

# **GINTIAN INDUSTRY (GROUP) CO., LTD.**

## **1999 ANNUAL REPORT (SUMMARY)**

**Important:** The Board of Directors of Gintian Industry (Group) Co., Ltd. (hereinafter referred to as the Company) hereby confirms that there are no any important omissions, fictitious statements or serious misleading information carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents. This summary is extracted from the original of the annual report. For more detailed information, the investors are recommended to refer to the original.

In the Board of Directors opinion, the Qualified Auditor's Report issued by Shenzhen Zhongtian Certificated Public Accounts reflected the practical financial status of the Company. The Board of Directors of the Company will further strengthen clearing liabilities and activating the settled assets, and make efforts to reduce assets loss of the Company.

### **I . About the Company**

1. Legal Name of the Company in Chinese: 金田实业（集团）股份有限公司  
Legal Name of the Company in English: GINTIAN INDUSTRY (GROUP) CO., LTD
2. Legal Representative: Huang Hanqing
3. Secretary of the Board of Directors: Peng Wei  
Authorized Representative in Charge of Securities Affairs: Qiu Xueqiang
4. Registered/Office Address:  
23/F-26/F, Gintian Building, No.1199 Heping Road, Shenzhen City, Guangdong Province  
Post Code: 518010  
Tel: 86-755-5573548  
Fax: 86-755-5592045, 5591994  
E-mail: [pw168@163.com](mailto:pw168@163.com)
5. Newspapers for Disclosing the Information:  
Securities Times, Ta Kung Pao  
Internet Web Site Designated by China Securities Regulatory Commission for Publishing the Annual Report: <http://www.cninfo.com.cn>
6. The Place Where the Annual Report is Prepared and Placed:  
Office of the Board of Directors
7. Stock Exchange Listed with: Shenzhen Stock Exchange  
Short form of the Stock: SHENGINTIAN – A, SHENGINTIAN - B

Stock Code: 0003, 2003

## II. Financial Highlights

### 1. Financial Data Summary (in: RMB)

Total profit:	-173,313,430.20
Net profit:	-181,996,297.42
Net profit after deducting the non-recurring gains and loss:	-208,827,018.30
Profit from main business lines:	137,342,562.07
Profit from other business lines:	4,870,325.71
Operating profit:	-118,619,653.14
Investment income:	-31,921,341.02
Subsidy income:	2,605,953.02
Net amount of non-operating income and expenditure:	-25,579,768.30
Net amount of cash flows arising from operating activities:	-20,031,100.82
Net increase in cash and cash equivalents:	-62,791,720.38

### 2. Impact after adjustment as audited by International Accounting Standard on net profit: (in: RMB' 000)

As audited by China Accounting Standard, the net profit realized in the year of 1999	(181,996)
After adjustment as audited by IAS	
Loss provided/ provision of stop production of large and small scale machine	2,700
Employee welfare and bonus deduction/provision	(273)
Long/short-term investment permanent devaluation provision	7,625
Foreseen loss provision	2,249
Adjustment on error clearing time	(188,776)
Goodwill	5,989
Others	9,422
As audited by IAS	(343,060)

### 3. Accounting and Financial Highlights at the End of the Report Period: (in RMB, except otherwise indicated)

Item	1999	1998		1997	
		After Adjustment	Before Adjustment	After Adjustment	Before Adjustment
Income from main business lines	480,417,664.42	524,199,215.02	524,199,215.02	526,099,494.07	526,099,494.07
Net profit	-181,996,297.42	-447,644,675.75	-273,271,228.19	29,487,103.25	33,731,081.04
Total assets	2,985,977,677.09	3,201,168,861.96	3,258,032,581.11	3,568,544,488.19	3,845,297,243.32
Shareholders' equity	102,284,962.02	287,416,424.37	461,789,871.93	735,044,120.07	1,126,206,812.17
Earnings per share	-0.546	-1.343	-0.82	0.088	0.10
Net assets per share	0.307	0.862	1.38	2.20	3.38
Net assets per share after	0.001	0.627	1.33	2.05	2.45

adjustment					
Net cash flows per share from operating activities	-0.06		0.189		
Net asset-income ratio (%)	-177.9%	-155.5%	-59.2%	4%	3%

The major financial data as of earnings per share, net assets per share, net assets per share after adjustment, net cash flows per share from operating activities and net asset-income ratio are calculated according to the following formula:

Earnings per share = Net profit / Total number of ordinary shares at end of the year

Net asset per share = Shareholders' equity at end of year / Total number of ordinary shares at end of year

Net asset per share after adjustment = [Shareholders' equity at end of year - net accounts receivable over more than three years - expenses to be apportioned - net loss in the assets (circulating and fixed) in suspense - organization expenses - long-term expenses to be apportioned - negative amount of housing revolving fund] / total number of ordinary shares at end of year

Net cash flows per share from operating activities = Net cash flows from operating activities / Total number of ordinary shares at end of year

Net asset-income ratio = Net profit / Shareholders' equity at end of year  $\times$  100%

#### 4. About the Changes in Shareholders' Equity

Items	Share Capital	Capital Public Reserve	Surplus Public Reserve	Statutory Public Welfare Fund	Undistributed Profit	Total Shareholders' Equity
Beginning of the period	333,433,584	612,735,050.30	59,932,382.27	22,848,686.49	-741,406,183.61	287,543,521.45
Increase as of the year	-	-	-	-	59,932,382.27	59,932,382.27
Decrease as of the year	-	3,202,758.52	59,932,382.27	-	181,996,297.42	245,131,438.21
End of the period	333,433,584	609,532,291.78	0.00	22,848,686.49	-863,470,098.76	102,344,465.51

Reasons for changes: decrease of the capital public reserve is due to the sale of fixed assets to write off original assets appraisal increment;

Decrease of surplus public reserve is because use surplus public reserve to make up deficit due to the resolution of the shareholders' general meeting;

Decrease of undistributed profit is due to the implementation of the documents CKZ (1999) No.35 and CKZ (2000) No. 4 of Circular of Supplementary Regulation of Accounting Disposal for Joint stock Listed Company and Printed Circular of Regulation of Change Allotment Ratio of Account Receivable Bad Debt and Means of Accounting Disposal. According to the aforesaid means, the Company changed the method from combining allocate specified provision of previous year with the balance ratio (allocate 1% of account receivable, other receivables and balance of prepaid accounts to be bad debt provision) to combining allocate specified provision with analysis of account age (account age within one year will allocate 1% of account receivable and other receivables for bad debt provision; from one to two years will allocate 5% of account receivable and other receivables for bad debt provision; from two to three years will allocate 10% of account receivable and other receivables for bad debt provision; above three years will allocate 15% of account receivable and other receivables for bad debt provision ).

The above accounting policy will adopt retroactive method with adjustment of retained earnings and relevant item at the beginning period; the statistic of profit and profit distribution of previous year have already filled in the column as after adjustment. Accumulated number as influenced by the above changed accounting policies is RMB 191,085,877.85 and the retained earnings at the beginning of 1999 is reduced RMB 174,373,447.56 including undistributed profit of RMB 174,373,447.56.

### III. Changes in Share Capital and Particulars about the Principal Shareholders

#### 1. Constitution of Share Capital and Changes (in: share)

Item	Number of the beginning of period	Number of the end of period
<b>I. Shares not in circulation</b>		
(1) Promoters' share		
Including: Stated-owned share		
Domestic legal person share	25,020,309	25,020,309
(2) Legal person share as raised	42,165,669	42,165,669
(3) Legal person transferred-allotted share	166,305	166,305
(4) Employees' share	201,894	201,894
<b>Total shares not in circulation</b>	<b>67,554,177</b>	<b>67,554,177</b>
<b>II. Shares in circulation</b>		
Domestically list ordinary RMB share	191,642,605	191,642,605
Domestically listed foreign share	74,236,802	74,236,802
Foreign share listed abroad		
<b>Total shares in circulation</b>	<b>265,738,637</b>	<b>265,738,637</b>
<b>III. Total shares</b>	<b>333,433,584</b>	<b>333,433,584</b>

Note: In the report period, there were no shares as allotted, bonus shares, increase of share capital or the second issuance, etc. There was no change in shares.

