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CORPORATE INFORMATION

DIRECTORS

Executive directors
Dr. Lam How Mun Peter
(Chairman and Managing Director)
Mr. Cheung Chung Kiu
Mr. Lam Hiu Lo
Mr. Leung Chun Cheong
Mr. Leung Wai Fai
Ms. Poon Ho Yee Agnes

Independent non-executive directors
Mr. Lam Kin Fung Jeffrey
Mr. Lam Ping Cheung
Mr. Wong Wai Kwong David

COMPANY SECRETARY

Ms. Lam Wai Wah Lily

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

7th Floor
China United Centre
28 Marble Road
North Point
Hong Kong

STOCK CODE

1224

LEGAL ADVISORS

Hong Kong
Cheung, Tong & Rosa
Jones, Day, Reavis & Pogue

Bermuda
Conyers Dill & Pearman

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong & Shanghai Banking Corporation Limited
BNP Paribas

SHARE REGISTRARS AND TRANSFER OFFICES

Principal share registrar and transfer office
The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

Hong Kong branch share registrar and transfer office
Secretaries Limited
G/F, Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

INTERIM RESULTS

The Board of Directors (the "Directors") of Qualipak International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005 together with comparative figures for the corresponding period in 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2005

	NOTES	**1.1.2005 to 30.6.2005** ***HK$'000*** ***(Unaudited)***	1.1.2004 to 30.6.2004 *HK$'000* *(Unaudited)*
Turnover	*4*	**128,374**	138,658
Cost of sales		**(102,334)**	(92,192)
Gross profit		**26,040**	46,466
Other operating income		**3,854**	1,677
Unrealised gains arising on fair value changes of investments held for trading		**1,115**	–
Unrealised holding gains on other investments		**–**	8,780
Losses arising from changes in fair value of convertible note receivables – call option portion		**(1,221)**	–
Gains arising from redemption of convertible note receivables		**240**	–
Reversal of allowance (allowance) for bad and doubtful debts	*6*	**5,063**	(300)
Distribution costs		**(4,302)**	(3,932)
Administrative expenses		**(13,173)**	(17,641)
Profit from operations		**17,616**	35,050
Share of results of associates		**305**	–
Profit before taxation		**17,921**	35,050
Taxation	*8*	**(773)**	(10,902)
Profit for the period and attributable to equity holders of the Company		**17,148**	24,148
Earnings per share – Basic	*10*	**0.44 cent**	0.61 cent

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2005

	NOTES	30.6.2005 HK$'000 (Unaudited)	31.12.2004 HK$'000 (Audited) (Restated)
Non-current assets			
Property, plant and equipment	11	**134,387**	100,036
Investment properties	11	**44,669**	–
Interest in associates	12	**33,305**	–
Prepaid lease payments		**22,545**	22,832
Convertible note receivables – loan portion		**14,268**	–
Convertible note receivables		**–**	16,000
Club membership		**–**	35
		249,174	138,903
Current assets			
Inventories		**51,047**	43,866
Trade and other receivables	13	**51,436**	34,371
Prepaid lease payments		**572**	572
Investments held for trading		**57,297**	–
Other investments		**–**	84,226
Convertible note receivables – call option portion		**597**	–
Loan to an associate	18	**3,000**	–
Taxation recoverable		**595**	11
Short-term bank deposits		**207,325**	306,635
Bank balances and cash		**1,666**	3,323
		373,535	473,004
Current liabilities			
Trade and other payables	14	**50,656**	44,580
Taxation payable		**11,441**	9,982
		62,097	54,562
Net current assets		**311,438**	418,442
Total assets less current liabilities		**560,612**	557,345
Non-current liabilities			
Other payables	15	**3,000**	–
Deferred taxation	16	**2,121**	2,845
		5,121	2,845
Net assets		**555,491**	554,500
Capital and reserves			
Share capital		**39,395**	39,395
Reserves		**516,096**	515,105
Total equity and equity attributable to equity holders of the parent		**555,491**	554,500

