

Moreover, the Group will keep on establishing a strong production base to ascertain growth in both turnover and profits. The production capability of the Xinhui factory is currently enhanced to monthly output of 4.5 million pounds and is expected to reach 6 million pounds by mid-2003.

The Directors view the second half of the financial year with cautious optimism as it is believed that the global economy will recover in a slow pace. With the enhanced productivity and the strong determination of all staff to develop business opportunities, the management believe that the Group's business will continue to bring positive returns to the shareholders in the coming years.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 September 2002, the Group had total assets of HK\$893,212,000 (31 March 2002: HK\$803,180,000) which were financed by current liabilities of HK\$409,613,000 (31 March 2002: HK\$354,336,000), long term liabilities of HK\$33,439,000 (31 March 2002: HK\$39,847,000) and shareholders' equity of HK\$436,025,000 (31 March 2002: HK\$402,010,000). The current ratio was approximately 1.4 (31 March 2002: 1.4) and the gearing ratio, being the ratio of total borrowings (net of bank balances and cash) to shareholders' funds was 32.6% (31 March 2002: 32.1%). The Directors are comfortable to maintain the ratios at this level. The Group services its debts primarily through cash earned from its operations. The Directors believe that the Group has maintained sufficient working capital for its operation and future expansion.

Exposure to Fluctuation in Foreign Exchange

The Group's monetary assets and liabilities were principally denominated in Hong Kong dollars, Chinese Renminbi and US dollars. Inasmuch as the Hong Kong dollars is pegged to the US dollars, and that there has been minimal fluctuation in exchange rate between Hong Kong dollars and Chinese Renminbi, the Group's exposure to currency exchange risk was minimal.

Capital Expenditure

During the period, the Group invested approximately HK\$42 million in fixed assets, of which 84% was used for purchase of plant and machinery and 10% for acquisition of property and construction of new factory plant.

As 30 September 2002, the Group had capital commitments of approximately HK\$22.5 million in respect of acquisition of new machinery and construction of new factory plant, which are financed by long-term bank borrowings.

Charges on Assets

At 30 September 2002, investment properties and certain property, equipment, plant and machinery of the Group with net book value of approximately HK\$26 million (31 March 2002: approximately HK\$34 million) were pledged to banks to secure banking facilities granted.

Contingent Liabilities

The Group's contingent liabilities as at 30 September 2002 were HK\$21,457,000 (31 March 2002: HK\$24,347,000) in relation to bills discounted with recourse and factoring financing facilities with recourse.

Employee Information

As at 30 September 2002, total number of employees of the Group were approximately 100 in Hong Kong, approximately 10 in the United States and Canada and approximately 1,800 in the People's Republic of China. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Bonuses are normally paid to management staff based on individuals' merits as well as the results of the Group. Other benefits to the staff include a provident fund scheme as well as medical insurance.

The Company maintains a share option scheme, pursuant to which share options are granted to selected eligible executives, with a view to provide senior management with an appropriate incentive interest in the growth of the Group.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 2 January 2003 to Wednesday, 8 January 2003, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the interim dividend, all share transfers accompanied by the relevant share certificates must be lodged with Company's branch share registrars in Hong Kong, Secretaries Limited of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, for registration not later than 4:00 p.m. on 31 December 2002.

DIRECTORS' INTERESTS IN SECURITIES

At 30 September 2002, the interests of the directors in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong's Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of director	Number of shares of HK\$0.01 each	
	Personal interests	Other interests
Mr. Li Ming Hung (<i>Note (1)</i>)	-	65,000,000
Mr. Chen Tien Tui (<i>Note (2)</i>)	561,600	65,000,000
Mr. Phaisalakani Vichai (Andy Hung)	400,000	-

Notes:

- (1) These shares were owned by Pearl Garden Pacific Limited, a company beneficially owned by a discretionary trust the objects of which include Mr. Li Ming Hung and his family.
- (2) The shares described as "other interests" were owned by Madian Star Limited, a company beneficially owned by a discretionary trust the objects of which include Mr. Chen Tien Tui and his family.