MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the six months ended 30 September 2005, the Group's turnover was approximately of HK$47.9 million (2004: HK$52.2 million). The Group recorded improved results for its core business segments. The net loss for the period was reduced to HK$3.0 million (2004: HK$7.3 million).

Review of operations

During the period under review, the continued trade disputes between China and the European Union as well as United States had created uncertainties in the garments trading activities which resulted in decrease in turnover of the Group's import and export trading business. For the six months ended 30 September 2005, the turnover of the trading was HK$42.1 million, representing a decrease of 9% as compared with HK$46.3 million for the corresponding period in 2004. However, benefiting from the Group's effort to streamline its operation and control outsourcing costs without lowering product quality, we have seen the improvement for its garment trading business which realized a profit of HK$1.5 million (2004: HK$0.8 million).

The turnover of the Group's securities dealing and broking and financing was approximately HK$5.7 million (2004: HK$6.0 million). The downturn was partially reflected by rising interest rate and oil price which affected the sentiment of the market. Also, as a small to medium size broker firm in Hong Kong, the Group faced with intense competitions from banks. To cope with the problem, the Group will provide more comprehensive service to its clients in an efficient manner. Following the introduction of online trading system, the Group provides its clients alternative way to deal in security trading and to access to latest market information.

Investments

The Group made no further investment during the six months ended 30 September 2005, however it will continue to seek for investment opportunities and disclose when necessary.

As disclosed in the Company's announcement dated 27 February 2004, the PRC CJV partner of the Toll Road had unilaterally decided to relocate the toll station of the Toll Road, which results in significant drop in its traffic flows. The Group has been liaising with the PRC CJV partner for compensation for the loss. As both parties cannot come to an agreed consideration for the compensation, the Group had applied for arbitration through the Wuhan Arbitration Commission in China in October 2004. A provision of HK$174.9 million had been made in the financial year ended 31 March 2004.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Credit policies

Most of overseas customers of the Group's trading business are transacted under documentary credit while the local customers 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 will be determined thereon. Financial assistances will be repayable on demand once a client fails to repay any deposit, margin or other sum payable to the Group.

Liquidity, financial resources and capital structure

At 30 September 2005, the Group had cash at bank and in hand of approximately HK$18.4 million (31 March 2005: HK$22.4 million) and net assets value of approximately HK$141.4 million (31 March 2005: HK$149.7 million).

Interest-bearing bank loans at 30 September 2005 amounted to HK$113.1 million (31 March 2005: HK$109.8 million), of which HK$94.5 million (31 March 2005: HK$48.8 million) were repayable within one year. The gearing ratio, being the ratio of total bank loans and hire purchase payables of approximately HK$113.9 million to shareholders' fund of approximately HK$141.4 million, was about 0.81 (31 March 2005: 0.74).

At 30 September 2005, a time deposit of HK$9.0 million, a property held for redevelopment at a revalued amount of HK$47.0 million, an investment property at a valuation of HK$14.0 million and the Group's investment in a joint venture with a net book value of HK$131.4 million were pledged to banks for their banking facilities granted to the Group.

Foreign exchange exposure

During the period under review, the Group's business activities and its assets and liabilities were mainly denominated in Hong Kong dollars and Renminbi. The Group did not hedge exchange rate fluctuation between Renminbi and Hong Kong dollars as the borrowing in Renminbi was matched by assets denominated in Renminbi and the risk was considered minimal. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Prospect

After the elimination of quota restriction in 2005, garment importers place their orders with those exporters that are offering better services with good quality assurance. To response to the change and improving long term competitiveness, the Group carried out restructuring on its garment operation, including closing down the sample room in the PRC which was not fully utilized and inefficient. The work done by the staff in the sample room is now outsourced to manufacturer directly and the Group will only maintain minimum staff responsible for quality control. In order to reduce the Group's heavy reliance on the Europe market, the Group will continue its efforts to diversify its exports to other markets.

Though the Group experiences difficulties for its broking and financial services business, it remains confident concerning long-term prospects in light of Hong Kong's close ties with the mainland and itself an international financial centre. Also, the sentiment of stock market in Hong Kong is bullish and the market is looking forward to more and more initial public offerings, in particular the major Chinese state-owned enterprises and banks in near future. The Group will grasp every opportunity to promote its services.

Staff

At 30 September 2005, the Group had 76 employees. Remuneration packages are generally structured with reference to prevailing market practice and individual merits. Salaries are reviewed periodically 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.