

LIQUIDITY AND CAPITAL RESOURCES

As a result of receiving cash of HK\$140 million from the allotment of new shares to Cando Corporation, bank balances and cash at 31st March, 2001 amounted to HK\$167 million. We have sufficient financial resources to meet our operating needs in the foreseeable future. At present, no detailed capital expenditure plan has been drawn up but we intend to use HK\$15 to HK\$20 million to upgrade the existing production facilities.

The Group's working capital also increased from HK\$144 million to HK\$262 million. In last year, in order to avoid the possibility of shortage of one of the major materials, we gradually built up some stocks for contingency purpose and the inventories of raw materials increased from HK\$69 million to HK\$81 million. Our production and delivery schedule during the year was not affected by any material shortage.

As at 31st March, 2001, the Group had total assets of HK\$412.5 million which were financed by current liabilities of HK\$61.3 million and shareholders' equity of HK\$351.2 million.

Bank borrowings of HK\$3,294,000 related to trade finance and were not secured by any assets of the Group. As at 31st March, 2001, the Group did not have any material exposure to fluctuation in exchange rates.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of the Group's purchases and turnover attributable to major suppliers and customers were as follows:

	2001	2000
Percentage of purchases from the Group's largest supplier	18%	15%
Percentage of purchases from the Group's five largest suppliers	60%	52%
Percentage of turnover to the Group's largest customer	14%	19%
Percentage of turnover to the Group's five largest customers	41%	59%

As a result of our customer diversification, the percentage of turnover to the Group's largest customer as well as the Group's five largest customers are decreasing.

As at 31st March, 2001, none of the directors, their associates, or any shareholders which to the knowledge of the directors owned more than 5% of the Company's share capital had any beneficial interests in the Group's five largest customers and/or five largest suppliers.

EMPLOYMENT AND REMUNERATION POLICY

As at 31st March, 2001, the Group employed 3,630 employees, of which 54 in Hong Kong and 3,576 in the PRC.

The remuneration policy and package of the Group's employees are structured by reference to market terms and industry's practice. In addition, discretionary bonus and other individual performance are awarded to staff with reference to the financial performance of the Group and the personal performance of individual staff. Staff benefit plans maintained by the Group include mandatory and voluntary provident fund scheme, share option scheme and medical insurance.