

LIQUIDITY AND FINANCIAL ANALYSIS

As at 30 June 2001, the cash and cash equivalents of the Group amounted to RMB930,910,000, representing a decline of 3.76% as compared with the end of last year.

As at 30 June 2001, short-term bank and other loans of the Group amounted to RMB204,810,000, representing an increase of 5.55% as compared with the end of last year. Long-term bank loans of the Group amounted to RMB19,290,000, representing a decrease of 22.18% from the end of last year.

As at 30 June 2001, the Group's trade and bills receivables amounted to RMB491,550,000, representing an increase of 0.85% over the end of last year. The Company adjusted the past sales and marketing strategies in the first half of 2001. The original delivery subsidy scheme has been changed to various rebate policies after considering different settlement methods by customers and such rebates are directly deducted from the selling prices. The Company also set up a team which is specially responsible for the recovery of trade receivables for the previous years. Doubtful debts will be reorganised to ensure the recoverability of such debts and therefore minimise the loss.

Gearing ratio (total liabilities / total assets x 100%) of the Group as at 30 June 2001 was 33.39% representing a slight increase of 1% over the end of last year. Debt equity ratio (total liabilities / shareholders' equity x 100%) was 50.12%, representing an increase of 2.20% over the end of last year.