

1 Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared under the historical cost convention as modified by the revaluation of other investments, in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision, if necessary, for any diminution in value other than temporary in nature. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Associated companies

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies.

1 Principal accounting policies *(continued)*

(c) Associated companies *(continued)*

In the Company's balance sheet the investments in associated companies are stated at cost less provision, if necessary, for any diminution in value other than temporary in nature. The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.

(d) Goodwill or negative goodwill arising on consolidation

Goodwill or negative goodwill represents the excess or deficit of purchase consideration over the fair values ascribed to the separable net assets of subsidiaries and associated companies acquired. Any goodwill or negative goodwill arising on consolidation is taken to reserves in the year of acquisition.

On disposal of a subsidiary or an associated company, any attributable amount of goodwill or negative goodwill which was previously dealt with as a movement of the Group's reserves is included in the calculation of profit or loss on disposal.

(e) Investments

(i) *Unlisted investments*

- (a) Unlisted investments in toll roads are stated at cost less accumulated amortisation and provision, if necessary, for any diminution in value other than temporary in nature as determined by the directors. In accordance with the investment agreements, the Group is entitled to receive the following income:
 - (I) Repayments of capital by equal instalments over the useful life of the investment of 20 years; and
 - (II) A guaranteed minimum return of 13% per annum on its initial contribution for a period of at least 7 years and 10% to 15% per annum on its initial contribution for 20 years respectively for each of the two toll roads. This income is included as part of turnover.

The unlisted investments in toll roads are amortised over their useful lives of 20 years on a straight-line basis. The amount amortised is therefore equal to the capital repayment receivable in each year.

1 Principal accounting policies *(continued)*

(e) Investments *(continued)*

(i) Unlisted investments *(continued)*

- (b) Unlisted investments other than investments in toll roads are stated at cost less any provision for diminution in value.
- (c) The carrying amounts of individual unlisted investments are reviewed at each balance sheet date to assess whether the recoverable amount have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of these unlisted investments will be reduced to its recoverable amount. The amount of the reduction is recognised as an expense in the profit and loss account.

(ii) Other investments

Other investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the profit and loss account. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(f) Accounts receivable

Provision is made against accounts receivable to the extent that they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(g) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

1 Principal accounting policies *(continued)*

(h) Translation of foreign currencies

Transactions in foreign currencies are translated into United States dollars at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated into United States dollars at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of subsidiaries and associated companies expressed in foreign currencies are translated into United States dollars at the rates of exchange ruling at the balance sheet date. Exchange differences arising are dealt with as a movement in reserves. Upon disposal of an overseas subsidiary or associated company, the cumulative exchange difference is recognised in the profit and loss account as part of the gain or loss on disposal.

(i) Revenue recognition

Dividend income is recognised when the right to receive payment is established.

Interest income on bank deposits is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

2 Investment management fee

Pursuant to a Management Agreement dated 28th March 1991, China Assets Management Limited ("CAML") (see note (16)) is entitled to receive from the Company a management fee calculated at the following rates:

- (i) 2.75% per annum on the aggregate cost to the Company of the investments (less any provisions in respect thereof) held by it from time to time; and
- (ii) 1% per annum on the value of uninvested net assets, representing net asset value of the Company less the aggregate cost of investments made by the Company.

Management fee paid to CAML for the year ended 31st December 2000 amounted to US\$1,234,491 (1999: US\$1,288,944).

CAML is also entitled to receive a performance bonus based on a specified formulae as defined in the Management Agreement. No performance bonus had been paid for the year ended 31st December 2000 (1999: nil).

3 Revenue and turnover

The principal activity of the Company is investment holding carried out in Hong Kong and the People's Republic of China. Revenues recognised during the year arose only on the Company's Hong Kong investments as follows:

	2000 US\$	1999 US\$
Turnover		
Interest income on bank deposits	511,593	362,084
Dividend income from listed investments	23,512	—
	<u>535,105</u>	<u>362,084</u>

4 Operating loss

Operating loss is stated after crediting and charging the following:

