

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

In addition, included in the above increase to the accumulated losses, approximately HK\$1,277,000 and HK\$2,440,000 respectively was the Group's share of adjustment on adoption of SSAP 12 (Revised) in an associate and a jointly controlled entity. This has resulted in an increase in the Group's share of the accumulated losses of the associate and jointly controlled entity as at 1 January 2003 (1 January 2002: HK\$1,810,000 and HK\$1,644,000 respectively) and a corresponding reduction in the share of net assets of the associate and jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, less any identified impairment loss.

Jointly controlled entity

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

Notes to the Financial Statements

31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly controlled entity (continued)

The Group's interest in a jointly controlled entity is included in the consolidated balance sheet at the Group's share of the net assets of a jointly controlled entity plus the goodwill in so far as it has not already been amortised, less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entity is included in the consolidated income statement.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Negative Goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisition prior to 1 January 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant associate.

Negative goodwill arising on acquisition after 1 January 2001 is presented as deduction from assets. To the extent that such negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on the acquisition of an associate or a jointly controlled entity is deducted from the carrying value of that associate or jointly controlled entity. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at each balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a surplus subsequently arises, this increase is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property disposed of is credited to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold land	Over the shorter of the term of the lease, or 50 years
Buildings	2%
Leasehold improvements	Over the lease term
Furniture and fixtures	20% – 25%
Motor vehicles	30%
Office equipment	25%

The gain or loss arising on disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Notes to the Financial Statements

31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-a-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Turnover

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

Revenue recognition

Rental and management fee income is recognised on a straight-line basis over the relevant lease terms.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Leases

Rentals receivable (payable) under operating leases are credited (charged) to income statement on a straight-line basis over the relevant lease terms.

Notes to the Financial Statements

31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

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

4. SEGMENTAL INFORMATION

The Group is principally engaged in 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 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 Segment reporting. Further details of the location and principal activities of the jointly controlled entity are set out in note 13.

5. PROFIT (LOSS) FROM OPERATIONS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Profit (loss) from operations has been arrived at after charging:		
Staff costs, including directors' remuneration (note 6):		
– Salaries, wages and other benefits (Note)	9,000	7,196
– Retirement benefit scheme contributions	170	151
Total staff costs	9,170	7,347
Auditors' remuneration	270	400
Costs incurred in the provision of rental and management services (Note)	2,689	2,854
Depreciation of property, plant and equipment	142	97
Minimum lease payments under operating leases for land and buildings	594	543
Revaluation deficit of investment properties	–	3,800
Unrealised holding loss on other investments	–	28
and after crediting:		
Gross rents from investment properties	13,910	14,159
Less: outgoings	(618)	(653)
	13,292	13,506
Dividend income from other investments	54	49
Interest income from bank deposits	202	237
Unrealised holding gain on other investments	190	–

Note: Staff costs of HK\$1,430,000 (2002: HK\$1,902,000) are included in costs incurred in the provision of rental and management services.

Notes to the Financial Statements

31 December 2003

6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS**(a) Directors' emoluments**

	2003	2002
	HK\$'000	HK\$'000
Fees:		
Executive directors	–	–
Non-executive directors	66	66
Independent non-executive directors	120	120
	186	186
Other emoluments of executive directors:		
Salaries and other benefits	2,635	2,365
Retirement benefit scheme contributions	5	–
	2,640	2,365
Total directors' emoluments	2,826	2,551

The emoluments of the directors were within the following bands:

	Number of directors	
	2003	2002
Nil to HK\$1,000,000	8	9
HK\$1,000,001 to HK\$1,500,000	1	1
	9	10

No director waived any emoluments in both years.

6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(b) Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, two (2002: two) were directors of the Company whose emoluments are set out above. The emoluments of the remaining three (2002: three) individuals were as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries and other benefits	1,764	1,746
Contributions to retirement benefits schemes	36	36
	1,800	1,782

The aggregate emoluments of each of the highest paid non-director employees were within the emolument band ranging from HK\$Nil to HK\$1,000,000 for both years.

7. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest on bank and other borrowings wholly repayable within five years	2,530	3,251
Other finance costs	377	–
	2,907	3,251

Notes to the Financial Statements

31 December 2003

8. TAXATION

	2003 HK\$'000	2002 HK\$'000
Current tax:		
Hong Kong		
Provision for the year	303	323
Overprovision in prior years	(5)	(1,417)
	<u>298</u>	<u>(1,094)</u>
Deferred taxation (<i>note 20</i>):		
Current year	559	694
Attributable to a change in tax rate	250	–
	<u>809</u>	<u>694</u>
Taxation attributable to the Company and its subsidiaries	1,107	(400)
Share of taxation attributable to:		
A jointly controlled entity	(1,803)	(707)
Associates	(1,186)	(132)
	<u>(1,882)</u>	<u>(1,239)</u>

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the year. The Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment. The effect of this increase has been reflected in the calculation of current and deferred tax balances at 31 December 2003.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Notes to the Financial Statements

31 December 2003

8. TAXATION (continued)

The tax credit for the year can be reconciled to the profit per the income statement as follows:

	2003 HK\$'000	2002 HK\$'000
Profit before taxation	26,599	<u>1,547</u>
Tax at Hong Kong Profits Tax rate of 17.5% (2002: 16%)	4,655	247
Tax effect of expenses not deductible for tax purpose	1,124	1,798
Tax effect of income not taxable for tax purpose	(5,158)	(90)
Tax effect of tax losses not recognised	738	1,027
Utilisation of tax losses previously not recognised	(241)	(447)
Increase in opening deferred tax liabilities resulting from an increase in Hong Kong Profits Tax rate	250	–
Tax effect on share of result of a jointly controlled entity	(825)	(298)
Tax effect on share of results of associates	(2,420)	(2,059)
Overprovision in prior years	(5)	(1,417)
Tax credit and effective tax rate for the year	(1,882)	<u>(1,239)</u>

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit attributable to shareholders of approximately HK\$28,481,000 (2002: HK\$2,786,000) and on the weighted average of 852,689,832 shares (2002: 827,867,914 shares) in issue during the year.

No diluted earnings per share has been presented because the exercise price of the Company's options was higher than the average market price for shares for both years.

Notes to the Financial Statements

31 December 2003

10. INVESTMENT PROPERTIES**THE GROUP**

HK\$'000

At 1 January 2003 and 31 December 2003	<u>236,000</u>
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Investment properties were valued at their open market value at 31 December 2003 by AA Property Services Limited, an independent professional valuer and are rented out under operating leases.

The Group's investment properties have been pledged to banks to secure general banking facilities granted to the Company.

THE GROUP**2003 & 2002**

HK\$'000

The carrying amount of investment properties comprises land in Hong Kong as follows:

Long lease	87,650
Medium-term lease	<u>148,350</u>
	<u>236,000</u>

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Other fixed assets	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP				
COST				
At 1 January 2003	3,143	101	3,526	6,770
Additions	—	25	43	68
	<u>3,143</u>	<u>126</u>	<u>3,569</u>	<u>6,838</u>
At 31 December 2003	<u>3,143</u>	<u>126</u>	<u>3,569</u>	<u>6,838</u>
DEPRECIATION				
At 1 January 2003	481	101	3,445	4,027
Provided for the year	70	25	47	142
	<u>551</u>	<u>126</u>	<u>3,492</u>	<u>4,169</u>
At 31 December 2003	<u>551</u>	<u>126</u>	<u>3,492</u>	<u>4,169</u>
NET BOOK VALUES				
At 31 December 2003	<u>2,592</u>	<u>—</u>	<u>77</u>	<u>2,669</u>
At 31 December 2002	<u>2,662</u>	<u>—</u>	<u>81</u>	<u>2,743</u>

The Group's leasehold land and buildings are situated in Hong Kong held under long term leases.

Notes to the Financial Statements

31 December 2003

12. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	231,154	231,154
Amounts due from subsidiaries	399,883	403,576
Amounts due to subsidiaries	(27,288)	(26,154)
	603,749	608,576

The balances with subsidiaries are unsecured and in the opinion of directors, the balances will not be receivable/repayable within one year from the balance sheet date, and are therefore shown as non-current. Except for an amount of amounts due from subsidiaries of HK\$13,819,000 (2002: HK\$12,743,000) bears interest at 3% per annum, the remaining balances are interest free.

