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# Eminent Insight

## 高瞻遠矚

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The Group thinks and plans globally.

本集團放眼世界，把握全球脈搏。



## Management Discussion and Analysis

## 管理層討論及分析

### RESULTS AND FINANCIAL REVIEW

#### Results

For the year ended March 31, 2005, the Group's audited consolidated loss before minority interests was HK\$99.3 million (2004: profit of HK\$93.8 million), which comprised of profit from operations of HK\$319.5 million (2004: HK\$228.8 million), finance costs of HK\$18.2 million (2004: HK\$26.4 million), share of net losses of associates of HK\$59.7 million (2004: HK\$73.5 million), amortization of goodwill arising on acquisition of associates of HK\$28.1 million (2004: HK\$17.7 million), realization of negative goodwill arising on acquisition of an additional interest in an associate of HK\$2.1 million (2004: Nil), net loss on disposal of subsidiaries and associates of HK\$15.7 million (2004: gain of HK\$10.4 million), impairment loss on goodwill arising on acquisition of an associate of HK\$177.4 million (2004: Nil) and income tax expense of HK\$121.6 million (2004: HK\$27.8 million).

#### Segment Results

For trading of computer related products, segment turnover amounted to HK\$3,977.7 million, increased by HK\$240.4 million (6.4%) and segment result recorded HK\$256.6 million, increased by HK\$49.9 million (24.1%).

For trading of consumer electronic products, segment turnover amounted to HK\$1,565.3 million, increased by HK\$327.6 million (26.5%) and segment result recorded HK\$24.8 million, increased by HK\$3.0 million (13.6%).

For trading of securities, segment turnover amounted to HK\$93.9 million, increased by HK\$58.9 million (over 100%) and segment result recorded HK\$77.3 million, increased by HK\$56.5 million (over 100%).

For property development and trading, segment turnover amounted to HK\$39.6 million, increased by HK\$23.6 million (over 100%) and segment result recorded HK\$2.1 million, decreased by HK\$3.6 million (63.2%).

This year, the Group still enjoyed significant growth without lowering gross profit margin. This sales growth was due to our persistent efforts to control cost on inventory pricing, our strong and extensive business network worldwide and promotional efforts made.

### 業績及財務回顧

#### 業績

截至二零零五年三月三十一日止年度，本集團之經審核未計少數股東權益前之綜合虧損為99,300,000港元（二零零四年：溢利為93,800,000港元），包括經營溢利319,500,000港元（二零零四年：228,800,000港元）、財務費用18,200,000港元（二零零四年：26,400,000港元）、應佔聯營公司虧損淨額59,700,000港元（二零零四年：73,500,000港元）、攤銷收購聯營公司產生之商譽28,100,000港元（二零零四年：17,700,000港元）、變現收購一間聯營公司額外權益產生之負商譽2,100,000港元（二零零四年：零港元）、出售附屬公司及聯營公司之虧損淨額15,700,000港元（二零零四年：收益為10,400,000港元）、收購一間聯營公司產生之商譽減值虧損177,400,000港元（二零零四年：零港元）及所得稅支出121,600,000港元（二零零四年：27,800,000港元）。

#### 分類業績

就電腦相關產品貿易而言，分類營業額為3,977,700,000港元，增加240,400,000港元（6.4%），而分類業績則錄得256,600,000港元，增加49,900,000港元（24.1%）。

就消費電子產品貿易而言，分類營業額為1,565,300,000港元，增加327,600,000港元（26.5%），而分類業績則錄得24,800,000港元，增加3,000,000港元（13.6%）。

就證券買賣而言，分類營業額為93,900,000港元，增加58,900,000港元（超過100%），而分類業績則錄得77,300,000港元，增加56,500,000港元（超過100%）。

就物業發展及買賣而言，分類營業額為39,600,000港元，增加23,600,000港元（超過100%），而分類業績則錄得2,100,000港元，減少3,600,000港元（63.2%）。

於本年度，本集團仍可取得重大增長而毋須減低毛利率。是項銷售增長乃由於本集團不斷努力控制存貨價格之成本，強大而廣泛之全球業務網絡及所作出之推廣工作。

## Management Discussion and Analysis

## 管理層討論及分析

The results of the Group was critically turned from "Operating profit" into "Loss for the year" by the impairment loss on goodwill arising on acquisition of an associate this year. Due to the fact that the associate has been recording losses since it became our associate in last year, an impairment loss on goodwill of HK\$177.4 million was considered appropriate at year end. The Group suffered net losses under "Share of results of associates" during the year of HK\$59.7 million, a decrease by HK\$13.7 million (18.7%).

