK\$987,000 on land and buildings in Hong Kong against appreciation of property prices.

Starting from the year of 2005, the Group substantially reduced its reliance on research and development service from Kwang Sung Electronics Co., Ltd. ("Kwang Sung Korea"), and conducted most of its research and development activities in house. Reflecting its definite commitment to future growth, the Group increased its research and development expenses to sales from 2.8% in the first half of last year to 4.3% this year.

管理層討論及分析

概覽

截至二零零五年六月三十日止六個月，電子業的營商環境困難，原材料價格持續高企，因市場競爭激烈而造成客戶價格壓力。作為行業供應鏈的上游供應商，集團無可避免地受到市場不景氣所影響。基於以上種種因素，本集團截至二零零五年六月三十日止六個月的營業額輕微上升 2.9% 至 282,573,000 港元（截至二零零四年六月三十日止六個月：274,742,000 港元），而毛利則由去年同期的 50,752,000 港元下跌 35.6% 至 32,661,000 港元。毛利下降乃主要由於原材料價格高企及勞工成本持續上升所致。

除稅後溢利亦由去年同期的 23,607,000 港元下跌 71.7% 至 6,670,000 港元。溢利淨額中包括因香港物業價格上升而產生的 987,000 港元土地及樓宇重估盈餘。

自二零零五年起，本集團大幅減低依賴株式會社光星電子（「韓國光星」）為其提供研發服務，大部分研發活動已由內部之研發部門進行。為進一步加強其研發能力以促進未來發展，本集團的研發費與銷售額之比例由去年上半年的 2.8% 上升至回顧期內的 4.3%。

Business and Financial Review

Composite Components Business

Composite components business continues to be the core business of the Group. During the review period, the segment recorded a 7.4% increase in sales to HK\$231,332,000 (Six months ended 30 June 2004: HK\$215,295,000) when compared with the corresponding period last year. It accounted for 81.9% of the Group's total turnover (Six months ended 30 June 2004: 78.4%). The increase was mainly attributed to the net effect of organic growth in tuner module for car audio and portable device applications as well as the introduction of wireless application into the market and decrease in tuner modules for home audio business.

At the Group's continuous efforts in launching new models to secure more orders from after-market customers and car audio makers in Korea, the sales of tuner modules for car audio continued to report encouraging growth of 52.5% during the review period. Driven mainly by widespread MP3 application, tuner modules for portable devices also performed well, with sales increased 14.9% over that in the first half of 2004. The sales of tuner modules for home audio, on the other hand, dropped by 11.0% due to sluggish demand in consumer market.

In April 2005, the Group launched its wireless speaker system for home theater in-a-box, demonstrating its ability to consolidate radio frequency, power and amplifier technologies. Although the contribution from this new wireless application is still small at the moment, it will be a major source of revenue in the near future.

業務及財務回顧

複合元件業務

複合元件業務繼續為本集團的核心業務。於回顧期內，此業務之營業額較去年同期輕微上升 7.4% 至 231,332,000 港元（截至二零零四年六月三十日止六個月：215,295,000 港元），佔期內總營業額 81.9%（截至二零零四年六月三十日止六個月：78.4%）。上升主要由於汽車音響及可攜式裝置調諧器模組的本體增長，以及無線應用推出市場，抵消了家用音響調諧器模組之跌幅所致。

由於本集團不斷推出新型號產品，以爭取更多來自韓國售後市場客戶及汽車音響製造商的訂單，汽車音響調諧器模組的銷售額於回顧期內繼續錄得令人鼓舞的增長，升幅達 52.5%。可攜式裝置調諧器模組的表現亦十分理想，銷售額較去年同期上升 14.9%，主要由於 MP3 之應用更廣泛所致。另一方面，因消費市道疲弱，家用音響調諧器模組的銷售額下跌了 11.0%。

本集團於二零零五年四月推出應用於家庭影院的無線擴音器系統，充分顯示集團有能力結合射頻、能源及擴音技術。儘管現時來自此新無線應用的貢獻不多，然而此產品將於短期內成為本集團的主要收益來源。

Unit Electronic Components Business

Turnover generated from unit electronic components business for the six months ended 30 June 2005 decreased by 13.8% to HK\$51,241,000 (Six months ended 30 June 2004: HK\$59,447,000), accounting for 18.1% of the Group's total turnover (Six months ended 30 June 2004: 21.6%). The decrease mainly reflected that more and more customers shift to purchasing composite components instead of unit electronic components.

Research and Development

After operation of the Group's Korea research and development centre for nearly two years, the Group has taken up most of research and development functions from Kwang Sung Korea. The research and development centre has five teams covering audio tuners, switching mode power supplies, wireless/mechanical design, digital broadcasting/software and unit electronic components. Meanwhile, the Group reinforced its research and development functions in the PRC by transferring key research and development staff for tuner modules from Korea to the PRC in July 2005. Its plan is to build a customer-focused research and development workforce in the PRC.

