

## REVENUE AND OPERATING RESULTS

For the year ended 31st December, 2005 the Group recorded a turnover of HK\$1,352,672,000 representing an increase of HK\$95,438,000 or 8% over HK\$1,257,234,000 in 2004. The increase in the turnover mainly came from the EMS business.

The Group achieved a profit attributable to shareholders of HK\$157,171,000 for the year 2005 (2004: HK\$137,883,000). As the Group adopted the new accounting standard HKAS40, it revalued its investment properties as at 31st December, 2005 thus resulting in a revaluation surplus of HK\$45,826,000 being recognized as profits in the period under review.

## FINANCIAL RESOURCES AND LIQUIDITY

With a view to achieving a strong and sustainable financial performance, the Group continued to maintain its financial resources in a healthy state and consistently sustained a stable liquidity position throughout the period under review. In addition, there was no material change in the timing orders were secured which might give rise to volatility of the sales.

A secured commercial loan of HK\$160,000,000 advanced to an independent third party in 2004 was reduced to HK\$140,000,000 after a repayment of HK\$20,000,000 took place in November 2005. The loan carried an interest rate of 15% per annum and was scheduled to be fully repaid in the second half of 2006.

According to the terms of the agreements entered into between the Group and Shunde City Heng Shun Communication Investment Management Corporation in February 2004, repayment of the remaining balance of the loan to a former subsidiary totalling Rmb81,000,000 (approximately HK\$76,067,000), together with accrued interest, was scheduled to be made by three installments over three years ending 31st December 2007. The Group received the early repayment of the entire loan of Rmb81,000,000 together with accrued interest up to the date of loan retirement on 1st November, 2005.

During the period under review, the Group obtained new bank loans totalling HK\$430,000,000 to finance the acquisition of the entire issued share capital of Tigerlily Overseas Limited ("Tigerlily"). The Group repaid part of these bank loans which were curtailed to HK\$195,000,000 as at 31st December, 2005. In addition, the outstanding balance of the term loan which was obtained from a bank to finance the purchase of securities in 2005 stood at HK\$20,000,000 as at 31st December, 2005.

Most of banking facilities of the Group were subject to floating interest rates. Other than the U.S. and P.R.C. term loans of approximately US\$15,000,000 and RMB180,000,000 respectively which were secured by certain assets of the Group located in the United States and Mainland China respectively, all banking facilities of the Group have been arranged on short-term basis.

Apart from the above, there were no material changes to the Group's available banking facilities since 31st December, 2004.

## FOREIGN EXCHANGE EXPOSURE

The Group's borrowings were mainly denominated in Hong Kong Dollars, US Dollars and Renminbi. The Group continued to conduct its sales mainly in US Dollars and Renminbi and make payments either in US Dollars, Hong Kong Dollars or Renminbi. As the group under Tigerlily conducted its sales, receivables and payables, bank borrowings and expenditures in Renminbi, the directors considered that a natural hedging existed. All in all, the directors considered that the Group's risk exposure to foreign exchange rate fluctuations remained minimal.

## GEARING RATIO

The Group continued to follow its policy of maintaining a prudent gearing ratio. As at 31st December, 2005, the Group recorded a gearing ratio, expressed as a percentage of total bank borrowings net of cash to shareholders' funds, of 12.67% (31st December, 2004 (restated): zero). During the period under review, the Group obtained certain bank loans totalling approximately HK\$430,000,000 and HK\$283,000,000 to finance the acquisition of the entire issued share capital of Tigerlily and the property development projects of Tigerlily's subsidiary companies in the P.R.C. respectively. As a result, both the total bank borrowings net of cash and the Group's gearing ratio went up significantly.

## SIGNIFICANT ACQUISITIONS AND DISPOSALS

In January 2005, the Group entered into an acquisition agreement with an independent third party to purchase 20% equity interest in Yue Tian Development Limited ("Yue Tian") with cash consideration of HK\$3,814,400. Simultaneously with the execution of the acquisition agreement, the Group and Yue Tian entered into a loan agreement, pursuant to which the Group agreed to advance a sum of HK\$60,000,000 to Yue Tian. Details of this acquisition are set out in the Circular distributed to the shareholders on 25th January, 2005. In addition, the Group entered into agreements with two directors of Appeon Corporation ("Appeon") for acquiring their shares representing 14.69% in aggregate in Appeon, details of which are set out in the press announcement dated 31st January, 2005.

On 28th June, 2005, the Group acquired 100% of the issued share capital of Tigerlily for a consideration of HK\$515,473,000. Tigerlily and its subsidiaries were principally engaged in property development in the PRC. Details of this acquisition are set out in the Circular to shareholders dated 28th June, 2005.

During the period under review, Shunde Hua Feng Stainless Steel Welded Tubes Limited, an indirect 90.1% owned subsidiary of the Company sold machinery and equipment for the production of steel pipes to a third party with a cash consideration of US\$2,500,000.

Other than the above, there is no significant acquisition and disposal during the period and up to the date of this report.

### **CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

Tigerlily group had issued guarantee to banks for credit facilities to jointly controlled entities amounting to approximately HK\$31,716,000 as at 31st December, 2005.

Tigerlily group and its jointly controlled entities had commitments on capital expenditures for property development projects amounting to approximately HK\$1,767,494,000 and HK\$512,888,000 respectively as at 31st December, 2005.

Other than the above, there was no significant change in capital commitments and contingent liabilities compared to the position as at 31st December, 2004.

### **CAPITAL EXPENDITURE AND CHARGES ON ASSETS**

The Group had a total capital expenditure amounting to HK\$141,597,000 during the period under review.

Based on certain real estate in Mainland China, the Group secured a mortgage loan of RMB180,000,000 from a P.R.C. bank during the period under review.

Other than the above, there was no significant change in charges on assets of the Group as at 31st December, 2005 compared to the position as at 31st December, 2004.

### **EMPLOYEES**

As at 31st December, 2005, the Group has approximately 1,815 employees. The pay levels of these employees are commensurate with their responsibilities, performance and market condition. In addition, share option schemes are put in place as a longer term incentive to align interests of employees to those of shareholders.

The Group's co-operative joint venture companies in Mainland China continued to provide employment to approximately 4,000 people.