

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 the 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 investment properties and investment in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2003. In addition, the Group has adopted the following new accounting policies upon acquisition of a subsidiary during the period:

Trading right

Trading right represents the right of trading on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Trading right is stated at cost less accumulated amortisation and accumulated impairment losses and is amortised, on a straight-line basis, over a period of ten years.

Trust accounts

Trust accounts maintained to hold clients’ monies are treated as off balance sheet items and disclosed in note 11.

3. SEGMENT INFORMATION

Business segments

The Group reports its primary segment information by business divisions. Segment information about these divisions is presented below:

	Continuing operations					Discontinued operation		Consolidated HK\$'000
	Power generation HK\$'000	Other trading HK\$'000 (Note b)	Provision of finance HK\$'000	Property investment and management HK\$'000	Securities investment, brokerage and dealing HK\$'000	Manufacturing and trading of chemical fibers HK\$'000	Eliminations HK\$'000	
Six months ended 30th June, 2004								
TURNOVER								
External sales	37,068	46,760	1,262	1,196	1,663	-	-	87,949
Inter-segment sales (Note a)	-	-	-	322	34	-	(356)	-
Total	37,068	46,760	1,262	1,518	1,697	-	(356)	87,949
Segment results	5,357	558	(1,661)	496	1,962	-	-	6,712
Unallocated corporate expenses								(4,582)
Profit from operations								2,130

3. SEGMENT INFORMATION (continued)

Business segments (continued)

	Continuing operations					Discontinued operation	Eliminations	Consolidated
	Power generation	Other trading	Provision of finance	Property investment and management	Securities investment, brokerage and dealing	Manufacturing and trading of chemical fibers		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30th June, 2003		(Note b)						
TURNOVER								
External sales	-	54,542	3,448	1,612	-	183,408	-	243,010
Inter-segment sales (Note a)	-	-	-	203	-	-	(203)	-
Total	-	54,542	3,448	1,815	-	183,408	(203)	243,010
Segment results	-	2,547	3,433	962	2,062	4,579	-	13,583
Unallocated corporate expenses								(4,793)
Profit from operations								8,790

Notes:

- (a) Inter-segment sales were charged at cost plus margin basis as agreed between both parties.
- (b) Other trading transactions represent trading of iron ore.

4. PROFIT FROM OPERATIONS

	Six months ended 30th June,	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit from operations has been arrived at after charging (crediting):		
Amortisation (included in administrative expenses) of:		
– goodwill	27	–
– trading right	54	–
Depreciation and amortisation of property, plant and equipment	7,906	14,883
Impairment loss recognised on property, plant and equipment	–	4,750
Loss (gain) on disposal of property, plant and equipment	729	(478)
Interest income from investments	–	(3,395)
Interest income, other than from investments	(94)	(56)
Release of negative goodwill to other operating income	(1,050)	(216)
Unrealised holding gain on investment in securities	(2,708)	(2,147)
	<u>7,906</u>	<u>14,883</u>

5. TAXATION

	Six months ended 30th June,	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge (credit) comprises:		
The People's Republic of China (the "PRC") income tax		
– current year	–	22
– overprovision in prior periods	–	(97)
	<u>–</u>	<u>(75)</u>
Deferred tax charge	1,040	–
Share of PRC income tax of a jointly controlled entity	901	763
	<u>1,941</u>	<u>688</u>

No Hong Kong Profits Tax or PRC income tax is payable by the Company or its subsidiaries since they had no assessable profit for the period. PRC income tax for prior period is calculated at the rates prevailing in the respective jurisdiction.

6. DIVIDENDS

No dividends were paid during the period (six months ended 30th June, 2003: Nil). The directors have resolved not to declare an interim dividend for the six months ended 30th June, 2004 (six months ended 30th June, 2003: Nil).

7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the period of HK\$2,663,000 (six months ended 30th June, 2003: HK\$384,000) and on the 1,214,115,987 shares in issue during each of the two periods.

The computation of diluted earnings per share for the six months ended 30th June, 2004 does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in net profit per share. No diluted earnings per share has been presented for the six months ended 30th June, 2003 as there was no potential ordinary shares in issue during that period.

8. CHANGES OF INVESTMENT PROPERTIES

The directors have considered the carrying amount of the Group's investment properties as of 30th June, 2004 and are of the opinion that the carrying amount does not differ significantly from the open market value of the properties as at 31st December, 2003. Consequently, no revaluation surplus or deficit has been recognised in the current period.

9. OTHER ASSETS

Included in other assets are the trading right of HK\$500,000 (31st December, 2003: Nil) and statutory deposits of HK\$2,230,000 (31st December, 2003: Nil) paid to the regulators for the Group's licensed activities in the securities market in Hong Kong.

10. TRADE AND OTHER RECEIVABLES

Trade receivables arising from cash clients and clearing house are repayable in two days after trade date. Except for loans to margin clients as mentioned below, all the trade receivables arising from securities dealing business aged within 30 days as at 30th June, 2004.

