



## RESULTS

The fiscal year of 2000/2001 was a difficult year for the Group. Since its listing in 1998, the Group experienced a loss for the first time. The net loss attributable to the shareholders for the year was HK\$279,335,000 which arose mainly from the decline in profit margins and provisions made for trade receivable and inventories resulted from over-expansion of trading business in the first half of the year.

## BUSINESS REVIEW

In early 2000, the Group raised HK\$12 million by the allotment of its share for the purpose of developing a business to business e-commerce toys platform. It was anticipated that the internet business would provide good prospects and profitability to the Group and the Group has therefore put huge efforts into the establishment of a portal – toymatch.com operated by Toymatch.com Limited. In order to attract more interested parties, especially of those from the toys industry, to register as member of toymatch.com, the Group attempted to enhance its market recognition and reputation within the toys industry by broadening its market share. At that time, the Group believed that this objective could be achieved by certain marketing strategies, namely: by lowering the profit margin to increase the competitiveness of our toys products; by setting up another business stream as of a toys trader on top of a toys manufacturer; and by entering into business activities with other toys suppliers in other areas of the PRC – Chao Zhou.

## 業績

二零零零／二零零一年財政年度為本集團艱苦之年。自一九九八年上市以來，本集團首次經歷虧損。年內，股東應佔虧損淨額達279,335,000港元，主要乃由於邊際利潤下降及為上半年貿易業務過度擴張而須對貿易應收賬項及存貨作出撥備所致。

## 業務回顧

於二零零零年年初，本集團透過配發其股份集資12,000,000港元，以開發商業對商業電子貿易玩具平台。由於預期互聯網業務將為本集團帶來美滿前景及更強之盈利能力，因此本集團已投入大量資源以建立一個入門網站 – 即由Toymatch.com Limited運作之toymatch.com。為吸引更多有興趣者登記成為toymatch.com之會員，特別是來自玩具業之人士，本集團致力提升本身之市場佔有率，於玩具業中樹立一定之知名度及聲譽以作幫助。同時，本集團已降低邊際利潤，及由原來僅屬玩具製造商之業務路線轉為玩具貿易商及製造商雙線發展，並與中國其他地區（潮州）玩具供應商訂立業務，相信按照此等市場策略進發，定能圓滿達成目標。



**(a) New Business Stream as a Toys Trader**

To establish itself as a toys trader, the Group entered into trading activities including the sourcing of semi-finished or finished toys products such as stuffed toys, bicycles, tricycles, scooters etc. from various suppliers, repacking them under our own brand name and reselling them to wholesalers. The Group had granted credit terms to certain customers, including 3 major PRC customers who were granted particularly favourable terms. They all started their business relationship with the Group since April 2000. Payments have never been made by any of the 3 debtors which amounted to a total of approximately HK\$115,891,000 as at 30 September 2000 and a total of approximately HK\$117,382,000 as at 31 October 2000. Upon the Group's attempts to collect the outstanding debts from the 3 major PRC debtors, it was found that they had all disappeared and could no longer be located. This inadvertently exposed the Group into a serious financial difficulty.

**(a) 玩具貿易商之新業務路線**

本集團已就晉身為玩具貿易商展開貿易活動，包括向各供應商搜羅合適玩具半製成品或製成品，諸如毛絨玩具、單車、三輪車、滑板車等，並以本身品牌重新包裝轉售予批發商。本集團一直予若干客戶甚為寬鬆之賒賬期，包括對三位主要中國客戶給予尤為優待之賒賬期。彼等均於二零零零年四月開始與本集團建立業務關係，但彼等從未作出任何付款。於二零零零年九月三十日，彼等欠下未償債項合共約115,891,000港元，到二零零零年十月三十一日，該總額更達約117,382,000港元。當本集團嘗試向該三位主要中國債務人收回結欠債項時，卻發現彼等已全部失蹤且無法尋獲。此一疏忽使本集團陷入嚴重財務風險。

**(b) Business Activities with other Toys Suppliers**

The Group attempted to enter into business activities with other toys suppliers and in particular, the Group made an arrangement with Chaolian Toys Trading Company Limited ("Chaolian"), a sole proprietorship in Chao Zhou owned by Mr. Lam Man Lung, to deal with other toys suppliers in Chao Zhou by Chaolian on behalf of the Group. By November 2000, the Group had advanced a total sum of HK\$5.2 million to Chaolian to financially support its operation, delivered inventories amounting to a total sum of HK\$11.8 million to and under the custody of Chaolian and paid deposits to other toys suppliers in the total sum of HK\$4.6 million through Chaolian. However, the Group's business relationship with Chaolian ended abruptly in mid-December 2000 when Mr. Lam Man Lung was arrested by the 'gong an' (Public Security Bureau of the PRC) for his involvement in the attempted kidnap of Mr. Chan Chun Hung, the former chairman of the Company and the demand of a ransom. For prudence's sake, a full provision on the advance, inventories left under the custody of Chaolian and the deposits was made.