本集團業績由「經營溢利」轉為「本年度虧損」，主要由於本年度收購一間聯營公司時產生商譽減值虧損。鑒於該聯營公司自去年度成為本集團聯營公司起一直錄得虧損，因此於年終時出現商譽減值虧損177,400,000港元乃屬恰當。年內，本集團在「應佔聯營公司業績」方面錄得59,700,000港元之虧損淨額，減少13,700,000港元（18.7%）。

### Liquidity

Net bank and cash balances at March 31, 2005 increased to HK\$332.6 million (2004: HK\$141.1 million), accounting for 23.7% (2004: 9.8%) of the net tangible asset value of the Group. The cash was mainly used for daily operations and repayment of bank loans during the year. The current ratio of the Group at March 31, 2005 was 1.91 (2004: 1.39).

### 流動資金

於二零零五年三月三十一日之銀行及現金結存淨額增至332,600,000港元（二零零四年：141,100,000港元），佔本集團有形資產淨值之23.7%（二零零四年：9.8%）。年內，該等現金主要用作日常營運及償還銀行貸款。本集團於二零零五年三月三十一日之流動比率為1.91（二零零四年：1.39）。

### Financial Review

The net current assets of the Group at March 31, 2005 increased by HK\$485.7 million (75.2%) to HK\$1,131.5 million (2004: HK\$645.8 million).

### 財務回顧

本集團於二零零五年三月三十一日之流動資產淨值增加485,700,000港元（75.2%）至1,131,500,000港元（二零零四年：645,800,000港元）。

Such increase was mainly attributable to the increase in bank balances and cash, short-term loan receivables, short-term loan receivables from related companies, trade and other receivables, and net tax payable of HK\$191.5 million, HK\$70.6 million, HK\$56.8 million, HK\$27.5 million and HK\$69.6 million, respectively, at year end as compared to the previous year, and offset by the decrease in inventories, trade and other payables and borrowings of HK\$290.3 million, HK\$260.5 million and HK\$263.8 million, respectively.

流動資產淨值上升主要由於在年末，銀行及現金結存、應收短期貸款、應收關連公司短期貸款、貿易及其他應收賬款，以及應付稅項淨額與去年相比分別上升191,500,000港元、70,600,000港元、56,800,000港元、27,500,000港元及69,600,000港元，並因存貨、貿易及其他應付賬款以及借款分別下降290,300,000港元、260,500,000港元及263,800,000港元而抵銷。

Other asset decreased from HK\$145.1 million as at March 31, 2004 to HK\$108.0 million as at March 31, 2005 as a result of the sale of the land development right at a consideration of HK\$39.6 million during the year, with a profit of HK\$2.1 million.

由於年內以39,600,000港元代價出售土地發展權並錄得2,100,000港元溢利，其他資產由二零零四年三月三十一日之145,100,000港元下降至二零零五年三月三十一日之108,000,000港元。

Inventories decreased from HK\$877.4 million as at March 31, 2004 to HK\$587.1 million as at March 31, 2005. This was attributable to the increase in inventory levels of the subsidiaries in the United States and United Kingdom of HK\$372.3 million at the end of 2004, as management foresaw an increasing sales trend in the coming years. In addition, market prices of products such as DVD and CDR boosted up in 2004 owing to the decrease in supply. Therefore, the Group made bulk purchases so as to negotiate favourable prices in 2004. Inventory levels as at March 31, 2005 returned back to the normal levels.