	2000 US\$	1999 US\$
Crediting		
<i>Administrative expenses</i>		
Net exchange gain	—	18,894
<i>Other operating income</i>		
Deemed profit on dilution of interest in First Shanghai Investments Limited, an associated company	—	851,073
Provision for investment in an associated company written back	25,641	32,182
Gains on disposal of an associated company	—	158,931
Gains on disposal of listed investments	413,657	400,607
Unrealised gains on listed investments	—	221,659
	<u> </u>	<u> </u>
Charging		
<i>Administrative expenses</i>		
Auditors' remuneration		
Current year	107,000	106,264
Previous year underprovision	1,322	—
Net exchange loss	1,681	—
<i>Other operating expenses</i>		
Provision for diminution in value of unlisted investments in toll roads	—	2,500,000
Provision for diminution in value of other unlisted investments	300,000	—
Provision for doubtful debts	—	1,511,259
Unrealised losses on listed investments	534,059	—
Loss on disposal of an associated company (note 10(i))	168,757	—
	<u> </u>	<u> </u>

5 Taxation

No provision for Hong Kong profits tax has been made in the accounts as the Company has no assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	2000 US\$	1999 US\$
Hong Kong profits tax		
— Underprovision in prior years	—	12,260
Share of taxation attributable to associated companies	<u>721,306</u>	<u>638,630</u>
	<u><u>721,306</u></u>	<u><u>650,890</u></u>

There was no material unprovided deferred taxation for the year.

6 Profit/(loss) attributable to shareholders

The profit/(loss) attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of US\$336,295 (1999: US\$2,135,648).

7 Earnings/(loss) per share

The calculation of earnings/(loss) per share is based on the Group's profit attributable to shareholders of US\$2,035,640 (1999: loss of US\$1,437,729), and on 74,383,160 (1999: 74,383,160) shares in issue during the year.

8 Directors' and senior management's emoluments

The aggregate emoluments payable to directors of the Company during the year are as follows:

	2000 US\$	1999 US\$
Fees (equivalent to HK\$240,000) (1999: HK\$260,000)	<u>30,772</u>	<u>33,455</u>

Directors' fees disclosed above include US\$15,386 (1999: US\$15,440) paid to independent non-executive directors.

Remuneration of all directors falls within the band of HK\$nil to HK\$1,000,000. No director of the Company waived any emoluments during 1999 and 2000.

The Company is managed by CAML and no individual was employed directly by the Company or its subsidiaries during 1999 and 2000.

9 Investments in subsidiaries

	Company	
	2000 US\$	1999 US\$
Unlisted shares, at cost	<u>62</u>	<u>5</u>
Amounts due from subsidiaries	3,984,606	14,957
Less: provision	<u>(300,000)</u>	<u>—</u>
	<u>3,684,606</u>	<u>14,957</u>
	<u>3,684,668</u>	<u>14,962</u>

9 Investments in subsidiaries *(continued)*

The following is a list of subsidiaries held directly by the Company at 31st December 2000:

Name	Place of incorporation	Principal activities	Particulars of issued share capital	Interest held	
				2000	1999
China Assets (Building Materials) Limited	Cayman Islands	Dormant	2 shares of US\$1 each	—	100%
Right Mix Limited	British Virgin Islands	Dormant	1 share of US\$1 each	—	100%
Sino Manufacturing Limited	British Virgin Islands	Dormant	1 share of US\$1 each	100%	100%
Twin Tiger Limited	British Virgin Islands	Investment holding	1 share of US\$1 each	100%	100%
Capital Structure Investments Limited	British Virgin Islands	Investment holding	10 shares of US\$1 each	100%	—
Balance Target Investments Limited	British Virgin Islands	Investment holding	10 shares of US\$1 each	100%	—
Essential Choice Investments Limited	British Virgin Islands	Investment holding	10 shares of US\$1 each	100%	—
Wonderful Effort Limited	British Virgin Islands	Dormant	10 shares of US\$1 each	100%	—
Ruby Power Investments Limited	British Virgin Islands	Dormant	10 shares of US\$1 each	100%	—
Direct Investment Enterprises Limited	British Virgin Islands	Dormant	10 shares of US\$1 each	100%	—

Note:—

The subsidiaries operate principally in their places of incorporation.

