

## **INTERIM DIVIDEND**

The Board of Directors has resolved not to declare any interim dividend for the six months ended 30 September 2004 (2003: Nil).

## **REVIEW OF OPERATIONS**

For the six months ended 30 September 2004, the Group recorded a turnover of approximately HK\$56.0 million, an increment of approximately HK\$5.7 million or 11.4% compared to the corresponding period last year. The increment was due primarily to a general recovery of the Hong Kong economy from last year's outbreak of the Severe Acute Respiratory Syndrome in Hong Kong and China and re-opening of one of the Group's restaurants at Lai Chi Kok, Kowloon which had been closed for renovation in May 2003 for one month. While the Group's operations in Hong Kong had shown improvements, our hotel operation in Huizhou, PRC incurred an operating loss of approximately HK\$3.6 million for the period under review due to severe competition.

In respect of the manufacture of the environmental friendly paper tableware, gradual improvements in sales have been noted in various markets which have benefited from favorable local government environmental policies. A range of new innovative products is planned to be launched in the market in 2005 to meet our medium term sales target. The Group will also investigate the possibility of developing new products which are made of reclaimed paper. We will continue to work closely with our strategic business partners to further strengthen our sales growth and to explore other related business opportunities in this area.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 September 2004, the Group had in aggregate approximately HK\$3.1 million unsecured bank borrowings. The Group's cash and bank balances (including pledged bank deposits) amounted to approximately HK\$6.3 million as at 30 September 2004.

The Group's gearing ratio as at 30 September 2004 was 6.6% (31 March 2004: 10.3%), based on bank borrowings of HK\$3.1 million (31 March 2004: HK\$5.8 million) and shareholders' funds of HK\$47.1 million (31 March 2004: HK\$56.5 million).

With the cash generated from the Group's operations in its ordinary course of business and the existing available banking and credit facilities, the Directors consider that the Group has sufficient working capital for its operations.

## PROSPECTS

The Hong Kong economy is showing solid signs of recovery as evidenced by the increment in domestic spending, more favorable market sentiment and the increasing number of tourists visiting Hong Kong. The Group also envisages an enormous potential in its environmental friendly paper tableware business and will endeavor to explore further market opportunities with an aim to bringing in positive contribution to the Group's overall results in the near future. Management review is currently undertaken across various operations of the Group with an aim to formulating strategies which will better position the Group to meet the challenges and opportunities ahead.

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND CONVERTIBLE BONDS

At 30 September 2004, the interests of the directors and their associates in the shares, underlying shares and convertible bonds of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies, were as follows:

### Long positions

Ordinary shares of HK\$0.10 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Cheng Hop Fai	Held by controlled corporation (note)	339,397,470	70%
Mrs. Cheng Kwok Kwan Yuk	Held by controlled corporation (note)	339,397,470	70%
Ms. Cheng Pak Ming, Judy	Held by controlled corporation (note)	339,397,470	70%
Miss Cheng Pak Man, Anita	Held by controlled corporation (note)	339,397,470	70%
Mr. Law Toe Ming	Beneficial owner	500,000	0.1%

Note: Golden Toy Investments Limited ("Golden Toy") and Kong Fai International Limited ("Kong Fai") held 43,217,445 shares (or 8.91% interest) and 296,180,025 shares (or 61.09% interest) of the Company, respectively. Golden Toy and Kong Fai are wholly-owned by two discretionary trusts of which family members of Mr. Cheng Hop Fai, including Mr. Cheng Hop Fai, Mrs. Cheng Kwok Kwan Yuk, Ms. Cheng Pak Ming, Judy and Miss Cheng Pak Man, Anita, are discretionary objects.

Save as disclosed above, at 30 September 2004, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

## **SUBSTANTIAL SHAREHOLDERS**

Other than the interests and short positions disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant Section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company as at 30 September 2004.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

At 30 September 2004, there were no outstanding options. During the six months ended 30 September 2004, no share option has been granted or exercised by the directors under the new share option scheme approved and adopted on 22 August 2002. The total number of shares available for issue under this new share option scheme as at the date of this report is 48,485,352, representing approximately 10% of the issued share capital of the Company as at that date.

Save as disclosed above:

- (a) none of the directors, their spouses or children under the age of 18, had any right to subscribe for shares of the Company, or had exercised any such right during the period; and
- (b) at no time during the period was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

## **EMPLOYEES**

At 30 September 2004, the Group had 640 staff. Review of the employees' remuneration packages is normally conducted annually and as required from time to time. Staff benefits include contributions to the Mandatory Provident Fund Scheme and a discretionary bonus scheme.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended 30 September 2004, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed with the Board of Directors internal controls and financial reporting matters, including a review of the unaudited interim financial statements for the six months ended 30 September 2004.

The members of the Audit Committee comprise Mr. Law Toe Ming, Mr. Mark Yiu Tong, William and Ms. Kan Lai Kuen, Alice, the independent non-executive directors of the Company.

## CODE OF BEST PRACTICE

With the exception that Mr. Law Toe Ming and Mr. Mark Yiu Tong, William were not appointed for specific terms but subject to retirement on a rotational basis, none of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2004, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules.

By Order of the Board  
**Cheng Hop Fai**  
*Chairman*

Hong Kong, 21 December 2004