



Management Discussion and Analysis

OPERATION REVIEW

The Group's performance was in general much better than that of last year. Despite the sales decreased from HK\$1,580 million in 2005 to HK\$1,459 million in 2006, the operating profit increased from HK\$48.5 million in 2005 to HK\$77.3 million in 2006. Due to the satisfactory performance of trading operations, the operating profit margin increased from 3.1% in 2005 to 5.3% in 2006.

FINANCIAL REVIEW

As at 31st December, 2006, the Group's gearing ratio was 26% (2005: 31%) which is based on the Group's long term bank borrowings of HK\$146 million (2005: 153 million) and shareholders' equity of HK\$568 million (2005: 499 million). As at 31st December, 2006, total bank balances and cash on hand were HK\$58 million (2005: 34 million).

As at 31st December, 2006, the total bank borrowings of the Group amounted to HK\$200 million (2005: HK\$197 million) and the maturity profile of the Group's bank borrowings falling due within one year was 18% and more than one year was 82%. The Group's borrowings were denominated in HK dollars, US dollars and Renminbi.

PLEDGE OF ASSETS

As at 31st December, 2006, the Group has available but not yet utilized banking facilities amounting to approximately HK\$317 million (2005: HK\$239 million). The aforesaid utilized and available facilities were secured by the following pledged assets approximately: certain leasehold land and land use rights with aggregate book value of HK\$10.5 million (2005: HK\$10.6 million), property, plant and equipment of HK\$6 million. (2005: HK\$6.2 million), investment properties of HK\$580 million (2005: HK\$564 million).

EMPLOYEE AND REMUNERATION POLICIES

As at 31st December, 2006, the total number of employees of the Group was 118 (2005: 108) with staff costs amounting to HK\$10,607,131 (2005: HK\$8,619,268). Remuneration policies are reviewed annually by the management. Remuneration packages are structured to take into account the comparable level of the market.