1. CORPORATE INFORMATION

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

- manufacturing of steel cord
- processing and trading of copper and brass products
- property development and investment

During the prior year, the Group discontinued its business segments of trading of industrial chemical products and trading and processing of metallic ores and metals.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following recently-issued and revised SSAPs and related Interpretations are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12: "Business combinations - subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13: "Goodwill - continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of those SSAPs and Interpretations which have had a significant effect on the financial statements, are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on these financial statements is that the proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained earnings on a separate line within the capital and reserves section of the balance sheet. The prior year adjustment arising from the adoption of this new SSAP is detailed in note 12 to the financial statements.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") (continued)

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for operating leases, which are further detailed in note 35 to the financial statements.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends from an associate that are declared and approved by the associate after the balance sheet date are no longer recognised in the Group's own financial statements for the year. The adoption of the SSAP has resulted in a prior year adjustment, further details of which are included in note 12 to the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to the financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill and negative goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Negative goodwill is recognised in the consolidated profit and loss account depending on the circumstances from which it arose, as further detailed in note 3 to the financial statements. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of the SSAP and Interpretation has resulted in a prior year adjustment, further details of which are included in note 29 to the financial statements. The required new additional disclosures are included in notes 28 and 29 to the financial statements.

3. 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 requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of investment properties, certain fixed assets and land use rights, 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 2001. 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.

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.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control over the joint venture company;

(b) a jointly controlled entity, if the Company does not have unilateral control, but has joint control over the joint venture company;

(c) an associate, if the Company does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Company holds less than 20% of the joint venture company's registered capital and neither has joint control of, nor is in a position to exercise significant influence over, the joint venture company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly controlled entities

A jointly controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly controlled entity.

The Group's share of 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 impairment losses.

The results of jointly controlled entities are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in jointly controlled entities are treated as long term assets and are stated at cost less any impairment losses.

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 are 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 impairment losses.

Goodwill

Goodwill arising on acquisition of subsidiaries, associates and jointly controlled entities represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life. In the case of associates and jointly controlled entities, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to 1 January 2001, to remain eliminated against consolidated reserves. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

On disposal of subsidiaries, associates or jointly controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries, associates and jointly controlled entities represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of associates and jointly controlled entities, any negative goodwill not yet recognised in the consolidated profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

In prior years, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits negative goodwill on acquisitions which occurred prior to 1 January 2001, to remain credited to the capital reserve. Negative goodwill on subsequent acquisitions is treated according to the new accounting policy above.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Negative goodwill (continued)

On disposal of subsidiaries, associates or jointly controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves, as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use and its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets, other than investment properties and construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the fixed asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset 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 a revalued asset, the relevant portion of the fixed asset revaluation reserve realised in respect of previous valuations is transferred to retained earnings/accumulated losses as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life, after taking into account its estimated residual value. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	Over the estimated useful life of 25 to 50 years
Leasehold improvements	20% – 25%
Plant and machinery	4% – 30%
Furniture, fixtures and equipment	9% – 30%
Motor vehicles	11% – 30%

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.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

Investment properties

Investment properties are interests in land and 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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Golf club memberships

Golf club memberships are stated at cost less any impairment losses.

Long term investment

A long term investment in unlisted equity securities, intended to be held for a long term purpose, is stated at cost less any impairment losses.

When an impairment in value has occurred, the carrying amount of the security is reduced to its fair value, as estimated by the directors, and the amount of the impairment is charged to the profit and loss account for the period in which it arises. Where the circumstances and events which led to an impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged is credited to the profit and loss account to the extent of the amount previously charged.

Land use rights

Land use rights are stated at valuation less accumulated amortisation, and are amortised on a straight-line basis over the respective remaining joint venture periods once commercial production commences.

Changes in the value of land use rights are dealt with as movements in the land use rights revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset 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 a revalued asset, the relevant portion of the land use rights revaluation reserve realised in respect of previous valuations is transferred to retained profits/accumulated losses as a movement in reserves.

Properties for sale

Properties for sale, consisting of completed properties and properties under development intended for sale, are classified as current assets and are stated at the lower of cost and net realisable value. Costs include all development expenditure and other direct costs attributable to such properties. Net realisable value is determined by reference to prevailing market prices on an individual property basis less any estimated costs to be incurred to disposal.

Properties under development

Properties under development are stated at cost which includes all development expenditure and other direct costs attributable to such properties.

Properties under development which have been pre-sold are stated at cost plus attributable profits less any foreseeable losses and deposits and instalments received.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Properties under development (continued)

When properties under development have been pre-sold, the total estimated profit is apportioned over the entire period of construction to reflect the progress of the development. On this basis, profit recognised on the pre-sold portion of the properties is calculated by reference to the proportion of construction costs incurred up to the balance sheet date, to the estimated total construction costs to completion, limited to the amount of non-refundable sales deposits and instalments received and with due allowance for contingencies.

Properties under development which have either been pre-sold or which are intended for sale and expected to be completed within one year from the balance sheet date are classified as current assets.

Leased assets

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis or weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

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.

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) from the sales of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(c) rental income, on a time proportion basis over the lease terms;

(d) dividends, when the shareholders' right to receive payment is established;

(e) revenue from the sale of completed properties, upon the execution of the sales agreement; and

(f) revenue from the pre-sale of properties, on the basis set out under the heading "Properties under development" above.

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 overseas subsidiaries, jointly controlled entities and associates 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.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Scheme Ordinance, for those employees in Hong Kong who are eligible to participate in the Scheme. The Scheme has operated since 1 December 2000. Contributions are made based on a percentage of the participating employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed to the Scheme.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in the Provincial/Municipal retirement schemes operated by the respective provincial/municipal bureau. Pursuant to the relevant provision, these PRC subsidiaries are required to make monthly contributions at rates of 20% to 23% on the employees' monthly salaries. The bureaux are responsible for pension payments to the retired employees of the Group.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and bank balances represent assets which are not restricted as to use.

