

## 1 PRINCIPAL ACCOUNTING POLICIES

### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice ("SSAP") and Interpretations issued by the Hong Kong Society of Accountants ("HKSA") and accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance.

In the current year, the Group adopted the following SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1st January, 2001:

SSAP 14 (revised)	: Leases (effective for periods commencing on or after 1st July, 2000)
SSAP 26	: Segment reporting
SSAP 28	: Provisions, contingent liabilities and contingent assets
SSAP 30	: Business combinations
SSAP 31	: Impairment of assets
SSAP 32	: Consolidated financial statements and accounting for investments in subsidiaries

A summary of accounting policies and the effect of adopting these new/revised standards 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 except that, as disclosed in the accounting policies below, certain investment properties and short-term investments are stated at fair values.

### (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.

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

### (d) Subsidiaries

Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued share capital.

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

### (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 and goodwill/negative goodwill on acquisition (net of accumulated amortisation).

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

#### (f) Joint venture

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 entities

The consolidated income statement includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

##### (ii) Other investment in a joint venture

Other investment in a joint venture is carried at cost less accumulated amortisation. Amortisation is provided to write-off the investment cost 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 other investment in a joint venture. Provision is made when, in the opinion of the directors, there is an impairment in value of other investment in a joint venture.

#### (g) Goodwill or negative goodwill on consolidation

Goodwill or negative goodwill arising on consolidation represents the deficit or excess, 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.

In accordance with SSAP 30, goodwill on acquisitions occurring on or after 1st January, 2001 is capitalised and amortised using the straight-line method over its estimated useful life.

For acquisitions on or after 1st January, 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the income statement immediately.

Goodwill/negative goodwill on acquisitions that occurred prior to 1st January, 2001 was directly written off against/taken to reserves. The Group has adopted the transitional provisions in SSAP 30 and such goodwill/negative goodwill has not been restated.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill/negative goodwill relating to the entity disposed of or, for pre 1st January, 2001 acquisitions, the related goodwill written off against/negative goodwill taken to reserves to the extent it has not previously been realised in the income statement.

Where an indication of impairment exists, the carrying amount of goodwill, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount.

## 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 properties 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 term 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 and accumulated impairment losses. Leasehold land is depreciated over the period of the lease while buildings are depreciated at a rate of 2% per annum.

#### (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 for sale is set out in note 1(v)(ii)(1).

#### (iv) *Completed properties held for sale*

Completed properties held for sale are included as current assets and stated at the lower of cost and net realisable value. Net realisable value is determined by reference to estimated sales proceeds of the properties sold in the ordinary course of business less estimated selling expenses.

The accounting policy for recognition of revenue from sale of completed properties is set out in note 1(v)(ii)(2).

**1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)**

**(i) Other tangible fixed assets**

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

Machinery	16 <sup>2</sup> / <sub>3</sub> %
Equipment and motor vehicles	20% - 33 <sup>1</sup> / <sub>3</sub> %
Leasehold improvements	20% - 33 <sup>1</sup> / <sub>3</sub> %
Furniture and fixtures	20% - 33 <sup>1</sup> / <sub>3</sub> %

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

**(j) Impairment and gain or loss on sale**

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in leasehold land and buildings and other tangible fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the income statement.

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

**(k) Investments in securities**

*(i) 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 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.

*(ii) Short-term investments*

Short-term 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 short-term 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)

### (l) 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 contract revenue is set out in note 1(v)(i).

### (m) Assets under operating leases

Leases where substantially all the risks and rewards 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.

### (n) Accounts receivable

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

### (o) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits with banks with maturity less than three months from the date of placement.

### (p) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

### (q) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

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

#### (r) Deferred taxation

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

#### (s) 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 balance sheet 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 whilst the income statement is translated at an average rate. Exchange differences arising therefrom are dealt with as a movement in reserves.

#### (t) 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.

#### (u) Pensions and retirement benefits

Following the adoption of the Mandatory Provident Fund ("MPF") scheme in December 2000, all staff of the Group employed in Hong Kong joined the MPF scheme. Under this scheme, employees and the Group are required to make contributions to the scheme calculated at 5% of the individual employee's monthly basic salaries, subject to a cap of HK\$1,000. The Group's contributions to this scheme are expensed as incurred. The assets of the scheme are held separately from those of the Group in independently administered funds.

#### (v) 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 construction contracts is recognised based on the stage of completion of the contracts when the outcome of 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.

## 1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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

#### (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 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 other investment in a joint venture

Income from other investment in a 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.

