

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows. For the six months ended 31 March 2001, the Group generated net cash inflows from operating activities of approximately HK\$20 million. As at 31 March 2001, the Group had cash and bank balances of approximately HK\$103 million, short-term bank loans of approximately HK\$0.8 million and long-term bank loans of approximately HK\$9 million and had aggregate banking facilities of approximately HK\$19 million which were secured by certain land and buildings and time deposits of the Group and a personal guarantee provided by a director of the Company.

The financial gearing ratio of the Group, based on the net total borrowings to the shareholders' equity, has slightly increased from approximately 3.2% last year to approximately 5.8% as at 31 March 2001.