

(d) Automobile axles

The Group's 51% owned sino-foreign equity joint venture (the "JV") established in the PRC, Shenyang Liao Hua Automobile Axles Company Ltd suspended its operation since July 2004 due to the local government reclaimed the land of the site of the JV for redevelopment, the production was suspended. During the period under review, this business recorded a loss of HK\$449,000 from HK\$661,000 in 2005. The Chinese partner requested a substantial expansion of the JV, the Group is still reviewing the proposal and will decide in a view of maximizing the Group's benefit and the best interest of the Group.

(e) Investment business

The Group maintained its position in locating favorable investment projects globally. During the period under review, the Group recorded net loss of HK\$10.34 million (2005: HK\$13 million) in this segment.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2006, net current liabilities of the Group were approximately HK\$96.9 million (At 31 December 2005: HK\$74.6 million). The pledged bank deposits, bank balances and cash were approximately HK\$109.7 million. (at 31 December 2005: 101.1 million) The Group has outstanding borrowings of approximately HK\$173.3 million comprising bills payable and secured bank loans of approximately HK\$165.1 million and loans from connected parties of approximately HK\$8.2 million. The bank borrowings are basically on floating interest rates basis. The Group's gearing ratio as at 30 June 2006 was 108.39%, calculated based on the Group's total liabilities, excluding deferred taxation, of HK\$358,984,000 over total assets of HK\$331,195,000.

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## HUMAN RESOURCE

The Group had approximately 650 employees at 30 June 2006. It has been the Group's policy to ensure that the remuneration of its employees are on a performance related basis within the general framework of the Group's salary and bonus system. The Group has participated in a mandatory provident fund scheme for its employees based in Hong Kong. Shares options may also be granted to eligible persons of the Group for the purpose of providing incentives to participants to contribute to the success of the Group and to enable it to recruit and retain good quality employees in the long run.

## CHARGES ON GROUP ASSETS

As at 30 June 2006 save as disclosed in the note 14: Litigations above, certain of the Group's assets with a net book value approximately of HK\$7.14 million (31 December 2005: HK\$7.1 million); bank deposits of HK\$82.8 million (31 December 2005: HK\$81.5 million) were pledged to secure the general banking facilities granted to the Group.