

Chairman's Statement & Management Discussion and Analysis

BUSINESS REVIEW

The Group's net profit attributable to shareholders for the year was HK\$227.4 million, representing an increase of 111.9% from last corresponding year.

2004 was a good year for Hong Kong economy with satisfactory performance. The local economy was recovered with a great deal of positive factors such as increasing number of Mainland visitors resulting from further relaxation of restrictions for PRC Mainland tourists to Hong Kong, Closer Economic Partnership Arrangement (CEPA), decreasing rate of unemployment and easing pressure of deflation. These have boosted the business confidence and revived private consumption and retail sales. Owing to lower market interest rate maintained for the year resulted by a net influx of liquid fund into Hong Kong region in anticipation of speculative gain on revaluation of Renminbi, the property and stock market were driven up by a bullish outlook and sentiment for the year.

Capturing this wave of economic recovery of Hong Kong, the Group's business segments were all presented a satisfactory performance during the year except the trading of automobile parts, as it has no longer been a significant segment.

PERFORMANCE OF THE GROUP'S BUSINESS

Packaging Business

The packaging business is carried on by a subsidiary, Qualipak International Holdings Ltd. ("Qualipak"), a company listed on the main board of the stock exchange in Hong Kong. The net profit after tax of Qualipak for the year was HK\$42.1 million, representing an increase of HK\$13.2 million or 45.7% over the last corresponding period.

During the year, Qualipak achieved a satisfactory growth in sale of packaging products. The demand for packaging products has grown rapidly with a notable increase in sales volume. The customer base and product mix were further broadened when more new high end design lines were introduced. As a result, the average selling price increased by around 10.7%. Toward the end of the financial year, the manufacturing cost of packaging products increased as a result of upward trending oil price and expanding labour workforce. The gross profit margin of packaging products was nevertheless slightly affected as the overall impact was mitigated by its rising average selling price.

Property Investment Business

The Group's property investment is held through a substantial holding of an equity interests in an associate, Y.T. Realty Group Limited ("Y.T. Realty"), a company listed on the main board of the stock exchange in Hong Kong.

The major investment properties held by Y.T. Realty include whole block of Century Square and Prestige Tower situated in the core of Central District and Tsimshatsui respectively.

During the year, Y.T. Realty recorded a net profit after tax of HK\$102.9 million, representing an increase of 262.3% from the last corresponding year. The gross rental income from investment properties for the year was HK\$77.9 million, 11.2% lower than the last corresponding year. This was mainly attributable to the loss of rental income after the disposal of certain property during the year and major tenancy changes in one of its investment properties. The overall occupancy rate of its investment properties still stood at 96% and the retail portfolios recorded satisfactory upward adjustment of rental when concluding lease renewals during the year.

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PERFORMANCE OF THE GROUP'S BUSINESS *(continued)*

Infrastructure Business

The Group has an indirect interests in an infrastructure business that is currently carried on by The Cross-Harbour (Holdings) Ltd ("Cross Harbour"), a company listed on the main board of stock exchange in Hong Kong. Cross Harbour reported a net profit after tax of HK\$135 million, representing an increase of 54.8% compared with HK\$87.2 million for the last corresponding year.

Cross Harbour recorded an encouraging operating performance for the year. It was mainly attributable to improved toll revenue as a result of an increase in toll charges, internal flexible cost structure, rebound of traffic throughput to the original level before the outbreak of SARS, reduction in interest expenses due to lower interest rate environment, recovery of local economy and domestic consumption for the year.

This infrastructure business has far long been able to generate a stable stream of income and make profit contribution to the Group.

Treasury Investment

To optimize the return on its assets employed, the Group has been utilising its available fund for treasury investment in the past years. The treasury investment mainly comprised the securities investment and financing activities. In the past, the contribution of these treasury investments is substantially reflected in the segmental information as Other Investments. As the business of the Group was becoming diversified in the past few years, the management believes that classifying the treasury investment as one of our major and ordinary courses of business will enable investors to have better understanding of the performance of each business segments of the Group. The turnover of treasury investment for the year was HK\$138.3 million.

PROSPECT

As USA and European market is expected to continue its growth momentum in 2005, Qualipak is expected to have more opportunities for business expansion in these regions. Qualipak has determined to increase its active participation in trade fairs, pursue more selected media advertising and increase investment in its product design with a view to extending its customer distribution in North America and Europe and enlarging its customer base.

In addition, Qualipak will strategically expand its range of packaging products into travel bags, soft luggage, backpacks and brief cases through a proposed acquisition of 60% interests in a private company, Hoi Tin Universal Limited ("Hoi Tin") which is an OEM of backpacks, brief cases, travel bags and soft luggage for a cash consideration of HK\$36 million. Detail information of Hoi Tin is referred to the Company's announcement dated 30 March 2005.

