

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 June 2004*

	Unaudited	
	From 1 January 2004 to 30 June 2004 <i>HK\$'000</i>	From 1 April 2003 to 30 September 2003 <i>HK\$'000</i>
Net cash inflow/(outflow) from operating activities	(8,953)	7,103
Net cash inflow/(outflow) from investment activities	268	(3,085)
Net cash (outflow) from financing activities	(7,950)	(723)
	<hr/>	<hr/>
Net increase/(decrease) in cash equivalents	(16,635)	3,295
Cash and cash equivalents at beginning of period	23,590	5,707
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	6,955	9,002
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	6,955	9,002
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NOTES:**1. BASIS OF PREPARATION**

These unaudited consolidated interim accounts have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" and Appendix 16 to the Listing Rules of The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31 December 2003.

2. SEGMENT INFORMATION

(a) Business segments

	Turnover		Unaudited	
	From 1 January 2004 to 30 June 2004 HK\$'000	From 1 April 2003 to 30 September 2003 HK\$'000	Segment results From 1 January 2004 to 30 June 2004 HK\$'000	From 1 April 2003 to 30 September 2003 HK\$'000
Garments	1,312	18,909	(5,112)	103
Leather, fur and garment accessories	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3)</u>
	1,312	18,909	(5,112)	100
Unallocated other revenue and gains			9	2,791
Unallocated expenses			<u>(7,953)</u>	<u>(4,856)</u>
(Loss) from operating activities			(13,056)	(1,965)
Finance costs			<u>(400)</u>	<u>(502)</u>
			(13,456)	(2,467)
Share of profits of associates			20,391	14,222
Amortisation of goodwill on acquisition of associates			<u>(2,046)</u>	<u>(2,052)</u>
Profit before tax			4,889	9,703
Tax			<u>(1,980)</u>	<u>(4,989)</u>
Profit before minority interests			2,909	4,714
Minority interests			<u>2,603</u>	<u>80</u>
Net Profit from Ordinary Activities attributable to shareholders			<u>5,512</u>	<u>4,794</u>

2. SEGMENT INFORMATION (Continued)

(b) Geographical segments

	Unaudited			
	Turnover		Segment results	
	From	From	From	From
	1 January 2004 to 30 June 2004 HK\$'000	1 April 2003 to 30 September 2003 HK\$'000	1 January 2004 to 30 June 2004 HK\$'000	1 April 2003 to 30 September 2003 HK\$'000
Hong Kong	411	5,484	(1,062)	3,007
Other Regions	<u>901</u>	<u>13,425</u>	<u>(2,257)</u>	<u>(116)</u>
	1,312	18,909	(3,319)	2,891
Unallocated expenses			<u>(9,737)</u>	<u>(4,856)</u>
Operating (loss)			<u><u>(13,056)</u></u>	<u><u>(1,965)</u></u>

3. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging:

	Unaudited	
	From 1 January 2004 to 30 June 2004 HK\$'000	From 1 April 2003 to 30 September 2003 HK\$'000
Depreciation	343	496
Staff costs	1,661	2,110
Realised loss on listed securities investment	1,388	-
Unrealised loss on listed securities investment	1,787	-
Provision for debts	<u>3,319</u>	<u>1,000</u>
and after crediting:		
Interest income	8	18
Realised gain on listed securities investment	-	2,755
Others	<u>79</u>	<u>20</u>

4. FINANCE COSTS

	From	Unaudited
	1 January 2004	From
	to 30 June	1 April 2003
	2004	to 30 September
	HK\$'000	2003
		HK\$'000
Interest on:		
Bank loans wholly repayable within five years	203	266
Bank loans wholly repayable beyond five years	197	236
	<u>400</u>	<u>502</u>

5. TAX

	From	Unaudited
	1 January 2004	From
	to 30 June	1 April 2003
	2004	to 30 September
	HK\$'000	2003
		HK\$'000
Hong Kong profits tax		
– Overprovision in the prior years	(600)	–
Share of tax attributable to associates	2,580	4,989
	<u>1,980</u>	<u>4,989</u>

No provision for Hong Kong and overseas profits taxes have been made as the Group did not generate any assessable profits arising in Hong Kong or in the overseas countries in which the Group operates during the period (2003: Nil).

