

NOTES TO FINANCIAL STATEMENTS

31 December 2000

1. CORPORATE INFORMATION

During the year, the Group was involved in the following principal activities:

- property investment
- property management
- listed equity securities investment holding

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of investment properties and certain equity investments as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2000. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Goodwill/capital reserve on consolidation

Goodwill arising on consolidation of subsidiaries and on acquisition of jointly-controlled entities and associates represents the excess of purchase consideration paid over the fair values ascribed to the net underlying assets acquired, and is either eliminated against the reserves of the Group on acquisition, or is capitalised and amortised to the profit and loss account on a straight-line basis over its estimated useful life, on a case-by-case basis.

Capital reserve on consolidation represents the excess of the fair values ascribed to the net underlying assets acquired at the date of acquisition over the purchase consideration for such subsidiaries, jointly-controlled entities or associates.

On disposal of subsidiaries, jointly-controlled entities or associates, the relevant portion of attributable goodwill or capital reserve on consolidation previously dealt with in reserves is realised and taken into account in arriving at the gain or loss on disposal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiaries

A subsidiary is a company, other than a jointly-controlled entity, in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any provisions for diminutions in values, other than that considered to be temporary in nature, deemed necessary by the directors.

Jointly-controlled entities

A jointly-controlled entity is a joint venture under a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any provisions for diminutions in values, other than that considered to be temporary in nature, deemed necessary by the directors.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2000

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets and depreciation (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	1.6%
Buildings	2%
Leasehold improvements	25% – 33 $\frac{1}{3}$ %
Furniture and fixtures	20% – 25%
Motor vehicles	30%
Office equipment	25%

For the purpose of calculating depreciation on buildings, the building cost is deemed to be 50% of the total cost of land and buildings.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and/or buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties with unexpired lease terms of more than 20 years are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

Retirement benefits scheme

With effect from 1 December 2000, the Group has implemented a mandatory provident fund scheme. Contributions are made based on rates applicable to the respective employees' relevant income from the Group and are charged to the profit and loss account as they become payable in accordance with government regulations. The Group's mandatory contributions vest fully and immediately in favour of the employees.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are credited or charged to the profit and loss account on the straight-line basis over the lease terms.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Foreign currencies**

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of the overseas jointly-controlled entity are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) rental and management fee income, on a time proportion basis over the lease terms;
- (b) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- (c) profit on trading of listed investments, on the transaction date;
- (d) dividend income, when the shareholders' right to receive payment is established; and
- (e) profit on disposal of investment property, when the legally binding sales contract is signed and exchanged and the transaction becomes unconditional.

NOTES TO FINANCIAL STATEMENTS

31 December 2000

3. TURNOVER

Turnover represents rental and management fee income, investment and interest income, profit on disposal of listed investments and investment properties, and income on the provision of financial services, but excludes intra-group transactions.

The Group's turnover for the year included revenue from the following activities:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Rental and management fee income	21,937	20,608
Investment income, interest income and profit on disposal of listed investments	814	3,566
Profit on disposal of an investment property	1,000	–
Income on the provision of financial services	–	611
	23,751	24,785

4. PROFIT FROM OPERATING ACTIVITIES

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

	Group	
	2000	1999
	HK\$'000	HK\$'000
Costs incurred in the provision of rental and management services (<i>Note</i>)	3,024	2,906
Staff costs (including directors' remuneration):		
Salaries and allowances	6,981	8,019
Pension contributions	21	4
	7,002	8,023
Depreciation	130	269
Rental expenses in respect of land and buildings under operating leases	690	1,127
Auditors' remuneration	500	520
Provisions for doubtful debts	6,000	3,568
Loss on disposal of fixed assets	7	–
	7	–

NOTES TO FINANCIAL STATEMENTS

31 December 2000

4. PROFIT FROM OPERATING ACTIVITIES (Continued)

and crediting:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Gross rental income	19,819	18,900
Less: Outgoings	(540)	(629)
Net rental income	19,279	18,271
Profit on disposal of listed investments	357	442
Profit on disposal of an investment property	1,000	–
Dividend income from listed investments	45	77
Interest income from bank deposits	412	3,047
Unrealised holding gain on short term investments	212	985
Interest income from loans and advances	–	611

Note: The amount included staff costs of HK\$1,993,000 (1999: HK\$1,879,000).

