

Liquidity and financial resources

The Group relied principally on its internal resources to fund its operations and investment activities. Bank loans will be raised occasionally to meet the different demands of our various investment projects. As at 30th June 2006, the Group had raised bank loans of approximately HK\$186 million and held approximately HK\$433 million cash reserves. The gearing ratio (total borrowings to shareholders' fund) is at the level of 12%. Investment in "financial assets at fair value through income statement" as at 30th June 2006 amounted to approximately HK\$159 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.

Pledge of assets

Certain properties of the Group with an aggregate net book value of approximately HK\$95 million as at 30th June 2006 (31st December 2005: HK\$96 million) as well as fixed deposits of approximately HK\$48 million (31st December 2005: HK\$15 million) were pledged as securities against bank loans and general banking facilities amounting to approximately HK\$200 million (31st December 2005: HK\$45 million) granted to the Group.

Employees

As at 30th June 2006, the Group employed 1,544 (30th June 2005: 1,029) staff, of which 1,452 are located in Chinese Mainland. Employees' 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 of the Group for the six months ended 30th June 2006 amounted to approximately HK\$102 million.

Contingent liabilities

As at 30th June 2006, the Group had no material contingent liabilities.

INTERIM DIVIDEND

The Board recommends the payment of an interim dividend of HK\$0.02 (2005: Nil) per ordinary share, totaling approximately HK\$23,701,000 (2005: Nil).