

On behalf of the Board of Directors, I am pleased to announce the unaudited interim results of the Group for the six months ended 30th June, 2003. The interim financial report has been reviewed by the Company's audit committee in compliance with the Hong Kong Statement of Standard Accounting Practice and the Company's auditor, Deloitte Touche Tohmatsu, whose independent review report to the Board of Directors is set out below.

## FINANCIAL HIGHLIGHT

	Six months ended 30th June,		Year ended 31st December,
	2003 HK\$'000	2002 HK\$'000	2002 HK\$'000
<b>Income Statements</b>			
Turnover	538,647	469,150	1,072,821
Operating Profit	18,868	18,704	17,542
Profit Attributable to Shareholders	8,960	12,766	4,152
<b>Balance Sheets</b>			
Total Assets	816,119	836,866	826,708
Total Borrowings	171,188	171,431	179,040
Shareholders' Funds	583,319	594,209	581,134
<b>Cash Flow</b>			
Net Cash Inflow/(Outflow) before Financing	(37,556)	(26,059)	(6,009)
Net Cash Inflow/(Outflow) in Financing	(14,561)	27,267	29,583
Capital Expenditure	1,110	3,151	3,957
Earning Per Share	2.0¢	2.9¢	0.9¢
Dividend Per Share	1.5¢	1.0¢	2.5¢
Shareholders' Fund per Share	1.31	1.33	1.30
Interest Cover (times)	16.2x	8.3x	2.95x
Dividend Cover (times)	1.33x	2.9x	0.36x

### Note:

- Earning per shares is calculated by dividing profit attributable to shareholders by 445,500,000 shares in issue during 30th June, 2003. (30th June, 2002: 445,500,000 shares)
- Interest cover is calculated by dividing profit attributable to shareholders before tax, minority interest and interest charges by interest charges.
- Dividend cover is calculated by dividing Earning Per Share by Dividend Per Share.



## CHAIRMAN'S STATEMENT

Profit attributable to shareholders for the six months ended 30th June, 2003 declined 29.8% to HK\$8.9 million (30th June, 2002: HK\$12.8 million) mainly due to sharing loss from one of the Group's associates. The Directors of the Board has resolved to declare an interim dividend of HK 1.5 cents per share (2002: HK 1 cent per share) to shareholders whose registered at the close of business on 26th September, 2003. The share registers will be closed from 23rd September, 2003 to 26th September, 2003, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer accompanied by the relevant share certificates must be lodged with the Company share register, Standard Registrars Limited, G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 22nd September, 2003.

### Business Review

During the first half year, amid global uncertainties stemmed from economic distress in U.S. and Europe, together with the US-led War to Iraq and the spread of SARS virus, the Group's overall business faced unprecedented tough market environment, especially during the second quarter. Benefited from significant upward trend in most commodities prices, total turnover of the Group for the first six month of 2003 recorded a rise of 14.8% to HK\$538.6 million compared with HK\$469.2 million in the same period of 2002.

Trading sector reported a growth of 38.5% in segment result in the first half year of 2003 to HK\$16.9 million. Despite that, markets were generally weak and shrinking demand was further worsened during the SARS period. The rise in profit reflected combination of the significant advances in prices of most commodities that we traded, better cost controlling and the performance of Group's purchasing strategies.

Properties investment segment contributed only HK\$3.9 million during the period under review. Office demand in Hong Kong was still under-performed but vacancies in Shanghai offices were almost filled out. Residential rental income in Shanghai also contributed less than our expectation because abundant supply available in the market pressurized rents to drop more than 10% compared to prior period. Securities investment recorded a gain of HK\$1.5 million for the first six months of 2003 as better performance in both global equities and bonds markets at the period end.

### Audit Committee

The Group's audit committee has met twice to date in this year to review audit findings, accounting principles and practices adopted by the Group, and to discuss internal and external risk control areas before submitting the management and financial reports to the Board of Directors for approval. The external auditors together with the Group's finance director and two senior management personnel have attended all meetings.

