



	Corporate Information
2	Corporate Structure
3	Chairman's Statement
6	Vice-Chairman's Report
11	Management Discussion and Analysis
14	Directors' Report
21	Profile of Directors and Senior Management

## C O N T E N T S

25	Auditors' Report
26	Consolidated Income Statement
27	Consolidated Balance Sheet
28	Balance Sheet
29	Consolidated Cash Flow Statement
31	Consolidated Statement of Recognised Gains and Losses
32	Notes to the Financial Statements
67	List of Major Properties
69	Five-year Financial Summary
71	Notice of Annual General Meeting



Properties

### Directors

Executive Directors  
Mr. Wei Jiafu (*Chairman*)  
Mr. Liu Guoyuan (*Vice-Chairman*)  
Mr. Kwong Che Keung, Gordon  
(*Managing Director*)  
Mr. Zhou Liancheng  
Mr. Zhang Yongjian  
Mr. Dong Shu Sen

Independent Non-Executive Directors  
Mr. Chan Cheong Foon, Andrew  
Mr. Alexander Reid Hamilton

Company Secretary  
Ms. Wai Ching Sum

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

Auditors  
PricewaterhouseCoopers

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



High Technology

## C O R P O R A T E I N F O R M A T I O N



Environmental Protection

Principal Bankers  
The Hongkong and Shanghai Banking  
Corporation Limited  
Bank of China, Hong Kong Branch

Principal Registrars  
Codan Services Limited  
Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

Hong Kong Branch Registrars  
Abacus Share Registrars Limited  
2401 Prince's Building, Central, Hong Kong

Registered Office  
Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

Head Office and Principal Place of  
Business in Hong Kong  
47th Floor, COSCO Tower  
183 Queen's Road Central  
Hong Kong

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



Infrastructure



Building Construction

### Investors Relations

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

CHINA OCEAN SHIPPING (GROUP) COMPANY

100%

COSCO (HONG KONG) GROUP LIMITED

INDEPENDENT SHAREHOLDERS

DIRECTORS

60.01%

39.77%

0.22%

COSCO INTERNATIONAL HOLDINGS LIMITED

PROPERTIES

INFRASTRUCTURE

BUILDING CONSTRUCTION

HIGH TECHNOLOGY & ENVIRONMENTAL PROTECTION

100%

48.60%

100%

51%

8 FLOORS OF COSCO TOWER, HONG KONG

HENAN POWER PLANT

SHUN SHING CONSTRUCTION & ENGINEERING

ARK PIONEER, SHENZHEN

100%

BLOCK No. 5 KINGSWELL GARDEN, SHANGHAI

85%

FRAGRANT GARDEN, SHANGHAI

100%

SHATIN TOWN LOT No. 217 MEI WO CIRCUIT, HONG KONG

# STRUCTURE

CORPORATE





Mr. Wei Jiafu,  
Chairman

The Group has been continuously exploring new business opportunities with an aim to expand its business portfolio and increase profitability.

## CHAIRMAN'S STATEMENT

### BUSINESS REVIEW

I am pleased to announce that for the year ended 31st December, 2000, COSCO International Holdings Limited (the "Company") has attained a remarkable result. This profitable result was achieved by the hardworking of all the staff and through prudent management.

For the year ended 31st December, 2000, the Company together with its subsidiaries (the "Group") recorded a profit attributable to shareholders of HK\$30,197,000, a 77% increase as compared to 1999. Although the total turnover of HK\$1,472,577,000, represented a decrease of 26% as compared with the previous year, the basic earnings per share was HK2.19 cents, represented an increase of 75% as compared with the previous year.

The board of directors of the Company (the "Board") does not recommend the payment of a final dividend (1999: Nil) for the year ended 31st December, 2000.

## MAJOR EVENTS

The Group has been continuously exploring new business opportunities with an aim to expand its business portfolio and increase profitability in line with the improvement in business environment. Besides, the measures undertaken to control the overall operating costs and enhance efficiencies have also proved successful.

During the year, the pre-sale of Fragrant Garden, a property development project jointly developed by the Group and the Shanghai Hongkou District Government, was successful. The Phase I of this construction project is scheduled to be completed in mid-2001. The development of two detached houses at Shatin Town Lot No. 217 Mei Wo Circuit has been completed and will be launched to the market soon. The sale of the Private Sector Participation Scheme ("PSPS") Project – Broadview Court – at Shum Wan Road was launched on schedule under the Home Ownership Scheme Phase 22B in early 2001. During the year, the Group tendered for construction contracts other than those of Hong Kong Housing Authority ("HKHA") and was successful in procuring new construction contracts from Architectural Services Department to build four primary schools and a secondary school.

The Group's 51% owned jointly controlled entity, 深圳艾科創新微電子有限公司 (Ark Pioneer



COSCO Tower

Microelectronics (Shenzhen) Limited) ("Ark Pioneer"), has commenced operation as scheduled. During the year, Ark Pioneer launched various types of Dual Port SRAM in the market and provided overall solution to integrated circuits application customers. It has also achieved a breakthrough in the development of 32/64 digits RISC and CPU.

During the year, the Group conducted feasibility studies on various investment opportunities which include information technology, environmental protection, properties and industrial projects. We expect to finalise the negotiations of a number of investment projects in the near future which will bring new source of contribution to the Group.

## PROSPECTS

Local economy began to recover in year 2000 after two years of economic downturn. The economic growth in year 2000 was 10.5% and the Government of the Hong Kong Special Administrative Region ("Hong Kong") has predicted a growth rate of around 4% for year 2001. The cut back in interest rate, stability in the property market and the unlimited business opportunities upon Mainland China's entry into World Trade Organisation ("WTO") will continue contribute to a positive sentiment in business environment.

It is widely acknowledged that in order to maintain its competitiveness, Hong Kong must provide value-



*Tin Shui Wai Area 102 Phase II – 1,280 residential units*

added services and products and investment in technology based industries is a must. The development process, however, cannot be achieved overnight. The Group will continue to sustain and strengthen our present operations and to actively seek investment opportunities in businesses that are related to China Ocean Shipping (Group) Company ("COSCO")'s core business, which have good prospect and will bring to the Group solid and enduring economic benefits. The new millennium has begun with a positive sentiment. The Group has full confidence to produce an even better return to the shareholders in the coming year. With the strong support from the ultimate holding company, COSCO, the Group will flourish to become a major conglomerate of the COSCO group.

During the year, business environment has steadily improved although it was still far from where it was before the Asian economic turmoil. The Group has nonetheless achieved a remarkable result and this was possible due to the support and trust from our business partners, bankers, clients and suppliers and all staff who have served the Group faithfully. On behalf of the Board, I express my deepest thanks.

**Wei Jiafu**  
*Chairman*

Hong Kong, 30th March, 2001



Mr. Liu Guoyuan,  
Vice-Chairman

“ Maximising corporate profits, Market-oriented strategy, Qualified service, Well - trimmed management and Strong team work among staff ” is our corporate management philosophy.

#### REVIEW OF OPERATIONS

The profit of the Group showed a remarkable growth for the year ended 31st December, 2000 as a result of management adherence to the principles of “Driven by profit and efficiency, Responsive to the market and Enhancing management strength” to overcome difficulties, explore new business opportunities and maintain steady growth.





Henan Power Plant

### Infrastructure

Henan Xinzhongyi Electric Power Co., Ltd. ("Henan Power Plant") continued to provide steady income to the Group. The operating environment of the power plant was challenging. Management has worked hard during the year to ensure electricity supply targets were met while maintaining a steady unit selling price. All in all, we were able to achieve a satisfactory level of return from Henan Power Plant comparable to that of last year.

### Properties



Fragrant Garden

During the year, the occupancy rate for the eight floors of COSCO Tower was maintained high at around 99%; it remained one of the major sources of income for the Group. The overall market for grade A office building has turned around and rental rates have gone up considerably during the year. The tenants, upon the expiry of their leases,

were willing to renew their agreements or to extend their leases based on market rates. The Group will continue to reinforce the principle of maintaining good relations and communications with the tenants and expects to be able to maintain a satisfactory occupancy rate for the coming year.

With Mainland China becoming a member of the WTO, Shanghai is fast becoming one of the most attractive cities to foreign investors.

People will look for better accommodation as the standard of living has improved.

The Group has selected to jointly develop an urban project "Fragrant Garden" with Shanghai Siping Development and Operation (Group) Co Ltd, a subsidiary of the Shanghai Hongkou District Government. The construction work commenced in June

1999 and Phase I will be completed for occupation in mid-2001, by then the construction work of Phase II will commence. Fragrant Garden has a site area of 35,000 square meters and total construction floor area of approximately 183,000 square meters. There will be seven blocks of residential buildings comprising 1,380 units with gross floor area ranging from 80 to 220 square meters. The completion of Fragrant Garden will be well timed to meet the increase in demand for housing in Shanghai.



COSCO Tower

The development project of two detached houses at Shatin Town Lot No. 217 Mei Wo Circuit has been completed. As the overall market sentiment for upmarket residential property has improved, these two detached houses will be launched to the market at an appropriate time.



Mei Wo Circuit

### Building Construction

During the year, the Group strengthened controls at various construction sites of Shun Shing Construction & Engineering Company, Limited ("SSCE") in terms of construction work quality, safety management, and project progress. Positive results had been achieved. PSPS Project at Shum Wan Road named Broadview Court, is on the list of the Home Ownership Scheme Phase 22B which is currently on sale. The development project consists of four residential blocks located on the podium of a multi-storey carpark and shopping mall, two of which are 38-storey and the other two are 39-storey, with a total of 1,540 residential units. For the year ended 31st December, 2000, the value



PSPS Project at Shum Wan Road - Broadview Court - 1,540 residential units

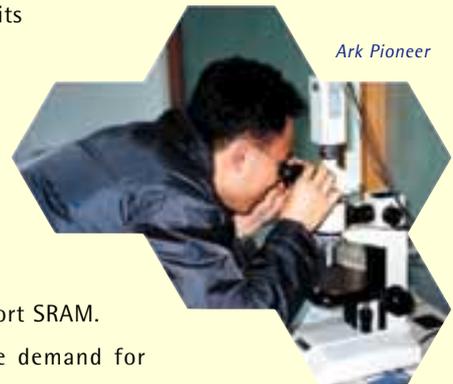
of construction contracts completed by SSCE amounted to HK\$1,759 million and the value of construction work in progress amounted to HK\$2,884 million.

