

## 1. PRINCIPAL ACCOUNTING POLICIES

### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. A summary of the principal accounting policies adopted by the Group is set out below.

### (b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost as modified by the revaluation of investment properties and other investments.

### (c) 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 results of subsidiaries acquired or disposed of during the year are dealt with in the consolidated income statement from the effective dates of acquisition or to the effective dates of disposal respectively, as appropriate.

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

The gain or loss on the disposal of subsidiaries represents the difference between the proceeds of the sale and the Group's share of their net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated income statement.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

### (d) Subsidiaries

A company is a subsidiary if more than 50% of the voting capital is held for the long term or if the composition of the board of directors is controlled by the Group. In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision, if necessary, for any diminution in value other than temporary in nature.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

## 1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (e) Associated companies

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

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

### (f) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

#### (i) *Jointly controlled entity*

The consolidated income statement includes the Group's share of the results of a jointly controlled entity for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entity.

#### (ii) *Fixed return joint venture*

Fixed return joint venture is carried at cost less accumulated amortisation. Amortisation is provided to write-off the investment cost of the joint venture over the joint venture period on a basis whereby the annual investment income less amortisation for the year would produce a constant periodic rate of return on the carrying amount of the investment in the joint venture. Provision is made when, in the opinion of the directors, there is a diminution in value other than temporary in nature.

### (g) Capital reserve or goodwill on consolidation

Capital reserve or goodwill arising on consolidation represents the excess or deficit, respectively, of the fair value of the separable net assets of the subsidiaries, associated companies and jointly controlled entities at the respective acquisition dates over the value of the considerations paid. Capital reserve or goodwill on consolidation is taken directly to reserves in the year of acquisition. On disposal of a subsidiary, an associated company and a jointly controlled entity, the attributable amount of capital reserve or goodwill is included in the calculation of the profit or loss on disposal.

## 1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (h) Properties

#### (i) *Investment properties*

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods greater than twenty years are valued at intervals of not more than three years by independent valuers; in each of the intervening years valuations are undertaken by either independent professional valuers or professionally qualified executives of the Group. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the financial statements. Surpluses arising on revaluation are credited to the investment property revaluation reserve; deficits arising on revaluation are firstly set off against any previous revaluation surpluses on a portfolio basis and thereafter taken to the income statement. Any subsequent increases are credited to the income statement up to the amount previously debited.

Depreciation is provided for investment properties with unexpired lease terms of 20 years or less and is calculated to write-off the carrying value on a straight-line basis over the remaining terms of the leases.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the income statement.

#### (ii) *Leasehold land and buildings*

Leasehold land and buildings are stated at cost less accumulated depreciation. Leasehold land is depreciated over the period of the lease while buildings are depreciated at a rate of 2% per annum.

The carrying amounts of leasehold land and buildings are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have been discounted in determining the recoverable amount.

## 1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (h) Properties (Cont'd)

#### (iii) *Properties under development for sale*

Properties under development for sale are included in current assets and stated at cost plus attributable profits taken to date, less provisions for any foreseeable losses and sales instalments received and receivable. Cost includes the cost of land, development expenditure, other attributable expenses and borrowing costs capitalised.

The accounting policy for recognition of revenue from sale of properties under development is set out in note 1(q)(ii)(1).

### (i) Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated at rates sufficient to write-off their costs over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Machinery	16 2/3%
Equipment and motor vehicles	20% – 33 1/3%
Leasehold improvements	20% – 33 1/3%
Furniture and fixtures	20% – 33 1/3%

Major costs incurred in restoring other fixed assets to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The carrying amounts of other fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have been discounted in determining the recoverable amount.

The gain or loss on disposal of other fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

## 1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (j) Investments in securities

#### (i) *Held-to-maturity securities*

Held-to-maturity securities are stated in the balance sheet at cost plus/less any discount/premium amortised to date. The discount or premium is amortised over the period to maturity and included as interest income/expense in the income statement.

The carrying amounts of individual held-to-maturity securities are reviewed at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognised in the income statement.

#### (ii) *Investment securities*

Investment securities are stated at cost less any provision for diminution in value.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities should be reduced to its fair value. The amount of the reduction is recognised as an expense in the income statement.

Provision against the carrying amounts of individual investments should be written-back to the income statement when the circumstances and events that led to the write-downs cease to exist and there is evidence that the new circumstances and events will persist for the foreseeable future. The amount written-back should not exceed the amount of the write-downs.

#### (iii) *Other investments*

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

## 1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (k) Construction contracts in progress

Construction contracts in progress are stated at cost plus attributable profits less allowances for foreseeable losses and progress payments received and receivable. Contract costs comprise direct materials, direct labour, sub-contracting charges and an appropriate portion of construction overheads. Where progress billings received and receivable on construction contracts exceed contract costs incurred to date plus recognised profits less recognised losses, the net amount is treated as amounts due to contract customers. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings received and receivable on construction contracts, the net amount is treated as amounts due from contract customers.

The accounting policy for recognition of revenue from construction contracts is set out in note 1(q)(i).

### (l) Assets under operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessors are accounted for as operating leases. Rentals applicable to such operating leases net of any incentives received from the lessors are charged to the income statement on a straight-line basis over the lease term.

### (m) Deferred taxation

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

## 1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (n) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

The financial statements of subsidiaries, associated companies and jointly controlled entities expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising therefrom are dealt with as a movement in reserves.

