

Corporate Information

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BOARD OF DIRECTORS

YIP Kim Po (Chairman)
HUI Ho Ming, Herbert
(Deputy Chairman and Vice Chairman)
CHOY Tak Ho*
CHAU Po Fan*
KWAN Yan
LI Lee Cheung
YIP Wan Fung

* Independent Non-Executive Director

COMPANY SECRETARY

LO Hang Fong

SOLICITORS

Stevenson, Wong & Co.

AUDITORS

Moores Rowland

PRINCIPAL BANKERS

WestLB AG
HSH Nordbank AG
The Hongkong and Shanghai Banking
Corporation Limited
DBS Bank (Hong Kong) Limited
Nanyang Commercial Bank, Ltd
Bangkok Bank Public Company Limited

PRINCIPAL OFFICE

Room 2805, 28th Floor
Admiralty Centre, Tower 1
18 Harcourt Road, Hong Kong

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM11, Bermuda

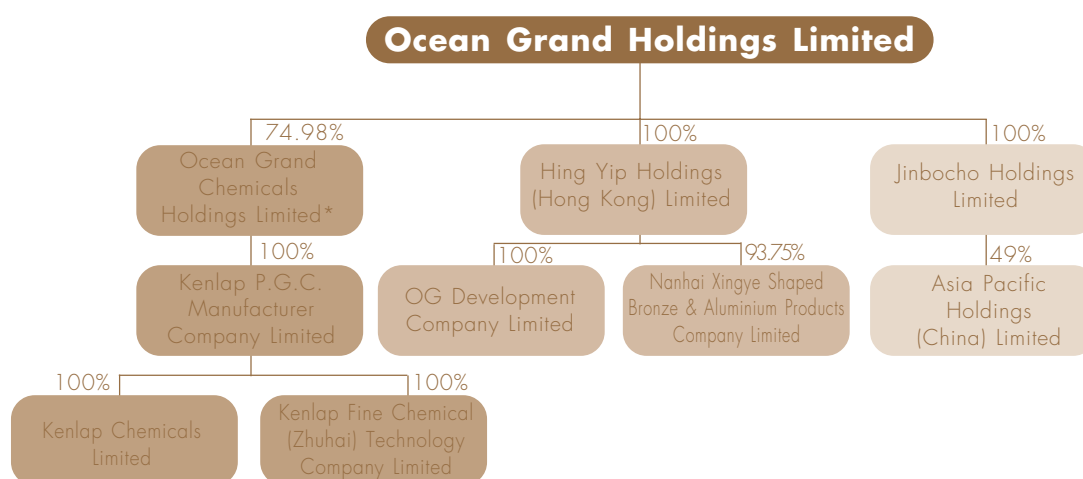
HOMEPAGE

<http://www.ogholdings.com>

INVESTOR AND MEDIA RELATIONS

Strategic Financial Relations Limited

CORE GROUP STRUCTURE



* Listed on the Main Board of the Stock Exchange of Hong Kong Limited

- Precious metal electroplating chemicals business
- Aluminium business
- Stainless steel business

Management Discussion and Analysis – Chairman’s Letter to Shareholders

Dear shareholders,

It is my pleasure to report to you the results of Ocean Grand Holdings Limited (the “Company”) and its subsidiaries (together “Ocean Grand” or the “Group”) for the six months ended 30 June 2003 (the “Reporting Period”), and share with you our way forward in this exciting business environment.

RESULTS OF THE REPORTING PERIOD

Turnover of the Group in the Reporting Period is HK\$1,081,603,000, an increase of 77% as compared with the corresponding period in 2002. Gross profit for the six months ended 30 June 2003 has increased to HK\$163,538,000 from HK\$104,553,000 in 2002. While net profit for the Reporting Period is HK\$79,521,000, slightly less than last period’s figure (*six months ended 30 June 2002: HK\$86,523,000*), it is clear that the profitability of the Group’s operations has in fact improved when the effect of non-recurring items, such as gains or losses on disposal of subsidiaries, associates or investments, is ignored. Profit before non-recurring items for the Reporting Period is HK\$96,845,000, 34% higher than the corresponding figure of HK\$72,271,000 in 2002.

Aluminium business – Hing Yip Holdings (Hong Kong) Limited and subsidiaries

Turnover and operating profit generated by the aluminium business of the Group for the six months ended 30 June 2003 were HK\$675,674,000 (*six months ended 30 June 2002: HK\$545,350,000*) and HK\$78,397,000 (*six months ended 30 June 2002: HK\$63,633,000*) respectively.

During the Reporting Period, the Group has continued to make inroads into overseas markets. Sales of extrusions for industrial and household uses, which normally require higher levels of value-added services and therefore enjoy a higher margin as compared with construction extrusions, continued an upward trend and accounted for more than 35% of the Group’s total extrusion production during the Reporting Period.



Powder Coating Line



Fabrication Workshop

Since their introduction to the market in the second half of 2002, the Group’s aluminium alloy ingots, which are used mainly for making automobile parts and engines, have been well received by automobile manufacturers in Asia. Production is now running at close to 90% utilisation, and provides the Group a steady income stream.