10 Investments in associated companies

	Group		Company	
	2000	1999	2000	1999
	US\$	US\$	US\$	US\$
Share of net assets other than goodwill	54,161,225	50,834,753	—	—
Shares listed in Hong Kong, at cost	—	—	12,616,399	10,055,941
Unlisted investments	—	—	34,381,196	41,667,012
Convertible loan stock	735,000	735,000	735,000	735,000
	54,896,225	51,569,753	47,732,595	52,457,953
Less: provision for diminution in value	(735,000)	(735,000)	(19,982,085)	(23,784,085)
	<u>54,161,225</u>	<u>50,834,753</u>	<u>27,750,510</u>	<u>28,673,868</u>
Amounts due from associated companies	2,033,955	1,750,926	1,237,676	1,750,926
Amount due to an associated company	(6,873)	(10,643)	(6,873)	(10,643)
	2,027,082	1,740,283	1,230,803	1,740,283
Less: provision	(508,338)	(508,338)	(508,338)	(508,338)
	<u>1,518,744</u>	<u>1,231,945</u>	<u>722,465</u>	<u>1,231,945</u>
	<u>55,679,969</u>	<u>52,066,698</u>	<u>28,472,975</u>	<u>29,905,813</u>
Investments at cost:				
Shares listed in Hong Kong	12,616,399	10,055,941		
Unlisted investments	41,335,024	41,667,012		
Convertible loan stock	735,000	735,000		
	54,686,423	52,457,953		
Less: provision for diminution in value	(23,784,085)	(23,784,085)		
	<u>30,902,338</u>	<u>28,673,868</u>		
Market value of listed shares in Hong Kong	<u>13,128,906</u>	<u>19,223,099</u>	<u>13,128,906</u>	<u>19,223,099</u>

10 Investments in associated companies *(continued)*

The following is a list of the principal associated companies held directly/indirectly by the Company at 31st December 2000:—

Name	Place of incorporation	Principal activities	Interest held	
			2000	1999
Dezhou Zhenhua Glass Co., Ltd. (see note (a) below)	People's Republic of China	Production and sale of glass products	30%*	30%
First Shanghai Investments Limited (see note (b) below)	Hong Kong	Investment holding	20.66%	18.59%
Foshan Nanwah Construction Material Co., Ltd. (see note (c) below)	People's Republic of China	Production and sale of construction materials	30%	30%
Hong Kong Strong Profit Limited (see note (d) below)	Hong Kong	Investment in a joint venture for the production of man-made fabrics	49%	49%
Jinan Lingyan Cement Co., Ltd. (see note (e) below)	People's Republic of China	Manufacture and sale of cement	30%	30%
Shandong Lukang Pharmaceutical Co., Ltd (see note (f) below)	People's Republic of China	Manufacture and sale of antibiotics	17.45%	17.45%
Shenzhen SPEC Plastics Holdings Co., Ltd. (see note (g) below)	People's Republic of China	Production and sale of PVC chips	28.05%	28.05%
Suzhou Universal Chain Transmission Co., Ltd. (see note (h) below)	People's Republic of China	Production and sale of industrial chains	33-1/3%*	33-1/3%
Wuxi Huate Steel Strip Co., Ltd. (see note (i) below)	People's Republic of China	Manufacture and sale of steel	29.75%*	35%

10 Investments in associated companies (continued)

Name	Place of incorporation	Principal activities	Interest held	
			2000	1999
Wuxi Tristar Iron & Steel Co., Ltd. (see note (j) below)	People's Republic of China	Manufacture and sale of steel	25%	25%
Wuxi United Iron & Steel Co., Ltd. (see note (k) below)	People's Republic of China	Manufacture and sale of steel	25%	25%

* Held indirectly by the Company

Note:

- (a) Dezhou Zhenhua Glass Co., Ltd. is a joint venture between the Company and Shandong Dezhou Zhenhua Glass Factory. The joint venture is for a period of 30 years, commencing in May 1994. The registered and paid-up capital of the joint venture is US\$10,673,300, of which the Group contributed US\$3,202,000 for its 30% share. Full provision had been made against this investment in the Company's balance sheet.
- (b) First Shanghai Investments Limited is a company listed on The Stock Exchange of Hong Kong Limited with issued share capital of HK\$222,755,941 (1999: HK\$223,189,881).
- (c) Foshan Nanwah Construction Material Co., Ltd. is a joint venture between the Company, Foshan Shiwan Nan Wah Enterprises (Group) Company and Lexus Development Limited. The joint venture is for a period of 25 years, commencing in May 1993. The paid-up capital of the joint venture is US\$9,500,000 of which the Group contributed US\$2,850,000 for its 30% share. Full provision had been made against this investment in 1996 in the Company's balance sheet.
- (d) Hong Kong Strong Profit Limited ("HKSP") holds a 25% interest in a joint venture, Zhejiang Huayu Crafts Weaving & Dyeing Co., Ltd.. The joint venture is for a period of 15 years, commencing in December 1990. The registered and paid-up capital of the joint venture is US\$6,000,000 of which HKSP contributed US\$1,500,000. Full provision had been made against the investment in HKSP in the Company's balance sheet.
- (e) Jinan Lingyan Cement Co., Ltd. ("Lingyan") is a joint venture between the Company and Changqing Cement Factory. The joint venture is for a period of 20 years, commencing in April 1993. The registered and paid-up capital of the joint venture is US\$6,700,000, of which the Group contributed US\$2,010,000 for its 30% share. On 5th February 2001, Lingyan went into bankruptcy. Full provision had been made against this investment in 1997.