### High Technology and Environmental Protection

Ark Pioneer, a 51% owned jointly controlled entity in Shenzhen, the People's Republic of China (the "PRC") is engaged in the integrated circuits design business.

It has successfully completed the design of 32Kx8, 16Kx8 and 8Kx8 DualPort SRAM.

There is a huge demand for these three products in Mainland China and it is expected that, with the successful development of these domestically designed integrated circuits products, the current practice of relying on foreign imports will change. The potential market for these products is huge and management is aggressively trying to build up a market share in this industry.



Ark Pioneer

## FUTURE OUTLOOKS AND STRATEGIES

### Infrastructure

In view of the sweeping changes taking place for the power supply industry in Mainland China, operating condition for the Henan Power Plant will remain tough. Management is taking action, and every effort will be made, to bring in measures to reduce costs and ensure sales targets are met. Despite the difficulties, we are confident that returns from the Henan Power Plant will be maintained.

### Properties

Hong Kong's economy will continue to improve in 2001, office rental will first climb up and residential market will recover steadily. The Group will cautiously look for appropriate investment projects in order to strengthen the asset structure of the Group.

The improvement in living standard in major cities coupled with policy from the Central Government to encourage private purchase of residence paves the way for a prosperous property market in Mainland China.

Mainland China's entry to WTO will also give rise to a strong demand for high quality residential

units. With experiences gained from the development of Fragrant Garden, the Group is well positioned to further explore and develop promising high quality residential projects in Mainland China.



*Sale and promotion activity of Fragrant Garden*

### Building Construction

The Government of Hong Kong is abandoning its "Eighty-five Thousand" public housing target and

the number of private housing units to be built is also on decline.

Furthermore, the Government of Hong Kong has adopted various policies and supervisory measures to tighten the control over quality following a series of construction scandals recently. The operating environment for building construction industry will become even more difficult. Survival of the fittest will become the trend. To stay competitive, SSCE will have to continue strengthening



*Tin Shui Wai Area 102 Phase I - 1,280 residential units*

its management and cost control systems. It will also be necessary for SSCE to diversify its business operations to cover other government projects, besides those of the HKHA, and projects from the private sector. SSCE will also look for experienced local as well as overseas partners in order to strengthen its ability to undertake large projects.



*Tsz Ching Estate Phase II –  
2,717 residential units*

We will strengthen the management and supervision of Ark Pioneer, formulate measures to enhance competitiveness of its products both in terms of pricing and quality and to establish market share.

### High Technology and Environmental Protection

During the year, stock prices of some internet and technology companies have been battered badly when investors' enthusiasm for these types of businesses died off. Nevertheless, high technology and environmental protection industries will continue to draw attention in the new millennium. With Mainland China as its hinterland, Hong Kong is well placed to capture opportunities in this huge market and draw on a vast pool of highly skilled talents. Given Central Government's emphasis, these industries will flourish as more preferential policies and measures are being introduced.

### SUMMARY

In 2001, the Group will operate under the five essential elements of corporate management: "Maximising corporate profits, Market-oriented strategy, Qualified service, Well-trimmed management and Strong team work among staff" and continue looking for suitable investment opportunities which will bring good returns to shareholders.

**Liu Guoyuan**  
*Vice-Chairman*

Hong Kong, 30th March, 2001

## FINANCIAL REVIEW

The Group's turnover of HK\$1,472,577,000 for year ended 31st December, 2000 decreased by approximately 26% as compared with the previous year. The decrease was attributable to a number of major construction projects having reached completion stage during the year. Hence, although the turnover from building construction contracts had decreased, the amount of attributable profit had increased.

The Group's profit before taxation for year 2000 amounted to HK\$33,911,000, represented an increase of 71% as compared with last year. The profit attributable to shareholders increased to HK\$30,197,000 from HK\$17,096,000 in the previous year. Having considered the various underlying conditions of the Group's assets and investments, the Board does not suggest any further provision for diminution in their carrying values in the current year. Through improvements in the management of quality and cost control, the attributable profit from construction contracts had improved significantly.

## FINANCIAL RESOURCES AND LIQUIDITY

As at 31st December, 2000, shareholders' funds of the Group increased by 2% to HK\$1,702,665,000 as a result of the profit contributed for the year. In addition, warrant holders of HK\$1,425,874 exercised their rights to subscribe for 1,980,380 new shares of the Company at HK\$0.72 per share.

For the year ended 31st December, 2000, the Group solicited a total of HK\$18,790,000 new banking facilities. As at 31st December, 2000, total banking facilities available to the Group amounted to HK\$2,428,615,000 of which HK\$1,995,706,000 were utilised.

Cash and bank balances amounted to HK\$369,820,000 as at 31st December, 2000 and accounted for 18% of the current assets.

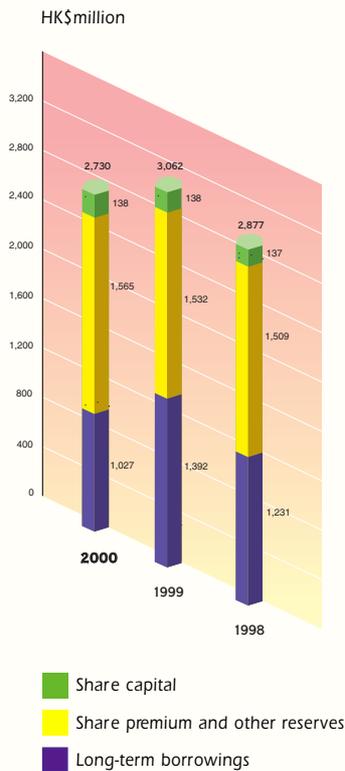
With its strong cash position and the available banking facilities, the Group has adequate resources for its ongoing operations and future development.

## ANALYSIS OF OPERATIONS

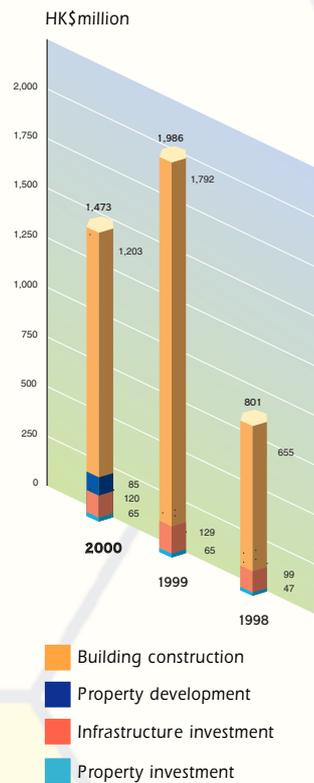
### Turnover by geographical area



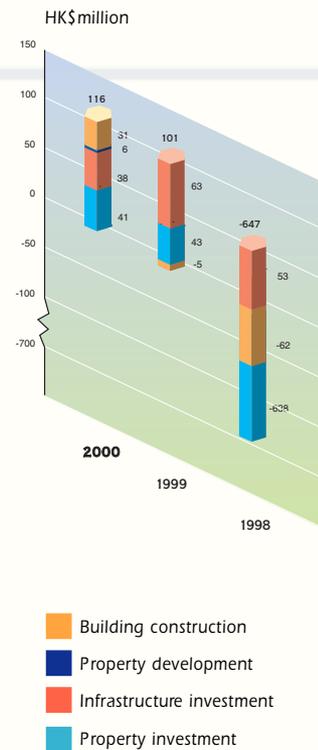
### SHAREHOLDERS' FUNDS AND LONG-TERM BORROWINGS



### Turnover by activities



### Contribution to operating profit by activities



## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2000, the Group's five largest customers accounted for 84% of the Group's turnover and the largest customer included therein accounted for 75% which was represented by the HKHA.

During the year, purchases from the five largest suppliers accounted for 48% of the total purchases of the Group and the largest supplier included therein accounted for 24%.

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

## EMPLOYEES

The Group's development relies on the collaboration, dedication and loyalty of its employees. The Group commits to organising various training programmes to raise the quality and work efficiency of our staff and offers reasonable salaries and staff welfare. Through the implementation of staff motivation measures and the arrangement of recreational activities, team spirit and sense of belonging amongst our staff have been greatly enhanced. To meet the challenges of the 21st century and the revolution of new technology, the Group emphasises on training and application of new technology for our staff. The Group recognises that human resources is the critical asset which will give us a competitive edge.

The directors of the Company have pleasure in presenting their report together with the audited financial statements of the Company and the Group for the year ended 31st December, 2000.

### PRINCIPAL ACTIVITIES

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

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

### RESULTS

The results of the Group for the year ended 31st December, 2000 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 26 and 27.

### DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31st December, 2000 (1999: Nil).

### SHARE CAPITAL

Details of the movements in share capital during the year are set out in note 22 to the financial statements.

### FIXED ASSETS

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

### BORROWINGS AND INTEREST CAPITALISED

Borrowings repayable on demand or within one year are classified under current liabilities. Details of the long-term borrowings are set out in note 24 to the financial statements. Interest and other borrowing costs capitalised by the Group during the year are set out in note 4 to the financial statements.

## RESERVES

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

## DONATIONS

The donations made by the Group during the year amounted to HK\$58,000 (1999: HK\$37,000).

## FIVE-YEAR FINANCIAL SUMMARY

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

## DIRECTORS

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

### *Executive Directors*

Mr. Wei Jiafu ( <i>Chairman</i> )	(appointed on 28th June, 2000)
Mr. Liu Guoyuan ( <i>Vice-Chairman</i> )	(appointed on 1st November, 2000)
Mr. Kwong Che Keung, Gordon ( <i>Managing Director</i> )	
Mr. Zhou Liancheng	(appointed on 15th September, 2000)
Mr. Zhang Yongjian	
Mr. Dong Shu Sen	
Mr. Chen Zhongbiao	(resigned on 28th June, 2000)
Mr. Dong Jiufeng	(resigned on 1st November, 2000)
Mr. Zhu Guangyun	(resigned on 15th September, 2000)
Mr. Zuo Wei	(resigned on 1st December, 2000)

### *Independent Non-Executive Directors*

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

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

## ◀ DIRECTORS' INTERESTS IN CONTRACTS

None of the directors of the Company had any beneficial interests, whether directly or indirectly, 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 year.

