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## CORPORATE DEVELOPMENT

Nineteen ninety-seven was a paramount year for COSCO International Holdings Limited (the "Company", and together with its subsidiaries, the "Group") as it marked the beginning of a new era for the Company (formerly known as "Shun Shing Holdings Limited"). Following the successful takeover by COSCO (Hong Kong) Group Limited ("COSCO (HK)", and together with its subsidiaries and associated companies, the "COSCO (HK) Group"), the Company changed its name to **COSCO International Holdings Limited** and adopted a new corporate logo.

Moreover, the Group was restructured to cover five pillar business areas: infrastructure investment and development, property investment and development, building construction and civil engineering, related industrial investment and trading. This restructuring formally established the Company as a listed flagship for COSCO (HK) Group's diversified investments.

## OPERATING RESULTS

With tremendous support from COSCO (HK) Group and the full commitment of its new management, the Group was able to achieve enhancement in its asset base and equity base and improvement in its turnover and profitability.

For the sixteen months ended 31st December, 1997, the Group's profit attributable to shareholders amounted to HK\$12,524,000 which represents a significant turnaround compared to the loss of HK\$76,103,000 recorded for the year ended 31st August, 1996.



*Mr. Chen Zhongbiao,  
Chairman*



## DIVIDENDS

Other than the one-for-five bonus issue of shares in July 1997, the board of directors (the "Board") does not recommend the payment of a final dividend (1996: Nil) for the sixteen months ended 31st December, 1997.

## THE PERIOD IN REVIEW

A number of key milestones were achieved by the Group in 1997:

In March 1997, the Company's controlling interest was acquired by COSCO (HK) Group whose parent company, China Ocean Shipping (Group) Company ("COSCO"), is under the direct supervision of the Ministry of Communications.

In August 1997, the Group's newly-established property arm, COSCO International Land Limited, succeeded in the first land auction organized by the Government of the Hong Kong Special Administrative Region ("HK SAR") and acquired a residential development site in Sha Tin.

In October 1997, the Group acquired 121,200,000 shares in Soundwill Holdings Limited (representing approximately 10.01% of its then existing issued share capital), a locally-listed property investment and development company, as a long-term strategic investment.

In November 1997, the Group's construction arm, Shun Shing Construction & Engineering Company, Limited, was awarded the Aberdeen Inland Lot No. 435 Shum Wan Road Private Sector Participation Scheme project by the Government of the HK SAR.

In February 1998, the Company announced the acquisition from COSCO (HK) Group interests in COSCO Tower and a power plant in Henan Province. These transactions were completed pursuant to approvals by independent shareholders of the Company in a Special General Meeting in March 1998.

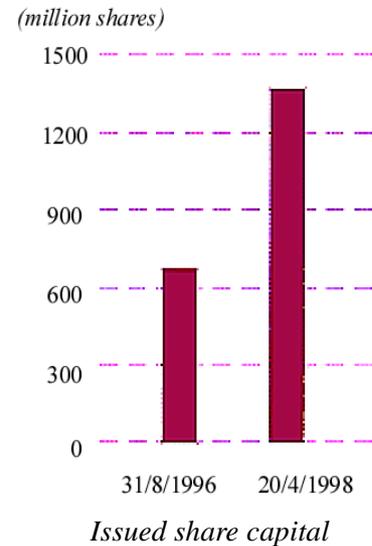


Since 31st August, 1996, the Group has enlarged its issued share capital from 672,000,400 shares to 1,370,434,591 shares and its total assets have increased from approximately HK\$594 million to over HK\$4 billion at present. Furthermore, the Company has been included in the recently-launched Hang Seng 100 Index. The Hang Seng 100 includes the 100 top companies in terms of highest market capitalization over the past 12-months period and the highest aggregate turnover over the past 24-months period.

### PROSPECTS

Although Hong Kong's economy did not escape the effects of the recent Asian economic turmoil, the situation now appears more stable given the positive measures already taken by the Government. The fundamentals of the Hong Kong economy have remained sound. Furthermore, Premier Zhu Rongji stated his determination in the Ninth National People's Congress to boost China's growth as well as to defend the prosperity and stability of the HK SAR and its currency peg. This is definitely a vote of confidence for the long-term development of the HK SAR. The outlook for the Group's future growth continues to be attractive, particularly in Hong Kong and Mainland China.

The Group has already taken important steps in establishing itself as an active player in the five core business areas of infrastructure, property, construction, industry and trading. Moreover, the Group will continue to employ its two-pronged strategy to achieve rapid growth. That is, it will continue to acquire high quality assets from its parent group and, at the same time, look for other high yield investments. Given COSCO's extensive business network and resources, the Board is confident that the Group will be able to identify and build up multi-linked business relationships in strategic locations throughout Mainland China and other regions. Through its experienced local management, the Group will also be able to capitalize on excellent investment opportunities in Hong Kong.





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**CHAIRMAN'S STATEMENT (CONT'D)**

The Board is excited about the future prospects of the Company. Furthermore, the Board firmly believes that the Group's achievements to date have only been made possible with strong and professional management, dedication from its entire staff and full support from its parent group. On behalf of the Board, I wish to express our gratitude to everyone who has supported the Group and we look forward to bringing handsome returns to our shareholders in the years to come.

**CHEN ZHONGBIAO**  
Chairman

Hong Kong, 20th April, 1998



## REVIEW OF OPERATIONS

### *CONSTRUCTION BUSINESS*

The construction division continued to be the major contributor to the Group's revenue for the financial period under review. The Group's total value of construction contracts on hand and the total value of outstanding works as at 31st March, 1998, were HK\$4,275 million and HK\$2,438 million respectively.

#### **In Hong Kong**

Shun Shing Construction & Engineering Company, Limited ("SSCE") completed the Redevelopment of Lam Tin Estate Phase 1 for the Hong Kong Housing Authority ("HA") in December 1996, the private sector commercial/residential development at Peng Chau in April 1997, the Tin Shui Wai Area 13 Phase 1 housing development for HA in May 1997, the private sector Redevelopment of Far East Exchange Building in Central in August 1997 and three contracts awarded by COSCO (HK) Group for the interior decoration of the 47<sup>th</sup>, 49<sup>th</sup> and 52<sup>nd</sup> Floors of COSCO Tower in November 1997.

In the period under review, 4 construction contracts totaling HK\$693.3 million were awarded to SSCE. They include the HK\$109.7 million Sai Ying Pun Market for the Architectural Services Department, the HK\$262.8 million new multi-services complex for the Yan Chai Hospital Board in Tsuen Wan, the HK\$290.6 million Redevelopment of Hung Hom Estate Phase 1 for HA and the HK\$30.2million interior decoration contracts for COSCO Tower.

#### ***Shum Wan Road PSPS Project***

In November 1997, the Group was awarded the development of a Private Sector Participation Scheme ("PSPS") project with approximately 88,800 sq.m. of residential area, 1,790 sq.m. of commercial area and 329 car parking spaces at Aberdeen Inland Lot No. 435, Shum Wan Road. The land premium for this project amounted to HK\$390 million. Construction works commenced in February 1998 and is expected to be completed in November 2000.



Mr. Zhang Dachun,  
Vice-Chairman



*Yan Chai Hospital Extension Phase IV (Block B), Tsuen Wan*

***Tsz Ching Estate Phase 2 Redevelopment Project***

In March 1998, SSCE was awarded the HK\$818 million contract for the Redevelopment of Tsz Ching Estate Phase 2 by the HA. The project comprises three harmony one blocks and two annex blocks with a total of 2,717 flats and a primary school. Construction works commenced in March 1998 and is expected to be completed by May 2000.

***Yan Chai Hospital Extension Phase IV (Block B), Tsuen Wan***

In March 1998, SSCE was awarded the HK\$46.5 million contract for the alteration and addition works to the existing Yan Chai Hospital Extension by Yan Chai Hospital Board. Construction works commenced in March 1998 and is expected to be completed by March 1999.

***Recent Tenders***

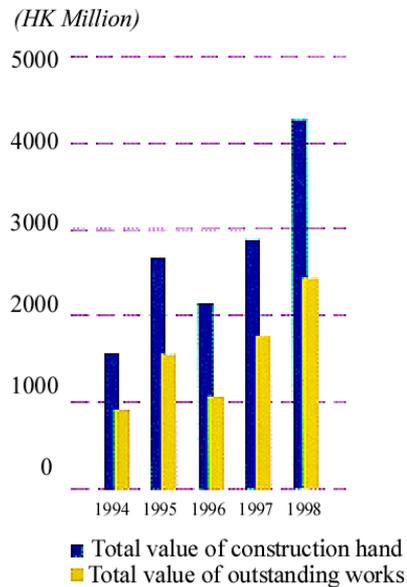
In February 1998, SSCE submitted a HK\$229 million tender to the Central Tender Board for the Redevelopment of the Prison Complex in Tai Lam Correctional Institution at Tai Lam.

In March 1998, SSCE submitted two tenders worth HK\$722 million and HK\$762 million to the HA for the construction of Tin Shui Wai Area 102 Phase 1 and Phase 2 respectively.

The Board believes that SSCE has a good opportunity to secure the above three contracts.

***Building Materials***

The Group's associated company, International Precast Systems Limited ("IPSL"), has been operating at full capacity for the past several months. With the improved operating environment and the scheduled increase in the volume of work from HA projects, IPSL is expected to make contribution to the Group in the coming years.



*Value of construction contracts on hand and value of outstanding works for the past 5 years as at 31<sup>st</sup> March.*



### **In Singapore**

SSCE's joint-venture design and build contract for the Housing & Development Board ("HDB") at Jurong West will be completed by mid-1998. The HDB construction contract at Kangkar is also expected to be completed in this financial year.

### **PROPERTY BUSINESS**

During the period under review, development of residential projects and investment in quality assets have been the main business strategy for the division. The Group selectively participated in government land auctions and large scale joint-venture development tenders as well as negotiated for development sites in the open market in an effort to build up its land bank. Potential acquisitions from the parent group were also considered as a means to achieve the division's objectives in a more rapid pace.

### **In Hong Kong**

In August 1997, COSCO International Land Limited succeeded in the first land auction organised by the Government of the HK SAR by acquiring the 1,308 sq.m. Sha Tin Town Lot No. 217 at Mei Wo Circuit, Area 41A. Site preparation work commenced in early 1998 and the property will be developed into two detached houses with total floor area of approximately 523 sq.m..

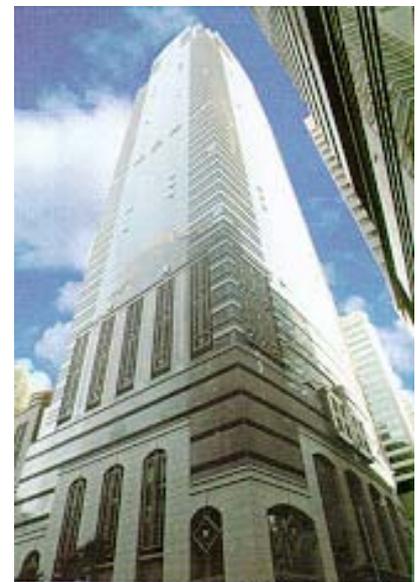
Subsequent to the financial year end, the Group acquired from COSCO (HK) Group interests in eight floors of COSCO Tower at No. 183 Queen's Road Central, Sheung Wan, Hong Kong, with a total gross floor area of approximately 172,660 sq.ft. for a consideration of HK\$1,658.7 million. The eight floors are over 92% leased at an average rent of approximately HK\$39 per sq.ft..

### **In Mainland China**

Design and planning work for the joint-venture development above the Huang Sha Station, No. 1 Route of the Guangzhou Metro Railway in Guangzhou, Guangdong Province, in which the Group has a 1/3 equity interest, is ongoing. The development will, upon completion, comprise approximately 46,150 sq.m. of residential and commercial areas.



*Jurong West Central  
Neighbourhood 6 Contract 2,  
Singapore*



*COSCO Tower, 183 Queen's Road  
Central, Sheung Wan, Hong Kong*



*Henan Power Plant, Henan Province*

### ***INFRASTRUCTURE BUSINESS***

Since the establishment of COSCO International Infrastructure Limited (“CIIL”), the Group has been actively negotiating for a range of infrastructure projects in several coastal provinces as well as interior regions in Mainland China. CIIL has been utilizing the extensive experience and network of the parent group to identify infrastructure projects with high investment potential.

Subsequent to the financial period end, the Group acquired from COSCO (HK) Group an effective 48.6% equity interest in Henan Xin Zhong Yi Electric Power Co., Limited (“Xinzhongyi”), a sino-foreign cooperative joint venture that owns the operating rights of a 2 x 200MW coal-fired power plant in Henan Province (“Henan Power Plant”). The acquisition of Xinzhongyi marks the beginning of the Group’s intended investments in Mainland China infrastructure projects. Similar acquisitions from the parent group may be considered in the future.

### **FUTURE OUTLOOK AND STRATEGIES**

The future of the Group is very promising. The Group will utilize its competitive advantages to source quality investment opportunities. It will participate in short term projects that can provide immediate return on investment and selectively invest in large-scale medium to long term projects. Through this strategy, the Group will eventually develop into a sizable and diversified conglomerate.

