

Liquidity and financial resources

The Group relied principally on its internal resources to fund its operation and investment activities. Bank loans will be raised in occasion to meet the different demands in our various investment projects. As at 30th June 2005, the Group raised bank loans and incurred overdraft of approximately HK\$92 million and is holding approximately HK\$147 million cash reserves. The gearing ratio (total borrowings to shareholders' fund) is at the level of 7%. Investment in financial assets at fair value through profit and loss as at 30th June 2004 amounted to approximately HK\$93 million.

The Group's principal operations are transacted and recorded in Hong Kong dollars and Renminbi. We expected that Renminbi will appreciate in a stable pattern in future. The Group has no significant exposure to other foreign exchange fluctuations.

Employees

As at 30th June 2005, the Group employed 1,029 (30th June 2004: 1,978) staff, of which 936 are located in 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. The staff costs for the six months ended 30th June 2005 amounted to approximately HK\$52 million.

Pledge of assets

Certain properties of the Group with an aggregate net book value of approximately HK\$79 million as at 30th June 2005 (31st December 2004, as restated: HK\$80 million) as well as fixed deposits of HK\$15 million (31st December 2004: HK\$15 million) were pledged as securities against bank loans and general banking facilities amounting to HK\$159 million (31st December 2004: HK\$84 million) granted to the Group.

Contingent liabilities

As at 30th June 2005, the Group had no material contingent liabilities.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend (2004: Nil).