

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31st October 2001, the Group had bank and other borrowings of HK\$371,955,000, convertible notes of HK\$129,172,000, gold loan payable of HK\$23,743,000, advances from shareholders of HK\$15,000,000 and promissory note of HK\$39,000,000. Calculated on the basis of the Group's net borrowings after deduction of cash and bank balances of HK\$7,832,000 and gold bullion stock of HK\$72,780,000 over shareholders' funds of HK\$1,316,218,000, the Group had a gearing ratio of 0.379.

The Group had bank loans and overdrafts of HK\$239,513,000 which are principally on a floating rate basis and HK\$200,563,000 of which are repayable within five years. The convertible notes and promissory note bear an interest at 5% per annum and are repayable within one year. Other borrowings of HK\$132,442,000 in the current period were due to non-financial institutions bearing interest principally at the rate of 9% per annum and repayable within one year.

From 1st May 2001 up to the date of approval of the Interim Financial Statements, the Group has successfully undertaken a series of fund raising exercises, the proceeds were used mainly to reduce debts and to provide additional working capital. These transactions are summarised below:

	<b>Proceeds</b> <i>HK\$'000</i>
Placement of 140,000,000 ordinary shares at HK\$0.143 each	19,500
Placement of 883,987,558 ordinary shares at HK\$0.103 each	90,200
Placement of 518,000,000 ordinary shares at HK\$0.101 each	51,600
Issue of 470,000,000 ordinary shares at HK\$0.1 each	47,000
Issue of 2% convertible bonds due January 2005	116,780
Issue of zero coupon convertible bonds due February 2005	40,000
Issue of zero coupon convertible bonds due April 2005	81,420
Issue of zero coupon convertible bonds due May 2005	50,044
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Total proceeds	<u>496,544</u>

Amongst those convertible bonds issued totalling HK\$288,244,000 above, HK\$59,880,000 2% convertible bonds have been converted into 598,800,000 ordinary shares and HK\$171,464,000 zero coupon convertible bonds have been redeemed by way of issuance of 3,429,280,000 ordinary shares up to the date of approval of the Interim Financial Statements.

As at 31st October 2001, the Group had commitments for future minimum lease payments under non-cancellable operating leases of HK\$6,520,000, HK\$5,809,000 of which would fall due within the first year and HK\$711,000 would fall due in the second to fifth year inclusive. The Group did not have any material capital commitments and contingent liabilities as at 31st October 2001. In addition, charges on group assets during the period under review did not materially differ from the information disclosed in the last annual report.