

Management Discussion and Analysis

管理層討論及分析

COMPETITIVE ADVANTAGE AND CORE COMPETENCE

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

- (i) The Group is considered as one of the leading player in clocks industry by virtue of its more than 20 years of experiences in the manufacturing, marketing and trading of clock, timepieces, gift and premium and other office related products. The other businesses are complementary and conducive to the Group's core business. The Group owns 3 brand names "WEHREL", "KLIK" and "ARTEX" which have long history and good standing in international clocks market. The Group's listing status provides financial reliability and confidence to customers.
- (ii) Quality Control, Research and Development
The management of the Company places great emphasis on products quality and reliability by adopting strict quality controls standard, quality audit and endurance test for its products in order to fulfill the stringent requirements of its high-end customers.
- (iii) The Group has a strong in-house design, research and development team who are expertise in their chosen fields with dedication to serve its prestigious customers. 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.
- (iv) 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.

BUSINESS REVIEW

It was stated in last year's annual report and in this year's interim report that the Group has encountered difficult operating environment with respect to its traditional manufacturing operations due to ever escalation of material costs, labour and overhead costs, persistent appreciation of Renminbi and increasingly stringent custom and regulatory controls of the PRC government towards importing of materials into, and exporting of products out of, the PRC, where the Group's manufacturing operations were based.

競爭優勢及核心能力

本集團憑藉下列核心能力獲得競爭優勢：

- (i) 本集團在時鐘、鐘錶、禮品、贈品及其他辦公室相關產品之生產、市場推廣及貿易方面擁有超過二十年之經驗，已被認定為時鐘業內的領導者之一。其他業務與本集團的核心業務相輔相成。本集團擁有「WEHREL」、「KLIK」及「ARTEX」三個在國際時鐘市場中歷史悠久且享負盛名的品牌。本集團之上市地位提供了可靠的財政背景及得到客戶信任。
- (ii) 品質控制、研究及開發
本公司管理層著重產品之質量及可靠性，因而制定了嚴格的產品品質控制標準、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。
- (iii) 本集團擁有強大的內部設計、研究及開發隊伍，他們均是在其有關範疇內之表表者，亦致力服務其尊貴客戶。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。
- (iv) 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。

業務回顧

去年之年報及本年度之中期報告均有詳述，本集團之傳統生產業務正面臨艱難的經營環境：原料成本上漲、勞工及生產成本急升，人民幣不斷升值，加上本集團生產基地所在之中國政府對原料和產品進出口的海關及監管限制日益收緊。

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During the year the Group reviewed its manufacturing operations, including looking into alternative source of products supply, with a view to reduce production costs so as to improve the competitiveness of the Group's products in the global market.

During the period under review, the Group took strategic steps to bring the above goals to reality by disposing of the manufacturing operation of the Lighting Products Division in June 2006, the original equipment manufacturing ("OEM") operations and facilities of the Clocks and Other Office Related Products Division as well as the entire operation of the Electroplating Services Division in March 2007.

After the aforesaid disposals, the Group's principal businesses mainly comprised of (i) Clocks and Other Office Related Products Division which will now engage primarily in the marketing and trading of clock, timepieces, gift and premium and other office related products; (ii) Lighting Products Division which will now engage in the trading of lighting products through its overseas offices; and (iii) Trading Division which engages primarily in the trading of metals.

FINANCIAL REVIEW

The Group recorded a turnover of approximately HK\$173,405,000 for the year ended 31 March 2007 (2006: HK\$221,135,000). It represents a reduction of approximately HK\$47,730,000 or 21.6% as compared with last year. Turnover for (i) clocks and other office related products decreased by approximately HK\$21,241,000 or 13.6% from that of last year; (ii) lighting products decreased by approximately HK\$11,969,000 or 58.4% from that of last year; (iii) trading of metals decreased by approximately HK\$10,542,000 or 35.6% from that of last year. Service fee from the discontinued operation of electroplating services decreased by approximately HK\$3,978,000 or 26.1% as compared with last year.

A loss of approximately HK\$124,795,000 (2006: approximately HK\$72,111,000) was recorded by the Company for the year ended 31 March 2007. This was mainly attributable to the allowance for bad and doubtful debts against a customer in the metal trading business of approximately HK\$30,386,000 and the write down of inventories of approximately HK\$27,648,000 as a result of the disposal of the manufacturing operations and the impairment loss recognised in respect of intangible asset of approximately HK\$46,440,000.

