

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30th September 2004, the Group had cash and bank balances of approximately HK\$89 million (31st March 2004: HK\$91 million) of which approximately HK\$63 million (31st March 2004: HK\$63 million) were pledged to bank for facilities granted to the Group. The Company has provided corporate guarantees to a bank to the extent of HK\$173 million (31st March 2004: HK\$173 million) for securing general banking facilities granted to subsidiaries.

As at 30th September 2004, the Group had available aggregate banking facilities of approximately HK\$283 million (31st March 2004: HK\$283 million) of which approximately HK\$119 million (31st March 2004: HK\$127 million) was not utilized.

Gearing Ratio

As at 30th September 2004, the amount of total bank borrowings was approximately HK\$164 million (31st March 2004: HK\$156 million), being equal to approximately 92% (31st March 2004: 90%) of the net assets of approximately HK\$178 million (31st March 2004: HK\$174 million).

CAPITAL STRUCTURE

There was no change to the Group's capital structure for the six months ended 30th September 2004.

CREDIT CONTROL

The Group has been practicing tight credit control policy. A credit committee composed of three Directors is responsible for overseeing the granting of credit facilities. Daily operation of money lending will be guided by the stringent procedures as prescribed by the internal control manual.

During the period under review, there is a substantial decrease of provision for doubtful debts from HK\$8.1 million for the corresponding period in 2003 to HK\$409,000. The provision of last period represents three of our debtors who were not able to meet their commitment to repay upon demand. These three margin clients had pledged their shares to secure the debts, however, those pledged shares had been suspended and is still not resumed trading yet. The provision for the current period represents the interest accrued for these three debtors and no other additional provision because of the implementation of tightened polices.

FOREIGN CURRENCY FLUCTUATION

The Board believes that the foreign exchange risk is minimal as the Group mainly uses Hong Kong dollars to carry out its business transactions.

EMPLOYMENT

Employees' remuneration are fixed and determined with reference to the market remuneration.

SHARE OPTION

The Group does not have share option scheme.

DIRECTORS' INTERESTS IN SECURITIES

As at 30th September 2004, the interests and short positions of each director, chief executive or their associate in the securities, underlying shares and debenture of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

Name of directors	Number of ordinary shares held as corporate interests
Cheng Kai Ming, Charles (<i>note</i>)	840,000,000

Note: Mr. Cheng Kai Ming, Charles is one of the beneficiaries of a trust which assets include interests in the entire issued share capital of CCAA Group Limited ("CCAA"). CCAA holds 840,000,000 shares of the Company.

At no time during the period was the Company, its subsidiaries or its associated companies a party to any arrangements to enable the directors or executives of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition in shares or debentures of the Company or its associated corporations.

Save as disclosed above, as at 30th September 2004, none of the Directors and chief executive or their associates, nor were they taken to or deemed to have under such provisions of the SFO, any interest or short positions in the shares, underlying shares or debentures of the Company or any associated corporation or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO.