INTERIM REPORT 2002

東方有色集團有限公司*

ONFEM HOLDINGS LIMITED

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

Turnover of ONFEM Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2002 amounted to approximately HK$123 million, representing a decrease of 4% as compared with the corresponding period last year. However, loss from operations and loss attributable to shareholders were reduced to approximately HK$54 million and HK$59 million respectively.

The reduction in turnover was mainly attributable to the decrease in the number of construction projects as a result of the continuing sluggish economy in Hong Kong. Management are greatly concerned about the prolonged decrease in turnover and making loss in consecutive years and will actively formulate measures to curb the loss and identify new business for survival.

In the period, the business in the manufacturing and trading of industrial lubricant products showed signs of improvement and experienced a great increase in demand and, consequently, reduced the loss of the Group.

During the period, the Group adopted a series of austere measures to save the administrative costs. The major measures included streamlining the administrative structure, rewarding staff based on business results and around 10% pay cut at senior management level with a view to achieving the more efficient allocation of resources. Simultaneously, the finance costs decreased as a result of the fall in market lending rate and in the outstanding balance of the mortgage loan in respect of ONFEM Tower.

Recently, the Group also put much effort on improving corporate governance including engagement of professional accounting firm to conduct review and to provide recommendations on the internal control system last year. Accounting professionals were also retained to perform a comprehensive review on transactions over a predetermined amount taken place in past few years. The Group followed their recommendations and formulated measures to reform the existing system with a view to enhancing corporate governance and self-reinforcement. The newly established internal audit department, which is highly autonomous, can also effectively monitor the routine operation of the Group.

As a whole, the performance of the Group improved in the first half of the year with the balance of its liabilities reduced to approximately HK$447 million. Currently, the financial position of the Group remains sound.

BUSINESS REVIEW

(1) Manufacturing and Trading

Industrial Lubricant Products

Jaeger Oil & Chemical Holdings Limited and its subsidiaries ("Jaeger Group")

Turnover of Jaeger Group for the period ended 30 June 2002 was approximately HK$25 million, representing an increase of 24% as compared with the corresponding period last year. During the period, gross profit increased by 26% as compared with the corresponding period last year and remained at a steady level of 47%.

Turnover of Jaeger Group was generated 79% from China, 20% from Hong Kong and the balance from the Southeast Asian countries. Turnover from China and Hong Kong recorded an increase of 27% and 8% respectively.

The improvement in the performance of Jaeger Group was mainly attributable to the accumulated demand which had been subdued in the wake of the September 11 event. Turnover surged because of the need for replenishment of inventory in that market sector. In the first half of the year, Jaeger Group recorded a sharp increase in the number of orders.

In addition, the establishment of distribution network in Singapore, Malaysia and Thailand formed strong footholds of Jaeger Group in the region and turnover generated from this region was satisfactory. Coupled with the enlarged sales network, Jaeger will be devoted to improving quality of products and enhancing competitiveness of "Jaeger" products so as to foster business growth.

Based on the steady performance in the first half of the year, Jaeger Group is confident of making profits in 2002.

Doors and Fire Proof Materials

Enful Holdings Limited and its subsidiaries ("Enful Group")

Segment turnover of manufacturing and trading business of Enful Group for the period ended 30 June 2002 amounted to approximately HK$24 million, representing an increase of 384% as compared with the corresponding period last year, out of which approximately HK$22 million generated from sales to specialised construction contracting business segment of Enful Group and HK$2 million was generated from external sales.

External sales of this business solely came from China.

Unnecessary increase in costs as a result of the delay in certain construction work due to external factors, fierce market competition and huge increase in price of timber materials largely accounted for the fall in profit margin and the loss suffered by the fire door production plant in China in the first half of the year. Henceforth, the management of Enful Group determined to enhance procurement control of timber from external sources by means of strengthening procurement department and recruiting additional staff with a view to providing real time information to its merchandising and sales staff in different regions so as to raise the bargaining power of Enful Group in the process of materials procurement. Enful Group is confident that the implementation of these measures will improve its competitive edge and will in turn alleviate its loss.

