



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2005

1. BASIS OF PREPARATION

The unaudited condensed interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and certain buildings. The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2004, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised applicable Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of share of tax of associates and minority interests have been changed under HKAS 1 "Presentation of Financial Statements" and HKAS 27 "Consolidated and Separate Financial Statements" respectively. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2005

2. PRINCIPAL ACCOUNTING POLICIES (continued)**(a) Owner-occupied leasehold interest in land**

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease rentals under operating leases, which are carried at cost and amortised over the lease term on a straight line basis. This change in accounting policy has been applied retrospectively and one of the associates which previously recorded the leasehold land and buildings at revaluation model, has restated the revaluated amount of the prepaid lease rentals to cost. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment. Accordingly, the interests in associates and the corresponding revaluation reserve have been restated (see note 3 for the financial impact).

(b) Financial instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation". HKAS 32 requires retrospective application. The principal effects resulting from the implementation of HKAS 32 are summarised below:

Convertible note

HKAS 32 requires an issuer of a compound financial instrument (that contains both financial liability and equity components) to separate the compound financial instrument into its liability and equity components on its initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. The principle impact of HKAS 32 on the Group is in relation to convertible note issued by the Company that contains both liability and equity components. Previously, convertible note was classified as liabilities on the balance sheet. Because HKAS 32 requires retrospective application, comparative figures have been restated (see note 3 for the financial impact).



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2005

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Business combinations

Goodwill

In the current period, the Group has applied HKFRS 3 “Business combinations” and the principal effects of the application of HKFRS 3 to the Group are summarised below:

In previous periods, goodwill arising on acquisition was capitalised and presented as an asset on the balance sheet or included in interest in associates and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. The Group has discontinued amortising such goodwill presented on the balance sheet or included in interests in associates from 1 January 2005 onwards and goodwill will be tested for impairment at least annually/in the financial year in which the acquisition takes place. Goodwill arising on acquisition after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 have not been restated.

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as “negative goodwill”)

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition (“discount on acquisition”) is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisition after 1 January 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill at 1 January 2005, with a corresponding decrease to accumulated losses (see note 3 for financial impact).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2005

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in accounting policies described in note 2 on the results for the current and prior period are as follows:

For the six months ended 30 June 2005

	HKAS 1 <i>HK\$'000</i> <i>(Note 2)</i>	HKAS 17 <i>HK\$'000</i> <i>(Note 2a)</i>	HKFRS 3 <i>HK\$'000</i> <i>(Note 2c)</i>	Total effect <i>HK\$'000</i>
Decrease in amortisation of goodwill	–	–	6,741	6,741
Decrease in release of negative goodwill	–	–	(93)	(93)
(Decrease) increase in share of results of associates	(931)	65	552	(314)
Decrease in income tax expense	931	–	–	931
	<hr/>	<hr/>	<hr/>	<hr/>
Increase in profit for the period	–	65	7,200	7,265
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

For the six months ended 30 June 2004

	HKAS 1 <i>HK\$'000</i> <i>(Note 2)</i>	HKAS 17 <i>HK\$'000</i> <i>(Note 2a)</i>	Total effect <i>HK\$'000</i>
(Decrease) increase in share of results of associates	(1,095)	57	(1,038)
Decrease in income tax expense	1,095	–	1,095
Increase in loss on deemed disposal of a partial interest in an associate	–	(4)	(4)
	<hr/>	<hr/>	<hr/>
Increase in profit for the period	–	53	53
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2005

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (continued)

The cumulative effects of the new HKFRSs as at 31 December 2004 and 1 January 2005 are summarised below:

