



銀建國際實業有限公司
Silver Grant International Industries Ltd

ANNUAL REPORT 1996

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Silver Grant International Industries Limited (the "Company") will be held at Boardroom I, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Monday, 21st April at 9:15 a.m. for the following purposes:—

1. To receive and consider the audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31st December, 1996.
2. To declare a final dividend.
3. To re-elect the retiring Directors and fix the Directors' remuneration.
4. To appoint auditors and authorise the Directors to fix their remuneration.

By order of the Board
Michael Tung
Secretary

Hong Kong, 20th March, 1997

Registered Office,
Suite 4901,
49th Floor,
Office Tower,
Convention Plaza,
1 Harbour Road,
Wanchai,
Hong Kong

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on behalf of him. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the registered office of the Company, Suite 4901, 49th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Wu Jian Chang (Chairman)
Hui Xiao Bing (Vice Chairman)
Gao Jian Min (Managing Director)
Fang Dacheng
Xu Shi Quan
Cheung Chung Kiu
Yuen Wing Shing
Sheng Yong
Zhang Lu*
Leung Chun Ying*

* *Independent non-executive directors*

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants, Hong Kong

BANKERS

Sin Hua Bank Limited
The Kwangtung Provincial Bank
The Ka Wah Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

SECRETARY

Tung Tat Chiu, Michael

SHARE REGISTRARS AND TRANSFER OFFICE

Secretaries Limited
5th Floor, Wing On Centre
111 Connaught Road, Central
Hong Kong

SOLICITORS

Woo, Kwan, Lee & Lo

REGISTERED OFFICE

Suite 4901, 49th Floor,
Office Tower,
Convention Plaza,
1 Harbour Road,
Wanchai, Hong Kong.

CHAIRMAN'S STATEMENT

GROUP RESULTS

I am pleased to report profits attributable to shareholders for the year ended 31st December, 1996 is approximately HK\$139,410,000. This represents an increase of 42.3% over that of the previous year. Earnings per share is 73.7 cents compared with 53.9 cents in the previous year, representing an increase of 36.7%.

DIVIDENDS

The directors recommend a final dividend of 6 cents per share for the year ended 31st December, 1996. Subject to the approval of shareholders at the Annual General Meeting to be held on 21st April, 1997, the final dividend will be paid on or before 26th May, 1997 to shareholders as registered on 21st April, 1997.

BONUS ISSUE

The directors also recommend that (subject to certain conditions being satisfied), bonus issue of shares would be made to shareholders whose names appear on the register of members of the Company on 21st April, 1997 on the basis of two bonus shares ("Bonus Shares") credited as fully paid for every one existing share ("Existing Shares") held at the close of business on 21st April, 1997. The Bonus Shares will be issued as fully paid by capitalising the Company's share premium account and will when issued, rank pari passu in all respects with the Existing Shares except that they will not rank for the proposed final dividend for the year ended 31st December, 1996. Detailed terms and conditions of the proposed bonus issue will be included in a circular incorporating a notice of Extraordinary General Meeting of the Company and will be despatched to the shareholders as soon as possible. The Bonus Shares will be despatched to shareholders on or before 22nd April, 1997.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 14th April, 1997 to 21st April, 1997 (both days inclusive), during which period no transfer of shares will be registered. In order to be qualified for the proposed final dividend and Bonus Shares, all transfers accompanied by the relevant share certificates must be lodged with the Company's registrars, Secretaries Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, not later than 4:00 p.m. on 11th April, 1997.

BUSINESS REVIEW

The Group's profit for the year ended 31st December, 1996 amounted to approximately HK\$139,410,000 as compared to approximately HK\$97,960,000 in the previous year. The profit mainly comprised of realised gain of approximately HK\$163,400,000 million from the disposal of 80,000,000 H shares of Qingling Motors Co. Ltd ("Qingling Motors"), and a gain of approximately HK\$19,300,000 million realised from the disposal of three investment properties located at the Hong Kong Parkview.

CHAIRMAN'S STATEMENT

After the disposal of the above properties, the Group still maintains a portfolio of investment properties in Hong Kong and China which provides a stable base of rental income. The level of rental income in 1996 is similar to that of 1995 despite of the disposal of the properties at Hong Kong Parkview as the Group was able to increase the rentals upon renewal of the tenancy agreements which expired during the year.

The year of 1996 represented a year of significant expansion for the Group following its determination to capitalize on the connections and relationships of its ultimate major shareholders. In October 1996, the Group entered into a joint venture with one of its ultimate major shareholders, China Nonferrous Metals Holdings (Hong Kong) Limited, to acquire a 28.129% equity stake in Jiangxi Copper Company Limited, a sino-foreign joint venture joint stock limited company and the largest integrated producer of copper in China, which is in the process of applying for an approval from the State Council Securities Commission and other government authorities to obtain overseas listing status. Total capital contribution by the joint venture to Jiangxi Copper Company Limited amounted to RMB 500,000,000 and the joint venture is equally owned by the Group and China Nonferrous Metals Holdings (Hong Kong) Limited. It is believed that this investment represents a unique opportunity for the Group to participate in the base metals industry in China, and that it will generate healthy recurring income as well as long term investment returns to the Group.

In October 1996, the Group also entered into a joint venture agreement with Beijing Wangfujing Department Store (Group) Co. Ltd. for the management of department stores and shopping malls related services in China. The Group will invest a total of US\$14,900,000 for a 50% stake. The directors believe that although department store business in China is highly competitive, it is still in an early development stage where better management and market penetration could generate a strong identity for the joint venture to become a leader in the retail business in China. The joint venture is currently close to securing management contracts for two department stores opened in Beijing and Guangzhou. It is expected that management contracts for new stores in Wuhan, Nantong, Suzhou and Beijing Xidan, etc. will be secured in the near future.

The Group also formed in December, 1996 a joint venture company called China Infra-Structure Investment Limited ("China Infra-Structure") together with China Road and Bridges Group (H.K.) Limited ("China Road") which is a wholly-owned subsidiary of China Road and Bridge Corporation and Zhen Hua Engineering Company Limited, a representative company of China Harbour Engineering Company ("Zhen Hua"). China Infra-Structure will initially be capitalised at HK\$380,000,000 and will be owned as to 40% by the Group, 32% by China Road and 28% by Zhen Hua, respectively. China Infra-Structure in turn entered into a joint venture agreement in December, 1996 with Wuhan Bai Sha Zhou Bridge Company Limited, a company incorporated in China, to construct, manage and operate the Wuhan Bai Sha Zhou Bridge ("BSZ Bridge") and the connecting junction road together with its facilities. The total cost of the BSZ Bridge is estimated to be approximately RMB2,000,000,000 and is to be funded by the joint venture in tranches according to the progress of construction. A bank term loan facility of up to US\$75,000,000 to finance the construction and operation of the bridge and up to US\$7,300,000 to finance the interest and other expenses during the construction period has been arranged. The project offers a guaranteed net return of 15% on total investment in US dollar currency.

CHAIRMAN'S STATEMENT

The directors believe that the investments committed by the Group during the year represent an aggressive yet prudent strategy to take advantage of the broad economic development of China, and that they will significantly strengthen the Group's recurrent income base.

The Group's investment in Qingling Motors continued its strong performance in 1996. The two joint ventures which the Group invested in during 1995 together with Qingling Motors and Isuzu Motors of Japan to produce automotive components commenced production in 1996 and are operating in line with management expectation. However, in order to meet funding requirement on other investments, the Group disposed part of its investment in Qingling Motors, raising total proceeds of HK\$235,000,000 and realising a gain of approximately HK\$163,400,000 as reflected in the results for the year ended 31st December, 1996.

In the beginning of year 1997, the Group further disposed of 11 million H shares in Qingling Motors realising proceeds of approximately HK\$50 million. Despite the foregoing disposals, the Group maintains its intention to explore mutually beneficial and long-term business opportunities with Qingling Motors and its major shareholders and, to that effect, the Group will remain a shareholder of Qingling Motors.

Furthermore, in March, 1997, China Infra-Structure also entered into a joint venture to operate and manage the Wang Dian Cross Bridge in Henan province and its related facilities. The total investment by China Infra-Structure would be RMB126 million and the portion to be contributed by the Group would be RMB50.4 million.

At present, the Group is actively engaged in identifying further infra-structure and related investment opportunities. As for the future expansion of its retail business, the Group intends to further explore new brand name concessionaire and private labeling opportunities in line with the value proposition of the Group's retail business.