RESULTS OF THE REPORTING PERIOD (continued)

Precious metal electroplating chemicals business – Ocean Grand Chemicals Holdings Limited (“Ocean Grand Chemicals”) and subsidiaries

Turnover and operating profit generated by the precious metal electroplating chemicals business of the Group for the six months ended 30 June 2003 were HK\$348,836,000 (six months ended 30 June 2002: HK\$63,368,000) and HK\$54,346,000 (six months ended 30 June 2002: HK\$16,219,000) respectively.

With the grand opening of the Zhuhai plant in January 2003, the Group became the only large-scale producer of precious metal electroplating chemicals in the Chinese market. Its presence in the PRC has enabled the Group to expand its market aggressively and embark on a high-growth path. Although sales of gold salt, the product used mainly for making jewelry, decreased by approximately 30% during the SARS outbreak, it has since recovered and management is confident that the effect of the SARS outbreak on the business for the whole year will be immaterial.



Rolled Gold



Vacuum Drying Oven

Stainless steel business – Jinbocho Holdings Limited and Asia Pacific Holdings (China) Limited

The Group’s hot-rolled stainless steel coil factory in Panzhihua, Sichuan Province, the PRC, has an annual capacity of 100,000 tonnes and continued to produce different kinds of stainless steel products. Of the three core businesses of the Group, the stainless steel business was the most adversely affected by the SARS outbreak. Sales of the Group’s stainless steel coils slowed down slightly as customers in Guangdong held up production. In view of the situation, management took the opportunity to carry out repair and maintenance to improve production efficiency.

Despite the adverse circumstances, the turnover of the stainless steel business in the six months ended 30 June 2003 still reached HK\$250,326,000, representing a decrease of 21% as compared with 2002. Profit attributable to the Group during the Reporting Period was HK\$16,213,000 (six months ended 30 June 2002: HK\$18,000,000). Utilisation of capacity was 80% (2002: 99%).

WAY FORWARD

Before I present to you the growth strategy of the Group, I think it is worthwhile to briefly revisit the history of Ocean Grand’s development.

History of development

During the period from the formation of the Group to 1997, the main objective of Ocean Grand was to build up a scalable operation. Thanks to the effort and determination of all our staff, in a short period of time the Group became one of the five largest aluminium extruders in the PRC, with an annual capacity of approximately 45,000 tonnes.

Then came the Asian financial turmoil which brought many prudent, well-managed but highly focused enterprises to their knees. In order to mitigate this risk, a diversification strategy was adopted. On one hand, the Group strengthened its revenue base by developing overseas markets and shifting the product mix to include high value-added household and industrial profiles. To complement this strategy, huge investment was made to upgrade the factory by installing fabrication facilities, an aluminium alloy ingot production line with an annual production capacity of 25,000 tonnes and an advanced powder-coating line in 2002. The result was that the Group’s production base in the PRC was transformed into an aluminium factory with a composite capacity exceeding 70,000 tonnes per annum and a product range competitive in the international market.

On the other hand, Ocean Grand acquired a number of profitable businesses including the precious metal electroplating business in 1999 and the hot-rolled stainless steel coil business in 2001. By successfully spinning off its precious metal electroplating chemicals business for listing on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 30 June 2003, the Group reached another milestone in its development. The spin-off served the strategic purposes of enhancing the transparency of the Group’s business, providing the precious metal electroplating chemicals business with a separate listing status and streamlining the growth strategy of Ocean Grand.

During the period from 1998 to 2002, both the turnover and net profit of Ocean Grand increased by more than 100%. The net assets of the Group increased from HK\$341,515,000 (as restated) at 31 December 1998 to HK\$998,243,000 at 30 June 2003, representing an increase of 1.92 times.

WAY FORWARD (continued)

Growth Strategy

With the establishment of solid and balanced revenue and earnings bases, the time is ripe for Ocean Grand to progress to a new phase. The Group will leverage off its solid business foundation and pursue strategic and aggressive growth for its aluminium business.

First of all, the Group will maintain its strategy of developing overseas markets and switching its product mix to high margin products. To this end, Ocean Grand entered into a contract with William L. Bonnell Company, Inc., one of the largest aluminium extruders in the USA in August this year, and became its exclusive supplier of aluminium extrusions in Hong Kong and the PRC. Furthermore, Ocean Grand began to supply aluminium products to many large customers in Europe.

In addition, Ocean Grand is also planning to expand its capacity by acquiring an aluminium factory in China. Preferably the target will have an annual production capacity of approximately 100,000 tonnes, comprising high margin products such as aluminium sheets, plates and foils in addition to extrusions. It would be located in the Yangtze Delta region so that the production bases of the Group can be strategically placed in the two spearheads of the PRC’s economic development. At present, the Group is negotiating with a number of potential targets and the aim is to consummate the acquisition within approximately 12 months. If the acquisition is executed according to the current plan, Ocean Grand will evolve into a sizeable aluminium product manufacturer with an annual capacity exceeding 170,000 tonnes and the horizontal integration should provide the momentum for rapid growth in the future. The acquisition is expected to be financed from internal resources and/or by bank financing.

The precious metal electroplating chemicals business will pursue growth according to the development plan set out at the time of its spin-off. The establishment of a sales network and a distribution channel has been progressing satisfactorily. Together with the growth of light industries in the PRC, the market demand for precious metal electroplating chemicals is expected to increase accordingly. In the long run, it is expected that the impetus for sustainable growth will be provided by new products and services developed by the Research and Development Team of Ocean Grand Chemicals. With its efforts to expand market share, the Group plans to take full advantage of its status as the largest and the only large-scale producer of precious metal electroplating chemicals in China.

