

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2001

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), except that comparative figures are not presented either for the condensed consolidated statement of recognised gains and losses or for the first condensed consolidated cash flow statement to be included in the interim financial report relating to accounting periods ended on or after 1st July, 2000. Such departures from SSAP 25 are permitted under the Listing Rules.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities.

The accounting policies adopted for the preparation of the interim financial report are consistent with those adopted by the Group in its annual financial statements for the year ended 31st December, 2000 except as described below.

In the current period, the Group has adopted, for the first time, the following revised or new SSAPs issued by the Hong Kong Society of Accountants:

Segment reporting

SSAP 26 “Segment reporting”, which has been adopted for the first time in this interim reporting period, has established principles for reporting the segmental analysis of financial information. The details are set out in note 3.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) “Events after the balance sheet date” dividends proposed or declared after the balance sheet date are not recognised as a liability in the balance sheet. In previous years, the declaration of dividends after the balance sheet date was treated as an adjusting post balance sheet event. The effect of this change has been to increase shareholders’ funds at 1st January, 2000 and 31st December, 2000 by HK\$17,820,000 and HK\$13,365,000 respectively. Comparative information has been restated to reflect this change in accounting policy (See note 16).

Provisions

In accordance with SSAP 28 “Provisions, contingent liabilities and contingent assets”, provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

Goodwill

In the current period, the Group has adopted SSAP 30 “Business combinations” and has elected not to restate goodwill (negative goodwill) previously eliminated against

(credited to) reserves. Accordingly, goodwill arising on acquisitions of subsidiaries prior to 1st January, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1st January, 2001 will be credited to income at the time of disposal of the relevant subsidiary.

Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amortised over its estimated useful life i.e. over periods ranging between 5 and 20 years. Negative goodwill arising on acquisitions after 1st January, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Impairment of assets

SSAP 31 “Impairment of assets” has introduced a formal framework for the recognition of impairment losses in respect of the Group’s assets other than financial assets and investment properties.

With the exception of SSAP 9 (Revised), the adoption of the above standards has had no material effect on amounts reported in prior years.

3. SEGMENT INFORMATION

The turnover and contributions to profit from operations of the Group for the six months ended 30th June, 2001, analysed by business segments and by geographical segments, are as follows:

By Business Segments:

For the six months ended 30th June, 2001

	Sales of chemicals and metals HK\$'000	Property investment HK\$'000	Security investment HK\$'000	Other activities HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE						
External sales	435,641	9,552	4,399	171	–	449,763
Inter-segment sales	9,305	1,109	–	3,960	(14,374)	–
Total revenue	444,946	10,661	4,399	4,131	(14,374)	449,763
SEGMENT RESULT						
RESULT	17,225	7,706	(8,491)	72	–	16,512
Bank interest income						3,554
Unallocated other revenue						849
Unallocated corporate expenses						(4,774)
Amortisation of premium arising on acquisition of an associate						(1,511)
Profit from operations						14,630

For the six months ended 30th June, 2000

	Sales of chemicals and metals HK\$'000	Property investment HK\$'000	Security investment HK\$'000	Other activities HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE						
External sales	521,281	9,405	3,419	3,797	–	537,902
Inter-segment sales	19,643	1,256	–	4,498	(25,397)	–
Total revenue	<u>540,924</u>	<u>10,661</u>	<u>3,419</u>	<u>8,295</u>	<u>(25,397)</u>	<u>537,902</u>
SEGMENT						
RESULT	<u>19,542</u>	<u>6,635</u>	<u>3,649</u>	<u>214</u>	<u>–</u>	<u>30,040</u>
Bank interest income						3,757
Unallocated other revenue						5,778
Unallocated corporate expenses						(6,699)
Profit from operations						<u>32,876</u>

By Geographical Segments:

For the six months ended 30th June, 2001

	<u>Hong Kong</u>	<u>Taiwan</u>	<u>Elsewhere in the People's Republic of China</u>	<u>Others</u>	<u>Eliminations</u>	<u>Consolidated</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE						
External sales	288,793	83,128	47,955	29,887	–	449,763
Inter-segment sales	13,331	785	258	–	(14,374)	–
Total revenue	<u>302,124</u>	<u>83,913</u>	<u>48,213</u>	<u>29,887</u>	<u>(14,374)</u>	<u>449,763</u>
SEGMENT RESULT						
RESULT	<u>2,968</u>	<u>3,433</u>	<u>8,713</u>	<u>1,398</u>	<u>–</u>	<u>16,512</u>
Bank interest income						3,554
Unallocated other revenue						849
Unallocated corporate expenses						(4,774)
Amortisation of premium arising on acquisition of an associate						(1,511)
Profit from operations						<u>14,630</u>

