



MANAGEMENT DISCUSSION AND ANALYSIS

RESULT

The Group's unaudited condensed consolidated turnover and net profit from ordinary activities attributable to shareholders for the six months ended 30 September 2005 were approximately HK\$301 million and approximately HK\$12 million respectively, representing an increase of approximately 21% and an increase of approximately 26 times respectively as compared to the same period last year. The Group's gross profit margin increased by approximately 1.35% as compared to the corresponding period last year.

The principal market of the Group remained in PRC which accounted for 100% of the Group's turnover.

BUSINESS REVIEW

Distribution business

During the period under review, revenue from the distribution of PU materials was approximately HK\$261 million, increase from approximately HK\$242 million of the same period last year. The distribution business contributed approximately HK\$5 million to the Group's net profit from operating activities for the period, representing a decrease of approximately 29% in comparison to the corresponding period in 2004. The competition on the market of PU material is continued rigorous. The Group has still adopted a selective approach in accepting PU trading orders by ensuring that these transactions will meet the minimum profit criteria in order to reduce the risk exposure in the competitive environment.

Manufacturing business

During the period ended 30 September 2005, the Group's business of manufacturing and sales of petrochemical fuel product contributed approximately HK\$4 million to the Group's net profit from operating activities for the period.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2005, the Group held cash and bank balances of approximately HK\$16 million. As at 30 September 2005, the Group had a convertible bond with principal of HK\$26,813,000 (at 31 March 2005: HK\$26,813,000) and did not have any outstanding bank borrowings (at 31 March 2005: HK\$93.6 million). As at 30 September 2005, the net book value of the Group's fixed assets held under finance leases amounted to approximately HK\$1.5 million (at 31 March 2005: HK\$1.7 million). All finance lease payables of approximately HK\$0.7 million (at 31 March 2005: HK\$0.7 million) were repayable within one year.

With the available resources and the proceeds from the sale of the Group's subsidiaries during the period, the Group has adequate working capital to finance its business operation.

As at 30 September 2005, the Group had a current ratio of approximately 4.2 (at 31 March 2005: 1.0) and gearing ratio of zero (at 31 March 2005: 76%) (defined as short term bank borrowings over shareholder's equity). As the Group's transactions are mostly settled by Hong Kong dollars, Renminbi or Hong Kong dollars pegged currencies, the exposure to foreign exchange fluctuation is minimal, therefore no use of financial instruments for hedging purposes is considered necessary.

CHARGES ON THE GROUP'S ASSETS

As at 30 September 2005, none of the Group's assets was pledged.

COMMITMENT AND CONTINGENT LIABILITIES

As at 30 September 2005, the Group did not have any commitment and contingent liabilities.

INTERIM DIVIDEND

The Directors resolved not to declare any interim dividend for the six months ended 30 September 2005.

MATERIAL ACQUISITIONS AND DISPOSALS

During the period, the Group entered into sale and purchase agreements to dispose 100% equity interest in Shenyang Xinmin Chemical Factory (the "Acquisition") which is principally engaged in the manufacture and sale of petrochemical fuel products in Shenyang, Liaoning Province, the PRC. Further details please refer to the circular dated 7 September 2005.



EMPLOYEES

As at 30 September 2005, the total number of staff was 18. Salaries of employees were maintained at competitive level. The Group has encountered no problem with the recruitment of its employees. None of the companies in the Group has experienced any labour disputes during the period and the Directors of the Company consider that the Group has excellent employment relationship.

OUTLOOK

Looking forward, the Group will explore other business rationalization in order to enhance the long term potential of the Group. Any acquisition or disposal will be made in accordance with the Listing Rules. However, at present no detailed plan has been formulated. With future emphasis being placed on business rationalization and diversification, it is anticipated that these efforts would offer a route to business growth. The board is dedicated to bring the best return and to enhance the shareholders' value in the long run. The Group will continue to strive for advancement in both quantity and quality of earnings and expansion of business by all means, including merger, acquisition or establishment of business ventures.