

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

COMPETITIVE ADVANTAGE AND CORE COMPETENCE

The Group achieves its competitive advantage from the following core competences:

- (i) The Group is considered as one of the leading player in clock industry by virtue of its more than 20 years of experiences in the clock manufacturing, such experiences were successfully applied to the development of the Group's other businesses such as other office related products and lighting products. The Group's public listed status provides financial reliability and confidence to customers.
- (ii) Vertical Integration in Manufacturing
The Group provides full range and one-stop-shop manufacturing services to customers on both OEM and ODM basis. The Group's manufacturing activities cover research and development; design; manufacturing of metal, plastic and glass components; woodworks; electroplating and assembly. The vertical integration in manufacturing ensures best lead-time, flexibility, quality control and cost effectiveness.
- (iii) Quality Control
The management places great emphasis on products quality and reliability by setting up incoming, in-production, end-of-line quality controls procedure, quality audit and endurance test to fulfill the stringent requirements of its high-end customers. The Group continues to pursue high quality standard and the accreditation of the ISO9001:2000 to the Group's Shenzhen factory in January 2005 was an open recognition of the Group's effort and high quality standard.

競爭優勢及核心能力

本集團憑藉下列之核心能力獲得競爭優勢：

- (i) 本集團擁有超過二十年之時鐘生產經驗，已被認定為業內的領導者之一，這些經驗亦被成功引用於發展集團其他業務如辦公室相關產品及照明產品。本集團之上市地位提供了可靠的財政背景及得到客戶之信任。
- (ii) 垂直綜合生產
本集團提供全面及一站式OEM及ODM生產服務予客戶。本集團之生產活動包括研究及開發；設計；生產金屬、塑膠及玻璃配件；木工；電鍍及裝配。垂直綜合生產確保最佳生產時間、具彈性、品質控制及成本效益。
- (iii) 品質控制
管理層著重產品之質量及可靠性，因而制定了來料、內部生產、制成品品質控制程序、品質審查及耐用測試程序以滿足高級貨品客戶之嚴謹要求。本集團繼續追求高品質標準。本集團位於深圳之廠房於二零零五年一月獲得ISO9001:2000認證，此為公開肯定了本集團對高品質標準之追求及努力。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

(iv) Design, Research and Development

The Group has a strong in-house design, research and development team with over 30 personnels who are expertise in their chosen fields. The Group also enters into partnership with well-acclaimed overseas design houses for new products designs and development apart from the vast reservoir of its own brands designs.

(v) Sales and Marketing

The Group's sales and marketing activities operate in global arena with offices and presence in the USA, Germany, UK and the PRC. The presence attunes with the Group's niche marketing strategy and enables the Group to keep abreast with the market conditions and to develop new market segments.

(iv) 設計、研究及開發

本集團擁有超過30人之強大內部設計、研究及開發隊伍，他們均是在其有關範疇內之表表者。本集團除本身擁有之龐大品牌設計外，亦與海外昭著之設計公司訂立了合作協議，設計及開發新產品。

(v) 銷售及市場推廣

本集團之市場銷售覆蓋全球，並於美國、德國、英國及中國設有辦事處。此設定配合本集團之特色市場策略，及確保本集團與市場環境並進及開發新市場類別。

FINANCIAL REVIEW

The Group recorded a turnover of approximately HK\$221,135,000 for the year ended 31 March 2006 (2005: HK\$238,300,000), it represents a reduction of 7.2% or HK\$17,165,000 as compared with last year. The Group recorded a loss for the year of approximately HK\$72,149,000 in the year under review (2005: loss for the year of HK\$2,414,000). The loss was mainly a result of recognizing the impairment loss of HK\$23,768,000 in respect of the disposal of 49% equity interests in Success Start Holdings Limited; the impairment loss of HK\$17,004,000 in respect of goodwill and the review of the Group's inventory value in view of the effective of the restriction of the use of certain hazardous substances in electrical and electronic equipment directive ("ROHS Directive") from 1 July 2006 in European Community. The Group's inventory was decreased by HK\$16,516,000 from HK\$95,634,000 at the end of last year to HK\$79,118,000 as at 31 March 2006.

