

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

BUSINESS DEVELOPMENT

The Group had successfully transformed the business from making analogue audio products to digital video products after investing heavily in research and developments. The popular demand of digital products such as DVD during the last few years has proved that we are heading towards the right direction. Our current products road map covered a wide variety of digital products which we believe will also be very popular in the coming years. DVD recorder with its superb features and quality is destined to replace VCR in the near future. Since small size LCD TV could be installed in the bath room and kitchen in every household and DVB products capable of receiving digital broadcast signal will be a must in 5 to 10 years all over the world, the Group would therefore benefit from the tremendous sales of these products.

WORKING CAPITAL

In early 2006, the Group expanded its cable set top box business. Sales of set top box were particularly strong between January and March 2006, accounting for almost 7% of the Group's total revenue. In addition, sales orders for April to June 2006 were also encouraging. As a result, inventory level and trade creditor level were higher than those of last year. DK Digital GmbH fully settled its outstanding debts to the Group and no bad debts provision was required for the year. After the completion of the new Shi Pai factory, we expect capital expenditure to decrease in the coming years.

LIQUIDITY RESOURCES

The Group had on 23 March 2006 signed a 3 year term loan facility agreement for HK\$150,000,000 with a syndicate of 7 international and local banks. The loan is on HIBOR basis and repayable by installment starting 18 months after the date of the loan agreement. This syndicated loan was used to fully repay the syndicated loan obtained on 3 December 2003, with the approximately HK\$27 million balance to serve the Group's working capital requirements. Under the terms of the loan agreement, Mr. Ling Siu Man, Simon, the Chairman and Managing Director of the Group, is required to maintain at least 40% shareholding of the Company, be the single largest shareholder and be actively involved in the management and business of the Group, otherwise it will constitute as default.

業務發展

集團投放大量資源於研發，成功地將業務由製造「模擬」音響產品轉為生產「數碼」影像產品。而過往數年間數碼產品(如DVD)的需求殷切，足以證明本集團的發展方向正確。本集團現時的產品佈局覆蓋多種數碼產品，而我們相信該等產品於未來數年會深受市場歡迎。隨着DVD錄影機的先進功能及質素不斷提升，其取代VCR將指日可待。由於小型LCD電視可安裝於每個家庭的浴室及廚房，而可接收數碼廣播訊號的數碼廣播產品於5至10年內亦將成為全球各地必備的產品，因此，該等產品的龐大銷量將令本集團受惠。

營運資金

於二零零六年初，本集團將業務擴展至有線電視機頂盒。機頂盒的銷量於二零零六年一月及三月尤其強勁，約佔本集團總收益的7%。此外，二零零六年四月至六月期間所接獲的銷售訂單亦令人鼓舞。因此，存貨水平及貿易應付款項較去年同期上升。DK Digital GmbH已悉數向本集團償還其債項，因而本年度毋須為此作出壞賬撥備。石排鎮新廠房竣工後，本集團預期來年的資本性開支將會減少。

流動資源

本集團於二零零六年三月二十三日與7間國際及本地銀行組成的銀團簽訂為期三年的貸款協議，總額為150,000,000港元。該筆貸款的利息乃按香港銀行同業拆息計算，於簽訂貸款協議日期後18個月起分期償還。該筆銀團貸款已用作悉數償還於二零零三年十二月三日取得的銀團貸款，而餘額約27,000,000港元則用作本集團的營運資金。根據貸款協議條款，本集團主席兼董事總經理凌少文先生須持有本公司最少40%股權、作為單一最大股東，並積極參與本集團的管理及業務事宜，否則將被視作違反貸款協議。

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As at 31 March 2006, the Group had total borrowings of approximately HK\$461 million, of which HK\$425 million was bank borrowings and HK\$36 million was for obligations under finance leases. The Group's borrowings are denominated in Hong Kong dollars and bear interest mainly on HIBOR basis. Bank balances and cash on hand, mainly denominated in Hong Kong dollars, amounted to HK\$100 million. Gearing ratio was 71%, calculated based on net borrowings over shareholder funds.

The Group is not exposed to material currency fluctuation risks, as most of its receivables are in US dollars and payable in Hong Kong and US dollars. The Group purchases forward contracts with bank to hedge against confirmed US dollar receipts. Except for a few customers whom we offer credit on an open account basis, we transact business with all other customers on letter of credit at sight basis.

INVESTMENTS IN LISTED SECURITIES

The Group has invested in securities of certain listed companies in Hong Kong. During the year, certain investments were disposed of with a gain of HK\$356,000 as compared with HK\$20 million last year. The Group continues to recognise the investment securities on short-term basis and record it based on market value.

EMPLOYEES RELATIONS

As at 31 March 2006, the Group had 150 employees stationed in Hong Kong and 8,000 employees in the PRC factories and office. Total salaries and wages for the year amounted to approximately HK\$129 million. The Group normally reviews staff salaries and wages annually on the basis of staff performance and market conditions. The Group also provides year-end incentive, discretionary bonuses, provident fund, medical insurance and training to staff. Worker welfare is determined with reference to prevailing labor laws in Hong Kong and China.

於二零零六年三月三十一日，本集團借款總額約為461,000,000港元，當中425,000,000港元及36,000,000港元分別為銀行借貸及融資租賃承擔。本集團的借款以港元結算，利息主要按香港銀行同業拆息計算。銀行結存及現金達100,000,000港元，主要以港元結算。資產負債比率為71%，乃按借款淨額除以股東資金計算。

由於本集團大部分應收款項以美元結算，而應付款項以港元及美元結算，故所面對外匯波動風險不大。本集團已向銀行購買遠期合約，以對沖已確認之美元收入款項。除向數名客戶以記賬方式提供信貸外，本集團與所有其他客戶均以即期信用證進行交易。

投資上市證券

本集團投資於若干香港上市公司的證券。年內，已出售若干投資並取得356,000港元的收益，去年則為20,000,000港元。本集團將繼續以短期基準確認投資證券，並以市值列賬。

僱員關係

於二零零六年三月三十一日，本集團在香港僱用員工150名，中國的廠房及辦公室則僱有8,000名員工。年內薪金及工資支出總額約為129,000,000港元。本集團一般會根據員工的工作表現及市場情況每年檢討薪酬及工資。本集團亦會向其員工提供年終獎金、酌情花紅、公積金、醫療保險及培訓。員工福利乃參照香港及中國的現行勞工法例釐訂。