

FINANCIAL REVIEW

The Group's gearing ratio expressed as a percentage of total interest-bearing borrowings over equity attributable to the Company's equity holders, risen from 20.0% at the beginning of the year to 24.9% as at 31 March 2006. The increase was mainly due to the net worth of the Group dropped as a result of the effect of the loss for the year. Working capital fell from last year's level to HK\$10.2 million as the reduction in inventories was made during the year.

The Group has HK\$26.8 million (2005: HK\$27.3 million) interest-bearing borrowings consisted of HK\$23.3 million secured trust receipt loans, factoring loans, bills discounted and packing loans; HK\$2.1 million finance lease payable and other loans of HK\$1.4 million. The aforesaid loans comprise approximately 96.5% (2005: 72.2%) thereof repayable within one year and 2.8% (2005: 27.3%) thereof repayable within the second year and the balance of 0.7% (2005: 0.5%) thereof repayable in the third year. All the loans are denominated in Hong Kong dollars. As at 31 March 2006, the Group had total cash and bank balances and pledged deposits amounting to HK\$19.6 million (2005: HK\$9.8 million).

STATUTORY OR LEGAL REQUIREMENTS OF THE INDUSTRY MARKET AND PRODUCTS

The Group has adopted certain measures implemented by the European Union (EU) in respect of our electrical appliances exporting to Europe, as follows:

- 1 Restriction of Hazardous Substances Directive (RoHS) 2002/95/EC - restricts the using of hazardous substances in the product of electrical appliances.
- 2 Waste Electrical and Electronic Equipment Directive (WEEE) 2002/96/EC - sets regulation on reuse, recycle and recovery targets for electrical appliances.

HUMAN RESOURCES AND REMUNERATION POLICY

During the year, the Group employed an average total of 1,603 (2005: 2,164) employees mostly in Hong Kong and mainland China. The total amount of remuneration paid by the Group to its employees (including directors) for the year was HK\$36.0 million (2005: HK\$39.2 million).

The Group believes that employees' commitments and the provision of a harmonious working atmosphere to employees are important to the Group's success. It rewards its employees according to prevailing market practices, employees' individual experience and performance. Staff benefits include medical insurance coverage and provident fund scheme. To attract and retain high caliber employees, the Group also awards discretionary bonuses to its employees based on their performance evaluation and it also maintains staff share option scheme.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

As at 31 March 2006, the Group had future plans to invest HK\$3.0 million and HK\$1.5 million for purchasing new machineries and upgrading existing production facilities and for procuring enterprise resource planning system and expansion of electronic networking system respectively.

CHARGE ON ASSETS AND PLEDGED DEPOSITS

General banking facilities granted to the Group were secured by certain properties of the Group situated in Hong Kong, which comprised leasehold land and buildings at a net book value amounting to HK\$13.5 million (2005: HK\$15.0 million) at end of year and time deposits of HK\$7.3 million (2005: HK\$1.0 million) at end of year.

CONTINGENT LIABILITIES

As at 31 March 2005 and 2006, the Group did not have any significant contingent liabilities.

EXPOSURE TO EXCHANGE RISK

The Group mainly operates in mainland China, the USA, Germany and Hong Kong. Most of the Group's transactions, assets and liabilities are dominated in Renminbi, United States Dollars, Euro Dollars and Hong Kong Dollars.

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group manages its foreign risks by performing regular review and monitoring its foreign exchange exposures.

FINANCIAL INSTRUMENTS FOR HEDGING PURPOSES

The Group had neither foreign currency hedging activities nor any financial instruments for hedging purposes during the year.