Furthermore, the Closer Economic Partnership Arrangement (“CEPA”) between the PRC and Hong Kong may enhance the strategic value of the Group’s gold salt factory in Hong Kong. An in-depth evaluation will be performed when details of CEPA are announced in due course.

WAY FORWARD (continued)

Growth Strategy (continued)

The hot-rolled stainless steel coil business has proven to be a high return investment. Ocean Grand received a dividend of approximately RMB37,000,000 from this business in the first half of 2003.

Ocean Grand is currently deliberating on the development plan of and strategy for its stainless steel business. Prior to the formulation of any specific development plan, the stainless steel business will continue to maximise utilisation of its capacity while focusing on cost control and enhancement of production efficiency.

OTHER INVESTMENT

Ocean Grand has commenced the divestment of its interest in Linefan Technology Holdings Limited (“Linefan”) during the Reporting Period. Owing to the diminution in the value of the investment in Linefan, the Group recognised a loss on disposal of investment of HK\$2,063,000 and an unrealised holding loss of investment of HK\$25,052,000 during the Reporting Period. The divestment will be completed in due course.

Ocean Grand will focus on developing its existing core businesses in the future.

PROSPECTS AND OUTLOOK

With the PRC becoming the “Factory of the World”, it is expected that the business environment will remain favourable to scalable enterprises with international competitiveness. Ocean Grand will capitalise on its experience and expertise in its core businesses, take advantage of business opportunities available and embark on a march of rapid growth. I am confident that this strategic and aggressive growth strategy will raise Ocean Grand to the next level and provide shareholders a satisfactory return in the long term.

Yip Kim Po

Chairman

Hong Kong, 23 September 2003

Management Discussion and Analysis – Report of the Directors

The Directors are pleased to present the interim report together with the interim financial statements of the Group for the Reporting Period.

FINANCIAL REVIEW

Liquidity, financial resources and capital structure

As at 30 June 2003, the net current assets of the Group were HK\$603,570,000 (31 December 2002: HK\$503,658,000). Within the current assets, HK\$509,026,000 (31 December 2002: HK\$410,868,000) was in the form of free cash and cash equivalents.

Total bank borrowings and obligations under finance leases as at 30 June 2003 were HK\$652,341,000 (31 December 2002: HK\$670,660,000), of which approximately 44%, HK\$286,155,000 (31 December 2002: HK\$320,093,000) will be due after one year. Net debt gearing (i.e. total borrowings less free cash/net tangible assets) of the Group as at 30 June 2003 was 15.3% (31 December 2002: 29.3%).

There has been no change in the equity capital structure of the Company during the Reporting Period.

Foreign exchange risk and interest rate risk

The majority of the Group's borrowings are denominated in HK\$, RMB and US\$ at floating interest rates. Financing in RMB is used only by the Group's operations in the PRC that usually receives revenue in RMB. Raw materials for export sales denominated in US\$ are predominately imported and therefore settled in US\$. The management is of the opinion that the Group's exposure to interest rate and foreign exchange rate risks is insignificant, and hedging for these risks by means of derivative instruments is considered unnecessary.

At present there is considerable international pressure in respect of the appreciation of RMB. As most of the Group's assets are situated in the PRC and generate mostly RMB revenue while its liabilities are denominated mainly in US\$ or HK\$, any appreciation of the RMB would probably benefit the Group financially.

INTERIM DIVIDEND

The Directors recommend the payment of an interim dividend of HK3.5 cents per share (2002: Nil) for the six months ended 30 June 2003 totalling HK\$13,949,000 to the shareholders registered in the Company's Register of Members as at the close of business on 24 October 2003. The interim dividend will be paid on 7 November 2003 to the shareholders whose names appear on the Register of Members of the Company on 24 October 2003.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 21 October 2003 to 24 October 2003, both days inclusive in order to determine those shareholders entitled to the proposed interim dividend, during which period no transfer of shares shall be effected. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Hong Kong branch registrar of the Company, Tengis Limited of G/F., BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 pm on 20 October 2003.

SPIN-OFF OF OCEAN GRAND CHEMICALS

On 30 June 2003, the Company spun-off Ocean Grand Chemicals (stock code: 2882) for listing on the Main Board of the Stock Exchange. 475,000,000 shares of Ocean Grand Chemicals were listed on the Stock Exchange at an issue price of HK\$0.88 per share. The Group's equity interest in Ocean Grand Chemicals was diluted from 90.40% to 74.98% as a result of the reorganisation and the issue of new shares as part of this spin-off.

SHARE OPTION SCHEME

At the Annual General Meeting ("AGM") of the Company held on 7 June 2002, an ordinary resolution was passed approving the adoption of a new share option scheme (the "Share Option Scheme – 2002") which complied with Chapter 17 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, and the termination of the share option scheme adopted by the Company on 4 September 1997 (the "Share Option Scheme – 1997"). All options granted prior to the termination of the Share Option Scheme – 1997 continue to be valid and exercisable.

At the AGM of the Company held on 6 June 2003, an ordinary resolution was passed approving the amendment of the Share Option Scheme – 2002 by expanding the definition of participants and refreshing the scheme's mandate limit.

