

Capital structure

As at 31st March 2003, the shareholder's funds of the Group totalled HK\$291.8 million. This was mainly attributable to the prior year adjustment of HK\$8.8 million charged to the opening balance of retained profits at 1st April, 2001 resulting from the change of accounting policy to adopt the new SSAP 34 (revised): "Employee benefits", and the inclusion of a net revaluation deficit of HK\$22 million arising from the revaluation of the Group's investment properties during the financial year.

As at 31st March 2003, total bank borrowings was HK\$343 million and the maturity profile of the Group's bank borrowings falling due within one year was 42%, between one to two years was 20%, between two to five years was 17% and more than five years was 21%.

Liquidity and financial resources

Total bank balance, pledged deposits and investment in unlisted securities were HK\$87.6 million.

The Group had a total of HK\$32 million credit facilities remained unutilised.

The Group maintains a reasonable level of cash resources and stand-by credit facilities to provide adequate liquid funds to finance its business activities.

Gearing Ratio

The Group's gearing ratio at 31st March, 2003 was 0.68 which is calculated based on the Group's long-term borrowings of HK\$199.3 million and shareholders' funds of HK\$291.8 million.

As at 31st March, 2002, the Group's gearing ratio was 0.73 which is calculated based on the Group's long-term borrowings of HK\$214 million and shareholders' funds of HK\$292.1 million.

As compared with the balance as at 31st March, 2002, there was improvement in the Group's gearings.

Cashflow from Operating/Investment Activities

During the financial year, the Group generated net cash inflow from operating activities of HK\$22.1 million (2002: net cash outflow of HK\$46.7 million) and reduced the net cash used in investing activities to HK\$27.3 million (2002: HK\$73 million).

Treasury policy

The Group adopts a prudent treasury policy. The acquisition of investment properties and properties for development are financed partly by internal resources and partly by secured bank loans. Repayments of bank loans are scheduled to match asset lives and development project completion dates.

All borrowings are denominated in Hong Kong dollars, Japanese Yen, United States dollars or Canadian dollars and bear interest at floating rates. Foreign currency exposure is monitored closely by the management and hedged by forward foreign currency contracts and foreign currency borrowings to the extent desirable.

Pledge of assets

Certain properties of the Group having a carrying value of HK\$413.1 million as at 31st March, 2003 were pledged to secure banking facilities of the Group.

Contingent liabilities and commitments

As at 31st March, 2003, the Group had contingent liabilities in respect of banking facilities granted to its jointly-controlled entities amounting to HK\$231 million which were secured by the properties under development of its jointly-controlled entities having a carrying value of HK\$378 million. The Group has contracted for acquisition of property, plant and equipment of HK\$864,000 at the year end date.

Employees and remuneration policies

The Group employs approximately 2,141 employees in Hong Kong, in other parts of the People's Republic of China ("PRC") and overseas. Remuneration is determined by reference to market terms and the qualifications and experience of the staff concerned. Salaries are reviewed annually with discretionary bonuses being paid depending on individual performance.

During the year under review, the Group has employed additional employees in the manufactory plant in PRC, in particulars, workers in the production for OEM products; moulds and tooling, plastic injection departments which will increase productivity on vertical integration. The Group also employed qualified engineers in the research and development department in PRC for new products from time to time.