

Financial Review and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to follow the practice of prudent financial strategy during the period under review. As at 30 June 2002, the Group had total assets of HK\$567 million, which were financed by total liabilities of HK\$163.2 million, minority interests of HK\$17.5 million and shareholders' funds of HK\$386.3 million (31 December 2001: HK\$383.1 million). The Group's net asset value amounted to HK\$0.87 per share (31 December 2001: HK\$0.86 per share).

As at 30 June 2002, the Group had a current ratio (current assets over current liabilities) of 1.5 compared to that of 1.45 as at 31 December 2001. The gearing ratio, calculated on the basis of the Group's aggregate interest bearing borrowings over shareholders' funds, decreased from 0.25 as at 31 December 2001 to 0.2 as at 30 June 2002. The earnings before interest expense, taxation, depreciation and amortization of HK\$18.3 million covered gross interest expenses of HK\$2.5 million for the period under review 7.28 times, compared to that of 3 times for the year ended 31 December 2001.

The management is comfortable that the Group's existing healthy capital position can provide sufficient financial resources for its funding requirements. Should investment opportunities arise requiring additional funds, the management also believes that the Group is in a good position to obtain additional funds on favourable terms.

As at 30 June 2002, the Group's cash and bank balances amounted to HK\$44.7 million (31 December 2001: HK\$123.5 million). The Group's borrowings, principally on a floating rate basis, totalled HK\$77.2 million (31 December 2001: HK\$95.4 million), of which 29% were denominated in Hong Kong dollar, 61% in Renminbi and 10% in other currencies. The non-Hong Kong dollar denominated loans are either directly related to the Group's businesses in the countries of the currencies concerned, or the loans are balanced by assets in the same currencies.

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As at 30 June 2002, certain properties of the Group with an aggregate carrying value of HK\$72.2 million, with no significant change from last year end date, were pledged as securities for the Group's banking facilities.

The management aims at deploying the Group's resources effectively and practically to achieve the best use of funds. The Group's capital expenditures for the period under review totalled HK\$14.9 million were funded primarily from cash generated from operations and internal resources. The Group has no material capital commitments or contingent liabilities outstanding as at the period end date.

HUMAN RESOURCES

Following the expansion of the Group's business operation, the number of full-time employees employed by the Company and its subsidiaries increased from 400 as at 30 June 2001 to 1,040 as at 30 June 2002. The Group's total employees' cost (including directors' remuneration) for the six months ended 30 June 2002 and 2001 amounted to approximately HK\$27 million and HK\$16.3 million, respectively, both representing 40% of the Group's total operating expenses for those periods.

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. The Group has established a share option scheme to reward its eligible employees (including executive directors of the Company) for their individual performances, to attract and retain a high caliber of capable and motivated workforce.

During the period under review, 23,700,000 share options were granted at an exercise price of HK\$1 per share and no share options were exercised. As at the period end date, a total of 38,900,000 share options were still outstanding.