Operating Expenses

Total operating expenses for the Group for the six months ended 30 June 2005 was HK\$29,203,000 (Six months ended 30 June 2004: HK\$25,270,000). These expenses represented 10.3% of the Group's turnover for the six months ended 30 June 2005 (Six months ended 30 June 2004: 9.2%). The increase primarily reflected the Group's investment in enhancing its research and development functions.

單位電子元件業務

截至二零零五年六月三十日止六個月，單位電子元件業務之營業額下跌 13.8% 至 51,241,000 港元（截至二零零四年六月三十日止六個月：59,447,000 港元），佔總營業額的 18.1%（截至二零零四年六月三十日止六個月：21.6%）。下跌主要反映越來越多客戶由單位電子元件轉為採購複合電子元件。

研究與發展

隨著韓國的研發中心已運作近兩年，本集團已由該中心取代韓國光星負責之大部分研發工作。現時，研發中心共有五個小組，負責音響調諧器、開關電源器、無線／機械設計、數碼廣播及軟件及單位電子元件。目前，本集團於二零零五年七月透過調派韓國有關調諧器模組的主要研發員工至中國，加強其研發工作。本集團有計劃在中國設立以客戶為主導的研發隊伍。

經營開支

本集團截至二零零五年六月三十日止六個月的總經營開支為 29,203,000 港元（截至二零零四年六月三十日止六個月：25,270,000 港元），佔本集團截至二零零五年六月三十日止六個月營業額的 10.3%（截至二零零四年六月三十日止六個月：9.2%）。升幅主要反映本集團為加強其研發隊伍而作出的投資。

Taxation

The Group recorded a provision for income tax of HK\$1,006,000 for the six months ended 30 June 2005, an effective tax rate of 13.1% as compared to a HK\$2,385,000 provision for income tax and a 9.2% effective tax rate for corresponding period last year. The rise in effective tax rate was primarily due to increase in PRC income tax in respect of the subsidiary.

Prospects

The second half of the year is traditionally the peak season for the electronic industry, hence for the Group. As the Group has secured full production approval on several tuner modules for car audio from one of the before-market customers in Korea, it is expected that tuner modules for car audio business continue to achieve healthy growth in the second half of the year. With introduction of more portable device applications (e.g. MP3 players) as well as newly introduced wireless speaker systems into market, the Group expects that turnover for the second half year will be higher than that for the first half of the year.

However, as the industrial sector is still facing a challenging environment, with rising labour wages, crude oil and material prices as well as revaluation of RMB adding pressure, the Group's profitability will still be restrained for the rest of 2005. The Group has already taken all possible remedial measures, including cost reduction plans and reinforcement in research and development efforts in order to develop new and more profitable products.

Recently, the Group has successfully developed a new switching mode power supply for LCD TV and made its first trial order shipment in July 2005. Bulk shipment of this product is expected to start from fourth quarter of 2005.

稅項

本集團截至二零零五年六月三十日止六個月的所得稅撥備為 1,006,000 港元，實際稅率為 13.1%，而去年同期的所得稅撥備則為 2,385,000 港元，而實際稅率為 9.2%。實際稅率上升主要因為附屬公司之中國稅項上升所致。

前景

電子行業的高峰期一般在下半年，本集團亦如是。由於集團獲其中一個韓國前市場客戶之量產批准，以為其生產數款汽車音響的調諧器模組，預期集團下半年的汽車音響調諧器模組業務將繼續取得穩定增長。隨著更多可攜式裝置應用（如 MP3 播放機）及新無線廣播系統推出市場，本集團預期下半年的營業額將超越上半年的表現。

然而，由於整個行業的營商環境仍十分具有挑戰性，加上員工薪酬、原油及材料價格不斷上升，以及人民幣升值所產生的額外壓力，預期本集團於下半年的盈利能力將會受到影響。本集團已採取所有應變措施，包括成本削減計劃，並加強研發的努力以開發嶄新及更有利可圖的產品。

近期，本集團已成功研製出用於液晶電視的新款開關電源器，並於七月付運首批測試訂單。預期該產品將於二零零五年第四季開始大量付運。

Applying low temperature co-fired ceramic technology, the Group also developed multi-layer circuit boards and has finished their engineering tests. By replacing traditional printed circuit boards with the new circuit boards, the Group plans to further miniaturize transmitters and tuner modules for portable devices.

