

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2005, cash and bank balances (including time deposits) maintained by the Group were HK\$396.8 million (2004: HK\$397.7 million), representing a slight decrease of HK\$0.9 million compared with the position as at 31 December 2004. On the other hand, the Group has available banking facilities of HK\$15.3 million. It is believed that the Group has adequate cash resources to meet the normal working capital requirements and all commitments for future development. The gearing of the Group, measured as total debts to total assets, was 14.5% as at 31 December 2005, comparing with 17.4% as at 31 December 2004.

Most of the business transactions conducted by the Group were nominated in Hong Kong Dollars, United States Dollars and Renminbi. As at 31 December 2005, there were no outstanding forward contracts in foreign currency committed by the Group that might involve it in significant foreign exchange risks and exposures.

CORPORATE TRANSACTIONS

In January 2005, Probest Holdings Inc. ('Probest'), amongst others, entered into a sale and purchase agreement with China Time Investment Holdings Limited ("China Time") for the disposal of 1,437,396,440 issued shares of Swank, representing approximately 46.0% of equity interest of Swank, at the consideration of approximately HK\$43.1 million (the "Disposal Agreement"). Probest also entered into a loan restructuring agreement with Profitown Investment Corporation ("Profitown") and Swank (the "Loan Restructuring Agreement"), pursuant to which Probest agreed to waive the interests, default interests and part of the principal of a promissory note due by Swank, which would be cancelled when conditions of the Loan Restructuring Agreement were fulfilled. Upon completion, Profitown issued a new promissory note to Probest in consideration of which Swank waived the debt due from Profitown. In addition, Swank executed a guarantee in favour of Probest, undertaking to pay Probest all interests and default interests whenever Profitown defaults in payment of the principal of the new promissory note. A deed was also executed by Probest and the Company in favour of China Time in which, under certain circumstances, Probest, together with the Company as a guarantor, will indemnify China Time when the listing status of Swank would be withdrawn. For details, please refer to the circular of the Company dated 10 May 2005.

The completion of the Disposal Agreement took place on 3 June 2005. A shareholder agreement was entered into between Swank and Probest to regulate the management of Profitown Group and a new promissory note amounting to approximately HK\$112.3 million was issued by Profitown in favour of Probest.

On 8 March 2006, the Company announced and proposed to raise approximately HK\$173.4 million, before expenses, by issuing 357,585,805 offer shares at a price of HK\$0.485 per offer share by way of the open offer, on the basis of an assured entitlement of 5 offer shares for every 4 existing shares held on the record date and payable in full on acceptance. The registered holders of fully-paid offer shares will be issued 5 bonus shares for every 7 fully-paid offer shares. In order to facilitate the open offer by enabling the Company to allot and issue the bonus shares, which will only be issued to registered holders of the fully-paid offer shares, the Board proposed the amendment of the bye-laws of the Company to allow a distribution to shareholders on a non pro-rata basis. The Board further proposed the share consolidation, upon completion of the open offer and the bonus issue, involving a consolidation of every 4 existing shares into one consolidated share. For details, please refer to the announcement of the Company dated 8 March 2006. A circular, among others, in relation to the open offer, the bonus issue and the share consolidation will be despatched to shareholders of the Company as soon as possible.

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EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2005, the Group employed approximately 2,772 employees, with about 2,689 in the Mainland China and about 83 in Hong Kong. All employees are remunerated based on industry practice and in accordance with the prevailing labour law. In Hong Kong, apart from basic salary, staff benefits include medical insurance, performance related bonuses and mandatory provident fund would be provided by the Group.