

INTERIM DIVIDEND

The Directors do not intend to declare any interim dividend for the six months ended 31 October 2000 (1999: Nil).

BUSINESS REVIEW

Financial Services

The bubble of the Hong Kong tech stocks finally burst during the period under review. Impacted by the correction of the US stock market, particularly the NASDAQ, most if not all the equity prices of the Hong Kong tech stocks collapsed. The irrational exuberance of the equity market was finally brought to a halt by the rising US interest rates and concerns over corporate profit. The bear has once again taken hold of the Hong Kong securities market in its usual stealthy way.

With shell-shocked investors sitting on the sideline, turnover of the Group's stockbroking division reduced considerably under the circumstances. Average monthly commission contracted by about 50% when compared to the six months preceding the period under review. However, the efficiency and cost cutting measures adopted by the stockbroking division affirmed the competitiveness of the operation.

During the period under review, the Group realised a profit of about HK\$40 million through the sale of the shares in Hong Kong Exchange and Clearing Limited (stock code 388). The remaining 388 shares held by the Group as long term investment amounts to about HK\$36 million as at the period end.

In margin financing, the stockbroking division adopted a prudent policy and provided only financing up to about 25% of the market value of the securities pledged.

With respect to the bullion division, trading activities remained slow with the bullion price flat most of the time. It was difficult to attract new funding into the market given that most investors were anticipating a downturn of the world economy. Against the backdrop of this unfavourable market condition, the bullion division decided in late October to branch out into the manufacturing sector by producing gold bars for jewelers. It remains to be seen if this new venture will enhance the revenue mix of the operation.

Base Metals

Due to the drop in profit margin in metal trading, the Group reorganized the metal business and focused on value added services and manufacturing instead. Aluminium smelter investments continue to contribute positively to the Group's earnings.

The Group has completed the construction of its own concentration plant for Nickel mining in July this year. Although start-up of the plant encountered interruptions on the test run, it has solved all the technical problems and started normal production and was able to produce a minor contribution to the Group's earnings thereafter.

During the period under review, the precious metals export business slowed down substantially due to change of policy in the PRC. The Group captured the opportunity and successfully formed a joint venture company with 成都印钞厂 (Chengdu Bank Note Printing Corporation) to process and produce precious metal products. The Group expects a healthy recovery in the precious metals business soon.

PROSPECTS

The Group was pleased to witness the birth of its automated securities trading mechanism in the second half of year 2000. In fact, when the Stock Exchange officially opened its AMS3 online system to the public for internet trading on 10 November 2000, our stockbroking division was one of the few local brokers which managed to register zero down time on that launching date. In return, the Group recorded a steady increase of new clients who are interested to execute their transactions on their own via the Group's online securities trading facilities developed and operated by HK Stock Limited in which the Group has approximately 5% equity interest.

Notwithstanding this initial success, the Group understands that it must keep pace with technological innovations all the time. To depend upon its online trading platform solely on a PC based technology could prove to be shortsighted, and run the risk of being sidelined by more advanced wireless technology. In this connection, the Group will explore the possibilities of participating in the development of wireless communication devices with multi-functions and broadband applications with value added services.

An associate of the Group in China has an exclusive right in providing software development services and database services to the securities portal namely "colstock.com" and its clients. Clients can now access the portal at home or via the Internet facilities at seventy cybercafes in Shanghai and Nanjing, which are contracted to promote the portal.

In Taiwan, installations of hardware facilities for the satellite based VSAT (Very Small Aperture Terminate) system will begin soon. Once all the equipments are in place, the Group's subsidiary in Taiwan plans to commence operation of an external fixed telecommunication network by the last quarter of 2001.

The Management is confident about the prospects for the Nickel mining business and will increase its overall production capacity during year 2001. The Group will seek opportunities to increase new smelting and refining capacity by co-operating with new strategic partners.

CONCLUSION

The burst of the technology strucks bubble may have temporarily impacted the bottom line of the Group's securities broking division but it sharpened the competitive edge of the Group and new technology has opened up more opportunities for the Group's online trading business at the same time. By way of vertical integration, the Group now has operated an investment in accessing raw financial data, content, portal, satellite-based carrier, wireless technology as well as the know-how of a securities broker to compliment the convergence. The mission in becoming one of the dominant players in e-Finance remains unchanged.