

2001

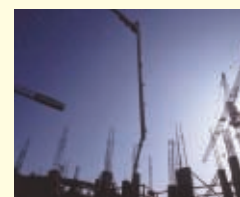
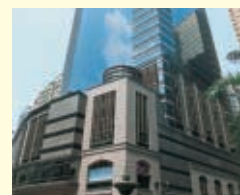
Annual Report 年報



中遠國際控股有限公司  
COSCO International Holdings Limited

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# CORPORATE INFORMATION

## Directors

### Executive Directors

Mr. Wei Jiafu (*Chairman*)  
Mr. Liu Guoyuan (*Vice-Chairman*)  
Mr. Liu Hanbo (*Managing Director*)  
Mr. Li Jianhong  
Mr. Zhou Liancheng  
Mr. Liang Yanfeng  
Mr. Kwong Che Keung, Gordon  
Mr. Lu Zhiming  
Mr. Zhang Yongjian  
Mr. Dong Shu Sen  
Mr. Meng Qinghui

### Independent Non-Executive Directors

Mr. Chan Cheong Foon, Andrew  
Mr. Alexander Reid Hamilton

## Company Secretary

Ms. Wai Ching Sum

## Audit Committee

Mr. Chan Cheong Foon, Andrew  
(*Committee Chairman*)  
Mr. Alexander Reid Hamilton

## Auditors

PricewaterhouseCoopers

## Solicitors

Woo, Kwan, Lee & Lo  
Conyers Dill & Pearman

## Principal Bankers

The Hongkong and Shanghai Banking  
Corporation Limited  
Bank of China (Hong Kong) Limited

## Principal Registrars

Codan Services Limited  
Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

## Hong Kong Branch Registrars

Abacus Share Registrars Limited  
5th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

## Registered Office

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

## Head Office and Principal Place of Business in Hong Kong

47th Floor, COSCO Tower  
183 Queen's Road Central  
Hong Kong

## Listing Information

The Stock Exchange of Hong Kong Limited  
Ordinary shares (Code: 0517)

## Investors Relations

For further information about the Company,  
please contact:  
Public Relations and Company Secretarial Department  
47th Floor, COSCO Tower  
183 Queen's Road Central  
Hong Kong  
Telephone : (852) 2809 7888  
Facsimile : (852) 2907 6107  
Website : <http://www.coscointl.com>  
E-mail : [info@coscointl.com](mailto:info@coscointl.com)

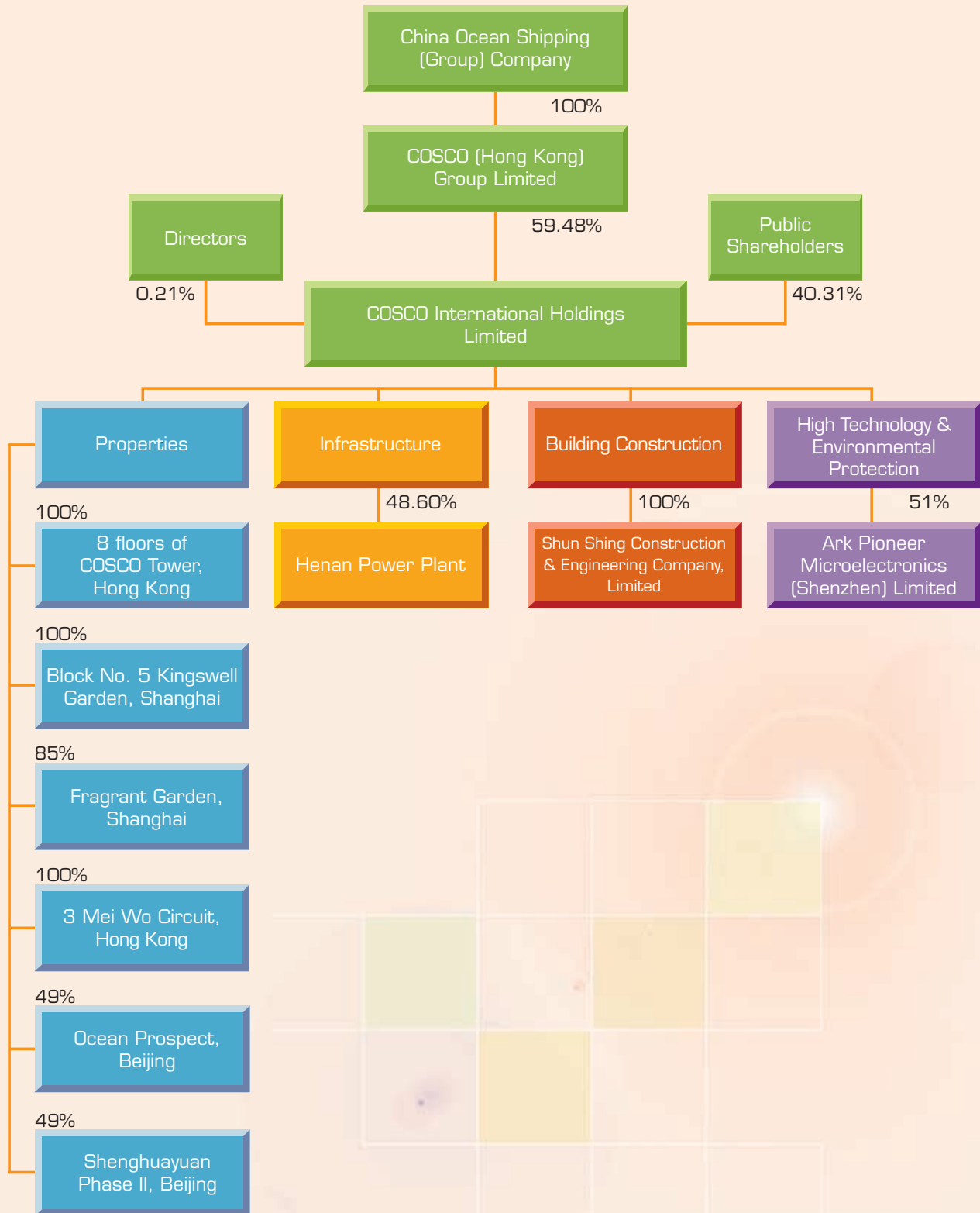


# CORPORATE PROFILE

COSCO International Holdings Limited (“COSCO International” or the “Company”)’s principal activities are property investment and development, building construction and civil engineering, infrastructure investment, ship trading and supplying services, high technology and environmental protection businesses.

COSCO International has been listed on the Mainboard of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since February, 1992 (Stock Code: 0517), and is now the constituent stock of Hang Seng Composite Index. Currently, the total asset value of COSCO International stands at around HK\$3.4 billion and the total number of shares in issue is nearly 1.4 billion.

# CORPORATE STRUCTURE





Mr. Wei Jiafu  
Chairman

Position properties as the principal business  
Develop business in ship trading  
and supplying services  
Consolidate existing businesses  
Constitute a strong conglomerate



PSPS Project at Shum Wan Road, Hong Kong – Broadview Court

## Results

World economy in 2001 changed dramatically. The powerhouses of Japan and European Union all slid downhill. The September 11 events in the United States and the resultant warfare in Afghanistan had caused ripples in the global political and economic arenas - in spite of that, the Company together with its subsidiaries (the "Group") still managed to keep thriving in this most difficult time.

For the year ended 31st December, 2001, the turnover of the Group was HK\$1,844,845,000, representing an increase of approximately 25% as compared with last year. However, overall gross profit dropped by 26% to HK\$133,255,000 which was mainly due to the gross profit margin of Broadview Court, a

Private Sector Participation Scheme ("PSPS") project, which is much lower than other business segments of the Group.

According to the Statements of Standard Accounting Practice and the existing revaluation principle, a provision of HK\$181,800,000 in aggregate was made during the year to reflect the fair value of assets and certain investments of the Group under the current market condition. Excluding these provisions, the Group achieved an operating profit of HK\$74,836,000, a decrease by HK\$37,061,000 from the previous year. The operating profit from property development, before provisions, increased fourfold from the previous year, attributing to the sale of the residential units of Broadview Court in Hong Kong and Fragrant Garden in Shanghai.

The board of directors of the Company (the "Board") does not recommend the payment of a final dividend (2000: Nil) for the year ended 31st December, 2001.

## Major Developments

During the year, the residential units of Phase I Zone I of Fragrant Garden, the property development project of the Old City Redevelopment Program developed by the Group and the Shanghai Hongkou District Government, were essentially sold out and subsequently completed for occupancy in June 2001. The Phase I Zone II was also put on pre-sale in the same month. In addition, two real estate development projects in Beijing, the Ocean Prospect and the Shenghuayuan Phase II, were underway.

## CHAIRMAN'S STATEMENT

During the year under review, all the flats of Broadview Court at Shum Wan Road, Hong Kong, were sold and delivered to owners by the end of 2001. Apart from government construction projects, Shun Shing Construction & Engineering Company, Limited ("SSCE"), a subsidiary of the Company, won a tender for a private residential construction project in To Kwa Wan, Hong Kong.

Hong Kong economy was slackened by the economic decline round the world, however, the Group has been working hard and seizing every business opportunity. Feasibility studies on various investment plans were conducted that will bring forth new impetus growth of the Group and provide a good development platform for the future growth.

### Prospects

China economy has been going strong in the midst of global economic downturn. In 2001, China convened the Asia Pacific Economic Cooperation Meeting, and by the end of the year, gained accession to the World Trade Organisation ("WTO"). China's accession to the WTO no doubt brings forth unprecedented opportunities and thereby benefits Hong Kong economy and creates a better business environment for Hong Kong.

Beijing had successfully bid for the hosting of the 2008 Olympic Games. In the years to come, the Central Government will spend substantial amounts of money and resources in developing the infrastructure, real estate, and other facilities in the city. We believe that the Group will benefit from the business prospects out there.

2002 will be a year of opportunities and challenges, hope and hardship. To face the challenges, we must take advantage of the environment in Mainland China, and capitalise on our proven experience and expertise. The Group will position properties as its principal business, as well as consolidate and develop the existing businesses. Also, the Group will actively explore the business in ship trading and supplying services that related to

the core businesses of its ultimate holding company, China Ocean Shipping (Group) Company ("COSCO"), to become a major conglomerate of the COSCO group.

### Appreciation

On behalf of the Board, I would like to take the opportunity to extend my sincere thanks to all our business partners, bankers, clients, suppliers, and shareholders for their support and trust for the Group. I would also like to express my deepest gratitude to all staff for their devotion and hard work.

**WEI Jiafu**  
*Chairman*

Beijing, 28th March, 2002



Ocean Prospect, a real estate development project in Beijing





Mr. Liu Guoyuan  
Vice-Chairman

Maximising corporate profits  
Market-oriented strategy  
Qualified service  
Well-trimmed management  
Strong team work among staff

## Operations Review

### Properties

During the year, with an occupancy rate of 97% or above, rent of the eight floors of COSCO Tower was one of the major and stable stream of revenues to the Group. However, the values of Grade A offices continued to drop these years. Therefore, a provision for diminution was made after the revaluation of the eight floors of COSCO Tower.