存貨由二零零四年三月三十一日之877,400,000港元下降至二零零五年三月三十一日之587,100,000港元，原因是管理層預料來年美國及英國之銷售額呈增長趨勢，而於二零零四年年底增加當地附屬公司存貨量372,300,000港元。此外，包括DVD及一次收錄光碟在內之產品市場價格於二零零四年因供應減少而上揚，因此，本集團為求取得更佳議價而於二零零四年內作大批量採購。於二零零五年三月三十一日之存貨量已回復至正常水平。

## Management Discussion and Analysis

## 管理層討論及分析

Trade and other receivables increased from HK\$738.8 million as at March 31, 2004 to HK\$766.3 million as at March 31, 2005. The number of days for debtors turnover decreased from 50 days in 2004 to 38 days in the current year, which were similar to the levels the Group experienced in 2003.

Trade and other payables decreased from HK\$1,272.3 million as at March 31, 2004 to HK\$1,011.8 million as at March 31, 2005. The number of day for creditors turnover decreased from 78 days in 2004 to 54 days in current year. The decrease in creditors turnover days was mainly attributed to the early settlement of trade payables in lieu of cash discount on goods purchased during the year.

At March 31, 2005, total borrowings of the Group amounted to HK\$293.3 million (2004: HK\$384.2 million), of which HK\$160.0 million (2004: HK\$10.8 million) were not repayable within one year. The borrowings included bank borrowings of HK\$82.0 million (2004: HK\$205.7 million), other loans of HK\$161.3 million (2004: HK\$151.3 million), overdrafts of HK\$47.0 million (2004: HK\$23.3 million), obligations under finance leases of HK\$0.5 million (2004: HK\$1.5 million) and amount due to a minority shareholder of HK\$2.5 million (2004: HK\$2.4 million). The decline in borrowings was due to the repayment of bank loans during the year in order to lower the finance costs.

### Interests in associates

At March 31, 2005, interests in associates amounted to HK\$636.7 million (2004: HK\$906.4 million), represented share of net assets of HK\$582.3 million (2004: HK\$617.5 million), goodwill on acquisition of an associate of HK\$51.1 million (2004: HK\$256.6 million), loan to an associate of HK\$1.3 million (2004: HK\$1.4 million) and amounts due therefrom of HK\$2.2 million (2004: HK\$30.9 million). The substantial decrease in balance was mainly due to the deemed disposals of certain associates with a total loss of HK\$19.3 million, share of an associate's decrease in other reserves and losses, of HK\$14.3 million and HK\$59.7 million, respectively, during the year. Furthermore, goodwill arising on acquisition of an associate was impaired by HK\$177.4 million at year end.

### Pledge of assets

At March 31, 2005, certain assets of the Group amounting to HK\$240.2 million (2004: HK\$399.0 million) were pledged to banks and financial institutions for loan facilities granted to the Group.

貿易及其他應收賬款由二零零四年三月三十一日之738,800,000港元上升至二零零五年三月三十一日之766,300,000港元。應收賬流轉期由二零零四年之50日減至本年度之38日並回復接近本集團於二零零三年之水平。

貿易及其他應付賬款由二零零四年三月三十一日之1,272,300,000港元減少至二零零五年三月三十一日之1,011,800,000港元。應付賬款流轉期由二零零四年之78日減至本年度之54日。應付賬款流轉期減少主要由於就年內所購貨品提早償還貿易應付賬款以代替現金折讓所致。

於二零零五年三月三十一日，本集團借款總額為293,300,000港元（二零零四年：384,200,000港元），其中160,000,000港元（二零零四年：10,800,000港元）毋須於一年內償還。有關借款包括銀行借款82,000,000港元（二零零四年：205,700,000港元）、其他貸款161,300,000港元（二零零四年：151,300,000港元）、透支47,000,000港元（二零零四年：23,300,000港元）、融資租約承擔500,000港元（二零零四年：1,500,000港元）及應付一名少數股東款項2,500,000港元（二零零四年：2,400,000港元）。由於年內償還銀行借款以減低財務費用，以致借款減少。