(2) Specialised Construction Contracting

Enful Group

Turnover of specialised construction contracting business recorded a sharp increase of 299%, as compared with the corresponding period last year. The surge was mainly due to the gradual completion of a number of construction and environmental protection projects awarded in 2000. For the period ended 30 June 2002, turnover of Enful Group from this business amounted to approximately HK$34 million, the value of contracts on hand amounted to approximately HK$12 million and the value of contracts being negotiated and very likely to be awarded to Enful Group amounted to approximately HK$30 million.

Turnover of this business was entirely generated from Hong Kong.

Management of Enful Group were very prudent in making tenders in order to keep the level of risk and bad and doubtful debts due from the notorious contractors at the minimum.

Furthermore, Enful Group had made various attempts in exploring different businesses such as environmental protection products and projects, manufacturing and trading of timber and timber products and decoration etc. in order to reduce its reliance on the door business. Apart from focusing on the targeted market, Enful Group also expanded its scale and coverage through establishment of subsidiaries in Beijing and Shanghai.

In view of the optimistic prospect of environmental protection projects and acoustic plaster projects, management are committed to invest more resources in these areas in order to attain better results and to pave way for expansion of its market share.

Polycrown Engineering (Holdings) Limited and its subsidiaries ("Polycrown Group")

For the period ended 30 June, 2002, turnover of Polycrown Group amounted to approximately HK$44 million, representing a decrease of 16% as compared with the corresponding period last year and the value of the contracts on hand amounted to approximately HK$129 million.

Turnover of Polycrown Group was generated 73% from Hong Kong and 27% from China.

Management of Polycrown Group foresee that the projects in Hong Kong such as Club House at Hai Fai Road, Ocean Terminal and Phase III of Tung Chung Station and the projects in China such as Western Apartment of Beijing Oriental Plaza and Chongqing Times Square will be completed in the second half of this year. In view of the low profit margin of the construction projects, Polycrown Group will focus on cost control in order to reduce overheads and expenses. On the other hand, Polycrown Group will make tenders selectively and will give top priority to construction projects of higher profit margin.

Polycrown Group will continually carry out market and product research in respect of environmental protection projects in order to identify and cater for the market demand. It is believed that environmental protection business will be improved as a result of the proactive tendering strategy and with the ever-increasing awareness of environmental protection.

Condo Group Limited and its subsidiaries ("Condo Group")

For the period ended 30 June 2002, turnover of Condo Group amounted to approximately HK$8 million, representing a decrease of 78% as compared with the corresponding period last year and the value of the contracts on hand amounted to approximately HK$130 million.

Turnover of Condo Group was 93% generated from China and 7% from Hong Kong.

Re-engineering of business, internal consolidation, focusing on completing construction projects on hand and debt collection largely accounted for the decline in turnover of Condo Group in the first half of the year. Nevertheless, loss from operations was reduced after the implementation of cost control measures.

In the second half of 2002, Condo Group will continually explore the China market, in particular, cities where sustain rapid growth, namely, Beijing and Shanghai and will also make tenders to the projects in China managed by the Hong Kong property developers and construction companies.

Management foresee that the Beijing Embassy House, the Shanghai German Centre and the Tianjin Xinda Plaza will be completed in the second half of this year. Management of Condo Group also expect that loss from operations will be further reduced with the vigorous implementation of the re-engineering programmes.

(3) Property Development and Management

ONFEM Tower, 29 Wyndham Street, Central

For the period ended 30 June 2002, the occupancy rate of ONFEM Tower stayed above 80%. Tenants included multinational conglomerates with representative offices in Hong Kong, and rental income and the quality of tenants remained satisfactory. Management will continue to put more efforts on improving the leasing business and estate management in order to secure a stable stream of rental income.

