

USE OF PROCEEDS FROM ISSUE OF SHARES

During the Period, 77,260,000 share options and 6,917,200 warrants were exercised at an average price of HK\$0.77 per ordinary share and HK\$1.01 per ordinary shares respectively with cash proceeds of approximately HK\$59.77 million and HK\$6.99 million, before any related expenses. The net proceeds from the exercise of share options and warrants were used to finance general working capital requirement of the Group. The exercise of 77,260,000 share options and 6,917,200 warrants resulted in the issue of totally 84,177,200 additional shares of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained cash or cash equivalent of approximately HK\$599.91 million as at the balance sheet date. The Group adopts conservative treasury policies in cash and financial management. Most of the retained cash was placed in Renminbi and Hong Kong Dollar short term deposits and therefore exposure to exchange fluctuations was minimal. The Group also invested in other investments such as bonds and marketable securities to increase financial returns. Shareholders' fund as at 30 June 2006 was HK\$1,569.75 million compared with that of HK\$1,439.45 million as at 31 December 2005, representing an increase of HK\$130.3 million or 9.05%.

The Group capital expenditure for the Period amounted to HK\$157.33 million were funded from cash generation from operation, bank loans and issue of shares.

The indebtedness of the Group mainly comprises of trust receipt loans, bank loans and finance leases which are largely denominated in Hong Kong dollars and Reminbi. The Group borrowings are monitored to ensure a smooth repayment schedule to maturity.

The Group's inventory turnover period was increased to 42 days from that of 35 days for the same period last year. The turnover period of debtors were decreased to 65 days from that of 107 days for the same period last year. The turnover period of creditors was increased to 53 days from that of 33 days for the the same period last year.

Debt to equity ratio (total debt over shareholders' equity) and gearing ratio (total interest bearing debt over total assets) were decreased to 13.59% and 11.81% respectively as compared with that of 18.1% and 14.18% for the same period last year. Current ratio and Quick ratio were 4.9 and 3.39 respectively whilst interest cover was 16.48 times.