

# Management Discussion and Analysis

## 管理層討論與分析

08

ANNUAL  
REPORT  
2006  
年報

### FINANCIAL REVIEW

#### Turnover

During the year, the Group's turnover decreased to HK\$2,836 million, down by 17.0% as compared to last year. The drop was partly attributable to the competitive environment and partly to the planned reduction in the sales of products with higher plastic consumption.

During the year, sales of home audio products accounted for approximately 82.1% of the Group's turnover, a decrease of 24.2% over last year, and remained as its core business. Sales from digital and DVD players contributed to approximately 13.5% of the Group's turnover, an increase of 49.4% over last year.

#### Gross Margin

The Group continued to change its product mix and reduced the sales of CD audio products which used plastics, laminates and metals as the key raw materials. During the year, the gross profit margin decreased to 5.3%.

#### Expenses

The Group's administrative expenses decreased by 7.5% as compared to the previous year and totalled HK\$111 million. The percentage of administrative expenses to total sales rose to 3.9% (2005: 3.5%). With a lower sales revenue base for the period, the Group's selling and distribution expenses decreased to approximately HK\$33 million. The Group's finance costs surged to HK\$27 million as a result of the significantly higher average interest rate and the increase in bank borrowings.

During the year, the Group has suffered from an impairment loss of HK\$7,359,000 recognised in respect of development expenditure and was mainly arisen from the cessation of manufacturing of loss-making electronics and electrical products.

### 財務回顧

#### 營業額

年內，本集團營業額較去年減少17.0%至2,836,000,000港元。營業額減少，部份由於市場競爭激烈，而另一原因是按計劃減少塑膠成份較高之產品銷售所致。

年內，家庭音響產品之銷售額佔本集團營業額約82.1%，較去年減少24.2%，並繼續為其核心業務。數碼及DVD機之銷售額則佔本集團營業額約13.5%，較去年上升49.4%。

#### 毛利率

本集團繼續更改其產品組合，減少以塑膠、覆鋼面板及金屬為主要原材料之CD音響產品。年內，毛利率減少至5.3%。

#### 開支

本集團之行政開支較去年減少7.5%，合計為111,000,000港元。行政開支對總銷售額之百分比上升至3.9%（二零零五年：3.5%）。由於期內銷售營業額基數降低，故本集團之銷售及分銷開支減少至約33,000,000港元。本集團之融資成本因平均利率大幅上升及銀行借貸增加而急升至27,000,000港元。

年內，本集團就發展開支確認之減值虧損為7,359,000港元，主要來自終止生產持續錄得虧損之電子及電器產品。

### Property Investment

The Group has changed the use of certain plants in Dongguan to rental purposes following the consolidation of operations into Qingyuan Industrial Estate. Accordingly, the carrying value of investment properties increased from HK\$60,288,000 to HK\$186,358,000. The net-of-tax increase in fair value of investment properties, which was credited to current year's income statement, amounted to HK\$22,229,000.

### Working Capital Management and Dividend Policy

As at 31 March 2006, the Group maintained long-term bank deposit, bank balances and cash of approximately HK\$221 million (31 March 2005: HK\$239 million). The Group's average inventory turnover was about 56 days (31 March 2005: 51 days). The Group's average trade receivables turnover was increased to 16 days (31 March 2005: 10 days).

### Financing and Capital Structure

For the year ended 31 March 2006, the Group's total debts stood at approximately HK\$702 million (31 March 2005: HK\$544 million), of which HK\$318 million (31 March 2005: HK\$371 million) were not repayable within one year. The borrowings mainly included outstanding balances of syndicated loan facilities of HK\$255 million and certain term loan facilities from several banks in the total of HK\$216 million. The increase in borrowings was mainly due to new borrowings for the purposes of CAPEX and daily operation.

The Group also issued letters of credit to procure the supplies of critical components and certain raw materials. The trust receipt loans amounted to approximately HK\$43 million (31 March 2005: HK\$40 million). The Group's borrowings are primarily denominated in Hong Kong Dollars or US Dollars and the Group has no significant exposure to foreign exchange fluctuations.

### 物業投資

隨著將業務整合至清遠工業村，本集團已將東莞若干廠房之用途更改用作出租用途。因此，投資物業之賬面值由60,288,000港元增加至186,358,000港元。投資物業公平值除稅後增加數額(已撥入本年度收益表)為22,229,000港元。

### 營運資金管理及股息政策

於二零零六年三月三十一日，本集團之長期銀行存款、銀行結存及現金維持約221,000,000港元(二零零五年三月三十一日：239,000,000港元)。本集團之平均存貨流轉期約為56日(二零零五年三月三十一日：51日)。本集團之平均貿易應收賬款流轉期上升至16日(二零零五年三月三十一日：10日)。

### 融資及資本架構

於截至二零零六年三月三十一日止年度，本集團之總負債保持約702,000,000港元(二零零五年三月三十一日：544,000,000港元)，其中318,000,000港元(二零零五年三月三十一日：371,000,000港元)毋須於一年內償還。借貸主要包括銀團貸款融資之未償還結餘255,000,000港元及若干銀行之定期貸款融資合計216,000,000港元。借貸上升主要用以應付資本開支及日常營運所需。

本集團採購重要組件及若干原材料時亦發出信用證。信託收據貸款約為43,000,000港元(二零零五年三月三十一日：40,000,000港元)。由於本集團之借貸主要以港元或美元定值，因此本集團毋須承擔重大外匯波動之風險。

### Capital Expenditure on Property, Plant and Equipment

Total capital expenditure for the year was HK\$125 million (31 March 2005: HK\$328 million), out of which HK\$29 million was spent on the construction of production plants, HK\$40 million for the acquisition of plant and machinery and HK\$33 million for moulds investment.

### Liquidity and Financial Resources

The net current assets of the Group as at 31 March 2006 stood at a level of approximately HK\$37 million (31 March 2005: HK\$140 million) and the current ratio was 1.05 (31 March 2005: 1.21). Shareholders' funds were maintained at approximately HK\$1,070 million (31 March 2005: HK\$1,064 million).

### Treasury Policy

The majority of the Group's sales and purchases are denominated in Hong Kong Dollars or US Dollars. As Hong Kong Dollars and US Dollars are pegged, the Group has minimum exposure to foreign exchange fluctuation and, currently, the Group has not entered into any financial instrument for hedging purposes. However, the Group will closely monitor the overall currency and interest rate exposures. When considered appropriate, the Group will hedge against currency exposure as well as interest rate exposure.

### 物業、廠房及設備之資本支出

年內總資本支出為125,000,000港元(二零零五年三月三十一日: 328,000,000港元), 其中29,000,000港元用於興建生產廠房, 40,000,000港元用於購置廠房及機器及33,000,000港元則用於模具投資。

### 流動資金及財政資源

於二零零六年三月三十一日, 本集團之流動資產淨值維持於約37,000,000港元(二零零五年三月三十一日: 140,000,000港元)之水平, 而流動比率則為1.05(二零零五年三月三十一日: 1.21)。股東資金維持於約1,070,000,000港元(二零零五年三月三十一日: 1,064,000,000港元)之水平。

### 庫務政策

本集團之銷售及採購大部份以港元或美元結算。由於港元與美元掛勾, 令本集團承受外匯波動風險甚低, 而現時, 本集團並無訂立任何財務工具作為對沖用途。然而, 本集團將密切監察整體之貨幣及利率風險。於認為合適時, 本集團將為貨幣風險及利率風險進行對沖。