Haitian Garden, Zhuhai, China

Haitian Garden is erected on Qinglu Avenue, an excellent geographical location where provides a panoramic sea view, is next to 5-star hotels and proximate to the residential and commercial zone as well as Jiuzhou pier. Haitian Garden is one of the few residential developments with sea view in Zhuhai and possesses strong potential for appreciation.

Hong Kong professionals, in the capacity as the general manager of the project company, were retained to take charge of the project management of Haitian Garden and assumed full responsibilities for monitoring the construction progress and ensuring the quality of Haitian Garden. Such accountability system of project management is widely adopted over the world.

The Garret, a residential project in Sydney, Australia

Three remaining penthouse suites of The Garret were sold in June and July 2002 and brought the Group the sale proceeds totalling AUD1.7 million.

Management will continually pay attention to the overseas residential market and to identify potential investment projects.

PROSPECTS

In the first half of the year, loss of the Group was reduced by means of streamlining the corporate structure, re-orientating business focus and improving treasury function. In addition, total liabilities of the Group also decreased.

Although the loss was mostly attributable to the provision on investments and receivables from contract works of previous years, management were deeply concerned about the substantial loss suffered by the Group in the two consecutive years. The Group has closely monitored the acute decrease in the turnover of the main business (particularly business from Hong Kong) of the Group.

Fortunately, the adverse impact on the slide of Hong Kong business was alleviated by the fact that some subsidiaries of the Group had successfully explored China market and had been able to achieve satisfactory results. Those subsidiaries had been adopting the strategy of "Strive to Establish in Hong Kong whilst Developing China Operations and Enhancing Control" and co-operating with reputable organisations in China.

Internal audit department has successfully enhanced the level of internal control and improved the efficiency and effectiveness of internal control measures since its establishment. Meanwhile, the department also assisted the management of the Group in risk management and provided specific recommendations for improving the operation of each subsidiary group. Furthermore, it is expected that the operation of the Group will be improved and the Group will embark a new era with the admission of new members to the board of directors and to the senior management who possess relevant professional qualification and ample experience. The Group will continually put more emphasis on improving internal control, exploring new business and achieving better allocation of resources with a view to increasing its earnings.

In the long run, the Group will actively capitalize its long established records and experience in the China market. It is believed that the Group will capture the abundant opportunities emerged subsequent to the accession of China into the World Trade Organisation. The Group expects that its performance will be improved with the recovery of the global economy.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position remains healthy. As at 30 June 2002, its gearing ratio representing a ratio of total borrowings to total assets, was maintained at 13.7% (31 December 2001: 17.5%). Its cash and bank deposits and pledged deposits, in total, amounted to approximately HK$345 million (31 December 2001: HK$412 million).

The Group obtained its source of fund through various means in order to maintain a balance between cost and risk. Apart from the fund generated from normal operations and the cash and bank deposits, the Group also obtained its source of fund from bank borrowings amounted to approximately HK$144 million as at 30 June 2002 (31 December 2001: HK$206 million).

The bank borrowings denominated in Renminbi ("RMB") and US dollars ("US$") were approximately RMB40 million (31 December 2001: RMB65 million) and approximately US$1.2 million (31 December 2001: US$4.7 million) respectively. The remaining balances were denominated in Hong Kong dollars.

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. For the period ended 30 June 2002, finance costs decreased to approximately HK$4 million from approximately HK$6 million in the corresponding period ended 30 June 2001.

The total borrowings of the Group as at 30 June 2002 amounted to approximately HK$146 million (31 December 2001: HK$208 million). The borrowings were repayable as follows:

	30 June 2002 (Unaudited)	31 December 2001 (Audited)
	HK$'000	*HK$'000*
Within one year	**143,045**	204,631
In the second year	**185**	193
In the third to fifth years	**717**	758
After the fifth year	**2,318**	2,423
	146,265	208,005

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

Most of the transactions of the Group were denominated in Renminbi, Hong Kong dollars and US dollars. No hedging or other alternative measures have been implemented by the Group. As at 30 June 2002, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

GROUP ASSETS CHARGING

As at 30 June 2002, the Group pledged certain investment properties and land and buildings with an aggregate net book value of approximately HK$227 million (31 December 2001: HK$237million) as collateral for the Group's banking facilities.

