

## Notes to Condensed Interim Financial Statements

### 1. Basis of preparation and accounting policies

The Condensed Interim Financial Statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25. "Interim Financial Reporting", issued by the Hong Kong Society of Accountants ("HKSA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The Interim Financial Statements should be read in conjunction with the Annual Financial Statements for the year ended 31st December, 2000.

The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in the Annual Financial Statements for the year ended 31st December, 2000. The HKSA issued a number of new SSAPs and a revision of an existing SSAPs which are effective for accounting periods commencing on or after 1st January, 2001. These SSAPs do not have material impact to the Group's accounting policies as applicable to the preparation of the Condensed Interim Financial Statements.

### 2. Turnover, revenues, and segment information

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

	Six months ended 30th June,	
	2001 HK\$'000	2000 HK\$'000
<b>Turnover</b>		
Building construction	93,366	887,759
Sale of properties under development	1,145,442	37,516
Income from investment in fixed return joint venture	52,436	59,904
Gross rental income	34,204	32,392
	<b>1,325,448</b>	<b>1,017,571</b>
<b>Other revenues</b>		
Interest income	7,114	13,839
Dividend income from listed investments	1,676	1,435
	<b>8,790</b>	<b>15,274</b>
<b>Total revenues</b>	<b>1,334,238</b>	<b>1,032,845</b>

## 2. Turnover, revenues, and segment information (Cont'd)

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

	Building construction		Property development		Infrastructure investment		Property investment		Consolidated six months ended 30th June,	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
<b>By principal activities:</b>										
<b>Turnover</b>										
Segment turnover	198,501	1,071,591	1,145,442	37,516	52,436	59,904	34,204	32,392	1,430,583	1,201,403
Inter-segment transactions	(105,135)	(183,832)	—	—	—	—	—	—	(105,135)	(183,832)
<b>Turnover of the Group</b>	<b>93,366</b>	<b>887,759</b>	<b>1,145,442</b>	<b>37,516</b>	<b>52,436</b>	<b>59,904</b>	<b>34,204</b>	<b>32,392</b>	<b>1,325,448</b>	<b>1,017,571</b>
<b>Contribution to operating profit</b>										
Segment contribution to operating profit	3,387	41,378	(1,054)	9,517	16,887	19,330	24,460	22,416	43,680	92,641
Inter-segment transactions	(6,776)	(9,333)	34,330	—	—	—	—	—	27,554	(9,333)
<b>Contribution to operating profit of the Group</b>	<b>(3,389)</b>	<b>32,045</b>	<b>33,276</b>	<b>9,517</b>	<b>16,887</b>	<b>19,330</b>	<b>24,460</b>	<b>22,416</b>	<b>71,234</b>	<b>83,308</b>
Unallocated corporate expenses, net of income									(11,603)	(327)
<b>Operating profit of the Group</b>									<b>59,631</b>	<b>82,981</b>
<b>By principal markets:</b>										
<b>Turnover</b>										
Hong Kong									1,168,562	919,328
Mainland China									156,886	98,243
									<b>1,325,448</b>	<b>1,017,571</b>
<b>Contribution to operating profit</b>										
Hong Kong									42,087	58,129
Mainland China									29,147	25,179
									<b>71,234</b>	<b>83,308</b>
Unallocated corporate expenses, net of income									(11,603)	(327)
<b>Operating profit of the Group</b>									<b>59,631</b>	<b>82,981</b>

### 3. Operating profit

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

	Six months ended 30th June,	
	2001 HK\$'000	2000 HK\$'000
<b>Crediting</b>		
Net rental income	33,218	31,389
Net realised and unrealised gains on other investments	—	7,364
<b>Charging</b>		
Depreciation, net of amount capitalised in construction contracts and properties under development for sale amounted to HK\$1,722,000 (2000: HK\$2,845,000)	13,405	13,180
Amortisation of the investment cost of a fixed return joint venture	36,695	40,625
Loss on disposal/write-off of fixed assets	—	401
Staff costs	15,948	17,487
Net realised and unrealised losses on other investments	1,374	—

### 4. Taxation

No Hong Kong profits tax has been provided as the Group has no assessable profit for the period (2000: Nil).

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

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

	Six months ended 30th June,	
	2001 HK\$'000	2000 HK\$'000
Provision for the period — Mainland China	3,765	1,717

## 5. 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\$20,700,000 (2000: HK\$35,220,000).

The basic earnings per share is based on the weighted average number of 1,389,714,661 (2000: 1,381,364,584) shares in issue during the period.

The fully diluted earnings per share is based on 1,392,613,972 (2000: 1,418,980,439) shares which is the total of the weighted average number of shares in issue during the period and the weighted average of 2,899,311 (2000: 37,615,855) shares deemed to be issued at no consideration if all outstanding options and warrants had been exercised.