### (o) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the income statement in the year in which they are incurred.

### (p) Pensions and retirement benefits

Prior to December 2000, the Group operated a defined contribution scheme which was available to certain employees in Hong Kong. Under this scheme, eligible employees of the Group were required to make contributions to the scheme calculated at 5% of the individual employee's monthly basic salaries. The Group's contributions were based on 5% to 10% of the individual employee's monthly basic salaries depending upon the length of service. The Group's contributions to this scheme were expensed as incurred and may be reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme were held separately from those of the Group in independently administered funds.

Following the adoption of the Mandatory Provident Fund ("MPF") Scheme in December 2000, the Group terminated the defined contribution retirement scheme and all staff employed in Hong Kong joined the MPF Scheme with effect from December 2000. The adoption has no material effect on the profit attributable to shareholders and the shareholders' funds of the Group and the Company for the year ended and as at 31st December, 2000.

## 1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (q) Revenue recognition

Revenue is recognised when it is probable that economic benefits associated with the transactions during the year will flow to the Group and these benefits can be measured reliably on the following bases.

#### (i) Construction contracts

Revenue from a construction contract is recognised based on the stage of completion of the contract when the outcome of the contract can be ascertained with reasonable certainty. The stage of completion of a contract is established by reference to the gross billing value of contracting work to date as certified by qualified architects and/or engineers as compared to the total sum under the contract.

#### (ii) Sale of properties

##### (1) Properties under development for sale

When a development property is sold in advance of completion, recognition of profit commences when a legally binding sale and purchase agreement has been executed. The profit recognised in a year is computed as a proportion of the total estimated profit to completion and such proportion is taken to be the percentage of construction costs incurred at the end of the year to the estimated total construction costs on completion, with due allowance for contingencies. The profit so recognised is restricted to the amount of sales instalments received.

##### (2) Completed properties held for sale

Revenue from sale of completed properties held for sale is recognised upon completion of the sale and purchase contracts.

#### (iii) Income from investment in a fixed return joint venture

Income from investment in a fixed return joint venture is recognised when the right to receive investment income is established.

#### (iv) Rental income

Rental income is recognised on a straight line basis over the terms of the respective leases.



## 1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (q) Revenue recognition (Cont'd)

#### (v) Interest income

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

#### (vi) Dividend income

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

## 2. TURNOVER, REVENUES AND SEGMENTAL INFORMATION

The Group is principally engaged in infrastructure investment, property investment and development, building construction and civil engineering, high technology and environmental protection. Turnover represents the gross billing value of contracting work performed, proceeds from sale of properties, income from investment in a fixed return joint venture and rental income. Turnover and revenues recognised during the year are as follows:

	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Turnover		
Building construction	<b>1,203,073</b>	1,791,590
Sale of properties	<b>84,705</b>	–
Income from investment in a fixed return joint venture	<b>119,808</b>	128,778
Gross rental income	<b>64,991</b>	65,813
	<b>1,472,577</b>	1,986,181
Other revenues		
Interest income	<b>18,702</b>	25,673
Dividend income from listed investments	<b>2,092</b>	1,418
	<b>20,794</b>	27,091
Total revenues	<b>1,493,371</b>	2,013,272

## 2. TURNOVER, REVENUES AND SEGMENTAL INFORMATION (Cont'd)

An analysis of the Group's turnover and contribution to operating profit for the year by principal activities and markets is as follows:

	Turnover		Contribution to operating profit	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Principal activities:				
Building construction	1,203,073	1,791,590	30,711	(5,469)
Property development	84,705	–	6,088	–
Infrastructure investment	119,808	128,778	38,299	63,002
Property investment	64,991	65,813	40,799	43,016
	<b>1,472,577</b>	<b>1,986,181</b>	<b>115,897</b>	<b>100,549</b>
Principal markets:				
Hong Kong	1,266,526	1,851,520	76,965	43,523
Mainland China	206,051	131,373	38,932	64,865
Singapore	–	3,288	–	(7,839)
	<b>1,472,577</b>	<b>1,986,181</b>	<b>115,897</b>	<b>100,549</b>

## 3. OPERATING PROFIT

Operating profit is arrived at after crediting and charging the following:

	2000	1999
	HK\$'000	HK\$'000
Crediting:		
Write-back of deficit on revaluation of investment properties	4,000	–
Net rental income (note (a))	63,637	64,144
Net realised and unrealised gains on other investments	4,269	3,591
Charging:		
Depreciation (note (b))	27,812	26,162
Operating lease rental expense (note (c))	190	211
Auditors' remuneration		
Provision for the year	1,040	946
Under-provision in prior year	34	–
Amortisation of the investment cost of a fixed return joint venture (note 13)	81,028	64,687
Loss on disposal/write-off of fixed assets	755	592
Staff costs (note (d))	33,384	38,337
Deficit on revaluation of investment properties	–	6,743
Provision for potential claim on certain construction contracts	16,546	19,249

# NOTES TO THE FINANCIAL STATEMENTS

## 3. OPERATING PROFIT (Cont'd)

### (a) Net rental income

	2000 HK\$'000	1999 HK\$'000
Gross rental income from		
Investment properties	24,877	26,027
Leasehold land and buildings	40,114	39,786
	<b>64,991</b>	65,813
Outgoings	<b>(1,354)</b>	(1,669)
	<b>63,637</b>	64,144

### (b) Depreciation

	2000 HK\$'000	1999 HK\$'000
Charge for the year	32,004	32,062
Capitalised in construction contracts in progress	<b>(4,192)</b>	(5,900)
	<b>27,812</b>	26,162

### (c) Operating lease rental expense

	2000 HK\$'000	1999 HK\$'000
Land and buildings	190	467
Plant and machinery	17,461	4,366
	<b>17,651</b>	4,833
Capitalised in construction contracts in progress	<b>(15,319)</b>	(3,157)
Capitalised in properties under development for sale	<b>(2,142)</b>	(1,465)
	<b>190</b>	211

### (d) Staff costs

	2000 HK\$'000	1999 HK\$'000
Staff costs	86,275	91,423
Capitalised in construction contracts in progress	<b>(40,557)</b>	(43,355)
Capitalised in properties under development for sale	<b>(12,334)</b>	(9,731)
	<b>33,384</b>	38,337

## 3. OPERATING PROFIT (Cont'd)

The staff costs include the Group's contribution of HK\$435,000 to the Group's employee retirement scheme (1999: HK\$301,000 after offsetting forfeited contributions of HK\$47,000).

