

# Management Discussion and Analysis

## Financial Review

The Group's gearing ratio expressed as a percentage of total liabilities over total net assets of the Group, improved from 37.8% at the beginning of the year to 33.4% as at 31 March 2003. The improvement was mainly due to the increase in net profit that generated surplus funding which was deployed to reduce loans and borrowings during the year.

The working capital of the Group increased from HK\$38.6 million at the beginning of the year to HK\$41.8 million at the end of the year. The increase was primarily due to an increase in cash and bank balances and the reduction of bank loans and overdraft during the year.

The Group has HK\$14.5 million (2002: HK\$17.4 million) interest bearing loans consisted of HK\$2.3 million secured trust receipt loans and other loans of HK\$12.2 million. The aforesaid loans comprise approximately 15.9% (2002: 11.5%) thereof are repayable within one year and the balance of the 84.1% (2002: 88.5%) are repayable within the second year.. All the loans are denominated in Hong Kong dollars. As at 31 March 2003, the Group had total cash and cash equivalents amounting to HK\$11.6 million (2002: HK\$5.7 million).

## Segmental Information

The core business of design and manufacture of electrical appliances registered a slight increase in turnover of 1.2% over last year, and it has returned to profit during the year. The merchandise trading business registered a substantial increase in sales of 40.7% during the year, which also contributed to the profit of the Group. Sales analyses by geographical area and by product line are shown on page 16.

## Charge on Assets

The properties of the Group situated in Hong Kong were pledged to secure general banking facilities granted to the Group. These properties comprised leasehold land and buildings at a total net book value amounting to HK\$14.7 million (2002: HK\$18.0 million) and an investment property with a carrying value of HK\$1.3 million (2002: HK\$1.3 million) as at the year end.

## Contingent Liabilities

The Group had contingent liabilities of HK\$1.9 million (2002: HK\$1.1 million) in respect of bills discounted with recourse with a bank as at 31 March 2003.

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## Exposure to Exchange Risk

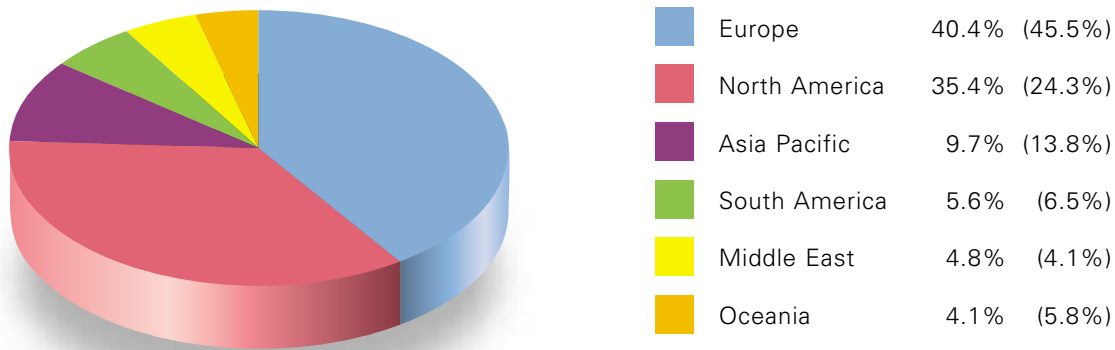
The Group has little foreign exchange exposure as its sales revenue was principally denominated in Hong Kong dollars or in U.S. dollars, and its borrowings are in Hong Kong dollars.

## Financial Instruments for Hedging Purposes

The Group had neither foreign currency hedging activities nor any financial instruments for hedging purposes during the year.

## Design and manufacture of electrical appliances

SALES ANALYSIS BY GEOGRAPHICAL AREA - FY2003 (FY2002)



TURNOVER BY PRODUCT LINE - FY2003 (FY2002)

Electrical appliance	55.4%	(61.8%)
Auto accessories	21.6%	(15.9%)
Beauty care	19.2%	(18.7%)
Fluorescent	3.8%	(3.6%)

