

As at 30 June 2006, the Group's interest-bearing borrowings totaled HK\$116,954,000. Accordingly, the Group's gearing ratio, which was measured on the basis of the Group's total interest-bearing borrowings over the shareholders' fund was 11.6%. The Group's interest-bearing borrowings will be repaid by the proceeds from the bills discounted to the banks on maturity and carry interests (or discounted rates) at annual rates ranging from 1.92% to 3.24%.

As at 30 June 2006, the Group's total available banking facilities amounted to HK\$352,266,000, HK\$83,622,000 of which was issued with letters of credit, and HK\$268,644,000 was unutilized banking facilities while discounting bills as mentioned above did not use up any banking facilities. With its cash and cash equivalents on hand and the recurring cash flows from its operations, the Group believes that it will have sufficient funds to meet its present operation requirements and to further develop its businesses in the foreseeable future.

Exchange Rate Exposure

The Group's assets, liabilities and transactions were primarily denominated in Hong Kong dollars, US dollars or Renminbi. As the exchange rates of these currencies were relatively stable during the period, the Group was not exposed to significant exchange risk. Foreign exchange gain for the period was HK\$4,109,000.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2006, the Group had a total of 628 full-time employees, increased by 103 compared with that as at the end of 2005. Among them, 22 were based in Hong Kong and 606 were based in the Mainland China. The staff remuneration is determined in accordance with the duties, workload, skill requirements, hardship, working conditions and individual performance with reference to the prevailing industry practices. In 2006, the Group continued to implement control on the headcount, organization structure and payroll of each subsidiary. The performance bonus incentive scheme for the management remained effective. Through performance assessment of each subsidiary, performance bonus for various profit rankings was paid on basis of net cash inflow from operation and profit after taxation. In addition, bonus will be distributed to the management, key personnel and outstanding staff according to assessment results of individual performance. These incentive schemes have effectively improved the morale of our staff members. The Group has also adopted a share option scheme to reward, attract, retain and motivate excellent and brilliant participants for their contributions to the Group.

PROSPECTS

With the development of the metal packaging industry, especially in the Mainland China, the domestic and overseas demand for tinplates remained strong with promising prospects. The crucial factor for success of the tinplating business in the second half of the year is still the supply of black-plates. With the commencement of operations of the black-plate factory, self production and external purchasing can supply up to 300,000 tonnes of black-plates next year. The management is actively studying the development strategies for exploring new markets, including construction of a new tinplate plant in northern China, leveraging the existing brandname, technology and low cost advantages of Zhongyue Tinplate together with the resource advantage established gradually. By lowering logistics costs and increasing market share, we will strive continuously to strengthen and expand the core tinplating business, aiming to achieve better operating results.