1. CORPORATE INFORMATION

The registered office of the Company is located at 7th Floor, Bank of East Asia Harbour View Centre (formerly known as "First Pacific Bank Centre"), 56 Gloucester Road, Wanchai, Hong Kong.

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

- manufacture and sale of steel products
- trading of steel products
- manufacturing and installation of kitchen and laundry equipment
- shipping
- property investment and management

In the opinion of the directors, Shougang Holding (Hong Kong) Limited ("Shougang HK") is the Company's controlling shareholder which is, in turn, a wholly-owned subsidiary of Shougang Corporation, which is established in Mainland China.

2. BASIS OF PRESENTATION

Notwithstanding the net current liabilities position recorded by the Group as at the balance sheet date, the directors have prepared these financial statements on a going concern basis because the directors consider that, upon completion of the Group Reorganisation as detailed in note 43 to the financial statements, the Group's financial position will improve significantly and the Group will continue to be able to service its liabilities without adversely impairing its liquidity position.

3. 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"

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

These SSAPs and Interpretations 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. This SSAP has had no significant impact in the preparation of these financial statements.

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. 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 finance leases and operating leases, which are further detailed in notes 32 and 40 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 5 to the financial statements.

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. Provisions are now disclosed as a separate line item on the face of the balance sheet and note 31 to the financial statements "Provision" has been added to include the new required additional disclosures.

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatment for intangible assets and the additional disclosures that it requires have not been significant for these financial statements.

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

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 in the non-current assets section of the balance sheet. It requires that goodwill is amortised to the profit and loss account over its estimated useful life. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against reserves. The adoption of the SSAP and Interpretation has resulted in a prior year adjustment, further details of which are included in note 16 to the financial statements. The required new additional disclosures are also included in notes 16, 17 and 36 to the financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements, and has had no significant impact on the preparation of these financial statements.

In addition to the above new and revised SSAPs and related Interpretations, certain minor revisions to the following SSAPs are effective for the first time for the current year's financial statements:

- SSAP 10: "Accounting for investments in associates"
- SSAP 17: "Property, plant and equipment"
- SSAP 21: "Accounting for interests in joint ventures"

The only significant effect of these revisions is that SSAP 17 requires that impairment losses on fixed assets are aggregated with accumulated depreciation in note 14 to the financial statements, whereas previously they were deducted from the cost and the accumulated depreciation of the relevant asset. This disclosure reclassification has had no effect on the net carrying amount of fixed assets in the balance sheet.

4. 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 periodic remeasurement of investment properties, and certain fixed assets and 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 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 in the Company's balance sheet at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by a 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;

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint venture companies (continued)

(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 has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

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 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 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 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 impairment losses.

Goodwill

Goodwill arising on the 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

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

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 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 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. The impairment loss arising on goodwill previously eliminated against reserves is recognised in the profit and loss account for the year in which the impairment relates. A prior year adjustment has been made for the impairment prior to 1 January 2001 of goodwill previously eliminated against reserves. Further details are set out in note 16 to the financial statements.

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.

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 or 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

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.

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the 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 revaluation reserve realised in respect of previous valuations is transferred to retained earnings 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:

Construction in progress	Nil
Land and buildings	1.6% to 4.6%, or over the terms of the leases or user rights, whichever is shorter
Leasehold improvements	2.5% to 33 1/3%, or over the terms of the leases, whichever is shorter
Furniture, fixtures and equipment	6.25% to 25%
Plant and machinery	4% to 25%
Motor vehicles	9% to 30%
Vessels	5% to 18%

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

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.

The Group intends to apply for an extension of the joint venture tenure from 20 years to 50 years for Qinhuangdao Shougang Plate Mill Co., Ltd., a subsidiary in which the Group has a 51% interest. Such application can only be made during the six-month period prior to the expiry of the joint venture tenure, and the directors believe that such an extension will be granted upon application. Accordingly, the costs of the buildings and of the plant and machinery of this joint venture are depreciated on the straight-line basis to write off the cost of the assets over their estimated useful lives based on the assumption that a new tenure will be granted.