### ***CONSTRUCTION BUSINESS***

According to the housing policy announced by the Government of the HK SAR, supply of residential units has been targeted to increase to an average of 85,000 per year over the next ten years. For the current financial period, the Government has indicated that expenditure for the construction of housing will amount to approximately HK\$49 billion. This represents an increase of about 52%. At the same time, construction of the Western Railway and numerous infrastructure projects are scheduled to commence in the coming year. Expenditure for large-scale transportation projects will amount to about HK\$17 billion for the next five years. With the planned substantial



increase in the number of construction contracts available, competition in the industry should ease. It is expected that overall profit margins for the construction industry will also improve accordingly.

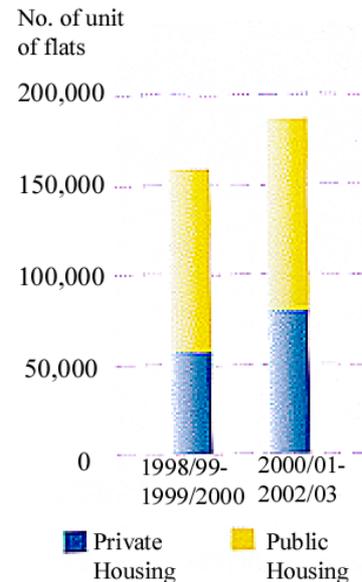
In Mainland China, SSCE will support the development of the Group's other businesses such as property and infrastructure development by providing related construction services. The Group will also further expand its construction business in Mainland China through cooperation with local construction companies that have high development potential. The Group's target is to develop SSCE into a comprehensive construction operation with expertise in areas such as building construction, civil engineering, building decoration and mechanical installation. With SSCE undertaking inter-Group construction contracts, the Company will also be able to improve its overall profitability.

In Singapore, the Group will continue to tender for government projects such as HDB housing contracts as well as to selectively tender for private sector developments.

## PROPERTY BUSINESS

After the unforeseen Asian economic turmoil in the fourth quarter of 1997, Hong Kong experienced one of the worst property market downturns in recent years. Fortunately, the Group was not significantly affected since it has always employed a prudent property investment strategy. Although the current property market is sluggish, we believe that the situation has stabilized and Hong Kong's economy will continue its long-term growth. However, the year of 1998 will be a difficult year in terms of slow demand and tight money lending policy exercised by the banking sector.

Taking advantage of the Central Government's aim to drive the country's economic growth through major investments in infrastructure and housing, the Group's property division will focus on the development of mass residential housing and urban redevelopment projects in major cities like Shanghai and Guangzhou in Mainland China. The welfare housing monetized reform starting from the second half of this year in Mainland China will be stimulated by the raising of the housing provident fund to approximately 30%. Local banks should therefore be supportive by providing more home mortgage lending which will in turn accelerate the commercialisation of subsidised housing. The Group will grasp this opportunity and participate in such mass residential projects that can provide a high return on investment within a short construction duration.



*Estimated housing supply in Hong Kong for the next 5 years.*

The Group will continue to apply its prudent strategy in the property business and at the same time seek opportunities to increase its land bank and enlarge its investment property portfolio. Contribution from this division is expected to gradually increase in the coming years in the form of steady revenue from property development and a solid recurrent income base from investment properties.



### ***INFRASTRUCTURE BUSINESS***

To sustain its planned high level economic growth, the Central Government has identified infrastructure development as a top priority in its Ninth Five-Year Plan. Vice-Premier, Li Lanqing, has indicated that the Central Government will spend approximately US\$750 billion on infrastructure development over the next three years. With the Central Government's strong support for infrastructure investment, and the ample resources of the Company and the parent group, CIIL believes that it will be able to develop high yield infrastructure projects throughout Mainland China.

The Group will continue to explore investments with attractive and immediate returns. Besides planning to invest in toll roads, bridges and tunnels, the Group will also actively seek opportunities in developing power plants, natural gas production facilities, water processing plants, environmental and hi-tech projects. These investments should be able to provide a long-term recurrent income base to the Group.



### ***INDUSTRIAL INVESTMENT & TRADING BUSINESSES***

The Group will also expand into the new sectors of industrial investment and trading. These businesses will facilitate the growth of the Group's construction, infrastructure and property arms by providing construction and decoration materials as well as other import and export opportunities.

In conclusion, the Group should be able to achieve satisfactory performance in the coming year given its recent accomplishments and the new corporate strategy for its five core businesses. The Board believes that the Group is well-positioned to develop its diversified businesses in the HK SAR, Mainland China and other regions. We look forward to the anticipated return of economic stability in the Asian Region and the many opportunities ahead of us.

**ZHANG DACHUN**  
*Vice-Chairman*

Hong Kong, 20<sup>th</sup> April, 1998



## 1. FINANCIAL OVERVIEW

Turnover of the Group increased to HK\$1,316.8 million for the sixteen months ended 31<sup>st</sup> December, 1997, representing an increase of 57.5% as compared to that in the previous financial year. Turnover for building construction increased by 67.8% over the previous financial year and accounted for 99.6% of the Group's turnover, while the turnover for property investment and development decreased by 90.4% over the previous financial year and accounted for only 0.4% of the Group's turnover. By geographical area analysis, Hong Kong, Singapore and People's Republic of China accounted for 83.2%, 16.4% and 0.3% of the Group's turnover respectively.

Profit before taxation, including share of results of associated companies, increased to HK\$14.5 million from a loss of HK\$75.6 million in the previous financial year. Profit attributable to shareholders turned around to HK\$12.5 million from a loss of HK\$76.1 million in the previous financial year.

## 2. LIQUIDITY & FINANCIAL RESOURCES

As at 31<sup>st</sup> December, 1997, shareholders' funds of the Group increased substantially by 703.5% to HK\$1,300.4 million. During the period, 134.4 million and 132.6 million of new shares were issued in May, 1997 and November, 1997 respectively which enlarged the equity base by approximately HK\$1,143.3 million.

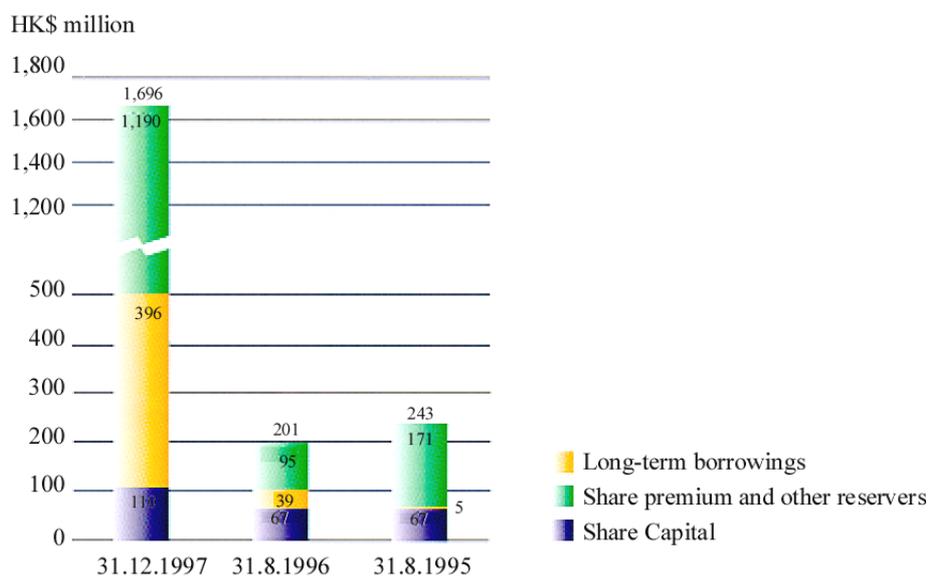
For the sixteen months ended 31<sup>st</sup> December, 1997, the Group solicited HK\$590.0 million new banking facilities. At 31<sup>st</sup> December, 1997, total banking facilities available to the Group amounted to HK\$1,097.0 million of which HK\$338.0 million were unutilized.

Subsequent to the balance sheet date, the Group successfully secured a HK\$1,129.0 million syndicated term loan facility to finance the development of the PSPS project at Shum Wan Road.

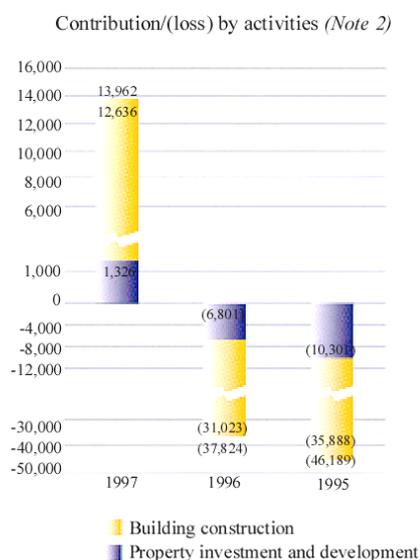
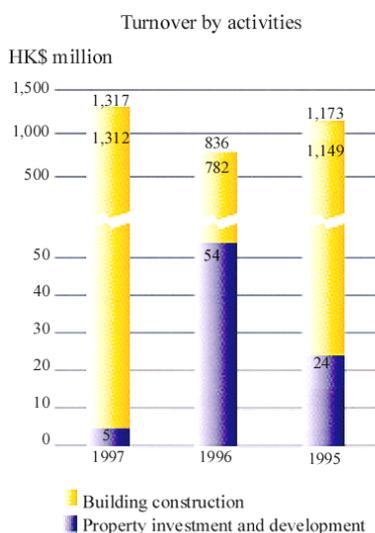
Net current assets increased to HK\$486.7 million representing an increase of 695.6% over the previous financial year. Cash at bank and in hand amounted to HK\$549.3 million and accounted for 53.3% of current assets which were higher than that of the previous year's 21.3%. Current ratio of the Group increased from 1.2 of previous financial year to 1.9 of current period.

With its strong cash position and the available banking facilities, the Group have adequate sources of funds for its ongoing operations and future developments.

### 3. SHAREHOLDERS' FUNDS AND LONG-TERM BORROWINGS



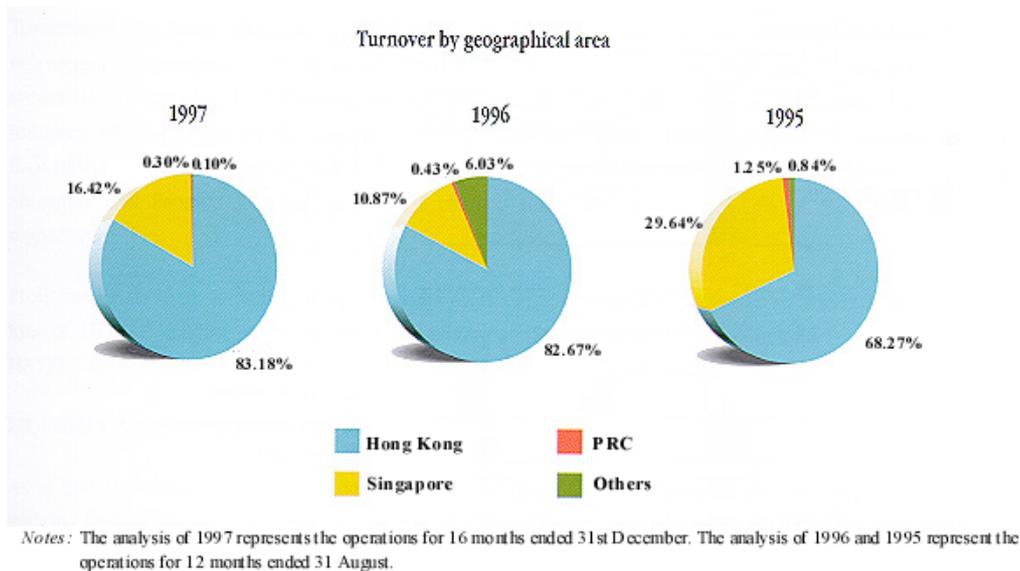
### 4. ANALYSIS OF OPERATIONS



Note:

1. The analysis of 1997 represents the operations for 16 months ended 31st December. The analysis of 1996 and 1995 represent the operations for 12 months ended 31st August.
2. Contribution/(loss) represents the profit/(loss) before net interest, other income, general and administrative expenses and taxation.

#### 4. ANALYSIS OF OPERATIONS (cont'd)



#### 5. MAJOR CUSTOMERS AND SUPPLIERS

For the sixteen months ended 31st December, 1997, the Group's five largest customers accounted for 82.7% of the Group's turnover and the largest customer included therein amounted to 37.2% represented by Hong Kong Housing Authority.

Purchases from the five largest suppliers accounted for 50.8% of the total purchases for the period and purchases from the largest supplier included therein amounted to 17.7%.

As at 31st December, 1997, none of the Directors, their associates, or any shareholders (which to the knowledge of the 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.

#### 6. EMPLOYEES

The Group's success is a direct reflection of the efficiency, hard work and loyalty of its 280 employees. The Group is committed to providing reasonable salaries, a wide range of benefits and excellent promotion prospects. These efforts help to increase staff morale, laying an important foundation for further improvements of our services and professionalism.



**7. THE ASIAN ECONOMIC TURMOIL**

The fallout from the Asian economic turmoil which swept through the region in the fourth quarter of 1997 does not have significant impact on the operations of the Group. Even though interest rate levels have remained relatively unstable since the crisis, the Group has taken appropriate measures to minimize the effect of the higher cost of borrowing and tight lending policy by banks.

