

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Expenditure, Liquidity and Financial Resources (continued)

The Group's current borrowings of approximately HK\$24 million extended by financial institutions to a subsidiary of the Group, STQ, were secured by a property situated in the Mainland China with a net carrying amount of approximately HK\$17 million at 30 September 2006 and 14,061,976 issued shares of STQ in favour of Beijing Zhongguancun Sci-Tech Guaranty Co. Ltd. (the "Pledgee"), an independent third party, for securing a guarantee issued by such Pledgee on behalf of STQ. The Group's non-current bank borrowings of approximately HK\$204 million represented the term loans which are repayable in July 2008.

The Group's total available credit facilities at 30 September 2006 amounted to HK\$6,862 million, of which HK\$980 million were in term loan facilities, HK\$4,242 million were in trade lines and HK\$1,640 million were in short-term and revolving money market facilities. At 30 September 2006, the facility drawn down was HK\$204 million in term loan facilities, HK\$2,441 million in trade lines and HK\$421 million in short-term and revolving money market facilities.

Under the normal course of business, the Group has issued performance bonds to some customers for potential claims of non-performance in order to satisfy the specific requirements of these customers. As no material claims had been made by the customers under such performance bonds in the past, the management considers that the possibility of realisation of any actual material liabilities arising from such performance bonds is remote.

Human Resources

At 30 September 2006, the Group had approximately 6,700 (30 September 2005: approximately 4,800) full-time employees. The majority of these employees work in the PRC. The Group offers remuneration packages in line with industry practice. Employees' remuneration includes basic salaries and bonuses. With the increase in the total number of staff to cope with its business requirements, the Group has recorded a 31.47% increase in staff costs to approximately HK\$350 million for the six months ended 30 September 2006 as compared with an approximate sum of HK\$266 million for the same period of last financial year. In order to attract and retain a high caliber of capable and motivated workforce, the Company offers share options to staff based on the individual performance and the achievements of the Company's targets. The Group is committed to providing its staff with various in-house and external training and development programs.

AUDIT COMMITTEE

The audit committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2006.