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 professional valuations performed at the end of each financial year. Changes in the value 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.

Construction in progress

Construction in progress represents factory buildings, plant and machinery and other fixed assets under construction or installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of purchase, construction, installation and testing as well as capitalised borrowing costs on related borrowed funds during the period of construction or installation. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

Intangible assets

Intangible assets represent deferred product design fees incurred by certain of the Group's subsidiaries in Mainland China and are stated at cost less accumulated amortisation and any impairment losses.

Amortisation is provided using the straight-line basis to write off the cost of intangible assets over their estimated economic lives of not exceeding 10 years.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

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.

Long term investments

Long term investments are investments in unlisted equity securities intended to be held on a long term basis.

Long term investments are stated at cost less any impairment losses. When such impairments in values have occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the directors, and the amounts of impairments are charged to the profit and loss account in the period in which they arise. 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 and any appreciation in fair value is credited to the profit and loss account to the extent of the amount previously charged.

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 values of such securities are credited or charged to the profit and loss account in the period in which they arise.

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 estimated costs to be incurred to completion and disposal.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total costs of the relevant contract.

Revenue from cost plus construction contracts is recognised on the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total costs of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

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.

Provision

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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) Sales are recognised when the goods are delivered or the services are rendered;

(b) Charter hire income from chartered-in vessels is recognised in accordance with the following basis:

Time chartered-in and time chartered-out	Time proportion

(c) Freight revenues from chartered-in vessels are recognised in accordance with the following bases:

Time chartered-in and voyage chartered-out	Time proportion
Voyage chartered-in and voyage chartered-out	Completion of loading

(d) Rental and management fee income is recognised on a time proportion basis;

(e) Dividend income is recognised when the shareholders' right to receive payment is established;

(f) Income from the disposal of investment properties is recognised when legally binding sales contracts are signed and exchanged and the transaction becomes unconditional;

(g) Income from the trading of listed investments is recognised on the date when the transaction takes place; and

(h) Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the effective rate of interest applicable.

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. The capitalisation rate is based on the actual cost of the related borrowings.

All other borrowing costs are recognised as expenses in the period in which they are incurred.

Pension costs

The Group operates a Mandatory Provident Fund Exempted ORSO retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance for certain of its employees in addition to the Mandatory Provident Fund Schemes. Contributions are made based on a percentage of the eligible employees' salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. When an employee leaves the Mandatory Provident Fund Exempted ORSO retirement benefits scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. With respect to the Mandatory Provident Fund retirement benefits schemes, the Group's employer contributions vest fully with the employees when contributed into the schemes.

Contributions made by certain joint ventures of the Group in Mainland China, based on a percentage of the employees' basic salaries to the central pension scheme operated by the Government of the People's Republic of China, are charged to the profit and loss account as and when incurred.

5. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 3 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 manufacturing segment engages in the manufacturing and sale of steel products;

(b) the steel trading segment engages in the trading of steel products;

(c) the kitchen and laundry equipment segment engages in the manufacturing and installation of kitchen and laundry equipment;

(d) the shipping segment engages in vessel chartering and the hiring of floating cranes;

(e) the property investment and management segment provides property leasing and building management services; and

(f) the corporate and others segment comprises the Group's management services business, together with corporate income and expense items.

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 terms determined between the parties.

