

Management Discussion and Analysis

FINANCIAL RESOURCES

As at the balance sheet date, the Group had total assets of HK\$700 million, which were financed by total liabilities of HK\$274 million, minority interests of HK\$29 million and shareholders' funds of HK\$397 million. The Group's net asset value increased by 3.6% to HK\$0.89 per share.

As at the balance sheet date, the Group maintained a healthy cash and bank balance of HK\$114 million. The Group's borrowings, principally on a floating rate basis, totalled HK\$154 million, of which HK\$93 million were due within one year. The Group's exposure to exchange fluctuations is insignificant as over 93% of the Group's borrowings were denominated in either Renminbi or United States Dollars. Certain properties of the Group with an aggregate carrying value of HK\$70 million were pledged as securities for the Group's banking facilities.

As at 31 December 2002, the Group had a current ratio (current assets over current liabilities) of 2.01 compared to that of 1.45 as at 31 December 2001. As at 31 December 2002, the gearing ratio, calculated on the basis of the Group's aggregate interest bearing borrowings over shareholders' funds, increased to 0.39 as compared to 0.25 as at 31 December 2001. The earnings before interest expenses, taxation, depreciation and amortisation for the year under review of HK\$46.8 million covered gross interest expenses of HK\$5.4 million by 8.7 times, compared to that of 2.5 times for the prior year.

HUMAN RESOURCES

The Group employed 986 full-time employees as at 31 December 2002. Total staff costs (including directors' remuneration) for the year ended 31 December 2002 amounted to HK\$60.6 million, representing 42% of the Group's total selling, distribution and administrative expenses, or an increase of 78% compared with the prior year of HK\$34 million.

During the year under review, 23.7 million share options were granted at an exercise price of HK\$1 per share to certain executive directors of the Company and employees of the Group. No share options were exercised during the year and the Company had 38.9 million share options outstanding at balance sheet date.