



LIQUIDITY AND FINANCIAL ANALYSIS

As at 30 June 2002, the cash and bank balances of the Group amounted to approximately RMB824,237,000 which had decreased by approximately RMB89,117,000, representing a decline of 9.76% compared with the end of 2001.

As at 30 June 2002, the Group's bank loans amounted to RMB305,100,000, an increase of RMB48,040,000 compared to the end of 2001. The Group had no long term bank loans.

As at 30 June 2002, trade and bills receivables of the Group amounted to approximately RMB381,751,000, decreased by approximately RMB41,838,000 compared with the end of 2001. The Group assessed its trade receivables through reviewing of creditability of customers by specialised department and confirmed lending terms based on the creditability of these customers. This has resulted in a substantial decrease of RMB23,600,000 provision for bad debts charged to profit and loss account in the first half of 2002.

Financial Statistics:

Items	Basis of calculation	As at 30 June 2002	As at 31 December 2001
Gearing ratio	Total liabilities/total assets x 100%	35.52%	31.74%
Current ratio	Current assets/current liabilities	2.10	2.31
Quick ratio	(Current assets – inventories)/current liabilities	1.57	1.69
Debt equity ratio	Total liabilities/shareholders' equity x 100%	55.09%	46.49%