Pursuant to the amended Share Option Scheme – 2002, participants (including Directors of the Group, employees, consultants and business associates) are entitled to be granted options to subscribe for shares in the Company.

INFORMATION ON SHARE OPTIONS

Movement of share options during the six months ended 30 June 2003 was as follows:

Participant	Type of share option scheme	Date of grant	Number of share options to subscribe for shares					Outstanding at 30 June 2003	Subscription price per share	Exercise period
			Outstanding at 1 January 2003	Granted	Exercised	Cancelled	Lapsed			
Director:										
Mr. Choy Tak Ho (Independent Non-Executive Director)	Share Option Scheme – 1997	27 March 1998	500,000	-	-	-	-	500,000	HK\$1.20 (Note a)	27 March 1998 to 3 September 2007
Aggregate of employees and consultants	Share Option Scheme – 1997	2 May 2000	900,000	-	-	-	-	900,000	HK\$1.128 (Note b)	2 May 2000 to 3 September 2007
	Share Option Scheme – 2002	1 August 2002	2,000,000	-	-	-	-	2,000,000	HK\$1.00 (Notes c and d)	1 August 2002 to 6 June 2012
	Share Option Scheme – 2002	16 January 2003	-	30,400,000	-	-	-	30,400,000	HK\$1.056 (Note e)	16 January 2003 to 6 June 2012

Notes:

- The subscription price of HK\$1.20 has been adjusted as a result of the issuance of bonus shares on the basis of two new shares for every one share in issue on 25 November 1999, and the consolidation of every 10 issued and unissued shares of HK\$0.10 each in the capital of the Company into 1 consolidated share of HK\$1.00 on 29 November 2002 (the "Share Consolidation").
- The subscription price of HK\$1.128 has been adjusted as a result of the Share Consolidation.
- The closing price per share of the Company immediately before 1 August 2002 on which the options were granted was HK\$0.09.
- The subscription price of HK\$1.00 has been adjusted as a result of the Share Consolidation.
- The closing price per share of the Company immediately before 16 January 2003 on which the options were granted was HK\$1.03.

Options were granted for a consideration of HK\$1.00 per grant during the six months ended 30 June 2003.

No options were cancelled during the six months ended 30 June 2003.

INFORMATION ON SHARE OPTIONS (continued)

The Directors do not consider it appropriate to disclose a theoretical value of the share options granted during the six months ended 30 June 2003 because the Directors are of the opinion that the values of share options calculated using theoretical models are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of the assumptions of expected future performance input to the model, and certain inherent limitations of the model itself.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2003, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long positions

Name	Type of Interest	Attributable interest to the Director	Number of shares	Number of options	Aggregate interest	Approximate % of the Company's issued share capital
Mr Yip Kim Po	Controlled corporation – Holylake Resources Limited (Note a)	Deemed interest	72,773,748	-	72,773,748	18.26
	Controlled corporation – Grecian Resources Limited (Note b)	Deemed interest	28,103,982	-	28,103,982	7.05
	Beneficial owner	100%	24,635,714	-	24,635,714	6.18
		Total:	125,513,444	-	125,513,444	31.49
Mr Hui Ho Ming, Herbert	Beneficial owner	100%	1,000,000	-	1,000,000	0.25
Mr Choy Tak Ho (Note c)	Beneficial owner	100%	-	500,000	500,000	0.13
Mr Chau Po Fan	Beneficial owner	100%	20,000	-	20,000	0.01
Mr Kwan Yan	Beneficial owner	100%	900,000	-	900,000	0.23
Ms Yip Wan Fung	Beneficial owner	100%	11,144,314	-	11,144,314	2.80

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Save as disclosed above, no other interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations as at 30 June 2003 were recorded in the register required to be kept under Section 352 of the SFO and the Company had no notice of any interest required to be recorded under Section 352 of the SFO as at 30 June 2003.

Notes:

- a. *The issued shares of Holylake Resources Limited were owned as to 76% and 24% by Mr Yip Kim Po and Mr Yip Lap Chi respectively.*
- b. *The issued shares of Grecian Resources Limited were owned as to 76% and 24% by Mr Yip Kim Po and Mr Yip Lap Chi respectively.*
- c. *Please also refer to details shown in the section under the heading “Information on Share Options” in relation to the interests of Mr Choy Tak Ho in the options.*

DIRECTORS’ RIGHTS TO SUBSCRIBE FOR EQUITY OR DEBT SECURITIES

Save as disclosed under the headings “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” and “Information on Share Options” above, none of the Directors or chief executives or their spouses or children under 18 years of age were granted or exercised any right to subscribe for equity or debt securities in the Company.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSABLE UNDER THE SFO

As at 30 June 2003, the interests or short positions of the substantial shareholders and other persons (other than those Directors or chief executives of the Company disclosed above) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long position – Substantial Shareholder

Name	Type of interest	Number of shares	Approximate % of the Company’s issued share capital
Holylake Resources Limited	Directly	72,773,748	18.26%

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSABLE UNDER THE SFO (continued)

Long positions – Other Persons

Name	Type of interest	Number of shares	Approximate % of the Company's issued share capital
Mr Cheah Cheng Hye	Indirectly through Value Partners Limited	38,802,800	9.74%
Grecian Resources Limited	Directly	28,103,982	7.05%
Value Partners Limited	Investment manager	38,802,800	9.74%

Save as disclosed above, as at 30 June 2003, there was no person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

STAFF POLICY

Staff costs are disclosed in note 4 to this interim report.

