

Management Discussion & Analysis

OPERATION

Vertical Integration in Manufacturing

The Group continues to follow the long-term strategy of vertical integration in its manufacturing processes. Cost effective vertical integration has proven its merits of flexibly allocating and committing resources among our various production bases, assuring production quality, shortening production lead-time, maintaining cost controls and achieving on-time delivery. These benefits have underpinned the success of the Group in the past and will continue to form the foundation for future growth.



Quality Control

The Management continues to place strong emphasis on product quality and reliability. In addition to setting adequate incoming and end-of-line quality controls, quality audit and endurance tests are performed on all incoming base materials, components, work in progress and finished goods and throughout the whole production process. The Management will continue to strengthen the existing Acceptable Quality Level Standard and ISO management (internationally-recognised quality control systems).

業務

垂直綜合生產

本集團在製造程序中繼續沿用垂直綜合化之長遠策略，此具成本效益之垂直綜合系統確實能彈性分配資源予各廠房、保證產品質素、縮短生產時間、維持成本控制及達到準時運送之效益。垂直綜合生產印證本集團過往之成功，並為本集團未來之發展奠下基礎。

品質控制

管理層一直重視產品之品質及可靠性，除對來料及製成品有充份控制外，於整過生產流程中，包括外來原料、元件、半製成品及製成品均要經過品質核對及測試之程序。管理層會繼續依據國際認可之品質控制系統，強化現時允收質量水平制定及ISO管理系統。

OPERATION (Cont'd)

Design, Research and Development

Our products are customer-oriented. Research and development are mostly performed in-house to reduce product development time. During the year under review, over 120 models of clocks, over 8 models of lighting products and over 55 models of gifts and premium products have been developed and launched to the market under our private labels or our owned brand names with marked success.

業務 (續)

設計、研究與開發

本集團之產品均以客戶需求為主導。為了縮短產品開發之時間，本集團自行負責大部份之研究及開發。於回顧年度內，本集團已成功開發及在市場上以私人牌子或本身之品牌推出超過120款時鐘、超過8款照明產品及超過55款禮品及裝飾產品。



Sales and Marketing

As part of our aggressive expansion strategy, the Group continues to strengthen our sales and marketing teams in the US, the UK, Germany and the PRC to develop new market segments. Each overseas office is led by high calibre and experienced sales and marketing executives. Their inputs on products, markets and customers allow the Group to keep abreast of useful information on current market and product trends. The intact knowledge on customer demands will enable us to serve them well to their complete satisfaction. The Group is greatly capitalized on this dynamic marketing and distribution network with an ongoing direct business contact with our customers.

The Group continues its strategy of direct sales which has greatly shortened the delivery time of our products to further consolidate our market positions in the US, Europe and the PRC.

銷售及市場推廣

為配合業務擴展策略，本集團繼續加強轄下在美國、英國、德國及中國辦事處之銷售及市場推廣隊伍，共同開發新市場。各海外辦事處乃由富有才幹及經驗之市場推廣人員掌舵，他們透徹掌握產品、市場及客戶等最新資訊，令本集團可緊貼最新之市場及產品趨勢，全面了解客戶需要，從而為客戶提供至為稱心滿意之服務。本集團並透過此靈活之推銷網絡，與客戶保持直接業務交往，裨益不淺。

本集團繼續採用直銷策略，此舉可縮短運貨時間從而鞏固本集團在美國、歐洲及中國之市場地位。

Management Discussion & Analysis

PRODUCTS

Analogue Clocks, LCD Clocks and Timers

Analogue Clock is so far the leading product line of the Group. It consists of desk clocks, travel alarm clocks, wall clocks, bell alarm clocks and LCD Clocks. Clocks can be distinguished by using different materials for their cases, such as plastic, wood, brass and glass.

The Group also manufactures electronic and mechanical countdown timers that are widely used in cooking, sports, laboratories and games.

產品

行針鐘、液晶顯示鐘及計時器

行針鐘仍然是本集團目前主導之產品。其中包括座檯鐘、旅行鬧鐘、掛牆鐘、響鈴鬧鐘及液晶顯示產品。此外，時鐘產品因應不同外殼所用的物料區分，如塑膠、木料、黃銅及玻璃。

本集團亦生產電子及機械倒數計時器，其廣泛使用於烹飪、運動、實驗及比賽。



Lighting Products

With growing concerns over environmental protection and quality consciousness, the Management will continue to improve lighting models of high efficiency and longer lifetime, as well as develop more varieties of energy saving lighting apparatus.

