

## Management Discussion and Analysis

### CASH FLOWS

During the year 2003, the net cash flows increased by approximately HK\$30,929,000 after approximately HK\$13,905,000 was paid in capital expenditures.

Cash generated from operations was approximately HK\$39,763,000 compared with approximately HK\$62,070,000 for the year ended 31 March 2002. The change was due to lower revenue as well as slight increase in inventories.

Compared to 2002, net cash used in investing activities increased to approximately HK\$13,867,000 from approximately HK\$7,761,000 due to the increase of capital expenditure by approximately HK\$6,091,000.

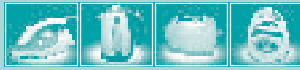
Net cash from financing activities was approximately HK\$10,912,000 in 2003 as compare to net cash used in financing activities of approximately HK\$52,353,000 in 2002. The change was primarily due to lower dividends were paid in 2003 as compared to 2002 and the net proceeds from new issue and placing of shares to the public at the time of its listing on the Stock Exchange on 3 March 2003.

### LIQUIDITY AND FINANCIAL RESOURCES, GEARING AND FOREIGN CURRENCY EXPOSURES

As at 31 March 2003, the Group had no borrowings outstanding and therefore had a gearing ratio of nil. The Group has sufficient cash surplus to finance its operations from internally generated cash flows. The Group maintains a satisfactory financial position. As at 31 March 2003, the Group held cash and bank deposits of approximately HK\$38,780,000 and the current ratio increased from 2.24 at the prior year-end to 3.79 as at 31 March 2003. The average stock turnover period decreased from 59 days to 53 days and the debtor turnover period slightly increased from 13 days to 15 days.

In addition to the internally generated cash flows, the Group also made use of export bills discount facilities to finance its operations during the year. There were no significant exposures to foreign currency fluctuations. All borrowings during the year were based on current market interest rate. The Group had no long-term bank loan and no bank overdrafts outstanding as at year-end. The Group will rely on internally generated cash flows and the realization of its assets to fund future cash flow requirements.

The Group continues to adopt a prudent approach in funding and treasury policies. Transactions of the Group are mainly denominated in US dollars. Though the Group has not engaged in any hedging contracts, the Group's exposure to foreign exchange risk is minimal.



## Management Discussion and Analysis

### CAPITAL EXPENDITURE



*New plastic injection moulding workshop*

Capital expenditure for the year totalled approximately HK\$13,905,000 (2002: HK\$7,814,000). During the year, the Group invested approximately HK\$5,145,000 to install a new trunk line cabling and transformer system with the state power station to cope with the increasing power consumption and to replace the worn system. In addition, the Group also invested approximately HK\$2,446,000 in the setting up of a new plastic injection moulding workshop in the PRC and HK\$5,743,000 in new plant and machinery and moulds.

### EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2003, the Group employed 1,347 full time staff in Hong Kong and PRC. The Group remunerates its employees based on their performance, experience and prevailing market salaries while performance bonuses are granted on a discretionary basis. Other employee benefits include insurance and medical cover, subsidized educational and training programmes, mandatory provident fund scheme as well as a share option scheme.

### CONTINGENT LIABILITIES

Details of contingent liabilities are set out in note 24 on the financial statements.