In addition to these two main areas of activities, the Group will continue to identify other direct investment opportunities which will generate good returns for the Company.

In order to accommodate the future expansion of the Group, the Company is evaluating various methods of fund raising alternatives.

Appreciation

I would like to take this opportunity to thank our shareholders for their continual support and to commend my fellow directors and staff for their tremendous dedication and contributions to the Group.

By order of the Board
Wu Jian Chang
Chairman

Hong Kong, 20th March 1997

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Wu Jian Chang, aged 57, is the president of China National Nonferrous Metals Industry Corporation (“CNNC”). Mr. Wu is also the Chairman and the Honorary Chairman of ONFEM Holdings Limited and Jinhui Holdings Company Limited respectively. He has over 25 years working experience in engineering and in business administration. Mr. Wu has a bachelor’s degree in engineering from Chung Nan University and joined CNNC in 1964.

Mr. Hui Xiao Bing, aged 44, is the president of China Construction Bank, Shenzhen branch. He previously worked for Research Centre for Economic Development of the State Council of the PRC and China Investment Consultancy Company. He has over 20 years experience in banking and finance. Mr. Hui graduated from Inner Mongolia Industrial University with a bachelor degree in engineering.

Mr. Gao Jian Min, aged 38, is the managing director of Pacific Economies Development Corp. He graduated from Qing Hua University with a bachelor degree in economics. He has over 10 years experience in property investment and development.

Mr. Fang Dacheng, aged 63, is the vice-chairman and managing director of China Nonferrous Metals Holdings (Hong Kong) Limited. He is also the managing director of ONFEM Holdings Limited. He graduated from the Northeast Technical Institute, majoring in mining. He is now a professor-grade senior engineer.

Mr. Xu Shi Quan, aged 50, is the senior economist of Bank of Communications and the president of its Hainan branch. Before joining Bank of Communications in 1988, he worked for the People’s Bank of China and The Industrial and Commercial Bank of China. He has over 25 years experience in banking and finance.

Mr. Cheung Chung Kiu, aged 33, is the Chairman of Yugang International Limited (“Yugang”) which is principally engaged in the China trade in consumer electronic products, auto parts and industrial equipment. Mr. Cheung has over 15 years experience in China Trade business and over 9 years experience in property investment and development. Mr. Cheung also has property interests in Hong Kong.

Mr. Yuen Wing Shing, aged 48, is the director of Yugang. Prior to joining Yugang in 1992, he worked for a major bank in Hong Kong as a senior manager for over 20 years where he has substantial experience in property investment and development and property finance.

Mr. Sheng Yong, aged 39, is the Deputy General Manager of China Construction Bank, Shenzhen Branch, International Department. He previously worked for Bank of China and China Great Wall Finance Company. He has over 16 years experience in banking and finance. Mr. Sheng holds a special college certificate on International Finance Management from The People’s University.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Zhang Lu*, aged 45, is the senior Vice-president and Treasurer of the Ka Wah Bank Ltd., Hong Kong. Mr. Zhang has worked in the Bank of China and Citic Industrial Bank. He is engaged in the banking business over 20 years.

Mr. Leung Chun Ying*, aged 42, is the Managing Director of C Y Leung & Company Ltd. Mr. Leung has 20 years of experience in the surveying profession. He is a member of the Hong Kong Housing Authority, the immediate past Chairman of the Royal Institution of Chartered Surveyors (Hong Kong Branch) and the immediate past President of the Hong Kong Institute of Surveyors. He is also a Vice Chairman of the Preparatory Committee of the HKSAR, a member of the Executive Council of the HKSAR, a member of the Provisional Legislative Council of the HKSAR and a Hong Kong Affairs Advisor. In the PRC, Mr. Leung is an advisor to the Shanghai, Tianjin and Shenzhen municipal governments on land use and reform.

* Independent non-executive directors

DIRECTORS' REPORT

The directors have pleasure in presenting their annual report and audited financial statements for the year ended 31st December, 1996.

PRINCIPAL ACTIVITIES

The Company and its subsidiaries are principally engaged in property and other investments. Details of the activities of its subsidiaries and associated companies are set out in note 32 to the financial statements.

The Group's turnover and contribution to operating profit for the year ended 31st December, 1996 by principal activities and geographical markets are as follows:

	Turnover HK\$'000	Operating profit HK\$'000
By principal activities:		
Property leasing	17,676	15,442
Investments	<u>43,006</u>	<u>8,021</u>
	<u><u>60,682</u></u>	<u>23,463</u>
Exceptional items:		
Profit on disposal of long term listed investments		163,396
Profit on disposal of investment properties		<u>19,314</u>
		206,173
Interest expenses (net)		(20,781)
Corporate expenses		<u>(20,183)</u>
Operating profit		<u><u>165,209</u></u>
By geographical market:		
Hong Kong	51,577	197,093
The People's Republic of China	<u>9,105</u>	<u>9,080</u>
	<u><u>60,682</u></u>	206,173
		(20,781)
Interest expenses (net)		(20,781)
Corporate expenses		<u>(20,183)</u>
Operating profit		<u><u>165,209</u></u>

DIRECTORS' REPORT

RESULTS AND APPROPRIATIONS

The results of the Group and the appropriations of the Company are set out in the consolidated profit and loss account on page 16 of the financial statements.

The directors recommend the payment of a final dividend of 6 cents per share to the shareholders whose names appear on the register of members on 21st April, 1997 and the retention of the remaining profit for the year amounting to HK\$126,338,000.

The directors also recommend that a bonus issue of ordinary shares of the Company will be made in the proportion of two Bonus Shares for every HK\$0.20 share held in the capital of the Company by those shareholders whose names appear on the register of members on 21st April, 1997.

The proposed bonus issue of shares will be subject to the passing of the relevant ordinary resolutions approving the capitalisation of the Company's share premium account, the bonus issue of shares and the increase in authorised share capital of the Company by the shareholders in the extraordinary general meeting to be held on 21st April, 1997 and the granting of listings of and permission to deal in the Bonus Shares by The Stock Exchange of Hong Kong Limited.

FINANCIAL SUMMARY

The results of the Group for the year ended 31st March, 1993, for the nine months ended 31st December, 1993 and for each of the three years ended 31st December, 1996 and the assets and liabilities of the Group at 31st March, 1993 and at 31st December, 1993, 1994, 1995 and 1996 are set out on pages 46 and 47.

FIXED ASSETS

During the year, the Group acquired leasehold property at a cost of HK\$47.8 million for use as the Group's administrative headquarters in Hong Kong.

The Group's leasehold properties were revalued as at 31st December, 1996. The surplus on revaluation amounting to HK\$34.6 million has been credited directly to the asset revaluation reserve. The Group also revalued its investment properties as at 31st December, 1996. The net surplus arising on the revaluation amounting to HK\$15.7 million has been credited to the investment properties revaluation reserve.

Details of the above and other movements in fixed assets of the Group and of the Company during the year are set out in note 12 to the financial statements.

PROPERTIES HELD FOR INVESTMENT PURPOSES

Details of properties held by the Group for investment purposes at 31st December, 1996 are set out on page 48.

DIRECTORS' REPORT

SUBSIDIARIES AND ASSOCIATED COMPANIES

Details of the Company's subsidiaries and associated companies at 31st December, 1996 are set out in note 32 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital of the Company during the year are set out in note 18 to the financial statements.

Details of a share option scheme of the Company and subsequent issue of share options after 31st December, 1996 are set out in note 19 to the financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 20 to the financial statements.

BORROWINGS

Details of a bank borrowings of the Group as at 31st December, 1996 are set out in note 21 to the financial statements.

No interest was capitalised by the Group during the year.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Wu Jian Chang

Hui Xiao Bing

Gao Jian Min

Fang Dacheng

Xu Shi Quan

Cheung Chung Kiu

Yuen Wing Shing

Sheng Yong

Lou Chin Meng, Eric (resigned on 28th February, 1997)

Zhang Lu*

Leung Chun Ying*

* *Independent non-executive directors.*

Mr. Leung Chun Ying has served a notice of resignation from directorship of the Company which shall take effect on 1st April, 1997.

DIRECTORS' REPORT

The terms of office of the directors, including those of the non-executive directors, are subject to retirement by rotation in accordance with the Company's Articles of Association.

In accordance with the provisions of the Company's Articles of Association, Messrs. Wu Jian Chang, Hui Xiao Bing and Gao Jian Min retire by rotation and, being eligible, offer themselves for re-election.