## ◀ CONNECTED TRANSACTIONS

Pursuant to Chapter 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the following connected transactions of the Group require disclosure in the annual report of the Company. A summary of significant related party transactions, which also constitute connected transactions, is also set out in note 29 to the financial statements.

1. Unsecured loan amounted to a maximum of RMB66 million during the year, with interest rate not less than the financial institutes' basic lending rate officially announced by People's Bank of China, was granted by Glorious World International Limited, a wholly-owned subsidiary of the Company, to Shanghai COSCO Honour Property Development Limited, a 85% owned subsidiary of the Company, to finance a property development project, Fragrant Garden in Shanghai. The loan was fully repaid by the year-end.
2. On 18th April, 2000, Top Expert Enterprises Limited, a wholly-owned subsidiary of the Company, entered into an agreement to subscribe for 1,000,000 new shares of COSCO Network Limited, representing 0.91% interest in the enlarged issued share capital of COSCO Network Limited at a consideration of US\$1,000,000 (equivalent to approximately HK\$7,775,000). COSCO Network Limited is a subsidiary of COSCO, the ultimate holding company of the Company.
3. On 7th March, 2001, a tenancy agreement was entered into between Wing Thye Holdings Limited, a wholly-owned subsidiary of the Company, as landlord and COSCO Pacific Management Company Limited, a wholly-owned subsidiary of COSCO Pacific Limited ("COSCO Pacific"), as tenant, for the leasing of a portion of 49th Floor of the COSCO Tower as the head office of COSCO Pacific for a term of three years commencing with retrospective effect from 4th December, 2000 at a monthly rental of HK\$465,023.20 (exclusive of air conditioning and management charges, government rates and all other outgoings). COSCO (Hong Kong) Group Limited ("COSCO (Hong Kong)") is a controlling shareholder of both the Company and COSCO Pacific.

## SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

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

1. A HK\$1,129 million secured long term loan facility was granted by a syndicate of financial institutions with HSBC China Services Limited as agent to Century Metro Development Limited ("Century Metro"), a wholly-owned subsidiary of the Company, on 30th March, 1998 to finance the PSPS project at Shum Wan Road, Aberdeen Inland Lot No. 435. The term loan is repayable on the date on or before 31st October, 2001. The loan is guaranteed unconditionally and irrevocably by COSCO (Hong Kong) which undertakes amongst other conditions that it will remain as the ultimate beneficial owner of at least 51% of the entire issued share capital of Century Metro and SSCE, unless consented by the agent acting on the instruction of majority of the syndicate.
  
2. A US\$100 million secured three years term loan facility was granted by Bank of China, Hong Kong Branch, to the Company in August 1998 to partly refinance the shareholder's loan advanced by COSCO (Hong Kong) when the Company acquired the beneficial interest in eight floors of the COSCO Tower in April 1998. The loan facility was reduced to US\$90 million after two partial repayments of US\$5 million each on 28th July, 2000 and 8th August, 2000. The loan is guaranteed unconditionally and irrevocably by COSCO (Hong Kong) which undertakes amongst other conditions that:
  - (i) it will procure that the ultimate holding company will maintain a 100% equity interest, either directly or indirectly, in it and such equity interest remains free from any security interest (save for any of such existing thereon prior to the date of the guarantee);
  - (ii) it will procure that the ultimate holding company will maintain an equity interest, either directly or indirectly, of not less than 35% in the Company and such equity interest remains free from any security interest (save for any of such existing thereon prior to the date of the guarantee);
  - (iii) it will maintain an equity interest, either directly or indirectly, of not less than 35% in COSCO Pacific, a fellow subsidiary of the Company, and such equity interest remains free from any security interest (save for any of such existing thereon prior to the date of the guarantee); and
  - (iv) it will maintain an equity interest, either directly or indirectly, of not less than 35% in the Company and such equity interest being the single largest shareholding in the Company.

## DIRECTORS' INTERESTS IN SHARES AND OPTIONS

As at 31st December, 2000, the interests of the directors and chief executives and their associates in the shares of the Company and its associated corporations as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

### 1. Directors' interest in shares

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

### 2. Directors' interests in share options granted by the Company

Name of director	Number of share options held	
	<i>(Note)</i>	
Mr. Kwong Che Keung, Gordon	4,500,000	
Mr. Zhang Yongjian	1,000,000	
Mr. Dong Shu Sen	3,500,000	

*Note:* These share options were granted to the directors of the Company on 20th March, 2000 under the share option scheme approved by the shareholders of the Company on 17th January, 1992, and are exercisable at HK\$0.656 per share at any time between 20th March, 2001 and 16th January, 2002.

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

Name of associated corporation	Name of director	Number of share options held	
		<i>(Note)</i>	
COSCO Pacific	Mr. Kwong Che Keung, Gordon	250,000	

*Note:* These share options were granted on 6th April, 2000 and are exercisable at HK\$3.584 per share at any time between 6th April, 2001 and 5th April, 2002.

## ◀ DIRECTORS' INTERESTS IN SHARES AND OPTIONS (cont'd)

Save as disclosed herein, as at 31st December, 2000, none of the directors and the chief executive of the Company had any interest in the share capital of the Company or any associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including the interests which they were deemed or taken to have under section 31 or part I of the Schedule to the SDI Ordinance) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules or which are required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein.

## ◀ MANAGEMENT CONTRACTS

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

## ◀ SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2000, 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:

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

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

## ◀ CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2000 with the Code of Best Practice as set out in the Appendix 14 of the Listing Rules.

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

## ◀ PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

## ◀ PRE-EMPTIVE RIGHTS

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

## ◀ AUDITORS

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

PricewaterhouseCoopers replaced Price Waterhouse in 1999 following their merger with Coopers & Lybrand.

On behalf of the Board  
**Kwong Che Keung, Gordon**  
*Managing Director*

Hong Kong, 30th March, 2001

## DIRECTORS

**Mr. WEI Jiafu**, aged 51, succeeded Mr. Chen Zhongbiao, who retired, as Chairman of the Group in June 2000. Mr. Wei is responsible for formulating the overall strategy and policy of the Group. He is also the President of COSCO and the Chairman of COSCO Pacific. Mr. Wei had been a COSCO ship captain for many years and is a qualified senior engineer, a professional qualification awarded by the Ministry of Communications of China. He also holds a Master Degree in Shipping Management Engineering from Dalian Maritime University. He is currently a Ph.D. candidate of Tianjin University. In the past years, Mr. Wei had held a number of senior positions, including as a member of the management of Guangzhou Ocean Shipping Company, Managing Director of Sino-Tanzania Joint Shipping Company and the President of China Ocean Shipping Company (Singapore) PTE Limited. Before he has been appointed as the President of COSCO, he was the Managing Director of both Tianjin Ocean Shipping Company and COSCO Bulk Carrier Company Limited. Mr. Wei is also the President of China Maritime Law Association and Vice-Chairman of China Enterprise Confederation.

**Mr. LIU Guoyuan**, aged 49, joined the Group as Vice-Chairman on 1st November, 2000. He is also the Executive Vice-Chairman and President of COSCO (Hong Kong) and the Vice-Chairman of COSCO Pacific. Mr. Liu graduated from Beijing Foreign Languages University in February 1975 and joined COSCO in the same year. In August 1982, he earned a Master degree (LLM) from the Law School of University of Washington in Seattle, USA. Since 1984, Mr. Liu worked as the General Manager of the Law & Policy Research Department, the Executive Department and the Planning & Program Division in the headquarters of COSCO. In 1991, he was promoted as the Senior Commercial Director and was made the Senior Deputy Managing Director of COSCO Tianjin, Director and Senior Vice President of COSCO Europe GMBH and subsequently further promoted to Vice-Chairman of the Board and President of COSCO Europe GMBH. Mr. Liu has been nominated as a member of the MOC Appraisal & Nomination Committee for Senior Economists since 1993. In over 20 years working experiences in COSCO Group, Mr. Liu has accumulated rich knowledge, especially on enterprise management, and shipping business management in domestic and overseas enterprises. Mr. Liu had participated in the series of structural reforms, assets reorganisation, and development programs, etc. of COSCO.

**Mr. KWONG Che Keung, Gordon**, aged 51, joined the Company as the Managing Director in May 1998. He is also an Executive Director and Vice-President of COSCO (Hong Kong) and an Executive Director of COSCO Pacific. 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. In 1979, he joined Price Waterhouse Hong Kong and had been a partner of the firm from 1984 to 1998. In the 1990s, he has acted as a part-time panel member of the Hong Kong Government's Central Policy Unit, an independent member of the Council of The Stock Exchange of Hong Kong Limited, Director of Hong Kong Clearing Co., Limited and Stock Options Clearing House Co. Limited, and also served as Convenor of the Hong Kong Stock Exchange's Compliance Committee and the Listing Committee.

## DIRECTORS (cont'd)

**Mr. ZHOU Liancheng**, aged 52, joined the Company in September 2000. He is a Vice-President of COSCO (Hong Kong). He graduated from the Dalian Maritime University. He was the General Manager of China Ocean Shipping Agency, Nanjing and the Deputy General Manager of COSCO (H.K.) Industry & Trade Holdings Limited and COSCO Asia Development Limited. Mr. Zhou has a lot of professional experiences in enterprise management.

**Mr. ZHANG Yongjian**, aged 49, joined the Company in September 1997. He is also an Assistant to President and the General Manager of the Strategic Planning Division of COSCO (Hong Kong). He graduated from the Shanghai Maritime University in 1976 and also obtained a Degree of Master of Law (Maritime Law) from Dalian Maritime University in 1984. He joined COSCO in 1976 and has been the Deputy General Manager of COSCO Dalian and the General Manager of its Shipping Department.

**Mr. DONG Shu Sen**, aged 57, joined the Company in December 1997, is the Executive Deputy Managing Director of the Company. He graduated from the University of International Business & Economics in Beijing. He joined COSCO in 1968 and has since served professionally in sea transportation, shipbuilding, container transportation, external affairs and administration management as well as property management.

**Mr. CHAN Cheong Foon, Andrew**, aged 63, has been an Independent Non-Executive Director of the Company since December 1991. He is the senior partner of Wong Brothers & Co., Certified Public Accountants. He has over 35 years of experience in public accounting practice and is a fellow member of the Taxation Institute of Hong Kong, the Australian Society of Certified Practising Accountants and the Hong Kong Society of Accountants.

