Manufacture and Sale of Photographic, Electrical and Multimedia Accessories

For this financial year under review, the Group's core activity of sale of accessories of photographic, electrical and multimedia accessories regained growth despite the persistent global economic slowdown. The Group's sale to the US market for the financial year under review recorded approximately HK$29.1 million, representing an increase of 58.2% when compared with the last financial year. This dramatic and remarkable recovery is largely due to the re-distribution of the increasing marketing resources by the management into this geographical segment which has overcome the after-effects of the 11 September terrorist attacks in the United States last financial 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 was approximately of HK$107.4 million when compared with HK$98.1 million previous financial year, representing an increase of 9.4%. The management has good knowledge and confidence in the market and will adhere to its established strategy to further penetrate into this geographical segment as the management believes that the relatively stronger Euro dollar has improved the purchasing power and willingness of many of the Group's major European customers recently.

PROPERTY PORTFOLIO REFINEMENT

Battered with the weak economy and the overall rental rate decline in the Hong Kong property market, the Group was able to maintain a stable property letting income of HK$4.4 million when compared to HK$4.1 million last financial year. This was mainly attributable to the accounting for the full year rental income contribution of No.2 Hau Ho Street property building in Kennedy Town, Hong Kong, which was acquired during the last financial year.

While the management expects the property market in Hong Kong will remain sluggish for quite a considerable period of time, the management is confident of the booming property market in PRC. During this financial year, the Group advanced 1) HK$20.9 million to a commercial and residential complex development project in Guangzhou, PRC, for which the project has now been constructed up to the top 31st floor level and 2) HK$12.0 million in another commercial development project in Guangzhou, PRC, for which the project is now in the land acquisition phase. The management expects these 2 development projects will contribute positively to the Group operating results for the coming two years. Details of these 2 development projects are set out in Loans Receivable Note to the Consolidated Balance Sheet.

LIQUIDITY AND GEARING RATIO

Along the financial year under review, the Group had always maintained a good liquidity position. As at 31st March, 2003, the Group recorded a total of cash and bank balances of HK$29.6 million (as at 31st March, 2002 of HK$23.1 million). Moreover, the Group had a net current assets of HK$112.9 million (as at 31st March, 2002 of HK$81.7 million). The shareholders' funds was of HK$159.9 million (as at 31st March, 2002 of HK$153.4 million) and the total bank borrowings was of HK$32.9 million (as at 31st March, 2002 of HK$6.4 million); and accordingly, the gearing ratio was of 20.6% (as at 31st March, 2002 of 4.2%). The gearing ratio represented a 16.4% increase when compared with the last financial year end date.

Taking advantage of this very low borrowing rate environment, the management considers that the relaxation of the gearing ratio so as to finance the PRC property porfolio refinement in a healthy position.

FOREIGN CURRENCY RISK MANAGEMENT

The Group's largest sale geographical segment is the Europe market, which alone accounts for around 60% of the Group's sale turnover. In safeguarding the volatile Euro dollar 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 the management can maintain a stable currency exchange condition for normal trading business development. 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, 2003, 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, 25th July, 2003