The Group believes that human resources are the most valuable assets of all, and is committed to providing a friendly and stimulating working environment for performing staff members. Remuneration of employees is determined on a merit basis with no regard to sex, age or disability of employees. On-the-job training is provided to staff members where necessary. As at 30 June 2003, the Group employed, excluding Directors, a total of approximately 700 (31 December 2002: approximately 650) full time employees. About 90% of them are located in the PRC.

CHARGES ON GROUP ASSETS

Charges on the Group's assets are disclosed in note 15 to this interim report.

COMMITMENTS AND CONTINGENT LIABILITIES

Commitments and contingent liabilities are disclosed in note 16 to this interim report.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2003 (2002: Nil).

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee (the "Committee") of the Company were prepared and adopted with reference to "A Guide for The Formulation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group's audit. It also reviews the effectiveness both of the external and internal audit, internal controls and risk evaluation. As at 30 June 2003, the Committee comprised Mr Choy Tak Ho (the chairman) and Mr Chau Po Fan.

The Committee has reviewed the relevant interim report and the financial statements of the Group for the six months ended 30 June 2003 and was content that the accounting policies of the Group are in accordance with the current best practice in Hong Kong. The Committee found no unusual items that were omitted from the financial statements and was satisfied with the disclosures of data and explanations shown in the financial statements.

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Group is not or was not in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules for any part of the accounting period covered by this interim report notwithstanding that the Independent Non-Executive Directors are not appointed for a specific term as they are subject to retirement by rotation at annual general meeting in accordance with the Bye-laws of the Company.

The financial information disclosed above complies with Appendix 16 of the Listing Rules and has been reviewed by the Committee before being put forward to the Directors for approval.

On behalf of the Board

Yip Kim Po

Chairman

Hong Kong, 23 September 2003

Condensed Consolidated Financial Statements – Condensed Consolidated Income Statement

The Directors of the Company are pleased to announce the unaudited consolidated results of the Group for the Reporting Period together with the comparative figures for the corresponding period in 2002 as follows:

Condensed Consolidated Income Statement – unaudited

	Note	For the six months ended 30 June	
		2003 HK\$'000	2002 HK\$'000
Turnover	2	1,081,603	610,132
Cost of sales		(918,065)	(505,579)
Gross profit		163,538	104,553
Other revenue	2	5,234	9,331
Other net income	3	10,517	19,186
Distribution and selling expenses		(4,659)	(4,173)
General and administrative expenses		(41,915)	(26,472)
Other operating expenses		(28,028)	(4,824)
Profit from operations		104,687	97,601
Finance costs		(13,991)	(10,112)
Share of results of associates		14,708	19,583
Profit from ordinary activities before taxation	4	105,404	107,072
Taxation	5	(17,241)	(17,221)
Profit from ordinary activities after taxation		88,163	89,851
Minority interests		(8,642)	(3,328)
Net profit attributable to shareholders		79,521	86,523
Dividends attributable to the period	6	13,949	Nil
Earnings per share	7		
– Basic		HK20.0 cents	HK21.7 cents

Condensed Consolidated Financial Statements – Condensed Consolidated Statement of Changes in Equity

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Condensed Consolidated Statement of Changes in Equity – unaudited

	For the six months ended 30 June	
	2003 HK\$'000	2002 HK\$'000
Opening balance – Total equity		
– as previously reported	955,869	778,931
– change in accounting policies with respect to deferred income taxes	(13,370)	(11,669)
– as restated	942,499	767,262
Dividend approved in respect of previous year	(27,897)	–
Exchange difference on translation of foreign subsidiaries	4,120	(53)
Profit for the period	79,521	86,523
	55,744	86,470
Closing balance – Total equity	998,243	853,732

Condensed Consolidated Financial Statements – Condensed Consolidated Balance Sheet

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Condensed Consolidated Balance Sheet

	Note	At 30 June 2003 (Unaudited) HK\$'000	As restated At 31 December 2002 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Fixed assets	8	402,630	384,625
Intangible asset		8,521	–
Prepayments and deposits		3,762	31,417
Interest in an associate	9	343,698	373,804
Investments in securities		11,019	11,019
		769,630	800,865
Current assets			
Other investments		13,894	37,459
Inventories		59,754	41,071
Trade and other receivables	10	448,325	500,130
Pledged deposits		5,305	5,292
Cash and cash equivalents		509,026	410,868
		1,036,304	994,820
Current liabilities			
Short-term bank borrowings		329,094	333,473
Trade and other payables	11	32,479	132,458
Current portion of long-term interest-bearing borrowings		27,120	7,477
Current portion of obligations under finance leases		9,972	9,617
Taxation		6,172	8,137
Dividend payable		27,897	–
		432,734	491,162
Net current assets		603,570	503,658
Total assets less current liabilities		1,373,200	1,304,523
Non-current liabilities			
Long-term interest-bearing borrowings		273,908	307,374
Obligations under finance leases		12,247	12,719
Deferred tax liabilities		13,370	13,370
		299,525	333,463
Minority interests		75,432	28,561
NET ASSETS		998,243	942,499
CAPITAL AND RESERVES			
Issued capital	12	398,535	398,535
Reserves	14	599,708	543,964
		998,243	942,499