Notes to the Financial Statements

31 December 2003

12. INTERESTS IN SUBSIDIARIES (continued)

Details of the Company's principal subsidiaries at 31 December 2003 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued share capital held by the Company	Principal activities
<i>Direct subsidiary</i>				
SCG Investment (B.V.I.) Limited	British Virgin Islands ("BVI")	HK\$100,000	100%	Investment holding
<i>Indirect subsidiaries</i>				
Dunley Developments Limited	BVI	US\$1	100%	Investment holding
Ecko Limited	Hong Kong	HK\$2	100%	Property management
Eldex Investment Company Limited	Hong Kong	HK\$541,000 (ordinary) HK\$1,459,000 (non-voting deferred)	100%	Property investment
Grand Award Limited	BVI	US\$1	100%	Investment holding
Grand Park Investment Limited	Hong Kong	HK\$2	100%	Property investment
Grand Phoenix Limited	BVI	US\$1	100%	Investment holding
Jeckman Holdings Limited	BVI	US\$16	100%	Investment holding
Linksky Limited	Hong Kong	HK\$2	100%	Property holding
Long Cosmos Investment Limited	Hong Kong	HK\$2	100%	Provision of management services

Notes to the Financial Statements

31 December 2003

12. INTERESTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued share capital held by the Company	Principal activities
Lyre Terrace Management Limited	Hong Kong	HK\$1,000,000	100%	Investment holding and property investment
On Hing Investment Company, Limited	Hong Kong	HK\$1,000 (ordinary) HK\$2,000,000 (non-voting deferred)	100%	Property investment
SCG Financial Investment Limited	BVI	US\$1,000	100%	Investment holding
SCG Leasing Corporation Limited	Hong Kong	HK\$2	100%	Property investment
Strenbeech Limited	BVI/ Hong Kong	HK\$147,000,008	100%	Property investment
Tin Fung Investment Company, Limited	Hong Kong	HK\$975,000 (ordinary) HK\$210,000 (non-voting deferred)	100%	Property investment
Upper Nice Assets Ltd.	BVI	US\$1	100%	Investment holding

Note: All issued share capital are ordinary shares unless otherwise stated.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of directors, result in particulars of excessive length.

Notes to the Financial Statements

31 December 2003

13. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	188,174	197,086
Goodwill (<i>Note</i>)	23,408	25,281
	<u>211,582</u>	<u>222,367</u>
<i>Note:</i>		HK\$'000
COST		
At 1 January 2002, 31 December 2002 and 31 December 2003		<u>33,710</u>
AMORTISATION		
1 January 2002		6,556
Charge for the year		<u>1,873</u>
At 31 December 2002 and 1 January 2003		8,429
Charge for the year		<u>1,873</u>
At 31 December 2003		<u>10,302</u>
NET BOOK VALUES		
At 31 December 2003		<u>23,408</u>
At 31 December 2002		<u>25,281</u>

Notes to the Financial Statements

31 December 2003

13. INTEREST IN A JOINTLY CONTROLLED ENTITY (continued)

At 31 December 2003, the Group had interest in the following jointly controlled entity:

Name of entity	Form of business structure	Place of incorporation and operation	Proportion of nominal value of issued ordinary share capital indirectly held by the Company	Principal activities
Beijing Dongzhimen International Apartment Co., Ltd. ("Beijing Dongzhimen")	Sino-foreign equity joint venture	People's Republic of China ("PRC")	44%	Property holding and provision of residential service apartments

Beijing Dongzhimen is a sino-foreign equity joint venture which was established in the PRC on 18 December 1986 with a tenure of 14 years and 8 months to 17 August 2001 (the "initial JV term"). The extension of the initial JV term for a further period of 15 years from the date of expiry of the initial JV term to 17 August 2016 has been approved by the relevant authorities.

Beijing Dongzhimen has obtained approval from relevant authorities to further extend the land use right of the residential service apartments for 40 years following the expiry of the initial JV term.

