

# **NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED 30TH JUNE, 2006**

## **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 Hong Kong Accountant Standard (HKAS 34) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31<sup>st</sup> December, 2005 except as described below:

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1<sup>st</sup> December, 2005 or 1<sup>st</sup> January, 2006 respectively. The adoption of the new HKFRSs has resulted in change to the Group's accounting policy in the following area that has an effect on the results for the current or prior accounting periods have been prepared and presented.

### Fair value option

In the current period, the Group has applied HKAS 39 (Amendment) "The fair value option" which is effective for annual periods beginning on or after 1<sup>st</sup> January, 2006.

Prior to 1<sup>st</sup> January, 2006, the Group designated certain financial instruments as at fair value through profit or loss. Upon the application of this amendment, the Group has reclassified certain financial instruments as available-for-sale investments which do not meet the conditions to be classified as at fair value through profit or loss.

A debit adjustment of HK\$60,000 has been transferred from the Group's retained earnings to investment revaluation reserve as at 1<sup>st</sup> January, 2005.

For the financial impact on the Group's profit for the period, this change in accounting policy has resulted in a decrease in loss arising from changes in fair value of available-for-sale investments of HK\$1,433,000 (six months ended 30<sup>th</sup> June, 2005: HK\$1,773,000).

### 3. POTENTIAL IMPACT ARISING ON THE NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

The Group has not early applied the following new standard, amendment or Interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures <sup>1</sup>
HKFRS 7	Financial instruments: Disclosure <sup>1</sup>
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 “Financial Reporting in Hyperinflationary Economies” <sup>2</sup>
HK(IFRIC) – INT 8	Scope of HKFRS 2 <sup>3</sup>
HK(IFRIC) – INT 9	Reassessment of embedded derivatives <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1<sup>st</sup> January, 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1<sup>st</sup> March, 2006.

<sup>3</sup> Effective for annual periods beginning on or after 1<sup>st</sup> May, 2006.

<sup>4</sup> Effective for annual periods beginning on or after 1<sup>st</sup> June, 2006.

#### 4. SEGMENT INFORMATION

The turnover and segment results of the Group for the six months ended 30<sup>th</sup> June, 2006, analysed by business segments which is the primary segment, are as follows:

**For the six months ended 30<sup>th</sup> June, 2006**

	<b>Sales of chemicals and metals HK\$' 000</b>	<b>Property investment HK\$' 000</b>	<b>Security investment HK\$' 000</b>	<b>Other activities HK\$' 000</b>	<b>Eliminations HK\$' 000</b>	<b>Consolidated HK\$' 000</b>
<b>TURNOVER</b>						
External Sales	909,519	8,437	1,683	477	-	920,116
Inter-segment sales	<u>-</u>	<u>640</u>	<u>-</u>	<u>-</u>	<u>(640)</u>	<u>-</u>
Total turnover	<u>909,519</u>	<u>9,077</u>	<u>1,683</u>	<u>477</u>	<u>(640)</u>	<u>920,116</u>
<b>SEGMENT RESULT</b>						
	<u>33,224</u>	<u>5,874</u>	<u>720</u>	<u>40</u>	<u>-</u>	39,858
Interest income from bank deposits	-	-	-	-	-	1,663
Unallocated other income	-	-	-	-	-	1,638
Unallocated corporate expenses	-	-	-	-	-	(4,345)
Finance costs	-	-	-	-	-	(6,052)
Share of loss of associates	-	-	-	984	-	<u>984</u>
<b>Profit before taxation</b>						<u>33,746</u>