In October 2000, Mr. Chan Chun Hung was arrested by the Independent Commissioner Against Corruption ("ICAC") for his alleged involvement in a graft case concerning certain letter of credit transactions entered into between the Group and four private companies during the period from April 1999 to December 1999. As far as the directors are aware, no charge has been laid against Mr. Chan. However, due to the wide publicity of this incident in the press, the reputation of the Group has been severely impaired. All bankers and suppliers either suspended or terminated their credit facilities granted to the Group and some of them also demanded for repayment of all outstanding debts. This made it difficult for the Group to carry on its normal operation with its tight working capital.

**(b) 與其他玩具供應商之業務活動**

本集團已嘗試與其他玩具供應商訂立業務，特別是與潮聯玩具貿易有限公司（「潮聯」）訂定安排，由潮聯代表本集團於潮州與其他玩具供應商處理事務；而潮聯乃林文龍先生於潮州所擁有之一間獨資經營公司。於二零零零年十一月底前，本集團向潮聯預付總額達5,200,000港元以支援其業務，而運送予潮聯並由其監管之存貨總值11,800,000港元；此外，透過潮聯付予其他玩具供應商之按金總額達4,600,000港元。然而，當林文龍先生因涉嫌試圖綁架陳振康先生（本公司前主席）及索取贖金而被「公安」（中國公安局）拘捕時，本集團與潮聯之業務關係於二零零零年十二月中旬突然終止。為謹慎起見，現已就該筆墊款、由潮聯所監管之存貨及該等按金作出全數撥備。

於二零零零年十月，陳振洪先生因牽涉一宗詐騙案而被廉政公署（「廉署」）拘捕，案情涉及本集團與四間私人公司於一九九九年四月至一九九九年十二月期間進行之多宗信用證交易。就董事所知，至今陳先生仍未被落案起訴。然而，由於此事已於報章廣泛報道，本集團之聲譽亦因而嚴重受損。各間銀行及供應商已暫停或終止向本集團提供信貸，當中部份更要求償還所有未償債項，此舉使本集團難以利用緊絀之營運資金如常進行業務。



In early October 2000, a riot occurred within the PRC factory. Some of our plant and machinery in the PRC factory were seriously damaged and certain underlying books and records of certain subsidiaries of the Company were lost. As a result, the Group was unable to meet its sales orders as scheduled and some customers had lost confidence in entering into business transactions with the Group. Furthermore, the economic recession in both the USA and Europe has also made an adverse impact on the Group's business. Since October 2000, there had been a significant drop in our turnover from a monthly average of HK\$35 million for the first half year to a monthly average of HK\$3.5 million for the remaining year. Taking into account the keen competition faced by the Group in the toys industry, profit margins decreased sharply and the overall contribution from toys product was unable to cover its fixed operating costs.

Due to the above underlying factors, the Directors have reservation on the ability of the Group to return to the former levels of production capacity of its PRC factory and sales performance in the short term. By adopting a vigilant and prudent approach, decisions were made not to have further investment towards the expansion of the PRC factory in the near future and a provision of HK\$58 million was therefore made for the impairment in value of construction-in-progress and fixed asset.

Due to the all above factors together the worldwide I.T. bubble burst in the third quarter of 2000, the Group therefore decided to discontinue its investment in Toysmatch.com Limited and made a full provision of HK\$4.3 million against the receivable from it.

#### LIQUIDITY AND FINANCIAL POSITION

As at 31 March 2001, the Group had net current liabilities of approximately HK\$182,832,000. As at the date of this report, certain suppliers and bankers of the Group had filed writs of summonses demanding for the repayment of the outstanding amounts due by the Group as well as winding-up petitions against the Company and one of its subsidiaries.

於二零零零年十月初，本集團在中國之工廠發生騷亂，部份廠房及機器遭嚴重損壞，若干本公司附屬公司之原始賬目及記錄亦告遺失。本集團因此無法如期履行銷售訂單，導致客戶對於與本集團訂定交易亦已失去信心。此外，美國及歐洲近期同現經濟衰退，此亦使本集團業務受到嚴重打擊。自二零零零年十月起，本集團之營業額已大幅下降，由上半年每月平均35,000,000港元跌至下半年每月平均3,500,000港元。鑑於本集團於玩具業內面對激烈競爭，因此需將邊際利潤大幅下調，而來自玩具產品之整體貢獻亦已無法填補固定營運開支。

基於上述潛在因素，董事對本集團在中國之工廠之生產能力及銷售表現能否回復正常水平持保留態度。經制訂審慎方案後，決定短時間內不會再於中國之工廠作進一步投資擴展，並已就在建工程及固定資產之價值減損作出58,000,000港元之撥備。

基於上述因素及二零零零年第三季時全球資訊科技泡沫爆破，本集團決定終止於Toysmatch.com Limited之投資，並就此項其他應收賬項作出4,300,000港元之全數撥備。

#### 流動資金及財務資源

於二零零一年三月三十一日，本集團之流動負債淨額約為182,832,000港元。於本報告日期，本集團若干供應商及往來銀行已入稟令狀，要求本集團償還結欠款項，並提出清盤呈請，要求將本公司及其一間附屬公司清盤。

In order to strengthen the capital base of the Group and to improve the Group's financial position, the directors have been considering various alternatives to strengthen the capital base of the Company through various fund-raising exercises, including, but not limited to, loans from directors, external borrowings and private placements. In this respect, the directors entered into active negotiations with potential investors for the purpose of seeking capital injections into the Group.

