



## INTERIM FINANCIAL STATEMENTS

The Directors of Ocean Grand Holdings Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2001 together with the comparative figures for the corresponding period in 2000 as follows:

### Condensed Consolidated Income Statement – unaudited

		For the six months ended 30th June	
	Note	2001 HK\$'000	2000 HK\$'000
<b>Turnover</b>	2	<b>453,966</b>	396,294
Cost of sales		<b>(367,006)</b>	(309,948)
Gross profit		<b>86,960</b>	86,346
Other revenue	2	<b>1,575</b>	956
Other net income		<b>107</b>	866
Gain on disposal of investment		<b>21,141</b>	–
Distribution and selling expenses		<b>(3,800)</b>	(4,507)
General and administrative expenses		<b>(21,852)</b>	(28,256)
<b>Profit from operations</b>		<b>84,131</b>	55,405
Finance costs		<b>(4,169)</b>	(1,008)
Share of results of associates		<b>1,044</b>	(874)
<b>Profit from ordinary activities before taxation</b>	3	<b>81,006</b>	53,523
Taxation	4	<b>(15,484)</b>	(7,553)
<b>Profit from ordinary activities after taxation</b>		<b>65,522</b>	45,970
Minority interests		<b>(3,114)</b>	(2,937)
<b>Net profit attributable to shareholders</b>		<b>62,408</b>	43,033
Dividends	5	–	–
<b>Retained profit for the period</b>		<b>62,408</b>	43,033
<b>Earnings per share</b>	6		
– Basic		<b>HK1.69 cents</b>	HK1.29 cents
– Diluted		<b>HK1.68 cents</b>	HK1.25 cents


**Condensed Consolidated Statement of Recognised Gains and Losses – unaudited**

	<b>For the six months ended 30th June</b>	
	<b>2001 HK\$'000</b>	<b>2000 HK\$'000</b>
Net gains not recognised in the consolidated income statement:		
Surplus on revaluation of land and buildings	–	–
Net profit attributable to shareholders	<b>62,408</b>	43,033
<b>Total recognised gains</b>	<b>62,408</b>	43,033



### Condensed Consolidated Balance Sheet

	Note	At 30th June 2001 (Unaudited) HK\$'000	At 31st December 2000 (Audited) HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets		295,471	301,152
Interests in associates		136,169	4,787
		<b>431,640</b>	305,939
<b>Current assets</b>			
Inventories		46,511	36,986
Trade and other receivables	7	234,153	197,420
Investment pending disposal		–	98,848
Pledged deposits		5,000	5,000
Cash and cash equivalents		171,252	141,855
		<b>456,916</b>	480,109
<b>Current liabilities</b>			
Short-term bank borrowings		75,074	68,774
Trade and other payables	8	79,823	44,415
Current portion of long-term interest-bearing borrowings		600	600
Current portion of obligations under finance leases		2,632	2,814
Taxation		9,732	14,210
Dividend payable		7,409	7,409
		<b>175,270</b>	138,222
<b>Net current assets</b>		<b>281,646</b>	341,887
<b>Total assets less current liabilities</b>		<b>713,286</b>	647,826
<b>Non-current liabilities</b>			
Long-term bank borrowings		3,200	3,500
Obligation under finance leases		4,981	4,457
<b>Total non-current liabilities</b>		<b>8,181</b>	7,957
<b>Minority interests</b>		<b>12,393</b>	12,122
<b>NET ASSETS</b>		<b>692,712</b>	627,747
<b>CAPITAL AND RESERVES</b>			
Issued capital	9	370,452	369,033
Reserves		322,260	258,714
		<b>692,712</b>	627,747



### Condensed Consolidated Cash Flow Statement – unaudited

	For the six months ended 30th June 2001 HK\$'000
Net cash inflow from operating activities	40,633
Net cash outflow from returns on investments and servicing of finance	(5,437)
Tax paid	(19,962)
Net cash inflow from investing activities	187
Net cash inflow before financing	15,421
Net cash inflow from financing	12,168
Increase in cash and cash equivalents	27,589
Effect of foreign exchange rate changes	(19)
Cash and cash equivalents at beginning of the period	136,553
Cash and cash equivalents at end of the period	164,123
Analysis of cash and cash equivalents	
Bank balances and cash	171,252
Bank overdrafts, secured	(7,129)
	164,123

## Notes to Interim Financial Statements

### 1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements are unaudited, but has been reviewed by the audit committee of the group.