**Mr. Alexander Reid HAMILTON**, aged 59, has been an Independent Non-Executive Director of the Company since August 1997. He is also a Non-Executive Director of COSCO Pacific, CITIC Pacific Limited, Esprit Holdings Limited, DBS Kwong On Bank Limited and a Director of a number of other Hong Kong companies. He is a member of the Institute of Chartered Accountants of Scotland, a fellow member of the Hong Kong Society of Accountants and a fellow member of the Institute of Directors. He was a partner in Price Waterhouse for 16 years and has over 20 years of auditing and accounting experience.

## SENIOR MANAGEMENT

**Mr. ZHAO Kaiji**, aged 50, joined the Company in October 1999, is the Deputy General Manager of the Company. Graduated from the Shanghai Maritime Transportation Institute in 1975, he joined COSCO in the same year. Awarded the professional qualification of senior economist, Mr. Zhao has over 25 years of extensive experience in corporate management. During his years with COSCO, he had been the Deputy Manager of Tianjin Operation Department, Representative of COSCO in Romania, General Manager of Tianjin Shipping Development Company Limited, General Manager of Tianjin Jinshen Ferry Company Limited and President of Seattle, COSCO North Americas Inc..

**Ms. ZHAO Zhuochu**, aged 46, is the Managing Director of Shun Shing Construction & Engineering Company, Limited ("SSCE"). She joined SSCE in May 1997. She graduated from Wuhan Transportation University and is also a senior engineer.

**Mr. PAK Wai Keung, Martin**, aged 38, is the Financial Controller of the Company, holds a Bachelor Degree of Commerce. He is an associate of the Hong Kong Society of Accountants and Certified Practising Accountants of the CPA Australia. Prior to joining the Company in January 2001, he had worked for international accounting firms, merchant bank, industrial company and a listed retailing company.

**Miss CHEN Yan**, aged 31, joined the Company in May 1997, is the Deputy Financial Controller of the Company and the Manager of the Finance Department. She graduated from Shanghai Maritime University, majoring in Finance and Accounting, with a Bachelor Degree of Economics and also obtained a Degree of Master of Business Administration from Murdoch University, Australia. She is a fellow member of the Institute of Financial Accountants. She has over 10 years of auditing, accounting and finance management experience.

**Mr. ZHANG Huimin**, aged 50, joined the Company in December 1997, is the Assistant to General Manager of the Company. He graduated from Hangzhou University in 1976 majoring in foreign languages. From 1977 to 1996, he worked for Shanghai Ocean Shipping Company in the areas of shipping and shipping economic management and held the positions of Division Chief, Deputy Division Chief and Deputy Manager. He has also been awarded the Certificate for Senior Economist by the Ministry of Communications of the PRC. During Mr. Zhang's management in the investment enterprise of the PRC, he has been awarded an honorary designation of "Forerunner of Foreign Investment Enterprise Management" by the provincial government of the PRC.

**Mr. KU Shing Pan**, aged 55, is the Manager of the Real Estate Department of the Company. He joined the Company in July 1998. He graduated from Zhejiang University and has about 18 years of working experience in Mainland China. Mr. Ku came to work in Hong Kong in 1984 and had been the head of investment development and the head of development department in other two groups. He has over 15 years of experience in project investment and property development in Mainland China.

## SENIOR MANAGEMENT (cont'd)

**Mr. LIN Jianhua**, aged 48, joined the Company in September 1997, is the Manager of the Infrastructure and Investment Department of the Company. He graduated from Karlsruhe University, Germany, and holds Degree of Master in Economic Engineering. He has extensive experience in project investment and corporate management, and good technique background.

**Mr. WONG Ping Hang**, aged 48, joined the Company in July 1997, is the Manager of the Internal Audit Department of the Company. He graduated from the Brigham Young University, United States of America, majoring in Accounting and has over 23 years of banking and corporate working experience.

**Ms. WAI Ching Sum**, aged 33, joined the Company in February 1999, is the Company Secretary of the Company. She is a qualified chartered secretary designated as ACIS, ACS and holds a Master of Science Degree in Financial Economics issued by University of London, England. Before joining the Company, she had been the Company Secretary of other listed companies in Hong Kong.

**Mr. DONG Weiguo**, aged 31, joined the Company in January 2000, is the Deputy Manager of Administration and Human Resources Department. He graduated from Renmin University of China in 1992 and joined COSCO in the same year. He worked for the Executive Division of COSCO, COSCO (Hong Kong) and COSCO (H.K.) Property Development Limited. He has extensive experience in administration and human resource management.



羅兵咸永道會計師事務所

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**AUDITORS' REPORT TO THE SHAREHOLDERS OF  
COSCO INTERNATIONAL HOLDINGS LIMITED**  
*(incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 26 to 66 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 the financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

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

### OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 30th March, 2001

# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2000

	Note	<b>2000</b> <b>HK\$'000</b>	1999 HK\$'000
TURNOVER	2	<b>1,472,577</b>	1,986,181
Cost of sales		<b>(1,292,321)</b>	(1,836,634)
Gross profit		<b>180,256</b>	149,547
Other revenues	2	<b>20,794</b>	27,091
Other operating income		<b>4,656</b>	7,363
Administrative expenses		<b>(72,524)</b>	(56,868)
Other operating expenses		<b>(17,285)</b>	(26,584)
OPERATING PROFIT	3	<b>115,897</b>	100,549
Finance costs	4	<b>(78,636)</b>	(79,812)
Share of results of associated companies		<b>(1,287)</b>	(864)
Share of results of a jointly controlled entity		<b>(2,063)</b>	-
PROFIT BEFORE TAXATION		<b>33,911</b>	19,873
Taxation	5	<b>(1,966)</b>	(149)
PROFIT AFTER TAXATION		<b>31,945</b>	19,724
Minority interests		<b>(1,748)</b>	(2,628)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	6 & 23	<b>30,197</b>	17,096
EARNINGS PER SHARE	7		
BASIC		<b>2.19 cents</b>	1.25 cents
FULLY DILUTED		<b>2.18 cents</b>	1.23 cents

# CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER, 2000

	Note	2000 HK\$'000	1999 HK\$'000
FIXED ASSETS	9	<b>1,451,694</b>	1,479,051
ASSOCIATED COMPANIES	11	<b>6,296</b>	9,041
JOINTLY CONTROLLED ENTITY	12	<b>3,795</b>	-
FIXED RETURN JOINT VENTURE	13	<b>326,344</b>	407,372
INVESTMENT SECURITIES	14	<b>228,781</b>	215,673
OTHER NON-CURRENT ASSET	19	<b>92,709</b>	55,980
CURRENT ASSETS			
Properties under development for sale	15	<b>1,351,541</b>	934,041
Trade and other receivables	16	<b>343,161</b>	398,630
Other investments	18	<b>10,979</b>	41,019
Cash and bank balances	19	<b>369,820</b>	388,572
		<b>2,075,501</b>	1,762,262
CURRENT LIABILITIES			
Trade and other payables	20	<b>434,860</b>	552,335
Current portion of long-term bank loans	24	<b>897,290</b>	45,667
Taxation		<b>5,679</b>	4,047
Bank loan, unsecured	21	<b>71,000</b>	241,000
		<b>1,408,829</b>	843,049
NET CURRENT ASSETS		<b>666,672</b>	919,213
		<b>2,776,291</b>	3,086,330
Financed by:			
SHARE CAPITAL	22	<b>138,196</b>	137,997
RESERVES	23	<b>1,564,469</b>	1,532,274
SHAREHOLDERS' FUNDS		<b>1,702,665</b>	1,670,271
LONG-TERM BANK LOANS	24	<b>1,027,416</b>	1,391,682
MINORITY INTERESTS		<b>46,210</b>	24,377
		<b>2,776,291</b>	3,086,330

Kwong Che Keung, Gordon  
Managing Director

Dong Shu Sen  
Executive Deputy Managing Director

# BALANCE SHEET

AS AT 31ST DECEMBER, 2000

	Note	<b>2000</b> <b>HK\$'000</b>	1999 HK\$'000
FIXED ASSETS	9	<b>4,860</b>	7,000
SUBSIDIARIES	10	<b>2,454,736</b>	2,299,467
INVESTMENT SECURITIES	14	<b>20,684</b>	20,684
CURRENT ASSETS			
Other receivables	16	<b>22,124</b>	5,648
Other investments	18	<b>279</b>	11,019
Cash and bank balances	19	<b>10,008</b>	86,709
		<b>32,411</b>	103,376
CURRENT LIABILITIES			
Other payables	20	<b>4,646</b>	6,291
Current portion of long-term bank loans	24	<b>20,000</b>	-
Taxation		<b>1,264</b>	1,264
		<b>25,910</b>	7,555
NET CURRENT ASSETS		<b>6,501</b>	95,821
		<b>2,486,781</b>	2,422,972
Financed by:			
SHARE CAPITAL	22	<b>138,196</b>	137,997
RESERVES	23	<b>1,516,585</b>	1,510,125
SHAREHOLDERS' FUNDS		<b>1,654,781</b>	1,648,122
LONG-TERM BANK LOANS	24	<b>832,000</b>	774,850
		<b>2,486,781</b>	2,422,972

Kwong Che Keung, Gordon  
Managing Director

Dong Shu Sen  
Executive Deputy Managing Director

CONSOLIDATED  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31ST DECEMBER, 2000

	2000	1999
Note	<b>HK\$'000</b>	HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	<b>(275,639)</b>	(170,817)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	<b>14,358</b>	25,585
Interest paid	<b>(140,032)</b>	(116,626)
Dividend received	<b>2,092</b>	1,418
Income from investment in a fixed return joint venture received	<b>96,803</b>	128,778
NET CASH (OUTFLOW)/INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	<b>(26,779)</b>	39,155
TAXATION		
Hong Kong profits tax paid	-	(133)
Overseas profits tax paid	<b>(334)</b>	-
TAX PAID	<b>(334)</b>	(133)
INVESTING ACTIVITIES		
Purchase of fixed assets	<b>(2,166)</b>	(6,609)
Proceeds from disposal of fixed assets	<b>764</b>	-
Repayment from/(advances to) associated companies	<b>1,394</b>	(2,920)
Advances to a jointly controlled entity	<b>(1,060)</b>	-
Increase in restricted bank deposits and bank deposits with maturity after three months from the date of placement	<b>(105,793)</b>	(59,854)
Investment in a jointly controlled entity	<b>(4,798)</b>	-
Purchase of investment securities	<b>(13,108)</b>	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<b>(124,767)</b>	(69,383)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES	<b>(427,519)</b>	(201,178)
- Carried forward	<b>(427,519)</b>	(201,178)