#### 2. Introduction to shareholders

① Ended Dec. 31, 1999, the Company had altogether 148,680 shareholders including 141,981 shareholders of A- share and 6,699 shareholders of B- share.

② The top ten shareholders of the Company ended Dec. 31, 1999 are as follows:

Shareholder	Number of share	Type	Proportion in total share capital (%)
1. Agricultural Bank of China, Shenzhen Branch	24,948,000		7.48
2. Trade Union of Gintian Industrial (Group) Co., Ltd.	14,358,614		4.31
3. Shenzhen Textile (Group) Co., Ltd.	12,274,495		3.68
4. Shenzhen Development Bank	3,805,312		1.14
5. Nanhua Securities Co., Ltd.	2,965,957		0.88
6. Shenzhen Urban Construction & Development Group Co.	2,634,508		0.79
7. HORSE INTL. INV. CO. LTD.	1,953,600	B-share	0.58
8. China Economic Development Trust & Investment Co.	1,814,400		0.54
9. GENERAL WAY (HONG KONG) LTD.	1,775,998	B-share	0.53
SILUX INVESTMENTS LTD.	1,775,998	B share	0.53
10. SILVER PACIFIC LTD.	1,678,709	B-share	0.50

Note: The shareholder holding more than 5% of the total shares of the Company is Agricultural Bank of China, Shenzhen Branch that holds totally 24,948,000 shares, taking 7.48% of the total.

In the report year, there was no pledge on or blockage of the shares held by the shareholders

holding over 5% (including 5%) of the total; and there was no business relationship among the top ten shareholders, either.

In the report period, there was no change in the control shareholders of the Company.

#### **IV. Brief Introduction to Shareholders' General Meeting**

In the report period, the Company held one annual shareholders' general meeting.

The Company published the public notice on Securities Times and Hong Kong Commercial Daily on April 30, 1999 on holding '98 Shareholders' General Meeting. The meeting was held at the meeting hall of the Company on June 11, 1999. Under the on-the-spot notarization by the notaries public from Shenzhen Notary Public Office, the meeting examined and adopted the following reports and proposals:

1. '98 Work Report of the Board of Directors
2. '98 Work Report of the Supervisory Committee
3. '98 Financial Settlement Report
4. '98 Profit Distribution Proposal
5. Proposal on Changing Some of the Directors and Supervisors
6. Engagement of Shenzhen Zhongtian Certified Public Accountants and Horwath China (Shenzhen) Certified Public Accountants as the domestic and international auditors respectively in the year 1999.
7. The Proposal on Other Authorizations to the Board of Directors

The resolutions of the Shareholders' General Meeting were published on Securities Times and Hong Kong Commercial Daily dated June 12, 1999.

#### **V. Report of the Board of Directors**

##### **1. Operation**

(1) The industry the Company is engaged in and its position

The Company conducts diversified businesses and takes real estate development as its key business. The real estate developed by Shanghai Gintian Real Estate Development Co., a subsidiary of the Company, won the prize of "best apartment pattern" at Datong Cup Apartment Pattern Appraisal, the prize of "excellent apartment pattern" and the nomination prize of excellent planning and design of residential quarters in the "'99 Shanghai Excellent Residential Quarters Appraisal" and the prize of "top quality project" in "Pujiang Cup" project appraisal for the second time.

## (2) Main business line and operation

The Company is mainly engaged in real estate development, being concurrently engaged in textile industry, building materials, energies, production of magnetic discs, transportation, import and export business, retail business and hotel service.

(3) 1999 was a year when the Company continued to develop through business adjustment. The Company maintained good performance in real estate development that is its key business. Shanghai Gintian Real Estate Co. developed real estate with floorage of 162,000 square meters, an increase of 24.6% over 1998. It sold 379 flats with floorage of 43200 square meters. The total contractual price was RMB 0.16 billion and the Company recovered funds of over RMB 0.15 billion. 108 flats of Jinxiang City Garden developed by Shenzhen Gintian Real Estate Co. with floorage of 7,484 square meters were sold with total contractual price of RMB 30.15 million. The construction of Jinhui Court and Jinting Court officially commenced. Shenzhen Gintian Plaza with floorage of 16,000 square meters was built in the report year.

Facing the structural adjustment of the state power policies, Linzhou Power (Group) Co., Ltd., a subsidiary of the Company, actively sought development. Several subsidiaries of the company with high electricity consumption were put into production. It obtained the approval by Henan Provincial Economic Commission of the project concerning environmental protection and energy-saving renovation, and has centrally supplied heat energy to the urban. In the whole year, it has earned profit of RMB 20 million. Gintian Magnetic Technology Co. was in full-load operation in the report year. Its output of computer discs hit a record, reaching 51.48 million pieces. 50.87 million computer discs were sold. The passenger transportation rate of Grey Dog Bus Co. steadily ranked among the top three Guang-Shen passenger transportation companies, which turned from deficit in 1998 to profit. The number of the branches of Wuhan Gintian Supermarket was increased to 30. The Supermarket listed among the commercial enterprises to which Wuhan City gave key support.

## (4) Problems and difficulties occurred in operation and the solutions

The competition in real estate industry that is the key business of the Company was keen. The operating income and profit ratio lowered. Though the industrial projects in the initial stage of development such as the production of computer discs and textile industry were in full-load operation, their economic results were not good. Serious loss of some subsidiaries and the disposal of bad assets exerted unfavorable influence on the Company's operation and caused fund shortage so that the Company still met great difficulties in new project development and industrial structure adjustment. For freeing itself from the predicament, the Company plans to concentrate resources on further strengthening real estate development and to solve problems while developing itself. The Company will clear the activated assets deeply, save expenditures and cut down staff to reduce the burden of fund.

## 2. Financial status

The realized turnover as of the report year was RMB 480.42 million, decreased by RMB 43.78 million over RMB 524.20 million as of the year 1998. The total profit was RMB -173.31 million, with the deficit dropped by RMB 289.85 million over RMB -463.16 million as of the year 1998.

The after-tax profit was RMB -181.99 million, with the deficit dropped by RMB 265.65 million over RMB -447.64 million as of the year 1998. Based on the total share capital at the end of the year, the annual diluted deficit per share was RMB 0.546. The total assets was RMB 2,991.79 million, a 3.5% drop over RMB 3,101.16 million as of the year 1998. The long-term liabilities was RMB 292.26 million, a 9.5% increase over RMB 266.93 million as of the year 1998. The shareholders' equity was RMB 102.28 million, a 35.5% decrease over RMB 287.41 million. The net assets per share was RMB 0.307, a 63.9% decrease over RMB 0.86 as of the year 1998.

### 3. Investments

The Company did not raise proceeds through share offering in the report period. No proceeds as previously raised were carried forward to be utilized in the report period. The Company did not make any important investment.

### 4. Influence from the change of operation environment

There was no material change in the operation environment in the report period. It is expected that China's joint in WTO will not exert great influence on the key business of the Company's real estate development.

