東方有色集團有限公司

ONFEM HOLDINGS LIMITED

2001

INTERIM REPORT

UNAUDITED INTERIM RESULTS

The Board of Directors of ONFEM Holdings Limited ("the Company") herewith announce the unaudited consolidated results of the Company and its subsidiaries ("the Group") as at and for the six months ended 30 June 2001 together with comparative figures of the corresponding period in 2000. These interim results have not been audited but have been reviewed by the audit committee. The Company's auditors have performed a limited review on certain specific areas of these interim results.

CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June 2001 (Unaudited) HK$'000	2000 (Unaudited) HK$'000
TURNOVER	2	**128,264**	152,036
Cost of sales		**(98,035)**	(115,906)
GROSS PROFIT		**30,229**	36,130
Other revenues		**18,310**	18,603
Distribution costs		**(880)**	(3,446)
Administrative expenses		**(89,408)**	(66,740)
Other operating expenses		**(797)**	(834)
Provision for impairment in value of non-trading securities		**(131,300)**	—
(Deficit) Surplus on revaluation of investment properties		**(13,300)**	19,300
(LOSS) PROFIT FROM OPERATIONS	3	**(187,146)**	3,013
Finance costs		**(5,980)**	(6,719)
LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION		**(193,126)**	(3,706)
Taxation	4	**(920)**	(34)
LOSS FROM ORDINARY ACTIVITIES AFTER TAXATION		**(194,046)**	(3,740)
Minority interests		**1,804**	10,892
(LOSS) PROFIT ATTRIBUTABLE TO SHAREHOLDERS		**(192,242)**	7,152
Basic (loss) earnings per share (cents)	6	**(24.90)**	0.93

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

	Six months ended 30 June	
	2001	2000
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Deficit on revaluation of non-trading securities charged to reserve	**–**	(8,034)
Exchange differences on translation of the financial statements of overseas subsidiaries	**140**	230
Net gain (loss) not recognised in the income statement	**140**	(7,804)
Net (loss) profit for the period	**(192,242)**	7,152
Total recognised gains and losses	**(192,102)**	(652)

CONSOLIDATED BALANCE SHEETS

	Notes	**As at 30 June 2001 (Unaudited) *HK$'000***	As at 31 December 2000 (Audited) *HK$'000* *(Note 1)*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*7*	**306,641**	325,289
Non-trading securities	*8*	**43,366**	155,973
Other assets		**1,837**	1,837
		351,844	483,099
Current assets			
Inventories		**222,555**	200,012
Loan to intermediate holding company		**28,101**	27,101
Amounts due from fellow subsidiaries		**70**	11
Amounts due from minority shareholders		**—**	10,021
Trade and other receivables	*9*	**260,141**	252,398
Gross amounts due from customers for contract work		**82,931**	121,887
Trading securities		**21,591**	18,850
Pledged deposits		**140,955**	118,516
Cash and bank deposits		**269,053**	364,851
		1,025,397	1,113,647
Current liabilities			
Amount due to intermediate holding company		**6**	1,705
Amounts due to fellow subsidiaries		**—**	307
Amount due to a minority shareholder		**23,497**	23,481
Trade and other payables	*10*	**181,199**	229,565
Gross amounts due to customers for contract work		**52,980**	38,323
Current portion of obligations under finance leases		**307**	83
Provision for taxation		**18,894**	19,663
Short-term borrowings		**185,855**	189,729
		462,738	502,856

	Notes	As at 30 June 2001 (Unaudited) HK$'000	As at 31 December 2000 (Audited) HK$'000 (Note 1)
Net current assets		**562,659**	610,791
Total assets less current liabilities		**914,503**	1,093,890
Non-current liabilities			
Long-term borrowings		**34,674**	40,092
Other liabilities		**2,398**	2,398
		37,072	42,490
Minority interests		**58,134**	58,684
NET ASSETS		**819,297**	992,716
CAPITAL AND RESERVES			
Issued capital	*11*	**77,218**	77,218
Reserves	*12*	**742,079**	915,498
		819,297	992,716

CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June 2001 (Unaudited) *HK$'000*
Net cash outflow from operating activities	**(91,696)**
Returns on investments and servicing of finance	**7,510**
Tax paid	**(769)**
Investing activities	**(3,141)**
Net cash outflow before financing activities	**(88,096)**
Financing activities	**(43,217)**
Decrease in cash and cash equivalents	**(131,313)**
Effect of foreign exchange rate changes	**140**
Cash and cash equivalents at the beginning of period	**317,213**
Cash and cash equivalents at the end of period	**186,040**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1 Basis of preparation

The unaudited consolidated interim financial statements have been prepared in accordance with the principle accounting policies set out in the Company's 2000 annual report and comply with Statement of Standard Accounting Practice 25 issued by the Hong Kong Society of Accountants and disclosure requirements set out in Appendix 16 of the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except that no comparative figure for the cash flow statement is presented as it is specifically allowed as set out in Appendix 16 of the Listing Rules.

These interim financial statements should be read in conjunction with the 2000 annual financial statements. The accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2000 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2001:

SSAP 9 (revised):	Events after the balance sheet date
SSAP 14 (revised):	Leases (effective for periods commencing on or after 1 July 2000)
SSAP 28:	Provisions, contingent liabilities and contingent assets
SSAP 29:	Intangible assets
SSAP 30:	Business combinations
SSAP 31:	Impairment of assets
SSAP 32:	Consolidated financial statements and accounting for investments in subsidiaries

The changes to the Group's accounting policies and the effect of adopting these new policies is set at below:

(a) SSAP 30: Business Combinations

Goodwill/Negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries at the date of acquisition. Goodwill on acquisitions occurring on or after 1 January 2001 is included in intangible assets and is amortised using the straight line method over its estimated useful life. Goodwill on acquisitions that occurred prior to 1 January 2001 was written off against reserves. The Group has adopted the transitional provisions in SSAP 30 and such goodwill has not been retroactively capitalised and amortised. However any impairment arising on such goodwill is accounted for in accordance with SSAP 31 "Impairment of Assets" which requires any impairment loss be recognised as an expense in income statement immediately and allocated to reduce the carrying amount of the acquired subsidiaries.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition. For acquisitions prior to 1 January 2001, negative goodwill was taken directly to reserves on acquisition. The Group has adopted the transitional provisions in SSAP 30 and such negative goodwill will not be restated. For acquisitions after 1 January 2001, negative goodwill is presented in the same balance sheet classification as goodwill.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for pre 1 January 2001 acquisitions, the related goodwill written off against reserves to the extent it has not previously been realised in the income statement.

Except for changes as described above, the new adoption of SSAP 9 (revised), SSAP 14 (revised), SSAP 28, SSAP 29 and SSAP 32 have no material impact on the reported financial position or results of the Group.

2 Segment information

(a) Analysis of turnover and contribution to (loss) profit from operations by principal activities is as follows:

	Six months ended 30 June 2001		Six months ended 30 June 2000	
	Turnover (Unaudited) ***HK$'000***	**Contribution (Unaudited)** ***HK$'000***	Turnover (Unaudited) *HK$'000*	Contribution (Unaudited) *HK$'000*
Specialized construction contracts	**102,408**	**15,017**	116,520	15,599
Manufacturing and trading	**19,887**	**9,242**	29,681	14,696
Property rental and management fee income from investment properties	**5,926**	**5,130**	5,835	5,001
Dividend income from listed investments	**43**	**43**	—	—
	128,264	**29,432**	152,036	35,296

(b) Analysis of turnover and contribution to (loss) profit from operations by geographical locations of operations is as follows:

	Six months ended 30 June 2001		Six months ended 30 June 2000	
	Turnover (Unaudited)	**Contribution (Unaudited)**	Turnover (Unaudited)	Contribution (Unaudited)
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Geographical locations of operations:				
Hong Kong and Macau	**71,955**	**14,896**	75,915	14,511
The People's Republic of China (the "PRC")	**55,853**	**14,438**	75,833	20,641
Japan and other Southeast Asian countries	**456**	**98**	288	144
	128,264	**29,432**	152,036	35,296