	As at	Retrospective adjustments			As at	Adjustment	As at
	31 December 2004 (originally stated)	HKAS 27	HKAS 17	HKAS 32	31 December 2004 (restated)	on 1 January 2005 HKFRS 3	1 January 2005 (restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Note 2)	(Note 2a)	(Note 2b)		(Note 2c)	
Balance sheet							
Property, plant and equipment	815,105	-	(72,475)	-	742,630	-	742,630
Prepaid lease rentals	-	-	72,475	-	72,475	-	72,475
Interests in associates	480,808	-	(2,263)	-	478,545	-	478,545
Negative goodwill	(3,710)	-	-	-	(3,710)	3,710	-
Other assets and liabilities	580,737	-	-	-	580,737	-	580,737
Total effects on assets and liabilities	1,872,940	-	(2,263)	-	1,870,677	3,710	1,874,387
Share capital	927,450	-	-	-	927,450	-	927,450
Share premium	1,411,312	-	-	6,805	1,418,117	-	1,418,117
Revaluation reserve	4,700	-	(1,760)	-	2,940	-	2,940
Exchange reserve	24,734	-	(2)	-	24,732	-	24,732
Goodwill reserve	11,238	-	-	-	11,238	(11,238)	-
Accumulated losses	(2,594,141)	-	(501)	(6,805)	(2,601,447)	14,948	(2,586,499)
Other reserves	1,891,380	-	-	-	1,891,380	-	1,891,380
Equity holders of the parent	1,676,673	-	(2,263)	-	1,674,410	3,710	1,678,120
Minority interests	-	196,267	-	-	196,267	-	196,267
Total effects on equity	1,676,673	196,267	(2,263)	-	1,870,677	3,710	1,874,387
Minority interests	196,267	(196,267)	-	-	-	-	-
	1,872,940	-	(2,263)	-	1,870,677	3,710	1,874,387

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2005

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (continued)

The financial effects of the application of the new HKFRSs to the Group's equity at 1 January 2004 are summarized below:

	As originally stated	HKAS 27	HKAS 17	HKAS 32	As restated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Note 2)</i>	<i>(Note 2a)</i>	<i>(Note 2b)</i>	
Share capital	529,109	-	-	-	529,109
Revaluation reserve	4,382	-	(1,527)	-	2,855
Exchange reserve	18,876	-	(2)	-	18,874
Accumulated losses	(2,865,381)	-	(609)	(6,805)	(2,872,795)
Other reserves	2,834,999	-	-	9,240	2,844,239
	<u>521,985</u>	<u>-</u>	<u>(2,138)</u>	<u>2,435</u>	<u>522,282</u>
Equity holders of the parent	521,985	-	(2,138)	2,435	522,282
Minority interests	-	420,032	-	-	420,032
	<u>521,985</u>	<u>420,032</u>	<u>(2,138)</u>	<u>2,435</u>	<u>942,314</u>
Total effects on equity	<u>521,985</u>	<u>420,032</u>	<u>(2,138)</u>	<u>2,435</u>	<u>942,314</u>

The Group has not early applied the following new Standards or Interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these Standards or Interpretations will have no material impact on the financial statements of the Group:

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plan and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS – INT 4	Determining whether an Arrangement Contains a Lease
HKFRS – INT 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2005

4. SEGMENT INFORMATION

For management purposes, the Group is currently organised into the following divisions. These divisions are the basis on which the Group reports its primary segment information.

Six months ended 30 June 2005

	Steel manufacturing HK\$'000	Shipping operations HK\$'000	Electricity generation HK\$'000	Kitchen and laundry equipment, steel trading HK\$'000	Others HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Turnover from external customers	1,439,952	121,340	200,614	777,004	688	-	2,539,598
Inter-segment sales	200,625	-	-	-	-	(200,625)	-
Total	1,640,577	121,340	200,614	777,004	688	(200,625)	2,539,598
Inter-segment sales are charged at the terms agreed by both parties.							
Segment results	189,219	48,077	32,281	7,477	688	-	277,742
Unallocated other operating income							3,055
Unallocated corporate expenses							(10,644)
Profit from operations							270,153
Interest expenses							(7,900)
Share of results of associates	98,669	-	-	-	-	-	98,669
Gain on disposal of an associate							4,355
Profit before tax							365,277
Income tax expense							(16,777)
Profit for the period							348,500

