

Turnover of the provision of finance business for the period was amounted to HK\$14,136,000 (1.4.2005 to 30.9.2005: HK\$14,008,000). The business recorded a loss of HK\$104,453,000 in this period (1.4.2005 to 30.9.2005: gain of HK\$14,071,000) mainly due to impairments of approximately HK\$118,752,000 made on two loans receivable of the Group with carrying amounts, before impairments, at 30th September, 2006 of approximately HK\$226,197,000 which were granted in early year 2004. During the period, the two borrowers had defaulted in the repayment of the loan interests and recovery actions had been taken by the Group in respect of such loans receivable. After reviewing the status of the said loans receivable by the Directors of the Company, the above-mentioned impairments were made in this period.

In view of the improvement in the local property market, the Group had increased its investment in properties in the period. As at 30th September, 2006, the amount of the investment properties amounted to HK\$36,670,000 compared with the amount of HK\$3,000,000 at 31st March, 2006.

On the investment business side of our activities, the Group had disposed of all its investment in Xian Yizhiliu Pharmaceutical Co., Ltd. during the period and recorded a loss of HK\$3,920,000. The Group had also recorded a decrease in fair value of the listed securities component of the available-for-sale investments of HK\$39,830,000 during the period.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

At 30th September, 2006, net current assets of the Group amounted to HK\$270,677,000 (31.3.2006: HK\$316,525,000) with bank balances and cash totaled HK\$4,230,000 (31.3.2006: HK\$30,426,000).

As at 30th September, 2006, the Group had other borrowings of approximately HK\$50,000,000 (31.3.2006: HK\$12,004,000), secured bank loans of HK\$20,874,000 (31.3.2006: Nil), bank overdrafts of HK\$2,396,000 (31.3.2006: HK\$762,000) and margin financing payable of HK\$902,000 (31.3.2006: HK\$2,929,000). Gearing ratio calculated on the basis of the Group's total borrowings over shareholders' funds was 15.33% (31.3.2006: 3.13%) at the balance sheet date. The other borrowings, secured bank loans, bank overdrafts and margin financing payable of the Group carried floating interest rates calculated by reference to the Hong Kong dollar prime rate and were made in Hong Kong dollar. There is no exposure to fluctuations in exchange rates in relation to the borrowings.

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, 2006, the Group had shareholders' funds of HK\$483,920,000 (31.3.2006: HK\$501,643,000). During the period, the Company had undergone a capital reorganisation which included the reduction of the nominal value of the shares of the Company from HK\$0.20 each to HK\$0.10 each. Moreover, there were also placements of total of 600 million new shares and consideration issue of 55 million new shares by the Company in 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

At 30th September, 2006, available-for-sale investments of approximately HK\$15,840,000 and investments held for trading of approximately HK\$26,789,000 were pledged to a financial institution to secure margin financing of HK\$902,000 provided to the Group and investment properties of total carrying amount of HK\$36,670,000 were pledged to banks to secure loan and credit facilities granted to the Group.

Contingent Liabilities

The Group had no material contingent liabilities at 30th September, 2006.