

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 March 2004, the Group had cash and bank balances of approximately HK\$16.0 million (30 September 2003: HK\$48.8 million) and total borrowings of approximately HK\$3.3 million (31 March 2003: HK\$3.4 million) that are repayable within one year.

The gearing ratio of the Group as of 31 March 2004 was 5.4% (30 September 2003: 4.6%) which was calculated based on the Group's total borrowings of approximately HK\$3.3 million (30 September 2003: HK\$3.3 million) and the shareholders' fund of approximately HK\$61.3 million (30 September 2003: HK\$71.9 million). Post-balance sheet date of the six months period ended 31 March 2004, the Group has exercised a rights issue of approximately HK\$60 million for potential acquisitions and working capital. Therefore, the gearing ratio is expected to be improved after the rights issue.

As of 31 March 2004, the Group's net current assets and current ratio were approximately HK\$12.9 million (30 September 2003: HK\$25.1 million) and 1.8 (30 September 2003: 1.3) respectively. In fact, over 54% of current assets are cash at bank.

The cash and bank balances together with available banking facilities are considered sufficient to provide adequate liquidity and capital resources for the Group's operating requirements.

## **TREASURY POLICY**

The Group generally finances its operations with internally generated cash flows and short-term loans. As at 31 March 2004, all of the Group's short-term loans of approximately HK\$3.1 million (31 March 2003: HK\$3.4 million) were interest bearing at fixed rates and were denominated in Renminbi. The directors believe that the Group has sufficient financial resources to discharge its debts and to finance its operations and capital expenditure.

## **FOREIGN EXCHANGE EXPOSURE**

The Group has limited exposure to fluctuation in foreign currencies as most of its transactions are denominated in US dollars and Renminbi. Exchange rates between these currencies with Hong Kong dollars were pegged with fixed rate and relatively stable during the period under review. The Group has not entered into any foreign currency forward exchange contract for the purpose of hedging against foreign exchange risks involved in the Group's operations.