Accumulated from years of manufacturing experiences, the Company has developed a standardized quality assurance system in order to meet the relevant safety requirements in overseas and the PRC markets. For example, our lighting products quality is highly recognised by complying with the mandatory requirement of recognised TUV Tests.

照明產品

鑑於對環保意識及品質要求日益關注，管理層將繼續提高照明產品的效率及增長其使用壽命，同時擴闊節能燈產品的品種。

憑藉累積多年的生產經驗，本公司已建立一套符合標準化的品質保證系統，以達到海外及中國市場所需之相關安全要求。例如本公司之照明產品的品質已符合認可TUV測試，因而獲得高度認同。

PRODUCTS (Cont'd)

Wooden Products

The Group will continue to diversify into high margin products in order to stimulate demand and improve sales performance.

The wooden product range includes office stationery sets, music boxes, photo frames, medals and jewellery boxes.

產品 (續)

木製產品

本集團將繼續多元化發展高邊際利潤之產品，以刺激需求及增加銷售。

木製品產品種類包括辦公室用品系列、音樂盒、相架、獎牌及首飾盒。



SUBSIDIARIES

Artfield Industries (Shenzhen) Ltd. ("AIS")

AIS is our major subsidiary where most of our clock manufacturing operations are located. The Group's senior staff located in AIS impose stringent supervision on all aspects of its operation ranging from workmanship, material control, cost control, inventory control to product quality to ensure that our products have a strong competitive edge over other industry players in terms of both profitability and return on capital expenditure.

An effective sourcing and purchasing strategy has been adopted in order to obtain favourable material prices.

附屬公司

雅域實業(深圳)有限公司(「深雅」)

深雅為本集團之主要附屬公司，負責本集團大部份時鐘生產業務。在深雅駐守之本集團高級職員對深雅之工藝技術、物料控制、成本控制、存貨控制及產品品質等各方面均進行嚴謹而全面之監督，以確保本集團之產品無論在盈利及資金回報等方面均較同業優勝。

本集團採用有效的採購策略，以便取得有利的物料價格。

Management Discussion & Analysis

SUBSIDIARIES (Cont'd)

Ferdinand International (Marketing) Limited ("FIM")

Since the acquisition of the business of a previously well-known UK-based clock company, Kundo Staiger UK Limited ("KS"), by the Group in 2001, the strong and extensive customers network of KS has maintained a positive contribution to the Group.

FIM, the wholly-owned subsidiary of the Group in the UK, recorded a turnover of approximately HK\$34,329,000 (2003:



HK\$23,571,000) with growth of 46%. FIM will continue to put more sales and marketing efforts to diversify its markets covering other countries in Europe. In the year ahead, FIM will continue to launch and promote our branded products and lighting products in the UK market and the Management is confident that FIM will broaden future developments.

附屬公司 (續)

Ferdinand International (Marketing) Limited ("FIM")

自本集團於二零零一年收購了一間曾經是英國信譽良好及具發展基礎的公司·Kundo Staiger UK Limited ("KS")之業務·憑藉KS龐大客戶網絡仍保持為本集團帶來正面貢獻。

FIM乃本集團於英國之全資附屬公司·營業額錄得港幣34,329,000元(二零零三年:港幣



23,571,000元)·增幅達46%。FIM將繼續加強銷售及市場推廣計劃·並積極開拓歐洲新市場。FIM於來年將繼續在英國市場推出及宣傳本集團品牌產品及照明產品·管理層深信FIM能擴展未來的業務發展。

SUBSIDIARIES (Cont'd)

Wehrle Uhrenfabrik GmbH (“Wehrle”)

Our wholly-owned subsidiary in Germany, Wehrle continues to focus on turning from losses to profits by developing new products, widening customers base, restructuring management and reducing costs.

The Group will further streamline operation activities and restructure its management in Wehrle in order to strengthen it as one of our trading arms in developing the Germany market. It is expected that its performance will be improved in the forthcoming year.



