

LIQUIDITY AND FINANCIAL RESOURCES

Liquidity, financial resources and exchange rate fluctuation exposure

The Group had unaudited consolidated shareholder's fund of approximately HK\$92.4 million (30 April 2004: HK\$70.7 million) as at 31 October 2004. The Group's current ratio increase from 0.79 as at 30 April 2004 to 1.28 as at 31 October 2004. This was mainly attributable to the deem disposal of Kamboat Bakery. The Group's gearing ratio (total borrowings/total assets) remained low at 0.04 as at 31 October 2004, which was comparable to that of 0.03 as at 30 April 2004.

As at 31 October 2004, the Group's cash and cash equivalents increased from HK\$6.1 million as at 30 April 2004 to approximately HK\$9.6 million as at 31 October 2004. The Group's total bank borrowings stood at HK\$3.9 million, representing an increase of 18.2% as compared to HK\$3.3 million as at 30 April 2004. There are no seasonal factors materially affecting the Group's borrowings requirements.

Since the majority of the Group's sources of income, bank balances and borrowings are denominated in Hong Kong dollars, the Group has minimal exposure on exchange rate fluctuation.

Treasure 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

The Group has a contingent liabilities in respect of possible future payments to employees under the Employment Ordinance with a maximum possible amount of approximately HK\$4.1 million (30 April 2004 HK\$4.1 million) as at 31 October 2004.

As at 31 October 2004, the Company provided corporate guarantees to (i) landlords in respect of the operating lease payments of its subsidiaries; and (ii) banks in respect of banking facilities granted to its subsidiaries and an associate company.

Capital Commitments

As at 31 October 2004, the capital commitments in respect of investments in subsidiaries and purchases of fixed assets amounted to approximately HK\$0.5 million (30 April 2004: HK\$2.5 million) and HK\$nil (30 April 2004: HK\$0.4 million), respectively.