



LIQUIDITY, CAPITAL STRUCTURE AND FINANCIAL RESOURCES

The Group's daily operating activities were mainly financed by profits generated, internal resources and banking facilities such as trust receipt loans and overdrafts.

As at balance sheet date, the Group's shareholders' equity was HK\$215 million (2000: HK\$168 million). Current ratio was 1.44 (2000: 1.68). Gearing ratio, calculated as a percentage of long term debt to equity was 6.01% (2000: 6.90%).

APPLICATION OF PROCEEDS OF NEW ISSUE

Upon the listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in October 1999, 100,000,000 new shares of HK\$0.10 per share were issued at a price of HK\$0.80 per new share. This successful issue of new shares raised net proceeds of approximately HK\$65,000,000 after deducting related expenses. During the year ended 31 March 2001, the net proceeds have been applied as follows:

- approximately HK\$3 million for the research and development of new products;

The net proceeds which have not yet been immediately applied for the purposes as set out in the Company's prospectus dated 28 September 1999 were placed with licensed financial institutions in Hong Kong.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2001, the Group employed approximately 1,416 full time employees, of which 1,400 were in the PRC and 16 were in Hong Kong.

The Group remunerates its employees largely based on industry's practice. In the PRC, the Group provides staff welfare and bonuses to its employees in accordance with the prevailing labour law. In Hong Kong, the Group provides staff benefits including medical scheme and performance related bonuses.

AUDIT COMMITTEE

The Company established an Audit Committee (the "Committee") on 22 September 1999 with written terms of reference in compliance with the revised Code of Best Practice, as set out in Appendix 14 of the Listing Rules. The primary duties of the Committee are to review and supervise the financial reporting process and internal controls of the Group. The Committee comprises all of the Company's independent non-executive directors. The Group's financial statements for the year ended 31 March 2001 have been reviewed by the Committee, who are of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange and other legal requirements and that adequate disclosures have been made.