

As of 30 September 2004, the Group had total borrowings of approximately HK\$418,435,000, of which HK\$410,300,000 was in bank borrowings and HK\$8,135,000 was for obligations under finance leases. The Group's borrowings are denominated in Hong Kong dollars and bear interest mainly at floating rates. Bank balances and cash amounted to HK\$110,199,000 and are mainly denominated in Hong Kong dollars. Gearing ratio was 76%, from calculation based on net borrowings over shareholders funds. The higher gearing ratio was the result of more capital expenditure on new factory buildings. The Group do not anticipate spending material amounts on fixed assets in the next two years.

The Group is not exposed to material currency fluctuation risks, as most of its receivables are in US dollars and payable in Hong Kong and US dollars. The Group will purchase or sale forward contracts with Bank to hedge against confirmed US dollars receipts and payments. Except for a few customers whom we offer credit on an open account basis, we transact business with all other customers on letter of credit at sight basis.

EMPLOYEES RELATIONS

As at 30 September 2004, the Group had 130 staff stationed in Hong Kong and 12,000 employees working in the PRC factories. Total salaries and wages amounted to approximately HK\$65 million for the Period. Salaries and wages are normally reviewed annually on the basis of staff performance appraisals and market conditions. The Group provides its staff with year-end double pay, discretionary bonuses, a provident fund, medical insurance and training.