

PROSPECTS

The Hong Kong economy is likely to expand further in the fourth quarter compared with a year ago, following a 7.2% growth in the third quarter. Investment, which has been in the doldrums since the Asian crisis, is also recording strong growth. Investments in machinery, equipment and computer software continued to record double-digit growth. The weak US dollar has also helped to drive the inflow of funds into Hong Kong, boosting investment further, but this will also have an adverse effect on the cost due to the import inflation. On the other hand, the Mainland economy has stayed strong as trade surges, notwithstanding the implementation of macroeconomic control measures by the Chinese government to curb overheated economic activities.

Looking forward, riding on the favourable yet competitive business environment, the Management will continue to develop business prudently and adopt stringent cost control measures to maintain the Group's competitive edges. The Group will continue to strengthen its ties with customers and provide high quality services, striving to better performance in the second half of the financial year.

FINANCIAL REVIEW

As at 30th September, 2004, the Group's total net assets amounted to approximately HK\$380 million (HK\$384 million as at 31st March, 2004).

As at 30th September, 2004, total debt to equity ratio was 0.06% (0.04% as at 31st March, 2004) and net debt to equity ratio was nil (Nil as at 31st March, 2004), which are expressed as a percentage of bank and other borrowings, and net borrowings respectively, over the total net assets of HK\$380 million (HK\$384 million as at 31st March, 2004).

As at 30th September, 2004, the Group's bank and other borrowings amounted to HK\$237,000 (HK\$151,000 as at 31st March, 2004). Bank balances and cash equivalents amounted to HK\$93 million (HK\$124 million as at 31st March, 2004) and there are no net borrowings for the two periods.

Finance costs for the period was nil (HK\$7,000 for the same period last year).

The Company has provided guarantees in respect of loan facilities granted to subsidiary companies amounting to HK\$3.1 million (HK\$3.1 million as at 31st March, 2004).

The Group adopts conservative treasury policies in cash and financial management. To achieve better risk control and minimise cost of funds, the Group's treasury activities are centralised. Cash is generally placed in short-term deposits mostly denominated in Hong Kong or US dollars. The Group's liquidity and financing requirements are frequently reviewed.