Condensed Consolidated Financial Statements – Condensed Consolidated Cash Flow Statement

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Condensed Consolidated Cash Flow Statement – unaudited

	For the six months ended 30 June	
	2003 HK\$'000	2002 HK\$'000
Net cash generated from operating activities	74,632	6,108
Net cash generated from (used in) investing activities	25,644	(110,374)
Net cash (used in) generated from financing activities	(3,607)	105,466
Net increase in cash and cash equivalents	96,669	1,200
Cash and cash equivalents at beginning of period	406,177	316,937
Cash and cash equivalents at end of the period	502,846	318,137
Analysis of cash and cash equivalents		
Bank balances and cash	509,026	318,951
Bank overdrafts	(6,180)	(814)
	502,846	318,137

Notes to Condensed Consolidated Financial Statements

1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements are unaudited, but have been reviewed by the Audit Committee of the Company.

The condensed consolidated interim financial statements have been prepared in accordance with Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Statement of Standard Accounting Practice No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants.

The same accounting policies adopted in preparing the Company's annual financial statements for the year ended 31 December 2002 have been applied to the condensed consolidated interim financial statements except for the adoption of the revised SSAP12 "Income taxes" which is effective for the accounting periods commencing on or after 1 January 2003.

In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenses, which were expected with reasonable probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt.

With effect from 1 January 2003, in order to comply with SSAP 12 (revised) issued by the Hong Kong Society of Accountants, deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred tax liabilities or assets are measured at the tax rates that are expected to apply to the period when the asset is realised or liability is settled, based on the tax rates and the tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

As a result of the adoption of the above accounting policy, the Group's net assets as at 30 June 2003 have been decreased by HK\$13,370,000 (*at 31 December 2002: HK\$13,370,000*) and the property revaluation reserves decreased by HK\$13,370,000 (*at 31 December 2002: HK\$13,370,000*). The new accounting policy has been adopted retrospectively, with the opening balance of property revaluation reserves and the comparative information adjusted for the amounts relating to prior periods.

2. TURNOVER, REVENUE AND SEGMENT INFORMATION

Turnover and revenue recognised by category are analysed as follows:

	For the six months ended 30 June	
	2003 HK\$'000	2002 HK\$'000
Turnover		
Sale of goods	1,044,682	581,535
Subcontracting fees	36,921	28,597
	1,081,603	610,132
Other revenue		
Interest income	1,628	1,390
Service fees	3,606	7,941
	5,234	9,331
Revenue	1,086,837	619,463

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2. TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

The turnover and operating profit of the Group analysed by business segments and by geographical segments are as follows:

(a) By business segments

The Group comprises the following main business segments:

Aluminium: The manufacture and sale of aluminium extrusion products, aluminium alloy ingots and aluminium ingots.

Chemicals: The manufacture and sale of precious metal electroplating materials.

	Aluminium HK\$'000	Chemicals HK\$'000	Others HK\$'000	Consolidated HK\$'000
Six months ended 30 June 2003				
External sales	675,674	348,836	57,093	1,081,603
Other revenue	-	-	3,606	3,606
	675,674	348,836	60,699	1,085,209
Segment result	78,397	54,346	8,595	141,338
Unallocated operating income and expenses				(36,651)
Profit from operations				104,687
	Aluminium HK\$'000	Chemicals HK\$'000	Others HK\$'000	Consolidated HK\$'000
Six months ended 30 June 2002				
External sales	545,350	63,368	1,414	610,132
Other revenue	-	-	7,941	7,941
	545,350	63,368	9,355	618,073
Segment result	63,633	16,219	4,639	84,491
Unallocated operating income and expenses				13,110
Profit from operations				97,601

2. TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)**(b) By geographical segments**

	For the six months ended 30 June 2003	
	Revenue from external customers HK\$'000	Contributions to profit from operation HK\$'000
Hong Kong	558,649	4,640
Overseas	35,088	7,572
PRC	487,866	92,475
	1,081,603	104,687
	For the six months ended 30 June 2002	
	Revenue from external customers HK\$'000	Contributions to profit from operation HK\$'000
Hong Kong	238,428	13,285
Overseas	–	–
PRC	371,704	84,316
	610,132	97,601

3. OTHER NET INCOME

	For the six months ended 30 June	
	2003 HK\$'000	2002 HK\$'000
Gain on deemed disposal of subsidiaries	9,791	19,076
Sundry income	726	110
	10,517	19,186

The gain on deemed disposal of subsidiaries is the gain recognised on the spin-off of the precious metal electroplating chemicals business on 30 June 2003.

4. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging:

	For the six months ended 30 June	
	2003 HK\$'000	2002 HK\$'000
Cost of inventories and services provided	918,065	505,579
Depreciation		
Owned assets	15,461	9,901
Assets held under finance leases	1,235	184
Staff costs	14,398	10,025
Others	10,821	6,362
General and administrative expenses	41,915	26,472
Amortisation of intangible asset	913	–
Loss on deemed disposal of an associate	–	4,824
Loss on disposal of other investments	2,063	–
Unrealised holding loss of other investments	25,052	–
Other operating expenses	28,028	4,824
Amortisation of positive goodwill included in share of results of associates	1,505	1,461

5. TAXATION

	For the six months ended 30 June	
	2003 HK\$'000	2002 HK\$'000
Hong Kong Profits Tax – Current period	2,091	222
Overseas taxation	15,150	16,999
	17,241	17,221

The Company is exempted from taxation in Bermuda until March 2016.

