FINANCIAL REVIEW

The Group achieved an unaudited turnover of approximately HK$109.8 million for the six months ended 30 September 2003, representing an increase of 165.9% from approximately HK$41.3 million recorded in the corresponding period last year. Unaudited consolidated net profit attributable to shareholders for the six months ended 30 September 2003 amounted to approximately HK$11.5 million, comparing to a loss of approximately HK$10.8 million during the same period last year. These results were attributable to the favorable property market in Shanghai. Nearly 90% of the Group's turnover and most of its operating profit were derived from the business related to property development and investment in the PRC.

BUSINESS REVIEW

During the period under review, the Group returned to profitability and managed to improve its performance in various aspects including operational and financial. The profit was mainly contributed by the property development project in Pudong, Shanghai, which recorded an income of approximately HK$16.4 million. As of 30 September 2003, the property project in Pudong posted accumulated sales revenue of approximately RMB176.4 million. By the end of September 2003, 274 of the 344 residential units and all 21 commercial units were sold. The remaining units are expected to launch in the market in March 2004.

As detailed in a circular of the Company dated 19 November 2003, the Group entered into agreements in October 2003 to acquire 33% interests in a company with an ultimate goal of participating in a property development project in Shanghai. If the invested company is successful in acquiring the target property, it is believed that a reasonable yield would be achieved in the short run.

The Group's sales of data storage media products and related equipment for the six months period ended 30 September 2003 decreased by approximately 33% compared with that of the same period last year. The decline was due to a contracting floppy disk market and also due to the effect of SARS which caused a disruption in the distribution network. Despite the decrease in sales, a profit of approximately HK$148,000 was earned during the period, reversing a loss recorded in the corresponding period last year. Costs saving measures including outsourcing have been taken to enhance profitability. The Group has been leveraging on the sales network in the PRC to sell its own brand name products, “BFE” and plans to expand the existing product line to include products such as USB flash chips. As such, the Group will actively seek cooperation with product developer and manufacturers of the related products. The Group will continue periodic review of this division of business and may consider adjustments to the business strategy.

The Group has been exerting continuous effort to streamline the operations while strengthening distribution efficiency and expanding sales network of the joint venture winery in Qingdao, which the Group owns 55%. The Group will take advantage of a growing number of wine consumers in China and will position itself to benefit from this potentially enormous market.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

The Group had a strong financial position and recorded a net cash inflow of approximately HK$41.95 million for the period under review. At 30 September 2003, cash and bank balances of the Group amounted to approximately HK$103.03 million, compared to approximately HK$62.93 million at 31 March 2003. Bank and other borrowings of the Group as at the same date amounted to approximately HK$4.46 million (at 31 March 2003: HK$42.3 million).

The Group’s bank and other borrowings were denominated as to 100% in Renminbi. The Group conducted most of its business in Renminbi, United States dollars and Hong Kong dollars such that the Group’s exposure to exchange rate risk was modest.

The Group recorded an increase in shareholders’ funds from approximately HK$118,360,000 at 31 March 2003 to approximately HK$131,161,000 at 30 September 2003.

The Group’s gearing ratio, expressed as the percentage of the Group’s total borrowings (net of bank deposits pledged) over the shareholders’ funds, was approximately 3.4% at 30 September 2003, as compared with 35.7% at 31 March 2003.

Termination of a subsidiary in the PRC

On 1 December 2003, the Group entered into an agreement with its PRC partner for terminating the joint venture contract under which its wholly owned subsidiary, Benelux International Electronics Company Limited ("BIEL") was set up. Termination of the joint venture contract will take effect on 31 December 2003. Accordingly, BIEL will be dissolved.

Employees

As at 30 September 2003, the Group had approximately 450 employees (2002: 230) serving its operations in Hong Kong and the PRC. 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. The Company also adopted a share option scheme in November 2003 to reward employees of the Group for their contributions to the Company.

Charges on Group Assets

At 30 September 2003, the Group pledged certain assets including bank deposits of HK$3.1 million (at 31 March 2003: HK$6.2 million), land and building with an aggregate net book value of HK$7.7 million (at 31 March 2003: HK$19.2 million) to secure the general banking facilities and bank mortgage loans granted to the Group.

Capital commitment and contingent liabilities

Save for an increase of HK$0.9 million in commitments contracted but not provided for from HK$1.6 million at 31 March 2003 to HK$2.5 million at 30 September 2003, there has been no change in the Group's commitments and contingent liabilities since the publication of the last annual report.

INTERIM DIVIDEND

The directors have decided not to declare any interim dividend for the six months ended 30 September 2003 (2002: nil).