## 4. FINANCE COSTS

	<b>2000</b> <b>HK\$'000</b>	1999 HK\$'000
Interest on bank loans wholly repayable within five years	<b>135,155</b>	113,601
Interest on loan from an intermediate holding company	–	2,700
Other borrowing costs	<b>7,202</b>	6,940
	<b>142,357</b>	123,241
Capitalised in construction contracts in progress	<b>(140)</b>	(2,496)
Capitalised in properties under development for sale	<b>(63,581)</b>	(40,933)
	<b>78,636</b>	79,812

## 5. TAXATION

No Hong Kong profits tax has been provided as there is no estimated assessable profit for the year (1999: Nil).

Mainland China taxation has been calculated on the estimated assessable profit derived from the Group's operations in Mainland China for the year at the rates of taxation prevailing in Mainland China.

The amount of taxation charged to the consolidated income statement represents:

	<b>2000</b> <b>HK\$'000</b>	1999 HK\$'000
Company and subsidiaries		
Provision for the year – Mainland China	<b>1,966</b>	149

## 6. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the financial statements of the Company to the extent of HK\$5,233,000 (1999: loss of HK\$1,739,000).

## 7. EARNINGS PER SHARE

The calculation of basic and fully diluted earnings per share is based on the Group's profit attributable to shareholders of HK\$30,197,000 (1999: HK\$17,096,000).

The basic earnings per share is based on the weighted average number of 1,381,659,132 (1999: 1,371,198,122) shares in issue during the year.

The fully diluted earnings per share is based on 1,387,092,179 (1999: 1,394,544,593) shares which is the weighted average number of shares in issue during the year plus the weighted average of 5,433,047 (1999: 23,346,471) shares deemed to be issued at no consideration if all outstanding share options (1999: warrants) had been exercised.

## 8. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

### (a) Directors' emoluments

Details of the emoluments paid and payable to the directors of the Company are as follows:

	2000 HK\$'000	1999 HK\$'000
Fees	310	370
Salaries and other emoluments	7,550	8,040
	<b>7,860</b>	<b>8,410</b>

Emoluments paid and payable to independent non-executive directors of the Company amounted to HK\$310,000 (1999: HK\$370,000) during the year.

The emoluments of the directors of the Company fell within the following bands:

Emoluments bands	2000 Number	1999 Number
HK\$Nil – HK\$1,000,000	9	10
HK\$1,000,001 – HK\$1,500,000	2	2
HK\$4,500,001 – HK\$5,000,000	1	1
	<b>12</b>	<b>13</b>

# 8. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT (Cont'd)

## (a) Directors' emoluments (Cont'd)

The above analysis includes three (1999: three) individuals whose emoluments were among the five highest in the Group.

## (b) Senior management

Details of the emoluments paid to the remaining two (1999: two) individuals whose emoluments were among the five highest in the Group and have not been included in the directors' emoluments mentioned above are as follows:

	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Salaries and other emoluments	<b>3,255</b>	3,259

The emoluments of the two (1999: two) individuals fell within the following bands:

Emolument bands	<b>2000</b>	Number
		1999
HK\$1,000,001 – HK\$1,500,000	<b>1</b>	1
HK\$1,500,001 – HK\$2,000,000	<b>1</b>	–
HK\$2,000,001 – HK\$2,500,000	<b>–</b>	1
	<b>2</b>	2

# NOTES TO THE FINANCIAL STATEMENTS

## 9. FIXED ASSETS

### Group

	Investment properties HK\$'000	Leasehold land and buildings HK\$'000	Machinery, equipment and motor vehicles HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Total HK\$'000
Cost or valuation						
At 1st January, 2000	427,000	1,055,965	59,795	9,868	7,779	1,560,407
Additions	-	-	2,166	-	-	2,166
Revaluation	4,000	-	-	-	-	4,000
Write-off	-	-	(1,340)	(2)	(1,964)	(3,306)
Disposals	-	-	(3,604)	-	(56)	(3,660)
At 31st December, 2000	<b>431,000</b>	<b>1,055,965</b>	<b>57,017</b>	<b>9,866</b>	<b>5,759</b>	<b>1,559,607</b>
Accumulated depreciation						
At 1st January, 2000	-	36,922	35,158	4,923	4,353	81,356
Charge for the year	-	21,119	7,818	1,722	1,345	32,004
Write-off	-	-	(1,340)	(2)	(1,446)	(2,788)
Disposals	-	-	(2,610)	-	(49)	(2,659)
At 31st December, 2000	<b>-</b>	<b>58,041</b>	<b>39,026</b>	<b>6,643</b>	<b>4,203</b>	<b>107,913</b>
Net book value						
At 31st December, 2000	<b>431,000</b>	<b>997,924</b>	<b>17,991</b>	<b>3,223</b>	<b>1,556</b>	<b>1,451,694</b>
At 31st December, 1999	427,000	1,019,043	24,637	4,945	3,426	1,479,051
An analysis of the cost or valuation at 31st December, 2000 of the above assets is as follows:						
At cost	-	1,055,965	57,017	9,866	5,759	1,128,607
At 2000 professional valuation	431,000	-	-	-	-	431,000
	<b>431,000</b>	<b>1,055,965</b>	<b>57,017</b>	<b>9,866</b>	<b>5,759</b>	<b>1,559,607</b>

