

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group generally finances its operation by internally generated cashflow. The net proceeds of RMB581,488,000 (equivalent to HK\$547,850,000) raised upon the flotation in December 2000 are to fund mainly the capital expenditure in respect of the expansion of the production bases in the mainland China and upgrading the production facilities. As at 31st December, 2000, just a very short period of time after receiving the flotation monies, the Group still kept majority of fund raised, as such the Group's bank and cash balances amounted to RMB611,602,000.

As at 31st December, 2000, the Group had a short term bank loan of RMB30,000,000 borrowed from a PRC bank in Fuzhou. This bank facility amounting to RMB50,000,000 is secured by a deposit of HK\$50,000,000 (equivalent to RMB53,070,000). This bank loan was borrowed to expedite the expansion of the Group to meet the immediate RMB expenditure.

As at 31 December 2000, the Group had outstanding contracted capital commitments amounting to approximately RMB394,809,000 in respect of research and development expenditure and purchase of fixed assets. Net current assets as at 31 December 2000 were approximately RMB610,165,000 while current ratio being healthy at 7.3.

With the above financial resources, the directors are confident that the Group has adequate capital resources to finance its business expansion.