

OPERATING REVIEW AND PROSPECTS *(Continued)*

Employee and remuneration policies

As at 30 June 2004, the Group had approximately 255 and 169 employees for the Distribution business and Software business, respectively. These employees of which almost all work in the Mainland China. The Company has also established share option schemes and the share options are granted at the Directors' discretion to motivate and reward the employees with outstanding performance.

FINANCIAL REVIEW

Liquidity, financial resources and capital commitments

As at 30 June 2004, the Group recorded total assets of approximately HK\$516.9 million (31 December 2003: HK\$457.9 million) which were financed by liabilities of approximately HK\$340.1 million (31 December 2003: HK\$281.8 million) and equity of approximately HK\$176.8 million (31 December 2003: HK\$176.1 million). The Group's net asset value as at 30 June 2004 was approximately HK\$176.8 million (31 December 2003: HK\$176.1 million).

The Group had total cash and bank balances of approximately HK\$127.9 million as at 30 June 2004 (31 December 2003: HK\$159.5 million). The Group had no bank loan and overdraft as at 30 June 2004 (31 December 2003: Nil), hence the Group recorded a net cash balance of approximately HK\$127.9 million as at 30 June 2004 (31 December 2003: HK\$159.5 million). As at 30 June 2004, the Group's current ratio was 1.41 (31 December 2003: 1.50) and the Group had no long term debt as at 30 June 2004 (31 December 2003: Nil).

As at 30 June 2004, the Group did not have any material capital expenditure commitments (31 December 2003: Nil).

Treasury policies

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. The Group's cash and cash equivalents are held mainly in Hong Kong dollars, Renminbi and United States dollars. Surplus cash is generally placed in short term deposits denominated in Hong Kong dollars and United States dollars.

Contracts

As at 30 June 2004, the major contracts in hand for Software business amounted to approximately HK\$10 million, which are all expected to be completed within eighteen months.

Charges on assets

As at 30 June 2004, bank deposits of approximately HK\$23.5 million were pledged to banks to secure general banking facilities granted.

FINANCIAL REVIEW (Continued)

Exposure to fluctuations in exchange rates and related hedges

Most of the Group's borrowings are denominated in Hong Kong dollars and United States dollars and the turnover of the Group are mainly denominated in Renminbi and United States dollars. As the exchange rates of Renminbi and United States dollars against Hong Kong dollars were relatively stable during the period under review, the Group's exposure to fluctuations in exchange rates is considered minimal and no financial instruments have been used for hedging purposes.

Contingent liabilities

As at 30 June 2004, the Group did not have any significant contingent liabilities.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2004, the interests and short positions of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company

Name of director	Number of ordinary shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	As trustee (Note 1)		
Mr Yung Chih Shin, Richard (Note 2)	–	87,680,000	–	87,680,000	7.97%
Mr Cheung Shuen Lung	36,890,100	–	60,671,600	97,561,700	8.86%
Mr Zhang Zhao Dong	3,956,000	–	60,671,600	64,627,600	5.87%
Professor Wei Xin	3,956,000	–	60,671,600	64,627,600	5.87%
Professor Zou Wei	–	–	60,671,600	60,671,600	5.51%