

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a strong financial position throughout the Period under review. During the Period under review, the Group financed its operations and business development with internally generated resources and banking facilities provided by its principal bankers in Hong Kong.

At 31 December 2006, the Group had interest-bearing bank borrowings of approximately HK\$152.5 million (30 June 2006: HK\$149.4 million) of which over 90% of the bank borrowings were denominated in Hong Kong dollars and approximately 64% mature within one year. All of the Group's banking borrowings were floating-interest bearing and secured by corporate guarantees given by the Company and certain subsidiaries of the Company.

A significant portion of sales and purchases of the Group were either denominated in Hong Kong or US dollars. The Directors considered that the operations of the Group were not exposed to any significant foreign exchange risk in view of the stability of the exchange rates between Hong Kong and US dollars. The Group did not have any significant hedging instrument outstanding as at 31 December 2006.

At 31 December 2006, the Group's current assets amounted to approximately HK\$749.8 million (30 June 2006: HK\$741.0 million) and the Group's current liabilities amounted to approximately HK\$165.2 million (30 June 2006: HK\$138.0 million). The Group's current ratio remained at a healthy level at approximately 4.5 as at 31 December 2006 (30 June 2006: 5.4). At 31 December 2006, the Group had total assets of approximately HK\$1,450.2 million (30 June 2006: HK\$1,363.5 million) and total liabilities of approximately HK\$229.0 million (30 June 2006: HK\$224.4 million) with a gearing ratio of approximately 10.5% (30 June 2006: 11.0%). The gearing ratio was expressed as a ratio of bank borrowings to total assets and remained fairly stable during the Period under review.

NUMBER AND REMUNERATION OF EMPLOYEES

At 31 December 2006, the Group had approximately 280 staff for its operations in Hong Kong, Macau and the PRC. The Group's employees were remunerated in accordance with their work performance and experience. The Group also participates in a defined Mandatory Provident Fund Scheme for its staff in Hong Kong and a retirement benefit scheme for its staff in the PRC. The Group has adopted a share option scheme of which the Board may, at its discretion, grant options to eligible participants of the share option scheme. As at 31 December 2006, a total of 10,752,000 share options remain unexercised.