5. SEGMENT INFORMATION (continued)

(a) Business segments

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

Group	Steel manufacturing		Steel trading		Kitchen and laundry equipment		Shipping		Property investment and management		Corporate and others		Eliminations		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:																
Sales to external customers	1,447,620	1,564,594	90,828	227,135	79,953	70,130	299,740	325,863	22,028	21,937	2,100	2,214	-	-	1,942,269	2,211,873
Intersegment sales	-	-	-	-	-	-	-	-	-	-	1,560	1,560	(1,560)	(1,560)	-	-
Other revenue	18,747	20,059	5,446	771	436	415	20	-	747	1,556	35	4,610	-	-	25,431	27,411
Intersegment other revenue	-	-	1,280	1,717	-	-	-	-	-	-	-	-	(1,280)	(1,717)	-	-
Total	1,466,367	1,584,653	97,554	229,623	80,389	70,545	299,760	325,863	22,775	23,493	3,695	8,384	(2,840)	(3,277)	1,967,700	2,239,284
Segment results	(283,372)	(213,087)	(329)	(23,520)	(1,544)	(11,056)	(24,001)	(8,144)	(274,308)	(2,149)	(115,955)	(8,683)	(1,280)	(2,212)	(700,789)	(268,851)
Unallocated revenue and gains															8,727	6,358
Unallocated expenses															(198)	(2,059)
Loss from operating activities															(692,260)	(264,552)
Finance costs															(69,800)	(68,422)
Share of profits and losses of:																
Jointly-controlled entities	-	-	(30)	180	-	-	-	-	2,400	11,552	-	-	-	-	2,370	11,732
Associates	-	-	-	-	-	-	-	-	(27,878)	1,463	7,376	5,404	-	-	(20,502)	6,867
Loss before tax															(780,192)	(314,375)
Tax															(4,993)	(3,852)
Loss before minority interests															(785,185)	(318,227)
Minority interests															177,807	59,825
Net loss from ordinary activities attributable to shareholders															(607,378)	(258,402)
Segment assets	2,099,358	2,472,560	50,238	101,221	79,320	68,643	50,419	74,224	269,446	303,705	4,564	8,738	-	-	2,553,345	3,029,091
Interests in associates	-	-	2	2	-	-	-	-	231,296	274,841	143,909	135,540	-	-	375,207	410,383
Amounts due from associates	-	-	14,914	14,914	-	-	-	-	-	4,069	2	2	-	-	14,916	18,985
Interests in jointly-controlled entities	-	-	1,290	1,369	-	-	-	-	236,871	235,882	-	-	-	-	238,161	237,251
Unallocated assets	245	396	634	689	-	53	-	-	8,358	8,320	-	-	-	-	9,237	9,458
Bank overdrafts included in segment assets	-	-	-	-	-	7,056	-	-	-	-	-	-	-	-	-	7,056
Total assets	2,099,603	2,472,956	67,078	118,195	79,320	75,752	50,419	74,224	745,971	826,817	148,475	144,280	-	-	3,190,866	3,712,224
Segment liabilities	496,340	543,919	37,905	78,188	42,853	27,429	16,886	21,421	6,115	8,284	1,690	13,730	-	-	601,789	692,971
Unallocated liabilities	854,990	869,197	11,000	11,885	3,491	5,272	4,731	23	103,527	103,315	251,047	389,991	-	-	1,228,786	1,379,683
Bank overdrafts included in segment assets	-	-	-	-	-	7,056	-	-	-	-	-	-	-	-	-	7,056
Total liabilities	1,351,330	1,413,116	48,905	90,073	46,344	39,757	21,617	21,444	109,642	111,599	252,737	403,721	-	-	1,830,575	2,079,710

5. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group	Steel manufacturing		Steel trading		Kitchen and laundry equipment		Shipping		Property investment and management		Corporate and others		Eliminations		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Other segment information:																
Depreciation	111,146	110,116	351	1,316	2,119	2,341	1,379	1,322	132	130	113	100	-	-	115,240	115,325
Amortisation	1,630	764	-	-	-	-	-	-	-	-	-	-	-	-	1,630	764
Impairment of fixed assets	169,674	-	-	-	-	495	-	-	-	-	-	-	-	-	169,674	495
Impairment of goodwill	-	71,980	-	-	-	-	-	-	223,477	-	109,576	-	-	-	333,053	71,980
Revaluation deficit/ (surplus) on investment properties	-	-	(712)	-	-	-	-	-	29,900	4,925	3,000	3,000	-	-	32,188	7,925
Provisions for bad debts	58,447	45,606	335	6,465	1,759	4,759	6,914	-	1,144	-	-	-	-	-	68,599	56,830
Provision against a loan to an associate	-	-	-	-	-	-	-	-	18,332	6,000	-	-	-	-	18,332	6,000
Provision against an amount due from an associate	-	-	-	-	-	-	-	-	3,589	-	-	-	-	-	3,589	-
Provision for compensation	-	-	-	-	-	-	4,527	-	-	-	-	-	-	-	4,527	-
Loss on disposal of a subsidiary	-	-	-	-	-	-	-	-	4,808	-	-	-	-	-	4,808	-
Loss on deemed disposal of interest in an associate	-	-	-	-	-	-	-	-	353	-	587	313	-	-	940	313
Write-off of an amount due from a minority shareholder	-	-	-	2,513	-	-	-	-	-	-	-	-	-	-	-	2,513
Capital expenditure	20,463	31,621	-	109	379	553	163	876	94	177	199	54	-	-	21,298	33,390

5. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following table presents revenue, profit/(loss) and certain asset and expenditure information for the Group's geographical segments.

Group	Hong Kong		Mainland China		Corporate and others		Eliminations		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	2001 HK$'000	2000 HK$'000
Segment revenue:										
Sales to external customers	367,958	380,504	1,509,996	1,551,176	64,315	280,193	–	–	1,942,269	2,211,873
Intersegment sales	–	–	–	–	1,560	1,560	(1,560)	(1,560)	–	–
Other revenue	1,841	2,385	19,093	20,248	4,497	4,778	–	–	25,431	27,411
Intersegment other revenue	1,280	1,717	–	–	–	–	(1,280)	(1,717)	–	–
Total	371,079	384,606	1,529,089	1,571,424	70,372	286,531	(2,840)	(3,277)	1,967,700	2,239,284
Segment results*	(308,186)	(46,804)	(276,255)	(190,381)	(115,068)	(29,454)	(1,280)	(2,212)	(700,789)	(268,851)
Segment assets	864,612	1,017,014	2,177,463	2,550,079	148,791	145,131	–	–	3,190,866	3,712,224
Capital expenditure	240	942	20,859	32,394	199	54	–	–	21,298	33,390

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

6. TURNOVER

Turnover represents the net invoiced value of goods sold after allowances for goods returned and trade discounts, and services rendered, but excludes intra-group transactions. An analysis of turnover is as follow:

	2001 HK$'000	2000 HK$'000
Steel manufacturing	1,447,620	1,564,594
Steel trading	90,828	227,135
Kitchen and laundry equipment	79,953	70,130
Shipping	299,740	325,863
Property investment and management	22,028	21,937
Corporate and others	2,100	2,214
	1,942,269	2,211,873

7. LOSS FROM OPERATING ACTIVITIES

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

	2001 HK$'000	2000 HK$'000
Cost of inventories sold	1,472,831	1,750,893
Cost of services provided *	2,925	3,024
Depreciation	115,240	115,325
Amortisation of intangible assets **	1,630	764
Impairment of goodwill	333,053	71,980
Minimum lease payments under operating leases in respect of land and buildings	8,295	7,542
Charter hire costs	301,077	321,690
Auditors' remuneration	2,353	2,979
Staff costs (including directors' remuneration – note 9):		
Wages, salaries and benefits	129,121	131,311
Pension scheme contributions ***	1,143	749
Total staff costs	130,264	132,060
Loss on disposal of land and buildings	79	3,798
Loss on disposal of other fixed assets, net	1,138	7,340
Loss/(gain) on disposal of an investment property	358	(1,000)
Loss on disposal of long term investments	6	–
Loss/(gain) on disposal of short term investments, net	(1,077)	203
Loss on disposal of a subsidiary	4,808	–
Loss on deemed disposal of interest in an associate	940	313
Loss/(gain) on changes in fair values of short term investments, net	(307)	1,288
Impairment of land and buildings	17,174	495
Impairment of other fixed assets	152,500	–
Revaluation deficit on investment properties ****	32,188	7,925
Provisions for bad debts	68,599	56,830
Provision against a loan to an associate	18,332	6,000
Provision against an amount due from an associate	3,589	–
Provision for compensation	4,527	–
Write-off of an amount due from a minority shareholder	–	2,513
Gross rental income from investment properties	(21,485)	(20,954)
Less: Outgoings	455	540
Net rental income from investment properties	(21,030)	(20,414)
Interest income	(7,102)	(5,580)
Dividend income from listed investments	(49)	(210)
Foreign exchange losses/(gains), net	(52)	2,302
Waiver of interest expense charged by a related company	–	(4,280)

