



INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

Interim review and business outlook

The turnover of the Group during the period under review was approximately HK\$12,573,000, representing a slight increase of approximately 0.7% from that of the corresponding period in 2000. The increase was mainly resulted from the increase in rental and management fee income from Hong Kong investment properties. Despite the weak local economy, the Hong Kong investment properties registered an increase of approximately 10% in its occupancy rate.

The Group reported a net profit attributable to shareholders of HK\$939,000 for the period under review, a decrease of approximately 92% from that of the corresponding period in 2000. The decrease was mainly attributable to the decrease in the contribution from Shougang Concord Technology Holdings Limited ("Shougang Technology"), its associate, and from Beijing Dongzhimen International Apartment Co., Ltd. ("Dongzhimen"), its jointly-controlled entity.

Dongzhimen

Despite facing severe competition, Dongzhimen managed to maintain a reasonably high occupancy rate and achieved the profit target for the period under review by adjusting its leasing strategies and exercising tight control over its costs. With the completion of its construction work of the 2nd phase of the East Lake Villas and the commencement of its trial operation in August 2001, it is expected that its formal operation will commence soon and overall contribution to the Group will then be further enhanced.

Shougang Technology

The slowdown in the United States economy has had an adverse impact on the global economic growth and the demand for consumer products in particular, telecommunication and computer products. This put Shougang Technology into a very difficult business environment and gave rise to its unfavourable result for the period under review. Shougang Technology will endeavour to enhance control on operation, cost and material consumption of each division. It is expected that the performance of Shougang Technology will be improved in the second half of the year.



Prospect

Despite the slowdown in the global economy in the first half of 2001, the economy of the Mainland China has still been growing at a rate of 7.9% per annum. According to the forecast issued by the State Statistic Bureau, the growth in its investment and consumption will sustain. The strong domestic demand will facilitate the growth of its economy. The management believes that its economy will further improve in the second half of 2001. It is anticipated that the hosting of the 2008 Olympic Games and the imminent entry into the World Trade Organisation will produce substantial impact on its economic development, and its property market will be fostered by all these favourable factors.

The Group will continue to focus on its existing activities and explore suitable investment opportunities in the Mainland China in order to enhance its future growth. By taking full advantage of strong positioning of Shougang Corporation in the Mainland China, the Board of Directors is confident that it will benefit from the anticipated growth of the Mainland China's economy.

Liquidity and capital resources

At the balance sheet date, the Group's gearing ratio (i.e. ratio of bank borrowings to equity) and current ratio were 0.14 and 0.64 respectively.

There were increases in net cash and bank balances from approximately HK\$10 million at 31 December 2000 to approximately HK\$12 million at 30 June 2001 while there was no change in bank borrowings at 30 June 2001 by comparing with that at 31 December 2000. The bank loans were secured by certain of the Group's Hong Kong investment properties and land and buildings with an aggregate carrying value of approximately HK\$253 million. Included in the total bank borrowings of HK\$100 million at 30 June 2001, HK\$15 million is due to repay within one year. The Group believes that its internally generated financial resources will be sufficient to meet the current obligation. Should any situations arise requiring additional funding, its management believes that the Group is in good position to obtain financing with its unpledged Hong Kong investment properties.

The routine business operation and investment of the Group are in Hong Kong and the Mainland, with revenue and expenditure denominated in HKD and RMB. The RMB income from the Mainland is mainly remitted to Hong Kong at the prevailing official exchange rate. Given the stable official exchange rate of RMB to HKD, the Group believes that it will not be subject to any significant exposure associated with fluctuation in exchange rates under foreseeable circumstances.



Employees

The total number of employees including those controlled by the property management subsidiary but excluding those under the payroll of the associates and the jointly-controlled entity of the Group at 30 June 2001 was 34 compared with that 35 at 31 December 2000.

Remuneration packages are reviewed either annually or by special increment. In addition to the basic salary, other staff benefits include medical and hospitalisation subsidies.

A share option scheme had been adopted in 1993. No options were granted or exercised during the period.

DIRECTORS' INTERESTS IN SHARES

At 30 June 2001, none of the directors or their associates had any personal, family, corporate or other interest in the equity or debt securities of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance").

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the review period was the Company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Company's directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.



SUBSTANTIAL SHAREHOLDERS

At 30 June 2001, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	%
(i) Shougang Holding (Hong Kong) Limited ("Shougang HK")	521,982,508	63
(ii) Shougang International	521,982,508	63
(iii) Fast Track Investments Limited ("Fast Track")	521,982,508	63
(iv) Essential Assets Corp.	417,952,049	50
(v) Hatley Trading Limited	104,030,459	13

Essential Assets Corp. and Hatley Trading Limited are wholly-owned subsidiaries of Fast Track. Fast Track is a wholly-owned subsidiary of Shougang International. Shougang International is controlled by Shougang HK, which is a wholly-owned subsidiary of Shougang Corporation, a state-owned enterprise in the PRC. Accordingly, the interests disclosed by parties (i), (ii) and (iii) above are in respect of the same shareholding of the aggregate of parties (iv) and (v).

Save as disclosed above, as at 30 June 2001, no person had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

PURCHASE, SALE, REDEMPTION AND CANCELLATION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold, redeemed or cancelled any of the Company's listed securities during the period.

AUDIT COMMITTEE

The Audit Committee engaged the auditors of the Company to assist in its review of the 2001 interim results of the Company and the auditors conducted their review in accordance with Hong Kong Statement of Auditing Standard 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A meeting of the Audit Committee was held on 11 September 2001 with the auditors for, amongst other things, reviewing the interim results of the Company for the period ended 30 June 2001.



CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2001 except that the independent non-executive directors of the Company are not appointed for specific terms but 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.

APPRECIATION

The board would also like to take this opportunity to express our gratitude to our shareholders for their continued support, and to all our staff for their dedication and hard work.

By order of the Board of Directors

Su Genqiang

Vice-Chairman

Hong Kong, 20 September 2001