COSCO Tower



Phase I Zone I, Fragrant Garden, Shanghai

In 2001, the Shanghai government repealed the policy on the classification of flats for local buyers and overseas buyers, thereby, the Fragrant Garden in Hongkou District, Shanghai, once a property development project for the Mainland Chinese only, could also be sold to overseas buyers after the enforcement of the new policy. All the residential units of Phase I Zone I of the Fragrant Garden were sold, and completed for occupancy in June 2001. Phase I Zone II was subsequently put on pre-sale and the construction work has been well in progress, and is expected to be completed in the first half of 2002. The planning of the construction of Phase II is underway, with construction works commence at the end of March 2002.

On 29th June, 2001, Beijing Tian Lin Property Development Co., Ltd. ("Tian Lin"), a sino-foreign equity joint venture company, was formed by the Group and COSCO Real Estate Development Company ("CRED") to develop two real estate development projects in Beijing, namely, the Ocean Prospect and the Shenghuayuan Phase II. The sale of the Ocean Prospect, which had been put on pre-sale in 2001, achieved favourable result and is expected to be completed in April 2002. The construction work of the Shenghuayuan Phase II is expected to commence in 2002.

## VICE-CHAIRMAN'S STATEMENT

In Hong Kong, one of the two detached houses in Lot No. 217, Mei Wo Circuit, Shatin was sold in 2001. The other one has been offered for sale in 2002.

### Building Construction

SSCE's ongoing effort in maintaining construction quality control, safety management measures and construction work progress monitoring had achieved satisfactory results during the year. The Broadview Court, a project of SSCE, was launched for sale within the year, and all the flats were sold and delivered to owners at the end of 2001.

Besides construction projects of the Hong Kong Housing Authority ("HKHA"), SSCE had also diversified its business operations to include school projects of the Architectural Services Department ("ArchSD"), comprising a "design and construction" project at Po Kong Village Road and a project for a primary school in Sau Mau Ping.

In addition, SSCE won a tender for a private residential project in To



Ceremony for the completion of Zone I and pre-sale opening of Zone II of the Fragrant Garden Phase I.

Kwa Wan developed by joint developers in Hong Kong at the end of 2001. The contract sum of the project amounts to HK\$867 million. The gross floor area of the project is 173,075 sq.m. and the site area is approximately 14,180 sq.m..

For the year ended 31st December, 2001, the total value of construction contracts completed and the total value of construction work in progress of SSCE amounted to HK\$2.2 billion and HK\$1.68 billion, respectively.

### Infrastructure

Henan Xinzhongyi Electric Power Company, Limited ("Henan Power Plant") is the major infrastructure investment of the Group. During the year under review, despite keen competition in the provincial power supply market, electricity output volume has increased. The management has implemented various measures to control the cost and enhance the efficiency of the plant after the expiry of the guaranteed-return period of the Henan Power Plant.



Henan Power Plant

**High Technology**

深圳艾科創新微電子有限公司 (Ark Pioneer Microelectronics (Shenzhen) Limited) ("Ark Pioneer") which focuses on the design of integrated circuits is in the product development stage. It is expected that with the successful launch of the company's products in the Mainland China market, the current situation of reliance on foreign import will bound to change.

**Future Outlook and Strategies**

**Properties**

It is expected that Hong Kong economy will turn around in mid 2002, and the office rental rates will go up steadily. The Group will

continue to maintain good relations and communications with tenants in order to meet customer's requirement and to keep a high occupancy rate.

The prospect of the Mainland China property market looks good, especially in Beijing and Shanghai, with the Central Government passed a number of bills to further regulate and monitor the market. Further, the Shanghai government has repealed the policy of separating the sale of residential units to local buyers and overseas buyers. All of these are good news to the forthcoming sales of Fragrant Garden project.

With the economy grows steadily in Mainland China, household income and living standard is

increasing. People are generally striking for a better living environment, and therefore property development will have a brighter future. Moreover, under the condition of low interest rate and high return on investment, investment in property is a good choice.

Also, Beijing's successful bid for the hosting of the Olympic Games and China's accession to the WTO are the unambiguous booster to the real estate market in Mainland China. The Group will further explore and develop promising high quality residential projects so as to strengthen its overall asset structure.



Phase I Zone II, Fragrant Garden, Shanghai

### Building Construction

Due to the Hong Kong Government's implementation of a moratorium on the sale of Home Ownership Scheme flats, and its plan to reduce the provision of public housing flats, the public building construction volume in Hong Kong is bound to descend. Moreover, the Hong Kong Government's various policies put upon the contractors and measures to control construction quality have created a more and more difficult operating environment for building construction industry. However, SSCE responded promptly and diversified its business operations to government projects other than those of the HKHA. It had secured school construction projects from the ArchSD and a residential construction project from private land developers during the year. SSCE will continue to improve its control in safety measures, construction quality and work progress. It will also strive to expand the tender sources and volume.

### Infrastructure

In view of the sweeping changes for the power supply industry in Mainland China, uncontrollable external factors may rise. The Group will continue to reduce the cost and enhance the management efficiency by keeping the performance of the Henan Power Plant.

### High Technology and Environmental Protection

Although the economy is inconclusive at the moment, high technology and environmental protection businesses still have their potentials. We will continue to manage all investment projects in a cautious manner, with an aim to improve the Group's asset quality and bring the best return to our shareholders.

### Conclusion

Under the corporate motto of "Maximising corporate profits, Market-oriented strategy,

Qualified service, Well-trimmed management and Strong team work among staff", the Group worked very hard to overcome all the challenges and remained steady growth in the first year of the new millennium.

Looking forward to 2002, all our staff will team up and work even harder to maximise the corporate value. Our staff will commit themselves to achieve "prudence, pragmatism, efficiency, and progressiveness". Following the development strategies and marketing positioning outlined by the Group, a better development prospect is secured. Loyalty, Commitment, Pragmatism, Efficiency - these are qualities amongst our staff which make the Group's goals attainable and have a brighter future.

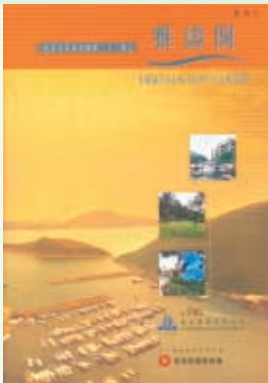
**LIU Guoyuan**  
*Vice-Chairman*

Hong Kong, 28th March, 2002



# 2001

1st January, 2001 to 28th March, 2002



**3rd January, 2001**  
Commencement of the pre-sale of Broadview Court, a PSPS project of SSCE at Shum Wan Road.

**12th January, 2001**  
COSCO International changed the principal registrars in Bermuda from Westbroke Limited to Codan Services Limited.

# January

**27th March, 2001**  
Audit Committee Meeting of COSCO International.



**30th March, 2001**  
Board Meeting and 2000 final results announcement of COSCO International.

**18th May, 2001**  
Annual General Meeting of COSCO International.

# March

# May

**29th June, 2001**  
Completion of construction for Tin Shui Wai Area 102 Phase II by SSCE.



**29th June, 2001**

COSCO International entered into a master co-operative agreement with CRED, which held a 49% equity interest in Tian Lin, to develop property projects in Beijing - Ocean Prospect and Shenghuayuan Phase II.



# June

**31st January, 2001**

Mr. Liu Guoyuan, Vice-Chairman of COSCO International, was appointed as Executive Director and Secretary - General of The Hong Kong Chinese Enterprises Association.



**1st March, 2001**

Completion of construction for Tin Shui Wai Area 102 Phase I by SSCE.

March

**18th June, 2001**

Extension of the HK\$780 million term loan facility to year 2006 from Bank of China (Hong Kong) Limited secured by the eight floors of COSCO Tower.



**28th June, 2001**

Ceremony for the completion of Zone I and pre-sale opening of Zone II of the Fragrant Garden Phase I.

June

**31st July, 2001**

COSCO International was listed as one of the constituent stocks of the New Hang Seng MidCap 50 Index.

July

**3rd August, 2001**

Special General Meeting of COSCO International that approved the master co-operative agreement signed on 29th June between COSCO International and CRED in relation to the acquisition of Tian Lin.



August

*to be continued.....*

# 2001

1st January, 2001 to 28th March, 2002 (continued)

## 22nd August, 2001

Tian Lin, a joint venture company formed by COSCO International and CRED, attained a business registration certificate and became a sino-foreign company.

## 28th August, 2001

Audit Committee Meeting of COSCO International.

# August

## 3rd October, 2001

COSCO International was listed as one of the constituent stocks of the Hang Seng Composite Index.

## 17th October, 2001

Mr. Alexander Reid Hamilton, Independent Non-Executive Director of COSCO International, became the winner of the Directors of the Year Awards 2001 organised by The Hong Kong Institute of Directors, in the category of the non-executive director of listed companies.

# October

## 28th December, 2001

SSCE won a bid for a private residential construction contract in To Kwa Wan. The contract sum amounts to HK\$867 million.

The project includes 6 residential blocks with 46 floors each and a 3-storey podium with facilities of swimming pool, clubhouse, car park and shopping arcade. The gross floor area is 173,075 sq. m. and the site area is approximately 14,180 sq. m..



# December



**7th September, 2001**  
Board Meeting and 2001 interim results announcement of COSCO International.



**12th September, 2001**  
COSCO International signed a provisional agreement for the sale of 5 Mei Wo Circuit, Hong Kong.

# September

**10th December, 2001**  
Completion of construction for Broadview Court, a PSPS project of SSCE at Shum Wan Road.



**11th December, 2001**  
Mr Liu Guoyuan, Vice-Chairman of COSCO International, was appointed as one of the 39 members of Hong Kong Logistics Development Council newly set up by the Hong Kong Government.

# December

**31st December, 2001**  
The transaction of the sale of 5 Mei Wo Circuit, Hong Kong was officially completed.



# December

*to be continued.....*

# 2002

1st January, 2001 to 28th March, 2002 (continued)

## 1st January, 2002

Mr. Kwong Che Keung, Gordon resigned as Managing Director of COSCO International. Mr. Liu Hanbo was appointed as Executive Director and Managing Director of COSCO International.

## 24th January, 2002

Mr. Kwong Che Keung, Gordon resigned and Mr. Liu Hanbo was appointed as director of Soundwill Holdings Limited, a listed company in which the Group holds a 4.67% interest.



# January

## 12th March, 2002

Mr. Li Jianhong, Mr. Liang Yanfeng, Mr. Lu Zhiming and Mr. Meng Qinghui were appointed as directors of COSCO International.

## 18th March, 2002

Audit Committee Meeting of COSCO International.



# March

## 28th March, 2002

Board Meeting and 2001 final results announcement of COSCO International.