4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the steel cord segment comprises the manufacturing of steel cords;

(b) the copper and brass products segment comprises the processing and trading of copper and brass products;

(c) the property development and investment segment comprises property development and investment;

(d) the industrial chemical products segment comprised the trading of industrial chemical products (these activities were discontinued during the year ended 31 December 2000);

(e) the metallic ores segment comprised the trading and processing of metallic ores and metals (these activities were discontinued during the year ended 31 December 2000); and

(f) the corporate segment comprises the Group's management services business, which provides management and information technology services, together with corporate income and expense items. The "others" segment mainly comprises the manufacturing of pre-stressed concrete strands and wires.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted at prices agreed between the relevant segments.

4. SEGMENT INFORMATION (continued)

(a) Business segments

The following tables present revenue, profit/(loss) and certain assets, liabilities and expenditure information for the Group's business segments.

Group

Year ended 31 December 2001

	Steel cord HK$'000	Copper and brass products HK$'000	Property development and investment HK$'000	Industrial chemical products HK$'000	Metallic ores HK$'000	Corporate and others HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment revenue:								
Sales to external customers	144,593	40,961	1,452	–	–	133	–	187,139
Inter-segment sales	–	–	198	–	–	–	(198)	–
Unallocated revenue	–	–	–	–	–	1,700	–	1,700
Total	144,593	40,961	1,650	–	–	1,833	(198)	188,839
Segment results	32,610	306	(120)	–	–	(8,872)		23,924
Unallocated income less expenses								(1,381)
Profit from operating activities								22,543
Finance costs								(4,969)
Share of profits and losses of:								
Jointly controlled entities								7,198
Associates								4,733
Profit before tax								29,505
Tax								(2,157)
Profit before minority interests								27,348
Minority interests								(7,287)
Net profit from ordinary activities attributable to shareholders								20,061

Year ended 31 December 2000

	Steel cord HK$'000	Copper and brass products HK$'000	Property development and investment HK$'000	Industrial chemical products HK$'000	Metallic ores HK$'000	Corporate and others HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment revenue:								
Sales to external customers	90,999	39,758	11,416	25,659	1,036	249	–	169,117
Inter-segment sales	–	–	95	–	–	–	(95)	–
Unallocated revenue	–	–	–	–	–	2,923	–	2,923
Total	90,999	39,758	11,511	25,659	1,036	3,172	(95)	172,040
Segment results	6,833	3,150	540	(1,260)	2,184	(12,725)		(1,278)
Unallocated income less expenses								8,680
Profit from operating activities								7,402
Finance costs								(10,465)
Share of profits and losses of:								
Jointly controlled entities								8,542
Associates								4,590
Profit before tax								10,069
Tax								(6,895)
Profit before minority interests								3,174
Minority interests								1,565
Net profit from ordinary activities attributable to shareholders								4,739

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group
31 December 2001

	Steel cord HK$'000	Copper and brass products HK$'000	Property development and investment HK$'000	Industrial chemical products HK$'000	Metallic ores HK$'000	Corporate and others HK$'000	Consolidated HK$'000
Segment assets	419,771	21,476	10,457	–	–	31,544	483,248
Interests in jointly controlled entities							47,690
Interests in associates							43,300
Unallocated assets							635
Total assets							574,873
Segment liabilities	7,748	2,931	438	–	–	11,753	22,870
Unallocated liabilities							63,048
Total liabilities							85,918
Other segment information:							
Depreciation and amortisation	22,463	329	56	–	–	263	23,111
Other non-cash expenses	12,115	159	200	–	–	–	12,474
Capital expenditure	2,743	643	4	–	–	322	3,712

31 December 2000

	Steel cord HK$'000	Copper and brass products HK$'000	Property development and investment HK$'000	Industrial chemical products HK$'000	Metallic ores HK$'000	Corporate and others HK$'000	Consolidated HK$'000
Segment assets	422,538	23,416	27,458	–	10,433	12,944	496,789
Interests in jointly controlled entities							36,370
Interests in associates							41,051
Unallocated assets							635
Total assets							574,845
Segment liabilities	8,051	7,465	2,283	–	961	5,358	24,118
Unallocated liabilities							89,572
Total liabilities							113,690
Other segment information:							
Depreciation and amortisation	22,291	310	114	69	245	88	23,117
Other non-cash expenses	8,998	544	2,591	–	–	34	12,167
Capital expenditure	105	156	–	–	–	49	310

4. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following tables present revenue, profit/(loss) and certain assets and expenditure information for the Group's geographical segments.

Group

	Hong Kong		Elsewhere in the PRC		Others		Consolidated	
	2001 HK$'000	2000 HK$'000	2001 HK$'000	2000 HK$'000	2001 HK$'000	2000 HK$'000	2001 HK$'000	2000 HK$'000
Segment revenue:								
Sales to external customers	41,263	63,723	145,485	104,142	391	1,252	187,139	169,117
Segment results*	(8,132)	(5,461)	31,996	6,486	60	(2,303)	23,924	(1,278)
Other segment information:								
Segment assets	39,566	46,778	535,307	528,067	–	–	574,873	574,845
Capital expenditure	787	205	2,925	105	–	–	3,712	310

* disclosed pursuant to the requirements of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

5. TURNOVER AND REVENUE

The Group's turnover represents the net invoiced value of goods sold after allowances for returns and trade discounts, and commission and gross rental income. All significant intercompany transactions are eliminated.

