

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析



Competitive Advantage and Core Competence

The Group achieves its competitive advantage from the following core competences:

- (i) The Group is considered as one of the leading player in clock industry by virtue of its more than 20 years of experiences in the clock manufacturing, such experiences were successfully applied to the development of the Group's other businesses such as other office related products and lighting products. The Group's public listed status provides financial reliability and confidence to customers.
- (ii) **Vertical Integration in Manufacturing**
The Group provides full range and one-stop-shop manufacturing services to customers on both OEM and ODM basis. The Group's manufacturing activities cover research and development; design; manufacturing of metal, plastic and glass components; woodworks; electroplating and assembly. The vertical integration in manufacturing ensures best lead-time, flexibility, quality control and cost effectiveness.

競爭優勢及核心能力

本集團憑藉下列之核心能力獲得競爭優勢：

- (i) 本集團擁有超過二十年之時鐘生產經驗，已被認定為業內的領導者之一，這些經驗亦被成功引用於發展集團其他業務如辦公室相關產品及照明產品。本集團之上市地位提供了可靠的財政背景及得到客戶之信任。
- (ii) **垂直綜合生產**
本集團提供全面及一站式OEM及ODM生產服務予客戶。本集團之生產活動包括研究及開發；設計；生產金屬、塑膠及玻璃配件；木工；電鍍及裝配。垂直綜合生產確保最佳生產時間、具彈性、品質控制及成本效益。



(iii) Quality Control

The management places great emphasis on products quality and reliability by setting up incoming, in-production, end-of-line quality controls procedure, quality audit and endurance test to fulfill the stringent requirements of its high-end customers. The Group continues to pursue high quality standard and the accreditation of the ISO9001:2000 to the Group's Shenzhen factory in January 2005 was an open recognition of the Group's effort and high quality standard.

(iv) Design, Research and Development

The Group has a strong in-house design, research and development team with over 30 personnels who are expertise in their chosen fields. The Group also enters into partnership with well-acclaimed overseas design houses for new products designs and development apart from the vast reservoir of its own brands designs.

(v) Sales and Marketing

The Group's sales and marketing activities operate in global arena with offices and presence in the USA, Germany, UK and the PRC. The presence attunes with the Group's niche marketing strategy and enables the Group to keep abreast with the market conditions and to develop new market segments.

(iii) 品質控制

管理層著重產品之質量及可靠性，因而制定了來料、內部生產、制成品品質控制程序、品質審查及耐用測試程序以滿足高級貨品客戶之嚴謹要求。本集團繼續追求高品質標準。本集團位於深圳之廠房於二零零五年一月獲得ISO9001:2000認證，此為公開肯定了本集團對高品質標準之追求及努力。

(iv) 設計、研究及開發

本集團擁有超過30人之強大內部設計、研究及開發隊伍，他們均是在其有關範疇內之表表者。本集團除本身擁有之龐大品牌設計外，亦與海外昭著之設計公司訂立了合作協議，設計及開發新產品。

(v) 銷售及市場推廣

本集團之市場銷售覆蓋全球，並於美國、德國、英國及中國設有辦事處。此設定配合本集團之特色市場策略，及確保本集團與市場環境並進及開發新市場類別。



BUSINESS REVIEW AND PROSPECTS

Clock and Other Office Related Products

The Division achieved a turnover of HK\$158.4 million in the year under review, it represents an increase of HK\$13.2 million or 9.1% as compared with the same period last year.

Cost control underscored the Division's operations in the year under review. Starting from the second half of the financial year, targets were set to clamp down materials and production costs with strict responsibility and accountability system imposed, the actual achievement of the targets were closely monitored on a monthly basis.

The Division reported a segment trading profit of HK\$2,233,000 for the year ended 31 March 2005, the result was arrived at after taking into account the loss of the USA and Germany Offices in the amount of HK\$5,492,000. The segment trading result represents an increase of HK\$7,996,000 as compared with the same period last year.

