



Management Discussion and Analysis

This statement provides supplementary information to the Chairman's Statement

FINANCIAL RESULTS

Consolidated turnover of the Group for the Period amounted to HK\$230,497,000 (year ended 31 March 2002: HK\$252,492,000). Net profit from ordinary activities attributable to shareholders was HK\$25,525,000 (year ended 31 March 2002: HK\$30,447,000).

LIQUIDITY AND FINANCIAL RESOURCES


The Group generally relies on internally generated funds and banking facilities granted by its principal bankers and other financial institutions to finance its operations. At 31 December 2002, the Group maintained a cash and bank balances of HK\$44.7 million (31 March 2002: HK\$84.6 million). The significant decrease in cash and bank balances is mainly attributable to the application of funds for (i) paying interim dividend of HK\$13.6 million in December 2002; (ii) reducing trade and other payables by approximately HK\$6.0 million; and (iii) increasing inventories by approximately HK\$14.3 million so as to maintain a basic inventory level for the United States assembly operation as well as fulfilling the requirements of the coming shipping season.

Banking facilities available to the Group aggregate to approximately HK\$267.5 million comprising import and export facilities, overdrafts and term loans. As at 31 December 2002, total borrowings from banks and financial institutions amounted to HK\$101.3 million, of which HK\$92.8 million is repayable within one year. Gearing ratio, defined as total bank borrowings and finance lease payable divided by the shareholders' equity, was 61.2% (31 March 2002: 46.6%). The apparent increase in the level of borrowings and gearing ratio has mainly been attributed to the effect of a variation in the form of export financing.

Consistent with the traditional practice, the Group has endeavored to maintain a reasonable financial position through adoption of cautious and effective treasury policies. As at 31 December 2002, the net assets of the Group amounted to approximately HK\$165.5 million (31 March 2002: HK\$183.2 million). Current ratio and quick ratio of the Group were 1.37 (31 March 2002: 1.77) and 0.84 (31 March 2002: 1.28) as at 31 December 2002, respectively. Both ratios stay at a reasonable level and have been further improved upon the conclusion of a three-year syndicated loan of HK\$105 million subsequent to the balance sheet date.

CHARGE ON THE GROUP'S ASSETS

The Group's bank borrowings are secured by certain of the Group's land and buildings, and plant and machinery with an aggregated net book value at 31 December 2002 of HK\$11.9 million.



M a n a g e m e n t D i s c u s s i o n a n d A n a l y s i s

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group has limited exposure to exchange rates fluctuations as most of the business transactions were conducted in the currency of United States dollars, Hong Kong dollars and Renminbi, all of which remained relatively stable during the Period.

EMPLOYEE AND REMUNERATION POLICY

At 31 December 2002, the Group employed a total of approximately 2,700 staff in Hong Kong, the PRC and the United States. Employees are remunerated having regard to their performance, experience and expertise as well as industry practices. The remuneration is reviewed annually and discretionary bonuses are offered based on the performance and contribution of individual employees.