

FINANCIAL REVIEW AND ANALYSIS

Liquidity and Financial Resources

As at June 30, 2004, the Group had total assets of HK\$909,407,000 which were financed by shareholders' funds of HK\$454,142,000, minority interest of HK\$691,000 and total liabilities of HK\$454,574,000.

The Group had HK\$119,758,000 bank balances and cash of which HK\$16,369,000 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. The purchase of a property in early 2004 is financed by long term bank loan. As at June 30, 2004, the Group had HK\$65,530,000 short term borrowings and HK\$22,500,000 long term borrowings. The Group's borrowings were mainly denominated in Hong Kong dollars and Malaysia Ringgit and were charged at floating interest rates.

The Group continued to sustain a good liquidity position. At the end of June 2004, the Group had a net cash surplus (bank balances and cash, including pledged bank deposits less borrowings due within one year) of HK\$54,228,000 compared to HK\$114,081,000 as at December 31, 2003.

Net cash used in operating activities for the period was HK\$23,079,000 and as result, net cash and cash equivalents decreased by HK\$26,194,000.

Gearing ratio, as defined by total bank loans and bank overdrafts to shareholders' funds, as at June 30, 2004 was 19% compared to 11% as at December 31, 2003.

Charges on Group Assets

At the end of June 2004, the Group had pledged bank deposits of HK\$16,369,000 (as at December 31, 2003: HK\$20,381,000) to banks to secure general banking facilities granted to foreign subsidiaries. An investment property of HK\$66,252,000 was charged to a bank to finance the purchase cost.

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

Staff number of the Group at June 2004 was 287 and the salary and other benefits paid to employees, excluding Directors' emoluments, amounted to HK\$28,302,000. 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 and vendors as security for banking facilities and goods supplied to the Group amounted to HK\$211,630,000 (as at December 31, 2003: HK\$193,440,000).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at June 30, 2004, the interests of the directors and chief executive of the Company in the shares, underlying shares of equity derivatives and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name of directors	Long position in shares		
	Number of ordinary shares held		
	Personal Interests	Corporate Interests	Percentage
Lim Siam Kwee	8,424,400	—	3.14%
Lim Kiah Meng	2,531,200	178,640,000 (<i>note</i>)	6746%
Lim Kia Hong	2,531,200	178,640,000 (<i>note</i>)	6746%
Lim Hwee Hai	2,531,200	—	0.94%
Lim Hwee Noi	2,276,000	—	0.85%

Note: Gold Sceptre Limited holds 140,360,000 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 12,760,000 shares in the issued share capital of the Company. Mr. Lim Kiah Meng and Mr. Lim Kia Hong and their spouses together own 40.5% and 39.5% respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.

Details of the share options held by the directors and chief executive of the Company are disclosed in the section headed "Share Options".

As at June 30, 2004, none of the directors and chief executive of the Company were interested or deemed to be interested in short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any associated corporation.

During the six months ended June 30, 2004, none of the directors or chief executives of the Company nor their spouses or children under 18 years of age were granted or had exercised any right to subscribe for any securities of the Company or any of its associated corporations.

SHARE OPTIONS

Pursuant to the share option scheme adopted by the Company on May 31, 2002, the Company may grant options to eligible employees, including directors of the Company and its subsidiaries and associates, to subscribe for share in the Company. Additionally, the Company may from time to time, grant share options to outside third parties with a view to maintain business relationship with such persons and as an alternative for settlement of the Company's payment obligations.

No options were granted since adoption of the share option scheme and no options were outstanding as at January 1, 2004 and June 30, 2004.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of directors and chief executive, the directors are not aware of any other person who was, as at June 30, 2004, shown in the register required to be kept under section 336 of the SFO to be interested, directly or indirectly, in 5% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Group's interim report for the six months ended June 30, 2004 was reviewed by the Audit Committee ("Committee"). Regular meetings have been held by the Committee since its establishment and it shall meet at least twice each year.

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not, for any part of the interim report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange.

On behalf of the Board

LIM Kia Hong

Chief Executive Officer

Hong Kong, September 27, 2004