Save as disclosed in the section under "Directors' Interest in Contracts" below, no director being proposed for re-election at the forthcoming annual general meeting has a service contract, which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES

As at 31st December, 1996, the interests of the directors and their associates in the shares of the associated corporations of the Company (as defined by the Securities (Disclosure of Interest) Ordinance (the "SDI Ordinance")) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

Name of director	Name of company	Nature of interest	Number of shares
Gao Jian Min	Silver Grant International Holdings Limited (<i>Note</i>)	personal	30
Hui Xiao Bing	Silver Grant International Holdings Limited (<i>Note</i>)	personal	30
Xu Shi Quan	Silver Grant International Holdings Limited (<i>Note</i>)	personal	30
Sheng Yong	Silver Grant International Holdings Limited (<i>Note</i>)	personal	10

Note: Messrs. Gao Jian Min, Hui Xiao Bing, Xu Shi Quan and Sheng Yong were interested in 30%, 30%, 30% and 10% respectively of the issued share capital of Silver Grant International Holdings Limited which is the ultimate holding company of the Company through its ownership of 55.56% of the issued share capital of Join Truth Limited.

Save as disclosed above, none of the directors held any interest in the share capital of the Company or its associated corporations and none of the directors, or their spouse or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

DIRECTORS' REPORT

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company, its subsidiaries or its ultimate holding company or any of the subsidiaries of its ultimate holding company a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Subsequent to the balance sheet date, pursuant to the share option scheme of the Company adopted on 26th June, 1995, details of which are set out in note 19 to the financial statements, on 8th January, 1997, Mr. Gao Jian Min was granted options to subscribe for 5,000,000 shares in the Company at a subscription price of HK\$2.9 per share, subject to adjustment, at any time from 8th January, 1997 up to and including 7th January, 2007.

No share option was exercised by Mr. Gao Jian Min up to the date of this report.

DIRECTORS' INTERESTS IN CONTRACTS

The service contract entered into between the Company and Mr. Gao Jian Min will expire on 31st March, 1997. Under the terms of this service contract, Mr. Gao's remuneration includes a fixed sum salary payable on a monthly basis which shall be increased at every six month interval at a rate to be determined by the board of directors, a management bonus for each financial year which amount will be determined by the board of directors and a quarter for accommodation to be provided by the Company. It is expected that this service contract will be renewed substantially upon the same terms subject to an increase in Mr. Gao's remuneration to be determined by the board of directors of the Company.

Save as disclosed above, no contracts of significance to which the Company, its subsidiaries or its ultimate holding company or any subsidiaries of its ultimate holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 1996, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance shows that the following shareholders had interests of 10% or more of the share capital of the Company:

Name of shareholder	Number of ordinary shares	
	Direct interest	Deemed interest
Join Truth Limited (<i>Note 1</i>)	117,374,800	—
Silver Grant International Holdings Limited (<i>Note 2</i>)	—	117,374,800
China Nonferrous Metals Holdings (Hong Kong) Limited (<i>Note 3</i>)	—	117,374,800

DIRECTORS' REPORT

Notes:

1. 117,374,800 shares in the Company are beneficially owned by Join Truth Limited which are held in the names of HKSCC Nominees Limited, other nominees and Join Truth Limited.
2. Silver Grant International Holdings Limited is interested in 117,374,800 shares in the Company through its ownership of 55.56% of the issued share capital of Join Truth Limited.
3. China Nonferrous Metals Holdings (Hong Kong) Limited is interested in 117,374,800 shares in the Company through its ownership of 33.33% of the issued share capital of Join Truth Limited. China Nonferrous Metals Holdings (Hong Kong) Limited is an indirect wholly-owned subsidiary of China National Nonferrous Metals Industry Corporation through China Nonferrous Metals (Cook Islands) Holdings Ltd.. Accordingly, China National Nonferrous Metals Industry Corporation and China Nonferrous Metals (Cook Islands) Holdings Ltd. are also deemed to be interested in 117,374,800 shares in the Company in which China Nonferrous Metals Holdings (Hong Kong) Limited is interested.

Save as disclosed above, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed that the Company had not been notified of any interests representing 10% or more of the issued share capital of the Company as at 31st December, 1996.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31st December, 1996 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDITORS

Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company for the preceding three years ended 31st December, 1996.

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu.

On behalf of the Board

Hui Xiao Bing

Vice Chairman

20th March, 1997

AUDITORS' REPORT

**Deloitte Touche
Tohmatsu**



**TO THE SHAREHOLDERS OF
SILVER GRANT INTERNATIONAL INDUSTRIES LIMITED**
(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 16 to 45 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 1996 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

20th March, 1997

CONSOLIDATED PROFIT AND LOSS ACCOUNT*For the year ended 31st December, 1996*

	NOTES	1996 HK\$'000	1995 HK\$'000
TURNOVER	3	<u>60,682</u>	<u>61,669</u>
OPERATING PROFIT (LOSS)	4		
Continuing operations excluding exceptional items		(17,501)	(20,443)
Exceptional items	5	<u>182,710</u>	<u>129,464</u>
OPERATING PROFIT		165,209	109,021
SHARE OF RESULTS OF ASSOCIATED COMPANIES		<u>(955)</u>	<u>3,725</u>
PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION		164,254	112,746
TAXATION	8	<u>24,844</u>	<u>14,786</u>
PROFIT FOR THE YEAR	9	139,410	97,960
DIVIDENDS	10	<u>13,072</u>	<u>36,375</u>
PROFIT FOR THE YEAR, RETAINED	20	<u>126,338</u>	<u>61,585</u>
EARNINGS PER SHARE	11	<u>73.7 cents</u>	<u>53.9 cents</u>

CONSOLIDATED BALANCE SHEET*At 31st December, 1996*

	NOTES	1996 HK\$'000	1995 HK\$'000
FIXED ASSETS	12	340,125	289,978
INTEREST IN ASSOCIATED COMPANIES	14	405,675	318,495
INVESTMENTS	15	342,021	360,011
NET CURRENT LIABILITIES	16	<u>(27,086)</u>	<u>(41,059)</u>
		<u>1,060,735</u>	<u>927,425</u>
Financed by:			
SHARE CAPITAL	18	43,575	36,375
RESERVES	20	<u>959,232</u>	<u>663,784</u>
SHAREHOLDERS' FUNDS		1,002,807	700,159
SECURED BANK LOANS DUE AFTER ONE YEAR	21	57,393	173,024
OTHER LOAN	22	—	53,072
DEFERRED TAXATION	23	<u>535</u>	<u>1,170</u>
		<u>1,060,735</u>	<u>927,425</u>

The financial statements on pages 16 to 45 were approved by the board of directors on 20th March, 1997 and are signed on its behalf by:

Gao Jian Min
Director

Yuen Wing Shing
Director

BALANCE SHEET*At 31st December, 1996*

	NOTES	1996 HK\$'000	1995 HK\$'000
FIXED ASSETS	12	178,475	202,555
INTEREST IN SUBSIDIARIES	13	337,492	483,663
INTEREST IN ASSOCIATED COMPANIES	14	108,634	22,096
INVESTMENTS	15	21	11
NET CURRENT LIABILITIES	16	<u>(18,568)</u>	<u>(55,358)</u>
		<u>606,054</u>	<u>652,967</u>
Financed by:			
SHARE CAPITAL	18	43,575	36,375
RESERVES	20	<u>504,571</u>	<u>443,318</u>
SHAREHOLDERS' FUNDS		548,146	479,693
SECURED BANK LOANS DUE AFTER ONE YEAR	21	57,393	173,024
DEFERRED TAXATION	23	<u>515</u>	<u>250</u>
		<u>606,054</u>	<u>652,967</u>

Gao Jian Min
Director

Yuen Wing Shing
Director

CONSOLIDATED CASH FLOW STATEMENT*For the year ended 31st December, 1996*

	NOTES	1996 HK\$'000	1995 HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	24	<u>632</u>	<u>8,763</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		2,833	806
Interest paid		(26,873)	(26,527)
Dividend paid		(36,375)	(32,737)
Dividend from an associated company received		<u>—</u>	<u>2,946</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>(60,415)</u>	<u>(55,512)</u>
TAXATION			
Hong Kong Profits Tax refunded		<u>—</u>	<u>413</u>
INVESTING ACTIVITIES			
Purchase of fixed assets		(52,065)	(42,288)
Investment in associated companies		(400)	(120,385)
Advances to associated companies		(86,532)	(1,986)
Advance to a joint venture partner		(76,537)	—
Sale of listed investments		235,022	236,916
Sale of investment properties		50,655	—
Return of investment in associated companies		—	25,054
Advance to a potential investee company settled		3,476	7,704
Sale of fixed assets		<u>—</u>	<u>7</u>
NET CASH INFLOW FROM INVESTING ACTIVITIES		<u>73,619</u>	<u>105,022</u>
NET CASH INFLOW BEFORE FINANCING ACTIVITIES		<u>13,836</u>	<u>58,686</u>

