

Management Discussion and Analysis

Liquidity and Financial Resources

During the year, the Group was mainly financed by cash from operations, and cash from the ultimate holding company of the Group, Velocity International Limited.

As at 31st December, 2005, the Group's cash and bank balances amounted to approximately HK\$3.2 million while the total assets and the net assets were approximately HK\$238.0 million and HK\$80.1 million respectively. Most of the Company's bank deposits were deposited with banks as short-term deposits and denominated in either Hong Kong dollars or Renminbi, which are directly related to the Group's business in the areas of currencies concerned.

The total short term borrowings was approximately HK\$119.2 million as at 31st December, 2005 while there is no long term borrowings as at that day. The borrowings were mainly deployed for the acquisition in previous year. The Group's gearing ratio was nil (31/12/2004: nil) which is calculated based on long term borrowings and the total shareholders' fund as at 31st December, 2005.

As at 31st December, 2005, the Group's borrowings bear interest at floating rates. Since all the borrowings were denominated in Hong Kong dollars, there were no any foreign exchange risk. The Group did not enter into any material foreign exchange contracts, interest or currency swaps or other financial activities. However, the Group will continue to seek other refinancing opportunities in the market to further reduce the borrowing costs of the Group. As at 31st December, 2005, the Group did not have any committed borrowing facilities.

Borrowing requirement are not seasonal as they tend to follow the pattern of capital expenditure and investment. The Group also benefits from a steady inflow of income from its leased properties.

All the Group's borrowings are repayable within 1 year.

Number of Employees and Remuneration Policy

At the end of 2005, the Group employed a total of approximately 198 staff in Hong Kong and the PRC.

The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective individuals concerned.