

Management Discussion and Analysis

RESULTS

- The Group recorded a turnover of HK\$887,153,000 for the year ended 31 December 2006, representing a decrease of 0.9% as compared to the same period last year.
- Gross profit and gross profit margin of the Group recorded were HK\$95,890,000 and 10.8%, representing a decrease of HK\$23,753,000 and a decrease of 2.6% respectively as compared to the same period last year.
- Loss for the year was HK\$42,695,000, as compared to a profit of HK\$19,988,000 for the same period last year.
- Basic loss per share was 6.3 HK cents, as compared to earnings per share of 3.0 HK cents for the same period last year.
- The Board of Directors do not propose any payment of dividend for the year.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group finances its operations from internally generated cash flows, term loans and trade finance facilities provided by banks in Hong Kong and the PRC. At 31 December 2006, the Group had bank balances and cash and pledged bank deposits of approximately HK\$59,961,000 (31.12.2005: HK\$81,454,000) and had interest-bearing bank borrowings of approximately HK\$293,502,000 (31.12.2005: HK\$338,601,000). The Group's interest-bearing bank borrowings was mainly computed at Hong Kong Inter-Bank Offering Rate plus a margin. The Group's total banking facilities available as at 31 December 2006 amounted to HK\$739,647,000; of which HK\$347,003,000 of the banking facilities was utilised (utilisation rate was at 46.9%).

The Group continued to conduct its business transactions principally in Hong Kong dollars, US dollars and Renminbi. The Group's exposure to the foreign exchange fluctuations has not experienced any material difficulties in the operations or liquidity as a result of fluctuations in currency exchange.

At 31 December 2006, the Group had current assets of approximately HK\$511,476,000 (31.12.2005: HK\$548,684,000). The Group's current ratio was approximately 1.1 as at 31 December 2006 as compared with approximately 1.34 as at 31 December 2005. Total shareholders' funds of the Group as at 31 December 2006 decreased by 0.48% to HK\$817,419,000 (31.12.2005: HK\$821,328,000). The gearing ratio (measured as total liabilities/total shareholders' funds) of the Group as at 31 December 2006 was 0.61 (31.12.2005: 0.64).

CHARGES ON ASSETS

Certain leasehold land and buildings, investment properties, prepaid lease payments, properties held for sale, non-current assets classified as held for sale and bank deposits with an aggregate carrying value of HK\$167,054,000 were pledged to banks for general banking facilities granted to the Group.

STAFF AND EMPLOYMENT

At 31 December 2006, the Group employed a total workforce of about 3,650 (31.12.2005: 4,560) including 280 permanent staff and 3,370 contracted staff in our factories located in the PRC. The total staff remuneration incurred during the year was HK\$86,993,000 (31.12.2005: HK\$86,695,000). It is the Group's policy to review its employee's pay levels and performance bonus system regularly to ensure that the remuneration policy is competitive within the relevant industries. It is the Group's policy to encourage its subsidiaries to send the management and staff to attend training classes or seminars that related to the Group's business. Tailor made internal training program was also provided to staff in our PRC factories.