BUSINESS REVIEW AND PROSPECTS *(Continued)*

Starting from last year, the Group has been actively developing business relationship with customers having self-owned sales channel. After more than one year's effort, business with such customers has won initial success. Based on the upward trend of sale orders and the new models being developed, it is expected business with such customers will see remarkable growth from next year on.

During the period, the Group has conducted an all-out strategic realignment on the retail and wholesale operations of own brands and licenced brands in the PRC, and has intensified the construction of sales channels. Spurred by the increasing consumption power in China and the Group's ripening domestic sales network, coupled with the effect of the opening of the Disneyland in Hong Kong, it is expected that the sales income generated from domestic sales will post robust growth too.

We will be more active, centered on talent-training and committed to quality and services to strengthen the Group's internal governance, to focus on enhancing effectiveness and cost control, serving our existing brand customers better and securing more business. Meantime, we will also strive to identify more new OEM customers and to explore the Chinese market, so as to increase sales income, to improve profit margin and to reward our shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June 2005, the Group's total net assets was US$104,409,000, comprising mainly current assets of US$73,196,000, non-current assets of US$81,242,000, current liabilities of US$33,918,000 and non-current liabilities of US$16,111,000. The current ratio was approximately 2.16 times and the ratio of net bank borrowings to shareholders' fund was approximately 20.9%. The Group services its debts primarily through cashflow generated from its operation. The Directors believe that the Group has maintained sufficient working capital for its operation and future expansion.