

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Prospects *(Continued)*

“Low-cost production” is the core competence of Geely Holding whilst having launched a total of five models of sedans developed by in-house research institute and the proposed launch of three models co-developed with three world-famous automobile corporations, Geely Holding will surely be recognised as the well-developed automobile research and development institute in the PRC domestic automobile market.

Pursuant to the terms of the JV Agreement signed with Geely Holding, the Group has the priority to gradually acquire or invest in other production facilities, engine and gearbox plants, research and development institutes, sales and after-sales service network of Geely Holding in the next two years.

Looking ahead, the investments in the JV Company will enable the Group to enjoy the growth potential in the PRC automobile industry and market. As such, the Group will seize the vast development opportunities of the PRC automobile market by continuing and even expanding the automobile manufacturing business. Having the first batch of “Geely Merrie” sedans exported to the overseas markets on an experimental basis, the Board believes that the value-for-money products of “Geely” brand will excel both in the prosperous domestic market and the overseas markets. The existing JV Company and the future possible acquisition opportunities is expected to have greater profit contributions to the Group and will correspondingly increase shareholders’ return.

LIQUIDITY AND CAPITAL STRUCTURE

As at 30 June 2003, the Group’s bank balances and cash amounted to approximately HK\$6,436,000 (31 December 2002: HK\$2,523,000.) Total bank borrowings amounted to approximately HK\$2,253,000 (31 December 2002: HK\$2,345,000), out of which HK\$1,129,000 (31 December 2002: HK\$1,220,000) was classified as non-current liabilities.