



## MANAGEMENT DISCUSSION AND ANALYSIS

### MANUFACTURE AND SALE OF PHOTOGRAPHIC, ELECTRICAL AND MULTIMEDIA ACCESSORIES



As adversely affected by the SARS outbreak and the market tendency and preference for smaller or pocket size photographic equipments, turnover from manufacture and sale activity segment showed a slowdown during this financial year amounted to HK\$155.4 million, a decrease of 14.8% from the previous financial year. Profit from manufacture and sale activity segment was amounted to HK\$12.7 million when compared with HK\$18.1 million last corresponding financial year.

The outbreak of SARS caused the overseas buyers to shy away from Hong Kong during the first and second quarters of this financial year. The market tendency and preference for smaller or pocket size photographic equipments were also affecting the Group as the Group's smaller size bag and pouch products were selling on lower unit dollar value, which had to be compensated by higher production quantity and sale volume. Despite the Group was able to resume rapidly to the normal level since the third quarter of this financial year, the overall sale turnover for the whole financial year was still adversely affected.

### PROPERTY PORTFOLIO REFINEMENT

In early 2004, the property market in Hong Kong showed some sentiment rebounds; whereas the Directors were cautious about the persistence of the good market sentiment. In March 2004, the Group disposed of an investment property in Sai Kung to an independent third party for a cash consideration of HK\$35.0 million, the management considered the disposal represented a good opportunity to realize a gain of HK\$6.3 million (after audit). Details of the disposal were set out in the Circular dated 1st March, 2004 to the shareholders.

In late 2003, the Group financed 31-storey commercial and residential complex development project in Guangzhou, PRC was open for sale for the residential units. Up to the date of this annual report, over 50% of these residential units have been sold. The Directors expect this development project will contribute positively to the Group's operating results and cash flows for the coming two years. Details of this development project are set out in Note 19(a)(i) to the financial statements.

### LIQUIDITY AND GEARING RATIO

As at 31st March, 2004, the Group recorded a total of cash and bank balances of HK\$12.1 million (as at 31st March, 2003 of HK\$29.6 million). Moreover, the Group had a net current assets of HK\$139.7 million (as at 31st March, 2003 of HK\$112.9 million). The shareholder's funds was of HK\$178.9 million (as at 31st March, 2003 of HK\$159.9 million) and the total bank borrowings was of HK\$46.1 million (as at 31st March, 2003 of HK\$32.9 million); and accordingly, the gearing ratio was of 25.8% (as at 31st March, 2003 of 20.6%). Taking advantage of this low borrowing rate environment, the management considers that the relaxation of gearing ratio so as to finance the PRC property portfolio refinement in a healthy position.



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### FOREIGN CURRENCY RISK MANAGEMENT

The Group's largest sale geographical segment is the Europe market, which alone accounts for around 50-60% of the Group's sale turnover. In safeguarding the volatile Euro dollar currency risk, the management has chosen to adopt a more prudent sales policy by mainly accepting the US dollar quoted sales orders, which in turn the management can maintain a stable currency exchange condition for normal trading business development. Regularly, the Group also adopts appropriate hedging policy against the foreign current bank balance and against the cash inflows from the foreign currency sale orders.

For the Group's manufacturing operations in the PRC, the management considers that the exposure is not significant as exchange rate of Renminbi has not been exceptionally volatile in the past few years.

### NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31st March, 2004, the Group had more than 1,000 employees and with around 95% of them were employed in the PRC for the manufacturing business. The Group remunerates its employees based on their work performance and with reference to prevailing conditions of labor markets.

On Behalf of the Board

**Chan Oi Ling, Maria Olimpia**

*Chairman*

Hong Kong, 27th July, 2004