

Business Review and Prospects

Interim Dividend

The directors do not recommend the payment of any interim dividend for the six months ended 30th September 2003 (2002: nil).

Paper Packaging Business

The contribution from the paper packaging business was continuously under severe pressure. The Group recorded a turnover of about HK\$109.9 million for the six months ended 30th September 2003 representing a decrease of 19.4% as compared with the same period in last year. The operating profit was HK\$11.1 million for the six months ended 30th September 2003 as compared to HK\$9.6 million in the same period last year. Without taking into account of the provision of bad debts of HK\$8.1 million included in the last period, the operating profit has been decreased by about 37.4%.

The decrease in turnover was mainly due to the decrease in the selling price of the corrugated packaging products as a result of the outbreak of Severe Acute Respiratory Syndrome and severe pressure due to the intense competition within the paper packaging industry.

Given the fierce competition of the paper packaging business and the current stagnant market condition, it is expected that the profit contribution of this segment of business will continue to consolidate in the coming year.

Petroleum Products Business

For the period under review, the Group continued to engage in trading of petroleum products in the PRC. The Group recorded a turnover of HK\$160.2 million for the six months ended 30th September 2003 (six months ended 30th September 2002: nil) and a segment profit of HK\$1.1 million for the same period (six months ended 30th September 2002: nil). While taking a prudent approach, the Group has been progressively increasing its sales volume since its commencement of the trading business in early 2003. Given the deregulation of petroleum and petrochemical industry in the PRC owing to the China's accession into the World Trade Organization, as well as the economic growth in Guangdong Province, the Group will continue to adopt various marketing strategies to tap this market.

Outlook

The Company intends to continue pursuing a business diversification policy for the benefits of its shareholders. While engaging in the paper packaging business and the petroleum products business, the Group will explore further business opportunities to diversify into other industries with good business potential and growth prospects including the provision of storage facilities and transportation services of petroleum products and petrochemicals in the PRC as well as investments in Hong Kong and PRC property markets. Building on the experience of the directors, the Group is in a well position to capture these opportunities when they arise from time to time.