

## LIQUIDITY AND FINANCIAL RESOURCES

Management's attitude towards financial planning has always been one of prudence, and throughout the years, the Group has maintained a net cash position. As at 31 December 2001, the Group had HK\$111 million made up of deposits, bank balances and cash. The gearing ratio at the period end was 0.29 (30 June 2001: 0.30) which is calculated based on the Group's total borrowings of HK\$184 million (30 June 2001: HK\$180 million) and the shareholders' funds of HK\$627 million (30 June 2001: HK\$594 million).

The total borrowings comprise bank borrowings of HK\$148 million (30 June 2001: HK\$151 million), other borrowings, which represent block discounting loans, of HK\$35 million (30 June 2001: HK\$27 million) and obligations under finance leases of HK\$1 million (30 June 2001: HK\$2 million). The bank borrowings are mainly borrowed as the working capital for the operations of the Group. The finance costs for the period ended 31 December 2001 amounted to HK\$7 million (2000: HK\$9 million).

The Group's liquidity position is strong. Taking into account its internal resources and available banking facilities, the Group has sufficient financial resources for its working capital requirement. Alternatively, given the current low interest rate environment, the Group may consider other means of financing most appropriate to its requirements.

It is the Group's policy to manage the foreign exchange risk directly and not to undertake any speculative derivative trading activities. To mitigate the foreign exchange risk of the Group arising from transactions in the normal course of business, the management endeavoured to match foreign currency income with expense. The management will use appropriate hedging instrument for transactions with high exchange rate risk.

At 31 December 2001, certain land and buildings of the Group in the UK with a net book value of HK\$8 million (30 June 2001: HK\$8 million) were pledged to a bank as security for banking facilities granted to the Group's UK subsidiary.

Save as disclosed above, the information relating to matters set out in paragraph 32 of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") has not been changed materially from that disclosed in the annual report of the Company for the year ended 30 June 2001.