BUSINESS REVIEW AND PROSPECTS

Securities dealing and brokerage and financing

The turnover from securities dealing and brokerage and financing amounted to HK$20.1 million (2004: HK$16.4 million). This was mainly attributable to the improving financing business following the improved sentiment of capital market. However, as a small to medium size broker firm, the Group was still under tremendous pressure and competition from other major brokers and the benefits to the Group from the increasing trading turnover in the local stock market during current year grow slowly.

Looking forward, with the adoption of the Individual Visa Scheme by the mainland government and the opening of Hong Kong Disney Land in September 2005, the visitors from the mainland to Hong Kong will increase significantly. Since June 2005, the Group has launched the Internet trading system, which in the long run will facilitate the online securities dealing transactions by its clients from the mainland and certainly widen its customer base for its brokerage and financing business.

General import and export trading

During the year under review, the garments trading continued to face with fierce market competition which resulted in decrease in turnover to HK$76.4 million (2004: HK$98.2 million). However, after the elimination of quota restriction in 2005, the Group managed to increase its gross profit margin. Without the quota restriction, garment importers may place their orders with those exporters that offer lowest cost with good quality assurance. Under such circumstance, the Group will focus on streamlining its operations and improving the quality of production to maintain its competitiveness. Response to the possibility of safeguard measures against China exports in the future, the Group will also diversify the sourcing to other Asia countries to offer more flexibility to its production schedule. The Group also broadens the trading product range to electronic products and market to European markets.

FINANCIAL REVIEW

During the year ended 31 March 2005, the Group recorded a turnover of approximately HK$96.5 million, which represented a drop of 15.8% compared to the previous year. However, the results turnaround to net profits of HK$3.3 million for current year from a loss of HK$157.7 million for the corresponding year in 2004. This was attributable to a combination of factors, including continuing cost rationalization and improving results of the financing business.

At 31 March 2005, the Group had cash at bank and in hand of approximately HK$22.4 million (2004: HK$13.8 million) and net assets value of approximately HK$149.7 million (2004: HK$148.5 million).

Interest-bearing bank loans and other borrowings at 31 March 2005 amounted to HK$109.8 million (2004: HK$128.6 million), of which HK$48.8 million (2004: HK$48.6 million) were repayable within one year. The gearing ratio, being the ratio of total bank loans and other borrowings and hire purchase payables of approximately HK$111.0 million to shareholders' fund of approximately HK$149.7 million, was about 0.74 (2004: 0.88).

FINANCIAL REVIEW *(Continued)*

During the year under review, the Group's business activities and its assets and liabilities were mainly denominated in Hong Kong dollars, Renminbi and US dollars. In view of stable exchange rates between these currencies, the foreign currency exchange risk of the Group is not significant. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial effect is material to the Group.

At 31 March 2005, a time deposit of HK$9.0 million, a property held for redevelopment at a revalued amount of HK$47.0 million, an investment property at a valuation of HK$14.0 million and the Group's interest in a joint venture with a net book value of HK$131.4 million were pledged to secure the banking facilities granted to the Group.

INVESTMENTS

Other than the long term investments made before 31 March 2003, the Group had made no further investment during the year ended 31 March 2005. The Group will continue to review the existing investments for possibility of realizing their value. At 31 March 2005, the Group held a portfolio of listed securities with market value of HK$11.1 million (2004: HK$17.3 million) as short term investments.

As disclosed in the Company's announcement dated 27 February 2004, the CJV Partner in the Highway 318 had unilaterally relocated the toll station of the Highway 318, which results in significant drop in its traffic flows. The Group has been liaising with the CJV Partner for compensation for the loss. Both parties agree that the Group will transfer its interest in the CJV to CJV Partner. As both parties could not come to an agreed consideration for the transfer, the Group had applied for arbitration through the Wuhan Arbitration Commission in China in October 2004. A provision of HK$174.9 million had been made in the financial year ended 31 March 2004.

CREDIT POLICIES

Most of overseas customers under the Group's trading business are transacted under documentary credit while the local ones will be on credit accounts basis and settled by telegraphic transfers or cheques. The credit periods usually range from one month to three months.

