

## LIQUIDITY AND FINANCIAL RESOURCES

During the period, there is no significant changes in the capital and loan structure of the Group.

The Group generally finances its operations with internally generated cashflows during the period under review. As at 30 September 2001, the Group has outstanding bank mortgage loan of HK\$3.1 million, which was secured by the Group's leasehold land and buildings situated in Hong Kong.

The Group's gearing ratio as at 30 September 2001 was 2.3% (31 March 2001: 2.1 %) based on the total secured bank loan of HK\$3.1 million (31 March 2001: HK\$3.2 million) and the shareholders fund of HK\$133.3 million (31 March 2001: HK\$ 150.2 million).

The operating cashflows of the Group is mainly denominated in HK\$, RMB and US\$, the directors consider these currencies relatively stable and therefore the Group's exposure to fluctuations in exchange rates is limited.

## PROSPECTS

The directors believe that the shift from retail to a wholesale operation in the branded garment division will help to improve the Group's operational efficiency and reduce the inventory exposure in over-stocking and obsolescence, and will therefore improve the results of this division in the long run.

The completion of the Tianjin property and the beginning of its sale is expected to generate cash inflows for the Group in the forthcoming future. The directors believe that the investment in the property sector in PRC will provide reasonable return to the Group.

As further set out in note 12 of this interim report, the Group acquired a 60% interest in Unicon Spirit Group, which engages principally in the manufacturing of leather products and the trading of leather materials. The directors consider that the acquisition represents a good opportunity for the Group to acquire a well established business in the leather products and leather materials industries which will provide economies of scale and generates synergy with the businesses of the existing branded garment division.