Besides, deposits amounted to approximately HK$91 million (31 December 2001: HK$133 million) have been pledged by the Group as security for general banking facilities and for issuance of performance bonds. Progress billings of certain construction contracts were also under charge and certain of the Group's inventories were held under trust receipt loan agreements.

CONTINGENT LIABILITIES

At 30 June 2002, there were contingent liabilities in respect of the following:

(a) The Group provided guarantees to employers of construction contracts in respect of the obligations of the associated construction contracts amounted to approximately HK$92 million (31 December 2001: HK$93 million).

(b) The Company provided corporate guarantees to various banks in respect of banking facilities extended to certain subsidiaries amounted to approximately HK$249 million (31 December 2001: HK$255 million).

(c) The Group has undertaken and performed electrical and mechanical engineering work for various customers in Hong Kong and the PRC. In respect of such projects, the Group has unsettled tax payables which may result in potential additional charges. No provision has been made on the potential additional charges by the Group since the amount of additional charges, if any, cannot be reliably determined. The Directors are of the opinion that this matter will not have any significant financial impact on the Group.

(d) The Group has certain outstanding litigations with claims made by third parties of approximately HK$12 million (31 December 2001: HK$12 million) in aggregate in respect of contract works and no provision has been made by the Group. The Directors are of the opinion that this matter will not have any significant financial impact on the Group.

EMPLOYEES

Including the Directors of the Company, at 30 June 2002, the Group employed 664 staff. The total remunerations and benefits of the Directors and staff for the period ended 30 June 2002 were approximately HK$37 million (30 June 2001: HK$37 million). The Group adopts a remuneration policy in line with market practice, and remuneration is 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 2002, the interests of the Directors or the chief executive of the Company in any equity or debt securities of the Company or any of its associated corporations (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 were as follows:

Name of director	Nature of interest	Number of ordinary shares held
He Xiaoli	Personal	20,000

Save as disclosed above, none of the Directors or the chief executive of the Company or any of their associates had interest in any equity or debt securities of the Company or any of its associated corporations.

During the six months ended 30 June 2002, 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 2002, 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	*Note*	**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 & 3*	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 383,188,208 shares held by Haka.

3. On 19 February 2001, 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.

   The High Court of the Hong Kong Special Administrative Region issued an order for the winding up of CNMG(HK) on 8 May 2002 and ordered that John Lees and Desmond Chiong be appointed as liquidators of CNMG(HK) on 19 June 2002.

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 interim financial statements for the six months ended 30 June 2002.

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 2002 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 THE COMPANY's LISTED SECURITIES

During the six months ended 30 June 2002, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

By Order of the Board
Wang Xingdong
Managing Director

Hong Kong, 13 September 2002

Website: http://www.onfem.com

UNAUDITED INTERIM RESULTS

The unaudited condensed consolidated results of ONFEM Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") as at and for the six months ended 30 June 2002 are presented together with comparative figures of the corresponding period in 2001. The interim financial statements have not been audited but have been reviewed by the audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2002