### 5. Development Plan for the year 2000

The general introduction principal of annual improvement in 2000 is to regard increasing the economic benefit as center, implement the developing strategy of strengthening the main business, creating brand, reform the traditional industry by science, and turn around the current difficult situation. The company plans to complete the development of real estate with floorage of 100,000 square meters. It will increase operating income through adopting flexible promotion means, using new materials and enhancing property management level. The Company will seize the strategic opportunities brought by the state's development of Northwest China, quicken the technical renovation of Linzhou Power Group and Qinghai Cement Group Co., Ltd. and ensure sustainable growth of performance. Other subsidiaries will make efforts in reducing production cost, enhancing product quality and strengthening sales and fulfil the targets assigned by the Group. It will also practice budget management, improve internal control system, rigorously enforce the examination and approval procedure of investment and guarantee. Establish mechanism of personnel competition, incentive and supervision and standardize its operation, through establishing scientific examination target system and operating supervisory mechanism to ensure the whole system normally operation.

### 6. Routine Work of the Board of Directors

The Company held 4 board meetings in the report period.

The 3<sup>rd</sup> meeting of the 4<sup>th</sup> Board of Directors was held on April 28, 1999. The meeting examined and adopted '98 Annual Report and other proposals. The resolutions of the meeting were published on Securities Times and Hong Kong Commercial Daily dated April 30, 1999.

The 4<sup>th</sup> meeting of the 4<sup>th</sup> Board of Directors was held on June 10, 1999. The meeting examined and adopted the agenda and documents for the Shareholders' General Meeting; the proposal on providing reserves for devaluation of long term investments and reserves for full doubtful debts

owed by the enterprises as wound up, suspended, merged or transferred; the proposal on providing reserves for full doubtful debts and treatment of the losses arising from doubtful debts involved in part of the creditor's rights; proposal on the calculation method for additionally providing four reserves.

The 5<sup>th</sup> meeting of the 4<sup>th</sup> Board of Directors was held on August 19, 1999. The meeting examined and adopted '99 Interim Report and the proposals on not conducting profit distribution and change of the Secretary of Board of Directors. The resolutions of the board meeting were published on Securities Time and Hong Kong Commercial Daily dated August 21, 1999.

## 7. Management and Employees

### (1) Directors, supervisors and senior executives

Name	Sex	Age	Position	Office Term	Shares Held at Beginning of Year	Shares Held at End of Year
Huang Hanqing	Male	47	Chairman of the Board	1998-2001	139,658	139,658
Li Deping	Male	45	Director	1998-2001	0	0
Guan Tongke	Male	52	Vice Chairman of the Board	1998-2001	8,665	8,665
Zhang Runshen	Male	42	Director	1998-2001	0	0
Huang Qingchang	Male	43	Director, Vice President	1998-2001	53,571	53,571
Yang Junjie	Male	47	Director, Vice President	1998-2001	0	0
He Zhiwei	Male	44	Director, Vice President	1998-2001	0	0
Wang Daohai	Male	34	Director, Vice President	1998-2001	0	0
Dai Zhongcheng	Male	38	Director, Vice President	1998-2001	0	0
Sun Duokang	Male	44	Director, Vice President	1998-2001	0	0
Chen Yuanhao	Male	45	Director, Vice President	1998-2001	0	0
Wu Jinliang	Male	49	Chief Supervisor	1998-2001	0	0
Sun Furen	Male	56	Supervisor	1998-2001	0	0
Li Zhongping	Male	42	Supervisor	1998-2001	0	0
Peng Wei	Male	31	Secretary of the Board	1999-2001	0	0

Among the above directors, supervisors and senior executives in office, there are 3 persons with the annual remuneration of RMB 80~100 thousand, 5 persons with the annual remuneration of RMB 60~80 thousand, 2 persons with the annual remuneration of RMB 40~60 thousand. Mr. Guan Tongke, Mr. Li Deping, Mr. Zhang Runshen, Mr. Li Zhongping and Mr. Sun Furen enjoy no pay from the Company.

Directors, supervisors and senior executives leaving their posts in the report period:

Name	Position	Reasons for Leaving
Xiao Yong	Director, President	Resigning due to job change.
Fu Yongjiang	Vice Chairman of the Board	Re-appointed by the shareholder company
Zhu Zhenzhong	Director	Re-appointed by the shareholder company
Dai Zhongcheng	Director	Resigning due to job change.
Li Bangwei	Supervisor	Re-appointed by the shareholder company
Yan Hao	Secretary of the Board	Resigning due to job change

8. The Company conducted neither profit distribution nor capitalization of the public reserve in the year 1999.

9. In the report period, the Company chose Securities Times and Hong Kong Commercial Daily

for disclosing the Company's information. For the year 2000, the Company has chosen Securities Times and Ta Kung Pao.

## **VI. Report of the Supervisory Committee**

### **( I ) Meetings of the Supervisory Committee**

The Supervisory Committee held two meetings in the report year:

1. A meeting of the Supervisory Committee was held on June 10, 1999. The meeting examined and adopted '98 Work Report of the Supervisory Committee and '98 Annual Report. At the meeting, Mr. Li Zhongping was elected supervisor.
2. Another meeting of the Supervisory Committee was held on Oct. 20, 1999. The meeting examined and adopted the rules of procedure of the Supervisory Committee.

### **( II ) The Supervisory Committee expresses independent opinions on the following matters:**

1. In the year 1999, the Company conducted the operation according to the laws and regulations, made all the decisions based on legal procedures, and established complete internal control system. Directors and senior executives honored their duties, worked diligently and conscientiously, observed regulations and disciplines and had never been found in performing any action against the laws and regulations of the state and the Articles of Association or harmful to the interests of the shareholders.
2. Shenzhen Zhongtian Certified Public Accountants and Horwath China (Shenzhen) Certified Public Accountants audited '98 financial reports of the Company respectively according to CAS and IAS, and presented qualified auditors' reports. In the Supervisory Committee's opinion, these auditors' reports have objectively and fairly reflected the actual operation status of the Company, the Supervisory Committee will urge the Board of Director and management to solve the problems in a stable way.
3. In the report year, the Company had not offered any shares to the public.
4. In the report year, the Company had never acquired or sold any assets.

## **VII. Important Events**

### **1. Material lawsuits and arbitration**

(1) The case that Foshan International Trust & Investment Co. (FITIC) sued the Company and Hubei Tianmen Gintian Textile Industrial Co., Ltd. (now renamed as Hubei Gintian Trading, Industrial and Agricultural Co., Ltd. (Hubei Co.) in respect of loan dispute.

FITIC signed Equipment Transfer Contract with the Company and Nanhai Yonglian Cotton Mill Enterprise Co., Ltd. (Yonglian Co.) in March 1996. According to the agreement, FITIC transferred to the Company the complete set of equipment of the 30000-spindle cotton spinning production line and 648-head open-end spinning production line given by Yonglian Co. to FITIC for debt

liquidation at a price of USD 10 million. The Company paid security deposit of USD 0.5 million. The balance was to be set off with the loan granted by FITIC to the Company. After the contract was signed, the said equipment was transported to Hubei Co. in April of the same year when the customs' supervision over the equipment was not released. As FITIC failed to provide loan, the Company did not make payment for the equipment either. Hubei Gintian Co. repaid over USD 2 million to FITIC by several installments prior to the lawsuit. FITIC brought an action in Foshan Intermediate People's Court in respect of the loan dispute in March 1999, demanding the Company and Hubei Co. to repay loan of USD 8,815,394.77 and interest accrued. The case is now under examination of first instance.

(2) The case that Tianmen Agricultural Bank and Tianmen Agricultural Credit Cooperative sued Hubei Co. and the Company in respect of dispute over loan guarantee

Tianmen Agricultural Bank and Tianmen Agricultural Credit Cooperative brought an action in Hubei Jingzhou Intermediate People's Court on June 28, 1999, demanding Hubei Co. to repay loan of RMB 62.82 million and The Company to bear joint and several liability in respect of guarantee. Jingzhou Intermediate People's Court made (1999) JFJSCZ (No.48) Civil Decision on December 9, 1999, ordering Hubei Co. to repay loan of RMB 47 million and the Company to bear corresponding liability in respect of guarantee. Tianmen Agricultural Bank did not agree with the judgement of the first instance and appealed to Hubei Higher People's Court in December 1999. The case is now under examination of second instance.