財務回顧

本集團於截至二零零六年三月三十一日止年度錄得營業額約221,135,000港元(二零零五年：238,300,000港元)，較去年下跌7.2%或17,165,000港元。本集團於回顧年度錄得虧損約72,149,000港元(二零零五年：年內虧損2,414,000港元)。虧損主要由於就出售成發控股有限公司之49%股本權益而確認減值虧損23,768,000港元；有關商譽之減值虧損17,004,000港元，以及歐洲共同體自二零零六年七月一日起實施指令，限制電器及電子設備使用若干有害物質(「ROHS Directive」)，以致本集團須檢討存貨價格所致。本集團之存貨由去年底之95,634,000港元下降16,516,000港元至於二零零六年三月三十一日之79,118,000港元。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

BUSINESS REVIEW AND PROSPECTS

Clock and Other Office Related Products

This Division achieved a turnover of HK\$155,900,000 in the year under review, it represents a slight reduction of HK\$2,500,000 or 1.6% as compared with the same period last year.

The gross profit margin of the clock and other office related products was seriously hampered by increase in cost of materials such as copper, aluminium and plastic resin used in the production of the Division's products, coupled with the surging labour cost and the appreciation of Renminbi during the year under review. An analysis of products cost shows an average increase of about 17.3% for the year 2006 as compared with the year 2005.

The restructuring of overseas offices entailed the written off of old stock in the amount of approximately HK\$672,000 in the Group's USA office, Right Time Group, Inc. and approximately HK\$2,679,000 in the Germany Office, Wehrle Uhrenfabrik GmbH. This Division's inventory value decreased by HK\$18,000,000 to make provision for the impending application of the ROHS Directive to be effective in European Community from 1 July 2006.

This Division reported a segment trading loss of HK\$20,072,000 for the year ended 31 March 2006. The segment trading result for last year was a trading profit of HK\$2,233,000.

Lighting Products

The Lighting Products Division reported a turnover of HK\$20,500,000 in the year ended 31 March 2006. The result represents a reduction of HK\$6,400,000 or 23.7% as compared with last year.

業務回顧及展望

時鐘及其他辦公室相關產品

本業務在回顧年度內錄得營業額155,900,000港元，較去年同期微跌2,500,000港元或1.6%。

在回顧年度內，時鐘及其他辦公室相關產品之毛利率，因用作生產本業務產品之原料（例如銅、鋁及塑膠樹脂等）之成本上漲，加上勞工成本急升及人民幣升值而受到嚴重損害。分析顯示二零零六年之產品成本較二零零五年平均上升約17.3%。

重組海外辦事處涉及撇銷本集團美國辦事處Right Time Group, Inc.之陳舊存貨約672,000港元及德國辦事處Wehrle Uhrenfabrik GmbH約2,679,000港元。本業務之存貨價值下跌約18,000,000港元，以就應用歐洲共同體自二零零六年七月一日起實施之ROHS Directive作出撥備。

本業務於截至二零零六年三月三十一日止年度錄得分類貿易虧損20,072,000港元。去年本分類之貿易業績為貿易溢利2,233,000港元。

照明產品

照明產品業務於二零零六年三月三十一日止年度內錄得營業額20,500,000港元，較去年下降6,400,000港元或23.7%。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

As reported in the Company's interim report made up to 30 September 2005, this Division makes its sales predominantly to European markets which showed sign of slow down in their economy and has made a segment trading loss of HK\$677,000. This Division continued to operate in a difficult environment with a decrease in sales turnover and an increase in operation cost coupled with strong competition in the industry. The Group's effort in improving its profitability have turned out in vain. The Group has resolved to dispose the manufacturing operation of the Lighting Division with a view to enabling the Group to reallocate its resources and to concentrate on the Group's other existing businesses.

During the year under review, the Lighting Division report a segment trading loss of HK\$2,391,000.

The Group shall continue to carry on lighting products business through its overseas offices on trading basis.

