

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

BUSINESS REVIEW

The year passed is definitely a difficult year to the Group. Pessimistic market sentiment and customers' conservatism in toy industry amplify the competition and create severe pressure on the volume, pricing and margin. Similar to many other toy manufacturers, the Group faces with shrinkage in its toy business. In year 2006, the segment of toy trading and manufacturing reported a turnover of HK\$130.1 million, being a decline of HK\$27.4 million or 17.4% when compared with last year.

In line with the target to focus the Group's resources, business in the segments other than toy trading and manufacturing continued to diminish during the year. Following the divestment of the non-performing business, only approximately HK\$2.5 million was recorded as turnover from segments other than toy business, representing a drop of HK\$19.2 million or 88.5% when compared with last year.

OPERATION REVIEW

The manufacturing plant at Boluo, Huizhou continues to be the main operation site of the Group. The management persisted to streamline the production process and exercise stringent measures on cost control during the year. Nevertheless, various unfavourable factors relentlessly defeating manufacturers in Mainland China, like escalating material cost, heightened minimum wages, unstable utilities supplies and Renminbi appreciation, counteract the management's effort. Furthermore, the shrinkage in sales mentioned before also affected the operations in a way that production capacity was not fully utilised during the year.

The management considers that toy industry will remain tough in the coming years, especially for the manufacturers in Southern China and hence proposes to cut out the suffering manufacturing operation so as to preserve the Group's resources.

業務回顧

過去一年確是本集團艱鉅的一年。市場氣氛悲觀加上玩具業客戶態度保守，加劇了競爭並對單量、定價及利潤率造成巨大壓力。與眾多其他玩具廠商一樣，本集團面對旗下玩具業務萎縮的情況。二零零六年，玩具貿易及製造分部錄得營業額港幣130,100,000元，較去年下跌港幣27,400,000元或17.4%。

為配合本集團集中資源之目標，玩具買賣及製造以外之分部業務於年內持續縮減。自表現不佳之業務撤資後，玩具業務以外之分部只錄得約港幣2,500,000元之營業額，較去年下跌港幣19,200,000元或88.5%。

營運回顧

惠州市博羅縣的製造廠繼續是本集團的主要營運地點。年內，管理層堅持精簡生產過程及採取嚴厲措施以控制成本。然而，中國內地廠商備受物料成本飛漲、最低工資上升、水電供應不穩以及人民幣升值等多個不利因素無情打擊，抵消管理層之努力。再者，上述銷售額萎縮亦影響營運，導致年內產能未能盡用。

管理層認為玩具業未來幾年依然艱難，華南的廠商情況更糟，故提出減掉製造業務，以保存集團資源。

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Material disposal of subsidiaries

In June 2006, the Group disposed of its entire interests in two non-wholly owned subsidiaries, Thunder Force Limited and Thunder Tech Electronic Co., Limited, following which the Group ceased to have any operations in the segment of consumer products trading and manufacturing and recorded a gain of approximately HK\$0.36 million from the disposal.

In order to further focus the Group's resources, the Company entered into an agreement in November 2006 to dispose of its entire interest in Good Prosper Trading Limited ("GPTL") and GPTL's subsidiaries, the principal assets of which are the land use rights in respect of parcels of adjacent lands with an aggregate site area of approximately 145,395 square meters situated at 中國廣東省博羅縣圓洲鎮九潭道 (Jiu Tan Dao, Yuan Zhou Zhen, Boluo County, Guangdong Province, the PRC) and the infrastructure erected thereon. The subject lands have been vacant since acquisition by the Group in year 2004 and there is no concrete development plan. The transaction is expected to be completed in May 2007.

Subsequent to the year end in April 2007, the Company entered into another agreement to dispose of its entire interest in GFT Holding Limited group, a subgroup of the Company engaging in toy manufacturing at Boluo, Huizhou and toy trading, to a company beneficially owned by Mr. Leung Wai Ho and Mr. Wong Chung Shun, the chairman and deputy chairman of the Company. Because of the adverse environment facing by the toy manufacturers in Mainland China, GFT Holding Limited group suffered from substantial loss during the year under review and hardly be recovered in the near future. Hence, it is expected that the disposal will preserve the Group's resource to develop other potentially profitable business. The disposal constitutes a major disposal and connected transaction for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and is subject to the approval by the independent shareholders of the Company in a special general meeting.

