

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS AND FINANCIAL REVIEW

Results

- The Group recorded a turnover of HK\$737,541,000 for the year ended 31 December 2003, representing an increase of 8.5% as compared with last year.
- Gross profit and gross profit margin of the Group recorded HK\$115,728,000 and 15.7%, representing a decrease of HK\$15,004,000 and 3.5% respectively as compared with last year.
- Profit for the year attributable to shareholders was HK\$37,028,000, representing a decrease of 11.9% as compared with last year.
- Basic earnings per share was 5.5 cents, representing a decrease of 11.3% as compared with last year.
- The Board of Directors proposed a final dividend of 0.5 cent per share.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group finances its operations from internally generated cash flows, term loans and trade finance facilities provided by banks in Hong Kong and the PRC. At 31 December 2003, the Group had bank balances and cash of approximately HK\$68,636,000 (2002: HK\$54,001,000) and had interest-bearing bank borrowings of approximately HK\$189,081,000 (2002: HK\$123,097,000).

The Group's total banking facilities available as at 31 December 2003 amounted to HK\$544,707,000; of which HK\$260,332,000 was utilised (utilisation rate was at 47.8%). Subsequent to the balance sheet date, term loan banking facilities totalling HK\$187,000,000 were arranged with two banks, and out of which HK\$80,000,000 was drawn down in April 2004.

The Group conducts its business transactions principally in Hong Kong Dollars, US Dollars and Renminbi. During the year, the Group took advantage of the low United States of America's exchange risk environment and entered into foreign currency forward contracts to hedge the Group's exposure in making purchases in United States dollars. A realised gain on forward contracts was made in the amount of HK\$2,294,000 subsequent to the balance sheet date.

At 31 December 2003, the Group had current assets of approximately HK\$415,422,000 (2002: HK\$311,466,000). The Group's current ratio was approximately 1.3 as at 31 December 2003 as compared with approximately 1.4 as at 31 December 2002. Total shareholders' funds of the Group as at 31 December 2003 increased by 3.4% to HK\$774,258,000 (2002: HK\$748,535,000). The gearing ratio (measured as total liabilities / total shareholders' funds) of the Group as at 31 December 2003 was 0.44 (2002: 0.33).

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CHARGES ON ASSETS

Certain leasehold land and buildings and investment properties with an aggregate net book value of HK\$111,219,000 were pledged to banks for general banking facilities granted to the Group.

STAFF AND REMUNERATION

At 31 December 2003, the Group employed a total workforce of about 4,900 (2002:5,100) including 270 permanent staff and 4,630 contracted staff in our factories located in the PRC. The total staff remuneration incurred during the year was HK\$78,612,000 (2002: HK\$80,832,000). It is our Group policy to review its employee's pay levels and performance bonus system regularly to ensure that the remuneration policy is competitive within the relevant industries. It is the Group's policy to encourage its subsidiaries to send the management and staff to attend training classes or seminars that related to the Group's business. Tailor made internal training program was also provided to staff in our PRC factories.