		Six months ended 30 June	
		2002	2001
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
TURNOVER	*2*	**123,022**	128,264
Cost of sales		**(107,839)**	(98,035)
GROSS PROFIT		**15,183**	30,229
Other revenues		**6,612**	18,310
Distribution costs		**(1,216)**	(880)
Administrative expenses		**(63,620)**	(89,408)
Other operating expenses		**(1,004)**	(797)
Loss on revaluation of investment properties		**(10,000)**	(13,300)
Provision for loan to intermediate holding company		**(331)**	—
Provision for impairment in value of non-trading securities		**—**	(131,300)
LOSS FROM OPERATIONS	*3*	**(54,376)**	(187,146)
Finance costs		**(3,502)**	(5,980)
LOSS BEFORE TAXATION		**(57,878)**	(193,126)
Income tax expenses	*5*	**(1,000)**	(920)
LOSS AFTER TAXATION		**(58,878)**	(194,046)
Minority interests		**376**	1,804
NET LOSS FOR THE PERIOD		**(58,502)**	(192,242)
Basic loss per share (HK cents)	*7*	**(7.58)**	(24.90)

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2002 and 31 December 2001

	Note	30 June 2002 (Unaudited) HK$'000	31 December 2001 (Audited) HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	**267,311**	278,582
Construction in progress		**20**	20
Non-trading securities		**44,062**	34,619
Other assets		**2,273**	2,273
		313,666	315,494
Current assets			
Inventories		**233,483**	247,486
Amounts due from fellow subsidiaries		**52**	41
Amounts due from minority investors		**7,339**	7,376
Trade and other receivables	9	**145,363**	150,463
Gross amounts due from customers for contract work		**19,761**	33,877
Trading securities		**4,953**	19,861
Pledged deposits		**90,500**	132,598
Cash and bank deposits		**254,353**	279,460
		755,804	871,162

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

As at 30 June 2002 and 31 December 2001

	Note	**30 June 2002 (Unaudited)** *HK$'000*	31 December 2001 (Audited) *HK$'000*
Current liabilities			
Amount due to intermediate holding company		**6**	6
Amount due to a minority investor		**12,204**	12,204
Trade and other payables	*10*	**184,483**	221,985
Gross amounts due to customers for contract work		**60,687**	32,214
Current portion of obligations under finance leases		**116**	116
Taxation payable		**38,659**	37,523
Short-term bank borrowings		**142,929**	204,515
		439,084	508,563
Net current assets		**316,720**	362,599
Total assets less current liabilities		**630,386**	678,093
Non-current liabilities			
Long-term borrowings		**3,220**	3,374
Other long-term employee benefits		**1,903**	—
Other liabilities		**2,563**	2,584
		7,686	5,958
Minority interests		**35,640**	36,016
NET ASSETS		**587,060**	636,119
CAPITAL AND RESERVES			
Share capital	*11*	**77,218**	77,218
Reserves		**509,842**	558,901
		587,060	636,119

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2002

	Six months ended 30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash inflow (outflow) from operating activities	**36,127**	(84,998)
Net cash generated from (used in) investing activities	**506**	(3,098)
Net cash used in financing activities	**(50,181)**	(43,217)
Decrease in cash and cash equivalents	**(13,548)**	(131,313)
Cash and cash equivalents at beginning of period	**135,651**	317,213
Effect of foreign exchange rate changes	**—**	140
Cash and cash equivalents at end of period	**122,103**	186,040
Analysis of balances of cash and cash equivalents:		
Cash and bank deposits (excluding frozen deposits)	**218,353**	269,053
Bank overdrafts	**(70,587)**	(40,758)
Trust receipt bank loans	**(25,663)**	(42,255)
	122,103	186,040

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2002

	Share capital (Unaudited)	Share premium (Unaudited)	Contributed surplus (Unaudited)	Capital redemption reserve (Unaudited)	Investment revaluation reserve (Unaudited)	Accumulated deficit (Unaudited)	Total (Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2002	**77,218**	**409,738**	**601,415**	**769**	**—**	**(453,021)**	**636,119**
Reversal of provision for impairment in value of non-trading securities	**—**	**—**	**—**	**—**	**9,443**	**—**	**9,443**
Loss for the period	**—**	**—**	**—**	**—**	**—**	**(58,502)**	**(58,502)**
At 30 June 2002	**77,218**	**409,738**	**601,415**	**769**	**9,443**	**(511,523)**	**587,060**
At 1 January 2001	77,218	409,738	601,574	769	(18,693)	(77,890)	992,716
Reversal of provision for impairment in value of non-trading securities	—	—	—	—	9,193	—	9,193
Transfer of impairment loss to income statement	—	—	—	—	9,500	—	9,500
Exchange difference on translation of financial statements of overseas subsidiaries	—	—	—	—	—	130	130
Loss for the period	—	—	—	—	—	(192,242)	(192,242)
At 30 June 2001	77,218	409,738	601,574	769	—	(270,002)	819,297

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim financial statements are prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, 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.

