

The Group was not active in its securities and property operations during the period. The operating loss of the property segment represented mainly property management costs of the Group's investment properties which are currently vacant.

The Group's investment activities recorded a loss of HK\$6,084,000 and was primarily attributable to the impairment loss of HK\$6,000,000 made against an investment in a 22.5% owned investee company, Xi'an Yizhiliu Pharmaceutical Co., Ltd. ("Xi'an Yizhiliu"). The performance of Xi'an Yizhiliu was not satisfactory as it had incurred losses for three consecutive financial years. As a result, the Group decided that an impairment loss be recognised against this investment to reflect the recoverable amount. The Group's 40% owned associate which is engaged in investment in Hong Kong listed securities performed well during the period. The Group recorded a share of profit of HK\$400,000 from this associate representing mainly the realised gain on trading of listed securities.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The Group continued to be in a strong liquidity position throughout the period under review. At 30th September, 2005, net current assets of the Group amounted to HK\$272,955,000 (31.3.2005: HK\$242,800,000) with bank balances and cash totaled HK\$5,839,000 (31.3.2005: HK\$3,744,000). The Group had no bank borrowings at 30th September, 2005. Accordingly, its gearing ratio was nil at the period end date.

The Group had no material capital commitment at the period end date. In light of the amount of liquid assets in hand and banking facility available, the Directors are of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

The Group's assets portfolio is mainly financed by its shareholders' funds. At 30th September, 2005, the Group had shareholders' funds of HK\$520,646,000 (31.3.2005: HK\$506,720,000). The increase in shareholders' funds was principally attributable to the net proceeds of HK\$10,438,000 raised by the Company through placement of 20 million new shares during the period.

Foreign Currency Management

The Group's foreign currency transactions are mostly denominated in Renminbi. As material fluctuation in exchange rate of Hong Kong dollars to Renminbi is not expected, 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, 2005.

Contingent Liabilities

The Group had no material contingent liabilities at 30th September, 2005.

EMPLOYEES AND REMUNERATION POLICY

As 30th September, 2005, the Group employed about 20 staff members including directors of the Company. Staff costs incurred for the period, including directors' remuneration, were HK\$3,072,000 (1.4.2004 to 30.9.2004: HK\$3,083,000).

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. Remuneration packages, including the grant of share options, are structured to motivate individual performance and contributions to the Group.

BUSINESS PROSPECTS

For the remainder of the financial year, the Group will continue its dual focuses of enhancing the performance of the existing businesses and looking for investment opportunities that will create substantial value for shareholders. The management is currently exploring business opportunities in the Inner Mongolia Region of China in the areas of manufacturing, trading and tourism industry as well as other business opportunities in Hong Kong and the Mainland. In light of the strategic direction of the Group in pursuing investment opportunities in Hong Kong and the Mainland, the management is optimistic about the Group's future performance as it is expected that the Group's investments will benefit from the continuous strong growth of the China's economy and the positive economic developments in Hong Kong.