

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the six months ended 30 September 2006, the Group's turnover was approximately HK\$93,237,000 which was about 11.1% greater than that of the corresponding period last year (30 September 2005: HK\$83,888,000). Unaudited loss attributable to equity holders of the Company for the period was HK\$2,186,000 (30 September 2005: HK\$6,281,000), recording an improvement of 65.2%. Basic loss per share was HK2.6 cents (2005: HK7.6 cents).

Following the disposal of a loss-making group of subsidiaries engaged in the toys business in August 2005, the Group has been concentrating on the profit-making supply and procurement business. For the period under review, the performance by the supply and procurement business was satisfactory. It recorded a turnover HK\$93,237,000 (2005: HK\$72,942,000), representing an increase of 27.8% and a profit of HK\$10,472,000, representing an increase of 46.2% as compared to HK\$7,163,000 for the same period last year.

Since April 2004, the Group has been commencing its supply and procurement business in Asia Pacific Region by formation of a joint venture company namely as "Xin Procurement and Trading Pte. Ltd." in which the Group and HCSPL own 51% and 49% equity interest respectively. With the improvement in the economy of Southeast Asia Region, tight cost control and the appreciation of Singapore dollars, the Group recorded double-digit growth in both turnover and results of the supply and procurement business. In order to strengthen the Group's investment with stable revenue-generating power, on 22 November 2006, the Group entered into a conditional sale and purchase agreement to acquire from HCSPL (i) the Sale Shares; and (ii) the Sale Loan. Upon completion, the Group's interests in Xin Procurement will be increased to 75%. The transactions under the agreement are subject to the approval of the independent shareholders in a forthcoming general meeting of the Company.

管理層討論及分析

業績

截至二零零六年九月三十日止六個月，本集團之營業額約為93,237,000港元，較去年同期上升約11.1%（二零零五年九月三十日：83,888,000港元）。本期間本公司權益持有人應佔之未經審核虧損為2,186,000港元（二零零五年九月三十日：6,281,000港元）錄得65.2%增長。每股基本虧損為2.6港仙（二零零五年：7.6港仙）。

隨著於二零零五年八月出售經營玩具業務並錄得虧損之附屬公司集團後，本集團一直專注於錄得盈利之供應及採購業務。於回顧期內，供應及採購業務之表現令人滿意。該項業務錄得營業額93,237,000港元（二零零五年：72,942,000港元），較去年同期上升27.8%，並錄得溢利10,472,000港元，較去年同期之7,163,000港元上升46.2%。

自二零零四年四月以來，本集團已透過成立本集團與HCSPL分別佔51%及49%股本權益之合營公司「Xin Procurement and Trading Pte. Ltd.」，開始其在亞太區之供應及採購業務。隨著東南亞地區經濟改善、嚴格之成本控制及新加坡元升值，本集團於其供應及採購業務之營業額及業績兩方面均錄得雙位數之增長。為了增強本集團具備穩定收入增長能力之投資，於二零零六年十一月二十二日，本集團訂立一項有條件買賣協議，向HCSPL收購(i)銷售股份；及(ii)銷售貸款。於完成後，本集團於Xin Procurement之權益將增加至75%。根據該協議進行之交易須待獨立股東於本公司即將舉行之股東大會上批准後方可作實。

Charge on the Group's Assets

Certain investment properties and prepaid land lease payments of the Group in Mainland China with an aggregate carrying value of HK\$18,131,000 as at 30 September 2006 (31 March 2006: HK\$25,565,000) were pledged to secure bank borrowings advanced to the Group.

Contingent Liabilities

In the opinion of the directors, there was no material contingent liability under the Group at the period end.

Liquidity and Financial Resources

As at 30 September 2006, the Group had neither unutilized banking facilities nor any hedging financial statements. The Group's net current liabilities were HK\$12,359,000. Since there was a negative equity attributable to equity holders of the Company of HK\$3,177,000 at the balance sheet date, calculation of gearing ratio is not applicable.

As at 30 September 2006, the Group's total indebtedness (representing the total interest-bearing borrowing and convertible note from bank and loan provider) was approximately HK\$40,414,000 (31 March 2006: HK\$44,558,000) which will be repayable within one to three years. All borrowings of the Group are at fixed interest rate and mainly denominated either in Hong Kong dollars or Renminbi. As at 30 September 2006, the Group has current ratio of 0.86 (31 March 2006: 0.79) based on current assets of HK\$73,337,000 and current liabilities of HK\$85,696,000.

On 30 March 2006, pursuant to the subscription agreement entered on 15 February 2006 between the Group and Vision Century, the controlling shareholder of the Company, a 1% per annum convertible note in principal amount of HK\$37,000,000 was issued to Vision Century as settlement of debts owed by the Group to Vision Century. The Convertible Note is repayable in three years or convertible into the Company's ordinary share of HK\$0.01 at an initial conversion price of HK\$0.205 each (subject to adjustments), which was subsequently adjusted to HK\$0.141 per conversion share as result of the open offer on 16 October 2006.

