



MANAGEMENT DISCUSSION AND ANALYSIS

Results

Profit attributable to shareholders for the six months ended 30th June 2002 was HK\$33 million, a decrease of 27% over the same period in 2001. Basic earnings per share decreased to HK2.92 cents, down 28%.

Turnover of the Group for the period under review decreased by 56% to HK\$80 million as compared to HK\$183 million for the same period last year.

Liquidity and financial resources

The Group relied principally on its internal resources to fund its operation and investment activities. As at 30th June 2002, the Group has a strong financial position with approximately HK\$294 million cash reserves and a gearing ratio (total liabilities excluding minority interests to shareholders' fund) of 6%. Investment in marketable securities as at 30th June 2002 amounted to approximately HK\$29 million.

The Group's principal operations are transacted and recorded in Hong Kong dollars and Renminbi.

The Group has no significant exposure to foreign exchange fluctuations.

Employees

As at 30th June 2002, the Group employed 478 staff (30th June 2001: 489), of which 407 are located in Chinese Mainland. Employee remuneration is performance based and is reviewed annually. In addition to basic salary payments, other staff benefits include medical schemes, defined contribution provident fund schemes and employee shares option scheme. Training courses are provided to staff where necessary. The staff cost for the six months ended 30th June 2002 amounted to approximately HK\$24 million.



Pledge of assets

Certain properties of the Group with an aggregate net book value of approximately HK\$94 million as at 30th June 2002 (31st December 2001: HK\$95 million) as well as fixed deposits of HK\$15 million (31st December 2001: HK\$15 million) were pledged as securities against bank loans and general banking facilities amounting to HK\$120 million (31st December 2001: HK\$120 million) granted to the Group.

SHARE OPTIONS

On 24th May 2002, the shareholders of the Company approved the termination of the 1994 share option scheme and the adoption of a new scheme ("Scheme") to comply with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The purpose of the Scheme is to assist in recruiting, retaining and motivating key staff. Under the terms of the Scheme, the directors have the discretion to grant to employees and directors of any member of the Group to subscribe for shares in the Company.

Details of share options granted under the Scheme and remain outstanding as at 30th June 2002 are as follows:-

	Options held at 1st January 2002	Options lapsed during the period	Options held at 30th June 2002	Exercise price HK\$	Date of grant	Exercise period
Directors:-						
Lao Yuan Yi	7,338,100	-	7,338,100	0.342	26/09/1995	26/03/1996-07/10/2005
	5,503,900	-	5,503,900	0.318	11/07/1996	11/01/1997-15/07/2006
	10,000,000	-	10,000,000	0.816	01/11/1997	01/05/1998-12/11/2007
Xin Shulin,	2,534,980	-	2,534,980	0.453	26/01/1995	26/07/1995-09/02/2005
Steve	838,640	-	838,640	0.318	11/07/1996	11/01/1997-15/07/2006
	2,500,000	-	2,500,000	0.816	01/11/1997	01/05/1998-12/11/2007
	4,464,000	-	4,464,000	0.283	08/07/1998	08/01/1999-15/07/2008
Yeung Wai Kin	2,401,560	-	2,401,560	0.453	26/01/1995	26/07/1995-09/02/2005
	1,494,304	-	1,494,304	0.318	11/07/1996	11/01/1997-15/07/2006
	2,500,000	-	2,500,000	0.816	01/11/1997	01/05/1998-12/11/2007
	6,980,000	-	6,980,000	0.283	08/07/1998	08/01/1999-15/07/2008