CONSOLIDATED CASH FLOW STATEMENT*For the year ended 31st December, 1996*

	NOTES	1996 HK\$'000	1995 HK\$'000
FINANCING ACTIVITIES	26		
Proceeds from placement of shares, net of expenses		87,323	—
New bank loans raised		58,402	25,000
Repayment of bank loans		(127,600)	(111,593)
Repayment of other loan		(53,072)	—
Other loan raised		—	53,072
Advances from an associated company		—	26,350
		<u> </u>	<u> </u>
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		<u>(34,947)</u>	<u>(7,171)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(21,111)	51,515
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		<u>35,059</u>	<u>(16,456)</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	27	<u><u>13,948</u></u>	<u><u>35,059</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 1996

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. In the opinion of the directors, the Company's ultimate holding company is Silver Grant International Holdings Limited, a company incorporated in the British Virgin Islands.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Basis of consolidation

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

The consolidated profit and loss account includes the Group's share of attributable results of associated companies for the year using the equity method of accounting and the consolidated balance sheet includes the Group's share of the associated companies' net assets other than goodwill.

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

Goodwill or capital reserve arising on consolidation, which represents respectively the excess or shortfall of the purchase consideration over the fair value of the Group's share of the separable net assets at the date of acquisition, is written off or credited directly to reserves respectively in the year of acquisition.

The results of subsidiaries and associated companies acquired or disposed of during the year are included in the consolidated profit and loss account from or up to the effective dates of acquisition and disposal respectively.

Investment in subsidiaries

Investment in subsidiaries is stated in the Company's balance sheet at cost less provision, if necessary, for any permanent diminution in value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 1996

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

Associated companies

An associated company is a company, other than a subsidiary, in which the Group has a long-term equity investment and over which the Group is in a position to exercise significant influence in management, including participation in financial and operating policy decisions.

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

Investment properties

Investment properties are properties which are held for their investment potential, are income producing and are intended to be held for long term. Investment properties are stated at their open market value based on an annual professional valuation at the balance sheet date.

Surpluses arising on the revaluation of investment properties are credited to the investment properties revaluation reserve. Deficits are set off first against surpluses on earlier revaluation on a portfolio basis, and thereafter are charged to the profit and loss account.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the profit and loss account.

Fixed assets and depreciation

Fixed assets other than investment properties are stated at cost or valuation less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of the fixed asset. When assets are sold or retired, their cost or valuation and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31st December, 1996***2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued****Fixed assets and depreciation — continued**

Any surplus arising on revaluation of fixed assets other than investment properties is credited to the asset revaluation reserve. A decrease in net carrying amount arising on revaluation of an asset is charged to the profit and loss account to the extent that it exceeds the surplus, if any, held in the asset revaluation reserve relating to previous revaluation of that particular asset. On the subsequent sale of assets, the attributable revaluation surplus is transferred to retained profits.

No depreciation is provided in respect of investment properties which are held under leases with unexpired terms of more than twenty years.

Depreciation is provided to write off the depreciable amount of other fixed assets, using the straight line method, over their estimated useful lives stated as follows:

Leasehold land	50 years or over the terms of the leases, whichever is shorter
Leasehold buildings	25 years or over the terms of the leases, whichever is shorter
Leasehold improvements	3 years
Furniture and fixtures	10 years
Office equipment	5 years
Motor vehicles	10 years

Revenue recognition

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

Income from the trading of securities is recognised upon the exercise of a legally binding and irrevocable contract of sale.

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purpose of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 1996

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

Operating leases

Rentals payable or receivable under operating leases are charged or credited to the profit and loss account on a straight line basis over the period of the leases.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas operations maintained in currencies other than Hong Kong dollars are translated at exchange rates ruling on the balance date. Exchange differences arising on consolidation are dealt with in the exchange reserve.

Investments

Listed investments held for long term investment purposes are stated at valuation based on the market value at the balance sheet date. Surpluses arising on valuation are credited to asset revaluation reserve. Deficits are set off first against surpluses on previous revaluations, and thereafter are charged to the profit and loss account. On disposal of a long term listed investment, the balance on the asset revaluation reserve attributable to that investment is transferred to the profit and loss account.

Unlisted investments held for long term investment purposes are stated at cost less provision, if necessary, for permanent diminution in value.

Listed investments held for short term purposes are stated at the lower of cost and market value at the balance sheet date.

Dividends from investments are recognised when the right to receive the dividend payment has been established.

Cash equivalents

Cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advances.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 1996

3. TURNOVER

Turnover represents the aggregate of rental income from leasing of properties, dividend income earned from the long term investments and the gross proceeds received and receivable from trading of marketable securities during the year, and is summarised as follows:

	1996 HK\$'000	1995 HK\$'000
Property rental	17,676	17,233
Dividend income	7,502	11,467
Proceeds from trading of securities	<u>35,504</u>	<u>32,969</u>
	<u>60,682</u>	<u>61,669</u>

During the year, the Group has redefined the definition of turnover to include gross proceeds received and receivable from trading of marketable securities. The turnover in prior year has been restated accordingly to conform with the current year's presentation.

4. OPERATING PROFIT (LOSS)

	1996 HK\$'000	1995 HK\$'000
Operating profit (loss) has been arrived at after charging:		
Auditors' remuneration	405	300
Depreciation	2,912	891
Directors' remuneration (note 6)	5,231	4,222
Interest on bank loans and overdrafts wholly repayable:		
— within five years	22,108	26,527
— over five years	1,998	—
Loss on disposal of short term investments, net	—	707
Operating lease rentals paid in respect of land and buildings	758	2,600
and after crediting:		
Dividends from listed investments	7,502	11,467
Gain on disposal of short term investments	1,440	—
Interest income	3,325	806
Rental income under operating leases, less outgoings	<u>17,213</u>	<u>16,717</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 1996

5. EXCEPTIONAL ITEMS

The following exceptional items have been credited to the profit and loss account in arriving at the operating profit:

	1996 HK\$'000	1995 HK\$'000
Profit on disposal of listed investments (<i>Note</i>)	163,396	129,464
Profit on disposal of investment properties	<u>19,314</u>	<u>—</u>
	<u><u>182,710</u></u>	<u><u>129,464</u></u>

Note: During the year, the Group disposed of 80,000,000 (1995: 120,000,000) H shares of its investments in (Qingling Motors Co., Ltd.) ("Qingling Motors") (see note 15) to provide funds for the Group's other investment projects and to reduce the level of bank borrowings. Such disposals resulted in an exceptional gain of approximately HK\$163,396,000 (1995: HK\$129,464,000).

6. DIRECTORS' REMUNERATION

	1996 HK\$'000	1995 HK\$'000
Directors' fees:		
Executive	2,200	1,700
Non-executive	<u>400</u>	<u>300</u>
	<u>2,600</u>	<u>2,000</u>
Other emoluments (executive directors):		
Salaries and other benefits	2,431	1,934
Performance related incentive payments	<u>200</u>	<u>288</u>
	<u>2,631</u>	<u>2,222</u>
	<u><u>5,231</u></u>	<u><u>4,222</u></u>

The directors' remuneration shown above does not include the estimated monetary value of quarter provided rent free during the year to one of the executive directors. The estimated rental value of such accommodation for the year was HK\$780,000 (1995: nil).

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31st December, 1996***6. DIRECTORS' REMUNERATION — continued**

Remuneration of the directors was within the following bands:

	1996 No. of directors	1995 No. of directors
HK\$ nil to HK\$ 1,000,000	9	9
HK\$1,000,001 to HK\$1,500,000	<u>2</u>	<u>2</u>
	<u>11</u>	<u>11</u>

7. EMPLOYEES' REMUNERATION

The five highest paid individuals of the Group included 2 (1995: 2) directors, details of whose emoluments are set out in note 6 above. The emoluments of the remaining 3 (1995: 3) individuals are as follows:

	1996 HK\$'000	1995 HK\$'000
Salaries and other benefits	1,647	1,270
Performance related incentive payments	<u>109</u>	<u>205</u>
	<u>1,756</u>	<u>1,475</u>

Their emoluments are within the following bands:

	1996 No. of employees	1995 No. of employees
HK\$ nil to HK\$1,000,000	<u>3</u>	<u>3</u>

The Group does not operate any retirement scheme for its employees.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31st December, 1996***8. TAXATION**

	1996 HK\$'000	1995 HK\$'000
The charge comprises:		
Hong Kong Profits Tax calculated at 16.5% of the estimated assessable profit for the year	23,960	13,400
Share of Hong Kong Profits Tax of associated companies	619	1,386
Deferred taxation	<u>265</u>	<u>—</u>
	<u><u>24,844</u></u>	<u><u>14,786</u></u>

No provision for overseas tax has been made in the financial statements as the income generation by the Group's subsidiary operating in the People's Republic of China ("PRC") is not subject to PRC income tax during the year.

