

RESULTS

The financial year of 2001/2002 continued to be a difficult year for the Group. Net loss from ordinary activities attributable to shareholders for the year was HK\$59,284,000 as compared to HK\$279,335,000 last year. The loss is the result of the Group's significantly smaller scale of operations, as a result of which the Group's turnover could not reach a scale that could recover the Group's fixed costs.

BUSINESS OVERVIEW

During the year, the Group had operated under financial difficulties whereby financial creditors either suspended or terminated the credit facilities granted to the Group and some of them further demanded for the repayment of all outstanding debts. This made it difficult for the Group to carry on its normal operations with its tight working capital position. Together with the imposition of stringent credit control by the Group on sales, turnover dropped from HK\$202,682,000 in 2001 to HK\$47,408,000 in the current year.

In order to enhance the competitiveness of the Group's toys products to improve the turnover of the Group, the management adopted several measures including modifying existing product features to lengthen their life cycles, developing new products to diversify the Group's product range and expanding market penetration into new regions over the world.

業績

二零零一／二零零二年財政年度對本集團而言仍然困難。與上年度之虧損淨額279,335,000港元比較，期間股東應佔日常業務虧損淨額為59,284,000港元。此乃由於本集團之營運規模顯著收縮，導致本集團之營業額不足以收回本集團之固定成本所致。

業務回顧

年內，本集團經歷財政困難，其財務債權人已暫緩或終止向本集團批授信貸融資，個別債權人更進一步要求償還所有未償還債務，令本集團營運資金緊拙，難以維持其正常業務運作。此外，本集團在銷售方面實施嚴謹之信貸管制政策令營業額由二零零一年之202,682,000港元下跌至本年度之47,408,000港元。



為提高本集團玩具產品之競爭力以改善本集團之營業額，管理層已採取多項措施，包括改良現有產品功能以延長其壽命周期、開發新產品以令本集團產品種類多元化及加強產品於世界各地新市場之滲透能力。

BUSINESS OVERVIEW (Continued)

Other than the traditional ride-on cars, cycling toys and other pre-school toys manufactured by the Group, the introduction of house-ware products has gained initial success in the South-



American market. The Group has not only been trying to enrich its product range by entering into die-casting model car and battery-operated bicycle segments, but also at the same time considering to fade out some of its less popular items. In addition, the Group is now considering to enter into strategic alliances with certain partners with a view to diversify its product range and to increase its product competitiveness as well as to reduce the effect of seasonal fluctuations in the toy industry in the coming years.

Due to keen market competition, strict cost control is one of the determinant factors for the Group's success in the ensuing years. The Group will continue to source from high-quality suppliers at the lowest possible prices in order to maintain its cost competitiveness in the international market.

CHARGES ON GROUP'S ASSETS

Certain leasehold land and buildings, plant and machinery and equipment with an aggregate carrying value of HK\$48,384,000 as at 31 March 2002 were pledged to secure bank borrowings advanced to the Group.

業務回顧 (續)

除本集團製造之傳統兒童座車、腳踏車玩具及其他學前玩具外，在南美市場引進家庭用品產品亦取得初步成功。本集團不僅嘗試涉足鑄模模型車及電池推動單車市場以令其產品種類

繁多，同時亦正考慮逐漸停止生產其不大受市場歡迎之部份產品系列。此外，本集團現正考慮與若干夥伴組成策略聯盟，可望在未來幾年發展多元化產品系列，增加其產品競爭力及減低玩具業季節性波幅造成之影響。

由於市場競爭激烈，嚴格控制成本乃本集團在未來幾年能否取得成功之決定性因素之一。本集團將繼續以盡可能最低之價格向高質素供應商採購貨物，以在國際市場上維持其成本競爭力。

本集團資產之抵押

於二零零二年三月三十一日，本集團已把賬面總值約為48,384,000港元之若干租賃土地及樓宇、廠房及機器設備抵押予本集團之往來銀行作銀行信貸。

PENDING LITIGATION

As at the date of this report, writs of summons had been issued by certain creditors aggregating approximately HK\$3,056,000 together with claims for interests thereon in respect of purchases of goods by, and the provision of services to, the Group. The directors are either negotiating with these creditors with a view to a settlement or seeking legal advice on the handling of such actions. The directors believe that satisfactory resolutions to the actions can be achieved without material adverse impact on the Group. In the opinion of the directors, adequate provisions have been made by the Group in respect of all the claims in the Group's financial statements as at 31 March 2002.

