

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES, GEARING AND FOREIGN CURRENCY EXPOSURES

As at 31 March 2004, the Group had a short-term bank loan of HK\$15,000,000 which was subsequently settled in May 2004. The Group maintained a satisfactory financial position with a net cash balance of approximately HK\$26,708,000 as at 31 March 2004 after discounting the bank loan. The current ratio decreased from approximately 3.80 as at 31 March 2003 to approximately 2.35 as at 31 March 2004. The average stock turnover period slightly increased from approximately 53 days to approximately 59 days and the average debtor turnover period slightly increased from approximately 15 days to approximately 17 days.

In addition to the internally generated cash flows, the Group also made use of export bills discount facilities to finance its operations during the year. There were no significant exposures to foreign currency fluctuations. All borrowings during the year were based on current market interest rate. The Group had no bank overdrafts outstanding as at 31 March 2004. The Group will rely on internally generated cash flows to fund future cash flow requirements.

The Group continues to adopt a prudent approach in funding and treasury policies. Transactions of the Group are mainly denominated in US dollar, Sterling Pound, HK dollar and Renminbi. Some of the Group's liquid fund is placed in principal guaranteed short-term dual currencies deposit with a bank to reduce exposure arising from accounts payable in Sterling Pound and to enhance return from the liquid assets of the Group within a controllable risk level.

CAPITAL EXPENDITURE

Capital expenditure for the year ended 31 March 2004 totalled approximately HK\$13,323,000 (2003: HK\$13,905,000). During the year ended 31 March 2004, the Group invested approximately HK\$12,521,000 (2003: HK\$13,334,000) in new plant and machinery and moulds.

CHARGES ON GROUP'S ASSETS

There were no charges on the Group's assets as at 31 March 2004 (2003: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2004, the Group employed 1,250 full time staff in Hong Kong and PRC. The Group remunerates its employees based on their performance, experience and prevailing market salaries while performance bonuses are granted on a discretionary basis. Other employee benefits include insurance and medical cover, subsidized educational and training programmes, mandatory provident fund scheme as well as a share option scheme.

CONTINGENT LIABILITIES

Details of contingent liabilities are set out in Note 24 to the financial statements.