### Prospects

After the containment of the SARS outbreak, trading and rental demand improved at the start of the third quarter but price premium remained under pressure. Global economic environment is showing signs of improvement in the second half year of 2003, although probable terrorist attack and growing unemployment remains threats to world economy. With concerns of slow demand and large volatilities in commodities markets, we will continue to be attentive in controlling Group's inventory level and purchasing strategies.

**Leung Shu Wing**  
*Chairman*

Hong Kong, 29th August, 2003



## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2003

	NOTES	Six months ended 30.6.2003 HK\$'000 (unaudited)	Six months ended 30.6.2002 HK\$'000 (unaudited)
Turnover	3	538,647	469,150
Other operating income	4	1,232	1,267
Changes in inventories of finished goods		4,564	776
Purchases of goods held for resale		(497,547)	(430,552)
Raw materials and consumables used		(3,989)	(427)
Staff costs		(9,904)	(10,038)
Depreciation and amortisation		(1,002)	(1,268)
Other operating expenses		(14,097)	(13,703)
Net realised and unrealised gain on other investments		964	4,799
Impairment loss recognised in respect of investment securities		—	(1,300)
<b>Profit from operations</b>	3	<b>18,868</b>	18,704
Finance costs	5	(789)	(2,007)
Share of loss of associates		(4,343)	(290)
Amortisation of premium arising on acquisition of an associate		(1,709)	(1,709)
<b>Profit before taxation</b>		<b>12,027</b>	14,698
Taxation	6	(2,418)	(1,668)
<b>Profit before minority interests</b>		<b>9,609</b>	13,030
Minority interests		(649)	(264)
<b>Net profit for the period</b>		<b>8,960</b>	12,766
<b>Dividend</b>	7	<b>6,683</b>	6,683
<b>Earnings per share</b>	8	<b>2.0 cents</b>	2.9 cents

## CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2003

	NOTES	30.6.2003 HK\$'000 (unaudited)	31.12.2002 HK\$'000 (audited) (restated)
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Investment properties	9	237,140	237,140
Property, plant and equipment		32,624	32,645
Interests in associates	10	43,902	49,786
Investments in securities	11	25,261	25,261
Equity-linked deposits		1,017	198
		<u>339,944</u>	<u>345,030</u>
<b>Current Assets</b>			
Inventories	12	62,981	58,423
Debtors, deposits and prepayments	13	95,506	102,683
Bills receivable		14,131	14,495
Taxation recoverable		274	153
Investments in securities	11	169,252	119,611
Short term bank deposits		87,244	127,459
Bank balances and cash		46,787	58,854
		<u>476,175</u>	<u>481,678</u>
<b>Total Assets</b>		<u><b>816,119</b></u>	<u><b>826,708</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Share capital	14	22,275	22,275
Reserves		561,044	558,859
		<u>583,319</u>	<u>581,134</u>
<b>Minority Interests</b>		<u>16,442</u>	<u>16,071</u>
<b>Non-current Liabilities</b>			
Amount due to minority shareholder of subsidiaries		13,647	13,647
Deferred Taxation	15	5,443	5,122
		<u>19,090</u>	<u>18,769</u>
<b>Current Liabilities</b>			
Creditors and accrued charges	16	23,216	29,812
Taxation payable		2,864	1,882
Bank borrowings	17	171,188	179,040
		<u>197,268</u>	<u>210,734</u>
<b>Total Equity and Liabilities</b>		<u><b>816,119</b></u>	<u><b>826,708</b></u>



