

RESULTS AND DIVIDENDS

The net loss of the Group for the year ended 31st December 2004 is HK\$29,509,000 (2003: loss of HK\$22,589,000). The turnover of the Group for the year ended 31st December 2004 is HK\$259,472,000 (2003: HK\$420,939,000), representing a decrease of approximately 38.4% over the previous year. The Group recorded a loss before taxation of HK\$30,197,000 (2003: loss before taxation of HK\$24,351,000) for the year.

The basic loss per share for the year ended 31st December 2004 is HK11 cents (2003: basic loss per share of HK8.4 cents).

The directors do not recommend the payment of dividend for the year ended 31st December 2004 (2003: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has adhered to stringent and prudent financial policies in monitoring and managing its cash resources as well as banking facilities. As at 31st December 2004, the Group had available cash and bank balances of approximately HK\$27,038,000 (2003: HK\$57,585,000). There is no deposit (2003: Nil) pledged for banking facilities available to the Group of HK\$35,000,000 (2003: HK\$35,000,000). The banking facilities are also secured by legal charges over certain land and buildings of the Group in Hong Kong and Taiwan with a total net book value of approximately HK\$46,012,000 (2003: HK\$46,579,000) as at 31st December 2004.

Funding of the Group's operations is mainly financed by internal resources. There were no borrowings from banks to the Group (2003: HK\$6,023,000) as at 31st December 2004, which were denominated in Hong Kong dollars and New Taiwan dollars. The gearing ratio of the Group (total borrowings to the total shareholder's equity) was reduced from 2.6% in 2003 to 0% in 2004. The bank borrowings are being interest bearing at prevailing market rates.

The management is confident that the ample financial resources of the Group not only provide adequate funding for its operational requirements but also put the Group in a favorable position for future expansion.

Apart from the exercise of 268,104 share options of the Company and the issuance of 268,104 shares in the capital of the Company, there is no change in the capital structure of the Company during the year under review.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

As at 31st December 2004, borrowings of the Group were denominated in Hong Kong dollars and New Taiwan dollars, whilst purchases and sales of the Group were mainly denominated in Hong Kong dollars, New Taiwan dollars or US dollars. In view of the stability of the exchange rates of Hong Kong dollars, New Taiwan dollars and US dollars, the directors consider that the Group has no significant exposure to foreign exchange fluctuation.

SIGNIFICANT INVESTMENT

For the year ended 31st December 2004, the Group had not made significant investment.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

There were no material acquisition and disposal of subsidiaries during the year.

EMPLOYEES AND REMUNERATION POLICY

As at 31st December 2004, the Group had a total of approximately 15 employees in its Hong Kong and Taiwan offices and approximately 4,000 workers in its processing bases in Mainland China. In addition to the competitive remuneration packages offered to employees, discretionary bonus may also be granted to eligible employees based on the performance of the Group and individual employees. In addition, the Group offers employee share options to employees according to individual merits.