

## INTERIM RESULTS

During this period, the Group's turnover was HK\$155,392,205 (2005: HK\$169,246,730). The Group's operating profit before finance costs and share of loss of associates amounted to HK\$23,225,062 (2005: HK\$9,399,321). Profit attributable to Shareholders for the first half of the year amounted to HK\$14,744,205 (2005: HK\$6,248,674).

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2006 (2005: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

#### *Property Investment and Development*

Apart from conducting the revaluation of the Group's investment properties at the year end date, the Group will also revalue the said properties at the period end date of the interim results starting from this financial year. As at 30th September, 2006, there was a HK\$8.22 million surplus on revaluation of the Group's investment properties and as a result, this business recorded an operating profit before finance costs of HK\$6.46 million during the period (2005: loss of HK\$0.43 million). Excluding the revaluation surplus, this business recorded an operating loss before finance costs of HK\$1.76 million during the period. The loss was attributable to the decrease in the Group's rental income caused by the renovation projects of the Group's hotel and part of its properties still being in progress, and on the other hand, there was an increase in operating costs relating to the said projects. It is expected that the completion of the projects will be postponed to the first quarter of 2007.

The Group's other leasing properties, namely, the office unit at Silvercord, Tsimshatsui, Nan Sing Industrial Building in Kwai Chung and the office/warehouse units at Kwai Tak Industrial Centre, Kwai Chung were wholly leased during the period and the rental income contributed by those properties remained steady. However, the overall rental income during the period was 5.43 million, representing a decrease of 11.7% from the same period last year. The decrease was attributable to the lower rental income contributed by the properties at Dragon House, Tsimshatsui where the conversion project was in progress.

### *Manufacturing and Distribution of Plastic Packaging Materials*

During the period, this business recorded an operating profit before finance costs of HK\$12.53 million (2005: HK\$8.94 million). Turnover amounted to HK\$143.26 million (2005: HK\$148.47 million), representing a decrease of 3.5% from the same period last year.

The business was suffering from high resin prices during the period. Moreover, since there was lesser difference between the resin price in Europe and USA and the resin price in Asia, our sales orders volume in early 2006 dropped. In September, 2006, the European Union had imposed anti-dumping tariff on the plastic bags manufactured in China and such measure will adversely affect our business in Europe. Apart from the above, the production costs in this business continuously increased because of the unfavourable effects brought by renminbi appreciation, inflation in mainland China and decrease in export tax refund rate. However, since our various cost control measures had achieved marked results, the gross profit of this business during the period still increased 4% over the same period last year.

With the steady production volume and good quality products, the results of the joint venture company formed with our Japanese partner remained steady during the period. The associate company formed with our USA partner had entered into supply agreements with some major clients. We believe that the results of this business will be improved in the coming year.

### *Stock Broking and Finance*

During the period, the stock broking and finance business recorded an operating profit before finance costs of HK\$4.24 million (2005: HK\$0.88 million), including unrealized holding gain on investments of HK\$0.67 million (2005: loss of HK\$0.11 million). Excluding the unrealized holding gain/loss on investments and the deduction of impairment loss of HK\$2.11 million in respect of the Group's trading rights granted by The Stock Exchange of Hong Kong Limited, the operating profit before finance costs increased 15% over the same period last year.

During the period, the local economy had been kept on an upward track. The interest rate was likely to decrease and property market remained stable. The market was further activated by the successive listings of state-owned Chinese enterprises and state-owned Chinese banks in Hong Kong which had attracted abundant inflow of liquidity. The liquidity frozen by the listing of Industrial and Commercial Bank of China in mainland China and in Hong Kong had set the world record. Besides, the market turnover, blue-chip companies' share prices, Hang Seng Index and China Enterprises Index had continued to witness new highs. With the general market strength, the results of this business during the period remained on a steady upward track despite the increasing challenges in the highly competitive securities industry.

### **Capital Structure**

As 30th September, 2006, the Group's Shareholders' funds amounted to HK\$405.97 million (31/3/2006: HK\$392.64 million). The Group's consolidated net assets per share as at 30th September, 2006 was HK\$2.05.

### **Liquidity and Financial Resources**

At 30th September, 2006, the Group's bank borrowings slightly decreased from HK\$194.69 million of the last year end date to HK\$193.70 million of this year, in which the short term borrowings amounted to HK\$160.07 million and long term borrowings amounted to HK\$33.63 million. The Group's current year debt/equity ratio was 47.7% expressed as a percentage of the Group's total bank borrowings over the Shareholders' funds of HK\$405.97 million. The Group's bank borrowings are mainly denominated in Hong Kong dollars and 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 19 to the financial statements on page 19.

## **Contingent Liabilities**

Details of the Group's contingent liabilities are set out in note 21 to the financial statements on page 20.

## **Employees**

The Group had about 900 employees as at 30th September, 2006. Employees are remunerated according to nature of the job and market trend.

## **Outlook**

As the level of interest rates is likely to remain steady or even decrease in the near future on the basis of the recent economic data announced by USA, we look forward to stronger growth prospects for the economy. China, with strong GDP growth continuing, will benefit the economy of Hong Kong. As China booms, Hong Kong will be flourishing.

Hong Kong's economic prospects are positive in view of the return of both investment and consumer confidence which set a good backdrop for the local financial markets. Given the trading momentum carried forward from the first half of the year, investors' optimism and abundance of liquidity, the Group expects that our stock broking business will achieve an even better results in the second half of the year.

Hong Kong tourism is continuing to expand and it is expected that the tourist arrivals will keep on increasing. As a result, the operating environment for the hotel industry remains promising. The Group is well prepared for the opening and operation of the hotel and has positioned itself to take advantage of the booming tourism sector.

The rising resin price, renminbi appreciation, inflation in mainland China associated with the anti-dumping tariff imposed by European Union and the decrease in export tax refund rate have all adversely affecting the Group's business in manufacturing and distribution of plastic packaging materials. The operation of this business remains difficult. The Group will at all times endeavour to expand sales network, renew machinery and equipment, optimize the production flow and increase production efficiency with an aim to reduce direct production costs.