## 6. Interim dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2001 (2000: Nil).

## 7. Fixed assets

	30th June, 2001 <i>HK\$'000</i>	31st December, 2000 <i>HK\$'000</i>
Net book value at 1st January	1,451,694	1,479,051
Additions/revaluation	545	6,166
Disposal/write-off	(714)	(6,966)
Depreciation	(15,127)	(26,557)
Net book value at period/year end	1,436,398	1,451,694

## 8. Trade and other receivables

At 30th June, 2001, trade and other receivables included trade receivables amounting to HK\$123,154,000 (2000: HK\$163,619,000). The ageing analysis of the trade receivables is as follows:

	30th June, 2001 <i>HK\$'000</i>	31st December, 2000 <i>HK\$'000</i>
Current – 90 days	79,224	106,583
91 – 180 days	26,218	27,599
Over 180 days	17,712	29,437
	123,154	163,619

**8. Trade and other receivables (Cont'd)**

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.

**9. Cash and bank balances**

	30th June, 2001 <i>HK\$'000</i>	31st December, 2000 <i>HK\$'000</i>
Cash and bank balances	566,614	462,529
Restricted bank deposits	(94,491)	(92,709)
	<b>472,123</b>	<b>369,820</b>

The Group's bank deposits of approximately HK\$94,491,000 (2000: HK\$92,709,000) are restricted for the purpose of a long-term banking facility granted to the Group.

**10. Trade and other payables**

At 30th June, 2001, trade and other payables included trade payables amounting to HK\$239,369,000 (2000: HK\$275,767,000). The ageing analysis of the trade payables is as follows:

	30th June, 2001 <i>HK\$'000</i>	31st December, 2000 <i>HK\$'000</i>
Current – 90 days	57,905	221,316
91 – 180 days	61,646	14,583
Over 180 days	119,818	39,868
	<b>239,369</b>	<b>275,767</b>

## 11. Long-term bank loans

	30th June, 2001 <i>HK\$'000</i>	31st December, 2000 <i>HK\$'000</i>
Bank loans		
Secured	1,902,674	1,735,916
Unsecured	168,790	188,790
	2,071,464	1,924,706
Amount repayable within one year included in current liabilities	(987,290)	(897,290)
	1,084,174	1,027,416
The bank loans are repayable as follows:		
Within one year	987,290	897,290
In the second year	264,174	245,416
In the third to fifth year	40,000	80,000
After the fifth year	780,000	702,000
	2,071,464	1,924,706

## 12. Share capital

	30th June, 2001		31st December, 2000	
	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:				
Shares of HK\$0.1 each	3,000,000,000	300,000	3,000,000,000	300,000
Issued and fully paid:				
Shares of HK\$0.1 each				
At 1st January	1,381,959,291	138,196	1,379,978,911	137,997
Issue of shares upon the exercise of share options/warrants	12,280,000	1,228	1,980,380	199
At 30th June/31st December	1,394,239,291	139,424	1,381,959,291	138,196

### 13. Reserves

The increase in reserves during the period comprise an increase in share premium account of HK\$6,827,000 (2000: HK\$1,172,000) as a result of the issue of shares upon the exercise of the share options and warrants and a decrease of HK\$48,000 (2000: an increase of HK\$826,000) in exchange fluctuation reserve.

### 14. Commitments

At 30th June, 2001, the Group had the following commitments:

#### (a) Operating Lease Commitments

The Group had total future aggregate minimum lease payment under non-cancellable operating leases in respect of land and buildings as follows:

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
Within one year	167	167
In the second to fifth years inclusive	251	334
	<b>418</b>	<b>501</b>

#### (b) Financial Commitments

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
Financial commitments in respect of investment in a jointly controlled entity:		
Contracted but not provided for	296,052	—

On 29th June, 2001, the Group entered into a conditional agreement with COSCO Real Estate Development Company (中遠房地產開發公司), a wholly owned subsidiary of China Ocean Shipping (Group) Company (中國遠洋運輸(集團)總公司), the ultimate holding company of the Group, upon completion of which the Group will own a 49% equity interest in a sino-foreign equity joint venture company. The total investment by the Group amounts to HK\$296,052,000 of which approximately HK\$49,952,000 represents the consideration for the acquisition of the 49% equity interest, and approximately HK\$246,100,000 will be an advancement of shareholders' loans to the joint venture company. The principal activity of the joint venture company is property development in Mainland China. The acquisition is to be completed after certain conditions precedent specified in the agreement being fulfilled on or before 31st December, 2001.

## 15. Contingencies

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
Performance bonds in respect of performance and completion of construction contracts	63,037	63,037

In addition, the Group 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.

## 16. Related party transactions

Apart from the transaction disclosed in *note 14(b)*, the Group had the following significant related party transactions carried out in the normal course of the Group's business during the period:

	Six months ended 30th June,	
	2001 HK\$'000	2000 HK\$'000
Rental income received from		
An intermediate holding company	1,302	1,569
Fellow subsidiaries	20,246	18,494

Ten tenancy agreements were entered into between certain subsidiaries of the Company as landlords, and COSCO (Hong Kong) Group Limited ("COSCO (Hong Kong)"), the intermediate holding company, 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\$40 per square feet.