

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group's primary sources of funding were provided by operating activities, cash proceeds from the New Issue and Placing (as defined in the Company's prospectus dated 11 August 2000) and cash proceeds from the placing of 20,000,000 and 60,000,000 shares of the Company in 2000 and 2001 respectively and the issuance of US\$120,000,000 convertible bonds to Credit Suisse First Boston (Hong Kong) Limited in 2001. As at 30 June 2003, the Group had cash and bank balances of a total amount of HK\$644,207,000 (2002: HK\$465,483,000). At 30 June 2003, the Group had total assets of HK\$1,295,429,000 (2002: HK\$835,618,000), current liabilities of HK\$142,794,000 (2002: HK\$134,729,000) and shareholders' equity of HK\$865,250,000 (2002: HK\$695,857,000). The Group has consistently maintained a strong working capital during the year, with net current assets of HK\$815,240,000 at 30 June 2003 (2002: HK\$556,101,000) and with a current ratio of 6.71 times at 30 June 2003 (2002: 5.13 times).

As at 30 June 2003, the Group had outstanding borrowings of HK\$267,848,000 (2002: Nil).

The operations of the Group are mainly denominated in Renminbi and Hong Kong dollars. In view of the constant exchange rate between the two currencies, the Group considers that its foreign exchange risk is minimal.

The Board believes that the Group had sufficient liquidity to satisfy its commitments and working capital requirements.

CONTINGENT LIABILITIES

As at 30 June 2003, the Group had contingent liabilities not provided for as follows (2002: Nil):

	2003 HK\$'000
Guarantees for banking and loan facilities granted to third parties	<u>4,523</u>

COMMITMENTS

As at 30 June 2003, the Group had the following commitments:

	2003 HK\$'000
(a) Capital commitments contracted but not provided for in respect of	
– construction contracts on production plant and facilities (2002: Nil)	133,010
– purchase of machinery and equipment (2002: Nil)	15,287
	<u>148,297</u>
(b) Capital commitments authorised but not contracted in respect of purchase of land use right (2002: Nil)	<u>84,810</u>
(c) Future aggregate minimum lease payments under operating leases in respect of land and buildings	
– within one year (2002: HK\$2,230,000)	2,230
– in the second to fifth year inclusive (2002: HK\$3,198,000)	968
	<u>3,198</u>

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CHARGES ON GROUP ASSETS

At 30 June 2003, none of the Group's assets was pledged as security for liability.

EMPLOYEES AND REMUNERATION POLICY

At 30 June 2003, the Group had approximately 2,900 employees in Hong Kong and the PRC.

The remuneration policy and package of the Group's employees are reviewed and approved by the Board. Besides provident funds and double pay, discretionary bonuses based on individual performance will be paid to employees as recognition of and reward for value creation.

Under the Company's existing share option scheme, options to subscribe for shares of the Company can be granted to employees (including directors) of the Company and its subsidiaries.