**For the six months ended 30<sup>th</sup> June, 2005**

	<b>Sales of chemicals and metals HK\$' 000</b>	<b>Property investment HK\$' 000</b>	<b>Security investment HK\$' 000</b>	<b>Other activities HK\$' 000</b>	<b>Eliminations HK\$' 000</b>	<b>Consolidated HK\$' 000</b>
<b>TURNOVER</b>						
External						
Sales	933,258	7,736	2,733	245	-	943,972
Inter-segment						
sales	<u>-</u>	<u>600</u>	<u>-</u>	<u>-</u>	<u>(600)</u>	<u>-</u>
Total						
turnover	<u>933,258</u>	<u>8,336</u>	<u>2,733</u>	<u>245</u>	<u>(600)</u>	<u>943,972</u>
<b>SEGMENT</b>						
<b>RESULT</b>	<u>24,845</u>	<u>17,028</u>	<u>2,773</u>	<u>28</u>	<u>-</u>	44,674
Interest income from bank						
deposits	-	-	-	-	-	1,582
Unallocated other						
income	-	-	-	-	-	319
Unallocated corporate						
expenses	-	-	-	-	-	(3,470)
Finance costs	-	-	-	-	-	(3,656)
Share of profit of						
associates	-	-	-	3,346	-	<u>3,346</u>
<b>Profit before taxation</b>						<u>42,795</u>

Inter-segment transactions are charged at prevailing market rates.

## 5. OTHER INCOME

Included in other incomes is interest income from bank deposits of HK\$1,663,000 for the six months ended 30<sup>th</sup> June, 2006 (six months ended June, 2005: HK\$1,582,000)

## 6. FINANCE COSTS

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

## 7. INCOME TAX EXPENSE

	<b>Six months ended 30.6.2006 HK\$' 000</b>	<b>Six months ended 30.6.2005 HK\$' 000</b>
The tax charge comprises:		
Current taxation		
Hong Kong Profits Tax	3,948	4,294
Profit tax outside Hong Kong	<u>1,020</u>	<u>958</u>
	4,968	5,252
Deferred Taxation	<u>365</u>	<u>1,048</u>
	<u><u>5,333</u></u>	<u><u>6,300</u></u>

Hong Kong Profit Tax is calculated at 17.5% of the estimated assessable profit for both period.

Taxation outside Hong Kong is calculated at the rates prevailing in the respective jurisdictions.

## 8. DIVIDEND

	<b>Six months ended 30.6.2006 HK\$' 000</b>	<b>Six months ended 30.6.2005 HK\$' 000</b>
Final dividend paid in respect of the year ended 31 <sup>st</sup> December, 2005 of 10 HK cents (year ended 31 <sup>st</sup> December, 2004: 10 HK cents) per ordinary share	<u><u>44,550</u></u>	<u><u>44,550</u></u>

Interim dividend of 4.0 cents per share, amounting to HK\$ 17,820,000, was approved by the board of directors on 20<sup>th</sup> September, 2006.

## 9. EARNINGS PER SHARE

The calculation of the earnings per share attributable to the equity holders of the parent is based on the profit attributable to the equity holders of the parent for the period of HK\$27,258,000 (six months ended 30.6.2005 as restated: HK\$35,384,000) and on 445,500,000 ordinary shares (six months ended 30.6.2005: 445,500,000 ordinary shares) in issue during the period.

The following table summaries the impact on basis earnings per share as a result of the change in accounting policy shown in note 2 above:

	<b>Six months ended 30.6.2006 HK cents</b>	<b>Six months ended 30.6.2005 HK cents</b>
Reported figure before adjustments	5.8	7.5
Adjustment arising from changes in Accounting policy	<u>0.3</u>	<u>0.4</u>
Restated	<u><u>6.1</u></u>	<u><u>7.9</u></u>

## 10. INVESTMENT PROPERTIES

The fair value of the Group's investment properties at 30<sup>th</sup> June, 2006 has been arrived at on the basis of a valuation carried out on that date by Knight Frank Petty Ltd., independent qualified professional valuer not connected with the Group. Knight Frank Petty Ltd. is member of the Hong Kong Institute of Surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties. The revaluation gave rise to a net loss arising from changes in fair value of HK\$371,000 (six months ended 30.6.2005: gain of HK\$9,955,000) which has been charged to the condensed consolidated income statement.

