

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a net cash position. As at 31 December 2001, the Group had HK\$637 million made up of deposits, bank balances and cash. It finances its business activities primarily through cash generated by operations.

The gearing ratio at the period end was 0.15 (30 June 2001: 0.17) which is calculated based on the Group's total borrowings of HK\$441 million (30 June 2001: HK\$440 million) and shareholders' funds of HK\$2,929 million (30 June 2001: HK\$2,585 million).

The total borrowings comprise bank borrowings of HK\$405 million (30 June 2001: HK\$411 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 Group. The finance costs for the six months ended 31 December 2001 amounted to HK\$15 million (2000: HK\$20 million).

The Group has a strong liquidity position. Taking into account its internal resources and available banking facilities, the Group has sufficient financial resources for its working capital requirement. Where market conditions permit, the Group may also consider the use of financial instruments composed of equity and/or debt.

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 endeavours to match foreign currency income with expense. The management also uses appropriate hedging instrument for transactions with high exchange rate risk.

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

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 (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.