

## FINANCIAL REVIEW

During the Period, the Group had realized sales income of RMB11,419,186,000, with an increase of RMB309,349,000 from the same period last year; and the net profit was RMB199,773,000, with an increase of RMB22,116,000 from the same period last year.

### Liquidity and Financial Resources

As at 31 December 2004, the Group's total cash and bank balances was RMB2,112,029,000 and the Group's total borrowings was RMB879,756,000. The structure of such borrowings was as follows:

- (1) 61.77% was denominated in Renminbi;
- (2) 61.77% was made on fixed interest rates.

None of the above borrowings was due and repayable within 2 to 5 years.

As at 31 December 2003, the Group's total cash and bank balances was RMB1,960,224,000 and the Group's total borrowings was RMB1,277,887,000. The structure of such borrowings was as follows:

- (1) 70.24% was denominated in Renminbi;
- (2) 23.11% was due and repayable within 2 to 5 years; and
- (3) 70.24% was made on fixed interest rates.

### Gearing Ratio

As at 31 December 2004, the Group's total borrowings and shareholder's equity were RMB879,756,000 and RMB3,298,904,000 respectively, as compared to RMB1,277,887,000 and RMB3,096,868,000 respectively as at 31 December 2003.

As at 31 December 2004, the gearing ratio was 26.67%, and the gearing ratio as at 31 December 2003 was 41.26%. The gearing ratio was defined as the ratio between total borrowings and shareholder's equity.

### Current Ratio and Working Capital

As at 31 December 2004, the Group's current assets and current liabilities amounted to RMB5,618,980,000 and RMB3,708,223,000 respectively, and the Group's working capital was RMB1,910,757,000 while the current ratio was 1.52.

As at 31 December 2003, the Group's current asset and current liabilities amounted to RMB5,823,740,000 and RMB3,641,449,000 respectively, and the Group's working capital was RMB2,182,291,000, while the current ratio was 1.60.

## Charge of Group Assets

As at 31 December 2004, the Group had pledged to banks its bank savings of approximately RMB281,485,000 to secure banking facilities for the Group. As at 31 December 2004, no borrowings were guaranteed by the Great Wall Group, the ultimate holding company of the Group.

As at 31 December 2003, the Group had pledged to banks its bank savings of approximately RMB292,800,000 to secure banking facilities for the Group. As at 31 December 2003, no borrowings were guaranteed by the Great Wall Group, the ultimate holding company of the Group.

## Exchange Rate Fluctuations

The Group had no major risks associated with foreign exchange fluctuations. During the Period, approximately over 80% of the Group's turnover was revenue in US dollars. The Group's borrowings were predominantly denominated in RMB. If US dollars had risen against RMB, it would have affected the Group favorably. If US dollars had fallen against RMB, it would have had a negative impact upon the Group. Since the official exchange rate of RMB for US dollars has been relatively stable, it is expected that exchange rate fluctuations would have no significant adverse effect on the Group's business performance and financial status.