Trading

The Trading Division mainly engages in trading of metal in the PRC market. During the year under review, the business was inevitably affected by the PRC government's tightening of macro-economic policy. This Division reported a turnover of HK\$29,600,000 and a trading profit of HK\$363,000 as compared with a turnover of HK\$41,600,000 and a segment trading profit of HK\$1,772,000 in last year.

In the short run, the management looks upon the business as an important source of marketing intelligence to the Group's other businesses in the PRC market, the management does not expect this Division to make substantial contribution to the Group's bottom line in the near future.

誠如本公司截至二零零五年九月三十日止之中期報告所報告，本業務主要向經濟呈現放緩跡象之歐洲市場進行銷售，以致錄得分類貿易虧損677,000港元。本業務繼續在銷售營業額下跌、經營成本上升，以及業界競爭激烈之困難環境下經營。本集團改善盈利能力之努力未能奏效。本集團議決出售照明產品之製造業務，以使本集團能夠重新調配其資源及專注本集團之其他現有業務。

於回顧年度內，照明業務錄得分類貿易虧損2,391,000港元。

本集團將繼續按貿易準則，透過其海外辦事處從事照明產品業務。

貿易

本業務主要從事中國市場金屬貿易。在回顧年度內，業務無可避免地受到中國政府收緊宏觀調控政策所影響。本業務錄得營業額為29,600,000港元及貿易溢利為363,000港元，去年同期則為營業額41,600,000港元及分類貿易溢利1,772,000港元。

短期展望，管理層視本業務為推廣本集團在中國市場之其他業務之重要資訊來源。管理層並不期望本業務能在短期內對本集團之盈利作出重大貢獻。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

Electroplating Services

The Electroplating Services Division recorded a turnover of HK\$15,200,000 in the year ended 31 March 2006 as compared with HK\$11,400,000 last year. It reported a segment trading profit of HK\$3,463,000 in the year under review as compared with HK\$1,170,000 in last year.

This Division claimed taxation on manufacturing profit on 50:50 basis under the Hong Kong Inland Revenue Department's (the "IRD") Departmental Interpretation and Practice Notes No. 21 – Locality of Profit for the year of assessment from 2000/01. Subsequent to the balance sheet date, the IRD issued the protective profits tax assessments (the "Protective Assessments") of approximately HK\$1,000,000 relating to years of assessment from 2000/01 to 2003/04 on Ultra Good Electroplating Limited. The Company lodged objection with the IRD against the Protective Assessments on 30 June 2006. The amounts had been provided in the consolidated financial statements.

The Electroplating Services Division forms an integral part of the Group's vertically integrated manufacturing operation and it provides high quality electroplating services to other customers. This Division's factory has long been established in its present location. It has been accredited with ISO certification in 2001 and in full compliance with the local governments' requirements with respect to environmental conservation. It also established long term relationship with suppliers for the supplying of restricted material such as potassium gold cyanide (氰化亞金鉀) which is an important ingredient for use in the electroplating process.

電鍍服務

電鍍服務業務於截至二零零六年三月三十一日止年度內錄得營業額15,200,000港元，去年為11,400,000港元。於回顧年度內本業務錄得分類貿易溢利3,463,000港元，去年為1,170,000港元。

本業務自二零零零／零一課稅年度起根據香港稅務局（「稅務局」）之《稅務局釋義及執行指引第21號—利潤來源》按50：50基準報稱製造業務之溢利。於結算日後，稅務局於二零零零／零一至二零零三／零四課稅年度，向特佳電鍍有限公司發出保障性利得稅評稅（「保障性評稅」）約港幣1,000,000元。本公司已於二零零六年六月三十日就該保障性評稅向稅務局提出反對。綜合財務報表中已就該款項作出撥備。

電鍍服務業務既為本集團垂直綜合生產系統中之其一主要部份，亦為其他客戶提供優質電鍍服務。電鍍業務的廠房於現址已建立多年，並於二零零一年獲得國際認可之品質管理體系（「ISO」）的認證，達到當地政府就環境保護措施之要求。其次，本廠亦與供應商建立了長遠的良好關係，以取得在電鍍過程中受監管限制之重要物料如氰化亞金鉀的穩定供應。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

