

## LIQUIDITY AND FINANCIAL RESOURCES

### *Liquidity, financial resources and exchange rate fluctuation exposure*

The Group stays in healthy financial position with consolidated shareholders' funds of approximately HK\$111.0 million (30 April 2002: HK\$113.2 million) as at 31 October 2002. The current ratio has dropped slightly from 1.36 as at 30 April 2002 to 1.27 as at 31 October 2002, of which cash and cash equivalents decreased from HK\$13.7 million as at 30 April 2002 to HK\$11.9 million as at 31 October 2002. The decrease was due to the capital expansion to increase the production facilities of the Group.

As at 31 October 2002, the Group has total borrowings of approximately HK\$4.9 million (30 April 2002: HK\$6.2 million) of which approximately HK\$4.1 million (30 April 2002: HK\$4.9 million) is represented by mortgage loans and approximately HK\$0.8 million (30 April 2002: HK\$1.3 million) is represented by finance lease payables. The total borrowings matured within one year, in the second year and in the third to fifth years, inclusive, amounted to approximately HK\$2.1 million (30 April 2002: HK\$2.1 million), approximately HK\$1.3 million (30 April 2002: HK\$1.7 million) and approximately HK\$1.5 million (30 April 2002: HK\$2.4 million), respectively.

At 31 October 2002, the Group's banking facilities were secured by the properties of the Group and supported by corporate guarantees from the Company and a personal guarantee executed by a director of the Company. The Group has received written consents in principal from the bank that those banking facilities supported by personal guarantee executed by a director of the Company will be replaced by new banking facilities supported by corporate guarantees provided by the Company and/or other members of the Group. The Group is currently in the process of releasing the above-mentioned personal guarantee.

The Group's gearing ratio (total borrowings/total assets) is 0.03 as at 31 October 2002 (30 April 2002: 0.04), which is considered to be low. There are no seasonal factors materially affecting the Group's borrowing requirements. The bank balances and borrowings are mainly in Hong Kong dollars. Since the majority of the Group's business operations are in Hong Kong, the Group has minimal exposure on exchange rate fluctuations.

### *Treasury policies*

The Group generally finances its ordinary operations with internally generated resources. The interest rates of most of the borrowings are charged by reference to the prevailing market rates.

### *Contingent liabilities*

Following the purchase of the Restaurant Business, the Group's possible liabilities under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) at as 31 October 2002 would be approximately HK\$4 million (30 April 2002: approximately HK\$4 million). No provision has been made for these amounts.

### *Capital commitments*

As at 31 October 2002, the capital commitments in respect of purchases of fixed assets amounted to approximately HK\$839,000 (30 April 2002: HK\$213,000).