**8. THE 'YEAR 2000' ISSUE**

The Group has initiated a compliance programme to tackle the year 2000 issue. A special working committee with representatives of staff in each operating and administrative department has been set up to review the potential impact of this problem on our internal management systems and our external communication systems.

The Group aims to achieve such compliance for all systems by the end of 1998 and anticipates that the year 2000 issue will not pose significant operational problems to the Group.

The Directors have pleasure in presenting their report together with the audited accounts of the Company and the Group for the sixteen months ended 31st December, 1997.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group have been diversified into infrastructure investment and development, property investment and development, building construction and civil engineering, related industrial investment and trading.

The turnover and profit before taxation by principal activities and by geographical location are analysed as follows:

	<b>Turnover HK\$'000</b>	<b>Profit before taxation HK\$'000</b>
By activities:		
Building construction	1,311,619	12,636
Property investment and development	5,192	1,326
	<u>1,316,811</u>	<u>13,962</u>
Net interest and other income		38,736
Less: General and administrative expenses		(38,206)
		<u>14,492</u>
By geographical area:		
Hong Kong	1,095,355	27,273
Singapore	216,264	(14,637)
People's Republic of China	3,988	366
Others	1,204	960
	<u>1,316,811</u>	<u>13,962</u>
Net interest and other income		38,736
Less: General and administrative expenses		(38,206)
		<u>14,492</u>



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## **DIRECTORS' REPORT**

### **RESULTS AND APPROPRIATIONS**

The results of the Group for the sixteen months ended 31st December, 1997 and the state of affairs of the Company and the Group as at that date are set out in the accounts on pages 31 to 67.

A one-for-five bonus issue of shares was issued on 18th July, 1997 (1996: nil) as detailed in note 20 to the accounts.

The Directors do not recommend the payment of final dividend (1996: nil) for the sixteen months ended 31st December, 1997.

### **CHANGE OF ACCOUNTING YEAR-END**

Pursuant to a board resolution passed on 29th May, 1997, the Company announced the change of its accounting year-end date from 31st August to 31st December to conform with that of the ultimate holding company and this report covers the period of sixteen months ended 31st December, 1997.

### **SHARE CAPITAL**

Details of the movements in share capital during the period are set out in note 20 to the accounts.

### **FIXED ASSETS**

Details of the movements in fixed assets during the period are set out in note 10 to the accounts.

### **BORROWINGS AND INTEREST CAPITALISED**

Borrowings repayable on demand or within one year are classified under current liabilities. Details of the Group's long-term borrowings are set out in note 22 to the accounts. Interest capitalised by the Group during the period amounted to HK\$30,913,000 (1996: HK\$7,973,000).

### **RESERVES**

Details of the movements in reserves during the period are set out in note 21 to the accounts.

### **DONATIONS**

The donations made by the Group during the period amounting to HK\$1,082,000.

### **FINANCIAL SUMMARY**

A five-year financial summary of the Group is set out on pages 69 to 70.



## **DIRECTORS**

The Directors of the Company during the period and up to date of this report were:

### *Executive Directors*

Mr. Chen Zhongbiao ( <i>Chairman</i> )	(appointed on 17th April, 1997)
Mr. Zhang Dachun ( <i>Vice-Chairman</i> )	(appointed on 7th December, 1996)
Mr. Zhu Guangyun	(appointed on 17th April, 1997)
Ms. Chen Wenzhen	(appointed on 17th April, 1997)
Mr. Zhang Yongjian	(appointed on 24th September, 1997)
Mr. Dong Shu Sen	(appointed on 22nd December, 1997)
Mr. Zuo Wei	(appointed on 29th May, 1997)
Mr. Tse Lai Leung, Jimmy	(resigned on 17th April, 1997 and re-appointed on 29th May, 1997)
Mr. Tse Lai Yin, Ronald	(resigned on 17th April, 1997)
Mr. Tse Lai Ming, Roger	(resigned on 17th April, 1997)
Mr. Kwok Siu Kwong, Joseph	(resigned on 17th April, 1997)
Mr. Lu Zhi-ming	(appointed on 17th April, 1997 and resigned on 24th September, 1997)
Mr. Wong Tin Yau, Kelvin	(appointed on 7th December, 1996 and resigned on 22nd December, 1997)
Mr. Pan Chengwei	(appointed on 7th December, 1996 and resigned on 29th May, 1997)
Mr. Kwong Che Keung, Gordon	(appointed on 6th February, 1998 with effect from 1st May, 1998)
Mr. Wong Shi Fong	(resigned on 1st November, 1996)

### *Non-Executive Director*

Mr. Tse Yip Sang (alias Tse Kwok Wah)

### *Independent Non-Executive Directors*

Mr. Chan Cheong Foon, Andrew	
Mr. Kwok Shiu Keung, Ernest	
Mr. Alexander Reid Hamilton	(appointed on 25th August, 1997)

In accordance with Bye-laws 99 and 102B of the Company's Bye-laws, all the remaining Directors retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.



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## **DIRECTORS' REPORT (CONT'D)**

### **DIRECTORS' INTERESTS IN CONTRACTS**

None of the Directors had any beneficial interests, whether direct or indirect, in any significant contract to which the Company, any of its subsidiaries, holding companies or fellow subsidiaries was a party at the balance sheet date or at any time during the period.

None of the Directors had any contract with the Company, its holding company or any of its subsidiaries during the period and up to the date of this report.

### **CONNECTED TRANSACTIONS**

1. A subscription agreement dated 2nd May, 1997 was entered into between True Smart International Limited ("True Smart"), the immediate holding company of the Company, and the Company, pursuant to which True Smart subscribed for 134,400,000 new shares of HK\$0.10 each in the capital of the Company after placing of 52,420,000 existing shares to an independent third party.
2. In July and August 1997, Shun Shing Construction & Engineering Company, Limited ("SSCE"), a wholly-owned subsidiary of the Company, was awarded three contracts by COSCO (HK) Property Development Limited ("COSCO Property"), a wholly-owned subsidiary of COSCO (Hong Kong) Group Limited ("COSCO (HK)"), for the interior decoration of the 47th, 49th and 52nd floors of COSCO Tower. The interior decoration contracts were won by SSCE through normal tendering process and have a final contract value of approximately HK\$30.2 million.
3. A tenancy agreement dated 29th September, 1997 was entered into between SSCE and Hillfine Development Limited ("HDL"), a company owned by Mr. Tse Yip Sang (alias Tse Kwok Wah) ("Mr. Tse"), a non-executive director of the Company, and his family, relating to the letting of the premises situated at the fourth floor of Kim Tak Building, 328-342A Nathan Road, Kowloon for a term of two years commencing from 1st March, 1997 at a monthly rental of HK\$128,000 to SSCE from HDL.
4. A subscription agreement dated 27th October, 1997 was entered into between True Smart and the Company, pursuant to which True Smart subscribed for 132,558,904 new shares of the Company after placing of 48,384,000 existing shares to independent third parties.
5. A deed dated 31st December, 1997 was entered into between SSCE and Golden Success Limited ("Golden Success"), a company 60 per cent. owned by Mr. Tse through a personal interest of 15,200 shares and a family interest of 2,800 shares, pursuant to which Golden Success paid HK\$38,000,000 to SSCE for the contract claim against the Airport Authority (the "AA") by SSCE and the Company shall repay Golden Success any principal amount of the claim subsequently recovered from the AA together with interest accrued thereon, after deducting any counter claim against SSCE by AA, to the extent of no more than HK\$38,000,000.



**CONNECTED TRANSACTIONS (cont'd)**

6. The following banking facilities, on normal commercial terms, which were granted to the Group and guaranteed unconditionally and irrevocably by COSCO (HK):
- (a) A guarantee facility was granted by Bank of China, Hong Kong Branch to the Company up to the extent of HK\$3,000 million and accrued interest thereon for the issue of a performance bond in favour of Mass Transit Railway Corporation in respect of the Kowloon Station Package Two Development and the said guarantee facility was cancelled upon non-success of the tender.
  - (b) A HK\$100 million short-term loan facility was granted by The Bank of East Asia, Limited for the purpose of the general working capital requirement of the Company and the facility was fully repaid before the period end.
  - (c) A HK\$351 million bridging loan facility was granted by The Hongkong and Shanghai Banking Corporation Limited ("HSBC") to Century Metro Development Limited, a wholly-owned subsidiary of the Company, to finance 90% of the land premium for the PSPS project at Shum Wan Road, Aberdeen Inland Lot No. 435. The bridging loan facility will be repaid by a term loan facility granted on 30th March, 1998 by a syndicate of internationally prestigious financial institutions.
  - (d) A HK\$250 million short term revolving loan facility was granted by HSBC to SSCE for the purpose of the working capital requirements for construction contracts awarded.
  - (e) A HK\$200 million term loan facility was granted by HSBC to SSCE to finance operating fund for construction contracts awarded.
  - (f) A US\$3 million short term loan facility was granted by Bank of Hawaii to the Company for the purpose of working capital requirements.

Subsequent to the balance sheet date, the Group had the following connected transactions:

7. On 6th February, 1998, an agreement (the "COSCO Tower Agreement") was entered into between Top System Investment Limited, a wholly-owned subsidiary of COSCO Property, as vendor, Monoland Assets Limited, a wholly-owned subsidiary of the Company, as purchaser, and COSCO (HK) as guarantor for the sale and purchase of share in and shareholder loan due and owing by Modern Capital Investments Limited ("Modern Capital"), a company which owns the beneficial interests in eight floors of the COSCO Tower. Completion took place on 17th April, 1998 and Modern Capital then became a wholly-owned subsidiary of the Company.
8. On 6th February, 1998, an agreement was entered into between COSCO Industrial Investments Limited, a wholly-owned subsidiary of COSCO (HK), as vendor, High Grove Developments Limited as share purchaser, Glorious World International Limited as loan purchaser, both are wholly-owned subsidiaries of the Company, and COSCO (HK) as guarantor for the sale and purchase of 90% of the issued share capital and 100% of shareholder loan due and owing by New Central International Enterprises Co., Limited ("New Central"), a company owns the 54% interest in Henan Xin Zhong Yi Electric Power Co., Limited which owns the operating rights of the 2x200MW coal-fired Xinxiang Power Plant in Henan Province. Completion took place on 23rd March, 1998 and New Central then became the 90%-owned subsidiary of the Company.



**CONNECTED TRANSACTIONS (cont'd)**

9. On 6th February, 1998, a tenancy agreement was entered into between Tian Lee Property Limited ("Tian Lee"), a wholly-owned subsidiary of Modern Capital, and the Company for the leasing of portion of the 47th Floor of COSCO Tower as the head office of the Company for a term of three years commencing from 27th November, 1997 at a monthly rental of HK\$557,807 exclusive of government rent, rates and management fees. Tian Lee became a wholly-owned subsidiary of the Company on 17th April, 1998 upon completion of the COSCO Tower Agreement.
10. An agreement dated 3rd April, 1998 was entered into between True Smart and, inter alios, Golden Success, pursuant to which Golden Success paid HK\$53,460,000 to True Smart in respect of certain outstanding amounts, aggregating HK\$94,666,000 approximately, owing by certain debtors to SSCE ("Outstanding Amounts"). True Smart undertakes, inter alias, to Golden Success that True Smart shall arrange to pay the amount of HK\$53,460,000 to SSCE in return that SSCE shall enter into a deed of undertakings as mentioned in 11 below.
11. A deed of undertakings dated 3rd April, 1998 was given by SSCE in favour of Golden Success, pursuant to which True Smart paid HK\$53,460,000 to SSCE in respect of the Outstanding Amounts, SSCE undertakes, inter alias, that any principal amount of the Outstanding Amounts subsequently recovered from any of those debtors, together with interest accrued thereon, after deducting any counter-claim thereof, shall be repaid to Golden Success to the extent of no more than HK\$53,460,000.

**DIRECTORS' INTERESTS IN SHARE CAPITAL**

As at 31st December, 1997, the interests of the Directors and chief executives and their associates in the share capital 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:

**(A) Interests in Shares**

Name of company	Name of Director	Number of shares held	
		Personal Interests	Corporate Interests
1.The Company	Mr. Zhang Dachun	5,000,000	---
	Mr. Zhu Guangyun	1,478,400	---
	Mr. Zhang Yongjian	1,478,400	---
	Mr. Dong Shu Sen	1,500,000	---
	Mr. Zuo Wei	120,000	---
	Mr. Tse Lai Leung, Jimmy	1,500,000	---
	Mr. Tse Yip Sang (alias Tse Kwok Wah)	---	12,320,000 (Note)
2.COSCO Pacific Limited	Mr. Kwok Shiu Keung, Ernest	50,000	---



## **DIRECTORS' INTERESTS IN SHARE CAPITAL (cont'd)**

*Note:* The above shares of the Company are held by Golden Success, a company 60% owned by Mr. Tse through a personal interest of 15,200 shares and a family interest of 2,800 shares. In addition, the above shares were charged (the "Share Charge") by Golden Success to True Smart as security for the due and punctual performance by Golden Success and Mr. Tse of its/their obligations under the conditional sale and purchase agreement dated 27th February, 1997 entered into between COSCO (H.K.) Property Development Limited, True Smart, Mr. Tse and Golden Success relating to the purchase of 208,320,000 shares in the Company by True Smart. The Share Charge was released on 6th March, 1998.

