



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2002

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim financial reporting".

The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual audited financial statements for the year ended 31 December 2001, except that the Group has changed certain of its accounting policies following the adoption of the following recently-issued and revised SSAPs issued by the Hong Kong Society of Accountants which are effective for the first time for the current period's condensed consolidated financial statements:

SSAP 1 (Revised):	Presentation of financial statements
SSAP 11 (Revised):	Foreign currency translation
SSAP 15 (Revised):	Cash flow statements
SSAP 33:	Discontinuing operations
SSAP 34:	Employee benefits

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 which have had a significant effect on the financial statements, are summarised as follows:

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The main revision to this SSAP is to change the requirement from presenting a statement of recognised gains and losses to a statement of changes in equity. The condensed consolidated statement of changes in equity for the current interim period and the comparative figures have been presented in accordance with the revised SSAP.

SSAP 15 (Revised) prescribes the provision of information about the historical changes in cash and cash equivalents by means of a cash flow statement which classifies cash flows during the period into operating, investing and financing activities. The condensed consolidated cash flow statement for the current interim period and comparative figures have been presented in accordance with the revised SSAP.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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1. Basis of preparation and accounting policies (continued)

SSAP 33 prescribes the basis for reporting information about discontinuing/discontinued operations. The impact of this SSAP is the inclusion of significant additional disclosures which are set out in the condensed consolidated profit and loss account and note 3 to the condensed consolidated financial statements.

2. Segment information

(a) Business segments

The following tables present revenue and results for the Group's business segments.

2002

	Steel manufacturing (Unaudited) HK\$'000	Steel trading (Unaudited) HK\$'000	Kitchen and laundry equipment (Unaudited) HK\$'000	Shipping (Unaudited) HK\$'000	Property investment and management (Unaudited) HK\$'000	Corporate and others (Unaudited) HK\$'000	Eliminations (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	708,540	18,393	29,478	140,595	7,718	936	-	905,660
Intersegment sales	-	-	-	-	-	978	(978)	-
Other revenue	6,286	4,526	319	39	493	13	-	11,676
Total	<u>714,826</u>	<u>22,919</u>	<u>29,797</u>	<u>140,634</u>	<u>8,211</u>	<u>1,927</u>	<u>(978)</u>	<u>917,336</u>
Segment results	<u>(36,245)</u>	<u>(651)</u>	<u>(3,049)</u>	<u>(30,916)</u>	<u>543</u>	<u>(10,970)</u>	<u>-</u>	<u>(81,288)</u>
Unallocated revenue and gains								2,090
Unallocated expenses								(23)
Loss on disposal of a subsidiary								<u>(213,340)</u>
Loss from operating activities								<u>(292,561)</u>



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2. Segment information (continued)

(a) Business segments (continued)

2001

	Steel manufacturing (Unaudited) HK\$'000	Steel trading (Unaudited) HK\$'000	Kitchen and laundry equipment (Unaudited) HK\$'000	Shipping (Unaudited) HK\$'000	Property investment and management (Unaudited) HK\$'000	Corporate and others (Unaudited) HK\$'000	Eliminations (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	754,749	49,351	37,015	176,457	11,468	1,050	-	1,030,090
Intersegment sales	-	-	-	-	-	780	(780)	-
Other revenue	8,354	10,822	3	-	280	2	-	19,461
Total	763,103	60,173	37,018	176,457	11,748	1,832	(780)	1,049,551
Segment results	(37,542)	(346)	(1,694)	8,497	1,023	(5,397)	-	(35,459)
Unallocated revenue and gains								8,662
Unallocated expenses								(250)
Loss from operating activities								(27,047)

(b) Geographical segments

The following table presents revenue and results for the Group's geographical segments.

	Hong Kong		Mainland China		Corporate and others		Eliminations		Consolidated	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Segment revenue:										
Sales to external customers	166,418	207,861	725,128	763,682	14,114	58,547	-	-	905,660	1,030,090
Intersegment sales	-	-	-	-	978	780	(978)	(780)	-	-
Other revenue	3,509	1,847	6,359	8,354	1,808	9,260	-	-	11,676	19,461
Total	169,927	209,708	731,487	772,036	16,900	68,587	(978)	(780)	917,336	1,049,551
Segment results	(38,545)	(3,757)	(33,615)	(33,591)	(9,128)	1,889	-	-	(81,288)	(35,459)



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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3. Discontinued operations

On 11 April 2002, a conditional agreement was entered into between the Company, a wholly-owned subsidiary of Shougang Holding (Hong Kong) Limited ("Shougang HK") (the "First Purchaser") and a wholly-owned subsidiary of Cheung Kong (Holdings) Limited (the "Second Purchaser") pursuant to which, the Company agreed to sell and the First Purchaser agreed to acquire 430,491,315 ordinary shares of HK\$0.01 each in the capital of Shougang Concord Grand (Group) Limited (the "SC Grand Shares") and the Second Purchaser agreed to acquire 91,491,193 SC Grand Shares for an aggregate cash consideration of approximately HK\$172,254,000 (equivalent to HK\$0.33 per SC Grand Share). The above disposal was completed on 21 June 2002. The Company has no interests in SC Grand after the completion of the above disposal.

A loss on disposal of SC Grand of approximately HK\$213,340,000 was recorded by the Group upon the completion of the above disposal and there was no tax arising from the disposal.

