

CHAIRMAN'S STATEMENT

主席報告書



Fang Hongbo 方洪波
Chairman 董事長

Hualing adheres to its "profit-driven" operation approach, and actively adjusts its operational model in accordance with the business direction that emphasises on "expanding the refrigerator production capacity while keeping a reasonable profit", and "increasing the profit margin of its air-conditioner business while maintaining an appropriate operational scale". The Group continued to fine-tune its management system and operational workforce, tighten cost control and enhance efficiency, to improve cost effectiveness aimed at bringing the Group back to profitability as soon as possible.

華凌堅持以「盈利」為主導的經營宗旨，按照「維持冰箱合理利潤前提下擴大生產規模，維持空調適度規模前提下提升利潤」的經營方向；積極調整經營模式，不斷優化管理體制及經營團隊，嚴控成本和提升效率以發揮經營效益，力爭儘快扭虧為盈。

In light of an oligopoly dominated by a handful of major corporations in the household appliances industry and massive restructuring of the refrigerator industry, Hualing adheres to its "profit-driven" operation approach, and actively adjusts its operational model in accordance with the business direction that emphasises on "expanding the refrigerator production capacity while keeping a reasonable profit", and "increasing the profit margin of its air-conditioner business while maintaining an appropriate operational scale". The Group continued to fine-tune its management system and operational workforce, tighten cost control and enhance efficiency, to improve cost effectiveness. The Group's narrowed loss for the year under review indicated that its business reforms began to pay off.

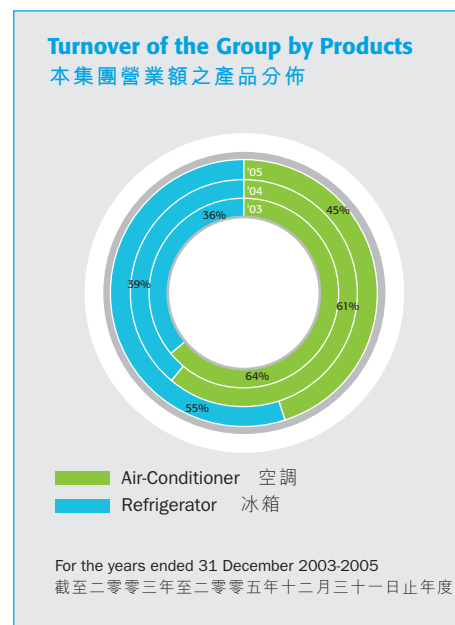
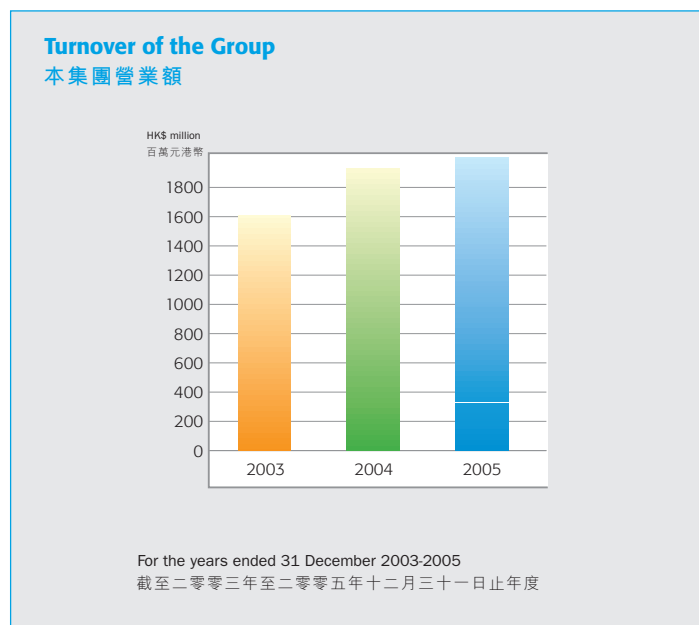
Turnover of Hualing Holdings Limited (the "Company" or "Hualing") and its subsidiaries (together as the "Group") for the year ended 31 December 2005 (the "Year") amounted to approximately HK\$1,959,921,000 (2004: HK\$1,891,483,000), representing an increase of approximately 4% when compared to that of year 2004 (the "Previous Year"). The audited loss attributable to shareholders amounted to approximately HK\$283,540,000 (2004: HK\$628,755,000), which was 55% less than that of the Previous Year. The board of directors of the Company (the "Board") does not recommend the payment of final dividend for the year ended 31 December 2005.