To capitalize on the tremendous opportunities in the digital era, the Group has started testing trial modules of digital audio components with its existing customers and plans to actively market tuner modules for digital audio broadcasting (“DAB”) in the first half of 2006. Additionally, to capture the opportunities arising from digital multimedia broadcasting (“DMB”) kicking off in Korea in the second half of 2005, the Group has been actively working with IC development companies in Korea to develop and market tuner modules for DMB. The market for the product is expected to emerge in the first half of 2006.

Although the second half of the year will still be full of challenges, riding on its strong business foundation and the new products in the pipeline, the Group is confident that it will be able to weather the industry fluctuation and maintain its competitiveness.

Corporate Governance

The Group adheres to high standards of corporate governance to properly protect and promote the interests of its shareholders, and it has put in place corporate governance practices according to the code promulgated by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) during the review period. For example, the responsibilities between the Chairman and the Chief Executive Officer are now separately performed by different persons; board committees have been set up to take up responsibilities as delegated by the Board while the Board has reserved overall powers and responsibilities for the integrity of financial information and the effectiveness of internal control systems as well as operational functions and business strategies and so on.

本集團利用低溫共燒陶瓷技術，成功研製出多層電路板，並已完成有關的工程測試。透過以新電路板取代傳統印製電路板，本集團計劃進一步開發更細的接收器及可攜式調諧器模組。

為把握數碼時代帶來的龐大商機，本集團已開始與現有客戶共同測試數碼音響元件的試產模組，並計劃於二零零六年上半年積極推銷數碼音響廣播（「DAB」）模組。此外，為把握二零零五年下半年韓國隆重推出數碼多媒體廣播（「DMB」）所產生的商機，本集團已積極與韓國集成電路製造商合作開發及推銷 DMB 模組。預期該產品的市場將於二零零六年上半年形成。

儘管下半年仍然挑戰重重，然而憑藉本集團穩健的業務基礎及即將推出的嶄新產品，我們深信必定可安然渡過業內的波動時期，維持本身的競爭優勢。

企業管治

本集團一直致力達到高水平的企業管治，以妥善地保障及提高股東利益。本集團於回顧期內已按香港聯合交易所有限公司（「聯交所」）頒佈的企業管治常規守則實施相應的企業管治措施。例如，分開主席及行政總裁的職務，由不同人士擔任；成立董事委員會以承擔董事會委託的職責，而董事會則保留對確保財務資料真誠、內部控制系統、營運功能及業務策略效力等整體權力及責任。

Corporate Social Responsibility

The Group acts in a socially responsible manner through various initiatives on sustainability, which it sees as part of its overall commitment to good corporate governance. In the review period, the Group had been attentive to the environment, and the health and safety and fair treatment of its staff. The Group conforms to the European Union's green requirements in its manufacturing activities with all products subject to restriction of hazardous substances, and trains managers and employees about health and safety. The Group also maintains appropriate safety systems and effective control to minimise staff exposure to potentially hazardous materials or adverse conditions at work. As for the fair treatment of staff, the Group ensures that each employee enjoys equal opportunities, and no form of harassment or discrimination in respect of employment and occupation is tolerated.

Investor Relations

The Group values its relationship with investors. Committed to maintaining close relations with international funds, institutional investors, analysts and securities firms, the Group has been active in improving the transparency of all aspects of its operation, and has been receptive to investors' opinions. Our goal is to make sure investors thoroughly understand the Group's management philosophy and long-term development plans.

During the period, the Group arranged one-on-one meetings with fund managers and analysts to enhance communication with them. The Group believes maintaining an open mind to investors' comments is instrumental to forging strong investor relations and thanks its investors for their continuous support over the years.

企業社會責任

本集團透過各項有利社會持續發展的措施，以承擔社會責任的方式營運。此舉亦為本集團積極維持良好企業管治的一部分。於回顧期內，本集團專注改善環境及員工的健康、安全及平等待遇。本集團的生產程序嚴格遵守歐盟環保指引，所有產品均符合有害物質限制條例的規定。本集團亦向經理及僱員提供有關健康及工作安全的培訓。此外，本集團亦設有適當的安全系統及有效控制措施，以減少僱員接觸有害物質或處於惡劣環境工作。於平等待遇方面，本集團確保各僱員均享有平等機會，且不容許有關就業及職業的任何騷擾或歧視行為。

投資者關係

本集團非常重視與投資者的關係。為與國際基金、機構投資者、分析員及證券公司維持緊密關係，本集團積極提升各項業務的透明度，並廣泛聽取投資者的意見。本集團旨在確保投資者對本集團的管理理念及長期發展計劃具有透徹的了解。

期內，本集團與基金經理及分析員進行多個單對單會議，以加強彼此的溝通。本集團相信，持開放態度接納投資者的意見為建立穩健投資者關係的基礎，並衷心感謝投資者多年來對本集團的支持。

Liquidity and Financial Resources

The Group maintained a healthy liquidity position with a cash level of HK\$128,520,000 as at 30 June 2005 (31 December 2004: HK\$130,821,000). The Group had net current assets of HK\$250,349,000 as at 30 June 2005 (31 December 2004: HK\$249,234,000). Shareholders' funds were HK\$335,333,000 as at 30 June 2005 (31 December 2004: HK\$327,936,000).