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2005

4. SEGMENT INFORMATION (continued)*Six months ended 30 June 2004 (Restated)*

	Steel manufacturing HK\$'000	Shipping operations HK\$'000	Electricity generation HK\$'000	Kitchen and laundry equipment, steel trading HK\$'000	Others HK\$'000	Consolidated HK\$'000
Turnover from external customers	<u>1,038,156</u>	<u>140,427</u>	<u>188,917</u>	<u>22,286</u>	<u>612</u>	<u>1,390,398</u>
Segment results	<u>84,607</u>	<u>61,481</u>	<u>33,029</u>	<u>241</u>	<u>612</u>	<u>179,970</u>
Unallocated other operating income						1,420
Unallocated corporate expenses						<u>(9,447)</u>
Profit from operations						171,943
Interest expenses						(6,621)
Share of results of associates	4,913	-	-	-	-	4,913
Loss on deemed disposal of a partial interest in an associate	(481)	-	-	-	-	<u>(481)</u>
Profit before tax						169,754
Income tax expense						<u>(13,638)</u>
Profit for the period						<u>156,116</u>



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2005

5. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging (crediting):

	Six months ended 30 June	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (Restated)
Allowance for inventories	1,883	–
Amortisation of goodwill (included in administrative expenses)	–	1,817
Amortisation of intangible assets (included in administrative expenses)	390	513
Amortisation of prepaid lease rentals	2,111	2,544
Depreciation of property, plant and equipment	26,349	29,861
Impairment loss recognised in respect of investment securities	–	11,503
Loss on disposal of prepaid lease rentals	1,004	–
Loss on disposal of property, plant and equipment	5,527	4,560
Interest income	(3,055)	(1,420)
Write-back of allowance for bad and doubtful debts, net	(9,930)	(2,277)
	<u>(9,930)</u>	<u>(2,277)</u>

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (Restated)
Current tax:		
People's Republic of China (the "PRC")	16,401	14,786
Other jurisdictions	–	9
	<u>16,401</u>	<u>14,795</u>
Deferred taxation	376	(1,157)
	<u>16,777</u>	<u>13,638</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2005

6. INCOME TAX EXPENSE (continued)

No provision for Hong Kong Profits Tax has been made for the period as the group companies which are subject to Hong Kong Profits Tax either incurred tax losses for the period or have tax losses brought forward to set off assessable profit for the period.

Certain subsidiaries of the Company operating in the PRC are eligible for certain tax holidays and concessions in respect of PRC income tax.

Taxation arising on the PRC and in other jurisdictions is calculated in accordance with the relevant rules and regulations.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
		(Restated)
Profit for the purposes of basic earnings per share	334,385	104,278
Effect of dilutive potential ordinary shares:		
Adjustment to the share of result of an associate based on dilution of its earnings per share	(602)	(1,259)
Interest on convertible note	–	16
	<hr/>	<hr/>
Earnings for the purposes of diluted earnings per share	333,783	103,035
	<hr/> <hr/>	<hr/> <hr/>
Weighted average number of ordinary shares for the purposes of basic earnings per share	4,643,961,987	3,403,923,221
Effect of dilutive potential ordinary shares:		
Options	174,131,618	152,912,937
Convertible note	–	3,139,717
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Weighted average number of ordinary shares for the purposes of diluted earnings per share	4,818,093,605	3,559,975,875
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NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2005

8. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The directors are of the opinion that the market value of the Group's investment properties as at 30 June 2005 is not materially different from the carrying value of the investment properties. Accordingly, no valuation movement has been recognised in respect of the Group's investment properties in the period.

During the period, the Group incurred approximately HK\$34,391,000 (HK\$3,771,000 for the six months ended 30 June 2004) on acquisition of property, plant and equipment in order to upgrade its operating capacities.

9. TRADE AND BILLS RECEIVABLES

An aged analysis of trade and bills receivables is as follows:

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Within 90 days	194,855	126,242
91-180 days	3,793	6,027
181-365 days	4,933	677
1-2 years	352	323
	203,933	133,269

Trading terms with customers are largely on credit, except for new customers, where payment in advance is normally required. The Group allows a range of credit period to its customers normally not more than 30 days, except for certain well established customers, where the terms are extended to 60 days.