面對家電業由幾家大型企業主導的寡頭競爭和冰箱行業大規模再重組的形勢，華凌堅持以「盈利」為主導的經營宗旨，按照「維持冰箱合理利潤前提下擴大生產規模，維持空調適度規模前提下提升利潤」的經營方向；積極調整經營模式，不斷優化管理體制及經營團隊，嚴控成本和提升效率以發揮經營效益。年度內集團雖然仍然出現虧損，但數額較上年度明顯收窄，反映集團所推行的業務改革初見成效。

截至二零零五年十二月三十一日止年度（「本年度」），華凌集團有限公司（「本公司」或「華凌」）及其附屬公司（以下統稱「集團」）的營業額約港幣1,959,921,000元（二零零四年：港幣1,891,483,000元），較二零零四年（「上年度」）同期增加約4%。經審核股東應佔虧損約港幣283,540,000元（二零零四年：港幣628,755,000元），較上年度減少55%。董事會（「董事會」）不擬派發截至二零零五年十二月三十一日止年度之末期股息。

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In 2005, growth momentum in the household appliances industry continued to slowdown. Small to medium-sized players were facing a deteriorated operating environment, with fierce competition from both domestic and international brand names. During the Year, Hualing actively pursued its operational reforms, by ratifying its over-diversified business portfolio, the redundancy in its business structure and other issues inherited from the past. The reforms, which entailed extensive business rationalisation and organisational restructuring, generated remarkable results. The Group also strove to enhance its management system and the quality of its management team, to ensure the maintenance of its corporate competitiveness and continued development. The reform and the reorganisation enabled the Group to move towards strategic transformation.

During the Year, the Group adjusted its business direction by concentrating its resources on the development of air-conditioner and refrigerator businesses, in which the Group enjoyed considerable competitive advantages. The Group had gradually withdrawn from the operation of non-core businesses, such as shopping mall and property management. During the Year, the Group ceased the operation of the in effective central air-conditioning business. These measures enabled the Group to better utilise its human and financial resources for its core businesses.

回顧二零零五年，家電行業增長進一步放緩，中、小品牌面臨國內、國際大品牌的劇烈競爭壓力下，使經營環境更為嚴峻。華凌本年度針對以往集團業務過於分散、機構重疊和歷史遺留下來的問題，積極進行經營變革，大刀闊斧地重組業務和結構，並已取得明顯成效；另一方面，集團致力提升管理體制及經營管理團隊的水平，以符合企業競爭和發展要求。變革重組使集團逐步朝著策略轉型方向推進。

本集團於本年度調整了業務方向，將資源集中於發展具有明顯市場優勢的空調和冰箱業務；並且退出了商場、物業管理等非主流業務。集團亦在年度內結束了規模過小、未能發揮經濟效益的中央空調業務，使人才和財政資源可以更有效運用於核心業務。

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The Group also rationalised its business structure by separating the operations of its air-conditioner business from the refrigerator business, through introducing independent vertical command chains to the two businesses. Such a move allowed each business to adopt flexible strategies in accordance with their respective market conditions.

The Group established an overseas sales and distribution company to expand its export markets and to strengthen its export sales. In the domestic market, the Group extensively revamped its sales and distribution system, by transforming it into a better-organised systematic approach, and by utilising the sales network of Midea Group Co., Ltd. (the "Midea Group"), the Company's ultimate holding company, to enlarge its sales channels. The Group had strengthened its collaboration with major home appliances chain stores, which are its major sales and distribution channels, to intensify its penetration of the domestic market.