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Attributable to equity holders of the parent				
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Surplus account** *HK$'000*	**Accumulated profits** *HK$'000*	**Total** *HK$'000*
At 1 January 2004	39,395	199,901	90,554	196,326	526,176
Profit for the year	–	–	–	42,112	42,112
Dividend paid *(note 9)*	–	–	–	(13,788)	(13,788)
At 31 December 2004	39,395	199,901	90,554	224,650	554,500
At 1 January 2005					
– as previously reported	39,395	199,901	90,554	224,650	554,500
– effects of changes in accounting policies *(note 3)*	–	–	–	(399)	(399)
– as restated	39,395	199,901	90,554	224,251	554,101
Profit for the period	–	–	–	17,148	17,148
Dividend paid *(note 9)*	–	–	–	(15,758)	(15,758)
At 30 June 2005	**39,395**	**199,901**	**90,554**	**225,641**	**555,491**
At 1 January 2004	39,395	199,901	90,554	196,326	526,176
Profit for the period	–	–	–	24,148	24,148
Dividend paid *(note 9)*	–	–	–	(13,788)	(13,788)
At 30 June 2004	39,395	199,901	90,554	206,686	536,536

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2005

	1.1.2005 to 30.6.2005 ***HK$'000*** ***(Unaudited)***	1.1.2004 to 30.6.2004 *HK$'000* *(Unaudited)*
Net cash from operating activities	**27,618**	49,066
Net cash used in investing activities:		
Purchase of investment properties	**(44,669)**	–
Purchase of property, plant and equipment	**(38,065)**	(1,710)
Acquisition of investment in an associate	**(30,000)**	–
Other investing cash flows	**(93)**	613
	(112,827)	(1,097)
Net cash used in financing activities	**(15,758)**	(13,788)
Net (decrease) increase in cash and cash equivalents	**(100,967)**	34,181
Cash and cash equivalents at the beginning of the period	**309,958**	200,593
Cash and cash equivalents at the end of the period	**208,991**	234,774

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2005

1. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2004, except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), HKAS and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1 January 2005. The application of then new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

Business combinations

In the current period, the Group has applied HKFRS 3, Business Combinations, which is effective for business combinations for which the agreement date is on or after 1 January 2005.

Goodwill

Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition.

Financial instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 December 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice ("SSAP") 24. Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any).

From 1 January 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On 1 January 2005, the Group reclassified its "other investments" with carrying amount of HK$84,226,000 which are held for trading purpose to "investments held for trading" and measured them in accordance with the requirements of HKAS 39. No adjustment has been made to the Group's accumulated profits at 1 January 2005.

Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derivatives

From 1 January 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise.

Convertible note receivables

By 31 December 2004, the convertible note receivables which are held for long-term strategic purposes are stated at cost less any identified impairment loss that is other than temporary.

From 1 January 2005 onwards, the Group classified and measured its convertible note receivables in accordance with the requirements of HKAS 39. Under HKAS 39, convertible note receivables are derived into two portions: (i) loan portion (ii) call option portion.

Loan portion is carried at amortised cost using the effective interest method at subsequent balance sheet date. Call option portion is carried at fair value at each balance sheet date, with changes in fair value recognised in profit or loss.

As a result of the change in accounting policy, an adjustment of HK$399,000 has been made to the Group's accumulated profits on 1 January 2005 (see note 3).

Owner-occupied leasehold interest in land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 Leases. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively. (See note 3 for the financial impact). Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of changes in the accounting policies described above on the results for the current and prior period are as follows:

	1.1.2005 to 30.6.2005	1.1.2004 to 30.6.2004
	HK$'000	*HK$'000*
Losses from changes in fair value of convertible loan receivables – call option portion, measured at fair value through profit or loss	**(1,221)**	–
Gains arising from redemption of convertible note receivables	**240**	–
Effect of recognition of effective interest income on convertible loan receivables – loan portion	**245**	–
Decrease in profit for the period	**(736)**	–