業務回顧及展望

時鐘及其他辦公室相關產品

本業務在回顧年度內錄得營業額港幣158,400,000元，較去年同期上升港幣13,200,000元或9.1%。

在回顧年度內本業務之營運強調成本控制。由本財政年度下半年開始，本業務訂立目標和採用嚴謹的責任考核制度以減低物料及生產成本，並每月監察實際達標數字。

本業務截至二零零五年三月三十一日止之年度內錄得之分類貿易利潤為港幣2,233,000元，此業績已包括美國及德國辦事處之虧損港幣5,492,000元。本業務本年度之分類貿易業績較去年同期上升港幣7,996,000元。



Lighting Products

The Lighting Products Division reported a turnover of HK\$26.9 million in the year ended 31 March 2005. The result represents an increase of HK\$11.7 million or 76.8% as compared with the same period last year.

Before moving its production to the Gaoming factory in Foshan City, the PRC, the Division sub-contracted a part of its production to outsiders due to the small capacity at the Shenzhen factory which could have earned higher profit margin if produced in-house. The cost of removal has added further burden to the Division's profit performance for the year. The competition was severe in the year under review, which has led to a reduction in the selling price of the products, while the materials cost has been on the rise. All these factors have eroded the gross profit margin of the Division. However, the Division was still able to report a trading profit of HK\$2,035,000 in the year under review, as compared with HK\$82,000 in last financial year.

It is expected that the new factory facilities will give rise to the benefit of economy of scale and production efficiency, leading to cost effectiveness in production and boosting sales turnover.

照明產品

照明產品業務於二零零五年三月三十一日止之年度內錄得營業額港幣26,900,000元，較去年同期上升港幣11,700,000元或76.8%。

在本業務將生產基地搬往中國佛山市高明廠房前，由於深圳廠房生產力偏低，本業務將若干生產部份外發予其他生產商加工，如能自行生產將可獲較高利潤。本年度之利潤表現亦受搬遷費用影響。於回顧年度內競爭激烈，導致產品之售價下調，同時物料成本卻上升。所有這些因素削減本業務之毛利。但本業務於回顧年度內仍錄得分類貿易利潤港幣2,035,000元，而去年之分類貿易利潤為港幣82,000元。

新廠房設施將提高經濟效益及生產效率，令生產成本更具效益及促進營業額。

Trading

The Division mainly engages in trading of metal in the PRC market. During the period under review, the business was inevitably affected by the PRC government's tightening of macro-economic policy. The Division reported a turnover of HK\$41.6 million with a segment trading profit of HK\$1,772,000 as compared with a turnover of HK\$56.2 million and a segment trading loss of HK\$302,000 in the same period last year.

In the short run, the management looks upon the business as an important source of marketing intelligence to the Group's other businesses in the PRC market, the management does not expect the Division to make substantial contribution to the Group's bottom-line in the near future.

Electroplating Services

The Electroplating Services Division recorded a turnover of HK\$11.4 million in the year ended 31 March 2005 as compared with HK\$13.3 million in the same period last year. It reported a segment trading profit of HK\$1,170,000 in the period under review as compared with HK\$2,390,000 in the same period last year.

Electroplating Services Division forms an integral part of the Group's vertically integrated manufacturing operation and it provides high quality electroplating services to other customers. The Division's factory has long been established in its present location. It has been accredited with ISO certification in 2001 and in full compliance with the local government's requirements with respect to environmental conservation. It also established long term relationship with suppliers for the supplying of restricted material such as potassium gold cyanide「氰化亞金鉀」which is an important ingredient for the use in the electroplating process.

It is expected that the PRC government will further tighten up environmental protection measures with the effect of imposing further restrictions in operating electroplating services in the area. The Division will strengthen its competitive advantages in terms of its long establishment and good relationship with local government, ISO approved standard and high quality service, as well as the secured access to restricted materials.