(3) The case that China Merchants Bank sued Huameijia International (Group) Co., Ltd. (Huameijia Co.) and the Company in respect of the dispute over loan contract.

China Merchants Bank granted offshore loan of HKD 5 million with length of maturity of one year to the Company's subsidiary, Huameijia Co. on October 8, 1996. The Company issued irrevocable letter of guarantee for the loan. The borrower and lender agreed to extend the time limit of the loan to November 14, 1998 on August 6, 1997. The Company agreed to continue to provide guarantee. Huameijia Co. failed to repay the principal and interest of the loan upon maturity. China Merchants Bank brought an action in Shenzhen Intermediate People's Court on April 26, 1999. The court made (1999) SFJECZ No. 109 Judgement of the First Instance, ordering Huameijia Co. to repay loan principal of HKD 5 million and the interest accrued and the Company to bear joint and several liability for liquidation on November 3, 1999.

(4) The case that Guangdong Development Bank Guangzhou Branch brought an action against Guangzhou Gintian Industrial Co., Ltd. (Guangzhou Gintian) and the Company in respect of the loan dispute

Guangzhou Gintian borrowed RMB 3 million from Guangdong Development Bank Guangzhou Branch in December 1996. The Company provided guarantee for this loan. Upon maturity of the loan, Guangzhou Gintian failed to repay the loan. So Guangdong Development Bank brought an action in Guangzhou Intermediate People's Court. Guangzhou Intermediate People's Court made (1999) YFJEZZ No.374 Judgement of final instance on November 23, 1999 after examination,

ordering the Company to bear joint and several liability for debt liquidation.

The cases disclosed in 99' Interim Report including the case that Company sued Shenzhen Zhongzu Industrial Co., Ltd. in respect of loan guarantee and subrogation right of claim, the case that Nanning Material and Goods Group Corporation sued the Company in respect of the dispute over the purchase and sales contract of imported plywood, the case that Bank of China Guangzhou Branch sued the Company and Gintian Real Estate Company in respect of borrowings, the case that Guangzhou Cement Factory sued Gintian Real Estate Development Company Huizhou Branch, etc. are under enforcement.

2. There was no punishment imposed by the supervisory or administrative authorities on the Company and the directors and senior executives of the Company in the report period.

3. In the report period, there was no change in the control shareholders of the Company. There was no renewal for the Board of Directors, election of the board members or the changes in the half of the members of the Board of Directors occurred in the Company. The former presidents and the secretary of the Board of Directors resigned from their posts due to their job transfer and the Board of Directors engaged chairman Huang Hanqing as the president concurrently, engaged Mr. Peng Wei as the secretary of the Board of Directors.

4. In the report period, the Company had never been involved in such activities as acquisition, selling or absorbing assets.

5. In the report period, there were no significant related transactions in the Company.

6. The Company has strictly insisted on the principle of separation in personnel, assets and finance with its control shareholder. The Company was independent personnel, complete assets and separate finance. Chairman of the Board, General Manager and other senior executives of the Company have never taken cross posts in both the listed company and its shareholder companies and none of the financial personnel of the Company has part time job in the related companies. The Company is absolutely independent in labor, personnel and salaries management. The Company has complete assets, independent production, supply and marketing system. There exists no competition in the same field between the control shareholder and the listed company. The Company is independent in finance, has established independent financial department and independent financial calculation system and has standardized and independent accounting system. The Company has financial management system over its branches and subsidiaries. The Company has opened independent bank account, pays taxes independently and never shares any bank account with the control shareholder.

7. In the report year, the Company had never been involved in such activities as keeping as the custodian, contracting or leasing other companies' assets and vice versa.

8. The Company renewed the engagement of Shenzhen Zhongtian Certified Public Accountants and Horwath China (Shenzhen) Certified Public Accountants as its domestic and international

auditors respectively.

9. In the report year, the Company had never changed its name or the short form of its stock.

## **VI. Financial Report**

( I ) Auditors' report

The financial report has been audited by the Chinese certified public accountants, Zhang Yue and Bu Gongtao from Shenzhen Zhongtian Certified Public Accountants who produced qualified auditors' report. (CSBZi [2000] No.A368)

( II ) Accounting statements (attached hereafter)

( III ) Notes to accounting statements (attached hereafter)

**Board of Directors of  
Gintian Industry (Group) Co., Ltd.  
April 28, 2000**

**GINTIAN INDUSTRY (GROUP) CO., LTD.**

金田实业(集团)股份有限公司

(Incorporated in the People's Republic of China)

**AUDITORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER, 1999**

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(EXPRESSED IN RENMINBI)

**REPORT OF THE AUDITORS**

**TO THE HOLDERS OF B SHARES**

**OF GINTIAN INDUSTRY (GROUP) CO.,LTD.**

金田实业(集团)股份有限公司

(Incorporated in the People's Republic of China)

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We have audited the financial statements of Gintian Industry (Group) Co., Ltd. and its subsidiaries (hereinafter collectively referred to as the "Group") on pages 3 to 23 which has been prepared in accordance with International Accounting Standards issued by the International Accounting Standards Committee.

**Respective responsibilities of directors and auditors:**

The Company's directors are responsible for the preparation of 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 International Standards on Auditing. 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 Group's circumstances 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:**

We noted that the Group keeps making huge losses for two years, that at the end of the year the Group recorded overdue bank loans with great amount and net current liabilities, and

that some subsidiaries had great net liabilities. All of the above affects the Group's capabilities of going concern.

In our opinion except the above the financial statements give a true and fair view of the state of affairs of the Group as of 31 December, 1999 and of its loss and cash flows for the year then ended.

**HORWATH CHINA(SHENZHEN)**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**20 April , 2000.**

**GINTIAN INDUSTRY (GROUP) CO.,LTD.**

金田实业(集团)股份有限公司  
(Incorporated in the People's Republic of China)

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER, 1999**

	<u>Notes</u>	<u>1999</u> RMB'000	<u>1998</u> RMB'000
Turnover	4	480,418	524,199
Operating loss before taxation	5	(308,194)	(244,487)
Share of results of associated companies		(26,183)	(3,325)
Loss before taxation		(334,377)	(247,812)
Taxation	6(a)	8,683	1,335
Loss after taxation		(343,060)	(249,147)
Minority interests		-----	(7,610)
Loss attributable to shareholders	17	(343,060)	(241,537)
Loss per share(RMB)	7	(1.03)	(0.72)

(The accompanying notes form part of these financial statements)

huang hanqing

Director

21 April, 2000

Director

21 April, 2000

# **GINTIAN INDUSTRY (GROUP) CO.,LTD.**

金田实业(集团)股份有限公司

(Incorporated in the People's Republic of China)

## **CONSOLIDATED BALANCE SHEET AT 31 DECEMBER, 1999**

	<u>Notes</u>	<u>1999</u> RMB'000	<u>1998</u> RMB'000
Fixed assets	8	849,597	949,956
Interests in associated companies	10	63,901	118,733
Deferred assets	11	16,164	21,936
Long term investments	12	17,012	51,550
<b>Current assets</b>			
Stocks and work in progress	13	1,106,081	1,267,282
Debtors and prepayments		728,916	589,945
Amounts due from associated companies		32,745	3,545
Short term investments	14	25,435	29,470
Cash at banks and in hand		58,154	120,946
		1,951,331	2,011,188
<b>Current liabilities</b>			
Bank loans due within one year	15	1,411,095	1,223,468
Creditors and accrued charges		1,091,434	1,005,137
Amounts due to associated companies		40,038	37,530
Provision for taxation	6(b)	42,369	32,197
		2,584,936	2,298,332
Net current (liabilities)/ assets		(633,605)	(287,144)
Long term liabilities		309,205	514,876
Minority interests		---	---
Net assets		3,864	340,155
Share capital	16	333,433	333,433
Reserves	17	(329,569)	6,722
Total capital and reserves		3,864	340,155