# March

### FINANCIAL REVIEW

For the year ended 31st December, 2001, despite a decrease in turnover of HK\$948,660,000 in building construction, the Group achieved a turnover of HK\$1,844,845,000, a 25% increase compared with that of the previous year. It was attributable to the sale of residential units and car parks at Broadview Court, the PSPS project of the Group during the year. The overall gross profit dropped by 26% which was due to a narrow gross profit margin of the PSPS project.

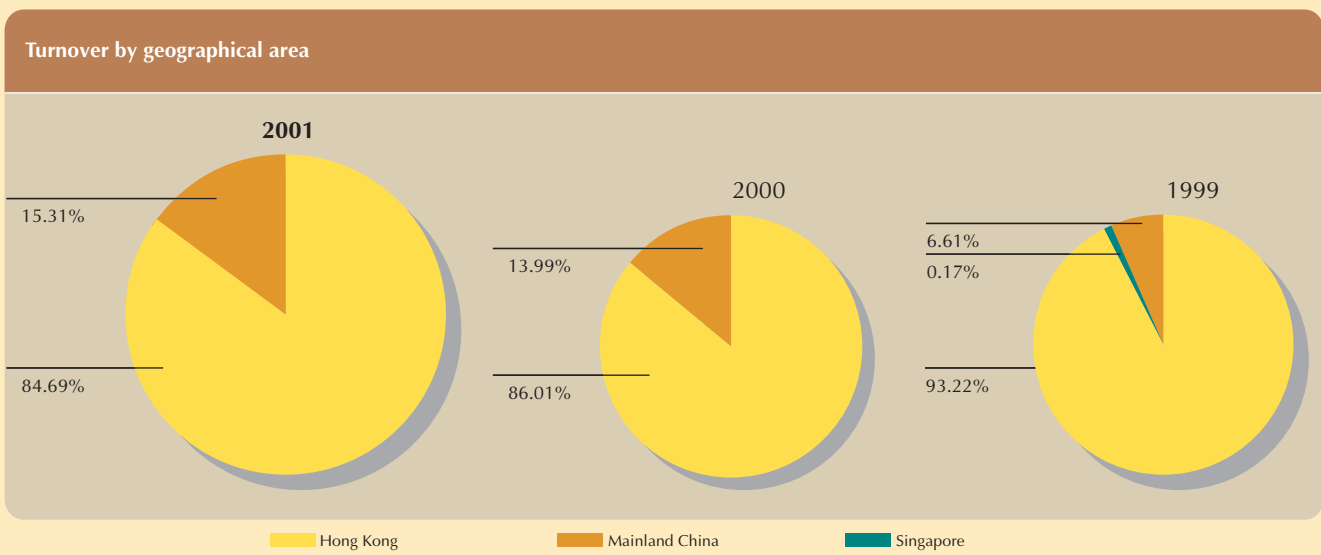
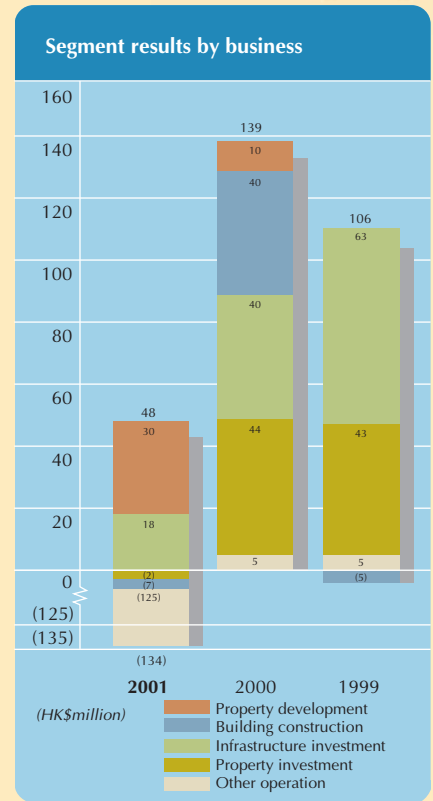
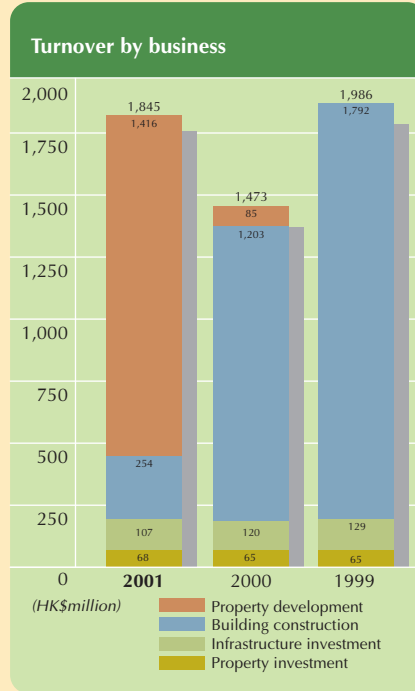
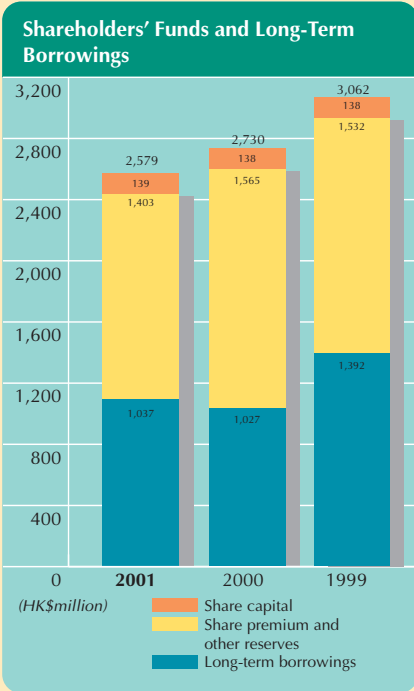
The operating loss for the year included provisions made for diminution in value of investment securities and completed properties held for sale and revaluation deficit of the investment properties totalling HK\$181,800,000, after consideration of various underlying conditions of the Group's assets. Excluding these provisions, the Group achieved an operating profit of HK\$74,836,000, a decrease by HK\$37,061,000 from the previous year. During the year, operating profit from property development, before provision for completed properties held for sale, grew by almost fourfold to HK\$37,798,000 over the previous year, comprising mainly the profit contribution from the sale of the residential units of Broadview Court in Hong Kong and Fragrant Garden in Shanghai. The building construction of the Group, however, suffered from the adverse market condition, incurred a mild loss of HK\$6,822,000 in 2001 from a profit of HK\$40,389,000 in the previous year. The operating profit is further impacted by the decline in profit by HK\$22,561,000 from infrastructure investment, mainly contributed by the Henan Power Plant. The performance of property investment, securities investment and other operations maintained fairly steady during the year.

Including a provision of HK\$181,800,000, the Group recorded a loss attributable to shareholders of HK\$168,098,000 for the year, representing a plunge compared to the previous year.

### FINANCIAL RESOURCES AND LIQUIDITY

During the year, share option holders exercised their rights to subscribe for 12,430,000 new shares of the Company at HK\$0.656 per share, contributed HK\$8,154,080 to the shareholders' funds. Despite of that, shareholders' funds of the Group as at 31st December, 2001, was decreased by 9% to HK\$1,542,357,000 as a result of the provisions for diminution in value of investment securities and completed properties held for sale and the revaluation deficit of the investment properties during the year.

For the year ended 31st December, 2001, in addition to the renewal of banking facilities amounting to HK\$780,000,000 for the eight floors of COSCO Tower, the Group solicited a total of HK\$40,000,000 new banking facilities and the net repayment of bank loans amounted to HK\$528,349,000. As at 31st December, 2001, total banking facilities available to the Group amounted to HK\$1,629,600,000 (2000: HK\$2,428,615,000), of which HK\$1,467,357,000 (2000: HK\$1,995,706,000) were utilised. The reduction in utilisation of banking facilities was primarily attributable to the repayment of bank loans by using proceeds from the sale of properties under Broadview Court. The gearing ratio, which represents total bank loans over total assets, was approximately 43% (2000: 48%).



## MANAGEMENT DISCUSSION AND ANALYSIS

As at 31st December, 2001, the Group's borrowings were denominated in Hong Kong dollars and Renminbi and carried at interest rates calculated with reference to Hong Kong Interbank Offered Rate and the Base Rate announced by the People's Bank of China respectively. The Group did not have any financial instruments used for hedging purpose.

The maturity and currency profiles of the outstanding bank loans as at 31st December, 2001 are analysed as follows:

	HK\$'000	
Maturity profiles:		
Bank loans repayable		
Within one year	430,731	29%
In the second year	256,626	17%
In the third to fifth year	780,000	54%
	1,467,357	100%
Secured	1,208,567	82%
Unsecured	258,790	18%
	1,467,357	100%
Currency profiles:		
Hong Kong Dollar	1,271,941	87%
Renminbi	195,416	13%
	1,467,357	100%

As at 31st December, 2001, investment properties in Hong Kong of HK\$360,000,000 (2000: HK\$405,000,000) and other properties in Hong Kong of HK\$966,686,000 (2000: HK\$987,566,000) were pledged as securities to a bank in respect of certain banking facilities granted to the Group. Moreover, completed properties held for sale amounting to HK\$100,108,000 (2000: Nil) were pledged as securities to banks in respect of certain banking facilities granted to the Group, and the pledge was released subsequent to the year end.

Cash and bank balances amounted to HK\$487,942,000 (2000: HK\$369,820,000) as at 31st December, 2001 accounted for 35% (2000: 18%) of the current assets of the Group. In addition to the above, bank balances of HK\$83,794,000 (2000: HK\$92,709,000) has been restricted for the purpose of granting a banking facility to a subsidiary of the Group.

During the year, the Group had no material exchange rate exposure. With its strong cash position and the available banking facilities, the Group has adequate resources for its ongoing operations and future development.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2001, the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover. Also, during the year, the aggregate amount of purchases from the five largest suppliers accounted for less than 30% of the total cost of sales of the Group.

None of the Company's directors, their associates, or any shareholders of the Company (which to the knowledge of the Company's directors owned more than 5% of the Company's issued shares) had a beneficial interest in any of the Group's five largest customers or five largest suppliers.



### EMPLOYEES

As at 31st December, 2001, excluding associated companies and jointly controlled entities, the Group had approximately 251 (2000: 292) employees of whom approximately 181 (2000: 264) employees are employed in Hong Kong. In 2001, employees costs including directors' emoluments totalled HK\$78,838,000 (2000: HK\$86,275,000). Following the adoption of the Mandatory Provident Fund ("MPF") scheme in December 2000, all employees employed in Hong Kong participate in the MPF scheme.



## PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS

#### Mr. WEI Jiafu



aged 52, joined the Company as Chairman in June 2000. Mr. Wei is responsible for formulating the overall strategy and policy of the Group. He is also the President of COSCO and the Chairman of COSCO Pacific Limited ("COSCO Pacific"). Mr. Wei had been a COSCO ship captain for many years and is a qualified senior engineer, a professional qualification awarded by the Ministry of Communications of China. He also holds a Master of Shipping Management Engineering degree from Dalian Maritime University. He is currently a Ph.D. candidate of Tianjin University. In the past years, Mr. Wei had held a number of senior positions, including as a member of the management of Guangzhou Ocean Shipping Company, Managing Director of Sino-Tanzania Joint Shipping Company and the President of China Ocean Shipping Company (Singapore) PTE Limited. Before he has been appointed as the President of COSCO, he was the Managing Director of both Tianjin Ocean Shipping Company and COSCO Bulk Carrier Company Limited. Mr. Wei is also the President of China Maritime Law Association and Vice-Chairman of China Enterprise Confederation.

#### Mr. LIU Guoyuan



aged 50, joined the Company as Vice-Chairman in November 2000. He is also the Executive Vice-Chairman and President of COSCO (Hong Kong) Group Limited ("COSCO Hong Kong") and the Vice-Chairman of COSCO Pacific. Mr. Liu graduated from Beijing Foreign Languages University in February 1975 and joined COSCO in the same year. In August 1982, he earned a Master of Laws degree (LL.M) from the Law School of University of Washington in Seattle, USA. Since 1984, Mr. Liu worked as the General Manager of the Law & Policy Research Department, the Executive Department and the Planning & Program Division in COSCO. In 1991, he was promoted as the Senior Commercial Director and was made the Senior Deputy Managing Director of COSCO Tianjin, Director and Senior Vice President of COSCO Europe GMBH and subsequently further promoted to Vice-Chairman and President of COSCO Europe GMBH. In 1992, he was awarded the qualification of Senior Economist by the Ministry of Communications of the People's Republic of China (the "PRC"). Since 1993, he has been entitled to the State Technical Specialist Allowance granted by the State Council of the PRC. In over 20 years working experiences in COSCO group, Mr. Liu has accumulated rich knowledge, especially on enterprise management, and shipping business management in domestic and overseas enterprises. Mr. Liu had participated in the series of structural reforms, assets reorganisation, and development programs, etc. of COSCO.



**Mr. LIU Hanbo**



aged 42, joined the Company as Managing Director in January 2002. He is also a Vice-President of COSCO Hong Kong. Mr. Liu graduated from Dalian Maritime University in Communication and Transportation Management and Planning post-graduate program and is a Senior Economist. He had been General Manager of COSCO Dalian Enterprises Development Company, General Manager of the Development Division of COSCO and Head of Asset Operating Centre, then General Manager of COSCO (H.K.) Industry & Trade Holdings Limited. Mr. Liu has worked as a senior member of COSCO management for a number of years which enabled him to build up a detailed knowledge of COSCO group's businesses and gain solid experiences in corporate management.

**Mr. LI Jianhong**



aged 46, joined the Company in March 2002. He is the Vice-President of COSCO and a Director of COSCO Pacific. Mr. Li graduated from the University of East London in the United Kingdom with a Master of Business Administration degree. He has more than 18 years of experience in corporate management.

**Mr. ZHOU Liancheng**



aged 53, joined the Company in September 2000. He is a Director and Vice-President of COSCO Hong Kong and a Director of COSCO Pacific. He graduated from the Dalian Maritime University. He had been the General Manager of China Ocean Shipping Agency, Nanjing and the Deputy General Manager of COSCO (H.K.) Industry & Trade Holdings Limited and COSCO Asia Development Limited. Mr. Zhou has a lot of professional experiences in enterprise management.

**Mr. LIANG Yanfeng**



aged 37, joined the Company in March 2002. He is the General Manager of Capital Operating Department of COSCO and a Director of COSCO Hong Kong and COSCO Pacific. Mr. Liang graduated from Tsinghua University with a Master of Social Science degree in 1991 and is qualified as a Senior Economist. He had been the Deputy General Manager of Personnel Department of COSCO and the General Manager of COSCO Human Resources Development Company. Mr. Liang has extensive experience in corporate management.

### Mr. KWONG Che Keung, Gordon



aged 52, joined the Company in May 1998. He is a Vice-President of COSCO Hong Kong and a Director of COSCO Pacific. He is also an Independent Non-Executive Director of a number of Hong Kong listed companies. Mr. Kwong was the Managing Director of the Company during 1998 to 2001. Mr. Kwong graduated from the University of Hong Kong in 1972. After graduation, he worked in England and qualified as a chartered accountant of the Institute of Chartered Accountants in England & Wales. In 1979, he joined Price Waterhouse Hong Kong and had been a partner of the firm from 1984 to 1998. In the 1990s, he has acted as a part-time panel member of the Hong Kong Government's Central Policy Unit, an independent member of the Council of the Stock Exchange, Director of Hong Kong Clearing Co., Limited and Stock Options Clearing House Co. Limited, and also served as Convenor of the Stock Exchange's Compliance Committee and the Listing Committee.

### Mr. LU Zhiming



aged 60, joined the Company in March 2002. He is a Director and the Financial Controller of COSCO Hong Kong and a Director of COSCO Pacific. Mr. Lu graduated from Shanghai Maritime Transportation Institute in 1963. He had been the Deputy Chief Financial Officer and the Chief Financial Officer of COSCO. He has more than 36 years of experience in financial management and accounting.

### Mr. ZHANG Yongjian



aged 50, joined the Company in September 1997. He is also an Assistant to President and the General Manager of the Strategic Planning Division of COSCO Hong Kong. He graduated from the Shanghai Maritime University in 1976 and also obtained a degree of Master of Law (Maritime Law) from Dalian Maritime University in 1984. He joined COSCO in 1976 and has been the Deputy General Manager of COSCO Dalian and the General Manager of its Shipping Department.

### Mr. DONG Shu Sen



aged 58, joined the Company in December 1997, is the Executive Deputy Managing Director of the Company. He graduated from the University of International Business & Economics in Beijing. He joined COSCO in 1968 and has since served professionally in sea transportation, shipbuilding, container transportation, external affairs and administration management as well as property management.

**Mr. MENG Qinghui**



aged 46, joined the Company in March 2002. He is a Director of COSCO Pacific and the Managing Director of Finance Division of COSCO Hong Kong. Mr. Meng graduated from Changsha Railway University in 1978 and was awarded the professional qualification of Accountant in the PRC. He has 23 years of experience in financial management and accounting and is familiar with corporate financial planning.

**Mr. CHAN Cheong Foon, Andrew**



aged 64, has been an Independent Non-Executive Director of the Company since December 1991. He is the senior partner of Wong Brothers & Co., Certified Public Accountants. He has over 35 years of experience in public accounting practice and is a fellow member of the Taxation Institute of Hong Kong, CPA Australia and the Hong Kong Society of Accountants.

**Mr. Alexander Reid HAMILTON**



aged 60, has been an Independent Non-Executive Director of the Company since August 1997. He is also a Non-Executive Director of COSCO Pacific, CITIC Pacific Limited, Esprit Holdings Limited, DBS Kwong On Bank Limited, Shangri-La Asia Limited and a Director of a number of other Hong Kong companies. He is a member of the Institute of Chartered Accountants of Scotland, a fellow member of the Hong Kong Society of Accountants and a fellow member of the Institute of Directors. He was a partner in Price Waterhouse for 16 years and has over 20 years of auditing and accounting experience.

### SENIOR MANAGEMENT

#### **Mr. ZHAO Kaiji**

Aged 51, joined the Company in October 1999, is the Deputy General Manager of the Company. After graduated from the Shanghai Maritime Transportation Institute in 1975, he joined COSCO in the same year. Mr. Zhao was awarded the professional qualification of Senior Economist and has over 25 years of extensive experience in corporate management. During his years with COSCO, he had been the Deputy Manager of Tianjin Operation Department, Representative of COSCO in Romania, General Manager of Tianjin Shipping Development Company Limited, General Manager of Tianjin Jinshen Ferry Company Limited and President of Seattle, COSCO North Americas Inc..

#### **Ms. ZHAO Zhuochu**

Aged 47, joined Shun Shing Construction & Engineering Company, Limited ("SSCE") in May 1997, is the Managing Director of SSCE. She graduated from Wuhan Transportation University and is also a senior engineer. She holds a Master of Business Administration degree in Total Quality Management. She has successful management experience in various companies.

#### **Mr. PAK Wai Keung, Martin**

Aged 39, joined the Company in January 2001, is the Financial Controller of the Company. Mr. Pak is an associate of the Hong Kong Society of Accountants and had worked for international accounting firms, merchant bank, industrial company and certain listed companies.

#### **Miss CHEN Yan**

Aged 32, joined the Company in May 1997, is the Deputy Financial Controller and the Manager of the Finance Department of the Company. She graduated from Shanghai Maritime University, majoring in Finance and Accounting, with a Bachelor's degree of Economics and also obtained a degree of Master of Business Administration from Murdoch University, Australia. She is a fellow member of the Institute of Financial Accountants. She has extensive experience in auditing, accounting and financial management.

#### **Mr. ZHANG Huimin**

Aged 51, joined the Company in December 1997, is the Assistant to General Manager of the Company. He graduated from Hangzhou University in 1976 majoring in foreign languages. From 1977 to 1996, he worked for Shanghai Ocean Shipping Company in the areas of shipping and shipping economic management and held the positions of Division Chief, Deputy Division Chief and Deputy Manager. He has also been awarded the Certificate for Senior Economist by the Ministry of Communications of the PRC. During Mr. Zhang's management in the investment enterprise of the PRC, he has been awarded an honorary designation of "Forerunner of Foreign Investment Enterprise Management" by the provincial government of the PRC.

**Mr. KU Shing Pan**

Aged 56, joined the Company in July 1998, is the Manager of the Real Estate Department of the Company. He graduated from Zhejiang University and has about 19 years of working experience in Mainland China. Mr. Ku came to work in Hong Kong in 1984 and had been the head of investment development and the head of development department in other two groups. He has over 15 years of experience in project investment and property development in Mainland China.

**Mr. LIN Jianhua**

Aged 49, joined the Company in September 1997, is the Manager of the Investment and Development Department of the Company. He graduated from Karlsruhe University, Germany, and holds a degree of Master of Economic Engineering. He has extensive experience in project investment and corporate management, and good technical background.

**Mr. WONG Ping Hang**

Aged 49, joined the Company in July 1997, is the Manager of the Internal Audit Department of the Company. He graduated from the Brigham Young University, United States of America, majoring in Accounting and has over 23 years of banking and corporate working experience.

**Ms. WAI Ching Sum**

Aged 34, joined the Company in February 1999, is the Company Secretary of the Company. She is a qualified chartered secretary designated as ACIS, ACS and holds a Master of Science degree in Financial Economics issued by University of London, England. Before joining the Company, she had been the Company Secretary of other listed companies in Hong Kong.