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2003

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK'000	Investment Property revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$000
At 1st January, 2002								
— as previously stated	22,275	153,728	26,127	7,011	13,781	550	369,265	592,737
— adjustment on adoption of SSAP12 (Revised) (note 2)	—	—	(3,139)	—	(2,218)	—	235	(5,122)
— as restated	22,275	153,728	22,988	7,011	11,563	550	369,500	587,615
Exchange differences arising on translation of overseas operations	—	—	—	—	—	631	—	631
Share of an associate's movement in reserves	—	—	—	(116)	30	(35)	1	(120)
Net (loss) gain not recognised in the condensed consolidated income statement	—	—	—	(116)	30	596	1	511
Net profit for the period	—	—	—	—	—	—	12,766	12,766
Dividend paid	—	—	—	—	—	—	(6,683)	(6,683)
At 30st June, 2002	22,275	153,728	22,988	6,895	11,593	1,146	375,584	594,209
Exchange differences arising on translation of overseas operations	—	—	—	—	—	(109)	—	(109)
Share of an associate's movement in reserves	—	—	—	21	(22)	103	1	103
Net gain (loss) not recognised in the condensed consolidated income statement	—	—	—	21	(22)	(6)	1	(6)
Net loss for the period	—	—	—	—	—	—	(8,614)	(8,614)
Dividend paid	—	—	—	—	—	—	(4,455)	(4,455)
At 31st December, 2002	22,275	153,728	22,988	6,916	11,571	1,140	362,516	581,134
Exchange differences arising on translation of overseas operations	—	—	—	—	—	(86)	—	(86)
Share of an associate's movement in reserves	—	—	—	(219)	4	416	1	202
Deferred tax liability arising on change in tax rate	—	—	—	—	(208)	—	—	(208)
Net (loss) gain not recognised in the condensed consolidated income statement	—	—	—	(219)	(204)	330	1	(92)
Net profit for the period	—	—	—	—	—	—	8,960	8,960
Dividend paid	—	—	—	—	—	—	(6,683)	(6,683)
At 30th June, 2003	22,275	153,728	22,988	6,697	11,367	1,470	364,794	583,319

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2003

	Six months ended 30.6.2003 HK\$'000 (unaudited)	Six months ended 30.6.2002 HK\$'000 (unaudited)
Net cash used in operation activities	(37,536)	(23,960)
Net cash used in investing activities	(20)	(2,099)
Net cash (used in) from financing activities	<u>(14,561)</u>	<u>27,267</u>
Net (decrease) increase in cash and cash equivalent	(52,117)	1,208
Cash and cash equivalent at beginning of the period	186,168	162,291
Effect of foreign exchange rate changes	<u>(20)</u>	<u>246</u>
Cash and cash equivalent at end of the period	<u><u>134,031</u></u>	<u><u>163,745</u></u>

### Analysis of the Balances of Cash and Cash Equivalents

Short term bank deposits	87,244	94,328
Bank balances and cash	<u>46,787</u>	<u>69,417</u>
	<u><u>134,031</u></u>	<u><u>163,745</u></u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2003

### 1. Basis of Preparation

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### 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, 2002 except as described below.

In the current period, the Group has adopted SSAP 12 (Revised) "Income taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method under which a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the condensed financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly. Opening retained profits as at 1st January, 2002 have been increased by HK\$235,000, and the balances on the Group's capital reserve and property revaluation reserve at 1st January, 2002 have been reduced by HK\$3,139,000 and HK\$2,218,000 respectively, representing the cumulative effects of the change in accounting policy on the reserves prior to 2002. The effect of the change is an increased charge to deferred taxes and property revaluation reserve in the current period of HK\$113,000 (six months ended 30.6.2002: Nil) and HK\$208,000 (six months ended 30.6.2002: nil) respectively.



### 3. Segment Information

The turnover and segment results of the Group for the six months ended 30th June, 2003, analysed by business segments which is the primary segment are as follows:

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 Sales	528,153	6,775	1,944	1,775	—	538,647
Inter-segment sales	<u>9,301</u>	<u>756</u>	<u>—</u>	<u>3,917</u>	<u>(13,974)</u>	<u>—</u>
Total	<u>537,454</u>	<u>7,531</u>	<u>1,944</u>	<u>5,692</u>	<u>(13,974)</u>	<u>538,647</u>
<b>SEGMENT RESULT</b>	<u>16,861</u>	<u>3,868</u>	<u>1,490</u>	<u>61</u>	<u>—</u>	22,280
Interest income from bank deposits						1,064
Unallocated other operating income						168
Unallocated corporate expenses						<u>(4,644)</u>
<b>Profit from operations</b>						<u>18,868</u>

