

MANAGEMENT DISCUSSION AND ANALYSIS

Results

During the six months ended 30 September 2006, the Group's turnover was approximately HK\$38.9 million (2005: HK\$47.9 million). The net loss for the period attributable to equity holders was approximately HK\$7.1 million (2005: HK\$3.0 million).

Investments

The Group made no material investment during the six months ended 30 September 2006.

As disclosed in the Company's announcement dated 27 February 2004, the PRC JV Partner in the Toll Road had unilaterally decided to relocate the toll station of the Toll Road, which resulted in significant drop in traffic flows of the Toll Road. Over the past years, the Group kept negotiating with the JV Partner for compensation for the losses. As both parties had not been able to come to an agreed sum for the compensation, the Group applied for arbitration through the Wuhan Arbitration Commission (the "WAC") in China in October 2004. In April 2006, the WAC arbitrated that the Group could transfer its interests in the JV to the JV Partner at a consideration of RMB157,298,300. Both parties are now under negotiation about the execution of the arbitration report. Further announcement will be made in due course.

Credit policies

Trading terms with general trading customers are mainly on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 to 60 days of issuance, except for certain well-established customers, where the terms are extended to 90 days.

For the securities dealings, and broking and financing businesses, financial assistance will be granted based on assessment on financial status, repayment records and the liquidity of collaterals placed by a customer and the interest rate will be determined thereon. Financial assistances will be repayable on demand once a customer fails to repay any deposit, margin or other sum payable to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign exchange exposure

During the period under review, the Group's business activities and its assets and liabilities were mainly denominated in Hong Kong dollars and Renminbi. The Group does not hedge exchange rate fluctuation between Renminbi and Hong Kong dollars as the borrowing in Renminbi is matched by assets denominated in Renminbi and the risk is considered minimal. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group.

Operational risk

The Group has put in place the effective internal control system for its operations. Under the business of securities dealing and broking, a monitoring team consisting of Securities and Future Commission ("SFC") licensed responsible officers and senior management, who have been acting in compliance with Securities and Futures Ordinance ("SFO"), has been set up to monitor the settlement matters of traded securities and cashes. In order to safeguard clients' interests and comply with the requirements of SFC and SFO, our monitoring team carries out ongoing checks and verification so that our service standard has been maintaining at a satisfactory level.

Review of operations

The Group has undergone restructuring of its trading business since last year and that has not only improved its efficiency but also reduced its operation costs. Although the move resulted in short-term decrease in turnover, the management believes it will create long-run benefit to the Group. To boldly initiate the restructuring of the trading line, the management has casted a vote of confidence on its prospects and is pleased to note that the rewards are beginning to show. The Group continues its multi-product and multi-market strategies and the sales teams are now more target-oriented. In addition, joining of new blood brings to the Group fresh impetus to its business development and this represents a new opportunity to access to new customers and new markets. During the period under review, the Group has successfully expanded its presence to the United States market.

Benefiting from recovered investment sentiment and certain initial public offerings of gigantic enterprises from the PRC, the turnover of the brokerage and financing business recorded a 23% increase. Operating a trust-worthy broker firm in Hong Kong, the Group has all along regarded efficient internal control and financial stability being on the top of its priority. Facing keen competition from banks and big brokerage firms, the Group commits to providing value-added services and enhancing its strength. The Group is now exploring other target customers to promote its services or products.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of operations *(Continued)*

As the stock market recovered steadily during the period under review, the Group's trading volume in listed security investments increased. In light of different risk exposure of the stock market from other business segments, the management considered it more suitable to report the trading in short term listed securities as a separate business segment of the Group. However, in order to minimize the Group's exposure to the stock market, it has adopted a prudent approach and continued to carry out regular review of its operating strategies.

Liquidity and financial resources

At 30 September 2006, the Group had cash at banks and in hand of approximately HK\$22.1 million (31 March 2006: HK\$12.5 million) and net asset value of approximately HK\$127.3 million (31 March 2006: HK\$134.6 million).

Bank borrowings at 30 September 2006 amounted to approximately HK\$111.3 million (31 March 2006: HK\$113.4 million), of which approximately HK\$94.6 million (31 March 2006: HK\$95.8 million) were repayable within one year. The gearing ratio, being the ratio of total bank borrowings and hire purchase payable of approximately HK\$111.3 million to shareholders' fund of approximately HK\$127.3 million, was about 0.87 (31 March 2006: 0.85). Included in the current portion of the bank borrowings was the bank loan HK\$86.9 million relating to and secured by the Group's investment in a joint venture from which the Group expects to receive RMB157.3 million. (For more details of the JV, please refer to the Investment section headed "Investments" above.)

As at 30 September 2006, a time deposit of approximately HK\$5.0 million, a property held for redevelopment of approximately HK\$47.0 million, an investment property of approximately HK\$14.6 million and the Group's investment in a joint venture with a net book value of approximately HK\$151.8 million were pledged to banks for banking facilities granted to the Group.

In view of the future cash generated from operation, the transfer money to be received from the JV Partner, the assets pledged to banks for borrowings, the Group considers the current gearing position is suitable.

MANAGEMENT DISCUSSION AND ANALYSIS

Prospect

Though there are occasional trade disputes between China and the United State or European Union over the years, the Group still considers they are the two major target garment export markets of the Group. However, the Group will keep exploring other potential markets to diversify its geographical exposure.

Facing keen competition, especially in the brokerage and financing businesses, the Group considers expanding of customer base is essential. In addition, the Group will benefit from the Hong Kong government policies for strengthening Hong Kong as a regional financial service center by proposing flexible rules to solicit more enterprises in the Asia countries, in addition to mainland companies, to list their shares in Hong Kong.

To accelerate the development pace, the door to strategic alliance or forming joint venture entities is always open. Though this strategy calls for initial investment costs, the Group can utilize its internal resource for joint marketing and promotion efforts so that the operation costs can be minimized for ultimately benefiting its shareholders.

Trading in the shares of the Company has been suspended since 21 April 2004. The Company understands that the long suspension of trading of the shares of the Company will prejudice the interests of the minority shareholders of the Company. The Company has been negotiating with the Stock Exchange for the resumption of trading of its shares and has appointed a legal firm and a financial advisor to handle this matter. This process is continuing. The Company will continue its efforts to seek resumption of trading of its shares and hopes that it can make announcements in this respect as approved by the Stock Exchange in the short run.

Staff

As at 30 September 2006, the Group had 50 employees (excluding employees of part-time job and other job nature). Remuneration packages are generally structured with reference to prevailing market practice and individual merits. Salaries are reviewed periodically based on performance appraisal and other relevant factors. Staff benefit plans maintained by the Group include medical insurance, hospitalization scheme, mandatory provident fund and share option scheme.

The Board may from time to time review the overall staff benefits and, subject to the relevant rules and regulations, may implement and grant new incentive scheme, such as new share option plan and quasi share option plan to the existing employees with a view to reward their contribution to the Group by way of benefits in kind.