## 11. INTERESTS IN ASSOCIATES

	<u>30.6.2006</u> HK\$' 000 (unaudited)	<u>31.12.2005</u> HK\$' 000 (audited)
Cost of investment net of accumulated goodwill and impairment loss in associates		
Listed in Hong Kong	21,618	21,618
Unlisted	757	757
Share of post-acquisition profits and reserves, net of dividends received	6,070	5,301
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	28,445	27,676

The share of tax of associates amounted to HK\$286,000 (six months ended 30.6.2005: HK\$127,000) is included in share of profit of associates disclosed in the condensed consolidated income statement.

## 12. AVAILABLE FOR SALE INVESTMENTS

	<u>30.6.2006</u> HK\$' 000 (unaudited)	<u>31.12.2005</u> HK\$' 000 (audited)
Unlisted equity securities	-	585
Structured bank deposits	27,281	28,714
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	27,281	29,299

As at 31<sup>st</sup> December, 2005, investment in equity securities that are not measured at fair value amounted to HK\$585,000 as their fair value cannot be measured reliably and accordingly, they continue to be carried at cost less impairment. During the period, those investments have been disposed of at HK\$1,170,000.



### 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\$165,865,000 (31.12.2005: HK\$143,603,000) which are included in the Group's debtors, deposits and prepayments is as follows:

	<b>30.6.2006</b> <b>HK\$' 000</b> <b>(unaudited)</b>	<b>31.12.2005</b> <b>HK\$' 000</b> <b>(audited)</b>
0 – 30 days	98,810	69,903
31 – 60 days	49,647	46,194
61 – 90 days	11,146	19,960
91 – 120 days	4,470	6,167
121 – 365 days	<u>1,792</u>	<u>1,379</u>
	<u><u>165,865</u></u>	<u><u>143,603</u></u>

### 14. CREDITORS AND ACCRUED CHARGES

The aged analysis of the trade creditors of HK\$19,985,000 (31.12.2005: HK\$18,778,000) which are included in the Group's creditors and accrued charges is as follows:

	<b>30.6.2006</b> <b>HK\$' 000</b> <b>(unaudited)</b>	<b>31.12.2005</b> <b>HK\$' 000</b> <b>(audited)</b>
0 – 30 days	19,448	17,376
31 – 60 days	431	1,267
61 – 90 days	32	-
Over 90 days	<u>74</u>	<u>135</u>
	<u><u>19,985</u></u>	<u><u>18,778</u></u>

## 15. BANK BORROWINGS

	<b>30.6.2006</b> <b>HK\$' 000</b> <b>(unaudited)</b>	<b>31.12.2005</b> <b>HK\$' 000</b> <b>(audited)</b>
The bank borrowings, which are due within one year, comprise:		
Bank loans		
- secured	1,794	5,801
- unsecured	49,269	24,297
Trust receipt and import loans	<u>291,989</u>	<u>242,830</u>
	<u>343,052</u>	<u>272,928</u>

During the period, the Group raised new unsecured bank loans of HK\$30 million and trust receipt and import loans of HK\$50 million. The new bank borrowings bear interest at floating interest rates, with average interest rate for the period of 5.2% per annum and are repayable within one year. The proceeds were used to finance the Group's trading operations.

## 16. SHARE CAPITAL

	<b>Number of shares</b>	<b>Amount HK\$' 000</b>
Ordinary shares of HK\$0.05 each		
Authorised:		
At 30 <sup>th</sup> June, 2006 and 31 <sup>st</sup> December, 2005	<u>700,000,000</u>	<u>35,000</u>
Issued and fully paid:		
At 30 <sup>th</sup> June, 2006 and 31 <sup>st</sup> December, 2005	<u>445,500,000</u>	<u>22,275</u>