10 Investments in associated companies *(continued)*

Note: (continued)

- (f) Shandong Lukang Pharmaceutical Co., Ltd. ("Lukang") is a joint stock limited company listed on the Shanghai Stock Exchange with a share capital of RMB364,754,210. The Group contributed US\$9,594,203 for its 17.45% share and the shares held by the Group are legal person shares which cannot be traded on the Shanghai Stock Exchange. As the Company has appointed two directors on the board of directors of Lukang, the directors consider that the Company is in a position to exercise significant influence over Lukang despite a shareholding of less than 20%. On this basis, the Group's interest in Lukang is accounted for under the equity method of accounting.
- (g) Shenzhen SPEC Plastics Holdings Co., Ltd. is a joint stock limited company with share capital of RMB 99,300,384. The Group contributed US\$5,539,909 for its share of 28.05%.
- (h) Suzhou Universal Chain Transmission Co., Ltd. is a joint venture between the Company and Suzhou General Chain Factory. The joint venture is for a period of 25 years, commencing in September 1992. The registered and paid-up capital of the joint venture is US\$6,000,000, of which the Group contributed US\$2,000,000 for its 33-1/3% share. A provision of US\$600,000 had been made against the investment in the Company's balance sheet to reflect the Company's share of its net assets value.
- (i) Wuxi Huate Steel Strip Co., Ltd. ("Huate") is a joint venture between the Company, Xishan City Iron & Steel Factory and Xishan City Qianqiao Town Industrial Group Company. The joint venture is for a period of 30 years, commencing in December 1995. The registered and paid up capital of the joint venture is US\$6,000,000 of which the Group contributed US\$2,100,000 for its 35% share.

Pursuant to an agreement signed in November 2000, all the joint ventures agreed to transfer, in proportion to their respective equity interest held, totalling 15% equity interest in Huate to certain senior management of Huate in lieu of part of the management bonus to be paid in future. The transfer of 15% equity interest includes granting of 8% equity interest and selling of 7% equity interest at net book value of Huate to the senior management. In this respect, the Group has sold 2.45% equity interest held at consideration of US\$166,000 and granted 2.8% equity interest held. The loss on disposal of the total 5.25% equity interest of US\$168,757 has been recognised in the consolidated profit and loss accounts for the year ended 31st December 2000.

- (j) Wuxi Tristar Iron and Steel Co., Ltd. is a joint venture between the Company and Wuxi Xixing Iron and Steel Co., Ltd. The joint venture is for a period of 30 years, commencing in July 1994. The registered and paid-up capital of the joint venture is US\$27,800,000, of which the Group contributed US\$6,950,000 for its 25% share. Full provision had been made against this investment in the Company's balance sheet.
- (k) Wuxi United Iron & Steel Co., Ltd. is a joint venture between the Company and Wuxi Xixing Iron and Steel Co., Ltd. The joint venture is for a period of 30 years, commencing in June 1993. The registered and paid-up capital of the joint venture is US\$29,520,000, of which the Group contributed US\$7,380,000 for its 25% share. Full provision had been made against this investment in the Company's balance sheet.

All the above investments are regarded by the directors as associated companies as the Group can exercise significant influence over these investments.

10 Investments in associated companies (continued)

Additional information in respect of the Group's major associated companies is given as follows:

	2000 US\$'000	1999 US\$'000
Lukang		
Profit and loss account		
Turnover	84,491	71,588
Profit before taxation	8,484	2,725
Group's share of profit before taxation	<u>1,480</u>	<u>476</u>
Balance sheet		
Long-term assets	167,676	142,995
Current assets	102,190	69,803
Current liabilities	(45,390)	(55,355)
Long-term liabilities	<u>(91,883)</u>	<u>(28,211)</u>
Net assets	<u>132,593</u>	<u>129,232</u>
	2000 US\$'000	1999 US\$'000
FSIL		
Profit and loss account		
Turnover	39,168	92,573
Profit before taxation	9,433	8,523
Group's share of profit before taxation	<u>1,878</u>	<u>1,845</u>
Balance sheet		
Long-term assets	101,276	95,040
Current assets	41,322	39,169
Current liabilities	(11,275)	(8,572)
Long-term liabilities	<u>(5,868)</u>	<u>(5,301)</u>
Net assets	<u>125,455</u>	<u>120,336</u>

