



Management Discussion and Analysis

MANUFACTURE AND SALE OF PHOTOGRAPHIC, ELECTRICAL AND MULTIMEDIA ACCESSORIES

Due to the global slowdown in the photographic industry and the weak Euro dollars throughout the year, the Group's sale turnover was decreased by HK\$41.6 million or 19.8% when compared with last year.

The European market is the Group's largest sale geographical segment and it has always been accounted for more than 60% of the Group's sale in recent years. For the year ended 31st March, 2001, the decrease in sale turnover to European market alone was amounted to HK\$27.8 million, which this decrease alone also represented 66.8% of the total Group's sale turnover reduction for that year. The weak Euro dollars reduced the purchasing power and willingness of many of the Group's major European customers.

Although the European market is being hard hit for the short run, the Group has good confidence and knowledge in the market and the management has always been strengthening its marketing efforts in this huge market. Moreover, as it is generally expected by the market that the Euro dollars is now being under-valued against the US dollars (pegged to Hong Kong dollars), the management anticipates that the Group would be able to recover when Euro dollars becomes stabilized.

PROPERTY PORTFOLIO REFINEMENT

Following the disclosure in the last year annual report, the disposal of the Group's interests in a property development project in ZhongShan, PRC had been completed during the year and the cash had been fully received for the financing of new investments of the Group. The remaining part of the Group's entitlements, that includes certain portion of property and five carparks when the property development project is completed, has not been recognised in the financial statement as the fair values of these assets cannot be measured reliably.

The property market in Hong Kong remained slow and sluggish for the recent years, especially in the property sale market. It was reported that there was a devaluation of the Group's property portfolio of HK\$28.4 million as at 31st March, 2001 accounting year end date. Despite of the short-run slowdown, the Group's management believes that it is a good timing to refine the Group's property portfolio and is optimistic about the property letting market. The Group's management has always been and will continually refine the Group's property portfolio for the long-term benefits of the Group.



Management Discussion and Analysis (cont'd)

ENHANCEMENT OF TECHNOLOGY LICENSE

The Group's marketing of the new communication software enhanced digital cameras has been progressing slow since the official launch of this product in an Electronics Show in the United States in the beginning of this year. Many of the potential customers have collected from the Group the digital cameras sample products but have not yet confirmed major sales orders. For prudence reason and in line with Group's adopted accounting policy, a provision for full impairment in value of this technology license of HK\$36.6 million has been made as at 31st March, 2001 accounting year end date.

However, the Group's management is still cautiously optimistic about positive impacts of this technology to the future financial position of the Group. In particular, the Group is now studying and enhancing this technology application for use in the real-time monitoring system and/or other multimedia communication systems.

LIQUIDITY AND GEARING RATIO

Along the year under review, the Group had always maintained a strong liquidity position. As at 31st March, 2001, the Group recorded a total of cash and bank balances of HK\$35.9 million (as at 31st March, 2000 of HK\$21.6 million). Moreover, the Group had a net current assets of HK\$52.0 million (as at 31st March, 2000 of HK\$56.9 million). The shareholder's funds was of HK\$139.9 million (as at 31st March, 2000 of HK\$171.9 million) and the total bank borrowings was only of HK\$1.6 million (as at 31st March, 2000 of HK\$2.4 million), and accordingly, the gearing ratio was only 1.1% (as at 31st March, 2000 of 1.4%).



Management Discussion and Analysis (cont'd)

FOREIGN CURRENCY RISK MANAGEMENT

The Group's largest sale geographical segment is the European market, which alone accounts for 60% of the Group's sale turnover. In safeguarding the currency risk, the management has chosen to adopt a more prudent sales policy by mainly accepting the US dollar quoted sales orders, which in turn has inevitably affected the total reported sales turnover for this year under review. Regularly, the Group also adopts appropriate hedging policy against the foreign current bank balance and against the cash inflows from the foreign currency sale orders.

For the Group's manufacturing operations in the PRC, the management considers that the exposure is not significant as exchange rate of Renminbi has not been exceptionally volatile in the past few years.

NUMBER OF EMPLOYEES AND RENUMERATION POLICY

As at 31st March, 2001, the Group had more than 1,000 employees and with around 95% of them were employed in the PRC for the manufacturing business. The Group remunerates its employees based on their work performance and with reference to prevailing conditions of labor markets.

On Behalf of the Board

Chan Oi Ling, Maria Olimpia

Chairman

Hong Kong, 27th July, 2001