Right Time Group, Inc. (“Right Time”)

As part of our market expansion strategy, Right Time has been set up in the US for about 5 years. The main purpose of Right Time is to serve as a key communication bridge between Hong Kong head office and customers in the North America. During the year under review, Right Time recorded a decrease in turnover when facing the unfavorable market environment in the US.

附屬公司 (續)

Wehrle Uhrenfabrik GmbH (「Wehrle」)

本集團在德國所屬之全資附屬公司，Wehrle 仍重視發展新產品、擴闊客戶基礎、重整管理架構及降低成本，以轉虧為盈作目標。

本集團會繼續精簡營運架構並重整Wehrle之管理，以作為本集團在發展德國市場之貿易支援，期望Wehrle在來年的表現會有所改善。



Right Time Group, Inc. (「Right Time」)

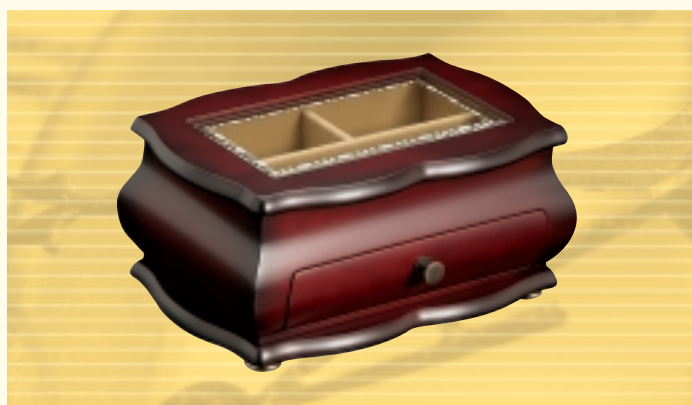
作為市場擴充策略的一部份，Right Time已於美國成立約五年。Right Time主要作為與香港總公司及北美洲客戶的重要溝通橋樑。在回顧年度，鑑於美國市場不明朗，Right Time在銷售表現亦錄得下降。

Management Discussion & Analysis

SUBSIDIARIES (Cont'd)

Right Time Group, Inc. ("Right Time") (Cont'd)

However, the Group believes that market potential in the US is still promising in the near future. Apart from selling the low-ranked "Klik" clocks, it is proposed to introduce our high-ranked brand "Wehrle" to diversify the existing market segment and capture more market shares in the US. The Management will remain alert to the anticipation of a worldwide economic recovery and adopt strategies that provide prompt response to market changes.



附屬公司 (續)

Right Time Group, Inc. (「Right Time」) (續)

然而，本集團對未來美國市場的潛力仍感希望。除了銷售低檔次「Klik」時鐘產品外，現建議推廣本集團所屬之高檔品牌「Wehrle」以擴展現有市場並爭取在美國市場更多的佔有率。其次，管理層仍深切注視預期的環球經濟復甦，釐訂適當的政策並對市場的轉變作出迅速回應。



EMPLOYEES

As at 31 March 2004, the Group had 2,598 (2003: 2,277) 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

於二零零四年三月三十一日，本集團共有員工2,598名（二零零三年：2,277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。

LIQUIDITY & FINANCIAL RESOURCES

As at 31 March 2004, the Group had total outstanding debts and finance lease obligations of HK\$63,231,000 (2003: HK\$53,889,000), of which HK\$54,612,000 (2003: HK\$42,118,000) was secured bank loans, HK\$6,374,000 (2003: HK\$9,058,000) was secured overdrafts, HK\$732,000 (2003: HK\$832,000) was unsecured other loans and HK\$1,513,000 (2003: HK\$1,881,000) was obligations under finance leases. The amount repayable within one year accounted for 68.8% (2003: 68.7%) of the total borrowings as at 31 March 2004. The maturity profile of the Group's total borrowings as at 31 March 2004 is analysed as follows:

流動資金及財政來源

於二零零四年三月三十一日，本集團之未償還貸款及融資租賃之承擔合共港幣63,231,000元（二零零三年：港幣53,889,000元），其中擔保銀行貸款為港幣54,612,000元（二零零三年：港幣42,118,000元），擔保銀行透支為港幣6,374,000元（二零零三年：港幣9,058,000元），無擔保其他貸款為港幣732,000元（二零零三年：港幣832,000元）及融資租賃之承擔為港幣1,513,000元（二零零三年：港幣1,881,000元），截至二零零四年三月三十一日止需於一年內償還的金額佔總借貸的68.8%（二零零三年：68.7%）。本集團於二零零四年三月三十一日之總借貸之到期詳情分析如下：



| | | 2004 二零零四年 | 2003 二零零三年 |
|--|-----------------|---------------|---------------|
| Within one year | 一年內 | 68.8% | 68.7% |
| In the second year | 第二年內 | 12.1% | 11.3% |
| In the third to fifth years, inclusive | 第三年至第五年（包括首尾兩年） | 10.3% | 8.5% |
| Beyond five years | 超過五年 | 8.8% | 11.5% |
| Total | 總計 | 100.0% | 100.0% |

Our gearing ratio was at a healthy level of 10.9% (2003: 8.6%). The computation is based on long-term borrowings of the Group divided by shareholder's fund as at 31 March 2004.

本集團之負債比率現處於10.9%（二零零三年：8.6%）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二零零四年三月三十一日之資產淨值。

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.

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。

Management Discussion & Analysis

CHARGES ON GROUP'S ASSETS

The Group's investment properties with a value of HK\$8,000,000 (2003: HK\$7,700,000), other investments of HK\$2,414,000 (2003: bank deposits of HK\$2,907,000) and certain of the Group's leasehold land and buildings, and plant and machinery were pledged to secure general banking facilities granted to the Group.

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.

集團資產抵押

本集團之投資物業價值為港幣8,000,000元（二零零三年：港幣7,700,000元），其他投資為港幣2,414,000元（二零零三年：銀行存款為港幣2,907,000元）及若干租約土地及樓宇及廠房及機器已作法定抵押，以致本集團獲得若干銀行貸款。

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鈎之政策，故此本集團之外匯風險甚低。



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.

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主要包括信託收據、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。

CONTINGENT LIABILITIES

As at 31 March 2004, the Group did not have contingent liabilities (2003: Nil).

ACQUISITION OF AN ASSOCIATE

On 15 March 2004, the Company entered into the Sale and Purchase Agreement with two independent third parties (the "Vendor") for the acquisition of 49% equity interest in Success Start Holdings Limited ("Success Start"), a limited company incorporated in the British Virgin Islands, pursuant to which the consideration shall be satisfied by the Company by way of the issue and allotment of 21,939,084 new shares of HK\$0.10 each. For details, please refer to the Company's press announcement dated 16 March 2004.

The principal activity of Success Start is investment holding, which holds approximately 80.17% equity interest of 福建省安溪制藥有限公司 (Anxi Medicine-Make Co., Ltd Fujian) ("Anxi Medicine") and 87% equity interest of 北京聖圃環球生物醫藥技術有限公司 (Beijing Xipu Biotechnology Ltd) ("Beijing Xipu").

Anxi Medicine is principally engaged in the production of medical products including transfusion, bolus, bracteole, capsule, granule, dry powder and ampoule. Beijing Xipu is principally engaged in the research and development, production and sales of bio-technological medical products.

The Board believes that the acquisition of a strategic equity interest in Success Start presents an excellent opportunity for the Group to diversify its existing business into medical development and manufacturing business in the PRC.

LIANG Jin You

Chairman

Hong Kong, 26 July 2004

或然負債

於二零零四年三月三十一日，本集團並無或然負債（二零零三年：無）。

收購聯營公司

於二零零四年三月十五日，本公司與兩位獨立第三者（「賣方」）訂立買賣協議作為本公司收購成發控股有限公司（「成發」），一間於英屬處女群島註冊成立之有限公司之49%股本權益；據此，有關代價由本公司以發行及配發21,939,084新股股份，每股面值為0.10港元。有關詳情可參閱本公司於二零零四年三月十六日之報章公佈。

成發之主要業務為投資控股，其持有福建省安溪制藥有限公司（「安溪制藥」）約80.17%股本權益及北京聖圃環球生物醫藥技術有限公司（「北京聖圃」）之87%股本權益。

安溪制藥之主要業務為生產醫藥產品，包括大輸液、片劑、膠囊劑、顆粒劑、凍乾粉劑及小針劑。北京聖圃之主要業務為研發、生產及銷售生物技術醫藥產品。

董事會相信，收購成發之策略性股權乃本集團將其現有業務範圍擴展至中國之醫藥開發及製造業務之良機。

梁金友

主席

香港，二零零四年七月二十六日