13. INTEREST IN A JOINTLY CONTROLLED ENTITY (continued)

The following details have been extracted from the audited financial statements of Beijing Dongzhimen:

Results

	2003	2002
	HK\$'000	HK\$'000
Turnover	87,250	99,166
Loss before taxation	(12,689)	(5,804)
Loss before taxation attributable to the Group	(5,583)	(2,554)

Financial position

	2003	2002
	HK\$'000	HK\$'000
Non-current assets	712,158	663,216
Current assets	11,498	41,134
Current liabilities	(100,443)	(133,032)
Non-current liabilities	(195,545)	(123,395)
Net assets	427,668	447,923
Net assets attributable to the Group	188,174	197,086

Notes to the Financial Statements

31 December 2003

14. INTERESTS IN ASSOCIATES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	249,394	241,664
Loan to an associate	27,900	27,900
Due from an associate	3,589	3,589
	280,883	273,153
Less: Allowance for doubtful debts	(31,489)	(31,489)
	249,394	241,664
Associates include:		
Share of net assets of a Hong Kong listed company	249,394	241,664
Market value of listed shares	393,948	196,974

The loan of HK\$27,900,000 (2002: HK\$27,900,000) to an associate is unsecured, interest-bearing at 15% per annum and has no fixed terms of repayment. The amount "Due from an associate" is unsecured, interest-free and has no fixed terms of repayment. Both of these amounts have been fully provided against at the balance sheet date.

14. INTERESTS IN ASSOCIATES (continued)

As at 31 December 2003, the Group had interests in the following associates:

Name of entity	Form of business structure	Place of incorporation/ registration and operation	Proportion of nominal value of issued share capital held by the Group	Principal activities
Shougang Concord Technology Holdings Limited ("Shougang Concord Technology")	Incorporated	Hong Kong	31.13%	Investment holding (Note)
Top Pearl International Development Limited	Incorporated	BVI/PRC	50%	Property development

Note: The principal activities of the material associate of the Group, Shougang Concord Technology and its subsidiaries, at the balance sheet date were engaged in the manufacture and sale of telephone cords and accessories, power cords, adaptors and electronic products, printed circuit boards, high precision metal parts and the provision of freight forwarding and delivery services.

Notes to the Financial Statements

31 December 2003

14. INTERESTS IN ASSOCIATES (continued)

The following details have been extracted from the audited financial statements of Shougang Concord Technology:

Results

	2003 HK\$'000	2002 HK\$'000
Turnover	<u>387,744</u>	<u>426,269</u>
Profit before taxation	<u>19,156</u>	<u>27,184</u>
Profit before taxation attributable to the Group	<u>7,049</u>	<u>12,045</u>

Financial position

	2003 HK\$'000	2002 HK\$'000
Non-current assets	768,128	310,358
Current assets	395,405	559,490
Current liabilities	(286,023)	(133,332)
Non-current liabilities	(66,937)	(205,053)
Minority interests	<u>(9,605)</u>	<u>(9,543)</u>
Net assets	<u>800,968</u>	<u>521,920</u>
Net assets attributable to the Group	<u>249,394</u>	<u>241,664</u>

15. OTHER INVESTMENTS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Listed equity investments in Hong Kong, at market value	<u>1,020</u>	<u>830</u>

16. BANK BORROWINGS

	THE GROUP AND THE COMPANY	
	2003	2002
	HK\$'000	HK\$'000
Secured	109,520	80,000
Unsecured	1,880	2,000
	111,400	82,000
The maturity of the bank borrowings is as follows:		
On demand or within one year	5,600	30,600
More than one year, but not exceeding two years	15,800	35,600
More than two years, but not exceeding five years	90,000	15,800
	111,400	82,000
Less: Amounts due within one year shown under current liabilities	(5,600)	(30,600)
	105,800	51,400

Notes to the Financial Statements

31 December 2003

17. SHARE CAPITAL

	2003		2002	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Ordinary shares of HK\$0.01 each				
Authorised:				
At 1 January and 31 December	<u>2,000,000,000</u>	<u>20,000</u>	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:				
At 1 January	<u>827,867,914</u>	<u>8,279</u>	827,867,914	8,279
Share issued at premium	<u>30,000,000</u>	<u>300</u>	—	—
At 31 December	<u>857,867,914</u>	<u>8,579</u>	<u>827,867,914</u>	<u>8,279</u>

On 19 February 2003, Shougang Holding (Hong Kong) Limited ("Shougang Holding"), the intermediate holding company, entered into an agreement with the placing agent, CITIC Capital Markets Limited ("CITIC"), to place on a fully underwritten basis 30,000,000 existing ordinary shares of the Company at a price of HK\$0.48 per share. The shares were placed by CITIC to an independent third party on 21 February 2003.

