

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES, GEARING AND FOREIGN CURRENCY EXPOSURES

As at 31 March 2005, the Group had total bank borrowings of approximately HK\$22,017,000 (2004: HK\$15,000,000). Cash and bank balances amounted to approximately HK\$19,713,000 (2004: 41,708,000). The gearing ratio, expressed as a percentage of net bank borrowings to shareholder's funds, was approximately 4.4% (2004: nil). The Group also made use of export bills discount facilities to finance its operations during the year.

Current ratio was approximately 1.36 as at 31 March 2005 (2004: 2.35). Average stock turnover period was approximately 59 days which is the same as that of the last financial year. Average debtor turnover period slightly decreased from approximately 17 days to approximately 11 days.

The Group continues to adopt a prudent approach in funding and treasury policies. Transactions of the Group are mainly denominated in US dollar, HK dollar and Renminbi, with a small proportion denominated in Sterling Pound. All borrowings were denominated in HK dollar. There were no significant exposures to foreign currency fluctuations. However, given the recent depreciation in the Sterling Pound, the Group may consider entering into forward exchange contracts in the near future to hedge its exposure to the Sterling Pound.

CAPITAL EXPENDITURE

Capital expenditure for the year ended 31 March 2005 totalled approximately HK\$13,941,000 (2004: HK\$13,323,000). During the year ended 31 March 2005, the Group invested approximately HK\$13,210,000 (2004: HK\$12,521,000) in new plant and machinery and moulds.



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CHARGES ON GROUP'S ASSETS

There were no charges on the Group's assets as at 31 March 2005 (2004: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2005, the Group employed approximately 1,400 staff in Hong Kong and the 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, subsidised 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 to the financial statements.