



Management Discussion And Analysis





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LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2002, the Group's cash and bank balances amounted to HK\$95.4 million while the total assets and the net assets were approximately HK\$1,133.1 million and HK\$721.8 million.

The current ratio at year-end 2002 increased from 1.02 to 1.95 due to a significant reduction of closing inventories and short-term bank loans. As at 31 December 2002, the total bank borrowings had decreased by HK\$113.3 million and the net gearing ratio improved from 33% to 15%. In view of the Group's ability to generate cash from its operations, together with approximately HK\$538.6 million unutilised banking facilities at the balance sheet date, the Board considers that the Group has sufficient financial resources to finance future capital expenditure plans.

CAPITAL STRUCTURE

As at 31 December 2002, the Group's net assets was financed by internal resources through share capital and reserves. Total equity attributable to shareholders was HK\$721.8 million, representing an increase of 6% over last year.

In order to take the advantage of low interest rate environment, the Group has restructured the short-term loans into two long-term loans amounted to HK\$150.0 million. As at 31 December 2002, the Group's bank borrowings amounted to HK\$202.1 million (31 December 2001: HK\$315.4 million) which represents 28% (31 December 2001: 47%) of the shareholders' equity. HK\$57.1 million, HK\$60.0 million and HK\$85.0 million were repayable within one year, the second year, the third to fifth years, respectively. Of the total borrowings, HK\$24.5 million, HK\$0.6 million were denominated in US dollars and GB pounds and the remaining HK\$177.0 million were denominated in Hong Kong dollars.





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WORKING CAPITAL

The Group is committed towards better working capital management in further reducing the inventory level and tightening its measures on the trade receivables. The closing inventory has decreased by HK\$30.9 million and the average stock turnover ratio is comparable with that of last year, i.e. 2.7 months. Trade receivables decreased by HK\$26.5 million and the average debtor turnover period in terms of sales decreased from 2.7 months to 2.4 months.

With current cash position as well as available banking facilities, the Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

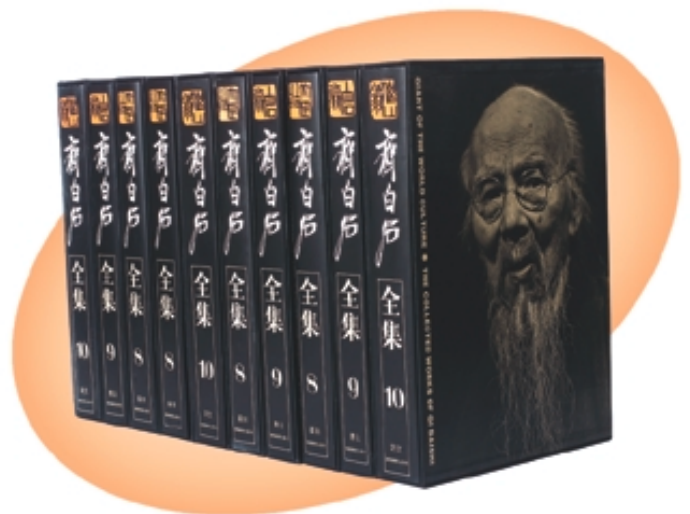
TREASURY POLICIES

The Group maintains a conservative approach on foreign exchange exposure management. The majority of the Group's borrowings, approximately 88% of the total borrowing at the year end date, was in Hong Kong dollars while the balance was in other currencies.

The Group's borrowings are principally on a floating rate basis. When appropriate and at times of interest rate uncertainty or volatility, hedging instruments including swaps are used in managing the interest rates exposure.

PLEDGE OF ASSETS

As at 31 December 2002, the Group did not pledge its plant and equipments (2001: HK\$22.2 million), investment properties (2001: HK\$4.0 million), land & buildings (2001: HK\$186.2 million) and bank deposit (2001: HK\$1.8 million) as securities for generating banking facilities granted to the Group.





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NUMBER OF EMPLOYEES AND REMUNERATION POLICY

At the end of 2002, the Group employed a total of approximately 90 employees in Hong Kong and a workforce of approximately 2,900 in the PRC.

The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. In addition to salaries, the Group provides staff benefits including medical insurance, contributions to staff's provident fund and discretionary training subsidies. Discretionary bonuses are also available to employees of the Group depending upon the financial performance of the Group.

