

MANAGEMENT'S DISCUSSION AND ANALYSIS

Liquidity and Financial Condition

The Group generally finances its operations with internally generated cash flow. As at 31 December 2000, the Group had cash and bank balances of a total amount of approximately HK\$20 million. The Group has consistently maintained a strong working capital during the year. As at 31 December 2000, the Group had no outstanding borrowings.

Significant Investments and Acquisitions

During the year the Group acquired a 40% shareholding of Integrated Solutions Limited ("ISL") for a consideration of HK\$8 million. The consideration was satisfied by allotment and issue of 8,000,000 new ordinary shares of the Company at HK\$0.50 each and a cash payment of HK\$4 million.

ISL has been a manufacturing software applications developer since 1985. Apart from its Hong Kong head office, ISL also operates a support centre in Shenzhen, PRC. ISL is actively involved in the computerisation of Hong Kong manufacturing industry.

In addition, the Group has made a strategic investment in AcrossAsia Multimedia Limited, a company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (Stock Exchange). As at 31 December 2000, the carrying value of the aforesaid investment amounted to approximately HK\$7 million.

Employees

The Group, including its subsidiaries but excluding associated companies, employed approximately 30 employees at the year end date. Staff cost (including directors' emoluments) amounted to approximately HK\$4,582,000 (1999 : HK\$6,270,000) for the year ended 31 December 2000. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system. Under the Company's share option scheme, the Directors may at their discretion grant options to Executive Directors and full time employees of the Company and its subsidiaries to subscribe for shares in the Company. There was no option outstanding at any time during the year.