Hong Kong Profits Tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the period.

For the six months ended 30 June 2003, PRC income taxes for Nanhai Xingye Shaped Bronze & Aluminium Products Company Limited were provided for at 27% on its estimated taxable income.

Kenlap Fine Chemical (Zhuhai) Technology Company Limited ("Kenlap Zhuhai"), a wholly foreign-owned enterprise established in Zhuhai, the PRC, is subject to PRC income taxes at a rate of 15%. However, it is exempted from PRC income tax for two years starting from the first year of profitable operations, followed by a 50% reduction for the following three years. Kenlap Zhuhai commenced operation in January 2003.

6. INTERIM DIVIDEND

The Directors recommend the payment of an interim dividend of HK3.5 cents per share for the six months ended 30 June 2003 (2002: Nil).

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2003 was based on the consolidated profit attributable to shareholders of approximately HK\$79,521,000 (30 June 2002: HK\$86,523,000) and on 398,535,315 shares in issue (30 June 2002: 398,535,315 shares).

The comparative figure of the earnings per share has been adjusted for the effect of the share consolidation on the basis of every 10 issued shares of HK\$0.10 each being consolidated into 1 share of HK\$1.00 on 29 November 2002.

The diluted earnings per share is not shown as it is not materially different from the basic earnings per share.

8. FIXED ASSETS

	HK\$'000
Cost or valuation	
As at 1 January 2003	509,269
Additions	34,701
As at 30 June 2003	543,970
Accumulated depreciation	
As at 1 January 2003	124,644
Charge for the period	16,696
As at 30 June 2003	141,340
Net book value	
As at 30 June 2003	402,630
As at 1 January 2003	384,625

9. INTEREST IN AN ASSOCIATE

	At 30 June 2003 HK\$'000	At 31 December 2002 HK\$'000
Share of net assets	149,654	168,675
Advances to an associate	139,747	149,327
Goodwill	54,297	55,802
	343,698	373,804

The interest in an associate represents the investment in Asia Pacific Holdings (China) Limited ("APH"), a group which is principally engaging in the hot-rolled stainless steel coil business. During the period, a dividend of RMB37,000,000 (2002: Nil) was received from APH.

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2003 HK\$'000	At 31 December 2002 HK\$'000
Trade receivables	394,195	381,926
Bills receivables	526	12,135
Other receivables		
Deposits, prepayment and other debtors	53,604	105,544
Due from a related company	-	525
	53,604	106,069
	448,325	500,130

Most of the Group's turnover is on open account terms, while the remaining are on cash on delivery and letter of credit terms. The ageing analysis of trade receivables is as follows:

	At 30 June 2003 HK\$'000	At 31 December 2002 HK\$'000
Current to 60 days	303,281	277,203
61 – 90 days	55,991	50,089
91 – 360 days	34,916	53,882
361 – 720 days	7	752
	394,195	381,926

11. TRADE AND OTHER PAYABLES

	At 30 June 2003 HK\$'000	At 31 December 2002 HK\$'000
Trade payables	15,016	61,470
Bills payable	-	22,159
Other payables Accrued charges and other creditors	17,463	48,829
	32,479	132,458

The ageing analysis of trade payables is as follows:

	At 30 June 2003 HK\$'000	At 31 December 2002 HK\$'000
Current to 30 days	15,016	43,333
31 – 90 days	-	15,059
91 – 360 days	-	3,078
	15,016	61,470

12. ISSUED CAPITAL

	At 30 June 2003		At 31 December 2002	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$1.00 each	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid:				
At beginning of period/year and at balance sheet dates	398,535	398,535	398,535	398,535

13. SHARE OPTIONS

Movement of share options during the six months ended 30 June 2003 was as follows:

Participant	Type of share option scheme	Date of grant	Number of share options to subscribe for shares				Outstanding at 30 June 2003	Subscription price per share	Exercise period
			Outstanding at 1 January 2003	Granted	Exercised	Cancelled			
Director:									
Mr Choy Tak Ho (Independent Non-Executive Director)	Share Option Scheme – 1997	27 March 1998	500,000	-	-	-	-	500,000 HK\$1.20 (Note a)	27 March 1998 to 3 September 2007
Aggregate of employees and consultants	Share Option Scheme – 1997	2 May 2000	900,000	-	-	-	-	900,000 HK\$1.128 (Note b)	2 May 2000 to 3 September 2007
	Share Option Scheme – 2002	1 August 2002	2,000,000	-	-	-	-	2,000,000 HK\$1.00 (Notes c and d)	1 August 2002 to 6 June 2012
	Share Option Scheme – 2002	16 January 2003	-	30,400,000	-	-	-	30,400,000 HK\$1.056 (Note e)	16 January 2003 to 6 June 2012

Notes:

- The subscription price of HK\$1.20 has been adjusted as a result of the issuance of bonus shares on the basis of two new shares for every one share in issue on 25 November 1999, and the consolidation of every 10 issued and unissued shares of HK\$0.10 each in the capital of the Company into 1 consolidated share of HK\$1.00 on 29 November 2002 (the "Share Consolidation").
- The subscription price of HK\$1.128 has been adjusted as a result of the Share Consolidation.
- The closing price per share of the Company immediately before 1 August 2002 on which the options were granted was HK\$0.09.
- The subscription price of HK\$1.00 has been adjusted as a result of the Share Consolidation.
- The closing price per share of the Company immediately before 16 January 2003 on which the options were granted was HK\$1.03.

