

## 1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). Its ultimate holding company is China State Construction Engineering Corporation, an entity established in the People's Republic of China.

The Group is engaged in property development and investment, building and civil construction, foundation engineering and project management, real estate agency and management, infrastructure project investments, and treasury operations.

## 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/ CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants ("HKSA") which has resulted in the adoption of the following new/revised accounting policies.

|                   |                                     |
|-------------------|-------------------------------------|
| SSAP 9 (Revised)  | Events after the Balance Sheet Date |
| SSAP 14 (Revised) | Leases                              |
| SSAP 26           | Segment Reporting                   |
| SSAP 30           | Business Combination                |

In accordance with SSAP 9 (Revised), dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively. Comparative amounts have been restated to achieve a consistent presentation, resulting in a prior period adjustment (Note 30).

The adoption of SSAP 14 (Revised) has not resulted in any significant changes to the accounting treatment adopted for leases and accordingly, no prior period adjustment has been required. Disclosure for the Group's leasing arrangements have been modified so as to comply with the new disclosure requirements of SSAP 14 (Revised). Comparative amounts have been restated to achieve a consistent presentation.

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26. Segment disclosures for the year ended 31 December 2000 have been amended so that they are presented on a consistent basis.

In the current year, the Group has adopted SSAP 30 and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1 January 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1 January 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary or associate.

Goodwill arising on acquisitions of subsidiaries or associates on or after 1 January 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions of subsidiaries or associates on or after 1 January 2001 is presented as a deduction from non-current assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

### 3. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

#### **Basis of consolidation**

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

The results of subsidiaries acquired or disposed of during the year, if any, are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

#### **Goodwill/negative goodwill**

Goodwill/negative goodwill arising on consolidation represents the excess/shorfall of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill/negative goodwill arising on acquisitions prior to 1 January, 2001 continues to be held in reserves. Goodwill will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired. Negative goodwill will be credited to the income statement at the time of disposal of the relevant subsidiary or associate.

Goodwill arising on acquisitions on or after 1 January, 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet. On disposal of a subsidiary or an associate, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Negative goodwill arising on acquisitions on or after 1 January, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the year in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

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

#### Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received or receivable.

#### Investments in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, less any identified impairment loss.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

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

#### Investments in infrastructure projects

The Group's interests in infrastructure projects are accounted for as infrastructure project investments where the return therefrom is fixed or where the Group is entitled to a variable amount unconnected with the results of the projects. Such investments are initially recorded at cost. Payments receivable from such investments are apportioned between income and reduction of the carrying value of the investments so as to give a constant periodic rate of return on the net investments. Where the estimated recoverable amount of these investments falls below their carrying value, the carrying amount is written down to the recoverable amount.

#### Investments in syndicated property projects

Investments in syndicated property project companies, not being subsidiaries or associates, are stated at cost less any identified impairment loss. The results of these project companies are accounted for by the Group on the basis of dividends received and receivable.

#### Listed securities

Listed securities, not being securities held for an identified long-term strategic purpose, are classified as investments in securities and are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

#### Development properties

##### *Properties for sale*

Completed properties and properties under development held for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy and other attributable expenses. Net realisable value is determined by management based on prevailing market conditions.

##### *Properties for development*

Properties held for development are stated at cost less any identified impairment loss. Cost includes the cost of land, borrowing costs capitalised in accordance with the Group's accounting policy and other attributable expenses.

### 3. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

#### **Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another Standard, in which case the impairment loss is treated as revaluation decrease under that Standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another Standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that Standard.

#### **Investment properties**

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case, the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On the disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

#### **Property, plant and equipment**

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses, where appropriate. Properties for own use reclassified from investment properties are stated at the carrying value at the time when the reclassification took place, less subsequent accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the assets.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

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

#### Property, plant and equipment (Cont'd)

Advantage has been taken of the transitional relief provided by paragraph 80 of SSAP 17 "Property, Plant and Equipment" issued by the HKSA from the requirement to make regular revaluations of the Group's land and buildings held for own use which had been carried at revalued amounts prior to 30 September, 1995, and accordingly no further revaluation of such land and buildings is carried out. In previous years, the increase arising on revaluation of an asset was credited to an asset revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the asset revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation increase is transferred to retained profits.

Depreciation is provided to write off the cost or valuation of items of property, plant and equipment over their estimated useful lives from the date on which they become fully operational and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

|                                    |  |
|------------------------------------|--|
| Leasehold land and land use rights | Over the term of the relevant lease                            |
| Buildings                          | Over the shorter of the term of the relevant lease or 25 years |
| Plant and machinery                | 3 to 5 years   |
| Other assets                       | 3 to 8 years   |

#### Inventories

Inventories, representing building materials, are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first in, first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that costs incurred to date bear to estimated total cost for the contract.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract cost will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When a contract covers a number of assets, the construction of each asset is treated as a separate contract when separate proposals have been submitted for each asset, each asset has been separately negotiated and the costs and revenues of each asset can be separately identified. A group of contracts, performed concurrently or in a continuous sequence, is treated as a single construction contract when they were negotiated as a single package and are so closely inter-related that they constitute a single project with an overall profit margin.

### 3. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

#### Construction contracts *(Cont'd)*

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the balance sheet under trade and other receivables.

#### Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the year in which they are incurred.

#### Foreign currencies

Transactions denominated in currencies other than Hong Kong dollars are translated at the rates of exchange ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates of exchange ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries and associates established outside Hong Kong, which are denominated in currencies other than Hong Kong dollars, are translated at the rates of exchange ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in an exchange equalisation reserve.

#### Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the relevant lease term.

#### Taxation

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

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

#### Revenue recognition

##### *Sales of properties*

Income from sales of properties together with the interest earned on deposits from the instalment sales of flats are recognised upon the execution of a binding sales agreement or upon the issuance of an occupation permit/completion certificate by the relevant authority, whichever is the later. Deposits received from forward sales of properties are carried in the balance sheet under current liabilities.

##### *Property rentals*

Rentals receivable under operating leases are recognised and credited to the income statement on a straight line basis over the relevant lease term.

##### *Construction contracts*

When the outcome of a construction contract can be estimated reliably, revenue from fixed price contracts is recognised on the percentage completion method, measured by reference to the proportion that costs incurred to date bear to estimated total cost for each contract, after making due allowances for contingencies. Provisions are made for any foreseeable losses when they are identified. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customers.

When the outcome of a construction contract can be estimated reliably, revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the period plus the fees earned, measured by the proportion that costs incurred to date bear to the estimated total cost of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

##### *Project management contracts*

Income and profits from project management contracts are recognised on the basis of work performed.

##### *Income from infrastructure project investments*

Income from infrastructure project investments, where the Group is entitled to a fixed guaranteed return over the contract period, is recognised on an accrual basis using the actuarial method so as to produce a constant periodic rate of return on the net investment and loan balance.

##### *Real estate agency and management services*

Service income from real estate agency and management is recognised when services are provided.

##### *Income from sales of listed securities*

Income from sales of listed securities is recognised when the sales become unconditional.

##### *Interest income*

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

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

#### Revenue recognition (Cont'd)

##### Dividend income

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

### 4. TURNOVER

Turnover represents the aggregate of proceeds from sales of properties, property rentals, revenue from construction contracts and project management, income from infrastructure project investments, real estate agency and management service fees, proceeds from sales of listed securities, dividend and interest income, and is analysed as follows:

|  | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
|--|------------------|------------------|
| Proceeds from sales of properties                          | 3,583,576        | 2,922,969        |
| Property rental income                                     | 198,336          | 166,988          |
| Revenue from construction contracts and project management | 2,538,663        | 2,766,848        |
| Income from infrastructure project investments             | 101,312          | 135,476          |
| Real estate agency and management fees                     | 82,881           | 88,143           |
| Proceeds from sale of securities                           | 14,705           | 58,032           |
| Dividend income  | 7,972            | 1,553            |
| Interest income  | 58,138           | 84,290           |
|  | <u>6,585,583</u> | <u>6,224,299</u> |

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS

#### Business Segment

The businesses based upon which the Group reports its primary segment information are as follows:

|                                   |   |  |
|-----------------------------------|---|--|
| Property development              | — | development and sale of properties   |
| Property investment               | — | property letting   |
| Construction                      | — | building and civil construction, foundation engineering and project management |
| Infrastructure project investment | — | investments in entities undertaking infrastructure projects                    |



For The Year Ended 31 December 2001

**5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)****Business Segment (Cont'd)**

Segment information about these businesses is presented below.

**REVENUE AND RESULTS**

Year ended 31 December 2001

|               | Property<br>development | Property<br>investment | Construction     | Infrastructure<br>project<br>investment | Other<br>operations | Eliminations     | Consolidated     |
|---------------|-------------------------|------------------------|------------------|---|---------------------|------------------|------------------|
|               | HK\$'000                | HK\$'000               | HK\$'000         | HK\$'000                                | HK\$'000            | HK\$'000         | HK\$'000         |
| REVENUE       |                         |                        |                  |   |                     |                  |                  |
| External      | 3,583,576               | 198,336                | 2,538,663        | 101,312                                 | 105,558             | —                | 6,527,445        |
| Inter-segment | —                       | 5,107                  | 513,875          | —                                       | —                   | (518,982)        | —                |
|               | <u>3,583,576</u>        | <u>203,443</u>         | <u>3,052,538</u> | <u>101,312</u>                          | <u>105,558</u>      | <u>(518,982)</u> | <u>6,527,445</u> |

Inter-segment revenue was charged at prices determined by management with reference to market prices.

|                                  |               |                |               |               |               |                 |                  |
|----------------------------------|---------------|----------------|---------------|---------------|---------------|-----------------|------------------|
| RESULT                           |               |                |               |               |               |                 |                  |
| Segment result                   | <u>55,003</u> | <u>141,213</u> | <u>93,138</u> | <u>73,971</u> | <u>38,757</u> | <u>(32,650)</u> | 369,432          |
| Interest and other income        |               |                |               |               |               |                 | 75,394           |
| Unallocated corporate expenses   |               |                |               |               |               |                 | <u>(156,953)</u> |
| Profit from operations           |               |                |               |               |               |                 | 287,873          |
| Finance costs                    |               |                |               |               |               |                 | <u>(189,146)</u> |
| Gain on disposal of investment   |               |                |               |               |               |                 | 347,684          |
| Share of results of associates   | (46,943)      | —              | 21,006        | —             | 3,192         | —               | <u>(22,745)</u>  |
| Profit before taxation           |               |                |               |               |               |                 | 423,666          |
| Income tax expense               |               |                |               |               |               |                 | <u>(79,311)</u>  |
| Profit before minority interests |               |                |               |               |               |                 | 344,355          |
| Minority interests               |               |                |               |               |               |                 | <u>67,137</u>    |
| Net profit for the year          |               |                |               |               |               |                 | <u>411,492</u>   |

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

Business Segment (Cont'd)

BALANCE SHEET

At 31 December 2001

|                                   | Property<br>development | Property<br>investment | Construction | Infrastructure<br>project<br>investment | Other<br>operations | Consolidated       |
|-----------------------------------|-------------------------|------------------------|--------------|---|---------------------|--------------------|
|                                   | HK\$'000                | HK\$'000               | HK\$'000     | HK\$'000                                | HK\$'000            | HK\$'000           |
| ASSETS                            |                         |                        |              |   |                     |                    |
| Segment assets                    | 6,969,187               | 1,808,041              | 951,277      | 760,465                                 | 57,227              | 10,546,197         |
| Interests in associates           | 885,665                 | —                      | 97,362       | —                                       | 71,780              | 1,054,807          |
| Unallocated corporate assets      |                         |                        |              |   |                     | 2,452,433          |
| Consolidated total assets         |                         |                        |              |   |                     | <u>14,053,437</u>  |
| LIABILITIES                       |                         |                        |              |   |                     |                    |
| Segment liabilities               | (1,543,048)             | (58,084)               | (802,329)    | (121)                                   | (52,407)            | (2,455,989)        |
| Unallocated corporate liabilities |                         |                        |              |   |                     | (3,586,278)        |
| Consolidated total liabilities    |                         |                        |              |   |                     | <u>(6,042,267)</u> |