11 Investments

	Group		Company	
	2000	1999	2000	1999
	US\$	US\$	US\$	US\$
Unlisted investments				
<i>Unlisted investments in toll roads</i>				
Unlisted investment in Zhongshan Dongfu Road and Bridge Investment Company Limited and Zhongshan Nangang Road and Bridge Company Limited, at amortised cost (Note)	11,861,247	12,616,432	11,861,247	12,616,432
Less: amortisation for the year	(753,245)	(755,185)	(753,245)	(755,185)
	11,108,002	11,861,247	11,108,002	11,861,247
Less: provision for diminution in value	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)
	8,608,002	9,361,247	8,608,002	9,361,247
Other unlisted investments				
Unlisted shares, at cost	1,099,034	—	—	—
Less: provision for diminution in value	(300,000)	—	—	—
	799,034	—	—	—
	9,407,036	9,361,247	8,608,002	9,361,247
Other investments				
Shares listed in Hong Kong, at market value	1,755,752	1,426,008	1,755,752	1,426,008
	11,162,788	10,787,255	10,363,754	10,787,255

11 Investments (continued)

Note:

The Company holds 35% and 29.23% equity interests respectively in two joint ventures, namely Zhongshan Dongfu Road and Bridge Investment Company Limited ("Dongfu") and Zhongshan Nangang Road and Bridge Company Limited ("Nangang"). Both joint ventures are engaged in the operation of toll roads in the Peoples' Republic of China.

Under the joint venture agreement relating to Dongfu, the Company is guaranteed a minimum return of 13% per annum on its initial capital contribution for a period of at least 7 years. Under the joint venture agreement relating to Nangang, the Company is guaranteed a minimum return ranging from 10% to 15% per annum on its initial capital contribution over the life of the joint venture. The Company's capital contributions are repayable by the joint ventures in equal instalments over the life of the joint ventures of 20 years.

The Company is in the process of negotiating with the PRC partners to recover certain outstanding balances due relating to the guaranteed minimum returns. No guaranteed income was recognised during the year (1999: Nil) due to the uncertainty over its receipt. In addition, the directors are discussing the possibility of early termination of these investments. In the light of these negotiations and based on the directors' current estimate, provision for diminution in value against these unlisted investments in toll roads of US\$2,500,000 has been made in the accounts in 1999.

12 Share capital

	Company	
	2000	1999
	US\$	US\$
Authorized:		
160,000,000 shares of US\$0.10 each (1999:		
90,000,000 shares of US\$0.10 each)	<u>16,000,000</u>	<u>9,000,000</u>
Issued and fully paid:		
74,383,160 shares of US\$0.10 each	<u>7,438,316</u>	<u>7,438,316</u>

Pursuant to an ordinary resolution passed on 13th July 2000, the authorised share capital of the Company was increased from US\$9,000,000 to US\$16,000,000 by the creation of an additional 70,000,000 shares of US\$0.10 each. These new shares are identical and rank pari passu in all respects to the then existing shares.

13 Reserves

Group

	Share premium <i>US\$</i>	Capital reserve <i>US\$</i>	Retained earnings <i>US\$</i>	Total <i>US\$</i>
At 1st January 1999	68,445,344	8,235,208	(9,126,872)	67,553,680
Loss attributable to shareholders	—	—	(1,437,729)	(1,437,729)
Exchange differences arising on translation of the accounts of associated companies	—	(64,234)	—	(64,234)
Share of post acquisition reserves of associated companies	—	(1,102,064)	—	(1,102,064)
Realisation of capital reserve upon deemed disposal of an associated company to the profit and loss account	—	(722,721)	—	(722,721)
Realisation of goodwill and exchange differences upon disposal of an associated company to the profit and loss account	—	1,200,708	—	1,200,708
At 31st December 1999	<u>68,445,344</u>	<u>7,546,897</u>	<u>(10,564,601)</u>	<u>65,427,640</u>
Companies and subsidiaries	68,445,344	8,648,961	(25,178,588)	51,915,717
Associated companies	—	(1,102,064)	14,613,987	13,511,923
	<u>68,445,344</u>	<u>7,546,897</u>	<u>(10,564,601)</u>	<u>65,427,640</u>

