



MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the six months ended 30 September 2003, the Group reported an unaudited consolidated net loss attributable to shareholders of HK\$15,397,000. Resulting from the debts of approximately HK\$77,051,000 waived by the Bank Group and a number of other creditors of the Group in 2002, the Group recorded net profit of HK\$60,752,000 for the same period last year.

The period under review witnessed the worldwide economy dramatically hit by the Iraq war and the outbreak of Severe Acute Respiratory Syndrome ("SARS"), which seriously affected the business activities in all infected regions. The Iraq war not only affected the consumer spending sentiment but also caused a rise in the price of plastic materials, the primary raw material utilized for the Group's core product item – toddler cars that ultimately affected our margins and turnover. Following the travellers' warnings issued by the World Health Organisation and the outbreak of SARS in Asian countries, nearly all buyers cancelled their business trips to Hong Kong in April and May of this year. That further aggravated the business environment. Compared with the same period last year, the Group's turnover dropped to HK\$11,862,000 (2002: HK\$22,947,000).

With the significant impact from the Iraq war and SARS, the Group took prompt remedies including implementation of stringent cost control on its operating and administrative expenses, keeping the stock at lower level and scaling down the production.

In view of the gradual recovery of global economy and the Group's sizeable vertical integration of its production facilities from mould development to production, there are several OEM customers and buying agents, who are now on the supplier list of certain chain-stores, approaching the Group for business cooperation. The Group would, through various business partnerships, build new clientele and develop new products to add on to existing product lines. To broaden the

管理層討論及分析

業績

截至二零零三年九月三十日止六個月，本集團錄得未經審核綜合股東應佔虧損淨額15,397,000港元。由於銀團及本集團多位債權人已於二零零二年豁免為數約77,051,000港元之債務，本集團於去年同期錄得溢利淨額60,752,000港元。

於回顧期內，美伊戰事及爆發嚴重急性呼吸道綜合症（「非典型肺炎」）對全球經濟造成沉重打擊，所有疫區之商業活動均受到嚴重影響。美伊戰事不僅影響消費者之消費意欲，同時亦導致塑膠材料價格上升。塑膠材料乃本集團生產核心產品學行車系列所用之主要原材料，故價格上升最終影響本集團之利潤及營業額。繼世界衛生組織發出旅遊警告及亞洲國家爆發非典型肺炎後，幾乎所有買家均取消本年度四月及五月前往香港之商務旅程，使營商環境雪上加霜。與去年同期相比，本集團之營業額下跌至11,862,000港元（二零零二年：22,947,000港元）。

有見美伊戰事及非典型肺炎造成重大影響，本集團隨即採取應變措施，包括就營運及行政開支實施嚴謹之成本控制措施、將存貨維持於低水平及按比例減產。

鑑於全球經濟逐步復甦，加上本集團由模具開發至生產等工序之生產設施進行大規模縱向整合，多位原設備製造客戶及購貨代理主動聯絡本集團洽談業務合作事宜，而彼等均為若干連鎖店之現有供應商。透過多項業務合作，本集團將可建立新客戶網絡，為現有生產線開發新產品。為擴闊本集團之客戶網絡，本

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

clientele network of the Group, the Group set up a new company in Hong Kong trading as "Gadgets Yard" with an independent third party on 18 December 2003. The new company is mainly engaged in the sales and marketing of toys business as well as the development of other related businesses. The Group owns 51% equity interest in the new company and the independent third party holds the rest. Through the business partnership, the independent third party has introduced the Group new clientele and presentation of its products by regional sales representatives have been arranged for new clientele in United States as well as the Latin America Market. Encouragingly, the Group has obtained initial positive feedback.

Liquidity and Financial Resources

As at the balance sheet date, the Group's net current liabilities reduced significantly to approximately HK\$49,676,000 from HK\$91,336,000 as at 31 March 2003. Shareholders' fund as at the balance date amounted to approximately HK\$26,600,000 as compared to the net deficiency in assets of approximately HK\$10,178,000 (restated) as at 31 March 2003. The improvement in the financial position resulted mainly from the issue of 862,102,552 ordinary shares of HK\$0.01 each at an offer price of HK\$0.06 each on 24 September 2003, on the basis of four offer shares for every share held by qualifying shareholders. Total proceeds after issuing expenses was approximately HK\$50,200,000 which not only increased the asset base of the Group but also provided it with additional working capital.

