

# Management Discussion and Analysis

## RESULTS

The Group recorded a loss attributed to shareholders of approximately HK\$22,736,000 for the year ended 31st December, 2005 compared with a loss attributable to shareholders of approximately HK\$21,130,000 for the corresponding period in 2004. The basic and diluted loss per share for the year was HK1.56 cents, compared with the basic and diluted loss per share HK1.52 cents for the previous year.

## LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at the balance sheet date, the Group had net current liabilities of approximately HK\$46,937,000 (2004: HK\$25,919,000) and had cash and cash equivalents of approximately HK\$3,899,000 (2004: HK\$33,618,000). During the year, the Group has not made any bank borrowings (2004: Nil).

The Group's gearing ratio was 1.51 as at 31st December, 2005 as compared with 1.17 as at 31st December, 2004. The gearing ratio is calculated by dividing total liabilities by total assets.

## TREASURY POLICIES

The business activities of the Group are mainly funded by shareholders' fund and cash generated from operating activities.

Foreign currency risk should not be significant to the Group since substantial assets and liabilities are either denominated in Hong Kong dollars or Renminbi which were quite stable during the year. No financial instruments have been employed for hedging purposes by the Group.

The Group is not exposed to significant capital market risk as the Group does not have material equity investment.

## MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year, there was no material acquisition or disposal of subsidiaries and associated companies by the Group.

## EMPLOYEES

As at 31st December, 2005, the Group employed 21 (2004: 27) staff in Hong Kong. Remuneration is reviewed annually and a discretionary bonus will be declared based on the performance of the staff.

During the year, options in respect of 31,998,000 shares of the Company were granted under the share option scheme adopted in June 2002.