

Distributable Reserve

The Company had no distributable reserve at 30th June, 2003 and 30th June, 2002.

Business Review

For the first half of 2003, the Group's results achieved a turnaround from the prior period's loss of HK\$12,037,000 to a profit of HK\$384,000, representing a significant improvement to the Group's financial performance. Turnover for the half year was HK\$243,010,000, 41% higher than the comparable period, profit from operations was HK\$8,790,000, against the previous period's operational loss of HK\$14,059,000.

Principal Operations

The Group is at present principally engaged in the trading of iron ore, provision of finance, property investment and securities investment. Iron ore trading activities commenced in early 2003 was one of the main contributors to the increases of the Group's half year turnover and profitability. Sales achieved by this business segment amounted to HK\$54,542,000 and a profit of HK\$2,547,000 was reported. Iron ore is a major raw material for the production of iron and steel products. As majority of the Group's customers importing iron ore are based in the Mainland, further growth of this segment is expected in light of China's increasing level of fixed capital investment.

The Group was more active in its financing and securities investment activities during the review period. Additional financial resources were allocated to these segments which led to the increases of the Group's loans receivable and investments in securities when compared to the preceding balance sheet date. Both business segments performed satisfactorily for the half year, the financing segment reported an increased profit of HK\$3,433,000 compared to HK\$861,000 for the prior period, whereas the securities segment recognised a profit of HK\$2,062,000, representing mainly unrealised holding gain on securities, against the previous period's loss of HK\$115,000.

Performance of the Group's property investment activities during the review period was largely stable and rental income was at a similar level compared with the prior period. Since demand for rented office premises in Yuen Long where the Group's commercial property is situated remains weak, the Group will continue with its flexible leasing strategy to improve the property's occupancy rate.

As stated in the Company's announcement dated 13th January, 2003, the Company had entered into an agreement with an independent third party to dispose of its chemical fibers business for a cash consideration of HK\$50,000,000 (subject to adjustment). The disposal has been completed and the Group has since discontinued its chemical fibers operations. Turnover and net loss of this discontinued segment were HK\$183,408,000 and HK\$1,608,000 respectively for the period under review.