



Looking forward, based on our continuous effort on product development and the improved global market sentiment, the management is optimistic towards the Group's business performance for the coming fiscal year.

Use of Proceeds

The proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange on 12th March, 2003 (the "Listing Date"), after deduction of related issuance expenses, amounted to approximately HK\$29.3 million. The usage of the proceeds since its Listing Date and up to 30th September, 2004 was as follows:

- as to approximately HK\$1,270,000 for further development of the Group's production facilities in Dongguan;
- as to approximately HK\$700,000 for strengthening the Group's product development capability and diversifying the Group's product categories;
- as to approximately HK\$330,000 for promotion activities and further development of the Group's brand recognition; and
- as to approximately HK\$6,300,000 as general working capital of the Group.

As at 30th September, 2004, the balance of the proceeds of approximately HK\$20.7 million was placed on short-term deposits with licensed banks in Hong Kong.

Liquidity, Financial Resources and Capital Structure

As at 30th September, 2004, the Group's cash and bank deposits were approximately HK\$79.3 million, compared to approximately HK\$67.1 million as at 31st March, 2004.

As at 30th September, 2004, the Group had aggregate banking facilities in respect of import/export facilities of approximately HK\$8 million which were secured by corporate guarantees provided by the Company.

The Group recorded total current assets of approximately HK\$134.9 million as at 30th September, 2004 (31st March, 2004: HK\$113.1 million) and total current liabilities of approximately HK\$22.4 million (31st March, 2004: HK\$13.8 million). The current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 6 times as at 30th September, 2004 (31st March, 2004: 8.2 times).

Supported by its strong cash flows, the Group did not raise any bank loan during the period.

The Group recorded an increase in shareholders' funds from approximately HK\$105.7 million as at 31st March, 2004 to approximately HK\$119.4 million as at 30th September, 2004.

Treasury Policy

The Group generally finances its operation with internally generated resources.

Cash and bank deposits of the Group are mainly denominated in Hong Kong dollars.

Transactions of the Group are mainly denominated either in Hong Kong dollars, Renminbi or United States dollars such that the Group does not have significance exposure to foreign exchange fluctuation. Though the Group does not engage in any hedging contracts, the Group's exposure to foreign exchange risk is minimal.

Charges on Assets

The Group did not have any charges on its assets.

Material Acquisitions/Disposals

The Group had no material acquisitions/disposals for the six months ended 30th September, 2004.

Employee Information

As at 30th September, 2004, the Group had 31 full-time employees in Hong Kong and 69 full-time employees in the PRC. The Group remunerated its employees mainly based on their individual performance. Apart from basic salaries, discretionary bonus, contribution to the statutory retirement scheme, the Group adopted a share option scheme whereby certain employees of the Group may be granted options to subscribe for shares of the Company.