尚未了結訴訟

於本報告日期，若干債權人已就本集團購買貨品及向本集團提供服務產生合共約3,056,000港元連同就有關利息提出之申索而發出傳訊令狀。董事正與該等債權人洽商和解或正尋求法律意見應付有關訴訟。董事相信該等訴訟將可獲得圓滿解決及不會對本集團產生任何重大不利影響。董事認為本集團已於二零零二年三月三十一日之財務報告內就所有索償作出足夠撥備。



CONTINGENT LIABILITIES

In the opinion of the directors, there is no significant contingent liabilities noted as at 31 March 2002.

或然負債

董事認為本集團於二零零二年三月三十一日並無重大或然負債。

LIQUIDITY AND FINANCIAL POSITION

As at 31 March 2002, the Group had neither unutilized banking facilities nor any hedging financial instruments. All borrowings of the Group are denominated either in Hong Kong dollars or Renminbi at floating interest rates. The total indebtedness of the Group was approximately HK\$255,512,000 and all the indebtedness is due within one to two years. The Group had net current liabilities and deficiency in assets of approximately HK\$238,481,000 and HK\$128,396,000, respectively. The ratio of total indebtedness to total assets of the Group was approximately 2.01 times.

流動資金及財務狀況

於二零零二年三月三十一日，本集團既無未動用銀行信貸，亦無任何對沖財務工具。本集團之借貸全部均以港元或人民幣借入並以浮動利率計息。本集團之債項總額約為255,512,000港元，全部將於一至兩年內到期償還。本集團之淨流動負債及資產虧絀分別約為238,481,000港元及128,396,000港元。本集團之總債務與總資產之比率約為2.01倍。

LIQUIDITY AND FINANCIAL POSITION

(Continued)

Subsequent to the balance sheet date, upon the completion of the debt restructuring exercises of the Group in late May 2002, the cash position of the Group has been improved as follows:

- (a) cash proceeds of HK\$30,000,000 before related expenses were received for the issue of new ordinary shares pursuant to a subscription agreement;
- (b) total borrowings owed by the Group to its bankers of approximately HK\$103,104,000 as at 31 March 2002 was fully settled by (i) a cash payment of approximately HK\$20,039,000 and (ii) the issues of convertible notes with an aggregate principal amount of HK\$6,500,000 to its bankers; and
- (c) cash proceeds of approximately HK\$40,259,000 before related expenses were received pursuant to the Open Offer (as detailed in note 3 to the financial statements).

Furthermore, the Group also entered into various settlement agreements with certain creditors whereas the completion dates for such settlements will be on or before 31 July 2002. Upon the completion of such settlement agreements, the Group's indebtedness as at 31 March 2002 will be further reduced by approximately HK\$16,264,000 in aggregate by way of waiver and capitalization of debts by issuing to such creditors of new shares. The Group shall continue to restructure its debts and seek to raise long-term equity finance should suitable opportunity arises.

As at the balance sheet date, there were no significant capital commitments which required a substantial use of the Group's present cash resources or external funding.