( The accompanying notes form part of these financial statements)

The Consolidated Financial Statements were approved by the board of directors on 21 April, 2000 and are signed on its behalf by

huang hanqing

Director

21 April, 2000

Director

21 April, 2000

**GINTIAN INDUSTRY (GROUP) CO.,LTD.**

金田实业(集团)股份有限公司

(Incorporated in the People's Republic of China)

**CONSOLIDATED CASH FLOW STATEMENT****FOR THE YEAR ENDED 31 DECEMBER, 1999**

	<u>Notes</u>	<u>1999</u> RMB'000	<u>1998</u> RMB'000
Net cash inflows from operating activities	24(a)	(11,150)	383,433
Returns on investment and servicing of finance			
Interest received		9,954	55,672
Interest paid		(147,136)	(152,862)
Net cash outflows from returns on investment and servicing of finance		----- (137,182)	----- (97,190)
Taxation			
Income taxes paid		1,489	(223)
Reserves		6,769	-----
Investing activities			
Payment for deferred assets acquisition		(954)	3,046
Payment for fixed assets acquisition		(54,736)	(154,182)
Disposal of fixed assets acquisition		83,879	-----
Proceed from disposal of fixed assets		6,903	14,902
Credit to associated companies		54,832	(22,520)
Increase of long-term investment		1,367	47,115
Sale of short-term investment		4,035	395
Net cash outflows from investing activities		----- 95,326	----- (111,206)
Net cash outflows before financing activities		----- (44,748)	----- 174,814
Financing activities			
(Repayment)/borrowing of long term loans		(205,671)	(280,174)
(Repayment)/borrowing of short - term bank loans		187,627	131,369
Net proceeds from minority interests		----- -----	----- 4,616
Net cash (outflows)/inflows from financing activities		----- (18,044)	----- (144,189)
Increase/(decrease) in cash and cash equivalents		(62,792)	30,625
Cash and cash equivalents at the beginning of the year		120,946	90,321
Cash and cash equivalents at the end of the year		----- =====	----- =====

(The accompanying notes form part of these financial statements)

huang hanqing

Director  
21 April, 2000

Director  
21 April, 2000

## **GINTIAN INDUSTRY (GROUP) CO.,LTD.**

金田实业(集团)股份有限公司

(Incorporated in the People's Republic of China)

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER, 1999**

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#### **1. GENERAL**

According to regulations stipulated by the State on limited-liability company, Shenzhen Gintian Industry Co., Ltd. was established on 2 Feb , 1988 under the approval of Shenzhen municipal government with enterprises legal person No.00079. In 1989 the company listed in the Shenzhen Stock Exchange under the name of "Gintian Industry Co. Ltd." by the issuance of 1,070,000 'A' shares at nominal value of RMB1 each , under the approval of the People's bank of China. In May 1993, the company listed in the Shenzhen Stock Exchange under the name of "Gintian Industry (Group) Co. Ltd." by the issuance of 38,000,000 'B' shares at nominal value of RMB1 each under the approval of Shenzhen Economic Development Bureau, approval No.[1994] 381.

#### **2. BASIS OF PREPARATION.**

The consolidated financial statements were prepared in accordance with International Accounting Standards ("IAS") issued by International Accounting Standards Committee as if those standards had been applied consistently throughout the year. This basis of accounting differs from that used in the statutory financial statements of the group, which were prepared in accordance with the accounting principles and the relevant financial regulations applicable to enterprises in the People's Republic of China ("PRC"). Adjustments have been made for the purpose of this report to restate these statutory financial statements so that they comply with the IAS. Differences arising from the restatement are not incorporated in the accounting records of the Company and its subsidiaries.

#### **3. PRINCIPAL ACCOUNTING POLICIES**

##### **(a) Basis of consolidation**

The consolidated financial statements incorporate the audited financial statements of the company and its subsidiaries as on 31 December 1999 together with the group's share of post-acquisition results of its associated companies for the year.

##### **(b) Subsidiaries**

A subsidiary is a company in which the group controls, directly or indirectly, more than 50% of its voting

power or issued capital.

**(c) Associated companies**

Associated companies are companies, other than subsidiaries, in which the group has a long-term investment of 20% or more of the equity, and exercises significant influence in their management.

The group using the equity method of accounting accounts for results of associated companies. The group's investments in associated companies are stated as the group's share of net assets.

**(d) Fixed assets and depreciation**

Fixed assets are stated at cost or valuation less accumulated depreciation.

**GINTIAN INDUSTRY (GROUP) CO.,LTD.**

金田实业(集团)股份有限公司

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER, 1999**

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Depreciation is calculated to write off the cost or valuation of fixed assets less their estimated residual value over their anticipated useful lives on the straight-line basis as follows:

	<u>Period</u>	<u>Estimated residual value as a percentage of cost/valuation</u>
Buildings	25-35 years	5-10%
Leasehold improvements	10 years	5-10%
Plant and machinery	10 years	5-10%
Electronic equipment	5 years	5-10%
Motor vehicles	5 years	5-10%
Furniture, fixtures and office equipment	5 years	5-10%

**(e) Construction in progress**

Construction in progress represents factories and office buildings under construction. Cost includes the cost of construction and interest charges arising from borrowings used to finance the construction during the period of construction. Depreciation is not provided on construction in progress until the related assets are completed and ready for their intended use.

**(f) Leases**

**Finance leases**

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership of the assets to the group. Assets leased under finance leases are capitalized at their fair value at the date of acquisition. The corresponding leasing commitments are shown as

obligations to the lessor. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the profit and loss account over the period of the respective leases using actuarial method.

#### **Operating leases**

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the profit and loss account on a straight-line basis over the lease terms.

#### **(g) Deferred assets**

Deferred assets mainly represent pre-operating expenses and deferred license fee.

Pre-operating expenses consist of expenses incurred prior to the commencement of business and are amortized on a straight-line basis over 10 years starting from the date of commencement of operations.

## **GINTIAN INDUSTRY (GROUP) CO.,LTD.**

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## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER, 1999**

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Deferred license fee represents costs incurred by the group in acquiring business licenses for taxi rental services. This license fee is amortized on a straight-line basis over 40 years from date of acquisition of the license.

#### **(h) Long term investments**

Long term investments comprise investment in listed and unlisted companies, which are not subsidiaries, or associated companies, investments in unlisted unconsolidated subsidiaries, and investments in joint venture. These investments are stated at cost less provision for any diminution in value, which is considered to be permanent. Income from long term investment is accounted for to the extent of dividends or distribution of profit received and receivable.

#### **(i) Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realizable value. Cost, which comprises direct materials and, where applicable, land costs, direct labor and overheads which incurs in bringing the stocks and work in progress to their present location and condition, is calculated using the first- in first-out method. Net realizable value is calculated as the actual or estimated selling price less all further costs of production and related costs of marketing, selling and distribution.

#### **(j ) Short-term investments**

Unlisted short-term investments are stated at cost less provision for diminution in value. Listed short-term investments are stated at the lower of cost or market value determined on an individual investment basis. Income from short-term investment is accounted for to the extent of dividends received and receivable.

