

# Financial Review

## Capital Resources and Liquidity

As at 31st March 2007, the Group's total equity funds were HK\$950.6 million including reserves of HK\$813.7 million. The Group continued to maintain a strong financial position with cash and bank balances of HK\$695.8 million. The Group's working capital was HK\$728.3 million. Based on the Group's steady cash inflow from operations and coupled with its existing cash and bank facilities, the Group has adequate financial resources to fund its future expansion.

During the year, the majority of the Group's cash and bank balances was in Hong Kong or U.S. dollars and deposited in leading banks with maturity dates falling within one year.



This is in line with the Group's policy to maintain liquidity of its funds and continue to contribute a stable yield to the Group.

## Financial Position

Total funds employed (representing total equity) as at 31st March 2007 were HK\$950.6 million, which represented a 4.0% increase over the total funds employed of HK\$913.8 million as at 31st March 2006.

The gearing ratio, defined as the ratio of total loans less cash and bank balances to total assets, was nil as at 31st March 2007 and 31st March 2006.



### Treasury Policies

It is the Group's treasury management policy not to engage in any highly leveraged or speculative derivative products. In this respect, the Group continued to adopt a conservative approach to financial risk management with no significant borrowing during the year. Most of the assets, receipts and payments of the Group are denominated either in Hong Kong or U.S. dollars. From 1st April 2006, due to the volatility of the foreign exchange market and the potential downside exposure arising from forward foreign exchange contracts, the Group minimised its non U.S. dollar foreign exchange exposure by way of hedging against order at spot and maintaining no long positions. These hedging policies are regularly reviewed by the Group.

### Charge on Group Asset

As at 31st March 2007, no Group asset was under charge to a financial institution.

### Contingent Liabilities

The Group had no significant contingent liability as at 31st March 2007.

### Capital Commitments

As at 31st March 2007, the Group had total capital commitments in respect of acquisition of property, plant and equipment of HK\$75.1 million.

