

Management Discussion and Analysis

RESULTS OF OPERATION

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

The Group achieved an audited consolidated profit attributable to shareholders for the year ended 31st March 2002 of approximately HK\$98 million, representing a decrease of approximately 19.6% as compared to approximately HK\$122 million in the previous financial year. Turnover for the year decreased by 19.8% to HK\$805 million as compared to approximately HK\$1,004 million in the previous financial year. Earnings per share was 11.9 Hong Kong cents, which represented a decrease of 19.6% when compared with 14.8 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

At 31st March 2002, the Group had a net cash balances of HK\$29 million. Most of the funds were held in Hong Kong and US dollars. Meanwhile, the Group had very low level of debt. Thus, the Group ended the year with a current ratio of 5.9 and zero gearing ratio (long term liabilities to shareholders' fund plus long term liabilities).

The total shareholders' fund of the Group as at 31st March 2002 was approximately HK\$317 million. The disposals of the businesses subsequent to the balance sheet date would result in a decrease in the Group's consolidated net assets. The estimated financial effects on the Group's consolidated net assets are set out in the circular of the Company on 21st May 2002. The Group believes that the future cash flow from operations and its available banking facilities will provide sufficient funds to the Group to meet its current operation requirements.

FUNDING POLICY

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

CHARGE ON GROUP ASSETS

At 31st March 2002, the Group did not have any assets charged for general banking facilities.

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CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At 31st March 2002, the Group had capital commitments of approximately HK\$5 million in respect of the acquisition of property, plant and equipment. The Group has no material contingent liabilities other than bills discounted in the ordinary course of business.

EMPLOYEES

At 31st March 2002, the Group's operations had a workforce of approximately 1,500 people. The Group provided an attractive remuneration package to its employees.

MANAGEMENT

Details of the changes of directors of the Company are set out in the Directors' Report.

AUDIT COMMITTEE

The Audit Committee consists of two independent non-executive directors. The principal activities of the Audit Committee include the review of the Group's internal control and financial reporting matters include the review of unaudited interim financial statements.

The Audit Committee held two meetings during the year with the executive directors and external auditors to consider the nature and scope of audit.

Subsequent to the year end, Mr. Heng Kwo Seng and Mr. Wong Kai Tung Tony resigned from the position of non-executive directors of the Company on 12th July 2002, and Mr. Li Wai Keung and Mr. Liu Jian, the newly appointed independent non-executive directors of the Company, were appointed as members of the Audit Committee.