For the six months ended 30th June, 2002

	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 Sales	459,154	8,700	1,143	153	—	469,150
Inter-segment sales	<u>7,900</u>	<u>775</u>	<u>—</u>	<u>3,917</u>	<u>(12,592)</u>	<u>—</u>
Total	<u>467,054</u>	<u>9,475</u>	<u>1,143</u>	<u>4,070</u>	<u>(12,592)</u>	<u>469,150</u>
<b>SEGMENT RESULT</b>	<u>12,173</u>	<u>5,343</u>	<u>4,699</u>	<u>(22)</u>	<u>—</u>	22,193
Interest income from bank deposits						1,052
Unallocated other operating income						215
Unallocated corporate expenses						<u>(4,756)</u>
<b>Profit from operations</b>						<u>18,704</u>

Inter-segment transactions are charged at prevailing market rates.



#### 4. Other Operating Income

Other operating income comprises:

	Six months ended 30.6.2003 HK\$'000	Six months ended 30.6.2002 HK\$'000
Interest income from bank deposits	1,064	1,052
Sundry income	168	215
	<u>1,232</u>	<u>1,267</u>

#### 5. Finance Costs

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

#### 6. Taxation

	Six months ended 30.6.2003 HK\$'000	Six months ended 30.6.2002 HK\$'000
The tax charge comprises:		
Current taxation		
Hong Kong Profits Tax	1,965	1,173
Profit tax outside Hong Kong	<u>306</u>	<u>477</u>
	2,271	1,650
Deferred Taxation		
Hong Kong Profits Tax		
— Attributable to increase in tax rate (note 15)	113	—
Share of taxation attributable to associates	<u>34</u>	<u>18</u>
	<u>2,418</u>	<u>1,668</u>

Hong Kong Profit Tax is calculated at 17.5% (six months ended 30th June, 2002: 16%) 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 30.6.2003 HK\$'000	Six months ended 30.6.2002 HK\$'000
Final dividend paid in respect of the year ended		
31st December, 2002 of 1.5 cents (year ended		
31st December, 2001: 1.5 cents) per ordinary share	<u>6,683</u>	<u>6,683</u>

Interim dividend of 1.5 cents per share, amounting to HK\$6,683,000, was approved by the board of directors on 29th August, 2003.

#### 8. Earnings Per Share

The calculation of the earnings per share is based on the net profit for the period of HK\$8,960,000 (six months ended 30.6.2002: HK\$12,766,000) and on 445,500,000 ordinary shares (six months ended 30.6.2002: 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, 2003 would not differ materially from the professional valuation made as at 31st December, 2002 and, accordingly, no revaluation surplus or deficit has been recognised in the current period.





## 10. Interest In Associates

	30.6.2003 HK\$'000	31.12.2002 HK\$'000
Share of net assets	21,690	25,865
Premium arising on acquisition, net	22,212	23,921
	<u>43,902</u>	<u>49,786</u>

## 11. Investments in Securities

	Investment securities		Other investments		Total	
	30.6.2003 HK\$'000	31.12.2002 HK\$'000	30.6.2003 HK\$'000	31.12.2002 HK\$'000	30.6.2003 HK\$'000	31.12.2002 HK\$'000
Equity securities:						
Listed — Hong Kong	—	—	74,431	74,917	74,431	74,917
Listed — overseas	3,132	3,132	8,353	8,136	11,485	11,268
Unlisted	—	—	3,701	3,701	3,701	3,701
	<u>3,132</u>	<u>3,132</u>	<u>86,485</u>	<u>86,754</u>	<u>89,617</u>	<u>89,886</u>
Mutual funds:						
Unlisted	10,628	10,628	17,563	16,914	28,191	27,542
Debt securities:						
Listed — overseas	—	—	11,860	8,639	11,860	8,639
Unlisted	7,800	7,800	57,045	11,005	64,845	18,805
	<u>7,800</u>	<u>7,800</u>	<u>68,905</u>	<u>19,644</u>	<u>76,705</u>	<u>27,444</u>
Total securities:						
Listed	3,132	3,132	94,644	91,692	97,776	94,824
Unlisted	18,428	18,428	78,309	31,620	96,737	50,048
	<u>21,560</u>	<u>21,560</u>	<u>172,953</u>	<u>123,312</u>	<u>194,513</u>	<u>144,872</u>
Market value of listed securities	<u>3,880</u>	<u>4,043</u>	<u>94,644</u>	<u>91,692</u>	<u>98,524</u>	<u>95,735</u>
Carrying amount analyzed for reporting purposes as:						
Non-current	21,560	21,560	3,701	3,701	25,261	25,261
Current	—	—	169,252	119,611	169,252	119,611
	<u>21,560</u>	<u>21,560</u>	<u>172,953</u>	<u>123,312</u>	<u>194,513</u>	<u>144,872</u>