7. LOSS FROM OPERATING ACTIVITIES (continued)

* The amount included staff costs of HK$1,975,000 (2000: HK$1,993,000).

** The amortisation of intangible assets for the year is included in "Administrative expenses" on the face of the profit and loss account.

*** The effect of forfeited contributions on the Group's contributions to the pension schemes for the year, and the amounts of forfeited contributions available at the balance sheet date to reduce contributions in future years, were not material.

**** The revaluation deficit on investment properties for the year is included in "Other operating expenses, net" on the face of the profit and loss account.

8. FINANCE COSTS

	2001 HK$'000	2000 HK$'000
Interest expense on:		
Bank loans, bank overdrafts and other loans wholly repayable within five years	43,854	32,644
Convertible bonds	18,094	23,553
Finance leases	401	428
Unpaid capital contribution to a jointly-controlled entity	–	3,180
Less: Interest capitalised into construction in progress	–	(1,215)
Net interest expense	62,349	58,590
Accretion of premium on convertible bonds	7,451	9,832
	69,800	68,422

9. DIRECTORS' REMUNERATION

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	215	245
Salaries and other emoluments	3,285	3,258
	3,500	3,503

Included in the directors' fees were fees of HK$120,000 (2000: HK$150,000) received by the independent non-executive directors.

9. DIRECTORS' REMUNERATION (continued)

The number of directors whose remuneration fell within the following bands is as follows:

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

The five highest paid employees during the year included two (2000: one) executive directors, whose remuneration is disclosed in note 9 above. Details of the remuneration of the remaining three (2000: four) non-director, highest paid employees during the year are set out below:

	2001	2000
	HK$'000	HK$'000
Salaries and allowances	**4,173**	5,428
Pension scheme contributions	**206**	253
	4,379	5,681

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2001	2000
HK$1,000,001 – HK$1,500,000	**2**	3
HK$1,500,001 – HK$2,000,000	**1**	1

11. TAX

Hong Kong profits tax has been provided at the rate of 16% (2000: 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.

	2001 HK$'000	2000 HK$'000
Group:		
Hong Kong	700	449
Elsewhere	1,811	23
Overprovision in prior years	(162)	(1,382)
Deferred tax *(note 34)*	(186)	(297)
	2,163	(1,207)
Share of tax attributable to:		
Jointly-controlled entities	1,346	2,783
Associates	1,484	2,276
	2,830	5,059
Tax charge for the year	4,993	3,852

12. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 December 2001 dealt with in the financial statements of the Company, is HK$422,897,000 (2000: HK$137,863,000).

The Group's share of profits less losses retained by the associates for the year amounted to a loss of HK$21,986,000 (2000: profit of HK$4,591,000).

The Group's share of profits less losses retained by the jointly-controlled entities for the year amounted to a profit of HK$974,000 (2000: profit of HK$8,899,000).

13. LOSS PER SHARE

The calculation of basic loss per share is based on net loss from ordinary activities attributable to shareholders for the year of HK$607,378,000 (2000: HK$258,402,000) and the weighted average of 2,099,044,550 (2000: 1,895,855,675) ordinary shares in issue during the year.

The diluted loss per share for the years ended 31 December 2001 and 2000 is not shown as there were no dilutive effects on the basic loss per share. The 8% convertible bonds had an anti-dilutive effect on the basic loss per share, and the outstanding share options of the Company would not result in the issue of ordinary shares for less than the fair value as their exercise price was above the average market price of the Company's shares during the two years.