

LIQUIDITY AND FINANCIAL REVIEW

The liquidity position at 31st March, 2001 was satisfactory. At 31st March, 2001, the current ratio was 2.5:1; the quick ratio was 1.5:1. The gearing ratio was 9% which was calculated based on total liabilities of HK\$14,329,000 and total assets of HK\$158,261,000. During the period from 1st October, 2000 to 31st March, 2001, the Group's turnover was HK\$30,193,000, representing a growth of 18.5% over the turnover of HK\$25,478,000 for the corresponding period in 2000. The Group recorded a loss of HK\$34,111,000, being a 3.1 times as compared to the loss of HK\$10,833,000 for the corresponding period in 2000.

The Group has well established its core business as manufacturing and sale of electronic products. The use of brandname "Huabao" will continue to bring income to the Group. The Group also endeavors to explore new businesses and to develop new products and new markets. During the period, the business in liquefied petroleum has started to operate in Daqing in the PRC. The commencement of operation of fueling stations will bring income to the Group. Besides, the Group will continue to control costs and to enhance earnings capacity. The Board expects that profit will be improved in the coming half year.