Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow and loan facilities from banks. At 31 March 2006, the Group's bank deposits, bank balances and cash amounted to HK$14.9 million and bank and other borrowings amounted to HK$62.4 million of which about HK$24.6 million were repayable in one year and the balance of about HK$37.8 million repayable in two to five years.

At 31 March 2006, the Group has assets of approximately HK$138.8 million. Current assets of the Group on the date amounted to approximately HK$74.8 million while current liabilities were HK$61.4 million. The gearing ratio, calculated by dividing the total debts over its total assets, was 76%.

FOREIGN EXCHANGE RISK MANAGEMENT

The exposure to foreign currency of the Group mainly arose from the net cash flow and the net working capital translation of its PRC operations. The Group will actively hedge the foreign currency exposures through natural hedges, forward contracts and options, if considered necessary. As at 31 March 2006, there was no outstanding forward contract in place to hedge against possible exchange losses from future net cash flows. Speculative currency transactions are prohibited. The management of currency risk is centralized in the Hong Kong office of the Group.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 March 2006, the Group employed a total of approximately 300 staff for its operations in Hong Kong and the PRC. An additional work force of approximately 1,100 were provided by a sub-contractor for the production facilities situated in the PRC.

The Group adopts a competitive remuneration package for its employees. Promotion and salary adjustments are assessed based on a performance related basis. Share options may also be granted to staff with reference to the individual's performance.