



Scalable and cost-effective
production

極具規模及高效率的產能



DVD Portable

M A N A G E M E N T

DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

Component prices

The persistently high oil price has a direct impact on the cost of plastic materials and electricity. Plastic materials are mainly used for producing our portable DVD players. Portable DVD players accounted for less than 10% of our sales during the year. The cost of plastic materials accounted for about 2% of the costs of the products and therefore does not have significant effect on our margin. Our main electricity supply is generated using heavy oil, which is substantially cheaper than diesel oil used by other generators. The cost of heavy oil generally accounted for less than 0.5% of our total costs. On the contrary, the increase in costs of metal has a more significant effect on our margin. Cost of metal generally accounted for 3% of our total material costs and during the financial year it increased approximately 20%. Prices of other components were stable or decreased during the year. Profit margin continued to be under pressure in this situation.

Working capital

Sales for March to May 2004 were particularly good despite that they fell within the traditional low season. Sales for the same period of this year decreased compared with last year and accordingly inventory level and accounts payable level decreased. More customers have required the Company to provide finance, which is cheaper to obtain in Hong Kong, thus prolonged the turnover period for accounts receivable. The net proceeds from Rights Issue of shares of approximately HK\$62 million has strengthened the capital structure of the Company and provide additional funding for working capital. Shareholders equity increased from HK\$397 million to HK\$520 million.

管理層討論及分析

零件價格

油價持續高企，直接影響到塑膠材料及電力的成本。塑膠材料主要用作生產本集團的可攜式數碼光碟(DVD)播放器。可攜式數碼光碟播放器佔本集團本年度的銷售額不足10%，而塑膠材料成本約佔產品成本2%，因而對本集團的毛利並無重大影響。本集團主要以重油供電，其價格遠低於其他發電機所使用的柴油。重油開銷一般佔本集團總成本不足0.5%。相反，五金成本上升對本集團毛利影響較大。五金成本一般佔本集團總材料成本的3%，而於本財政年度內則上升約20%。年內，其他零件的價格卻有所下調或保持穩定。在此情況下，邊際毛利因而持續受壓。

營運資金

儘管傳統上三月至五月為淡季，二零零四年三月至五月期間的銷售額卻十分強勁。與去年同期比較，本年度同期銷售額有所回落，存貨水平及應付款項水平亦因而下降。由於較多客戶要求本公司提供財務安排(鑑於香港在此方面的成本較低)，因此延長了應收賬款的週轉期。供股發行股份的所得款項淨額約為62,000,000港元，該筆款項穩固了本公司的股本基礎，並提供了額外營運資金。股東資金由397,000,000港元增加至520,000,000港元。

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Liquidity resources

Taking advantage of the low interest environment, the Group had on 3 December 2003 signed a 3¹/₂ year term loan facility agreement for HK\$245,000,000 with a syndicate of 11 international and local banks. The loan is on HIBOR basis and repayable by installment one year after drawdown. The syndicated loan was used to refinance the Group's existing credit facility and the cost of construction of new factory buildings. Under the terms of the loan agreement, the Chairman of the Company, Mr. Simon Ling, being the single largest shareholder and actively involved in the management and business of the Group, is required to maintain at least 40% of the shareholdings of the Company.

As at 31 March 2005, the Group had total borrowings of approximately HK\$475 million, of which HK\$441 million was in bank borrowings and HK\$34 million was for obligations under finance leases. The Group's borrowings are denominated in Hong Kong dollars and bear interest mainly on a HIBOR basis. Bank balances and cash on hand amounted to HK\$98 million and are mainly denominated in Hong Kong dollars. Gearing ratio was 72%, calculated based on net borrowings over shareholders funds.

The Group is not exposed to material currency fluctuation risks, as most of its receivables are in US dollars and payable in Hong Kong and US dollars. The Group purchases forward contracts with bank to hedge against confirmed US dollars receipts and payments. Except for a few customers whom we offer credit on an open account basis, we transact business with all other customers on letter of credit at sight basis.

Investments in listed securities

The Group used to invest in securities of certain listed companies in Hong Kong. These investments had been treated as long-term investment. During the Year, we started to dispose of the investments on the market to generate working capital for the Group. And it is the management's intention to reclassify them into short-term investments and thus recorded base on market value. The resulting gain on the reclassification less the loss on the part disposed amounted to a net gain of HK\$19 million.

流動資源

鑑於息口偏低，本集團於二零零三年十二月三日與11家國際及本地銀行組成的銀團簽訂為期三年半的貸款協議，總額為245,000,000港元。該筆貸款的利息乃按香港銀行同業拆息計算，於提取後一年起分期償還。該筆銀團貸款已用作償還本集團現有信貸融資及興建新工廠大廈的建築成本。根據貸款協議條款，本公司主席凌少文先生作為單一最大股東須持有本公司最少40%股權，並積極參與本集團的管理及業務事宜。

於二零零五年三月三十一日，本集團借款總額約為475,000,000港元，當中441,000,000港元及34,000,000港元分別為銀行借貸及融資租約承擔。本集團的借款以港元結算，利息主要按香港銀行同業拆息計算。銀行結存及現金達98,000,000港元，主要以港元結算。資產負債比率為72%，乃按借款淨額除以股東資金計算。

由於本集團大部分應收款項以美元結算，而應付款項以港元及美元結算，故所面對外匯波動風險不大。本集團已向銀行購買遠期合約，以對沖已確認之美元收入款項。除向數名客戶以記賬方式提供信貸外，本集團與所有其他客戶均以即期信用證進行交易。

投資上市證券

本集團過往曾投資若干香港上市公司的證券，該等投資被視作長線投資。於本年度內，本集團開始於市場上出售該等投資，以為本集團提供營運資金。管理層的意向為將該等投資重新歸類為短期投資，因此有關投資乃以市值列賬。重新歸類產生的收益減去出售所帶來的虧損的淨收益為19,000,000港元。

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Employees relations

As at 30 March 2005, the Group had 140 staff stationed in Hong Kong and 8,300 workers working in factories in the mainland China. Total salaries and wages amounted to approximately HK\$126 million for the year. Salaries and wages are normally reviewed annually on the basis of staff performance appraisals and market conditions. The Group provides year-end double pay, discretionary bonuses, provident fund, medical insurance and training to the staff. Workers welfare is set with reference to the prevailing labor laws in Hong Kong and the mainland China.

僱員關係

於二零零五年三月三十日，本集團有140名香港員工，而中國大陸之廠房則僱有8,300名僱員。年內薪金及工資總額約為126,000,000港元。一般會根據員工的工作表現及市場情況每年檢討薪酬及工資。本集團向其員工提供年終雙糧、酌情花紅、公積金、醫療保險及培訓。員工福利乃參照香港及中國大陸的現行勞工法例釐訂。