13 Reserves (continued)

Group (continued)

	Share premium US\$	Capital reserve US\$	Retained earnings US\$	Total US\$
At 1st January 2000	68,445,344	7,546,897	(10,564,601)	65,427,640
Profit attributable to shareholders (see note below)	—	—	2,035,640	2,035,640
Exchange differences arising on translation of the accounts of associated companies	—	(215,234)	—	(215,234)
Share of post acquisition reserves of associated companies	—	(659,105)	—	(659,105)
Goodwill written off on additional investment in an associated company	—	(377,621)	—	(377,621)
Realisation of capital reserve upon disposal of an associated company to the profit and loss account	—	(21,974)	—	(21,974)
At 31st December 2000	<u>68,445,344</u>	<u>6,272,963</u>	<u>(8,528,961)</u>	<u>66,189,346</u>
Companies and subsidiaries	68,445,344	8,034,132	(25,514,883)	50,964,593
Associated companies	—	(1,761,169)	16,985,922	15,224,753
	<u>68,445,344</u>	<u>6,272,963</u>	<u>(8,528,961)</u>	<u>66,189,346</u>

Note:—

Profit attributable to shareholders of US\$2,035,640 (1999: loss of US\$1,437,729) included a profit of US\$3,665,468 (1999: US\$2,195,730) attributable to associated companies.

13 Reserves (continued)

Company

	Share premium US\$	Capital reserve US\$	Retained earnings US\$	Total US\$
At 1st January 1999	68,445,344	—	(23,042,940)	45,402,404
Loss for the year	—	—	(2,135,648)	(2,135,648)
At 31st December 1999	<u>68,445,344</u>	<u>—</u>	<u>(25,178,588)</u>	<u>43,266,756</u>
At 1st January 2000	68,445,344	—	(25,178,588)	43,266,756
Loss for the year	—	—	(336,295)	(336,295)
At 31st December 2000	<u>68,445,344</u>	<u>—</u>	<u>(25,514,883)</u>	<u>42,930,461</u>

14 Reconciliation of operating loss to net cash outflow from operating activities

	2000 US\$	1999 US\$
Operating loss	(1,629,828)	(3,621,199)
Dividend income from listed investments	(23,512)	—
Gain on disposal of listed investments	(413,657)	(400,607)
Loss/(gain) on disposal of an associated company	168,757	(158,931)
Unrealised losses/(gains) on listed investments	534,059	(221,659)
Deemed profit on dilution of interest in First Shanghai Investments Limited	—	(851,073)
Provision for doubtful debts	—	1,511,259
Provision for diminution in value of unlisted investments in toll roads	—	2,500,000
Provision for diminution in value of other unlisted investments	300,000	—
Provision for investment in an associated company written back	(25,641)	(32,182)
Increase in accounts receivable	(78,856)	(226,538)
Decrease/(increase) in net amount due from a related company	96,417	(312,755)
(Increase)/decrease in amounts due from associated companies	(86,911)	24,800
(Decrease)/increase in accounts payable	(7,773)	44,726
Increase in accrued expenses	5,736	1,264
Interest income	(511,593)	(362,084)
Net cash outflow from operating activities	<u>(1,672,802)</u>	<u>(2,104,979)</u>

15 Commitments

Capital commitments outstanding at 31st December 2000 not provided for in the accounts were as follows:

	Group	
	2000	1999
	US\$	US\$
Authorised but not contracted for	—	2,755,000
Contracted but not provided for	<u>743,800</u>	<u>—</u>
	<u>743,800</u>	<u>2,755,000</u>

The commitments relate to a proposed investment in the People's Republic of China.

The Company did not have any commitment as at 31st December 2000 (1999: US\$2,755,000).

16 Related party transactions

- (a) During the year and in the normal course of its business, the Company paid a management fee totalling US\$1,234,491 (1999: US\$1,288,944) to CAML, a related company (see also note 2).

Mr Lao Yuan Yi, the chairman of the Company and Mr Tsui Che Yin, Frank, an executive director of the Company, are also the chairman and the managing director of CAML respectively. Mr Tsui Che Yin, Frank is also a shareholder of CAML.

- (b) The balance with CAML of US\$210,537 (1999: US\$306,954) mainly represents the amount of cash received from Dongfu and Nangang in respect of the capital repayments on the toll roads on behalf of the Company. The balance is kept in a bank account of CAML and is repayable, with the interest income thereon, at the request of the Company.

17 Approval of accounts

The accounts were approved by the board of directors on 20th April 2001.