

## **Investments**

To well utilize the available cash on hand, the Group has invested in the securities of several unlisted companies in different industries as long-term investment. As at 30th June, 2005, the total investment therein was approximately HK\$1,006,000 (31st December, 2004: HK\$2,239,000). All of these investments were held in convertible notes or preferred shares, which provided a regular income for the Group.

Investment in listed securities is held for short-term purposes for capital gain in the value of the securities. As at the balance sheet date, the market value of investment in securities was approximately HK\$12,340,000 (31st December, 2004: HK\$10,136,000).

As at 30th June, 2005, the Group carried outstanding forward contracts which entailed a commitment for purchase of listed securities of notional amount of approximately HK\$49,016,000 (31st December, 2004: HK\$64,300,000). The commitment will be settled monthly with an amount ranging from HK\$4 million to HK\$8 million. Usually the securities acquired will be disposed shortly, so the commitment is not expected to have a material adverse impact on cash flow.

## **FUTURE PLAN AND PROSPECT**

After the completion of the acquisition of the remaining interests of the toys segment in June 2005, the Group currently further consolidate the four core businesses in order to enhance the synergy effects arising therefrom.

In view of the present unclear global and local economic atmospheres, the ever increasing price of petroleum and the keen competition the Group faces, the improvement of financial performance of the Group in the second half of the year 2005 remains a challenge to the Group.

## **Liquidity and financial resources**

As at 30th June, 2005, the long-term finance lease obligations and bank borrowings of the Group were approximately HK\$11,534,000 (31st December, 2004: HK\$135,000), while the short term bank borrowings were approximately HK\$53,315,000 (31st December, 2004: HK\$5,951,000), and the net book value of the Group's plant and machinery of approximately HK\$355,000 (31st December, 2004: HK\$412,000) was held under a finance lease. The gearing ratio, measured by total bank and other borrowings divided by equity, of the Group was approximately 26.41% (31st December, 2004: 2.33%).

## **Pledge of Assets**

At 30th June, 2005, the following assets were pledged to secure the margin loan facilities granted to the Group:

- (i) Investments in securities with a carrying value of approximately of HK\$2,539,000 (31st December, 2004: HK\$1,527,000); and
- (ii) Bank balances and cash of approximately HK\$10,470,000 (31st December, 2004: HK\$21,264,000).

No margin loan facilities (31st December, 2004: HK\$1,371,000) was utilised by the Group at the balance sheet date.

## **Employees and remuneration policies**

As at 30th June, 2005, the Group employed approximately 6,000 full time employees. The Group remunerates its employees by reference to the prevailing industry practice as well as individual merits. The Group has also adopted a share option scheme for its full time employees.

## **Foreign currency exposure**

The Group's sales and purchases are mainly denominated in Hong Kong Dollar and US Dollar, with some in Renminbi and Euro Dollar. Since Hong Kong Dollar remains pegged to US Dollar, the Group does not foresee a substantial exchange risk exposure in this regard.

As for currencies other than Hong Kong Dollar, the Group will closely monitor their movement trends in relation to US Dollar and will engage in exchange rate hedges when necessary.

At 30th June, 2005, the Group did not use any financial instrument for hedging purposes.

## **SHARE OPTIONS SCHEME**

A share option scheme (the "Scheme") was adopted in the Annual General Meeting held on 17th May, 2002 and will expire on 16th May, 2012. The primary purpose of the Scheme is to recognise and motivate the contribution of employees and other persons who may have a contribution to the Group and to provide incentives and help the Company in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.