## 9. FIXED ASSETS (Cont'd)

The Group's interests in investment properties and leasehold land and buildings at their cost or valuation are analysed as follows:

	<b>2000</b> <b>HK\$'000</b>	1999 HK\$'000
In Hong Kong, held on leases of between 10 and 50 years	<b>1,460,965</b>	1,450,965
Outside Hong Kong, held on leases of over 50 years	<b>26,000</b>	32,000
	<b><u>1,486,965</u></b>	<u>1,482,965</u>

The investment properties were revalued at 31st December, 2000 on the basis of their open market value by an independent firm of surveyors, DTZ Debenham Tie Leung Limited.

As at 31st December, 2000, investment properties in Hong Kong of HK\$405,000,000 (1999: HK\$395,000,000) and leasehold land and buildings in Hong Kong of HK\$987,566,000 (1999: HK\$1,008,446,000) were pledged as securities to a bank in respect of certain banking facilities granted to the Group (*note 24*).

As at 31st December, 2000, the cost and accumulated depreciation of leasehold land and buildings leased to an intermediate holding company and certain fellow subsidiaries were HK\$891,410,000 (1999: HK\$891,410,000) and HK\$46,916,000 (1999: HK\$30,357,000) respectively.

### Company

	Machinery, equipment and motor vehicles HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Total HK\$'000
<b>Cost</b>				
At 1st January, 2000	3,122	7,203	1,111	11,436
Additions	<u>164</u>	<u>–</u>	<u>–</u>	<u>164</u>
At 31st December, 2000	<b><u>3,286</u></b>	<b><u>7,203</u></b>	<b><u>1,111</u></b>	<b><u>11,600</u></b>
<b>Accumulated depreciation</b>				
At 1st January, 2000	1,122	2,873	441	4,436
Charge for the year	<u>640</u>	<u>1,441</u>	<u>223</u>	<u>2,304</u>
At 31st December, 2000	<b><u>1,762</u></b>	<b><u>4,314</u></b>	<b><u>664</u></b>	<b><u>6,740</u></b>
<b>Net book value</b>				
At 31st December, 2000	<b><u>1,524</u></b>	<b><u>2,889</u></b>	<b><u>447</u></b>	<b><u>4,860</u></b>
At 31st December, 1999	<u>2,000</u>	<u>4,330</u>	<u>670</u>	<u>7,000</u>



# NOTES TO THE FINANCIAL STATEMENTS

## 10. SUBSIDIARIES

	2000 HK\$'000	Company 1999 HK\$'000
Unlisted shares, at cost	–	–
Amounts due from	<b>3,518,761</b>	3,323,660
Amounts due to	<b>(121,169)</b>	(81,337)
	<b>3,397,592</b>	3,242,323
Provision for diminution in value	<b>(942,856)</b>	(942,856)
	<b>2,454,736</b>	2,299,467

Particulars of the principal subsidiaries which, in the opinion of the directors, affect the results and/or net assets of the Group at 31st December, 2000 are set out in note 30 to the financial statements.

## 11. ASSOCIATED COMPANIES

	2000 HK\$'000	Group 1999 HK\$'000
Share of net assets	<b>7,450</b>	8,805
Amounts due from associated companies, less provision	<b>4,924</b>	4,920
Amounts due to associated companies	<b>(6,078)</b>	(4,684)
	<b>6,296</b>	9,041

## 12. JOINTLY CONTROLLED ENTITY

	2000 HK\$'000	Group 1999 HK\$'000
Share of net assets	<b>2,735</b>	–
Amount due from a jointly controlled entity	<b>1,060</b>	–
	<b>3,795</b>	–

Particulars of the jointly controlled entity of the Group at 31st December, 2000 are set out as follows:

Name	Place of incorporation	Principal activities	Percentage of interest held
深圳艾科創新 微電子有限公司	The People's Republic of China ("PRC")	Development and design of integrated circuit	51

### 13. FIXED RETURN JOINT VENTURE

	2000 HK\$'000	Group 1999 HK\$'000
Cost		
At 1st January and 31st December	<b>634,454</b>	634,454
Accumulated amortisation		
At 1st January	<b>(227,082)</b>	(162,395)
Charge for the year	<b>(81,028)</b>	(64,687)
At 31st December	<b>(308,110)</b>	(227,082)
	<b>326,344</b>	407,372

New Central International Enterprises Company, Limited ("New Central"), a 90% indirectly owned subsidiary of the Company, holds a 54% interest in the registered capital of Henan Xin Zhong Yi Electric Power Company, Limited ("Xinzhongyi"), a sino-foreign co-operative joint venture which owns the operating right of Xinxiang Power Plant in Henan Province, the PRC.

