

MANAGEMENT DISCUSSION AND ANALYSIS

Financial status

Result for the period

During the first half of this financial year, the turnover of the Group amounted to HK\$118 million, representing an 6.4% increase from the same period last year. Net profit attributable to shareholders was HK\$18 million for the six months ended 30 June 2002, compared with a net profit of HK\$22 million of same period of last year.

Liquidity and financial resources

The Group has consistently maintained a net cash position. As at 30 June 2002, the Group had cash and bank balances and time deposit of HK\$27,570,000 (31 December 2001: HK\$62,396,000). The drop in cash and bank balances are mainly due to capital investment during the period. The Group generally finances its operations with internally generated cash flow and other banking facilities by its principal bankers in Hong Kong and PRC.

As at 30 June 2002, the gearing ratio (total debts/total assets of the Group) was 0.44 (31 December 2001: 0.47).

Exchange rate exposure

Over ninety percent of the Group's cash and cash equivalents were denominated in Hong Kong dollars or RMB. Borrowings of the Group were also made in these currencies to avoid the fluctuation in exchange rates. As the exchange rates of RMB against Hong Kong dollars were relatively stable during the period, the Group was not exposed to any significant risk in exchange risk in exchange rate.

Charges on Group assets

Certain of the Group's borrowing at 30 June 2002 were secured by leasehold properties situated in Hong Kong owned by the Group.

Employee

As at 30 June 2002, the total number of employees was 1458 (31 December 2001: 1212). The Group's remuneration policy is linked to efficiency and remained responsive to market trends. The employee's salary is determined based on the results of the assessments of their level of responsibility, skills, strengths and performance.

Contingent liabilities and capital structure

Corporate guarantee in respect of banking facilities of certain subsidiaries and an associate was to the extent of HK\$12 million (31 December 2001: HK\$18 million) in aggregate. As at 30 June 2002, the banking facilities were utilised to the extent of approximately HK\$0.6 million. The Group did not have any other significant contingent liabilities at 30 June 2002.

All the Company's shares are ordinary shares and over 86% of Group's borrowings are secured and unsecured bank loans which are repayable within one year as at 30 June 2002.