3. **SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES** *(Continued)*

The cumulative effects of the application of the new HKFRSs as at 31 December 2004 and 1 January 2005 are summarised below:

	31.12.2004 *HK$'000* (Originally stated)	Adjustment *HK$'000*	31.12.2004 *HK$'000* (Restated)	Adjustment *HK$'000*	**1.1.2005** ***HK$'000*** **(Restated)**
Balance sheet items					
Property, plant and equipment	116,992	(16,956)	100,036	–	**100,036**
Interest in properties	6,448	(6,448)	–	–	**–**
Prepaid lease payments	–	22,832	22,832	–	**22,832**
Convertible note receivables	16,000	–	16,000	(16,000)	**–**
Convertible note receivables – loan portion	–	–	–	14,714	**14,714**
Prepaid lease payments	–	572	572	–	**572**
Other investments	84,226	–	84,226	(84,226)	**–**
Investments held for trading	–	–	–	84,226	**84,226**
Convertible note receivables – call option portion	–	–	–	887	**887**
Total effects on assets and liabilities		–		(399)	
Accumulated profits and total effects on equity	224,650	–	224,650	(399)	**224,251**

There was no financial effect of the application of the new HKFRSs to the Group's equity at 1 January 2004.

4. **TURNOVER**

Turnover represents the amounts received and receivable in respect of sales of goods, less returns and discounts, to outside parties, net proceeds of trading in securities*, investment income and interest income from provision of financial services during the periods.

An analysis of the Group's turnover is as follows:

	1.1.2005 to 30.6.2005 ***HK$'000***	1.1.2004 to 30.6.2004 *HK$'000*
Sales of goods	**129,417**	121,542
Net proceeds of trading in securities*	**(2,029)**	14,896
Investment income	**986**	1,353
Interest income from provision of financial services	**–**	867
	128,374	138,658

* The amount was derived from after taking into account of the gross proceeds of trading in securities of approximately HK$25,783,000 for the six months ended 30 June 2005 (1.1.2004 to 30.6.2004: HK$27,000,000).

5. **BUSINESS AND GEOGRAPHICAL SEGMENTS**

Business segments

For management purposes, the Group is currently organised into two operating divisions – sales of goods and treasury investment. These divisions are the basis on which the Group reports its primary segment information.

The principal activities are as follows:

Sales of goods – Manufacture and trading of watch boxes, gift boxes, spectacles cases, bags and pouches, display units, knives, corkscrews and kitchenware.

Treasury investment – Investments in securities and convertible notes, and provision of financial services.

5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Segment information about these businesses is presented below:

	Sales of goods *HK$'000*	Treasury investment *HK$'000*	Total *HK$'000*
For the six months ended 30 June 2005			
Turnover	**129,417**	**(1,043)**	**128,374**
Result			
Segment result	**20,508**	**(1,358)**	**19,150**
Unallocated corporate expenses			**(4,424)**
Interest income			**2,890**
Share of results of an associate	**305**	**–**	**305**
Profit before taxation			**17,921**
Taxation			**(773)**
Profit for the period			**17,148**
For the six months ended 30 June 2004			
Turnover	121,542	17,116	138,658
Result			
Segment result	16,728	23,327	40,055
Unallocated corporate expenses			(5,618)
Interest income			613
Profit before taxation			35,050
Taxation			(10,902)
Profit for the period			24,148

Geographical segments

An analysis of the Group's turnover by geographical market is as follows:

	1.1.2005 to 30.6.2005 *HK$'000*	1.1.2004 to 30.6.2004 *HK$'000*
Europe	**48,521**	37,959
North and South America	**36,784**	41,461
Hong Kong	**35,134**	52,674
Others	**7,935**	6,564
	128,374	138,658

6. REVERSAL OF ALLOWANCE (ALLOWANCE) FOR BAD AND DOUBTFUL DEBTS

During the current period, the Group collected a total amount of approximately HK$5,063,000 in respect of several trade receivables which were provided for in the previous years, the amounts recovered have been recognised in the income statement.

