

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 September 2005, the Group's turnover amounted to approximately HK\$9,348,000, representing a 81% decrease compared with approximately HK\$49,482,000 for the corresponding period last year. The Group recorded an operating loss of approximately HK\$6,811,000 for the same period as compared to the operating loss of approximately HK\$6,806,000 as for the corresponding period last year. The operating environment for the Group's business remained tough during the period under review.

Business Review

During the period under review, the Group generated its financial resources mainly from sales of properties and wine products in the People's Republic of China (the "PRC"), and sales of data storage media products to markets in the PRC as well as other countries. Geographically, sales to the PRC accounted for approximately 94% of the turnover of the Group; while categorized under business activities, the property development and investment business contributed to approximately 55% of the Group's total sales and remained as the Group's major source of revenue.

The property development and investment business recorded a turnover of approximately HK\$5,160,000, representing a decrease of approximately 88% over the corresponding period last year of HK\$42,469,000. The turnover was mainly derived from selling of the remaining residential units of the Group's property development project in Pudong, Shanghai. Because of the slow-down in the property market, there has been very little progress for the other property projects, which are located in Songjiang area in Shanghai and Zouping County, Shangdong Province respectively.

The data storage media products trading business and the wine business accounted for approximately 23% and 22% of the turnover of the Group, and represented a decrease of approximately 51% and 21% respectively as compared to the same period of last year. To rectify the loss-making position, the Group continued the process of streamlining and rationalization on the operations of these business segments. As the Group took a prudent approach in operating these businesses, the turnover was adversely affected. Segmental results of such businesses also suffered.

Prospect

The Group will evaluate its business strategies and will re-align its resources to improve the existing business areas and to explore potential investment opportunities with a cautious attitude. The PRC market will continue to be the focus. The Group will also place emphasis on the improvement of operational efficiency and cost control in order to improve its financial performance and position.

As to future prospects, the Group currently needs to affirm the direction of development and make adjustments to its existing business strategies when necessary.

Liquidity and Financial Resources

At 30 September 2005, cash and bank balances of the Group amounted to approximately HK\$9,526,000, compared to approximately HK\$18,707,000 at 31 March 2005. Bank and other borrowings of the Group as at the same date amounted to approximately HK\$4,560,000, which are repayable within one year (HK\$4,465,000 at 31 March 2005).

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 so that it does not have any significant exposure to foreign exchange fluctuation.

Shareholders' equity is approximately HK\$82,584,000 at 30 September 2005 (HK\$88,179,000 at 31 March 2005).

The gearing ratio, expressed as the percentage of the Group's total borrowings over shareholders' equity, was approximately 5.52% at 30 September 2005, as compared with 5.06% at 31 March 2005.

Employees

At 30 September 2005, the total number of employees of the Group was approximately 285 (2004: 262). 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 2005, the Group pledged certain assets including land and buildings with an aggregate net book value of HK\$7,523,000 (HK\$7,451,000 at 31 March 2005) to secure the general banking facilities and bank loans granted to the Group.