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2000

	Note	<b>2000</b> <b>HK\$'000</b>	1999 HK\$'000
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES			
- Brought forward		<u><b>(427,519)</b></u>	<u>(201,178)</u>
FINANCING ACTIVITIES			
Issue of shares upon the exercise of warrants		<b>1,426</b>	6,872
Drawdown of bank loans		<b>619,207</b>	206,499
Repayment of bank loans		<b>(301,850)</b>	(40,679)
Loan from an intermediate holding company		-	(247,556)
Contribution by minority shareholders		<b>19,907</b>	-
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	26(b)	<u><b>338,690</b></u>	<u>(74,864)</u>
DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		<b>384,698</b>	660,153
Changes in exchange rates		<b>1,013</b>	587
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><b>296,882</b></u>	<u>384,698</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	<b>462,529</b>	444,552
Restricted bank deposits and bank deposits with maturity after three months from the date of placement		<u><b>(165,647)</b></u>	<u>(59,854)</u>
		<u><b>296,882</b></u>	<u>384,698</u>

CONSOLIDATED STATEMENT OF  
 RECOGNISED GAINS AND LOSSES  
 FOR THE YEAR ENDED 31ST DECEMBER, 2000

	<i>Note</i>	<b>2000</b> <b>HK\$'000</b>	1999 <i>HK\$'000</i>
Exchange differences arising on translation of subsidiaries	23	<u><b>771</b></u>	<u>635</u>
GAINS NOT RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT		<b>771</b>	635
Profit for the year	23	<u><b>30,197</b></u>	<u>17,096</u>
TOTAL RECOGNISED GAINS		<u><b>30,968</b></u>	<u>17,731</u>

## 1. PRINCIPAL ACCOUNTING POLICIES

### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. A summary of the principal accounting policies adopted by the Group is set out below.

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

The measurement basis used in the preparation of the financial statements is historical cost as modified by the revaluation of investment properties and other investments.

### (c) Basis of consolidation

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

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

The gain or loss on the disposal of subsidiaries represents the difference between the proceeds of the sale and the Group's share of their net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated income statement.

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

### (d) 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. In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision, if necessary, for any diminution in value other than temporary in nature.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

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

### (e) Associated companies

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

The consolidated income statement includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies.

### (f) Joint ventures

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

#### (i) *Jointly controlled entity*

The consolidated income statement includes the Group's share of the results of a jointly controlled entity for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entity.

#### (ii) *Fixed return joint venture*

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

### (g) Capital reserve or goodwill on consolidation

Capital reserve or goodwill arising on consolidation represents the excess or deficit, respectively, of the fair value of the separable net assets of the subsidiaries, associated companies and jointly controlled entities at the respective acquisition dates over the value of the considerations paid. Capital reserve or goodwill on consolidation is taken directly to reserves in the year of acquisition. On disposal of a subsidiary, an associated company and a jointly controlled entity, the attributable amount of capital reserve or goodwill is included in the calculation of the profit or loss on disposal.

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

### (h) Properties

#### (i) *Investment properties*

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

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

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

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

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

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

The carrying amounts of leasehold land and buildings are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have been discounted in determining the recoverable amount.

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

### (h) Properties (Cont'd)

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

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

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

### (i) Other fixed assets

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

Machinery	16 2/3%
Equipment and motor vehicles	20% – 33 1/3%
Leasehold improvements	20% – 33 1/3%
Furniture and fixtures	20% – 33 1/3%

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

The carrying amounts of other fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have been discounted in determining the recoverable amount.

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

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

### (j) Investments in securities

#### (i) *Held-to-maturity securities*

Held-to-maturity securities are stated in the balance sheet at cost plus/less any discount/premium amortised to date. The discount or premium is amortised over the period to maturity and included as interest income/expense in the income statement.

The carrying amounts of individual held-to-maturity securities are reviewed at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognised in the income statement.

#### (ii) *Investment securities*

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

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

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

#### (iii) *Other investments*

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

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

### (k) Construction contracts in progress

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

The accounting policy for recognition of revenue from construction contracts is set out in note 1(q)(i).

### (l) Assets under 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 net of any incentives received from the lessors are charged to the income statement on a straight-line basis over the lease term.

### (m) Deferred taxation

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

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

### (n) Translation of foreign currencies

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

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

### (o) Borrowing costs

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

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

### (p) Pensions and retirement benefits

Prior to December 2000, the Group operated a defined contribution scheme which was available to certain employees in Hong Kong. Under this scheme, eligible employees of the Group were required to make contributions to the scheme calculated at 5% of the individual employee's monthly basic salaries. The Group's contributions were 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 were 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 were held separately from those of the Group in independently administered funds.

Following the adoption of the Mandatory Provident Fund ("MPF") Scheme in December 2000, the Group terminated the defined contribution retirement scheme and all staff employed in Hong Kong joined the MPF Scheme with effect from December 2000. The adoption has no material effect on the profit attributable to shareholders and the shareholders' funds of the Group and the Company for the year ended and as at 31st December, 2000.

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

### (q) Revenue recognition

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

#### (i) Construction contracts

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

#### (ii) Sale of properties

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

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

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

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

#### (iii) Income from investment in a fixed return joint venture

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

#### (iv) Rental income

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

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

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

#### (v) Interest income

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

#### (vi) Dividend income

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

## 2. TURNOVER, REVENUES AND SEGMENTAL INFORMATION

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

	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Turnover		
Building construction	<b>1,203,073</b>	1,791,590
Sale of properties	<b>84,705</b>	-
Income from investment in a fixed return joint venture	<b>119,808</b>	128,778
Gross rental income	<b>64,991</b>	65,813
	<b>1,472,577</b>	1,986,181
Other revenues		
Interest income	<b>18,702</b>	25,673
Dividend income from listed investments	<b>2,092</b>	1,418
	<b>20,794</b>	27,091
Total revenues	<b>1,493,371</b>	2,013,272

## 2. TURNOVER, REVENUES AND SEGMENTAL INFORMATION (Cont'd)

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

	Turnover		Contribution to operating profit	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Principal activities:				
Building construction	<b>1,203,073</b>	1,791,590	<b>30,711</b>	(5,469)
Property development	<b>84,705</b>	–	<b>6,088</b>	–
Infrastructure investment	<b>119,808</b>	128,778	<b>38,299</b>	63,002
Property investment	<b>64,991</b>	65,813	<b>40,799</b>	43,016
	<b>1,472,577</b>	1,986,181	<b>115,897</b>	100,549
Principal markets:				
Hong Kong	<b>1,266,526</b>	1,851,520	<b>76,965</b>	43,523
Mainland China	<b>206,051</b>	131,373	<b>38,932</b>	64,865
Singapore	–	3,288	–	(7,839)
	<b>1,472,577</b>	1,986,181	<b>115,897</b>	100,549

## 3. OPERATING PROFIT

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

	2000 HK\$'000	1999 HK\$'000
Crediting:		
Write-back of deficit on revaluation of investment properties	<b>4,000</b>	–
Net rental income (note (a))	<b>63,637</b>	64,144
Net realised and unrealised gains on other investments	<b>4,269</b>	3,591
Charging:		
Depreciation (note (b))	<b>27,812</b>	26,162
Operating lease rental expense (note (c))	<b>190</b>	211
Auditors' remuneration		
Provision for the year	<b>1,040</b>	946
Under-provision in prior year	<b>34</b>	–
Amortisation of the investment cost of a fixed return joint venture (note 13)	<b>81,028</b>	64,687
Loss on disposal/write-off of fixed assets	<b>755</b>	592
Staff costs (note (d))	<b>33,384</b>	38,337
Deficit on revaluation of investment properties	–	6,743
Provision for potential claim on certain construction contracts	<b>16,546</b>	19,249

# NOTES TO THE FINANCIAL STATEMENTS

## 3. OPERATING PROFIT (Cont'd)

(a) Net rental income	<b>2000</b>	1999
	<b>HK\$'000</b>	<i>HK\$'000</i>
Gross rental income from		
Investment properties	<b>24,877</b>	26,027
Leasehold land and buildings	<b>40,114</b>	39,786
	<b>64,991</b>	65,813
Outgoings	<b>(1,354)</b>	(1,669)
	<b>63,637</b>	64,144
(b) Depreciation	<b>2000</b>	1999
	<b>HK\$'000</b>	<i>HK\$'000</i>
Charge for the year	<b>32,004</b>	32,062
Capitalised in construction contracts in progress	<b>(4,192)</b>	(5,900)
	<b>27,812</b>	26,162
(c) Operating lease rental expense	<b>2000</b>	1999
	<b>HK\$'000</b>	<i>HK\$'000</i>
Land and buildings	<b>190</b>	467
Plant and machinery	<b>17,461</b>	4,366
	<b>17,651</b>	4,833
Capitalised in construction contracts in progress	<b>(15,319)</b>	(3,157)
Capitalised in properties under development for sale	<b>(2,142)</b>	(1,465)
	<b>190</b>	211
(d) Staff costs	<b>2000</b>	1999
	<b>HK\$'000</b>	<i>HK\$'000</i>
Staff costs	<b>86,275</b>	91,423
Capitalised in construction contracts in progress	<b>(40,557)</b>	(43,355)
Capitalised in properties under development for sale	<b>(12,334)</b>	(9,731)
	<b>33,384</b>	38,337

## 3. OPERATING PROFIT (Cont'd)

The staff costs include the Group's contribution of HK\$435,000 to the Group's employee retirement scheme (1999: HK\$301,000 after offsetting forfeited contributions of HK\$47,000).

## 4. FINANCE COSTS

	<b>2000</b> <b>HK\$'000</b>	1999 HK\$'000
Interest on bank loans wholly repayable within five years	<b>135,155</b>	113,601
Interest on loan from an intermediate holding company	–	2,700
Other borrowing costs	<b>7,202</b>	6,940
	<b>142,357</b>	123,241
Capitalised in construction contracts in progress	<b>(140)</b>	(2,496)
Capitalised in properties under development for sale	<b>(63,581)</b>	(40,933)
	<b>78,636</b>	79,812

## 5. TAXATION

No Hong Kong profits tax has been provided as there is no estimated assessable profit for the year (1999: Nil).

