

Number and remuneration of employees, remuneration policies, bonus and share option schemes

As at 30th September 2003, approximately 3,055 staff and workers were employed in our Chang An Factory and Feng Gang Factory, and approximately 47 staff were employed in the Group's Hong Kong Office. Employees' costs, excluding directors' remuneration, amounted to HK\$26.4 million for the period ended 30th September 2003 (2002: HK\$22.7 million). Remuneration packages are generally structured with reference to the prevailing market practice and individual qualifications. The remuneration policies of the Group are normally reviewed on a periodic basis.

SHARE OPTIONS

The Company's share option scheme (the "Scheme") was adopted on 4th March 1992, prior to amendments to Chapter 17 of the listing rules of the Stock Exchange of Hong Kong Limited which came into effect on 1st September 2001. As the Scheme does not comply with the listing rules of the Stock Exchange of Hong Kong Limited as amended, the Company cannot grant any further options under the Scheme. However, all options granted prior to 1st September 2001 shall remain in full force until expiry.

As at 1st April 2003, 9,410,000 options were held by contract employees. No options were granted, exercised or cancelled during the period. All the outstanding options were expired on 28th August 2003.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's borrowings are primarily denominated in Hong Kong dollars and RMB. The Group has no significant exposure to foreign exchange fluctuations.

LIQUIDITY AND FINANCIAL CONDITION

At 30th September 2003, the total borrowings of the Group, including obligations under finance leases, amounted to HK\$102,800,000 (31/3/2003: HK\$97,000,000) which were payable in Hong Kong dollars and RMB. The Group's gearing ratio at 30th September 2003, which was calculated as the ratio of all bank borrowings and long term liabilities to shareholders' funds, was 52% (31/3/2003: 50%).

Of the Group's total borrowings, approximately HK\$88,400,000 (86.0%) was due within one year, approximately HK\$9,400,000 (9.1%) was more than one year but not exceeding two years, approximately HK\$4,900,000 (4.8%) was more than two years but not exceeding five years and the remaining balance of approximately HK\$100,000 (0.1%) was due in more than five years.

At 30th September 2003, the total banking facilities granted to the Group amounted to HK\$91,100,000 (31/3/2003: HK\$98,100,000) of which HK\$72,600,000 (31/3/2003: HK\$61,300,000) were utilised. These facilities are secured by:

- (a) corporate guarantee issued by the Company;
- (b) cross corporate guarantees issued by certain companies within the Group;
- (c) a legal charge on the leasehold land and buildings with a net book value of HK\$36,700,000 (31/3/2003: HK\$37,300,000).

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares during the period.

DIRECTOR'S INTERESTS IN EQUITY OR DEBT SECURITIES

At 30th September 2003, the interests of the directors and chief executives in the shares and options of the Company and its associated corporations (within the meaning of Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company, were as follows:

- (a) 6,929,150 shares of HK\$0.10 each of the Company are beneficially owned by Sum Tai Holdings Limited which is in turn wholly owned by a discretionary trust established for the benefit of Mr YIP Sum Yin, Madam YU Hung Min and their family.