5. FINANCE COSTS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Interest on bank loans repayable within five years	6,347	3,233
Interest on unpaid capital contribution to a jointly-controlled entity	3,180	3,419
	9,527	6,652

NOTES TO FINANCIAL STATEMENTS

31 December 2000

6. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and Section 161 of the Hong Kong Companies Ordinance is as follows:

	2000 HK\$'000	1999 HK\$'000
Executive directors:		
Fees	–	–
Salaries, housing allowances, bonuses and benefits in kind	<u>1,860</u>	<u>2,617</u>
	<u>1,860</u>	<u>2,617</u>
Non-executive director:		
Fees	66	66
Independent non-executive directors:		
Fees	<u>165</u>	<u>120</u>
	<u>2,091</u>	<u>2,803</u>

The remuneration of the directors fell within the following bands:

	Number of directors	
	2000	1999
Nil – HK\$1,000,000	7	5
HK\$1,000,001 – HK\$1,500,000	<u>1</u>	<u>2</u>
	<u>8</u>	<u>7</u>

There were no arrangements under which a director waived or agreed to waive any remuneration during the year.

7. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (1999: two) directors, details of whose remuneration are set out in note 6 to the financial statements. Further details of the remuneration of the remaining three (1999: three) non-director, highest paid employees are set out below:

	2000 HK\$'000	1999 HK\$'000
Salaries, other emoluments and benefits in kind	1,728	1,706
Pension scheme contributions	<u>3</u>	<u>–</u>
	<u>1,731</u>	<u>1,706</u>

The remuneration of the three non-director, highest paid employees for the year fell within the range of Nil – HK\$1,000,000.

NOTES TO FINANCIAL STATEMENTS

31 December 2000

8. TAX

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2000	1999
	HK\$'000	HK\$'000
The Company and its subsidiaries:		
Hong Kong profits tax:		
Provision for the year	449	245
Refund in respect of prior year	—	(101)
	449	144
Share of tax attributable to:		
Jointly-controlled entity	2,783	5,947
Associates	(245)	581
	2,987	6,672
Tax charge for the year	2,987	6,672

9. NET PROFIT/LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$6,305,000 (1999: profit of HK\$214,000).

The Group's share of profit retained by the jointly-controlled entity for the year amounted to approximately HK\$8,769,000 (1999: HK\$14,333,000).

The Group's share of profits retained by the associates for the year amounted to HK\$1,708,000 (1999: HK\$6,031,000).

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders of HK\$4,355,000 (1999: HK\$18,187,000) and 827,867,914 shares (1999: weighted average of 750,339,797 shares) in issue during the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2000

11. FIXED ASSETS

Group

	Investment properties <i>HK\$'000</i>	Land and building <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Other fixed assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation:					
At beginning of year	294,780	3,143	101	3,714	301,738
Additions	141	–	–	36	177
Disposals	–	–	–	(152)	(152)
Deficit on revaluation	(8,204)	–	–	–	(8,204)
At 31 December 2000	<u>286,717</u>	<u>3,143</u>	<u>101</u>	<u>3,598</u>	<u>293,559</u>
Comprising:					
At cost	–	3,143	101	3,598	6,842
At 2000 valuation	286,717	–	–	–	286,717
	<u>286,717</u>	<u>3,143</u>	<u>101</u>	<u>3,598</u>	<u>293,559</u>
Accumulated depreciation:					
At beginning of year	–	326	101	3,555	3,982
Provided during the year	–	57	–	73	130
Disposals	–	–	–	(145)	(145)
At 31 December 2000	<u>–</u>	<u>383</u>	<u>101</u>	<u>3,483</u>	<u>3,967</u>
Net book value:					
At 31 December 2000	<u>286,717</u>	<u>2,760</u>	<u>–</u>	<u>115</u>	<u>289,592</u>
At 31 December 1999	<u>294,780</u>	<u>2,817</u>	<u>–</u>	<u>159</u>	<u>297,756</u>

The Group's land and building held at cost at 31 December 2000 is situated in Hong Kong and is held under long term lease.