### **(B) Interests in share options granted by associated corporation**

<b>Name of associated corporation</b>	<b>Name of Director</b>	<b>Number of share options held</b>
		<i>(Note)</i>
COSCO Pacific Limited	Mr. Chen Zhongbiao	2,000,000
	Mr. Zhang Dachun	2,000,000
	Ms. Chen Wenzhen	1,500,000

*Note:* These share options were granted on 1st July, 1996 and are exercisable at HK\$5.53 per share at any time within ten years from the date of grant.

Save as disclosed above, none of the Directors or chief executives or their associates of the Company had any interests in the share capital of the Company or any of its associated corporation as defined in the SDI Ordinance.

### **DIRECTOR'S RIGHTS TO ACQUIRE SHARES**

As at 31st December, 1997, no share options have been granted under the share option scheme approved by the shareholders on 17th January, 1992.

Apart from the foregoing, at no time during the period was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Company's Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the period.



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## DIRECTORS' REPORT (CONT'D)

### SUBSTANTIAL SHAREHOLDERS

As at 31st December, 1997, 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>
China Ocean Shipping (Group) Company ("COSCO")	654,847,304
COSCO (HK)*	654,847,304
True Smart*	626,070,904

\* 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 during the sixteen months ended 31st December, 1997 complied with the Code of Best Practice as set out in the Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except that the independent non-executive Directors of the Company were not appointed for specific terms. However, they were appointed to their offices for such terms and subject to retirement in accordance with the provisions of the Bye-laws of the Company.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period, 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**

Subsequent to the balance sheet date on 24th February, 1998, Ernst & Young resigned as auditors of the Company and Price Waterhouse were appointed as auditors of the Company to fill the casual vacancy which arose.

Price Waterhouse retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board  
**DONG SHU SEN**  
Director

Hong Kong, 20th April, 1998



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## PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS

**Mr. CHEN Zhongbiao**, aged 60, is the Chairman of the Company and COSCO Pacific Limited. He has been the president of COSCO and the China Shipowners' Association since April 1992. Graduated from Dalian Maritime University in 1964, he has more than 34 years of extensive experience in the shipping industry. He joined the Company in April 1997 and is responsible for the formulation of the Group's overall strategy and business policy.

**Mr. ZHANG Dachun**, aged 53, is the Vice-Chairman of the Company. He is also the vice-chairman and president of COSCO (Hong Kong) Group Limited ("COSCO (HK)") and the vice-chairman of COSCO Pacific Limited. He is a non-executive director of Lai Sun International Hotels Limited and Liu Chong Hing Bank Limited and the vice-chairman of Soundwill Holdings Limited. Graduated from Poznan University of Poland in 1968, Mr. Zhang obtained a Master Degree in Maritime Management from the Institute of Science & Technology of the University of Wales in the United Kingdom. He was a director and the chief executive of COSCO (UK) Limited from 1988 to 1990. Mr. Zhang has over 29 years of experience in shipping and related industries. He joined the Company in December 1996 and is responsible for the formulation of the Group's overall strategy and business policy.

**Mr. KWONG Che Keung, Gordon**, aged 48, will be the Managing Director of the Company effective 1st May, 1998. He is also a director and vice-president of COSCO (HK). Mr. Kwong graduated from the University of Hong Kong in 1972 with a Bachelor of Social Sciences Degree. After graduation, he joined an international firm of accountants to begin his professional career which took him to England from 1973 to 1979. He qualified as a chartered accountant of the Institute of Chartered Accountants in England & Wales in 1977. He returned to work in Hong Kong in 1979, joining Price Waterhouse Hong Kong and gained admission as a partner of the firm in 1984. 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 Hong Kong Stock Exchange, director of Hong Kong Clearing Co., Limited and Stock Option Clearing House Co. Limited and Convenor of the Compliance Committee and the Listing Committee.

**Mr. ZHU Guangyun**, aged 54, joined the Company in April 1997. He is also currently acting as director and vice-president of COSCO (HK). Mr. Zhu graduated from the Sociology Distance Learning University in China. He has pursued a career in enterprise management for more than 30 years and has rich experience in the property and shipping industries.

**Ms. CHEN Wenzhen**, aged 57, joined the Company in April 1997. She is also a director and the financial controller of COSCO (HK) and a director of COSCO Pacific Limited. Following her graduation from the Shanghai Maritime Transportation Institute in 1963, she joined the Finance Department of the Ministry of Communications of the PRC. She was awarded the qualification of senior accountant by the Ministry of Communications. She was also the chief accountant of the Shanghai Ocean Shipping Company. Ms. Chen has over 34 years of experience in accounting and financial management.



**DIRECTORS (cont'd)**

**Mr. ZHANG Yongjian**, aged 46, joined the Company in September 1997. He is also the general manager of the Strategic Planning Division of COSCO (HK). He graduated from the Maritime University in 1976 and also obtained the degree of Master of Law (Maritime Law) from Dalian Maritime University in 1984. He joined COSCO in 1976 and has been the general manager of the Ocean Shipping Department and the senior economist. He has extensive experience in maritime law and international maritime law and international maritime management.

**Mr. DONG Shu Sen**, aged 54, joined the Company in December 1997 and holds the office of Executive Deputy Managing Director of the Company. He graduated from the University of Foreign Economic Trade in Beijing. He joined COSCO in 1968 and has since served professionally in sea transportation, ship building, container transportation, foreign affairs as well as the property management business.

**Mr. ZUO Wei**, aged 37, joined the Company in May 1997 and holds the offices of Deputy Managing Director of the Company and General Manager of COSCO International Infrastructure Limited. He graduated from Zhejiang University in 1983. He joined COSCO in 1983 and has worked in manufacturing of vessels, trading of marine machinery, international trade and risk management of debt finance. He has been the deputy general manager of COSCO Trading Co., Limited and general manager of the Finance Division of COSCO, and has extensive experience in administration, finance and corporate management.

**Mr. TSE Lai Leung, Jimmy**, aged 37, is an Executive Director of the Company and the Managing Director of Shun Shing Construction & Engineering Company, Limited, the construction arm of the Group. He is responsible for the day-to-day operations of the construction division. He graduated from McGill University, Canada, with a Bachelor of Engineering Degree in civil engineering. He is the President of the Hong Kong Construction Association. He is a son of Mr. Tse Yip Sang (alias Tse Kwok Wah).

**Mr. TSE Yip Sang (alias TSE Kwok Wah)**, aged 64, is a Non-Executive Director of the Company. He is the founder of Shun Shing Construction & Engineering Company, Limited and has over 35 years' experience in the construction industry. He is also the vice-chairman of the Sixth National Committee for the People's Political Consultative Conference of Zhaoqing City.

**Mr. CHAN Cheong Foon, Andrew**, aged 60, 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 30 years experience in public accounting practice and is a fellow member of both the Australian Society of Certified Practising Accountants and the Hong Kong Society of Accountants.



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## PROFILE OF DIRECTORS AND SENIOR MANAGEMENT (CONT'D)

### DIRECTORS (cont'd)

**Mr. KWOK Shiu Keung, Ernest**, aged 62, has been an Independent Non-Executive Director of the Company since January 1992. He is the senior partner of Kwok & Chu, Solicitors. Apart from being a practising solicitor, he is also a chartered civil engineer and a practising arbitrator. He is a member of the Institution of Civil Engineers of the United Kingdom and a fellow member of the Chartered Institute of Arbitrators of the United Kingdom.

**Mr. Alexander Reid Hamilton**, aged 56, has been an Independent Non-Executive Director of the Company since August 1997. He is also a non-executive director of COSCO Pacific Limited, CITIC Pacific Limited, Esprit Holdings Limited, Kwong On Bank 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 audit and accounting experience.

### SENIOR MANAGEMENT

**Ms. LUAN Qingyu**, aged 41, is the Deputy Managing Director of the Company and the General Manager of the Finance Department. She is a graduate of the Central Finance and Banking Institute in Beijing. During her stay at The Industrial and Commercial Bank of China, Beijing Branch, she has held the positions of deputy supervisor of the Planning Department, manager of the Investment and Leasing Department and deputy division chief of the Financial Research Division. She has also been a division chief of the Legal Department at the People's Bank of China and the deputy general manager of COSCO Group Finance Co., Ltd.. From 1985 to 1994, she completed further studies in West Germany, United States of America and Mainland China, gaining broader experience in financial management and funding.

**Mr. WONG Shiu Kee**, aged 34, is the Financial Controller of the Company. With over 12 years' experience in financial management, he is a fellow member of both the Chartered Association of Certified Accountants and the Hong Kong Society of Accountants, and an associate member of the Institute of Chartered Secretaries and Administrators.

**Mr. NGAI Wai Fung**, aged 36, is the Company Secretary of the Company and also holds the office of Assistant Managing Director of the Company. He is a qualified chartered secretary designated as ACIS and holds the qualifications of a Master's Degree in Business Administration and a Bachelor's Degree in Laws. He has also worked for several other listed companies as company secretary and executive director and his experience and expertise cover legal, corporate finance and corporate management.



**SENIOR MANAGEMENT (cont'd)**

**Mr. WONG Ping Hang**, aged 44, is an Assistant Managing Director of the Company and General Manager of the Corporate Planning Department. He graduated from Brigham Young University, United States of America, majoring in accounting and has over 20 years' banking and corporate management experience.

**Mr. TSE Lai Ming, Roger**, aged 33, is the General Manager of the Legal and Strategic Planning Department of the Company. He graduated from the University of British Columbia, Canada, with a Master of Applied Science Degree in Civil Engineering. He is a member of both the Association of Professional Engineers and Geoscientists of British Columbia, and Canadian Society of Civil Engineering. He has over 7 years' experience in corporate management and corporate finance. He is a son of Mr. Tse Yip Sang (alias Tse Kwok Wah).

**Mr. CAI Lu**, aged 47, is the General Manager of the Administration Department of the Company. He graduated from Heilongjiang University. He joined COSCO in 1976 and has comprehensive experience in container transportation, cargo service and forwarding, as well as administration and management. He was granted the qualification of senior economist in 1994.

**Mr. YAN Chi Ming**, aged 43, is the General Manager of COSCO International Land Limited. He graduated from the University of Hong Kong with a Master Degree in Business Administration, and a Bachelor's Degree in Civil Engineering. He also holds a Master Degree of Science in Economics from the London School of Economics, University of London. He is a corporate member of the Hong Kong Institute of Real Estate Administration and several other professional institutions. He has over 21 years' experience in property development and has worked for some major property developers, the Hong Kong Housing Society and several governmental bodies and has also been an independent property development consultant.

**Ms. ZHAO Zhuochu**, aged 43, is the Deputy Managing Director of Shun Shing Construction & Engineering Company, Limited. She joined Shun Shing in June 1997. She graduated from Wuhan Transportation University and is also a senior shipbuilding engineer.

**Mr. ZHANG Huimin**, aged 47, is a Deputy General Manager of COSCO International Infrastructure Limited. 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 deputy division chief, division chief and deputy manager. He has also been awarded the certificate for senior economist by the Ministry of Communications of the PRC.



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## PROFILE OF DIRECTORS AND SENIOR MANAGEMENT (CONT'D)

### SENIOR MANAGEMENT (cont'd)

**Mr. YIN Mingde**, aged 46, is a Deputy General Manager of COSCO International Infrastructure Limited. He joined the Company in October 1997. Graduated from Wuhan University and Australian National University with Master Degrees in Economics Finance. Since 1986, Mr Yin has collected extensive experience in banking, finance and investment while working for the People's Bank of China, German Dresdner Bank, Commonwealth Treasury of Australia and Hong Kong Seapower International Group has thorough knowledge in Central Government's economics, behaviour, procedures and policies on financial decision making.

**Ms. CHUNG Ling Lap**, aged 40, is the Deputy General Manager of COSCO International Land Limited. She graduated from Nanjing South-Eastern University, majoring in radio engineering. She was a member of the Jiangsu Institute of Electronics. She was responsible for the preparation, development, technology appraisal and import/export of television broadcasting products for the Electronics Bureau of Jiangsu Province.



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

*(Incorporated in Bermuda with limited liability)*

*(Formerly known as Shun Shing Holdings Limited)*

We have audited the accounts on pages 31 to 67 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 accounts which give a true and fair view. In preparing accounts 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 accounts and to report our opinion to you.