3 (Loss) Profit from operations

(Loss) Profit from operations was determined after charging (crediting):

	Six months ended 30 June	
	2001 (Unaudited)	2000 (Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**4,742**	3,411
Provision for impairment in value of plant and equipment	**3,714**	—
Loss on disposal of property, plant and equipment	**33**	—
Provision for (Recovery of) bad and doubtful debts	**8,116**	(2,081)
Provision for inventory obsolescence	**1,075**	934
Deficit (Surplus) on revaluation of investment properties	**13,300**	(19,300)
Unrealised loss on revaluation of non-trading securities	**131,300**	—
Unrealised (gain) loss on revaluation of trading securities	**(2,741)**	835
Gross rental and management fee income from investment properties	**(5,926)**	(5,835)

4 Taxation

	Six months ended 30 June	
	2001	2000
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
The charge comprises:—		
Hong Kong Profits Tax	**—**	—
Taxation outside Hong Kong	**920**	34
	920	34

Hong Kong profits tax has not been provided as the Company had no assessable profits during the period. Taxation outside Hong Kong has been calculated on the estimated assessable profits for the period at the rate prevailing in the respective jurisdictions.

5 Interim dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2001 (30 June 2000: Nil).

6 Basic (Loss) earnings per share

The calculation of basic (loss) earnings per share is based on the unaudited consolidated loss attributable to shareholders of HK$192,242,000 (30 June 2000: profit HK$7,152,000) and on the weighted average number of 772,181,783 ordinary shares (30 June 2000: 772,181,783 ordinary shares) in issue during the period.

No diluted (loss) earnings per share has been made as there was no potential dilutive shares in existence in respect of both periods presented.

7 Property, plant and equipment

	Six months ended 30 June 2001 (Unaudited)	Year ended 31 December 2000 (Audited)
	HK$'000	*HK$'000*
Cost		
Beginning of period/year	**360,912**	326,823
Additions	**3,388**	10,607
Deficit (Provision for) Write-back of revaluation	**(13,300)**	31,300
Provision for impairment in value	**(3,714)**	(3,874)
Disposals		
— through disposal of subsidiaries	**—**	(120)
— others	**(1,291)**	(3,835)
Exchange adjustment	**—**	11
End of period/year	**345,995**	360,912
Analysis of cost or valuation is as follows:		
At cost	**89,495**	91,112
At professional valuation at end of period/year	**256,500**	269,800
	345,995	360,912
Accumulated depreciation		
Beginning of period/year	**35,623**	31,058
Provision for impairment in value	**—**	(805)
Charge for the year	**4,742**	7,248
Disposals		
— others	**(1,011)**	(1,878)
End of period/year	**39,354**	35,623
Net book value		
End of period/year	**306,641**	325,289
Beginning of period/year	**325,289**	295,765

8 Non-trading securities

Non-trading securities are analysed as follows:

	Six months ended 30 June 2001 (Unaudited)	Year ended 31 December 2000 (Audited)
	HK$'000	*HK$'000*
Listed, at carrying value		
— in Hong Kong	**25,719**	15,654
— overseas	**17,647**	18,519
	43,366	34,173
Unlisted, at cost	**243,600**	243,600
Less: Provision for impairment in value	**(243,600)**	(121,800)
	—	121,800
	43,366	155,973
Quoted market value of listed securities	**43,366**	34,173

9 Trade and other receivables

An aging analysis of trade and contract receivable is set at below:

	Six months ended 30 June 2001 (Unaudited)	Year ended 31 December 2000 (Audited)
	HK$'000	*HK$'000*
0 — 30 days	**25,320**	31,644
31 — 60 days	**11,966**	11,565
61 — 90 days	**4,937**	26,717
Over 90 days	**188,717**	115,689
	230,940	185,615
Less: Provision for bad and doubtful debts	**(67,500)**	(31,385)
	163,440	154,230

The normal credit period granted by the Group is from 30 to 60 days from the date of invoice.

