

MANAGEMENT DISCUSSION AND ANALYSIS**Results**

During the period under review, the Group's turnover was approximately HK\$52.2 million, representing a drop of 19.3% compared to the same period last year. The net loss for the period was minimized to HK\$7.3 million from HK\$29.8 million for the corresponding period in 2003. This was attributable to a combination of factors, including continuing cost rationalisation and having mitigated the adverse effect from its long term investments. The improvement in results was partly setoff by net unrealised losses on listed securities and reduced reversal of provision for doubtful debts for the current period.

Review of operations

As a result of the keen competition in Hong Kong and Europe markets, the trading business of the Group recorded turnover of HK\$46.3 million for the six months ended 30 September 2004, representing a decrease of 12% as compared with HK\$52.6 million for the corresponding period in 2003. Also, with the persistent price pressure and increasing outsourcing activities costs, the gross profit margin of the garments trading dropped by 2%. By 2005, free quota policy will be launched among World Trade Organization member countries. Without the quota restriction, garment importers may place their orders with those exporters that offered lowest cost with good quality assurance. Under such circumstance, the Group will focus on streamlining its operations and improving the quality of production to maintain the competitive edges.

Other than trading business, securities dealing & brokerage and money lending services are also the core businesses of the Group. Being a small to medium size broker firm, the Group did not gain substantial benefits from the increasing trading turnover in the local stock market during the six months ended 30 September 2004. Also, as a result of the tighten credit control policies over the financing business, the interest income from money lending business reduced from HK\$9.5 million in 2003 to HK\$3.8 million for the current period under review. With the adoption of the Individual Visa Scheme by the mainland government, the number of the visitors from the PRC to Hong Kong has increased significantly. The Group will seek to solicit the visitors from the PRC to widen its customer base for its brokerage and money lending businesses.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)***Investments**

Other than the long term investments made in previous years, the Group had made no further investment during the six months ended 30 September 2004. The Group will continue to review the existing investments for the possibility of realising their value. As at 30 September 2004, the Group held a portfolio of listed securities with market value of HK\$10.2 million as short term investments.

As disclosed in the Company's announcement dated 27 February 2004, the CJV Partner in the Toll Road had unilaterally decided to relocate the toll station of the Toll Road, which results in significant drop in traffic flows of the Toll Road. The Group has been liaising with the CJV Partner for compensation for the loss. As both parties cannot come to an agreed consideration for the compensation, the Group decided to apply for arbitration through the Wuhan Arbitration Commission in China in October 2004. The Group is not expected to receive any more dividends from the joint venture and a significant provision of HK\$174.9 million, had been made in the financial year ended 31 March 2004.

Credit policies

Most of overseas customers under the Group's trading business are transacted under letters of credit while the local ones will be on credit accounts basis and settled by telegraphic transfers or cheques. The credit periods usually range from one month to three months.

For the securities dealings & brokerage and money lending businesses, the financial assistance will be granted based on assessment to financial status, repayment records and the liquidity of collaterals placed by a client and the interest rate is also determined thereon. Financial assistance will be repayable on demand once a client fails to repay any deposits or margins or other sums payable to the Group.

Liquidity and financial resources

At 30 September 2004, the Group had cash at bank and in hand of approximately HK\$4.7 million (31 March 2004: HK\$4.8 million) and net assets value of approximately HK\$141.2 million (31 March 2004: HK\$148.5 million).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)***Liquidity and financial resources** *(Continued)*

Interest-bearing bank loans at 30 September 2004 amounted to HK\$120.9 million (31 March 2004: HK\$128.6 million), of which HK\$18.0 million (31 March 2004: HK\$48.6 million) were repayable within one year. The gearing ratio, being the ratio of total bank loans and hire purchase payables of approximately HK\$122.5 million to shareholders' fund of approximately HK\$141.2 million, was about 0.87 (31 March 2004: 0.88).

During the period under review, the Group's business activities and its assets and liabilities were mainly denominated in Hong Kong dollars, Renminbi and US dollars. In view of stable exchange rates of between these currencies, the foreign currency exchange risk of the Group is not significant. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group.

As at 30 September 2004, a time deposit of HK\$9.0 million, a property held for redevelopment at a revalued amount of HK\$45.0 million, an investment property at a valuation of HK\$13.0 million, the Group's investment in a joint venture with a net book value of HK\$131.4 million and certain listed securities placed by clients as securities under the financing, securities dealing & brokerage businesses were pledged to banks for their banking facilities granted to the Group.

PROSPECT

Though the PRC government has now taken tighten credit policies and other administrative measures to cool down the economy, mainland's economic outlook remains prosperous in the future.