In response to domestic and overseas market demand, the Group actively expanded its refrigerator production capacity, with the expansion of small refrigerator capacity completed during the Year, whereas that of large refrigerators was expected to be completed in the first or second quarter of 2006.

The Group's air-conditioners had been positioned at the medium-to-high-end market. To cope with its changes in market positioning, the Group began to enhance the quality of its air-conditioners, to improve its product function and to move towards the development of high-value-added products.

During the Year, the Group also effectively improved its financial conditions, and had straightened out most of the doubtful and bad debts that were incurred prior to the Midea Group's takeover of the Company. The Group also improved its capital position through the successful completion of the rights issue.

我們並且重整了業務架構，將空調和冰箱兩項業務線分離，實行垂直管理，讓其可各自因應其市場環境，制定相應策略。

銷售方面，我們成立了海外營銷公司拓展出口市場，加強對外出口銷售。在國內市場，我們對營銷體製作大幅度改革，轉向體系營銷，並利用本公司之最終控股公司美的集團有限公司（「美的集團」）的營銷網絡，擴闊銷售渠道。對於主流銷售渠道，我們加強了與大型家電連鎖零售商的合作，增加了產品對國內市場的滲透。

為應付國內、外市場需求，本集團於本年度積極擴充冰箱產能，其中小冰箱的擴產已於本年度內完成，大冰箱的擴展亦預期於二零零六年第一、二季內完成投產。

集團的空調定位針對中、高檔市場。因應市場定位調整，本集團逐步提升空調產品質量，改善產品功能，朝著高附加產品方向發展。

本集團於本年度亦有效改善財政狀況，處理了大部份在美的集團入主前遺留下來的呆壞賬；同時通過供股改善本集團的資金情況。

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Through the introduction of the effective management model of the Midea Group, the Group implemented an accountability management and performance evaluation mechanism, with an aim at improving operation standards. With respect to cost control, the Group had adopted a tendering mechanism, and had strengthened its internal control and further lowered its costs. Under the support of the Midea Group, the Group displayed signs of improvement in various aspects including its scale of operation and cash flow position, which helped to lay a solid foundation for the Group to achieve a full recovery in 2006.

Although the Company's auditors issued a qualified opinion on the Group's accounts for the Year basing on an accounting perspective, the Board believes the Group has established a viable business portfolio, together with the resources support from the Midea Group, we are confident that the Group's business will resume its healthy development in the near future.

ACKNOWLEDGEMENT

I would like to take this opportunity to express my sincere gratitude to members of the Board, the management team and all the staff members for their dedication and contribution to the Group's development. I would also like to convey my cordial appreciation to the shareholders for their support. The Group as a whole will make every endeavour to manage the Company in a disciplined and efficient manner, and to realise profitability as soon as possible, so as to maximise returns to the shareholders.

By order of the Board

FANG Hongbo

Chairman

Hong Kong, 18 April 2006

集團透過引入美的集團行之有效的管理模式，推行問責管理和績效指標制度，以提升營運水平。在成本控制上，我們採用了競價機制，同時加強內部監控，進一步降低成本。本集團在美的集團資源上的全力支持下，其業務規模、現金流等開始呈現上升趨勢，為二零零六年全面發展奠定了良好的基礎。

雖然本公司核數師基於會計上考慮，對本年度的賬目作出保留意見，惟董事會相信本集團已逐步將業務整合於一個穩健的基礎上，加上美的集團在資源上的全力支持，我們有信心集團的業務在不久的將來將回復健康成長。

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，感謝大家為集團發展所做出的不懈努力和貢獻。同時本人也衷心感激股東們的支持，集團所有員工必將竭盡所能，努力經營和管理公司，盡快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，二零零六年四月十八日