10 Trade and other payables

An aging analysis of trade and contract payables is set at below:

	Six months ended 30 June 2001 (Unaudited)	Year ended 31 December 2000 (Audited)
	HK$'000	*HK$'000*
0 — 30 days	**29,478**	68,146
31 — 60 days	**3,279**	15,261
61 — 90 days	**3,284**	5,544
Over 90 days	**43,785**	39,120
	79,826	128,071

11 Share capital

	30 June 2001 (Unaudited)		31 December 2000 (Audited)	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised: (ordinary shares of HK$ 0.1 each)	**2,000,000**	**200,000**	2,000,000	200,000
Issued and fully paid: (ordinary shares of HK$ 0.1 each)	**772,182**	**77,218**	772,182	77,218

There were no movements in the share capital of the Company for the six months ended 30 June 2001.

No option to subscribe for shares in the Company have been granted pursuant to the Share Option Scheme for the six months ended 30 June 2001.

12 Reserves

Movements in the reserves during the period were as follows:

	Share premium	Contributed surplus	Capital redemption reserve	Investment revaluation reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2001	409,738	431,089	769	(18,693)	92,595	915,498
Prior year adjustment (Note 1)	–	170,485	–	–	(170,485)	–
Restated reserves as at 1 January 2001	409,738	601,574	769	(18,693)	(77,890)	915,498
Deficit on revaluation of non-trading securities	–	–	–	9,193	–	9,193
Transfer of impairment loss to income statement	–	–	–	9,500	–	9,500
Exchange difference on translation of the financial statements of overseas subsidiaries	–	–	–	–	130	130
Loss for the period	–	–	–	–	(192,242)	(192,242)
As at 30 June 2001	409,738	601,574	769	–	(270,002)	742,079

13 Capital commitments

Capital commitments outstanding at 30 June 2001 not provided for in the accounts were as follows:

	Six months ended 30 June 2001 (Unaudited)	Year ended 31 December 2000 (Audited)
	HK$'000	*HK$'000*
Authorised and contracted for		
Purchase of fixed assets	–	2,680
Capital contribution in a subsidiary	–	4,902
Properties under development	**54,692**	52,868
	54,692	60,450

14 Contingent liabilities

As at 30 June 2001, guarantee given to banks by the Group in respect of banking facilities extended to certain subsidiaries amounted to approximately HK$221,000,000 (31 December 2000: approximately HK$221,000,000).

As at 30 June 2001, guarantee given to employers of construction contracts by the Group in respect of obligations arising from the construction contracts amounted to approximately HK$85,000,000 (31 December 2000: approximately HK$85,000,000).

15 Related party transactions

The Group had the following material transactions with related parties:

	Six months ended 30 June	
	2001	2000
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income received from intermediate holding company	**1,359**	1,417
Reimbursement of administrative costs from intermediate holding company	**471**	133
Rental and management fee income received from a fellow subsidiary	**128**	440
Sharing of administrative costs of intermediate holding company	**1,616**	1,932

RESULTS

For the six months ended 30 June 2001, the Group's turnover was HK$128,260,000, a reduction of 15% as compared with the corresponding period last year, and the Group posted a loss attributable to shareholders of HK$192,240,000, equivalent to a loss of HK24.9 cents per share.

The decrease in turnover was mainly due to the economic recession in Europe and America combined with the continued property market slump in Hong Kong. During the period under review, revenue from manufacturing and trading of industrial lubricant products and from specialized construction contracting dropped 33% and 12% respectively as compared to the same period last year. The Group recorded a substantial loss, which is principally attributable to significant provisions made in relation to the Greater Beijing Region Expressways project as well as certain securities investments where recoverable amounts are less than the carrying amounts. In addition, the Group has made a provision for the devaluation of ONFEM Tower located in Wyndham Street, Central. Despite the above, the Group still maintains a healthy financial position with ample cash in hand.