As at 30 September 2003, the Group's total liabilities was approximately HK\$90,766,000 and is due within one to two years and the Group's gearing ratio (total liabilities divided by shareholders' funds) 3.41. Except for approximately HK\$43,852,000, which was denominated in Renminbi, all the other liabilities are denominated in Hong Kong dollars. As at the balance sheet date, total borrowings was approximately HK\$59,459,000. Among which, HK\$46,081,000 was at fixed interest rate and HK\$13,378,000 was at floating interest rate. Bank borrowings amounting to approximately HK\$25,748,000 are secured by mortgages over the Group's properties having an aggregate carrying value of approximately HK\$44,603,000.

管理層討論及分析 (續)

集團於二零零三年十二月十八日與一名獨立第三方在香港成立一間新公司，並以「源製」名稱經營。新公司之主要業務為玩具業務之銷售及市場推廣，以及開發其他相關業務。本集團擁有新公司之51%股本權益，而其餘股本權益則由該獨立第三方持有。透過此項業務合作關係，獨立第三方已向本集團介紹多名新客戶，而新公司亦已安排地區營業代表向美國及拉丁美洲市場之新客戶宣傳公司產品，初步反應良好，成績令人鼓舞。

流動現金及財務狀況

於結算日，本集團之流動負債淨額大幅減少，由二零零三年三月三十一日之91,336,000港元減至約49,676,000港元。於結算日之股東資金約為26,600,000港元，而於二零零三年三月三十一日之資產虧絀淨額則約為10,178,000港元(重列)。財政狀況得以改善，主要由於本集團於二零零三年九月二十四日，按合資格股東每持有一股股份可獲配發四股發售股份之基準，以每股0.06港元之發售價發行862,102,552股每股面值0.01港元之普通股。總收益扣除發行費用後約為50,200,000港元。此舉不僅鞏固了本集團之資產基礎，同時亦為本集團提供額外營運資金。

於二零零三年九月三十日，本集團之總負債約為90,766,000港元，並將於一至兩年內到期，而資本負債比率(總負債除以股東資金)則為3.41。除約43,852,000港元以人民幣計值外，所有其他負債均以港元計值。於結算日，總借貸約為59,459,000港元，其中46,081,000港元乃以固定利率計息，另13,378,000港元乃以浮動利率計息。銀行借貸合共約為25,748,000港元，乃以賬面總值約44,603,000港元之本集團物業作為抵押。



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

As at the balance sheet date, the Group's cash and bank balances amounted to approximately HK\$15,669,000 and there were no significant commitments which would require a substantial use of the Group's present cash resources or external funding.

Pending Litigations

As at the date of this report, writs of summonses have been issued by certain creditors aggregating to approximately HK\$2,601,000, together with claims for interest thereon in respect of purchases of goods and provision of services. Among which, claims of approximately HK\$1,961,000 are made against a subsidiary which has been dormant. In the opinion of the directors, adequate provisions have been made by the Group in respect of these claims in the Group's unaudited interim financial statements as at 30 September 2003.

Human Resources

As at 30 September 2003, the Group employed a total number of 506 full-time employees, among which, 479 staff were based in PRC and 27 staff in Hong Kong. Apart from competitive remuneration package offered to the employees, share options may also be granted in order to attract and retain talented employees. During the six months ended 30 September 2003, no share options have yet been granted.

Prospects

The Group's objectives are to promote the strength of its factory's facilities, to build a pool of anchor clients for different business services and to penetrate the largest market of toys industry through new partnerships. In the forthcoming years, the management will also strength its investments with stable revenue generating powers by looking for new investment opportunities, which will place the Group on the path to steady growth.

管理層討論及分析 (續)

於結算日，本集團之現金及銀行結餘約為15,669,000港元，而本集團並無任何重大承擔而須大量動用本集團之現有現金資源或外來資金。

仍未了結之訴訟

於本報告刊發日期，若干債權人就購貨及提供服務發出傳訊令狀，所涉及之款額約共2,601,000港元，另加就此應計之利息。在上述令狀之中，約1,961,000港元乃向本集團一間已暫停營業附屬公司之索償。董事認為，本集團已於截至二零零三年九月三十日之未經審核中期財務報表內就上述索償作出足夠撥備。

人力資源

於二零零三年九月三十日，本集團聘用之全職僱員總數為506人，當中包括長駐中國之職員479人及長駐香港之職員27人。本集團除向僱員提供優厚之薪酬福利外，亦可授出購股權以吸納及挽留優秀人才。截至二零零三年九月三十日止六個月，本集團並無授出任何購股權。

展望

本集團之目標為提升其廠房設施之實力，為不同商業服務建立長期客戶群，以及透過新訂立之合作關係進軍最龐大之玩具業市場。展望未來數年，管理層將物色新投資商機，加強能夠賺取穩定收入之投資項目，為本集團穩步增長奠定基礎。