The Group expects that the PRC government will further tighten up environmental protection measures with the effect of imposing further restrictions in operating electroplating services in the area. This Division will strengthen its competitive advantages in terms of its long establishment and good relationship with local government, ISO approved standard and high quality service, as well as the secured access to restricted materials.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2006, the Group had total outstanding debts and finance lease obligations of HK\$33,575,000 (2005: HK\$36,399,000), of which HK\$24,314,000 (2005: HK\$31,164,000) was secured bank loans, HK\$11,416,000 (2005: HK\$10,596,000) was secured overdrafts, HK\$567,000 (2005: HK\$259,000) was unsecured other loans and HK\$1,184,000 (2005: HK\$969,000) was obligations under finance leases. The amount repayable within one year accounted for 98.3% (2005: 82.2%) of the total borrowings as at 31 March 2006. The maturity profile of the Group's total borrowings as at 31 March 2006 is analysed as follows:

| | | 2006 | 2005 |
|--|------------------|--------------|-------|
| Within one year | 一年內 | 98.3% | 82.2% |
| In the second year | 第二年內 | 1.2% | 17.4% |
| In the third to fifth years, inclusive | 第三年至第五年內(包括首尾兩年) | 0.5% | 0.4% |
| Total | 總計 | 100% | 100% |

Our gearing ratio was at a healthy level of 0.4% (2005: 3.4%). The computation is based on long-term borrowings of the Group divided by shareholder's fund as at 31 March 2006.

本集團預期中國政府將會進一步收緊環境保護措施的要求，從而限制在當地電鍍服務的營運。本業務將透過本身悠久的基礎、與當地政府的良好關係、ISO認可標準及優良的服務質素，以及受監管物料之穩定供應，以強化本身的競爭優勢。

流動資金及財務資源

於二零零六年三月三十一日，本集團之未償還貸款及融資租賃之承擔合共33,575,000港元(二零零五年：36,399,000港元)，其中擔保銀行貸款為24,314,000港元(二零零五年：31,164,000港元)，擔保銀行透支為11,416,000港元(二零零五年：10,596,000港元)，無擔保其他貸款為567,000港元(二零零五年：259,000港元)及融資租賃之承擔為1,184,000港元(二零零五年：969,000港元)。於二零零六年三月三十一日，需於一年內償還的金額佔總借貸的98.3%(二零零五年：82.2%)。本集團於二零零六年三月三十一日之總借貸之到期詳情分析如下：

本集團之負債比率現處於0.4%(二零零五年：3.4%)之穩健水平。負債比率之計算乃按本集團之長期借貸除於二零零六年三月三十一日之股東資金。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

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.

CHARGES ON GROUP'S ASSETS

Certain of the Group's leasehold land and buildings, investment properties and financial assets 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 Government of the Hong Kong Special Administrative Region's policy to link the Hong Kong dollars to the US dollars remains in effect.

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.

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。

集團資產抵押

本集團若干租約土地及樓宇，投資物業及金融資產已作抵押，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。鑑於香港特別行政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。

由於本集團的主要生產業務所在地位於中國，且大部份經營支出乃以人民幣（「人民幣」）結算，故管理層注意到滙兌風險的可能性。作為對沖策略，管理層著重以人民幣借款支付本集團業務及資本開支。

庫務政策

本集團一般透過內部資金與香港、中國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貸款、透支融資、發票融資及銀行貸款。上述貸款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。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

CONTINGENT LIABILITIES

As at 31 March 2006, the Group did not have contingent liabilities (2005: nil).

EMPLOYEES

As at 31 March 2006, the Group had 1,808 employees (2005: 2,394) 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.

或然負債

於二零零六年三月三十一日，本集團並無或然負債（二零零五年：無）。

僱員

於二零零六年三月三十一日，本集團共有員工1,808名（二零零五年：2,394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。