



東方鑫源集團有限公司
Oriental Metals (Holdings) Company Limited



Interim Report

2002

The directors of Oriental Metals (Holdings) Company Limited (“OriemMet” or “the Company”) herewith announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2002. These interim results have not been audited but have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2002	2001
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Turnover	3	419,642	719,201
Cost of sales		(371,398)	(658,867)
Gross profit		48,244	60,334
Other net income		1,376	3,081
		49,620	63,415
Selling expenses		(14,504)	(27,633)
Administrative expenses		(29,640)	(34,811)
Other operating expenses	4	4,463	(16,630)
Profit/(Loss) from operations		9,939	(15,659)
Finance costs		(25,461)	(29,918)
		(15,522)	(45,577)
Share of profits and losses of associates		2,896	(16,188)
Loss before tax	5	(12,626)	(61,765)
Taxation	6	(2,629)	(1,500)
Loss after tax		(15,255)	(63,265)
Minority interests		(146)	(1,870)
Loss attributable to shareholders		(15,401)	(65,135)
Interim dividend	7	-	-
Loss for the period		(15,401)	(65,135)
Loss per share	8	(1.17 cents)	(4.94 cents)
– Basic		-	-
– Diluted		-	-

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
ASSETS			
Non-current assets			
Fixed assets		344,829	367,231
Construction in progress		59,192	44,891
Interest in associates		79,960	90,380
Investment in securities		2,047	2,047
Long-term receivables		6,226	6,226
		492,254	510,775
Current assets			
Inventories		244,409	250,340
Debtors and prepayments	9	231,551	143,129
Amounts due from related companies		–	206
Short-term investments		28,302	–
Cash and bank balances		76,459	56,417
		580,721	450,092
Current liabilities			
Creditors and accrued charges	10	233,595	192,748
Bills payable		30,661	7,547
Amounts due to related companies		53,667	57,711
Amounts due to associates		9,100	9,100
Provision for taxation		10,545	11,573
Provisions		84,413	92,845
Bank loans	11	570,934	613,244
Amounts due to minority investors		36,247	36,435
		1,029,162	1,021,203
Net current liabilities		(448,441)	(571,111)
Total assets less current liabilities		43,813	(60,336)
Non-current liabilities			
Bank loans	11	269,811	147,170
Minority interests		152,811	155,902
NET LIABILITIES		(378,809)	(363,408)
SHAREHOLDERS' DEFICIT			
Share capital		131,973	131,973
Reserves		(510,782)	(495,381)
		(378,809)	(363,408)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(12,656)	(7,785)
Net cash used in investing activities	(44,397)	(24,556)
Net cash generated from financing activities	77,095	21,953
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	20,042	(10,388)
Cash and cash equivalents at beginning of the period	56,417	62,199
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	76,459	51,811
	<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2002 (Unaudited)

	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	General reserve HK\$'000	Capital reserve HK\$'000	PRC statutory reserve HK\$'000	Exchange translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
1 January, 2002	131,973	800,030	496	15,600	7,337	63,387	2,877	(1,385,108)	(363,408)
Net loss for the period	-	-	-	-	-	-	-	(15,401)	(15,401)
Transfer to PRC statutory reserve	-	-	-	-	-	1,022	-	(1,022)	-
30 June, 2002	<u>131,973</u>	<u>800,030</u>	<u>496</u>	<u>15,600</u>	<u>7,337</u>	<u>64,409</u>	<u>2,877</u>	<u>(1,401,531)</u>	<u>(378,809)</u>

Six months ended 30 June 2001 (Unaudited)

	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	General reserve HK\$'000	Capital reserve HK\$'000	PRC statutory reserve HK\$'000	Exchange translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
1 January, 2001	131,973	800,030	6,992	15,600	7,337	61,653	2,509	(520,366)	505,728
Net loss for the period	-	-	-	-	-	-	-	(65,135)	(65,135)
30 June, 2001	<u>131,973</u>	<u>800,030</u>	<u>6,992</u>	<u>15,600</u>	<u>7,337</u>	<u>61,653</u>	<u>2,509</u>	<u>(585,501)</u>	<u>440,593</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Accounting Policies

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No.25 "Interim Financial Reporting" and the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Except for the changes as described below, the accounting policies and basis of preparation used in preparing the interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2001.