An analysis of turnover, other revenue and gains is as follows:

	2001 HK$'000	2000 HK$'000
Turnover:		
Continuing operations:		
Sale of goods		
Manufacturing of steel cord	144,593	90,999
Processing and trading of copper and brass products	40,961	39,211
Property development and investment	934	10,354
Others	133	249
	186,621	140,813
Rental income	518	1,062
Commission	–	547
	187,139	142,422
Discontinued operations:		
Sale of goods		
Trading of industrial chemical products	–	25,659
Trading and processing of metallic ores and metals	–	1,036
	–	26,695
	187,139	169,117
Other revenue:		
Interest income	771	2,373
Others	929	550
	1,700	2,923
Gains:		
Gain on disposal of a long term investment	–	3,430
Gain on disposal of interests in jointly controlled entities	–	2,287
Gain on disposal of subsidiaries	–	590
Others	366	965
	366	7,272
	2,066	10,195

6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	2001 HK$'000	2000 HK$'000
Cost of inventories sold*	132,747	140,064
Depreciation on owned fixed assets	22,553	22,662
Amortisation of land use rights**	558	455
Minimum lease payments under operating leases for land and buildings	1,050	1,310
Auditors' remuneration	680	850
Staff costs:		
Wages and salaries (including directors' remuneration - note 9)	18,842	20,125
Contributions to mandatory provident funds	740	30
	19,582	20,155
Foreign exchange losses/(gains), net	250	(95)
Deficit on revaluation of investment properties, net	80	2,409
Provision for impairment in values of golf club memberships	–	108
Provision for bad and doubtful debts, net	5,168	5,033
Loss/(gain) on disposal of fixed assets (excluding investment properties), net	(83)	243
Interest income	(771)	(2,373)
Surplus on revaluation of leasehold land and buildings, net	–	(1,564)
Gain on disposal of an investment property	–	(223)
Gross rental income from investment properties	(518)	(1,062)
Less: Outgoings	–	61
Net rental income	(518)	(1,001)
Loss/(gain) on disposal of subsidiaries, net (including realisation of goodwill and negative goodwill)	2,152	(590)
Gain on disposal of interests in jointly controlled entities, net (including realisation of goodwill)	–	(2,287)
Gain on disposal of a long term investment	–	(3,430)

* including reversal of inventory provision amounting to approximately HK$1,604,000 (2000: HK$4,001,000) upon sale of the relevant inventories in the current year.

** the amortisation of land use rights is included in "Administrative expenses" on the face of the profit and loss account.

7. FINANCE COSTS

	2001 HK$'000	2000 HK$'000
Interest on bank loans and overdrafts and other borrowings wholly repayable within five years	4,969	9,870
Interest on bank loans wholly repayable after five years	–	545
Interest on finance leases	–	50
	4,969	10,465

8. DISCONTINUED OPERATIONS

(a) In prior years, the Group had a subsidiary (the "Subsidiary"), engaged in the trading and processing of metallic ores and metals, and certain jointly controlled entities (the "Entities"), engaged in ferroalloy processing and manufacturing activities in the PRC, (collectively the "Business"). The directors considered that the continued over-capacity and decrease in demand for ferroalloy products in Mainland China would have a profound and significant impact on the Business. The situation was expected to be further aggravated by China's entry into the World Trade Organisation, which was expected to intensify competition. The outlook for the Business was therefore considered gloomy and no sign of recovery were foreseen for the time being. As such, the directors cautiously reassessed the Group's strategy in respect of the Business and decided to discontinue the Group's financial and operating involvement in the Entities effective from 3 May 1999 and the operations of the Subsidiary effective from 1 February 2000, respectively.

The financial effects arising from the Business on the prior years' consolidated profit and loss account have been separately disclosed as discontinued operations.

The loss on discontinuance of the Business was insignificant.

(b) On 10 December 1999, in view of the expected gloomy prospects for the electrical wire and accessories processing business due to intense price competition, the directors decided to discontinue the Group's business segment of electrical wire and accessories processing through the disposal thereof. The directors were of the opinion that the Group would be able to streamline its business and improve its financial health through the disposal. The disposal was approved by the Company's shareholders at an extraordinary general meeting held on 10 January 2000 and was completed on 14 January 2000. The financial effects of these operations on the prior year's consolidated profit and loss account have been separately disclosed as discontinued operations.

The gain on disposal of the electrical wire and accessories processing business segment amounted to approximately HK$641,000.

8. DISCONTINUED OPERATIONS (continued)

(c) On 28 July 2000, in view of the continuing decline in profit margin and severe market competition experienced in the trading of industrial chemical products, the directors decided to terminate this business and dispose of the subsidiary and the equity interest in its jointly controlled entity which engaged in this business to an independent third party. The financial effects of these operations on the prior year's consolidated profit and loss account have been separately disclosed as discontinued operations.

The loss on disposal of the trading of industrial chemical products business segment was insignificant.

(d) The amounts included in the consolidated profit and loss account for the year ended 31 December 2000 in respect of the discontinued operations as detailed in (a) to (c) above are summarised as follows:

	2000 HK$'000
Sale of goods	
Trading and processing of metallic ores and metals	1,036
Trading of industrial chemical products	25,659
	26,695
Cost of sales	(21,516)
	5,179
Other revenue and gains	1,620
Distribution costs	(44)
Administrative expenses	(3,948)
Other operating expenses	(463)
Profit/(loss) from operating activities	
Trading and processing of metallic ores and metals	3,601
Processing of electrical wires and accessories	(201)
Trading of industrial chemical products	(1,051)
Others	(5)
	2,344
Finance costs	(721)
Profit after finance costs	1,623
Share of losses of jointly controlled entities	(1,016)

9. DIRECTORS' REMUNERATION

The executive directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	2001 HK$'000	2000 HK$'000
Fees	–	–
Salaries, allowances and benefits in kind	4,342	5,055
Contributions to mandatory provident fund	12	1
	4,354	5,056

None of the independent non-executive directors received any remuneration during the year.

The remuneration of the directors fell within the following bands:

	Number of directors	
	2001	2000
Nil – HK$1,000,000	6	8
HK$1,000,001 – HK$1,500,000	2	3
HK$1,500,001 – HK$2,000,000	1	–

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

10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included three (2000: four) directors, details of whose remuneration are disclosed in note 9 to the financial statements. Further details of the remuneration of the remaining two (2000: one) non-director, highest paid individuals are set out below:

	2001 HK$'000	2000 HK$'000
Salaries, allowances and benefits in kind	1,254	671
Contributions to mandatory provident fund	24	1
	1,278	672

10. FIVE HIGHEST PAID INDIVIDUALS (continued)

The remuneration of the two (2000: one) non-director, highest paid individuals fell within the following band:

	Number of individuals	
	2001	2000
Nil – HK$1,000,000	2	1

11. TAX

	2001 HK$'000	2000 HK$'000
Group:		
Hong Kong		
Underprovision in prior years	49	–
Mainland China		
Provision for the year	187	1,077
Arising from the disposal of partial interest in a jointly controlled entity	–	4,165
Arising from the disposal of a subsidiary	356	–
	592	5,242
Jointly controlled entities:		
Mainland China	798	1,095
Associate:		
Mainland China	767	558
	2,157	6,895

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits arising in Hong Kong during the year. The income tax in Mainland China is calculated at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretation and practices in respect thereof. In accordance with the relevant tax rules and regulations in Mainland China, certain of the Company's jointly controlled entities and associate in Mainland China enjoy income tax exemptions and reductions.

12. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK$1,818,000 (2000: loss of HK$504,000). The Group's share of profits retained by the jointly controlled entities and an associate for the year amounted to HK$6,400,000 (2000: HK$7,447,000) and HK$3,966,000 (2000 (restated): HK$4,033,000), respectively.

The comparative amount of the Group's share of profit retained by an associate for 2000 has been restated by a prior year adjustment resulting in an increase of HK$1,717,000 to interests in associates and a decrease of the same amount to other receivables, respectively, in the Group's consolidated balance sheet. The prior year adjustment reversed a dividend from the associate which was declared and approved by the associate after the prior year's balance sheet date, but which was recognised by the Group for that year. There was no impact on the retained profits and on the net profit from ordinary activities attributable to shareholders for the current year. This change in accounting policy arose from the adoption of the revised SSAPs 9 and 18, as further detailed in note 2 to the financial statements.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders of HK$20,061,000 (2000: HK$4,739,000) and 765,372,000 shares in issue during the years ended 31 December 2001 and 2000.

Diluted earnings per share is not presented as there were no dilutive potential ordinary shares outstanding during the years ended 31 December 2001 and 2000.

14. FIXED ASSETS

Group

	Investment properties HK$'000	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost or valuation:								
At beginning of year	9,080	55,580	991	334,103	6,346	5,825	–	411,925
Additions	–	30	22	1,298	358	532	1,472	3,712
Reclassifications	–	–	–	1,068	229	–	(1,297)	–
Deficit on revaluation, net	(80)	–	–	–	–	–	–	(80)
Disposals	–	(230)	–	–	(101)	(844)	–	(1,175)
Disposal of a subsidiary	–	–	–	–	(178)	(416)	–	(594)
At 31 December 2001	9,000	55,380	1,013	336,469	6,654	5,097	175	413,788
Comprising:								
At cost	–	–	1,013	336,469	6,654	5,097	175	349,408
At 31 December 2000 valuation	–	55,380	–	–	–	–	–	55,380
At 31 December 2001 valuation	9,000	–	–	–	–	–	–	9,000
	9,000	55,380	1,013	336,469	6,654	5,097	175	413,788
Accumulated depreciation:								
At beginning of year	–	–	951	64,655	5,658	5,381	–	76,645
Provided during the year	–	2,301	17	19,802	321	112	–	22,553
Disposals	–	(2)	–	–	(95)	(760)	–	(857)
Disposal of a subsidiary	–	–	–	–	(135)	(374)	–	(509)
At 31 December 2001	–	2,299	968	84,457	5,749	4,359	–	97,832
Net book value:								
At 31 December 2001	9,000	53,081	45	252,012	905	738	175	315,956
At 31 December 2000	9,080	55,580	40	269,448	688	444	–	335,280

14. FIXED ASSETS (continued)

Company

	Furniture, fixtures and equipment HK$'000
Cost:	
At beginning of year and at 31 December 2001	276
Accumulated depreciation:	
At beginning of year	233
Provided during the year	25
At 31 December 2001	258
Net book value:	
At 31 December 2001	18
At 31 December 2000	43

The Group's leasehold land and buildings were revalued at 31 December 2000 by CB Richard Ellis Limited, an independent professionally qualified valuer, on an open market value and existing use basis. Had these leasehold land and buildings been carried at cost less accumulated depreciation, the carrying amount of the leasehold land and buildings would have been included in the financial statements at approximately HK$62,112,000 (2000: HK$64,592,000).

In the opinion of the directors, the fair values of the Group's leasehold land and buildings as at 31 December 2001 did not differ materially from the carrying amounts of the respective assets and therefore no revaluation was performed.

14. FIXED ASSETS (continued)

The Group's leasehold land and buildings are further analysed as follows:

	Hong Kong HK$'000	Elsewhere in the PRC HK$'000	Total HK$'000
Long term leases:			
At 31 December 2000 valuation	–	1,250	1,250
Medium term leases:			
At 31 December 2000 valuation	6,250	47,880	54,130
	6,250	49,130	55,380

The Group's investment properties of HK$4,700,000 in Hong Kong and of HK$4,300,000 in the PRC are held under long term and medium term leases, respectively, and were revalued at 31 December 2001 by CB Richard Ellis Limited on an open market value and existing use basis. The properties situated in Hong Kong are leased to third parties under operating leases, further summary details of which are included in note 35 to the financial statements. The properties situated elsewhere in the PRC are vacant as at 31 December 2001. Details of the Group's investment properties are set out on page 74 of this annual report.

As at 31 December 2001, the Group's investment properties amounting to HK$4,100,000 (2000: HK$4,280,000) and certain of the Group's leasehold land and buildings with an aggregate net book value of approximately HK$32,462,000 (2000: HK$39,254,000) were pledged to secure certain of the Group's bank loans as set out in note 25 to the financial statements.

15. LAND USE RIGHTS

	Group HK$'000
Valuation:	
At beginning of year and at 31 December 2001	13,400
Accumulated amortisation:	
At beginning of year	–
Provided during the year	558
At 31 December 2001	558
Net book value:	
At 31 December 2001	12,842
At 31 December 2000	13,400

The Group's land use rights have a tenure of 30 years and are related to land used by the Group's joint venture company in the PRC.

The Group's land use rights were revalued at 31 December 2000 by CB Richard Ellis Limited on an open market value and existing use basis. Had these land use rights been carried at cost less accumulated amortisation, the carrying amount of the land use rights would have been included in the financial statements at approximately HK$8,767,000 (2000: HK$9,148,000).

In the opinion of the directors, the fair values of the Group's land use rights as at 31 December 2001 did not differ materially from the carrying amounts of the respective assets and therefore no revaluation was performed.

