

## CHAIRMAN'S STATEMENT 主席報告書

The financial year of 2003/2004 continued to be a difficult year for the Group and also witnessed the worldwide economy dramatically hit by the Iraq war and the outbreak of Severe Acute Respiratory Syndrome ("SARS"). The Group recorded a turnover of HK\$22,531,000, dropped by 40.9% from HK\$38,092,000 recorded last year. Net loss from ordinary activities attributable to shareholders for the year was HK\$30,898,000 as compared with a net profit of HK\$37,432,000 for 2002/2003, which was mainly contributed from the gain of debt restructuring of HK\$77,031,000. During the year under review, in view of the decrease in turnover and significantly smaller scale of operations, the Group's turnover could not reach a scale that could recover the Group's fixed cost.

Upon successful implementation of debt restructuring in the year of 2002/2003 and completion of an open offer in September 2003, that significantly improved the Group's financial position and enlarged its capital base. In order to restore the on-going support from its customers and to enhance the competitiveness of the Group's product, the management also adopted several measures to modify its ODM products, to implement various marketing strategies such as early bird program, to adopt new pricing policy, to expand its business into key markets and etc.. However, with the Iraq war, it hampered the consumer spending sentiment seriously and 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 outbreak of SARS in Asian countries and the travellers' warnings issued by the World Health Organisation, nearly all buyers cancelled their business trips to Hong Kong in April and May of 2003. That further aggravated the business environment.

In order to broaden the clientele network and to develop reliable relationship with customers, the Group set up a new company in Hong Kong namely as "Gadgets Yard Limited" ("Gadgets Yard") with an independent third party on 18 December 2003 in which the Group and the independent third party own 51% and 49% equity interest in Gadgets Yard respectively. Through the business partnership, the Group can build new clientele and develop products to add on to existing product lines.

對本集團而言，二零零三／二零零四財政年度仍然荊棘滿途，反映全球經濟受到伊拉克戰事及嚴重急性呼吸系統綜合症（「非典型肺炎」）爆發之嚴重打擊。本集團錄得營業額 22,531,000 港元，較去年錄得之 38,092,000 港元跌幅 40.9%。本年度之股東應佔日常業務虧損淨額為 30,898,000 港元，而二零零二／二零零三年度之溢利淨額則為 37,432,000 港元，主要是由於債務重組之收益 77,031,000 港元所致。於回顧年度內，由於營業額下跌，以及營運規模大幅縮減，本集團之營業額未能達到足以填補其固定成本之規模。

二零零二／二零零三年度成功進行債務重組，以及二零零三年九月完成公開發售，大大改善本集團之財政狀況及擴大其資本基礎。為了重新獲得客戶之持續支持及提高本集團產品之競爭力，管理層亦採取多項措施，以改良其原設計製造產品，實施各項市場推廣策略（例如優先特惠計劃），採納新定價政策，擴充業務至主要市場等等。然而，伊拉克戰事嚴重打擊消費氣氛，導致塑膠材料價格上升。塑膠材料是本集團核心產品項目一學行車使用之主要原料，因此，塑膠材料價格上升最終會影響本集團之利潤及營業額。二零零三年四月至五月，非典型肺炎於亞洲國家爆發，世界貿易組織發出旅遊警告，引致近乎所有買家取消到香港商務旅遊，令營商環境進一步惡化。

為擴闊客戶網絡，與客戶建立可靠之合作關係，本集團於二零零三年十二月十八日與一獨立第三方在香港成立一家名為「源製有限公司」（「源製」）之新公司，本集團及獨立第三方分別擁有源製之 51% 及 49% 權益。透過業務夥伴關係，本集團可建立新客戶基礎，並開發新產品，加入現有之產品系列。

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To serve for the Group with a stable revenue income source and to diversify its business, the Group entered into with connected party on 20 February 2004 (1) a shareholders' agreement for formation of a joint venture company namely as "Xin Procurement and Trading Pte. Ltd." ("Xin Procurement") for the provision of the supply and procurement business in which the Group and the connected party own 51% and 49% equity interest in Xin Procurement respectively; and (2) a supply agreement for the efficient and timely supply of certain office equipment and office supplies, machinery, parts, lubricating oil and bunker for vessels. The above transactions were approved by the independent shareholders at the special general meeting held on 29 March 2004.

### PROSPECTS

To promote the strength of the factory's facilities, to build a pool of anchor clients with reliable business relationship and to penetrate the largest market of toys industry through new partnerships are the Group's major objectives in toys business. The formation of the joint venture company and the entering into the supply agreement with the connected party not only enables the Group to diversify into the supply and procurement business but also provides the Group with a reliable and trustworthy client. With the growth in the supply and procurement business, the Directors believe that the joint venture company will enjoy better efficiency and economies of scale that would enable the Group to improve its profit margins and turnover. In the forthcoming years, the management will also strengthen the Group's investments with stable revenue generating power.

### APPRECIATION

On behalf of the board, I would like to take this opportunity to thank all of our dedicate staff for their efforts and to express my sincere appreciation to all shareholders for their continuous support to the Group.

為了令本集團獲得穩定之收入來源，將其業務作多元化發展，本集團於二零零四年二月二十日與關連人士訂立以下各項：(1)就成立一家名為「Xin Procurement and Trading Pte. Ltd.」(「Xin Procurement」)之合營公司以作為提供供應及採購業務而訂立一份股東協議，本集團及關連人士分別擁有Xin Procurement之51%及49%股本權益；及(2)就有效率及適時地供應若干辦公室設備及辦公室用品、遠洋郵輪使用之機器、零件、機油及燃料而訂立一份供應協議。獨立股東已於二零零四年三月二十九日舉行之股東特別大會上批准上述交易。

### 展望

本集團在玩具業務方面之主要目標為提高廠房設施之生產力，建立業務關係可靠之固定客戶基礎，以及透過新夥伴關係進入最大之玩具業市場。與關連人士成立合營公司及訂立供應協議，不單令本集團可多元化發展至供應及採購業務，亦可為本集團帶來可靠而信譽良好之客戶。隨著供應及採購業務有所增長，董事相信，合營公司將可達至更理想之效率及經濟規模，從而刺激本集團之邊際利潤及營業額。展望來年，管理層亦將加強本集團收入穩定之投資。

### 致謝

本人謹此代表董事會，向本集團全體員工致以由衷謝意，感謝彼等一直竭誠盡力為本集團服務，亦感謝全體股東多年來對本集團全力支持。