

## MANAGEMENT DISCUSSION AND ANALYSIS

### MANUFACTURE AND SALE OF PHOTOGRAPHIC, ELECTRICAL AND MULTIMEDIA ACCESSORIES

During this financial year, the demand of the Group's products remained strong and healthy and the Group achieved growth in both turnover and profit approximately of HK\$206.3 million and HK\$17.9 million, representing an increase of 14.9% and 25.9% over the last corresponding year.

Europe continued to be the Group's largest market, accounting for approximately 62.9% of the total turnover of this financial year. Total export sales to Europe rose to HK\$131.6 million, representing a growth of 22.2% as compared to that of the last corresponding year. The management has good knowledge and confidence in this market and will adhere to its established strategy to further penetrate into this very huge market.

In term of product category of photographic, electrical and multimedia accessories, the sale of multimedia accessories recorded encouraging growth this financial year. The Group's sale of multimedia accessories amounted to approximately 44% of the total turnover of this financial year (2005: approximately 35%). The growth was mainly attributable to the Group's strategy to extend relationships with major multimedia brand manufacturers and the positive market response of the Group's manufactured convergence products (textile and electronic combinations).

### PROPERTY PORTFOLIO REFINEMENT

During this financial year, the Group was able to maintain a stable property letting income of approximately HK\$3.1 million when compared with HK\$3.2 million last corresponding year.

### LIQUIDITY AND GEARING RATIO

As at 31st March, 2006, the Group recorded a total bank balances and cash of HK\$44.7 million (as at 31st March, 2005 of HK\$34.6 million). Moreover, the Group had current assets of HK\$139.7 million (as at 31st March, 2005 of HK\$128.3 million). The Equity attributable to equity holders of the Company was of HK\$190.6 million

(as at 31st March, 2005 of HK\$181.2 million) and the total bank borrowings was of HK\$24.5 million (as at 31st March, 2005 of HK\$29.9 million); and accordingly, the gearing ratio was of 12.9% (as at 31st March, 2005 of 16.5%).

### CURRENCY RISK MANAGEMENT

The Group's largest sale market is Europe, which alone accounts for around 60% of the Group's sale turnover. In safeguarding the volatile Euro Dollars currency risk, the management has chosen to adopt a more prudent sales policy by mainly accepting US Dollar quoted sale orders, which in turn the management can maintain a stable currency exchange condition for normal trading business development.

Certain bank loans of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy in respect of foreign currency debt. However, management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

### NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31st March, 2006, 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, 26th July, 2006