#### (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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2 TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in property investment and development, building construction and civil engineering, infrastructure investment and high technology. Turnover and revenues recognised during the year are as follows:

	2001 HK\$'000	2000 HK\$'000
Turnover		
Sale of properties	1,415,482	84,705
Building construction	254,413	1,203,073
Income from other investment in a joint venture	106,636	119,808
Gross rental income	67,510	64,991
Building management fee income	804	–
	<b>1,844,845</b>	1,472,577
Other revenues		
Interest income	12,014	18,702
Dividend income from listed investments	1,973	2,092
	<b>13,987</b>	20,794
Total revenues	<b>1,858,832</b>	1,493,371

#### Primary reporting format - business segments

The Group is organised into four main business segments:

- Property development - development of properties in Hong Kong and the Mainland China
- Building construction - construction of buildings and civil engineering
- Infrastructure investment - investment in a power plant project
- Property investment - holding of properties for rental purpose

Other operations of the Group comprise mainly holding of investment securities and investment in high technology project, neither of which are of a sufficient size to be reported separately.

The inter-segment transactions represent construction services provided by the building construction arm of the Group to the Group's property development projects.

#### Secondary reporting format - geographical segments

The Group's business segments operating in Hong Kong and the Mainland China are as follows:

- Hong Kong - all of the Group's business segments
- Mainland China - property development and investment and infrastructure investment

There are no sales between geographical segments.



## 2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Cont'd)

## Primary reporting format – business segments

	Property development 2001 HK\$'000	Building construction 2001 HK\$'000	Infrastructure investment 2001 HK\$'000	Property investment 2001 HK\$'000	Other operations 2001 HK\$'000	Group 2001 HK\$'000
Segment revenue	1,415,482	339,346	106,636	67,510	804	1,929,778
Inter-segment transactions	–	(84,933)	–	–	–	(84,933)
Turnover of the Group	1,415,482	254,413	106,636	67,510	804	1,844,845
Segment results	29,798	9,929	17,867	(1,536)	(124,863)	(68,805)
Inter-segment transactions	–	(16,751)	–	–	–	(16,751)
Segment results of the Group	29,798	(6,822)	17,867	(1,536)	(124,863)	(85,556)
Unallocated corporate expenses, net of income						(21,408)
Operating loss of the Group						(106,964)
Finance costs						(51,241)
Share of results of associated companies	–	76	–	–	–	76
Share of results of jointly controlled entities	2,084	–	–	–	(4,253)	(2,169)
Loss before taxation						(160,298)
Taxation						(7,353)
Loss after taxation						(167,651)
Minority interests						(447)
Loss attributable to shareholders						(168,098)

## NOTES TO THE FINANCIAL STATEMENTS

### 2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Cont'd)

#### Primary reporting format – business segments (Cont'd)

	Property development 2001 HK\$'000	Building construction 2001 HK\$'000	Infrastructure investment 2001 HK\$'000	Property investment 2001 HK\$'000	Other operations 2001 HK\$'000	Group 2001 HK\$'000
Segment assets	1,051,103	300,633	243,256	1,385,540	–	2,980,532
Associated companies	–	837	–	–	–	837
Jointly controlled entities	208,757	–	–	–	3,970	212,727
Investment securities	–	–	–	–	103,354	103,354
Unallocated assets						121,384
<b>Total assets</b>						<b>3,418,834</b>
Segment liabilities	473,469	543,519	243	790,911	–	1,808,142
Taxation						12,407
Minority interests						46,701
Unallocated liabilities						9,227
<b>Total liabilities</b>						<b>1,876,477</b>
Capital expenditure	350	672	–	–	–	1,022
Depreciation and amortisation	2,451	6,715	88,343	21,119	–	118,628
Provision for diminution in value of investment securities	–	–	–	–	128,800	128,800
Provision for completed properties held for sale	8,000	–	–	–	–	8,000
Deficit on revaluation of investment properties	–	–	–	45,000	–	45,000

## 2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Cont'd)

## Primary reporting format – business segments (Cont'd)

	Property development	Building construction	Infrastructure investment	Property investment	Other operations	Group
	2000	2000	2000	2000	2000	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	84,705	1,620,446	119,808	64,991	–	1,889,950
Inter-segment transactions	–	(417,373)	–	–	–	(417,373)
Turnover of the Group	84,705	1,203,073	119,808	64,991	–	1,472,577
Segment results	9,561	56,230	40,428	44,823	4,269	155,311
Inter-segment transactions	–	(15,841)	–	–	–	(15,841)
Segment results of the Group	9,561	40,389	40,428	44,823	4,269	139,470
Unallocated corporate expenses, net of income						(23,573)
Operating profit of the Group						115,897
Finance costs						(78,636)
Share of results of associated companies	–	(1,287)	–	–	–	(1,287)
Share of results of jointly controlled entities	–	–	–	–	(2,063)	(2,063)
Profit before taxation						33,911
Taxation						(1,966)
Profit after taxation						31,945
Minority interests						(1,748)
Profit attributable to shareholders						30,197

