

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the six months ended 30th June, 2004

	<b>Six months ended 30.6.2004 HK\$'000 (unaudited)</b>	Six months ended 30.6.2003 HK\$'000 (unaudited)
Net cash used in operation activities	(31,082)	(37,536)
Net cash from (used in) investing activities	155	(20)
Net Cash from (used in) financing activities	<u>24,820</u>	<u>(14,561)</u>
Net decrease in cash and cash equivalents	(6,107)	(52,117)
Cash and cash equivalents at beginning of the period	207,012	186,168
Effect of foreign exchange rate changes	<u>35</u>	<u>(20)</u>
Cash and cash equivalent at end of the period	<u><u>200,940</u></u>	<u><u>134,031</u></u>
<b>Analysis of the balances of cash and cash equivalents</b>		
Short term bank deposits	132,130	87,244
Bank balances and cash	<u>68,810</u>	<u>46,787</u>
	<u><u>200,940</u></u>	<u><u>134,031</u></u>

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

For the six months ended 30th June, 2004

**1. BASIS OF PREPARATION**

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

**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, 2003.

### 3. SEGMENT INFORMATION

The turnover and segment results of the Group for the six months ended 30th June, 2004, analysed by business segments which is the primary segment, are as follows:

For the six months ended 30th June, 2004

	Sales of chemicals and metals HK\$'000	Property investment HK\$'000	Security investment HK\$'000	Other activities HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>						
External	860,527	7,030	2,175	588	-	870,320
Inter-segment	-	897	-	4,007	(4,904)	-
Total	<u>860,527</u>	<u>7,927</u>	<u>2,175</u>	<u>4,595</u>	<u>(4,904)</u>	<u>870,320</u>
<b>SEGMENT RESULT</b>	<u>24,136</u>	<u>4,192</u>	<u>(980)</u>	<u>48</u>	<u>-</u>	<u>27,396</u>
Interest income from bank deposits						1,155
Unallocated other operating income						2,319
Unallocated corporate expenses						(4,852)
<b>Profit from operations</b>						<u>26,018</u>

For the six months ended 30th June, 2003

	Sales of chemicals and metals HK\$'000	Property investment HK\$'000	Security investment HK\$'000	Other activities HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>						
External	528,153	6,775	1,944	1,775	-	538,647
Inter-segment	-	756	-	3,917	(4,673)	-
Total	<u>528,153</u>	<u>7,531</u>	<u>1,944</u>	<u>5,692</u>	<u>(4,673)</u>	<u>538,647</u>
<b>SEGMENT RESULT</b>	<u>16,861</u>	<u>3,868</u>	<u>2,806</u>	<u>61</u>	<u>-</u>	<u>23,596</u>
Interest income from bank deposits						1,064
Unallocated other operating income						168
Unallocated corporate expenses						(4,644)
<b>Profit from operations</b>						<u>20,184</u>

Inter-segment transactions are charged at prevailing market rates.

**4. OTHER OPERATING INCOME**

Other operating income comprises:

	Six months ended 30.6.2004 HK\$'000	Six months ended 30.6.2003 HK\$'000
Interest income from bank deposits	1,155	1,064
Gain on disposal of property, plant and equipment	392	–
Sundry income	1,927	168
	<u>3,474</u>	<u>1,232</u>

**5. FINANCE COSTS**

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

**6. INCOME TAX EXPENSE**

The tax charge comprises:

	Six months ended 30.6.2004 HK\$'000	Six months ended 30.6.2003 HK\$'000
Current taxation		
Hong Kong Profits Tax	3,217	1,965
Profit tax outside Hong Kong	1,393	306
	<u>4,610</u>	<u>2,271</u>
Deferred taxation		
Attributable to change in tax rate (note 15)	–	113
Share of taxation attributable to associates	33	34
	<u>4,643</u>	<u>2,418</u>

Hong Kong Profits Tax is calculated at 17.5% (six months ended 30th June, 2003: 17.5%) 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 30.6.2004 HK\$'000	Six months ended 30.6.2003 HK\$'000
Final dividend paid in respect of year ended 31st December, 2003 of 2.5 cents (year ended 31st December, 2002: 1.5 cents) per ordinary share	<u>11,138</u>	<u>6,683</u>

Interim dividend of 10.0 cents per share, amounting to HK\$44,550,000, was approved by the board of directors on 15th September, 2004.

**8. EARNINGS PER SHARE**

The calculation of the earnings per share is based on the net profit for the period of HK\$17,275,000 (six months ended 30th June, 2003: HK\$8,960,000) and on 445,500,000 ordinary shares (six months ended 30th June, 2003: 445,500,000 ordinary shares) in issue during the period.

**9. INVESTMENT PROPERTIES**

The directors consider that the values of the investment properties as at 30th June, 2004 would not differ materially from the professional valuation made as at 31st December, 2003 and, accordingly, no revaluation surplus or deficit has been recognised in the current period.

