



Management Discussion and Analysis

Liquidity, financial resources and funding

As at 31st December 2006, the Group had bank balances and cash of HK\$529,824,000, whilst a bank loan amounted to HK\$12,443,000. The Group's bank loan was secured by a property held by the Group with a total net book value of HK\$26,813,000 and with maturity profile set out as follows:

Repayable	HK\$'000
Within 1 year	1,778
After 1 year but within 2 years	1,778
After 2 years but within 5 years	5,336
Over 5 years	3,551

The Group had unutilised banking facilities amounting to HK\$197,896,000 from various banks. The Group's bank balances and cash are deposited in Hong Kong Dollar, United States Dollar, Renminbi and Macau Pataca, and the Group's borrowings are in Hong Kong Dollar. Therefore the Directors consider the Group has no significant exposure to foreign exchange rate fluctuation. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

As at 31st December 2006, the gearing ratio of the Group was 1%. The gearing ratio is computed on the basis of total bank borrowings divided by the shareholders' funds of the Group.

The Directors are of the view that there are sufficient financial resources to satisfy the Group's capital commitments and on-going working capital requirements.

Acquisition and investment

As at 31st December 2006, the Company held in aggregate 52,748,000 shares of Chun Wo Holdings Limited, a company incorporated in Bermuda and listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), representing 7.08% of its issued share capital.

Contingent liabilities

The Company executed corporate guarantees as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries. In addition, the Company guaranteed the payment of operating lease rentals in respect of certain premises for its wholly-owned subsidiaries.

Human Resources

As at 31st December 2006, the Group employed 6,085 full time employees of which 5,224 were sales agents and 861 were back office supportive employees.

The Group provides remuneration package to employees largely based on industry practice, individual performance, qualification and experience. In addition, discretionary bonus, profit sharing and share option may be granted to eligible staff by reference to the Group's performance and individual performance. The Group also provides other benefits to its employees such as education subsidies, medical and retirement benefits. On staff development, both in-house and external training and development programmes are conducted on a regular basis.