**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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, 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 accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

**Opinion**

In our opinion the accounts give a true and fair view, in all material respects, of the state of affairs of the Company and the Group as at 31st December, 1997 and of the profit and cash flows of the Group for the period then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PRICE WATERHOUSE**

*Certified Public Accountants*

Hong Kong, 20th April, 1998



## CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIXTEEN MONTHS ENDED 31<sup>ST</sup> DECEMBER, 1997

	Note	Sixteen months ended 31.12.1997 HK\$'000	Year ended 31.8.1996 HK\$ '000
TURNOVER	3	<b>1,316,811</b>	835,842
OPERATING LOSS	4	<b>(24,391)</b>	(67,737)
EXCEPTIONAL ITEM	6	<b>38,000</b>	--
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES		<b>13,609</b>	(67,737)
SHARE OF RESULTS OF ASSOCIATED COMPANIES		<b>883</b>	(7,868)
PROFIT/(LOSS) BEFORE TAXATION		<b>14,492</b>	(75,605)
TAXATION	7	<b>2,076</b>	929
PROFIT/(LOSS) AFTER TAXATION		<b>12,416</b>	(76,534)
MINORITY INTERESTS		<b>108</b>	431
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	8	<b>12,524</b>	(76,103)
RETAINED BY:			
Company and subsidiaries		<b>10,717</b>	(67,311)
Associated companies		<b>1,807</b>	(8,792)
		<b>12,524</b>	(76,103)
EARNINGS/(LOSS) PER SHARE	9	<b>1.4 cents</b>	(9.4 cents)



## CONSOLIDATED BALANCE SHEET

AS AT 31<sup>ST</sup> DECEMBER, 1997

	Note	31.12.1997 HK\$'000	31.8.1996 HK\$'000
FIXED ASSETS	10	51,093	41,522
ASSOCIATED COMPANIES	12	(71,244)	(72,219)
OTHER INVESTMENTS	13	644,481	21,600
PROPERTIES UNDER DEVELOPMENT	14	450,926	13,151
NET CURRENT ASSETS	15	486,675	61,171
		<u>1,704,419</u>	<u>209,663</u>
Financed by:			
SHARE CAPITAL	20	110,024	67,200
RESERVES	21	1,190,346	94,643
SHAREHOLDERS FUNDS		1,300,370	161,843
LONG-TERM LIABILITIES	22	395,815	39,497
MINORITY INTERESTS		<u>8,234</u>	<u>8,323</u>
		<u>1,704,419</u>	<u>209,663</u>

**Zhang Dachun**  
*Director*

**Dong Shu Sen**  
*Director*



## BALANCE SHEET

AS AT 31<sup>ST</sup> DECEMBER, 1997

	Note	31.12.1997 HK\$'000	31.8.1996 HK\$'000
FIXED ASSETS	10	8,038	---
SUBSIDIARIES	11	870,136	159,688
OTHER INVESTMENTS	13	20,675	---
NET CURRENT ASSETS	15	399,766	2,155
NET ASSETS		<u>1,298,615</u>	<u>161,843</u>
Financed by:			
SHARE CAPITAL	20	110,024	67,200
RESERVES	21	1,188,591	94,643
SHAREHOLDERS' FUNDS		<u>1,298,615</u>	<u>161,843</u>

**Zhang Dachun**  
*Director*

**Dong Shu Sen**  
*Director*



## CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIXTEEN MONTHS ENDED 31<sup>ST</sup> DECEMBER, 1997

	Note	Sixteen months ended 31.12.1997 HK\$'000	Year ended 31.8.1996 HK\$'000
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	27(a)	(553,676)	15,298
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		25,616	7,080
Interest paid		(32,417)	(20,501)
Interest element on finance lease rental payments		(219)	(415)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(7,020)	(13,836)
TAXATION			
Hong Kong profits tax paid		(59)	(11,597)
Overseas profits tax paid		(132)	(237)
TAX PAID		(191)	(11,834)
INVESTING ACTIVITIES			
Investment in an associated company		---	(29)
Advances from/(to) associated companies		2,583	(18,121)
Purchase of listed investments		(681,625)	---
Purchase of fixed assets		(19,775)	(10,886)
Proceeds from disposal of fixed assets		148	35
Proceeds from disposal of listed investments		69,704	---
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(628,965)	(29,001)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES		(1,189,852)	(39,373)



## CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIXTEEN MONTHS ENDED 31<sup>ST</sup> DECEMBER, 1997

	Note	Sixteen months ended 31.12.1997 <i>HK\$'000</i>	Year ended 31.8.1996 <i>HK\$'000</i>
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES		(1,189,852)	(39,373)
FINANCING ACTIVITIES			
Issue of shares for cash, net of share issue expenses		1,133,507	---
Drawdown of bank loans		705,167	201,691
Repayment of bank loans		(55,030)	(278,811)
Capital element of finance lease rental payments		(4,815)	(1,987)
Loan from a related company		(30,000)	30,000
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	27(b)	1,748,829	(49,107)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		558,977	(88,480)
Cash and cash equivalents at beginning of period		(72,524)	15,920
Changes in exchange rates		976	36
CASH AND CASH EQUIVALENTS AT END OF PERIOD		487,429	(72,524)
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		549,279	94,986
Short-term bank loans		(57,361)	(52,150)
Bank overdrafts		(4,489)	(115,360)
		487,429	(72,524)



## 1. CHANGE OF ACCOUNTING YEAR-END

Pursuant to a board resolution passed on 29th May, 1997, the Company's accounting year-end was changed from 31st August to 31st December to conform with that of the ultimate holding company. Accordingly, these accounts have been prepared for a period of sixteen months ended 31st December, 1997.

## 2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the accounts, which conform with the accounting principles generally accepted in Hong Kong, are as follows:

### (a) Basis of consolidation

The consolidated accounts incorporate the accounts of the Company and its subsidiaries made up to 31st December and include the Group's share of the results for the period and undistributed post acquisition reserves of its associated companies. The results of subsidiaries acquired or disposed of during the period are dealt with in the consolidated profit and loss account from the effective dates of acquisition and to the effective dates of disposal respectively.

All material intra-group transactions and balances have been eliminated on consolidation.

### (b) Goodwill and capital reserve

Goodwill represents the excess of purchase consideration over the fair values ascribed to the net assets of subsidiaries and associated companies acquired and is eliminated against reserves in the year of acquisition. Capital reserve represents the excess of the fair values ascribed to the net assets of subsidiaries and associated companies acquired over the purchase consideration and is taken directly to reserves.

### (c) Subsidiaries

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

### (d) Associated companies

An associated company is a company other than a subsidiary, in which the Group's interest is held for the long term and is substantial, or is effectively that of a partner in a consortium or an equity joint venture and, in all situations, significant influence is exercised through representation on the board of directors. The Group's investments in associated companies are stated at the Group's share of net assets.

**2. PRINCIPAL ACCOUNTING POLICIES (cont'd)**

**(e) Fixed assets and depreciation**

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. Investment properties held on leases of more than twenty years are stated at valuation. Independent professional valuations are carried out 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. Increases in valuation are credited to the investment properties revaluation reserve; decreases are first set off against increases on earlier valuations on a portfolio basis and thereafter are charged to the profit and loss account. 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 profit and loss account.

No depreciation is provided in respect of investment properties held on leases of more than twenty years.

Other fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided at rates sufficient to write off their cost over their estimated useful lives, on the straight line method. Estimated useful lives are as follows:

Medium-term leasehold land	Unexpired period of the lease
Buildings	50 years
Machinery	6 years
Equipment and motor vehicles	3 to 5 years
Leasehold improvements	3 to 5 years
Furniture and fixtures	3 to 5 years

During the period, the estimated useful life of machinery was changed from 3 years to 6 years. This change in accounting estimate has been made to more accurately reflect the expected patterns of economic benefits from these assets. The effect of this change, which has been applied prospectively, has been to increase profit for the period and decrease contracting work in progress by approximately HK\$764,000 and HK\$5,677,000 respectively.

**(f) Other investments**

Other investments are carried at cost less provision for any permanent diminution in value.



## 2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

### (g) Properties under development/completed properties for sale

Properties under development for sale and which are due for completion more than one year from the balance sheet date are stated at cost less provision for any possible loss and shown as non-current assets. Properties under development for sale and which are due for completion within one year from the balance sheet date and completed properties for sale are stated at the lower of cost and net realisable value and shown as current assets. Cost includes the cost of land, development expenditure, other attributable expenses and capitalised interest cost.

### (h) Contracting work in progress

Contracting work in progress is stated at cost plus attributable profits less allowances for foreseeable losses and progress payments received and receivable. Cost comprises direct materials, direct labour, sub-contracting charges and an appropriate portion of construction overheads. Where progress payments received and receivable on contracting work in progress exceed costs incurred to date plus attributable profits less foreseeable losses, the surplus is shown in the balance sheet as payments on account received under current liabilities.

### (i) Short-term investments

Short-term investments are stated at the lower of cost, calculated on a weighted average basis, and net realisable value.

### (j) Assets under leases

#### (i) Finance leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the fair value of the asset is recorded together with the obligation, excluding the interest element, to pay future rentals.

Finance charges are debited to the profit and loss account in proportion to the capital balances outstanding.

#### (ii) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessors are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on a straight line basis over the lease term.

**2. PRINCIPAL ACCOUNTING POLICIES (cont'd)**

**(k) Deferred taxation**

Deferred taxation is accounted for at the current tax 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 asset is expected to be payable or receivable in the foreseeable future.

**(l) 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 profit and loss account.

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

**(l) 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 profit and loss account as they arise.

**(n) Pensions and retirement benefits**

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



## 2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

### (o) Revenue recognition

#### (i) Contracting work

Revenue from contracting work is recognised based on the stage of completion of the contract when the outcome of contracts 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 compared to the total sum under the contract.

#### (ii) Sale of properties

Revenue from sale of properties is recognised when the sale agreement is completed upon the relevant occupation permit being issued.

#### (iii) Rental income

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

## 3. TURNOVER

Turnover represents the gross billing value of contracting work performed, proceeds from the sale of properties and rental income.

	<b>Sixteen months ended 31.12.1997</b>	Year ended 31.8.1996
	<i>HK\$'000</i>	<i>HK\$'000</i>
Building construction	<b>1,311,619</b>	781,865
Property development and investment	<b>5,192</b>	53,977
	<b><u>1,316,811</u></b>	<u>835,842</u>



NOTES TO THE ACCOUNTS (CONT'D)

4. OPERATING LOSS

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

	<b>Sixteen months ended 31.12.1997</b>	Year ended 31.8.1996
	<b>HK\$'000</b>	<b>HK\$'000</b>
Crediting:		
Interest income	27,214	7,223
Profit on disposal of listed investments	11,666	---
Gross rental income from investment properties	1,204	211
Less: outgoings	(244)	(21)
Profit on disposal of fixed assets	<u>106</u>	<u>14</u>
Charging:		
Depreciation (note (a))	3,550	3,971
Interest expense (note (b))	5,002	12,292
Operating lease rental expense (note (c))	2,769	9,060
Auditors' remuneration	980	1,058
Retirement benefits costs (note (d))	560	765
Provision for short-term investments	1,212	---
Deficit on revaluation of investment properties	<u>---</u>	<u>715</u>
(a) Depreciation		
Owned fixed assets	9,889	11,451
Leased fixed assets	<u>---</u>	<u>2,841</u>
	<b>9,889</b>	<b>14,292</b>
Amount capitalised in contracting work in progress	<u>(6,339)</u>	<u>(10,321)</u>
	<u><b>3,550</b></u>	<u><b>3,971</b></u>

**4. OPERATING LOSS (cont'd)****(b) Interest expense**

	<b>Sixteen months ended 31.12.1997</b>	Year ended 31.8.1996
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans and overdrafts		
Wholly repayable within five years	<b>33,306</b>	16,938
Not wholly repayable within five years	<b>477</b>	372
Loan from a related company (note 22(b))	<b>1,913</b>	2,540
Obligations under finance leases	<b>219</b>	415
	<b>35,915</b>	20,265
Amount capitalised in contracting work in progress	<b>(26,293)</b>	(4,670)
Amount capitalised in investment in associated company	<b>(2,640)</b>	(3,303)
Amount capitalised in properties under development	<b>(1,980)</b>	---
	<b>5,002</b>	<b>12,292</b>

**(c) Operating lease rental expense**

	<b>Sixteen months ended 31.12.1997</b>	Year ended 31.8.1996
	<i>HK\$'000</i>	<i>HK\$'000</i>
Land and buildings	<b>2,520</b>	1,445
Plant and machinery	<b>6,960</b>	9,997
	<b>9,480</b>	11,442
Amount capitalised in contracting work in progress	<b>(6,711)</b>	(2,382)
	<b>2,769</b>	9,060



NOTES TO THE ACCOUNTS (CONT'D)

4. OPERATING LOSS (cont'd)

(b) Retirement benefits costs

During the period, the Group contributed HK\$560,000 (1996: HK\$765,000) to the Group's employee retirement scheme after offsetting forfeited contributions of HK\$43,000 (1996: HK\$20,000) brought forward from previous years. At 31st December, 1997, no forfeitures were available to reduce the Group's future contributions to the employee retirement scheme.

5. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

(a) Directors' emoluments

Details of the emoluments paid to the directors are as follows:

	Sixteen months ended 31.12.1997 HK\$'000	Year ended 31.8.1996 HK\$'000
Fees	243	240
Salaries and other emoluments	8,191	6,531
	<u>8,434</u>	<u>6,771</u>

Emoluments paid to independent non-executive directors amounted to HK\$243,000 (1996: HK\$240,000) during the period. None of the directors has waived the right to receive their emoluments.

The emoluments of the directors fall within the following bands:

Emoluments band	Number of individuals Sixteen months ended 31.12.1997	Year ended 31.8.1996
HK\$		
Nil-- 1,000,000	16	6
1,000,001 -- 1,500,000	---	2
1,500,001 -- 2,000,000	1	---
2,500,001 -- 3,000,000	1	---
	<u>18</u>	<u>8</u>

The above analysis includes two (1996: five) individuals whose emoluments were among the five highest in the Group.