### 聯營公司權益

於二零零五年三月三十一日，於聯營公司之權益為636,700,000港元（二零零四年：906,400,000港元），分別為應佔資產淨值582,300,000港元（二零零四年：617,500,000港元）、收購一間聯營公司產生之商譽51,100,000港元（二零零四年：256,600,000港元）、向一間聯營公司作出之借款1,300,000港元（二零零四年：1,400,000港元）及應收聯營公司之款項2,200,000港元（二零零四年：30,900,000港元）。該結餘於年內大幅減少，主要由於年內被視為出售若干聯營公司之虧損總額19,300,000港元及應佔一間聯營公司其他儲備及虧損分別減少14,300,000港元及59,700,000港元。此外，收購一間聯營公司產生之商譽於年末減值177,400,000港元。

### 資產抵押

於二零零五年三月三十一日，本集團將240,200,000港元（二零零四年：399,000,000港元）之若干資產抵押予銀行及財務機構以取得本集團之貸款融資。

## Management Discussion and Analysis

### Gearing ratio

The gearing ratio (borrowings/shareholders' funds) at March 31, 2005 was significantly reduced to 16.2% (2004: 20.5%).

### Exchange rate and interest rate risks exposure

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong Dollars and United States Dollars. The risk of foreign exchange fluctuation had not been significant to the Group. Interest rates of import loans are mainly referenced to LIBOR or HIBOR plus whereas that of bank and other loans are Prime plus. At the balance sheet date, the Group did not enter into any interest rate speculative and hedging contracts. However, the recent weakening of the United States Dollars against other foreign currencies (especially Canadian Dollars and Great British Pounds) would bring about certain exchange gains to the Canadian and European subsidiaries so far. Because of the possible rebound of the United States Dollars, the Group will consider entering into hedging contracts to eliminate exposure to downside risks, whenever the Group and the concerned foreign subsidiaries think fit.

### Contingent liabilities

At March 31, 2005, the Group has no contingent liabilities in relation to guarantees given to banks and other financial institutions for facilities granted to an outsider (2004: Nil).

### Employees and remuneration policies

As at March 31, 2005, there were approximately 500 staff (2004: 700) employed by the Group. The remuneration policies are formulated on the basis of performance of individual employees and the prevailing salaries' trends in the various regions. They are subject to be reviewed every year. The Group also provided employee training programs, mandatory provident fund scheme, medical insurance and discretionary bonus. Share options are awarded to employees on merit basis. However, no share options were granted during the year.

## BUSINESS AND CORPORATE DEVELOPMENTS

### Placing and Subscription of Shares

On November 23, 2004, ITC Corporation Limited ("ITC"), a substantial shareholder of the Company, entered into a placing and subscription agreement with the placing agent and the Company pursuant to which ITC agreed to place 37,000,000 shares at the price of HK\$3.22 per share to not less than six placees who were independent third parties procured by the placing agent and ITC would subscribe for 37,000,000 new shares at the same price of HK\$3.22 per share. Please refer to the Company's announcement dated November 23, 2004 for details of such placing and subscription.

## 管理層討論及分析

### 資本與負債比率

於二零零五年三月三十一日之資本與負債比率(借款/股東資金)為大幅下降至16.2%(二零零四年: 20.5%)。

### 匯兌及利率風險

本集團大部分之業務交易、資產及負債均以港元及美元計值，外匯波動風險對本集團而言並不重大。進口貸款之利率主要參照倫敦銀行同業拆息率或香港銀行同業拆息率以上水平計算，而銀行及其他貸款之利率則主要參照最優惠利率以上水平計算。於結算日，本集團並無訂立任何利率投機及對沖合約。然而，由於最近美元相對於其他外幣之匯率偏軟(尤其是與加元及英鎊之兌換率)，目前能為加拿大及歐洲附屬公司帶來若干匯兌收益。鑑於美元可能反彈，本集團將考慮於其本身及有關之海外附屬公司認為合適時訂立對沖合約以對銷下調風險。

### 或然負債

於二零零五年三月三十一日，本集團並無任何有關一名集團外人士獲授之融資而向銀行及其他財務機構作出擔保之或然負債(二零零四年：無)。

### 僱員及薪酬政策

於二零零五年三月三十一日，本集團僱用約500名員工(二零零四年：700名)。本集團之薪酬政策乃根據個別僱員之表現及不同地區當時之薪酬趨勢而制定。每年均會作出檢討。本集團亦提供培訓計劃、強制性公積金計劃、醫療保險及酌情花紅予僱員，表現優異之僱員會獲得購股權之獎勵。然而，年內並無授出購股權。