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

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

	<b>2000</b> <b>HK\$'000</b>	1999 HK\$'000
Company and subsidiaries		
Provision for the year – Mainland China	<b>1,966</b>	149

# NOTES TO THE FINANCIAL STATEMENTS

## 6. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the financial statements of the Company to the extent of HK\$5,233,000 (1999: loss of HK\$1,739,000).

## 7. EARNINGS PER SHARE

The calculation of basic and fully diluted earnings per share is based on the Group's profit attributable to shareholders of HK\$30,197,000 (1999: HK\$17,096,000).

The basic earnings per share is based on the weighted average number of 1,381,659,132 (1999: 1,371,198,122) shares in issue during the year.

The fully diluted earnings per share is based on 1,387,092,179 (1999: 1,394,544,593) shares which is the weighted average number of shares in issue during the year plus the weighted average of 5,433,047 (1999: 23,346,471) shares deemed to be issued at no consideration if all outstanding share options (1999: warrants) had been exercised.

## 8. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

### (a) Directors' emoluments

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

	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Fees	<b>310</b>	370
Salaries and other emoluments	<b>7,550</b>	8,040
	<b>7,860</b>	8,410

Emoluments paid and payable to independent non-executive directors of the Company amounted to HK\$310,000 (1999: HK\$370,000) during the year.

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

Emoluments bands	Number	
	<b>2000</b>	1999
HK\$Nil – HK\$1,000,000	<b>9</b>	10
HK\$1,000,001 – HK\$1,500,000	<b>2</b>	2
HK\$4,500,001 – HK\$5,000,000	<b>1</b>	1
	<b>12</b>	13

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

### (a) Directors' emoluments (Cont'd)

The above analysis includes three (1999: three) individuals whose emoluments were among the five highest in the Group.

### (b) Senior management

Details of the emoluments paid to the remaining two (1999: two) individuals whose emoluments were among the five highest in the Group and have not been included in the directors' emoluments mentioned above are as follows:

	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Salaries and other emoluments	<b><u>3,255</u></b>	<u>3,259</u>

The emoluments of the two (1999: two) individuals fell within the following bands:

	Number	
Emolument bands	<b>2000</b>	1999
HK\$1,000,001 – HK\$1,500,000	<b>1</b>	1
HK\$1,500,001 – HK\$2,000,000	<b>1</b>	–
HK\$2,000,001 – HK\$2,500,000	<b>–</b>	1
	<b><u>2</u></b>	<u>2</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 9. FIXED ASSETS

### Group

	Investment properties HK\$'000	Leasehold land and buildings HK\$'000	Machinery, equipment and motor vehicles HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Total HK\$'000
<b>Cost or valuation</b>						
At 1st January, 2000	427,000	1,055,965	59,795	9,868	7,779	1,560,407
Additions	-	-	2,166	-	-	2,166
Revaluation	4,000	-	-	-	-	4,000
Write-off	-	-	(1,340)	(2)	(1,964)	(3,306)
Disposals	-	-	(3,604)	-	(56)	(3,660)
At 31st December, 2000	<b>431,000</b>	<b>1,055,965</b>	<b>57,017</b>	<b>9,866</b>	<b>5,759</b>	<b>1,559,607</b>
<b>Accumulated depreciation</b>						
At 1st January, 2000	-	36,922	35,158	4,923	4,353	81,356
Charge for the year	-	21,119	7,818	1,722	1,345	32,004
Write-off	-	-	(1,340)	(2)	(1,446)	(2,788)
Disposals	-	-	(2,610)	-	(49)	(2,659)
At 31st December, 2000	<b>-</b>	<b>58,041</b>	<b>39,026</b>	<b>6,643</b>	<b>4,203</b>	<b>107,913</b>
<b>Net book value</b>						
At 31st December, 2000	<b>431,000</b>	<b>997,924</b>	<b>17,991</b>	<b>3,223</b>	<b>1,556</b>	<b>1,451,694</b>
At 31st December, 1999	427,000	1,019,043	24,637	4,945	3,426	1,479,051

An analysis of the cost or valuation at 31st December, 2000 of the above assets is as follows:

At cost	-	1,055,965	57,017	9,866	5,759	1,128,607
At 2000 professional valuation	431,000	-	-	-	-	431,000
	<b>431,000</b>	<b>1,055,965</b>	<b>57,017</b>	<b>9,866</b>	<b>5,759</b>	<b>1,559,607</b>

**9. FIXED ASSETS** (Cont'd)

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

	<b>2000</b> <b>HK\$'000</b>	1999 <i>HK\$'000</i>
In Hong Kong, held on leases of between 10 and 50 years	<b>1,460,965</b>	1,450,965
Outside Hong Kong, held on leases of over 50 years	<b>26,000</b>	32,000
	<b><u>1,486,965</u></b>	<u>1,482,965</u>

The investment properties were revalued at 31st December, 2000 on the basis of their open market value by an independent firm of surveyors, DTZ Debenham Tie Leung Limited.

As at 31st December, 2000, investment properties in Hong Kong of HK\$405,000,000 (1999: HK\$395,000,000) and leasehold land and buildings in Hong Kong of HK\$987,566,000 (1999: HK\$1,008,446,000) were pledged as securities to a bank in respect of certain banking facilities granted to the Group (*note 24*).

As at 31st December, 2000, the cost and accumulated depreciation of leasehold land and buildings leased to an intermediate holding company and certain fellow subsidiaries were HK\$891,410,000 (1999: HK\$891,410,000) and HK\$46,916,000 (1999: HK\$30,357,000) respectively.

**Company**

	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>
<b>Cost</b>				
At 1st January, 2000	3,122	7,203	1,111	11,436
Additions	<u>164</u>	<u>-</u>	<u>-</u>	<u>164</u>
At 31st December, 2000	<b><u>3,286</u></b>	<b><u>7,203</u></b>	<b><u>1,111</u></b>	<b><u>11,600</u></b>
<b>Accumulated depreciation</b>				
At 1st January, 2000	1,122	2,873	441	4,436
Charge for the year	<u>640</u>	<u>1,441</u>	<u>223</u>	<u>2,304</u>
At 31st December, 2000	<b><u>1,762</u></b>	<b><u>4,314</u></b>	<b><u>664</u></b>	<b><u>6,740</u></b>
<b>Net book value</b>				
At 31st December, 2000	<b><u>1,524</u></b>	<b><u>2,889</u></b>	<b><u>447</u></b>	<b><u>4,860</u></b>
At 31st December, 1999	<u>2,000</u>	<u>4,330</u>	<u>670</u>	<u>7,000</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 10. SUBSIDIARIES

	Company	
	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	-	-
Amounts due from	<b>3,518,761</b>	3,323,660
Amounts due to	<b>(121,169)</b>	(81,337)
	<b>3,397,592</b>	3,242,323
Provision for diminution in value	<b>(942,856)</b>	(942,856)
	<b>2,454,736</b>	2,299,467

Particulars of the principal subsidiaries which, in the opinion of the directors, affect the results and/or net assets of the Group at 31st December, 2000 are set out in note 30 to the financial statements.

## 11. ASSOCIATED COMPANIES

	Group	
	2000 HK\$'000	1999 HK\$'000
Share of net assets	<b>7,450</b>	8,805
Amounts due from associated companies, less provision	<b>4,924</b>	4,920
Amounts due to associated companies	<b>(6,078)</b>	(4,684)
	<b>6,296</b>	9,041

## 12. JOINTLY CONTROLLED ENTITY

	Group	
	2000 HK\$'000	1999 HK\$'000
Share of net assets	<b>2,735</b>	-
Amount due from a jointly controlled entity	<b>1,060</b>	-
	<b>3,795</b>	-

Particulars of the jointly controlled entity of the Group at 31st December, 2000 are set out as follows:

Name	Place of incorporation	Principal activities	Percentage of interest held
深圳艾科創新微電子有限公司	The People's Republic of China ("PRC")	Development and design of integrated circuit	51

**13. FIXED RETURN JOINT VENTURE**

	<b>2000</b>	Group 1999
	<b>HK\$'000</b>	HK\$'000
Cost		
At 1st January and 31st December	<b>634,454</b>	634,454
Accumulated amortisation		
At 1st January	<b>(227,082)</b>	(162,395)
Charge for the year	<b>(81,028)</b>	(64,687)
At 31st December	<b>(308,110)</b>	(227,082)
	<b>326,344</b>	407,372

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

Xinzhongyi was established on 23rd February, 1995 with a joint venture period of 20 years and commenced its operations in October 1995. Pursuant to the joint venture agreement dated 8th September, 1994 entered into by New Central with other joint venture partners (the "Xinzhongyi Contract"), New Central, up to 30th September, 2001, is entitled to receive 60% of the after tax profit of Xinzhongyi which is equal to or below RMB229.97 million; all profit exceeding such amount will be attributable to the PRC joint venture partner. From 1st October, 2001 to the end of the joint venture period, New Central will receive 30% of the after tax profit of Xinzhongyi which is equal to or below RMB160 million; all profit exceeding such amount will be shared amongst all of the joint venture partners in accordance with their respective proportional interests in the registered capital of Xinzhongyi.

## 13. FIXED RETURN JOINT VENTURE (Cont'd)

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

COSCO (Hong Kong) Group Limited ("COSCO (Hong Kong)"), an intermediate holding company of the Company, and COSCO Industrial Investments Limited, a fellow subsidiary of the Company, have jointly and severally undertaken and guaranteed, unconditionally and irrevocably, to the Group that the return of New Central from Xinzhongyi within the period from 1st January, 1998 to 30th September, 2001 will not be less than 16% per annum on the consideration of HK\$545,000,000 paid by the Group in 1998.