The performance of each of the Group's businesses for the year ended 31 March 2007 are set out below:

本集團於年內審閱其製造業務，其中包括物色其他產品供應之來源，藉此減省生產成本以提升本集團產品於環球市場之競爭力。

於回顧期間，本集團採取戰略步驟，透過於二零零六年六月出售照明產品業務之製造業務，以及於二零零七年三月出售原設備製造（「OEM」）業務及時鐘及其他辦公室相關產品之設施及電鍍服務業務之全部業務實現以上目標。

於進行上述出售後，本集團之主要業務主要包括(i)將主要從事鐘錶、時計、禮品及贈品及其他辦公室相關產品之市場推廣及買賣；(ii)照明產品業務將主要透過其海外辦公室從事照明產品之買賣；及(iii)貿易業務將主要買賣金屬。

財務回顧

於截至二零零七年三月三十一日止年度，本集團錄得營業額約173,405,000港元（二零零六年：221,135,000港元），此較去年減少約47,730,000港元或21.6%。(i)時鐘及其他辦公室相關產品之銷售營業額較去年減少約21,241,000港元或13.6%；(ii)照明產品較去年減少約11,969,000港元或58.4%；(iii)買賣金屬之銷售營業額較去年減少約10,542,000港元或35.6%及來自終止經營電鍍業務之服務費用較去年減少約3,978,000港元或26.1%。

截至二零零七年三月三十一日止年度本公司錄得約124,795,000港元之虧損（二零零六年：約72,111,000港元）。此虧損主要來自就金屬買賣業務一名客戶提供之呆壞賬撥備約30,386,000港元、因出售製造業務撇銷存貨約27,648,000港元以及就無形資產確認之減值虧損約46,440,000港元。

於截至二零零七年三月三十一日止年度，本集團各業務之表現載列如下：

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Clocks and Other Office Related Products

This Division achieved a turnover of approximately HK\$134,612,000 in the year under review, it represents a reduction of approximately HK\$21,241,000 or 13.6% as compared with the same period last year.

The gross profit margin of clocks and other office related products was seriously hampered by increase in cost of materials such as copper, aluminum and plastic resin used in the production of the Division's products, couple with the surging labour cost and the persistent appreciation of Renminbi during the year under review.

This Division reported a segment trading loss of approximately HK\$17,780,000 (included allowance for bad and doubtful debts in the amount of approximately HK\$497,000) for the year ended 31 March 2007. The segment trading result for last year was a trading loss of approximately HK\$20,072,000 (including allowance for bad and doubtful debts in the amount of approximately HK\$1,668,000).

Lighting Products

The Group has disposed the manufacturing operation of the Lighting Products Division in June 2006. The disposal resulted a gain from the disposal of subsidiaries approximately HK\$6,658,000. Following disposal of the manufacturing operation of the lighting products business, the Group carries on the lighting products business on trading basis mainly through its overseas offices.

The lighting products division reported a turnover of approximately HK\$8,519,000 and a segment trading loss of approximately HK\$1,166,000 in the year ended 31 March 2007 as compared with a turnover of approximately HK\$20,488,000 and a segment trading loss of approximately HK\$2,391,000 (included allowance for bad and doubtful debts in the amount of approximately HK\$31,000) in the same period last year.

Trading

The Trading Division mainly engages in trading of metal in the PRC market. During the year review, the business was inevitably affected by the PRC government's tightening of macro-economic policy. This Division reported a turnover of approximately HK\$19,037,000 and segment trading loss of approximately HK\$30,094,000 as compared with a turnover of approximately

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約134,612,000港元，較去年同期減少約21,241,000港元或13.6%。

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不斷升值而受到嚴重損害。

本業務於截至二零零七年三月三十一日止年度錄得分類貿易虧損約17,780,000港元(包括呆壞賬撥備約497,000港元)。去年本分類之貿易業績為貿易虧損約20,072,000港元(包括呆壞賬撥備約1,668,000港元)。

照明產品

本集團於二零零六年六月出售照明產品業務之製造業務。此出售帶來約6,658,000港元之出售附屬公司收益。於出售照明產品之製造業務後，本集團繼續按貿易準則，透過其海外辦事處從事照明產品業務。

