

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue of the Group for the year ended 31 December 2006 was HK\$3,396,237,000 and net profit before tax was HK\$114,449,000.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2006, the Group had total assets of HK\$1,255,168,000 which were financed by shareholders' funds of HK\$656,963,000, minority interests of HK\$792,000 and total liabilities of HK\$597,413,000. The Group had a current ratio of approximately 1.71 as compared to that of approximately 1.74 at 31 December 2005.

As at 31 December 2006, the Group had HK\$170,956,000 bank balances and cash of which HK\$18,828,000 was pledged to banks to secure banking facilities in the ordinary course of business. The Group's working capital requirements were mainly financed by internal resources and short-term borrowings. As at 31 December 2006, the Group had HK\$38,084,000 short term bank borrowings. The Group's borrowings were mainly denominated in Malaysia Ringgit and Singapore dollars and were charged by banks at floating interest rates.

The Group continued to sustain a good liquidity position. At the end of December 2006, the Group had a net cash surplus (bank balances and cash, including pledged bank deposits less bank borrowings) of HK\$132,872,000 compared to HK\$55,532,000 in 2005.

Gearing ratio, as defined by total bank loans and bank overdrafts to shareholders' funds, as at 31 December 2006 was 5.8% compared to 10% as at 31 December 2005.

CHARGES ON GROUP ASSETS

At the balance sheet date, the Group had pledged bank deposits of HK\$18,828,000 (2005: HK\$17,020,000) and an investment property of net book value of HK\$40,000,000 (2005: HK\$40,000,000) to banks to secure general banking facilities granted to subsidiaries.

NUMBER AND REMUNERATION OF EMPLOYEES, REMUNERATION POLICIES, BONUS AND SHARE OPTION SCHEMES

The number of staff of the Group as at 31 December 2006 was 283 and the salary and other benefits paid to employees, excluding Directors' emoluments amounted to HK\$58,771,000 (2005: HK\$52,329,000). In addition to the contributory provident fund and medical insurance, the Company adopts share option scheme and may grant shares to eligible employees of the Group. The Directors believe that the Company's share option schemes could create more incentives and benefits for the employees and therefore increase employees' productivity and contribution to the Group. The Group's remuneration policy is to relate performance with compensation. The Group's salary and discretionary bonus system is reviewed annually. There are no significant changes in staff remuneration policies from last year.

CURRENCY RISK MANAGEMENT

The Group maintains a conservation approach on foreign exchange exposure management. There are no significant changes in strategies to hedge against exposure to fluctuations in exchange rates from last year end date.

CONTINGENT LIABILITIES

The Company's corporate guarantees extended to certain banks and vendors as security for banking facilities and goods supplied to the Group amounted to HK\$250,155,000 (2005: HK\$248,364,000).