9. PROFIT FOR THE YEAR

Of the profit for the year of HK\$139,410,000 (1995: HK\$97,960,000), a loss of HK\$10,479,000 (1995: profit of HK\$92,932,000) has been dealt with in the financial statements of the Company and a loss of HK\$1,574,000 (1995: HK\$607,000) was attributable to the associated companies.

10. DIVIDENDS

	1996 HK\$'000	1995 HK\$'000
Final dividend proposed of 6 cents (1995: 20 cents) per share	<u><u>13,072</u></u>	<u><u>36,375</u></u>

The amount of proposed final dividend for the year has been calculated with reference to the 217,874,500 shares (1995: 181,874,500) in issue as at 20th March, 1997 (1995: 26th April, 1996).

11. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the year of HK\$139,410,000 (1995: HK\$97,960,000) and on the weighted average number of 189,252,000 (1995: 181,874,500) shares in issue during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 1996

12. FIXED ASSETS

	Investment properties HK\$'000	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP							
COST OR VALUATION							
At 1st January, 1996	253,720	33,588	998	199	642	2,463	291,610
Reclassification	5,770	(5,800)	—	—	—	—	(30)
Additions	—	47,803	1,717	2,121	424	—	52,065
Disposals	(49,000)	—	(998)	(199)	(71)	—	(50,268)
Surplus on revaluation	15,710	32,498	—	—	—	—	48,208
	<u>226,200</u>	<u>108,089</u>	<u>1,717</u>	<u>2,121</u>	<u>995</u>	<u>2,463</u>	<u>341,585</u>
At 31st December, 1996							
Comprising:							
At cost	—	—	1,717	2,121	995	2,463	7,296
At professional valuation — 1996	<u>226,200</u>	<u>108,089</u>	—	—	—	—	<u>334,289</u>
	<u>226,200</u>	<u>108,089</u>	<u>1,717</u>	<u>2,121</u>	<u>995</u>	<u>2,463</u>	<u>341,585</u>
DEPRECIATION							
At 1st January, 1996	—	146	745	41	228	472	1,632
Reclassification	—	(30)	—	—	—	—	(30)
Provided for the year	—	1,967	368	149	182	246	2,912
Eliminated on disposals	—	—	(884)	(49)	(38)	—	(971)
Eliminated on revaluation	—	(2,083)	—	—	—	—	(2,083)
	<u>—</u>	<u>—</u>	<u>229</u>	<u>141</u>	<u>372</u>	<u>718</u>	<u>1,460</u>
At 31st December, 1996							
NET BOOK VALUES							
At 31st December, 1996	<u>226,200</u>	<u>108,089</u>	<u>1,488</u>	<u>1,980</u>	<u>623</u>	<u>1,745</u>	<u>340,125</u>
At 31st December, 1995	<u>253,720</u>	<u>33,442</u>	<u>253</u>	<u>158</u>	<u>414</u>	<u>1,991</u>	<u>289,978</u>

The net book value of the Group's investment and leasehold properties comprises:

	1996 HK\$'000	1995 HK\$'000
Long term leasehold properties:		
— Held in Hong Kong	263,888	213,834
— Held in the PRC	<u>66,000</u>	<u>69,000</u>
	329,888	282,834
Medium term leasehold properties:		
— Held in the PRC	<u>4,401</u>	<u>4,328</u>
	<u>334,289</u>	<u>287,162</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 1996

12. FIXED ASSETS — continued

	Investment properties held in Hong Kong on long leases HK\$'000	Leasehold land and buildings held in Hong Kong on long leases HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE COMPANY							
COST OR VALUATION							
At 1st January, 1996	184,720	15,000	998	199	634	2,463	204,014
Additions	—	—	1,717	2,121	424	—	4,262
Disposals	(49,000)	—	(998)	(199)	(71)	—	(50,268)
Surplus on revaluation	17,080	4,800	—	—	—	—	21,880
At 31st December, 1996	<u>152,800</u>	<u>19,800</u>	<u>1,717</u>	<u>2,121</u>	<u>987</u>	<u>2,463</u>	<u>179,888</u>
Comprising:							
At cost	—	—	1,717	2,121	987	2,463	7,288
At professional valuation — 1996	<u>152,800</u>	<u>19,800</u>	—	—	—	—	<u>172,600</u>
	<u>152,800</u>	<u>19,800</u>	<u>1,717</u>	<u>2,121</u>	<u>987</u>	<u>2,463</u>	<u>179,888</u>
DEPRECIATION							
At 1st January, 1996	—	—	746	41	200	472	1,459
Provided for the year	—	450	368	149	163	246	1,376
Eliminated on disposals	—	—	(885)	(49)	(38)	—	(972)
Eliminated on revaluation	—	(450)	—	—	—	—	(450)
At 31st December, 1996	<u>—</u>	<u>—</u>	<u>229</u>	<u>141</u>	<u>325</u>	<u>718</u>	<u>1,413</u>
NET BOOK VALUES							
At 31st December, 1996	<u>152,800</u>	<u>19,800</u>	<u>1,488</u>	<u>1,980</u>	<u>662</u>	<u>1,745</u>	<u>178,475</u>
At 31st December, 1995	<u>184,720</u>	<u>15,000</u>	<u>252</u>	<u>158</u>	<u>434</u>	<u>1,991</u>	<u>202,555</u>

All the investment properties are held for rental income under operating leases.

The professional valuation of investment and leasehold properties of the Group and the Company situated in Hong Kong and in the People's Republic of China at 31st December, 1996 was carried out by Vigers Hong Kong Limited, Mansion Surveyors Ltd. and Chesterton Petty, firms of independent professional valuers, on an open market value basis.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31st December, 1996***12. FIXED ASSETS — continued**

If leasehold land and buildings had not been revalued, they would have been included on a historical cost basis at the following amounts:

	THE GROUP HK\$'000	THE COMPANY HK\$'000
Cost	75,591	15,000
Accumulated depreciation	<u>(2,083)</u>	<u>(450)</u>
Net book value at 31st December, 1996	<u>73,508</u>	<u>14,550</u>
Net book value at 31st December, 1995	<u>33,442</u>	<u>15,000</u>

The investment properties of the Group in the PRC which have carrying values of HK\$66 million as at the balance sheet date were acquired under certain agreements on 27th October, 1994 and on 15th August, 1995. Under the agreements, the respective rights, rewards and risks in respect of the properties were assigned to the Group, but the properties will remain registered in the name of the former owner for a term of three years from the respective dates of agreements. During such period, the Group is entitled to a guaranteed annual rental return of 15 per cent. on the original investment cost and also has the option to request the former owner to repurchase the properties at the original prices of purchase by the Group. During 1996, the guaranteed annual rental return was amended to 12 per cent. on the original investment cost.

During the year, a leasehold property was transferred to investment property, the deemed cost of which was taken to be its carrying value under the original classification.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31st December, 1996***13. INTEREST IN SUBSIDIARIES**

	THE COMPANY	
	1996	1995
	HK\$'000	HK\$'000
Unlisted shares, at cost	1	1
Loans to subsidiaries	441,128	482,775
Amounts due from subsidiaries	10,230	887
Amounts due to subsidiaries	<u>(113,867)</u>	<u>—</u>
	<u>337,492</u>	<u>483,663</u>

Loans to and amounts due from/to subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

Details of the Company's subsidiaries as at 31st December, 1996 are set out in note 32 to the financial statements.