Its current ratio, being the ratio of current assets to current liabilities, was maintained at strong level of 4.07 (31 December 2004: 4.68), and its gearing ratio, in terms of total liabilities to total assets, stood at 0.20 (31 December 2004: 0.17).

Foreign Exchange Exposure, Hedging and Off Balance Sheet Financial Instruments

The revenue generated from sales activities are denominated in USD and HKD. Payment for purchase of raw material is primarily made in HKD, USD and Yen.

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

As the Group's production plants are based in the PRC, most wages and salaries and factory overheads are mainly denominated in RMB. A 2% appreciation of RMB at end of July 2005 has certain effect on the Group's production costs. The Group will continue to monitor closely fluctuations in foreign exchange rates and adopt prudent treasury policies to reduce foreign exchange exposures, particularly in Yen and RMB.

流動資金及財務資源

於二零零五年六月三十日，本集團維持穩健的流動資金狀況，平均現金水平維持於 128,520,000 港元（二零零四年十二月三十一日：130,821,000 港元）。本集團於二零零五年六月三十日的流動資產淨值為 250,349,000 港元（二零零四年十二月三十一日：249,234,000 港元），股東資金為 335,333,000 港元（二零零四年十二月三十一日：327,936,000 港元）。

流動比率（流動資產與流動負債的比率）維持在 4.07（二零零四年十二月三十一日：4.68）的強勁水平，而資產負債比率（即總負債與總資產的比率）為 0.20（二零零四年十二月三十一日：0.17）。

外匯風險、對沖及賬外金融工具

源自銷售的收益均以美元及港元為單位，而本集團主要以港元、美元及日圓採購原材料。

由於在香港現行的匯率制度下，港元與美元掛鈎，故本集團並無因港元及美元而承受重大之外匯風險。

由於本集團的生產廠房位於中國，大部分工資、薪酬及間接成本均以人民幣為單位，因此二零零五年七月底公佈人民幣升值 2% 對本集團的生產成本構成若干影響。本集團將繼續密切監察匯率波動情況，並採納保守的財務政策，以減低因日圓及人民幣波動帶來的外匯風險。

Acquisition and Disposal

The Group did not make any material acquisition or disposal of subsidiary and associated company during the six months ended 30 June 2005.

Charges on Assets

As at 30 June 2005, there were no assets pledged to secure banking facilities of HK\$111,540,000 (31 December 2004: HK\$104,000,000).

Contingent Liabilities

The Group did not have any significant contingent liability as at 30 June 2005 and 31 December 2004.

Employees and Remuneration Policies

As at 30 June 2005, the Group had about 2,029 employees, 38 of whom were based in Hong Kong (31 December 2004: 37), 1,934 in the Group's factories in Shenzhen, the PRC (31 December 2004: 1,840) and 57 in the Group's research and development centre in Korea (31 December 2004: 32).

For the six months ended 30 June 2005, staff costs increased to HK\$31,296,000 (Six months ended 30 June 2004: HK\$26,906,000) as more staff were hired and the Chinese Government raised minimum salary level during the review period. Our employees are remunerated according to their performance, working experiences and market conditions. In addition to basic salaries and retirement schemes, staff benefits include a medical scheme, discretionary share options and performance bonuses.

收購及出售事項

截至二零零五年六月三十日止六個月，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。

資產抵押

於二零零五年六月三十日，本集團並無抵押任何資產予銀行，以取得銀行備用信貸額 111,540,000 港元（二零零四年十二月三十一日：104,000,000 港元）。

或然負債

本集團於二零零五年六月三十日及二零零四年十二月三十一日並無任何重大或然負債。

僱員及酬金政策

於二零零五年六月三十日，本集團約有 2,029 名僱員，其中 38 名駐守香港（二零零四年十二月三十一日：37 名），1,934 名駐守本集團位於中國深圳之廠房工作（二零零四年十二月三十一日：1,840 名），而 57 名則駐守本集團位於韓國之研究及發展中心（二零零四年十二月三十一日：32 名）。

截至二零零五年六月三十日止六個月，由於本集團於期內增聘更多員工，加上中國政府調高最低薪酬水平，員工成本上升至 31,296,000 港元（截至二零零四年六月三十日止六個月：26,906,000 港元）。本集團僱員之酬金是根據彼等的表現、工作經驗及市況釐定。除基本薪金及退休計劃，員工福利亦包括醫療計劃、酌情購股權及表現花紅。