As at 31 December 2001, the Group's land use rights with a net book value of HK$12,842,000 (2000: HK$13,400,000) were pledged to secure certain of the Group's bank loans as set out in note 25 to the financial statements.

16. INTERESTS IN SUBSIDIARIES

	Company 2001 HK$'000	2000 HK$'000
Unlisted shares, at cost	2,769	2,769
Due from subsidiaries	529,993	591,944
Due to subsidiaries	(841)	(54,083)
	531,921	540,630
Less: Provisions for amounts due from subsidiaries	(203,814)	(204,920)
	328,107	335,710
Less: Current portion of amounts due from subsidiaries	(22,317)	–
	305,790	335,710

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for: (i) an advance to a subsidiary amounting to approximately HK$27,974,000 (2000: HK$52,952,000) which bears interest at LIBOR plus 3% per annum and is repayable after more than one year; and (ii) amounts due from subsidiaries aggregating HK$22,317,000 (2000: Nil) which are repayable within one year.

Particulars of the Company's principal subsidiaries are set out in note 31 to the financial statements.

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2001	2000	2001	2000
	HK$'000	HK$'000	HK$'000	HK$'000
Unlisted investments, at cost	–	–	56,550	56,550
Share of net assets	47,690	58,966	–	–
	47,690	58,966	56,550	56,550
Less: Provisions for impairment	–	(22,596)	(56,550)	(56,550)
	47,690	36,370	–	–

During the year, following the Group's disposal of a 63% interest in Shanxi Shengjia Real Estate Developing Co., Ltd. ("Shanxi Shengjia") and a change in composition of the board of directors of Shanxi Shengjia, the directors considered that the Group can no longer exercise effective control over the financial and operating policies of Shanxi Shengjia. Accordingly, the directors believe that it is more appropriate to account for the Group's remaining interest in Shanxi Shengjia as an interest in a jointly controlled entity.

The amount of goodwill remaining in reserves, arising from the acquisition of jointly controlled entities, is HK$27,666,000 as at 1 January and 31 December 2001. The amount of goodwill is stated at its cost, less impairment of HK$1,176,000 which arose in prior years.

Included in the balance of other payables and accruals as at 31 December 2001 is an amount of HK$8,529,000 (2000: Nil) due to a jointly controlled entity, which is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the Group's principal jointly controlled entities are set out in note 32 to the financial statements.

Details of capital commitment relating to a jointly controlled entity are set out in note 36 to the financial statements.

18. INTERESTS IN ASSOCIATES

	Group	
	2001	2000
	HK$'000	HK$'000
		(Restated)
Share of net assets	43,300	41,051
Loans to an associate	29,818	29,818
	73,118	70,869
Less: Provisions for impairment	(29,818)	(29,818)
	43,300	41,051

The amount of goodwill remaining in reserves, arising from the acquisition of an associate, is HK$58,055,000 as at 1 January and 31 December 2001. The amount of goodwill is stated at its cost.

Particulars of the Group's associates are set out in note 33 to the financial statements.

The balance with an associate is unsecured, interest-free and has no fixed terms of repayment.

The comparative amount for 2000 has been restated by a prior year adjustment, further details of which are set out in notes 2 and 12 to the financial statements.

19. GOLF CLUB MEMBERSHIPS

	Group		Company	
	2001	2000	2001	2000
	HK$'000	HK$'000	HK$'000	HK$'000
Golf club memberships, at cost	1,970	2,360	780	1,170
Less: Provisions for impairment	(1,335)	(1,725)	(505)	(895)
	635	635	275	275

20. LONG TERM INVESTMENT

	Group 2001 HK$'000	Group 2000 HK$'000
Long term unlisted equity investment, at cost	1,123	1,123
Less: Provision for impairment	(1,123)	(1,123)
	–	–

21. INVENTORIES

	Group 2001 HK$'000	Group 2000 HK$'000
Raw materials	14,514	14,394
Work in progress	4,509	4,240
Finished goods	9,124	12,417
Properties for sale	–	6,331
Properties under development	–	1,509
	28,147	38,891

22. TRADE RECEIVABLES

The Group normally allows a credit period of 30 - 120 days to its trade customers. An aged analysis of the trade receivables at the balance sheet date is as follows:

	2001 Balance HK$'000	2001 Percentage %	2000 Balance HK$'000	2000 Percentage %
0 – 90 days	34,415	84	31,521	62
91 – 180 days	4,812	12	11,718	23
181 – 365 days	1,910	4	7,302	15
	41,137	100	50,541	100

23. PLEDGED TIME DEPOSITS

These time deposits were pledged to a bank to secure the banking facilities granted to the Group.

24. TRADE PAYABLES

An aged analysis of the trade payables at the balance sheet date is as follows:

	2001		2000	
	Balance	Percentage	Balance	Percentage
	HK$'000	%	HK$'000	%
0 – 90 days	4,273	79	12,036	82
91 – 180 days	132	2	369	2
181 – 365 days	9	1	90	1
Over 1 year	987	18	2,224	15
	5,401	100	14,719	100

25. INTEREST-BEARING BANK LOANS, SECURED

	Group		Company	
	2001	2000	2001	2000
	HK$'000	HK$'000	HK$'000	HK$'000
Trust receipt loans	8,702	3,692	986	–
Bank loans	34,528	49,367	–	1,952
	43,230	53,059	986	1,952
Balances due:				
Within one year or on demand	43,210	50,076	986	288
In the second year	20	1,620	–	322
In the third to fifth years, inclusive	–	1,228	–	1,207
Beyond five years	–	135	–	135
	43,230	53,059	986	1,952
Portion due within one year, classified as current liabilities	(43,210)	(50,076)	(986)	(288)
Long term portion	20	2,983	–	1,664

25. INTEREST-BEARING BANK LOANS, SECURED (continued)

The Group's bank loans are secured by:

(i) the Group's investment properties amounting to HK$4,100,000 (2000: HK$4,280,000) and certain of the leasehold land and buildings with an aggregate net book value of HK$32,462,000 (2000: HK$39,254,000);

(ii) the Group's land use rights with a net book value of HK$12,842,000 (2000: HK$13,400,000); and

(iii) the Group's pledged time deposits amounting to HK$1,000,000 (2000: HK$3,517,000).