For the securities dealings & brokerage and financing business, the financial assistance will be granted based on assessment to financial status, repayment records and the liquidity of collaterals placed by clients and the interest rate is also determined thereon. Financial assistance will be repayable on demand once a client fails to repay any deposits or margins or other sums payable to the Group.

CONTINGENT LIABILITIES

At 31 March 2005, the Company had contingent liabilities in respect of corporate guarantees given to banks in connection with the banking facilities granted to certain subsidiaries, of which HK$18.1 million (2004: HK$38.4 million) had been utilized at 31 March 2005.

LITIGATION

(1) In December 2004, the Company received a writ of summons from the solicitors acting for C.A. Pacific Finance Limited (in liquidation) to claim a sum of HK$1,197,349.50 (the "Claimed Amount") due by Eastex Investment Far East Limited (formerly known as Styland Investment Far East Limited), a former subsidiary of the Company that was disposed in December 1997 (the "CAP Case"). After seeking legal advices, the Company has filed a defence to deny the claim. In view of foregoing and that the Claimed Amount is relatively small compared to the net assets value of the Company, the Directors do not consider the CAP Case having a material impact on the Company.

(2) In June 2003, Hainan Wanzhong Shiye Touzi Co., Ltd. (海南萬眾實業投資有限公司) ("Hainan Wanzhong") sued Wuhan Shengda Fangdichan Kaifa Co., Ltd. (武漢盛達房地產開發有限公司) ("Shengda Fangdichan") and Sheng Da Investment Holding (Hong Kong) Limited ("Sheng Da"), a non-wholly owned subsidiary of the Company, for repayment of a debt in the sum of RMB19,270,000, interest thereon and legal costs (the "Shengda Case"). Both Hainan Wanzhong and Shengda Fangdichan are companies incorporated in the PRC and independent to the Company. The reason for Sheng Da to be involved in the Shengda Case was that Hainan Wanzhong alleged that Shengda Fangdichan held shareholding interest in and had a receivable due from Sheng Da. On 22 August 2003, the court of Hainan issued a Notice of Assistance in Execution against Wuhan Dongsheng Highway Building Development Co. Limited, in which Sheng Da has 48.67% shareholding interest, requesting for retaining the dividend to be distributed to Sheng Da up to RMB19,270,000 ("Retained Amount") until the dispute is resolved.

The Board understands that Shengda Case related to an agreement executed by Sheng Da in 1995. Pursuant to shareholders' resolution passed in 2003, three existing shareholders ("Old Shareholders") of Sheng Da, who in total currently holds 44.32% interest in Sheng Da and have been the shareholders of Sheng Da before the Company initially acquired any interests in Sheng Da in 1997, undertook that they would bear any liability and relevant costs arising from the Shengda Case ("Undertaking"). In March 2005, Sheng Da received a letter from the Old Shareholders denying to bear such liability and legal costs. Nevertheless, the Directors consider that:

(i) the Group is not liable for any debt arising from Shengda Case;

LITIGATION *(Continued)*

(ii) the subject of the Shengda Case was to claim for receivable due from Shengda Fangdichan to Hainan Wanzhong and Sheng Da shouldn't be claimed for; and

(iii) the Group will not accept the withdrawal of the Undertaking by the Old Shareholders unilaterally and any future dividend or distribution payable to the Old Shareholders shall still be retained by Sheng Da to set off the Retained Amount. As such, there will be no material financial impact to the Group.

(3) Reference is made to the note 15(2) to the condensed consolidated financial statements for the six months ended 30 September 2004. In February 2005, the Company received a court order that the claims against the Company and certain of its existing directors and ex-directors by Messrs. Sun Jinlin (孫進林) and Lin Wen (林文) were dismissed.

STAFF

As at 31 March 2005, the Group employed 77 employees (2004: 74). In prior years, the number of staff excluded the workforce in the sample room on the mainland and their pays were regarded as sub-contracting cost. The Directors consider that it is more practicable to include them as staff of the Group. Accordingly, the number of the employees for the prior year was restated to conform to current year's presentation. Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are reviewed annually based on performance appraisal and other relevant factors. Staff benefits plans maintained by the Group include medical insurance, hospitalization scheme, mandatory provident fund and share option scheme.