

1. Accounting Policies

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of certain investments in securities.

The interim financial report has been prepared in accordance with the Statement of Standard Accounting Practice 25 “Interim financial reporting” (“SSAP 25”) issued by the Hong Kong Society of Accountants, except that comparative figures are not presented for the condensed consolidated statement of recognised gains and losses nor for the condensed consolidated cash flow statement, being the first interim financial report relating to accounting periods ended on or after 1 July 2000. Such departure from SSAP 25 is permitted under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In the current period, the Group has adopted a number of new Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants for the first time. The only SSAP that has an impact on these condensed financial statements is SSAP 30 “Business combinations” (“SSAP 30”) issued by the Hong Kong Society of Accountants, which has a consequential impact on the accounting treatment for goodwill arising on the acquisition of associates. In adopting SSAP 30, the Group has elected to restate goodwill previously eliminated against reserves. Accordingly, the amount of such goodwill has been remeasured in accordance with the requirements of SSAP 30. Following the restatement, goodwill arising on the acquisition of associates in 2000 is presented within the carrying amount of interests in associates in the balance sheet, resulting in an increase in the Group’s net assets at 31 December 2000 of HK\$86,050,000. Such goodwill is amortised over its estimated useful life of not more than twenty years.

Accumulated amortisation in respect of goodwill between the date of acquisition of the relevant associate and the date of adoption of SSAP 30 should generally be recognised retrospectively. However, this effect of such change in accounting policy on the prior period results is not significant and, accordingly, no adjustment to the prior period results has been made.

Other than the effect of adoption of SSAP 30 on the goodwill arising on the acquisition of associates, the accounting policies adopted in these condensed financial statements are consistent with those followed in the Group’s annual audited financial statements for the year ended 31 December 2000.

2. Turnover and profits from operations

The Group's turnover and contribution to profit (loss) from operations analysed by principal activity and by geographic location are as follows:

	Six months ended 30 June			
	Turnover		Profit (loss)	
	2001	2000	2001	2000
	HK'000	HK'000	HK'000	HK'000
Business segments:				
Marketing consultancy service rendered	5,000	—	3,800	—
Sales of communication products	1,264	900	(4,035)	(4,327)
Metals trading	—	48,635	(8,075)	(9,473)
	<u>6,264</u>	<u>49,535</u>	<u>(8,310)</u>	<u>(13,800)</u>
Securities trading			<u>18,590</u>	<u>(64,573)</u>
			<u>10,280</u>	<u>(78,373)</u>
Geographical segments:				
Hong Kong	5,325	900	13,361	(64,823)
People's Republic of China, excluding Hong Kong	939	25,113	(3,081)	(6,996)
Korea	—	11,969	—	(3,334)
Others	—	11,553	—	(3,220)
	<u>6,264</u>	<u>49,535</u>	<u>10,280</u>	<u>(78,373)</u>

During the period, the Group did not receive any revenue generated from metals trading. In the opinion of the directors, the Group will continue the business of metals trading in the foreseeable future and accordingly the business of metals trading has not been presented as a discontinued operation.

3. Depreciation

During the period, depreciation of approximately HK\$128,000 (2000: HK\$128,000) was charged in respect of the Group's property, plant and equipment.

4. Taxation

The charge for the current period represents the share of overseas tax of a joint venture.

No provision for taxation has been made for the Group in the financial statements since the Group has no assessable profit for the period.

5. Loss per share

The calculation of basic loss per share is based on the net loss for the period of approximately HK\$2,952,000 (2000: HK\$77,447,000) and on the weighted average of 4,818,103,210 shares in issue (2000: 3,253,789,294).

Diluted loss per share figures are not presented for either the current or prior interim periods as the exercise price of the Company's warrants outstanding was higher than the average price of the Company's shares during both periods.

6. Interim Dividend

The Board of Directors has resolved not to declare any interim dividend for the six months ended 30 June 2001 (2000: Nil).

7. Additions to property, plant and equipment

During the period, the Group spent approximately HK\$984,000 (1 January 2000 to 31 December 2000: HK\$207,000) on acquisition of property, plant and equipment.

8. Interests in associates

	30 June 2001 <i>HK\$'000</i>	31 December 2000 <i>HK\$'000</i>
Share of net assets	228,098	218,839
Unamortised goodwill in respect of acquisition of associates	106,791	86,050
Loans due from associates	54,050	54,050
	<u>388,939</u>	<u>358,939</u>
Provision for loans due from associates	(54,050)	(54,050)
	<u>334,889</u>	<u>304,889</u>

9. Trade and other receivables

The Group has adopted the credit policy of allowing invoices to be payable within 180 days for the sales of communication products and 30 days for the metals trading from the date of issuance. The Group also allows longer credit period to its major customers.

