

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2005 (2004 restated: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

During this period, the Group's turnover was HK\$169,246,730 (2004 restated: HK\$121,469,949). The Group's operating profit before finance costs and share of loss of associates amounted to HK\$9,399,321 (2004 reinstated: HK\$9,987,402). Profit attributable to Shareholders for the first half of the year amounted to HK\$6,248,674 (2004 restated: HK\$4,221,051).

Business Review and Prospects

Property Investment and Development

During the period, this business recorded an operating loss before finance costs of HK\$0.43 million (2004 restated: Profit of HK\$0.7 million). The net rental income during the period amounted to HK\$6.04 million, representing a decrease of 18% from the corresponding period of the last year.

During the period, in line with the hotel conversion project, the Group had managed to take possession of all flats from the Dragon House's tenants. The interior demolishing works are in progress. It is expected that the whole project will be completed by the fourth quarter of 2006. Besides, the Group had let out an office unit at Silvercord, Tsimshatsui during the period and the two units used for office/warehouse purpose at Kwai Tak Industrial Centre, Kwai Chung had also been let out in October, 2005. However, as the Dragon House's tenants had been moving out successively during the period and part of the shops had to be temporarily kept vacant to facilitate the renovation project, the overall profits of this business decreased.

During the period, the Group sold more than 10 flats in Ming Yue Hua Yuan, Futian District, Shenzhen. The Group has been well placed to benefit from the buoyant property market and is expected to sell all remaining flats in a short time.

With regard to land at Dongguan, Zhangmutou previously reserved for Nan Sing Building, the relevant authority had already approved for resumption of the project. The construction work will commence after the completion of the construction drawing which is now being amended to conform with the original foundation.

Manufacturing and Distribution of Plastic Packaging Materials

During the period, this business recorded an operating profit before finance costs of HK\$8.94 million (2004 restated: HK\$6.19 million). Turnover amounted to HK\$148.47 million (2004 restated: HK\$99.18 million), representing an increase of 50% over the corresponding period of last year.

The factory jointly set up by the Group and our Japanese partner had commenced production. With the steady production volume and good quality products, we had achieved the expected results. During the period, this business gradually recovered from loss and we believe it will continue to bring profit to the Group in the second half of the year. Regarding our associate company, Redi Bag LLC, it had been carrying out the marketing of various types of plastics bags and developing sales network in USA and Canada. Amongst the bags, the "Preopen Bags" had met with the best response. A chain-supermarket had entered into an agreement with us for the supply of these bags. Though there was no prominent results during the period, we believe that USA and Canada markets have great potential development capacity and it will bring profit to the Group in the long term.

Notwithstanding that the production costs in this business continuously increased because of the rise in fuel and resin prices, the inflation in mainland China and Reminbi appreciation, etc., the turnover during the period still increased by 25% over the corresponding period of the last year. These results had been accomplished by our increase in production in last year, restructuring of marketing division, excellent marketing strategies and the hard work of our team. However, the European Union is now conducting an anti-dumping investigation for the plastics bags manufactured in China. If the accusation is proved to be true, the Group will have to pay anti-dumping tariff for all the plastics bags transported to European Union countries. Such measure will adversely affect this business.

Stock Broking and Finance

During the period, the stock broking and finance business recorded an operating profit before finance costs of HK\$0.88 million (2004 restated: HK\$3.10 million) including unrealized holding loss on investments of HK\$0.11 million (2004 restated: Profit of HK\$0.19 million) and the deduction of impairment loss of HK\$2.11 million in respect of the trading right held by the Group which had been granted by The Stock Exchange of Hong Kong Limited.

During the period, the local economy had been kept on an upward track. The market turnover slightly increased because of the buoyant property market and adequate hot money. The market was further activated by the successive listings of

state-owned Chinese enterprises and state-owned Chinese banks. However, the investment sentiments were becoming cautious because of the spread of bird's flu and the increase in interest rates. Though this business had encountered strong competition in the industry, the income before the two above mentioned non-recurrent losses only slightly decreased. Such results had already demonstrated that the business was still on a steady and healthy track.

Capital Structure

Shareholders should note that the Company has adopted a number of new/revised Hong Kong accounting standards with effect from 1st January, 2005 to prepare this interim report. Amongst various new accounting standards, the most significant impacts on the financial statements are: the Group's guest house and flats which are being converted into hotel, should be re-classified from investment properties as stated in previous years to property and leasehold land separately shown in consolidated balance sheet. Regarding the leasehold land, it is stated at cost and is amortized over the period of the lease on a straight-line basis. Accordingly, the Group has written off the land appreciation value accumulated from prior periods with amortization of the original land cost up to last year-end date totalling HK\$106 million. In addition, a deferred tax liability of HK\$30 million should be recognized on any revaluation movements of investment properties which was calculated at profits tax rate. Nevertheless, according to prevailing Hong Kong Inland Revenue Ordinance and the situation of Group's investment properties being held, there should be no profits tax payable for the appreciation of those properties. Since the above mentioned amounts have been deducted from shareholders' equity and reflected on the restated comparative figure, the shareholders' equity as at 31st March, 2005 has been revised from HK\$442,902,688 as per last published report to HK\$307,671,134 as at 1st April, 2005.

In view of the above reason, at 30th September, 2005, the Group's Shareholders' funds amounted to HK\$313.98 million (1/4/2005 restated: HK\$376.70 million). The Group's consolidated net assets per share as at 30th September, 2005 was HK\$1.59.

Liquidity and Financial Resources

The Group's restated bank borrowings decreased from HK\$223.60 million of the last year end date to HK\$184.39 million at 30th September, 2005, in which the short term borrowings amounted to HK\$125.34 million and long term borrowings amounted to HK\$59.05 million. The Group's current year debt/equity ratio was 58.7% expressed as a percentage of the Group's total bank borrowings over the Shareholders' funds of HK\$313.98 million. The Group's bank borrowings are mainly denominated in Hong Kong dollars or United States dollars.

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.

Pledge of assets

Details of the Group's pledge of assets are set out in note 18 to the financial statements on page 21.

Contingent liabilities

Details of the Group's contingent liabilities are set out in note 19 to the financial statements on page 22.

Employees

The Group had about 1,000 employees as at 30th September, 2005. Employees are remunerated according to nature of the job and market trend.

Outlook

The rising interest rates, the high price of crude oil and uncertainties associated with the anti-dumping tariff and the macroeconomic austerity measures in China had all adversely affected the Group's business in manufacturing and distribution of plastic packaging materials. The Group will continuously strengthen costs control measures, increase production efficiency, streamline the business structure and rationalize marketing strategies so as to enable us to secure our achievements and to fit out itself in coping with the prevalent market conditions and the possible challenges.

Hong Kong's economy has continued the upward momentum of last year. Domestic demand remains strong as consumer and business confidence is encouraged by an improving labour market, an inflationary climate with steady, healthy rises in consumer prices and growth in all major sectors such as finance, trading, retail, tourism and services. Given the optimistic economic outlook and good investment sentiments, the Group expects that our stock broking business will be improved in the second half of the year.

Tourists from the mainland will continue to rise due to the extension of the Individual Travellers Scheme to more cities. Additionally, with the opening of Disneyland, family travel trips to Hong Kong will be further boosted. Consequently, the operating environment for the hotel industry remains promising. The Group will expedite the completion of the hotel conversion project at Dragon House, Tsimshatsui. We have positioned itself to take advantage of the booming tourism by expanding into the hotel sector.