

## **FINANCIAL REVIEW AND ANALYSIS**

### **Liquidity and Financial Resources**

As at June 30, 2003, the Group had total assets of HK\$1,081,413,000 which were financed by shareholders' funds of HK\$411,492,000, minority interest of HK\$7,125,000 and total liabilities of HK\$662,796,000.

The Group had HK\$235,323,000 bank balances and cash of which HK\$73,125,000 was pledged to banks to cover banking facility in the ordinary course of business. The Group's working capital requirements were mainly financed by internal resources and short-term borrowings. As at June 30, 2003, the Group had HK\$150,898,000 short term borrowings. The Group's borrowings were mainly denominated in Thai Bhat, Singapore dollars and Malaysia Ringgit and were charged at floating interest rates.

The Group continued to sustain a good liquidity position without any long term debt funding. At the end of June 2003, the Group had a net cash surplus (bank balances and cash less borrowings due within one year) of HK\$84,425,000 compared to HK\$80,904,000 as at December 31, 2002.

Net cash from operating activities for the period was HK\$4,372,000. Net cash and cash equivalents increased by HK\$22,456,000 for the period because HK\$16,919,000 net cash from financing activities.

Gearing ratio, as defined by total bank loans and bank overdrafts to shareholders' funds, as at June 30, 2003 was 36.7% compared to 32.7% as at December 31, 2002.

### **Charges on Group Assets**

At the end of June 2003, the Group had pledged bank deposits of HK\$73,125,000 (as at December 31, 2002: HK\$69,754,000) to banks to secure general banking facilities granted to foreign subsidiaries.

### **Number and Remuneration of Employees, Remuneration Policies, Bonus and Share Option Schemes**

Staff number of the Group reduced from June 2002's 518 to 437 and the salary and other benefits paid to employees, excluding Directors' emoluments, amounted to HK\$33,708,000. There are no significant changes in staff remuneration policies from last year end date.

### **Currency Risk Management**

The Group maintains a conservative approach on foreign exchange exposure management. There are no significant changes in the strategies to hedge against exposure to fluctuations in exchange rates from last year end date.

### **Contingent Liabilities**

The Company's corporate guarantees extended to certain banks as security for banking facilities to the Group amounted to HK\$135,232,000 (as at December 31, 2002: HK\$136,988,000).