The Group's investment properties situated in Hong Kong were revalued at 31 December 2000 by AA Property Services Limited, an independent professionally qualified valuer, on an open market, existing use basis. These properties are leased out under operating leases.

The Group's investment properties situated in Mainland China were revalued at 31 December 2000 by DTZ Debenham Tie Leung Limited, an independent professionally qualified valuer, on an open market, existing state basis. These properties were vacant as at the balance sheet date.

NOTES TO FINANCIAL STATEMENTS

31 December 2000

11. FIXED ASSETS (Continued)

The Group's investment properties included above are held under the following lease terms:

	Hong Kong	Mainland China	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Long term leases	101,101	16,016	117,117
Medium term leases	169,600	–	169,600
	<u>270,701</u>	<u>16,016</u>	<u>286,717</u>

At the balance sheet date, certain of the Group's investment properties and land and building with an aggregate carrying value of approximately HK\$253,000,000 (1999: HK\$278,000,000) were pledged to a bank to secure the bank loans as set out in note 18 to the financial statements.

Further details of the Group's major properties are set out on pages 53 to 55 of the annual report.

12. INTERESTS IN SUBSIDIARIES

	Company	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	231,154	231,154
Due from subsidiaries	466,086	437,252
Due to subsidiaries	(23,986)	(17,733)
	<u>673,254</u>	<u>650,673</u>

The balances with the subsidiaries are unsecured, interest-free and repayable on demand.

NOTES TO FINANCIAL STATEMENTS

31 December 2000

12. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries at the balance sheet date are as follows:

Name of company	Place of incorporation/ operations	Nominal value of issued share capital	Percentage of equity attributable to the Company		Principal activities
			2000	1999	
Dunley Developments Limited	British Virgin Islands	US\$1	100%	100%	Investment holding
Ecko Limited	Hong Kong	HK\$2	100%	100%	Property management
Eldex Investment Company Limited	Hong Kong	HK\$541,000 (ordinary) HK\$1,459,000 (non-voting deferred)	100%	100%	Property investment
Grand Award Limited	British Virgin Islands	US\$1	100%	100%	Investment holding
Grand Park Investment Limited	Hong Kong	HK\$2	100%	100%	Property investment
Grand Phoenix Limited	British Virgin Islands	US\$1	100%	100%	Investment holding
Jeckman Holdings Limited	British Virgin Islands	US\$16	100%	100%	Investment holding
Linksky Limited	Hong Kong	HK\$2	100%	100%	Property holding
Long Cosmos Investment Limited	Hong Kong	HK\$2	100%	100%	Provision of management services
Lyre Terrace Management Limited	Hong Kong	HK\$1,000,000	100%	100%	Investment holding and property investment
Newcorp Management Limited	Hong Kong	HK\$2	100%	100%	Property investment

NOTES TO FINANCIAL STATEMENTS

31 December 2000

12. INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ operations	Nominal value of issued share capital	Percentage of equity attributable to the Company		Principal activities
			2000	1999	
On Hing Investment Company, Limited	Hong Kong	HK\$1,000 (ordinary) HK\$2,000,000 (non-voting deferred)	100%	100%	Property investment
SCG Financial Investment Limited	British Virgin Islands	US\$1,000	100%	100%	Investment holding
SCG Investment (B.V.I.) Limited	British Virgin Islands	HK\$100,000	100%	100%	Investment holding
SCG Leasing Corporation Limited	Hong Kong	HK\$2	100%	100%	Property investment
Strenbeeche Limited	British Virgin Islands/ Hong Kong	HK\$147,000,008	100%	100%	Property investment
Tin Fung Investment Company, Limited	Hong Kong	HK\$975,000 (ordinary) HK\$210,000 (non-voting deferred)	100%	100%	Property investment
Upper Nice Assets Ltd.	British Virgin Islands	US\$1	100%	100%	Investment holding

All issued share capital is ordinary unless otherwise stated.