The condensed consolidated interim financial statements have been prepared in accordance with Appendix 16 of the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants except that the comparative figures of the condensed consolidated cash flow statement have not been presented as the Company has taken advantage of the transitional provisions set out in the Listing Rules.

The same accounting policies adopted in preparing the Company's annual financial statements for the year ended 31st December 2000 have been applied to the condensed consolidated interim financial statements.



## 2. TURNOVER, REVENUE AND SEGMENTAL INFORMATION

Turnover and revenue recognised by category are analysed as follows:

	For the six months ended 30th June	
	2001 HK\$'000	2000 HK\$'000
<b>Turnover</b>		
Sale of goods	443,018	386,594
Subcontracting fees	10,948	9,700
	453,966	396,294
<b>Other revenue</b>		
Interest income	1,575	956
<b>Revenue</b>	455,541	397,250



The analysis of the principal product range and geographical locations of the operations of the Group during the period are as follows:

	For the six months ended 30th June		For the six months ended 30th June	
	Turnover		Contribution to profit From operations	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
<i>By principal activities</i>				
Sale of aluminium extrusion products and aluminium ingots	<b>386,922</b>	355,871	<b>49,060</b>	43,542
Sale of chemicals for electroplating and refining gold material	<b>56,096</b>	30,723	<b>10,248</b>	7,632
Subcontracting fees	<b>10,948</b>	9,700	<b>2,000</b>	2,409
Other activities	–	–	<b>22,823</b>	1,822
	<b>453,966</b>	396,294	<b>84,131</b>	55,405
<i>By geographical markets</i>				
Mainland China	<b>289,687</b>	293,244	<b>38,634</b>	37,102
Hong Kong	<b>131,418</b>	63,992	<b>41,330</b>	13,524
Foreign trade corporations in Mainland China for export to overseas markets	<b>32,861</b>	39,058	<b>4,167</b>	4,779
	<b>453,966</b>	396,294	<b>84,131</b>	55,405



### 3. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging:

	For the six months ended 30th June	
	2001 HK\$'000	2000 HK\$'000
Staff costs	10,710	7,822
Cost of inventories	347,293	282,588
Depreciation:		
Owned assets	8,861	7,752
Assets held under finance leases	250	81

### 4. TAXATION

	For the six months ended 30th June	
	2001 HK\$'000	2000 HK\$'000
Company and subsidiaries:		
Hong Kong Profits Tax:		
Current period	230	–
Underprovision in prior years	–	6
Overseas taxation	15,254	7,547
	15,484	7,553

The Company is exempted from taxation in Bermuda until March 2016.

Hong Kong Profits Tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the period.

For six months ended 30th June 2001, Mainland China enterprise income taxes for Nanhai Xingye Shaped Bronze & Aluminium Products Company Limited was provided at 27% on its estimated taxable income.



## 5. INTERIM DIVIDENDS

The Directors have resolved not to pay an interim dividend for the six months ended 30th June 2001 (2000: Nil).

## 6. EARNINGS PER SHARE

The calculation of basic earnings per share for the six month ended 30th June 2001 was based on the consolidated profit attributable to shareholders of approximately HK\$62,408,000 (2000: HK\$43,033,000) and on the weighted average number of 3,701,796,654 shares (2000: 3,339,898,938 shares).

