

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The Group continued to be in strong liquidity position throughout the period under review. At 30th September, 2004, net current assets of the Group amounted to HK\$232,645,000 and was at a similar level compared to the preceding balance sheet date. The Group was also in net cash position, with bank balances and cash totaled HK\$11,738,000 and had no bank borrowing, the Group's gearing ratio was therefore nil at the period end date. In light of the amount of liquid assets on hand, the Directors are of the view that the Group has sufficient financial resources to meet its ongoing operational requirements. The Group had no material capital commitment at the period end date.

The Group's asset portfolio is mainly financed by its shareholders' funds. At 30th September, 2004, the Group had shareholders' funds of HK\$487,834,000 that was equivalent to a consolidated net asset value of about HK13.1 cents per share of the Company. The increase in shareholders' funds when compared to the preceding year end date was mainly attributable to the profit earned during the period.

Foreign Currency Management

The Group's foreign currency transactions are mostly denominated in Renminbi. As the exchange rate of Hong Kong dollars to Renminbi has been stable, the Directors are of the view that the Group's exposure to exchange rate risk is not significant.

Pledge of Assets

None of the Group's assets was pledged at 30th September, 2004.

Contingent Liabilities

The Group had no material contingent liabilities at 30th September, 2004.

EMPLOYEES AND REMUNERATION POLICY

At 30th September, 2004, the Group employed about 15 staff members including directors of the Company. Staff costs incurred for the period, including directors' remuneration, were HK\$3,083,000 (six months ended 30th September, 2003: HK\$3,450,000). It is the remuneration policy of the Group to reward its employees with reference to their qualifications, experience and work performance as well as to market benchmarks.