#### **(k) Translation of foreign currencies**

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

The financial statements of subsidiaries in foreign currencies are translated into RMB at the rate of exchange ruling at the balance sheet date. Profits and losses arising on exchange in this case are dealt with as a movement in reserve.

**(l) Income recognition**

- (1) Sales of developed properties are recognized when the property or any portion of the property contracted for sale is completed for occupation or the relevant authorities grant the relevant occupation permit.

**GINTIAN INDUSTRY (GROUP) CO.,LTD.**

金田实业(集团)股份有限公司

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER, 1999**

- (2) Revenue for sale of goods is recognized when the goods are delivered to customers.  
(3) Revenue from sale of services is recognized when the services are rendered and relevant work is completed.  
(4) Interest and royalty incomes are recognized on an accrual basis.  
(5) Dividend income is recognized when the company's right to receive the dividends is established.

**(m) Borrowing costs**

Borrowing costs are expended in the profit and loss account in the period in which they are incurred, except to the extent that they are capitalized as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

**4. TURNOVER**

Turnover comprise sale proceeds of developed properties, trading properties under construction and invoiced value of goods supplied to customers outside the group.

**5. OPERATING LOSS BEFORE TAXATION**

	<u>1999</u>	<u>1998</u>
	RMB' 000	RMB' 000
Operating loss is arrived at after charging:		
Operating lease rental- premises	2,676	9,266
Interest expenses	147,136	152,862
Depreciation	62,725	70,494
Amortization of deferred assets	6,726	2,846
Provision for diminution in value of investment	33,171	13,249

Reversal of provision for stocks	17,000	(7,166)
Provision for doubtful debts	173,051	31,469
and crediting:		
Interest income	9,954	55,672
	=====	=====

## **GINTIAN INDUSTRY (GROUP) CO.,LTD.**

金田实业(集团)股份有限公司

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### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 31 DECEMBER, 1999**

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#### **6. TAXATION**

(a)Taxation includes:

	<u>1999</u>	<u>1998</u>
	RMB' 000	RMB' 000
PRC enterprise income tax (Note 1)	8,595	539
Overseas income tax (Note 2)	88	796
	-----	-----
	8,683	1,335
	=====	=====

Note 1. The income tax rates applicable to the group companies in the PRC are as follows:

PRC enterprise income tax, except for Sino-Hong Kong joint ventures in Shenzhen is provided at 15%-33% or an agreed sum with the PRC authority.

Note 2. Overseas income tax is provided on estimated assessable profits made by overseas Subsidiaries for the year under the respective overseas tax legislation.

(b)Provision for taxation represents amounts provided for the PRC' s income tax and overseas income tax.

#### **7. LOSS PER- SHARE**

The calculation of loss per share is based on loss attributable to shareholders of RMB (343,059,647) and 333,433,586 shares in issue.

## **GINTIAN INDUSTRY (GROUP) CO.,LTD.**

金田实业(集团)股份有限公司

(Incorporated in the People's Republic of China)

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 31 DECEMBER, 1999**

#### **8. FIXED ASSETS**

	<b>Buildings</b>	<b>Plant &amp; machinery</b>	<b>Leasehold improve- -ments</b>	<b>Others</b>	<b>Construction in progress</b>	<b>Total</b>
<b>The Company</b>						
<b>Cost or valuation:</b>						
<b>On 31 Dec, 1998</b>	748,712	388,592	17,195	68,833	22,702	1,246,034
<b>Additions</b>	2,385	980	3,792	42,926	4,653	54,736
<b>Disposals</b>	93,677	33,430	---	3,607	6,651	137,365
<b>On 31 Dec, 1999</b>	<u>657,420</u>	<u>356,142</u>	<u>20,987</u>	<u>108,152</u>	<u>20,704</u>	<u>1,163,405</u>
<b>Aggregate depreciation:</b>						
<b>On 31 Dec, 1998</b>	93,700	155,209	5,104	42,065	---	296,078
<b>Charge for the year</b>	17,905	33,829	3,384	7,607	---	62,725
<b>Written back on disposal</b>	21,423	19,177	6	4,389	---	44,995
<b>On 31 Dec, 1999</b>	<u>90,182</u>	<u>169,861</u>	<u>8,482</u>	<u>45,283</u>	<u>---</u>	<u>313,808</u>
<b>Net book value:</b>						
<b>On 31 Dec, 1999</b>	<u>567,238</u>	<u>186,281</u>	<u>12,505</u>	<u>62,869</u>	<u>20,704</u>	<u>849,597</u>
<b>On 31 Dec, 1998</b>	<u>655,012</u>	<u>233,383</u>	<u>12,091</u>	<u>26,768</u>	<u>22,702</u>	<u>949,956</u>

The group's leasehold land is held in the PRC under a long lease.

Certain buildings of the group have been pledged as securities for short-term bank loans.

**GINTIAN INDUSTRY (GROUP) CO.,LTD.**

金田实业(集团)股份有限公司

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER, 1999****9.SUBSIDIARIES**

As at 31 December 1999, the Company has the following subsidiaries:

Name	Place of incorporation	Issued/ Registered capital	Group's attributable equity interest		Principal activities
			Direct	Indirect	
Best Elite International (Group) Limited	Hong Kong	HK\$10,000	85%		General trading
Shenzhen Jinbaohang Trade Co., Ltd.	PRC	RMB3,000,000		100%	General trading
HongKong Heding Co., Ltd.	PRC	HK\$100,000	100%		Investment holding
Shanghai Gintian Real Estate Development Co., Ltd.	PRC	US\$5,000,000		93.25%	Property development
Shenzhen Fengfu Dyeing and Weaving Industry Co., Ltd.	PRC	RMB40,000,000	55%		Garments manufacturing
Shenzhen Jinmei Textile & Garment Co., Ltd.	PRC	HK\$24,500,000	80%		Garments manufacturing
Shenzhen Gintian Design Business Co., Ltd.	PRC	RMB1,000,000	100%		Design of advertisement
Shenzhen Gintian Magnetic Technology Co., Ltd.	PRC	US\$12,100,000	75%	25%	Floppy disks manufacturing
Wuhan Gintian Industry Co., Ltd.	PRC	RMB10,000,000	100%		General trading
Guangzhou Gintian Investment Co.,Ltd	PRC	RMB45,000,000	75%	25%	Investment holding
Shenzhen Ginban Trade Co., Ltd.	PRC	RMB3,000,000	100%		Trading of construction materials
Shenzhen Gintian Real Estate Development Co., Ltd.	PRC	RMB45,000,000	100%		Property development
Shenzhen Gintian Taxi Co., Ltd.	PRC	RMB21,000,000	100%		Taxi rental
Golden River Industry Co., Ltd.	USA	US\$ 100,000	100%		General trading

## **GINTIAN INDUSTRY (GROUP) CO.,LTD.**

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(Incorporated in the People's Republic of China)