**5. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT (cont'd)**

**(b) Senior management**

Details of the emoluments paid to the three individuals (1996: nil), whose emoluments were the highest in the Group and have not been included in the directors' emoluments mentioned above are as follows:

	<b>Sixteen months ended 31.12.1997</b>	Year ended 31.8.1996
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other emoluments	<b>4,098</b>	---

The emoluments of the three individuals fall within the following band:

<b>Emoluments band</b>	<b>Number of individuals</b>	
HK\$	<b>Sixteen months ended 31.12.1997</b>	Year ended 31.8.1996
1,000,001--1,500,000	<b>3</b>	---

**6. EXCEPTIONAL ITEM**

	<b>Sixteen months ended 31.12.1997</b>	Year ended 31.8.1996
	<i>HK\$'000</i>	<i>HK\$'000</i>
Claim received in respect of a completed construction contract	<b>38,000</b>	---

The Group has filed a contract claim against the Airport Authority Hong Kong ("AA") amounting to HK\$38.2 million for compensation in respect of the extra costs incurred by the Group during the execution of various works contracts. AA made a counter-claim against the Group for HK\$18.8 million for liquidated damages in respect of the delay in completion of the contract. On 10th January, 1997, AA confirmed that certain elements of the Group's claim are valid. However, further assessment is required to enable the Group's claim to be quantified. The directors believe that they have meritorious defence against the counter-claim for liquidated damages and accordingly, no provision for liquidated damages is required. In addition, Golden Success Limited ("Golden Success"), the former ultimate holding company, has paid HK\$38,000,000 to the Group pursuant to the terms of a deed in respect of such claim against AA. Details of the arrangement under the deed are set out in note 26(c)(i) to the accounts.



**7. TAXATION**

Hong Kong profits tax has been provided at the rate of 16.5% (1996: nil) on the estimated assessable profit for the period.

Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	<b>Sixteen months ended 31.12.1997 HK\$'000</b>	Year ended 31.8.1996 HK\$'000
Company and subsidiaries		
Current		
Hong Kong		
Provision for the period	<b>1,818</b>	---
Overseas		
Provision for the period	<b>1,182</b>	155
Under provision in prior year	---	94
Deferred	---	(244)
	<b>3,000</b>	5
Associated companies		
Current		
Overseas		
Provision for the year	---	924
Over provision in prior year	<b>(924)</b>	---
	<b>2,076</b>	929

**8. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS**

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$3,265,000 (1996: loss of HK\$91,385,000).

**9. EARNINGS/(LOSS) PER SHARE**

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$12,524,000 (1996: loss of HK\$76,103,000) and the weighted average number of 908,980,899 shares in issue during the period (1996: 806,400,259 shares, as adjusted for the bonus issue of shares made during the period).



**10. FIXED ASSETS**

Group	Investment properties <i>HK\$'000</i>	Other properties <i>HK\$'000</i>	Machinery, equipment and motor vehicles <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation						
At 1st September, 1996	13,560	13,429	49,148	92	13,471	89,700
Reclassifications	---	284	(1,696)	2,482	(1,070)	---
Changes in exchange rates	---	---	(722)	(144)	(154)	(1,020)
Additions	---	---	11,427	5,547	2,801	19,775
Disposals	---	---	(1,998)	---	(21)	(2,019)
At 31st December, 1997	<u>13,560</u>	<u>13,713</u>	<u>56,159</u>	<u>7,977</u>	<u>15,027</u>	<u>106,436</u>
Accumulated depreciation						
At 1st September, 1996	---	709	36,058	7	11,404	48,178
Reclassifications	---	19	(915)	1,395	(499)	---
Changes in exchange rates	---	---	(586)	(50)	(111)	(747)
Charge for the period	---	397	6,697	715	2,080	9,889
Disposals	---	---	(1,966)	---	(11)	(1,977)
At 31st December, 1997	<u>---</u>	<u>1,125</u>	<u>39,288</u>	<u>2,067</u>	<u>12,863</u>	<u>55,343</u>
Net book value						
<b>At 31st December, 1997</b>	<b><u>3,560</u></b>	<b><u>12,588</u></b>	<b><u>16,871</u></b>	<b><u>5,910</u></b>	<b><u>2,164</u></b>	<b><u>51,093</u></b>
At 31st August, 1996	<u>13,560</u>	<u>12,720</u>	<u>13,090</u>	<u>85</u>	<u>2,067</u>	<u>41,522</u>
<b>Company</b>						
Cost						
Additions and at 31st December, 1997	---	---	1,867	5,491	871	8,229
Accumulated depreciation						
Charge for the period and at 31st December, 1997	---	---	84	92	15	191
Net book value						
<b>At 31st December, 1997</b>	<b><u>---</u></b>	<b><u>---</u></b>	<b><u>1,783</u></b>	<b><u>5,399</u></b>	<b><u>856</u></b>	<b><u>8,038</u></b>



NOTES TO THE ACCOUNTS (CONT'D)

10. FIXED ASSETS (cont'd)

Investment and other properties of the Group are analysed as follows:

	31.12.1997 HK\$'000	31.8.1996 HK\$'000
Investment properties, at directors' valuation		
Freehold properties, outside Hong Kong	<u>13,560</u>	<u>13,560</u>
Other properties, at cost		
Medium-term lease, in Hong Kong	11,968	11,968
Medium-term lease, outside Hong Kong	<u>1,745</u>	<u>1,461</u>
	<u>13,713</u>	<u>13,429</u>

The investment properties are held by a subsidiary in which the Group's entire interest was disposed of in February 1998 (note 31(b)).

The investment properties are pledged as security to a bank in respect of certain banking facilities granted to the Group.

10. SUBSIDIARIES

	Company	
	31.12.1997 HK\$'000	31.8.1996 HK\$'000
Unlisted shares, at cost	139,670	139,670
Amounts due from	836,322	146,711
Amounts due to	---	<u>(34,775)</u>
	975,992	251,606
Provision for diminution in value	<u>(105,856)</u>	<u>(91,918)</u>
	<u>870,136</u>	<u>159,688</u>

Particulars of the principal subsidiaries which, in the opinion of the directors, principally affect the results or assets of the Group at 31st December, 1997, are set out in note 28.

## 12. ASSOCIATED COMPANIES

	<b>Group</b>	
	<b>31.12.1997</b>	31.8.1996
	<b>HK\$'000</b>	<b>HK\$'000</b>
Share of net assets	<b>11,545</b>	3,560
Amounts due from	<b>62,211</b>	68,659
Amounts due to	<b>(2,512)</b>	---
	<b><u>71,244</u></b>	<b><u>72,219</u></b>

Included in amounts due from associated companies is an amount of HK\$15,440,000 which has been settled by Golden Success pursuant to the terms of various agreements. Details of the arrangement under these agreements are set out in note 26(c)(ii) to the accounts.

Particulars of the principal associated companies which, in the opinion of the directors, principally affect the results or assets of the Group at 31st December, 1997, are set out in note 29.

## 13. OTHER INVESTMENTS

	<b>Group</b>		<b>Company</b>	
	<b>31.12.1997</b>	31.8.1996	<b>31.12.1997</b>	31.8.1996
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Listed shares in Hong Kong, at cost (note (a))	<b>623,587</b>	---	<b>20,675</b>	---
Freehold land in Canada (notes (b) and (c))	<b>15,121</b>	15,827	---	---
Leasehold land in the People's Republic of China (note (b))	<b>5,773</b>	5,773	---	---
	<b><u>644,481</u></b>	<b><u>21,600</u></b>	<b><u>20,675</u></b>	<b><u>---</u></b>
Market value of listed shares	<b><u>272,815</u></b>	<b><u>---</u></b>	<b><u>13,502</u></b>	<b><u>---</u></b>



**13. OTHER INVESTMENTS (cont'd)**

- (a) All listed investments are held for the long term. In the opinion of the directors, there is no permanent diminution in value of these investments by reference to their underlying net asset values and business activities of the investee companies and accordingly no provision against the cost of investments is considered necessary.

Included in listed investments is an amount of HK\$436,556,000 (1996: nil) which represents the Group's 9.69% interest in the issued shares of Soundwill Holdings Limited, a company incorporated in Bermuda whose principal activities are property investment and development.

- (b) These properties are held by certain subsidiaries in which the Group's entire interests were disposed of in February 1998 (notes 31 (b) and (c)).
- (c) The freehold land in Canada is pledged as security to a bank in respect of certain banking facilities granted to the Group.

**14. PROPERTIES UNDER DEVELOPMENT**

	<b>Group</b>	
	<b>31.12.1997</b>	31.8.1996
	<i>HK\$'000</i>	<i>HK\$'000</i>
Properties under development		
Land, at cost		
Hong Kong	<b>446,000</b>	---
People's Republic of China	---	9,334
Development expenditure	<u><b>4,926</b></u>	<u>3,817</u>
	<u><b>450,926</b></u>	<u>13,151</u>



15. NET CURRENT ASSETS

	Group		Company	
	31.12.1997	31.8.1996	31.12.1997	31.8.1996
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current assets				
Properties held for sale (note 16)	26,974	9,852	---	---
Contracting work in progress (note 17)	84,682	62,796	---	---
Accounts receivable (note (a))	281,991	226,806	---	---
Retentions receivable	45,560	15,662	---	---
Deposits, prepayments and other receivables (note (a))	37,331	30,415	4,901	1,881
Short-term investments (note 18)	5,365	5,089	277	---
Cash and bank balances (note (b))	549,279	94,986	404,497	328
	<u>1,031,182</u>	<u>445,606</u>	<u>409,675</u>	<u>2,209</u>
Current liabilities				
Amounts due to fellow subsidiaries	7,085	---	7,005	---
Accounts payable	138,136	142,675	---	---
Accrued liabilities and other payables	22,551	20,847	1,640	54
Bills payable, secured	---	574	---	---
Payments on account received (note 19)	3,951	3,839	---	---
Bank loans and overdrafts				
Secured	7,150	50,718	---	---
Unsecured (note (c))	355,483	156,791	---	---
Current portion of long-term liabilities (note 22)	167	1,816	---	---
Taxation	9,984	7,175	1,264	---
	<u>544,507</u>	<u>384,435</u>	<u>9,909</u>	<u>54</u>
	<u>486,675</u>	<u>61,171</u>	<u>399,766</u>	<u>2,155</u>

- (a) Included in accounts and other receivables is an aggregate amount of HK\$38,020,000 which has been settled by Golden Success pursuant to the terms of various agreements. Details of the arrangement under these agreements are set out in note 26(c)(ii) to the accounts.



**15. NET CURRENT ASSETS (cont'd)**

- (b) Bank deposits of approximately HK\$9,000,000 (1996: HK\$68,000,000) are pledged as security to a bank in respect of certain banking facilities granted to the Group.
- (c) As at 31st December, 1997 certain bank loans and overdrafts, amounting to HK\$269,000,000 are guaranteed by COSCO (HK) Group Limited, an intermediate holding company of the Company.

**16. PROPERTIES HELD FOR SALE**

	<b>Group</b>	
	<b>31.12.1997</b>	31.8.1996
	<b>HK\$'000</b>	HK\$'000
Properties under development		
Land, at cost		
People's Republic of China	9,334	---
Development expenditure	<u>11,256</u>	<u>---</u>
	<b>20,590</b>	---
Completed properties, at cost	<u>6,384</u>	<u>9,852</u>
	<u><b>26,974</b></u>	<u>9,852</u>

The properties under development and the completed properties are held by certain subsidiaries in which the Group's interests were disposed of in February 1998 (note 31(c)).

**17. CONTRACTING WORK IN PROGRESS**

	<b>Group</b>	
	<b>31.12.1997</b>	<b>31.8.1996</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Costs incurred to date plus attributable profits less foreseeable losses	<b>1,935,752</b>	1,156,694
Progress payments received and receivable	<b>(1,851,070)</b>	(1,093,898)
	<b>84,682</b>	62,796

**18. SHORT-TERM INVESTMENTS**

	<b>Group</b>		<b>Company</b>	
	<b>31.12.1997</b>	<b>31.8.1996</b>	<b>31.12.1997</b>	<b>31.8.1996</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
At cost less provision				
Treasury bills, listed outside				
Hong Kong	<b>5,032</b>	5,089	---	---
Listed shares in Hong Kong	<b>333</b>	---	<b>277</b>	---
	<b>5,365</b>	5,089	<b>277</b>	---
Market value	<b>5,525</b>	5,089	<b>437</b>	---

The treasury bills are pledged as security to a bank in respect of certain banking facilities granted to the Group.

**19. PAYMENTS ON ACCOUNT RECEIVED**

	<b>Group</b>	
	<b>31.12.1997</b>	<b>31.8.1996</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Progress payments received and receivable	<b>46,273</b>	42,016
Costs incurred to date plus attributable profits less foreseeable losses	<b>(42,322)</b>	(38,177)
	<b>3,951</b>	3,839



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NOTES TO THE ACCOUNTS (CONT'D)

**20. SHARE CAPITAL**

	<b>31.12.1997</b>	31.8.1996
	<b>HK\$'000</b>	HK\$'000
Authorised:		
3,000,000,000 (1996: 1,000,000,000) shares of HK\$0.10 each	<u><b>300,000</b></u>	<u>100,000</u>
Issued and fully paid:		
1,100,239,384 (1996: 672,000,400) shares of HK\$0.10 each	<u><b>110,024</b></u>	<u>67,200</u>

By a special resolution passed on 9th July, 1997, the authorised share capital of the Company was increased from HK\$100,000,000 to HK\$300,000,000 by the creation of 2,000,000,000 shares of HK\$0.10 each.