**Mr. DONG Weiguo**

Aged 32, joined the Company in January 2000, is the Deputy Manager of Administration and Human Resources Department. He graduated from Renmin University of China in 1992 and joined COSCO in the same year. He had worked for the Executive Division of COSCO, COSCO Hong Kong and COSCO (H.K.) Property Development Limited. He has extensive experience in administration and human resource management.

The directors of the Company present their report together with the audited financial statements of the Group for the year ended 31st December, 2001.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are property investment and development, building construction and civil engineering, infrastructure investment and high technology businesses.

An analysis of the Group's turnover and operating loss for the year by principal activities is set out in note 2 to the financial statements.

### RESULTS

The results of the Group for the year ended 31st December, 2001 and the state of affairs of the Company and the Group as at that date are set out on pages 43 to 45.

### DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31st December, 2001 (2000: nil).

### SHARE CAPITAL

Details of the movements in share capital during the year are set out in note 23 to the financial statements.

### FIXED ASSETS

Details of the movements in fixed assets during the year are set out in note 9 to the financial statements.

### BORROWINGS AND INTEREST CAPITALISED

Borrowings repayable on demand or within one year are classified under current liabilities. Details of the long-term borrowings are set out in note 25 to the financial statements. Interest and other borrowing costs capitalised by the Group during the year are set out in note 4 to the financial statements.

### RESERVES

Details of the movements in reserves during the year are set out in note 24 to the financial statements.

## DONATIONS

The donations made by the Group during the year amounted to HK\$72,000 (2000: HK\$58,000).

## FIVE-YEAR FINANCIAL SUMMARY

A five-year financial summary of the Group is set out on pages 83 and 84.

## DIRECTORS

The directors of the Company during the year and up to the date of this report were:

### *Executive Directors*

Mr. Wei Jiafu (*Chairman*)

Mr. Liu Guoyuan (*Vice-Chairman*)

Mr. Liu Hanbo (*Managing Director*) (appointed on 1st January, 2002)

Mr. Li Jianhong (appointed on 12th March, 2002)

Mr. Zhou Liancheng

Mr. Liang Yanfeng (appointed on 12th March, 2002)

Mr. Kwong Che Keung, Gordon

Mr. Lu Zhiming (appointed on 12th March, 2002)

Mr. Zhang Yongjian

Mr. Dong Shu Sen

Mr. Meng Qinghui (appointed on 12th March, 2002)

### *Independent Non-Executive Directors*

Mr. Chan Cheong Foon, Andrew

Mr. Alexander Reid Hamilton

In accordance with Bye-laws 99 and 102B of the Company's Bye-laws, all the directors of the Company retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

## DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, the following directors of the Company are considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as set out below:

Name of director	Name of entity engaging in businesses which are considered to compete or likely to compete with the businesses of the Group	Description of the businesses of the entities which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of director in the entity
Mr. Wei Jiafu	Companies controlled by COSCO	Property investment and development	Director
Mr. Liu Guoyuan	COSCO Hong Kong and its associated companies	Property investment and development	Director
	Soundwill Holdings Limited	Property investment and development	Director
Mr. Liu Hanbo	Soundwill Holdings Limited	Property investment and development	Director
Mr. Li Jianhong	Companies controlled by COSCO	Property investment and development	Director
Mr. Zhou Liancheng	COSCO Hong Kong and its associated companies	Property investment and development	Director
Mr. Liang Yanfeng	Companies controlled by COSCO	Property investment and development	Director
Mr. Kwong Che Keung, Gordon	Companies controlled by COSCO Hong Kong	Property investment and development	Director
	Vision Century Corporation Limited	Property investment and development	Independent Non-Executive Director
Mr. Lu Zhiming	COSCO Hong Kong and its associated companies	Property investment and development	Director
Mr. Meng Qinghui	Companies controlled by COSCO Hong Kong	Property investment and development	Director

As the Board is independent from the boards of the aforesaid companies and none of the above directors of the Company can control the Board, the Group is capable of carrying its businesses independently of, and at arm's length from the businesses of such companies.

## CONNECTED TRANSACTIONS

Pursuant to Chapter 14 of the Listing Rules, the following connected transactions of the Company require disclosure in the annual report of the Company. The connected transactions which also constitute significant related party transactions are set out in note 30 to the financial statements.



1. On 7th March, 2001, a tenancy agreement was entered into between Wing Thye Holdings Limited, a wholly-owned subsidiary of the Company, as landlord and COSCO Pacific Management Company Limited, a wholly-owned subsidiary of COSCO Pacific, as tenant, for the leasing of a portion of 49th Floor of the COSCO Tower as the head office of COSCO Pacific for a term of three years commencing with retrospective effect from 4th December, 2000 at a monthly rental of HK\$465,023.20 (exclusive of air conditioning and management charges, government rates and all other outgoings). COSCO Hong Kong is the controlling shareholder of both the Company and COSCO Pacific.
2. On 29th June, 2001, a master co-operative agreement was entered into between Market Smart Limited ("Market Smart"), a wholly-owned subsidiary of the Company, and CRED, a wholly-owned subsidiary of COSCO, to form a sino-foreign equity joint venture company, Tian Lin. The total investment amount for Tian Lin is approximately Rmb640 million to develop two real estate development projects (the "Development") in Beijing - Ocean Prospect and Shenghuayuan Phase II. Completion took place on 13th September, 2001 and Market Smart then owned a 49% equity interest in Tian Lin. As part of the master co-operative agreement, shareholder's loans approximately HK\$154,929,000 was granted by Market Smart to Tian Lin during the year of 2001 on a pro-rata basis so as to finance the Development. The shareholder's loans are interest-free and have no fixed repayment terms.

### SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

Under paragraph 3.7.1 of Practice Note 19 of the Listing Rules, the Company discloses the following loan agreements which contain covenants requiring specific performance obligations of the controlling shareholder:-

1. A HK\$1,129 million secured medium term loan facility was granted by a syndicate of financial institutions with HSBC China Services Limited as agent to Century Metro Development Limited ("Century Metro"), a wholly owned subsidiary of the Company, on 30th March, 1998 to finance the PSPS project at Shum Wan Road, Aberdeen Inland Lot No. 435. The loan is guaranteed unconditionally and irrevocably by COSCO Hong Kong which undertakes, amongst other conditions, that it will remain the ultimate beneficial owner of at least 51% of the entire issued share capital of Century Metro and SSCE, unless consented by the agent acting on the instruction of majority of the syndicate. The term loan was fully repaid on 4th January, 2002.
2. A HK\$780 million secured term loan facility was granted by Bank of China (Hong Kong) Limited to the Company in August 1998 and amended on 9th June, 2001 to finance the acquisition of the eight floors of the COSCO Tower. The secured term loan facility is repayable on or before 18th June, 2006. The loan is guaranteed unconditionally and irrevocably by COSCO Hong Kong which undertakes, amongst other conditions, that:
  - (i) it will procure that the ultimate holding company will maintain a 51% equity interest, either directly or indirectly, in it and such equity interest remains free from any security interest (save for any of such existing thereon prior to the date of the guarantee);
  - (ii) it will procure that the ultimate holding company will maintain an equity interest, either directly or indirectly, of not less than 35% in the Company and such equity interest remains free from any security interest (save for any of such existing thereon prior to the date of the guarantee);
  - (iii) it will maintain an equity interest, either directly or indirectly, of not less than 35% in COSCO Pacific, a fellow subsidiary of the Company, and such equity interest remains free from any security interest (save for any of such existing thereon prior to the date of the guarantee); and
  - (iv) it will maintain an equity interest, either directly or indirectly, of not less than 35% in the Company and such equity interest being the single largest shareholding in the Company.

## SHARE OPTIONS

Pursuant to the Company's share option scheme (the "Scheme") approved by the shareholders on 17th January, 1992, the Board may, at their discretion, grant options to the executive directors and employees of the Group to subscribe for shares in the Company. The purpose of the Scheme was to provide the executive directors and employees of the Group with an opportunity to obtain equity interest in the Company, thus linking their interest with the interest of the Group and thereby providing them with an incentive to work better for the interest of the Group.

The total number of shares in respect of which options granted under the Scheme might not exceed 10% of the issued shares of the Company from time to time. No employee should be granted an option which, if exercised in full, would result in such employee becoming entitled to subscribe for more than 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

The Scheme was valid and effective for a period of 10 years which commenced on 17th January, 1992 and expired on 16th January, 2002. Accordingly, there had no security available for issue under the Scheme as at the date of this report. A price of HK\$1.00 was payable by the grantee in respect of option granted and accepted under the Scheme. The exercise price was determined by the Board and would not be less than the higher of the nominal value of the shares of the Company or 80% of the average closing price of the shares of the Company for the five business days immediately preceding the date of grant.

Information of the share options is also set out in note 23 to the financial statements.

The following table discloses movements in the Company's share options during the year and options outstanding at the beginning and end of the year:

Number of share options						
	Outstanding as at 1st January, 2001	Granted during the year	Exercised during the year (Note 4)	Lapsed during the year	Outstanding as at 31st December, 2001	
<b>Director</b>						
Mr. Kwong Che Keung, Gordon	4,500,000	—	—	—	4,500,000	
Mr. Zhang Yongjian	1,000,000	—	—	—	1,000,000	
Mr. Dong Shu Sen	3,500,000	—	—	—	3,500,000	
<b>Ex-Director</b>						
Mr. Dong Jiufeng (Note 2)	1,500,000	—	—	(1,500,000)	—	
Mr. Zuo Wei (Note 3)	2,500,000	—	—	(2,500,000)	—	
<b>Employees</b>	20,050,000	—	(12,430,000)	(2,000,000)	5,620,000	

Note:

- These share options were granted to the directors and employees of the Company on 20th March, 2000 and were exercisable at HK\$0.656 per share at any time between 20th March, 2001 and 16th January, 2002. All of the share options as at 31st December, 2001 remained unexercised and lapsed on 16th January, 2002.
- Mr. Dong Jiufeng resigned as a director of the Company on 1st November, 2000 and pursuant to the Scheme his share options were lapsed on 1st February, 2001.
- Mr. Zuo Wei resigned as a director of the Company on 1st December, 2000 and pursuant to the Scheme his share options were lapsed on 1st March, 2001.
- The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised during the year was HK\$1.02.

## DIRECTORS' INTERESTS IN SECURITIES

As at 31st December, 2001, the interests of the directors and chief executives and their associates in the shares of the Company and its associated corporations as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

### 1. Directors' interests in shares

Name of director	Number of shares held Personal interests
Mr. Zhang Yongjian	1,478,400
Mr. Dong Shu Sen	1,500,000

### 2. Directors' interest in shares of associated corporation

Subsequent to the year end date, Mr. Kwong Che Keung, Gordon fully exercised the share options granted by COSCO Pacific to subscribe for 250,000 shares at HK\$3.584 each on 25th February, 2002.