貿易

本業務主要從事中國市場金屬貿易。在回顧年度內，業務無可避免地受到中國政府收緊宏觀調控政策所影響。本業務錄得營業額為港幣41,600,000元及分類貿易利潤為港幣1,772,000元，去年同期比較為營業額港幣56,200,000元及分類貿易虧損港幣302,000元。

短期展望，管理層視本業務為推廣本集團在中國市場之其他業務之重要資訊來源。管理層並不期望本業務能在短期內對本集團之盈利作出重大貢獻。

電鍍服務

電鍍服務業務於二零零五年三月三十一日止之年度內錄得營業額港幣11,400,000元，去年同期為港幣13,300,000元。於回顧年度內本業務錄得分類貿易利潤港幣1,170,000元，去年同期為港幣2,390,000元。

電鍍服務業務既為本集團垂直綜合生產系統中之其一主要部份，亦為其他客戶提供優質電鍍服務。電鍍業務的廠房於現址已建立多年，並於二零零一年獲得國際認可之品質管理體系（「ISO」）的認證，達到當地政府就環境保護措施之要求。其次，本廠亦與供應商建立了長遠的良好關係，以取得在電鍍過程中受監管限制之重要物料如氰化亞金鉀的穩定供應。

預期中國政府將會進一步收緊環境保護措施的要求，從而限制在當地電鍍服務的營運。本業務將透過本身悠久的基礎、與當地政府的良好關係、ISO認可標準及優良的服務質素，以及受監管物料之穩定供應，以強化本身的競爭優勢。

Pharmaceutical Business

The Group acquired 49% share capital of Success Start Holdings Limited ("Success Start") on 15 March 2004. Success Start engages in the research and development, production and sales of medical products through Anxi Medicine-Make Co., Limited Fujian 福建省安溪制藥有限公司 ("Anxi Medicine") and bio-technological medical products through Beijing Xipu Biotechnology Limited 北京璽圃環球生物醫藥技術有限公司 ("Beijing Xipu"). The management remains confident that pharmaceutical industry will be the next high-growth industry in the PRC in the foreseeable future with attractive returns. The management will treat the investment as a valuable asset and a potential contributor to the Group's business in the future.

During the year under review, the sales turnover of Success Start increased by 83.9%, from HK\$13.0 million in the year ended 31 March 2004 to about HK\$24.0 million in the year ended 31 March 2005, and has successfully turned around from a loss into a profit position. Anxi Medicine has submitted two medical products, "Cefmetazole Raw Material Medicine" [頭孢米諾原料葯] and "Sterilized Power of Injection" [無菌粉針] for the approval of the State Food and Drug Administration (SFDA). It is expected that approval for the production of the products as well as the accreditation of the GMP standard will be granted in the near future. Anxi Medicine also will be the first entity in the PRC to apply for the production of the internationally most advanced medicine "Natamycin" [那他霉素].

Beijing Xipu has successfully launched the new product, "Xi Pu Gluco Guard Yi Dao Ying Yan Su" [璽圃牌利唐康膠囊胰島素營養素] in the year under review and was well received by diabetic patients. The product has now been launched into major cities and provinces in the PRC. The product was also in the process of registration with the America's Food and Drug Administration (FDA) under registration No. 10307917240. Beijing Xipu has recently entered into agency agreements with renowned medicine companies in the PRC (except those companies in Beijing, Guangdong, Shangdong, Liaoning, Jilin, Heilongjian and Fujian) for the distribution of the product, concluding an annual sales in the amount of RMB3.5 million. It is expected that the sales of the product will increase substantially in the coming financial year.

