

MANAGEMENT DISCUSSION AND ANALYSIS

MANUFACTURE AND SALE OF PHOTOGRAPHIC, ELECTRICAL AND MULTIMEDIA ACCESSORIES

During this financial year, the demand for the Group's products remained strong and healthy and the Group achieved a turnover of approximately HK\$179.5 million, an increase of 15.5% from the previous financial year. Profit from this manufacture and sale activity during this financial year amounted to approximately HK\$13.1 million, only increased by 4.0% over HK\$12.7 million last corresponding financial year.



Europe is the Group's largest sale segment and the management has good knowledge and confidence in this market. For the year under review, the Group's sale to this largest market was approximately HK\$107.7 million when compared with HK\$85.8 million in the previous year, representing an increase of 25.4%. The management expects to be able to seize more business opportunities for this very huge market for the coming year.

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During the year under review, intense competition in the photographic and multimedia markets continued to exert downward pressure on the Group's product profit margins. The general increase in raw materials costs, as well as surge in labor and other operating costs also had adverse impacts on the production in PRC factories. These had resulted in decline of profit margin by approximately 2.5%; which also affected negatively on overall net profit results despite of the favourable growth in turnover.

PROPERTY PORTFOLIO REFINEMENT

In March 2004, the Group disposed of an investment property in Sai Kung to an independent third party for a cash consideration of HK\$35.0 million and had realized a gain of HK\$6.3 million (after audit) during last financial year. Without the rental income contribution of this disposed investment property during the financial year, the Group recorded a turnover amounted to HK\$3.2 million, a reduction of 29.1% when compared with last financial year.

In late 2004, the Group financed a 31-storey commercial and residential complex development project in Guangzhou, PRC which was near completion of the construction for the phase one. Up to the date of this announcement, it is now under the various inspection and approvals to be granted by various government authorities. Detail of this development project are set out in Note 19 to the financial statements.

LIQUIDITY AND GEARING RATIO

As at 31st March, 2005, the Group recorded a total of cash and bank balances of HK\$34.6 million (as at 31st March, 2004 of HK\$12.1 million). Moreover, the Group had current assets of HK\$127.9 million (as at 31st March, 2004 of HK\$139.7 million). The shareholders funds was of HK\$181.2 million (as at 31st March, 2004 of HK\$178.9 million) and the total bank borrowings was of HK\$29.9 million (as at 31st March, 2004 of HK\$46.1 million); and accordingly the gearing ratio was of 16.5% (as at 31st March, 2004 of 25.8%). The management considers that the existing gearing ratio level of the Group is in a healthy position.

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FOREIGN CURRENCY RISK MANAGEMENT

The Group's largest sale geographical segment is the Europe market, which alone accounts for around 50-60% 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.

Following the very recent acceleration of Renmibi against US and HK dollars by around 2%, the management has commenced considering the impacts and exposure on the Group's manufacturing operations in the PRC.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31st March, 2005, 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, 27th July, 2005