

RESULTS OF OPERATION

During the year under review, the Group continued to focus and expand its handbag and paper packaging business.

The Group achieved an audited consolidated profit attributable to shareholders for the year ended 31st March 2001 of approximately HK\$122 million, representing a decrease of approximately 4.2% as compared to approximately HK\$128 million in the previous financial year. Turnover for the year increased by 8.8% to HK\$ 1,004 million as compared to approximately HK\$923 million in the previous financial year. Earnings per share was 14.8 Hong Kong cents, which represented a decrease of 4.5% when compared with 15.5 Hong Kong cents in last year.

BUSINESS AND OPERATION REVIEW

A detailed review of the Group's business operations and prospects is included in the Chairman's Statement.

CAPITAL STRUCTURE AND LIQUIDITY

The total shareholders' fund of the Group as at 31st March 2001 was approximately HK\$475 million (2000: HK\$485 million).

The Group maintains a very strong financial position with a very low level of debts and a high liquidity. The Group ended the year with a current ratio of 2.0 and zero gearing ratio (long term liabilities to equity).

The Group had a net cash surplus of approximately HK\$57 million and most of the cash balance was deposited in the leading banks in Hong Kong in either Hong Kong dollars or United States dollars.

Net cash inflow provided by operating activities totaled approximately HK\$162 million (2000: HK\$117 million). The consistent strong cash flow from operating activities reflects the Group's strength in the working capital management to support the business operations. The Group's future cash flow from operations and its available banking facilities will provide sufficient funds to the Group to meet its operation requirements.

FUNDING POLICY

The Group's transactions and the monetary assets are principally denominated in Hong Kong dollars or United States dollars. As a result, the directors believe that it has minimal exposure to foreign exchange risk.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2001, the Group had capital commitments of approximately HK\$23 million in respect of acquisition of plant and equipment, which are financed by internal funding. The Group has no material contingent liabilities other than trade bills discounted in the ordinary course of business.

Management Discussion and Analysis

EMPLOYEES

For the year ended 31st March 2001, the Group's operations had a workforce of approximately 7,000 people. The Group maintains a good relationship with its employees, and provides them with proper training and competitive compensation and incentives. The Group's success in retaining staff is well illustrated by the fact that most of the senior management has been with the Group for over 15 years.

AUDIT COMMITTEE

The Audit Committee consists of two independent non-executive directors, namely Mr. Heng Kwo Seng and Mr. Wong Kai Tung Tony. The principal activities of the Audit Committee include the review of the Group's internal control system and financial reporting matters including the review of unaudited interim financial statements. They have met twice last year with the executive directors and the external auditors to consider the nature and scope of the audit.