

FINANCIAL REVIEW

The Group generally finances its operations with internally generated cash flows. As at 30 September 2004, the Group had bank and cash balances of approximately HK\$0.3 million (31 March 2004: approximately HK\$3.9 million). Its gearing ratio calculated as a ratio of debt to equity was nil (31 March 2004: nil). Net current assets totalled approximately HK\$31.6 million (31 March 2004: approximately HK\$4.5 million) and the current ratio was maintained at the strong level of approximately 5.53 (31 March 2004: approximately 1.83).

CAPITAL STRUCTURE

There was no change to the Group's capital structure for the six months ended 30 September 2004.

TREASURY POLICIES

The Group generally finances its operations with internally generated funds. Bank deposits as at 30 September 2004 as shown in the Interim Accounts are denominated in Hong Kong dollars.

CONTINGENT LIABILITIES

As at 30 September 2004, the Group had no contingent liabilities (31 March 2004: nil).

COMMITMENT

Saved as disclosed under the heading "Operating lease commitments" above, as at 30 September 2004, the Group had no commitment (31 March 2004: nil).

SEASONAL OR CYCLICAL FACTORS

The Group's business operations are not significantly affected by any seasonal and cyclical factors.

FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue and incurs costs in Renminbi, United States dollars and Hong Kong dollar. The Group's foreign exchange exposure is therefore minimal as long as the policy of the Government of Hong Kong Special Administrative Region to link the Hong Kong dollars to the United States dollars remains in effect.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 September 2004, the Group employed approximately 10 full time staff in the PRC and Hong Kong. The Group remunerates its employees based on their performance, work experience and prevailing market prices. Performance related bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical coverage, training programs and share option scheme.