## NOTES TO THE FINANCIAL STATEMENTS

### 2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Cont'd)

#### Primary reporting format – business segments (Cont'd)

	Property development	Building construction	Infrastructure investment	Property investment	Other operations	Group
	2000	2000	2000	2000	2000	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	1,501,494	446,832	423,847	1,523,978	–	3,896,151
Associated companies	–	1,372	–	–	4,924	6,296
Jointly controlled entities	–	–	–	–	3,795	3,795
Investment securities	–	–	–	–	228,781	228,781
Unallocated assets						50,097
<b>Total assets</b>						<b>4,185,120</b>
Segment liabilities	1,057,879	644,342	226	712,422	–	2,414,869
Taxation						5,679
Minority interests						46,210
Unallocated liabilities						15,697
<b>Total liabilities</b>						<b>2,482,455</b>
Capital expenditure	167	1,999	–	–	–	2,166
Depreciation and amortisation	2,302	8,317	81,028	21,385	–	113,032

#### Secondary reporting format – geographical segments

	Turnover 2001	Segment results 2001	Total assets 2001	Capital expenditure 2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	1,562,344	(121,250)	2,149,397	672
Mainland China	282,501	35,694	831,135	350
	1,844,845	(85,556)	2,980,532	1,022
Unallocated corporate expenses, net of income		(21,408)		
Operating loss		(106,964)		
Associated companies			837	
Jointly controlled entities			212,727	
Investment securities			103,354	
Unallocated assets			121,384	
<b>Total assets</b>			<b>3,418,834</b>	

**2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Cont'd)****Secondary reporting format – geographical segments (Cont'd)**

	<b>Turnover</b>	<b>Segment results</b>	<b>Total assets</b>	<b>Capital expenditure</b>
	2000	2000	2000	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	1,266,526	84,272	2,935,756	2,166
Mainland China	206,051	55,198	960,395	–
	1,472,577	139,470	3,896,151	2,166
Unallocated corporate expenses, net of income		(23,573)		
Operating profit		115,897		
Associated companies			6,296	
Jointly controlled entities			3,795	
Investment securities			228,781	
Unallocated assets			50,097	
Total assets			4,185,120	

**3 OPERATING (LOSS)/PROFIT**

Operating (loss)/profit is arrived at after crediting/(charging) the following:

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Net rental income (note (a))	<b>66,053</b>	63,637
Net realised and unrealised gains on investments in securities	<b>2,211</b>	4,269
Gain/(loss) on disposal/write-off of fixed assets	<b>351</b>	(755)
Depreciation (note (c))	<b>(28,439)</b>	(27,812)
Operating lease rental expense (note (d))	<b>(76)</b>	(190)
Auditors' remuneration		
provision for the year	<b>(800)</b>	(1,040)
under-provision in prior year	–	(34)
Amortisation of the cost of other investment in a joint venture (note 13)	<b>(88,343)</b>	(81,028)
Staff costs (note (e))	<b>(35,095)</b>	(33,384)
Other (charges)/income		
(Deficit)/write-back of deficit on revaluation of investment properties	<b>(45,000)</b>	4,000
Provision for diminution in value of investment securities	<b>(128,800)</b>	–
Provision for completed properties held for sales	<b>(8,000)</b>	–
	<b>(181,800)</b>	4,000
Provision for potential claim on certain construction contracts	–	(16,546)

## NOTES TO THE FINANCIAL STATEMENTS

### 3 OPERATING (LOSS)/PROFIT (Cont'd)

#### (a) Net rental income

	2001 HK\$'000	2000 HK\$'000
Gross rental income from		
Investment properties	24,980	24,877
Other properties	42,530	40,114
	67,510	64,991
Outgoings	(1,457)	(1,354)
	66,053	63,637

#### (b) Future minimum rental receivable

The future minimum rental receivable under non-cancellable leases are as follows:

	2001 HK\$'000	2000 HK\$'000
In the first year	54,860	61,188
In the second to third years inclusive	51,001	68,676
	105,861	129,864

#### (c) Depreciation

	2001 HK\$'000	2000 HK\$'000
Charge for the year	30,285	32,004
Capitalised in construction contracts in progress	(1,846)	(4,192)
	28,439	27,812

#### (d) Operating lease rental expense

	2001 HK\$'000	2000 HK\$'000
Land and buildings	76	190
Plant and machinery	7,523	17,461
	7,599	17,651
Capitalised in construction contracts in progress	(4,534)	(15,319)
Capitalised in properties under development for sale	(2,989)	(2,142)
	76	190

**3 OPERATING (LOSS)/PROFIT (Cont'd)****(e) Staff costs**

	2001 HK\$'000	2000 HK\$'000
Staff costs	78,838	86,275
Capitalised in construction contracts in progress	(27,413)	(40,557)
Capitalised in properties under development for sale	(16,330)	(12,334)
	<b>35,095</b>	<b>33,384</b>

The staff costs include the Group's contribution of HK\$587,000 (2000: HK\$435,000) to the Group's employee retirement scheme.