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 31 DECEMBER, 1999**

Name	Place of incorporation	Issued/ Registered capital	Group's attributable equity interest		Principal activities
			Direct	Indirect	
Shenzhen Guangfa Weaving Garment Co., Ltd.	PRC	RMB2,000,000	75%	25%	Garments manufacturing
Shenzhen Yintian Textile & Silk Garments Factory Ltd.	PRC	RMB2,740,000	75%	25%	Garments manufacturing
Tianjin Gintian Industry Co., Ltd.	PRC	RMB9,500,000	100%		General trading
Shenzhen Gintian Property Management Co., Ltd.	PRC	RMB40,000,000	100%		Property management
Shanghai Gintian Industry Co., Ltd.	PRC	RMB10,000,000	100%		General trading
Beihai Liyuan Hotel	PRC	RMB50,000,000	100%		Hotel management
Linzhou Electric Power Factory	PRC	RMB80,940,000	100%		Provision of electricity
Shenzhen Gintian Commercial Network Development Co., Ltd.	PRC	RMB30,000,000	100%		Investment holding
Guangzhou Gintian Industry Co., Ltd.	PRC	RMB10,000,000	100%		Commerce, Trading
Shenzhen Gintian Real Estate Co., Ltd. Shanghai Branch	PRC	RMB15,000,000		100%	Property Development
Shenzhen Gintian Real Estate Co., Ltd. Shantou Branch	PRC	RMB24,000,000		100%	Property Development
Tianjing Gintian Real Estate Development Co., Ltd.	PRC	RMB11,000,000	100%		Property Development
Shenzhen Gintian Import & Export Co., Ltd.	PRC	RMB30,000,000	100%		Import & export trading
Wuhan Gintianb Chain SuperMarket Co., Ltd.	PRC	RMB8,000,000	100%		Retail trade
Shenzhen Gintian Construction Materials Co., Ltd.	PRC	RMB3,000,000	100%		Trading of construction materials

## **GINTIAN INDUSTRY (GROUP) CO.,LTD.**

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### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 31 DECEMBER, 1999**

Certain subsidiaries are not consolidated as directors considered that they are either inactive or insignificant in relation to the group.

Details of these unconsolidated subsidiaries are as follows:

<u>Name</u>	<u>Place of incorporation</u>	<u>Issued/Registered capital</u>	<u>Group's attributable equity interest</u>		<u>Principal activities</u>
			<u>Direct</u>	<u>Indirect</u>	
Shenzhen Gintian Textile Co., Ltd.	PRC	RMB1,400,000	100%		Garments trading
Guangshou Gintian Commerce Development Co., Ltd.	PRC	RMB10,000,000	100%		Commerce & Trading
Shenzhen Gintian Industry & Trade Co., Ltd.	PRC	RMB624,000	100%		General trading
Chengdu Gintian Industry Co., Ltd.	PRC	RMB10,000,000	100%		General trading
Shenzhen Wax Pitching Printing Garment Co., Ltd.	PRC	RMB3,500,000	100%		Wax pitching and printing
Shenzhen Gintian Building Property Management Co. Ltd.	PRC	RMB1,500,000	100%		Property Management
Shanghai Hanyun Property Management Co. Ltd.	PRC	RMB1,000,000		100%	Property Management
Huizhou Industry Co. Ltd.	PRC	RMB4,000,000	100%		trading
Gintian Singapore Investment Co. Ltd.	PRC	RMB4,000,000	100%		Industry Investment

#### **10. INTERESTS IN ASSOCIATED COMPANIES**

	<u>Bal. At 31Dec.1998</u> <u>RMB' 000</u>	<u>Increase</u> <u>RMB' 000</u>	<u>Decrease</u> <u>RMB' 000</u>	<u>Bal. At 31Dec .1999</u> <u>RMB' 000</u>
Share of net assets	118,733	----	54,832	63,901
	=====	=====	=====	=====

## **GINTIAN INDUSTRY (GROUP) CO.,LTD.**

金田实业(集团)股份有限公司

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### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 31 DECEMBER, 1999**

As at 31 December 1999, the Company has the following associated companies:

Name	Place of incorporation	Issued/ Registered capital	Group's attributable equity interest		Principal activities
			Direct	Indirect	
Shenzhen Greyhound Express Co.,Ltd.	PRC	RMB 3,300,000		50%	Transportation
Qin Hai Cement Manufacture Co., Ltd.	PRC	RMB48,000,000	49%		Cement trading & manufacturing
Fuoshan Kangman Foodstuff Co., Ltd.	PRC	RMB10,000,000	25%		Food anufacturing
Xiamen Jinsong Property Development Co., Ltd.	PRC	RMB30,000,000	50%		Property development
Shenzhen Huikang Gintian Supermarket Co., Ltd.	PRC	RMB30,000,000	49%		Retailing
Shanghai Ginchang Industry Co., Ltd.	PRC	RMB 6,000,000		50%	General trading
Hubei Gintian Commerce Industry & Agriculture Co., Ltd.	PRC	RMB156,200,000	34%		Manufacturing and trading of cotton
Dalian Gintian Lianyi Real Estate Property Development Co., Ltd.	PRC	RMB350,000	45%		Real Estate & Development
Yantai Ginda Real Estate Development Co.,Ltd.	PRC	RMB24,300,000	37%		Real Estate & Development
Peiking Gintian Investment Co., Ltd.	PRC	RMB300,000	50%		Investment
Zhuzhou Yuanda City Credit Association	PRC	RMB350,000	37%		Banking
Weifang Economic Development zones Gintian Industry Co., Ltd.	PRC	RMB7,180,000	30%		Real Estate & Development

#### **11. DEFERRED ASSETS**

	<u>Bal. At 31Dec.1998</u>	<u>Increase</u>	<u>Amortization</u>	<u>Bal. At 31 Dec.1999</u>
	<u>RMB' 000</u>	<u>RMB' 000</u>	<u>RMB' 000</u>	<u>RMB' 000</u>
Pre-operating expenses	9,281	1,386	2,213	8,504
Deferred license fee	4,706	---	136	4,570
Others	7,949	2,210	4,377	3,090
<b>Total</b>	<u>21,936</u>	<u>3,596</u>	<u>6,726</u>	<u>16,164</u>

## **GINTIAN INDUSTRY (GROUP) CO.,LTD.**

金田实业(集团)股份有限公司

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### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 31 DECEMBER, 1999**

##### **12. LONG TERM INVESTMENTS**

	<u>1999.12.31</u>	<u>1998.12.31</u>
	RMB'000	RMB'000
Listed investments	2,510	18,361
Unlisted investments	12,005	11,783
Investments in joint venture	156	10,156
Investments in unconsolidated subsidiaries	2,341	11,250
	-----	-----
	17,012	51,550
	=====	=====

##### **13. STOCKS AND WORK IN PROGRESS**

Items	<u>1999.12.31</u>			<u>1998.12.31</u>		
	<u>Amount</u>	<u>Provision</u>	<u>Net</u>	<u>Amount</u>	<u>Provision</u>	<u>Net</u>
	RMB' 000	RMB' 000	value	RMB' 000	RMB' 000	value
			RMB' 000			RMB' 000
Trading properties under construction	1,053,885	---	1,053,885	1,219,006	---	1,219,006
Raw materials	21,328	250	21,078	23,647	25	23,622
Work in progress	575	---	575	1,482	---	1,482
Finished goods	3,958	---	3,958	2,992	---	2,992
Goods-in-transit	33,561	6,977	26,584	24,977	4,797	20,180
	-----	-----	-----	-----	-----	-----
	1,113,307	7,227	1,106,080	1,272,104	4,822	1,267,282
	=====	=====	=====	=====	=====	=====

##### **14. SHORT- TERM INVESTMENTS**

	<u>1999.12.31</u>	<u>1998.12.31</u>
	RMB'0	RMB'000
	00	
Unlisted investments, at cost less provision	---	2,440
Listed investments, at lower of cost or market-value	25,435	27,030
	-----	-----
	25,435	29,470
	=====	=====

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##### **15. BANK AND OTHER LOANS**

	<u>1999.12.31</u>	<u>1998.12.31</u>
	RMB'000	RMB'000
Secured bank loans	589,418	388,111
Guaranteed bank loans	862,901	1,079,231
Credit loans	41,068	65,534
less: Amount due within one year shown under current liabilities	1,411,095	1,223,468
	-----	-----
Amount due more than one year	82,292	309,408
Advances from joint venture partners for funding of real estate development projects	226,913	205,468
	-----	-----
	309,205	514,876
	=====	=====

The group's secured bank loans and guaranteed bank loans are secured by bank deposits, several properties of the group and corporate guarantees provided by companies within the group. Advances from joint venture partners are interest free, unsecured and no fixed term of repayment.

