

RESULTS

For the first half of 2006, the Group's unaudited consolidated profit attributable to equity shareholders of the Company was HK\$58,624,000, representing a decrease of 50.0%, compared with HK\$117,355,000 of the corresponding period last year. Excluding factors such as net valuation gains on investment properties, non-operating income and tax refund for re-investment, operating profit was HK\$55,252,000, representing an increase of 31.9% compared to the corresponding period last year. Basic earnings per share was HK6.5 cents, a decrease of 50.0% from HK13.0 cents (restated) of the corresponding period last year.

INTERIM DIVIDEND

The Board declared the payment of interim dividend for the six months ended 30 June 2006 of HK1.5 cents per share (six months ended 30 June 2005: Nil).

BUSINESS REVIEW

During the period under review, consolidated turnover was HK\$622,781,000, representing a significant increase of HK\$222,990,000, or 55.8%, from HK\$399,791,000 of the corresponding period last year. Such increase was mainly attributable to the growth in the tinplating business. In respect of the tinplating business, since the new production line has been put into operation and there was a sufficient supply of black-plates, the production and sales volume have increased while the turnover has increased substantially by HK\$236,570,000, or 71.2%. The increase in consolidated turnover drove the increase in profit from operations. The profit from operations of the period was HK\$55,252,000, an increase of 31.9% comparing to HK\$41,884,000 of the corresponding period last year.

During the period, we fully leveraged our production capacity of 200,000 tonnes of tinplates to achieve 83.5% in the semi-annual utilization rate of production capacity, comparing to 74% of the same period last year, breaking a new record in the half-year production and sales since the establishment of the tinplating business. As the core business of the Group, its profit contribution to the Group's profit from operations increased from 57.9% of the first half of last year to 64.5% of this period, bringing a more stable profit source to the Group.

Tinplating

During the first half of 2006, the tinplate production and sales volume of Zhongshan Zhongyue Tinplate Industrial Co., Ltd ("Zhongyue Tinplate"), a subsidiary of the Group, amounted to 83,482 tonnes and 88,694 tonnes, a substantial increase of 87.9% and 122.5% respectively when compared with the corresponding period last year. The turnover amounted to HK\$569,047,000, representing an increase of 71.2% comparing to the same period last year. Operating profit was HK\$35,661,000, an increase of HK\$11,415,000, or 47.1% comparing to the same period last year. The increase would have reached 73.2% if excluding the impairment loss of HK\$6,334,000 arising from the closure of power plant due to the surging oil price. The tinplating business made the greatest profit contribution to the Group, with its turnover and operating profit accounting for 91.4% and 64.5% of the Group's turnover and operating profit respectively.

The construction project of a factory for production of black-plates was not affected by the macro-economic austerity measures in the Mainland China and is currently under good progress. As at 30 June 2006, the work-in-progress amounted to HK\$150,454,000, which was substantially internally funded by the Group. It is expected that such project will be put into commercial production early next year, thus resulting in lowering the production cost and its entry to the diversified tinplating market.

Being a prestigious tinplate manufacturer in the Mainland China, Zhongyue Tinplate was awarded the "Top Brand-Named Packaging Product in China" for its tinplate and tin-free steel products in April this year. It is the only tinplate manufacturer gaining this award in the PRC. In the second half of the year, we will continue to exploit our brand and technological advantages in order to gain further market share.

To accelerate the pace of development of Zhongyue Tinplate, the Group will acquire 5% equity interest from the PRC minority shareholders. After the acquisition, Zhongyue Tinplate will become a wholly-owned subsidiary of the Group. A share transfer agreement has already been signed on 13 September this year. Completion of the acquisition is subject to the approval from the government authorities. The acquisition signifies greater room for expansion and development for Zhongyue Tinplate in the future.

Property Leasing

The Group's leasing properties included the plant and staff dormitory of Zhongyue Shan Hai Industrial Co., Ltd. ("Shanghai"), and the office building in Hong Kong. In the first half of 2006, the total turnover of leasing properties owned by the Group amounted to HK\$11,585,000, a decrease of 10.2% compared with the same period last year. The profit from operations of leasing properties amounted to HK\$8,159,000, representing a decrease of 12.1% as compared with the same period last year.

To accelerate the pace of development of Shanghai, the Group will acquire 5% equity interest from the PRC minority shareholders. After the acquisition, Shanghai will become a wholly-owned subsidiary of the Group. A share transfer agreement has already been signed on 13 September this year. Completion of the acquisition is subject to relevant government approval. The acquisition signifies greater room for expansion and development for Shanghai in the future.

Foodstuffs Distribution and Trading

During the first half of 2006, turnover of foodstuffs distribution and trading business amounted to HK\$42,149,000. With the impact of the bird flu this year, it represented a decrease of HK\$12,258,000, or 22.5% as compared with the same period last year. For the first six months of this year, the operating profit from foodstuffs distribution and trading increased by HK\$667,000, or 8.6%, from the same period last year to HK\$8,381,000.

Foodstuffs distribution and trading is the traditional business of the Group. By taking measures such as opening up new sources of revenue, reducing costs and improving services, the Group will continue to maintain its agency business and actively expand its trading business, so as to maintain its competitive edge and provide the Group with a stable income stream.

FINANCIAL POSITION

As at 30 June 2006, the Group's total assets amounted to HK\$1,407,707,000, and total liabilities stood at HK\$373,421,000, representing an increase of HK\$169,077,000 and HK\$114,007,000 respectively compared with the positions at the end of last year. The net current assets decreased from HK\$380,978,000 at the end of last year to HK\$289,610,000, and the current ratio (current assets divided by current liabilities) decreased from 2.54 as at the end of last year to 1.81. The Group has a very sound financial position, laying a solid foundation for future business expansion.

Liquidity and Financial Resources

As at 30 June 2006, the Group maintained cash and cash equivalent balances of HK\$186,139,000, of which an amount equivalent to HK\$54,503,000 was Renminbi and the remaining amounts were denominated in Hong Kong dollars and US dollars. The cash and cash equivalents increased by 92.2% comparing with the position at the end of last year.