

## LIQUIDITY AND CAPITAL RESOURCES

As a result of receiving cash of HK\$140 million from the allotment of new shares to Cando Corporation in February 2001, bank balances and cash at 31st March, 2001 and 31st March, 2002 amounted to HK\$167 million and HK\$176 million respectively. We are placing the surplus funds in short term deposit account with banks. We will look for other prudent investment alternatives with better return on part of our surplus funds.

The Group's working capital also increased from HK\$262 million to HK\$266 million. In 2001, in order to avoid the possibility of shortage of one of its major materials, we gradually built up some stocks for its own emergency use and the inventories of raw materials increased from HK\$69 million to HK\$81 million at 31st March 2001. During the year, we gradually decreased our stock of raw materials. As at 31st March 2002, raw materials amounted to HK\$51 million.

As at 31st March, 2002, the Group had total assets of HK\$412.8 million which were financed by current liabilities of HK\$50.0 million and shareholders' equity of HK\$362.8 million.

Bank borrowings of HK\$4,250,000 related to trade finance and were not secured by any assets of the Group. As at March 31, 2002, 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:

	2002	2001
Percentage of purchases from the Group's largest supplier	12%	18%
Percentage of purchases from the Group's five largest suppliers	48%	60%
Percentage of turnover to the Group's largest customer	15%	14%
Percentage of turnover to the Group's five largest customers	36%	41%

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

As at 31st March, 2002 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, 2002, the Group employed 5,589 employees, of which 61 in Hong Kong and 5,528 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 provident fund scheme, share option scheme and medical insurance.