BUSINESS REVIEW

(1) Manufacturing and Trading of Industrial Lubricant Products

Jaeger Oil & Chemical Holdings Limited ("Jaeger")

During the period under review, the turnover of many Hong Kong and Guangdong enterprises was greatly affected by the continuing slowdown of the economy in Europe and America and uncertainty over the future. In addition, the price of crude oil was still 20% higher than 3 years ago, leading enterprises to pursue a conservative purchasing strategy including keeping minimal stock and using lower priced brands. In the face of all these difficulties, intensive competition between oil and chemical suppliers has led to severe price reductions.

In spite of this, the effect of China's expected World Trade Organisation ("WTO") entry has further improved the economic environment in the Central, Northern, and Eastern (for enterprises targeting the domestic market) regions of China. In order to remedy the shrinkage of from its Southern region business, Jaeger has been actively expanding its business in the Central and Northern regions, and has set up distribution networks in Zhejiang, Ningbo, Qingdao and Dalian. During the period under review, turnover in the Northern region rose 30% over the previous year. In response to the PRC government's "Go West" policy, Jaeger also plans to actively develop its business in the Western region. In addition to its office in Xian, Jaeger also intends to set up distribution networks in major industrial cities such as Hanzhong, Chongqing and Chengdu.

In respect of product development, Jaeger regained in May 2001 the sole right to promote and distribute the full line of die-casting products from the leading Japanese supplier Nichibei in Hong Kong, Macau and China. In Hong Kong, since most local industries have relocated their production facilities to China, Jaeger has shifted its business focus to developing more consumer products in order to further expand the local retail market.

(2) Specialised Construction Contracting

Condo Group Limited ("Condo")

Condo's total contracts on hand as at 30 June 2001 were valued at approximately HK$128,000,000. The Shanghai Science Land project, with a contract sum of over RMB100,000,000, was completed early this year. Following this, Condo was also engaged in Jing Sheng Plaza in Beijing, the first investment project of HINES Group in China.

Moreover, Condo plans to further consolidate its market position by adopting a new generation of curtain walls. The Shatin Government Building, on which Condo is working, is a typical example - this project adopted the fourth generation curtain wall technology, which effectively improved ventilation inside the building. Over the past year, Condo has moved part of its working processes, such as design and merchandising, to China in a bid to enhance its competitive advantage.

Polycrown Engineering (Holdings) Limited ("Polycrown")

Polycrown has won a number of Electrical and Mechanical engineering projects worth over HK$236,000,000 from the end of 2000 to early 2001. Projects included Beijing Oriental Plaza; Kwai Chung Container Port-Terminal No 9 in Hong Kong; a train depot for the KCRC in Shatin, Hong Kong; PCCW Building in Tseung Kwan O, Hong Kong; a residential development of Wharf Properties in Shenzhen; and Times Square in Chongqing, China.

At the same time, Colmac, the environmentally friendly hot water pump, has been successfully launched into the market with assistance and technical support from the Buildings Department and other consultancy agencies. The first target market segment will be government and hotel projects, and Polycrown has already won the design and production contract for the hot water supply of a hotel in Ma On Shan from the Cheung Kong Group. Polycrown plans to enter the China market in the second half-year to introduce a range of environmental protection products, especially the Keeco's Proprietary Silica Micro Encapsulation technologies.

Enful Holdings Limited ("Enful")

During the past six months, Enful has striven to improve its capacities in market development, product development and internal management. Through this restructuring, Enful has evolved to become a company with wooden products as its core business, complemented by environmental products. Enful is now on the lookout for innovative and market-oriented materials or products to enrich and widen its product range. Over the past year, Enful's subsidiary Bridgman Fire Door Production Plant has established relations with a number of well-known property developers in China, which include Donghai and Wanke Group in Shenzhen, Wanke Group in Beijing and Shimao Group in Shanghai and has gradually acquired supplier contracts from these corporations.

Even though the property market in Hong Kong remained sluggish, Enful succeeded in securing contracts for wooden doors totalling HK$40 million in the first half-year. One project alone, a residential project developed by Kumagai Gumi in Sham Tseng, accounted for over HK$30 million. Moreover, newly developed acoustic coating works included Hong Kong West Rail station 203 and certain small-scale projects in Shenzhen. In view of the increasing demand for acoustic coating works from sports stadiums as well as theatres and entertainment complexes, and the satisfactory contribution from this business, Enful is planning to allocate more resources into related projects in order to decrease its reliance on its fire door business. Meanwhile, Enful plans to put more effort into timber trading in the third quarter to generate a better profit contribution. As for the China market, China's expected entry to the WTO and Beijing's hosting of the 2008 Olympic Games will stimulate and improve the economy. Enful believes that the company will benefit from the resulting opportunities.

