



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Statement of compliance and accounting policies

The 2002 Interim Report has been prepared in accordance with the requirement of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants.

The accounting policies and basis of preparation adopted in the 2002 Interim Report are consistent with those adopted in the Group’s audited 2001 annual financial statements except for the adoption of the following recently-issued and revised SSAPs which are effective for the first time in the preparation of the Interim Report, together with a summary of their major effects where applicable:

SSAP 1 (Revised) :	“Presentation of financial statements”
SSAP 11 (Revised) :	“Foreign currency translation”
SSAP 15 (Revised) :	“Cash flow statements”
SSAP 25 (Revised) :	“Interim financial reporting”
SSAP 34 :	“Employee benefits”

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 requirements from presenting a statement of recognized 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 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of this revised SSAP on the condensed consolidated financial statements is that the profit and loss account of a jointly-controlled entity operating in Mainland China is translated at an average rate for the period on consolidation, rather than translated at the applicable rates of exchange ruling at the balance sheet date as was previously required. This SSAP is required to be applied retrospectively. This SSAP has not had any material impact on these financial statements.



1. Statement of compliance and accounting policies *(Continued)*

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

SSAP 25 (Revised) prescribes the presentation and disclosures following changes in SSAP 1 (Revised) and SSAP 15 (Revised). The condensed consolidated financial statements for the current interim period and comparative figures have been presented in accordance with the revised SSAP.

SSAP 34 prescribes the accounting treatment and disclosure for employee benefits. This SSAP has had no major impact on these financial statements.

2. Segment information

The Group has only one business segment, which is the property investment and management segment which provides property leasing and building management services and, therefore, no business segment information is presented.

No geographical segment information is presented as over 90% of the Group's segment revenue, results and assets are derived from operations carried out in Hong Kong. The jointly-controlled entity is not a reportable segment as defined by SSAP 26.

3. Turnover

Turnover represents rental and management fee income but excludes intra-group transactions.



4. Profit from operating activities

Six months ended 30 June

2002	2001
<i>HK\$'000</i>	<i>HK\$'000</i>
(Unaudited)	(Unaudited)

The Group's profit from operating activities is arrived at after charging:

Cost incurred in the provision of rental and management services *	1,311	1,418
Depreciation	59	67
Provisions for bad debts	–	3,500
Unrealised holding loss on short term investments	23	250
	<u>1,311</u>	<u>1,418</u>

and after crediting:

Dividend income from listed investments	28	28
Profit on disposal of listed investments	–	1,077
Interest income from bank deposits	173	245
	<u>173</u>	<u>245</u>

* This amount included staff costs of HK\$862,000 (2001: HK\$980,000).

5. Finance cost

Six months ended 30 June

2002	2001
<i>HK\$'000</i>	<i>HK\$'000</i>
(Unaudited)	(Unaudited)

Interest expense on bank loan repayable within five years	1,754	3,307
	<u>1,754</u>	<u>3,307</u>



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 rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The Company and its subsidiaries:		
Hong Kong profits tax:		
Provision for the period	141	439
Overprovision in prior year	(35)	(207)
Share of tax attributable to:		
Jointly-controlled entity	765	695
Associates	74	8
	<u>945</u>	<u>935</u>
Tax charge for the period	<u>945</u>	<u>935</u>

7. Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to shareholders of HK\$3,418,000 (2001: HK\$939,000) and 827,867,914 (2001: 827,867,914) ordinary shares in issue during the period.

No diluted earnings per share has been presented for the current and corresponding periods because the Company has no dilutive potential ordinary shares during both periods.

8. Pledge of assets

At the review date, certain of the Group's investment properties and land and building with an aggregate carrying value of approximately HK\$225 million (31 December 2001: HK\$226 million) were pledged to a bank for a bank loan. At 30 June 2002, the outstanding amount of such bank loan was HK\$85 million (31 December 2001: HK\$100 million).



9. Share capital

	30 June 2002	31 December 2001
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Authorised:		
2,000,000,000 ordinary shares of HK\$0.01 each	<u>20,000</u>	<u>20,000</u>
Issued and fully paid:		
827,867,914 ordinary shares of HK\$0.01 each	<u>8,279</u>	<u>8,279</u>

Share option scheme

On 8 September 1993, a share option scheme (the "Old Scheme") was adopted by the shareholders of the Company. Under the Old Scheme, the directors might, at their discretion, invite employees (including executive directors) of the Company or any of its subsidiaries to take up options to subscribe for the shares of the Company pursuant to the terms and conditions stipulated in the Old Scheme. On 7 June 2002, the Old Scheme was terminated by the shareholders of the Company and a new share option scheme (the "New Scheme") which complies with the new requirements of Chapter 17 of the Listing Rules was adopted.

Under the New Scheme, the directors may, at their discretion, offer directors (including executive and non-executive), executives, officers, employees or shareholders of the Company or any of its subsidiaries or any of its associated companies and any suppliers, customers, consultants, advisers, agents, partners or business associates who, in the sole discretion of the directors, will contribute or have contributed to the Company or any of its subsidiaries or any of its associated companies, options to subscribe for shares of the Company subject to the terms and conditions stipulated in the New Scheme. The maximum number of shares which may be issued upon exercise of all options to be granted under the New Scheme is 82,786,791 which represents 10% of the issued share capital of the Company on the date of adoption of the New Scheme. The New Scheme will remain in force until 6 June 2012.

No share option under the Old Scheme was outstanding as at 1 January 2002 and no share option was granted by virtue of the Old Scheme and/or the New Scheme during the period under review. Accordingly, there was no share option outstanding as at 30 June 2002.



10. Related party transactions

During the period, the Group entered into certain transactions with Shougang Holding (Hong Kong) Limited ("Shougang HK"), the ultimate holding company, and with Shougang HK's subsidiary and with Shougang Concord International Enterprises Company Limited ("Shougang International"), an associate of Shougang HK.

	Notes	Six months ended 30 June	
		2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)
Management and service fees charged by Shougang International	(a)	<u>498</u>	<u>480</u>
Rental expenses charged by Wonderfine Development Limited	(b)	<u>271</u>	<u>308</u>
Consultancy expenses charged by Shougang HK	(c)	<u>480</u>	<u>480</u>

Notes:

- (a) The management and services fees were charged in accordance with the agreements between the Group and Shougang International.
- (b) The rental expenses were charged in accordance with the agreements between the Group and Wonderfine Development Limited, a subsidiary of Shougang HK.
- (c) The consultancy expenses were charged in accordance with the agreements between the Group and Shougang HK.

**11. Contingent liabilities**

At the review date, the Group had no significant contingent liabilities (31 December 2001: Nil).

12. Operating lease arrangements

The Group leases its office under an operating lease arrangement. The lease for properties is negotiated for term within 1 year. At the review date, the Group had operating lease commitment of HK\$271,000 expiring within one year under non-cancelable operating lease (31 December 2001: Nil).

13. Commitments

At the review date, the Group's share of the jointly-controlled entity's capital commitments authorised, but not contracted for amounted to approximately HK\$41,459,000 (31 December 2001: HK\$64,237,000) and capital commitments contracted, but not provided for amounted to approximately HK\$18,953,000 (31 December 2001: HK\$894,000).

14. Approval of the condensed interim financial statements

The condensed interim financial statements were approved and authorised for issue by the Board of Directors on 25 September 2002.