

Management Discussion and Analysis

Results of Operation

Turnover and profit attributable to shareholders for the six months ended 30th September 2003 were HK\$270.1 million and HK\$4.1 million respectively, compared to a turnover of HK\$148.4 million and a loss of HK\$5.9 million for the corresponding period in last year. The earnings per share for the period was 0.4 Hong Kong cents when compared with a loss per share of 0.7 Hong Kong cents for the corresponding period in last year.

Capital Structure and Liquidity

At 30th September 2003, the Group had a net cash balance of HK\$49.2 million (31st March 2003: HK\$37.1 million). Most of the funds were held in United States dollars, Hong Kong dollars and Renminbi. Meanwhile, the Group had a very low level of debt. At 30th September 2003, the Group had a current ratio of 7.0 (31st March 2003: 14.3) and a gearing ratio (non-current liabilities to shareholders' fund plus non-current liabilities) of zero (31st March 2003: zero).

The Group's unaudited consolidated net assets as at 30th September 2003 was increased to HK\$161.1 million (31st March 2003: HK\$157.0 million) after deducting minority interests of HK\$124.1 million (31st March 2003: HK\$118.7 million).

Funding Policy

Same as last year, the Group's transactions and the monetary assets are principally denominated in United States dollars, Hong Kong dollars and Renminbi. As a result, the directors believe that the Group has minimal exposure to foreign exchange risk. During the period, the Group did not use any financial instrument for hedging purposes and the Group did not have any hedging instrument outstanding as at 30th September 2003.

Charge on Group Assets

At 30th September 2003, the Group had a bank deposit of approximately HK\$7.8 million (31st March 2003: HK\$7.8 million) charged for general banking facilities.

Capital Commitments and Contingent Liabilities

Other than a guarantee given to a supplier of a subsidiary for trade credit granted, at 30th September 2003, the Group had no capital commitments as well as material contingent liabilities.

Employees and Remuneration Policy

The Group had a workforce of approximately 570 people. Salaries of employees are maintained at competitive level and are performance driven.