Xinzhongyi was established on 23rd February, 1995 with a joint venture period of 20 years and commenced its operations in October 1995. Pursuant to the joint venture agreement dated 8th September, 1994 entered into by New Central with other joint venture partners (the "Xinzhongyi Contract"), New Central, up to 30th September, 2001, is entitled to receive 60% of the after tax profit of Xinzhongyi which is equal to or below RMB229.97 million; all profit exceeding such amount will be attributable to the PRC joint venture partner. From 1st October, 2001 to the end of the joint venture period, New Central will receive 30% of the after tax profit of Xinzhongyi which is equal to or below RMB160 million; all profit exceeding such amount will be shared amongst all of the joint venture partners in accordance with their respective proportional interests in the registered capital of Xinzhongyi.

## 13. FIXED RETURN JOINT VENTURE (Cont'd)

Upon the termination of the joint venture period, all the remaining assets of Xinzhongyi will revert to the PRC joint venture partner in accordance with the Xinzhongyi Contract.

COSCO (Hong Kong) Group Limited ("COSCO (Hong Kong)"), an intermediate holding company of the Company, and COSCO Industrial Investments Limited, a fellow subsidiary of the Company, have jointly and severally undertaken and guaranteed, unconditionally and irrevocably, to the Group that the return of New Central from Xinzhongyi within the period from 1st January, 1998 to 30th September, 2001 will not be less than 16% per annum on the consideration of HK\$545,000,000 paid by the Group in 1998.

## 14. INVESTMENT SECURITIES

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Listed equity securities in Hong Kong, at cost	<b>519,456</b>	514,123	<b>20,684</b>	20,684
Listed held-to-maturity debt securities outside Hong Kong, at cost	<b>1,550</b>	1,550	—	—
	<b>521,006</b>	515,673	<b>20,684</b>	20,684
Unlisted equity securities, at cost (note 29(b))	<b>7,775</b>	—	—	—
	<b>528,781</b>	515,673	<b>20,684</b>	20,684
Provision for diminution in value	<b>(300,000)</b>	(300,000)	—	—
	<b>228,781</b>	215,673	<b>20,684</b>	20,684
Market value of listed securities	<b>39,452</b>	49,495	<b>10,664</b>	10,148

## 15. PROPERTIES UNDER DEVELOPMENT FOR SALE

	Group	
	2000	1999
	HK\$'000	HK\$'000
Cost plus recognised profits less provision for foreseeable losses	1,430,161	936,060
Sales instalments received	(78,620)	(2,019)
	<b>1,351,541</b>	<b>934,041</b>

Included in properties under development for sale are properties amounting to HK\$1,045,545,000 (1999: HK\$704,578,000) which are pledged as securities to banks in respect of certain banking facilities granted to the Group (note 24).

## 16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net amounts due from customers for contract work (note 17)	3,742	2,368	–	–
Amounts due from fellow subsidiaries	10,072	9,608	32	–
Trade receivables	163,619	260,198	–	–
Retention receivables	72,397	90,729	–	–
Deposits, prepayments and other receivables	93,331	35,727	22,092	5,648
	<b>343,161</b>	<b>398,630</b>	<b>22,124</b>	<b>5,648</b>

For construction services, interim application for progress payments of construction contracts are normally on a monthly basis and settled within one month, with retention monies withheld but released on the issuance of relevant maintenance certification. For receivable from a fixed return joint venture, investment income is receivable according to the terms of the joint venture contract.

## 16. TRADE AND OTHER RECEIVABLES (Cont'd)

As at 31st December, 2000, the ageing analysis of the trade receivables was as follows:

	2000 HK\$'000	Group 1999 HK\$'000
Current – 90 days	106,583	225,121
91–180 days	27,599	1,158
Over 180 days	29,437	33,919
	<b>163,619</b>	<b>260,198</b>

## 17. CONSTRUCTION CONTRACTS IN PROGRESS

	2000 HK\$'000	Group 1999 HK\$'000
Contract costs incurred to date plus recognised profits less recognised losses to date	4,352,761	3,151,732
Progress billings received and receivable	<b>(4,459,457)</b>	<b>(3,296,579)</b>
	<b>(106,696)</b>	<b>(144,847)</b>
Represented by:		
Net amounts due from customers for contract work included in trade and other receivables	3,742	2,368
Net amounts due to customers for contract work included in trade and other payables	<b>(110,438)</b>	<b>(147,215)</b>
	<b>(106,696)</b>	<b>(144,847)</b>

## 18. OTHER INVESTMENTS

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Equity securities, listed				
in Hong Kong	10,979	30,000	279	–
in Mainland China	–	11,019	–	11,019
Market value of listed investments	<b>10,979</b>	<b>41,019</b>	<b>279</b>	<b>11,019</b>

## 19. CASH AND BANK BALANCES

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances	<b>462,529</b>	444,552	<b>10,008</b>	86,709
Restricted bank deposits	<b>(92,709)</b>	(55,980)	—	—
	<b>369,820</b>	388,572	<b>10,008</b>	86,709

The Group's bank deposits of approximately HK\$92,709,000 (1999: HK\$55,980,000) are restricted for the purpose of a long-term banking facility granted to the Group (note 24).

## 20. TRADE AND OTHER PAYABLES

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net amounts due to customers for contract work (note 17)	<b>110,438</b>	147,215	—	—
Trade payables	<b>275,767</b>	370,882	—	—
Accrued liabilities and other payables	<b>48,557</b>	34,195	<b>4,646</b>	6,291
Amounts due to fellow subsidiaries	<b>98</b>	43	—	—
	<b>434,860</b>	552,335	<b>4,646</b>	6,291

As at 31st December, 2000, the ageing analysis of the trade payables was as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Current – 90 days	<b>221,316</b>	329,483
91 – 180 days	<b>14,583</b>	6,704
Over 180 days	<b>39,868</b>	34,695
	<b>275,767</b>	370,882

## 21. BANK LOAN, UNSECURED

As at 31st December, 2000, bank loan of HK\$71,000,000 (1999: HK\$241,000,000) was guaranteed by COSCO (Hong Kong), an intermediate holding company.