On the same date, the Company entered into a conditional agreement with Shougang Holding for the subscription of 30,000,000 new ordinary existing shares by Shougang Holding at a price of HK\$0.48 per share. On 5 March 2003, the condition as specified in the agreement had been fulfilled and, accordingly the said transaction was completed.

18. SHARE OPTIONS SCHEMES

On 7 June 2002, the share option scheme (the "Old Scheme") of the Company adopted on 8 September 1993 ceased to operate and a new share option scheme (the "New Scheme") has been adopted to comply with the new requirements of Chapter 17 of the Listing Rules regarding share option schemes of a company. No share options under the Old Scheme were outstanding as at 1 January 2002 and no share option was granted by virtue of the Old Scheme for the period from 1 January 2002 and up to 7 June 2002, being the date of termination of the Old Scheme.

18. SHARE OPTIONS SCHEMES (continued)

The Company operates the New Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations and/or its associated companies. Eligible participants of the New Scheme included directors (including executive and non-executive directors), 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. The New Scheme became effective on 7 June 2002, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the New Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the date of the passing of such resolution. At 19 April 2004, the total number of shares available for issue under the New Scheme was 85,786,791, which represented approximately 9.1% of the Company's shares in issue as at that date. The maximum number of shares issuable under share options to each eligible participant in the New Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 60 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. An option may be exercised under the New Scheme at any time within 10 years from the date of the options have been granted.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's ordinary shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Notes to the Financial Statements

31 December 2003

18. SHARE OPTIONS SCHEMES (continued)

The following table discloses the details of the share options and movements in such holdings during the years ended 31 December 2003 and 2002:

Grantees	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options			
				At 1.1.2003	Granted during the year	Exercised during the year	At 31.12.2003
Directors	23.8.2002	23.8.2002 – 6.6.2012	0.73	31,431,112	–	–	31,431,112
	6.3.2003	6.3.2003 – 5.3.2013	0.76	–	10,762,283	–	10,762,283
Former directors	23.8.2002	23.8.2002 – 6.6.2012	0.73	16,557,358	–	–	16,557,358
Employees	23.8.2002	23.8.2002 – 6.6.2012	0.73	4,000,000	–	–	4,000,000
	6.3.2003	6.3.2003 – 5.3.2013	0.76	–	5,120,000	–	5,120,000
Others	23.8.2002	23.8.2002 – 6.6.2012	0.73	1,822,944	–	–	1,822,944
	6.3.2003	6.3.2003 – 5.3.2013	0.76	–	13,085,735	–	13,085,735
				<u>53,811,414</u>	<u>28,968,018</u>	<u>–</u>	<u>82,779,432</u>

Grantees	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options			
				At 1.1.2002	Granted during the year	Exercised during the year	At 31.12.2002
Directors	23.8.2002	23.8.2002 – 6.6.2012	0.73	–	31,431,112	–	31,431,112
Former directors	23.8.2002	23.8.2002 – 6.6.2012	0.73	–	16,557,358	–	16,557,358
Employees	23.8.2002	23.8.2002 – 6.6.2012	0.73	–	4,000,000	–	4,000,000
Others	23.8.2002	23.8.2002 – 6.6.2012	0.73	–	1,822,944	–	1,822,944
				<u>–</u>	<u>53,811,414</u>	<u>–</u>	<u>53,811,414</u>

Notes:

- Total consideration received during the year from employees for taking up the options granted is amounted to HK\$7 (2002: HK\$11).

18. SHARE OPTIONS SCHEMES (continued)

Notes: (continued)

2. No share options were exercised or lapsed or cancelled under the New Scheme during the year.
3. The closing price of the shares of the Company immediately before 6 March 2003, the date of grant of the share options, was HK\$0.70.
4. The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such item as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

19. RESERVES**THE GROUP**

The contributed surplus represented the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1991 over the nominal value of the Company's shares issued in exchange.

