

FINANCIAL REVIEW

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has continued to adopt prudent financial policies.

The Group's current assets and current liabilities as at 30 June 2006 were HK\$330,852,000 and HK\$174,162,000, respectively (31 December 2005: HK\$328,519,000 and HK\$187,491,000 respectively). As at 30 June 2006, the Group had cash and bank deposits of approximately HK\$27,588,000 (31 December 2005: HK\$67,990,000), and short-term bank borrowings of HK\$60,970,000 (31 December 2005: HK\$67,152,000).

As at 30 June 2006, the Group's gearing ratio, which was calculated on the basis of bank borrowings and other loan to shareholders' funds, was 47.1% (31 December 2005: 49.8%).

The Group has limited exposure to foreign exchange fluctuations risks as most of its sales are denominated in Hong Kong dollars, United States dollars and Renminbi, being the same currencies in which the Group's costs and expenses are denominated. The Directors considered that the recent appreciation of Renminbi may have negative but immaterial impact to the Group. During the Current Period, the Group did not use any financial instruments for hedging purposes and the Group did not have any hedging instruments outstanding as at 30 June 2006.

INTERIM DIVIDEND

The Board of the Company does not recommend the payment of an interim dividend in respect of the Current Period (2005: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2006, the Group employed from both continuing and discontinued operations approximately 2,300 employees, out of which approximately 2,200 were production workers in China. In addition to the provision of annual bonuses, medical insurance and in-house and external training programs, discretionary bonuses and share options are also available to employees based on their individual performance. The remuneration policy and packages of the Group are reviewed from time to time.