

Management Discussion and Analysis

Results of Operation

Turnover and profit attributable to shareholders for the six months ended 30th September 2004 were HK\$130.3 million and HK\$2.0 million respectively, compared to a turnover of HK\$270.1 million and a profit of HK\$4.1 million for the corresponding period in last year. The earnings per share for the period was 0.2 Hong Kong cents when compared with an earnings per share of 0.4 Hong Kong cents for the corresponding period in last year.

Capital Structure and Liquidity

At 30th September 2004, the Group had a net cash balance of HK\$75.3 million (31st March 2004: HK\$58.6 million) after deducting a bank overdraft of HK\$588,000 (31st March 2004: HK\$nil). 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 2004, the Group had a current ratio of 8.0 (31st March 2004: 9.9) and a gearing ratio (non-current liabilities to shareholders' fund plus non-current liabilities) of zero (31st March 2004: zero).

The Group's unaudited consolidated net assets as at 30th September 2004 was increased to HK\$168.7 million (31st March 2004: HK\$163.2 million) after deducting minority interests of HK\$136.8 million (31st March 2004: HK\$128.6 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 2004.

Charge on Group Assets

At 30th September 2004, the Group had a bank deposit of approximately HK\$7.8 million (31st March 2004: HK\$7.8 million) charged for general banking facilities.

Capital Commitments and Contingent Liabilities

At 30th September 2004, the Group had capital commitment of approximately HK\$662,000 in respect of the acquisition of property, plant and equipment and the Group had a contingent liability of approximately HK\$7.8 million in respect of a guarantee given to a supplier of a subsidiary for trade credit granted.

Employees and Remuneration Policy

The Group had a workforce of approximately 645 people. Salaries of employees are maintained at competitive level and are performance driven.