In the current period, the Group has adopted, for the first time, the following SSAPs issued by the Hong Kong Society of Accountants:

SSAP1 (revised)	:	Presentation of financial statements
SSAP11 (revised)	:	Foreign currency translation
SSAP15 (revised)	:	Cash flow statements
SSAP25 (revised)	:	Interim financial reporting
SSAP34	:	Employee benefits

Except for the restatement of the prior period's condensed financial statements as a result of the adoption of the SSAP1 (revised) "Presentation of financial statements" and SSAP15 (revised) "Cash flow statements" so as to achieve consistent presentation, the adoption of the above SSAPs has no material impact on the Group's financial statements.

2. Going Concern Basis

The financial statements have been prepared on the going concern basis. For the six months ended 30 June, 2002, the Group reported a loss attributable to shareholders of HK\$15,401,000. As at 30 June, 2002, the Group had a net working capital deficiency of HK\$448,441,000, and a shareholders' deficit of HK\$378,809,000. In addition, the Group has defaulted on repayment of overdue bank loans of HK\$396 million and interest on its bank borrowings of approximately HK\$16 million. The Group's bankers continue to take various actions including, but not limited to, the issuance of demand notices and writs of summons to request for immediate repayment of a substantial portion of the Group's total bank borrowings.

As stated in the Annual Report for 2001, in view of the aforementioned factors, the Company's directors and management raise substantial doubt about the Group's ability to continue as a going concern. The directors and management's expectation was still placed on the Group's debt restructuring work. If the Group's restructuring can be successfully implemented, the Group's future operations can be secured. Accordingly, the financial statements have been prepared on the going concern basis.

3. Segment Information

(a) By business segments

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

Trading	:	Trading of nonferrous metals
Aluminium refinery	:	Production and sale of aluminium foil, extrusions, and production and sale of aluminium cans and container and packaging products
Copper refinery and smelters	:	Production and sale of copper plica tubes, copper rods, copper wires, copper cathodes and copper blisters

	Six months ended 30 June (Unaudited)									
	Trading		Aluminium refinery		Copper refinery and smelters		Corporate and others		Total	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE										
Sales of nonferrous metals	-	141,694	388,861	487,837	30,781	85,732	-	-	419,642	715,263
Net loss on metals future trading	-	(15)	-	-	-	-	-	-	-	(15)
Interest income	-	2,127	-	-	-	-	-	1,826	-	3,953
	<u>-</u>	<u>143,806</u>	<u>388,861</u>	<u>487,837</u>	<u>30,781</u>	<u>85,732</u>	<u>-</u>	<u>1,826</u>	<u>419,642</u>	<u>719,201</u>
OTHER REVENUES	<u>-</u>	<u>-</u>	<u>1,022</u>	<u>1,039</u>	<u>337</u>	<u>335</u>	<u>17</u>	<u>1,707</u>	<u>1,376</u>	<u>3,081</u>
RESULTS										
Segment results	(5,677)	(15,670)	20,358	14,480	2,852	63	(7,594)	(14,532)	9,939	(15,659)
Finance costs									(25,461)	(29,918)
Share of profits and losses of associates									2,896	(16,188)
Taxation									(2,629)	(1,500)
Minority interests									(146)	(1,870)
Net loss attribute to shareholders									<u>(15,401)</u>	<u>(65,135)</u>

(b) *By geographical segments*

The Group's activities are conducted predominately in the People's Republic of China (the "PRC"), except that a small portion of its trading income is derived from other countries.

	Six months ended 30 June (Unaudited)			
	Turnover		Contribution to gross profit from operations	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC (Other than Hong Kong)	405,259	660,062	46,441	56,163
Hong Kong and others	14,383	59,139	1,803	4,171
	<u>419,642</u>	<u>719,201</u>	<u>48,244</u>	<u>60,334</u>

4. Other Operating Expenses

	Six months ended 30 June	
	2002	2001
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Write-back of provision in respect of a resolved litigation	(9,453)	–
Increase in provision for foreseeable loss on a long-term purchase contract	4,990	–
Provision for bad and doubtful debts	–	16,630
	<u>(4,463)</u>	<u>16,630</u>

5. Loss Before Tax

Loss before tax is determined after crediting and charging the followings:

	Six months ended 30 June	
	2002	2001
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Crediting:		
Dividend income from listed investment	-	27
Interest income	190	3,953
Gain on disposal of investment securities	-	1,934
Exchange gain, net	-	3
	<u> </u>	<u> </u>
Charging:		
Depreciation	24,174	24,929
Loss on disposal of fixed assets	22	474
Amortisation of intangible assets	-	139
Cost of inventories	371,398	658,867
Staff costs (including retirement costs of HK\$3,751,000 (2001 : HK\$3,831,000) and directors' emoluments)	27,384	28,423
Interest expenses	25,461	29,918
Operating lease rentals on land and buildings	323	954
Exchange loss, net	4	-
	<u> </u>	<u> </u>

6. Taxation

	Six months ended 30 June	
	2002	2001
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Provision for the PRC income tax and property tax	1,824	988
Share of associates' taxation	805	512
	<u> </u>	<u> </u>
	<u>2,629</u>	<u>1,500</u>

No provision for Hong Kong profits tax has been made for Hong Kong companies within the Group as all Hong Kong companies had no estimated assessable profit for the period.

The provision for the PRC income tax is calculated in accordance with relevant income tax laws and regulations applicable to Sino-foreign equity joint ventures and based on the estimated assessable profits for the period. Certain subsidiaries of the Company in the Mainland China have enjoyed income tax exemption and reduction for the period. The provision for PRC property tax is calculated in accordance with the relevant property tax laws in the PRC.

7. Interim Dividend

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2002.

8. Loss Per Share

The calculation of basic loss per share is based on the loss attributable to shareholders of HK\$15,401,000 (2001: HK\$65,135,000) and the 1,319,726,950 ordinary shares (2001: 1,319,726,950 ordinary shares) in issue during the period.

There was no potential dilution of loss per share for 2002 and 2001.

9. Debtors And Prepayments

The Group normally grants a credit period of 30 days to 90 days to its trade customers. Included in the Group's debtors and prepayments are trade receivable balances of approximately HK\$144,992,000 (2001: HK\$117,343,000) and an aging analysis of such trade receivables is shown as follows:

	30 June 2002		31 December 2001	
	Unaudited		Audited	
	HK\$'000	%	HK\$'000	%
Less than 6 months	141,158	97	111,865	95
6 months – 1 year	1,976	1	2,893	2
1 – 2 years	1,511	1	1,035	1
Over 2 years	347	1	1,550	2
	144,992	100	117,343	100

10. Creditors And Accrued Charges

Included in the Group's creditors and accrued charges are trade payable balances of approximately HK\$68,220,000 (2001: HK\$58,803,000) and an aging analysis of such trade payables is as follows:

	30 June 2002		31 December 2001	
	Unaudited		Audited	
	HK\$'000	%	HK\$'000	%
Less than 6 months	53,458	78	47,766	81
6 months – 1 year	6,630	10	702	1
1 – 2 years	428	1	417	1
Over 2 years	7,704	11	9,918	17
	68,220	100	58,803	100

11. Bank Loans

Certain bank loans of approximately HK\$396 million (2000: HK\$399 million) are overdue as at the date of this results announcement and have been included under current liabilities as at 30 June 2002. The debt restructuring work continued during the period.

12. Commitments

(a) Operating leases

As at 30 June, 2002, the Group's commitments in respect of rented premises under non-cancellable operating leases amounted to approximately \$883,000 (2001: HK\$1,205,000). Details of the total future minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2002 Unaudited HK\$'000	31 December 2001 Audited HK\$'000
Total future minimum lease payments payable:		
Within one year	471	646
After one year but within five years	412	559
	<u>883</u>	<u>1,205</u>

(b) Capital Commitments in respect of purchase of plant and machinery

	30 June 2002 Unaudited HK\$'000	31 December 2001 Audited HK\$'000
Authorised and contracted for	291,374	14,223
Authorised but not contracted for	–	240,462
	<u>291,374</u>	<u>254,685</u>

13. Controlling Shareholder

The High Court of the Hong Kong Special Administrative Region issued an order for the winding up of China Nonferrous Metals Group (Hong Kong) Limited ("CNMG(HK)"), the controlling shareholder of the Company, on 8 May 2002 and ordered that John Lees and Desmond Chiong be appointed as the liquidators of CNMG(HK) on 19 June 2002. The Company has already requested the liquidators to keep the Company informed of any material development of CNMG(HK) which may have an impact on the Group and the Company.

14. Comparative Figures

Certain comparative figures have been reclassified to conform to the current period's presentation. In particular, comparatives under segment information in note 3 have been extended in order to reflect the Group's activities more properly.