7. DEPRECIATION AND AMORTISATION

During the period, depreciation and amortisation of approximately HK$4,031,000 (1.1.2004 to 30.6.2004: HK$3,842,000) were charged in respect of the Group's property, plant and equipment and prepaid lease payments.

8. TAXATION

	1.1.2005 to 30.6.2005 HK$'000	1.1.2004 to 30.6.2004 HK$'000
The charge comprises:		
The Company and its subsidiaries:		
Hong Kong Profits Tax		
– current period	**(1,497)**	(5,349)
– overprovision in prior years	**–**	564
– additional tax assessments for the years of assessment from 1993/94 to 2002/03	**–**	(4,694)
	(1,497)	(9,479)
Deferred taxation credit (charge)	**724**	(1,423)
	(773)	(10,902)

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both periods.

In previous years, certain subsidiaries of the Company were in discussion with the Hong Kong Inland Revenue Department (the "IRD") regarding their prior year tax computations. In prior year, these subsidiaries and the IRD reached a compromised settlement of approximately HK$4,694,000 in respect of the additional tax liabilities for the years of assessment from 1993/94 to 2002/03.

Pursuant to the Deed of Indemnity dated 14 April 1999 made between Chuang Hing Limited ("CHL"), China United Holdings Limited ("CUHL") (currently named as Willie International Holdings Limited) and the Company as set out in the paragraph headed "Other Information" in Appendix 5 to the prospectus dated 15 April 1999 issued by the Company, CHL and CUHL agreed with the Company and its subsidiaries (together the "Companies") that CHL and CUHL would jointly and severally indemnify each of the Companies against taxation falling on any of the Companies resulting from profits or gains earned or accrued on or before 27 April 1999.

Thereafter the composition of the management of CHL and CUHL had been changed. The directors of the Company are of the opinion that the recovery of tax indemnity involves lengthy and costly litigation procedures, the outcome of which cannot be determined with reasonable certainty and being beneficial to the Group in consideration of the time and expenditure required. Hence, the Company has no intention to pursue recovery of the tax indemnity.

9. DIVIDENDS

During the period, a final dividend of HK$0.0040 per share for 2004, amounting to approximately HK$15,758,000 (2004: HK$0.0035 per share for 2003, amounting to approximately HK$13,788,000) was paid to the shareholders. The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2005.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of approximately HK$17,148,000 (2004: HK$24,148,000) and on 3,939,536,870 shares in issue during the period.

No disclosure of diluted earnings per share has been presented as there were no dilutive potential ordinary shares in issue in both periods.

11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, the Group acquired investment properties at a cost of HK$44,669,000 and spent approximately HK$38,065,000 on the acquisition of property, plant and equipment.

12. INTEREST IN ASSOCIATES

On 3 June 2005, the Group acquired 30% of the issued share capital of Technical International Holdings Limited ("Technical"), a company incorporated in British Virgin Islands with limited liability, at cash consideration of HK$33,000,000.

Technical and its subsidiaries (the "Technical Group") are mainly engaged in the business of design, trading and marketing of knives, corkscrews and kitchenware in Hong Kong. Details of the interest in associates are as follows:

	2005 HK$'000	2004 HK$'000
Share of net assets	**1,561**	–
Goodwill	**31,744**	–
	33,305	–

13. TRADE AND OTHER RECEIVABLES

	30.6.2005	31.12.2004
	HK$'000	*HK$'000*
Trade receivables	**48,963**	28,501
Loan receivable	**–**	1,000
Other receivables	**2,473**	4,870
	51,436	34,371

The Group allows an average credit period of 60 days to its trade customers.

The ageing analysis of trade receivables at the balance sheet date is as follows:

	30.6.2005	31.12.2004
	HK$'000	*HK$'000*
0 to 30 days	**44,958**	13,987
31 to 60 days	**3,098**	10,453
Over 60 days	**907**	4,061
	48,963	28,501

The loan receivable with interest bearing at 2% per annum over and above the prime lending rate per annum was unsecured but was guaranteed by personal guarantee of the borrowers and was fully repaid at lump sum together with accrued interest during the period.

14. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$30,960,000 (31.12.2004: HK$23,157,000). The ageing analysis of trade payables at the balance sheet date is as follows:

	30.6.2005	31.12.2004
	HK$'000	*HK$'000*
0 to 30 days	**12,644**	9,456
31 to 60 days	**10,636**	7,183
Over 60 days	**7,680**	6,518
	30,960	23,157

15. OTHER PAYABLES

Other payable represents deferred consideration payable for the acquisition of Technical during the period. The amount is unsecured, bears interest at 1% per annum and will be repayable after one year.

16. DEFERRED TAXATION

The following are the major deferred taxation liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods.

	Accelerated tax depreciation	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2004	783	–	783
Charge (credit) to income statement	2,226	(164)	2,062
At 30 June 2004, 31 December 2004	3,009	(164)	2,845
Credit to income statement	(724)	–	(724)
At 30 June 2005	**2,285**	**(164)**	**2,121**

For the purpose of balance sheet presentation, the above deferred taxation liabilities and assets have been offset.

17. PLEDGE OF ASSETS

At 30 June 2005, the Group pledged its leasehold properties with an aggregate carrying value of approximately HK$6,458,000 (31.12.2004: HK$6,537,000) as securities for general banking facilities granted to the Group.

18. RELATED PARTY DISCLOSURES

During the period, the Group advanced a loan amounting to HK$3,000,000 (2004: Nil) to Technical, an associate of the Company. The amount is unsecured, non-interest bearing and repayable on demand.

19. SUBSEQUENT EVENTS

On 23 March 2005, the Group entered into a sale and purchase agreement to acquire 60% interest in Hoi Tin Universal Limited ("Hoi Tin"), a company incorporated in Hong Kong, at a cash consideration of HK$36,000,000. Hoi Tin and its subsidiaries (the "Hoi Tin Group") are engaged in the business of the design, manufacture and sale of soft luggage, travel bags, backpacks and brief case. Details of the acquisition are set out in the Group's circular dated 30 April 2005. The transaction was completed on 4 July 2005.

Subsequent to the balance sheet date, the Group has given a guarantee to the extent of HK$6,000,000 in favour of a bank in respect of banking facilities granted to the subsidiaries of Technical. The amount of such guarantee is in proportion to the Group's beneficial shareholding in the Technical Group in accordance with the terms of the acquisition.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Dividend

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2005 (2004: Nil).

Business Review

Revenue for the Group decreased by 7.5% from the six months period ended 30 June 2004 to HK$128.4 million, comprising of revenue from our main packaging business of HK$129.4 million (30 June 2004: HK$121.5 million) and a loss of HK$1.0 million (30 June 2004: income of HK$17.1 million) sustained from treasury investment. Revenue for the manufacturing operations however recorded a growth of 6.5% over 30 June 2004.

The profit attributable to the shareholders for the period, including HK$5.0 million non-recurring income arising from writing back provision for doubtful debts, was HK$17.1 million (30 June 2004: HK$24.1 million). Earnings per share for the period was HK$0.44 cents as compared to HK$0.61 cents for the six months ended 30 June 2004.

The fall in operating profit was mainly attributable to the reduction in profit from treasury investment activities, the effects of changes in accounting policy to record investment in convertible note at fair value, and the reversal of unrealized holding gain of listed securities as reflected in the previous year, due to disposal during the period of such securities at a lower price, resulting in losses in the current period.

The Group has not been severely affected by the tight supply of labour and electric power in the area where its manufacturing facilities are located. However, labour wages have been adjusted to a more competitive level, giving rise to increasing labour costs. Raw material supply was tight, with prices moving up further during the period. The moderate rise in our average selling prices could only partially offset the general increase in labour and material costs.