14. INTEREST IN ASSOCIATED COMPANIES

	THE GROUP		THE COMPANY	
	1996	1995	1996	1995
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted shares, at cost	—	—	44,643	44,643
Share of net assets, other than goodwill	341,684	341,042	—	—
Amounts due from associated companies	90,347	3,809	90,347	3,809
Amount due to an associated company	<u>(26,356)</u>	<u>(26,356)</u>	<u>(26,356)</u>	<u>(26,356)</u>
	<u>405,675</u>	<u>318,495</u>	<u>108,634</u>	<u>22,096</u>

Details of the associated companies of the Group as at 31st December, 1996 are set out in note 32 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31st December, 1996***14. INTEREST IN ASSOCIATED COMPANIES — continued**

The following details represent the aggregate amount of the financial information of the Group's significant associated companies which have been extracted from the financial statements of those associated companies, namely Crabec Holdings (BVI) Limited, Chongqing Qingling Casting Co. Ltd and Chongqing Qingling Forging Co. Ltd (1995: Crabec Holdings (BVI) Limited, Chongqing Qingling Casting Co. Ltd, Chongqing Qingling Forging Co. Ltd and Sanva Properties Limited).

Operating result

	1996 HK\$'000	1995 HK\$'000
Turnover	<u>118,222</u>	<u>292,396</u>
Depreciation	<u>8,357</u>	<u>6,159</u>
Profit from ordinary activities before taxation	<u>11,575</u>	<u>25,371</u>
Profit from ordinary activities before taxation attributable to the Group	<u>887</u>	<u>4,289</u>

Financial position

	1996 HK\$'000	1995 HK\$'000
Total tangible assets	1,838,276	1,882,473
Total intangible assets	6,016	4,747
Total liabilities	<u>(784,093)</u>	<u>(751,781)</u>
Net assets	<u>1,060,199</u>	<u>1,135,439</u>
Net assets attributable to the Group	<u>299,617</u>	<u>325,972</u>

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31st December, 1996***15. INVESTMENTS**

	THE GROUP		THE COMPANY	
	1996	1995	1996	1995
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Shares listed in Hong Kong, at valuation:				
Market value at the balance sheet date	<u>342,021</u>	<u>360,011</u>	<u>21</u>	<u>11</u>

The investments of the Group at the balance sheet date represent 80,005,000 (1995: 160,005,000) H shares in Qingling Motors, a company established in the PRC and is engaged in the production and sale of Isuzu light-duty trucks, pickup trucks and minibuses in the PRC and its H shares are listed on The Stock Exchange of Hong Kong Limited. The investments represent a 4% (1995: 8%) interest in the issued share capital of Qingling.

During the year, the Group disposed of 80,000,000 H shares in Qingling Motors to outsiders, resulting in an exceptional gain of approximately HK\$163,396,000 (note 5) to provide the necessary funds for the Group's investment projects and to reduce the level of bank borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 1996

16. NET CURRENT LIABILITIES

	THE GROUP		THE COMPANY	
	1996 HK\$'000	1995 HK\$'000	1996 HK\$'000	1995 HK\$'000
CURRENT ASSETS				
Deposits, prepayments and other receivables	8,508	12,033	1,258	5,752
Amount due from an associated company	—	—	—	—
Amount due from a joint venture partner	76,537	—	76,537	—
Short term investments (note 17)	6,236	3,158	—	—
Bank balances and cash	15,925	40,441	13,541	35,331
	<u>107,206</u>	<u>55,632</u>	<u>91,336</u>	<u>41,083</u>
CURRENT LIABILITIES				
Creditors, rental deposits and accrued charges	9,748	15,832	9,320	15,582
Taxation	37,062	13,102	13,102	13,102
Dividend payable	13,072	36,375	13,072	36,375
Secured bank loans due within one year (note 21)	72,433	26,000	72,433	26,000
Secured bank overdrafts	1,977	5,382	1,977	5,382
	<u>134,292</u>	<u>96,691</u>	<u>109,904</u>	<u>96,441</u>
NET CURRENT LIABILITIES	<u>(27,086)</u>	<u>(41,059)</u>	<u>(18,568)</u>	<u>(55,358)</u>

17. SHORT TERM INVESTMENTS

	THE GROUP	
	1996 HK\$'000	1995 HK\$'000
Shares and warrants listed in Hong Kong, at cost	1,372	2,274
Overseas listed investments, at cost	5,189	1,826
	<u>6,561</u>	<u>4,100</u>
Less: Provision for diminution in value	(325)	(942)
Carrying value at the balance sheet date	<u>6,236</u>	<u>3,158</u>
Market value at the balance sheet date	<u>6,802</u>	<u>3,236</u>

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31st December, 1996***18. SHARE CAPITAL**

	1996 HK\$'000	1995 HK\$'000
Authorised:		
Ordinary shares of HK\$0.20 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.20 each	<u>43,575</u>	<u>36,375</u>

On 18th October, 1996, a placement agreement was entered into between Join Truth Limited ("Join Truth"), the immediate holding company of the Company, and ABN AMRO HG Asia Limited to place 36,000,000 existing shares of HK\$0.20 each in the Company at a price of HK\$2.525 per share. The placing price represented a discount of approximately 5.6 per cent. to the closing price of HK\$2.675 per share in the share capital as quoted on The Stock Exchange of Hong Kong Limited on 18th October, 1996.

On the same date, immediately following completion of the placing, pursuant to a subscription agreement dated 18th October, 1996 entered into between Join Truth and the Company, the Company issued and allotted 36,000,000 new ordinary shares of HK\$0.20 each (the "Subscription Shares") at HK\$2.435 per share to Join Truth. The issue of the subscription shares under the subscription agreement was issued pursuant to the general mandate granted to the directors of the Company at the Company's extraordinary general meeting held on 12th June, 1996. These shares rank pari passu in all respects with the then existing issued shares of the Company.

19. SHARE OPTIONS

Pursuant to the ordinary resolution of the Company passed in the extraordinary general meeting held on 26th June, 1995, the Company adopted a share option scheme (the "Scheme") on that date. According to the Scheme, the board of directors of the Company are authorised, at any time within 10 years after the adoption date, to grant options to any directors or employees of the Company or any of its subsidiaries to subscribe for shares in the Company at a price not less than 80 per cent. of the average of closing prices of the Company's shares on the five trading days immediately preceding the offer date of the options. The maximum number of shares in respect of which options may be granted under the Scheme cannot exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company from time to time.

No options were granted or exercised during the year.

Subsequent to the balance sheet date, on 8th January, 1997, the Company granted options in respect of 20,000,000 shares of HK\$0.20 each to a director and certain employees. The options entitle the holders to subscribe at a subscription price of HK\$2.9 per share, subject to adjustment, in the share capital of the Company at any time from 8th January, 1997 up to and including 7th January, 2007. No options were exercised or cancelled up to the date of this report.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 1996

20. RESERVES

	Share premium HK\$'000	Investment properties revaluation reserve HK\$'000	Asset revaluation reserve HK\$'000	Capital reserve on consolidation HK\$'000	Other reserves HK\$'000	Exchange reserve HK\$'000	Retained profits (deficit) HK\$'000	Total HK\$'000
THE GROUP								
At 1st January, 1996	55,272	138,020	229,310	22,415	—	166	218,601	663,784
Premium on issue of shares, net of expenses	80,123	—	—	—	—	—	—	80,123
Realised on disposal of investment properties	—	(17,659)	—	—	—	—	—	(17,659)
Surplus arising on revaluation of investment properties	—	15,710	—	—	—	—	—	15,710
Surplus arising on revaluation of leasehold properties	—	—	34,581	—	—	—	—	34,581
Reversal of deferred taxation arising on deficit on revaluation of investment properties (note 23)	—	900	—	—	—	—	—	900
Realised on disposals of investments	—	—	(108,374)	—	—	—	—	(108,374)
Surplus arising on revaluation of investments	—	—	162,010	—	—	—	—	162,010
Exchange difference on translation of associated companies on consolidation	—	—	—	—	—	55	—	55
Surplus arising on revaluation of investment properties of an associated company	—	1,256	—	—	—	—	—	1,256
Share of other reserve of an associated company	—	—	—	—	508	—	—	508
Transfer of profit to other reserves in an associated company	—	—	—	—	114	—	(114)	—
Profit for the year, retained	—	—	—	—	—	—	126,338	126,338
At 31st December, 1996	<u>135,395</u>	<u>138,227</u>	<u>317,527</u>	<u>22,415</u>	<u>622</u>	<u>221</u>	<u>344,825</u>	<u>959,232</u>

Included in the above are the following Group's share of post-acquisition reserves of the association companies:

At 1st January, 1996	—	(906)	—	—	—	21	(3,246)	(4,131)
Share of reserve movements of associated companies during the year	—	1,256	—	—	622	(160)	(1,688)	30
At 31st December, 1996	<u>—</u>	<u>350</u>	<u>—</u>	<u>—</u>	<u>622</u>	<u>(139)</u>	<u>(4,934)</u>	<u>(4,101)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 1996

