

LIQUIDITY AND FINANCIAL RESOURCES

The Group continuously maintained a healthy liquidity position with a net cash inflow of approximately HK\$7.3 million for the year, despite of its reported loss of approximately HK\$33.7 million. At 31 March 2003, cash and bank balances of the Group amounted to HK\$62.9 million (2002: HK\$27.8 million). Bank and other borrowings of the Group as at the same date amounted to HK\$42.3 million (2002: HK\$12.9 million), which is repayable within one year. The calculation of debt to equity ratio (expressed as a percentage of bank and other borrowings net of cash and bank balances over total net assets of the Group) is not applicable.

The Group's bank and other borrowings were denominated as to 84% in Renminbi and 16% in Hong Kong dollar as compared to 100% in Hong Kong dollar last year.

The Group conducted most of its business in Renminbi, United States dollars and Hong Kong dollars. As the Hong Kong dollar is pegged to the U.S. dollar, and there has been minimal fluctuation in exchange rate between the Hong Kong dollar and the Renminbi, the Group's exposure to exchange rate risk was minimal.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

In June 2002, the Group completed the procedure for liquidation of its subsidiary established in Guangdong Province. The subsidiary was dissolved accordingly with no further loss realized. The reason for dissolving the subsidiary is to enable the Group to direct more resources to its property development and investment business and to enhance its cash flow position.

In December 2002, the Group completed capital injection into the joint venture winery in Qingdao and acquired an equity interest of 55% of its total registered capital. This resulted in the joint venture winery became a consolidated subsidiary of the Group.

EMPLOYEE INFORMATION

At 31 March 2003, the Group has approximately 560 employees (2002: 260) serving its operations in Hong Kong and the PRC. There has been an increase in workforce in the PRC taking into account of the 300-strong winery in Qingdao which has become a subsidiary of the Company during the year. The costs for the employees (excluding directors' remuneration) during the year were approximately HK\$7.7 million. Employees are basically remunerated based on the nature of their job and their performance as well as prevailing market trend. Year end discretionary bonus would be granted to reward and motivate those well performed employees.

CHARGES ON GROUP ASSETS

At 31 March 2003, the Group has pledged certain assets including bank deposits of HK\$6.2 million (2002: HK\$5.5 million), land and buildings with an aggregate net book value of HK\$19.2 million (2002: HK\$33.3 million) to secure the general banking facilities and bank loans granted to the Group.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

At 31 March 2003, the Group's commitments and contingent liabilities were as follows:

- (a) Commitments contracted but not provided for amounted to HK\$1.6 million (2002: HK\$6.9 million).
- (b) A purported guarantee in respect of the indebtedness of the Company's subsidiary to a sub-contractor amounting to HK\$38 million (2002: HK\$38 million), albeit the Company denies liability to the sub-contractor for the purported guarantee which came to the attention of the directors in previous years, has been treated by the directors of the Company on ground of prudence as a contingent liability in the Company's financial statements.