

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the six months ended 30 September 2005, unaudited turnover of the Group amounted to HK\$83,888,000 (30 September 2004: HK\$83,758,000). Unaudited loss attributable to equity holders of the parent for the period was HK\$6,281,000 (30 September 2004 restated: HK\$9,504,000). The improvement in results was mainly contributed from continuous satisfactory performance of the supply and procurement business and cessation of the unsound toys business.

Since April 2004, the Group has been commencing its supply and procurement business in Asia Pacific region for the supply of office equipment and office supplies, machinery, machinery parts, lubricating oil and bunkering for vessels. With improvement in the economy of Southeast Asia region and tight cost control, the Group recorded double-digit growth in both its turnover and results of the supply and procurement business. For the six months ended 30 September 2005, the unaudited turnover and profit of the supply and procurement business were HK\$72,942,000 and HK\$7,163,000, representing a significant increment of 11.4% and 88.8% respectively as compared with an unaudited turnover of HK\$65,505,000 and an unaudited profit of HK\$3,794,000 for the year earlier.

Due to the persistent high level of price of plastic materials and production overheads, the toys business of the Group has operated at loss for several years. For the financial years ended 31 March 2004 and 2005, the Group recorded the audited net operating losses of approximately HK\$27,308,000 and HK\$2,507,000 respectively. Such losses were mainly attributable to the toys business of the Group. During the period under review, net loss for the toys business was approximately HK\$775,000. In order to exit the loss-making toys business and to focus on the profit-making supply and procurement business, the Group disposed its entire interest in a group of subsidiaries, which is engaged in the design, manufacture and sales of a wide range of toys, at a total consideration of approximately HK\$4,467,000 in August 2005. Upon completion of the disposal, the Group ceased its business in the design, manufacture and sales of a wide range of toys.

管理層討論及分析

業績

截至二零零五年九月三十日止六個月，本集團之未經審核營業額為83,888,000港元（二零零四年九月三十日：83,758,000港元）。本期間母公司股權持有人應佔之未經審核虧損為6,281,000港元（二零零四年九月三十日（重列）：9,504,000港元）。業績有所改善乃主要由於供應及採購業務之表現繼續令人滿意及終止欠佳之玩具業務所致。

自二零零四年四月以來，本集團已開始其在亞太區之供應及採購業務，以供應辦公室設備及辦公室用品、供遠洋郵輪使用之機器、機器零件、機油及燃料。隨著東南亞地區經濟之改善及憑藉嚴格之成本控制，本集團從事供應及採購業務之營業額及業績方面均錄得雙位數之增長。截至二零零五年九月三十日止六個月，供應及採購業務之未經審核營業額及溢利分別為72,942,000港元及7,163,000港元，較去年之未經審核營業額65,505,000港元及未經審核溢利3,794,000港元分別顯著增長11.4%及88.8%。

由於塑料之價格及生產經常費用持續高企，本集團之玩具業務數年來一直呈現虧損。截至二零零四及二零零五年三月三十一日止之財政年度，本集團分別錄得經審核經營虧損淨額約27,308,000港元及2,507,000港元。有關虧損主要來自本集團之玩具業務。於回顧期間，玩具業務之虧損淨額約為775,000港元。為著脫離呈現虧損之玩具業務及專注獲利之供應及採購業務，本集團於二零零五年八月出售其於一組從事設計、製造及銷售種類繁多玩具業務之附屬公司之全部權益，所涉及之總代價約為4,467,000港元。於出售完成後，本集團停止其設計、製造及銷售種類繁多之玩具業務。

Results (continued)

Charge on the Group's Assets

Certain prepaid land lease payments and buildings with an aggregate carrying amount of HK\$24,968,000 as at 30 September 2005 (31 March 2005 restated: HK\$25,829,000) were pledged to secure bank borrowings advances to the Group.

Contingent Liabilities

The Group's design, manufacturing and sales of toys business is carried out by Xin Toys Factory Limited and Gadgets Yard Limited, two subsidiaries of the Company (the "Subsidiaries"), which have engaged a subcontractor in Dongguan, Mainland China, for the manufacturing process. The factory premises of the Group are located in Dongguan, Mainland China.

In May 2005, the Customs and Excise of Dongguan, Mainland China (the "Customs") conducted an inspection at the factory premises of the Subsidiaries and took away certain documents belonging to the Group. The outcome of the inspection is still pending at the date of this report.

The directors of the Company are satisfied that the business and operations of the Subsidiaries have been properly conducted and that there have been no irregularities in the operations of the Subsidiaries or by any of their management or staff.

As at the date of this report, the directors are not aware of any further action taken by the Customs against the Subsidiaries and there is no indication of any adverse action will be taken against the Subsidiaries. Accordingly, in the opinion of the directors, based on the current available information, no provision for any penalties and claims is required to be made in the financial statements.