For the six months ended 30th June, 2000

	<u>Hong Kong</u>	<u>Taiwan</u>	<u>Elsewhere in the People's Republic of China</u>	<u>Others</u>	<u>Eliminations</u>	<u>Consolidated</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE						
External sales	310,853	130,548	54,865	41,636	–	537,902
Inter-segment sales	21,798	2,937	335	327	(25,397)	–
Total revenue	<u>332,651</u>	<u>133,485</u>	<u>55,200</u>	<u>41,963</u>	<u>(25,397)</u>	<u>537,902</u>
SEGMENT						
RESULT	<u>13,235</u>	<u>6,188</u>	<u>8,959</u>	<u>1,658</u>	<u>–</u>	<u>30,040</u>
Bank interest income						3,757
Unallocated other revenue						5,778
Unallocated corporate expenses						(6,699)
Profit from operations						<u>32,876</u>

4. OTHER REVENUE

Other revenue comprises:

	Six months ended <u>30/6/2001</u> HK\$'000	Six months ended <u>30/6/2000</u> HK\$'000
Interest income from bank deposits	3,554	3,757
Sundry income	791	5,677
Dividend income from an unlisted investment	58	101
	<u>4,403</u>	<u>9,535</u>
	=====	=====

5. FINANCE COSTS

The finance costs represent interest on bank borrowings wholly repayable within five years.

6. TAXATION

	Six months ended <u>30/6/2001</u> HK\$'000	Six months ended <u>30/6/2000</u> HK\$'000
The tax charge comprises:		
Current taxation		
Hong Kong Profits Tax	1,780	1,546
Profits tax outside Hong Kong	1,177	731
	<u>2,957</u>	<u>2,277</u>
Share of taxation attributable to associates	1	–
	<u>2,958</u>	<u>2,277</u>
	=====	=====

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the period.

Taxation outside Hong Kong is calculated at the rates prevailing in the respective jurisdictions.

7. DIVIDEND

	Six months ended <u>30/6/2001</u> HK\$'000	Six months ended <u>30/6/2000</u> HK\$'000
Final dividend in respect of year ended 31 st December, 2000 at 3 cents (year ended 31 st December, 1999: 4 cents) per ordinary share	13,365 =====	17,820 =====

8. EARNINGS PER SHARE

The calculation of the earnings per share is based on the net profit for the period of HK\$8,885,000 (six months ended 30/6/2000: HK\$21,908,000) and on 445,500,000 ordinary shares (six months ended 30/6/2000: 445,500,000 ordinary shares) in issue during the period.

9. INVESTMENT PROPERTIES

As SSAP 25 does not require an enterprise to arrange for a revaluation to be made by professional qualified valuers on revalued assets held at the interim period end, accordingly, no professional valuation has been performed in respect of the Group's investment properties as at 30th June, 2001. However, the directors consider that the values of the investment properties as at 30th June, 2001 would not differ materially from the professional valuation made as at 31st December, 2000 and, accordingly, no revaluation surplus or deficit has been recognised in the current period.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th June, 2001, the Group has no material acquisition or disposal of property, plant and equipment.

11. INTERESTS IN ASSOCIATES

	<u>30/6/2001</u>	<u>31/12/2000</u>
	HK\$'000	HK\$'000
Share of net assets	25,799	24,684
Premium arising on acquisition	30,218	30,218
Amortisation of premium	(4,533)	(3,022)
	<u>51,484</u>	<u>51,880</u>
	=====	=====