(3) Property Development and Management

ONFEM Tower, 29 Wyndham Street, Central

Although the property market in Hong Kong has slowed down, the average occupancy rate of ONFEM Tower was maintained at approximately 96% as at 30 June 2001, bringing in a stable income for the Group.

Hai Tian Garden, Zhuhai, the PRC

Underground floor works of Hai Tian Garden and the infrastructural construction of phases A and B of the shopping complex are expected to be completed in September this year and at the end of 2001 respectively.

The Zhuhai municipal government began to tightly control the approval procedures of land development in the second half of 1999. In June 2000, the government ceased to approve applications for changes of land use in Xiangzhou district, Zhuhai in order to protect a transformation project there. This policy sharply decreased the supply of privately developed housing from 2,567,000 square metres in 1998 to 959,000 square metres in 2000, a total drop of 63% within three years.

Hai Tian Garden was the last large-scale commercial and residential project with sea views approved before the announcement of the above-mentioned policy. It is expected that Hai Tian Garden will be a new residential property with sea views in the city upon its completion within 2 years. The growth potential for this property is therefore fairly promising.

Greater Beijing Region Expressways Limited ("GBRE")

A winding up order was issued by the High Court of Hong Kong against Greater Beijing First Expressways Limited ("GBFE"), a wholly-owned subsidiary of GBRE, on 12 June 2000. Since the issue of the above-mentioned winding up order, all financial information has been withheld by the liquidator. As the case has already lasted for more than one year it is expected that its recoverable amount is lower than the carrying amount. The Group has made a provision for all of the remaining half of the investment in GBRE after that made in 1999,which is already provided for.

PROSPECTS

During the period under review, the overall outlook for the economy in Hong Kong remained unclear, with an actual decline in wages, a rising unemployment rate, weak consumption power and a slowdown in the property market due to insufficient demand. However, the Group expects the trading activities and infrastructure in China to grow following Beijing's successful bid to host the 2008 Olympic Games and the country's imminent entry into the WTO. This will definitely benefit the future prospects of the Group.

DEBT AND MATURITY PROFILE

The maturity profile of the Group's gross debt at 30 June 2001 was as follows:

Total debts outstanding as at 30 June 2001 was approximately HK$221 million (31 December 2000: approximately HK$230 million).

	Six months ended 30 June 2001 (Unaudited) HK$'000	Year ended 31 December 2000 (Audited) HK$'000
Repayable within a period:		
— Not exceeding 1 year	**186,162**	189,812
— Between 2 to 5 years	**32,994**	38,412
— After 5 years	**1,680**	1,680
	220,836	229,904

The Group obtained its source of fund through various means in order to maintain a balance between cost and risks. Apart from the fund generated from normal operation and cash deposited at bank and on hand, the Group also obtained its source of fund from bank loans and overdrafts amounted to approximately HK$219 million as at 30 June 2001 (31 December 2000: HK$228 million).

FINANCIAL RISKS AND MANAGEMENT

The Group's strategies towards financial risk management include diversification of funding sources, extension of credit period and dispersal of maturity dates. During the period under review, the Group had no fixed interest rate borrowings. For the period ended 30 June 2001, total interest expenses amounted to approximately HK$6 million, a decrease of 11% as compared with approximately HK$7 million in the corresponding period ended 30 June 2000.

As at 30 June 2001, the Group had outstanding bank loans denominated in Renminbi ("RMB") and US dollar ("US$") of approximately RMB60 million (31 December 2000: approximately RMB45 million) and approximately US$8 million (31 December 2000: approximately US$12 million) respectively. The remaining outstanding bank loans were denominated in Hong Kong dollars.

