



NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

1. Accounting policies

The unaudited condensed interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants, and Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2000.

2. Principal activities and geographical analysis of operations

Unaudited Six months ended 30 June				
	2001		2000	
	Turnover HK\$'000	Results HK\$'000	Turnover HK\$'000	Results HK\$'000
(a) <i>By activities</i>				
Metal trading	1,262,659	13,763	1,035,670	21,850
Metal manufacturing	103,427	7,584	113,402	10,981
Property development	56,310	24,281	20,262	2,603
Property investment	4,962	3,353	4,245	2,603
Metal exchange portals	21,169	8,285	4,657	(7,977)
Others	520	(1,389)	776	(1,358)
	<u>1,449,047</u>	<u>55,877</u>	<u>1,179,012</u>	<u>28,702</u>
Other revenue		370		353
Administrative expenses		(14,531)		(11,112)
Other items (see note (c))		(2,344)		1,326
		<u>39,372</u>		<u>19,269</u>
(b) <i>By geographical regions</i>				
China				
(excluding Hong Kong)	1,312,482	37,667	699,573	22,864
Hong Kong	23,268	5,595	59,128	745
Asia (excluding China)	45,758	4,991	373,643	7,703
Europe	22,872	1,057	28,048	(2,287)
Australia	29,813	6,376	11,052	(457)
Others	14,854	191	7,568	134
	<u>1,449,047</u>	<u>55,877</u>	<u>1,179,012</u>	<u>28,702</u>
Other revenue		370		353
Administrative expenses		(14,531)		(11,112)
Other items (see note (c))		(2,344)		1,326
		<u>39,372</u>		<u>19,269</u>



2. Principal activities and geographical analysis of operations (continued)

		Unaudited Six months ended 30 June	
		2001	2000
		Turnover HK\$'000	Results HK\$'000
		Turnover HK\$'000	Results HK\$'000
(c) Other items			
Investment loss	(2,344)		(1,711)
Gain on disposal of subsidiary	–		1,920
Exchange gain in Japanese Yen loans	–		1,117
	(2,344)		1,326

3. Profit from operations

		Unaudited Six months ended 30 June	
		2001 HK\$'000	2000 HK\$'000
Profit from operations is stated after charging:			
Depreciation of fixed assets	6,983		7,550
Amortisation of intangible assets	1,424		118
Loss on disposal of investments	2,827		3,974
Loss on disposal of fixed assets	1,087		8

4. Taxation

		Unaudited Six months ended 30 June	
		2001 HK\$'000	2000 HK\$'000
Companies and subsidiaries – current			
– Hong Kong profits tax	(965)		–
– Overseas taxation	(1,317)		(842)
	(2,282)		(842)

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits for the six months period. Overseas taxation has been calculated on the estimated assessable profits for the six months period at the rates prevailing in the respective jurisdictions.



5. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	Unaudited	
	Six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
Earnings for the purposes of basic and diluted earnings per share	15,081	10,038
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	913,443,310	877,888,299
Effect of dilutive share options	6,741,399	16,724,807
Weighted average number of ordinary shares for the purposes of diluted earnings per share	920,184,709	894,613,106

6. Bills and accounts receivable

Consideration in respect of sold properties are payable by the purchasers pursuant to the terms of the sale and purchase agreement. Sales of goods and commission income from metal trading are on normal terms payable within three months by the customers. Rental in respect of leased properties are payable by the tenants on monthly basis. The ageing analysis of bills and accounts receivable is as follows:

	Unaudited	Audited
	30 June	31 December
	2001	2000
	HK\$'000	HK\$'000
Within three months	595,601	636,628
Over three months but within six months	80,859	1,008
Over six months	12,177	6,780
	688,637	644,416



7. Bills and accounts payable

The ageing analysis of bills and accounts payable is as follows:

	Unaudited 30 June 2001 HK\$'000	Audited 31 December 2000 HK\$'000
Within three months	426,919	408,221
Over three months but within six months	5,154	157,650
Over six months	—	224
	<u>432,073</u>	<u>566,095</u>

8. Share capital of the Company

	Unaudited Number of shares '000	HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each	<u>1,200,000</u>	<u>120,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.1 each		
Beginning of period	911,676	91,167
Shares issued for acquisition of an investment (a)	30,000	3,000
Shares issued under share option schemes	3,759	376
Conversion of convertible bonds into shares (b)	7,476	748
Repurchase of shares	<u>(21,332)</u>	<u>(2,133)</u>
End of period	<u>931,579</u>	<u>93,158</u>

- (a) In May 2001, the Company allotted and issued 30,000,000 ordinary shares as consideration for the acquisition of 15% interest in Best Praise Holdings Limited, a company incorporated in the British Virgin Islands and engaged in financial management computer software business.
- (b) During the period, convertible bonds in the total principal amount of US\$600,000 (approximately HK\$4,680,000) were converted into shares.



9. Reserves

	Unaudited 30 June 2001 HK\$'000	Audited 31 December 2000 HK\$'000
Share premium account		
Beginning of period/year	359,287	333,406
Shares placement	–	37,800
Shares issued for acquisition of an investment	24,000	–
Shares issued under share option schemes	1,374	11,028
Conversion of convertible bonds into shares	3,630	–
Expenditure on shares issued	(72)	(830)
Repurchase of shares	(2,652)	(22,117)
End of period/year	385,567	359,287
Exchange fluctuation		
Beginning of period/year	(2,961)	1,167
Deficit on translation of financial statements of overseas subsidiaries	(1,955)	(4,128)
End of period/year	(4,916)	(2,961)
Investment properties revaluation		
Beginning of period/year	5,063	2,776
Surplus on revaluation	–	7,004
Released on disposal	–	(4,717)
End of period/year	5,063	5,063
	385,714	361,389

10. Related party transactions

- During the period, commission income received and receivable from a related party amounted to HK\$13,290,970 (2000: Nil). The commission income was based on commission rate ranging from 0.5% to 1.5% of trading transactions and were determined under arm's length negotiation and current market rate.
- During the period, consultation income received and receivable from a related party amounted to HK\$2,102,803 (2000: Nil). The consultation income was RMB500,000 per month, which was based on consultancy services agreement and was determined under arm's length negotiation and market rate.
- During the period, interest free loans with no fixed terms of repayment from related parties amounted to HK\$1,390,000 (2000: HK\$724,000).



11. Subsequent event

On 1 July 2001, an agreement was made between the Company and the convertible bondholders whereby the Company would pay US\$5,000,000 to redeem all the outstanding convertible bonds, the aggregate principal amount of which was US\$3,400,000.

12. Contingent liabilities

	Unaudited 30 June 2001 HK\$'000	Audited 31 December 2000 HK\$'000
Guarantee for general banking facilities granted to an associate	<u>26,930</u>	<u>24,930</u>

13. Comparative figures

Certain comparative figures have been reclassified to conform to current period's presentation. In particular, the comparative figures have been adjusted or expanded to take into the revised SSAP No.1, "Presentation of Financial Statements" issued by the Hong Kong Society of Accountants and Appendix 16 of the Listing Rules "Disclosure of Financial Information" issued by the Stock Exchange which became effective in prior year.