

Management Discussion and Analysis

RESULTS

For the year ended 31st December 2005, the Group recorded a turnover of HK\$1,255 million and profit attributable to shareholders of HK\$76 million as compared to HK\$588 million and HK\$81 million respectively in 2004.

DISPOSAL OF PARTIAL INTEREST IN AN ASSOCIATED COMPANY

On 16th June 2005, the Group entered into an agreement for the sale of 37 million shares in RBI Holdings Limited ("RBI") at a consideration of HK\$57,720,000. The transaction was completed in September 2005 and the Group recorded a gain on disposal of approximately HK\$2.97 million. Upon disposal, the Group's shareholding in RBI decreased from 19.95% to 11.08% and the investment in RBI was then reclassified as an available-for-sale financial asset in the financial statements.

LIQUIDITY AND FINANCIAL RESOURCES

The Group relied principally on its internal resources to fund its operations and investment activities. Bank loans will be raised occasionally to meet the different demands of our various investment projects. As at 31st December 2005, the Group had raised bank loans of approximately HK\$146 million and held approximately HK\$150 million cash reserves. The gearing ratio (total borrowings to shareholders' fund) is at the level of 13%. Investment in financial assets at fair value through income statement as at 31st December 2005 amounted to approximately HK\$80 million.

The Group's principal operations are transacted and recorded in Hong Kong dollars and Renminbi. The Group expects that Renminbi will appreciate in a stable pattern in future. The Group has no significant exposure to other foreign exchange fluctuations.

PLEDGE OF ASSETS

Certain properties and leasehold land of the Group with an aggregate net book value of approximately HK\$96 million as at 31st December 2005 (2004: HK\$109 million) as well as fixed deposits of HK\$15 million (2004: HK\$15 million) were pledged as securities against bank loans and general banking facilities amounting to HK\$45 million (2004: HK\$84 million) granted to the Group.

EMPLOYEES

As at 31st December 2005, the Group employed 1,528 staff, of which 1,438 are located in the Chinese Mainland. Employee remuneration is performance based and is reviewed annually. In addition to basic salary payments, other staff benefits include medical schemes, defined contribution provident fund schemes and employee shares option scheme. Training courses are provided to staff where necessary.