

Borrowings of the Group are mostly denominated in currencies of Hong Kong dollars and United States dollars and carry interest on HIBOR or LIBOR plus basis. Borrowings (excluding finance lease payables) as at 30 June 2006 aggregated to approximately HK\$183.9 million (31 December 2005: HK\$175.8 million), of which approximately HK\$139.3 million (31 December 2005: HK\$138.8 million) comprising import and export loans of about HK\$73.1 million (31 December 2005: HK\$26.6 million) and term loans of about HK\$66.2 million (31 December 2005: HK\$112.2 million) is repayable within one year. The level of borrowings escalated mainly due to higher utilization of import and export facilities to finance the increased business volume. Gearing ratio as at 30 June 2006, defined as total bank borrowings and finance lease payable less cash and cash equivalents of approximately HK\$109.3 million divided by shareholders' equity of approximately HK\$196.0 million, was 55.8% (31 December 2005: 51.9%). The gearing ratio increased as a result of the increase in net bank borrowings.

As at 30 June 2006, the net asset value of the Group was approximately HK\$196.0 million (31 December 2005: HK\$186.0 million). Current and quick ratios stayed at 1.22 (31 December 2005: 1.17) and 0.66 (31 December 2005: 0.63) respectively. There has been no material fluctuation in both ratios, which are considered to be at reasonable levels.

POST BALANCE SHEET EVENTS

- (1) Subsequent to the balance sheet date in August 2006, the Company granted a total of 4,000,000 share options to a director and a business consultant of the Company pursuant to the Company's share option scheme. The share options will be vested upon the commencement of the exercise period and are exercisable by the grantees from the date of grant until 31 July 2008 both days inclusive at an initial exercise price of HK\$0.70 per ordinary share, which is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital. The closing price of the Company's shares immediately before the grant date was HK\$0.68 per ordinary share.
- (2) With much regret, Mr. Takanori Matsuura, one of the founders of the Group and an executive director of the Company, passed away on 13 August 2006. No appointment has been made to fill the vacancy left over by Mr. Matsuura.
- (3) On 21 August 2006, the Company announced that Ms. Choi Ying, Kammy had tendered her resignation notice as company secretary and qualified accountant of the Company and financial controller of the Group for personal reasons. With effect from 25 August 2006, Mr. Co Man Kwong, Rochester has been appointed to take up the vacancy of the company secretary and qualified accountant of the Company. Besides, Mr. Mak Yat Ho, Humphrey, the deputy financial controller of the Group, has been assigned to take up responsibilities of Ms. Choi as financial controller of the Group temporarily until the new appointment of financial controller of the Group.