

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December 2004, the Group held cash deposits totalling HK\$14.2 million, an decrease of HK\$2.2 million compared with that of 31st December 2003. A current ratio of 1.085 and a gearing ratio, representing long term liabilities to net worth, of 0.093 as at 31st December 2004 as compared to 1.222 and 0.157 as at 31st December 2003.

In addition to the internal generated cash flows and capital raising, the Group also made use of short-term borrowings to finance its operations during the year. All borrowings during the year were based on market interest rate. The short-term borrowings were secured against certain shares of an associated company which was fully repaid during the year. The Group had no long-term bank loan and no bank overdrafts outstanding as at year-end. There were no significant exposure to foreign currency exposure. The Group will continue to rely mainly on the internal generated cash flows and borrowings to fund its operation. The Group will also rely on the realization of its assets or capital raising.

Subsequent to the year end, the Group raised about HK\$76 million by placing additional shares in the Company.

SIGNIFICANT INVESTMENTS HELD

There was no change in significant investments held during the year. The Group has not acquired or disposed any material assets during the year. Save for the aforesaid, the Group does not have any charges over the assets of the Group.

NUMBER AND REMUNERATION OF EMPLOYEES, REMUNERATION POLICIES, BONUS AND SHARE OPTION SCHEMES AND TRAINING SCHEMES

As at 31st December 2004, the Group employed a total of 6 full-time employees in Hong Kong and a work force of about 21 in the PRC. The Group operates different remuneration schemes for sales and non-sales employees. Sales personnel are remunerated on the basis of on-target-earning packages comprising salary and sales commission. Non-sales personnel including engineering and product development staff are remunerated by monthly salary which are reviewed by the Group from time to time and adjusted based on performance. In addition to salaries, the Group provides staff benefits including medical insurance, contribution to staff provident fund and discretionary training subsidies. Share options and bonuses are also available at the discretion of the Group and depending on the performance of the Group.