

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

In June 2002, the Group successfully completed a one for two rights issue and raised HK\$31,072,000. Proceeds of the rights issue were applied to finance the Group's increased inventory and trade credits to customers of the manufacturing operations, and the development and production of new MP3 products.

As at the year end, the Group had cash and bank balances of HK\$64,103,000 (2002: HK\$30,672,000).

The Group's gearing ratio at the year end was 0.81 (2002: 1.16) which is calculated based on the Group's total bank borrowings, net of cash held at the end of the year, of HK\$169,272,000 (2002: HK\$194,656,000) and the Group's net tangible assets of HK\$208,457,000 (2002: HK\$167,891,000).

Total facilities available to the Group from its bankers amounted to HK\$442,170,000 (2002: HK\$463,540,000). The directors believe the Group has adequate financial resources to fund the continued growth of the Group.

EMPLOYEES

As at 31 March 2003, the Group employed a total of approximately 948 employees (2002: approximately 805 employees).

The Group recruits and promotes individuals based on merit and their development potentials for the positions offered. Continued emphasis is put on staff training and enhancement of their skills. Remuneration package is determined with reference to their performance and the prevailing salary levels in the market. In addition, the Group operates a share option scheme for eligible employees to provide incentive to the participants for their contribution, and continuing efforts to promote the interests of the Group.