These interim financial statements should be read in conjunction with the 2001 annual financial statements.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31 December 2001 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 2002:

SSAP 1 (revised):	Presentation of financial statements
SSAP 15 (revised):	Cash flow statements
SSAP 25 (revised):	Interim financial reporting
SSAP 33:	Discontinuing operations
SSAP 34:	Employee benefits

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

SSAP 34: Employee benefits

(1) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees.

A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

In prior periods, no provision was made for employee annual leave entitlements. This is a change in accounting policy, however, the provision for annual leave in prior years has not been made retrospectively as the effect of this change is not material to the current and the prior periods.

The amount charged to the consolidated income statement for the six months ended 30 June 2002 has been increased by approximately HK$1,746,000.

(2) *Long service payments*

A provision is made for the estimated liability for long service payments. The provision is accrued over the working lives of employees who have been employed under a contract of employment in Hong Kong for a continuous period of not less than five years.

In prior periods, no provision was made for long service payments. This is a change in accounting policy, however, the provision for long service payments has not been made retrospectively as the effect of this change is not material to the current and the prior periods.

The amount charged to the consolidated income statement for the six months ended 30 June 2002 has been increased by approximately HK$1,903,000.

2 SEGMENT INFORMATION

(a) *Business segments*

The Group's operations comprise the following main business segments:

Construction contracts:	Design and installation of curtain walls and aluminium windows, as well as construction work related to electrical and mechanical engineering and contracting businesses.
Manufacturing and trading:	Manufacturing and trading of oil and chemical products, doors and fire proof materials.
Property leasing:	Leasing of premises to generate rental income and to gain from the appreciation in the properties' values in the long term.
Property development:	Development of residential and commercial properties.
Securities investment and trading:	Trading and investment of securities.

Inter-segment sales are charged at prevailing market prices.

An analysis of the Group's revenue and results for the period by business segments is as follows:

Six months ended 30 June 2002

	Construction contracts (Unaudited) *HK$'000*	Manufacturing and trading (Unaudited) *HK$'000*	Property leasing (Unaudited) *HK$'000*	Property development (Unaudited) *HK$'000*	Securities investment and trading (Unaudited) *HK$'000*	Elimination (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
REVENUE							
Sale to external customers	**85,971**	**27,018**	**5,017**	**5,016**	**—**	**—**	**123,022**
Inter-segment sales	**—**	**21,668**	**—**	**—**	**—**	**(21,668)**	**—**
	85,971	**48,686**	**5,017**	**5,016**	**—**	**(21,668)**	**123,022**
RESULTS							
Segment results	**(35,716)**	**(5,701)**	**(6,401)**	**479**	**334**	**—**	**(47,005)**
Unallocated corporate expenses, net							(7,371)
Operating loss							(54,376)
Finance costs							(3,502)
Income tax expenses							(1,000)
Minority interests							376
Loss attributable to shareholders							(58,502)

Six months ended 30 June 2001

	Construction contracts (Unaudited) *HK$'000*	Manufacturing and trading (Unaudited) *HK$'000*	Property leasing (Unaudited) *HK$'000*	Property development (Unaudited) *HK$'000*	Securities investment and trading (Unaudited) *HK$'000*	Elimination (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
REVENUE							
Sale to external customers	102,408	19,887	5,926	—	43	—	128,264
Inter-segment sales	—	—	—	—	—	—	—
	102,408	19,887	5,926	—	43	—	128,264
RESULTS							
Segment results	(31,166)	(9,191)	(10,724)	(46)	(128,530)	—	(179,657)
Unallocated corporate expenses, net							(7,489)
Operating loss							(187,146)
Finance costs							(5,980)
Income tax expenses							(920)
Minority interests							1,804
Loss attributable to shareholders							(192,242)