15. Financial Assistance And Guarantee to Associates

As at 30 June 2002, the advance to an entity was approximately HK\$71,752,000, representing more than 25% of the net assets value of the Group as at 30 June 2002 (The Group is in net liabilities). Disclosure should be made in accordance with the Practice Note Number 19 of the Listing Rules.

A proforma combined balance sheet of the above mentioned associates as at 31 July, 2002 (being the latest practicable date for this report) is set out below:–

	Proforma combined balance <i>HK\$ million</i>	The Group's attributable interests <i>HK\$ million</i>
Non-current assets	137	34
Current assets	213	54
Current liabilities	(248)	(62)
Net current liabilities	(35)	(8)
Net assets	<u>102</u>	<u>26</u>
Share capital	94	24
Reserves	8	2
	<u>102</u>	<u>26</u>

All the above figures are unaudited.

BUSINESS REVIEW

Turnover for the six months ended 30 June 2002 amounted to HK\$420 million, a decrease of 42% compared to the corresponding period in last year. Loss for the period was HK\$15 million, decreased by 76% over the same period last year. Loss per share was HK1.17 cents (2001: HK4.94 cents).

Trade Business

For the first half of 2002, because of the continuous drop in the price of nonferrous metals and the little improvement in the Company's financial difficulties, the Company has temporarily suspended its trading operations. This resulted in a significant decrease in the Group's turnover. In order to minimize the losses arising from the execution of the long-term alumina purchase contract, the Company has negotiated with the supplier regarding the arrangements to postpone delivery of goods. However, as the price of

alumina continued to drop in the first half of the year, therefore an increase in provision of approximately HK\$5 million was made in this period in respect of the future trade of the 300,000 tons of alumina.

Direct Industrial Investments

As at the end of 2001, the Group had already made a full provision for its investments in the five associates other than Changzhou Jinyuan Copper Company Limited ("Changzhou Jinyuan") and Yinxing Company Limited. The losses of these associates therefore would not have further impact on the operating results of the Group since 2002.

The total net profits arising from the Group's direct industrial investments amounted to HK\$11 million for the first half of 2002.

Aluminium Refinery Business

In the period, the competition of the aluminium foils market increased, leading to a decrease in both the turnover and prices of the products of North China Aluminium Company Limited and hence the profit of the enterprise. The cartel policy adopted by the aluminium can industry started to take effect. Both of the turnover and profit margins of Zhangzhou International Aluminium Container Company Limited ("Zhangzhou International") increased. Accompanying with the write back of provision as a result of a resolved litigation, Zhangzhou International turned from losses into profits.

Copper Refinery and Smelter Business

Over-production in the copper rods market dragged down the profit margins on the processing works, leading to a sharp decrease in the turnover and operating profit of Changzhou Jinyuan. Copper smelters, though do not have further impact on the Group's performance, still sustained losses because of the drop in copper cathode prices and processing income.

Administrative Expenses

During the period, the Group through streamlining of its structure and reallocation of internal resources successfully brought down the administrative expenses by 15%.

Interest expenses

Decrease in borrowing rates caused the interest expenses of the Group decreased by 15%.

Financial Resources and Cash Flow

Over the period, the net cash used by the Group in operating activities amounted to HK\$13 million (2001: HK\$8 million). The net cash used in investing activities amounted to HK\$44 million (2001: HK\$25 million). The net cash generated from financing activities amounted to HK\$77 million (2001: HK\$22 million). The cash and cash deposits of the Group increased by HK\$20 million (2001: Decreased by HK\$10 million). As at 30 June 2002, the Group had cash and cash deposits totalling HK\$76 million (all unsecured deposits), of which 25% and 74% were denominated in United State dollars and Renminbi respectively, and the remaining portion was in Hong Kong dollars.

The Group has not entered into any foreign exchange contracts or related hedges as the foreign currency risk exposure is minimal. The Group will continue to adhere to its prudent policy on financial risk management of currency exposures.

As at 30 June 2002, the Group's total outstanding bank loans amounted to approximately HK\$840 million (HK\$790 million at floating interest rates and the remainder at fixed interest rates), of which HK\$270 million was repayable after more than one year. Of the total bank loans, 45% were denominated in United States dollars and the remainder in Renminbi. Bank loans amounting to HK\$408 million were secured by fixed assets of the Group with a net book value of HK\$304 million as at 30 June 2002. Since 31 December 2001, the Group was in net liabilities, therefore the bank debt to equity ratio, which is measured as total bank loans (net of cash balances) as a proportion of shareholders' equity, has not been presented.

