

LIQUIDITY, FINANCIAL RESOURCES, CHARGES ON GROUP ASSETS AND GEARING RATIO

As at 30 June 2005, the Group has cash and bank balances of approximately HK\$6.2 million, short-term bank loans at approximately HK\$20.1 million, long-term mortgage loans at approximately HK\$19.5 million, other long-term loan at approximately HK\$1 million and convertible preference shares at HK\$33.1 million. Most of the borrowings are denominated in Hong Kong dollars and only 0.37% of all borrowings are denominated in US dollars.

As at 30 June 2005, the Group has banking facilities totalling approximately HK\$57.4 million and unsecured revolving term loan at HK\$20 million from a substantial shareholder. All the bank facilities are secured by the Group's investment properties and leasehold land and buildings of aggregate net book value of approximately HK\$124.7 million and personal guarantee of a director of the Company and a director of a subsidiary upto the extent of totalling HK\$390,000. In addition, the Company and certain of its subsidiaries provide a bank of cross guarantees totalling HK\$35 million in respect of a shared banking facility to be used by the Company and these subsidiaries. The other long-term loan at approximately HK\$1 million was secured by the entire issued shares of a wholly-owned subsidiary of the Group which indirectly holds a property in Hong Kong and was fully repaid in July 2005. According to the principal terms of convertible preference shares, the Company shall redeem all convertible preference shares which have not been converted or redeemed on or before 29 January 2010.

The Group's current assets as at 30 June 2005 were approximately HK\$22.9 million while the current liabilities were approximately HK\$43.8 million. The Group continues to adopt conservative funding and treasury policies. As at 30 June 2005, the Group's current ratio was 0.52 (at 31 December 2004: 0.48).

The Group's gearing ratio, representing the Group's total liabilities divided by the total equity, as at 30 June 2005 was 1.06 (at 31 December 2004: 2.54).