於截至二零零七年三月三十一日止年度，照明產品業務錄得約8,519,000港元之營業額及約1,166,000港元之分類貿易虧損，而去年同期則錄得約20,488,000港元之營業額及約2,391,000港元之分類貿易虧損(包括呆壞賬撥備約31,000港元)。

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約19,037,000港元及分類貿易虧損為約30,094,000港元，去年則為營業額約29,579,000港元及分類貿易溢利363,000港元。年內分類貿易虧損包括就一名付款習慣較慢及

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HK\$29,579,000 and a segment trading profit of HK\$363,000 in last year. The segment trading loss for the year included allowance for bad and doubtful debts in the amount of approximately HK\$30,386,000 against a customer whose payment practice was slow and the repayment ability was in doubt. The Group will continue to take necessary measure, including taking legal action, for the recovery of the debts.

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.

INVESTMENT IN ONLINE COMPUTER GAMES

The Group acquired the entire issued share capital of Matrix Software Inc. in April 2006. Matrix Software Inc. engages in the marketing and development of online computer games, it owns an intellectual property right in the online computer game known as "Shanghai Storm" in the PRC, Hong Kong and Macau and it is an MMORPG (massively multiplayer online role-playing game) with a unique 3D game engine. The aforesaid acquisition resulted in creation of an intellectual property in the amount of HK\$46,440,000 and gave rise to a goodwill of HK\$3,960,000.

As stated in the composite offer and response document of the Company dated 13 June 2007, the new management of the Company will conduct a review on the existing businesses of the Group. It has come to the attention of the Board that there is a substantial procrastination in the development and testing, launching and commercialization of the online computer game. As disclosed in the Company's interim report for the six months ended 30 September 2006 dated 8 December 2006, the Open Beta was scheduled to be launched in January 2007 in Korea and February 2007 in the PRC and will be expected to be commercialized in June 2007. However, the Open Beta was subsequently delayed to the second quarter of 2007 in Korea and in July 2007 in the PRC and was scheduled to be commercialized in July 2007.

Notwithstanding the aforesaid, according to latest information currently available to the Board, the online computer game is still at the testing stage, which exact duration cannot be ascertained. Neither are the actual dates for Open Beta and commercialization of it in Korea can be predicted with reasonably accuracy at this stage needless to say in the PRC since the online computer game is originally developed in Korea and localization of it in the PRC

償還能力成疑之客戶提供約30,386,000港元之呆壞帳撥備金額。本集團將繼續實行所需措施(包括採取法律行動)以收回負債。

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。

投資網上電腦遊戲

本集團於二零零六年四月收購Matrix Software Inc.之全部已發行股本。Matrix Software Inc.從事網上電腦遊戲之市場推廣及開發，其於中國、香港及澳門擁有以「上海風暴」之名稱註冊之網上電腦遊戲之知識產權，並為擁有獨特3D遊戲引擎之MMORPG(大型多人網上角色扮演遊戲)。上述收購帶來一筆46,440,000港元的知識產權費用，以及3,960,000港元的商譽。

如本集團日期為二零零七年六月十三日之綜合收購及回應文件所述，本公司之新管理層將審閱本集團的現有業務。董事會留意到網上電腦遊戲的開發及測試、推出及商品化有重大延誤的現象。如本公司於二零零六年十二月八日刊發，截至二零零六年九月三十日止六個月的中期報告所披露，公測版定於二零零七年一月在韓國推出，於二零零七年二月在中國推出，並預計於二零零七年六月商品化。然而，公測版其後延至二零零七年第二季在韓國推出，二零零七年七月才在中國推出，並將於二零零七年七月商品化。

儘管上文所述，根據董事會得到的最新資料(確實的時間不能確定)，網上電腦遊戲仍處於測試階段。公測版推出的實際日子及於韓國商品化於本階級均不能準確預計，遑論預計於中國推出的時間。因為網上電腦遊戲起源於韓國，公測版要在中國本地化及作商業用途，首先要在韓國成功推出及商品化。該不能預計的重大延誤令本集團對網上電腦遊戲的

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for Open Beta and commercial use can only be done subsequent to a successful launch and commercialization of it in Korea. This unexpected substantial delay causes the Group to cast a serious doubt on the timing and certainty of the commercial viability of the online computer game and makes it impossible to assess the existing fair value of the relating intellectual property and goodwill when preparing the financial statement for the financial year ended 31 March 2007. After serious considerations and extensive discussions, a prudent approach is adopted whereby the intellectual property of and goodwill arising from the online computer game are written down.