**10. INTEREST IN ASSOCIATES**

	30.6.2004 HK\$'000	31.12.2003 HK\$'000
Share of net assets	27,227	29,207
Goodwill arising on acquisition, net	20,504	20,504
Impairment loss recognised in respect of goodwill arising on acquisition	(20,504)	(20,504)
	<u>27,227</u>	<u>29,207</u>

**11. INVESTMENTS IN SECURITIES**

	Investment securities		Other investments		Total	
	30.6.2004 HK\$'000	31.12.2003 HK\$'000	30.6.2004 HK\$'000	31.12.2003 HK\$'000	30.6.2004 HK\$'000	31.12.2003 HK\$'000
Equity securities:						
Listed – Hong Kong	–	–	35,603	39,330	35,603	39,330
Listed – overseas	3,132	3,132	15,181	12,410	18,313	15,542
Unlisted	–	–	2,601	3,701	2,601	3,701
	<u>3,132</u>	<u>3,132</u>	<u>53,385</u>	<u>55,441</u>	<u>56,517</u>	<u>58,573</u>
Mutual funds:						
Quoted	–	–	9,002	–	9,002	–
Unlisted	18,574	10,628	23,423	20,161	41,997	30,789
	<u>18,574</u>	<u>10,628</u>	<u>32,425</u>	<u>20,161</u>	<u>50,999</u>	<u>30,789</u>
Debt securities:						
Listed – overseas	–	–	16,070	12,634	16,070	12,634
Unlisted	8,343	8,343	22,537	31,449	30,880	39,792
	<u>8,343</u>	<u>8,343</u>	<u>38,607</u>	<u>44,083</u>	<u>46,950</u>	<u>52,426</u>
Total securities:						
Listed	3,132	3,132	66,854	64,374	69,986	67,506
Unlisted	26,917	18,971	57,563	55,311	84,480	74,282
	<u>30,049</u>	<u>22,103</u>	<u>124,417</u>	<u>119,685</u>	<u>154,466</u>	<u>141,788</u>
Market value of listed securities	<u>3,513</u>	<u>4,019</u>	<u>66,854</u>	<u>64,374</u>	<u>70,367</u>	<u>68,393</u>
Carrying amount analysed for reporting purposes as:						
Non-current	30,049	22,103	2,601	3,701	32,650	25,804
Current	–	–	121,816	115,984	121,816	115,984
	<u>30,049</u>	<u>22,103</u>	<u>124,417</u>	<u>119,685</u>	<u>154,466</u>	<u>141,788</u>

**12. INVENTORIES**

Included in inventories are finished goods of HK\$2,613,000 (31st December, 2003: HK\$1,500,000) carried at net realisable value.

**13. DEBTORS, DEPOSITS AND PREPAYMENTS**

The Group allows an average credit period ranging from cash on delivery to 120 days to its trade debtors. The aged analysis of trade debtors of HK\$118,272,000 (31st December, 2003: HK\$112,143,000) which are included in the Group's debtors, deposits and prepayments is as follows:

	<b>30.6.2004</b> <b>HK\$'000</b>	31.12.2003 <b>HK\$'000</b>
0 – 30 days	<b>62,638</b>	73,254
31 – 60 days	<b>32,742</b>	25,325
61 – 90 days	<b>14,401</b>	8,858
91 – 120 days	<b>4,778</b>	2,854
121 – 365 days	<b>3,713</b>	1,852
	<u><b>118,272</b></u>	<u><b>112,143</b></u>

**14. SHARE CAPITAL**

	<b>Number</b> <b>of shares</b>	<b>Amount</b> <b>HK\$'000</b>
Ordinary shares of HK\$0.05 each		
Authorised:		
At 30th June, 2004 and 31st December, 2003	<u>700,000,000</u>	<u>35,000</u>
Issued and fully paid:		
At 30th June, 2004 and 31st December, 2003	<u>445,500,000</u>	<u>22,275</u>

**15. DEFERRED TAXATION LIABILITIES**

	<b>Revaluation of</b> <b>investment</b> <b>properties</b> <b>HK\$'000</b>	<b>Revaluation of</b> <b>leasehold land</b> <b>and buildings</b> <b>HK\$'000</b>	<b>Accumulated</b> <b>tax</b> <b>depreciation</b> <b>HK\$'000</b>	<b>Total</b> <b>HK\$'000</b>
At 1st January, 2003	1,704	2,218	1,200	5,122
Effect of change in tax rate				
– charge to income statement for the period	–	–	113	113
– charge to property revaluation reserve	–	208	–	208
At 30th June, 2003	1,704	2,426	1,313	5,443
Charge (credit) to income statement for the period	822	–	(163)	659
At 31st December, 2003 and 30th June, 2004	<u>2,526</u>	<u>2,426</u>	<u>1,150</u>	<u>6,102</u>

**16. CREDITORS AND ACCRUED CHARGES**

The aged analysis of the trade creditors of HK\$12,762,000 (31st December, 2003: HK\$25,071,000) which are included in the Group's creditors and accrued charges is as follows:

	<b>30.6.2004</b> <b>HK\$'000</b>	31.12.2003 <b>HK\$'000</b>
0 – 30 days	<b>9,543</b>	23,944
31 – 60 days	<b>1,934</b>	934
61 – 90 days	<b>1,277</b>	131
91 – 120 days	<b>8</b>	62
	<u><b>12,762</b></u>	<u><b>25,071</b></u>

**17. BANK BORROWINGS**

	<b>30.6.2004</b> <i>HK\$'000</i>	31.12.2003 <i>HK\$'000</i>
The bank borrowings, which are all unsecured and due within one year, comprise:		
Bank overdrafts	-	113
Bank loans	<b>10,780</b>	10,816
Trust receipt	<b>266,960</b>	229,043
	<u><b>277,740</b></u>	<u>239,972</u>

**18. CAPITAL COMMITMENTS**

	<b>30.6.2004</b> <i>HK\$'000</i>	31.12.2003 <i>HK\$'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for in the financial statements	<u><b>151</b></u>	<u>151</u>

**19. PLEDGE OF ASSETS**

At 30th June, 2004 certain leasehold properties with carrying values of HK\$7,474,000 (31st December, 2003: HK\$7,498,000) were pledged to banks to secure banking facilities granted to the Group.