MANAGEMENT DISCUSSION AND ANALYSIS

MANUFACTURE AND SALE OF PHOTOGRAPHIC, ELECTRICAL AND MULTIMEDIA ACCESSORIES

The financial year under review was marked with global economic slowdown and the after-effects of the 11 September terrorist attacks in the United States, these adverse conditions had hard hit the persistently weakened North America economy. The Group's sale for this financial year under review to US market hit the record low in recent years. For this financial year under review, the sale to US market only recorded approximately of HK$18.4 million when compared with HK$29.0 million previous financial year, representing a decrease of 36.6%. Reacted by the management's re-distribution of more marketing resources into Europe, Hong Kong and other geographical segments, the Group was managed to maintain a relatively stable overall turnover for the year.

Europe is always the Group's largest market and it has always been accounted for around 60% of the Group's sale in recent years. For this financial year under review, the Group's sale to this largest market is approximately of HK$98.1 million, representing a slight decrease of 1.5% when compared with the previous financial year. Despite the slight decrease, the management has good knowledge and confidence in the market. With the gradual acceleration of Euro dollars against US dollars after this financial year end dated 31st March, 2002, the management believes that stronger Euro dollar will increase the purchasing power and willingness of many of the Group's major European customers in the coming financial year.

PROPERTY PORTFOLIO REFINEMENT

Battered by the weak economy and deterioration of confidence in the general market place, property prices in Hong Kong still faced downward pressure. The Group's effort during this financial year was to lease out all investment properties and to avoid vacancy, yet the bargaining of the new and renewed lease terms had pushed down the property letting income. The total property letting income for the financial year under review was of approximately HK$4.1 million when compared with HK$5.0 million last financial year, representing a decrease of 18%. With the full leasing of No. 2 Hau Ho Street property building, which was acquired during the year, in Kennedy Town, Hong Kong, the management expects a moderate re-bounce in total property letting income in the coming financial year.

PROPERTY PORTFOLIO REFINEMENT *(CONTINUED)*

In contrast with the sluggish property market in Hong Kong, the management is confident of the booming property market in the PRC. Subsequent to the financial year end on 15th June, 2002, the Group agreed to finance and subsequently injected HK$12 million cash advance to an PRC independent third party for a commercial and residential complex development project in Guangzhou, PRC. The advance principal is wholly repayable within 12 months. The Group is entitled to a cash return of HK$5 million or properties equivalent to the amount, subject to the Group's decision, upon repayment of the advance principal.

LIQUIDITY AND GEARING RATIO

Along the financial year under review, the Group had always maintained a good liquidity position. As at 31st March, 2002, the Group recorded a total of cash and bank balances of HK$23.1 million (as at 31st March, 2001 of HK$35.9 million). Moreover, the Group had a net current assets of HK$81.7 million (as at 31st March, 2001 of HK$88.5 million). The shareholders' funds was of HK$153.4 million (as at 31st March, 2001 of HK$148.4 million) and the total bank borrowings was of HK$6.4 million (as at 31st March, 2001 of HK$1.6 million); and accordingly, the gearing ratio was of 4.2% (as at 31st March, 2001 of 1.1%). The gearing ratio represented a 3.1% increase when compared with the last financial year end date.

It has always been the company objective to maximize the shareholders' returns in the long run. When there good investment opportunity arises, the Group would consider to further adjust the existing high cash and low gearing ratio policy so as to fight against the almost close-to-zero bank deposit interest rate and to take advantage of this very low borrowing rate environment.

FOREIGN CURRENCY RISK MANAGEMENT

The Group's largest sale geographical segment is the Europe 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 REMUNERATION POLICY

As at 31st March, 2002, 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, 26th July, 2002