

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS AND DIVIDENDS

The net loss of the Group for the year ended 31st December 2005 is HK\$52,386,000 (2004 as restated: loss of HK\$29,016,000). The turnover of the Group for the year ended 31st December 2005 is HK\$297,638,000 (2004: HK\$259,472,000), representing an increase of approximately 14.71% over the previous year. The Group recorded a loss before taxation of HK\$59,064,000 (2004 as restated: loss before taxation of HK\$30,303,000) for the year.

The basic loss per share for the year ended 31st December 2005 is HK19.37 cents (2004 as restated: basic loss per share of HK11.05 cents).

The directors do not recommend the payment of dividend for the year ended 31st December 2005 (2004: 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 2005, the Group had available cash and bank balances of approximately HK\$20,846,000 (2004: HK\$27,038,000). The Group did not incur any bank overdraft or loan for the year 31st December 2005. No deposit was pledged by the Company for banking facilities available to the Group of HK\$25,000,000 (2004: HK\$35,000,000). The banking facilities are secured by legal charges over certain land and buildings of the Group in Hong Kong and Taiwan with an aggregate net book value of approximately HK\$14,884,000 (2004 as restated: HK\$42,507,000) as at 31st December 2005.

Funding of the Group's operations is mainly financed by internal resources. There were no borrowings from banks to the Group (2004: Nil) as at 31st December 2005.

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.

There is no change in the capital structure of the Company during the year under review.

CONTINGENT LIABILITIES

At 31st December 2005, the Company provided a corporate guarantee to a bank in respect of banking facilities of HK\$25,000,000 (2004: HK\$35,000,000) granted to a subsidiary. At 31st December 2005, none (2004: HK\$893,000) of the banking facilities was utilised.

In addition, one of the Group's subsidiary is engaged in litigation in which an amount of HK\$2,139,000 has been claimed by a constructor in respect of a construction project in Kunshan, Mainland China.

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CHARGES ON GROUP ASSETS

During the year ended 31st December 2005, certain land and buildings of the Group in Hong Kong and Taiwan with an aggregated net book value of approximately HK\$14,884,000 (2004 as restated: HK\$42,507,000) were pledged for banking facilities.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

Since essentially all of the transactions including purchases and sales of the Group are denominated in Hong Kong dollars, New Taiwan dollars, Renminbi or US dollars. In view of the stability of the exchange rates of Hong Kong dollars, New Taiwan dollars, Renminbi and US dollars, the directors consider that the Group has no significant exposure to foreign exchange fluctuation. No hedging or other arrangements to reduce the currency risk has been implemented.

SIGNIFICANT INVESTMENT

For the year ended 31st December 2005, the Group had not made significant investment.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

There were no material acquisition and disposal of subsidiaries by the Group during the year. At present, the Group has no plan for material investments.

EMPLOYEES AND REMUNERATION POLICY

As at 31st December 2005, the Group had a total of approximately 20 employees in its Hong Kong and Taiwan offices and approximately 2,700 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.