##### **16. SHARE CAPITAL**

	<u>1999.12.31</u>	<u>1998.12.31</u>
	RMB'000	RMB'000
Registered and paid-up capital		
(1997:259,195,784) "A" shares of RMB 1 each	259,196	259,196
(1997:74,236,802) "B" shares of RMB 1 each	74,237	74,237
	-----	-----
	333,433	333,433
	=====	=====

Pursuant to articles 1(4) of association. "A" shares and "B" shares are both registered as ordinary shares with equal voting rights.

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##### **17. RESERVES**

	<u>Retained loss</u>	<u>Common reserve fund</u>	<u>Capital reserve</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 1999	(681,210)	60,175	627,757	6,722
Reversal of provision for staff welfare and incentive bonus	----	780	----	780
Purchase goodwill	----	----	5,989	5,989
Cover the loss	59,932	(59,932)	----	----
Loss attributable to shareholders	(343,060)	----	----	(343,060)
	-----	-----	-----	-----
Balance at 31 December 1999	(964,338)	1,023	633,746	(329,569)
	=====	=====	=====	=====
Shared by:				
Group	(938,155)	1,023	633,746	(303,386)
Associated companies	(26,183)	----	----	(26,183)
	-----	-----	-----	-----
Balance at 31 December 1999	(964,338)	1,023	633,746	(329,569)
	=====	=====	=====	=====

##### **18. CAPITAL COMMITMENTS**

The Group had the following capital commitments at the balance sheet date:

	<u>1999.12.31</u>	<u>1998.12.31</u>
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the financial statements	196,234	201,780
	=====	=====

The capital commitments on 31 December 1999 are principally relate to future payments under signed contracts for real estate development.

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#### **FOR THE YEAR ENDED 31 DECEMBER, 1999**

#### **19.CONTIGENT LIABILITIES**

1. The Group had the following contingent liabilities at the balance sheet date:

	<u>1999.12.31</u>	<u>1998.12.31</u>
	RMB'000	RMB'000
Guarantee bank loans for third parties	457,840	397,680
	=====	=====

2. The debtors and creditors with amount of RMB 160,824,000, HKD19,240,000 and USD 8,815,000 are in the process of litigation.

#### **20. MORTGAGE**

9,427,000 shares of various stocks, property under construction with value around RMB 204,882,000, completed property with value around RMB 434,563,000 and machinery and equipment with value around RMB 112,030,000 owned by the Group were mortgaged for the above bank loans. As at 31 December 1999, the over due bank loans amounts to RMB 589,315,483, HKD 33,800,000 and USD 29,475,394.

#### **21. IMPORTANT ISSUES**

1. There are disputes on the stake in Qinghai Cement Manufacture Co. Ltd. Owned by the Group. The Group failed to pay in full of the subscription payable in Qinghai Cement Manufacture Co., Ltd.
2. Although the Group failed to pay the first subscription installment for acquiring Linzhou Electric Power Factory totally RMB 30,098,944.97 in the Group's consolidated profits and losses accounts. The Group Board believed that both of above subscription could be identified.

#### **22. OPERATING LEASE COMMITMENTS**

On 31 December, 1999 there were outstanding commitments under non-cancelable operating leases as set out below:

	<u>1999.12.31</u>	<u>1998.12.31</u>
	RMB'000	RMB'000
Leases under tenancy agreement		
Which expire:		
- within next year	3,051	833
- in the second to the fifth years inclusive	1,071	1,383
	-----	-----
	4,752	2,216
	=====	=====

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#### **FOR THE YEAR ENDED 31 DECEMBER, 1999**

#### **23. TURNOVER BY BUSINESS**

<u>Business</u>	<u>Revenues</u>		<u>Costs</u>		<u>Gross profit</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
	<u>RMB' 000</u>	<u>RMB' 000</u>	<u>RMB' 000</u>	<u>RMB' 000</u>	<u>RMB' 000</u>	<u>RMB' 000</u>
Industrial	161,970	194,768	92,497	151,088	69,473	43,680
Commercial	85,499	120,448	74,935	107,433	10,564	13,015
Tourism & catering	7,497	9,586	2,177	2,752	5,320	6,834
Real estate	207,886	190,629	158,269	138,561	49,617	52,068
Transportation	3,240	5,301	----	----	3,240	5,301
Others	14,326	3,467	4,831	----	9,495	3,467
	-----	-----	-----	-----	-----	-----
<b>Total</b>	<b>480,418</b>	<b>524,199</b>	<b>332,709</b>	<b>399,834</b>	<b>147,709</b>	<b>124,365</b>
	=====	=====	=====	=====	=====	=====

#### **24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**

##### **(a) Reconciliation of operating loss to cash inflows from operating activities**

	<u>1999</u>	<u>1998</u>
	<u>RMB,000</u>	<u>RMB,000</u>
Operating loss before taxation	(334,377)	(247,812)
Adjustment for:		
Interest expense	147,136	152,862
Interest income	(9,954)	(55,672)
Depreciation	62,725	70,494
Amortization of deferred assets	6,726	2,846
Loss on disposal of fixed assets	1,588	3,903
Provision for diminution in value of investments	33,171	13,249
	-----	-----
Operating (loss)/profit before working capital changes	(92,985)	(60,130)
Decrease/(increase) in stocks and work in progress	161,201	401,312
(Increase)/decrease in debtors and prepayments	(138,971)	(156,033)
Decrease/(increase) in amounts due from associated companies	(29,200)	72,824
Increase in creditors and accrued expenses	86,297	215,098
(Decrease)/increase in amounts due to associated companies	2,508	(89,638)
	-----	-----
Cash inflows from operating activities	(11,150)	383,433
	=====	=====

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(b) Analysis of changes in financing during the year

	Long term liabilities RMB'000	Bank loans RMB'000
Balance at 1 January 1999	514,876	1,223,468
Minority interests	----	----
Movement during the year	(205,671)	187,627
	-----	-----
Balance at 31 December 1999	309,205	1,411,095
	=====	=====

25. NET IMPACT OF IAS ADJUSTMENTS ON THE RESULTS AND NET ASSETS.

	Profit after taxation and minority interests		Net assets	
	<u>1999</u> RMB'000	<u>1998</u> RMB'000	<u>1999.12.31</u> RMB'000	<u>1998.12.31</u> RMB'000
As reported in the financial statements prepared under PRC accounting principles	(181,996)	(273,271)	102,285	461,790
Provision for inventory obsolescence	----	7,152	----	----
Provision for doubtful debts	----	----	----	----
Provision for idle plant and machinery	2,700	----	(5,675)	(8,375)
Reversal of provision for staff welfare and incentive bonus	(273)	----	(18,025)	(17,752)
Provision for permanent diminution in value of long term/short term investments	(7,625)	----	----	(7,625)
Provision for foreseeable loss	2,249	17,496	(36,010)	(33,761)
Cut-off adjustments	(188,776)	----	----	----
Written-off and amortization of deferred assets	----	----	(81,221)	(81,221)
Goodwill written off	5,989	18	32,704	26,715
Unrealized profit on transfer of properties	----	----	----	----
Others	9,422	7,068	9,806	384
	-----	-----	-----	-----
	(343,060)	(241,537)	3,864	340,155
	=====	=====	=====	=====

26. APPROVAL OF THE FINANCIAL STATEMENTS

The board of directors approved the financial statements on pages 2 to 20 on 28 April, 1999.

27. LANGUAGES

The English text of the consolidated financial statements is a translated version for reference only. The Chinese text of the consolidated financial statements will prevail over the English text.