### 3. Directors' interests in share options granted by associated corporation

Name of associated corporation	Name of director	Number of share options				Outstanding as at 31st December, 2001
		Outstanding as at 1st January, 2001	Granted during the year	Exercised during the year	Lapsed during the year	
COSCO Pacific	Mr. Kwong Che Keung, Gordon (Note 1)	250,000	-	-	-	250,000

Note:

- Subsequent to the year end date, Mr. Kwong Che Keung, Gordon fully exercised the share options granted by COSCO Pacific to subscribe for 250,000 shares. The share options are exercisable at HK\$3.584 per share at any time between 6th April, 2001 and 5th April, 2002.
- Subsequent to the year end date, Mr. Li Jianhong was appointed as a director of the Company on 12th March, 2002. Mr. Li has 250,000 share options granted by COSCO Pacific on 6th April, 2000 and are exercisable at HK\$3.584 per share at any time between 6th April, 2001 and 5th April, 2002.
- Subsequent to the year end date, Mr. Lu Zhiming was appointed as a director of the Company on 12th March, 2002. Mr. Lu has 1,500,000 share options granted by COSCO Pacific on 1st July, 1996 and are exercisable at HK\$5.53 per share at any time between 1st July, 1996 and 30th June, 2006. Besides, he has 250,000 share options granted by COSCO Pacific on 6th April, 2000 and are exercisable at HK\$3.584 per share at any time between 6th April, 2001 and 5th April, 2002.

Save as disclosed above and in the section "Share Options", as at 31st December, 2001, none of the directors and the chief executives of the Company had any interest in the share capital of the Company or any associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including the interests which they were deemed or taken to have under section 31 or part I of the Schedule to the SDI Ordinance) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules or which are required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein.

## MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

## SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2001, the interests of those persons in the share capital of the Company as recorded in the register kept under Section 16(1) of the SDI Ordinance were as follows:

<b>Name of shareholder</b>	<b>Number of shares held</b>
COSCO	829,360,511
COSCO Hong Kong *	829,360,511
True Smart International Limited *	527,060,904
COSCO Investments Limited *	302,299,607

\* These companies are wholly-owned subsidiaries of COSCO and their interests in the shares of the Company were included in the interests held by COSCO.

## CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2001 with the Code of Best Practice as set out in the Appendix 14 of the Listing Rules.

In addition, the Company has established an Audit Committee for review and supervision of the Group's financial reporting process and internal controls in order to protect the interests of the shareholders of the Company. The Audit Committee held two meetings during the year.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, there was no purchase, sale or redemption by the Company, or any of its subsidiaries of any listed securities of the Company.

## PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in Bermuda being the jurisdiction in which the Company is incorporated.

## AUDITORS

The financial statements for the year have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**LIU Hanbo**

*Managing Director*

Hong Kong, 28th March, 2002



羅兵咸永道會計師事務所

**PricewaterhouseCoopers**  
22nd Floor Prince's Building  
Central Hong Kong  
Telephone (852) 2289 8888  
Facsimile (852) 2810 9888

## AUDITORS' REPORT TO THE SHAREHOLDERS OF COSCO INTERNATIONAL HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 43 to 80 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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### BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### OPINION

In our opinion, the financial statements give a true and fair view of the state of the affairs of the Company and the Group as at 31st December, 2001 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 28th March, 2002

## CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2001

	Note	2001 HK\$'000	2000 HK\$'000
TURNOVER	2	1,844,845	1,472,577
Cost of sales		(1,711,590)	(1,292,321)
Gross profit		133,255	180,256
Other revenues	2	13,987	20,794
Other operating income		3,647	656
Other (charges)/income		(181,800)	4,000
Administrative expenses		(66,647)	(72,524)
Other operating expenses		(9,406)	(17,285)
OPERATING (LOSS)/PROFIT	3	(106,964)	115,897
Finance costs	4	(51,241)	(78,636)
Share of results of associated companies		76	(1,287)
Share of results of jointly controlled entities		(2,169)	(2,063)
(LOSS)/PROFIT BEFORE TAXATION		(160,298)	33,911
Taxation	5	(7,353)	(1,966)
(LOSS)/PROFIT AFTER TAXATION		(167,651)	31,945
Minority interests		(447)	(1,748)
(LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS	6 & 24	(168,098)	30,197
(LOSS)/EARNINGS PER SHARE	7		
- BASIC		(12.10 cents)	2.19 cents
- FULLY DILUTED		Not applicable	2.18 cents

## CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER, 2001

	Note	2001 HK\$'000	2000 HK\$'000
FIXED ASSETS	9	1,376,753	1,451,694
ASSOCIATED COMPANIES	11	837	6,296
JOINTLY CONTROLLED ENTITIES	12	212,727	3,795
OTHER INVESTMENT IN A JOINT VENTURE	13	238,001	326,344
INVESTMENT SECURITIES	14	103,354	228,781
OTHER NON-CURRENT ASSETS	20	83,794	92,709
CURRENT ASSETS			
Properties under development for sale	15	246,920	1,351,541
Completed properties held for sale	16	114,784	–
Trade and other receivables	17	546,801	343,161
Short-term investments	19	6,921	10,979
Cash and bank balances	20	487,942	369,820
		<b>1,403,368</b>	2,075,501
CURRENT LIABILITIES			
Trade and other payables	21	350,012	434,860
Taxation		12,407	5,679
Current portion of long-term bank loans	25	320,731	897,290
Bank loans, unsecured	22	110,000	71,000
		<b>793,150</b>	1,408,829
NET CURRENT ASSETS		<b>610,218</b>	666,672
		<b>2,625,684</b>	2,776,291
Financed by:			
SHARE CAPITAL	23	139,439	138,196
RESERVES	24	1,402,918	1,564,469
SHAREHOLDERS' FUNDS		<b>1,542,357</b>	1,702,665
LONG-TERM BANK LOANS	25	1,036,626	1,027,416
MINORITY INTERESTS		46,701	46,210
		<b>2,625,684</b>	2,776,291

**LIU Hanbo**  
Managing Director

**DONG Shu Sen**  
Executive Deputy Managing Director

**BALANCE SHEET**  
AS AT 31ST DECEMBER, 2001

	Note	2001 HK\$'000	2000 HK\$'000
FIXED ASSETS	9	2,623	4,860
SUBSIDIARIES	10	2,264,845	2,454,736
INVESTMENT SECURITIES	14	20,684	20,684
CURRENT ASSETS			
Other receivables	17	2,140	22,124
Short-term investments	19	154	279
Cash and bank balances		110,550	10,008
		<b>112,844</b>	32,411
CURRENT LIABILITIES			
Other payables	21	5,263	4,646
Taxation		1,264	1,264
Current portion of a long-term bank loan	25	-	20,000
		<b>6,527</b>	25,910
NET CURRENT ASSETS		<b>106,317</b>	6,501
		<b>2,394,469</b>	2,486,781
Financed by:			
SHARE CAPITAL	23	139,439	138,196
RESERVES	24	1,345,030	1,516,585
SHAREHOLDERS' FUNDS		<b>1,484,469</b>	1,654,781
LONG-TERM BANK LOANS	25	910,000	832,000
		<b>2,394,469</b>	2,486,781

**LIU Hanbo**  
*Managing Director*

**DONG Shu Sen**  
*Executive Deputy Managing Director*



## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2001

	Note	2001 HK\$'000	2000 HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	27(a)	<b>778,287</b>	(275,639)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		<b>12,014</b>	14,358
Interest paid		<b>(112,289)</b>	(140,032)
Dividend received		<b>1,973</b>	2,092
Income from other investment in a joint venture received		<b>159,294</b>	96,803
NET CASH INFLOW/(OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<b>60,992</b>	(26,779)
TAXATION			
Overseas profits tax paid		<b>(166)</b>	(334)
TAX PAID		<b>(166)</b>	(334)
INVESTING ACTIVITIES			
Purchase of fixed assets		<b>(1,022)</b>	(2,166)
(Advances to) /repayment from associated companies		<b>(372)</b>	1,394
Advances to jointly controlled entities		<b>(159,359)</b>	(1,060)
Increase in restricted bank deposits and bank deposits with maturity more than three months from the date of placement		<b>(95,671)</b>	(105,793)
Investments in jointly controlled entities		<b>(52,201)</b>	(4,798)
Purchase of investment securities		<b>-</b>	(13,108)
Proceeds from disposal of fixed assets		<b>1,029</b>	764
Proceeds from disposal of investment securities		<b>1,550</b>	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<b>(306,046)</b>	(124,767)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING ACTIVITIES		<b>533,067</b>	(427,519)
- Carried forward			

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2001

	Note	2001 HK\$'000	2000 HK\$'000
<b>NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING ACTIVITIES</b>			
- Brought forward		533,067	(427,519)
<b>FINANCING ACTIVITIES</b>			
Issue of shares upon the exercise of options/warrants		8,154	1,426
Drawdown of bank loans		1,292,821	619,207
Repayment of bank loans		(1,821,170)	(301,850)
Contribution by minority shareholders		-	19,907
<b>NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES</b>	27(b)	<b>(520,195)</b>	338,690
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		296,882	384,698
Changes in exchange rates		664	1,013
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>310,418</b>	296,882
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		571,736	462,529
Restricted bank deposits and bank deposits with maturity more than three months from the date of placement		(261,318)	(165,647)
		<b>310,418</b>	296,882

## CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31ST DECEMBER, 2001

	Note	2001 HK\$'000	2000 HK\$'000
Exchange differences arising on translation of financial statements of subsidiaries, associated companies and jointly controlled entities	24	(364)	771
(LOSS)/GAIN NOT RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT		(364)	771
(Loss)/profit for the year	24	(168,098)	30,197
TOTAL RECOGNISED (LOSSES)/GAINS		(168,462)	30,968

## 1 PRINCIPAL ACCOUNTING POLICIES

### (a) Statement of compliance

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

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

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

A summary of accounting policies and the effect of adopting these new/revised standards is set out below.

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

The measurement basis used in the preparation of the financial statements is historical cost except that, as disclosed in the accounting policies below, certain investment properties and short-term investments are stated at fair values.

### (c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year. The results of subsidiaries acquired or disposed of during the year are dealt with in the consolidated income statement from the effective dates of acquisition or to the effective dates of disposal respectively, as appropriate.

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

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

### (d) Subsidiaries

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

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

### (e) Associated companies

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

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

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

#### (f) Joint venture

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

##### (i) Jointly controlled entities

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

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

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

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

Goodwill or negative goodwill arising on consolidation represents the deficit or excess, respectively, of the fair value of the separable net assets of the subsidiaries, associated companies and jointly controlled entities at the respective acquisition dates over the value of the considerations paid.