## 12. Inventories

Included in inventories are finished goods of HK\$8,110,000 (31.12.2002: HK\$10,255,000) 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 ageing analysis of trade debtors of HK\$84,347,000 (31.12.2002: HK\$95,986,000) which are included in the Group's debtors, deposits and prepayments is as follows:

	30.6.2003 HK\$'000	31.12.2002 HK\$'000
0 — 30 days	36,762	52,977
31 — 60 days	25,968	31,492
61 — 90 days	14,999	7,180
91 — 120 days	4,179	3,063
121 — 365 days	2,439	1,274
	<u>84,347</u>	<u>95,986</u>



#### 14. Share Capital

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.05 each		
Authorised:		
At 30th June, 2003 and 31st December, 2002	<u>700,000,000</u>	<u>35,000</u>
Issued and fully paid:		
At 30th June, 2003 and 31st December, 2002	<u>445,500,000</u>	<u>22,275</u>

#### 15. Deferred Taxation

	Revaluation of Investment Properties HK\$'000	Revaluation of Leasehold land and Building HK\$'000	Accelerated tax Depreciation HK\$'000	Total HK\$'000
At 1st January, 2002				
— as previously stated	—	—	—	—
— adjustment on adoption of SSAP 12 (Revised)	<u>1,704</u>	<u>2,218</u>	<u>1,200</u>	<u>5,122</u>
At 1st January, 2002 as restated, at 30th June, 2002 and at 31st December, 2002	1,704	2,218	1,200	5,122
Effect of change in tax rate				
— Charge to income (note 6)	—	—	113	113
— Charge to property revaluation reserve	<u>—</u>	<u>208</u>	<u>—</u>	<u>208</u>
<b>At 30th June, 2003</b>	<b><u>1,704</u></b>	<b><u>2,426</u></b>	<b><u>1,313</u></b>	<b><u>5,443</u></b>

#### 16. Creditors and Accrued Charges

The aging analysis of the trade creditors of HK\$5,372,000 (31.12.2002: HK\$13,806,000) which are included in the Group's creditors and accrued charges is as follows:

	30.6.2003 HK\$'000	31.12.2002 HK\$'000
0 — 30 days	5,056	12,144
31 — 60 days	308	1,568
61 — 90 days	—	49
91 — 120 days	4	45
121 — 365 days	<u>4</u>	<u>—</u>
	<b><u>5,372</u></b>	<b><u>13,806</u></b>

#### 17. Bank Borrowings

	30.6.2003 HK\$'000	31.12.2002 HK\$'000
The bank borrowings, which are all unsecured and due within one year, comprise:		
Bank overdrafts	—	145
Bank loans	17,619	27,697
Trust receipt loans	<u>153,569</u>	<u>151,198</u>
	<b><u>171,188</u></b>	<b><u>179,040</u></b>

#### 18. Pledge of Assets

At 30th June, 2003 certain leasehold properties with carrying values of HK\$7,384,000 (31.12.2002: HK\$7,577,000) were pledged to banks to secure banking facilities granted to the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Operation Review

#### Trading Division

The principal trading activities of the Group and the contribution of each activity to the Group are summarized as below:

	Turnover		Segment Result	
	Six months ended		Six months ended	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Electroplating Materials and Chemicals	466,153	390,910	13,579	9,453
Paint and Coating Chemicals	44,897	54,665	1,613	2,332
Stainless Steel	17,103	13,579	1,669	388
Total	<u>528,153</u>	<u>459,154</u>	<u>16,861</u>	<u>12,173</u>

#### Electroplating Materials and Chemicals

In the first six months of 2003, the markets suffered from the events of U.S.-led war against Iraq, global slow economies and spread of "SARS" virus epidemic. With shrinking global demand, increasing materials and chemicals stockpiles were disposed in Asian region and almost all suppliers aggressively slashed prices to reduce their inventory level. The effect of diminishing profit was fortunately offset by the general rise in metal prices, mainly due to weak US dollars, and Group's competent purchase scheme.

