

Management Discussion and Analysis

FINANCIAL REVIEW

The Group achieved a turnover of US\$141,242,000 for the year ended 31 the December, 2005. Compared with 2004, the turnover decreased slightly by US\$2,462,000 or 1.7%.

The Group's net profit attributable to shareholders in 2005 is US\$2,467,000 which has turned from a net loss attributable to shareholders of US\$900,000 in 2004. Due to the continued surge of labour cost, the operating environment in 2005 was challenging, which is reflected by the slight decrease in gross profit margin (16.5% in 2005 compared to 17.4% in 2004). Despite the fact, the Group had exercised very tight cost control and had successfully reduced much of the distribution and administrative expenses in 2005.

The basic earnings per share in 2005 is 0.34 US cent, compared to -0.12 US cent in 2004. The Group's net asset value increased mildly from 13 US cent per share in last year to 14 US cent per share in this year.

The Board proposes a final dividend of Hong Kong 1 cent per ordinary share for the year ended 31st December, 2005. Subject to approval at the forthcoming annual general meeting by shareholders, the final dividend will be paid to shareholders whose names appear on the Register of Members on 17th May, 2006.



LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its business needs with internal cash flows. Total assets as at 31st December, 2005 amounted to US\$146,089,000, 2.7% or US\$3,843,000 higher than 2004. The Group's shareholders' funds increased by 3.7% or US\$3,657,000 to US\$102,086,000. The ratio of net bank borrowings to shareholders' funds remained at a healthy level of approximately 16.9%. As at 31st December, 2005, the

Group had a strong financial liquidity position as revealed by a current ratio of 2.6 times. There was no charge on the fixed assets of the Group.

CAPITAL EXPENDITURE

During the year, the Group invested US\$4,346,000 in fixed assets, of which 64% was used for the purchase of new plant and machinery.