In Hong Kong, the latest Consumer Price Index has showed that the persistent period of deflation has come to an end. Domestic consumption continues to rise and the local employment market is improving.

In order to capture the opportunities, the Group has diversified its product items and will explore more overseas markets for its trading business. The Group shall also explore and develop the securities dealing & brokerage and money lending businesses to the potential mainland clients as more and more mainland companies and individuals have expressed their interests to raise capital from overseas markets or invest overseas.

STAFF

As at 30 September 2004, the Group had 50 employees. Remuneration packages are generally structured with reference to prevailing market practice and individual merits. Salaries are reviewed annually based on performance appraisal and other relevant factors. Staff benefit plans maintained by the Group include medical insurance, hospitalization scheme, mandatory provident fund and share option scheme.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2004, the interests and short positions of the Directors of the Company (the "Directors") in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance (the "SFO")) or which were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name of Directors	Number of ordinary shares of HK\$0.01 each held and nature of interest		
	Family interests	Personal interests	Total
Ms. Yvonne Han Yi Yeung ("Ms. Yeung")	369,995,967 (Note)	30,000,000	399,995,967
Ms. Miranda Chi Mei Chan	–	39,288	39,288

Note: Ms. Yeung is the spouse of Mr. Kenneth Chi Shing Cheung ("Mr. Cheung") and accordingly deemed to be interested in the 369,995,967 shares of the Company that Mr. Cheung is beneficially interested.

DIRECTORS' INTERESTS IN SECURITIES *(Continued)*

Pursuant to the Scheme, the Company granted 17,000,000 share options to Mr. Johnny Wing Fai Tam, the managing director of the Company, to subscribe for its shares at an exercise price of HK\$0.0228 per share for a period of three years from 13 November 2003, the granting day.

As at 30 September 2004, no short positions were recorded in the Register of Directors' and Chief Executive's Interests and Short Positions required to be kept under Section 352 of the SFO.

Save as disclosed above, as at 30 September 2004, none of the directors or Chief Executive of the Company had any interest or short position whether beneficial or non-beneficial, in the shares or underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS

The Register of Substantial Shareholders maintained under Section 336 of the SFO shows that, as at 30 September 2004, the Company had been notified of the following interests in the Company:

	Number of shares	Percentage
Mr. Cheung <i>(Note 1)</i>	399,995,967	21.38%
Ms. Yeung <i>(Note 2)</i>	399,995,967	21.38%
Mr. Lin Wen <i>(Note 3)</i>	165,050,000	8.82%
Mr. Sun Jinlin <i>(Note 3)</i>	150,800,000	8.06%
Mr. Rajkumar M Daswani <i>(Note 4)</i>	112,411,667	6.01%

Notes:

1. Mr. Cheung personally holds 299,995,967 shares of the Company. Mr. Cheung is the sole shareholder of K.Y. Limited ("KY") and deemed to be interested in 60,000,000 shares of the Company held by KY. Mr. Cheung is further deemed to be interested in 10,000,000 shares of the Company held by K.C. (Investment) Limited, a wholly-owned subsidiary of KY.

Mr. Cheung, being the spouse of Ms. Yeung, is also deemed to be interested in 30,000,000 shares of the Company held by Ms. Yeung.

2. Ms. Yeung personally holds 30,000,000 shares of the Company. Ms. Yeung is the spouse of Mr. Cheung and accordingly deemed to be interested in the 369,995,967 shares beneficially interested by Mr. Cheung.

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Notes: (Continued)

3. Mr. Lin and Mr. Sun notified the Company of the number of shares they held in the Company on 20 August 2002. As the Company did not receive any update information in respect of their interests thereafter, the directors cannot assert the accuracy of their shareholdings as at 30 September 2004. The Company has written to Mr. Lin and Mr. Sun to inquire their actual shareholdings in the Company on 14 June 2004. On 13 December 2004, the Company received an informal letter from Mr. Lin, claiming that he currently held approximately 5 million shares of the Company which is substantially different from the record he maintained with the Stock Exchange and the Company and did not disclose details of the disposal. The Company tried to seek further formal clarification from Mr. Lin. However, up to the date of this report the Company did not receive any response.

4. The Company received a letter dated 13 December 2004 from Mr. Rajkumar M Daswani that he and Mr. Shalini R Daswani jointly held 114,731,667 shares of the Company. As Mr. Rajkumar M Daswani and Mr. Shalini R Daswani provided no details for the change in shareholding, the above disclosure will only be based on their previous formal notification.