

Management Discussion and Analysis

Liquidity, financial resources and funding

As at 31st December 2004, the Group had bank balances and cash of HK\$405,823,000, whilst bank loans and overdrafts amounted to HK\$55,583,000. The Group's bank loans were secured by certain investment properties and other properties held by the Group with a total net book value of HK\$185,950,000 and with maturity profile set out as follows:

Repayable	<i>HK\$'000</i>
Within 1 year	24,459
After 1 year but within 2 years	11,737
After 2 years but within 5 years	8,669
Over 5 years	10,718

The Group had unutilised banking facilities amounting to HK\$168,263,000 from various banks. The Group's bank balances and cash are deposited in Hong Kong Dollars and United States Dollars, and the Group's borrowings are in Hong Kong Dollars. Therefore the directors consider there is no significant exposure to foreign exchange rate fluctuation. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

As at 31st December 2004, the gearing ratio of the Group was 7%. The gearing ratio is computed on the basis of total bank borrowings divided by the Shareholders' funds of the Group.

The directors are of the view that there are sufficient financial resources to satisfy its capital commitments and on-going working capital requirements.

Acquisition and investment

During the period from January to February 2004, the Company further acquired 66,258,000 shares of Chun Wo Holdings Limited ("Chun Wo"), a company incorporated in Bermuda and listed on the Stock Exchange for a total consideration including expenses of HK\$72,443,244. In October 2004, the Company disposed of an aggregate of 21,174,000 shares of Chun Wo for an aggregate consideration of HK\$26,827,480. As at 31st December 2004, the Group held in aggregate 52,748,000 shares of Chun Wo, representing approximately 7.19% of issued capital of Chun Wo.

Contingent liabilities

The Company executed corporate guarantees as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries. In addition, the Company guaranteed the payment of operating lease rentals in respect of certain premises for its wholly-owned subsidiaries.

Human Resources

As at 31st December 2004, the Group employed 5,685 full time employees of which 5,018 were sales agents and 667 were back office supporting employees. 4,095 employees were based in Hong Kong and 1,590 were located in the Mainland China and Macau.

Management Discussion and Analysis

Human Resources *(continued)*

The Group provides remuneration package to employees largely based on industry practice, individual performance, qualification and experience. In addition, discretionary bonus, profit sharing and share option may be granted to eligible staff by reference to the Group's performance and individual performance. The Group also provides other benefits to its employees such as education subsidies, medical and retirement benefits for both the directors and employees. On staff development, both in-house and external training and development programmes are conducted on a regular basis. The Group is committed to provide excellent professional training to our staff in order to enhance the Group's professional image and competitive edge. Great emphasis is placed on training and staff development.

Subsequent events

Pursuant to the subscription agreement ("Subscription Agreement") entered into on 25th January 2005 between, inter alia, the Company and EVI Education Asia Limited ("EVI"), a company incorporated in Cayman Islands and listed on the Growth Enterprise Market operated by the Stock Exchange, the Group had conditionally agreed to subscribe for 4,300 million new shares of HK\$0.01 each in the capital of EVI at the price of HK\$0.025 each. The total consideration amounts to HK\$107.5 million which will be satisfied by the internal resources of the Group.

The 4,300 million new EVI shares represent approximately 107.5% of the issued share capital of EVI as at 26th January 2005, or approximately 51.81% of the issued share capital of EVI as enlarged by the subscription. Up to the date of this report, the major conditions precedent of the completion of Subscription Agreement have been fulfilled. The directors anticipate that the subscription will be completed in March 2005, upon which, EVI will become a subsidiary to the Group.