In addition, certain of the Group's bank loans at 31 December 2000 were secured by the Group's plant and machinery with a net book value of HK$9,425,000 and the Group's inventories amounting to HK$7,540,000.

26. DEFERRED TAX

	Group	
	2001 HK$'000	2000 HK$'000
Balance at beginning of year	–	22
Disposal of a subsidiary	–	(22)
At 31 December	–	–

The provision for deferred tax relates to timing differences arising from accelerated capital allowances to the extent that a liability is expected to crystallise in the foreseeable future.

Deferred tax has not been provided on the revalued assets in Hong Kong as the surplus on revaluation is not deemed to be a timing difference.

26. DEFERRED TAX (continued)

The principal components of the Group's net deferred tax assets not recognised in the financial statements are as follows:

	Group	
	2001 HK$'000	2000 HK$'000
Tax losses available for future relief	3,839	3,617
Accelerated capital allowances	(273)	(190)
	3,566	3,427

The Group and the Company have no significant potential deferred tax liabilities for which provision has not been made.

27. SHARE CAPITAL

Shares

	2001 HK$'000	2000 HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	100,000	100,000
Issued and fully paid:		
765,372,000 ordinary shares of HK$0.10 each	76,537	76,537

Share options

The Company operates a share option scheme (the "Existing Scheme"), further details of which are set out under the heading "Share option scheme" in the Report of the Directors.

No share options were granted during the year, and there were no share options outstanding at the balance sheet date. The Existing Scheme expired subsequent to the balance sheet date, on 10 March 2002.

28. RESERVES

	Share premium account HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Fixed asset revaluation reserve HK$'000 (Note 1)	Land use rights revaluation reserve HK'000 (Note 1)	Exchange fluctuation reserve HK$'000	PRC reserve funds HK$'000 (Note 2)	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
Group									
At 1 January 2000									
As previously reported	357,181	7,287	463	581	1,326	6,568	19,383	(139,076)	253,713
Prior year adjustment - note 29	–	9,841	–	–	–	–	–	(9,841)	–
As restated	357,181	17,128	463	581	1,326	6,568	19,383	(148,917)	253,713
Exchange realignment	–	–	–	–	–	1,550	–	–	1,550
Deficit on revaluation	–	–	–	(15)	–	–	–	–	(15)
Surplus on revaluation	–	–	–	1,002	1,775	–	–	–	2,777
Arising from disposal of fixed assets	–	–	–	(77)	–	–	–	77	–
Goodwill released upon disposal of:									
– interests in subsidiaries	–	2,536	–	–	–	–	–	–	2,536
– interests in jointly controlled entities	–	28,947	–	–	–	–	–	–	28,947
Net profit for the year	–	–	–	–	–	–	–	4,739	4,739
Transfer	–	–	–	–	–	–	1,794	(1,794)	–
At 31 December 2000 and 1 January 2001	357,181	48,611	463	1,491	3,101	8,118	21,177	(145,895)	294,247
Reserves retained by:									
Company and subsidiaries	357,181	48,611	463	1,491	3,101	2,980	64	(98,077)	315,814
Jointly controlled entities	–	–	–	–	–	4,711	19,065	(50,774)	(26,998)
Associates	–	–	–	–	–	427	2,048	2,956	5,431
At 31 December 2000	357,181	48,611	463	1,491	3,101	8,118	21,177	(145,895)	294,247
At 1 January 2001									
As previously reported	357,181	38,770	463	1,491	3,101	8,118	21,177	(136,054)	294,247
Prior year adjustment – note 29	–	9,841	–	–	–	–	–	(9,841)	–
As restated	357,181	48,611	463	1,491	3,101	8,118	21,177	(145,895)	294,247
Arising from disposal of interest in a subsidiary	–	3,580	–	–	–	(766)	–	–	2,814
Net profit for the year	–	–	–	–	–	–	–	20,061	20,061
Capitalisation of profits by an associate	–	1,907	–	–	–	–	–	(1,907)	–
Transfer	–	–	–	–	–	–	1,129	(1,129)	–
At 31 December 2001	357,181	54,098	463	1,491	3,101	7,352	22,306	(128,870)	317,122
Reserves retained by:									
Company and subsidiaries	357,181	52,191	463	1,491	3,101	1,910	64	(88,382)	328,019
Jointly controlled entities	–	–	–	–	–	5,015	19,776	(45,085)	(20,294)
Associates	–	1,907	–	–	–	427	2,466	4,597	9,397
At 31 December 2001	357,181	54,098	463	1,491	3,101	7,352	22,306	(128,870)	317,122

Notes:

1. The fixed asset revaluation reserve and land use rights revaluation reserve are non-distributable reserves.

2. Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiaries, associates and jointly controlled entities in the PRC has been transferred to reserve funds which are restricted as to their use.

28. RESERVES (continued)

Certain amounts of goodwill and negative goodwill arising on the acquisitions of jointly controlled entities, associates and subsidiaries remain eliminated against the capital reserve and accumulated losses and credited to the capital reserve, respectively, as explained in notes 17, 18 and 29 to the financial statements, respectively.

	Share premium account	Capital reserve	Capital redemption reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Company					
At 1 January 2000	357,181	23,990	463	(150,413)	231,221
Net loss for the year	–	–	–	(504)	(504)
At 31 December 2000 and 1 January 2001	357,181	23,990	463	(150,917)	230,717
Net profit for the year	–	–	–	1,818	1,818
At 31 December 2001	357,181	23,990	463	(149,099)	232,535

29. GOODWILL AND NEGATIVE GOODWILL

SSAP 30 was adopted during the year, as detailed in note 2 to the financial statements. As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill and negative goodwill in respect of acquisitions which occurred prior to 1 January 2001, to remain eliminated against consolidated reserves or credited to the capital reserve, respectively.