The increase in revenue over the same period last year was the result of strong demand from existing customers and the Group's ability to offer comprehensive design services to customers. In North America, revenue declined by 11.3% to HK$36.8 million, accounting for 28.4% of the total turnover of the manufacturing business, compared to 34.1% in the six months ended 30 June 2004. The lower sales in the United States was mainly due to the change in sales mix. Despite the challenges in the United States, the Group continued to make progress in developing the European markets. Revenue from Europe rose by 27.8% over the same period last year to HK$48.5 million, representing 37.5% of the total turnover, compared to 31.2% in 2004. Hong Kong and Asia Pacific accounted for 28.0% and 6.1% respectively.

Following the acquisition in June 2005 of a 30% interest in Technical International Holdings Limited which specializes in the design and trading of wine openers, kitchenware and knives products, the share of profit from this associate amounted to HK$0.3 million as at 30 June 2005.

Prospects

We remain optimistic about the outlook of the financial year 2005, but this is eroded by a numbers of factors.

Rising short term interest rates and high oil prices may restrain consumer spending. The Group also faces potential challenges from rising resin prices which will increase the cost of manufacturing for plastic products. In addition, the upward revaluation of the RMB would increase our operating costs.

We will endeavour to contain the general increase in production overheads and operating expenses. We expect the momentum for the packaging business to continue in the current year, given the Group's stable customer base and its efficient operations.

The Group has expanded horizontally into the trading and manufacturing of luggage products. In July 2005, the Group acquired a 60% interest in Hoi Tin Universal Limited which specializes in luggage products manufacturing. The acquisition is a step in diversification of the Group's products and will bring additional earnings and long term value to the Group. We also expect that the growth from the Technical Group will gradually pick up in the second half year. We believe the Group's core businesses are well placed for the future and will work hard to expedite growth.

Liquidity and Financial Resources

The shareholders' funds as at 30 June 2005 were HK$555.5 million (31 December 2004: HK$554.5 million).

The Group has no external borrowings. As at 30 June 2005, the Group had cash on hand amounting to HK$208.9 million (31 December 2004: HK$309.9 million).

Exchange Risks

Sales and purchase transactions of the Group are primarily denominated in United States Dollars and/or Hong Kong Dollars, whereas bank deposits are maintained in Hong Kong dollars and US dollars, therefore the exposure to foreign exchange risk is minimal.

Capital Expenditure

During the period, the Group invested HK$1.7 million in plant, machinery, equipment and other tangible assets, and HK$81.0 million in two office premises. The Group occupies one of the office premises for its own use. The other will be let out to earn rental income. All of these capital expenditure were financed from internal resources.

Pledge of Assets

At 30 June 2005, the Group has pledged its leasehold properties with the aggregated carrying value of approximately HK$6,458,627 as security for general banking facilities granted to the Group.

Employees

At 30 June 2005, the Group had approximately 4,700 employees.

The Group has established an incentive bonus scheme and a share option scheme for its employees, in which the benefits are determined based on the performance of the Group and individual employees.

Share Option Scheme

The Company adopted a new share option scheme on 29 April 2005. During the six months ended 30 June 2005, no options were granted, exercised, cancelled or lapsed under the Company's share option schemes, nor were there any outstanding options at the beginning or at the end of the period.

Investments

At 30 June 2005, the Group held a portfolio of listed securities with a market value of HK$57.3 million and a convertible note of HK$14.9 million issued by a company listed on The Stock Exchange of Hong Kong Limited. The dividend, interest and other income from these investments for the period was HK$0.9 million (30 June 2004: HK$1.4 million). The unrealized holding gain on listed securities reflected in the current period amounted to HK$1.1 million (30 June 2004: HK$8.8 million).

Contingent Liabilities

At the balance sheet date, the Company had contingent liabilities in respect of guarantees amounting to HK$20 million given to banks for general banking facilities granted to subsidiaries. None of this banking facilities was utilized as at 30 June 2005.

As at 30 June 2005, the Group had no other material contingencies.

