

(11) Pledge of assets

At 30 September 2004, the Group has pledged certain assets as listed below to secure the general banking facilities granted to the Group:

	30 September 2004	31 March 2004
	HK\$'000	HK\$'000
Bank deposits	14,024	14,017
Land and buildings at net book value	7,535	7,619

(12) Approval of the interim financial report

This interim financial report was approved by the Board of Directors on 17 December 2004.

MANAGEMENT DISCUSSION AND ANALYSIS**Financial Review**

For the six months ended 30 September 2004, the Group recorded a turnover of HK\$49,482,000, a decrease by 55% from HK\$109,758,000 of the corresponding period last year. Loss recorded in the period under review was HK\$6,688,000, as opposed to a profit of HK\$11,494,000 of the same period last year. Business performance of different segments varied for the first half year. A profit of HK\$2,089,000 derived from the property business was offset by the loss incurred in the sales of data storage media products and wine products.

Business Review

During the period under review, the property development and investment business generated turnover of HK\$42 million, all of which arising from sales of the remaining units of the residential property in Pudong, Shanghai. It represented 86% of the Group's total turnover, down from 89% of the previous year. As at 30 September 2004, 98% of the residential units were sold. Owing to the cyclical nature of the project, sales revenue and profitability of this largest business segment were lower than their levels at the last financial year-end.

As announced by the Company on 8 September 2004, consideration for acquiring the land in the Song Jiang area in Shanghai for residential development by the business venture owned as to 33% by the Company was adjusted and finalised at a higher level in accordance with the prevailing property market condition. Construction is likely to be delayed to the middle of 2005 because of additional pre-construction works to be attended to. The management will review the progress of this property project as well as the market condition in Shanghai from time to time in order to capture the business opportunities available.

The data storage media products business recorded turnover of HK\$4.5 million for the period ended 30 September 2004, which accounted for 9% of the Group's total turnover. At present the major products of the business are micro-cassettes, 3.5" micro floppy disks and USB flash chips. Sales of data storage media products were affected by the difficult market conditions, especially in the highly volatile USB flash chips market in the PRC. Meanwhile, an upsurge in costs of plastic materials resulted from the increasing oil prices had eroded the profit margins of micro-cassettes and 3.5" micro floppy disks. The Group has been continually reviewing the product mix with reference to the fast-changing market conditions and product trend in the industry. Leveraging on our well-established distribution network, the management hopes that the business will contribute a stable income stream to the Group.

Given that the wine business continued to suffer loss, effort was made to further increase the operational efficiency and effectiveness of the joint venture winery in Qingdao during the period. Sales of wine amounted to HK\$2.6 million, representing a decrease of 34% from the corresponding period last year. Intense competition in the industry resulted in the decline in market prices in general. Despite of this, the Group adopted a strict credit control policy to monitor its business risk. Business performance was adversely affected as a result.

Prospects

On account of the higher return on investment attributed to the property sector, coupled with other favourable factors like the accession to the World Trade Organisation, hosting of the Olympic Games 2008 and the World Expo 2010, the management remains cautiously optimistic about the property market in the PRC.

The Group will actively consolidate and strengthen its data storage media products business and wine business. The economic growth in the PRC remains strong, which leaves rooms and opportunities for the development of consumer products. The directors believe these businesses will provide steady cash flow to the Group.

While dedicating to strengthen other branches of business, the management believes that property development and investment in the PRC will continue to be the momentum for future growth. The Group will continue to position itself as a developer of affordable housing targeting at the middle-income group.

Geographically, the Group will continue to focus on the PRC market. Notwithstanding that the macro economic adjustments in the PRC has affected the Group's businesses, the management will constantly review the market conditions and adjust accordingly.

The management expects the second half of the year will remain tough for the Group. With the implementation of ongoing stringent cost control measures, the Group will endeavour to narrow the loss for the whole year.

Liquidity and Financial Resources

The Group's financial position remained sound and a net cash outflow of approximately HK\$3.6 million was recorded for the period under review. At 30 September 2004, cash and bank balances of the Group amounted to HK\$45.3 million, compared to approximately HK\$48.8 million at 31 March 2004. Bank and other borrowings of the Group as at the same date amounted to HK\$13.9 million (at 31 March 2004: HK\$13.9 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 a decrease in shareholders' funds from approximately HK\$135,134,000 at 31 March 2004 to approximately HK\$128,446,000 at 30 September 2004.

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 3.5% at 30 September 2004, as compared with 3.3% at 31 March 2004.

Employees

As at 30 September 2004, the Group had approximately 262 employees (2003: 450) serving its operations in Hong Kong and the PRC. There was a decrease in workforce in the PRC after streamlining the operations of the winery in Qingdao. 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 whereby certain employees of the Group were granted options to subscribe for shares of the Company.

Charges on Group Assets

At 30 September 2004, the Group pledged certain assets including bank deposits of HK\$14 million (at 31 March 2004: HK\$14 million), land and building with an aggregate net book value of HK\$7.5 million (at 31 March 2004: HK\$7.6 million) to secure the general banking facilities and bank mortgage loans granted to the Group.

Capital Commitment and Contingent Liabilities

Save for a decrease of HK\$ 9.4 million in commitments contracted but not provided for from HK\$ 36.85 million at 31 March 2004 to HK\$ 27.45 million at 30 September 2004, there has been no change in the Group's commitments and contingent liabilities since the publication of the last annual report.