

INTERIM DIVIDEND

The Board of Directors has resolved not to declare any interim dividend for the six months ended 30 September 2005 (six months ended 30 September 2004: Nil).

REVIEW OF OPERATIONS

For the six months ended 30 September, 2005, the Group recorded a turnover of approximately HK\$47.6 million, representing a decrease of approximately 15% as compared to the corresponding period last year. The decrease was due primarily to the disposal of the Group's China hotel operation in January 2005, which had accounted for a turnover approximated to HK\$7.0 million for the comparative period in the previous year. The Group's restaurant operation in Hong Kong had stabilized after a rapid improvement in last year.

Meanwhile, the Group's environmental friendly paper tableware business has experienced rapid growth which is marked by a significant increase in turnover by approximately 23.8% in the reporting period. Such increase has been contributed by various factors which include the mounting global environmental awareness which has been supported by favorable statutory green policy in our target markets. The persistently high oil price has forced plastic tableware users to switch to recyclable and biodegradable products. Alternatively, the Group has commenced in the manufacturing of paper pulp products made of reclaimed paper during the reporting period and will continue to explore business opportunities in this area. The Group is now in negotiation with various strategic partners which the Group believes will help to provide a more sustainable growth in the business in the medium term.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank balances (including pledged bank deposits) amounted to approximately HK\$13.4 million as at 30 September 2005.

As the Group had no bank borrowings, the Group's gearing ratio was zero as at 30 September 2005 and 31 March 2005.

The Group has obtained the loan facilities from a related company, Hover City Industrial Limited, which bear interest at 3% below the best lending rate quoted by a bank in Hong Kong. As at 30 September 2005, the sum drawn down by the Group was approximately HK\$17.9 million (31 March 2005: HK\$17.9 million), with accrued interests of approximately HK\$0.6 million (31 March 2005: HK\$0.4 million). The loans are repayable in one lump sum (including accrued interest) by 31 December 2006.

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

EXCHANGE EXPOSURE

As most of our sales, purchases, and cash and bank balances were denominated in Hong Kong dollars, United States dollars and Renminbi during the relevant period, the Group was not exposed to material foreign exchange risks.

PROSPECTS

Despite the signs of growth in the Hong Kong economy, the local consumption power has not been strengthened due to the increase in interest rate. However, the Group envisages enormous potential in its environmental friendly paper tableware business and believes that such business will help to bring in positive contribution to the Group's overall results in the foreseeable future. Management review is being undertaken across the various businesses of the Group, aiming to better position the Group to meet the challenges and opportunities ahead.

SHARE OPTIONS

Pursuant to the Company's share option scheme adopted on 22 August 2002, the Directors of the Company, at their discretion, may grant options to employees, directors, consultants, advisers and/or agents of the Company or any of its subsidiaries as incentives or rewards for their contribution to the Company or such subsidiaries.

During the six months ended 30 September 2005, the movements in the number of options outstanding which have been granted by the Company to the Directors, employees of the Company and other eligible persons under the Company's share option scheme are as set out below:

| | Date of grant | Exercise period | Exercise price | Number of share options | | | |
|------------------------|---------------|---------------------------|----------------|-------------------------|---------------------------|-----------------------------|-----------------|
| | | | | At 1 Apr 2005 | Granted during the period | Exercised during the period | At 30 Sept 2005 |
| Directors | | | | | | | |
| Cheng Hop Fai | 12 May 2005 | 12 May 2005 – 12 May 2011 | HK\$0.10 | – | 4,848,535 | – | 4,848,535 |
| Cheng Kwok Kwan Yuk | 12 May 2005 | 12 May 2005 – 12 May 2011 | HK\$0.10 | – | 4,848,535 | – | 4,848,535 |
| Cheng Pak Ming, Judy | 12 May 2005 | 12 May 2005 – 12 May 2011 | HK\$0.10 | – | 4,848,535 | – | 4,848,535 |
| Cheng Pak Man, Anita | 12 May 2005 | 12 May 2005 – 12 May 2011 | HK\$0.10 | – | 4,848,535 | – | 4,848,535 |
| Chan Ming Fai | 12 May 2005 | 12 May 2005 – 12 May 2011 | HK\$0.10 | – | 4,848,535 | – | 4,848,535 |
| Total – Directors | | | | – | 24,242,675 | – | 24,242,675 |
| Employees | 12 May 2005 | 12 May 2005 – 12 May 2011 | HK\$0.10 | – | 9,697,070 | – | 9,697,070 |
| Total – employees | | | | – | 9,697,070 | – | 9,697,070 |
| Other Eligible Persons | | | | – | – | – | – |
| Total – all categories | | | | – | 33,939,745 | – | 33,939,745 |

The closing price of the Company's shares immediately before 12 May 2005, the date of grant of the share options, was HK\$0.099.

Pursuant to Rule 17.08 of the Listing Rules, the value of the share options granted during the period is as follows:

The significant assumptions used to determine the fair value using the Black-Scholes option pricing model were:

| Date of grant | 12 May 2005 |
|--|--------------------|
| Expected life (in years) | 6 |
| Expected volatility based on historical volatility of share prices | 14% |
| Expected annual dividend yield | Nil |
| Hong Kong Exchange Fund Notes rate | 3.41% |

The fair value of the options determined at the date of grant using the Black-Scholes option pricing model was approximately HK\$749,000 which has been expensed through the Group's income statement and recorded in the Groups' share options reserve in the current period.

Save as disclosed above, 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.