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

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

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

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

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

## 1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (h) Properties

#### (i) *Investment properties*

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

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

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

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

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

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

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

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

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

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

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

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

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

**(i) Other tangible fixed assets**

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

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

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

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

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

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

**(k) Investments in securities**

*(i) Investment securities*

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

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

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

*(ii) Short-term investments*

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

## 1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (l) Construction contracts in progress

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

The accounting policy for recognition of contract revenue is set out in note 1(v)(i).

### (m) Assets under operating leases

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

### (n) Accounts receivable

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

### (o) Cash and cash equivalents

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

### (p) Provisions

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

### (q) Contingent liabilities

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

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



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

#### (r) Deferred taxation

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

#### (s) Translation of foreign currencies

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

The balance sheet of subsidiaries, associated companies and jointly controlled entities expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the income statement is translated at an average rate. Exchange differences arising therefrom are dealt with as a movement in reserves.

#### (t) Borrowing costs

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

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

#### (u) Pensions and retirement benefits

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

#### (v) Revenue recognition

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

##### (i) Construction contracts

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

## 1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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

#### (ii) Sale of properties

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

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

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

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

#### (iii) Income from other investment in a joint venture

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

#### (iv) Rental income

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

#### (v) Interest income

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

#### (vi) Dividend income

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2 TURNOVER, REVENUE AND SEGMENT INFORMATION

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

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

#### Primary reporting format - business segments

The Group is organised into four main business segments:

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

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

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

#### Secondary reporting format - geographical segments

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

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

There are no sales between geographical segments.

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

## Primary reporting format – business segments

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

## NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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

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

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

#### Secondary reporting format – geographical segments

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

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

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

**3 OPERATING (LOSS)/PROFIT**

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

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



## NOTES TO THE FINANCIAL STATEMENTS

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

#### (a) Net rental income

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

#### (b) Future minimum rental receivable

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

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

#### (c) Depreciation

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

#### (d) Operating lease rental expense

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

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

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

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

**4 FINANCE COSTS**

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

**5 TAXATION**

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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

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

### 7 (LOSS)/EARNINGS PER SHARE

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

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

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

### 8 EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

#### (a) Directors' emoluments

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

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

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

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

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

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

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

### (b) Senior management's emoluments

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

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

The emoluments of the individuals fell within the following bands:

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

## 9 FIXED ASSETS

### Group

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

## NOTES TO THE FINANCIAL STATEMENTS

### 9 FIXED ASSETS (Cont'd)

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

	Investment properties HK\$'000	Leasehold land and buildings HK\$'000	Machinery, equipment and motor vehicles HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Total HK\$'000
At cost	–	1,055,965	47,709	9,866	5,612	1,119,152
At professional valuation	386,000	–	–	–	–	386,000
	386,000	1,055,965	47,709	9,866	5,612	1,505,152

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

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

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

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

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

## 9 FIXED ASSETS (Cont'd)

## Company

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

## 10 SUBSIDIARIES

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 11 ASSOCIATED COMPANIES

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

### 12 JOINTLY CONTROLLED ENTITIES

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

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

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

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

## 13 OTHER INVESTMENT IN A JOINT VENTURE

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

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

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

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

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## 14 INVESTMENT SECURITIES

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



## NOTES TO THE FINANCIAL STATEMENTS

### 14 INVESTMENT SECURITIES (Cont'd)

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

### 15 PROPERTIES UNDER DEVELOPMENT FOR SALE

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

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

### 16 COMPLETED PROPERTIES HELD FOR SALE

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

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

### 17 TRADE AND OTHER RECEIVABLES

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

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

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

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

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

**18 CONSTRUCTION CONTRACTS IN PROGRESS**

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

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**19 SHORT-TERM INVESTMENTS**

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

## NOTES TO THE FINANCIAL STATEMENTS

### 20 CASH AND BANK BALANCES

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

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

### 21 TRADE AND OTHER PAYABLES

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

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

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

**22 BANK LOANS, UNSECURED**

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

**23 SHARE CAPITAL**

	2001		2000	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
Shares of HK\$0.10 each	<b>3,000,000,000</b>	<b>300,000</b>	3,000,000,000	300,000
Issued and fully paid:				
Shares of HK\$0.10 each:				
At 1st January	<b>1,381,959,291</b>	<b>138,196</b>	1,379,978,911	137,997
Issue of shares upon the exercise of options/warrants	<b>12,430,000</b>	<b>1,243</b>	1,980,380	199
At 31st December	<b>1,394,389,291</b>	<b>139,439</b>	1,381,959,291	138,196

Under the terms of the Company's share option scheme approved by the shareholders on 17th January, 1992, the board of directors may at its discretion invite employees, including directors, of the Company and its subsidiaries to take up options to subscribe for shares of the Company. At 20th March, 2000, share options carrying rights to subscribe for 37,400,000 shares of the Company at an exercise price of HK\$0.656 per share exercisable at any time between 20th March, 2001 and 16th January, 2002 were granted to certain employees and directors of the Company and its subsidiaries. During the year 2001, optionholders exercised to subscribe for 12,430,000 shares (at a subscription price of HK\$0.656 per share) of the Company. At 31st December, 2001, the Company had outstanding share options carrying rights to subscribe for 14,620,000 shares of the Company, all of which remained unexercised and lapsed on 16th January, 2002.

24 RESERVES

Group

	Share premium account HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st January, 2000	2,348,415	56,683	(2,434)	(870,390)	1,532,274
Exchange differences	–	–	771	–	771
Issue of shares upon the exercise of warrants	1,227	–	–	–	1,227
Profit for the year (note (a))	–	–	–	30,197	30,197
At 31st December, 2000	2,349,642	56,683	(1,663)	(840,193)	1,564,469
Company and subsidiaries	2,349,642	56,683	(1,663)	(829,098)	1,575,564
Associated companies	–	–	–	(9,032)	(9,032)
Jointly controlled entities	–	–	–	(2,063)	(2,063)
	2,349,642	56,683	(1,663)	(840,193)	1,564,469
At 1st January, 2001	2,349,642	56,683	(1,663)	(840,193)	1,564,469
Exchange differences	–	–	(364)	–	(364)
Issue of shares upon the exercise of options	6,911	–	–	–	6,911
Loss for the year (note (a))	–	–	–	(168,098)	(168,098)
<b>At 31st December, 2001</b>	<b>2,356,553</b>	<b>56,683</b>	<b>(2,027)</b>	<b>(1,008,291)</b>	<b>1,402,918</b>
Company and subsidiaries	2,356,553	56,683	(2,027)	(994,644)	1,416,565
Associated companies	–	–	–	(8,956)	(8,956)
Jointly controlled entities	–	–	–	(4,691)	(4,691)
	2,356,553	56,683	(2,027)	(1,008,291)	1,402,918

Company

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

**24 RESERVES (Cont'd)**

- (a) Loss for the year of HK\$168,098,000 (2000: profit of HK\$30,197,000) includes a net loss of HK\$2,552,000 (2000: HK\$3,350,000) attributable to associated companies and jointly controlled entities.
- (b) The contributed surplus of the Company arose in 1992 when the Company issued shares in exchange for the shares of companies being acquired, and represents the difference between the nominal value of the Company's shares issued and the value of net assets of the companies acquired.
- (c) Under the Companies Act of Bermuda, the Company's contributed surplus is currently not distributable. Accordingly, the Company had no reserves available for distribution at 31st December, 2001 (2000: nil).

**25 LONG-TERM BANK LOANS**

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

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

**26 DEFERRED TAXATION**

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

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

27 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

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

(b) Analysis of changes in financing during the year

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

## 28 COMMITMENTS

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

### (a) Operating lease commitments

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

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

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

### (b) Financial commitments

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

## 29 CONTINGENCIES

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



**30 RELATED PARTY TRANSACTIONS**

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

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

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

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

## 31 PRINCIPAL SUBSIDIARIES

Name	Place of incorporation	Particulars of issued/registered share capital	Percentage of interest held	Principal activities
<b><i>Operated in Hong Kong</i></b>				
99 Prove Finance Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Property holding
Capital Properties Limited #	Hong Kong	2 Ordinary shares of HK\$1 each	100	Provision of nominee services
Cash in Hand Inc.	British Virgin Islands	1 Ordinary share of US\$1	100	Property investment
Century Metro Development Limited	Hong Kong	10,000 Ordinary shares of HK\$1 each	100	Property development
COSCO International Infrastructure Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100	Investment holding
COSCO International Land Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100	Investment holding
COSCO International Trade Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100	Investment holding
COSCO Project Management Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100	Investment holding
Globe Perfect Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100	Investment holding
Gwee Brothers Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Property investment
Malayan Corporations Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Property investment
Shun Shing Construction & Engineering Company, Limited	Hong Kong	2,742,000 Ordinary shares of HK\$100 each 120,000 Non-voting deferred shares of HK\$100 each	100	Building construction, maintenance and civil engineering
Tian Lee Property Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Property holding
Velu Exports Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Property holding
Waily Development Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100	Investment holding
Wealth Nice Investment Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100	Property development
Wing Thye Holdings Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Property holding
Year Of The Rat Corp.	British Virgin Islands	1 Ordinary share of US\$1	100	Property holding
<b><i>Operated in the British Virgin Islands</i></b>				
Cash Rich Enterprises Limited	British Virgin Islands	10,000 Ordinary shares of US\$1 each	85.85	Investment holding
COSCO (B.V.I.) Holdings Limited #	British Virgin Islands	1 Ordinary share of US\$1	100	Investment holding

## NOTES TO THE FINANCIAL STATEMENTS

### 31 PRINCIPAL SUBSIDIARIES (Cont'd)

Name	Place of incorporation	Particulars of issued/registered share capital	Percentage of interest held	Principal activities
<b><i>Operated in the British Virgin Islands (Cont'd)</i></b>				
COSCO International Construction Limited	British Virgin Islands	100 Ordinary shares of US\$1 each	100	Investment holding
COSCO International Infrastructure (BVI) Holdings Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Investment holding
COSCO International Land (B.V.I.) Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Investment holding
Graceful Nice Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Investment holding
Market Smart Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100	Investment holding
Modern Capital Investment Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Investment holding
Monoland Assets Limited	British Virgin Islands	2 Ordinary shares of US\$1 each	100	Investment holding
Raycle Match Development Ltd.	British Virgin Islands	1 Ordinary share of US\$1	100	Investment holding
Smart State Properties Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Investment holding
Trinity Developments Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Investment holding
Uppermost Corporation #	British Virgin Islands	1 Ordinary share of US\$1	100	Investment holding
<b><i>Operated in the PRC</i></b>				
New Central International Enterprises Co., Limited	Hong Kong	1,000,000 Ordinary shares of HK\$1 each	90	Investment holding
Shanghai COSCO Honour Property Development Limited	PRC	RMB 232,238,926	85	Property development
Xiang Li Yuan (Shanghai) Property Management Co., Ltd.	PRC	US\$500,000	100	Property management services
Wellbase Holdings Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100	Property investment