The Company entered into subscription agreements dated 2nd May, 1997 and 27th October, 1997 with True Smart International Limited ("True Smart"), the immediate holding company, pursuant to which True Smart subscribed for 134,400,000 and 132,558,904 new shares of the Company at HK\$4.68 and HK\$3.88 per share respectively. The net proceeds are used to finance the expansion and diversification of the Group's businesses, to repay bank borrowings and as additional general working capital.

On 18th July, 1997, an amount of approximately HK\$16,128,000 standing at the share premium account was capitalised and applied in paying up in full of 161,280,080 shares of HK\$0.10 each to shareholders by way of bonus issue on the basis of one new share to five shares then held. The shares rank pari passu in all respects with the existing shares.

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. No share options have been granted since its adoption.

**21. RESERVES****Group**

	<b>Share premium</b> <i>HK\$'000</i>	<b>Exchange fluctuation reserve</b> <i>HK\$'000</i>	<b>Retained profit/ (accumulated loss)</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1st September, 1996	102,084	(2,341)	(5,100)	94,643
Changes in exchange rates	---	(7,504)	---	(7,504)
Premium on issue of shares	1,116,625	---	---	1,116,625
Bonus issue of shares	(16,128)	---	---	(16,128)
Share issue expenses	(9,814)	---	---	(9,814)
Profit for the period retained	---	---	12,524	12,524
<b>At 31st December, 1997</b>	<b>1,192,767</b>	<b>(9,845)</b>	<b>7,424</b>	<b>1,190,346</b>
Company and subsidiaries	1,192,767	(9,845)	35,419	1,218,341
Associated companies	---	---	(27,995)	(27,995)
	<b>1,192,767</b>	<b>(9,845)</b>	<b>7,424</b>	<b>1,190,346</b>

**Company**

	<b>Share premium</b> <i>HK\$'000</i>	<b>Contributed surplus</b> <i>HK\$'000</i>	<b>Retained profit/ (accumulated loss)</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1st September, 1996	102,084	83,770	(91,211)	94,643
Premium on issue of shares	1,116,625	---	---	1,116,625
Bonus issue of shares	(16,128)	---	---	(16,128)
Share issue expenses	(9,814)	---	---	(9,814)
Profit for the period retained	---	---	3,265	3,265
<b>At 31st December, 1997</b>	<b>1,192,767</b>	<b>83,770</b>	<b>(87,946)</b>	<b>1,188,591</b>

Under the Companies Act 1981 of Bermuda, the Company's contributed surplus is currently not distributable. Accordingly, the Company had no reserves available for distribution at 31st December, 1997.



## 22. LONG-TERM LIABILITIES

	<b>Group</b>	
	<b>31.12.1997</b>	31.8.1996
	<b>HK\$'000</b>	HK\$'000
Bank loans (note (a))		
Secured	<b>5,982</b>	6,498
Unsecured	<b>390,000</b>	---
	<b>395,982</b>	6,498
Loan from a related company (note (b))	---	30,000
Obligations under finance leases	---	4,815
	<b>395,982</b>	41,313
Amount repayable within one year included in current liabilities	<b>(167)</b>	(1,816)
	<b>395,815</b>	39,497
(a) The bank loans are repayable as follows:		
Within one year	<b>167</b>	137
Between one and two years	<b>178</b>	167
Between two and five years	<b>390,579</b>	375
More than five years	<b>5,058</b>	5,819
	<b>395,982</b>	6,498

The unsecured bank loans are guaranteed by COSCO (HK) Group Limited, an intermediate holding company of the Company.

- (b) The loan was owed to Fannie Company Limited, in which Mr Tse Yip Sang (alias Tse Kwok Wah), a non-executive director of the Company and his family, have beneficial interest. The loan bore interest at 0.75% above prime rate and was wholly repaid during the period.

**23. DEFERRED TAXATION**

The potential liabilities/(assets) for deferred taxation for which no provision/(recognition) have been made in the accounts amount to:

	<b>Group</b>	
	<b>31.12.1997</b>	<b>31.8.1996</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Tax losses	<b>(21,394)</b>	(28,527)
Accelerated depreciation allowances	<b>1,658</b>	1,267
Other timing differences	<b>14</b>	14
	<b><u>(19,722)</u></b>	<b><u>(27,246)</u></b>

**24. COMMITMENTS**

	<b>Group</b>		<b>Company</b>	
	<b>31.12.1997</b>	<b>31.8.1996</b>	<b>31.12.1997</b>	<b>31.8.1996</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
(a) Capital commitments				
Contracted but not provided for	<b>100</b>	16,990	<b>100</b>	---
Authorised but not contracted for	<b>---</b>	16,750	<b>---</b>	---
	<b><u>100</u></b>	<b><u>33,740</u></b>	<b><u>100</u></b>	<b><u>---</u></b>
(b) Operating lease commitments				
Operating lease commitments at 31st December, 1997 payable in the next twelve months, analysed according to the period in which the lease expires, are as follows:				
Land and buildings				
Within one year	<b>---</b>	436	<b>---</b>	---
In the second to fifth years inclusive	<b>1,922</b>	---	<b>---</b>	---
	<b><u>1,922</u></b>	<b><u>436</u></b>	<b><u>---</u></b>	<b><u>---</u></b>



## NOTES TO THE ACCOUNTS (CONT'D)

### 24. COMMITMENTS (cont'd)

- (c) The Group is also committed to provide financing of approximately HK\$61 million (1996: HK\$62 million) in respect of the development of a residential and commercial property above Huang Sha Station of the Guangzhou Metro Railway through participation in a joint venture in the People's Republic of China.

### 25. CONTINGENCIES

	<b>Group</b>		<b>Company</b>	
	<b>31.12.1997</b>	<b>31.8.1996</b>	<b>31.12.1997</b>	<b>31.8.1996</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Guarantees for banking facilities granted to:				
A subsidiary	---	---	<b>92,512</b>	230,099
An associated company	<b>2,000</b>	2,000	<b>2,000</b>	2,000
Guarantees in respect of performance and completion of construction contracts and performance bonds	<b>145,912</b>	116,124	---	---

### 26. RELATED PARTY TRANSACTIONS

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

	<b>Sixteen months ended</b>	<b>Year ended</b>
	<b>31.12.1997</b>	<b>31.8.1996</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest expense paid to Fannie Company Limited	<b>1,913</b>	2,540
Rental expense paid to Hillfine Development Limited	<b>1,778</b>	996

Mr Tse Yip Sang (alias Tse Kwok Wah), a non-executive director of the Company, and his family have beneficial interests in the above companies.



**26. RELATED PARTY TRANSACTIONS (cont'd)**

- (b) During the period, Shun Shing Construction & Engineering Company, Limited ("SSCE") has been awarded three contracts by COSCO (HK) Property Limited ("COSCO Property"), a fellow subsidiary, for the interior decoration of the 47th, 49th and 52nd floors of COSCO Tower at a total consideration of approximately HK\$26.7 million. Due to additional work undertaken by SSCE in relation to these contracts, it is expected that SSCE will charge COSCO Property for approximately HK\$30.2 million for final settlement of such contracts.
- (c) (i) A deed dated 31st December, 1997 was entered into between SSCE, Golden Success and the Company, pursuant to which Golden Success paid HK\$38,000,000 to SSCE in respect of the contract claim against AA by SSCE. SSCE undertakes, inter alia, that any principal amount of the claim subsequently recovered from AA, together with interest accrued thereon, after deducting any counter-claim against SSCE by AA, shall be repaid to Golden Success to the extent of no more than HK\$38,000,000.
- (ii) An agreement dated 4th March, 1998 was entered into between True Smart and, inter alios, Golden Success, pursuant to which Golden Success paid HK\$53,460,000 to True Smart in respect of certain outstanding amounts, aggregating HK\$94,666,000 approximately, owing by certain debtors to SSCE ("Outstanding Amounts"). True Smart undertakes, inter alia, to Golden Success that True Smart shall arrange to pay the amount of HK\$53,460,000 to SSCE in return that SSCE shall enter into a deed of undertakings as follows.

A deed of undertakings dated 3rd April, 1998 was given by SSCE in favour of Golden Success, pursuant to which True Smart paid HK\$53,460,000 to SSCE in respect of the Outstanding Amounts. SSCE undertakes, inter alia, that any principal amount of the Outstanding Amounts subsequently recovered from any of those debtors, together with interest accrued thereon, after deducting any counter-claim thereof, shall be repaid to Golden Success to the extent of no more than HK\$53,460,000.

**27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**

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

	<b>Sixteen months ended 31.12.1997 HK\$'000</b>	Year ended 31.8.1996 HK\$'000
Profit/(loss) from ordinary activities	<b>13,609</b>	(67,737)
Interest expense (excluding amount capitalised)	<b>5,002</b>	12,292
Interest income	<b>(27,214)</b>	(7,223)
Depreciation of fixed assets (excluding amount capitalised)	<b>3,550</b>	3,971
Amortisation of other investments	---	89
Profit on disposal of fixed assets	<b>(106)</b>	(14)
Profit on disposal of listed investments	<b>(11,666)</b>	---
Deficit on revaluation of investment properties	---	715
(Increase)/decrease in short-term investments	<b>(276)</b>	20,787
(Increase)/decrease in properties under development/ held for sale	<b>(452,917)</b>	55,075
Decrease in contracting work in progress and payments on account received	<b>8,439</b>	35,429
(Increase)/decrease in accounts receivable, retentions receivable, deposits, prepayment and other receivables	<b>(92,494)</b>	14,812
Decrease in accounts payable, accrued liabilities, other payables and bills payable	<b>(6,688)</b>	(52,898)
Increase in amounts due to fellow subsidiaries	<b>7,085</b>	---
Net cash (outflow)/inflow from operating activities	<b>(553,676)</b>	15,298

**27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (cont'd)**

(b) Analysis of changes in financing during the period

	<b>Bank loans</b> <i>HK\$'000</i>	<b>Loan from a related company</b> <i>HK\$'000</i>	<b>Finance lease obligations</b> <i>HK\$'000</i>	<b>Minority interests</b> <i>HK\$'000</i>	<b>Share capital and premium</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Balance at 1st September, 1996	46,497	30,000	4,815	8,323	169,284	258,919
Net cash inflow/ (outflow) from financing activities	650,137	(30,000)	(4,815)	---	1,133,507	1,748,829
Changes in exchange rates	131	---	---	19	---	150
Share of loss for the period	---	---	---	(108)	---	(108)
Balance at 31st December, 1997	<u>696,765</u>	<u>---</u>	<u>---</u>	<u>8,234</u>	<u>1,302,791</u>	<u>2,007,790</u>



**28. PRINCIPAL SUBSIDIARIES**

Name	Place of incorporation/ operation	Issued/ Registered share capital	Percentage of equity attributable to the Group	Principal activities
<b>Held directly</b>				
COSCO (B.V.I.) Holdings Limited (Formerly Major York Investments Limited)	British Virgin Islands	US\$1	100	Investment holding
COSCO International Industry Limited	Hong Kong	HK\$2	100	Investment holding
COSCO International Infrastructure Limited	Hong Kong	HK\$2	100	Investment holding
COSCO International Land Limited	Hong Kong	HK\$2	100	Investment holding
COSCO International Trade Limited	Hong Kong	HK\$2	100	Investment holding
Uppermost Corporation	British Virgin Islands	US\$1	100	Investment holding
<b>Held indirectly</b>				
Century Metro Development Limited	Hong Kong	HK\$10,000	100	Property development



## 28. PRINCIPAL SUBSIDIARIES (cont'd)

<b>Name</b>	<b>Place of incorporation/ operation</b>	<b>Issued/ Registered share capital</b>	<b>Percentage of equity attributable to the Group</b>	<b>Principal Activities</b>
COSCO International Construction Limited (Formerly Shun Shing International Limited and COSCO International Limited)	British Virgin Islands	US\$100	100	Investment holding
COSCO International Land (B.V.I.) Limited (Formerly Top Largo International Limited)	British Virgin Islands	US\$1	100	Investment holding
COSCO Project Management Limited (Formerly Ever City Development Limited)	Hong Kong	HK\$2	100	Project management
COSCO Real Estate Agency Limited (Formerly Shun Shing Real Estate Agency Limited)	Hong Kong	HK\$2	100	Real estate agency
Graceful Nice Limited	British Virgin Islands	US\$1	100	Investment holding



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**NOTES TO THE ACCOUNTS (CONT'D)****28. PRINCIPAL SUBSIDIARIES (cont'd)**

<b>NAME</b>	<b>Place of incorporation/ operation</b>	<b>Issued/ Registered share capital</b>	<b>Percentage of equity attributable to the Group</b>	<b>Principal activities</b>
Konking Development Limited	Hong Kong	HK\$2	100	Provision of management services
Lok Wah Limited	British Virgin Islands	US\$1	100	Investment holding
Raycle Match Development Ltd.	British Virgin Islands	US\$1	100	Investment holding
Shun Shing Construction & Engineering Company, Limited	Hong Kong	Ordinary HK\$17,000,000 Non-voting HK\$12,000,000	100	Building construction, maintenance and property development
Shun Shing Construction (China) Company Limited	Hong Kong	HK\$2	100	Project management
Shun Shing Construction (Singapore) Pte Limited	Singapore	S\$2	100	Civil engineering and construction works
Shun Shing Construction (Zhaoqing) Company Limited	Hong Kong	HK\$2	100	Investment holding