OTHER INFORMATION

Year ended 31 December 2001

|                                      | Property<br>development | Property<br>investment | Construction |
|--------------------------------------|-------------------------|------------------------|--------------|
|                                      | HK\$'000                | HK\$'000               | HK\$'000     |
| Capital additions                    | 6,255                   | 2,348                  | 34,913       |
| Depreciation and amortization        | 2,891                   | 6,347                  | 58,626       |
| Impairment loss recognized in income | 114,000                 | —                      | —            |

REVENUE AND RESULTS

Year ended 31 December 2000

|               | Property<br>development | Property<br>investment | Construction     | Infrastructure<br>project<br>investment | Other<br>operations | Eliminations     | Consolidated     |
|---------------|-------------------------|------------------------|------------------|---|---------------------|------------------|------------------|
|               | HK\$'000                | HK\$'000               | HK\$'000         | HK\$'000                                | HK\$'000            | HK\$'000         | HK\$'000         |
| REVENUE       |                         |                        |                  |   |                     |                  |                  |
| External      | 2,922,969               | 166,988                | 2,766,848        | 135,476                                 | 147,728             | —                | 6,140,009        |
| Inter-segment | —                       | 5,107                  | 856,444          | —                                       | —                   | (861,551)        | —                |
|               | <u>2,922,969</u>        | <u>172,095</u>         | <u>3,623,292</u> | <u>135,476</u>                          | <u>147,728</u>      | <u>(861,551)</u> | <u>6,140,009</u> |

Inter-segment revenue was charged at prices determined by management with reference to market prices.

For The Year Ended 31 December 2001

**5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)****Business Segment (Cont'd)****REVENUE AND RESULT (Cont'd)**

|  | Property<br>development | Property<br>investment | Infrastructure<br>Construction | Infrastructure<br>project<br>investment | Other<br>operations | Eliminations | Consolidated |
|--|-------------------------|------------------------|--------------------------------|---|---------------------|--------------|--------------|
|  | HK\$'000                | HK\$'000               | HK\$'000                       | HK\$'000                                | HK\$'000            | HK\$'000     | HK\$'000     |
| Segment result                                       | (27,886)                | 133,852                | 335,429                        | 135,476                                 | 3,569               | (149,820)    | 430,620      |
| Interest and other income                            |                         |                        |                                |   |                     |              | 96,313       |
| Unallocated corporate expenses                       |                         |                        |                                |   |                     |              | (132,203)    |
| Profit from operations                               |                         |                        |                                |   |                     |              | 394,730      |
| Finance costs  |                         |                        |                                |   |                     |              | (254,816)    |
| Gain on partial disposal of interest in an associate |                         |                        |                                |   |                     |              | 31,954       |
| Share of results of associates                       | 5,468                   | —                      | 18,272                         | —                                       | (410)               | —            | 23,330       |
| Profit before taxation                               |                         |                        |                                |   |                     |              | 195,198      |
| Income tax expense                                   |                         |                        |                                |   |                     |              | (143,547)    |
| Profit before minority interests                     |                         |                        |                                |   |                     |              | 51,651       |
| Minority interests                                   |                         |                        |                                |   |                     |              | 216,421      |
| Net profit for the year                              |                         |                        |                                |   |                     |              | 268,072      |

**BALANCE SHEET**

At 31 December 2000

|                                   | Property<br>development | Property<br>investment | Infrastructure<br>Construction | Infrastructure<br>project<br>investment | Other<br>operations | Consolidated |
|-----------------------------------|-------------------------|------------------------|--------------------------------|---|---------------------|--------------|
|                                   | HK\$'000                | HK\$'000               | HK\$'000                       | HK\$'000                                | HK\$'000            | HK\$'000     |
| <b>ASSETS</b>                     |                         |                        |                                |   |                     |              |
| Segment assets                    | 7,913,367               | 1,309,657              | 974,048                        | 913,986                                 | 58,236              | 11,169,294   |
| Interests in associates           | 846,362                 | —                      | 73,419                         | —                                       | 56,027              | 975,808      |
| Unallocated corporate assets      |                         |                        |                                |   |                     | 2,744,709    |
| Consolidated total assets         |                         |                        |                                |   |                     | 14,889,811   |
| <b>LIABILITIES</b>                |                         |                        |                                |   |                     |              |
| Segment liabilities               | (1,222,538)             | (22,595)               | (872,317)                      | (64)                                    | (47,916)            | (2,165,430)  |
| Unallocated corporate liabilities |                         |                        |                                |   |                     | (4,680,995)  |
| Consolidated total liabilities    |                         |                        |                                |   |                     | (6,846,425)  |

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

OTHER INFORMATION

Year ended 31 December 2000

|  | Property<br>development<br>HK\$'000 | Property<br>investment<br>HK\$'000 | Construction<br>HK\$'000 |
|--|-------------------------------------|------------------------------------|--------------------------|
| Capital additions                      | 5,214                               | 2,940                              | 45,328                   |
| Depreciation and amortization          | 2,366                               | 766                                | 57,154                   |
| Impairment losses recognized in income | 269,530                             | —                                  | —                        |

Geographical Segments

The Group's property development, property investment and construction activities are carried out in Hong Kong and other regions in the People's Republic of China (the "PRC"). All the infrastructure project investments are located in the PRC. The following table provides an analysis of the Group's turnover and contribution to profit from operation by geographical market:

|           | Turnover by<br>geographical market |                  | Contribution to<br>profit from operation |                  |
|-----------|------------------------------------|------------------|--|------------------|
|           | 2001<br>HK\$'000                   | 2000<br>HK\$'000 | 2001<br>HK\$'000                         | 2000<br>HK\$'000 |
| Hong Kong | 4,219,952                          | 4,013,640        | (80,297)                                 | (192,916)        |
| The PRC   | 2,365,631                          | 2,210,659        | 368,170                                  | 587,646          |
|           | <u>6,585,583</u>                   | <u>6,224,299</u> | <u>287,873</u>                           | <u>394,730</u>   |

The following is an analysis of the carrying amounts of segment assets and additions to investment properties and property, plant and equipment analyzed by the geographical area in which the assets are located:

|           | Carrying amounts<br>of segment assets |                   | Additions to investment<br>properties and property,<br>plant and equipment |                  |
|-----------|---------------------------------------|-------------------|--|------------------|
|           | 2001<br>HK\$'000                      | 2000<br>HK\$'000  | 2001<br>HK\$'000   | 2000<br>HK\$'000 |
| Hong Kong | 6,125,479                             | 9,287,931         | 37,730   | 71,358           |
| The PRC   | 7,927,958                             | 5,601,880         | 13,695   | 48,881           |
|           | <u>14,053,437</u>                     | <u>14,889,811</u> | <u>51,425</u>  | <u>120,239</u>   |

During the year, the Group acquired subsidiaries which are principally engaged in property investment and development. Details of the assets held by these subsidiaries are set out in note 35.

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**6. IMPAIRMENT LOSSES RECOGNISED**

|   | <b>The Group</b>      |                |
|---|-----------------------|----------------|
|   | <b>2001</b>           | 2000           |
|   | <b>HK\$'000</b>       | HK\$'000       |
| Impairment losses on properties for sale                | <b>114,000</b>        | 269,530        |
| Net unrealised holding loss on investment in securities | <b>—</b>              | 24,300         |
|   | <b><u>114,000</u></b> | <u>293,830</u> |

Impairment loss was provided to reduce the carrying value of certain properties for sale to their net realisable value as estimated by management by reference to market conditions.

**7. PROFIT FROM OPERATIONS**

|   | <b>The Group</b> |              |
|---|------------------|--------------|
|   | <b>2001</b>      | 2000         |
|   | <b>HK\$'000</b>  | HK\$'000     |
| Profit from operations has been arrived at after charging:              |                  |              |
| Auditors' remuneration  | <b>2,788</b>     | 2,359        |
| Depreciation and amortization   | <b>78,795</b>    | 80,350       |
| Staff costs including directors' emoluments                             | <b>537,857</b>   | 442,908      |
| Rental expenses in respect of land and buildings under operating leases | <b>10,818</b>    | 3,629        |
| Exchange losses, net  | <b>—</b>         | 4,043        |
|   | <b><u>—</u></b>  | <u>4,043</u> |

and after crediting:

|  |                     |              |
|--|---------------------|--------------|
| Rental income in respect of land and buildings under operating leases, net of outgoings of HK\$42,165,000 (2000: HK\$27,218,000) | <b>156,171</b>      | 139,770      |
| Exchange gains, net  | <b>2,798</b>        | —            |
| Dividends and appropriations from investments  |                     |              |
| — listed   | <b>172</b>          | 188          |
| — unlisted   | <b>7,800</b>        | 1,365        |
|  | <b><u>7,800</u></b> | <u>1,365</u> |

**8. GAIN ON DISPOSAL OF INVESTMENT**

|  | <b>The Group</b>      |               |
|--|-----------------------|---------------|
|  | <b>2001</b>           | 2000          |
|  | <b>HK\$'000</b>       | HK\$'000      |
| Gain on disposal of listed investment (note 20)      | <b>347,684</b>        | —             |
| Gain on partial disposal of interest in an associate | <b>—</b>              | 31,954        |
|  | <b><u>347,684</u></b> | <u>31,954</u> |

9. FINANCE COSTS

|  | The Group             |                       |
|--|-----------------------|-----------------------|
|  | 2001<br>HK\$'000      | 2000<br>HK\$'000      |
| Interest on bank loans, overdrafts and other borrowings wholly repayable within five years | 226,208               | 342,569               |
| Other finance costs  | 828                   | 6,313                 |
| Less: Amount capitalised on development properties   | <u>(37,890)</u>       | <u>(94,066)</u>       |
|  | <u><b>189,146</b></u> | <u><b>254,816</b></u> |

The interest capitalised on development properties is calculated at capitalisation rates ranging from 4% to 7% per annum.

10. DIRECTORS' EMOLUMENTS

|   | The Group            |                      |
|---|----------------------|----------------------|
|   | 2001<br>HK\$'000     | 2000<br>HK\$'000     |
| Directors' fees                                 | —                    | —                    |
| Other emoluments                                |                      |                      |
| Basic salaries, allowances and benefits-in-kind | 23,140               | 22,089               |
| Contributions to retirement benefit scheme      | <u>1,075</u>         | <u>—</u>             |
| Total emoluments                                | <u><b>24,215</b></u> | <u><b>22,089</b></u> |

The amounts disclosed above include allowances totalling HK\$400,000 (2000: HK\$350,000) payable to independent non-executive directors.

The emoluments of the directors were within the following bands:

| HK\$                  | The Group                      |                                |
|-----------------------|--------------------------------|--------------------------------|
|                       | 2001<br>Number of<br>directors | 2000<br>Number of<br>directors |
| Nil — 1,000,000       | 4                              | 5                              |
| 1,000,001 — 1,500,000 | 1                              | 1                              |
| 1,500,001 — 2,000,000 | 3                              | 3                              |
| 2,000,001 — 2,500,000 | 3                              | 2                              |
| 2,500,001 — 3,000,000 | 3                              | —                              |
| 3,000,001 — 3,500,000 | —                              | 2                              |
| 4,000,001 — 4,500,000 | <u>—</u>                       | <u>1</u>                       |

All the five highest paid individuals in the Group for both years presented are directors of the Company, whose emoluments are included above.