## 22. SHARE CAPITAL

	2000		1999	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
Shares of HK\$0.10 each	<b>3,000,000,000</b>	<b>300,000</b>	3,000,000,000	300,000
Issued and fully paid:				
Shares of HK\$0.10 each:				
At 1st January	<b>1,379,978,911</b>	<b>137,997</b>	1,370,434,591	137,043
Issue of shares upon the exercise of warrants	<b>1,980,380</b>	<b>199</b>	9,544,320	954
At 31st December	<b>1,381,959,291</b>	<b>138,196</b>	1,379,978,911	137,997

During the year, warrants of HK\$1,425,874 were exercised to subscribe for 1,980,380 shares (at an subscription price HK\$0.72 per share) of the Company. Subscription rights attaching to the warrants were expired on 4th July, 2000.

Under the terms of the Company's share option scheme approved by the shareholders on 17th January, 1992, the directors of the Company may at its discretion invite employees, including directors, of the Company and its subsidiaries to take up options to subscribe for shares of the Company. At 20th March, 2000, share options carrying rights to subscribe for 37,400,000 shares of the Company at an exercise price of HK\$0.656 per share exercisable at any time between 20th March, 2001 and 16th January, 2002 were granted to certain employees and directors of the Company and its subsidiaries. During the year, share options carrying rights to subscribe for 4,350,000 shares lapsed. At 31st December, 2000, the Company had outstanding share options carrying rights to subscribe for 33,050,000 shares of the Company.

## 23. RESERVES

Group

	Share premium account HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st January, 1999	2,342,497	56,683	(3,069)	(887,486)	1,508,625
Exchange differences	-	-	635	-	635
Premium on issue of shares upon the exercise of warrants	5,918	-	-	-	5,918
Profit for the year (note (a))	-	-	-	17,096	17,096
At 31st December, 1999	<u>2,348,415</u>	<u>56,683</u>	<u>(2,434)</u>	<u>(870,390)</u>	<u>1,532,274</u>
Company and subsidiaries	2,348,415	56,683	(2,434)	(862,645)	1,540,019
Associated companies	-	-	-	(7,745)	(7,745)
	<u>2,348,415</u>	<u>56,683</u>	<u>(2,434)</u>	<u>(870,390)</u>	<u>1,532,274</u>
At 1st January, 2000	<b>2,348,415</b>	<b>56,683</b>	<b>(2,434)</b>	<b>(870,390)</b>	<b>1,532,274</b>
Exchange differences	-	-	771	-	771
Premium on issue of shares upon the exercise of warrants	<b>1,227</b>	-	-	-	<b>1,227</b>
Profit for the year (note (a))	-	-	-	<b>30,197</b>	<b>30,197</b>
At 31st December, 2000	<u><b>2,349,642</b></u>	<u><b>56,683</b></u>	<u><b>(1,663)</b></u>	<u><b>(840,193)</b></u>	<u><b>1,564,469</b></u>
Company and subsidiaries	<b>2,349,642</b>	<b>56,683</b>	<b>(1,663)</b>	<b>(829,098)</b>	<b>1,575,564</b>
Associated companies	-	-	-	<b>(9,032)</b>	<b>(9,032)</b>
Jointly controlled entity	-	-	-	<b>(2,063)</b>	<b>(2,063)</b>
	<u><b>2,349,642</b></u>	<u><b>56,683</b></u>	<u><b>(1,663)</b></u>	<u><b>(840,193)</b></u>	<u><b>1,564,469</b></u>



# NOTES TO THE FINANCIAL STATEMENTS

## 23. RESERVES (Cont'd)

### Company

	Share premium account HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st January, 1999	2,342,497	83,770	(920,321)	1,505,946
Premium on issue of shares upon the exercise of warrants	5,918	–	–	5,918
Loss for the year	–	–	(1,739)	(1,739)
At 31st December, 1999	<u>2,348,415</u>	<u>83,770</u>	<u>(922,060)</u>	<u>1,510,125</u>
At 1st January, 2000	<b>2,348,415</b>	<b>83,770</b>	<b>(922,060)</b>	<b>1,510,125</b>
Premium on issue of shares upon the exercise of warrants	<b>1,227</b>	–	–	<b>1,227</b>
Profit for the year	<u>–</u>	<u>–</u>	<u><b>5,233</b></u>	<u><b>5,233</b></u>
At 31st December, 2000	<u><b>2,349,642</b></u>	<u><b>83,770</b></u>	<u><b>(916,827)</b></u>	<u><b>1,516,585</b></u>

- (a) Profit for the year of HK\$30,197,000 (1999: HK\$17,096,000) includes a loss of HK\$3,350,000 (1999: HK\$864,000) attributable to associated companies and a jointly controlled entity.
- (b) The contributed surplus of the Company arose in 1992 when the Company issued shares in exchange for the shares of companies being acquired, and represents the difference between the nominal value of the Company's shares issued and the value of net assets of the companies then acquired.
- (c) Under the Companies Act 1981 of Bermuda, the Company's contributed surplus is currently not distributable. Accordingly, the Company had no reserves available for distribution at 31st December, 2000.

