

# 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 1.27 at the year ended 2005; compared with 1.49 at the year ended 2004. The cash and bank overdrafts at the end of year were HK\$31,827,000, compared with HK\$74,496,000 in year 2004.

As at 31st December 2005, the Group had net tangible assets of approximately HK\$211,149,000, comprising non-current assets of approximately HK\$109,019,000, net current assets of approximately \$109,317,000, and non-current liabilities of approximately HK\$7,187,000. On the same date, the total liabilities of the Group amounted to approximately HK\$407,270,000. Of these liabilities, the total repayable after one year amounted to approximately HK\$7,187,000. On the other hand, the total assets of the Group were HK\$618,419,000. The gearing ratio, defined as the ratio of total liabilities to total assets of the Group, was approximately 0.66 (2004: 0.55).

The Group generally finances its operations with internally generated resources and banking facilities provided by banks. As at 31st December 2005, the Group had aggregate banking facilities of approximately HK\$798,464,000, of which approximately HK\$366,411,000 has been utilised, bearing 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 2005, the Group had contingent liabilities in respect of letters of guarantees given to customers of approximately HK\$8,850,000 (2004: HK\$11,934,000) and there were no bills of exchange discounted with recourse (2004: HK\$8,657,000).

## EXPOSURE OF FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

A substantial portion of the Group's sales 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 minimise the Group's exposure to foreign exchange rate risks.

As at 31st December 2005, the Group had commitments for foreign currency forward contracts amounting to approximately HK\$98,922,000 (2004: HK\$38,420,000).

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## DETAILS OF THE CHARGES ON THE GROUP'S ASSETS

As at 31st December 2005, certain leasehold land, buildings and pledged bank deposits in Hong Kong and Singapore with an aggregate carrying value of approximately HK\$90,929,000 (2004: HK\$16,000,000) have been pledged to secure the banking facilities of the Group by way of a fixed charge.

## EMPLOYEES

As at 31st December 2005, the Group had 482 employees (2004: 341). Of these, 182 were based in Hong Kong, 274 were based in mainland China, and 26 were based in other offices around Asia. Competitive remuneration packages were structured to be 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 incentives and rewards for their continued contributions to the Group.