## 14. INVESTMENT SECURITIES

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Listed equity securities in Hong Kong, at cost	<b>519,456</b>	514,123	<b>20,684</b>	20,684
Listed held-to-maturity debt securities outside Hong Kong, at cost	<b>1,550</b>	1,550	-	-
	<b>521,006</b>	515,673	<b>20,684</b>	20,684
Unlisted equity securities, at cost (note 29(b))	<b>7,775</b>	-	-	-
	<b>528,781</b>	515,673	<b>20,684</b>	20,684
Provision for diminution in value	<b>(300,000)</b>	(300,000)	-	-
	<b>228,781</b>	215,673	<b>20,684</b>	20,684
Market value of listed securities	<b>39,452</b>	49,495	<b>10,664</b>	10,148

**15. PROPERTIES UNDER DEVELOPMENT FOR SALE**

	Group	
	2000 HK\$'000	1999 HK\$'000
Cost plus recognised profits less provision for foreseeable losses	<b>1,430,161</b>	936,060
Sales instalments received	<b>(78,620)</b>	(2,019)
	<b><u>1,351,541</u></b>	<u>934,041</u>

Included in properties under development for sale are properties amounting to HK\$1,045,545,000 (1999: HK\$704,578,000) which are pledged as securities to banks in respect of certain banking facilities granted to the Group (note 24).

**16. TRADE AND OTHER RECEIVABLES**

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Net amounts due from customers for contract work (note 17)	<b>3,742</b>	2,368	-	-
Amounts due from fellow subsidiaries	<b>10,072</b>	9,608	<b>32</b>	-
Trade receivables	<b>163,619</b>	260,198	-	-
Retention receivables	<b>72,397</b>	90,729	-	-
Deposits, prepayments and other receivables	<b>93,331</b>	35,727	<b>22,092</b>	5,648
	<b><u>343,161</u></b>	<u>398,630</u>	<b><u>22,124</u></b>	<u>5,648</u>

For construction services, interim application for progress payments of construction contracts are normally on a monthly basis and settled within one month, with retention monies withheld but released on the issuance of relevant maintenance certification. For receivable from a fixed return joint venture, investment income is receivable according to the terms of the joint venture contract.

# NOTES TO THE FINANCIAL STATEMENTS

## 16. TRADE AND OTHER RECEIVABLES (Cont'd)

As at 31st December, 2000, the ageing analysis of the trade receivables was as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Current – 90 days	106,583	225,121
91–180 days	27,599	1,158
Over 180 days	29,437	33,919
	<b>163,619</b>	<b>260,198</b>

## 17. CONSTRUCTION CONTRACTS IN PROGRESS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Contract costs incurred to date plus recognised profits less recognised losses to date	4,352,761	3,151,732
Progress billings received and receivable	(4,459,457)	(3,296,579)
	<b>(106,696)</b>	<b>(144,847)</b>
Represented by:		
Net amounts due from customers for contract work included in trade and other receivables	3,742	2,368
Net amounts due to customers for contract work included in trade and other payables	(110,438)	(147,215)
	<b>(106,696)</b>	<b>(144,847)</b>

## 18. OTHER INVESTMENTS

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity securities, listed				
in Hong Kong	10,979	30,000	279	–
in Mainland China	–	11,019	–	11,019
	<b>10,979</b>	<b>41,019</b>	<b>279</b>	<b>11,019</b>
Market value of listed investments	<b>10,979</b>	<b>41,019</b>	<b>279</b>	<b>11,019</b>

**19. CASH AND BANK BALANCES**

	Group		Company	
	<b>2000</b> <b>HK\$'000</b>	1999 HK\$'000	<b>2000</b> <b>HK\$'000</b>	1999 HK\$'000
Cash and bank balances	<b>462,529</b>	444,552	<b>10,008</b>	86,709
Restricted bank deposits	<b>(92,709)</b>	(55,980)	–	–
	<b>369,820</b>	388,572	<b>10,008</b>	86,709

The Group's bank deposits of approximately HK\$92,709,000 (1999: HK\$55,980,000) are restricted for the purpose of a long-term banking facility granted to the Group (note 24).

**20. TRADE AND OTHER PAYABLES**

	Group		Company	
	<b>2000</b> <b>HK\$'000</b>	1999 HK\$'000	<b>2000</b> <b>HK\$'000</b>	1999 HK\$'000
Net amounts due to customers for contract work (note 17)	<b>110,438</b>	147,215	–	–
Trade payables	<b>275,767</b>	370,882	–	–
Accrued liabilities and other payables	<b>48,557</b>	34,195	<b>4,646</b>	6,291
Amounts due to fellow subsidiaries	<b>98</b>	43	–	–
	<b>434,860</b>	552,335	<b>4,646</b>	6,291

As at 31st December, 2000, the ageing analysis of the trade payables was as follows:

	Group	
	<b>2000</b> <b>HK\$'000</b>	1999 HK\$'000
Current – 90 days	<b>221,316</b>	329,483
91 – 180 days	<b>14,583</b>	6,704
Over 180 days	<b>39,868</b>	34,695
	<b>275,767</b>	370,882

# NOTES TO THE FINANCIAL STATEMENTS

## 21. BANK LOAN, UNSECURED

As at 31st December, 2000, bank loan of HK\$71,000,000 (1999: HK\$241,000,000) was guaranteed by COSCO (Hong Kong), an intermediate holding company.

## 22. SHARE CAPITAL

	2000		1999	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
Shares of HK\$0.10 each	<b>3,000,000,000</b>	<b>300,000</b>	3,000,000,000	300,000
Issued and fully paid:				
Shares of HK\$0.10 each:				
At 1st January	<b>1,379,978,911</b>	<b>137,997</b>	1,370,434,591	137,043
Issue of shares upon the exercise of warrants	<b>1,980,380</b>	<b>199</b>	9,544,320	954
At 31st December	<b>1,381,959,291</b>	<b>138,196</b>	1,379,978,911	137,997

During the year, warrants of HK\$1,425,874 were exercised to subscribe for 1,980,380 shares (at an subscription price HK\$0.72 per share) of the Company. Subscription rights attaching to the warrants were expired on 4th July, 2000.

Under the terms of the Company's share option scheme approved by the shareholders on 17th January, 1992, the directors of the Company may at its discretion invite employees, including directors, of the Company and its subsidiaries to take up options to subscribe for shares of the Company. At 20th March, 2000, share options carrying rights to subscribe for 37,400,000 shares of the Company at an exercise price of HK\$0.656 per share exercisable at any time between 20th March, 2001 and 16th January, 2002 were granted to certain employees and directors of the Company and its subsidiaries. During the year, share options carrying rights to subscribe for 4,350,000 shares lapsed. At 31st December, 2000, the Company had outstanding share options carrying rights to subscribe for 33,050,000 shares of the Company.

**23. RESERVES**

Group	Share premium account HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st January, 1999	2,342,497	56,683	(3,069)	(887,486)	1,508,625
Exchange differences	-	-	635	-	635
Premium on issue of shares upon the exercise of warrants	5,918	-	-	-	5,918
Profit for the year (note (a))	-	-	-	17,096	17,096
At 31st December, 1999	<u>2,348,415</u>	<u>56,683</u>	<u>(2,434)</u>	<u>(870,390)</u>	<u>1,532,274</u>
Company and subsidiaries	2,348,415	56,683	(2,434)	(862,645)	1,540,019
Associated companies	-	-	-	(7,745)	(7,745)
	<u>2,348,415</u>	<u>56,683</u>	<u>(2,434)</u>	<u>(870,390)</u>	<u>1,532,274</u>
At 1st January, 2000	<b>2,348,415</b>	<b>56,683</b>	<b>(2,434)</b>	<b>(870,390)</b>	<b>1,532,274</b>
Exchange differences	-	-	771	-	771
Premium on issue of shares upon the exercise of warrants	<b>1,227</b>	-	-	-	<b>1,227</b>
Profit for the year (note (a))	-	-	-	<b>30,197</b>	<b>30,197</b>
At 31st December, 2000	<u><b>2,349,642</b></u>	<u><b>56,683</b></u>	<u><b>(1,663)</b></u>	<u><b>(840,193)</b></u>	<u><b>1,564,469</b></u>
Company and subsidiaries	<b>2,349,642</b>	<b>56,683</b>	<b>(1,663)</b>	<b>(829,098)</b>	<b>1,575,564</b>
Associated companies	-	-	-	<b>(9,032)</b>	<b>(9,032)</b>
Jointly controlled entity	-	-	-	<b>(2,063)</b>	<b>(2,063)</b>
	<u><b>2,349,642</b></u>	<u><b>56,683</b></u>	<u><b>(1,663)</b></u>	<u><b>(840,193)</b></u>	<u><b>1,564,469</b></u>

# NOTES TO THE FINANCIAL STATEMENTS

## 23. RESERVES (Cont'd)

### Company

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 1999	2,342,497	83,770	(920,321)	1,505,946
Premium on issue of shares upon the exercise of warrants	5,918	-	-	5,918
Loss for the year	-	-	(1,739)	(1,739)
	<u>2,348,415</u>	<u>83,770</u>	<u>(922,060)</u>	<u>1,510,125</u>
At 31st December, 1999				
At 1st January, 2000	<b>2,348,415</b>	<b>83,770</b>	<b>(922,060)</b>	<b>1,510,125</b>
Premium on issue of shares upon the exercise of warrants	<b>1,227</b>	-	-	<b>1,227</b>
Profit for the year	-	-	<b>5,233</b>	<b>5,233</b>
	<u>2,349,642</u>	<u>83,770</u>	<u>(916,827)</u>	<u>1,516,585</u>
At 31st December, 2000				

- (a) Profit for the year of HK\$30,197,000 (1999: HK\$17,096,000) includes a loss of HK\$3,350,000 (1999: HK\$864,000) attributable to associated companies and a jointly controlled entity.
- (b) The contributed surplus of the Company arose in 1992 when the Company issued shares in exchange for the shares of companies being acquired, and represents the difference between the nominal value of the Company's shares issued and the value of net assets of the companies then acquired.
- (c) 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, 2000.

**24. LONG-TERM BANK LOANS**

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Bank loans				
Secured	<b>1,735,916</b>	1,378,349	<b>702,000</b>	774,850
Unsecured	<b>188,790</b>	59,000	<b>150,000</b>	-
	<b>1,924,706</b>	1,437,349	<b>852,000</b>	774,850
Amount repayable within one year included in current liabilities	<b>(897,290)</b>	(45,667)	<b>(20,000)</b>	-
	<b>1,027,416</b>	1,391,682	<b>832,000</b>	774,850

The bank loans are repayable as follows:

Within one year	<b>897,290</b>	45,667	<b>20,000</b>	-
In the second year	<b>245,416</b>	1,391,682	<b>50,000</b>	774,850
In the third to fifth year	<b>80,000</b>	-	<b>80,000</b>	-
After the fifth year	<b>702,000</b>	-	<b>702,000</b>	-
	<b>1,924,706</b>	1,437,349	<b>852,000</b>	774,850

In addition to certain of the Group's properties and deposits pledged as securities to long-term bank loans as described in notes 9, 15 and 19 to the financial statements, the Group's long-term bank loans of HK\$195,416,000 (1999: HK\$117,999,000), HK\$1,710,500,000 (1999: HK\$1,319,350,000) and HK\$18,790,000 (1999: Nil) are guaranteed by China Ocean Shipping (Group) Company, the ultimate holding company, COSCO (Hong Kong), an intermediate holding company, and a minority shareholder of a subsidiary, respectively.