GROUP ASSETS CHARGING

As at 30 June 2001, the Group pledged certain properties with an aggregate carrying value of HK$260,383,000 (31 December 2000: HK$273,773,000). Besides, cash at bank amounted to approximately HK$117,955,000 (31 December 2000: HK$89,000,000) and HK$141,000,000 (31 December 2000: HK$119,000,000) have been pledged by the Company and the Group respectively to bankers as security for general banking facilities granted to certain subsidiary companies and for issuance of performance bonds in favour of customers.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial condition remains healthy with abundant cash flow. As of 30 June 2001, its gearing ratio was maintained at 16.0% (31 December 2000: 14.4%). Its cash on hand and bank balances amounted to approximately HK$410 million (31 December 2000: approximately HK$483 million).

EMPLOYEES

As at 30 June 2001, the Group employed approximately 700 staff. The amount of the remunerations paid during the period was approximately HK$37,231,000. The Company adopted a pay policy in line with market practice, and remuneration was determined with reference to the performance and experience of individual employees. The shareholders of the Company approved a share option scheme for executives ("the Scheme") on 30 September 1993. The Scheme was tailor-made for the executives and senior staff of the Group. Under the Scheme, the Directors of the Company have the authority at their discretion to invite executives and senior staff of the Group to take up options to subscribe for shares in the Company according to the terms and conditions of the Scheme.

DIRECTORS' INTERESTS IN SECURITIES AND RIGHTS TO ACQUIRE SECURITIES

As at 30 June 2001 none of the Directors or the chief executive of the Company had any interests in any equity or debt securities of the Company or any of its associated corporations of the Company (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to section 28 of the SDI Ordinance (including interests which they are deemed or taken to have under section 31 of the SDI Ordinance or Part I of the Schedule to the SDI Ordinance) or which are required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein or are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

During the six months ended 30 June 2001, none of the Directors or the chief executive of the Company nor their spouses or children under 18 years of age, was granted or had exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporations.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2001, according to the register required to be kept by the Company under section 16(1) of the SDI Ordinance, the Company had been notified of the following interests in the Company's issued shares amounting to 10% or more of the ordinary shares in issue:

Name of shareholder	*Notes*	**Number of ordinary shares held**	**Percentage of total issued shares**
State Nonferrous Metals Industry Administration	*1 & 3*	416,009,928	53.87%
China Nonferrous Metals Holdings (Cook Islands) Limited	*1*	416,009,928	53.87%
China Nonferrous Metals Group (Hong Kong) Limited ("CNMG(HK)")	*2*	416,009,928	53.87%
Haka International Limited ("Haka")		383,188,208	49.62%

Notes:

1. By virtue of the SDI Ordinance, these companies are deemed to be interested in the 383,188,208 shares held by Haka and 32,821,720 shares held by CNMG(HK).

2. In addition to 32,821,720 shares held by itself, CNMG(HK) is deemed to be interested in the 383,188,208 shares held by Haka.

3. On 19 February 2001, Mr. Sheng Hua Ren (the Director of the State Economic and Trade Commission of The People's Republic of China (the "PRC") promulgated that the State Nonferrous Metals Industry Administration was cancelled in the course of restructuring of the non-ferrous metals industry of the PRC. CNMG(HK) is now making enquiry with the relevant authority of the PRC government regarding the progress of the change of the ultimate controlling shareholder.

AUDIT COMMITTEE

The members of the audit committee of the Company currently include two Independent Non-executive Directors of the Company namely, Mr. Lam Chun, Daniel and Ms. Tam Wai Chu, Maria. Its principal duties are to review and to supervise the Group's financial reporting process and internal control. The audit committee has reviewed the unaudited consolidated financial statements for the six months ended 30 June 2001.

CODE OF BEST PRACTICE

The Directors of the Company are not aware of any information that would reasonably indicate that the Company is not, or was not for any part of the period during the six months ended 30 June 2001 in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange except that the non-executive directors of the Company are not appointed for specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2001 there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the period.

By Order of the Board
Wang Xingdong
Managing Director

Hong Kong, 21 September 2001

Website: http://www.onfem.com