## 業務及企業發展

### 配售及認購股份

於二零零四年十一月二十三日，本公司主要股東德祥企業集團有限公司(「德祥企業」)與配售代理及本公司訂立一項配售及認購協議，據此，德祥企業同意按每股3.22港元之價格向不少於六名承配人(為配售代理介紹之獨立第三者)配售37,000,000股股份，而德祥企業則會按每股3.22港元之相同價格認購37,000,000股新股。有關配售及認購之詳情，請參閱本公司於二零零四年十一月二十三日之公佈。

## Management Discussion and Analysis

## 管理層討論及分析

### Disposal of Fu Yang Investment Co., Ltd. ("Fu Yang")

On January 31, 2005, the Group entered into two sale and purchase agreements (the "Agreements") with 台固多媒體股份有限公司 (the "Purchaser"), an indirect wholly owned subsidiary of 台灣固網股份有限公司 (Taiwan Fixed Network Co., Ltd.) which is a publicly traded company on the Emerging Market (興櫃) in Taiwan. Pursuant to the Agreements, the Group agreed to sell and the Purchaser agreed to purchase 50,282,540 Fu Yang shares, representing approximately 8.04% in the issued share capital of Fu Yang. The consideration for the sale shares was approximately NT\$636.7 million (approximately HK\$150.3 million), equivalent to NT\$12.7 (approximately HK\$3.00) per Fu Yang share. The disposal constituted a discloseable transaction of the Company under the Listing Rules. The transaction was completed in March 2005.

### Disposal of 15.3% interests in China Strategic Holdings Limited ("CSHL") and the acquisition of interests in Group Dragon Investments Limited ("GDI")

On March 10, 2005, the Company and Paul Y.-ITC Construction Holdings Limited ("Paul Y.") entered into a share sale agreement (the "Share Sale Agreement") with Nation Field Limited ("Nation Field"), which is a company owned by Mr. Gao Yang. Pursuant to the Share Sale Agreement, the Group conditionally agreed to dispose of an approximately 15.3% interest in CSHL after the completion by CSHL of a group restructuring involving, among others, the distribution of certain assets and businesses currently held by GDI, a wholly-owned subsidiary of CSHL, to the shareholders of CSHL. Subsequent to the disposal, the Company will also make a voluntary general offer to acquire all the issued shares in GDI which are not owned or agreed to be acquired by the Company. Details of the aforesaid transactions are set out in the joint announcement of CSHL, the Company and other parties to the transactions dated April 19, 2005.

This transaction has not yet been completed as at the date of this report.

### 出售富洋投資股份有限公司(「富洋」)

於二零零五年一月三十一日，本集團與台固多媒體股份有限公司(「買方」)(一家於台灣興櫃公開買賣之公司台灣固網股份有限公司之間接全資附屬公司)訂立兩份買賣協議(「該等協議」)。根據該等協議，本集團同意出售及買方同意購買50,282,540股富洋股份，佔富洋已發行股本約8.04%。銷售股份之代價約為新台幣636,700,000元(約150,300,000港元)，相等於每股富洋股份新台幣12.7元(約3.00港元)。出售根據上市規則構成本公司須予披露交易。交易已於二零零五年三月完成。

### 出售於中策集團有限公司(「中策」)之15.3%權益及收購群龍投資有限公司(「群龍」)之權益

於二零零五年三月十日，本公司及保華德祥建築集團有限公司(「保華」)與Nation Field Limited(「Nation Field」)(由高央先生擁有)訂立一份股份出售協議(「股份出售協議」)。根據股份出售協議，本集團有條件地同意，在中策完成有關(其中包括)向中策股東分配若干現由中策全資附屬公司群龍持有之資產及業務之集團重組後，出售約15.3%於中策之權益。出售後，本公司亦將作出自願全面收購，以收購所有並非由本公司擁有或同意收購之群龍已發行股份。上述交易之詳情載於中策、本公司及其他各方於二零零五年四月十九日之聯合公佈。

是項交易於本報告日期尚未完成。

## Management Discussion and Analysis

## 管理層討論及分析

### Subscription of convertible note of Cheung Tai Hong Holdings Limited (“CTH”)

On April 20, 2005, Loyal Concept Limited (“Loyal Concept”), an indirect wholly-owned subsidiary of the Company, and CTH entered into a subscription agreement (the “Subscription Agreement”) regarding the subscription by Loyal Concept of a zero coupon convertible note due 2010 of CTH with a principal amount of HK\$450 million.

