



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2002

10. Accounts and bills payables

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Manufacture and sale of steel products (<i>note a</i>)	73,202	74,546
Others (<i>note b</i>)	42,009	18,010
Gross amounts due to contract customers	<u>5,715</u>	<u>4,154</u>
	<u>120,926</u>	<u>96,710</u>

Notes:

- (a) An aged analysis of accounts and bills payables 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	23,351	52,801
1–2 years	29,444	11,547
Over 2 years	<u>20,407</u>	<u>10,198</u>
	<u>73,202</u>	<u>74,546</u>



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS(continued)

30 June 2002

10. Accounts and bills payables (continued)

Notes: (continued)

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

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Within 90 days	37,556	11,885
91-180 days	619	205
181-365 days	32	3
1-2 years	1,637	3,324
Over 2 years	2,165	2,593
	<u>42,009</u>	<u>18,010</u>

11. Share capital

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Authorised:		
5,000,000,000 ordinary shares of HK\$0.20 each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
2,295,546,454 ordinary shares of HK\$0.20 each	<u>459,109</u>	<u>459,109</u>



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2002

12. Reserves

	Share premium account (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Revaluation reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Enterprise expansion fund and statutory reserve fund (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2002	913,523	1,019	4,014	44,230	1,817,457	127,497	(2,668,287)	239,453
Share of movements in reserves of associates	-	-	-	-	-	404	(404)	-
Transfer to enterprise expansion fund and statutory reserve fund	-	-	-	-	-	190	(190)	-
Disposal of interest in a subsidiary	-	-	-	(2,214)	-	-	-	(2,214)
Dissolution of a subsidiary	-	-	-	(921)	-	-	-	(921)
Exchange differences on translation of the financial statements of overseas subsidiaries, associates and jointly-controlled entities	-	-	-	(740)	-	-	-	(740)
Net loss for the period	-	-	-	-	-	-	(283,148)	(283,148)
At 30 June 2002	913,523	1,019	4,014	40,355	1,817,457	128,091	(2,952,029)	(47,570)



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS(continued)

30 June 2002

13. Contingent liabilities

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Guarantees in respect of banking facilities of third parties	77,173	–
Guarantees in respect of performance bonds	<u>3,495</u>	<u>3,450</u>
	<u>80,668</u>	<u>3,450</u>

14. Commitments

(a) Commitments under non-cancellable operating leases:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Land and buildings:		
Within one year	9,452	8,576
In the second to fifth years, inclusive	34,831	34,655
After five years	<u>35,920</u>	<u>40,339</u>
	<u>80,203</u>	<u>83,570</u>
Time charter hires:		
Within one year	130,632	129,165
In the second to fifth years, inclusive	551,365	545,487
After five years	<u>800,028</u>	<u>870,442</u>
	<u>1,482,025</u>	<u>1,545,094</u>



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2002

14. Commitments (continued)

(b) Capital commitments in respect of property, plant and equipment:

	30 June 2002	31 December 2001
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Authorised, but not contracted for	57,895	58,570
Contracted, but not provided for	4,615	10,502

(c) The Group's share of capital commitments of a jointly-controlled entity:

	30 June 2002	31 December 2001
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Authorised, but not contracted for	–	64,237
Contracted, but not provided for	–	894



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS(continued)

30 June 2002

15. Related party transactions

- (a) During the period, the Group entered into certain transactions with Shougang HK, and with Shougang HK's holding company, subsidiaries and fellow subsidiaries ("related companies"). In addition, the Group also entered into certain transactions with its associates and jointly-controlled entities.

	Notes	For the six months ended 30 June	
		2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Sales to related companies	(i)	41,910	31,382
Purchases from related companies	(ii)	335,232	443,031
Lease rentals payable to related companies	(iii)	1,175	1,870
Management fees payable to a related company	(iv)	240	120
Consultancy fees payable to a related company	(v)	480	480
Purchases of spare parts from related companies	(vi)	2,352	7,846
Corporate guarantees received from a related company	(vii)	303,460	296,450
Loans from a related company	(viii)	29,500	–
Management fees receivable from associates	(ix)	660	660
Rental income receivable from an associate	(x)	396	510
Convertible note issued to a related company	(xi)	200,000	–
Convertible note interest expense payable to a related company	(xi)	395	–
Interest expense charged by related companies	(xii)	8,988	5,082
Freight income receivable from related companies	(xiii)	102,202	116,972
Commission expense payable to related companies	(xiv)	2,196	–
Service fees receivable from related companies	(xv)	1,878	410
Convertible bond interest expense payable to related companies		–	5,737

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****30 June 2002****15. Related party transactions (continued)**(a) *Notes:*

(i) Beijing Shougang-Pohseng Strip Steel Co., Ltd (“Pohseng”), Beijing Shougang-Gitane Alloy Materials Co., Ltd (“Gitane”) and Qinhuangdao Shougang Plate Mill Co., Ltd (“QHD”), all being non wholly-owned subsidiaries of the Company, sold strip steel products, steel wire products, steel plates and scrap materials to certain related companies in Mainland China in the normal course of business and at a consideration decided between parties with reference to the then prevailing market prices.