業績 (續)

本集團資產之抵押

於二零零五年九月三十日，本集團抵押若干土地租約預付款項及樓宇總賬面值24,968,000港元，以取得本集團獲授之銀行貸款(二零零五年三月三十一日經重列：25,829,000港元)。

或然負債

本集團設計、生產及銷售玩具之業務乃透過本公司兩間附屬公司名為新創玩具廠有限公司及源製有限公司(「附屬公司」)進行。附屬公司並就生產過程於中國大陸東莞市委聘一間加工廠。本集團之廠房位於中國大陸東莞市。

於二零零五年五月，中國大陸東莞市之海關(「海關」)對附屬公司之工廠廠房進行檢查，並取走本集團若干文件。於本報告日期，檢查結果仍未公佈。

本公司董事信納附屬公司之業務及營運乃恰當進行，且附屬公司之營運或其任何管理人員或員工並無任何不當行為。

於本報告日期，就董事所知，海關並無對附屬公司採取任何進一步行動，亦無跡象顯示其會對附屬公司採取任何不利行動。因此，根據現有之資料，董事認為，毋須於財務報表中就任何罰款或申索撥備。

Contingent Liabilities (continued)

During the period under review, the Group's entire interest in Gadgets Yard Limited and its subsidiary were disposed of to an unrelated third party by the Group. Upon the completion of the disposal, the Group ceased its business in the design, manufacture and sales of a wide range of toys.

Liquidity and Financial Resources

As at 30 September 2005, the Group had neither unutilized banking facilities nor any hedging financial statements. The Group's net current liabilities was HK\$22,818,000. Shareholders' equity as at the balance sheet date amounted to approximately HK\$3,620,000.

As at 30 September 2005, the Group's total indebtedness (representing the total interest-bearing loans from banks, financial institutions and loan providers) was approximately HK\$54,875,000 (31 March 2005 restated: HK\$65,480,000) will be repayable within one to two years. Among which, HK\$23,497,000 is at fixed interest rate and HK\$31,378,000 is at floating interest rate. The gearing ratio was 15.16 (31 March 2005: 12.03, as restated). As at 30 September 2005, the Group has current ratio of 0.72 (31 March 2005: 0.80), based on current assets of HK\$57,741,000 and current liabilities of HK\$80,559,000.

Exposure on Foreign Exchange Fluctuations

All borrowings of the Group are denominated either in Hong Kong dollars or Renminbi or Singapore dollars. The Group has no significant currency exposure.

或然負債 (續)

於回顧期間，本集團於源製有限公司及其附屬公司之全部權益已被本集團出售予無關連之第三方。於出售完成後，本集團停止設計、製造及銷售種類繁多玩具之業務。

流動資金及財政資源

於二零零五年九月三十日，本集團並無任何未動用之銀行融資或任何對沖金融文據。本集團之流動負債淨額為22,818,000港元。於結算日，股東權益約為3,620,000港元。

於二零零五年九月三十日，本集團之總負債(即銀行、金融機構及貸款供應商之須付利息貸款總額)約為54,875,000港元(二零零五年三月三十一日(重列): 65,480,000港元)，該等負債須於一年至兩年內償還。其中23,497,000港元乃以固定利率計息及31,378,000港元乃以浮動利率計息。負債比率為15.16(二零零五年三月三十一日經重列為12.03)。於二零零五年九月三十日，根據流動資產57,741,000港元及流動負債80,559,000港元計算，本集團之流動比率為0.72(二零零五年三月三十一日: 0.80)。

匯率波動風險

本集團之全部借貸均以港元或人民幣或新加坡元計值。本集團並無任何重大之外匯風險。

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\$392,000.

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 interim financial statements as at 30 September 2005.

Human Resources

As at 30 September 2005, the Group employed a total of 15 employees, among which, 7 staff were based in Hong Kong and 8 were in Singapore. Apart from competitive remuneration package offered to the employees, discretionary bonuses and share options were granted to eligible staff based on individual performance.

Prospects

In the past few years, the management adopted strategies to exit from unsound businesses and to strengthen the Group's investments with stable revenue generating power. Going forward, the management is confident that the supply and procurement business should continue to do well with a sustainable growth.

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／或其他寬免約392,000港元向本集團提出未償還應收貿易賬款索償。

董事認為，本集團已於二零零五年九月三十日之簡明綜合中期財務報表內就上述全部索償作出充裕之撥備。

人力資源

於二零零五年九月三十日，本集團聘用之僱員總數共15人，當中長駐香港之職員為7人及長駐新加坡之職員為8人。本集團除向僱員提供優厚之薪酬福利外，亦根據個人之表現向合資格職員授出購股權。

前景

於過往數年，管理層採取脫離欠佳業務及增強本集團具穩定收入來源之投資之策略。展望未來，管理層有信心，供應及採購業務勢必繼續做好，並維持高增長。