## 24. LONG-TERM BANK LOANS

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans				
Secured	<b>1,735,916</b>	1,378,349	<b>702,000</b>	774,850
Unsecured	<b>188,790</b>	59,000	<b>150,000</b>	–
	<b>1,924,706</b>	1,437,349	<b>852,000</b>	774,850
Amount repayable within one year included in current liabilities	<b>(897,290)</b>	(45,667)	<b>(20,000)</b>	–
	<b>1,027,416</b>	1,391,682	<b>832,000</b>	774,850

The bank loans are repayable as follows:

Within one year	<b>897,290</b>	45,667	<b>20,000</b>	–
In the second year	<b>245,416</b>	1,391,682	<b>50,000</b>	774,850
In the third to fifth year	<b>80,000</b>	–	<b>80,000</b>	–
After the fifth year	<b>702,000</b>	–	<b>702,000</b>	–
	<b>1,924,706</b>	1,437,349	<b>852,000</b>	774,850

In addition to certain of the Group's properties and deposits pledged as securities to long-term bank loans as described in notes 9, 15 and 19 to the financial statements, the Group's long-term bank loans of HK\$195,416,000 (1999: HK\$117,999,000), HK\$1,710,500,000 (1999: HK\$1,319,350,000) and HK\$18,790,000 (1999: Nil) are guaranteed by China Ocean Shipping (Group) Company, the ultimate holding company, COSCO (Hong Kong), an intermediate holding company, and a minority shareholder of a subsidiary, respectively.

The Company's bank loans of HK\$852,000,000 (1999: HK\$774,850,000) are guaranteed by COSCO (Hong Kong).

Subsequent to the balance sheet date, the Company has agreed with the relevant bank to replace a long-term bank loan of approximately HK\$702,000,000 with a five-year term bank loan of approximately HK\$780,000,000. The new bank loan is repayable in full in 2006. Accordingly, the bank loan of approximately HK\$702,000,000 as at 31st December, 2000 was classified under long-term bank loan repayable after the fifth year.

## 25. DEFERRED TAXATION

The potential deferred taxation as at 31st December, 2000 not provided for in the financial statements amounted to:

	2000 HK\$'000	Group 1999 HK\$'000
Tax losses	(41,029)	(58,576)
Accelerated depreciation allowances	7,865	5,683
	<b>(33,164)</b>	<b>(52,893)</b>

## 26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash outflow from operating activities

	2000 HK\$'000	1999 HK\$'000
Profit before taxation	33,911	19,873
(Write-back of deficit)/deficit on revaluation of investment properties	(4,000)	6,743
Share of results of associated companies	1,287	864
Share of results of a jointly controlled entity	2,063	–
Finance costs, net of amount capitalised	78,636	79,812
Interest income	(18,702)	(25,673)
Depreciation of fixed assets, net of amount capitalised	27,812	26,162
Amortisation of investment in a fixed return joint venture	81,028	64,687
Loss on disposal/write-off of fixed assets	755	592
Dividend income	(2,092)	(1,418)
Income from a fixed return joint venture	(119,808)	(128,778)
Increase in properties under development for sale	(353,919)	(282,957)
(Increase)/decrease in construction contracts in progress	(33,819)	90,793
Decrease/(increase) in trade receivables, retention receivables, deposits, prepayments and other receivables	84,656	(69,396)
Decrease/(increase) in other investments	30,040	(10,365)
(Decrease)/increase in trade payables, accrued liabilities and other payables	(83,078)	65,604
Increase in amounts due from fellow subsidiaries	(464)	(6,622)
Increase/(decrease) in amounts due to fellow subsidiaries	55	(738)
Net cash outflow from operating activities	<b>(275,639)</b>	<b>(170,817)</b>

## 26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(b) Analysis of changes in financing during the year

	Share capital and premium HK\$'000	Loan from an intermediate holding company HK\$'000	Bank loans HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st January, 1999	2,479,540	247,556	1,512,529	21,788	4,261,413
Net cash inflow/(outflow) from financing activities	6,872	(247,556)	165,820	-	(74,864)
Changes in exchange rates	-	-	-	(39)	(39)
Minority's share of profit for the year	-	-	-	2,628	2,628
At 31st December, 1999	<u>2,486,412</u>	<u>-</u>	<u>1,678,349</u>	<u>24,377</u>	<u>4,189,138</u>
At 1st January, 2000	<b>2,486,412</b>	<b>-</b>	<b>1,678,349</b>	<b>24,377</b>	<b>4,189,138</b>
Net cash inflow from financing activities	<b>1,426</b>	<b>-</b>	<b>317,357</b>	<b>19,907</b>	<b>338,690</b>
Changes in exchange rates	-	-	-	<b>178</b>	<b>178</b>
Minority's share of profit for the year	-	-	-	<b>1,748</b>	<b>1,748</b>
At 31st December, 2000	<u><b>2,487,838</b></u>	<u><b>-</b></u>	<u><b>1,995,706</b></u>	<u><b>46,210</b></u>	<u><b>4,529,754</b></u>

## 27. OPERATING LEASE COMMITMENTS

At 31st December, the Group and the Company had commitments to make payments in the next twelve months under operating leases which expire as follows:

	Group		Company	
	<b>2000</b>	1999	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Land and buildings				
Within one year	<b>–</b>	–	<b>4,947</b>	5,556
In the second to fifth years inclusive	<b>167</b>	167	<b>–</b>	–
	<b>167</b>	167	<b>4,947</b>	5,556

## 28. CONTINGENCIES

	Group		Company	
	<b>2000</b>	1999	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Guarantees for banking facilities granted to subsidiaries	<b>–</b>	–	<b>893,000</b>	1,186,000
Performance bonds in respect of performance and completion of construction contracts	<b>63,037</b>	106,634	<b>–</b>	–

In addition, the Company has given a guarantee to indemnify Hong Kong Housing Authority ("HKHA") for claims against the HKHA in respect of the timely completion of a property development project undertaken by the Group.