**4 FINANCE COSTS**

	2001 HK\$'000	2000 HK\$'000
Interest on bank loans wholly repayable within five years	106,626	135,155
Other borrowing costs	5,663	7,202
	<b>112,289</b>	<b>142,357</b>
Capitalised in construction contracts in progress	(100)	(140)
Capitalised in properties under development for sale	(60,948)	(63,581)
	<b>51,241</b>	<b>78,636</b>

**5 TAXATION**

No Hong Kong profits tax has been provided as there is no estimated assessable profit for the year (2000: 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 the Mainland China.

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

	2001 HK\$'000	2000 HK\$'000
Company and subsidiaries		
Current year provision for Mainland China taxation	6,894	1,966
Share of taxation of a jointly controlled entity	459	-
	<b>7,353</b>	<b>1,966</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 6 (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the financial statements of the Company to the extent of a loss of HK\$178,466,000 (2000: profit of HK\$5,233,000).

### 7 (LOSS)/EARNINGS PER SHARE

The calculation of (loss)/earnings per share is based on the Group's loss attributable to shareholders of HK\$168,098,000 (2000: profit of HK\$30,197,000).

The basic (loss)/earnings per share is based on the weighted average of 1,389,789,044 (2000: 1,381,659,132) shares in issue during the year.

No diluted loss per share for the year ended 31st December, 2001 has been presented as the effect of the potential shares would be anti-dilutive. The fully diluted earnings per share for the year ended 31st December, 2000 was based on 1,387,092,179 shares which was the weighted average number of share in issue during the year 2000 plus weighted average of 5,433,047 shares deemed to be issued at no consideration if all outstanding share options 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:

	2001 HK\$'000	2000 HK\$'000
Fees	310	310
Salaries and other emoluments	9,500	7,550
	<b>9,810</b>	<b>7,860</b>

Emoluments paid and payable to independent non-executive directors of the Company amounted to HK\$310,000 (2000: HK\$310,000) during the year.

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

Emolument bands	Number of directors	
	2001	2000
HK\$Nil - HK\$1,000,000	10	9
HK\$1,000,001 - HK\$1,500,000	1	2
HK\$4,500,001 - HK\$5,000,000	-	1
HK\$7,500,001 - HK\$8,000,000	1	-
	<b>12</b>	<b>12</b>

The above analysis includes two (2000: three) directors whose emoluments were among the five highest in the Group.



**8 EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT (Cont'd)**
**(b) Senior management's emoluments**

Details of the emoluments paid to the remaining three (2000: two) individuals, whose emoluments were among the five highest in the Group but not disclosed in the directors' emoluments as above, are as follows:

	2001 HK\$'000	2000 HK\$'000
Salaries and other emoluments	4,864	3,255

The emoluments of the individuals fell within the following bands:

Emolument bands	Number of individuals	
	2001	2000
HK\$1,000,001 - HK\$1,500,000	2	1
HK\$1,500,001 - HK\$2,000,000	–	1
HK\$2,000,001 - HK\$2,500,000	1	–
	3	2

**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
<b>Cost or valuation</b>						
At 1st January, 2001	431,000	1,055,965	57,017	9,866	5,759	1,559,607
Additions	–	–	1,022	–	–	1,022
Revaluation	(45,000)	–	–	–	–	(45,000)
Disposals/write-off	–	–	(10,330)	–	(147)	(10,477)
<b>At 31st December, 2001</b>	<b>386,000</b>	<b>1,055,965</b>	<b>47,709</b>	<b>9,866</b>	<b>5,612</b>	<b>1,505,152</b>
<b>Accumulated depreciation</b>						
At 1st January, 2001	–	58,041	39,026	6,643	4,203	107,913
Charge for the year	–	21,119	6,679	1,676	811	30,285
Disposals/write-off	–	–	(9,799)	–	–	(9,799)
<b>At 31st December, 2001</b>	<b>–</b>	<b>79,160</b>	<b>35,906</b>	<b>8,319</b>	<b>5,014</b>	<b>128,399</b>
<b>Net book value</b>						
<b>At 31st December, 2001</b>	<b>386,000</b>	<b>976,805</b>	<b>11,803</b>	<b>1,547</b>	<b>598</b>	<b>1,376,753</b>
At 31st December, 2000	431,000	997,924	17,991	3,223	1,556	1,451,694

## NOTES TO THE FINANCIAL STATEMENTS

### 9 FIXED ASSETS (Cont'd)

The analysis of the cost or valuation at 31st December, 2001 of the above assets is as follows:

	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
At cost	–	1,055,965	47,709	9,866	5,612	1,119,152
At professional valuation	386,000	–	–	–	–	386,000
	386,000	1,055,965	47,709	9,866	5,612	1,505,152

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

	2001 HK\$'000	2000 HK\$'000
In Hong Kong, held on leases of between 10 and 50 years	1,415,965	1,460,965
Outside Hong Kong, held on leases of over 50 years	26,000	26,000
	1,441,965	1,486,965

The investment properties were revalued at 31st December, 2001 on the basis of their open market value by an independent firm of Chartered Surveyors, DTZ Debenham Tie Leung Limited.