Except for SCG Investment (B.V.I.) Limited, all of the above subsidiaries are indirectly held by the Company.

The above table includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of all the subsidiaries would, in the opinion of directors, result in particulars of excessive length.

NOTES TO FINANCIAL STATEMENTS

31 December 2000

13. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2000	1999
	HK\$'000	HK\$'000
Unlisted investment:		
Cost plus share of post-acquisition profit of the jointly-controlled entity	235,882	192,955
Due to the jointly-controlled entity	-	(2,270)
	235,882	190,685

Particulars of the jointly-controlled entity at the balance sheet date are as follows:

Name of entity	Business structure	Place of registration/ operations	Percentage of			Principal activities
			Ownership interest	Profit/loss sharing	Voting power	
Beijing Dongzhimen International Apartment Co., Ltd. ("Beijing Dongzhimen")	Corporate	People's Republic of China ("PRC")	*44%	44%	**43%	Property holding and provision of residential serviced apartments

* Held through Grand Award Limited, a subsidiary.

** The Group has 3 out of 7 votes on the board of directors of Beijing Dongzhimen.

Beijing Dongzhimen is a sino-foreign equity joint venture which was established in the PRC on 18 December 1986 with a tenure of 14 years and 8 months to 17 August 2001 (the "initial JV term"). The extension of the initial JV term for a further period of 15 years from the date of expiry of the initial JV term to 17 August 2016 was approved by the relevant authorities during the year upon the completion of the capital contribution.

Beijing Dongzhimen holds the land use rights for the land on which the East Lake Villas are presently located until the expiry of the initial JV term. At the balance sheet date, Beijing Dongzhimen was in the process of applying for an extension of 40 years for the use of the land following the expiry of the initial JV term.

Shougang Holding (Hong Kong) Limited ("Shougang HK"), the controlling shareholder of the Company's ultimate holding company and a fellow subsidiary of one of the original joint venture partners, has provided an irrevocable undertaking to the Group to the effect that, should the present land use rights be terminated prior to the expiry of the initial JV term, or should the extension of 40 years not be approved by the Beijing Administration for Land and Property, the Group will have the right to require Shougang HK to acquire from the Group the entire issued share capital of Grand Award Limited at an amount equal to the consideration paid by the Group for the acquisition of Beijing Dongzhimen, together with any further capital or loan which Grand Award Limited may have contributed or advanced to Beijing Dongzhimen, plus interest thereon calculated at market rates (the "Put Option"). In connection with Shougang HK's grant of the Put Option, the Group paid Shougang HK a sum of HK\$100 as consideration.

NOTES TO FINANCIAL STATEMENTS

31 December 2000

13. INTEREST IN A JOINTLY-CONTROLLED ENTITY (Continued)

A summary of the results and the net tangible assets as at the balance sheet date of Beijing Dongzhimen is set out below:

(a) Results

	2000	1999
	HK\$'000	HK\$'000
Turnover	<u>79,244</u>	<u>103,701</u>
Profit before tax	26,255	46,091
Tax	<u>(6,325)</u>	<u>(13,516)</u>
Profit after tax	<u>19,930</u>	<u>32,575</u>

(b) Net tangible assets

	2000	1999
	HK\$'000	HK\$'000
Fixed assets	140,714	144,975
Construction in progress (note (c))	359,719	256,720
Long term investment	1,206	1,803
Other deferred expenses	680	1,694
Current assets	81,172	134,006
Current liabilities	<u>(49,389)</u>	<u>(46,640)</u>
	<u>534,102</u>	<u>492,558</u>