(b) *Geographical segments*

The Group's business is managed on a worldwide basis, but it participates in four principal economic environments. Hong Kong and the People's Republic of China (other than Hong Kong) (the "PRC") are the major markets for all the Group's businesses, except that a small portion of its income is derived from Australia and other Southeast Asian countries.

The Group's business segments operate in four main geographical areas:

Hong Kong & Macau:	construction contracts, manufacturing and trading, property leasing and securities investment and trading
The PRC:	construction contracts, manufacturing and trading and property development
Australia:	property development
Southeast Asian countries:	manufacturing and trading

Turnover is based on the geographical locations of the customers.

	Six months ended 30 June 2002				
	Hong Kong & Macau (Unaudited)	**The PRC (Unaudited)**	**Australia (Unaudited)**	**Southeast Asian countries (Unaudited)**	**Total (Unaudited)**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Turnover	**76,100**	**41,723**	**5,016**	**183**	**123,022**
Loss (Profit) from operations	**22,710**	**32,173**	**(479)**	**(28)**	**54,376**

	Six months ended 30 June 2001				
	Hong Kong & Macau (Unaudited)	The PRC (Unaudited)	Australia (Unaudited)	Southeast Asian countries (Unaudited)	Total (Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	71,955	55,853	—	456	128,264
Loss from operations	162,347	24,752	47	—	187,146

3 LOSS FROM OPERATIONS

Loss from operations is stated after charging (crediting) the following:

	Six months ended 30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation on:		
Owned property, plant and equipment	**2,239**	4,564
Leased property, plant and equipment	**129**	178
(Gain) Loss on disposal of property, plant and equipment	**(1,103)**	33
Provision for bad and doubtful debts	**9,371**	8,116
Provision for net realisable value of machinery held for sales	**499**	3,714
Unrealised gain on revaluation of trading securities	**(656)**	(2,741)
Gross rental and management fee income from investment properties	**(5,017)**	(5,926)

4 STAFF COSTS

	Six months ended 30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Wages and salaries	**34,600**	36,315
Pension costs, net of forfeited contributions — defined contribution plans	**862**	916
Provision for long service payments	**1,903**	—
	37,365	37,231

5 INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made as the Group had no assessable profit during the period.

Overseas taxation has been calculated on the estimated assessable profit for the period at the rates prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated income statement represents:

	Six months ended 30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Hong Kong Profits Tax	**—**	—
Overseas taxation	**1,000**	920
	1,000	920

6 DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2002 (30 June 2001: Nil).

7 LOSS PER SHARE

Basic loss per share has been calculated based on the unaudited consolidated loss attributable to ordinary shareholders of approximately HK$58,502,000 (30 June 2001: HK$192,242,000) and the weighted average number of 772,181,783 (30 June 2001: 772,181,783) ordinary shares in issue during the period.

No diluted loss per share is presented as there were no dilutive potential ordinary shares during the six months ended 30 June 2002.

8 PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June 2002 (Unaudited)	Year ended 31 December 2001 (Audited)
	HK$'000	*HK$'000*
Cost or valuation		
Beginning of period/year	**326,571**	360,912
Transfer from (Transfer to) machinery held for sale	**500**	(4,713)
Additions	**1,108**	8,986
Revaluation deficit	**(10,000)**	(36,500)
Disposals	**(2,284)**	(2,104)
Exchange adjustments	**—**	(10)
End of period/year	**315,895**	326,571
Analysis of cost or valuation is as follows:		
At cost	**92,595**	93,271
At Directors' valuation - 2002	**219,300**	—
At professional valuation - 2001	**4,000**	233,300
	315,895	326,571
Accumulated depreciation and impairment loss		
Beginning of period/year	**47,989**	35,623
Write-down for impairment loss	**—**	7,543
Charges for the period/year	**2,368**	6,580
Disposals	**(1,773)**	(1,755)
Exchange adjustments	**—**	(2)
End of period/year	**48,584**	47,989
Net book value		
End of period/year	**267,311**	278,582
Beginning of period/year	**278,582**	325,289

