

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The Group recorded a net cash outflow of approximately HK\$8,233,000 during the year. At 31 March 2006, cash and bank balances of the Group amounted to approximately HK\$10,530,000 (2005: HK\$18,707,000). Bank and other borrowings of the Group as at the same date amounted to approximately HK\$4,560,000 (2005: HK\$4,465,000), which are repayable within one year.

The Group's bank and other borrowings were denominated as to 100% in Renminbi. The Group conducted most of its business in Renminbi, United States dollars and Hong Kong dollars so that it does not have any significant exposure to foreign exchange fluctuation.

Shareholders' equity is HK\$65,479,000 (2005: HK\$84,600,000), representing a decrease of 22.6% over last year.

The Group's gearing ratio, expressed as the percentage of the Group's total borrowings over shareholders' equity, was approximately 6.96%.

EMPLOYEE INFORMATION

At 31 March 2006, the total number of employees of the Group was approximately 265 (2005: 295). Employees are basically remunerated based on the nature of their job and their performance as well as prevailing market trend. Year-end discretionary bonus would be granted to reward and motivate those well-performed employees. The Company also adopted a share option scheme in November 2003 to reward employees of the Group for their contributions to the Company.

CHARGES ON GROUP ASSETS

At 31 March 2006, the Group pledged certain assets including land and buildings with an aggregate net book value of HK\$7,436,000 (2005: HK\$7,451,000) to secure the general banking facilities and bank loans granted to the Group.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

At 31 March 2006, the Group had outstanding capital commitments amounting to HK\$9,363,000 (2005: HK\$32,868,000).

The Purported Guarantee (as defined under note 29 to the financial statements) has been treated by the directors of the Company on the ground of prudence as a contingent liability in the Company's financial statements.

LITIGATION

Details of the litigation of the Company are set out in note 29 to the financial statements.