- (c)** Beijing Dongzhimen has obtained a temporary land use right certificate in respect of the land included herein. At the balance sheet date, Beijing Dongzhimen was in the process of applying for the formal land use right certificate following the full payment of the land premium during the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2000

14. INTERESTS IN ASSOCIATES

	Group	
	2000 HK\$'000	1999 HK\$'000
Share of net assets	256,674	256,060
Loan to an associate	27,900	27,900
Due from associates	4,070	4,080
	<u>288,644</u>	<u>288,040</u>
Less: Provisions for doubtful debts	(9,568)	(3,568)
	<u>279,076</u>	<u>284,472</u>
Associates include:		
Share of net assets of a Hong Kong listed company	<u>256,674</u>	<u>256,083</u>
Market value of listed shares	<u>109,636</u>	<u>193,258</u>

The loan of HK\$27,900,000 (1999: HK\$27,900,000) to an associate is unsecured, bears interest at 15% per annum and has no fixed terms of repayment.

The amounts due from associates are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the associates at the balance sheet date are as follows:

Name of company	Business structure	Place of incorporation/ registration and operations	Percentage of equity attributable to the Company		Principal activities
			2000	1999	
Shougang Concord Technology Holdings Limited #	Corporate	Hong Kong	47%*	47%*	Investment holding
Top Pearl International Development Limited	Corporate	British Virgin Islands/ PRC	50%*	50%*	Property development

Listed on The Stock Exchange of Hong Kong Limited.

* Held indirectly through subsidiaries.

NOTES TO FINANCIAL STATEMENTS

31 December 2000

14. INTERESTS IN ASSOCIATES (Continued)

The principal activities of the material associate of the Group, Shougang Concord Technology Holdings Limited and its subsidiaries, are the manufacture and sale of electrical and electronic products and the provision of freight forwarding and delivery services.

A summary of the results and the net tangible assets as at the balance sheet date of Shougang Concord Technology Holdings Limited is set out below:

(a) Results

	Year ended 31 December 2000 HK\$'000	Post-acquisition results for the year ended 31 December 1999 HK\$'000
Turnover	<u>686,604</u>	<u>364,616</u>
Profit/(loss) from operating activities	23,174	(722)
Finance costs	(6,559)	(2,373)
Provision for impairment in value of interest in a jointly-controlled entity	(51,491)	–
Share of profits less losses of jointly-controlled entities	<u>18,063</u>	<u>17,719</u>
Profit/(loss) before tax	(16,813)	14,624
Tax	<u>527</u>	<u>(1,245)</u>
Profit/(loss) before minority interests	(16,286)	13,379
Minority interests	<u>(6,499)</u>	<u>(213)</u>
Net profit/(loss) from ordinary activities attributable to shareholders	<u>(22,785)</u>	<u>13,166</u>

(b) Net tangible assets

	2000 HK\$'000	1999 HK\$'000
Fixed assets	245,778	268,824
Interests in jointly-controlled entities	106,066	112,064
Other non-current assets	17,337	16,592
Current assets	386,892	383,070
Current liabilities	(164,713)	(194,536)
Minority interests	(39,778)	(33,279)
Other non-current liabilities	<u>(233)</u>	<u>(2,657)</u>
	<u>551,349</u>	<u>550,078</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2000

15. SHORT TERM INVESTMENTS

	Group	
	2000 HK\$'000	1999 HK\$'000
Listed equity investments in Hong Kong, at market value	1,320	2,053

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2000 HK\$'000	1999 HK\$'000
Rental receivable #	44	220
Loan receivable	2,083	7,602
Prepayments, deposits and other debtors	2,440	2,584
	4,567	10,406

Invoices are due when issued.