Certain investment properties and land and buildings of total net book value of approximately HK$227,002,000 are mortgaged as collateral for the Group's banking facilities.

9 TRADE AND OTHER RECEIVABLES

Trade and contract debtors are included in trade and other receivables. The ageing analysis of trade and contract debtors is as follows:

	30 June 2002 (Unaudited) ***HK$'000***	31 December 2001 (Audited) *HK$'000*
0 - 30 days	**41,630**	32,964
31 - 60 days	**18,317**	26,630
61 - 90 days	**19,024**	12,917
Over 90 days	**45,079**	40,696
	124,050	113,207

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

Certain contract receivables are pledged as securities for certain banking facilities of the Group.

10 TRADE AND OTHER PAYABLES

Trade and contract payables are included in trade and other payables. The ageing analysis of trade and contract payables is as follows:

	30 June 2002 (Unaudited) ***HK$'000***	31 December 2001 (Audited) *HK$'000*
0 - 30 days	**8,200**	15,492
31 - 60 days	**4,113**	9,089
61 - 90 days	**5,060**	7,500
Over 90 days	**67,954**	65,705
	85,327	97,786

11 SHARE CAPITAL

	30 June 2002 (Unaudited)		31 December 2001 (Audited)	
	Number of shares	**Amount**	Number of shares	Amount
	'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

During the six months ended 30 June 2002, no options to subscribe for shares in the Company have been granted pursuant to the Share Option Scheme. At 30 June 2002, there were also no options outstanding.

12 CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2002 not provided for in the accounts are as follows:

	30 June 2002 (Unaudited)	31 December 2001 (Audited)
	HK$'000	*HK$'000*
Authorised and contracted for:		
Purchase of property, plant and equipment	**—**	155
Properties under development	**137,485**	137,485
	137,485	137,640

13 CONTINGENT LIABILITIES

At 30 June 2002, there were contingent liabilities in respect of the following:

(a) The Group provided guarantees to employers of construction contracts in respect of the obligations of the associated construction contracts amounted to approximately HK$91,986,000 (31 December 2001: HK$92,754,000)

(b) The Company provided corporate guarantees to various banks in respect of banking facilities extended to certain subsidiaries amounted to approximately HK$249,100,000 (31 December 2001: HK$255,103,000)

(c) The Group has undertaken and performed electrical and mechanical engineering work for various customers in Hong Kong and the PRC. In respect of such projects the Group has unsettled tax payables which may result in potential additional charges. No provision has been made on the potential additional charges by the Group since the amount of additional charges, if any, cannot be reliably determined. The Directors are of the opinion that this matter will not have any significant financial impact on the Group.

(d) The Group has certain outstanding litigations with claims made by third parties of approximately HK$12,440,000 (31 December 2001: HK$12,440,000) in aggregate in repect of contract works and no provision has been made by the Group. The Directors are of the opinion that this matter will not have any significant financial impact on the Group.

14 RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties, which were carried out in the normal courses of the Group's business:

	Six months ended 30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income from intermediate holding company	**733**	1,359
Rental and management fee income from a fellow subsidiary	**253**	128
Sharing of administrative costs of intermediate holding company	**626**	1,616
Employee benefits of the Directors of the Company	**4,142**	2,365

(b) Amount due to intermediate holding company and the balances with fellow subsidiaries and minority investors are unsecured, non-interest bearing and have no fixed repayment terms.