製藥業務

本集團於二零零四年三月十五日收購成發控股有限公司(「成發」)之49%股本。成發主要透過福建省安溪制藥有限公司(「安溪制藥」)從事研發、生產及銷售醫藥產品，及透過北京璽圃環球生物醫藥技術有限公司(「北京璽圃」)從事研發、生產及銷售生物技術醫藥產品。管理層深信中國之醫藥行業在可見將來是國內另一個高增長的行業及帶來可觀的回報。因此管理層視此項投資為貴重資產及會在未來為本集團帶來具潛質的回報。

在回顧年度內，成發營業額增加83.9%，由二零零四年三月三十一日止之年度港幣13,000,000元上升至二零零五年三月三十一日止之年度約港幣24,000,000元，並成功轉虧為盈。安溪制藥已向國家食品藥品監督管理局申請批准兩種新產品「頭孢米諾原料葯」及「無菌粉針」。預期產品生產及符合GMP認可標準之資格在不久將來可獲得批准。安溪制藥將會是中國首家申請生產國際上最先進藥物「那他霉素」的公司。

在回顧年度內，經北京璽圃生產的新產品名為「璽圃牌利唐康膠囊胰島素營養素」，已成功推出市場及廣受糖尿病患者好評。本產品亦已於中國主要省市推出，本產品亦正向美國食品及藥物行政部進行註冊，註冊編號為10307917240。北京璽圃近期與國內(除北京、廣東、山東、遼寧、吉林、黑龍江及福建)多間著名藥品公司簽訂代理分銷產品合約，年度銷售額達人民幣3,500,000元。預期該產品明年之銷售額將會有大幅增長。

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2005, the Group had total outstanding debts and finance lease obligations of HK\$32,392,000 (2004: HK\$63,231,000), of which HK\$24,575,000 (2004: HK\$54,612,000) was secured bank loans, HK\$6,589,000 (2004: HK\$6,374,000) was secured overdrafts, HK\$259,000 (2004: HK\$732,000) was unsecured other loans and HK\$969,000 (2004: HK\$1,513,000) was obligations under finance leases. The amount repayable within one year accounted for 80.0% (2004: 68.8%) of the total borrowings as at 31 March 2005. The maturity profile of the Group's total borrowings as at 31 March 2005 is analysed as follows:

| | | 2005 二零零五年 | 2004 二零零四年 |
|--|-----------------|---------------|---------------|
| Within one year | 一年內 | 80.0% | 68.8% |
| In the second year | 第二年内 | 19.5% | 12.1% |
| In the third to fifth years, inclusive | 第三年至第五年(包括首尾兩年) | 0.5% | 10.3% |
| Beyond five years | 超過五年 | - | 8.8% |
| Total | 總計 | 100% | 100.0% |

Our gearing ratio was at a healthy level of 3.3% (2004: 10.9%). The computation is based on long-term borrowings of the Group divided by shareholders' fund as at 31 March 2005.

The Group's sound financial position will provide us with good financial capacity to either expand our existing operation or to diversify into other strategic growth business.

CHARGES ON GROUP'S ASSETS

Certain of the Group's leasehold land and buildings and plant and machinery were pledged to secure general banking facilities granted to the Group.

流動資金及財務來源

於二零零五年三月三十一日，本集團之未償還貸款及融資租賃之承擔合共港幣32,392,000元(二零零四年：港幣63,231,000元)，其中擔保銀行貸款為港幣24,575,000元(二零零四年：港幣54,612,000元)，擔保銀行透支為港幣6,589,000元(二零零四年：港幣6,374,000元)，無擔保其他貸款為港幣259,000元(二零零四年：港幣732,000元)及融資租賃之承擔為港幣969,000元(二零零四年：港幣1,513,000元)。截至二零零五年三月三十一日止需於一年內償還的金額佔總借貸的80.0%(二零零四年：68.8%)。本集團於二零零五年三月三十一日之總借貸之到期詳情分析如下：

本集團之負債比率現處於3.3%(二零零四年：10.9%)之穩健水平。負債比率之計算乃按本集團之長期負債除以於二零零五年三月三十一日之股東資金。

本集團之財務狀況健全，具有充裕之財務能力以擴展現有業務，並於具策略性增長之業務作多元化發展。

集團資產抵押

若干租約土地及樓宇及廠房及機械已作法定抵押，以致本集團獲得若干銀行貸款。

FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue and incurs costs in US dollars and Hong Kong dollars. Foreign exchange exposure of the Group is minimal so long as the HKSAR Government's policy to link the Hong Kong dollars to the US dollars remains in effect.

