

LIQUIDITY AND FINANCIAL RESOURCES

Financial resources

The Group generally finances its operations with internally generated cashflow and bank borrowings for its capital expenditures and other capital requirements.

As at 31st March, 2002, the cash and cash equivalents balance of HK\$36,439,000 included HK\$8,354,000 which was denominated in Hong Kong dollars and HK\$28,085,000 which was denominated in Renminbi.

With respect to foreign exchange exposure, as the Group's earnings and borrowings are primarily denominated in Renminbi, it has no significant exposure to foreign exchange rate fluctuations. During the period under review, the Group had not used any financial instruments for hedging purposes.

Borrowings and banking facilities

As at 31st March, 2002, the Group had aggregate short-term bank facilities of approximately HK\$15,221,000 which was denominated in Renminbi and the entire amount was utilised and secured by pledged bank deposits of the Group of approximately HK\$8,166,000 which was also denominated in Renminbi.

The Group managed a low level of debt balance as evidenced by the low gearing ratio of 0.068, based on the total borrowings to the shareholders' equity as at 31st March, 2002.

Commitments

As at 31st March, 2002, the Group had outstanding contracted capital commitments of approximately HK\$2,546,000 in respect of acquisition of fixed assets, as well as operating lease commitments of approximately HK\$856,000.

Contingent liabilities

As at 31st March, 2002, the Group had no material contingent liabilities.

Net current assets

As at 31st March, 2002, the Group had net current assets of approximately HK\$114.3 million. Current assets comprised pledged bank deposits of approximately HK\$8.2 million, other cash and bank deposits of approximately HK\$36.4 million, inventories of approximately HK\$18.6 million, prepayments, deposits and other current assets of approximately HK\$42.6 million, advances of approximately HK\$22.6 million and accounts receivable of approximately HK\$21.0 million. Current liabilities comprised short-term bank borrowings of approximately HK\$15.2 million, accounts payable of approximately HK\$5.5 million, accruals and other payables of approximately HK\$10.5 million and taxation payable of approximately HK\$3.9 million.

Remuneration Policies and Share Option Scheme

The Group incurred total salaries and other remunerations of approximately HK\$5,519,000 with a total number of about 450 staff during the nine months ended 31st March, 2002.

Remuneration packages comprised salary, mandatory provident fund and year-ended bonus based on individual merits. A share option scheme was adopted by the Company, pursuant to which the directors may offer to any eligible employees (including executive directors) of the Company and any of its subsidiaries options to subscribe for shares in the Company in accordance with the terms of the share option scheme. However, no options were granted, exercised or outstanding during the nine months ended 31st March, 2002.