The calculation of diluted earning per share was based on the consolidated profit attributable to shareholders of approximately HK\$62,408,000 (2000: HK\$43,033,000) and the diluted weighted average of 3,705,905,115 shares (2000: 3,439,152,831 shares). It has been calculated after taking into account of all dilutive instruments. The effect of the dilutive potential ordinary shares resulting from the outstanding share options on the weighted average number of shares in issue during the six months ended 30th June 2001 was 1,382,892 shares (2000: 99,253,893 shares), which were deemed to be issued at no consideration if all outstanding share options have been exercised on the date when the options were granted. For the period ended 30th June 2001, the effect of the dilutive potential ordinary shares resulting for the outstanding warrants was not considered because it was anti-dilutive.

## 7. TRADE AND OTHER RECEIVABLES

	At 30th June 2001 HK\$'000	At 31st December 2000 HK\$'000
<b>Trade receivables</b>		
From third parties	229,923	187,490
<b>Other receivables</b>		
Deposits, prepayment and other debtors	4,230	9,697
Due from a related company	–	233
	4,230	9,930
	234,153	197,420



Majority of the Group's turnover is on open account terms. The remaining balances of turnover are on cash on delivery and on letter of credit terms. The ageing analysis of trade receivables is as follows:

	<b>At 30th June 2001 HK\$'000</b>	At 31st December 2000 HK\$'000
Current (within 2 months)	<b>131,889</b>	143,485
2 to 3 months	<b>47,509</b>	33,448
More than 3 months but less than 12 months	<b>50,525</b>	10,557
	<b>229,923</b>	187,490

#### 8. TRADE AND OTHER PAYABLES

	<b>At 30th June 2001 HK\$'000</b>	At 31st December 2000 HK\$'000
<b>Trade payables</b>		
To third parties	<b>4,661</b>	4,247
<b>Bills payable</b>	<b>24,965</b>	1,682
<b>Other payables</b>		
Accrued charges and other creditors	<b>40,732</b>	35,486
Due to a related company	<b>6,465</b>	–
Other short-term borrowings	<b>3,000</b>	3,000
	<b>50,197</b>	38,486
	<b>79,823</b>	44,415

The ageing analysis of trade payables is as follows:

	<b>At 30th June 2001 HK\$'000</b>	At 31st December 2000 HK\$'000
Current (within 1 month)	<b>4,648</b>	4,235
More than 3 months but less than 12 months	<b>13</b>	12
	<b>4,661</b>	4,247



## 9. ISSUED CAPITAL

	At 30th June 2001		At 31st December 2000	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
<b>Authorised:</b>				
Ordinary shares of HK\$0.10 each	<b>10,000,000</b>	<b>1,000,000</b>	10,000,000	1,000,000
<b>Issued and fully paid:</b>				
At beginning of period/year	<b>3,690,330</b>	<b>369,033</b>	2,792,097	279,210
Issue of ordinary shares	–	–	325,000	32,500
Issued upon exercise of warrants	<b>20,000</b>	<b>2,000</b>	417,733	41,773
Issued upon exercise of share options	–	–	155,500	15,550
Share repurchase	<b>(5,808)</b>	<b>(581)</b>	–	–
At balance sheet dates	<b>3,704,522</b>	<b>370,452</b>	3,690,330	369,033

## 10. WARRANTS

On 28th August 2000, the Company issued 630,000,000 units of warrants at a price of HK\$0.04 per unit. Each warrant is entitled to subscribe 1 share of the Company at a subscription price of HK\$0.16 per share. The warrants are exercisable during the period from 28th August 2000 to 31st December 2001.

## 11. SHARE OPTIONS

The Company has a share option scheme, under which it may grant options to employees (including executive directors of the Company) to subscribe for shares in the Company, subject to a maximum of 10% of the nominal value of the issued share capital of the Company from time to time excluding for this purpose shares issued on exercise of options. The subscription price will be determined by the Company's board of directors, and will be the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares quoted on the Stock Exchange on the five trading days immediately preceding the date of offer of the options.