Y.T. Realty is shifting its tenants' profile to retail and commercial nature. The transformation program of the offices is expected to swap the offices into retail and commercial usage. Currently, over 94% of tenants are of retail or commercial background. When implementing such strategic shift of tenant's profile, prudent and flexible leasing approaches are always adopted to ensure a constant higher level of occupancy rate in buildings.

Despite the outlook of local economy is quite positive, the Group will preserve and adopt a prudent approach in its entire strategic plan to explore other business opportunities. The Group will focus its investment strategies toward a long-term strategic growth with sound financial and management capabilities.

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FINANCIAL REVIEW

The Group's turnover was HK\$392.8 million for the year after taking into account of the segment of treasury investment of HK\$138.3 million. The Group's turnover for the last corresponding year was restated as HK\$217.5 million accordingly. During the year, the turnover of packaging products increased by 32.6% as a result of growing demand of packaging products and the trading performance of automobile parts remained sluggish.

As at 31 December 2004, the Group's net asset value was HK\$2,011.3 million and had a net asset value per share of HK\$0.24. The Group's total asset and liabilities (before minority interests of HK\$223.4 million) were HK\$2,437.5 million and HK\$202.8 million respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2004, the Group's cash and cash equivalent was HK\$565.8 million and there were sufficient unutilised lines of credit available from financial institutions. The gearing ratio, defined as long-term liabilities to shareholders' fund, was calculated as 3.6%. The Group has a working capital ratio of approximately 11.1. All of these indicated the Group has sufficient working capital to support its operations.

As at 31 December 2004, the Group had an outstanding debt of a convertible note of HK\$70 million. There were no significant contingent liabilities to the Group as at the balance sheet date.

EXCHANGE RISK

Whilst sales of the Group are mainly denominated in Hong Kong dollars and US dollars, purchases of raw materials are majority in Hong Kong dollars. Most bank deposits are maintained in Hong Kong dollars and US dollars. Hence, the Group's exposure to foreign exchange risk is minimal.

CAPITAL STRUCTURE

The Company had a convertible note of HK\$100,000,000 which was matured and redeemed on 31 July 2004. The Company issued a new convertible note of HK\$70,000,000 with an interest rate of 3% per annum payable in arrears on the same date. The new convertible note will be converted into ordinary shares at conversion price of HK\$0.075 per share for the first year, HK\$0.082 per share for the second year and HK\$0.089 per share for the third year.

PLEDGE OF ASSETS

As at 31 December 2004, the Group pledged its leasehold and investment properties with an aggregate carrying value of approximately HK\$66,693,000 and its time deposits of approximately HK\$8,143,000 as security for general banking facilities granted to the Group.

EMPLOYEES

As at 31 December 2004, the Group employed approximately a total of 92 employees in Hong Kong and a workforce of 3,942 in PRC.

Staff remuneration is reviewed by the Group from time to time and increases are granted normally annually or by special adjustment depending on length of service and performance where warranted. In addition to salaries, the Group provides staff benefits including medical insurance, contributions to staff's provident fund and discretionary training subsidies. Share options and bonuses are also available to employees of the Group at the discretion of the directors and depending upon the financial performance of the Group.

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MATERIAL DISPOSAL

During the year, the Group disposed of interests in aggregate of 400,000,000 shares in Qualipak to realise a gain of approximately HK\$22 million. The equity interests in Qualipak dropped from 69.87% to 59.71% after the disposal.

SIGNIFICANT INVESTMENTS

The Group continued to maintain its investment in equity interests of Y.T. Realty with a carrying value of HK\$667.4 million as at 31 December 2004. The net profit after tax of Y.T. Realty for the year was HK\$102.9 million.

FINAL DIVIDEND

The Board of Directors has resolved to recommend the payment of a final dividend of HK\$0.003 per share for the year ended 31 December 2004. Subject to the approval of shareholders at the forthcoming annual general meeting to be held on 29 April 2005, it is expected that the final dividend will be paid on 9 May 2005 to shareholders registered on 29 April 2005. No interim dividend was paid during the year. In respect of the preceding year, a final dividend of HK\$0.002 per share was paid and no interim dividend was declared.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 27 April 2005 to Friday, 29 April 2005, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch registrar, Tengis Limited at Ground Floor, Bank of East Asia, Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 26 April 2005.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

APPRECIATION

On behalf of the Board of Directors, I would like to extend our gratitude and sincere appreciation to all management and staff members for their hard work and dedication throughout the year.

By order of the Board

Cheung Chung Kiu

Chairman

Hong Kong, 30 March 2005