

## FINANCIAL AND CAPITAL RESOURCES

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During the year under review, the Group spent a total of approximately HK\$42 million on fixed assets investment. The fixed assets investment, which included the construction of four factory and warehouse buildings in Dongguan, was financed by retained profit and bank loans. The daily operating activities of the Group were funded by profit generated from operations and banking facilities.

The Directors believe that the financial position of the Group is sound and that the Group has adequate resources to meet its financial commitments in the foreseeable future. As at 31st March, 2002, the borrowings of the Group, which were either denominated in Hong Kong dollars or Chinese Renminbi, amounted to approximately HK\$260 million (2001: HK\$236 million). Of this amount, approximately HK\$173 million (2001: HK\$142 million) were secured by mortgages over the Group's land, buildings and machinery with an aggregate net book value of approximately HK\$233 million (2001: HK\$247 million). The gearing ratio (defined as total interest-bearing borrowings divided by total assets) of the Group as at 31st March, 2002 was approximately 44% (2001: 41%). The increase in the gearing ratio of the Group was due primarily to the financing requirements associated with the construction of the factory and warehouse buildings in Dongguan during the year under review. The construction of these premises forms part of the Group's expansion programme to further develop its production facilities in the PRC.