12. INVESTMENTS IN SECURITIES

	<u>Investment securities</u>		<u>Other investments</u>		<u>Total</u>	
	<u>30/6/2001</u>	<u>31/12/2000</u>	<u>30/6/2001</u>	<u>31/12/2000</u>	<u>30/6/2000</u>	<u>31/12/2000</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity securities:						
Listed –						
Hong Kong	–	–	111,068	122,857	111,068	122,857
Listed –						
overseas	3,132	3,132	8,766	7,115	11,898	10,247
Unlisted	11,007	3,207	23,315	18,444	34,322	21,651
	<u>14,139</u>	<u>6,339</u>	<u>143,149</u>	<u>148,416</u>	<u>157,288</u>	<u>154,755</u>
Debt securities:						
Listed –						
overseas	–	–	16,549	12,676	16,549	12,676
Total securities:						
Listed	3,132	3,132	136,383	142,648	139,515	145,780
Unlisted	11,007	3,207	23,315	18,444	34,322	21,651
	<u>14,139</u>	<u>6,339</u>	<u>159,698</u>	<u>161,092</u>	<u>173,837</u>	<u>167,431</u>
Market value of listed securities	3,175	3,432	136,383	142,648	139,558	146,080
Carrying amount analysed for reporting purposes as:						
Non-current	14,139	6,339	3,701	3,701	17,840	10,040
Current	–	–	155,997	157,391	155,997	157,391
	<u>14,139</u>	<u>6,339</u>	<u>159,698</u>	<u>161,092</u>	<u>173,837</u>	<u>167,431</u>

13. INVENTORIES

Included in inventories are finished goods of HK\$11,829,000 (31/12/2000: HK\$9,283,000) carried at net realisable value.

14. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows an average credit period ranging from cash on delivery to 120 days to its trade debtors. The aging analysis of trade debtors of HK\$69,767,000 (31/12/2000: HK\$81,023,000) which are included in the Group's debtors, deposits and prepayments are as follows:

	<u>30/6/2001</u>	<u>31/12/2000</u>
	HK\$'000	HK\$'000
0 – 30 days	31,819	37,412
31 – 60 days	23,207	24,665
61 – 90 days	11,808	12,628
91 – 120 days	2,164	3,965
121 – 365 days	769	2,353
	<u>69,767</u>	<u>81,023</u>
	=====	=====

15. SHARE CAPITAL

	<u>Number of shares</u>	<u>Amount HK\$'000</u>
Ordinary shares of HK\$0.05 each		
Authorised:		
At 30 th June, 2001 and 31 st December, 2000	700,000,000 =====	35,000 =====
Issued and fully paid:		
At 30 th June, 2001 and 31 st December, 2000	445,500,000 =====	22,275 =====

16. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Investment property revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
<u>THE GROUP</u>							
At 1 st January, 2000							
– as previously stated	153,728	26,090	5,280	15,440	1,515	321,166	523,219
– prior year adjustment (note 2)	–	–	–	–	–	17,820	17,820
– as restated	153,728	26,090	5,280	15,440	1,515	338,986	541,039
Exchange differences arising on translation of overseas operations	–	–	–	–	379	–	379
Share of reserves of an associate	–	191	302	–	(168)	–	325
Net profit for the year	–	–	–	–	–	43,878	43,878
Dividends paid	–	–	–	–	–	(26,730)	(26,730)
At 31 st December, 2000	153,728	26,281	5,582	15,440	1,726	356,134	558,891
Exchange differences arising on translation of overseas operations	–	–	–	–	(1,421)	–	(1,421)
Share of reserves of an							

associate	–	(191)	(151)	(69)	(46)	193	(264)
Goodwill released on disposal of a subsidiary	–	35	–	–	–	–	35
Net profit for the period	–	–	–	–	–	8,885	8,885
Dividend paid	–	–	–	–	–	(13,365)	(13,365)
At 30 th June, 2001	153,728	26,125	5,431	15,371	259	351,847	552,761

17. CREDITORS AND ACCRUED CHARGES

The aging analysis of the trade creditors of HK\$30,101,000 (31/12/2000: HK\$14,338,000) which are included in the Group's creditors and accrued charges are as follows:

	<u>30/6/2001</u>	<u>31/12/2000</u>
	HK\$'000	HK\$'000
0 – 30 days	21,572	12,827
31 – 60 days	8,130	1,335
61 – 90 days	348	168
91 – 120 days	51	2
121 – 365 days	–	6
	<u>30,101</u>	<u>14,338</u>
	=====	=====

18. BANK BORROWINGS

	<u>30/6/2001</u>	<u>31/12/2000</u>
	HK\$'000	HK\$'000
The bank borrowings, which are all due within one year, comprise:		
Bank loans and overdrafts		
Secured	4,410	17,782
Unsecured	106,366	127,672
	<u>110,776</u>	<u>145,454</u>
	=====	=====

19. PLEDGE OF ASSETS

At 30th June, 2001, certain leasehold properties and investments in securities with aggregate carrying values of HK\$7,498,000 (31/12/2000: HK\$7,967,000) and HK\$39,561,000 (31/12/2000: HK\$45,498,000), respectively, were pledged to banks to secure banking facilities granted to the Group.