20. RESERVES — continued

	Share premium HK\$'000	Investment properties revaluation reserve HK\$'000	Asset revaluation reserve HK\$'000	Capital reserve on consolidation HK\$'000	Other reserves HK\$'000	Exchange reserve HK\$'000	Retained profits (deficit) HK\$'000	Total HK\$'000
THE COMPANY								
At 1st January, 1996	55,272	136,780	12,562	—	—	—	238,704	443,318
Premium on issue of shares, net of expenses	80,123	—	—	—	—	—	—	80,123
Realised on disposals of investment properties	—	(17,659)	—	—	—	—	—	(17,659)
Surplus arising on revaluation of investment properties	—	17,080	—	—	—	—	—	17,080
Surplus arising on revaluation of leasehold properties	—	—	5,250	—	—	—	—	5,250
Surplus arising on revaluation of investments	—	—	10	—	—	—	—	10
Loss for the year	—	—	—	—	—	—	(10,479)	(10,479)
Dividend declared	—	—	—	—	—	—	(13,072)	(13,072)
At 31st December, 1996	<u>135,395</u>	<u>136,201</u>	<u>17,822</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>215,153</u>	<u>504,571</u>

The Company's reserves available for distribution to shareholders as at 31st December, 1996 represent the retained profits of HK\$215,153,000 (1995: HK\$238,704,000).

21. SECURED BANK LOANS

The bank loans bear interest at commercial rates and are secured by the investment properties and leasehold properties and listed investments of the Group (see note 30). The balance is repayable within the following periods:

	THE GROUP AND THE COMPANY	
	1996 HK\$'000	1995 HK\$'000
Within 1 year	72,433	26,000
Between 1-2 years	11,106	166,024
Between 2-5 years	24,001	7,000
Over 5 years	<u>22,286</u>	<u>—</u>
	129,826	199,024
Less: Amount due within one year included under current liabilities (note 16)	<u>(72,433)</u>	<u>(26,000)</u>
Amount due after one year	<u>57,393</u>	<u>173,024</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 1996

22. OTHER LOAN

THE GROUP

The loan was unsecured, bore interest at commercial rate and was repaid in September 1996.

23. DEFERRED TAXATION

	THE GROUP		THE COMPANY	
	1996 HK\$'000	1995 HK\$'000	1996 HK\$'000	1995 HK\$ '000
Balance brought forward	1,170	330	250	250
Excess of fixed assets depreciation allowance claimed for tax purposes over depreciation charged in the financial statements	295	—	295	—
Other timing difference	(30)	—	(30)	—
Reversal of deferred taxation on deficit arising on revaluation of properties situated in the PRC (note 20)	(900)	840	—	—
Balance carried forward	<u>535</u>	<u>1,170</u>	<u>515</u>	<u>250</u>

At the balance sheet date, the major components of the deferred taxation liability provided for in the financial statements are as follows:

	THE GROUP		THE COMPANY	
	1996 HK\$'000	1995 HK\$'000	1996 HK\$'000	1995 HK\$'000
The effect of timing differences attributable to:				
Excess of fixed assets depreciation allowance claimed for tax purposes over depreciation charged in the financial statements	515	220	515	220
Surplus arising on revaluation of properties situated in the PRC	20	920	—	—
Other timing differences	—	30	—	30
	<u>535</u>	<u>1,170</u>	<u>515</u>	<u>250</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 1996

23. DEFERRED TAXATION — continued

The surpluses arising on revaluation of land and buildings situated in Hong Kong and on revaluation of long term investments do not constitute a timing difference for taxation purposes as any profit arising on their subsequent disposals would not be subject to taxation.

There is no significant unprovided deferred taxation in respect of the Group and of the Company for the year ended 31st December, 1996 or as at the balance sheet date.

24. RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1996 HK\$'000	1995 HK\$'000
Profit from ordinary activities before taxation	164,254	112,746
Share of results of associated companies	955	(3,725)
Loss on disposal of fixed assets	297	18
Depreciation	2,912	891
Interest income	(3,325)	(806)
Interest expense	24,106	26,527
Profit on disposal of a subsidiary	(3)	—
Exceptional profit on sale of listed investments	(163,396)	(129,464)
Exceptional profit on sale of investment properties	(19,314)	—
Decrease in deposits, prepayments and other receivables	541	402
(Increase) decrease in short term investments	(3,078)	1,381
(Decrease) increase in creditors, rental deposits and accrued charges	(3,317)	793
	<u>632</u>	<u>8,763</u>
Net cash inflow from operating activities	<u>632</u>	<u>8,763</u>

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31st December, 1996***25. DISPOSAL OF A SUBSIDIARY**

	1996 HK\$'000	1995 HK\$'000
Net liabilities disposed of:		
Amount due to the Group	(6)	—
Profit on disposal of a subsidiary	<u>3</u>	<u>—</u>
	<u>(3)</u>	<u>—</u>
Satisfied by:		
Interest in an associated company	<u>(3)</u>	<u>—</u>

26. ANALYSIS OF CHANGES IN FINANCING ACTIVITIES DURING THE YEAR

	Share capital and premium HK\$'000	Other loan HK\$'000	Secured bank loans HK\$'000
At 1st January, 1996	91,647	53,072	199,024
Proceeds from placement of shares, net of expenses	87,323	—	—
New borrowings raised during the year	—	—	58,402
Repayments during the year	<u>—</u>	<u>(53,072)</u>	<u>(127,600)</u>
At 31st December, 1996	<u>178,970</u>	<u>—</u>	<u>129,826</u>

27. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	1996 HK\$'000	1995 HK\$'000
Bank balances and cash	15,925	40,441
Secured bank overdrafts	<u>(1,977)</u>	<u>(5,382)</u>
	<u>13,948</u>	<u>35,059</u>

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31st December, 1996***28. OPERATING LEASE COMMITMENTS**

At the balance sheet date, the commitments payable in the following year under non-cancellable operating leases in respect of rented properties are as follows:

	THE GROUP AND THE COMPANY	
	1996	1995
	HK\$'000	HK\$'000
Leases which expire within one year	<u>—</u>	<u>755</u>

29. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY	
	1996	1995	1996	1995
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the financial statements related to:				
— the acquisition of fixed assets	—	1,736	—	686
— the capital injection in the investments in the PRC	489,307	—	—	—
Capital expenditure authorised but not contracted for related to the investment projects	<u>47,103</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>536,410</u>	<u>1,736</u>	<u>—</u>	<u>686</u>

30. PLEDGE OF ASSETS

The Group has pledged investment properties and leasehold properties which have an aggregate net book value at the balance sheet date of approximately HK\$160.2 million (1995: HK\$184.7 million) and HK\$103.7 million (1995: HK\$29.1 million) respectively, and long term investments of carrying value at 31st December, 1996 of HK\$342 million (1995: HK\$360 million) to secure general banking facilities granted to the Group.

The Group has pledged its investment in one of the associated companies, International Copper Industry (China) Investment Limited ("ICC"), and has also subordinated a receivable from ICC amounting to HK\$76,538,000 as at 31st December, 1996, in favour of a bank to secure a bank loan granted to ICC (See note 31).

NOTES TO THE FINANCIAL STATEMENTS*For the year ended 31st December, 1996***31. CONTINGENT LIABILITIES****THE GROUP AND THE COMPANY**

The Company has executed a joint and several guarantee, together with China Nonferrous Metals Holdings (Hong Kong) Limited, the joint venture partner in ICC, in respect of a bank loan granted to ICC of HK\$330 million.