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Cash and bank balances	69	69	27	30
Time deposits	9,476	3,389	9,426	3,377
	9,545	3,458	9,453	3,407

NOTES TO FINANCIAL STATEMENTS

31 December 2000

18. INTEREST-BEARING BORROWINGS, SECURED

	Group and Company	
	2000	1999
	HK\$'000	HK\$'000
Bank loans repayable:		
In the second year	30,000	65,500
In the third to fifth years, inclusive	70,000	–
	100,000	65,500
Portion classified as current liabilities	–	–
Long term portion	100,000	65,500

Certain of the Group's investment properties and land and building with an aggregate carrying value of approximately HK\$253,000,000 (1999: HK\$278,000,000) were pledged to a bank to secure the bank loans.

19. DEFERRED TAX

At the balance sheet date, there were no significant potential deferred tax liabilities for which provision has not been made.

The revaluation of the Group's investment properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

The principal component of the Group's deferred tax asset not recognised is as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Tax losses carried forward	7,717	8,361

NOTES TO FINANCIAL STATEMENTS

31 December 2000

20. SHARE CAPITAL

Shares

	Company	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:		
2,000,000,000 ordinary shares of HK\$0.01 each	20,000	20,000
Issued and fully paid:		
827,867,914 ordinary shares of HK\$0.01 each	8,279	8,279

Share options

On 8 September 1993, the Company approved a share option scheme (the "Scheme") under which the directors may, at their discretion, grant options to full-time employees and full-time executive directors of the Company and its subsidiaries to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted may not exceed 10% of the share capital of the Company in issue from time to time. The Scheme will remain in force for a period of 10 years from the date of its adoption.

During the year, no options were granted or exercised and the 8,000,000 share options previously granted to a director were waived for cancellation upon his resignation on that date. At the balance sheet date, the Company had no outstanding share options.

NOTES TO FINANCIAL STATEMENTS

31 December 2000

21. RESERVES

Group

	Share premium account <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 1999	130,662	16,847	364,866	-	-	24,309	536,684
Issue of shares	62,082	-	-	-	-	-	62,082
Surplus on revaluation of investment properties	-	1,344	-	-	-	-	1,344
Discount on acquisition of an associate	-	-	-	85,677	-	-	85,677
Exchange adjustment on translation of the overseas jointly-controlled entity	-	-	-	-	481	-	481
Retained profit for the year	-	-	-	-	-	18,187	18,187
At 31 December 1999 and 1 January 2000	192,744	18,191	364,866	85,677	481	42,496	704,455
Deficit on revaluation of investment properties	-	(8,204)	-	-	-	-	(8,204)
Share of movements in reserve of an associate	-	-	-	-	(1,117)	-	(1,117)
Exchange adjustment on translation of the overseas jointly-controlled entity	-	-	-	-	657	-	657
Retained profit for the year	-	-	-	-	-	4,355	4,355
At 31 December 2000	192,744	9,987	364,866	85,677	21	46,851	700,146
Reserves retained by:							
Company and subsidiaries	192,744	9,987	364,866	85,677	-	25,314	678,588
Associates	-	-	-	-	(1,117)	7,735	6,618
Jointly-controlled entity	-	-	-	-	1,138	13,802	14,940
At 31 December 2000	192,744	9,987	364,866	85,677	21	46,851	700,146

NOTES TO FINANCIAL STATEMENTS

31 December 2000

21. RESERVES (Continued)

Company

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 1999	130,662	362,731	23,687	517,080
Issue of shares	62,082	–	–	62,082
Profit for the year	–	–	214	214
At 31 December 1999 and 1 January 2000	192,744	362,731	23,901	579,376
Loss for the year	–	–	(6,305)	(6,305)
At 31 December 2000	192,744	362,731	17,596	573,071

The Group's contributed surplus represented the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1991 over the nominal value of the Company's shares issued in exchange therefor.

