

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Source of Finance

As at 31 December 2006, cash on hand and bank balances totalled approximately HK\$31 million (31 December 2005: HK\$152 million); bank borrowings was approximately HK\$1,116 million (31 December 2005: HK\$173 million), of which all of them was short-term bank borrowings (31 December 2005: HK\$162 million).

Gearing Ratio

As at 31 December 2006, the Group's current ratio (current assets to current liabilities) was 0.92 (31 December 2005: 1.65) and gearing ratio (total liabilities to total assets) was 59% (31 December 2005: 25%).

Contingent Liabilities and Pledged Assets

As at 31 December 2006, there were contingent liabilities in respect of banking facilities utilised by certain subsidiaries and guaranteed by the Company amounting to approximately \$1,080,987,000 (31 December 2005: \$135,381,000).

Exchange Risk

The Group does not undertake significant transactions in a currency other than the functional currency of each entity within the Group, funds are retained by the entities within the Group for use with the respective operation. Based on this, management considers the foreign exchange exposure to be low.

Employees and Emolument Policies

As at 31 December 2006, the Group had a total of 177 employees. Remuneration packages including basic salary, bonus and benefit in kind are structured by reference to market terms, trend of human resources costs in various regions and employee's contribution based on performance appraisal. Subject to the profit for the Group and the performance of the employees, the Group may also provide discretionary bonus to its employees as an incentive for their further contribution.

Corporate Governance

The Group has complied throughout the year ended 31 December 2006 with the applicable provisions of the Code on Corporate Governance Practices (the "Code") in Appendix 14 to the Listing Rules.

Purchase, Sale or Redemption of the Company's Listed Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

Remuneration Committee

A remuneration committee of the Company (the "Remuneration Committee") was established in accordance with the requirements of the Code. The Remuneration Committee comprises three independent non-executive directors and two executive directors, of which one of the independent non-executive Directors being the chairperson of the Remuneration Committee.

Audit Committee

The Audit Committee comprises three independent non-executive directors. The Audit Committee has reviewed with the management and the external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the financial statements for the year ended 31 December 2006.

Code for Securities Transactions

During the year ended 31 December 2006, all the directors confirmed that they have met with the standards of the "Code on Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Listing Rules.