重大出售附屬公司事項

二零零六年六月，本集團出售其於兩間非全資附屬公司，迅雷科時有限公司及迅雷科技有限公司之全部權益。出售後本集團停止經營其消費產品買賣及製造分部，並自出售錄得收益約港幣360,000元。

為進一步集中本集團之資源，本公司於二零零六年十一月訂立協議出售其於Good Prosper Trading Limited(「GPTL」)及其附屬公司之全部權益，該公司之主要資產為位於中國廣東省博羅縣圓洲鎮九潭道，總地盤面積約145,395平方米之相連土地之土地使用權及其上建立之基建設施。該土地自本集團於二零零四年收購後一直空置且無具體發展計劃。該交易預期於二零零七年五月完成。

繼年度終結後於二零零七年四月，本公司訂立另一協議出售其於GFT Holding Limited集團之全部權益予一間由本公司主席梁蔚豪先生及副主席黃仲遜先生實益擁有之公司，GFT Holding Limited集團於惠州博羅從事玩具製造及玩具貿易業務。由於中國內地玩具製造業經營環境困難，GFT Holding Limited集團於回顧年度內虧損嚴重且於可見未來難以轉盈。因此，預期出售將可保存本集團資源以發展其他有盈利潛力業務。根據香港聯合交易所有限公司證券上市規則(「上市規則」)，出售事項構成本公司一項主要出售事項及關連交易，並須獲本公司獨立股東在股東特別大會上批准。

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Financial Review

Review of Results

The Group reported a turnover from continuing operations of approximately HK\$130.1 million for the year ended 31 December 2006, representing a decrease of HK\$35.7 million or 21.5% when compared with last year. Out of this HK\$35.7 million decline, HK\$8.3 million was attributable to the inactiveness of securities trading and investment segment. The remaining HK\$27.4 million came from the toy products segment, being the consequence of the tough and keen competition in toy industry during the year. In respect of the disposed consumer products segment, the turnover decreased from HK\$13.3 million to HK\$2.5 million for the year under review.

Gross profit dropped by HK\$26.3 million from HK\$26.5 million to HK\$0.2 million when compared with last year. The substantial decrease in gross profit was partly due to non-contributing securities trading which recorded gross profit of HK\$2.9 million in prior year. Whilst, certain unfavourable factors impacting the toy business, including severe price competition, thinned margin, escalating material cost, wages and other direct production cost, were the critical reasons.

In the year under review, conservative provisions had been made for obsolete inventories and doubtful debts. Together with the fair value of the share options granted during the year as computed and recognised as an expense under the provisions of new accounting standards, administrative and other expenses increased when compared with prior year. The low level of gross profit was insufficient to cover the inflated expenses and as a consequence the Group suffered from loss attributable to equity holders of HK\$36.6 million for the year ended 31 December 2006.

財務回顧

業績回顧

本集團持續經營業務於截至二零零六年十二月三十一日止年度之營業額約為港幣130,100,000元，較去年減少港幣35,700,000元或21.5%。港幣35,700,000元跌幅中，港幣8,300,000元來自淡靜的證券買賣及投資分部，其餘港幣27,400,000元則來自玩具產品分部，原因是年內玩具業競爭白熱化。已出售之消費產品分部方面，回顧年度之營業額由港幣13,300,000元減少至港幣2,500,000元。

毛利由港幣26,500,000元減至港幣200,000元，較去年減少港幣26,300,000元。毛利大減，部分原因為於去年錄得毛利港幣2,900,000元之證券買賣於本年並無貢獻。然而，若干影響玩具業務之不利因素，包括嚴重的價格競爭、利潤微薄、物料成本、工資及其他直接生產成本飛漲，方為主因。

回顧年度內，已就陳舊存貨及呆帳作保守撥備。連同根據新會計準則計算年內授出之購股權之公平值並列作開支，行政及其他開支較去年增加。低毛利不敷高開支所需，導致本公司錄得權益持有人於截至二零零六年十二月三十一日止年度之虧損港幣36,600,000元。

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Liquidity and Financial Resources

As at 31 December 2006, total borrowings of the Group amounted to HK\$12.4 million (2005: HK\$8.3 million), of which HK\$10.6 million (2005: HK\$3.4 million) was repayable within one year. The borrowings include a secured bank loan of approximately HK\$8.8 million (2005: HK\$nil) and obligations under finance lease of HK\$3.6 million (2005: HK\$5.3 million).

The gearing ratio, expressed as the percentage of total liability over equity attributable to the equity holders of the Company, of the Group as at 31 December 2006 was 83.7% (2005: 62.0%). The increase was due to, on one hand, the new secured bank loan with year end balance of approximately HK\$8.8 million obtained during the year to finance the working capital of the Group and, on the other hand, the net reduction in equity resulted from the loss incurred by the Group during the year.

Charges on Assets

As at 31 December 2006, certain building, land use right and plant and machinery with carrying values of HK\$38.0 million (2005: HK\$nil), HK\$3.4 million (2005: HK\$nil) and HK\$4.8 million (2005: HK\$6.0 million) respectively were pledged to banks to secure the bank loans and finance leases granted to the Group.

Exposure to Exchange Rates

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong dollars, United States dollars and Renminbi. The Group's exposure to United States dollars currency risk is minimal as Hong Kong dollars is pegged to United States dollars. Nevertheless, as Renminbi is becoming more volatile, the Group's operations and performances might thus be affected. Presently, the Group does not have any currency hedging policy but will closely monitor the fluctuation of Renminbi exchange rate and take appropriate measures to minimise any adverse impact that may be caused by such fluctuation.