PROSPECTS

The Group will endeavor to achieve a break-even in the clocks business in the coming year while it will conduct a review of the Group's financial position and operations and formulate a long-term strategy and plans for the Group to broaden and expand the scope of business and income stream of the Group. Apart from exploring new business opportunities, the Group will, in view of the flourishing capital market and for the purpose of opening up an immediate new source of income thus turning the Group to a profitable position in the near future, engage in trading of listed securities in the coming year. The Group will continue to streamline and restructure its existing businesses as it sees fit and necessary and to diversify its businesses with a view to enhance the intrinsic value of the Company's shares.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2007, the Group had total outstanding debts and finance lease obligations of approximately HK\$10,834,000 (2006: approximately HK\$33,575,000), of which approximately HK\$5,346,000 (2006: approximately HK\$24,314,000) was secured bank loans, approximately HK\$5,324,000 (2006: approximately HK\$11,416,000) was bank overdrafts, there was no unsecured other loan as at 31 March 2007 (2006: approximately HK\$567,000) and approximately HK\$452,000 (2006: approximately HK\$1,184,000) was obligations under finance leases. The amount repayable within one year accounted for 99.0% (2006: 98.3%) of the total borrowings as at 31 March 2007. The maturity profile of the Group's total borrowings as at 31 March 2007 is analysed as follows:

		2007 二零零七年	2006 二零零六年
Within one year	一年內	99.0	98.3%
In the second year	第二年內	0.9	1.2%
In the third to fifth years, inclusive	第三年至第五年內(包括首尾兩年)	0.1	0.5%
Total	合計	100%	100%

時間及商用的可行性存疑，及令本集團在編制截至二零零七年三月三十一日止年度的財務報表時不能評估有關知識產權及商譽之公平值。經過認真考慮及多番商議，決定採納審慎的方法處理網上電腦遊戲產生的知識產權及商譽。

前景

本集團將致力於來年令時鐘業務達致收支平衡，並將審視本集團之財務狀況及營運，並擬定長期策略及計劃以擴闊及擴充本集團之業務範疇及收入來源，除尋求新商機外，鑒於資本市場發展蓬勃及為了迅速開拓新的收入來源，令本集團於未來有利可圖，本集團將於來年從事買賣上市的證券。本集團將因應情況繼續精簡及重組現行的業務，並擴展業務，以增加本公司股份內在的價值。

流動資金及財務資源

於二零零七年三月三十一日，本集團之未償還貸款及融資租賃之承擔合共約10,834,000港元(二零零六年：約33,575,000港元)，其中擔保銀行貸款為約5,346,000港元(二零零六年：約24,314,000港元)，銀行透支為約5,324,000港元(二零零六年：約11,416,000港元)，於二零零七年三月三十一日概無無擔保其他貸款(二零零六年：約567,000港元)以及融資租賃之承擔為約452,000港元(二零零六年：約1,184,000港元)。於二零零七年三月三十一日，需於一年內償還的借貸佔總金額99.0%(二零零六年：98.3%)。本集團於二零零七年三月三十一日之總借貸之到期詳情分析如下：

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Our gearing ratio was at a healthy level of 0.2% (2006:0.4%). The computation is based on long-term borrowings of the Group divided by shareholder's equity as at 31 March 2007.

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 and investment properties 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 peg the Hong Kong dollars with the US dollars remains unchange.

TREASURY POLICIES

The Group generally finances its operation with internal generated resources and banking and credit facilities provided by banks in Hong Kong and the UK. All borrowings are denominated in Hong Kong dollars, the US dollars, 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.

CONTINGENT LIABILITIES

As at 31 March 2007, the Group did not have contingent liabilities (2006: nil).

EMPLOYEES

As at 31 March 2007, the Group had 114 employees (2006: 1,808) 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.

本集團之負債比率現處於0.2% (二零零六年：0.4%)之穩健水平。負債比率之計算乃按本集團之長期借貸除以於二零零七年三月三十一日之股東權益。

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及投資物業已作抵押，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不變。

庫存政策

本集團一般透過內部資金與香港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。

或然負債

於二零零七年三月三十一日，本集團並無或然負債 (二零零六年：無)。

僱員

於二零零七年三月三十一日，本集團共有員工114名 (二零零六年：1,808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，本集團部分員工可享有購股權以認購本公司之股份。