

BUSINESS REVIEW AND PROSPECTS

For the six months ended 31st December, 2000, the Group recorded a turnover of HK\$433,929,000 (1999: HK\$314,957,000) and profit attributable to shareholders of HK\$10,416,000 (1999: HK\$17,830,000). Earnings per share for the period amounted to 3.47 HK cents (1999: 5.94 HK cents). The Directors have resolved not to pay any interim dividend for the six months ended 31st December 2000 (1999: HK\$Nil).

The trading of plastic materials recorded 8.6% growth in sales volume and 28.6% growth in sales value over the corresponding period in the previous year. The Group also recorded a satisfactory performance in the manufacturing business. In particular, turnover of its operations in the eastern part of the PRC is more than double compared with the corresponding period of last year. The customer base was also expanded which contributed to the increase in turnover. Thanks to the continuing and dedicated efforts made by the sales team.

However, Hong Kong's export industry has suffered from the slowdown of the US economy since the fourth quarter of 2000, which inevitably led to the decrease in selling price of plastic resins and the gross profit margins of trading of plastic materials dampened accordingly. The gross profit margins of manufacturing operation also decreased due to the increase in fuel expenditure under the crude oil price pressure and the keen competition in the plastic industry.

The Group is actively committed to capturing the increasing demand for colorants in the northern part of the PRC and has established its threshold in the area. In October 2000, The Group entered an agreement with Haier Group ("Haier"), a well-established and renowned enterprise in the PRC (which is one of the biggest home appliances manufacturers in the PRC with over 3,800 overseas sales points in 90 countries and regions around the world) to form a joint venture named Tsingtao Ngai Hing Plastic Materials Co., Ltd. ("Tsingtao Ngai Hing") with an initial investment of HK\$15 million. The Group holds 85% interest in Tsingtao Ngai Hing, while Haier holds the remaining 15%. Tsingtao Ngai Hing will principally engage in the development, production and sale of engineering plastics, colour pigment, pre-colour and masterbatches. The annual production volume is expected to reach 2,100 tons. Construction of the new plant for the joint venture is expected to be completed in the second quarter of 2001. Through this joint venture, the Group not only establishes a stable and sustainable partnership with Haier, but also strengthens its production capacity and distribution network in the PRC, further expanding the Group's client base and creating new income streams.

The Group has deployed a great deal of effort to strengthen its relationships with customers. It plans to set up liaison offices in Shenzhen and Shunde to provide front-line technical consultancy services to customers. Through the liaison offices, the Group will be able to respond promptly to customers' enquiries and needs. Upon the proven success of this pilot implementation, it will establish liaison offices throughout the PRC.

Finally, the Board would like to take this opportunity to thank the Group's shareholders, valued customers, committed management and dedicated staff for their continuing support and contribution.