Following the trend of global money markets, precious metals experienced severe volatility during the first half year. Customers' behavior shifted to be conservative in purchasing precious metal plating products stored in their warehouses. Singapore market, however, recorded favorable sales results of precious metal plating products after our company was appointed as supply source of one brand-named product in Singapore in April. Improving demand in imitation jewelry industry also benefited our overall turnover during the first half year.

In spite of upward trend of metals prices, market demand of base metal fell due to poor global economic conditions and outbreak of "SARS" epidemic in Asian region. Excessive stockpiles also worsened the situation during the review period. At the end of second quarter, demand slowly picked up but intense competition continued.

#### Paint and Coating Chemicals

Sharp appreciation of Euro currency adversely affected the cost competitiveness of our products which are mainly manufactured in Europe and seriously eroded sales turnover during the first half year. High oil price added additional pressure on production costs of most chemical products. Amid lower costs of other rivals, sales turnover fell from HK\$54.7 million in the first six months of 2002 to only HK\$44.9 million in the first six months of 2003, representing a decrease of 17.8%. Market situation still appears tough in the second half year. To improve overall earnings, other than selling to traditional coating factories, we have explored other application fields for our existing products and new products during the period under review. Also, we have obtained an exclusive sales right of one coating chemical in China and that will help expand sales volume in this market.

#### Stainless Steel

Market demand remained robust in the first half year of 2003. Delayed shipment from suppliers and the "SARS" virus outbreak slightly slowed down the sales performance in the second quarter. Sales turnover advanced 26.1% to HK\$17.1 million for the same period in 2003 if compared to that in the same period of 2002. Continuation of tightness in supply pushed up the global prices in general. It is expected that the weakness in U.S. dollars and volatile prices movement in most raw materials of stainless steel will pressurize gross profit in the second half year.



### **Property Investment Division**

Total rental income generated from investment properties amounted to HK\$6.8 million in the first six months of 2003, representing a decline of 22.1% compared with HK\$8.7 million in the same period of 2002. Slow lease demand in residential properties and reduction of office rent in renewal tenancies in the second quarter last year are responsible for the decline.

Average occupancy rate for the office properties in Hong Kong during the period under review was 78%. The lack of new demand for offices pushed down office rents in the first half year of 2003 as business confidence remained low, in particular during the period of "SARS" virus outbreak in the second quarter. It is expected that office rents in Hong Kong will continue to be vulnerable in the second half year.

Demand for Grade A offices in Shanghai, in contrary, grew robustly due to its prospective economic growth and ample flow of funds from foreign and local investors into Shanghai. Growth of market rents also improved. As reduction of renewal office rent since April of last year, gross rental for the first six months of 2003 dropped by 24.2% compared to that of same period a year earlier. As at 30th June, 2003, occupancy rate was 94.4%. The impact of additional office supply in late 2003 and early 2004 may reduce the pace of rental growth but outlook is still positive.

Surplus supply of residential spaces in Shanghai created a difficult business climax in lease market. With optimism that huge demand from foreigners and people coming from other China provinces will seek lease spaces for accommodation, more and more residential spaces in centre of Shanghai city were available to the market and pressurized overall growth of market rents. During the second quarter, the market was hit by the threat of "SARS" virus epidemic that slowed down the overall market demand. Average occupancy rate during the first six months of 2003 was about 80%, falling from 91.3% during the same period a year earlier. Average market rents also dropped. As at 30th June, 2003, occupancy rate reported at 82.0%.