The Company did not have any significant unprovided deferred tax liabilities at the balance sheet date (2003: Nil).

6. INTERIM DIVIDEND

The Directors do not recommend the payment of interim dividend for the period (2003: Nil).

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit of HK\$5,512,000 attributable to shareholders for the six months ended 30 June 2004 (2003: net profit of HK\$4,794,000) and on the weighted average number of approximately 375,862,000 ordinary shares (2003 (restated): 376,112,000 as adjusted for the twenty to one share consolidation on 16 December 2003) in issue during the period.

The calculation of diluted earnings per share for the period is based on the net profit attributable to shareholders of HK\$5,512,000. The weighted average number of ordinary shares used in the calculation is approximately 375,862,000 ordinary shares in issue during the period, as used in the basic earnings per share calculation, plus the weighted average number of approximately 963,000 ordinary shares assumed to have been issued at no consideration on the deemed exercise of the Company's share options outstanding during the period.

No diluted earnings per share for the six months ended 30 September 2003 has been shown as there was no dilution effect if all outstanding share options granted by the Company had been exercised.

8. FIXED ASSETS

During the period, the Group did not acquire nor dispose of any material fixed assets.

9. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Unaudited	Audited
	30 June 2004	31 December 2003
	HK\$'000	HK\$'000
Loans to jointly-controlled entities	<u>71,461</u>	<u>59,491</u>

The loans to the jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

10. INTERESTS IN ASSOCIATES

	Unaudited 30 June 2004 HK\$'000	Audited 31 December 2003 HK\$'000
Share of net assets	139,646	121,836
Unamortised goodwill on acquisition	<u>57,804</u>	<u>59,850</u>
	197,450	181,686
Due from an associate	<u>108</u>	<u>108</u>
	<u>197,558</u>	<u>181,794</u>

The amount due from an associate is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the associates are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of ownership interest attributable to the Group	Principal activities
Held indirectly				
Concade Assets Limited ("Concade")	Corporate	BVI/ Hong Kong	44	Investment holding
Everbest Century Limited	Corporate	Hong Kong	44	Investment holding
Longyan Hengfa Electric Industry Co., Ltd. ("Longyan Hengfa") 龍岩恒發電業有限公司	Corporate	PRC/ Mainland China	39.6	Management and operation of a Power Plant

11. INVENTORY

	Unaudited 30 June 2004 <i>HK\$'000</i>	Audited 31 December 2003 <i>HK\$'000</i>
Raw Materials	–	161
Work in progress	–	1,205
Finished goods	–	72
	<u>–</u>	<u>1,438</u>

12. TRADE AND BILLS RECEIVABLES

Ageing analysis

	Unaudited 30 June 2004 <i>HK\$'000</i>	Audited 31 December 2003 <i>HK\$'000</i>
Current-90 days	411	6,195
91-180 days	1,685	1,847
Over 180 days	5,644	4,029
	<u>7,740</u>	<u>12,071</u>
Less: Provisions	<u>(6,455)</u>	<u>(3,136)</u>
	<u>1,285</u>	<u>8,935</u>

13. TRADE AND BILLS PAYABLES**Ageing analysis**

	Unaudited	Audited
	30 June 2004	31 December 2003
	HK\$'000	HK\$'000
Current – 90 days	–	3,558
91 – 180 days	3,005	67
Over 180 days	1,799	339
	<u>4,804</u>	<u>3,964</u>

14. INTEREST-BEARING BANK LOANS

	Unaudited	Audited
	30 June 2004	31 December 2003
	HK\$'000	HK\$'000
Bank loans repayable:		
Within one year	773	9,014
In the second year	773	553
In third to fifth years, inclusive	2,533	1,259
Beyond five years	5,682	6,885
	<u>9,761</u>	<u>17,711</u>
Portion classified as current liabilities	<u>(772)</u>	<u>(9,014)</u>
Non-current portion	<u>8,989</u>	<u>8,697</u>
Analysed as follows:		
Secured	–	8,853
Unsecured	9,761	8,858
	<u>9,761</u>	<u>17,711</u>

