



Liquidity and Financial Resources

At the end of December 2003, the consolidated indebtedness of the Group, including short-term borrowings of HK\$16,142,000, was HK\$23,076,000. All of the borrowings are denominated in Hong Kong dollars. The cash and bank deposits amounted to HK\$6,793,000.

The Group's trade receivables balance was HK\$46,476,000, representing 19% of the year's turnover of HK\$238,928,000. The Group adopted a stringent credit policy to minimize credit risk. Reduced level of trade receivable has helped to mitigate the risk of bad debts, strengthen liquidity, and reduce interest expenses. The percentage of doubtful debts was only 1% of trade receivables. The interest coverage ratio was 12.1 times as compared to 7.9 times in 2002.

Capital Structure

As at 31st December 2003, the consolidated shareholders' equity of the Group was HK\$135,287,000, an increase of 11.9% over that of the previous year. The debt to equity ratio, calculated by dividing Total Liabilities to Shareholders' Equity, was approximately 49%.

Pledge of Assets

As 31st December 2003, the Group's banking facilities amounting to approximately HK\$80 million (2002: HK\$75 million) were secured by legal charges over certain land and buildings of the Group with a total net book value of HK\$36,000,000 (2002: HK\$34,753,000) and corporate guarantees given by the Company.

Employees' Remuneration Policy

As at 31st December 2003, the Group employed approximately 1,600 full time management, administrative and production staff in Hong Kong and the PRC. The Group follows market practice on remuneration packages. Employee's remuneration is reviewed and determined by senior management annually depending on the employee's performance, experience and industry practice. The Group invests in its human capital, besides providing on the job training for workers, the Group reimburses the staff for fees paid to attend pre-approved external business courses or seminars.