

Financial Results

Summary of the financial results of the Group for the year ended 31 March 2004 are as follows:

- Turnover of continuing operations was approximately HK\$443 million (2003: HK\$363 million), represented an increase of approximately 22%.
- Profit before tax was approximately HK\$40 million (2003: loss before tax of HK\$45 million).
- Net profit from ordinary activities attributable to shareholders was approximately HK\$40 million (2003: net loss from ordinary activities attributable to shareholders of HK\$46 million).
- Basic earnings per share was approximately HK12.13 cents (2003: basic loss per share of HK14.81 cents).

Liquidity and Capital Structure

As at 31 March 2004, the Group had net current assets of HK\$93 million (2003: HK\$43 million) mainly comprising prepayments, deposits and other receivables of approximately HK\$31 million (2003: HK\$11 million), inventories of approximately HK\$80 million (2003: HK\$49 million) and trade receivables of approximately HK\$117 million (2003: HK\$57 million). The Group had current liabilities of approximately HK\$205 million (2003: HK\$119 million). The current ratio increased from approximately 1.4 as at 31 March 2003 to 1.5 as at 31 March 2004.

At 31 March 2004, the Group had total assets of approximately HK\$478 million (2003: HK\$349 million) and total liabilities of approximately HK\$213 million (2003: HK\$144 million). The gearing ratio calculated as a percentage of long term debt to equity was 1.7% (2003: 11%).

Financial Resources

At 31 March 2004, the Group had floating interest-bearing bank borrowings of approximately HK\$41 million (2003: HK\$28 million) and HK\$38 million (2003: HK\$19 million) of which are denominated in Renminbi and mainly utilised in the PRC's operating expenses and working capital. The Group's bank borrowings are all repayable within five years. At 31 March 2004, the Group's bank borrowings were secured by (i) first legal charges on certain of the Group's leasehold land and buildings and its investment property located in Hong Kong; (ii) guarantees provided by the Company.

Financial Resources (continued)

As a significant portion of the Group's sales and purchases are denominated in Hong Kong dollars and Renminbi, in view of the stability of the exchange rate of Hong Kong dollars and Renminbi, the directors consider that the Group has no significant exposure to foreign exchange fluctuation. During the year, the Group did not use any financial instrument for hedging purposes and the Group did not have any hedging instrument outstanding as at 31 March 2004.

At 31 March 2004, cash and bank balances amounted to approximately HK\$66 million (2003: approximately HK\$46 million), of which approximately HK\$24 million (2003: approximately HK\$17 million) are denominated in Renminbi and the majority of the remaining balances are denominated in Hong Kong dollars.

Contingent Liabilities

As at the balance sheet date, the Company has outstanding guarantees given to banks to secure general banking facilities granted to the Group in the amount of approximately HK\$161 million (2003: HK\$107 million), out of which approximately HK\$59 million (2003: HK\$59 million) had been utilized by the Group at the balance sheet date.

The Group did not have any significant contingent liabilities at the balance sheet date (2003: Nil).

Capital Commitments

As at 31 March 2004, the Group had commitments in respect of equity injections into its PRC subsidiaries and the jointly-controlled entity amounting to approximately HK\$13 million (2003: HK\$5 million) and HK\$5 million (2003: Nil), respectively.

Capital Commitments are to be financed by internal resources.

Closure of Register of Members

The register of members of the Company, will be closed from 1 September 2004 to 3 September 2004 (both days inclusive), during which period no transfer of shares will be registered.

In order to qualify for the proposed final dividend and attending the Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tengis Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 pm on 31 August 2004.

Employees and Remuneration Policies

As at 31 March 2004, the Group employed approximately 1,600 full time employees of which approximately 1,550 were in the PRC and approximately 50 were in the Hong Kong office.

The Group remunerates its employees based on industry's practice. In the PRC, the Group provides staff welfare and bonuses to its employees in accordance with the prevailing labour law. In Hong Kong, the Group provides staff benefits including medical scheme, pension scheme and performance related bonuses.