At 30 June 2005, retentions held by customers for contract work amounted to HK\$1,589,000 (31 December 2004: HK\$1,233,000).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2005

10. AMOUNTS DUE FROM (TO) RELATED COMPANIES

The balances represent amounts due from (to) the holding company, subsidiaries and fellow subsidiaries of Shougang Holding (Hong Kong) Limited ("Shougang HK"), the Company's holding company. The balances are unsecured, interest-free and have no fixed terms of repayment except for the trade balances set out below.

The trade receivables from related companies and an aged analysis of such balances are as follows:

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Within 90 days	115,590	129,235
91 – 180 days	89,912	177
181 – 365 days	–	11
1 – 2 years	11	98
Over 2 years	5,733	5,851
	211,246	135,372

The Group allows a range of credit period normally from 30 days to 180 days for sales to its related companies.

The trade payables to related companies and an aged analysis of such balances are as follows:

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Within 90 days	22,091	13,444
91 – 180 days	2,803	545
181 – 365 days	384	716
Over 2 years	8,223	8,223
	33,501	22,928



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2005

11. TRADE AND BILLS PAYABLES

An aged analysis of trade and bills payables is as follows:

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Within 90 days	35,239	32,643
91-180 days	2,436	5,335
181-365 days	2,933	1,324
1-2 years	635	742
Over 2 years	2,329	2,536
	43,572	42,580

12. BANK BORROWINGS

During the period, the Group obtained new bank loans of approximately HK\$257,513,000. The loans bear interest at market rates and were used to finance the general operations of the Group. In addition, the Group also repaid bank loans of approximately HK\$254,872,000 during the period.

13. SHARE CAPITAL

Ordinary shares of HK\$0.2 each

Issued and fully paid:

	Number of shares '000	Share capital HK\$'000
At 1 January 2005	4,637,251	927,450
Exercise of share options	9,000	1,800
At 30 June 2005	4,646,251	929,250

14. CONTINGENT LIABILITIES

At 31 December 2004, the Group provided guarantees of approximately HK\$18,616,000 in respect of banking facilities granted to third parties. During the period, such guarantees were released.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2005

14. CONTINGENT LIABILITIES (continued)

At 30 June 2005 and 31 December 2004, the Company has provided guarantees for the due and punctual performance and observance by a wholly-owned subsidiary of the Company of each and every of its obligations, undertakings and liabilities under two time charter hires, through which the Group leases certain of its vessels. The time charter hires commenced on 26 September 1997 with a lease period of 15 years, with the option to terminate two months prior to expiration or extend two months after expiration. The daily rates of the time charter hires increase by US\$250 every half year until December 2007, and thereafter the daily rates will increase by US\$125 every half year.

15. RELATED PARTY TRANSACTIONS

During the periods, the Group had the following significant transactions with (i) Shougang HK; (ii) Shougang HK's holding company, subsidiaries, fellow subsidiaries and associates; and (iii) associates of Shougang HK's holding company (collectively "Shougang Group") and an associate.

(I) Transactions

		Six months ended 30 June	
		2005	2004
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Shougang Group			
Sales of goods by the Group	<i>(a)</i>	105,350	80,938
Provision of electricity, steam and hot water by the Group	<i>(b)</i>	200,614	188,917
Purchases of goods by the Group	<i>(c)</i>	695,972	232,236
Lease rentals charged to the Group	<i>(d)</i>	893	976
Management fees charged to the Group	<i>(e)</i>	480	480
Purchases of spare parts by the Group	<i>(f)</i>	6,807	8,998
Corporate guarantees for bank loans granted to the Group	<i>(g)</i>	183,116	183,806
Management fees charged by the Group	<i>(h)</i>	280	240
Rental income charged by the Group	<i>(i)</i>	408	372
Convertible note interest expense charged to the Group		–	16
Interest charged to the Group		–	93
Service fees charged to the Group	<i>(j)</i>	14,724	9,887
Service fees charged by the Group	<i>(k)</i>	2,980	21
An associate			
Sales of goods by the Group	<i>(a)</i>	92,420	12,505
Purchases of goods by the Group	<i>(c)</i>	1,135,021	–
Services fees charged by the Group	<i>(k)</i>	429	–