For The Year Ended 31 December 2001

**11. INCOME TAX EXPENSE**

|                                | <b>The Group</b> |          |
|--------------------------------|------------------|----------|
|                                | <b>2001</b>      | 2000     |
|                                | <b>HK\$'000</b>  | HK\$'000 |
| The charge (credit) comprises: |                  |          |
| Company and subsidiaries       |                  |          |
| Hong Kong Profits Tax          |                  |          |
| Current year                   | <b>10,903</b>    | 33,156   |
| Previous year's overprovision  | <b>(15,346)</b>  | (452)    |
|                                | <b>(4,443)</b>   | 32,704   |
| PRC income tax                 | <b>83,184</b>    | 85,928   |
| Deferred taxation (note 33)    | <b>172</b>       | (1,475)  |
|                                | <b>78,913</b>    | 117,157  |
| Associates                     |                  |          |
| Hong Kong Profits Tax          | <b>2,856</b>     | 3,308    |
| PRC income tax                 | <b>(2,458)</b>   | 23,082   |
|                                | <b>398</b>       | 26,390   |
|                                | <b>79,311</b>    | 143,547  |

Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profit for the year.

PRC income tax is calculated at the applicable PRC tax rates on the estimated assessable profit for the year.

Details of the potential deferred taxation not recognised are set out in note 33.

**12. NET PROFIT FOR THE YEAR**

Of the Group's net profit for the year, a profit of HK\$252,026,000 (2000: HK\$10,901,000) has been dealt with in the financial statements of the Company.

### 13. DIVIDENDS

|  | The Group             |                       |
|--|-----------------------|-----------------------|
|  | 2001<br>HK\$'000      | 2000<br>HK\$'000      |
| Interim, paid                                  |                       |                       |
| HK2 cents (2000: HK2 cents) per ordinary share | 109,280               | 108,714               |
| Final, proposed                                |                       |                       |
| HK2 cents (2000: HK2 cents) per ordinary share | <u>109,286</u>        | <u>108,748</u>        |
|  | <u><b>218,566</b></u> | <u><b>217,462</b></u> |

The final dividend of HK2 cents (2000: HK2 cents) per ordinary share has been proposed by the directors and is subject to approval by the shareholders at the forthcoming Annual General Meeting.

### 14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year is based on the following data:

|  | The Group                            |                             |
|--|--------------------------------------|-----------------------------|
|  | 2001<br>HK\$'000                     | 2000<br>HK\$'000            |
| Net profit for the purposes of basic and diluted earnings per share                          | <u><b>411,492</b></u>                | <u>268,072</u>              |
|  | <b>Number<br/>of shares<br/>'000</b> | Number<br>of shares<br>'000 |
| Weighted average number of ordinary shares for the purposes of<br>basic earnings per share   | <u><b>5,454,522</b></u>              | 5,434,569                   |
| Effect of dilutive potential ordinary shares in respect of share options granted             | <u><b>67,829</b></u>                 | <u>69,385</u>               |
| Weighted average number of ordinary shares for the purposes<br>of diluted earnings per share | <u><b>5,522,351</b></u>              | <u>5,503,954</u>            |

The computation of the diluted earnings per share for both years does not assume the exercise of the outstanding share options granted by the Company where the exercise price was higher than the fair value per share.



For The Year Ended 31 December 2001

**15. INVESTMENT PROPERTIES**

|   | <b>Land and buildings</b> |           |
|---|---------------------------|-----------|
|   | <b>2001</b>               | 2000      |
|   | <b>HK\$'000</b>           | HK\$'000  |
| <b>THE GROUP</b>                                |                           |           |
| VALUATION                                       |                           |           |
| At 1 January                                    | <b>1,295,600</b>          | 1,139,850 |
| Acquisition of a subsidiary                     | <b>583,000</b>            | —         |
| Reclassified from property, plant and equipment | <b>20,244</b>             | 150,347   |
| Disposals                                       | <b>(869)</b>              | (1,906)   |
| Revaluation (decrease) increase                 | <b>(106,475)</b>          | 7,309     |
|   | <b>1,791,500</b>          | 1,295,600 |

An analysis of the investment properties of the Group is as follows:

|                       | <b>2001</b>      | 2000      |
|-----------------------|------------------|-----------|
|                       | <b>HK\$'000</b>  | HK\$'000  |
| In Hong Kong          |                  |           |
| on long leases        | <b>140,000</b>   | 140,000   |
| on medium-term leases | <b>783,300</b>   | 869,700   |
| In the PRC            |                  |           |
| on long leases        | <b>1,500</b>     | 2,200     |
| on medium-term leases | <b>866,700</b>   | 283,700   |
|                       | <b>1,791,500</b> | 1,295,600 |

The investment properties of the Group are carried at their open market value on existing use basis at 31 December 2001 as valued by DTZ Debenham Tie Leung Limited, an independent firm of property valuers. This valuation gave rise to a revaluation decrease of HK\$106,475,000 which has been charged to investment property revaluation reserve (note 30).

16. PROPERTY, PLANT AND EQUIPMENT

|                                       | Properties<br>for own use<br><i>HK\$'000</i> | Plant and<br>machinery<br><i>HK\$'000</i> | Furniture,<br>fixtures,<br>equipment and<br>motor vehicles<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---------------------------------------|--|---|---|--------------------------|
| <b>THE GROUP</b>                      |  |   |   |                          |
| COST OR VALUATION                     |  |   |   |                          |
| At 1 January 2001                     | 680,559                                      | 332,815                                   | 104,607   | 1,117,981                |
| Acquisition of subsidiaries           | 7,744  | —   | 10,078  | 17,822                   |
| Additions                             | 668  | 26,452                                    | 24,305  | 51,425                   |
| Disposals                             | (14,858)                                     | (16,644)                                  | (15,117)  | (46,619)                 |
| Reclassified to investment properties | (20,696)                                     | —   | —   | (20,696)                 |
| At 31 December 2001                   | <u>653,417</u>                               | <u>342,623</u>                            | <u>123,873</u>  | <u>1,119,913</u>         |
| DEPRECIATION                          |  |   |   |                          |
| At 1 January 2001                     | 68,711                                       | 236,267                                   | 73,408  | 378,386                  |
| Acquisition of subsidiaries           | 508  | —   | 4,738   | 5,246                    |
| Provided for the year                 | 12,474                                       | 52,590                                    | 13,731  | 78,795                   |
| Eliminated on disposals               | (3,891)                                      | (14,544)                                  | (10,646)  | (29,081)                 |
| Eliminated on reclassification        | (452)  | —   | —   | (452)                    |
| At 31 December 2001                   | <u>77,350</u>                                | <u>274,313</u>                            | <u>81,231</u>   | <u>432,894</u>           |
| NET BOOK VALUES                       |  |   |   |                          |
| At 31 December 2001                   | <u><b>576,067</b></u>                        | <u><b>68,310</b></u>                      | <u><b>42,642</b></u>  | <u><b>687,019</b></u>    |
| At 31 December 2000                   | <u>611,848</u>                               | <u>96,548</u>                             | <u>31,199</u>   | <u>739,595</u>           |

For The Year Ended 31 December 2001

## 16. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

|                         | Properties<br>for own use<br><i>HK\$'000</i> | Furniture,<br>fixtures,<br>equipment and<br>motor vehicles<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|-------------------------|--|---|--------------------------|
| <b>THE COMPANY</b>      |  |   |                          |
| COST OR VALUATION       |  |   |                          |
| At 1 January 2001       | 7,120  | 28,640  | 35,760                   |
| Additions               | —  | 2,180   | 2,180                    |
| Disposals               | (1,500)                                      | (1,123)   | (2,623)                  |
| At 31 December 2001     | <u>5,620</u>                                 | <u>29,697</u>   | <u>35,317</u>            |
| DEPRECIATION            |  |   |                          |
| At 1 January 2001       | 1,105  | 25,793  | 26,898                   |
| Provided for the year   | 169  | 1,925   | 2,094                    |
| Eliminated on disposals | (166)  | (991)   | (1,157)                  |
| At 31 December 2001     | <u>1,108</u>                                 | <u>26,727</u>   | <u>27,835</u>            |
| NET BOOK VALUES         |  |   |                          |
| At 31 December 2001     | <u><b>4,512</b></u>                          | <u><b>2,970</b></u>   | <u><b>7,482</b></u>      |
| At 31 December 2000     | <u>6,015</u>                                 | <u>2,847</u>  | <u>8,862</u>             |

Notes:

- (a) An analysis of the cost or valuation of the properties of the Group and the Company held for own use is as follows:

|  | The Group               |                         | The Company             |                         |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
|  | 2001<br><i>HK\$'000</i> | 2000<br><i>HK\$'000</i> | 2001<br><i>HK\$'000</i> | 2000<br><i>HK\$'000</i> |
| Land and buildings on medium-term leases |                         |                         |                         |                         |
| At 1994 professional valuation           |                         |                         |                         |                         |
| in Hong Kong                             | <b>430,690</b>          | 432,189                 | <b>3,720</b>            | 5,220                   |
| in the PRC                               | <b>37,839</b>           | 54,555                  | <b>1,900</b>            | 1,900                   |
| At cost                                  |                         |                         |                         |                         |
| in Hong Kong                             | <b>108,389</b>          | 129,085                 | —                       | —                       |
| in the PRC                               | <b>76,499</b>           | 64,730                  | —                       | —                       |
|  | <u><b>653,417</b></u>   | <u>680,559</u>          | <u><b>5,620</b></u>     | <u>7,120</u>            |

The properties of the Group held for own use carried at valuation are carried at their open market values at 31 December 1994, as valued by Messrs. C.Y. Leung & Company Limited, an independent firm of professional property valuers, less subsequent depreciation.

Other property, plant and equipment are carried at cost less depreciation.

**16. PROPERTY, PLANT AND EQUIPMENT** (Cont'd)

Notes: (Cont'd)

- (b) The properties of the Group and those of the Company held for own use at valuation would have been included in the financial statements at the following amounts had these properties been carried on a historical cost basis less depreciation:

|  | The Group             |                  | The Company         |                  |
|--|-----------------------|------------------|---------------------|------------------|
|  | 2001<br>HK\$'000      | 2000<br>HK\$'000 | 2001<br>HK\$'000    | 2000<br>HK\$'000 |
| Properties for own use,<br>at cost less depreciation | <b><u>166,669</u></b> | <u>171,343</u>   | <b><u>3,132</u></b> | <u>3,781</u>     |

**17. INTERESTS IN SUBSIDIARIES**

|  | The Company             |                  |
|--|-------------------------|------------------|
|  | 2001<br>HK\$'000        | 2000<br>HK\$'000 |
| Unlisted shares, at cost                     | <b>9,927</b>            | 29,927           |
| Amounts due from subsidiaries less allowance | <b><u>8,954,445</u></b> | <u>7,957,121</u> |
|  | <b><u>8,964,372</u></b> | <u>7,987,048</u> |

Particulars of the principal subsidiaries are set out in note 44.

**18. INTERESTS IN ASSOCIATES**

|  | The Group               |                  |
|--|-------------------------|------------------|
|  | 2001<br>HK\$'000        | 2000<br>HK\$'000 |
| Unlisted companies                         |                         |                  |
| Share of net assets                        | <b>217,780</b>          | 233,129          |
| Amounts due from associates less allowance | <b><u>837,045</u></b>   | <u>742,737</u>   |
|  | <b><u>1,054,825</u></b> | <u>975,866</u>   |

  

|                             | The Company          |                  |
|-----------------------------|----------------------|------------------|
|                             | 2001<br>HK\$'000     | 2000<br>HK\$'000 |
| Unlisted shares, at cost    | —                    | —                |
| Amounts due from associates | <b><u>10,192</u></b> | <u>97</u>        |
|                             | <b><u>10,192</u></b> | <u>97</u>        |

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**18. INTERESTS IN ASSOCIATES (Cont'd)**

The amounts due from associates are unsecured and, to the extent of HK\$446 million (2000: HK\$434 million), have been subordinated to the bank loans granted to the associates.

