FINANCIAL REVIEW

In spite of the unfavourable economic condition in 2001, the Group was still profitable. Together with the stringent assets control and the effective financial management for the year ended 31 December 2001, coupled with placement of new shares and rights issue during the year, the Group's total net assets increased by HK$221.5 million compared with last year. The Group's total turnover recorded at HK$544.2 million, representing 17.5 per cent decrease compared with the same period of last year. Net profit attributable to shareholders amounted to HK$31.1 million. Basic earnings per share for the year was HK2.63 cents. Details of variance are summarised as follows:

	Increase/(Decrease) in the Group's total net assets HK$ million
Fixed assets	3.0
Prepaid rental	(0.7)
Deferred product development costs	0.3
Cash and bank balances and time deposits	229.2
Accounts receivable, bills receivable, prepayments, deposits and other receivable	33.4
Loans and loan interest receivables	(43.8)
Short term investments	(34.9)
Properties held for sale	(4.6)
Inventories	(25.1)
Bank borrowings	6.1
Accounts payable, bills payable, accrued liabilities and other payables	55.9
Taxation (including tax payable and deferred tax)	(3.0)
Minority interests	5.7
Net increase in Group's total net assets	221.5

As at 31 December 2001, the Group's properties in both Hong Kong and the Mainland China were revalued by a professional surveyor in accordance with the open market values. Under this valuation, the property value as a whole was appreciated by approximately HK$1.1 million and HK$1.3 million out of which was transferred to the revaluation reserve. Moreover, during the year, the Group has invested about 15.3 million assets in the manufacturing plants in Mainland China.

FINANCIAL REVIEW (Continued)

As a result of the effective financial management during the year, the accounts receivable balance as at the balance sheet date decreased by HK$26.2 million. On the other hand, the inventory balance also dropped by HK$25.1 million compared with last year. This is to avoid the asset deterioration in the period of economic recession.

The accounts payable balance was reduced by HK$43.1 million. It was mainly due to the implementation of a stringent purchase policy which aimed to reduce the inventory balance. In addition, as one of our cost control measures, shorter credit term with lower purchase price was continually negotiated with various suppliers.

Through a placement of new shares in May 2001, the Group raised funds of HK$11.5 million.

Following a 2:1 rights issue in November 2001, additional funds of HK$177.5 million were raised.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had a strong financial position. The gearing of the Group, measured as total debts to total assets, has improved from 33.5% in year 2000 to 17.3% in year 2001. Together with the placement of 69.0 million shares totalling HK$11.5 million in May 2001 and a 2:1 rights issue raising funds of HK$177.5 million in November 2001, cash and bank balances (including time deposits) as at 31 December 2001 were HK$373.8 million, representing an increase of HK$229.2 million compared with last year. On the other hand, the Group had no outstanding bank borrowings as at the balance sheet date compared with HK$6.1 million trade finance borrowings at the end of last year.

The Group has available banking facilities of HK$47.3 million for the normal working capital requirements. Together with the net positive cash and bank balances, it is believed that it has adequate cash resources to meet working capital requirements and all commitments for future expansion should the opportunities arises.

CAPITAL STRUCTURE

Pursuant to a placing agreement between the Company and a placing agent, a total of 69.0 million new shares were issued to independent investors in May 2001. Following a 2:1 rights issue in November 2001, additional 1,788.5 million new shares were issued to the then shareholders. The issued share capital of the Company had increased to 2,682.7 million shares by 31 December 2001. Moreover, the Company's issued share capital will be increased by 91.5 million shares should the options granted to three directors in 2000 be fully exercised.

Subsequent to the balance sheet date, pursuant to another placing agreement between the Company and a placing agent, a total of 178.0 million new shares were issued to independent investors in March 2002.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2001, the Group employed approximately 2,300 full time employees, more than 2,200 in the PRC and 90 in Hong Kong.

The Group remunerates its employees largely based on industry 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, performance related bonuses and mandatory provident fund.

SHARE OPTION SCHEME

The Board proposes to adopt a new share option scheme (the "Scheme") at the forthcoming annual general meeting to be held on 29 May 2002. A circular setting out the terms and conditions of the Scheme will be sent to shareholders.