Loans to margin clients are secured by clients' pledged securities, repayable on demand and bear interest at commercial rates. No aged analysis is disclosed as in the opinion of the directors, the aged analysis does not give additional value in view of the nature of business of securities margin financing.

Trade customers from other businesses are allowed an average credit period of 60 days. The following is an aged analysis of trade receivables at the reporting date:

	30th June, 2004 HK\$'000	31st December, 2003 HK\$'000
Trade receivables arising from:		
Clearing house	1,858	–
Cash clients	1,658	–
Margin clients	6,391	–
Trade receivables arising from other businesses		
0 – 60 days	11,333	13,884
61 – 90 days	386	1,762
Over 90 days	93	9
	<hr/>	<hr/>
Other receivables	21,719	15,655
	16,547	15,148
	<hr/>	<hr/>
	38,266	30,803
	<hr/> <hr/>	<hr/> <hr/>

11. BANK BALANCES, DEPOSITS AND CASH

The Group maintains trust accounts with authorised institutions as a result of its normal business transactions. At 30th June, 2004, trust amounts not otherwise dealt with in these accounts amounted to HK\$11,288,000 (31st December, 2003: Nil).

12. TRADE AND OTHER PAYABLES

The settlement terms of trade payables to cash clients are two days after trade date and aged within 30 days as at 30th June, 2004.

Trade payables to margin clients are repayable on demand. No aged analysis is disclosed as in the opinion of the directors, the aged analysis does not give additional value in view of the nature of business of securities margin financing.

12. TRADE AND OTHER PAYABLES (continued)

The following is an aged analysis of trade payables at the reporting date:

	30th June, 2004 HK\$'000	31st December, 2003 HK\$'000
Trade payable arising from securities dealing business:		
Cash clients	3,792	–
Margin clients	43	–
Trade payables from other businesses		
0 – 60 days	2,951	3,813
61 – 90 days	1,222	21
Over 90 days	3,403	5,247
	<u>11,411</u>	<u>9,081</u>
Other payables	46,597	91,948
Value added tax payables	1,010	1,137
	<u>59,018</u>	<u>102,166</u>

13. BANK AND OTHER BORROWINGS

During the period, the Group obtained new bank loans amounting to HK\$168,876,000. The borrowings bear interest at prevailing market rates and were used to finance general operation of the Group. In addition, the Group repaid bank and other borrowings of HK\$80,336,000 during the period.

At 30th June, 2004, the Group's bank and other borrowings included (i) a bank loan of HK\$19,670,000 (31st December, 2003: Nil) which was guaranteed by the Company and secured by the Group's investment properties; (ii) a bank loan of HK\$54,651,000 (31st December, 2003: HK\$56,536,000) which was secured by certain of the Group's property, plant and equipment; and (iii) a bank loan of HK\$93,755,000 (31st December, 2003: Nil) which was secured by the Group's power generation income.

14. CAPITAL COMMITMENTS

	30th June, 2004 HK\$'000	31st December, 2003 HK\$'000
Capital expenditure contracted but not provided for in the financial statements in respect of acquisition of property, plant and equipment	<u>35,812</u>	<u>52,027</u>
Capital expenditure contracted but not provided for in the financial statements in respect of acquisition of additional equity interest in subsidiaries	<u>18,350</u>	<u>18,350</u>

15. PLEDGE OF ASSETS

At 30th June, 2004, the credit facilities granted to subsidiaries were secured by the Group's investment properties with a carrying amount of HK\$52,000,000 (31st December, 2003: HK\$52,000,000) and property, plant and equipment with a net book value of HK\$43,260,000 (31st December, 2003: HK\$75,998,000).

16. ACQUISITION OF A SUBSIDIARY

In February 2004, the Group acquired the entire issued share capital of Hua Xia Securities Hong Kong Limited ("Hua Xia", formerly known as Chun Yick Securities Limited) for a cash consideration of approximately HK\$19 million. Hua Xia is currently carrying on the business of securities brokerage and holding one exchange trading right of the Stock Exchange.

The effect of the acquisition is summarised as follows:

	<i>HK\$'000</i>
Net assets acquired	18,460
Goodwill arising on acquisition	641
	<u>19,101</u>
Satisfied by:	
Cash consideration	19,040
Related expenses paid on acquisition	61
	<u>19,101</u>
Net cash outflow arising on acquisition	
Cash paid on acquisition	(19,101)
Bank balances and cash acquired	13,871
	<u>(5,230)</u>

Hua Xia did not make any significant contribution to the results of the Group during the interim period.

17. POST BALANCE SHEET EVENT

Subsequent to 30th June, 2004, the Group obtained other loans of RMB30,000,000 (equivalent to HK\$28,037,000). The loans are secured by certain of the Group's property, plant and equipment, bear interest at prevailing market rate and are repayable in the second half of 2005.