As at 30 June 2002, bank loans of HK\$396 million in total remained overdue. On 14 May 2002, the Company received a writ from the Court of First Instance of the High Court of the Hong Kong Special Administrative Region for an application for recovery of a syndicated loan of approximately US\$14 million (equivalent to approximately HK\$109 million) which was overdue as at 31 December 2001. The Company has already appointed legal advisors to handle the case and has submitted reply to the Court on 10 June 2002. Up to the date of this announcement, the Group has not yet received any further notice or order made by the Court.

In addition, all the borrowing banks of the Company in Hong Kong has appointed the Hongkong & Shanghai Banking Corporation Limited as the liaison bank to work with the Company. The banks have also appointed independent financial and legal advisors. The financial advisors have already completed a financial review on the Group and has started the second stage work in accordance with the bankers' request.

Contingent liabilities

There was no material change in the Group's contingent liabilities since 31 December 2001.

Employee

As at 30 June 2002, the Group employed about 2,300 staff (not including the staff of the associated companies). The Group adopted a pay policy in line with market practice, and remuneration was determined with reference to the performance and experience of individual employees. Other employee benefits include year end double pay, discretionary bonus, medical insurance, provident fund and share option scheme. The Group will also provide professional training to employees according to their different needs and encourages self-advancements.

Prospects

Affected by the uncertainty of the world economic development, it is expected the prices of nonferrous metals products would remain at a low level. Facing the adverse environment, the Group will further strengthen its management and enforce the enterprises to improve operating performance. At the same time, the Group will act proactively with the borrowing banks for the debt restructuring work.

DIRECTORS' INTERESTS IN SECURITIES AND RIGHTS TO ACQUIRE SECURITIES

As at 30 June 2002, other than certain nominee shares in the subsidiaries held by the directors in trust for the Company, none of the directors had any personal, family, corporate or other interests in any equity or debt securities of the Company or any of its associated corporations 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 Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") (including interests which any such director is deemed or taken to have under section 31 of, or Part I of the Schedule to, the SDI Ordinance), or which are required to be entered into the register maintained by the Company under section 29 of the SDI Ordinance or which 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 period, none of the directors of the Company nor their spouses or children under 18 years of age was granted or had exercised any rights to subscribe for any equity and 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 kept by the Company under section 16(1) of the SDI Ordinance, the Company was notified of the following interests in the Company's issued share capital amounting to 10% or more of the issued share capital of the Company:-

Name	Number of Ordinary shares held	Percentage of total issued shares
The State Nonferrous Metals Industry Administration ("SNMIA")*	596,044,203	45.16%
China Nonferrous Metals Holdings (Cook Islands) Limited ("CNCI")	596,044,203	45.16%
China Nonferrous Metals Group (Hong Kong) Limited ("CNMG (HK)")**	596,044,203	45.16%
Mazar Limited	288,028,520	21.82%

* *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 Company's ultimate controlling shareholder, SNMIA, was dissolved in the course of restructuring of the nonferrous metals industry in the PRC.*

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

Note: Given (a) Mazar Limited is a wholly owned subsidiary of CNMG (HK), (b) CNMG (HK) is a wholly owned subsidiary of CNCI, and (c) CNCI was a wholly owned subsidiary of SNMIA, these companies are deemed to be interested in the above shares.

Save as disclosed above, no other person was recorded in the register as having an interest in 10% or more of the issued share capital of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

AUDIT COMMITTEE

The audit committee of the Company has two members comprising two independent non-executive directors, Mr. Chan Wai Dune (Chairman) and Mr. Ting Leung Huel, Stephen. The principal duties of the audit committee are to review and supervise the financial reporting process and internal controls of the Company. The audit committee has reviewed the unaudited consolidated financial statements for the six months ended 30 June 2002.

CODE OF BEST PRACTICE

Save and except for the period from 1 February 2002 to 4 June 2002, the Company had not had a minimum of two independent non-executive directors to establish an audit committee pursuant to Paragraph 14 of the Code of Best Practice (the "Code of Best Practice") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange and also the non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with articles 101 and 85 of the Company's articles of association, the directors of the Company are not aware of any information which would reasonably indicate that the Company is not, or was not, at any time during the six months ended 30 June 2002 in compliance with the Code of Best Practice.

By Order of the board
Xu Huizhong
Director and President

Hong Kong, 12 September 2002