32. PARTICULARS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

(a) Details of the Company's subsidiaries at 31st December, 1996 are as follows:

Name of company	Place of incorporation	Nominal value of issued ordinary share capital	Proportion of nominal value of issued ordinary share capital by held the Company		Principal activity
			Directly	Indirectly	
International Copper Industry Investment (BVI) Limited	British Virgin Islands	US\$1	100%	—	Investment holding
Likesway Limited	Hong Kong	HK\$2	100%	—	Property holding
Nonferrous Metals International (BVI) Limited	British Virgin Islands	HK\$2	100%	—	Investment holding
Nonferrous Metals International Limited	Hong Kong	HK\$2	—	100%	Not yet commenced business
Real China Development Limited	Hong Kong	HK\$2	100%	—	Property holding
Silver Grant Department Store Limited (Formerly known as Tryall Limited)	British Virgin Islands	US\$1	100%	—	Investment holding
Silver Grant Hainan Investment (BVI) Limited	British Virgin Islands	US\$1	100%	—	Property investment
Silver Grant Industrial Investment (Casting) Limited	British Virgin Islands	US\$1	100%	—	Investment holding
Silver Grant Industrial Investment (Forging) Limited	British Virgin Islands	US\$1	100%	—	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 1996

Name of company	Place of incorporation	Nominal value of issued ordinary share capital	Proportion of nominal value of issued ordinary share capital by held the Company		Principal activity
			Directly	Indirectly	
Silver Grant Industrial Investment (BVI) Limited	British Virgin Islands	US\$1	100%	—	Investment holding
Silver Grant Infra-Structure Investment (BVI) Limited	British Virgin Islands	US\$1	100%	—	Investment holding
Silver Grant International Department Store Limited	Hong Kong	HK\$2	—	100%	Investment holding
Silver Grant International Industrial Investment (Casting) Limited	Hong Kong	HK\$2	—	100%	Investment holding
Silver Grant International Industrial Investment (Forging) Limited	Hong Kong	HK\$2	—	100%	Investment holding
Silver Grant International Industrial Investment Limited	Hong Kong	HK\$10,000	—	100%	Investment holding
Silver Grant International Infra-Structure Investment Limited	Hong Kong	HK\$2	—	100%	Net yet commenced business
Silver Grant International Securities Investment Limited	Hong Kong	HK\$2	—	100%	Securities trading
Silver Grant Real Estate Company (BVI) Limited	British Virgin Islands	US\$1	100%	—	Investment holding
Silver Grant Securities Investment (BVI) Limited	British Virgin Islands	US\$1	100%	—	Investment holding
Twin Sparkle Limited	Hong Kong	HK\$2	—	100%	Property holding

Other than investment holding companies incorporated in the British Virgin Islands and Silver Grant Hainan Investment (BVI) Limited which operates principally in the PRC, all subsidiaries principally operate in Hong Kong.

No loan capital has been issued by any of the subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 1996

32. PARTICULARS OF SUBSIDIARIES AND ASSOCIATED COMPANIES — continued

(b) Details of the Company's associated companies at 31st December, 1996 are as follows:

Name of company	Place of incorporation/ registration	Proportion of nominal value of issued ordinary share capital/registered capital held by		Principal activities
		the Group	the Company	
Crabec Holdings (BVI) Limited	British Virgin Islands	30%	—	Investment holding, property investment and development and provision of civil engineering and decoration services
International Copper Industry (China) Investment Limited	Hong Kong	50%	—	Investment holding
China Infra-Structure Investment Limited	Hong Kong	40%	—	Not yet commenced business
Chongqing Qingling Casting Co. Ltd	PRC	29%	—	Manufacture and sale of automobile parts
Chongqing Qingling Forging Co. Ltd	PRC	23%	—	Manufacture and sale of automobile parts
Full Cheong Limited	Hong Kong	40%	40%	Inactive
Ocean Capital Investment Limited	Hong Kong	22.5%	22.5%	Investment holding
Sanva Properties Limited	British Virgin Islands	35%	35%	Inactive

33. POST BALANCE SHEET EVENTS

- (1) Subsequent to the balance sheet date, the Group disposed of 11,000,000 H shares of its investments in Qingling Motors to provide funds to finance other investment projects.
- (2) According to the announcement of the Company issued on 20th March, 1997, the directors recommend that a bonus issue of ordinary shares of the Company will be made in the proportion of two bonus shares for every HK\$0.20 share held in the capital of the Company by those shareholders whose names appear on the register of members on 21st April, 1997. The proposed bonus issue of shares will be subject to the passing of the relevant ordinary resolutions approving the capitalisation of the Company's share premium account, the bonus issue of shares and the increase in authorised share capital of the Company by the shareholders in the extraordinary general meeting to be held on 21st April, 1997 and the granting of listings of and permission to deal in the bonus shares by The Stock Exchange of Hong Kong Limited.

FINANCIAL SUMMARY

		Nine months			
	Year ended	ended 31st	Year ended 31st December,		
	31st March,	December,	1994	1995	1996
	1993	1993	HK\$Million	HK\$Million	HK\$Million
	HK\$Million	HK\$Million	HK\$Million	HK\$Million	HK\$Million
Consolidated Profit and Loss Account					
Turnover (<i>Note</i>)	<u>13.2</u>	<u>7.1</u>	<u>26.5</u>	<u>61.7</u>	<u>60.7</u>
Profit from ordinary activities before taxation	17.2	61.3	43.1	112.7	164.2
Taxation	<u>1.7</u>	<u>1.2</u>	<u>—</u>	<u>14.8</u>	<u>24.8</u>
Profit before minority interests	15.5	60.1	43.1	97.9	139.4
Minority interests	<u>1.3</u>	<u>0.5</u>	<u>—</u>	<u>—</u>	<u>—</u>
Profit for the year	<u>14.2</u>	<u>59.6</u>	<u>43.1</u>	<u>97.9</u>	<u>139.4</u>

Note: Turnover represents the aggregate of rental income from leasing of properties, dividend income earned from the long term investments and the gross proceeds received and receivable from trading of marketable securities during the year. During the year, the Group has redefined the definition of turnover to include the gross received and receivable from trading of marketable securities. The turnover in prior years have been restated accordingly to conform with the current year's presentation.

FINANCIAL SUMMARY

	31st March, 1993 HK\$Million	1993 HK\$Million	31st December, 1994 HK\$Million	1995 HK\$Million	1996 HK\$Million
Consolidated Balance Sheet					
Fixed assets	339.0	203.0	246.6	290.0	340.1
Interest in associated companies	23.7	92.3	248.9	318.5	405.6
Investments	—	—	672.0	360.0	342.0
Net current (liabilities) assets	<u>(16.0)</u>	<u>22.7</u>	<u>(76.9)</u>	<u>(41.1)</u>	<u>(27.0)</u>
	<u>346.7</u>	<u>318.0</u>	<u>1,090.6</u>	<u>927.4</u>	<u>1,060.7</u>
Share capital	30.3	30.3	36.4	36.4	43.6
Reserves	<u>251.7</u>	<u>287.5</u>	<u>806.3</u>	<u>663.8</u>	<u>959.2</u>
Shareholders' funds	282.0	317.8	842.7	700.2	1,002.8
Minority interests	34.7	—	—	—	—
Long-term liabilities	30.0	—	247.6	226.1	57.4
Deferred taxation	<u>—</u>	<u>0.2</u>	<u>0.3</u>	<u>1.1</u>	<u>0.5</u>
	<u>346.7</u>	<u>318.0</u>	<u>1,090.6</u>	<u>927.4</u>	<u>1,060.7</u>

SUMMARY OF INVESTMENT PROPERTIES

The following is a list of the Group's investment properties at 31st December, 1996:

Location	Purpose	Gross area sq. ft.
INVESTMENT PROPERTIES HELD UNDER LONG LEASES IN HONG KONG		
1. Shops Nos. 1,2,7 and 9 on Ground Floor, Whole of 1st Floor and adjacent Flat Roof and Whole of 2nd Floor, Tung Shun Hing Building, No.22 Chi Kiang Street, To Kwa Wan, Kowloon.	Commercial	19,934
2. Flats 1 and 2 on 4th Floor and Flat 2 on 7th Floor of Block C and Carparking Spaces Nos. D2, D5 and D13 on Ground Floor, Winfield Building, Nos. 1—5 Ventris Road, Happy Valley, Hong Kong.	Residential	4,791
3. Shops Nos. 9,31,34,35, 39 and 40 on the 1st Floor and Shops Nos. 63 and 64 on 2nd Floor of the Podium, Admiralty Centre, No.18 Harcourt Road, Hong Kong.	Commercial	5,252
4. Shop A on 1st Floor, Tung Hey Building, Nos. 12—22 Queen's Road East, Nos. 7—9 Tsui In Lane, Wanchai, Hong Kong.	Commercial	2,715
5. Flat C2 on 6th Floor of Block C and Carparking Spaces Nos. 38 and 38A on Carpark Level 1, Beverly Hill, No.6 Broadwood Road, Hong Kong.	Residential	1,738
INVESTMENT PROPERTY HELD UNDER A LONG LEASE IN THE PEOPLE'S REPUBLIC OF CHINA		
6. Level 1, 2 and 3 of Nanya Building, Guomao Road, Haikou, Hainan Province	Commercial	77,141