Set out below are the particulars of the principal associates at 31 December 2001 which, in the opinion of the directors, principally affected the results or the net assets of the Group. All associates are indirectly held by the Company and are incorporated and operating in Hong Kong unless otherwise indicated.

| Name of company  | Proportion of<br>nominal value of<br>issued ordinary capital/<br>registered capital<br>held by the Group<br>% | Nature of business  |
|--|---|---|
| Allways Success Development Limited                        | 40  | Property trading and investment   |
| Allways Success Finance Limited                            | 40  | Loan financing  |
| Beijing Ke Guan Property<br>Development Co., Ltd. (i)      | 35  | Property development  |
| 北京國海在線科技有限公司 (i)   | 34  | Development of computer network<br>applications, internet portals and<br>provision of internet related services |
| Best Reward Development Limited                            | 30  | Property trading and investment   |
| China Digital satNet Limited                               | 22  | Development of satellite broadband<br>digital network communication business                                    |
| Chest Gain Development Limited                             | 30  | Property development  |
| Elation Assets Limited (ii)                                | 35  | Investment holding  |
| 廣州中海房地產發展有限公司 (i)  | 45  | Property development  |
| Guangzhou Xin Yue Real Estate<br>Development Co., Ltd. (i) | 40  | Property development and trading  |
| 廣州蒙特利實業有限公司 (i)  | 20  | Manufacture and sale of modern<br>construction materials  |
| Hong Kong Concrete Company Limited                         | 31.5  | Manufacture and sale of ready-mixed<br>concrete   |
| Krimark Investments Limited (ii)                           | 40  | Investment holding  |
| Shenzhen Hailong Cement Co., Ltd. (i)                      | 50  | Development and operation of a cement<br>plant  |

(i) Registered and operating in the PRC

(ii) Incorporated in the British Virgin Islands

19. INVESTMENTS IN INFRASTRUCTURE AND SYNDICATED PROPERTY PROJECTS

|  | Infrastructure      |          | Syndicated        |           | Total            |           |
|--|---------------------|----------|-------------------|-----------|------------------|-----------|
|  | project investments |          | property projects |           |                  |           |
|  | 2001                | 2000     | 2001              | 2000      | 2001             | 2000      |
|  | HK\$'000            | HK\$'000 | HK\$'000          | HK\$'000  | HK\$'000         | HK\$'000  |
| <b>THE GROUP</b>                                       |                     |          |                   |           |                  |           |
| Unlisted investments, at cost                          | 438,200             | 968,014  | 52                | 63        | 438,252          | 968,077   |
| Amounts due from investees                             | 186,353             | 22,825   | 1,112,194         | 1,138,159 | 1,298,547        | 1,160,984 |
| Less: Repayment of capital<br>contributed              | (51,648)            | (76,853) | —                 | —         | (51,648)         | (76,853)  |
| Impairment losses                                      | —                   | —        | (202,500)         | (202,500) | (202,500)        | (202,500) |
|  | <b>572,905</b>      | 913,986  | <b>909,746</b>    | 935,722   | <b>1,482,651</b> | 1,849,708 |
| Carrying amount analysed for<br>reporting purposes as: |                     |          |                   |           |                  |           |
| Non-current  | 369,835             | 859,557  | 909,746           | 935,722   | 1,279,581        | 1,795,279 |
| Current  | 203,070             | 54,429   | —                 | —         | 203,070          | 54,429    |
|  | <b>572,905</b>      | 913,986  | <b>909,746</b>    | 935,722   | <b>1,482,651</b> | 1,849,708 |

(a) Infrastructure project investments

Pursuant to the agreements entered into between the Group and PRC entities for the establishment of companies for the purposes of investing in infrastructure projects in the PRC, the Group has undertaken to contribute an agreed portion of the registered capital of the investee companies. The Group is entitled under the agreements to share a fixed amount of the operating surplus of the investee companies available for appropriation payable quarterly to the Group to enable the Group to recover its cost of investment and receive a periodic return therefrom. The PRC partners will be entitled to all of the remaining surplus. The Group's returns under the agreements are guaranteed by the PRC partners. Upon the expiration of the contract period, all assets of the investee companies will revert to the PRC partners without compensation. Accordingly, the Group's entitlements to the operating results of the investee companies are limited to the guaranteed returns.

During the year, the Group entered into agreements with certain PRC entities for the partial repayment of the net investment cost totalling HK\$478,374,000. The consideration less allowances received and receivable by the Group amounted to HK\$453,774,000.

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**19. INVESTMENTS IN INFRASTRUCTURE AND SYNDICATED PROPERTY PROJECTS**

(Cont'd)

**(a) Infrastructure project investments (Cont'd)**

Particulars of the investee companies engaging in infrastructure project investments at 31 December 2001, all of which are established and are operating in the PRC, are as follows:

| <b>Name of company</b>                            | <b>Registered capital<br/>US\$'000</b> | <b>Amount<br/>contributed<br/>by the Group<br/>US\$'000</b> | <b>Operating period</b>           | <b>Nature of business</b>                                      |
|---|--|---|-----------------------------------|--|
| Guilin COLI<br>Communication<br>Development Ltd.  | 23,530                                 | 3,750   | 18 years from<br>19 December 1997 | Operation and<br>management of<br>toll highways                |
| Guilin COLI<br>Infrastructure<br>Investment Ltd.  | 23,530                                 | 3,750   | 18 years from<br>19 December 1997 | Operation and<br>management of<br>toll highways                |
| Liuzhou COLI<br>Infrastructure<br>Investment Ltd. | 29,940                                 | 12,500  | 18 years from<br>18 July 1997     | Operation and<br>management of<br>toll bridges                 |
| Liuzhou COLI Road<br>Investment Ltd.              | 29,940                                 | 12,500  | 18 years from<br>18 July 1997     | Operation and<br>management of<br>toll highways<br>and bridges |
| Nanning COLI<br>Infrastructure<br>Investment Ltd. | 29,450                                 | 8,000   | 16 years from<br>24 December 1996 | Operation and<br>management of<br>toll bridges                 |
| Nanning Shachuan<br>Bridge Investment Ltd.        | 29,620                                 | 8,000   | 16 years from<br>24 December 1996 | Operation and<br>management of<br>toll bridges                 |
| Nanning Xixiangtang<br>Road Investment Ltd.       | 29,740                                 | 8,000   | 16 years from<br>24 December 1996 | Operation and<br>management of<br>toll highways                |

**(b) Syndicated property projects**

Each of the syndicated property projects is undertaken by a company incorporated solely for that purpose. The shareholders of each of the project companies are obliged to provide funding to the project company in accordance with their percentage shareholdings therein. Any profits or losses of the project companies are to be shared by the shareholders in accordance with their respective shareholdings.

**19. INVESTMENTS IN INFRASTRUCTURE AND SYNDICATED PROPERTY PROJECTS**

(Cont'd)

**(b) Syndicated property projects (Cont'd)**

The amounts due from the syndicated property project companies are unsecured and, to the extent of HK\$18,320,000 (2000: HK\$37,057,000), carry interest based on prime rate plus a specified margin and the remaining balance is interest free. These amounts to the extent of HK\$864 million (2000: HK\$836 million) have been subordinated to the bank loans granted to the project companies.

Particulars of the principal project companies at 31 December 2001, all of which are incorporated and operating in Hong Kong unless otherwise indicated, are as follows:

| Name of company                   | Attributable<br>equity interests<br>held by the Group<br>% |
|-----------------------------------|--|
| Benefit Bright Limited            | 10   |
| Direct Profit Development Limited | 8  |
| Dramstar Company Limited          | 12   |
| Harvest Sun Limited               | 10   |
| Moricrown Ltd. *                  | 7  |
| Victory World Limited             | 10   |

\* Incorporated in the British Virgin Islands

**20. INVESTMENTS IN SECURITIES**

|                                   | The Group        |                  |
|-----------------------------------|------------------|------------------|
|                                   | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Equity securities at market value |                  |                  |
| Non-current, listed               |                  |                  |
| in Hong Kong                      | —                | 121,502          |
| Current, listed                   |                  |                  |
| in Hong Kong                      | 6,069            | 9,262            |
| in the PRC                        | —                | 230              |
|                                   | <u>6,069</u>     | <u>9,492</u>     |
|                                   | <u>6,069</u>     | <u>130,994</u>   |

Included in the listed securities at 31 December 2000 is the Group's 21.56% interest in the issued share capital of Ryoden Development Limited ("Ryoden"), a public limited company incorporated in Bermuda whose shares are listed on the Hong Kong Stock Exchange. Prior to 1998, Ryoden was classified as an associate of the Group.



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**20. INVESTMENTS IN SECURITIES** (Cont'd)

During the year, the Group's entire shareholding in Ryoden was disposed of to Ryoden's substantial shareholder for a cash consideration of HK\$341,533,000. The disposal has resulted in a gain of HK\$347,684,000 which is arrived at after accounting for the investment property revaluation reserve and negative goodwill on consolidation totalling HK\$127,653,000 transferred from reserves on disposal. The proceeds from disposal were utilised to acquire a 100% interest in a subsidiary of Ryoden together with shareholder's loans at the aggregate consideration of HK\$341,533,000. The subsidiary acquired is the beneficial owner of a 60% interest in a PRC company principally engaged in the development of a property project.

**21. INSTALMENTS RECEIVABLE**

|   | <b>The Group</b>      |               |
|---|-----------------------|---------------|
|   | <b>2001</b>           | 2000          |
|   | <b>HK\$'000</b>       | HK\$'000      |
| Instalments receivable from property purchasers   | <b>243,094</b>        | 29,182        |
| Less: Amount due within one year included in trade and other receivables under current assets | <b>(1,480)</b>        | (11,114)      |
|   | <b><u>241,614</u></b> | <u>18,068</u> |

**22. NEGATIVE GOODWILL**

|  | <b>The Group</b>     |
|--|----------------------|
|  | HK\$'000             |
| GROSS AMOUNT   |                      |
| Arising on acquisition of subsidiaries during the year and balance at 31 December 2001 | 31,327               |
| RELEASED TO INCOME   |                      |
| Included in other revenue for the year and balance at 31 December 2001                 | <u>(2,372)</u>       |
| CARRYING AMOUNT  |                      |
| At 31 December 2001  | <b><u>28,955</u></b> |
| At 31 December 2000  | <u>—</u>             |

The negative goodwill arose on the Group's acquisition of Fortune Best Investment Limited and its subsidiary in March 2001. At the date of acquisition, HK\$31 million of the negative goodwill was identified as relating to the excess of the Group's interest in the fair value of the identifiable assets and liabilities over the cost of acquisition.

The negative goodwill is released to income as and when the properties held by the subsidiaries acquired are disposed.

### 23. INVENTORIES

|                    | The Group        |                  |
|--------------------|------------------|------------------|
|                    | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Building materials | <b>1,097</b>     | 3,415            |

### 24. PROPERTIES FOR SALE

|                     | The Group        |                  | The Company      |                  |
|---------------------|------------------|------------------|------------------|------------------|
|                     | 2001<br>HK\$'000 | 2000<br>HK\$'000 | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Properties for sale |                  |                  |                  |                  |
| Completed           | <b>2,816,678</b> | 4,662,271        | <b>1,846</b>     | 1,869            |
| Under development   | <b>1,385,075</b> | 918,386          | —                | —                |
|                     | <b>4,201,753</b> | 5,580,657        | <b>1,846</b>     | 1,869            |

Included above are properties of HK\$1,029,444,000 (2000: HK\$2,947,681,000) which are carried at net realisable value.

### 25. TRADE AND OTHER RECEIVABLES

Except for revenue from property sales and infrastructure project investments which are payable in accordance with the terms of the relevant agreements, generally the Group allows a credit period of not exceeding 60 days to its customers.

