

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

At the end of December 2004, the consolidated indebtedness of the Group, including short-term borrowings of HK\$36,583,000, was HK\$50,842,000. All of the borrowings are denominated in Hong Kong dollars. The cash and bank deposits amounted to HK\$8,634,000.

The Group's trade receivables balance was HK\$67,523,000, representing 22% of the year's turnover of HK\$303,143,000. The Group adopted a stringent credit policy to minimize credit risk. The interest coverage ratio was 8.0 times as compared to 12.1 times in 2003.

Capital Structure

As at 31st December 2004, the consolidated shareholders' equity of the Group was HK\$166,235,000, an increase of 22.9% over that of the previous year. The debt to equity ratio, calculated by dividing total liabilities to shareholders' equity, was approximately 66%.

Pledge of Assets

As at 31st December 2004, the Group's banking facilities amounting to approximately HK\$71,800,000 were secured by legal charges over certain land and buildings of the Group with a total net book value of HK\$52,500,000 and corporate guarantees given by the Company.

Employees' Remuneration Policy

As at 31st December 2004, the Group employed approximately 1,900 full time management, administrative and production staff in Hong Kong and Mainland China. The Group follows market practice on remuneration packages. Employee's remuneration is reviewed and determined by senior management annually depending on the employee's performance, experience and industry practice. The Group invests in its human capital, besides providing on the job training for workers, the Group reimburses the staff for fees paid to attend pre-approved external business courses or seminars.