

# Management Discussion and Analysis

Turnover of the Group for the year ended December 31, 2003 was HK\$3,469,364,000 and net profit before tax was HK\$47,673,000.

## ■ LIQUIDITY AND FINANCIAL RESOURCES

As at December 31, 2003, the Group had total assets of HK\$884,053,000 which were financed by shareholders' funds of HK\$447,191,000, total liabilities of HK\$436,248,000 and minority interests of HK\$614,000. The Group had a current ratio of approximately 1.77 as compared to that of approximately 1.50 at December 2002.

As at December 31, 2003, the Group had HK\$165,386,000 bank balances and cash of which HK\$20,381,000 was pledged to banks for securing general banking facilities. The Group's working capital requirements were mainly financed by internal resources and short-term borrowings. As at December 31, 2003, the Group had HK\$34,347,000 short term bank borrowings and HK\$16,958,000 bank overdrafts. The Group's borrowings were mainly denominated in Malaysia Ringgit and Singapore dollars and were charged by banks at floating interest rates.

The Group continued to sustain a good liquidity position without any long term debt funding. At balance sheet date, the Group had a net cash surplus (bank balances and cash, including pledged bank deposits less bank borrowings due within one year) of HK\$114,081,000 compared to HK\$80,904,000 in 2002.

Gearing ratio, as defined by total bank loans and bank overdrafts to shareholders' funds, as at December 31, 2003 was 11.47% (2002: 32.39%). The drop in gearing ratio is due to SiS Thailand became an associate of the Company at the balance sheet date and bank borrowings of SiS Thailand was not consolidated in the Group's accounts.

## ■ CHARGES ON GROUP ASSETS

At the balance sheet date, the Group had pledged bank deposits of HK\$20,381,000 (2002: HK\$69,754,000) to banks to secure general banking facilities granted to a subsidiary in Malaysia. The drop is due to SiS Thailand became an associate of the Company at the balance sheet date and pledged bank deposits of SiS Thailand was not consolidated in the Group's accounts.

## ■ NUMBER AND REMUNERATION OF EMPLOYEES, REMUNERATION POLICIES, BONUS AND SHARE OPTION SCHEMES

As at December 31, 2003, the Group reduced its staff number from 454 to 294 due to disposal of SiS Thailand. Salary, bonus, commission and other benefits paid to employees, excluding Directors' emoluments, during the financial year reduced to HK\$60,848,000 (2002: HK\$68,846,000). In addition to the contributory provident fund and medical insurance, the Company adopts share option schemes and shares are granted to key employees of the Group. The Directors believed that the Company's share option schemes could create more incentives and benefits for the employees and therefore increase employees' productivity and contribution to the Group. The Group's remuneration policy is to relate performance with compensation. The Group's salary and discretionary bonus system is reviewed annually.

## ■ CURRENCY RISK MANAGEMENT

Due to the Company has overseas operations and subsidiaries, earnings may experience some volatility related to movements in exchange rates. In order to reduce exposure to fluctuations in exchange rates, subsidiaries of the Company will make forward purchases from time to time. Besides, the Group has adopted a policy of attempting to match levels of local denominated account receivables with accounts payable and to limit holdings of local currencies.

## ■ CONTINGENT LIABILITIES

The Company's corporate guarantees extended to certain banks and vendors as security for banking facilities and goods supplied to the Group amounted to HK\$193,440,000 (2002: HK\$136,988,000). The increase was mainly due to guarantees given to vendors on behalf of overseas subsidiaries during 2003.