Options were granted for a consideration of HK\$1.00 per grant during the six months ended 30 June 2003.

No options were cancelled during the six months ended 30 June 2003.

The Directors do not consider it appropriate to disclose a theoretical value of the share options granted during the six months ended 30 June 2003 because the Directors are of the opinion that the values of share options calculated using theoretical models are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of the assumptions of expected future performance input to the model, and certain inherent limitations of the model itself.

14. RESERVES

Group	Share	Statutory	Capital	Capital	Sub-	Property	Exchange	Accu-	Total
	premium	reserves	reserve	demption	scription	revalu-	reserve	mulated	
	HK\$'000	HK\$'000	HK\$'000	reserve	right	ation	HK\$'000	profits	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	reserve	reserves	HK\$'000	HK\$'000	HK\$'000
At 1 January 2002									
– as previously reported	112,963	15,079	27,206	581	418	40,774	(88)	183,463	380,396
– change in accounting policies with respect to deferred income taxes	–	–	–	–	–	(11,669)	–	–	(11,669)
– as restated	112,963	15,079	27,206	581	418	29,105	(88)	183,463	368,727
Goodwill previously eliminated against accumulated profits now released upon									
– deemed disposal of a subsidiary	–	–	–	–	–	–	–	3,862	3,862
– deemed disposal of an associate	–	–	–	–	–	–	–	40,519	40,519
Surplus on revaluation and deferred tax (net of minority interests)	–	–	–	–	–	12,403	–	–	12,403
Revaluation surplus realised on disposal of construction-in-progress	–	–	–	–	–	(4,009)	–	4,009	–
Exchange difference on translation of foreign subsidiaries	–	–	–	–	–	–	(736)	–	(736)
Expiration of warrants	–	–	–	–	(418)	–	–	–	(418)
Share of reserves of associates	–	–	14,697	–	–	–	447	–	15,144
Transfer to statutory reserves	–	8,440	–	–	–	–	–	(8,440)	–
Profit for the year	–	–	–	–	–	–	–	104,463	104,463
At 31 December 2002 (as restated)	112,963	23,519	41,903	581	–	37,499	(377)	327,876	534,964
At 1 January 2003									
– as previously reported	112,963	23,519	41,903	581	–	50,869	(377)	327,876	557,334
– change in accounting policies with respect to deferred income taxes	–	–	–	–	–	(13,370)	–	–	(13,370)
– as restated	112,963	23,519	41,903	581	–	37,499	(377)	327,876	543,964
Dividend approved in respect of previous year	–	–	–	–	–	–	–	(27,897)	(27,897)
Exchange difference on translation of foreign subsidiaries	–	–	–	–	–	–	4,120	–	4,120
Profit for the period	–	–	–	–	–	–	–	79,521	79,521
At 30 June 2003	112,963	23,519	41,903	581	–	37,499	3,743	379,500	599,708

15. BANKING FACILITIES AND PLEDGE OF ASSETS

As at 30 June 2003, the Group had aggregate banking facilities of approximately HK\$654,942,000 (31 December 2002: HK\$701,098,000), comprising (i) approximately HK\$287,419,000 (31 December 2002: HK\$292,948,000) for installment loans, and (ii) approximately HK\$367,523,000 (31 December 2002: HK\$408,150,000) for bank overdrafts, short-term loans and trade financing. Unused facilities as at the same date amounted to approximately HK\$2,601,000 (31 December 2002: HK\$136,190,000).

The banking facilities of the Group were secured by a corporate guarantee provided by the Company, a floating charge on the bank balances of a subsidiary as at 30 June 2003 amounted to HK\$5,305,000 (31 December 2002: HK\$5,260,000), and pledge of properties with net book value of approximately HK\$7,396,000 (31 December 2002: HK\$7,700,000).

16. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital expenditure commitments

	At 30 June 2003 HK\$'000	At 31 December 2002 HK\$'000
Contracted but not provided for, net of deposit paid	17,297	22,888

(b) Contingent liabilities

The Group has been paying Mainland China Value-Added Tax ("VAT") at a concessionary basis of calculation as agreed with the local State Tax Bureau. The Group is contingently liable to pay VAT at the standard basis of calculation. Had the standard basis of calculation as stipulated by Mainland China tax law been strictly enforced, the VAT liability of the Group would be significantly increased. However, in the opinion of the Directors, such liability is unlikely to crystallise and it is not practicable to estimate such possible amount.

17. SPIN-OFF OF OCEAN GRAND CHEMICALS

On 30 June 2003, the Company spun-off Ocean Grand Chemicals for listing on the Main Board of the Stock Exchange. 475,000,000 shares of Ocean Grand Chemicals were listed on the Stock Exchange at an issue price of HK\$0.88 per share. The Group's equity interest in Ocean Grand Chemicals and its wholly-owned subsidiaries was diluted from 90.40% to 74.98% as a result of the issue of new shares as part of this spin-off.

18. COMPARATIVE FIGURES

Certain of the comparative figures for the period ended 30 June 2002 have been reclassified to conform with the current period's presentation.