## 28. PRINCIPAL SUBSIDIARIES (cont'd)

Name	Place of incorporation/ operation	Issued/ Registered share capital	Percentage of equity attributable to the Group	Principal activities
SSC Construction (Canada) Limited	Canada	C\$10	100	Civil engineering and construction works
Ting Lon International Inc.	British Virgin Islands	US\$1	100	Investment holding
Trinity Development Limited	British Virgin Islands	US\$1	100	Investment holding
Waily Development Limited	Hong Kong	HK\$2	100	Investment holding
Water Sound (B.V.I.) Limited	British Virgin Islands	US\$1	100	Property development
Wealth Nice Limited	Hong Kong	HK\$2	100	Property development
Zhaoqing Golden Pond Garden Real Estate Development Company Limited	People's Republic of China	RMB30,019,547	75	Property development
Zhaoqing Shun Shing Construction & Engineering Company Limited	People's Republic of China	RMB6,167,260	65	Civil engineering and construction works



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NOTES TO THE ACCOUNTS (CONT'D)

**29. PRINCIPAL ASSOCIATED COMPANIES**

<b>Name</b>	<b>Place of incorporation</b>	<b>Percentage of equity attributable to the Group</b>	<b>Principal activities</b>
International Precast Systems Limited	Hong Kong	49	Manufacture and marketing of precast concrete products
Well Force Properties Limited	British Virgin Islands	33.33	Investment holding in a joint venture whose principal activity is property development in the People's Republic of China
Low Keng Huat - Shun Shing - JV	Singapore	50	Construction works and property development

**30. JOINT VENTURE - JOINTLY CONTROLLED OPERATIONS**

On 1st May 1996, the Shun Sing-Penta Ocean Joint Venture ("Joint Venture") was formed under a joint venture agreement ("Agreement") entered into between SSCE and Penta-Ocean Construction Company Limited ("POC"). The Joint Venture was established for the sole purpose of tendering and the subsequent execution of all works necessary for the due performance of a contract ("Contract") relating to certain fit out works at the passenger terminal building inside the new airport at Chek Lap Kok. On 16th July 1996, the Contract was entered into with BCJ Joint Venture, the main contractor appointed by AA. Pursuant to the terms of the Agreement, the works to be performed under the Contract shall be performed jointly by SSCE and POC on a shared 50 per cent/50 per cent basis. Any benefits, liabilities and indemnities thereby associated shall also be borne by SSCE and POC on that share basis.

The Joint Venture constitutes a jointly controlled operation and SSCE's interest in the Joint Venture is accounted for in its accounts and consequently the consolidated accounts on the following bases:

- (a) the assets that SSCE controls and the liabilities that SSCE incurs; and
- (b) the expenses that SSCE incurs and its share of the income that it earns from the contracting work as performed by the Joint Venture.

**31. JOINT VENTURE --- JOINTLY CONTROLLED OPERATIONS (cont'd)**

Set out below is the summary of the assets, liabilities and results recognised in the consolidated accounts in relation to SSCE's interest in the Joint Venture:

## (a) Assets and liabilities

	<b>31.12.1997</b> <i>HK\$'000</i>	31.8.1996 <i>HK\$'000</i>
Fixed assets	<b>261</b>	---
Current assets	<b>17,588</b>	250
Current liabilities	<b>(10,722)</b>	---
Net assets	<b>7,127</b>	250

## (b) Results for the period

	<b>Sixteen</b> <b>months ended</b> <b>31.12.1997</b> <i>HK\$'000</i>	Year ended 31.8.1996 <i>HK\$'000</i>
Turnover	<b>43,084</b>	---
Profit for the period	<b>7,127</b>	---

**31. SUBSEQUENT EVENTS**

- (a) In February 1998, the Group entered into an agreement with Top System Investment Limited, a fellow subsidiary, pursuant to which the Group agreed to acquire the beneficial interest in eight floors of the COSCO Tower at a consideration of HK\$1,658.7 million.

On the same date, the Group also entered into an agreement with COSCO Industrial Investments Limited, a fellow subsidiary, pursuant to which the Group agreed to acquire an indirect effective 48.6 per cent. interest in Henan Xin Zhong Yi Electric Power Co., Ltd., which owns the operating rights of a 2 x 200MW coal-fired power plant in Henan Province, the People's Republic of China, at a consideration of HK\$545 million.

### 32. SUBSEQUENT EVENTS (cont'd)

The total consideration of the acquisitions mentioned above were satisfied as to approximately HK\$1,183.5 million by the allotment and issue of a total of 270,195,207 new shares at HK\$4.38 per share and as to approximately HK\$1,020.2 million in cash.

- (b) An agreement dated 10th February, 1998 was entered into between COSCO International Construction Limited ("CICL") as vendor, a wholly owned subsidiary, Market Smart Properties Limited ("Market Smart") as purchaser and Mr Chu Kwan Lam as guarantor, pursuant to which CICL agreed to sell and Market Smart agreed to purchase (1) the entire issued share capital of each of Water Sound (B.V.I.) Limited ("Water Sound"), SSC Developments Limited, SSC Construction (Canada) Limited and SSC 888 Construction Limited, all of which are wholly owned subsidiaries, and (2) the aggregate indebtedness of Water Sound to CICL for a total consideration of HK\$21,062,000. No material financial effect was noted from the disposal.
- (c) Two agreements dated 19th February, 1998 between CICL as vendor and Golden King Development Limited ("GKDL") as purchaser in relation to the sale and purchase of (1) the entire issued share capital of and shareholder's loan to both Ting Lon International Inc. and Lok Wah Limited, both of which are wholly owned subsidiaries, for a total consideration of HK\$20,436,000, and (2) the entire issued share capital of and shareholder's loan to Shun Shing Construction (Zhaoqing) Company Limited, a wholly owned subsidiary, for a total consideration of HK\$25,752,000. No material financial effect was noted from the disposal.

### 32. CHANGE OF COMPANY NAME

The name of the Company was changed from Shun Shing Holdings Limited to COSCO International Holdings Limited on 9th July 1997.

### 33. HOLDING COMPANIES

The intermediate holding company is COSCO (HK) Group Limited, a company incorporated in Hong Kong.

The ultimate holding company is China Ocean Shipping (Group) Company, a State-owned enterprise established in the People's Republic of China.

### 34. APPROVAL OF THE ACCOUNTS

The accounts were approved by the board of directors on 20th April, 1998.

**PROPERTIES UNDER DEVELOPMENT**

<b>Description</b>	<b>Use</b>	<b>Approximate area</b>	<b>Stage of completion</b>	<b>Percentage of attributable interest to the Group</b>
(1) Aberdeen Inland Lot No. 435, Shum Wan Road, Hong Kong	Residential, commercial and car parking spaces	Site area 15,855 sq.m. Estimated gross floor area Residential 88,800 sq.m. Commercial 1,790 sq.m. Car park 329 units	Design and planning	100
(2) Shatin Town Lot No. 217, Mei Woo circuit, Area 41A, Shatin, New Territories	Residential	Site area 1,308 sq.m. Estimated gross floor area 523 sq.m.	Design and planning	100
(3) Huang Sha Station, No. 1 Route of the Guangzhou Metro Railway, Guangzhou, People's Republic of China	Residential, commercial	Site area 6,036 sq.m. Estimated gross floor area 46,150 sq.m.	Design and planning	33.33



**FIVE-YEAR FINANCIAL SUMMARY (CONT'D)**

**CONSOLIDATED RESULTS**

	<b>Sixteen months ended 31st December, 1997</b>	1996	Year ended 31st August,		
	<b>1997</b>		1995	1994	1993
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<b>1,316,811</b>	835,842	1,173,961	603,439	704,973
Operating (loss)/profit	<b>(24,391)</b>	(67,737)	(71,406)	20,330	31,939
Exceptional items	<b>38,000</b>	---	30,565	11,305	(10,578)
Profit/(loss) from ordinary activities	<b>13,609</b>	(67,737)	(40,841)	31,635	21,361
Share of results of associated companies	<b>883</b>	(7,868)	(13,426)	(4,261)	(1,854)
Profit/(loss) before taxation	<b>14,492</b>	(75,605)	(54,267)	27,374	19,507
Taxation charge/(credit)	<b>2,076</b>	929	(4,557)	10,608	5,782
Profit/(loss) after taxation	<b>12,416</b>	(76,534)	(49,710)	16,766	13,725
Minority interests	<b>108</b>	431	560	(2,326)	15
Profit/(loss) attributable to shareholders	<b>12,524</b>	(76,103)	(49,150)	14,440	13,740



**FIVE-YEAR FINANCIAL SUMMARY (CONT'D)**

**CONSOLIDATED ASSETS AND LIABILITIES**

	<b>As at 31st December, 1997</b>	1996	<b>As at 31st August,</b>		1993
	<b>HK\$'000</b>		1995	1994	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed assets	<b>51,093</b>	41,522	31,373	60,454	62,322
Associated companies	<b>71,244</b>	72,219	59,566	18,640	(54)
Other investments	<b>644,481</b>	21,600	16,169	15,816	10
Properties under development	<b>450,926</b>	13,151	12,135	99,887	59,328
Current assets	<b>1,031,182</b>	445,606	564,954	506,693	341,405
<b>TOTAL ASSETS</b>	<b>2,248,926</b>	594,098	684,197	701,490	463,011
Current liabilities	<b>544,507</b>	384,435	432,246	393,458	165,214
Long-term liabilities	<b>395,815</b>	39,497	4,841	363	---
Deferred taxation	---	---	242	258	250
Minority interests	<b>8,234</b>	8,323	8,782	18,579	12,041
<b>TOTAL LIABILITIES</b>	<b>948,556</b>	432,255	446,111	412,658	177,505
<b>NET ASSETS</b>	<b>1,300,370</b>	161,843	238,086	288,832	285,506

**PEER SHARE DATA**

	<b>Sixteen months ended 31st December, 1997</b>	1996	<b>Year ended 31st August,</b>		1993
	<i>HK\$ cents</i>		1995	1994	
	<i>HK\$ cents</i>	<i>HK\$ cents</i>	<i>HK\$ cents</i>	<i>HK\$ cents</i>	<i>HK\$ cents</i>
Earnings/(loss) per share	<b>1.4</b>	(9.4)	(6.1)	1.8	1.7
Dividends per share	---	---	---	0.8	1.0
Net asset value per share	<b>118.2</b>	20.1	29.5	35.8	35.4

The financial data per share for the prior years have been adjusted to take into account the bonus issue of shares made during the period.



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## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the Company will be held at the Multi-Purpose Room, 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong on Monday, 25th May, 1998 at 10:00 a.m. for the following purposes:

1. To receive and consider the Audited Accounts and Directors' Report and the Auditors' Reports for the sixteen months ended 31st December, 1997.
2. To re-elect Directors and to fix their remuneration.
3. To re-appoint Auditors and to authorise the Board of Directors to fix their remuneration.

By Order of the Board  
**NGAI WAI FUNG**  
*Company Secretary*

Hong Kong, 20th April, 1998

**Notes:**

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. The form of proxy must be deposited with the Company's Share Registrars in Hong Kong, Tengis Limited of 1601 Hutchison House, 10 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for the Meeting.



## **DIRECTORS**

### *Executive Directors*

Chen Zhongbiao (*Chairman*)  
Zhang Dachun (*Vice-Chairman*)  
Zhu Guangyun  
Chen Wenzhen  
Zhang Yongjian  
Dong Shu Sen  
Zuo Wei  
Tse Lai Leung, Jimmy

### *Non-Executive Director*

Tse Yip Sang (alias Tse Kwok Wah)

### *Independent Non-Executive Directors*

Chan Cheong Foon, Andrew  
Kwok Shiu Keung, Ernest  
Alexander Reid Hamilton

## **COMPANY SECRETARY**

Ngai Wai Fung

## **AUDITORS**

Price Waterhouse

## **SOLICITORS**

Woo, Kwan, Lee & Lo  
Conyers, Dill & Pearman

## **PRINCIPAL BANKERS**

The Hongkong and Shanghai Banking Corporation Limited  
Nanyang Commercial Bank, Ltd.  
Bank of Hawaii

## **PRINCIPAL REGISTRARS**

Westbroke Limited  
Clarendon House  
Church Street  
Hamilton HM11  
Bermuda

## **REGISTRARS IN HONG KONG**

Tengis Limited  
1601 Hutchison House  
10 Harcourt Road  
Hong Kong

## **REGISTERED OFFICE**

Clarendon House  
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

## **SHARE LISTING**

The Company's shares are listed on  
The Stock Exchange of Hong Kong Limited  
(The Stock Code: 517)

## **INVESTORS RELATIONS**

For further information about the Company,  
please contact:  
Public Relations and Communications Team  
47th Floor, COSCO Tower,  
183 Queen's Road Central  
Hong Kong  
Telephone: (852) 2809 7888  
Facsimile: (852) 2907 6107