



LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained cash or cash equivalent of approximately HK\$782.21 million as at the balance sheet date. The Group adopts conservative treasury policies in cash and financial management. Most of the retained cash was placed in Renminbi and Hong Kong Dollar short term deposits and therefore exposure to exchange fluctuations was minimal. The Group also invested in other investments such as bonds and marketable securities to increase financial returns. Shareholders' fund as at 30 June 2005 was HK\$1,336.66 million compared with that of HK\$1,210.13 million as at 31 December 2004, representing an increase of HK\$126.53 million or 10.46%.

The Group capital expenditure for the six months ended 30 June 2005 amounted to HK\$69.22 million were funded from cash generation from operation, bank loans and issue of shares.

The indebtedness of the Group mainly comprises of trust receipt loans, bank loans and finance leases which are largely denominated in Hong Kong dollars and Reminbi. The Group borrowings are monitored to ensure a smooth repayment schedule to maturity.

The banking facilities mainly comprised of trust receipt loans and invoice financing loan of tenor up to 120 days from the invoice date. The bank interest rates are mainly fixed by reference to either the Hong Kong Prime rate or the Hong Kong Interbank Offer Rate.

As at 30 June 2005, the Group's banking facilities had been utilized to the extent of approximately HK\$241.8 million, including HK\$235 million of syndicated loan.

During the period, the Group acquired 0.61% and disposed of 2.91% equity interest in Bio-Treat Technology Limited ("Bio-Treat") in the Stock Exchange of Singapore at HK\$14.27 million and HK\$59.04 million respectively. The acquisition of equity interest in Bio-Treat was stated at cost in the balance sheet as at 30 June 2005 whereas the gain on disposal of equity interest in Bio-Treat amounting to HK\$44.66 million was recognised in the profit and loss account for the period.

The Group's inventory turnover period was decreased to 35 days from that of 52 days for the same period last year. The turnover period of debtors was increased to 107 days from that of 76 days for the same period last year owing to tremendous increase in sales to the customers of cosmetics and skincare products which required longer credit days. The turnover period of creditors was slightly increased to 33 days from that of 30 days for the same period last year.



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Debt to equity ratio (total debt over shareholders' equity) and gearing ratio (total interest bearing debt over total assets) were decreased to 18.1% and 14.18% respectively as compared with that of 22.37% and 17.3% for the same period last year. Current ratio and Quick ratio were 4.71 and 4.52 respectively whilst interest cover was 41.67 times.

PROSPECTS

Riding on its proven traditional three-pillar business – home and personal care products, industrial surfactants and “MB” businesses, the Group will continue to grow its household and personal care products and industrial surfactants business, with the aim of deepening penetration of the China market and hence secure a stable income. Regarding the cosmetics business, it has become the Group's main growth driver. The Group will strive to achieve an optimum proportion of the three major businesses to ensure stable income.

The Group is always keeping a close watch on new business opportunities to diversify its income stream. In view of the volatile crude oil price and the unstable international oil supply, the Group has stepped up the development of environmental friendly power technology. The technology enables the recycling of waste plastic materials. Partnering with a local petroleum refinement company, the Group uses the technology to recycle waste plastics, tyres, PVC foam and used oil into usable gasoline, diesel and natural gas with high efficiency. Applying the integrative pyrolysis procedure in treating waste materials, the technology is patented in the PRC.

The technological breakthrough facilitated and marked the formal entry of the Group into the environmental friendly energy industry. The Group is applying to the Government of the Hong Kong Special Administrative Region (“HKSAR Government”) to acquire land in the Industrial Estate at low price for the construction of a production plant. The Group will also discuss other arrangements such as tax exemption and subsidies with the HKSAR Government.

Regarding the target market, the Group will first develop the Hong Kong market, mainly through wholesaling high quality petroleum products to different transportation corporations, such as bus, taxi and ferry companies. In the long run, the Group targets to expand the business overseas to markets under high oil price pressure, such as Singapore, Malaysia and Japan. The Group believes its development strategy will accelerate its growth and bring remarkable returns to shareholders.