The following is an analysis of trade and other receivables at the reporting date:

|                       | The Group        |                  |
|-----------------------|------------------|------------------|
|                       | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Receivables, aged     |                  |                  |
| 0-30 days             | <b>440,354</b>   | 570,394          |
| 31-90 days            | <b>210,800</b>   | 108,932          |
| Over 90 days          | <b>406,377</b>   | 265,887          |
| Retentions receivable | <b>247,405</b>   | 203,066          |
|                       | <b>1,304,936</b> | 1,148,279        |

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**26. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK**

|   | <b>The Group</b>   |             |
|---|--------------------|-------------|
|   | <b>2001</b>        | 2000        |
|   | <b>HK\$'000</b>    | HK\$'000    |
| Contract in progress at the balance sheet date:             |                    |             |
| Contract costs incurred plus recognised profits less losses | <b>1,663,792</b>   | 3,092,576   |
| Less: Progress billings                                     | <b>(1,620,525)</b> | (3,069,648) |
|   | <b>43,267</b>      | 22,928      |
| Analysed for reporting purposes as:                         |                    |             |
| Amounts due from contract customers                         | <b>92,033</b>      | 135,040     |
| Amounts due to contract customers                           | <b>(48,766)</b>    | (112,112)   |
|   | <b>43,267</b>      | 22,928      |

At 31 December 2001, retentions held by customers for contract work amounted to approximately HK\$247,405,000 (2000: HK\$203,066,000) which have been included in trade and other receivables under current assets.

**27. BANK BALANCES AND CASH**

Included in bank balances and cash are deposits from pre-sale of properties received by the Group amounted to HK\$170 million (2000: Nil), withdrawal of such deposits is restricted during the course of construction of the properties being developed.

**28. TRADE AND OTHER PAYABLES**

The following is an analysis of trade and other payables at the reporting date:

|                    | <b>The Group</b> |           |
|--------------------|------------------|-----------|
|                    | <b>2001</b>      | 2000      |
|                    | <b>HK\$'000</b>  | HK\$'000  |
| Payables, aged     |                  |           |
| 0-30 days          | <b>987,742</b>   | 779,954   |
| 31-90 days         | <b>255,695</b>   | 51,625    |
| Over 90 days       | <b>167,633</b>   | 142,998   |
| Retentions payable | <b>243,271</b>   | 210,543   |
|                    | <b>1,654,341</b> | 1,185,120 |

29. SHARE CAPITAL

|  | THE GROUP AND THE COMPANY   |                              |                             |                              |
|--|-----------------------------|------------------------------|-----------------------------|------------------------------|
|  | 2001                        |                              | 2000                        |                              |
|  | Number of<br>shares<br>'000 | Nominal<br>value<br>HK\$'000 | Number of<br>shares<br>'000 | Nominal<br>value<br>HK\$'000 |
| Ordinary shares of HK\$0.1 each          |                             |                              |                             |                              |
| Authorised                               | <u>10,000,000</u>           | <u>1,000,000</u>             | <u>10,000,000</u>           | <u>1,000,000</u>             |
| Issued and fully paid:                   |                             |                              |                             |                              |
| At beginning of the year                 | 5,437,404                   | 543,740                      | 5,428,654                   | 542,865                      |
| Issued upon exercise<br>of share options | 35,620                      | 3,562                        | 8,750                       | 875                          |
| Shares repurchased                       | <u>(9,000)</u>              | <u>(900)</u>                 | —                           | —                            |
| At end of the year                       | <u>5,464,024</u>            | <u>546,402</u>               | <u>5,437,404</u>            | <u>543,740</u>               |

During the year, the Company made repurchase of its own shares on the Hong Kong Stock Exchange as follows:

| Month of purchase | Number of<br>ordinary shares<br>of HK\$0.1 each | Price per share |                | Aggregate<br>Consideration<br>HK\$'000 |
|-------------------|---|-----------------|----------------|--|
|                   |   | Highest<br>HK\$ | Lowest<br>HK\$ |  |
| September 2001    | <u>9,000,000</u>                                | 0.74            | 0.70           | <u>6,433</u>                           |

All the shares repurchased were cancelled. An amount equivalent to the nominal value of shares cancelled was transferred from retained profits to the capital redemption reserve. The repurchase were effected by the directors with a view to benefit shareholders as a whole by increasing the net asset value of the Company.

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**29. SHARE CAPITAL** (Cont'd)

Movements during the year in the share options granted are as follows:

| Date of grant     | Exercisable period                       | Subscription price per share<br>HK\$ | Number of shares under options granted |                         |                           |                           | Outstanding at 31 December 2001 |
|-------------------|--|--------------------------------------|--|-------------------------|---------------------------|---------------------------|---------------------------------|
|                   |  |                                      | Outstanding at 1 January 2001          | Granted during the year | Exercised during the year | Cancelled during the year |                                 |
| 17 July 1997      | 17 July 1998 -<br>16 July 2007           | 4.06                                 | 70,710,000                             | —                       | —                         | (1,510,000)               | 69,200,000                      |
| 14 February 1998  | 14 February 1999 -<br>13 February 2008   | 1.08                                 | 176,750,000                            | —                       | (2,400,000)               | (1,600,000)               | 172,750,000                     |
| 30 September 1998 | 30 September 1999 -<br>29 September 2008 | 0.52                                 | 76,450,000                             | —                       | (28,720,000)              | (1,880,000)               | 45,850,000                      |
| 4 January 2000    | 4 January 2001 -<br>3 January 2010       | 0.58                                 | 82,650,000                             | —                       | (4,500,000)               | (700,000)                 | 77,450,000                      |

On 25 September 2001, the director proposed to grant options to subscribe for 86,000,000 shares of the Company subject to shareholders' approval at an extraordinary general meeting of the Company convened to be held for this purpose in order to comply with the requirements under the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"). No further options may be granted under the existing share option scheme unless such grant is in compliance with the transitional arrangements provided for in Rule 17.10(1) of the Listing Rules.

Save as disclosed above, no options were granted, exercised, cancelled or lapsed during the year.

## 30. RESERVES

|  | Share premium    | Capital redemption reserve | Investment property revaluation reserve | Other property revaluation reserve | Exchange equalisation reserve | Goodwill on consolidation | Dividend reserve | Retained profits | Total            |
|--|------------------|----------------------------|---|------------------------------------|-------------------------------|---------------------------|------------------|------------------|------------------|
|  | HK\$'000         | HK\$'000                   | HK\$'000                                | HK\$'000                           | HK\$'000                      | HK\$'000                  | HK\$'000         | HK\$'000         | HK\$'000         |
| <b>THE GROUP</b>   |                  |                            |   |                                    |                               |                           |                  |                  |                  |
| At 1 January 2000  | 5,169,523        | 884                        | 369,452                                 | 413,576                            | (37,426)                      | (298,531)                 | —                | 1,732,269        | 7,349,747        |
| Exchange differences on translation of financial statements    | —                | —                          | —                                       | —                                  | (5,374)                       | —                         | —                | —                | (5,374)          |
| Issue of shares less expenses                                  | 4,090            | —                          | —                                       | —                                  | —                             | —                         | —                | —                | 4,090            |
| Share of associates' reserve movements                         | —                | —                          | (2,993)                                 | —                                  | (793)                         | —                         | —                | —                | (3,786)          |
| Increase on revaluation of properties, less minority interests | —                | —                          | 7,799                                   | —                                  | —                             | —                         | —                | —                | 7,799            |
| Realised on disposal of properties                             | —                | —                          | (631)                                   | (323)                              | —                             | —                         | —                | 323              | (631)            |
| Realised when properties were used and depreciated             | —                | —                          | —                                       | (7,572)                            | —                             | —                         | —                | 7,572            | —                |
| Acquisition of associates                                      | —                | —                          | —                                       | —                                  | —                             | (11,557)                  | —                | —                | (11,557)         |
| Profit for the year  | —                | —                          | —                                       | —                                  | —                             | —                         | —                | 268,072          | 268,072          |
| Interim dividend for 2000 paid                                 | —                | —                          | —                                       | —                                  | —                             | —                         | —                | (108,714)        | (108,714)        |
| Final dividend for 2000 proposed                               | —                | —                          | —                                       | —                                  | —                             | —                         | —                | (108,748)        | (108,748)        |
| At 31 December 2000  |                  |                            |   |                                    |                               |                           |                  |                  |                  |
| As previously reported   | 5,173,613        | 884                        | 373,627                                 | 405,681                            | (43,593)                      | (310,088)                 | —                | 1,790,774        | 7,390,898        |
| Prior period adjustment (note 2)                               | —                | —                          | —                                       | —                                  | —                             | —                         | 108,748          | —                | 108,748          |
| As restated  | 5,173,613        | 884                        | 373,627                                 | 405,681                            | (43,593)                      | (310,088)                 | 108,748          | 1,790,774        | 7,499,646        |
| Exchange differences on translation of financial statements    | —                | —                          | —                                       | —                                  | (707)                         | —                         | —                | —                | (707)            |
| Final dividend for 2000 paid                                   | —                | —                          | —                                       | —                                  | —                             | —                         | (108,748)        | —                | (108,748)        |
| Repurchase of own shares                                       | —                | 900                        | —                                       | —                                  | —                             | —                         | —                | (6,433)          | (5,533)          |
| Issue of shares less expenses                                  | 16,558           | —                          | —                                       | —                                  | —                             | —                         | —                | —                | 16,558           |
| Share of associates' reserve movements                         | —                | —                          | (5,300)                                 | —                                  | 999                           | —                         | —                | —                | (4,301)          |
| Decrease on revaluation of properties                          | —                | —                          | (106,475)                               | —                                  | —                             | —                         | —                | —                | (106,475)        |
| Realised on disposal of properties                             | —                | —                          | (231)                                   | (7,047)                            | —                             | —                         | —                | 7,047            | (231)            |
| Realised when properties were used and depreciated             | —                | —                          | —                                       | (2,824)                            | —                             | —                         | —                | 2,824            | —                |
| Realised on disposal of investment                             | —                | —                          | (44,290)                                | —                                  | —                             | (83,363)                  | —                | —                | (127,653)        |
| Profit for the year  | —                | —                          | —                                       | —                                  | —                             | —                         | —                | 411,492          | 411,492          |
| Interim dividend for 2001 paid                                 | —                | —                          | —                                       | —                                  | —                             | —                         | —                | (109,280)        | (109,280)        |
| Final dividend for 2001 proposed                               | —                | —                          | —                                       | —                                  | —                             | —                         | 109,286          | (109,286)        | —                |
| At 31 December 2001  | <b>5,190,171</b> | <b>1,784</b>               | <b>217,331</b>                          | <b>395,810</b>                     | <b>(43,301)</b>               | <b>(393,451)</b>          | <b>109,286</b>   | <b>1,987,138</b> | <b>7,464,768</b> |
| <b>THE COMPANY</b>   |                  |                            |   |                                    |                               |                           |                  |                  |                  |
| At 1 January 2000  | 5,169,523        | 884                        | —                                       | 2,446                              | —                             | —                         | —                | 1,191,888        | 6,364,741        |
| Issue of shares less expenses                                  | 4,090            | —                          | —                                       | —                                  | —                             | —                         | —                | —                | 4,090            |
| Profit for the year  | —                | —                          | —                                       | —                                  | —                             | —                         | —                | 10,901           | 10,901           |
| Interim dividend for 2000 paid                                 | —                | —                          | —                                       | —                                  | —                             | —                         | —                | (108,714)        | (108,714)        |
| Final dividend for 2000 proposed                               | —                | —                          | —                                       | —                                  | —                             | —                         | —                | (108,748)        | (108,748)        |
| At 31 December 2000  |                  |                            |   |                                    |                               |                           |                  |                  |                  |
| As previously reported   | 5,173,613        | 884                        | —                                       | 2,446                              | —                             | —                         | —                | 985,327          | 6,162,270        |
| Prior year adjustment (note 2)                                 | —                | —                          | —                                       | —                                  | —                             | —                         | 108,748          | —                | 108,748          |
| As restated  | 5,173,613        | 884                        | —                                       | 2,446                              | —                             | —                         | 108,748          | 985,327          | 6,271,018        |
| Final dividend for 2000 paid                                   | —                | —                          | —                                       | —                                  | —                             | —                         | (108,748)        | —                | (108,748)        |
| Repurchase of own shares                                       | —                | 900                        | —                                       | —                                  | —                             | —                         | —                | (6,433)          | (5,533)          |
| Issue of shares less expenses                                  | 16,558           | —                          | —                                       | —                                  | —                             | —                         | —                | —                | 16,558           |
| Realised on disposal of properties                             | —                | —                          | —                                       | (935)                              | —                             | —                         | —                | 935              | —                |
| Profit for the year  | —                | —                          | —                                       | —                                  | —                             | —                         | —                | 252,026          | 252,026          |
| Interim dividend for 2001 paid                                 | —                | —                          | —                                       | —                                  | —                             | —                         | —                | (109,280)        | (109,280)        |
| Final dividend for 2001 proposed                               | —                | —                          | —                                       | —                                  | —                             | —                         | 109,286          | (109,286)        | —                |
| At 31 December 2001  | <b>5,190,171</b> | <b>1,784</b>               | <b>—</b>                                | <b>1,511</b>                       | <b>—</b>                      | <b>—</b>                  | <b>109,286</b>   | <b>1,013,289</b> | <b>6,316,041</b> |

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**30. RESERVES** (Cont'd)

The retained profits of the Group included profits of HK\$41,781,000 (2000: HK\$80,238,000) retained by associates.