Post Balance Sheet Event

The Company has given guarantee to the extent of HK$6.0 million in favour of a bank in respect of banking facilities granted to the subsidiaries of Technical International Holdings Limited. The amount of such guarantee is in proportion to the Company's beneficial shareholding in the Technical Group in accordance with the terms of the acquisition.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Code on Corporate Governance Practices

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2005, except for the following deviations:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Dr. Lam How Mun Peter assumes the roles of both Chairman and Managing Director of the Company, and is in charge of the overall management of the Company. The Company considers that the combination of the roles of chairman and chief executive officer can promote the efficient formulation and implementation of the Company's strategies which will enable the Group to grasp business opportunities efficiently and promptly. The Company considers that through the supervision of its Board and its Independent Non-executive Directors, a balancing mechanism exists so that the interests of the shareholders are adequately and fairly represented. The Company will continue to review the feasibility of separating the two roles to enhance corporate governance and to comply with Code Provision A.2.1.

Code Provision A.4.2 (second sentence) stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, according to Bye-law 87(1) of the Bye-laws of the Company, at each annual general meeting not exceeding one-third of the Directors for the time being shall retire from office by rotation provided that the chairman of the Board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. This constitutes a deviation from Code Provision A.4.2 (second sentence). The Company will consider to comply with this code provision by ensuring the retirement of each Director by rotation at least once every three years.

Code Provision E.1.2 stipulates that, among other things, the chairman of the board should attend the annual general meeting to be available to answer questions at the annual general meeting. The Chairman of the Company did not attend the annual general meeting of the Company held on 29 April 2005 as he was away overseas. The vice chairman attended the said annual general meeting on his behalf to chair the meeting and answer shareholders' questions.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. All Non-executive Directors of the Company are re-appointed at each annual general meeting to hold office until the conclusion of the next annual general meeting and, upon retiring, where eligible, may offer themselves for re-election at the annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in this code provision.

Remuneration Committee

A remuneration committee ("Remuneration Committee") with a majority of the members thereof being Independent Non-executive Directors has been established on 20 June 2005 pursuant to code provision B.1.1 of the CG Code. The Remuneration Committee comprises two Executive Directors, namely, Dr. Lam How Mun Peter and Mr. Cheung Chung Kiu (chairman of the Remuneration Committee) and three Independent Non-executive Directors, namely, Mr. Lam Kin Fung Jeffrey, Mr. Lam Ping Cheung and Mr. Wong Wai Kwong David. Specific written terms of reference which clearly set out the authorities and duties of the Remuneration Committee have been adopted and posted on the Company's website.

Audit Committee

The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Lam Kin Fung Jeffrey (chairman), Mr. Lam Ping Cheung and Mr. Wong Wai Kwong David. On 30 June 2005 the Company adopted new terms of reference for the Audit Committee to include such duties as are stipulated in code provision C.3.3 of the CG Code. The terms of reference for the Audit Committee have been posted on the Company's website.

The Audit Committee has reviewed with management and external auditors the accounting principles and policies adopted by the Group and the unaudited interim financial statements for the six months ended 30 June 2005.

The interim financial statements for the six months ended 30 June 2005 have not been audited but have been reviewed by the Company's external auditors.

Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code")

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding Directors' securities transactions. Upon specific enquiry by the Company, all of the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2005.

Directors' and Chief Executives' Interests in the Shares of the Company and its Associated Corporations

As at 30 June 2005, the interests and short positions of the Directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under section 352 of 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 Listed Companies of the Listing Rules, were as follows:

(a) Interests in shares of the Company (long positions)

Name of director	Nature of interest	Number of shares held	Approximate Percentage of issued share capital
Lam How Mun Peter	Personal	110,000	0.00%
Cheung Chung Kiu	Corporate *(notes 1 & 3)*	2,542,396,360	64.54%
Leung Chun Cheong	Personal	7,410,000	0.19%
Poon Ho Yee Agnes	Personal	1,040,000	0.03%

(b) Interests in shares of Yugang International Limited ("Yugang"), the Company's ultimate holding company (long positions)

Name of director	Nature of interest	Number of shares held	Approximate Percentage of issued share capital
Cheung Chung Kiu	Corporate *(notes 2 & 3)*	3,194,434,684	37.79%
	Personal	53,320,000	0.63%
	Total	3,247,754,684	38.42%
Lam Hiu Lo	Personal	41,800,000	0.49%