Since the Group's principal manufacturing operations are in the PRC and most of the operating expenses are denominated in Renminbi ("RMB"), the management is aware of possible exchange rate exposure. As a hedging strategy, the management emphasizes on using RMB borrowings to finance the Group's PRC operation and capital expenditure.

TREASURY POLICIES

The Group generally finances its operation with internal generated resources and banking and credit facilities provided by banks in Hong Kong, the PRC and the UK. All borrowings are denominated in Hong Kong dollars, the US dollars, RMB and British pounds. Borrowing methods used by the Group mainly include trust receipt loans, overdrafts facilities, invoice financing and bank loans. The interest rates of most of these borrowings are fixed by reference to the Hong Kong Dollar Prime Rate or foreign currency's Trade Finance Rates.

CONTINGENT LIABILITIES

As at 31 March 2005, the Group did not have contingent liabilities (2004: Nil).

CONNECTED TRANSACTIONS

On 8 September 2004, the Company entered into the sale and purchase agreement with Ms. Li Kwo Yuk ("Ms. Li"), a director of the Company, for the disposal of the entire interests in German Time Limited and Smart Best Development Limited, which are indirect wholly-owned subsidiaries of the Company, at a consideration of HK\$22,000,000.

Details of the disposal were disclosed in the Company's announcement dated 16 September 2004 and the Company's circular dated 2 October 2004 which had been dispatched to the shareholders of the Company.

外匯風險

本集團主要以美元及港元賺取收益及支付費用。鑑於香港特區政府仍然實施港元與美元掛勾之政策，故此本集團之外匯風險甚低。

由於本集團的主要生產業務所在地位於中國，且大部份支出乃以人民幣結算，故管理層注意到匯兌風險的可能性。作為對沖策略，管理層著重以人民幣借款支付本集團未來投資及資本開支。

庫務政策

本集團一般透過內部資金與香港、國內及英國銀行給予之銀行融資及信貸融資提供其業務運作所需資金。所有借貸主要以港元、美元、人民幣及英鎊為結算單位。本集團採用之借貸方法要包括信託收據、透支融資、發票貼現及銀行貸款。上述貸款及透支之利息大部份參照港元最優惠利率或外幣貿易財務利率而釐定，以固定息率計算。

或然負債

於二零零五年三月三十一日，本集團並無或然負債(二零零四年：無)。

關連交易

於二零零四年九月八日，本公司與本公司董事李戈玉女士(「李女士」)簽訂買賣協議，悉數出售本公司非直接全資擁有之附屬公司德國時計有限公司及俊富發展有限公司，代價為港幣22,000,000元。

該出售詳情已於本公司二零零四年九月十六日之公告及本公司二零零四年十月二日之通函內披露，並已派發給本公司股東。

EMPLOYEES

As at 31 March 2005, the Group had 2,394 (2004: 2,598) employees spreading among Hong Kong, the PRC, the US, Germany and the UK. Industrial relationship has been well maintained.

The Group has adopted an extensive training policy for its employees. It has also sponsored senior executives for higher education programs.

The Group has adopted a share option scheme whereby certain employees of the Group may be granted options to acquire shares of the Company.

僱員

於二零零五年三月三十一日，本集團共有員工2,394名(二零零四年：2,598名)分佈於香港、中國、美國、德國及英國各地。本集團與員工一直保持良好關係。

本集團已採用一套完備的員工培訓政策，並贊助高級行政人員進修高級教育課程。

本集團已採納一項購股權計劃，集團部分員工可享有購股權以認購本公司之股份。