本集團資產之抵押

於二零零六年九月三十日，本集團抵押賬面總值18,131,000港元(二零零六年三月三十一日：25,565,000港元)於中國內地之若干投資物業及預付土地租賃款項，以取得本集團獲授之銀行貸款。

或然負債

董事認為，本集團於本期間結束時並無重大或然負債。

流動資金及財政資源

於二零零六年九月三十日，本集團並無任何未動用之銀行融資或任何對沖金融文據。本集團之流動負債淨額為12,359,000港元。由於在結算日存在本公司權益持有人應佔負權益3,177,000港元，因此計算負債比率並不適用。

於二零零六年九月三十日，本集團之債務總額(即銀行及貸款供應商之計息借款總額及可換股票據)約為40,414,000港元(二零零六年三月三十一日：44,558,000港元)，該等債務須於一年至三年內償還。本集團所有貸款均以固定利率計息及主要以港元或人民幣計值。於二零零六年九月三十日，根據流動資產73,337,000港元及流動負債85,696,000港元計算，本集團之流動比率為0.86(二零零六年三月三十一日：0.79)。

於二零零六年三月三十日，根據本集團與本公司控股股東Vision Century於二零零六年二月十五日訂立之認購協議，已向Vision Century發行本金額為37,000,000港元之年息一厘可換股票據，作為償還本集團結欠Vision Century之債務。可換股票據須於三年內償還或可按初步換股價每股0.205港元(可予調整)兌換為本公司面值0.01港元之普通股，換股價其後已於二零零六年十月十六日因公開發售調整至每股兌換股份0.141港元。

Post Balance Sheet Events

In order to strengthen the capital base of the Group and to improve the Group's financial position, on 16 October 2006, the Company effected an open offer with assured allotment of three offer shares for every share of HK\$0.01 each held by shareholders as at 26 September 2006. The open offer resulted in the issue of 248,112,042 new ordinary shares of HK\$0.01 each in the Company at a price of HK\$0.12 per share. Cash proceeds of approximately HK\$29,773,000, before the related expenses, were received by the Company. As a result of the open offer, the conversion price of the Convertible Note was adjusted. In addition, pursuant to the terms of the share option scheme, the exercise price and the aggregate number of the share options were also adjusted.

On 22 November 2006, the Group entered into a conditional sale and purchase agreement to acquire from HCSPL (i) the Sale Shares; and (ii) the Sale Loan at an aggregate consideration of HK\$7,126,560. The consideration is to be satisfied by the Company issuing a convertible note of HK\$7,126,560. Upon completion, the Group's interests in Xin Procurement will be increased to 75%. The transactions under the agreement, including the issue of the convertible note, constitute a very substantial acquisition and a connected transaction of the Company under the Listing Rules and are subject to the approval of the independent shareholders in a forthcoming general meeting of the Company. For details, please refer to the Company's announcement dated 24 November 2006.

Foreign Currency Exposure

All borrowings of the Group are denominated either in Hong Kong dollars or Renminbi or Singapore dollars. The Group currently does not have a foreign currency hedging policy. However, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

結算日後事項

為了增強本集團之股本基礎及改善本集團之財務狀況，於二零零六年十月十六日，本公司實行公開發售，按於二零零六年九月二十六日股東每持有每股面值0.01港元之一股股份獲保證配發三股發售股份。公開發售導致按每股0.12港元之價格發行248,112,042股每股面值0.01港元之新普通股。現金所得款項約29,773,000港元（未計有關開支）已由本公司收悉。由於進行公開發售，可換股票據之換股價已調整。此外，根據購股權計劃之條款，行使價及購股權總數亦已調整。

於二零零六年十一月二十二日，本集團訂立一項有條件買賣協議，向HCSPL收購(i)銷售股份；及(ii)銷售貸款，總代價為7,126,560港元。代價將由本公司透過發行7,126,560港元之可換股票據支付。於完成後，本集團於Xin Procurement之權益將增加至75%。根據上市規則之規定，按該協議進行之交易（包括發行可換股票據）構成本公司之非常重大收購事項及關連交易，並須待獨立股東於本公司之即將舉行之股東大會上批准後方可作實。有關詳情，請參閱本公司於二零零六年十一月二十四日之公佈。

匯率波動風險

本集團之全部借貸均以港元或人民幣或新加坡元計值。本集團目前並無外匯對沖政策。然而，管理層密切監察外匯風險及將於有需要時考慮對沖重大外匯風險。

Human Resources

As at 30 September 2006, the Group employed a total of 14 employees, among which, 6 staff were based in Hong Kong and 8 were in Singapore. Apart from competitive remuneration package offered to the employees, discretionary bonuses and share options are granted to eligible staff based on individual performance.

Prospects

In the long term, Asia Pacific Region's economic performance remains promising and continues to have a positive effect on the local economy. The management is confident that the supply and procurement business will continue to be benefited from the improving economic prospects. To strengthen the prospects of further growth, we will continue to expand its existing operations, to look for new investment opportunities and to diversify its business.

人力資源

於二零零六年九月三十日，本集團聘用之僱員總數共14人，當中長駐香港之職員為6人及長駐新加坡之職員為8人。本集團除向僱員提供優厚之薪酬福利外，亦根據個人之表現向合資格職員授出酌情花紅及購股權。

前景

長遠而言，亞太區經濟表現仍然理想，並繼續對本港經濟帶來正面影響。管理層深信，供應及採購業務將繼續受惠於經濟前景改善。為了加強有關業務之增長前景，本集團將會繼續擴展其現有業務、物色嶄新投資商機及多元化發展其業務。