	Share premium account	Contributed surplus	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE COMPANY				
At 1 January 2002	192,744	362,731	(16,884)	538,591
Loss for the year	—	—	(1,648)	(1,648)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2002 and 1 January 2003	192,744	362,731	(18,532)	536,943
Shares issued at premium	14,100	—	—	14,100
Loss for the year	—	—	(2,568)	(2,568)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2003	<u>206,844</u>	<u>362,731</u>	<u>(21,100)</u>	<u>548,475</u>

Notes to the Financial Statements

31 December 2003

19. RESERVES (continued)

The contributed surplus represented the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they are acquired by the Company and the nominal amount of the Company's shares issued for the acquisition at the time of a group reorganisation in 1991. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, as at 31 December 2003, the Company's reserves available for distribution consisted of contributed surplus and accumulated losses of HK\$341,631,000 (2002: HK\$344,199,000).

20. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Investment properties	Accelerated tax depreciation	Total
	HK\$'000	HK\$'000	HK\$'000
THE GROUP			
At 1 January 2002			
– as previously reported	–	–	–
– adjustment on adoption of SSAP 12 (Revised)	1,941	27	1,968
	<u>1,941</u>	<u>27</u>	<u>1,968</u>
– as restated	1,941	27	1,968
Charge to income statement for the year	687	7	694
	<u>687</u>	<u>7</u>	<u>694</u>
At 31 December 2002 and 1 January 2003	2,628	34	2,662
Charge to income statement	557	2	559
Effect of change in tax rate			
– charge to income statement	247	3	250
	<u>247</u>	<u>3</u>	<u>250</u>
At 31 December 2003	<u>3,432</u>	<u>39</u>	<u>3,471</u>

At the balance sheet date, the Group has unused tax losses of HK\$48,758,000 (2002: HK\$45,915,000) available for offset against future profits. No deferred tax asset has been recognised in relation to the unused tax losses due to the unpredictability of future profit streams.

The Company had no significant unprovided deferred taxation during the year or at the balance sheet date.

Notes to the Financial Statements

31 December 2003

21. OPERATING LEASES

The Group as lessor

The Group's property rental income earned during the year was HK\$13,910,000 (2002: HK\$14,159,000). The Group's investment properties have committed tenants for the next one to three years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Within one year	7,119	9,156
In the second to fifth year inclusive	1,782	4,158
	<u>8,901</u>	<u>13,314</u>

22. CAPITAL COMMITMENTS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
The Group's share of the jointly controlled entity's capital commitments:		
Contracted but not provided for	<u>11,814</u>	<u>24,580</u>

The Company had no significant capital commitment at the balance sheet date.

23. PLEDGE OF ASSETS

At 31 December 2003, the Group's investment properties and land and buildings with an aggregate carrying value of approximately HK\$238,592,000 (2002: HK\$238,662,000) were pledged to banks for bank loans. At 31 December 2003, the outstanding amount of such bank loans were HK\$109,520,000 (2002: HK\$80,000,000).

24. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund ("MPF") scheme for all qualifying employees in Hong Kong. The assets of the MPF scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes HK\$1,000 or 5% of the relevant payroll costs, whichever is lower for each employee, to the scheme, which contribution is matched by employees.

25. POST BALANCE SHEET EVENT

On 13 February 2004, a resolution was passed by the directors to approve a payment of a special dividend to be satisfied by the distribution in specie of the Group's entire shareholding of approximately 31.02% in Shougang Concord Technology to the Company's shareholders whose name as recorded on the register of members of the Company on 4 March 2004 on a pro-rata basis.

At the balance sheet date, the Group owns 371,649,069 shares in Shougang Concord Technology, representing approximately 31.13% of the Shougang Concord Technology's issued shares.

26. RELATED PARTY TRANSACTIONS

During the year, the Group entered into certain transactions with Shougang Holding and with Shougang Holding's subsidiary and with Shougang Concord International Enterprises Company Limited ("Shougang International"), an associate of Shougang Holding.

	2003 HK\$'000	2002 HK\$'000
Management and service fees charged by Shougang International (<i>Note a</i>)	—	498
Consultancy expenses charged by Shougang International (<i>Note a</i>)	—	400
Rental expenses charged by Winluck Properties Limited (<i>Note b</i>)	594	—
Rental expenses charged by Wonderfine Development Limited (<i>Note b</i>)	—	543
Consultancy expenses charged by Shougang Holding (<i>Note c</i>)	960	960

Notes:

- (a) The management and services fees and consultancy expenses 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, Winluck Properties Limited and Wonderfine Development Limited, subsidiaries of Shougang Holding.
- (c) The consultancy expenses were charged in accordance with the agreement between the Group and Shougang Holding.