

BUSINESS REVIEW

During the period under review, the Company has maintained its on-going investment strategy that focuses on listed and unlisted investment opportunities in the Greater China region. The appointment of AVANTA Investment (International) Limited as the investment manager of the Company since April 2004 has brought about new channels for the exploration of potential investment opportunities.

Turnover recorded during the period under review was decreased by 57.49% to HK\$758,000 as compared with HK\$1,783,162 recorded last year. However, the investment portfolio of the Group suffered significant unrealized losses during the period under review as a result of the volatile capital market in Hong Kong.

Liquidity and Financial Resources

As at 30 September 2004, the Group had no borrowing and no credit facilities obtained from financial institutions. The Group had bank balances and cash on hand of approximately HK\$4,850,080 (31 March 2004: HK\$5,701,562), which was mainly placed in bank as call deposits. Since the Company has made no borrowing as at 30 September 2004, the calculation of gearing ratio was not applicable.

As all transactions of the Company during the period under review were conducted in Hong Kong and the reporting currency of its financial statements was Hong Kong Dollar, its exposure to fluctuations in exchange rates and any related hedges was minimal.

Capital Structure

During the period under review, no movement in the share capital of the Company has been recorded.

Significant Investments

The investment portfolio of the Company comprises of two separate sections, namely, trading securities and non-trading securities. As a whole, the portfolio was carefully managed and being fully diversified to minimize commercial risk resulting from over concentration of the investment of the Company in any single industry.

During the period under review, the investment portfolio of the Company mainly included investments in quoted securities of locally listed companies whose business principally focuses on the provision of transportation technology solutions in the PRC, the manufacture and sale of leather, the sale of technology solution systems and related services, provision of manufacturing decision support system and computerisation consultation services and licensing of accounting and data application systems to manufacturers and traders in Hong Kong and the PRC and the manufacture and sale of synthetic sapphire watch crystals and optoelectronic products and watches distribution, etc.

Material acquisition and disposals of subsidiaries

Save as a dormant wholly-owned subsidiary of the Company incorporated in the British Virgin Islands being deregistered on 1 May 2004, no material change in the Company's investment in its subsidiary was recorded during the period under review.

Employees

As at 30 September 2004, the Company had retained two employees. Total staff costs of the Company, excluding directors' remuneration, for the period under review amounted to approximately HK\$394,701. Staff remuneration packages were in line with the prevailing market practice and were determined on the basis of the performance and experience of individual employee.

Charges on assets

Throughout the six months period ended 30 September 2004, assets of the Company were free from any form of legal charge. In addition, the Company did not have any significant contingent liabilities.

Future developments

Expecting capital markets in the region to remain unstable in the second half of the year, the Company will exercise extreme caution in managing its investment portfolio so as to strive for the best long term interest of its shareholders.

PURCHASE, SALE AND REDEMPTION OF SHARES

During the period under review, neither the Company nor its subsidiary had purchased, sold or redeemed any of the Company's shares.

AUDIT COMMITTEE

The audit committee, which comprises of three independent non-executive directors of the Company, has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the Group's unaudited financial statements for the six months period ended 30 September 2004.