

## Management Discussion and Analysis



### LIQUIDITY AND FINANCIAL RESOURCES, GEARING AND FOREIGN CURRENCY EXPOSURES

As at 31 March 2006, the Group had total bank borrowings of approximately HK\$25,369,000 (2005: HK\$22,017,000). Cash and bank balances amounted to approximately HK\$4,610,000 (2005: 19,713,000). The gearing ratio, expressed as a percentage of bank borrowings to total equity, was approximately 72.4% (2005: 42.4%). The Group also made use of export bills discount facilities to finance its operations during the year.

Current ratio was approximately 1.06 as at 31 March 2006 (2005: 1.36). Average stock turnover period increased to approximately 62 days as compared to 59 days in the previous year. Average debtor turnover period increased from approximately 11 days to approximately 16 days.

The Group continues to adopt a prudent approach in funding and treasury policies. Transactions of the Group are mainly denominated in US dollar, Sterling Pound, HK dollar and Renminbi. All borrowings are denominated in HK dollar. During the year ended 31 March 2006, the Group used forward exchange contracts to hedge its exposure to the Sterling Pound. Furthermore, since the Group's revenues and expenditures were predominantly denominated in US dollar and HK dollar respectively, the recent strengthening of the HK dollar against the US dollar due to the influx of "hot money" into the Hong Kong investment market had an adverse impact to the Group. As such, the Group entered into a one-year option contract in March 2006 under which the Group would exchange US dollar to HK dollar at predetermined rates.

### CAPITAL EXPENDITURE

Capital expenditure for the year ended 31 March 2006 totalled approximately HK\$9,736,000 (2005: HK\$13,941,000) which mainly consisted of investments in new equipment and moulds.

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### CHARGES ON GROUP'S ASSETS

There were no charges on the Group's assets as at 31 March 2006 (2005: nil).

### EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2006, the Group employed approximately 1,700 full time staff in Hong Kong and the PRC. The Group remunerates its employees based on their performance, experience and prevailing market salaries while performance bonuses are granted on a discretionary basis. Other employee benefits include insurance and medical cover, subsidised educational and training programmes, mandatory provident fund scheme as well as a share option scheme.

### CONTINGENT LIABILITIES

Details of contingent liabilities are set out in Note 28 to the financial statements.