The property revaluation reserves are not distributable to shareholders until they are realised.

The goodwill on consolidation at 31 December 2000 is arrived at after deducting negative goodwill amounted to approximately HK\$83,363,000 which has been realised upon disposal of the related investment during the year.

The Company's reserves available for distribution to shareholders at 31 December 2001 comprised the retained profits of HK\$1,013,289,000 (2000: HK\$985,327,000) and the dividend reserve of HK\$109,289,000 (2000: HK\$108,748,000).

**31. LONG-TERM BORROWINGS**

|  | The Group          |                  | The Company        |                  |
|--|--------------------|------------------|--------------------|------------------|
|  | 2001<br>HK\$'000   | 2000<br>HK\$'000 | 2001<br>HK\$'000   | 2000<br>HK\$'000 |
| Secured bank loans repayable<br>within one year                      | <b>290,764</b>     | 2,265,870        | —                  | —                |
| Unsecured bank loans repayable:                                      |                    |                  |                    |                  |
| Within one year  | <b>1,749,607</b>   | 242,152          | <b>1,246,080</b>   | 214,115          |
| More than one year,<br>but not exceeding two years                   | <b>140,187</b>     | 1,560,397        | —                  | 1,261,332        |
| More than two years,<br>but not exceeding five years                 | <b>78,000</b>      | —                | —                  | —                |
|  | <b>1,967,794</b>   | 1,802,549        | <b>1,246,080</b>   | 1,475,447        |
|  | <b>2,258,558</b>   | 4,068,419        | <b>1,246,080</b>   | 1,475,447        |
| Less: Portion due within one year<br>included in current liabilities | <b>(2,040,372)</b> | (2,508,022)      | <b>(1,246,080)</b> | (214,115)        |
|  | <b>218,186</b>     | 1,560,397        | —                  | 1,261,332        |

All the above borrowings carry interest at commercial lending rates.

### 32. AMOUNTS DUE TO MINORITY SHAREHOLDERS

The minority shareholders of certain subsidiaries have provided unsecured advances to these subsidiaries amounting to approximately HK\$1,561,872,000 (2000: HK\$1,267,357,000), of which approximately HK\$82,602,000 (2000: HK\$82,206,000) carries interest at commercial rates and the balance is interest free. Such advances have no fixed repayment terms as repayment will not be demanded within one year from the balance sheet date.

These advances have been reduced by the net liabilities of the subsidiaries attributable to the minority shareholders of approximately HK\$878,747,000 (2000: HK\$799,538,000)

### 33. DEFERRED TAXATION

|  | The Group        |                  |
|--|------------------|------------------|
|  | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Attributable to excess of tax allowances over depreciation |                  |                  |
| Balance at 1 January                                       | 327              | 1,802            |
| Charge (credit) for the year                               | 172              | (1,475)          |
|  | <u>499</u>       | <u>327</u>       |
| Balance at 31 December                                     | <u>499</u>       | <u>327</u>       |

At the balance sheet date, the major components of unprovided deferred tax liabilities (assets) are as follows:

|  | The Group        |                  |
|--|------------------|------------------|
|  | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Tax effect of timing differences because of: |                  |                  |
| Excess of tax allowances over depreciation   | 18,015           | 20,914           |
| Taxation losses                              | (481,949)        | (460,225)        |
| Other timing differences                     | (12,642)         | (1,893)          |
|  | <u>(476,576)</u> | <u>(441,204)</u> |

A deferred tax asset has not been recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the losses will be utilised in the foreseeable future.



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**33. DEFERRED TAXATION** (Cont'd)

The amount of the unprovided deferred tax charge (credit) for the year is as follows:

|  | <b>The Group</b>       |                  |
|--|------------------------|------------------|
|  | <b>2001</b>            | 2000             |
|  | <b>HK\$'000</b>        | HK\$'000         |
| Tax effect of timing differences because of:       |                        |                  |
| Difference between tax allowances and depreciation | <b>(2,899)</b>         | 1,736            |
| Tax losses arising                                 | <b>(21,724)</b>        | (123,466)        |
| Other timing differences                           | <b>(10,749)</b>        | 10,092           |
|  | <b><u>(35,372)</u></b> | <u>(111,638)</u> |

The Company had no material unprovided deferred taxation for the year or at the balance sheet date.

The valuation increase or decrease attributable to the Group's properties situated in Hong Kong held for long-term investment purposes do not constitute timing differences, accordingly deferred taxation has not been quantified. No provision has been made for deferred taxation attributable to the increase arising on the valuation of the Group's properties situated in the PRC as the amount involved is insignificant.

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

|   | <b>2001</b>             | 2000             |
|---|-------------------------|------------------|
|   | <b>HK\$'000</b>         | HK\$'000         |
| Profit from ordinary activities before taxation                     | <b>423,666</b>          | 195,198          |
| Impairment losses recognised (note 6)                               | <b>114,000</b>          | 293,830          |
| Share of results of associates                                      | <b>22,745</b>           | (23,330)         |
| Depreciation and amortization                                       | <b>78,795</b>           | 80,350           |
| Release of negative goodwill  | <b>(2,372)</b>          | —                |
| Gain on disposal of investment (note 8)                             | <b>(347,684)</b>        | (31,954)         |
| Loss on disposal of property, plant and equipment                   | <b>3,731</b>            | 2,138            |
| Gain on disposal of subsidiaries                                    | <b>(1,722)</b>          | —                |
| Interest expenses less amount capitalised                           | <b>188,318</b>          | 248,503          |
| Allowance for doubtful trade receivables (written back) provided    | <b>(11,110)</b>         | 589              |
| Movements in assets/liabilities held for operating activities:      |                         |                  |
| (Increase) decrease in instalments receivable                       | <b>(213,912)</b>        | 6,939            |
| Decrease (increase) in inventories                                  | <b>2,148</b>            | (569)            |
| Decrease (increase) in amounts due from customers for contract work | <b>43,007</b>           | (80,086)         |
| Decrease in properties for sale                                     | <b>2,330,340</b>        | 1,029,911        |
| Decrease (increase) in investments in securities                    | <b>3,423</b>            | (7,877)          |
| Increase in trade and other receivables, deposits and prepayments   | <b>(134,559)</b>        | (443,911)        |
| Increase in trade and other payables, sales and other deposits      | <b>256,467</b>          | 102,919          |
| (Decrease) increase in amounts due to customers for contract work   | <b>(63,346)</b>         | 7,991            |
| NET CASH INFLOW FROM OPERATING ACTIVITIES                           | <b><u>2,691,935</u></b> | <u>1,380,641</u> |

### 35. ACQUISITION OF SUBSIDIARIES

During the year, the Group acquired the entire interests in Fortune Best Investment Limited, Palun Investments Limited and Maxdo Investments Limited for an aggregate consideration of HK\$811,135,000. The companies acquired are principally engaged in property development and investment through their subsidiaries established in the PRC. The amount of negative goodwill arising as a result of the acquisition is HK\$31,327,000. The profit after taxation of these companies and their subsidiaries included in the consolidated income statement for the year ended 31 December 2001 is insignificant.

|  | <i>HK\$'000</i>       |
|--|-----------------------|
| Net Assets Acquired                      |                       |
| Investment properties                    | 583,000               |
| Property, plant and equipment            | 12,576                |
| Property for development                 | 95,626                |
| Properties for sale                      | 610,658               |
| Trade and other receivables              | 8,024                 |
| Tax prepaid                              | 1,722                 |
| Bank balances and cash                   | 43,926                |
| Pledged bank deposits                    | 632                   |
| Trade and other payables                 | (112,088)             |
| Sales and other deposits                 | (3,155)               |
| Tax liabilities                          | (1,589)               |
| Bank loans                               | (202,126)             |
| Minority interests                       | (194,744)             |
|  | <u>842,462</u>        |
| Negative goodwill                        | <u>(31,327)</u>       |
|  | <u><u>811,135</u></u> |
| Satisfied by:                            |                       |
| Consideration paid in cash               | 735,086               |
| Outstanding cash consideration           | 76,049                |
|  | <u><u>811,135</u></u> |
| Net cash outflow arising on acquisition: | <i>HK\$'000</i>       |
| Cash consideration paid                  | 735,086               |
| Bank balances and cash acquired          | (43,926)              |
|  | <u><u>691,160</u></u> |

The subsidiaries acquired during the year did not give rise to significant contribution to the Group's cash flows, turnover and profit from operations for the year.

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**36. DISPOSAL OF SUBSIDIARIES**

|                                       | <i>HK\$'000</i>        |
|---------------------------------------|------------------------|
| NET ASSETS DISPOSED OF                |                        |
| Property, plant and equipment         | 3,089                  |
| Interests in associates               | 2,855                  |
| Bank balances and cash                | 20,352                 |
| Inventories                           | 170                    |
| Trade and other receivables           | 4,409                  |
| Trade and other payables              | (24,351)               |
| Minority interests                    | (246)                  |
|                                       | <u>6,278</u>           |
| Gain on disposal                      | <u>1,722</u>           |
|                                       | <u><u>8,000</u></u>    |
| Satisfied by:                         |                        |
| Cash                                  | <u><u>8,000</u></u>    |
| Net cash outflow arising on disposal: |                        |
| Cash consideration                    | 8,000                  |
| Bank balances and cash disposed of    | <u>(20,352)</u>        |
|                                       | <u><u>(12,352)</u></u> |

The subsidiaries disposed of during the year did not contribute significant cash flows, turnover and profit from operations to the Group.

**37. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR**

|   | <b>Share capital<br/>and share<br/>premium</b> | <b>Bank loans<br/>and loans<br/>from ultimate<br/>holding company</b> | <b>Amounts<br/>due to<br/>minority<br/>shareholders</b> |
|---|--|---|---|
|   | <i>HK\$'000</i>                                | <i>HK\$'000</i>   | <i>HK\$'000</i>   |
| Balance at 1 January 2000                           | 5,712,388                                      | 4,421,546   | 685,882   |
| Net cash inflow(outflow) from financing             | 4,965  | (49,389)  | 151,800   |
| Minority's share of results for the year            | —  | —   | (216,421)   |
| Minority's share of reserve movement for the year   | —  | —   | (515)   |
| Acquisition of additional interests in a subsidiary | —  | —   | (146,808)   |
| Dividends paid to minority shareholders             | —  | —   | (6,119)   |
|   | <hr/>  | <hr/>   | <hr/>   |
| Balance at 31 December 2000                         | 5,717,353                                      | 4,372,157   | 467,819   |
| Net cash inflow (outflow) from financing            | 20,120   | (1,670,864)   | 87,957  |
| Minority's share of results for the year            | —  | —   | (67,137)  |
| Minority's share of reserve movement for the year   | —  | —   | (12)  |
| Acquisition of subsidiaries                         | —  | 202,126   | 194,744   |
| Repurchase of own shares                            | (900)  | —   | —   |
| Disposal of a subsidiary                            | —  | —   | (246)   |
|   | <hr/>  | <hr/>   | <hr/>   |
| Balance at 31 December 2001                         | <b><u>5,736,573</u></b>                        | <b><u>2,903,419</u></b>   | <b><u>683,125</u></b>                                   |

**38. MAJOR NON-CASH TRANSACTIONS**

During the year,

- (i) the Group transferred certain properties held for development amounting to HK\$411,136,000 (2000: HK\$301,442,000) to properties under development.
- (ii) the Group transferred certain properties for own use amounting to HK\$20,244,000 (2000: HK\$150,347,000) to investment properties.