4. Profit/(loss) from operating activities

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

	For the six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Cost of inventories sold	811,205	925,721
Cost of services provided	1,311	1,418
Staff costs	68,251	71,527
Depreciation	48,427	53,045
Amortisation of intangible assets	802	382
Provisions for bad debts, net	34	11,700
Loss on disposal of land and buildings	–	66
Loss on disposal of a subsidiary	213,340	–
Loss/(gain) on changes in fair values of short term investments, net	23	(3,250)
Gain on dissolution of a subsidiary	(921)	–
Gain on disposal of short term listed investments	(750)	(1,077)
Dividend income from listed investments	(28)	(28)
Interest income	<u>(1,312)</u>	<u>(4,057)</u>



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5. Finance costs

	For the six months ended 30 June	
	2002	2001
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Interest expense on:		
Bank loans, bank overdrafts and other loans wholly repayable within five years	21,531	19,639
Convertible note	395	–
Convertible bonds	–	11,634
Finance leases	186	213
	<hr/>	<hr/>
Net interest expense	22,112	31,486
Accretion of premium on convertible bonds	–	4,762
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	22,112	36,248
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6. Tax

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the countries in which the Group operates based on existing legislation, interpretations and practices in respect thereof.

	For the six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Group:		
Hong Kong	141	439
Elsewhere	241	–
Overprovision in prior periods	(35)	(207)
Deferred tax	–	(118)
	<u>347</u>	<u>114</u>
Share of tax attributable to:		
Jointly-controlled entities	765	695
Associates	383	337
	<u>383</u>	<u>337</u>
Tax charge for the period	<u>1,495</u>	<u>1,146</u>



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7. Loss per share

The calculation of basic loss per share for the six months ended 30 June 2002 is based on the net loss from ordinary activities attributable to shareholders of HK\$283,148,000 (2001: HK\$39,906,000) and 2,295,546,454 (2001: weighted average number of 1,902,022,421) ordinary shares in issue during the period.

The diluted loss per share for the six months ended 30 June 2002 and 30 June 2001 is not shown as there were no dilutive effects on the basic loss per share. The 3% convertible note had no dilutive effect on the basic loss per share during the period ended 30 June 2002. The 8% convertible bonds had an anti-dilutive effect on the basic loss per share during the period ended 30 June 2001. 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 period ended 30 June 2001.

8. Pledge of assets

Certain of the Group's land and buildings and investment properties with an aggregate net book value of HK\$20,972,000 as at 30 June 2002 were pledged to banks in Hong Kong as securities for banking facilities of approximately HK\$51,785,000 (2001: HK\$164,785,000 (which were secured by certain of the Group's land and buildings and investment properties with an aggregate net book value of HK\$246,746,000, together with a cash deposit of HK\$3,000,000 and certain shares in a listed company with a market value of HK\$31,209,000 as at 31 December 2001)) granted to the Group. As at 30 June 2002, such facilities were utilised to the extent of HK\$15,573,000 (2001: HK\$114,491,000).

Certain of the Group's plant and machinery with a net book value of HK\$341,921,000 (2001: HK\$406,097,000) were pledged to a bank in Mainland China for banking facilities of HK\$84,858,000 (2001: HK\$75,436,000) granted to the Group. As at 30 June 2002, such facilities were utilised to the extent of HK\$37,715,000 (2001: HK\$53,748,000). In addition, cash deposits of HK\$15,421,000 (2001: HK\$7,414,000) were pledged by the Group to a bank in Mainland China to secure banking facilities of approximately HK\$14,305,000 (2001: HK\$6,650,000) granted to the Group. As at 30 June 2002, such facilities were utilised to the extent of HK\$14,305,000 (2001: HK\$3,489,000).



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2002

9. Accounts and bills receivables

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Manufacture and sale of steel products (<i>note a</i>)	215,380	243,844
Others (<i>note b</i>)	54,490	54,711
Gross amounts due from contract customers	3,825	12,289
	<u>273,695</u>	<u>310,844</u>

Notes:

- (a) An aged analysis of accounts and bills receivables from the manufacture and sale of steel products, principally in Mainland China, is as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Within one year	79,073	107,647
1–2 years	30,746	33,369
Over 2 years	105,561	102,828
	<u>215,380</u>	<u>243,844</u>

Trading terms with customers are largely on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well established customers, where the terms are extended to 60 days. The management seeks to maintain control over its outstanding receivables and exercises credit control to minimise credit risk. Overdue balances are also regularly reviewed and followed up by the management in accordance with the general business practice applicable to the operating environment in Mainland China.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS(continued)

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9. Accounts and bills receivables (continued)

Notes: (continued)

- (b) An aged analysis of accounts and bills receivables from other activities is as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Within 90 days	21,644	20,098
91-180 days	1,756	2,583
181-365 days	6,111	11,759
1-2 years	17,689	13,281
Over 2 years	7,290	6,990
	<u>54,490</u>	<u>54,711</u>

For the steel trading business, payment terms with customers are largely by letters of credit, normally at sight. For the shipping business, payment terms with customers are governed by the charter party, which mainly range from 10 to 30 days. For other businesses, trading terms with customers are similar to those set out in (a) above. The management seeks to maintain control over its outstanding receivables and exercises credit control to minimise credit risk. Overdue balances are also regularly reviewed and followed up by the management.