

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2001**

	<b>Six months ended 30 June</b>	
	<b>2001</b>	<b>2000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	<b>(7,941)</b>	(3,054)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	<b>(92)</b>	(12,507)
TAX REFUNDED	<b>–</b>	4,603
INVESTING ACTIVITIES	<b>(1)</b>	(765)
NET CASH OUTFLOW BEFORE FINANCING	<b>(8,034)</b>	(11,723)
FINANCING	<b>(96)</b>	12,858
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<b>(8,130)</b>	1,135
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<b>12,451</b>	(9,954)
Effect of foreign exchange rate changes	<b>(16)</b>	(2)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>4,305</b>	(8,821)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>4,305</b>	6,620
Bank overdrafts	<b>–</b>	(15,441)
	<b>4,305</b>	(8,821)

*Notes:*

**1. Basis of preparation**

The 2001 interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

The accounting policies adopted in the preparation of the interim financial statements are the same as those adopted in the audited financial statements for the year ended 31 December 2000.

## 2. Turnover and segmental information

The turnover and contribution to loss from operations of the Group for the six months ended 30 June 2001, analysed by principal activity and geographical area, are as follows:

	Turnover		Contribution to loss from operations	
	Six months ended 30 June 2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000	Six months ended 30 June 2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
<i>By principal activity:</i>				
Construction/installation works of curtain wall systems	19,419	42,656	(2,917)	(42,676)
Sale and distribution of sanitary-ware and kitchen cabinets	–	173	(113)	(2,430)
	19,419	42,829	(3,030)	(45,106)
<i>By geographical area:</i>				
The Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong")	16,919	42,829	(2,678)	(45,106)
Mainland China (excluding Hong Kong)	2,500	–	(352)	–
	19,419	42,829	(3,030)	(45,106)

## 3. Other revenue

	Six months ended 30 June	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Interest income	21	1,768
Rental income	71	71
Sale of scrap materials	128	–
Gain on disposal of fixed assets	5	–
Miscellaneous	58	44
	283	1,883

**4. Other operating expenses**

	<b>Six months ended 30 June</b>	
	<b>2001</b>	<b>2000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Write-off of fixed assets	<b>109</b>	–
Provision for impairment in values of leasehold land and buildings	<b>380</b>	–
	<b>489</b>	–

**5. Loss from operating activities**

The Group's loss from operating activities is arrived at after charging:

	<b>Six months ended 30 June</b>	
	<b>2001</b>	<b>2000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation of fixed assets		
Owned assets	<b>643</b>	1,234
Leased assets	<b>8</b>	202
Less: depreciation capitalised into contract work in progress	<b>(101)</b>	(114)
	<b>550</b>	1,322

**6. Finance costs**

	<b>Six months ended 30 June</b>	
	<b>2001</b>	<b>2000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on bank loans, overdrafts and other loans wholly repayable within five years	<b>4,906</b>	14,114
Interest on finance lease	<b>92</b>	39
	<b>4,998</b>	14,153
Less: interest capitalised into contract work in progress	–	(650)
Net finance costs	<b>4,998</b>	13,503

## 7. Non-operating income, net

		Six months ended 30 June 2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
	Notes		
Waiver of loans by the GDI Group	i	357,526	–
Gain on disposal of a subsidiary	ii	1,377	–
Legal and professional fees in relation to an unconditional cash offer for all the issued shares of the Company made by Hi Sun Limited in March 2001		(997)	–
Legal and professional fees in relation to a proposed scheme of arrangement under section 166 of Companies Ordinance as detailed in the circular issued by the Company dated 9 August 2001		(268)	–
		357,638	–

*Note: i.* Pursuant to the sale and purchase agreement (the "Agreement") entered into between Hi Sun Limited and Guangdong Investment Limited ("GDI"), the then controlling shareholder of the Company, upon the completion of the acquisition by Hi Sun Limited of a controlling stake in the Company from GDI on 3 March 2001, the indebtedness of the Group due to GDI and its subsidiaries (excluding the Group) (the "GDI Group"), after set-off against amounts due from the GDI Group to the Group, was waived by the GDI Group. The net indebtedness waived by the GDI Group amounted to approximately HK\$357.5 million.

*ii.* Concurrently with the above change in controlling shareholder of the Company, the Group had also disposed of Eastop International Investments Limited, which is the holding company of Buildcon Building Supplies Limited, to a subsidiary of GDH Limited for a cash consideration of US\$1. The Group recorded a gain of approximately HK\$1.38 million on disposal of the subsidiary. For the period from 1 January 2001 to the date of disposal, the disposed subsidiary has no turnover while its loss from ordinary activities after taxation was HK\$17,000.

## 8. Tax

	Six months ended 30 June 2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Tax refunded	–	2,222
Overprovision in prior years	–	18
Tax credit for the period	–	2,240

No Hong Kong profits tax has been provided (2000: nil) as there was no estimated assessable profits arising in Hong Kong.

There were no significant potential deferred tax liabilities as at 30 June 2001.

## 9. Earnings/(loss) per share

The calculation of the basic earnings/(loss) per share is based on the net profit from ordinary activities attributable to shareholders of the Group of HK\$350,304,000 (2000: Loss of HK\$56,255,000) and on 84,218,010 shares of HK\$1 each in issue during the period. There was no dilutive effect on the basic earnings/(loss) per share for the periods ended 30 June 2001 and 30 June 2000.