Upon exercise of the conversion rights attached to the convertible note, Loyal Concept may become interested in 30% or more of the enlarged issued share capital of CTH, thereby triggering an obligation on the part of Loyal Concept under the Takeovers Code to make a mandatory offer for all the CTH shares. Depending on the number of further CTH shares which may be acquired by Loyal Concept pursuant to the mandatory offer (if any) to the shareholders of CTH, the acquisition of such additional equity interests in CTH, when aggregated with the CTH conversion shares to be issued to Loyal Concept on exercise of the conversion rights attached to the convertible note in accordance with Rule 14.22 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rule”), constituted a very substantial acquisition for the Company under the Listing Rules. The subscription and the transactions contemplated under the Subscription Agreement (including the possible very substantial acquisition regarding the acquisition of further equity interests in CTH pursuant to the mandatory offer) were approved by the shareholders at the special general meeting of the Company held on June 24, 2005.

Details of the transaction were set out in the circular of the Company dated June 7, 2005.

### The underwriting agreement and subscription of a convertible note of Ruili Holdings Limited (“Ruili”)

On April 21, 2005, the Company, Ruili and Tai Fook Securities Company Limited entered into an underwriting agreement (the “Underwriting Agreement”). Pursuant to the Underwriting Agreement, the maximum number of rights shares to be taken up by the Company was 320 million rights shares at a subscription price of HK\$0.10 per rights share.

On the same date, the Company and Ruili entered into a convertible notes subscription agreement (the “Subscription Agreement”). Pursuant to the Subscription Agreement, the Company would subscribe for and Ruili would allot and issue to the Company the convertible notes in an aggregate principal amount of HK\$170 million at an initial conversion price of HK\$0.12 per conversion share, subject to the adjustment from time to time.

Details of the transaction were disclosed in the circular of the Company dated May 24, 2005.

### 認購祥泰行集團有限公司(「祥泰行」)之可兌換票據

於二零零五年四月二十日，本公司間接全資附屬公司Loyal Concept Limited (「Loyal Concept」)與祥泰行就Loyal Concept認購祥泰行於二零一零年到期及本金額為450,000,000港元之零息可兌換票據而訂立認購協議(「認購協議」)。

於行使可兌換票據之兌換權後，Loyal Concept可擁有祥泰行已擴大之發行股本30%或以上之權益，因而有責任根據收購守則提出強制性收購所有祥泰行股份之建議。視乎Loyal Concept根據強制建議(如有)可能向祥泰行股東進一步收購祥泰行股份之數目，根據上市規則，收購該等額外祥泰行股本權益(加上根據聯交所證券上市規則(「上市規則」)第14.22條行使可兌換票據所附之兌換權而將予發行之祥泰行兌換股份)，可構成本公司之非常重大收購事項。股東已在本公司於二零零五年六月二十四日舉行之股東特別大會上批准認購事項及認購協議項下擬進行之交易(包括根據強制建議可能收購祥泰行額外股本權益而可能構成之非常重大收購事項)。

交易之詳情載於本公司日期為二零零五年六月七日之通函。

### 包銷協議及認購瑞力控股有限公司(「瑞力」)可兌換票據

於二零零五年四月二十一日，本公司、瑞力及大福證券有限公司訂立一份包銷協議(「包銷協議」)。根據包銷協議，本公司將予認購之供股股份上限為320,000,000股供股股份，認購價為每股供股股份0.10港元。

同日，本公司與瑞力訂立一項可兌換票據認購協議(「認購協議」)。根據認購協議，本公司認購及瑞力向本公司配發及發行本金總額170,000,000港元之可兌換票據，每股兌換股份之初步兌換價為0.12港元，並不時作出調整。

交易詳情於本公司日期為二零零五年五月二十四日之通函內披露。