Due to the adoption of SSAP 31, the Group has adopted a policy to assess goodwill previously eliminated against consolidated reserves for impairment. As a result, the Group has recognised an impairment of the goodwill previously eliminated against the capital reserve and consolidated retained profits of HK$9,841,000 and HK$4,045,000, respectively. This change of accounting policy has been accounted for retrospectively as a prior year adjustment in accordance with the transitional provisions of SSAP 30. The cumulative effect on prior years was to increase the capital reserve and accumulated losses at 1 January 2000 by HK$9,841,000. This prior year adjustment has had no effect on the current year.

29. GOODWILL AND NEGATIVE GOODWILL (continued)

The amounts of the goodwill and negative goodwill remaining in consolidated reserves, arising from the acquisitions of subsidiaries prior to 1 January 2001, are as follows:

	Group	
	Goodwill eliminated against consolidated accumulated losses and capital reserve	**Negative goodwill credited to consolidated capital reserve**
	HK$'000	HK$'000
Cost:		
At beginning of year	29,370	(84,093)
Disposal of subsidiaries	(4,141)	2,042
At 31 December 2001	25,229	(82,051)
Accumulated impairment:		
At beginning of year	–	–
Prior year adjustment	13,886	–
As restated	13,886	–
Disposal of a subsidiary	(4,141)	–
At 31 December 2001	9,745	–
Net amount:		
At 31 December 2001	15,484	(82,051)
At 31 December 2000	15,484	(84,093)

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit from operating activities to net cash inflow/(outflow) from operating activities

	2001 HK$'000	2000 HK$'000
Profit from operating activities	22,543	7,402
Loss/(gain) on disposal of subsidiaries, net	2,152	(590)
Gain on disposal of interests in jointly controlled entities, net	–	(2,287)
Gain on disposal of a long term investment	–	(3,430)
Provision for impairment in values of golf club memberships	–	108
Provision for bad and doubtful debts, net	5,168	5,033
Interest income	(771)	(2,373)
Depreciation	22,553	22,662
Amortisation of land use rights	558	455
Surplus on revaluation of leasehold land and buildings, net	–	(1,564)
Deficit on revaluation of investment properties, net	80	2,409
Loss/(gain) on disposal of fixed assets, net	(83)	20
Increase in trade and bills receivables	(16,215)	(14,314)
Decrease/(increase) in prepayments, deposits and other receivables	(4,929)	5,029
Decrease/(increase) in inventories	4,267	(6,777)
Decrease in trade and bills payables	(8,018)	(20,207)
Increase/(decrease) in other payables and accruals	4,509	(5,500)
Exchange realignment	–	55
Net cash inflow/(outflow) from operating activities	31,814	(13,869)

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of changes in financing activities

	Bank loans HK$'000	Due to a related company HK$'000	Finance leases HK$'000	Minority interests HK$'000
Balance at 1 January 2000	108,662	42,881	244	103,330
Net cash outflow from financing activities	(59,446)	(10,140)	(244)	–
Exchange realignment	151	–	–	–
Interest payable on advances from a related company	–	2,736	–	–
Share of losses for the year	–	–	–	(1,565)
Disposal of subsidiaries	–	–	–	(4,093)
Dividends attributable to minority shareholders	–	–	–	(8,183)
Share of exchange fluctuation reserve	–	–	–	(202)
Share of fixed asset and land use rights revaluation reserves	–	–	–	1,084
Balance at 31 December 2000 and at 1 January 2001	49,367	35,477	–	90,371
Net cash outflow from financing activities	(14,020)	(19,960)	–	–
Interest payable on advances from a related company	–	55	–	–
Reclassification from other payables	–	3,855	–	–
Share of profit for the year	–	–	–	7,287
Disposal of a subsidiary	–	–	–	(2,362)
Balance at 31 December 2001	35,347	19,427	–	95,296

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Summary of the effects of disposal of interests in subsidiaries

	2001 HK$'000	2000 HK$'000
Net assets disposed of:		
Fixed assets	85	4,463
Golf club memberships	–	395
Interest in a jointly controlled entity	–	1,500
Cash and bank balances	1,126	6,256
Trade receivables	10	14,393
Prepayments, deposits and other receivables	6,245	4,065
Due from a fellow subsidiary	8,529	–
Inventories	6,477	7,573
Bank overdrafts	–	(40)
Trade payables	(1,300)	(3,194)
Other payables and accruals	(1,113)	(10,678)
Tax payable	(376)	(53)
Deferred tax	–	(22)
Minority interests	(2,362)	(4,093)
	17,321	20,565
Exchange fluctuation reserve realised	4,856	–
Goodwill/(negative goodwill) eliminated against/ (credited to) reserves on acquisition	(2,042)	2,536
Gain/(loss) on disposal of subsidiaries, net	(2,152)	590
Reclassified as interest in a jointly controlled entity	(4,920)	–
Consideration	13,063	23,691
Accounted for and discharged by:		
Cash consideration received	2,828	16,944
Other receivables	10,235	–
Discharge of other payables	–	6,747
	13,063	23,691

Analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	2001 HK$'000	2000 HK$'000
Cash consideration received	2,828	16,944
Cash and bank balances disposed of	(1,126)	(6,256)
Bank overdrafts disposed of	–	40
	1,702	10,728

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Summary of the effects of disposal of interests in subsidiaries (continued)

The subsidiaries disposed of during the year did not have any significant impact on the Group's cash flows. The subsidiaries disposed of in the prior year contributed cash outflows of HK$16,859,000 to the Group's net operating cash outflow, paid HK$3,037,000 in respect of the net return on investments and servicing of finance, utilised HK$3,564,000 in respect of financing activities, but had no significant impact in respect of tax and investing activities.

The subsidiaries disposed of during the year contributed approximately HK$934,000 (2000: HK$25,659,000) to the Group's turnover and loss of HK$422,000 (2000: HK$1,271,000) to the Group's operating results for the year, respectively.

31. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

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

Name	Place of incorporation and operations	Issued and paid-up capital	Percentage of equity attributable to the Group 2001	2000	Principal activities
Bogay Investment Limited	Hong Kong	100 ordinary shares of HK$1 each 100,000 non-voting deferred shares of HK$1 each	100#	100#	Investment holding
Meta Company Limited	Hong Kong	100 ordinary shares of HK$1 each 18,000,000 non-voting deferred shares of HK$1 each	100#	100#	Investment holding
Hing Cheong Metals (China & Hong Kong) Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	91	91	Processing and trading of copper and brass products

31. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation and operations	Issued and paid-up capital	Percentage of equity attributable to the Group 2001	2000	Principal activities
Fair Win Development Limited	Hong Kong/ PRC	500,000 ordinary shares of HK$1 each	100	100	Property investment
Heroland Investment Limited	Hong Kong	2 ordinary shares of HK$1 each	100	100	Property investment
Bigland Investment Limited	Hong Kong/ PRC	2 ordinary shares of HK$1 each	100	100	Property investment
Eastern Century Metal Products Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	100	100	Investment holding
Online Investments Limited	British Virgin Islands/ Hong Kong	31,000,000 ordinary shares of US$1 each	71.8	71.8	Investment holding
Everwinner Investments Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	71.8	71.8	Investment holding

Name	Place of registration and operations	Business structure	Registered capital	Percentage of equity attributable to the Group 2001	2000	Principal activities
Jiaxing Eastern Steel Cord Co., Ltd.	PRC	Wholly foreign owned enterprise	US$44,000,000	71.8	71.8	Manufacturing of steel cord

Directly held by the Company

The above table lists 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 other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

32. PARTICULARS OF THE PRINCIPAL JOINTLY CONTROLLED ENTITIES

Particulars of the principal jointly controlled entities at 31 December 2001 are as follows:

Name	Business structure	Place of registration and operations	Registered capital	Percentage of equity attributable to the Group	Percentage of voting power attributable to the Group	Percentage of profit attributable to the Group	Principal activities
Shanghai Shenjia Metal Products Co., Ltd.	Corporate	PRC	US$10,000,000	25	33	25	Manufacturing of pre-stressed concrete strands and wires
Shanxi Shengjia Real Estate Developing Co., Ltd.	Corporate	PRC	RMB19,000,000	25	29	25	Property development and investment

The above table lists the jointly controlled entities of the Group 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 other jointly controlled entities would, in the opinion of the directors, result in particulars of excessive length.

33. PARTICULARS OF THE ASSOCIATES

Particulars of the associates at 31 December 2001 are as follows:

Name	Business structure	Place of registration/ incorporation and operations	Issued and paid-up capital	Percentage of equity attributable to the Group 2001	Percentage of equity attributable to the Group 2000	Principal activities
Xinhua Metal Products Co., Ltd. *(Note)*	Corporate	PRC	193,220,374 shares of RMB1 each	16.75	16.75	Manufacturing of pre-stressed concrete strands and wires
Sky Fond Investment Limited	Corporate	Hong Kong	1,500,000 ordinary shares of HK$1 each	50	50	Dormant

Note: Xinhua Metal Products Co., Ltd. ("Xinhua") is listed on the Shanghai Stock Exchange in the PRC. The shares in Xinhua held by the Group are legal person shares and are not tradable on any stock exchange. Pursuant to the memorandum of association, the Group is entitled to its equity share in the profits and losses and the net assets upon its cessation. In the opinion of the directors, the Group is in a position to exercise significant influence over Xinhua. Accordingly, it has been accounted for as an associate.

34. CONTINGENT LIABILITIES

At the balance sheet date, the Group and the Company had the following contingent liabilities not provided for in the financial statements:

	Group		Company	
	2001	2000	2001	2000
	HK$'000	HK$'000	HK$'000	HK$'000
Guarantees for banking facilities granted to subsidiaries	–	–	18,254	69,867
Guarantees for bank loans granted to a jointly controlled entity	24,540	34,205	–	–
	24,540	34,205	18,254	69,867

35. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14 to the financial statements) under operating lease arrangements, with leases negotiated for terms of two years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Within one year	47	170

35. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for a term of one year.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Within one year	**134**	1,310

SSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating lease receivables under non-cancellable operating leases, as detailed in note (a) above. This disclosure was not previously required. SSAP 14 (Revised) also requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. This has had no impact on the prior year comparative amounts for operating leases as lessee in note (b) above.

36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35 above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2001	2000
	HK$'000	HK$'000
Contracted, but not provided for	**22,919**	–
Authorised, but not contracted for	**16,190**	–
	39,109	–

The Group's share of capital commitment in respect of its interest in a jointly controlled entity was approximately HK$839,000 (2000: HK$246,000).

At the balance sheet date, the Company did not have any significant commitments.

37. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with Shougang Concord International Enterprises Company Limited ("Shougang International") and its subsidiaries (collectively the "Shougang International Group"), Shougang Holding (Hong Kong) Limited ("Shougang HK") and its subsidiaries (collectively the "Shougang HK Group"), and jointly controlled entities of the Group. Shougang International is a controlling shareholder of the Company and Shougang HK is the controlling shareholder of Shougang International.

	Notes	2001 HK$'000	2000 HK$'000
Consultancy fees paid to the Shougang HK Group	(i)	720	90
Management fees paid to the Shougang International Group	(i)	600	600
Rental expenses paid to the:			
Shougang HK Group	(ii)	1,012	1,415
Shougang International Group	(ii)	156	156
Interest paid to the Shougang HK Group	(iii)	1,410	2,761
Loan from a jointly controlled entity	(iv)	8,529	–
Corporate guarantees given to a jointly controlled entity	(v)	24,540	34,205

Notes:

(i) The Group paid consultancy fees to the Shougang HK Group and paid management fees to the Shougang International Group in relation to business and strategic development services provided at rates determined between both parties.

(ii) The Group paid rental expenses to the Shougang HK Group and the Shougang International Group for the leasing of properties in Hong Kong as office premises and staff quarters. The rental was calculated by reference to market rentals.

(iii) The loans advanced from the Shougang HK Group are secured by the Group's interest in a jointly controlled entity with interest payable at HIBOR per annum.

(iv) The loan advanced by the jointly controlled entity was unsecured, interest-free and has no fixed terms of repayment.

(v) The Group has executed corporate guarantees for bank loans granted to a jointly controlled entity to finance its working capital. These guarantees were provided in proportion to the Group's equity interest in the jointly controlled entity and are normally renewable on an annual basis.

38. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified to conform with the current year's presentation.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 April 2002.