(ii) Pohseng, Gitane and QHD purchased raw materials of HK\$319,972,000 (2001: HK\$404,211,000) from related companies in the ordinary course of business and at a consideration decided between the parties with reference to the then prevailing market prices.

The Group purchased steel products of HK\$15,260,000 (2001: HK\$38,820,000) from a related company in the ordinary course of business and at rates decided between the parties.

(iii) The Group entered into various rental agreements with certain subsidiaries of Shougang HK for renting office and residential apartments as staff quarters. The rentals were determined between the parties.

(iv) Management fees of HK\$240,000 (2001: HK\$120,000) were paid to Shougang HK for the provision of management services at rates decided between the parties.

(v) Consultancy fees of HK\$480,000 (2001: HK\$480,000) were paid to Shougang HK for consultancy services in accordance with the agreement entered into between Shougang Concord Grand (Group) Limited (“SC Grand”) and Shougang HK.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS(continued)****30 June 2002****15. Related party transactions (continued)**(a) *Notes: (continued)*

- (vi) The Group purchased spare parts from related companies in the normal course of business at a consideration decided between the parties.
- (vii) Shougang Corporation has provided guarantees for certain bank loans granted to the Group.
- (viii) An unsecured loan of HK\$10,000,000 bearing interest at 5.125% per annum was granted by a related company to the Company for working capital purposes. The loan was fully settled in the current period.

An unsecured loan of US\$2,500,000 bearing interest at 2.25% above the one-month London Inter-Bank Offered Rate per annum was granted by a related company to a wholly-owned subsidiary of the Company for working capital purposes. The loan was fully settled in the current period.

- (ix) The Group provided management services in relation to the business and strategic development services to its associates at rates decided between the parties.
- (x) The Group has entered into a rental agreement with a subsidiary of Shougang Concord Technology Holdings Limited ("SC Technology"), an associate of SC Grand, for renting an investment property to the SC Technology group. The rental was determined with reference to the then prevailing market rates.
- (xi) On 7 June 2002, a wholly-owned subsidiary of the Company issued a 3% convertible note with a principal amount of HK\$200,000,000 to a wholly-owned subsidiary of Shougang HK. The convertible note will mature on 7 June 2004.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****30 June 2002****15. Related party transactions (continued)**(a) *Notes: (continued)*

(xii) Interest expense of HK\$7,065,000 (2001: HK\$3,151,000) charged by a subsidiary of Shougang HK arose from loans with aggregate amounts of approximately HK\$322,391,000 and HK\$29,500,000 borrowed by the Group in prior years and during the current period, respectively. Such loans were fully settled in the current period.

Interest expense of HK\$1,923,000 (2001: HK\$1,931,000) charged by Shougang Corporation arose from two loans with an aggregate amount of RMB85,000,000 borrowed by QHD in prior years. The aggregate outstanding balance of the loans as at 30 June 2002 was RMB57,870,000 (2001: RMB57,870,000).

(xiii) The Group arranged for shipments of iron ore from Peru, Brazil and Australia to Mainland China for related companies at freight rates determined between the parties.

(xiv) The commission expense represents a rebate on the sublet freight income for shipments of iron ore from Peru and Australia to Mainland China at a rate of 2.5% on the sublet freight income.

(xv) QHD charged related companies service fees in respect of processing services provided to these related companies in the normal course of business and at rates decided between the parties.

(b) On 10 April 2002, Shougang Corporation and a wholly-owned subsidiary of the Company (the "Acquirer") entered into a conditional agreement pursuant to which, Shougang Corporation has agreed to sell and the Acquirer has agreed to purchase a 51% interest in Beijing Shougang Firstlevel Power Co., Ltd., a Sino-foreign joint venture to be established in Mainland China engaged in the power generation business, for a cash consideration of approximately HK\$198.2 million. The above acquisition has not been completed as at the date of approval of these financial statements.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS(continued)****30 June 2002****15. Related party transactions (continued)**

- (c) On 10 April 2002, pursuant to conditional agreements entered into between certain wholly-owned subsidiaries of the Company, Shougang Corporation and a wholly-owned subsidiary of Shougang HK, the Company has agreed to dispose of 50% of its current 65% interests in each of Pohseng, Beijing Shougang-Liwoh Bar Steel Co., Ltd. and Gitane to Shougang Corporation and the wholly-owned subsidiary of Shougang HK in the proportion of 40% and 10%, respectively, for an aggregate consideration of approximately HK\$101.9 million. The above disposals have not been completed as at the date of approval of these financial statements.

- (d) On 11 April 2002, the Company entered into a conditional agreement with a wholly-owned subsidiary of Shougang HK and a wholly-owned subsidiary of Cheung Kong (Holdings) Limited ("Cheung Kong"), pursuant to which the Company has agreed to sell and these wholly-owned subsidiaries of Shougang HK and Cheung Kong have agreed to purchase the Group's entire interests in SC Grand. The above disposal was completed on 21 June 2002. Further details of the disposal are set out in note 3 to the financial statements.

16. Approval of the interim financial report

The interim financial report were approved and authorised for issue by the board of directors on 25 September 2002.