

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESOURCES

As at the balance sheet date, the Group had total assets of HK\$842.3 million, which were financed by total liabilities of HK\$316.5 million, minority interests of HK\$63.6 million and shareholders' funds of HK\$462.2 million. The Group's net asset value increased by 16% to HK\$0.94 per share.

As at the balance sheet date, the Group maintained a healthy cash and bank balance of HK\$90.3 million. The Group's borrowings, principally on a floating rate basis, totalled HK\$155.9 million, of which HK\$112.7 million were due within one year. The Group's exposure to exchange fluctuations is insignificant as over 94% 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\$68.5 million were pledged as securities for the Group's banking facilities.

As at 31 December 2003, the Group had a current ratio (current assets over current liabilities) of 1.64 compared to that of 1.96 as at 31 December 2002. As at 31 December 2003, the gearing ratio, calculated on the basis of the Group's aggregate interest bearing borrowings over shareholders' funds, decreased to 0.34 as compared to 0.39 as at 31 December 2002.

HUMAN RESOURCES

The Group employed 1,452 full-time employees as at 31 December 2003. Total staff costs (including directors' remuneration) for the year ended 31 December 2003 amounted to HK\$68.5 million, representing 42% of the Group's total selling, distribution and administrative expenses, or an increase of 12% compared with the prior year of HK\$61.3 million.

During the year under review, 2.8 million share options were granted at an exercise price of HK\$1.05 per share to a director of the Company. No share options were exercised during the year and the Company had 33.9 million share options outstanding at the balance sheet date.