As at 31st December, 2001, investment properties in Hong Kong of HK\$360,000,000 (2000: HK\$405,000,000) and other properties in Hong Kong of HK\$966,686,000 (2000: HK\$987,566,000) were pledged as securities to a bank in respect of certain banking facilities granted to the Group.

As at 31st December, 2001, the cost and accumulated depreciation of other properties leased to an intermediate holding company and certain fellow subsidiaries were HK\$874,142,000 (2000: HK\$891,410,000) and HK\$64,735,000 (2000: HK\$46,916,000) respectively.

## 9 FIXED ASSETS (Cont'd)

## Company

	Machinery, equipment and motor vehicles HK\$'000	Leasehold improvements HK\$'000	Fixture and fixtures HK\$'000	Total HK\$'000
<b>Cost</b>				
At 1st January, 2001	3,286	7,203	1,111	11,600
Additions	–	–	13	13
<b>At 31st December, 2001</b>	<b>3,286</b>	<b>7,203</b>	<b>1,124</b>	<b>11,613</b>
<b>Accumulated depreciation</b>				
At 1st January, 2001	1,762	4,314	664	6,740
Charge for the year	592	1,440	218	2,250
<b>At 31st December, 2001</b>	<b>2,354</b>	<b>5,754</b>	<b>882</b>	<b>8,990</b>
<b>Net book value</b>				
<b>At 31st December, 2001</b>	<b>932</b>	<b>1,449</b>	<b>242</b>	<b>2,623</b>
At 31st December, 2000	1,524	2,889	447	4,860

## 10 SUBSIDIARIES

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	Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	–	–
Amounts due from subsidiaries	3,500,750	3,518,761
Amounts due to subsidiaries	(119,505)	(121,169)
	<b>3,381,245</b>	3,397,592
Provision for impairment losses	(1,116,400)	(942,856)
	<b>2,264,845</b>	2,454,736

Particulars of the principal subsidiaries which, in the opinion of the directors, principally affect the results and/or assets of the Group at 31st December, 2001 are set out in note 31 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 11 ASSOCIATED COMPANIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	6,543	7,450
Amount due from an associated company, less provision	–	4,924
Amounts due to associated companies	(5,706)	(6,078)
	<b>837</b>	<b>6,296</b>

### 12 JOINTLY CONTROLLED ENTITIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	52,308	2,735
Amounts due from jointly controlled entities	160,419	1,060
	<b>212,727</b>	<b>3,795</b>

Particulars of the jointly controlled entities of the Group at 31st December, 2001 are set out as follows:

Name	Place of incorporation	Principal activities	Percentage of interest held
† ` f ` f ^ a < † - • s • L , q / 1 f † > > / % ¥ q (Ark Pioneer Microelectronics (Shenzhen) Limited)	The People's Republic of China ("PRC")	Development and design of integrated circuit	51
Beijing Tian Lin Property Development Co., Ltd.	PRC	Property development	49

The amounts due from jointly controlled entities are unsecured, interest free and have no fixed repayment terms.

## 13 OTHER INVESTMENT IN A JOINT VENTURE

	Group	
	2001 HK\$'000	2000 HK\$'000
<b>Cost</b>		
At 1st January	634,454	634,454
<b>Accumulated amortisation</b>		
At 1st January	(308,110)	(227,082)
Charge for the year	(88,343)	(81,028)
At 31st December	(396,453)	(308,110)
<b>Net book value as at 31st December</b>	<b>238,001</b>	<b>326,344</b>

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 twenty years and commenced its operations in October 1995. Pursuant to the joint venture agreement dated 8th September, 1994 entered into by New Central and 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 until 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.

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.

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## 14 INVESTMENT SECURITIES

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Listed equity securities in Hong Kong, at cost	519,456	519,456	20,684	20,684
Listed held-to-maturity debt securities outside Hong Kong, at cost	–	1,550	–	–
Unlisted equity securities outside Hong Kong, at cost	12,698	7,775	–	–
Provision for diminution in value	532,154 (428,800)	528,781 (300,000)	20,684 –	20,684 –
	103,354	228,781	20,684	20,684
Market value of listed securities	56,723	39,452	16,512	10,664

## NOTES TO THE FINANCIAL STATEMENTS

### 14 INVESTMENT SECURITIES (Cont'd)

Included in listed equity securities in Hong Kong is an amount of HK\$441,889,000 (2000: HK\$441,889,000) which represents the Group's 4.67% (2000: 4.67%) interest in the issued shares of Soundwill Holdings Limited ("Soundwill"), a company incorporated in Bermuda whose principal activities are property investment and development. The directors of the Company have made a provision of HK\$428,800,000 (2000: HK\$300,000,000) against its investment in Soundwill as at 31st December, 2001 with reference to the underlying net asset value of Soundwill.