### **Securities Investment Division**

An analysis of the portfolio, current and non-current, by type of securities as at 30th June, 2003 is as below:

	<b>Market Value of Investment</b>	<b>Percentage of Total</b>
Equities	HK\$90.4 million	46.0%
Bonds	HK\$76.7 million	39.1%
Unit Fund	HK\$28.2 million	14.4%
Equity-Linked Deposit	HK\$1.0 million	0.5%

As at 30th June, 2003, the Group used its own fund to finance 93.4% of total investment in securities and the remaining 6.6% was financed by bank borrowings.

An analysis of the portfolio by currency denomination as at 30th June, 2003 is listed below:

<b>US dollar</b>	<b>HK dollar</b>	<b>Euro</b>	<b>JP Yen</b>	<b>SGP Dollar</b>	<b>RMB</b>	<b>AUD Dollar</b>
37.9%	54.2%	2.3%	1.1%	0.6%	1.9%	2.0%

Extended to the 1st quarter of 2003, growing anxiety, insecurity and indecision prevented people to invest, expand and hire. With hope that economic recovery stemmed from U.S. could generate adequate consumer spending and capital investment from business sector, U.S. Federal Reserves cut its benchmark interest rate for the 13th consecutive times since January 2001 to a 45-year record low in the second quarter. Together with the bill of tax-cut program passed by the U.S. Congress, such considerable doses of stimulus supported rallies in equity and bond markets at the period ended. There are more signs of growth indicated in recent U.S. economic data than that of previous years, yet investors' confidence plays crucially in determining future economies.



During the first six months of 2003, we recorded an unrealized gain of HK\$1.2 million and a realized loss of HK\$260,000 in other investment sector. During the period under review, we disposed HK\$6.0 million securities including corporate bonds and currency derivatives. Dividend and interest income generated from securities portfolio accounted for HK\$1.4 million and HK\$574,000 respectively during the six months ended 30th June, 2003.

With tremendous uncertainties during the first half year, we expanded part of Group's portfolio on capital-preserved products and high-rating corporate debts to minimize risks spurred from market volatilities. In the second half year, we will closely monitor the global economic outlook and manage to review Group's portfolio in line with changes of market conditions.

## EMPLOYEES

Same as last period end, the Group totally employed 97 staff as of 30th June, 2003, of which 62 staff was based in Hong Kong, 15 staff worked in Mainland China and 20 staff was located overseas offices. Employee turnover rate during the review period remained low. Total staff cost for the six months ended 30th June, 2003 fell slightly by 1.3% to HK\$9.9 million when compared with that in the same period last year. To be competitive among current environment, the Group constantly supports and encourages employees to enrich their knowledge by participating different education programs.

## FINANCIAL RESOURCES AND LIQUIDITY

The Group's total shareholders' fund slightly rose 0.4% from HK\$581.1 million as at 31st December, 2002 to HK\$583.3 million as at 30th June, 2003, after adopted the effect of implementation of new accounting policy in relation to deferred tax.

Total cash and cash deposit totaled HK\$134.0 million as at 30th June, 2003 whereas HK\$163.7 million was recorded as at 30th June, 2002. For the six months period ended 30th June, 2003, the main net cash outflow related to other investment in securities amounting HK\$49.3 million, increase in inventory amounting HK\$4.6 million and increase in payment due to suppliers amounting HK\$6.5 million.

An analysis of cash and bank deposit by currencies as at 30th June, 2003 is set out below:

HK Dollar	US Dollar	Euro	SGP Dollar	Reminbi	NT Dollar	Others
15.5%	70.0%	3.0%	2.5%	8.3%	0.5%	0.2%

## DEBT STRUCTURE

Total bank borrowings declined from HK\$179.0 million as at 31st December, 2002 to HK\$171.2 million as at 30th June, 2003. Net borrowings of HK\$37.2 million were posted as at 30th June, 2003. Gearing ratio, representing total bank borrowings divided by shareholders' fund, was 0.29 as of 30th June, 2003. All bank borrowing were in forms of trust receipt and money market loans at the period ended.