**39. OPERATING LEASE COMMITMENTS****The Group as lessee**

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating lease which fall due as follows:

|  | <b>The Group</b>    |                     |
|--|---------------------|---------------------|
|  | <b>2001</b>         | 2000                |
|  | <i>HK\$'000</i>     | <i>HK\$'000</i>     |
| Within one year                        | <b>5,735</b>        | 2,128               |
| In the second to fifth years inclusive | <b>1,550</b>        | 1,179               |
|  | <hr/>               | <hr/>               |
|  | <b><u>7,285</u></b> | <b><u>3,307</u></b> |

Operating lease payments represent rentals payable by the Group for land and buildings. Leases are negotiated and rentals are fixed for an average term of two years.

For The Year Ended 31 December 2001

**39. OPERATING LEASE COMMITMENTS** (Cont'd)**The Group as lessor**

At the balance sheet date, investment properties and completed properties for sale with a carrying value of HK\$1,116 million (2000: HK\$1,153 million) and HK\$990 million (2000: HK\$910 million) respectively were let out under operating leases. Property rental income earned during the year is HK\$198 million (2000: HK\$167 million), of which HK\$156 million (2000: HK\$144 million) was derived from letting of investment properties. All of the properties leased out have committed tenants for the next one to three years without termination options granted to tenants.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

|  | <b>The Group</b>      |                |
|--|-----------------------|----------------|
|  | <b>2001</b>           | 2000           |
|  | <b>HK\$'000</b>       | HK\$'000       |
| Within one year                        | <b>120,164</b>        | 121,390        |
| In the second to fifth years inclusive | <b>99,569</b>         | 154,025        |
| After five years                       | <b>3,323</b>          | 11,853         |
|  | <b><u>223,056</u></b> | <u>287,268</u> |

The Company had no significant operating lease commitments at the balance sheet date.

**40. PROJECT COMMITMENTS**

At the balance sheet date, there were contracted commitments not provided for in the financial statements as follows:

|  | <b>The Group</b>        |                  |
|--|-------------------------|------------------|
|  | <b>2001</b>             | 2000             |
|  | <b>HK\$'000</b>         | HK\$'000         |
| (a) Property developments project expenditure contracted for   | <b>745,397</b>          | 826,232          |
| (b) Outstanding capital contributions to investee companies undertaking infrastructure projects contracted for | <b>615,734</b>          | 881,668          |
|  | <b><u>1,361,131</u></b> | <u>1,707,900</u> |

The Company had no significant project commitments at the balance sheet date.

#### 41. CONTINGENT LIABILITIES

At the balance sheet date, there were contingent liabilities as follows:

- (a) Guarantees given and indemnities provided by the Company and subsidiaries.

|   | The Group               |                         | The Company             |                         |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
|   | 2001<br>HK\$'000        | 2000<br>HK\$'000        | 2001<br>HK\$'000        | 2000<br>HK\$'000        |
| In respect of credit facilities granted to: |                         |                         |                         |                         |
| — subsidiaries                              | —                       | —                       | <b>3,959,858</b>        | 2,538,658               |
| — associates                                | <b>1,024,300</b>        | 1,039,600               | <b>1,024,300</b>        | 1,039,600               |
| — syndicated property<br>project companies  | <b>206,620</b>          | 800,000                 | <b>206,620</b>          | 800,000                 |
|   | <b><u>1,230,920</u></b> | <b><u>1,839,600</u></b> | <b><u>5,190,778</u></b> | <b><u>4,378,258</u></b> |

- (b) Certain wholly owned subsidiaries of the Company had committed to invest an aggregate sum of approximately HK\$433 million (2000: HK\$667 million) (included in note 40(b) above), representing the registered capitals of investee companies undertaking infrastructure projects in the PRC. The subsidiaries' undertakings in this respect were guaranteed by the Company.
- (c) The Group and the Company had outstanding counter indemnities amounting to HK\$309,684,000 (2000: HK\$168,552,000) and HK\$260,935,000 (2000: HK\$31,900,000) respectively for surety bonds issued in respect of construction projects.
- (d) The Group and the Company had acted as guarantor for repayment of the mortgage bank loans granted to purchasers of the Group's properties amounting to HK\$1,141,935,000 (2000: HK\$994,100,000) and HK\$152,585,000 (2000: HK\$156,975,000) respectively.
- (e) Certain subsidiaries of the Company and their respective joint development partners were jointly and severally liable for the due and prompt completion of various joint development projects undertaken by associates and syndicated property project companies.
- (f) The Company had undertaken to provide an unlimited continuing guarantee in favour of a stock-broker in connection with the securities transactions entered into by a wholly owned subsidiary.

## 42. PLEDGE OF ASSETS

At the balance sheet date:

- (a) Banking facilities granted to the Group were secured, inter alia, by the following:
  - (i) pledge of shares in certain subsidiaries; and
  - (ii) fixed charges on the Group's development properties with an aggregate carrying value of approximately HK\$802 million (2000: HK\$2,829 million).
- (b) Banking facilities granted to certain associates and syndicated property project companies were secured by pledge of shares in and subordination of advances to these companies with respective carrying values of approximately HK\$446 million (2000: HK\$433 million) and HK\$864 million (2000: HK\$829 million).
- (c) Mortgage bank loans granted to purchasers of the Group's properties were secured by the Group's bank deposits amounting to approximately HK\$35 million (2000: HK\$16 million).

## 43. RELATED PARTY TRANSACTIONS

- (a) Pursuant to a project management agreement (the "Project Management Agreement") entered into in 1993 between the Company's ultimate holding company, China State Construction Engineering Corporation ("CSCEC"), and certain wholly owned subsidiaries of the Company, namely China Overseas Building Construction Limited, China Overseas Civil Engineering Limited and China Overseas Foundation Engineering Limited (together the "Project Managers"), the Project Managers have been appointed by CSCEC as joint managers for each and every public works contract awarded to CSCEC since 1 January 1993. Under the Project Management Agreement, the Project Managers shall provide project management services and act as agent for and, in consultation with CSCEC, to tender for and obtain projects on behalf of CSCEC on such terms as may be agreed by CSCEC. CSCEC has agreed to pay the Project Managers a management fee equivalent to 7 per cent. of the final contract sum receivable by CSCEC under such public works contracts.

Project management fees payable by CSCEC to the Group pursuant to the Project Management Agreement amounted to approximately HK\$268,912,000 (2000: HK\$248,631,000) in respect of the year.

In this connection, the Group had trade receivables owed by CSCEC to the Group outstanding at 31 December 2001 amounted to HK\$185,741,000 (2000: HK\$253,007,000), which are interest free and have no fixed repayment terms. Such receivables to the extent of HK\$50,532,000 (2000: HK\$125,166,000) were subsequently settled.

- (b) In the ordinary course of business, CSCEC and the Company's immediate holding company, China Overseas Holdings Limited ("COHL"), acted as guarantors for certain banking facilities granted to the Group. No fees were chargeable by either CSCEC or COHL to the Group in this connection during the year.
- (c) During the year, the Group disposed of its subsidiary, Zhonghai Property Managing (Shenzhen) Co., Ltd. ("ZHPS"), to a subsidiary of CSCEC for a consideration of HK\$8,000,000. ZHPS and its subsidiary were established in the PRC engaging principally in property management in Shenzhen, the PRC. The consideration for the disposal was determined by the relevant parties concerned.

**43. RELATED PARTY TRANSACTIONS (Cont'd)**

- (d) At 31 December 2001, the amounts owed by associates to the Group before allowance amounted to approximately HK\$1,537 million (2000: HK\$1,443 million) of which approximately HK\$1,198 million (2000: HK\$1,189 million) carries interest based on prime rate plus a specified margin and the remaining balance is interest free. A substantial amount of the interest receivable on the amount owed by an associate to the Group has not been accounted for in the financial statements as its realisation cannot be ascertained beyond reasonable doubt. Interest receivable on amounts owed by other associates to the Group recognised in the income statement for the year amounted to HK\$1,366,000 (2000: HK\$3,747,000). The amounts owing to associates by the Group at the year end amounted to approximately HK\$194,084,000 (2000: HK\$144,186,000) which are unsecured and interest free with no fixed repayment terms.
- (e) During the year, the Group made purchases of construction materials from certain associates amounted to an aggregate of approximately HK\$27,081,000 (2000: HK\$110,122,000) at prices determined by the directors with reference to market price for similar purchases.
- (f) The Group acted as the contractor for the development of property projects owned by certain associates at the contract price which was determined with reference to the prices for similar projects contracted by the Group with outside parties. Construction fees for the project payable by the associates to the Group amounted to approximately HK\$72,698,000 (2000: HK\$137,299,000) in respect of the year.

**44. PARTICULARS OF PRINCIPAL SUBSIDIARIES**

The following are the particulars of the Company's subsidiaries at 31 December 2001 which, in the opinion of the directors, principally affected the results or the assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. All subsidiaries registered in the PRC are operating in the PRC. Unless otherwise specified, all subsidiaries are incorporated and operating principally in Hong Kong.

| Name of company                     | Proportion of nominal value of issued capital/ registered capital held by the Company |              | Paid up issued/ registered ordinary capital | Principal activities                       |
|-------------------------------------|---|--------------|---|--|
|                                     | Directly %  | Indirectly % |   |  |
| Advocate Properties Limited         | —   | 100          | 100,000 shares of HK\$1 each                | Investment holding                         |
| Ample Gain Limited                  | 100   | —            | 1,000 shares of HK\$1 each                  | Property investment and project management |
| Arch Regent Investments Limited (i) | —   | 100          | 1 share of US\$1                            | Investment holding                         |
| Barkgate Enterprises Limited (i)    | —   | 100          | 200 shares of US\$1 each                    | Investment holding                         |
| Beauty Overseas Properties Limited  | 100   | —            | 10,000 shares of HK\$1 each                 | Provision of nominee services              |



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## 44. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

| Name of company  | Proportion of nominal value of issued capital/ registered capital held by the Company |              | Paid up issued/ registered ordinary capital  | Principal activities   |
|--|---|--------------|--|--|
|  | Directly %  | Indirectly % |  |  |
| Beijing Zhong Hai Xing Ye Real Estate Development Co. Ltd.(iv)                         | —   | 100          | US\$8,624,000  | Property development   |
| 北京中海紫金房地產開發有限公司(v)   | —   | 100          | RMB10,000,000  | Property development   |
| 北京栢聯房地產開發有限公司(iii)   | —   | 100          | US\$13,500,000   | Property development   |
| Better Success Development Limited   | —   | 100          | 100 shares of HK\$1 each   | Property trading   |
| Capital Charm Development Limited  | —   | 100          | 100 shares of HK\$1 each   | Property trading   |
| Cheerwise Investment Limited   | —   | 100          | 10,000 shares of HK\$1 each  | Investment holding   |
| China Overseas Building Construction Limited   | —   | 100          | 2 shares of HK\$10 each and 100 non-voting deferred shares of HK\$10 each            | Building construction, project management and investment holding           |
| 中國海外建築(深圳)有限公司(ii)<br>(China Overseas Building Development (Shenzhen) Co., Ltd. (vii)) | —   | 100          | RMB240,000,000   | Property development, trading and investment and building construction     |
| China Overseas Building Management Limited   | —   | 100          | 100 shares of HK\$1 each   | Real estate management   |
| China Overseas Civil Engineering Limited   | —   | 100          | 2 shares of HK\$10 each and 100 non-voting deferred shares of HK\$10 each            | Civil engineering works, project management and investment holding         |
| China Overseas Foundation Engineering Limited  | —   | 100          | 36,100,000 shares of HK\$1 each and 500,000 non-voting deferred shares of HK\$1 each | Building construction, foundation engineering works and project management |
| China Overseas Grand Gain Property Development Limited                                 | —   | 100          | 10,000 shares of HK\$1 each  | Property development   |