### 15 PROPERTIES UNDER DEVELOPMENT FOR SALE

	Group	
	2001 HK\$'000	2000 HK\$'000
Cost incurred plus attributable profits less foreseeable losses to date	492,393	1,430,161
Sales instalments received	(245,473)	(78,620)
	<b>246,920</b>	1,351,541

At 31st December, 2001, no properties under development for sale are pledged as securities to banks in respect of banking facilities granted to the Group (2000: HK\$1,045,545,000).

### 16 COMPLETED PROPERTIES HELD FOR SALE

At 31st December, 2001, the carrying amount of completed properties held for sale that are carried at net realisable value amounted to HK\$14,676,000 (2000: Nil).

Included in completed properties held for sale are properties amounting to HK\$100,108,000 (2000: Nil) which are pledged as securities to banks in respect of certain banking facilities granted to the Group and the pledge was released subsequent to the year end.

### 17 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Net amounts due from customers for contract work (note 18)	25,113	3,742	–	–
Amounts due from fellow subsidiaries	641	10,072	32	32
Trade receivables	419,230	163,619	–	–
Retention receivables	65,063	72,397	–	–
Deposits, prepayments and other receivables	36,754	93,331	2,108	22,092
	<b>546,801</b>	343,161	<b>2,140</b>	22,124

The Group's revenue from building construction contracts is billed according to certified progress billings, revenue from sales of properties and other operating revenues are billed according to terms of the relevant contracts governing the transactions. All invoices billed are repayable upon presentation of invoices.

**17 TRADE AND OTHER RECEIVABLES (Cont'd)**

As at 31st December, 2001, the ageing analysis of trade receivables was as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Current - 90 days	409,581	106,583
91 - 180 days	–	27,599
Over 180 days	9,649	29,437
	<b>419,230</b>	<b>163,619</b>

**18 CONSTRUCTION CONTRACTS IN PROGRESS**

	Group	
	2001 HK\$'000	2000 HK\$'000
Contract costs incurred plus attributable profits less foreseeable losses to date	4,664,677	4,352,761
Progress billings received and receivable	(4,702,277)	(4,459,457)
	<b>(37,600)</b>	<b>(106,696)</b>
Represented by:		
Net amounts due from customers for contract work included in trade and other receivables (note 17)	25,113	3,742
Net amounts due to customers for contract work included in trade and other payables (note 21)	(62,713)	(110,438)
	<b>(37,600)</b>	<b>(106,696)</b>

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**19 SHORT-TERM INVESTMENTS**

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Market value of Hong Kong listed equity securities	6,921	10,979	154	279

## NOTES TO THE FINANCIAL STATEMENTS

### 20 CASH AND BANK BALANCES

	Group	
	2001 HK\$'000	2000 HK\$'000
Cash and bank balances	571,736	462,529
Restricted bank deposits included in non-current assets	(83,794)	(92,709)
	<b>487,942</b>	369,820

The Group's bank deposits of approximately HK\$83,794,000 (2000: HK\$92,709,000) are restricted for the purpose of a long-term banking facility granted to the Group (note 25).

### 21 TRADE AND OTHER PAYABLES

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Net amounts due to customers				
for contract work (note 18)	62,713	110,438	–	–
Trade payables	130,535	175,217	–	–
Retention payables	100,572	100,550	–	–
Accrued liabilities and other payables	55,618	48,557	5,263	4,646
Amounts due to fellow subsidiaries	574	98	–	–
	<b>350,012</b>	434,860	<b>5,263</b>	4,646

As at 31st December, 2001, the ageing analysis of trade payables was as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Current - 90 days	106,556	120,766
91 - 180 days	12,132	14,583
Over 180 days	11,847	39,868
	<b>130,535</b>	175,217



## 22 BANK LOANS, UNSECURED

As at 31st December, 2001, bank loans of HK\$80,000,000 (2000: HK\$71,000,000) are guaranteed by COSCO (Hong Kong) Group Limited, an intermediate holding company of the Group.

## 23 SHARE CAPITAL

	2001		2000	
	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>1,381,959,291</b>	<b>138,196</b>	1,379,978,911	137,997
Issue of shares upon the exercise of options/warrants	<b>12,430,000</b>	<b>1,243</b>	1,980,380	199
At 31st December	<b>1,394,389,291</b>	<b>139,439</b>	1,381,959,291	138,196

Under the terms of the Company's share option scheme approved by the shareholders on 17th January, 1992, the board of directors 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 2001, optionholders exercised to subscribe for 12,430,000 shares (at a subscription price of HK\$0.656 per share) of the Company. At 31st December, 2001, the Company had outstanding share options carrying rights to subscribe for 14,620,000 shares of the Company, all of which remained unexercised and lapsed on 16th January, 2002.