Currency distribution on Bank Borrowings as at 30th June, 2003:

	HK\$'000	Percentage
Hong Kong Dollars	147,367	86.1%
United States Dollars	16,202	9.5%
Japanese Yen	7,619	4.4%
	<u>171,188</u>	<u>100.0%</u>



All borrowings were based on floating rate and matured within one year. Average interest rate charged on borrowings during the review period was 2.36% per annum. Interest expense for the first six months ended 30th June, 2003 was HK\$789,000, representing a decrease of 60.7% as compared with HK\$2.0 million for the first six months ended 30th June, 2002.

#### FOREIGN CURRENCY RISK

During the first six months ended 30th June, 2003, the Group's transactions were conducted in Hong Kong Dollars, United States Dollars, Japanese Yen, Euro, British Sterling, Reminbi, Australian Dollars, Singapore Dollars and New Taiwanese Dollars. The Group used forward exchange contracts to hedge its foreign currency exposure in trading activities when considered appropriate. There was no forward foreign contract outstanding as at 30th June, 2003. Short-term borrowings denominated in foreign currencies other than United States Dollars were used to finance assets purchased in the same currencies.

#### PURCHASE, SALE AND REDEMPTION OF SHARES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months to 30th June, 2003.

#### DIRECTORS' INTEREST IN SHARES

As at 30th June, 2003, the interests of the directors of the Company in the shares as recorded in the register maintained under Section 352 of the Securities and Future Ordinances ("SFO") were as follows:

Name of director	Number of Shares held		% of the issued Share capital
	Personal Interest	Corporate Interest	
Leung Shu Wing	184,691,075	—	41.457%
Yuen Tin Fan, Francis	—	26,984,000 (Note 1)	6.057%
Yuen Tin Fan, Francis	—	74,770,000 (Note 2)	16.783%
Leung Miu King	20,434,000	—	4.587%
Kwan Hing Hin, Stephen	5,000,000	—	1.122%
Wong Chi King	767,000	—	0.172%
Wong Choi Ying	9,500	—	0.002%

Note:

- 26,984,000 shares in the Company are owned by Tien Fung Hong Group Limited, a company which is 60% owned by Mr. Yuen Tin Fan, Francis.
- 74,770,000 shares in the company are owned by T F Yuen Trust. Mr. Yuen Tin Fan is a person who has set up the T F Yuen Trust.

The personal beneficial interests of the directors in the non-voting preferred shares of the Company's subsidiaries as at 30th June, 2003 were as follows:

Name of subsidiary	Name of director	Number of non-voting preferred shares
Kee Shing Hardware Supplies Limited	Wong Chi Kin	400,000
Kee Shing Industrial Products Limited	Leung Shu Wing	7,000
	Kwan Hin Hing, Stephen	2,000
Sam Wing International Limited	Leung Shu Wing	19,440

Other than the interest disclosed above, none of the directors nor the chief executives of the Company were interested or had any short position in any shares or underlying shares of the Company and its associated corporation as at 30th June, 2003.

#### **SUBSTANTIAL SHAREHOLDERS' INTERESTS**

As at 30th June, 2003, other than the interests disclosed above in respect of the directors' interest, the Company was not notified of any interests in more than 5% of the issued share capital of the Company as recorded in the register maintained under section 336 of the SFO, and no person was interested in or had a short position in the shares or underlying shares which would fall to be disclosed to the Company under section 336 the SFO.

#### **CORPORATE GOVERNANCE**

None of the directors is aware of information that would reasonably indicate that the Company is not or was not for any part of the six months ended 30th June, 2003, in compliance with the Code of Best Practice set out in Appendix 14 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited.

By Order of the Board

**LEUNG SHU WING**

*Chairman*

Hong Kong, 29th August, 2003

**INDEPENDENT REVIEW REPORT  
TO THE BOARD OF DIRECTORS OF KEE SHING (HOLDINGS) LIMITED**  
奇盛(集團)有限公司  
(incorporated in Hong Kong with limited liability)

**INTRODUCTION**

We have been instructed by the Company to review the interim financial report set out on pages 3 to 10.

**RESPECTIVE RESPONSIBILITY OF DIRECTORS AND AUDITORS**

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**REVIEW WORK PERFORMED**

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagement to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

**REVIEW CONCLUSION**

On the basis of our review, which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2003.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

Hong Kong, 29th August, 2003