(c) Interests in convertible note of Yugang (long positions)

Name of director	Nature of interest	Convertible note held (HK$)	Number of underlying shares in Yugang	Approximate Percentage of issued share capital
Cheung Chung Kiu	Corporate *(note 4)*	70,000,000	933,333,333	11.04%

Notes:

1. Such 2,542,396,360 shares are held through Regulator Holdings Limited ("Regulator"), an indirect wholly-owned subsidiary of Yugang, which is, in turn, owned as to 37.79% by Chongqing Industrial Limited ("Chongqing"). Mr. Cheung Chung Kiu is deemed to be interested in these shares by virtue of his indirect shareholding interests in Regulator.

2. Such 3,194,434,684 shares are held by Chongqing. Mr. Cheung Chung Kiu is deemed to be interested in these shares by virtue of his shareholding interests in Chongqing.

3. Mr. Cheung Chung Kiu, Peking Palace Limited, Miraculous Services Limited and Prize Winner Limited have a 35%, 30%, 5% and 30% equity interest in Chongqing respectively. Peking Palace Limited and Miraculous Services Limited are beneficially owned by Palin Discretionary Trust, a family discretionary trust, the objects of which include Mr. Cheung Chung Kiu and his family. Prize Winner Limited is beneficially owned by Mr. Cheung Chung Kiu and his associates.

4. Such interest is derived from a convertible note issued by Yugang to Timmex Investments Limited in which Mr. Cheung Chung Kiu has 100% beneficial interest. The convertible note has a principal amount of HK$70,000,000 with maturity date on 31 July 2007, and can be converted into Yugang's shares at a conversion price of HK$0.075 per share during the period from 31 July 2004 to 31 July 2005 ("First Year"), HK$0.082 per share for the period from 1 August 2005 to 31 July 2006 ("Second Year") and HK$0.089 per share for the period from 1 August 2006 to 31 July 2007 ("Third Year"), subject to adjustment. Therefore, the total number of underlying shares of the convertible note will change from the First Year to the Third Year.

Save as disclosed above, as at 30 June 2005, the Company had not been notified of any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors or chief executive of the Company which were required to be recorded in the register kept by the Company under section 352 of 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 Listed Companies of the Listing Rules.

Substantial Shareholders' Interests

As at 30 June 2005, the following persons (other than directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of substantial shareholder (long positions)	Number of shares held	Percentage of issued share capital
Regulator Holdings Limited ("Regulator")	2,542,396,360 *(note)*	64.54%
Yugang International (B.V.I.) Limited ("Yugang-BVI")	2,542,396,360 *(note)*	64.54%
Yugang International Limited ("Yugang")	2,542,396,360 *(note)*	64.54%
Chongqing Industrial Limited ("Chongqing")	2,542,396,360 *(note)*	64.54%
Palin Holdings Limited ("Palin")	2,542,396,360 *(note)*	64.54%

Note: The interests held by Regulator, Yugang-BVI, Yugang, Chongqing and Palin respectively as shown above refer to interests in the same block of shares. Regulator is a direct wholly-owned subsidiary of Yugang-BVI, which is in turn a direct wholly-owned subsidiary of Yugang, and Yugang is owned by Chongqing as to 37.79%. Chongqing and Palin are controlled by Mr. Cheung Chung Kiu. The said interests are also duplicated with the interest in shares of the Company of Mr. Cheung Chung Kiu as disclosed under the section headed "Directors' and Chief Executives' Interests in the Shares of the Company and its Associated Corporations" above.

Save as disclosed above, as at 30 June 2005, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company to be recorded in the register required to be kept by the Company under section 336 of the SFO other than as disclosed under the section headed "Directors' and Chief Executives' Interests in the Shares of the Company and its Associated Corporations" above.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
Lam How Mun Peter
Chairman and Managing Director

Hong Kong, 16 September 2005