

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES, AND EXPOSURE TO EXCHANGE RATE FLUCTUATION

As at 31st December 2003, the Group held cash deposits totalling HK\$16.4 million, an increase of HK\$12.2 million compared with that of 31st December 2002, which was mainly from the raising of approximately HK\$14.5 million by the issuing of 500,000,000 new ordinary shares of the Company to public investors. A current ratio of 1.22 and a gearing ratio, representing long term liabilities to net worth, of 0.16 as at 31st December 2003 were slightly improved as compared to 1.18 and 0.18 as at 31st December 2002.

In addition to the internal generated cash flows and capital raising, the Group also made use of short-term borrowings to finance its operations during the year. All borrowings during the year were based on market interest rate. The short-term borrowings were secured against certain shares of an associated company. The Group had no long-term bank loan and no bank overdrafts outstanding as at year end.

There were no significant exposure to foreign currency fluctuation. The Group will continue to rely mainly on the internal generated cash flows and borrowings to fund its operation. The Group will also rely on the realization of its assets or capital raising.

SIGNIFICANT INVESTMENTS HELD

There was no change in significant investments held during the year. The Group has not acquired or disposed of any material assets during the year.

NUMBER AND REMUNERATION OF EMPLOYEES, REMUNERATION POLICIES, BONUS AND SHARE OPTION SCHEMES AND TRAINING SCHEMES

As at 31st December 2003, the Group employed a total of 6 full-time employees in Hong Kong and a work force of about 25 in the PRC. The Group operates different remuneration schemes for sales and non-sales employees. Sales personnel are remunerated on the basis of on-target-earning packages comprising salary and sales commission. Non-sales personnel including engineering and product development staff are remunerated by monthly salary which are reviewed by the Group from time to time and adjusted based on performance. In addition to salaries, the Group provides staff benefits including medical insurance, contribution to staff provident fund and discretionary training subsidies. Share options and bonuses are also available at the discretion of the Group and depending on the performance of the Group.

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PENDING LITIGATION AND CONTINGENT LIABILITIES

At 31st December 2003, the Group had a pending litigation and the details of which have been disclosed in note 31 to the accounts. Save for this, the Group had no other material contingent liabilities outstanding as at the year end.