

Management's Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continued to show a very good liquidity position. The current ratio of the Group was 1.49 in the year; compared with 1.52 in year 2003. The cash and cash equivalents on hand at the end of year was HK\$74,496,000, compared with HK\$48,987,000 in year 2003.

As at 31st December 2004, the Group had net tangible assets of approximately HK\$171,930,000, comprising fixed assets of approximately HK\$80,505,000, net current assets of approximately HK\$104,593,000, minority interests of approximately HK\$6,848,000 and non-current liabilities of approximately HK\$6,320,000. On the same date, the total liabilities of the Group including minority interests amounted to approximately HK\$228,097,000. Of these liabilities, the total repayable after one year amounted to approximately HK\$6,320,000. On the other hand, the total assets of the Group were HK\$400,027,000. The gearing ratio, defined as the ratio of total liabilities to total assets of the Group was approximately 0.57 (2003: 0.57).

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 31st December 2004, the Group had aggregate banking facilities of approximately HK\$465,085,000, of which approximately HK\$192,712,000 has been utilized and bear interest at prevailing market rates. The directors are confident that the Group is able to meet its operational and capital expenditure requirements.

CONTINGENT LIABILITIES

At 31st December 2004, the Group had contingent liabilities in respect of letters of guarantees given to customers and bills of exchange discounted with recourse of approximately HK\$11,934,000 and HK\$8,657,000 respectively.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

A substantial portion of the Group's revenue and purchases were denominated in foreign currencies, which are subject to exchange rate risks. The Group will use the foreign exchange received from its customers to settle payment to overseas suppliers. In the event that any material payment cannot be fully matched, the Group will enter into foreign currency forward contracts with its bankers to minimize the Group's exposure to foreign exchange rate risks.

As at 31st December 2004, the Group had commitments for foreign currency forward contracts amounting to approximately HK\$38,420,000 (2003: HK\$45,037,000).



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DETAILS OF THE CHARGES ON THE GROUP'S ASSETS

As at 31st December 2004, certain properties in Hong Kong and in Singapore with an aggregate carrying value of approximately HK\$16,000,000 (2003: HK\$55,170,000) have been pledged to secure the banking facilities of the Group by way of a fixed charge.

EMPLOYEES

As at 31st December 2004, the Group had 341 employees (2003: 286), of whom 164 were based in Hong Kong, 154 were based in mainland China, and the remaining 23 were based in other offices around Asia. Competitive remuneration packages were structured to commensurate with our employees' individual job duties, qualifications, performance and years of experience. In addition to basic salaries, MPF contributions and ORSO contributions, the Group offered staff benefits including medical schemes, educational subsidies, discretionary performance bonuses and share options.

A share option scheme was adopted by the Company on 17th June 2003 for a period of 10 years for employees and other eligible participants so as to provide incentive and reward for their continued contributions to the Group.