Movements of share options during the six months ended 30th June 2001 were:

Date of grant	Exercise period	Subscription price HK\$	Number of shares				As at 30th June 2001 '000
			As at 1st January 2001 '000	Granted during the period '000	Exercised during the period '000	Lapsed '000	
27th March 1998	27th March 1998 to 3rd September 2007	0.12	5,000	–	–	–	5,000
3rd May 2000	2nd May 2000 to 3rd September 2007	0.1128	9,000	–	–	–	9,000
			14,000	–	–	–	14,000

## 12. CONTINGENT LIABILITIES

Contingent liabilities not provided for in the financial statements were as follows:

	At 30th June 2001 HK\$'000	At 31st December 2000 HK\$'000
Corporate guarantees given by the Company in respect of banking facilities of its subsidiaries	155,440	108,740

## 13. BANKING FACILITIES AND PLEDGE OF ASSETS

As at 30th June 2001, the Group had aggregate banking facilities of approximately HK\$155,440,000 (2000: HK\$108,740,000), comprising (i) approximately HK\$5,200,000 (2000: HK\$5,200,000) for installment loans, and (ii) approximately HK\$150,240,000 (2000: HK\$103,540,000) for bank overdrafts, short-term loans and trade financing. Unused facilities as at the same date amounted to approximately HK\$83,260,000 (2000: HK\$35,866,000).

The banking facilities of the Group were secured by a corporate guarantee provided by the Company, a floating charge on the bank balances of a subsidiary as at 30th June 2001 amounted to HK\$5,000,000 (2000: HK\$5,000,000), and pledge of properties with net book value of approximately HK\$8,932,000 (2000: HK\$8,947,000).

## 14. COMPARATIVE FIGURES

Due to the adoption of revised SSAPs during the current period, the presentation of the income statement has been revised to comply with the new requirements. Accordingly, certain comparative figures have been reclassified to conform with the current period's presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

Ocean Grand recorded remarkable results in the six months ended 30th June 2001. The Group employs a balanced business strategy with emphasis on enhancement of product quality, and industry, geographic and product diversity. This diversification has enabled the Group to reduce cyclical risk and maintain consistent financial performance. Leveraging its industry-wide customer base and management insight, the Group has diversified its metal-related business to stainless steel production, further capturing opportunities in the construction market in Hong Kong and the PRC.

For the six months ended 30th June 2001, the Group recorded turnover of HK\$453,966,000, a rise of over 14.5% against the same period last year. Profit attributable to shareholders surged 45% to HK\$62,408,000, compared to HK\$43,033,000 the same period last year. Earnings per share was HK1.69 cents, representing an increase of 31% compared with that of the same period last year (2000: HK1.29 cents).

### Aluminium Extrusion Materials

Manufacturing and sale of aluminium extrusion materials remains the core business of Ocean Grand, and its subsidiary, Nanhai Xingye Shaped Bronze & Aluminium Products Co. Ltd. ("Nanhai Xingye") received high acclaims from industry players, affirming its leading position in the aluminium industry. It grew satisfactorily and provided stable income to the Group. In the review period, this business segment accounted for over 63% of the Group's turnover.

During the period under review, the construction industry in the PRC has seen prominent growth. The PRC has long been a major market of the Group, which has the support of a dedicated sales and marketing team, a well-established customer base to capture the growing market demand. In the first half of year 2001, sales to the PRC and Hong Kong contributed 66% and 25% respectively to the turnover.

As a result of the active promotion by the Construction Ministry of the PRC, the demand for aluminium extrusion products recorded constant growth. To capture the soaring demand, the Group has been improving its product quality. In addition, the Group strives to broaden the application for its products, further enlarging its customer base.

The Group is committed to exploring overseas market and diversifying market niches in the developed countries with high consumption of aluminium construction materials. More recently, the Group has also been promoting aluminium extrusion materials in developing countries like Mauritius, where the demand for building materials is growing at rocketing speed.