流動資金及財務資源

於二零零六年十二月三十一日，本集團總借貸為港幣12,400,000元(二零零五年：港幣8,300,000元)，其中港幣10,600,000元(二零零五年：港幣3,400,000元)須於一年內償還。借貸包括有抵押銀行貸款約港幣8,800,000元(二零零五年：無)及融資租賃債務港幣3,600,000元(二零零五年：港幣5,300,000元)。

本集團於二零零六年十二月三十一日之資本與負債比率，即負債總額對本公司權益持有人應佔權益之百分比為83.7%(二零零五年：62.0%)，比率上升乃因年內取得新借有抵押銀行貸款(年終結存約港幣8,800,000元)作為集團營運資金，以及集團年內呈虧，導致權益出現淨減少所致。

資產抵押

於二零零六年十二月三十一日，賬面值分別為港幣38,000,000元(二零零五年：無)、港幣3,400,000元(二零零五年：無)及港幣4,800,000元(二零零五年：港幣6,000,000元)之若干樓宇、土地使用權及機器，已押予銀行，作為本集團獲授銀行貸款及融資租賃之抵押。

匯率風險

本集團之業務交易、資產及負債主要以港幣、美元及人民幣計值。由於港幣與美元掛鈎，故本集團因美元而面對之外匯風險極低。然而，人民幣日趨不穩定，本集團之業務及表現亦可能受累。目前，本集團並無任何貨幣對沖政策，惟會密切注視人民幣匯率波動，並採取適當措施儘量減低波動可能造成之不利影響。

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Contingent Liabilities

The Group has no material contingent liabilities save that a writ of summons dated 8 October 2004 was filed by Mr. Kwok Chin Wing, a former director of the Company, against the Company in respect of the loans due from two former subsidiaries of the Company for a sum of approximately HK\$44.5 million together with accrued interests thereof (the "Action").

The Company had already completed discovery of documentary evidence and exchange of witness statements and was ready to proceed with the trial since early 2006. However, Mr. Kwok took out applications in July 2006 for substantial amendments to his Re-Re-Amended Statement of Claim (the "Amendment Application") and joinder of party to the Action (the "Joinder Application"). The Amendment Application and the Joinder Application had substantially delayed the setting down of the Action for trial.

The Amendment Application and the Joinder Application were granted by the Court on 19 April 2007 and the parties are now working on the proper directions to be sought for the further conduct of the Action. Notwithstanding the substantial amendments made to the Re-Re-Amended Statement of Claim and the joining of a new party to the Action, the solicitors and counsel acting for the Company still hold good for their advice previously delivered to the Company. With the benefit of the advice of the solicitors and counsel acting for the Company, the directors of the Company formed the opinion that Mr. Kwok does not have a valid claim against the Company and therefore it is unlikely to have any material adverse financial impact on the Group.

或然負債

本集團並無重大或然負債，惟於二零零四年十月八日，本公司前董事郭展榮先生就本公司兩家前附屬公司所欠貸款約港幣44,500,000元連同應計利息向本公司發出傳訊令狀(「訴訟」)。

本公司已完成透露文件證據及交換證人陳述書，並自二零零六年初已準備妥善就此訴訟進行審訊。然而，郭氏於二零零六年七月提出申請，要求重大修改其二度修訂之申索陳述書(「修改申請」)及要求加入訴訟方(「合併申請」)。修改申請及合併申請使訴訟之審訊大為延遲。

修改申請及合併申請已於二零零七年四月十九日獲法院批准，而與訟各方正就訴訟進一步程序尋求適當指示。儘管二度修訂之申索陳述書有重大修改並有新訴訟方加入，代表本公司之律師及大律師仍堅守彼等先前給予本公司之意見。在尋求代表本公司之律師及大律師之意見後，本公司董事認為，郭氏並無有效理據控訴本公司，故訴訟不應對本集團造成重大不利財務影響。

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EMPLOYEES

As at 31 December 2006, the Group had approximately 1,370 employees in Hong Kong and the PRC.

To attract, retain and motivate its employees, the Group has developed effective remuneration policies that are subject to review on regular basis. The Group's employees are remunerated with competitive packages which are in line with prevailing industry practice and individual performance. Furthermore, share option and performance-based bonus scheme are also in place to recognise the outstanding employees.

僱員

於二零零六年十二月三十一日，本集團於香港及中國僱用約1,370名僱員。

為吸引、挽留及激勵僱員，本集團已訂出有效之薪酬政策並予以定期檢討。本集團僱員之薪津組合極具吸引力，與當前業內市況看齊且與個人表現掛鉤。此外，本集團亦設有購股權計劃及績效花紅計劃以獎勵傑出僱員。