## 10. Trade receivables

The Group's average credit term to trade debtors is 30 days. The aging analysis of the Group's trade receivables as at 30 June 2001 is as follows:

	As at 30 June 2001 (Unaudited) HK\$'000	As at 31 December 2000 (Audited) HK\$'000
Age analysis of trade receivables:		
Within 90 days	3,400	6,235
91 to 180 days	1,516	–
181 to 365 days	–	3,439
Over one year	4,510	8,999
	<b>9,426</b>	<b>18,673</b>

## 11. Trade payables

The aging analysis of the Group's trade payables as at 30 June 2001 is as follows:

	As at 30 June 2001 (Unaudited) HK\$'000	As at 31 December 2000 (Audited) HK\$'000
Age analysis of trade payables:		
Within 90 days	1,608	6,150
91 to 180 days	914	1,198
181 to 365 days	1,411	5,208
Over one year	8,087	6,999
	<b>12,020</b>	<b>19,555</b>

## 12. Reserves

	Share premium account HK\$'000	Reserve funds (note) HK\$'000	Exchange fluctuation reserves HK\$'000	Accumulated Losses HK\$'000	Total HK\$'000
<b>At 1 January 2001</b>	<b>41,934</b>	<b>269</b>	<b>(816)</b>	<b>(467,121)</b>	<b>(425,734)</b>
Net profit for the period	–	–	–	350,304	350,304
Exchange adjustment	–	–	(140)	–	(140)
<b>At 30 June 2001</b>	<b>41,934</b>	<b>269</b>	<b>(956)</b>	<b>(116,817)</b>	<b>(75,570)</b>

*Note:* Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Company's subsidiary operating in Mainland China has been transferred to reserve funds which are restricted as to use.

## 13. Contingent Liabilities

As at 30 June 2001, the Group had the following material contingent liabilities:

- (a) In 1997, Full Arts Metal Works Limited ("Full Arts"), a wholly-owned subsidiary of the Company, commenced proceedings against a sub-contractor claiming approximately HK\$34,000,000 as damages for the non-performance of a sub-contract by the sub-contractor and one of its directors as guarantor for the performance of the contractual obligations by the sub-contractor.

The sub-contractor also commenced proceedings against Full Arts, claiming approximately HK\$25,000,000 for the alleged non-payment of monies due under the sub-contract and for the costs of the alleged supply of extra materials. Both actions were consolidated by an order of the Court.

After mutual discovery of documents by the parties, the sub-contractor was liquidated in 2000 and no further action was pursued by Full Arts and the sub-contractor against each other thereafter. The Directors are considering taking proceedings against the director who is the guarantor. Based on legal advice, the Directors are of the opinion that it is premature to give any reliable indication as to the likely outcome of these proceedings. Because the Group had no present obligation towards the sub-contractor as at 30 June 2001, no provision was made in the Group's accounts in respect of the damages claimed by the sub-contractor in liquidation.

- (b) Full Arts commenced proceedings in 1999 against a sub-contractor claiming damages of approximately HK\$7,200,000 for alleged non-performance of a sub-contract. The sub-contractor then commenced proceedings against Full Arts counterclaiming approximately HK\$10,033,000 as damages for breach of contract. Summons for directions of these proceedings were heard in 1999 and mutual discoveries were completed. As at 30 June 2001, these legal proceedings were still in progress.

Both parties are exploring the possibility of consolidating the two actions. Based on legal advice, the Directors are of the opinion that it is premature to give any reliable indication as to the likely outcome of these proceedings. Because the Group had no present obligation towards the sub-contractor as at 30 June 2001, no provision was made in the Group's accounts in respect of the damages claimed.

- (c) Full Arts terminated a sub-contract for non-performance by a sub-contractor responsible for glass fabrication and installation for a project in Hong Kong. Full Arts commenced proceedings in 1999 against the sub-contractor claiming approximately HK\$16,500,000 as damages for such non-performance and the amount over-paid by Full Arts. The sub-contractor commenced proceedings against Full Arts in the same year, claiming approximately HK\$4,800,000 for the alleged non-payment of monies due under the sub-contract and loss of profit. In July 1999, Full Arts filed a reply and defence to counterclaim. As at 30 June 2001, the legal proceedings were still in progress.

Based on legal advice, the Directors are of the opinion that it is premature to give any reliable indication as to the likely outcome of these proceedings. Because the Group had no present obligation as at 30 June 2001, no provision was made in the Group's accounts in respect of the damages claimed by the sub-contractor.

- (d) A main contractor and an employer commenced proceedings against Full Arts claiming damages for the alleged non-performance of a sub-contract in 2000. Full Arts intended to file a defence and counterclaim against the main contractor for the unpaid contract sum of approximately HK\$28,000,000. The Directors consider that the employer had no merits in its claim against Full Arts and intend to apply to the Court to strike out such claim.

Based on legal advice, the Directors are of the opinion that it is premature to give any reliable indication as to the likely outcome of these proceedings. Because the Group had no present obligation as at 30 June 2001, no provision was made in the Group's accounts in respect of the damages claimed.

#### **14. Comparative amounts**

Certain comparative amounts, which were previously presented to reflect a winding down scenario, have been reclassified to conform to the current period's presentation on a going concern basis.

#### **15. Approval of the Interim Financial Statements**

These condensed interim financial statements were approved by the Board on 21 September 2001.