

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results

For the six months ended 30 September 2004, the Group's turnover rose by 606% to HK\$83,758,000 as compared with HK\$11,862,000 in the corresponding period last year and the Group recorded an unaudited consolidated net loss attributable to shareholders of HK\$9,151,000 (Six months ended 30 September 2003: net loss of 15,397,000). The improvement in turnover and results were mainly due to the contribution from the supply and procurement business in Asia Pacific region.

Through the business partnership in a joint venture company named as "Gadgets Yard Limited" in which the Group and an independent third party own 51% and 49% of equity interests, respectively, the Group has successfully broadened its clientele network and developed reliable relationship with customers. It was encouraging to note that sales in toys business has an increase of 54% over that in the corresponding period last year. However, due to the price of crude oil maintained at a high level throughout the period that led to an increase in the price of plastic materials, the primary raw material utilized for the Group's core product item – toddler cars, the overall performance of toys business still operated in loss during the period under review. The escalating price of plastic materials further aggravated the business environment in toys industry.

By the formation of a joint venture company named as "Xin Procurement and Trading Pte. Ltd." ("Xin Procurement"), in which the Group and connected party own 51% and 49% of equity interests, respectively, for the provision of the supply and procurement business in Asia Pacific region, Xin Procurement commenced its business in April 2004 and provided the Group with a stable revenue income source. During the period under review, Xin Procurement recorded a turnover of HK\$65,505,000 and unaudited segment profit of HK\$3,794,000. Leveraging on our sourcing network, diverse customer base together with the recovery of the global economy, the management is confident that the Group is well equipped to diversify its business into the provision of the supply and procurement business which will serve to provide a stable revenue income source for the Group.

## 管理層討論及分析

### 業績

截至二零零四年九月三十日止六個月，本集團營業額達83,758,000港元，較去年同期之11,862,000港元，上升606%，本集團錄得未經審核綜合股東應佔虧損淨額9,151,000港元（截至二零零三年九月三十日止六個月：虧損淨額為15,397,000港元）。營業額及業績有所改善，主要由於本集團在亞太區之供應及採購業務所作之貢獻。

本集團與一獨立第三方成立一間名為「源製有限公司」之合營公司，其中，本集團與獨立第三方分別持有51%及49%之股東權益。透過此合營公司，本集團成功擴闊客戶網絡以及與顧客建立互信關係。令人鼓舞的是，本集團於玩具業務之銷售額，較去年同期增加54%。然而，由於原油價格於本期間維持在高水平，導致用於本集團主要產品—學行車之塑膠原料價格上升，使本業務於回顧期間之整體表現，仍屬虧損經營。塑膠原料價格持續攀升，無疑令玩具業經營環境更為困難。

本集團與關連人士成立一間名為Xin Procurement and Trading Pte. Ltd.（「Xin Procurement」）之合營公司，其中，本集團與關連人士分別持有51%及49%之股東權益，並透過成立此合營公司，在亞太區從事供應及採購業務。Xin Procurement在二零零四年四月開始業務運作，為本集團帶來穩定營業收入來源。於回顧期間，Xin Procurement錄得65,505,000港元之營業額及未經審核分類業務溢利3,794,000港元。透過控制來源網絡，擴大客戶基礎，再加上全球經濟復甦之利好因素，管理層深信，本集團已做好足夠裝備，擴展業務於採購業範疇之上，這將為本集團帶來穩定收入來源。

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Liquidity and Financial Resources

As at the balance sheet date, the Group's net current liabilities was HK\$73,513,000. Shareholders' fund as at the balance sheet date amounted to approximately HK\$717,000.

As at 30 September 2004, the Group's total indebtedness (representing the aggregate amounts of interest bearing loans from banks, financial institutions and loan providers) was approximately HK\$64,162,000 and is due within one to two years and the Group's gearing ratio (total indebtedness divided by shareholders' funds) was 89.49. HK\$40,784,000 of the total indebtedness is at fixed interest rate and HK\$23,378,000 at floating rate. Except for approximately HK\$22,617,000, which was denominated in Renminbi, all the other indebtedness are denominated in Hong Kong dollars. As at the balance sheet date, bank borrowings amounting to approximately HK\$22,617,000 are secured by mortgages over the Group's properties having an aggregate carrying value of approximately HK\$42,623,000.

In order to strengthen the capital base of the Group and to improve the Group's financial position, immediate liquidity and cash flow, the directors of the Company are considering various alternatives through various fund raising exercises, including but not limited to, a private placement, an open offer or a rights issue of new shares of the Company.

### Pending Litigations

Claims for outstanding trade debts were brought by several suppliers and other miscellaneous creditors against the Group in prior years in respect of goods supplied and services provided for, together with interests, costs and/or other relief, of approximately HK\$2,129,000 in aggregate. A full provision thereof has been made.

In the opinion of the directors, adequate provisions have been made by the Group in respect of all the above claims in the Group's condensed consolidated financial statements as at 30 September 2004.

### Human Resources

As at 30 September 2004, the Group employed a total number of 443 full-time employees, among which, 428 staff were based in PRC and 15 staff in Hong Kong. Apart from competitive remuneration package offered to the employees, share options may also be granted in order to attract and retain talented employees. During the six months ended 30 September 2004, no share options have yet been granted.

## 管理層討論及分析 (續)

### 流動現金及財務狀況

於結算日，本集團之流動負債淨額為73,513,000港元，股東資金於結算日之總額約為717,000港元。

於二零零四年九月三十日，本集團之總負債(即代表從銀行、財務機構及貸款提供者所提供之附帶利息貸款總額)約為64,162,000港元，該等債項於一至兩年內到期，而本集團之資產負債比率(總負債除以股東資金)為89.49。總負債其中之40,784,000港元為定息計算，而23,378,000港元為浮息計算。除約22,617,000港元以人民幣面值計算外，所有其他負債均以港元面值計算。於結算日，銀行貸款總額達22,617,000港元，均透過本集團總值42,623,000港元之物業按揭作抵押。

為鞏固本集團之資本基礎，以及改善本集團之財務狀況、即時資產折現能力與現金流量，本公司董事正考慮實行不同之籌集資金方案，其中包括但不限於：私人配售、公開發售或供股配售本公司新股份。

### 仍未了結之訴訟

於以往年度若干供應商及其他債權人就已供應貨品及所提供服務連同利息、成本及/或其他寬免合共約2,129,000港元向本集團提出未償還應收貿易賬款索償，該賬款亦已作出全數撥備。

董事認為，本集團已於二零零四年九月三十日之簡明綜合財務報表內就上述全部索償作出充裕之撥備。

### 人力資源

於二零零四年九月三十日，本集團聘用之全職僱員總數為443人，當中包括長駐中國之職員428人及長駐香港之職員15人。本集團除向僱員提供優厚之薪酬福利外，亦可授出購股權以吸納及挽留優秀人才。截至二零零四年九月三十日止六個月，本集團並無授出任何購股權。

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### **Prospects**

To monitor and evaluate the toys business, to further develop the supply and procurement business, to implement cost control measures and to consider other alternatives which could maximize shareholders' return have been the key strategies of the Group. The directors believe that the Group will improve its profit margins and turnover in the forthcoming years.

## 管理層討論及分析 (續)

### **展望**

監察與評估玩具業務，進一步發展供應及採購業務，實施成本控制措施；以及考慮其他可盡量擴大股東投資回報之方案，均為本集團之主要策略。董事相信，集團能於未來數年，改善業務之邊際利潤與營業額。