

BUSINESS REVIEW AND PROSPECTS

For the six months ended 31st December 2001, the Group recorded a turnover of HK\$368,734,000 (2000: HK\$433,929,000) and profit attributable to shareholders of HK\$12,214,000 (2000: HK\$10,416,000). Earnings per share for the period amounted to HK 4.07 cents (2000: HK 3.47 cents). The Board has recommended an interim dividend of HK 2 cents per share.

During the period under review, the stagnant global economic conditions persisted. The U.S. economy has deteriorated by the 911 terrorist attacks. Despite this unfavourable business environment and the fall in the aggregate turnover of the Group as compared with the figure recorded in the corresponding period of the preceding year, the Group yet managed to report an increase in profit, due to the contribution of the colourant manufacturing business and the implementation of effective cost controls.

Through the Group's continuing commitment in research and development, the Group managed to produce cost-effective and customized products, including tailor-made engineering plastics. The responses have been overwhelming. Gross profit margin of the colourant manufacturing business has grown as compared with that of the corresponding period of the preceding year. This was mainly due to the committed efforts of the procurement team in searching for lower priced raw materials and the fall in the price of crude oil.

During the period the Group has continued its pursuit of prudent credit control measures, its commitment to reduce its bad debts and accelerate the recovery of its account receivables. Hence, not only its liquidity position had improved but its finance expenses also had substantially reduced.

With China's entry to the WTO, it is confident that China's regulatory systems will further approaching global standard in the foreseeable future and taxes, duties and other levies will also be reduced. The immense market potential will certainly create numerous business opportunities for plastics trading and colourant manufacturing. The Group therefore plans to set up a new establishment in China to further enhance its business status in this respect. It will also continue to search for high value-added products to generate better return.

BUSINESS REVIEW AND PROSPECTS (Cont'd)

Tsing Tao Ngai Hing Plastic Materials Co., Ltd., the joint venture formed by the Group and the Haier Group, commenced its colourant manufacturing immediately upon the completion of the plant in June 2001, creating a new source of income for the Group. For the purposes of future expanding into the northern part of China and increasing the Group's production capacity, the Group has commenced the construction of a new plant in Shanghai on the land which the Group has acquired to replace its existing rented plant. The new plant is expected to be ready for production by the end of 2002.

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