

FINANCIAL REVIEW

As at 31 March 2004, the total assets and net assets of the Group were approximately HK\$203 million and HK\$136.6 million, compared with last year's total assets of approximately HK\$156.6 million and net assets of approximately HK\$114.5 million, representing an increase of approximately HK\$46.4 million and HK\$22.1 million respectively.

On the other hand, as at 31 March 2004, the Group's consolidated shareholders' equity was approximately HK\$136.6 million, compared with last year's balance of approximately HK\$114.5 million. The Group's financial position had been strengthening.

The management believes that the existing financial resources are sufficient for its current expansion plan. If the Group requires additional funding to capture business opportunities that may arise in the future, the management believes that the Group will be able to obtain financing at favourable terms.

LIQUIDITY AND FINANCIAL RESOURCES

The gearing ratio of the Group as at 31 March 2004, calculated as a ratio of total borrowings to total assets, was approximately 21%. The Group's cash position was increased to approximately HK\$23.7 million from approximately HK\$10.8 million as of last year. Following the issue of HK\$14.6 million convertible notes in March 2004, the Group will have more sufficient resources to expand the businesses.

CONVERTIBLE NOTES

During the year under review, the previously issued convertible notes amounting to HK\$20.5 million were fully converted into shares. In March 2004, the Company had also issued new convertible notes amounting to HK\$14.6 million. Subsequent to the year-end, a balance of HK\$1.4 million convertible notes were converted into shares. The capital bases of the Group were thus further strengthened.

INVESTMENTS

As at 31 March 2004, the Group had no significant investments.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2004, the Group employed a total of approximately 1,100 employees in the People's Republic of China (the "PRC") and Hong Kong. They were remunerated according to the nature of job and market condition. Other employee benefits available for eligible employees included period-end payment, staff canteen, retirement benefits schemes, share option and medical insurance scheme.

FOREIGN EXCHANGE AND CURRENCY RISKS

Since most of the revenue generated from the sale of products and the payment for purchases of materials, components, equipment and salaries are either made in Hong Kong dollars, Renminbi, or Hong Kong dollars pegged currencies, no use of financial instruments for hedging purposes is considered necessary and the exposure to exchange rate fluctuations is minimal.

CONTINGENT LIABILITIES

As at 31 March 2004, the Group had no significant contingent liabilities.