

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December 2003, net current assets and net assets of the Group amounted to approximately HK\$39.0 million (30th June 2003: HK\$29.6 million) and approximately HK\$168.7 million (30th June 2003: HK\$149.7 million) respectively. As at 31st December 2003, the Group had cash and bank balances amounted to approximately HK\$1.5 million (30th June 2003: HK\$1.4 million). The current ratio of the Group as at 31st December 2003 was 244% (30th June 2003: 194%).

The Group continued to fund its operations principally by its internal cash flow generated from its operating activities. As at 31st December 2003, the Group has no outstanding bank borrowings or committed bank credit facilities. No part of the Group's assets was charged to banks, financial institutions or other enterprises for the securing any borrowings or credit facilities. The Group has no interest bearing borrowings as at 31st December 2003 (HK\$12 million as at 30th June 2003) and the gearing ratio, which divides the financial indebtedness by the shareholders' equity, reduced from approximately 0.08 as at 30th June 2003 to zero as at 31st December 2003.

As at 31st December 2003, the Company had 409,222,500 shares in issue with total shareholders' funds of the Group amounting of approximately HK\$168.7 million.

With respect to foreign exchange exposure, as the Group's earnings are primarily denominated in Renminbi and the exchange fluctuation between Renminbi and Hong Kong dollar was steady during the period under review, has no significant exposure to foreign exchange rate fluctuations.

During the six months ended 31st December 2003, the Group has not used any financial instruments for hedging purposes.

EMPLOYEE

As at 31st December 2003, the Group employed 349 (2002: 200) full time employees, of which 336 (2002: 195) were based in Mainland China. The remuneration of the employees is based on work performance and years of experience.

DIRECTORS' INTERESTS IN SECURITIES

As at 31st December 2003, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were required to be entered into the register required to be kept under section 352 of the SFO or otherwise were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are