

FINANCIAL REVIEW AND LIQUIDITY

On 17 November 2000, in order to reduce the interest burden of the Company, with the agreement with the convertible bondholders, the Company early-redeemed part of the outstanding 3% convertible bonds in amount of HK\$10 million. Mainly because of this, the Group's gearing ratio improved from 13.2% at the beginning of the period to 0.8% as at 31 December 2000 based on the non-current secured term loans and other loans of approximately HK\$1.2 million (30 June 2000: HK\$20 million) and net worth of HK\$148.5 million (30 June 2000: HK\$152.6 million).

As at 31 December 2000, the Group's net assets value stood at HK\$148.5 million with total assets of approximately HK\$274.7 million and total liabilities of approximately HK\$126.2 million. The current ratio (current assets divided by current liabilities) was 1.72 as at 31 December 2000, compared to 1.90 as at 30 June 2000. The Group's bank balances and short-term deposits at 31 December 2000 amounted to HK\$49.2 million. The Group also spent approximately HK\$6 million on machinery and moulds to upgrade its manufacturing capabilities during the current period, an increase of HK\$4 million over the same period of last year.

In the meantime, the Group has total banking facilities of HK\$42 million to finance the operations of the Group's operating divisions. The total bank borrowings, including short-term loans, finance leases, import loans and overdrafts, amounted to HK\$21.7 million (30 June 2000: HK\$19.2 million) as at 31 December 2000.