流動資金及財務狀況 (續)

於結算日後，本集團在二零零二年五月底完成債務重組時之現金狀況已改善如下：

- (a) 因認購協議發行新普通股而獲現金所得款項 30,000,000 港元（未扣除有關開支）；
- (b) 本集團經以 (i) 現金款項約 20,039,000 港元及 (ii) 向其往來銀行發行本金總額 6,500,000 港元之可換股票據全數償還其於二零零二年三月三十一日欠付往來銀行約 103,104,000 港元之借貸總額；及
- (c) 因公开发售而取得現金所得款項約 40,259,000 港元（未扣除有關開支）（詳情見財務報告附註 3）。

再者，本集團亦與若干債權人達成多項和解協議，並將於二零零二年七月三十一日或之前達成有關和解。該等和解協議完成時，本集團將透過債務資本化並獲得部份債務豁免之方式向該等債權人發行新股份，將截至二零零二年三月三十一日止之債務進一步減少合共約 16,264,000 港元。倘有合適之機會出現，本集團須繼續重組其債務及尋求籌集長期股本融資。

於結算日，本集團並無重大資本承擔而須動用本集團現時大部分之現金資源或外來資金。

FOREIGN CURRENCY EXPOSURE

Significant foreign currency exposure was not expected by the Group as sales to foreign customers were settled in US dollars and purchases of materials were in Hong Kong dollars or Renminbi. The directors believe that the recent weakening of the US dollars against other major currencies will benefit the Group in terms of pricing competitiveness and assist the Group in its international marketing efforts.

HUMAN RESOURCES

The directors consider the Group's employees' efforts have significantly helped the Group to recover from financial difficulties and are a crucial asset to fuel the future growth of the Group. As at 31 March 2002, the Group had a total of approximately 1,140 full-time employees among which 1,120 were based in the PRC and approximately 20 in Hong Kong. In addition to competitive remuneration packages being offered to its employees, the Group has a share option scheme but no share option has been granted during the year.

PROSPECTS

Having completed the debt restructuring in late May 2002, the Group has substantially improved its financial position and the directors expect the level of the operations of the Group will increase in the coming year. The directors are confident that their experience and professional training together with the efforts of its employees will help the Group to restore to profitability in the near future. The Group will also endeavor to develop and strengthen its core business in toys manufacturing and distribution businesses.

外匯風險

由於向外國客戶銷售產品均以美元結算及以港元或人民幣採購物料，本集團預期不會面對重大外匯風險。董事相信近日美元對其他主要貨幣呈弱勢將令本集團在定價競爭力方面受惠，並有助推動本集團在國際市場上之推廣行動。

人力資源

董事認為本集團僱員之努力不但在很大程度上幫助本集團從財政困難中恢復過來，亦為提供本集團未來增長推動力之關鍵資產。於二零零二年三月三十一日，本集團合共約有1,140名全職僱員，其中約1,120名駐中國，而約有20名駐香港。本集團除為其僱員提供可觀報酬外，亦設有一項購股權計劃，惟於本年度內並無授出任何購股權。

展望

在二零零二年五月底完成債務重組後，本集團已大大改善其財政狀況，而董事預期本集團之生產量將於來年有所增加。董事有信心憑藉其經驗及專業訓練，再配合其僱員之努力，本集團定能在不久將來轉虧為盈。本集團亦將致力發展及鞏固其於玩具製造之核心業務及分銷業務。

Chairman's Statements

主席報告

PROSPECTS *(Continued)*

With a significantly improved financial position, the Group will seek to identify suitable investment targets which can improve its revenue base and cashflow.

APPRECIATION

I would like to express my sincere thanks to all our staff members of the Group, for their diligence, loyalty and dedication; and to our shareholders and bankers for their continuing invaluable support.

Lo Ming Chi, Charles
Chairman

Hong Kong
19 July 2002

展望 (續)

鑒於財政狀況得到重大改善，本集團將尋求可改善其收入基礎及現金流量之合適投資目標。

致謝

本人謹就本集團全體員工之勤奮、忠誠及盡責以及股東與銀行之全力支持，分別向彼等致以衷心謝意。

主席
勞明智

香港
二零零二年七月十九日