

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th September 2005, the Group had total current assets of approximately HK\$35,200,000 (31st March 2005: HK\$35,389,000) and total current liabilities of approximately HK\$10,128,000 (31st March 2005: HK\$8,333,000). Current assets mainly consist of cash and bank balances of approximately HK\$8,311,000 (31st March 2005: HK\$4,246,000), representing an approximately 95.7% increase as compared with 31st March 2005. With the strong and stable financial position of the Group, the Board is therefore in the opinion that the Group has sufficient resources and working capital to meet its daily operations and future development.

The Group serviced its debts primarily through cash generated by operations. The Group's bank borrowings amounted to approximately HK\$6,200,000 as at 30th September 2005 (31st March 2005: HK\$6,310,000) represents a mortgage loan obtained for the purpose of facilitating the acquisition of a land and building, which were denominated in Hong Kong dollars and subject to floating interest rates. Except for this, the Group does not have any bank overdrafts and banking facilities obtained during the period under review.

The cash and bank balances and bank borrowings of the Group's were mainly denominated in Hong Kong dollars, such that the Group does not have significant exposure to foreign exchange fluctuation. No hedging for the foreign currency transaction has been carried out during the period under review.

As at 30th September 2005, equity attributable to shareholders amounted to approximately HK\$51,325,000, representing a decrease of approximately 38% as compared to 31st March 2005 of HK\$82,861,000, which was mainly due to impairment of the Group's investment securities. It leads to the decrease in the gearing ratio, calculated as the bank borrowings divided by shareholders equity, to approximately 0.12 (31st March 2005: 0.07).

The current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 3.5 times as at 30th September 2005 (31st March 2003: 4.3 times). Although the gearing ratio increased by approximately 71.4% and the current ratio decrease by approximately 18.6%, the Board of Directors is in the opinion that both gearing ratio and current ratio were maintained at a very healthy level.