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)**

FOR THE SIX MONTHS ENDED 30 JUNE 2005

15. RELATED PARTY TRANSACTIONS (continued)**(I) Transactions (continued)***Notes:*

- (a) Qinhuangdao Shougang Plate Mill Co., Ltd. ("Qinhuangdao Plate Mill"), a wholly-owned subsidiary of the Company, sold steel products and scrap materials to Shougang Group and an associate at a consideration determined between the parties.
- (b) Beijing Shougang Firstlevel Power Co., Ltd. ("Beijing Power Plant"), a non wholly-owned subsidiary of the Company, sold electricity, steam and hot water to Shougang Group at a consideration determined between the parties.
- (c) The Group purchased materials and steel products from Shougang Group and an associate at a consideration determined between the parties.
- (d) The Group entered into various rental agreements with Shougang Group for renting office and residential apartments as staff quarters. The rentals were determined between the parties.
- (e) Management fees were paid to Shougang HK for the provision of management services at rates determined between the parties.
- (f) The Group purchased spare parts from Shougang Group at a consideration determined between the parties.
- (g) Shougang Corporation has provided corporate guarantees for certain bank loans granted to the Group.
- (h) The Group provided business and strategic development services to Shougang Group at rates determined between the parties.
- (i) The Group entered into a rental agreement with a subsidiary of Shougang Concord Technology Holdings Limited, an associate of Shougang HK, for renting an investment property. The rental was determined with reference to the then prevailing market rates.
- (j) Shougang Group charged Qinhuangdao Plate Mill and Beijing Power Plant service fees in respect of processing and repair and maintenance services at rates determined between the parties.
- (k) The Group charged Shougang Group and an associate service fees in respect of processing and administration services provided at rates determined between the parties.

(II) Balances

Details of balances with the Group's related companies are set out in the condensed consolidated balance sheet and note 10.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2005

16. COMMITMENTS

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	15,303	19,067

17. POST BALANCE SHEET EVENTS

- (a) On 20 May 2005, the Company published an announcement in relation to the cancellation of the share premium account and the capital reserve account to write off the accumulated losses, to the extent permitted by the High Court of Hong Kong (the "High Court"). Such cancellation was approved by the shareholders at the extraordinary general meeting held on 13 June 2005 and confirmed by the High Court by an order made pursuant to Section 60 of the Companies Ordinance (Chapter 32 of The Laws of Hong Kong) on 1 September 2005.
- (b) On 5 August 2005, Central Pro Investments Limited ("Central Pro"), a wholly-owned subsidiary of the Company and Mr. Guo Fengshan, Silver Plus Development Limited and Middle Asia Limited ("The Vendors") have entered into an agreement, pursuant to which Central Pro will acquire from The Vendors the entire issued share capital of Hong Kong-Canada Welcen Kingsway International Investments (Holdings) Limited ("Welcen") for a consideration of HK\$352,359,000, which will be satisfied as to HK\$140,943,600 by the issue of 213,550,909 shares of the Company at an issue price of HK\$0.66 per share to The Vendors and as to the remaining of HK\$211,415,400 in cash. The sole asset of Welcen is its 35% interest in the registered capital of Qinhuangdao Shouqin Metal Materials Co., Ltd. ("Shouqin"), an associate of the Company.

On 6 August 2005, Central Pro and Profit Access Investments Limited ("Profit Access") have entered into another agreement, pursuant to which Central Pro will acquire from Profit Access the entire issued share capital of Standnew Limited ("Standnew") for a consideration of HK\$95,880,000, which will be satisfied as to HK\$38,352,000 by the issue of 58,109,090 shares of the Company at an issue price of HK\$0.66 per share to Profit Access and as to the remaining of HK\$57,528,000 in cash. The sole asset of Standnew is its 10% interest in the registered capital of Shouqin.

At the date of this report, the above transactions have not been completed yet. Details of the above events are set out in the announcement of the Company dated 10 August 2005.