24 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, 2000	2,348,415	56,683	(2,434)	(870,390)	1,532,274
Exchange differences	–	–	771	–	771
Issue of shares upon the exercise of warrants	1,227	–	–	–	1,227
Profit for the year (note (a))	–	–	–	30,197	30,197
At 31st December, 2000	2,349,642	56,683	(1,663)	(840,193)	1,564,469
Company and subsidiaries	2,349,642	56,683	(1,663)	(829,098)	1,575,564
Associated companies	–	–	–	(9,032)	(9,032)
Jointly controlled entities	–	–	–	(2,063)	(2,063)
	2,349,642	56,683	(1,663)	(840,193)	1,564,469
At 1st January, 2001	2,349,642	56,683	(1,663)	(840,193)	1,564,469
Exchange differences	–	–	(364)	–	(364)
Issue of shares upon the exercise of options	6,911	–	–	–	6,911
Loss for the year (note (a))	–	–	–	(168,098)	(168,098)
<b>At 31st December, 2001</b>	<b>2,356,553</b>	<b>56,683</b>	<b>(2,027)</b>	<b>(1,008,291)</b>	<b>1,402,918</b>
Company and subsidiaries	2,356,553	56,683	(2,027)	(994,644)	1,416,565
Associated companies	–	–	–	(8,956)	(8,956)
Jointly controlled entities	–	–	–	(4,691)	(4,691)
	2,356,553	56,683	(2,027)	(1,008,291)	1,402,918

Company

	Share premium account HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st January, 2000	2,348,415	83,770	(922,060)	1,510,125
Issue of shares upon the exercise of warrants	1,227	–	–	1,227
Profit for the year	–	–	5,233	5,233
At 31st December, 2000	2,349,642	83,770	(916,827)	1,516,585
At 1st January, 2001	2,349,642	83,770	(916,827)	1,516,585
Issue of shares upon the exercise of options	6,911	–	–	6,911
Loss for the year	–	–	(178,466)	(178,466)
<b>At 31st December, 2001</b>	<b>2,356,553</b>	<b>83,770</b>	<b>(1,095,293)</b>	<b>1,345,030</b>

## 24 RESERVES (Cont'd)

- (a) Loss for the year of HK\$168,098,000 (2000: profit of HK\$30,197,000) includes a net loss of HK\$2,552,000 (2000: HK\$3,350,000) attributable to associated companies and jointly controlled entities.
- (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 acquired.
- (c) Under the Companies Act of Bermuda, the Company's contributed surplus is currently not distributable. Accordingly, the Company had no reserves available for distribution at 31st December, 2001 (2000: nil).

## 25 LONG-TERM BANK LOANS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank loans				
Secured	1,208,567	1,735,916	780,000	702,000
Unsecured	148,790	188,790	130,000	150,000
	1,357,357	1,924,706	910,000	852,000
Amount repayable within one year included in current liabilities	(320,731)	(897,290)	–	(20,000)
	1,036,626	1,027,416	910,000	832,000
The bank loans are repayable as follows:				
Within one year	320,731	897,290	50,000	20,000
In the second year	256,626	245,416	80,000	50,000
In the third to fifth year	780,000	782,000	780,000	782,000
	1,357,357	1,924,706	910,000	852,000

In addition to certain of the Group's properties and deposits pledged as securities to long-term bank loans, the Group's long-term bank loans of HK\$176,627,000 (2000: HK\$195,416,000), HK\$1,161,940,000 (2000: HK\$1,710,500,000) and HK\$18,790,000 (2000: HK\$18,790,000) are guaranteed by China Ocean Shipping (Group) Company, the ultimate holding company of the Company, COSCO (Hong Kong) Group Limited, an intermediate holding company, and a minority shareholder of a subsidiary, respectively.

## 26 DEFERRED TAXATION

The potential deferred tax (assets)/liabilities as at 31st December, 2001 not provided for in the financial statements amounted to:

	Group	
	2001 HK\$'000	2000 HK\$'000
Tax losses	(53,626)	(41,029)
Accelerated depreciation allowances	3,969	7,865
	(49,657)	(33,164)

27 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001 HK\$'000	2000 HK\$'000
(Loss)/profit before taxation	(160,298)	33,911
(Deficit)/write-back of deficit on revaluation of investment properties	45,000	(4,000)
Provision for diminution in value of investment securities	128,800	–
Provision for completed properties held for sale	8,000	–
Share of results of associated companies	(76)	1,287
Share of results of jointly controlled entities	2,169	2,063
Finance costs, net of amount capitalised	51,241	78,636
Interest income	(12,014)	(18,702)
Depreciation of fixed assets, net of amount capitalised	28,439	27,812
Amortisation of the cost of other investment in a joint venture	88,343	81,028
(Gain)/Loss on disposal/write-off of fixed assets	(351)	755
Dividend income	(1,973)	(2,092)
Income from other investment in a joint venture	(106,636)	(119,808)
Decrease/(increase) in properties under development for sale	1,165,569	(353,919)
Increase in completed properties held for sales	(122,784)	–
Increase in construction contracts in progress	(67,150)	(33,819)
(Increase)/decrease in trade receivables, retention receivables, deposits, prepayments and other receivables	(239,743)	84,656
Decrease in short-term investments	4,058	30,040
Decrease in trade payables, retention payables, accrued liabilities and other payables	(38,713)	(83,078)
Decrease/(increase) in amounts due from fellow subsidiaries	5,930	(464)
Increase in amounts due to fellow subsidiaries	476	55
Net cash inflow/(outflow) from operating activities	778,287	(275,639)