# Shares held directly by the Company

### 32 ULTIMATE HOLDING COMPANY

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

### 33 APPROVAL OF THE FINANCIAL STATEMENTS

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

## PROPERTIES UNDER DEVELOPMENT FOR SALE

Description	Use	Approximate area	Stage of completion	Percentage of attributable interest to the Group
(1) Between Yuezhou Road, Hailaer Road, Tongzhou Road and Gaoyang Road at Hongkou District, Shanghai, the PRC	Residential, commercial and car parking spaces	Site area 35,000 sq.m. Estimated gross floor area 183,000 sq.m.	<u>Phase One</u> Zone One: Completed Zone Two: Interior and installation <u>Phase Two</u> Site preparation	85

## COMPLETED PROPERTIES HELD FOR SALE

Description	Use	Approximate area	Stage of completion	Percentage of attributable interest to the Group
(1) Aberdeen Inland Lot No. 435, Shum Wan Road, Hong Kong	Commercial, car parking spaces	1,616 sq.m. 216 car parking spaces	Completed	100
(2) 3 Mei Wo Circuit Shatin Town Lot No. 217, Shatin, New Territories, Hong Kong	Residential, car parking spaces	Saleable area 408 sq.m. 2 car parking spaces	Completed	100

## LIST OF MAJOR PROPERTIES

### INVESTMENT PROPERTIES

	<b>Description</b>	<b>Use</b>	<b>Approximate area</b>	<b>Lease term</b>	<b>Percentage of attributable interest to the Group</b>
(1)	39/F, 40/F and 42/F COSCO Tower, 183 Queen's Road Central Hong Kong	Commercial	Gross floor area 6,156 sq.m.	From 25th June, 1997 to 30th June, 2047	100
(2)	Block 5, Kingswell Garden, Lane 3887, Hong Mei Road, Shanghai, the PRC	Residential	2,592 sq.m.	From 26th December, 1996 to 4th June, 2065	100

### LEASEHOLD LAND AND BUILDINGS

	<b>Description</b>	<b>Use</b>	<b>Approximate area</b>	<b>Lease term</b>	<b>Percentage of attributable interest to the Group</b>
(1)	47/F-51/F COSCO Tower, 183 Queen's Road Central Hong Kong	Commercial	Gross floor area 9,885 sq.m.	From 25th June, 1997 to 30th June, 2047	100

## CONSOLIDATED RESULTS

	2001 HK\$'000	Year ended 31st December,			Sixteen months ended 31st December,
		2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
Turnover	<b>1,844,845</b>	1,472,577	1,986,181	801,307	1,314,792
Operating (loss)/profit after finance costs	<b>(158,205)</b>	37,261	20,737	(716,755)	605
Share of results of associated companies	<b>76</b>	(1,287)	(864)	4,590	883
Share of results of jointly controlled entities	<b>(2,169)</b>	(2,063)	-	-	-
(Loss)/profit before taxation	<b>(160,298)</b>	33,911	19,873	(712,165)	1,488
Taxation	<b>(7,353)</b>	(1,966)	(149)	(1,075)	(2,076)
(Loss)/profit after taxation	<b>(167,651)</b>	31,945	19,724	(713,240)	(588)
Minority interests	<b>(447)</b>	(1,748)	(2,628)	(1,976)	108
(Loss)/profit attributable to shareholders	<b>(168,098)</b>	30,197	17,096	(715,216)	(480)

## CONSOLIDATED ASSETS AND LIABILITIES

	2001 HK\$'000	As at 31st December,			
		2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
Fixed assets	<b>1,376,753</b>	1,451,694	1,479,051	1,511,839	51,093
Associated companies	<b>837</b>	6,296	9,041	6,978	71,244
Jointly controlled entities	<b>212,727</b>	3,795	-	-	-
Other investment in a joint venture	<b>238,001</b>	326,344	407,372	472,059	-
Investment securities	<b>103,354</b>	228,781	215,673	240,259	623,587
Other non-current assets	<b>83,794</b>	92,709	55,980	-	20,894
Current assets	<b>1,403,368</b>	2,075,501	1,762,262	1,645,061	1,388,200
Total assets	<b>3,418,834</b>	4,185,120	3,929,379	3,876,196	2,155,018
Current liabilities	<b>793,150</b>	1,408,829	843,049	977,890	630,293
Long-term liabilities	<b>1,036,626</b>	1,027,416	1,391,682	1,230,850	395,815
Minority interests	<b>46,701</b>	46,210	24,377	21,788	8,234
Total liabilities	<b>1,876,477</b>	2,482,455	2,259,108	2,230,528	1,034,342
Net assets	<b>1,542,357</b>	1,702,665	1,670,271	1,645,668	1,120,676

## FIVE-YEAR FINANCIAL SUMMARY

### PER SHARE DATA

	<b>2001</b>	<b>Year ended 31st December,</b>			<b>Sixteen months ended 31st December,</b>
	<b>HK Cents</b>	2000	1999	1998	1997
		HK Cents	HK Cents	HK Cents	HK Cents
(Loss)/earnings per share	<b>(12.10)</b>	2.19	1.25	(55.00)	(0.05)
Net asset value per share	<b>110.61</b>	123.20	121.04	120.08	101.86

The financial data of the five-year financial summary have been adjusted to take into account the bonus issue of shares made during the period ended 31st December, 1997 and prior period adjustments for the year ended 31st December 1998.

**NOTICE IS HEREBY GIVEN** that the annual general meeting of the Company will be held at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong on Friday, 17th May, 2002 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements for the year ended 31st December, 2001 together with the directors' report and the auditors' report thereon.
2. To re-elect the directors and to fix their remuneration.
3. To re-appoint auditors and to authorise the directors to fix their remuneration.
4. As special business, to consider and, if thought fit, to pass with or without amendments the following resolutions as special resolution and ordinary resolutions of the Company (as the case may be):

### **SPECIAL RESOLUTION**

- A. **"THAT** "中遠國際控股有限公司" be adopted as the Chinese name of the Company for the purpose of registration under Part XI of the Companies Ordinance in Hong Kong."

### **ORDINARY RESOLUTIONS**

- B. **"THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting approval of the share option scheme of the Company (the "Share Option Scheme") (the rules of which are contained in the document marked "A" produced to the meeting and signed by the Chairman for the purpose of identification) and the granting of any options thereunder and the listing of, and permission to deal in, the shares of HK\$0.10 each in the share capital of the Company (the "Shares") to be issued pursuant to the exercise of any such options, the Share Option Scheme be and is hereby approved and adopted and the directors of the Company be and is hereby authorised to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Share Option Scheme including but without limitation:
  - (a) to administer the Share Option Scheme under which options will be granted to participants eligible under the Share Option Scheme to subscribe for Shares;
  - (b) to modify and/or amend the Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the Share Option Scheme relating to modification and/or amendment;
  - (c) to issue and allot from time to time such number of Shares as may be required to be issued pursuant to the exercise of the options under the Share Option Scheme provided always that the total number of Shares subject to the Share Option Scheme, when aggregated with any Shares subject to any other share option schemes, shall not exceed 10% of the relevant class of the issued share capital of the Company as at the date of passing this resolution (excluding any Shares issued upon exercise of options granted pursuant to the Share Option Scheme), but the Company may seek approval of its shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme and the maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company in issue shall not exceed 30% of the relevant class of the issued share capital of the Company from time to time;



## NOTICE OF ANNUAL GENERAL MEETING

- (d) to make application at the appropriate time or times to the Stock Exchange and any other stock exchanges upon which the issued Shares may for the time being be listed, for listing of and permission to deal in any Shares which may hereafter from time to time be issued and allotted pursuant to the exercise of the options under the Share Option Scheme; and
- (e) to consent, if it so deems fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the Share Option Scheme.”

### C. “THAT:

- (a) subject to paragraph (b) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase the shares of HK\$0.10 each in the share capital of the Company (the “Shares”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange on which Shares may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or those of any other recognised stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares to be repurchased by the Company pursuant to the approval in paragraph (a) of this resolution shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution, and the said approval shall be limited accordingly; and
- (c) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:
  - (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by Bermuda law or the bye-laws of the Company to be held; or
  - (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

### D. “THAT:

- (a) subject to the following provisions of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$0.10 each in the share capital of the Company (the “Shares”), and to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into Shares) which would or might require the exercise of such powers, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into Shares) which would or might require the exercise of such powers after the end of the Relevant Period;

- (c) the aggregate nominal amount of the share capital of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) the exercise of the conversion rights attaching to any convertible securities issued by the Company; (iii) the exercise of warrants to subscribe for Shares; (iv) the exercise of options granted under any share option scheme or similar arrangement for the time being adopted by the Company; or (v) an issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Company's bye-laws; shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution, and the said approval shall be limited accordingly; and
- (d) for the purpose of this resolution, "Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:
  - (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by Bermuda law or the bye-laws of the Company to be held; or
  - (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of Shares open for a period fixed by the directors of the Company to the holders of Shares or any class of Shares whose names appear on the registers of members of the Company on a fixed record date in proportion to their then holdings of such Shares as at that date (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company)."

- E. "THAT subject to the passing of resolutions nos. 4C and 4D set out in the notice ("Notice") of the annual general meeting of the Company dated 28th March, 2002, the general mandate granted to the directors of the Company in resolution no. 4D set out in the Notice be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares of HK\$0.10 each in the share capital of the Company (the "Shares") repurchased by the Company pursuant to the exercise by the directors of the Company of the general mandate granted to them in resolution no. 4C set out in the Notice to repurchase Shares provided that such amount shall not exceed 10% of the total nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution."

5. To transact any other business.

By Order of the Board  
**WAI Ching Sum**  
*Company Secretary*

Hong Kong, 28th March, 2002

## NOTICE OF ANNUAL GENERAL MEETING

### Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares in the capital of the Company may appoint more than one proxy. A proxy need not be a member of the Company.
2. To be valid the proxy form together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited with the Company's branch share registrars in Hong Kong, Abacus Share Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not less than 48 hours before the time fixed for holding the meeting and adjourned meeting.
3. Special resolution no. 4A above relates to the adoption of a Chinese name by the Company. As the Company is a company incorporated in Bermuda, only its English name appears in its Certificate of Incorporation and Certificate of Incorporation on Change of Name. The Company has been registered as an overseas company in its English name under Part XI of the Companies Ordinance in Hong Kong. The Chinese name now appears in the Company's documents have been used as a Chinese translation of its English name. With effect from 3rd July, 2001, the Companies Registry in Hong Kong allows overseas company to register their corporate name in both English and Chinese under Part XI of the Companies Ordinance notwithstanding the fact that only the English or Chinese name of a company appears in the Certificate of Incorporation/Certificate of Incorporation on Change of Name. The directors of the Company propose the adoption of the Chinese name in order to formalise its use by the Company in Hong Kong.
4. A circular as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in connection with the proposed share option scheme under ordinary resolution no. 4B and the proposed repurchase mandate under ordinary resolution no. 4C above will be despatched to members as soon as practicable.