The Company's contributed surplus was derived from the same reorganisation in 1991 and represented the excess of the fair value of the shares of the subsidiaries acquired over the nominal values of the Company's shares issued for the acquisition. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

NOTES TO FINANCIAL STATEMENTS

31 December 2000

22. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

- (a) Reconciliation of profit from operating activities to net cash inflow from operating activities:

	2000	1999
	HK\$'000	HK\$'000
Profit from operating activities	3,854	4,619
Interest income from bank deposits	(412)	(3,047)
Interest income from loans and advances	-	(611)
Dividend income from listed investments	(45)	(77)
Depreciation	130	269
Profit on disposal of listed investments	(357)	(442)
Profit on disposal of an investment property	(1,000)	-
Loss on disposal of fixed assets	7	-
Write-back of provisions for impairment in values of short term investments	(212)	(985)
Provisions for doubtful debts	6,000	3,568
Increase/(decrease) in amount due to the jointly-controlled entity	(2,270)	799
Increase in amounts due from associates	(13)	(75)
Decrease in prepayments, deposits and other receivables	5,841	2,983
Increase in creditors and accruals	2,467	1,334
Decrease in rental and management fee deposits received	(115)	(579)
	<hr/>	<hr/>
Net cash inflow from operating activities	<u>13,875</u>	<u>7,756</u>

- (b) Analysis of changes in financing during the year:

	Share capital and share premium	Bank loans
	HK\$'000	HK\$'000
At 1 January 1999	137,497	12,910
Issue of shares for acquisition of an associate	63,526	-
Cash inflow from financing activities, net	<hr/>	<hr/>
	-	52,590
At 31 December 1999 and 1 January 2000	201,023	65,500
Cash inflow from financing activities, net	<hr/>	<hr/>
	-	34,500
Balance at 31 December 2000	<u>201,023</u>	<u>100,000</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2000

23. COMMITMENTS

		Group	
		2000 HK\$'000	1999 HK\$'000
(a)	Capital commitments contracted for in respect of unpaid capital contribution to a jointly-controlled entity	-	44,094
(b)	The Group's share of the jointly-controlled entity's capital commitments authorised, but not contracted for amounted to approximately HK\$14,098,000 (1999: HK\$24,329,000) and capital commitments contracted, but not provided for amounted to approximately HK\$54,903,000 (1999: HK\$119,277,000).		
(c)	The Group's annual commitments in the following year under operating leases on land and buildings expiring within one year amounted to HK\$624,000 (1999: HK\$690,000).		

The Company had no significant commitments as at 31 December 2000 (1999: Nil).

24. CONTINGENT LIABILITIES

At the balance sheet date, the Group and the Company had no significant contingent liabilities.

25. RELATED PARTY TRANSACTIONS

In addition to those set out in notes 13 and 14 to the financial statements, the Group had the following additional material transactions with related parties during the year:

		Group	
Notes		2000 HK\$'000	1999 HK\$'000
	Management and service fees charged by Shougang Concord International Enterprises Company Limited	960	960
	Interest expenses charged by Beijing Dongzhimen	3,180	3,419
	Rental expenses charged by Wonderfine Development Limited	653	894
	Consultancy expenses charged by Shougang HK	840	480

Notes:

- (a) Pursuant to a management service agreement entered into between the Company and its ultimate holding company, Shougang Concord International Enterprises Company Limited, a monthly management fee of HK\$80,000 was charged in connection with the agreement.
- (b) The interest expenses charged by Beijing Dongzhimen, a jointly-controlled entity, arose from the unpaid capital contribution by the Group under the subscription agreement between the Group and the original joint venture partners at interest rate of 6% per annum.
- (c) The rental expenses were charged in accordance with the agreements between the Group and Wonderfine Development Limited, a subsidiary of Shougang HK, the controlling shareholder of the Company's ultimate holding company.
- (d) The consultancy expenses were charged in accordance with the agreements between the Group and Shougang HK.

NOTES TO FINANCIAL STATEMENTS

31 December 2000

26. ULTIMATE HOLDING COMPANY

In the opinion of the directors, the ultimate holding company is Shougang Concord International Enterprises Company Limited, a company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited.

27. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 19 April 2001.