

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2004, the Group held cash and bank balances (including pledged bank deposits) together with bank acceptances of approximately HK\$985 million (30 June 2004: HK\$1,015 million). The aggregate amount of bank loans of HK\$2,217 million was reduced from HK\$2,632 million as of 30 June 2004. Most of the borrowings were in US dollars while others were dominated in Hong Kong dollars, New Taiwan Dollars ("NTD") and RMB. The majority of these borrowings was trade-finance and short term in nature (within one year). Interest was mainly based on LIBOR, RMB dollar prime or Hong Kong dollar prime with a competitive margin.

The inventory value of HK\$2,053 million as of 31 December 2004 was reduced from HK\$2,604 million as of 30 June 2004. The inventory turnover period was improved to 77 days (as of 30 June 2004: 89 days).

Trade and bills receivables synchronized with turnover and increased to HK\$1,926 million. The trade and bills receivables turnover period was 49 days (as of 30 June 2004: HK\$1,318 million and 51 days respectively).

During the reporting period, credit limits for the supply of goods granted by the Group's suppliers synchronized with the increase of turnover, the amount of trade and bills payable increased to HK\$2,713 million. The trade and bills payable turnover period was 81 days (as of 30 June 2004: HK\$2,217 million and 84 days respectively).

The Group's financial gearing, representing the ratio of total borrowings from banks and financial institutions to total assets, was 36.50% (30 June 2004: 44.58%).

Conforming with market demand, management has made sustainable growth in sales and expanded Group market share. Management will continue to monitor and strictly control inventories, the amount of trade and bills receivables, and its credibility with customers in order to promote more sales and maintain capital liquidity, and will continue to pay special attention to the net profit margin on sales.

CAPITAL EXPENDITURE

During the reporting period, capital expenditure was HK\$71 million, a sum mainly invested in maintaining existing facilities and developing new designs of model.

FOREIGN CURRENCY EXPOSURE

The majority of the Group's sales and purchases were denominated in US dollars, with some transactions made in RMB, pound sterling, Brazilian Real, Hong Kong dollars, Euros and NTD. The Hong Kong dollar peg to the US dollar provides a natural hedge for the Group's foreign-exchange exposure to these currencies.

During the period under review, the Group did not use any financial instruments or derivatives for hedging purposes.