In the meantime, the directors negotiated with the Group's bankers who had provided loans to the Group, trade creditors as well as other creditors, in attempt to reschedule the repayment terms of certain outstanding debts of the Group and to seek their ongoing support. As at the date of this report, although the standstill agreement as well as the debt restructuring agreement with all the relevant parties have not been entered into, negotiations have been undergoing with promising progress.

Furthermore, the directors have also undertaken measures to tighten cost control in respect of the PRC factory overheads and various administrative expenses.

## PROSPECTS

There has been a significant change in the composition of the board of directors of the Company. All of the directors presently in office were appointed in December 2000 except for Mr. Chan Chun Hong, Thomas who was appointed in late October 2000 and Mr. Yu Wai Man who was appointed in April 2001. All of them are professionals in accounting, financial management, corporate restructuring and have extensive experience in the retail and manufacturing business including the toys industry. Their invaluable professional expertise helps to strengthen the internal control and management of the Group and enables the Group to undergo debt restructuring smoothly and efficiently. The Directors are confident that the retail experience and visions of members of the board in the toys industry will speed up the recovery of the Group.

為加強本集團之資本基礎及改善本集團之財政狀況，董事一直在尋求各種方法，力圖以不同之集資行動鞏固資本，包括但不限於董事提供貸款，外部借貸及私人配售。就此而言，董事已就本集團取得注入資本之事宜積極與有意投資者進行磋商。

同時，董事已積極與曾提供貸款予本集團之往來銀行、貿易債權人及其他債權人磋商，重新制訂本集團若干結欠貸款之償還條款，並尋求彼等繼續支持。於本報告日期，儘管本集團並未與有關方面訂立暫緩償還協議及債務重組協議，有關磋商一直進展理想。

此外，董事亦已採取措施嚴格控制成本，收緊中國之工廠之經常費用及多項行政費用。

## 前景

本公司董事會組成方面有了重大變動，目前大部份在任之董事乃於二零零零年十二月獲委任，僅陳振康先生乃於二零零零年十月底獲委任，以及余偉文先生於二零零一年四月獲委任。全體董事均為會計、財務管理及公司重組專才，並於製造業包括玩具業及零售業務上具豐富經驗。彼等寶貴之專業知識有助加強本集團之內部監控及管理，並可使本集團順利及有效地進行債務重組。董事相信，憑著彼等對玩具業之零售經驗及洞察力，定可加速本集團之復甦。



In order to improve the competitiveness and uniqueness of our products, the Group is now in the course of strengthening its R & D department. Furthermore, the Group recently appointed a well-experienced U.S. sales representative who does not only promote and advertise our toys products in the U.S. market, but also assists the Group in enhancing the design and development of toys products in order to attract more overseas customers, especially in the United States.

Depending on the success of the debt restructuring and fund raising within the Group, the Directors strongly believe that the Group will gradually recover from its trough in the previous financial year.

#### EMPLOYEES

As of 31 March 2001, the Group employed approximately 920 (2000: 2,400) full time employees. Among these, about 900 were based in the PRC and about 20 in Hong Kong.

#### APPRECIATION

I would like to express my sincere thanks to all our staff members of the Group, for their diligence, loyalty and dedication; and to our shareholders and bankers for their continuing invaluable support.

**Lo Ming Chi, Charles**  
*Chairman*

Hong Kong  
26 July 2001

為提高本集團產品之競爭能力及其獨特風格，本集團現正加強發展其研究及開發部門。此外，本集團近期已委任一名富經驗之美國銷售代表，在美國市場推廣及宣傳本集團之玩具產品，並協助加強玩具產品的設計及開發，藉以吸引以美國為首之更多海外客戶。

待本集團債務重組及集資行動成功後，董事深信本集團定能從過往財政年度之困境中逐漸復元。

#### 僱員

於二零零一年三月三十一日，本集團僱用約920名（二零零零年：2,400名）全職僱員。本集團之僱員中約900名駐於中國，約20名駐於香港。

#### 致謝

本人謹就本集團全體員工之勤奮、忠誠及盡責以及股東與銀行之全力支持，分別向彼等致以衷心謝意。

主席  
勞明智

香港  
二零零一年七月二十六日