INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2004 (2003: Nil).

COMMENTARY ON INTERIM RESULTS

During this period, the Group's turnover was HK$121,469,949 (2003: HK$102,846,724). The Group's operating profit before finance costs and share of loss of associates amounted to HK$10,067,203 (2003: HK$22,158,959). Profit attributable to Shareholders for the first half of the year amounted to HK$4,300,852 (2003: HK$18,955,109).

Business Review and Prospects

Property Investment and Development

During the period, this business recorded an operating profit before finance costs of HK$0.78 million (2003: HK$1.07 million).

After many years of depression, the rental market had finally revived. Retailing shops were the first to recover due to the increase in consumer spending by locals and mainland tourists. Given this background, the rental for the Group's leasing properties had reversed the downward trend. The net rental income during the period amounted to HK$7.34 million, representing an increase of 5.2% over the corresponding period of the last year.

During the period, the Group purchased Units 406, 407, 408, 409 and 410 and the corridor on the 4th Floor, Tower 2, Silvercord, No. 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong with a total gross floor area of approximately 11,811 square feet at a consideration of HK$52.3 million. About 8,500 square feet of which will be used as the Group's head office and the remaining 3,300 square feet will be reserved for leasing purpose.

Owing to the fact that Ming Yue Hua Yuan, Futian District, Shenzhen had been completed for a considerable long time and thus it could not be competed with the newly built flats because of its comparatively lower quality. Consequently, the only thing to attract prospective purchasers was favourable prices. During the period, the Group sold some flats in Ming Yue Hua Yuan at unsatisfactory prices and this led to the decrease of overall profit in this business.

With regard to the land originally reserved for Dongguan Nan Sing Building, the Group has completed a new building scheme and is in the process of preparing the construction drawing.

Manufacturing and Distribution of Plastic Packaging Materials

During the period, this business recorded an operating profit before finance costs of HK$6.19 million (2003: HK$9.23 million). Turnover amounted to HK$99.18 million, representing an increase of 18.7% over the corresponding period of last year.

This business had suffered from the rise in fuel and resin prices which led to a drastic increase in production costs. On the other hand, the improvement in hardware and software of the business had increased the operating costs. The construction work of the new phase of the factory with a total floor area of 22,000 square meters had been completed and the refurbishment work for improving the existing factory was also in progress. We expect that such measure will enhance the development capacity of our business. Moreover, to cope with the expansion of our business, we had increased expenditure in recruiting more staff both in China and Hong Kong, purchasing additional machinery and broadening our sales network. However, the increase in costs had not been matched with the increase in gross profit because of strong market competition. As a result, the results of this business during this period was weaker than that of the last year.

The Group's subsidiary company formed with our Japanese partner had started production during the period. The trial run production was smooth and target production capacity had been achieved. Though it had not brought profit to the Group during this period, we expect that the performance of this business will be improved in the second half of the year following the gradual steadying of production.

Regarding the business of our associate companies, the Group had formed a joint venture with New York Packaging Corporation and two companies, namely, Redi Bag LLC and Wisestar Holdings Limited had been formed in USA and Hong Kong respectively. The Group will hold 47.7% interest in Redi Bag and Wisestar respectively. Redi Bag will be responsible for the sales of Preopen bags and Wicket bags in North America whereas Wisestar will be responsible for the manufacturing of the same. The patent registration of the Preopen bags had been done in USA, Taiwan and China. We believe that such products will have great potential development capacity. We had started the preliminary work for the business such as incorporation of companies, application for registration of patents, exploration of market and development of sales network. As a result, the Group had to make provision of HK$1 million for our share of pre-operating expense. This business will start selling its products in the second half of the year and its results will be reflected in the consolidated financial statement of the Group. On the other hand, the Group still holds 28.6% interest in Full Safe Industries Limited whose main business is manufacturing food wrap and diaper films. In the past two years, there was persistent loss before taxation in this business. During the period, a loss of HK$7 million was recorded of which the Group had to share HK$2 million. We are now reviewing the Group's investment strategy in this associate company.

