

Management Discussion and Analysis

CAPITAL STRUCTURE AND LIQUIDITY

At 31st March 2004, the Group had a net cash balance of HK\$58.6 million (2003: HK\$37.1 million) after deducting a bank overdraft of HK\$Nil (2003: HK\$34,000). Most of the funds were held in Hong Kong dollars, Renminbi and United States dollars. Meanwhile, the Group had a very low level of debt. At 31st March 2004, the Group achieved a current ratio of 9.9 (2003: 14.3) and a gearing ratio of zero (2003: zero) (non-current liabilities to shareholders' fund plus non-current liabilities).

The total shareholders' fund of the Group as at 31st March 2004 increased to approximately HK\$163.2 million (2003: HK\$157.0 million) after deducting minority interests of HK\$128.6 million (2003: HK\$118.7 million).

FUNDING POLICY

The Group's transactions and the monetary assets are principally denominated in Hong Kong dollars, Renminbi or United States dollars. As a result, the directors believe that it has minimal exposure to foreign exchange risk.

CHARGE ON GROUP ASSETS

At 31st March 2004, the Group had a bank deposit of approximately HK\$7.8 million charged for general banking facilities.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Other than a guarantee given to a supplier of a subsidiary for trade credit granted, at 31st March 2004, the Group had no capital commitments as well as material contingent liabilities.

EMPLOYEES

The Group had a workforce of approximately 600 people. Salaries of employees are maintained at competitive level and are performance driven.

MANAGEMENT

Details of the changes of directors of the Company are set out in the Directors' Report.

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AUDIT COMMITTEE

The Audit Committee consists of two independent non-executive directors. The principal activities of the Audit Committee include the review of the Group's internal control and financial reporting matters which include the review of unaudited interim financial statements and audited annual results.

The Audit Committee held two meetings during the year with the executive directors and external auditors to consider the nature and scope of audit.