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

| Name of company  | Proportion of nominal value of issued capital/ registered capital held by the Company |              | Paid up issued/ registered ordinary capital | Principal activities   |
|--|---|--------------|---|--|
|  | Directly %  | Indirectly % |   |  |
| China Overseas (Hong Kong) Limited                             | —   | 100          | 5,000,000 shares of HK\$10 each             | Investment holding and provision of management services            |
| China Overseas Machinery Limited                               | —   | 100          | 2 shares of HK\$1 each                      | Leasing of plant and machinery                                     |
| China Overseas Mechanical & Electrical Engineering Limited     | —   | 100          | 10,000,000 shares of HK\$1 each             | Investment holding and mechanical and electrical engineering works |
| China Overseas Property Agency Limited                         | —   | 100          | 2 shares of HK\$1 each                      | Real estate agency   |
| China Overseas Property Limited                                | 100   | —            | 100 shares of HK\$10 each                   | Investment holding, property consultancy and real estate agency    |
| China Overseas Property (Shenzhen) Co., Ltd. (ii)              | —   | 100          | HK\$50,000,000                              | Property development   |
| China Overseas (Zhong Guo) Limited                             | —   | 100          | 5,000,000 shares of HK\$10 each             | Investment holding   |
| Chung Hoi Finance Limited                                      | 100   | —            | 500,000 shares of HK\$10 each               | Loan financing, investment holding and security investments        |
| COB Development (Shanghai) Co., Ltd. (ii)                      | —   | 100          | US\$17,000,000                              | Property development and trading                                   |
| 中海興業(成都)發展有限公司(ii)<br>(COBD Holdings (Chengdu) Co. Ltd. (vii)) | —   | 100          | US\$10,000,000                              | Property development   |

For The Year Ended 31 December 2001

## 44. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

| Name of company   | Proportion of nominal value of issued capital/ registered capital held by the Company |              | Paid up issued/ registered ordinary capital | Principal activities   |
|---|---|--------------|---|--|
|   | Directly %  | Indirectly % |   |  |
| 中海發展(廣州)有限公司 (ii)<br>(COBD Holdings (Guangzhou) Company Limited (vii))          | —   | 100          | US\$10,000,000                              | Investment holding, building construction and project management |
| 中海地產諮詢(上海)有限公司 (ii)<br>(C.O.B. Property Consultants (Shanghai) Co., Ltd. (vii)) | —   | 100          | US\$500,000                                 | Real estate agency   |
| Dong Kong Holdings Limited  | —   | 100          | 5,000,000 shares of HK\$1 each              | Investment holding   |
| Fortune Best Investment Limited   | —   | 100          | 10,000 shares of HK\$1 each                 | Investment holding   |
| Further Good Development Limited  | —   | 100          | 100 shares of HK\$1 each                    | Property trading   |
| Further Success Development Limited   | —   | 100          | 100 shares of HK\$1 each                    | Property development   |
| Gold Court Property Management Limited  | —   | 100          | 10 shares of HK\$10 each                    | Real estate management and investment holding                    |
| Goldcall Development Limited  | —   | 100          | 100 shares of HK\$1 each                    | Property development   |
| Goldwell Development Limited  | —   | 100          | 100 shares of HK\$1 each                    | Property development, trading and investment                     |
| Great Trend Investment Limited  | —   | 100          | 10,000 shares of HK\$1 each                 | Investment holding   |
| 廣州中海名都房地產發展有限公司 (iv)  | —   | 100          | HK\$60,000,000                              | Property development   |
| Guangzhou Haijin Real Estate Development Co., Ltd. (iv)                         | —   | 100          | RMB80,000,000                               | Property development   |
| 廣州海粵房地產發展有限公司 (iv)<br>(Guangzhou Haiyue Real Estate Development Co. Ltd. (vii)) | —   | 100          | RMB138,000,000                              | Property trading and investment                                  |
| 廣州江東房地產開發有限公司 (iv)  | —   | 100          | RMB32,150,000                               | Property development   |

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

| Name of company                             | Proportion of nominal value of issued capital/ registered capital held by the Company |              | Paid up issued/ registered ordinary capital | Principal activities  |
|---|---|--------------|---|---|
|   | Directly %  | Indirectly % |   |   |
| Haifu Development (Shenzhen) Co., Ltd. (ii) | —   | 100          | RMB27,500,000                               | Property investment   |
| Hainan Ruler Limited (i)                    | 100   | —            | 1 share of US\$1                            | Investment holding  |
| Hing Wah Investment Limited (i)&(vi)        | —   | 100          | 1 share of US\$1                            | Investment holding  |
| Hong Kong Financial Limited                 | —   | 100          | 2 shares of HK\$1 each                      | Loan financing and investment holding                             |
| Kee Yet Company Limited                     | —   | 100          | 2 shares of HK\$1 each                      | Property development  |
| Landcorp Investments Limited                | —   | 100          | 2 shares of HK\$1 each                      | Investment holding  |
| Macell Limited                              | —   | 100          | 2 shares of HK\$1 each                      | Investment holding  |
| Macfirst Limited                            | —   | 100          | 2 shares of HK\$1 each                      | Property investment   |
| Macfull Limited                             | —   | 60           | 1,000 shares of HK\$1 each                  | Property development  |
| Macwan Limited                              | —   | 70           | 10 shares of HK\$1 each                     | Property development  |
| Macwan Finance Limited                      | —   | 70           | 10 shares of HK\$1 each                     | Loan financing  |
| Macwest Limited                             | —   | 100          | 2 shares of HK\$1 each                      | Investment holding  |
| Maxdo Investments Limited                   | —   | 100          | 10,000,000 shares of HK\$1 each             | Investment holding  |
| Maxjet Company Limited                      | —   | 70           | 10 shares of HK\$1 each                     | Property development  |
| Maycheer Investments Limited                | 100   | —            | 10 shares of HK\$10 each                    | Investment holding  |
| Mepork Services Limited                     | —   | 100          | 100 shares of HK\$1 each                    | Provision of building cleaning, maintenance and security services |

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## 44. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

| Name of company                             | Proportion of nominal value of issued capital/ registered capital held by the Company |              | Paid up issued/ registered ordinary capital | Principal activities                |
|---|---|--------------|---|-------------------------------------|
|   | Directly %  | Indirectly % |   |                                     |
| Nicegain Development Limited                | —   | 100          | 100 shares of HK\$1 each                    | Investment holding                  |
| Nicetrade Development Limited               | —   | 100          | 100 shares of HK\$1 each                    | Investment holding                  |
| Ocean Group Limited                         | —   | 100          | 2 shares of HK\$1 each                      | Property investment                 |
| On Success Development Limited              | —   | 100          | 10,000 shares of HK\$1 each                 | Property investment                 |
| Safe Future Investments Limited (i) & (vi)  | —   | 100          | 1 share of US\$ 1                           | Investment holding                  |
| Shanghai Hai Hua Realty Co., Ltd. (iii)     | —   | 90           | RMB92,000,000                               | Property trading and investment     |
| 上海海匯房地產有限公司 (iii)                           | —   | 99.5         | US\$6,424,180                               | Property development                |
| Shanghai Hai Li Real Estate Co., Ltd. (iii) | —   | 55           | US\$12,000,000                              | Property development and trading    |
| Shanghai Hai Xing Realty Co., Ltd. (iii)    | —   | 51           | US\$15,000,000                              | Property trading and investment     |
| 上海萬和房地產有限公司 (iii)                           | —   | 95           | US\$43,340,000                              | Property development                |
| 上海永菱房產發展有限公司 (iii)                          | —   | 60           | US\$40,000,000                              | Property development and investment |
| 上海新海匯房地產有限公司 (iii)                          | —   | 99.5         | US\$2,900,648                               | Property development                |
| Silver Yield Development Limited            | —   | 100          | 100 shares of HK\$1 each                    | Property trading                    |
| Skilled Manner Investments Limited (i)      | —   | 100          | 1 share of US\$ 1                           | Investment holding                  |
| Splendid Return Limited (i)                 | —   | 100          | 50,000 shares of US\$1 each                 | Investment holding                  |
| Supreme Class Limited (i)                   | 100   | —            | 1 share of US\$ 1                           | Investment holding                  |
| Techflex Limited (i) & (vi)                 | —   | 100          | 1 share of US\$ 1                           | Investment holding                  |
| Weedon International Limited (i)            | —   | 100          | 1 share of US\$ 1                           | Investment holding                  |

**44. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)**

| Name of company   | Proportion of nominal value of issued capital/ registered capital held by the Company |              | Paid up issued/ registered ordinary capital | Principal activities                                |
|---|---|--------------|---|---|
|   | Directly %  | Indirectly % |   |   |
| Widenews Company Limited  | —   | 100          | 2 shares of HK\$1 each                      | Property development                                |
| Willy Development Limited   | —   | 100          | 2 shares of HK\$1 each                      | Investment holding                                  |
| Winfully Development Limited  | —   | 100          | 2 shares of HK\$1 each                      | Investment holding                                  |
| Winsley Development Limited   | —   | 100          | 2 shares of HK\$1 each                      | Investment holding                                  |
| Winwhole Development Limited  | —   | 100          | 100 shares of HK\$1 each                    | Investment holding                                  |
| Winwise Development Limited   | —   | 100          | 2 shares of HK\$1 each                      | Investment holding                                  |
| Zetson Enterprises Limited (i)  | 100   | —            | 1 share of US\$1                            | Investment holding                                  |
| Zhong Hai Beijing Limited (i)   | —   | 100          | 1 share of US\$1                            | Investment holding                                  |
| 中海物業管理廣州有限公司 (v)<br>(Zhonghai Property Management<br>(Guangzhou) Co., Ltd. (vii)) | —   | 100          | RMB10,000,000                               | Investment holding and<br>real estate<br>management |
| Zhonghai Property Management<br>(Shanghai) Co., Ltd. (ii)                         | —   | 100          | US\$200,000                                 | Real estate management                              |
| (i)   | Incorporated in the British Virgin Islands  |              |   |   |
| (ii)  | Foreign investment enterprise registered in the PRC                                   |              |   |   |
| (iii)   | Sino-foreign equity joint venture registered in the PRC                               |              |   |   |
| (iv)  | Sino-foreign cooperative joint venture registered in the PRC                          |              |   |   |
| (v)   | Limited liability company registered in the PRC                                       |              |   |   |
| (vi)  | Operating principally in the PRC  |              |   |   |
| (vii)   | Business name   |              |   |   |

**45. SUBSEQUENT EVENT**

Subsequent to the balance sheet date, the Group entered into a subscription agreement with certain PRC entities, including a 95% owned subsidiary of the Company's ultimate holding company, under which these PRC entities will contribute a total of RMB99,524,100 to the registered capital of a wholly-owned subsidiary of the Company established in the PRC, China Overseas Building Development (Shenzhen) Limited ("COBD"). Upon completion of this transaction, the Company's equity interest in COBD will be reduced to 79%. The subscription agreement is conditional upon the approval by the PRC authority.