

## LIQUIDITY AND FINANCIAL RESOURCES

As a result of the restructuring plan, the financial position of the Group has improved significantly during the year under review.

The Group's cash and bank balances increased by HK\$122.1 million to HK\$128.6 million, of which 80% were denominated in RMB and 19% were denominated in HKD. The Group's interest bearing borrowings reduced by HK\$70.3 million to HK\$95.4 million, of which 49% were denominated in RMB, 25% were denominated in USD, 18% were denominated in HKD and 8% were denominated in SGD. The Group's exposure to exchange fluctuation is insignificant. Out of the Group's borrowings, HK\$85.4 million were repayable on demand or within one year, HK\$24.8 million were secured by mortgages over certain of the Group's properties and HK\$47.2 million were secured by a guarantee given by a fellow subsidiary.

Based on the shareholders' equity of HK\$383.1 million and HK\$24.2 million as at 31 December 2001 and 2000 respectively, the Group's gearing ratio reduced significantly to 25% from 684%. The Group's liquidity ratio, calculated at current assets over total liabilities, increased from 22% to 132%. Management is comfortable that the Group's existing working capital position and financial resources will be sufficient for its funding requirements for the coming year. Should future investment opportunities arise requiring additional funds, management also believes that the Group is in a good position to raise such funds on favourable terms.

During the year ended 31 December 2001, the Group's capital expenditure totalling HK\$11.3 million was funded from the Group's internal resources. The Group has no material capital commitments or contingent liabilities outstanding as at 31 December 2001.

## HUMAN RESOURCES

As at 31 December 2001, the Company and its subsidiaries employed approximately 935 (31 December 2000: 445) full-time employees, of which 23 were employed in Hong Kong. For the year ended 31 December 2001, staff costs (including directors' remuneration) amounted to HK\$34 million, representing an increase of 15% compared with the prior year of HK\$29.7 million and 40% of the Group's total general operating expenses.

The Company operates a share option scheme ("Scheme") to give executives and key employees of the Company and its subsidiaries an interest in preserving and maximising shareholder value in the longer term, to enable the Company and the relevant subsidiaries to attract and retain individuals with experience and ability and to reward individuals for future performance.

On 19 June 2001, the board of directors of the Company granted a total of 15,200,000 share options at an exercise price of HK\$1.13 per share to the executive directors of the Company and employees of the Group, representing 3.4% of the Company's shares in issue as at 31 December 2001. The options can be exercised in 2 or 3 equal portions. The first portion is exercisable on or after 1 January 2002, and each further portion becomes exercisable on 1 January in each of the following years. All of the options, if not otherwise exercised, will lapse on 26 June 2006.