15. SHARE CAPITAL

	Unaudited	Audited
	30 June 2004	31 December 2003
	HK\$'000	HK\$'000
Authorised		
1,000,000,000 ordinary shares of HK\$0.2 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
375,862,000 ordinary shares of HK\$0.2 each	<u>75,173</u>	<u>75,173</u>

16. CONTINGENT LIABILITIES

	Unaudited	Audited
	30 June 2004	31 December 2003
	HK\$'000	HK\$'000
Discounted with recourse	<u>-</u>	<u>911</u>

At 30 June 2004, the Company had given guarantees to banks in connection with facilities granted to subsidiaries in an aggregate amount of approximately HK\$18,730,000 (31 December 2003: HK\$28,830,000), of which approximately HK\$8,712,000 (31 December 2003: HK\$18,800,000) was utilized.

17. SUBSEQUENT EVENT

On 30 July 2004, Perfect Yield Holdings Limited ("Perfect Yield"), a wholly owned subsidiary of the Group, entered into a conditional sale and purchase agreement (the "Agreement") with Mr. Leung Yuen Keung, Edward ("Mr. Leung"). Pursuant to the Agreement, Perfect Yield agreed to sell its entire 1,020,000 shares of Royalink Industrial Limited ("Royalink") of HK\$1.00 each, representing in aggregate 51% of the issued share capital of Royalink, to Mr. Leung for a cash consideration of HK\$5,000 (herein defined as the "Disposal").

17. SUBSEQUENT EVENT *(Continued)*

The Disposal constitutes a very substantial disposal for the Company under the Listing Rules. Since Mr. Leung is a substantial shareholder and a director of Royalink, the Disposal also constitutes a connected transaction for the Company under the Listing Rules. The Disposal is therefore subject to the approval by the Shareholders of the Company at the forthcoming Special General Meeting by poll.

Upon completion of the Disposal, the operation of the garment business of the Group will be discontinued.

18. CONNECTED AND RELATED PARTY TRANSACTIONS

During the period, the Group had the following material transactions with connected and or related parties:

On 13 March 2004, the Group granted a shareholders' loan of HK\$1,142,182.54 to Best Base Investments Limited ("Best Base"), a jointly-controlled entity in which the Group beneficially holds a 50% equity interest and a brother-in-law of Mr. Chan Chun Keung ("Mr. Chan"), a Director of the Group, holds another 50% equity interest.

On 29 April 2004, Royce Group Limited ("Royce Group"), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the "Agreement") with For Good Investments Ltd ("For Good"). Pursuant to the Agreement, For Good agreed to sell its 1,795,200 shares in Concade Assets Limited ("Concade Assets"), representing in aggregate 15% of the issued share capital of Concade Assets or an attributable interest of 13.5% in a coal-fired power plant (the "Power Plant") in the Fujian Province, named Longyan Henga Electric Industry Co., Limited ("Longyan Hengfa"), to Royce Group for a cash consideration of HK\$54,500,000 (herein defined as the "Acquisition").

The Acquisition constitutes a very substantial acquisition of the Company under the Listing Rules. Since For Good is beneficially and wholly owned by Mr. Chan Chun Keung ("Mr. Chan") who is a Director and the single largest Shareholder interested in approximately 28.11% equity interest in the Company as at the date of the Agreement, the Acquisition also constitutes a connected transaction for the Company under the Listing Rules and is therefore subject to the approval by the Independent Shareholders at the Special General Meeting held on 9 July 2004. The Acquisition was completed on 13 July 2004.

18. CONNECTED AND RELATED PARTY TRANSACTIONS *(Continued)*

On 14 May 2004, the Group entered into a shareholder agreement with the sisters of Mr. Chan for the establishment of an entity, Goodfield Development Ltd (“Goodfield”), in which the Group contributed a 85% equity interest at a cash consideration of HK\$850.

On 17 May 2004, the Group granted a shareholders’ loan of HK\$10,827,765.88 to Best Base. As at 30 June 2004, the Group had a shareholders’ loan granted to Best Base of HK\$24,184,178.42, which is unsecured, interest free and has no fixed terms of repayment.