

# Management Discussion and Analysis

## RESULTS

For the year ended 31st December 2003, the Group recorded a turnover of HK\$281 million and profit attributable to shareholders of HK\$94 million as compared to HK\$172 million and HK\$49 million respectively in 2002. Basic earnings per share increased from HK4.35 cents in 2002 to HK8.00 cents in 2003 up by 84%.

## MAJOR ACQUISITIONS

In July 2003, the Group acquired an additional 6.88% equity interest in Geoby International Holdings Limited ("Geoby"), the immediate holding company of Goodbaby Child Products Company Limited ("Goodbaby") at a cash consideration of approximately US\$3.8 million. After the acquisition, the Company has 63.83% shareholding in Geoby and which representing 49.5% effective equity interest in Goodbaby.

In December 2003, the Group acquired an additional 32% equity interest in Betung at a cash consideration of HK\$11.7 million. After the completion, the Group has 73% shareholding in Betung.

## DISPOSAL OF OTHER INVESTMENTS AND CERTAIN INTEREST IN AN ASSOCIATE COMPANY

In June 2003, the Group disposed of approximately 5% equity interest in RBI to realise part of return on this investment at a consideration of HK\$41 million. A gain on disposal of approximately HK\$6 million was achieved. After the disposal, the Group holds approximately 20% equity interest in RBI.

In December 2003, the Group disposed of its 40% interest in BonVision Technology Limited, a company engaged in sales of software and providing IT consultancy services. The proceed and gain on this disposal amounted to HK\$19.5 million and HK\$13.3 million respectively.

## LIQUIDITY AND FINANCIAL RESOURCES

Principally the operation and investment activities of the Group were financed by internal resources. However, the demand for margin loan from our securities clients raised substantially for various IPO activities in the 4th quarter of 2003, bank loans amounted to HK\$120 million were borrowed to meet clients' sudden needs. The Group's principal operations are mainly transacted and recorded in Hong Kong dollars and Renminbi. As at 31st December 2003, the Group had cash and bank balances of approximately HK\$310 million, investment in marketable securities of HK\$28 million and a gearing ratio (total liabilities (including accounts payable arised from stockbrokerage transactions and bank loans for financing client margin loans as mentioned above) excluding minority interest to shareholders' funds) of 33%. The gearing ratio was reduced after the year end as a result of the decrease in margin loan portfolio and stockbrokerage turnover. The Group's deposits are placed with our principal bankers at competitive time deposit interest rate.

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### PLEDGE OF ASSETS

Certain properties of the Group with an aggregate net book value of approximately HK\$102 million as at 31st December 2003 (2002 : HK\$93 million) as well as fixed deposits of HK\$15 million (2002 : HK\$15 million) were pledged as securities against bank loans and general banking facilities amounting to HK\$129 million (2002 : HK\$120 million) granted to the Group.

Investment securities amount to HK\$7.5 million was pledged as securities against a short term bank loan of HK\$70 million.

### EMPLOYEES

As at 31st December 2003, the Group employed 1,591 staff, of which 1,505 are located in the 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.