An aged analysis of trade receivables is as follows:

	30 June 2001 <i>HK\$'000</i>	31 December 2000 <i>HK\$'000</i>
Not yet due	—	4,979
Overdue 0 - 60 days	69	—
Overdue over 90 days	2,194	—
	<u>2,263</u>	<u>4,979</u>

10. Trade and other payables

An aged analysis of trade payables is as follows:

	30 June 2001 <i>HK\$'000</i>	31 December 2000 <i>HK\$'000</i>
Not yet due	—	107
Overdue over 90 days	<u>355</u>	<u>—</u>
	<u><u>355</u></u>	<u><u>107</u></u>

11. Share capital

	Number of ordinary shares	Issued and fully paid share capital <i>HK\$'000</i>
Balance at 1 January 2001	4,698,693,818	469,869
Transfer to contributed surplus resulting from cancelling the paid up capital to the extent of HK\$0.09 on each issued share	—	(422,882)
Issue of shares by placements	<u>939,700,000</u>	<u>9,397</u>
Balance at 30 June 2001	<u><u>5,638,393,818</u></u>	<u><u>56,384</u></u>

Pursuant to a special resolution passed at the special general meeting held on 8 March 2001, the authorised share capital of the Company was reduced from HK\$2,000,000,000 to HK\$200,000,000 by cancelling the paid up capital to the extent of HK\$0.09 on each issued share in the Company and reducing the nominal value of the authorised and unissued share capital from HK\$0.10 each to HK\$0.01 each (the "Reorganisation"). Reserve arising from the Reorganisation was credited to the contributed surplus of the Company. The shareholders also approved that the authorised share capital of the Company was increased from HK\$200,000,000 to HK\$500,000,000 by the creation of an additional 30,000,000,000 ordinary shares of HK\$0.01 each. Such new shares rank pari passu in all respects with the then existing issued and unissued shares of HK\$0.01 each in the share capital of the Company.

On 30 May 2001, the Company entered into agreement with a placing agent for the placement of 939,700,000 ordinary shares of HK\$0.01 each in the Company at a price of HK\$0.022 per share. The placement was completed on 7 June 2001 and these shares rank pari passu in all respects with the then existing shares of the Company. The net proceeds of the placement was applied for general working capital purposes.

12. Reserves

	Share Premium HK\$'000	Contributed surplus HK\$'000	Translation reserve HK\$'000	Capital reserve HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1 January 2000	70,198	—	276	802	—	(40,838)	30,438
Share premium arising from issue of shares, net of expenses	11,757	—	—	—	—	—	11,757
Share premium arising from exercise of warrants	1	—	—	—	—	—	1
Realised on disposal of subsidiaries	—	—	(276)	—	—	—	(276)
Share of reserve movements of associate	—	—	—	—	2,799	—	2,799
Net loss for the year	—	—	—	—	—	(189,080)	(189,080)
Balance at 31 December 2000 and 1 January 2001	81,956	—	—	802	2,799	(229,918)	(144,361)
Share premium arising from issue of shares, net of expenses	10,759	—	—	—	—	—	10,759
Contributed surplus arising from the Reorganisation	—	422,882	—	—	—	—	422,882
Share of reserve movements of an associate	—	—	—	—	842	—	842
Share of reserve movements of joint ventures	—	—	8	—	—	—	8
Net loss for the period	—	—	—	—	—	(2,952)	(2,952)
Balance at 30 June 2001	92,715	422,882	8	802	3,641	(232,870)	287,178

13. Related Party Transactions

During the period, the Group paid rentals of approximately HK\$228,000 (2000: HK\$228,000) for hiring motor vehicles from Very Nice Development Limited and Bonnie International Development Limited. Mr. Chiu Tao and Mr. Yeung Kwok Yu are directors of the Company and have beneficial interests in Very Nice Development Limited and Bonnie International Development Limited.

The above transactions were carried out after negotiations between the Group and the related parties with reference to the estimated market value.

14. Post balance sheet events

Subsequent to 30 June 2001, the following significant events took place:

- (a) On 30 May 2001, the Company entered into an agreement (the “Agreement”) with a placing agent for the placement of convertible notes issued by the Company up to an aggregate principal amount of HK\$60,000,000 (the “Convertible Notes”). The Convertible Notes may be converted into ordinary shares of the Company at any time prior to the maturity date at the relevant conversion price (subject to adjustment, arising from certain events stated in the Agreement, in accordance with the relevant provisions in the Agreement). The principal terms of the Convertible Notes are set out in the circular dated 8 June 2001 issued by the Company and the issue of the Convertible Notes was approved by the shareholders of the Company at the special general meeting held on 26 June 2001. The placement of the Convertible Notes was completed on 3 July 2001.

The net proceeds of the placement of Convertible Notes was applied for the repayment of short term loan of HK\$40,000,000 and for general working capital purposes.

- (b) On 9 July 2001, the Company announced that the Company proposed to place 1,127,600,000 ordinary shares of HK\$0.01 each in the Company at a price of HK\$0.048 per share. The placement was completed on 19 July 2001. The net proceeds of the placement was applied for general working capital purposes.