**29. RELATED PARTY TRANSACTIONS**

- (a) The following is a summary of significant related party transactions carried out in the normal course of the Group's business during the year:

	Group
<b>2000</b>	1999
<b>HK\$'000</b>	HK\$'000
Rental income received from	
An intermediate holding company ( <i>note</i> )	3,114
Fellow subsidiaries ( <i>note</i> )	36,672
Interest expense paid to an	
intermediate holding company	2,700
Purchase of building materials from an	
associated company	26,842
	<hr/>

*Note:*

Ten tenancy agreements were entered into between certain subsidiaries of the Company as landlords, and COSCO (Hong Kong) or subsidiaries of COSCO (Hong Kong) as tenants, for the lease of certain properties of the Group at COSCO Tower at an average monthly rental of approximately HK\$37 per square feet.

- (b) In addition, on 18th April, 2000, Top Expert Enterprises Limited, a wholly-owned subsidiary of the Company, entered into an agreement to subscribe for 1,000,000 new shares of COSCO Network Limited, representing 0.91% interest in the enlarged issued share capital of COSCO Network Limited, at a consideration of US\$1,000,000 (equivalent to approximately HK\$7,775,000). COSCO Network Limited is a subsidiary of China Ocean Shipping (Group) Company, the ultimate holding company.

## 30. PRINCIPAL SUBSIDIARIES

Name	Place of incorporation	Particulars of issued/registered share capital	Percentage of interest held	Principal activities
Operated in Hong Kong				
99 Prove Finance Ltd.	British Virgin Islands	1 Ordinary share of US\$1	100	Property holding
Capital Properties Limited #	Hong Kong	2 Ordinary shares of HK\$1 each	100	Provision of nominee services
Cash In Hand Inc.	British Virgin Islands	1 Ordinary share of US\$1	100	Property investment
Century Metro Development Limited	Hong Kong	10,000 Ordinary shares of HK\$1 each	100	Property development
COSCO International Industry Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100	Investment holding
COSCO International Infrastructure Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100	Investment holding
COSCO International Land Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100	Investment holding
COSCO International Trade Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100	Investment holding
COSCO Project Management Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100	Investment holding
Globe Perfect Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100	Investment holding

### 30. PRINCIPAL SUBSIDIARIES (Cont'd)

Name	Place of incorporation	Particulars of issued/registered share capital	Percentage of interest held	Principal activities
Operated in Hong Kong (Cont'd)				
Gwee Brothers Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Property investment
Malayan Corporations Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Property investment
Shun Shing Construction & Engineering Company, Limited	Hong Kong	2,742,000 Ordinary shares of HK\$100 each 120,000 Non-voting deferred shares of HK\$100 each	100	Building construction, maintenance and civil engineering
Tian Lee Property Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Property holding
Top Expert Enterprises Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Investment holding
Velu Exports Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Property holding
Waily Development Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100	Investment holding
Wealth Nice Investment Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100	Property development
Wing Thye Holdings Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Property holding
Year Of The Rat Corp.	British Virgin Islands	1 Ordinary share of US\$1	100	Property holding



# NOTES TO THE FINANCIAL STATEMENTS

## 30. PRINCIPAL SUBSIDIARIES (Cont'd)

Name	Place of incorporation	Particulars of issued/registered share capital	Percentage of interest held	Principal activities
Operated in the British Virgin Islands				
Cash Rich Enterprises Limited	British Virgin Islands	10,000 Ordinary shares of US\$1 each	85.85	Investment holding
COSCO (B.V.I.) Holdings Limited #	British Virgin Islands	1 Ordinary share of US\$1	100	Investment holding
COSCO International Construction Limited	British Virgin Islands	100 Ordinary shares of US\$1 each	100	Investment holding
COSCO International High Technology Holdings Limited	British Virgin Islands	1 Ordinary share of US\$1 each	100	Investment holding
COSCO International Infrastructure (BVI) Holdings Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Investment holding
COSCO International Land (B.V.I.) Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Investment holding
Graceful Nice Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Investment holding
Modern Capital Investment Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Investment holding
Monoland Assets Limited	British Virgin Islands	2 Ordinary shares of US\$1 each	100	Investment holding
Raycle Match Development Ltd.	British Virgin Islands	1 Ordinary share of US\$1	100	Investment holding

### 30. PRINCIPAL SUBSIDIARIES (Cont'd)

Name	Place of incorporation	Particulars of issued/registered share capital	Percentage of interest held	Principal activities
Operated in the British Virgin Islands (Cont'd)				
Trinity Developments Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Investment holding
Uppermost Corporation #	British Virgin Islands	1 Ordinary share of US\$1	100	Investment holding
Operated in the PRC				
New Central International Enterprises Co., Limited	Hong Kong	1,000,000 Ordinary shares of HK\$1 each	90	Investment holding
Shanghai COSCO Honour Property Development Ltd.	PRC	RMB232,238,926	85	Property development
Wellbase Holdings Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100	Property investment
Xiang Li Yuan (Shanghai) Property Management Co., Ltd.	PRC	US\$500,000	100	Property management
#	shares held directly by the Company			

## 31. ULTIMATE HOLDING COMPANY

The directors regard China Ocean Shipping (Group) Company, a State-owned enterprise established in the PRC, as being the ultimate holding company.

## 32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 30th March, 2001.