

FINANCIAL AND CAPITAL RESOURCES

During the year under review, the Group spent approximately HK\$55.8 million on fixed assets investments. These fixed assets investments which included the construction of four factory and warehouse buildings in Dongguan, were financed by retained profit and new 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, 2003, the borrowings of the Group, which were either denominated in Hong Kong dollars or Chinese Renminbi amounted to approximately HK\$316 million (2002: HK\$260 million). Of this amount, approximately HK\$143 million (2002: HK\$173 million) was secured by mortgages over the Group's land, buildings and machinery with an aggregate net book value of approximately HK\$200 million (2002: HK\$233 million). The gearing ratio (defined as total interest-bearing borrowings divided by total assets) of the Group as at 31st March, 2003 was approximately 48% (2002: 44%). The increase in the gearing ratio of the Group was primarily due to the financing requirements associated with the construction of the factory and warehouse buildings in Dongguan. The construction of these premises forms part of the Group's expansion programme of its production facilities in the PRC.