Stock Broking and Finance

During the period, the stock broking and finance business recorded an operating profit before finance costs of HK$3.1 million (2003: HK$11.87 million) including the loss of HK$0.03 million made on disposal of other investments (2003: profit of HK$5.52 million) and other unrealized holding profit on investments of HK$0.19 million (2003: HK$3.25 million).

During the period, the local economy had gone back on an upward track. The property market gradually recovered. The retail market had been benefited by the influx of mainland tourists and more labours had been employed to cope with the rapid increase in customers. Moreover, the prospective completion of Disneyland in 2005, the proposals for 9+2 Pearl River Delta Development Policy and Single Y Designed Bridge added a further stimulus to the development of local economy. Given such background, the investment sentiments improved accordingly.

During the period, the persistent low interest rates still attracted the capital investment in stock market. Activities in the primary market and secondary market were buoyant and the substantial funds raised by such activities reflected that the share market was still a popular outlet of capital investment. All these favourable factors had contributed to an improvement in the turnover of Hong Kong stock market when compared with the corresponding period of last year. During the period, the market turnover of this business had been increased by 50.71% over the corresponding period of last year and a brokerage income of about HK$10.34 million was recorded, representing an increase of 2.21% over that of the last year. We expect that the results of the second half of the financial year will remain steady.

Liquidity and Financial Resources

At 30th September, 2004, the Group's bank borrowings increased from HK$103.40 million of the last year end date to HK$130.58 million of this year, in which the short term borrowings amounted to HK$92.41 million and long term borrowings amounted to HK$38.17 million. The Group's current year debt/equity ratio was 31.3% expressed as a percentage of the Group's total bank borrowings over the Shareholders' funds of HK$417.58 million.

To minimize exposure on foreign exchange fluctuations, the Group's borrowings are primarily denominated in Hong Kong dollars and United States dollars. The Group has no significant exposure to foreign exchange rate fluctuations.

Capital Structure

As 30th September, 2004, the Group's Shareholders' funds amounted to HK$417.58 million (31/3/2004: HK$422.65 million). The Group's consolidated net assets per share as at 30th September, 2004 was HK$2.11.

Employees

The Group had 1,175 employees as at 30th September, 2004. Employees are remunerated according to nature of the job and market trend.

Outlook

The local economy has taken a positive turnaround from the economic doldrums that started in 1998. The market recovery is, however, hampered by a number of external uncertainties. These include the macroeconomic measures introduced by the central government in arresting the trend of overheating economy in mainland China, the persistent rising interest rate in USA caused by inflation and the historic high energy prices and its potentialities of sharp rise, etc. All these factors lead to the rising costs which adversely affect the Group's results.

The Group's newly purchased property in Silvercord comprises five unpartitioned offices located in a building which is situated on the east side of Canton Road at its junction with Haiphong Road in Tsimshatsui. The immediate locality is characterized by a mixture of modern office towers and hotels together with extremely convenient traffic. In view of the above, the property should have good marketability if the investment is to be leased or disposed of in future. We are of the view that the property not only meets the requirements of the Group for use as its head office but is also a viable investment, which will broaden the asset base of the Group.

With regard to the business in manufacturing and distribution of plastic packaging materials, the continuous high resin price, the non-reducing fuel and transportation prices, the limited supply of electricity in mainland and the anti-dumping tax policy in USA will attack the industry as a whole. However, in order to maintain the long-term relationship with our customers, we are not able to pass along all the cost increase to them. The manufacturers in China are now placed in a dilemma and the plastics industry has stepped into a stage that only the fittest will survive. In view of such unsatisfactory objective operating environment, the only thing that we can do is to continuously improve operating and production efficiency, increase the production capacity, impose cost-control, optimize the production flow, raise the product quality, broaden the sales network and develop new products with an aim to reinforce competitive ability and to improve the overall results of this business once the objective conditions improve.