

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2005, the Group's cash and bank balances (including pledged bank deposits) stood at approximately HK\$2.2 billion (30 June 2005: HK\$1.7 billion) with shareholders' equity at approximately HK\$967 million (30 June 2005: HK\$861 million).

Inventories decreased to around HK\$2.1 billion (30 June 2005: HK\$2.4 billion), with inventory turnover days reducing to 53 days (30 June 2005: 81 days). The turnover days are consistent with the Group's effort to lower the inventory risk. The Group will continue to seek ways to optimize its inventory level by investing in a new inventory control system and collaborating with its vendors for just-in-time production arrangements.

Trade and bills receivables aligned with turnover growth and increased to HK\$2.3 billion (30 June 2005: HK\$2 billion). The trade and bills receivables turnover days decreased to 46 days (30 June 2005: 52 days), which was within the Group's overall target.

For the reporting period, our vendors showed very strong support to the Group. Trade and bills payables increased substantially to HK\$4.1 billion (30 June 2005: HK\$3 billion), while trade and bills payables turnover days stood at 82 days (30 June 2005: 85 days). Our relationships with suppliers are long-standing and mutually beneficial, and the payback period is consistent with previous years.

CAPITAL COMMITMENT AND CAPITAL STRUCTURE

For the reporting period, the Group invested HK\$46 million in the maintenance and improvement of production facilities, and in the development of new product moulds.

The Group's total borrowings from banks and financial institutions as at 31 December 2005 were HK\$2.4 billion (30 June 2005: HK\$3.1 billion). Most of the borrowings were in US dollars, while the others were denominated in Hong Kong dollars, New Taiwan dollars ("NTD") and Renminbi ("RMB"). Most of the borrowings were related to trading purposes and used as working capital. Interest was mainly based on LIBOR, RMB prime or Hong Kong dollars prime with competitive margins.

The Group's financial gearing, representing the ratio of total borrowings from banks and financial institutions net of bank balances and cash (including pledged bank deposits) divided by equity attributable to the Company's shareholders, was 19% (30 June 2005: 166%).

The Group believes that its future cash-flow requirements can be satisfied by the funds generated from operations, facilities provided by banks and financial institutions, as well as the strong support from its vendors.

FOREIGN EXCHANGE EXPOSURE

The Group's sales and purchases were mainly denominated in US dollars, with some transactions made in RMB, pound sterling, Brazilian real, Hong Kong dollars, Euro and NTD. Inasmuch as the Hong Kong dollars is pegged to the US dollars, and that there has been minimal fluctuation in exchange rate between Hong Kong dollars and RMB, the Group's exposure to currency exchange risk for US\$ and RMB was minimal.

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