(b) Analysis of changes in financing during the year

	Share capital and premium HK\$'000	Bank loans HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st January, 2000	2,486,412	1,678,349	24,377	4,189,138
Net cash inflow from financing activities	1,426	317,357	19,907	338,690
Changes in exchange rates	–	–	178	178
Minority's share of profits of subsidiaries for the year	–	–	1,748	1,748
At 31st December, 2000	2,487,838	1,995,706	46,210	4,529,754
At 1st January, 2001	2,487,838	1,995,706	46,210	4,529,754
Net cash inflow/(outflow) from financing activities	8,154	(528,349)	–	(520,195)
Changes in exchange rates	–	–	44	44
Minority's share of profits of subsidiaries for the year	–	–	447	447
<b>At 31st December, 2001</b>	<b>2,495,992</b>	<b>1,467,357</b>	<b>46,701</b>	<b>4,010,050</b>

## 28 COMMITMENTS

At 31st December, 2001, the Group had the following commitments:

### (a) Operating lease commitments

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

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Within one year	101	167	4,947	4,947
In the second to fifth years inclusive	–	–	4,561	9,508
	101	167	9,508	14,455

The Company entered into non-cancellable operating leases with a subsidiary of the Group, and such lease commitments are eliminated upon consolidation.

### (b) Financial commitments

At 31st December, 2001, the Group had committed to provide the remaining balance of the shareholders' loan amounting to HK\$91,131,000 to a joint venture according to the terms of an agreement (note 30(b)).

## 29 CONTINGENCIES

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Guarantees for banking facilities granted to subsidiaries	–	–	1,129,000	893,000
Performance bonds in respect of performance and completion of construction contracts	49,734	63,037	–	–
Guarantee and counter-indemnity to bank guarantees in respect of due performance of management and remedial cost of a property project undertaken by the Group	43,000	–	35,000	–

**30 RELATED PARTY TRANSACTIONS**

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

	Group	
	2001 HK\$'000	2000 HK\$'000
Rental income received from		
An intermediate holding company	2,552	3,137
Fellow subsidiaries	39,977	36,988

Ten tenancy agreements were entered into between certain subsidiaries of the Company as landlords, and COSCO (Hong Kong) Group Limited or its subsidiaries as tenants, for the leasing of certain properties of the Group at COSCO Tower at average monthly rental of approximately HK\$40 (2000: HK\$37) per square feet.

- (b) During the year, the Group entered into an agreement with COSCO Real Estate Development Company, a wholly owned subsidiary of China Ocean Shipping (Group) Company, the ultimate holding company of the Group. Pursuant to the agreement, the Group invested in a Sino-foreign equity joint venture company engaging in property development in Beijing, the PRC, in which the Group has a 49% equity interest. The total investment by the Group amounted to approximately HK\$296,052,000, of which approximately HK\$18,169,000 represented the consideration for the acquisition of the 49% equity interest, approximately HK\$31,783,000 represented the pro-rata capital injection to the joint venture company and approximately HK\$246,100,000 represented the advancement of shareholders' loans to the joint venture company. As at 31st December, 2001, the Group invested HK\$204,921,000 and the remaining commitment amounted to HK\$91,131,000.

## 31 PRINCIPAL SUBSIDIARIES

Name	Place of incorporation	Particulars of issued/registered share capital	Percentage of interest held	Principal activities
<b><i>Operated in Hong Kong</i></b>				
99 Prove Finance Limited	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 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
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
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
<b><i>Operated in the British Virgin Islands</i></b>				
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

## NOTES TO THE FINANCIAL STATEMENTS

### 31 PRINCIPAL SUBSIDIARIES (Cont'd)

Name	Place of incorporation	Particulars of issued/registered share capital	Percentage of interest held	Principal activities
<b><i>Operated in the British Virgin Islands (Cont'd)</i></b>				
COSCO International Construction Limited	British Virgin Islands	100 Ordinary shares 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
Market Smart Limited	Hong Kong	2 Ordinary shares of HK\$1 each	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
Smart State Properties Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Investment holding
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
<b><i>Operated in the PRC</i></b>				
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 Limited	PRC	RMB 232,238,926	85	Property development
Xiang Li Yuan (Shanghai) Property Management Co., Ltd.	PRC	US\$500,000	100	Property management services
Wellbase Holdings Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100	Property investment

# Shares held directly by the Company

### 32 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.

### 33 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 28th March, 2002.