

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

By way of a top-up placing of existing shares and subscription for new shares in the Company in November 2001, Kailey placed 320,000,000 existing shares in the Company at a placing price of HK\$2.30 per share with independent investors. Kailey at the same time subscribed for the same number of new shares at a subscription price of HK\$2.30 per share. The net proceeds from the subscription amounted to RMB755,341,000 (equivalent to HK\$711,645,000), which will be applied for the development of the projects as mentioned in the “Use of Listing and Placement Proceeds” below. As at 31st December, 2001, the Group had cash and bank balances amounting to RMB1,145,695,000 without any bank loans, or pledge of assets.

In January 2002, the Group entered into an agreement (the “Loan Agreement”) relating to loan facility of up to US\$50,000,000 (the “Loan”) with, inter alios, a syndicate of banks. The interest rate is at London Inter-Bank Offered Rate plus 1.875%. The Loan will be made available to the Company by way of a revolving loan facility during the 12 month period after the date of the Loan Agreement, and any principal amount of the Loan outstanding as at the date falling 12 months after the date of the Loan Agreement will automatically be converted into a term loan with a final repayment date falling 36 months after the date of the Loan Agreement.

As at 31st December, 2001, the Group’s gearing ratio was zero. This is based on the division of long term debt by total assets. Additionally, the Group’s liquidity ratio is 5.9, reflecting the presence of sufficient financial resources.

The Group’s sales are mainly transacted in Renminbi and its books are also recorded in Renminbi. As the Company raised net proceeds equivalent to RMB755,341,000 (equivalent to HK\$711,645,000) upon its top-up placement during the period under review, the Group still has large sums of Hong Kong dollar bank deposits. Since the exchange rate fluctuation between the Hong Kong dollar and Renminbi is very small, the foreign exchange risk is very low and no hedging has been carried out.

As at 31st December, 2001, the Group had outstanding capital commitments amounting to RMB1,132,458,000 (contracted but not provided for amounting to RMB373,244,000, authorized but not contracted for amounting to RMB759,214,000), in respect of the purchase of fixed assets and research and development expenditure. As at 31st December, 2001, the Group did not have any material contingent liabilities.