The Company's bank loans of HK\$852,000,000 (1999: HK\$774,850,000) are guaranteed by COSCO (Hong Kong).

Subsequent to the balance sheet date, the Company has agreed with the relevant bank to replace a long-term bank loan of approximately HK\$702,000,000 with a five-year term bank loan of approximately HK\$780,000,000. The new bank loan is repayable in full in 2006. Accordingly, the bank loan of approximately HK\$702,000,000 as at 31st December, 2000 was classified under long-term bank loan repayable after the fifth year.

# NOTES TO THE FINANCIAL STATEMENTS

## 25. DEFERRED TAXATION

The potential deferred taxation as at 31st December, 2000 not provided for in the financial statements amounted to:

	<b>2000</b>	Group 1999
	<b>HK\$'000</b>	HK\$'000
Tax losses	<b>(41,029)</b>	(58,576)
Accelerated depreciation allowances	<b>7,865</b>	5,683
	<b>(33,164)</b>	(52,893)

## 26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Profit before taxation	<b>33,911</b>	19,873
(Write-back of deficit)/deficit on revaluation of investment properties	<b>(4,000)</b>	6,743
Share of results of associated companies	<b>1,287</b>	864
Share of results of a jointly controlled entity	<b>2,063</b>	-
Finance costs, net of amount capitalised	<b>78,636</b>	79,812
Interest income	<b>(18,702)</b>	(25,673)
Depreciation of fixed assets, net of amount capitalised	<b>27,812</b>	26,162
Amortisation of investment in a fixed return joint venture	<b>81,028</b>	64,687
Loss on disposal/write-off of fixed assets	<b>755</b>	592
Dividend income	<b>(2,092)</b>	(1,418)
Income from a fixed return joint venture	<b>(119,808)</b>	(128,778)
Increase in properties under development for sale	<b>(353,919)</b>	(282,957)
(Increase)/decrease in construction contracts in progress	<b>(33,819)</b>	90,793
Decrease/(increase) in trade receivables, retention receivables, deposits, prepayments and other receivables	<b>84,656</b>	(69,396)
Decrease/(increase) in other investments	<b>30,040</b>	(10,365)
(Decrease)/increase in trade payables, accrued liabilities and other payables	<b>(83,078)</b>	65,604
Increase in amounts due from fellow subsidiaries	<b>(464)</b>	(6,622)
Increase/(decrease) in amounts due to fellow subsidiaries	<b>55</b>	(738)
Net cash outflow from operating activities	<b>(275,639)</b>	(170,817)

**26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)**

(b) Analysis of changes in financing during the year

	Share capital and premium <i>HK\$'000</i>	Loan from an intermediate holding company <i>HK\$'000</i>	Bank loans <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 1999	2,479,540	247,556	1,512,529	21,788	4,261,413
Net cash inflow/(outflow) from financing activities	6,872	(247,556)	165,820	-	(74,864)
Changes in exchange rates	-	-	-	(39)	(39)
Minority's share of profit for the year	-	-	-	2,628	2,628
At 31st December, 1999	<u>2,486,412</u>	<u>-</u>	<u>1,678,349</u>	<u>24,377</u>	<u>4,189,138</u>
At 1st January, 2000	<b>2,486,412</b>	<b>-</b>	<b>1,678,349</b>	<b>24,377</b>	<b>4,189,138</b>
Net cash inflow from financing activities	<b>1,426</b>	<b>-</b>	<b>317,357</b>	<b>19,907</b>	<b>338,690</b>
Changes in exchange rates	-	-	-	<b>178</b>	<b>178</b>
Minority's share of profit for the year	-	-	-	<b>1,748</b>	<b>1,748</b>
At 31st December, 2000	<u><b>2,487,838</b></u>	<u><b>-</b></u>	<u><b>1,995,706</b></u>	<u><b>46,210</b></u>	<u><b>4,529,754</b></u>

# NOTES TO THE FINANCIAL STATEMENTS

## 27. OPERATING LEASE COMMITMENTS

At 31st December, the Group and the Company had commitments to make payments in the next twelve months under operating leases which expire as follows:

	Group		Company	
	<b>2000</b> <b>HK\$'000</b>	1999 HK\$'000	<b>2000</b> <b>HK\$'000</b>	1999 HK\$'000
Land and buildings				
Within one year	-	-	<b>4,947</b>	5,556
In the second to fifth years inclusive	<b>167</b>	167	-	-
	<b>167</b>	167	<b>4,947</b>	5,556

## 28. CONTINGENCIES

	Group		Company	
	<b>2000</b> <b>HK\$'000</b>	1999 HK\$'000	<b>2000</b> <b>HK\$'000</b>	1999 HK\$'000
Guarantees for banking facilities granted to subsidiaries	-	-	<b>893,000</b>	1,186,000
Performance bonds in respect of performance and completion of construction contracts	<b>63,037</b>	106,634	-	-

In addition, the Company has given a guarantee to indemnify Hong Kong Housing Authority ("HKHA") for claims against the HKHA in respect of the timely completion of a property development project undertaken by the Group.

## 29. RELATED PARTY TRANSACTIONS

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

	Group
	2000
	1999
	<b>HK\$'000</b>
	<i>HK\$'000</i>
Rental income received from	
An intermediate holding company <i>(note)</i>	<b>3,137</b>
Fellow subsidiaries <i>(note)</i>	<b>36,988</b>
Interest expense paid to an	
intermediate holding company	-
Purchase of building materials from an	
associated company	-
	<u>26,842</u>

*Note:*

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

- (b) In addition, on 18th April, 2000, Top Expert Enterprises Limited, a wholly-owned subsidiary of the Company, entered into an agreement to subscribe for 1,000,000 new shares of COSCO Network Limited, representing 0.91% interest in the enlarged issued share capital of COSCO Network Limited, at a consideration of US\$1,000,000 (equivalent to approximately HK\$7,775,000). COSCO Network Limited is a subsidiary of China Ocean Shipping (Group) Company, the ultimate holding company.

# NOTES TO THE FINANCIAL STATEMENTS

## 30. PRINCIPAL SUBSIDIARIES

Name	Place of incorporation	Particulars of issued/registered share capital	Percentage of interest held	Principal activities
<b>Operated in Hong Kong</b>				
99 Prove Finance Ltd.	British Virgin Islands	1 Ordinary share of US\$1	100	Property holding
Capital Properties Limited #	Hong Kong	2 Ordinary shares of HK\$1 each	100	Provision of nominee services
Cash In Hand Inc.	British Virgin Islands	1 Ordinary share of US\$1	100	Property investment
Century Metro Development Limited	Hong Kong	10,000 Ordinary shares of HK\$1 each	100	Property development
COSCO International Industry Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100	Investment holding
COSCO International Infrastructure Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100	Investment holding
COSCO International Land Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100	Investment holding
COSCO International Trade Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100	Investment holding
COSCO Project Management Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100	Investment holding
Globe Perfect Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100	Investment holding

**30. PRINCIPAL SUBSIDIARIES (Cont'd)**

Name	Place of incorporation	Particulars of issued/registered share capital	Percentage of interest held	Principal activities
Operated in Hong Kong (Cont'd)				
Gwee Brothers Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Property investment
Malayan Corporations Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Property investment
Shun Shing Construction & Engineering Company, Limited	Hong Kong	2,742,000 Ordinary shares of HK\$100 each 120,000 Non-voting deferred shares of HK\$100 each	100	Building construction, maintenance and civil engineering
Tian Lee Property Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Property holding
Top Expert Enterprises Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Investment holding
Velu Exports Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Property holding
Waily Development Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100	Investment holding
Wealth Nice Investment Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100	Property development
Wing Thye Holdings Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Property holding
Year Of The Rat Corp.	British Virgin Islands	1 Ordinary share of US\$1	100	Property holding

# NOTES TO THE FINANCIAL STATEMENTS

## 30. PRINCIPAL SUBSIDIARIES (Cont'd)

Name	Place of incorporation	Particulars of issued/registered share capital	Percentage of interest held	Principal activities
<b>Operated in the British Virgin Islands</b>				
Cash Rich Enterprises Limited	British Virgin Islands	10,000 Ordinary shares of US\$1 each	85.85	Investment holding
COSCO (B.V.I.) Holdings Limited #	British Virgin Islands	1 Ordinary share of US\$1	100	Investment holding
COSCO International Construction Limited	British Virgin Islands	100 Ordinary shares of US\$1 each	100	Investment holding
COSCO International High Technology Holdings Limited	British Virgin Islands	1 Ordinary share of US\$1 each	100	Investment holding
COSCO International Infrastructure (BVI) Holdings Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Investment holding
COSCO International Land (B.V.I.) Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Investment holding
Graceful Nice Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Investment holding
Modern Capital Investment Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Investment holding
Monoland Assets Limited	British Virgin Islands	2 Ordinary shares of US\$1 each	100	Investment holding
Raycle Match Development Ltd.	British Virgin Islands	1 Ordinary share of US\$1	100	Investment holding

**30. PRINCIPAL SUBSIDIARIES (Cont'd)**

Name	Place of incorporation	Particulars of issued/registered share capital	Percentage of interest held	Principal activities
<b>Operated in the British Virgin Islands (Cont'd)</b>				
Trinity Developments Limited	British Virgin Islands	1 Ordinary share of US\$1	100	Investment holding
Uppermost Corporation #	British Virgin Islands	1 Ordinary share of US\$1	100	Investment holding
<b>Operated in the PRC</b>				
New Central International Enterprises Co., Limited	Hong Kong	1,000,000 Ordinary shares of HK\$1 each	90	Investment holding
Shanghai COSCO Honour Property Development Ltd.	PRC	RMB232,238,926	85	Property development
Wellbase Holdings Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100	Property investment
Xiang Li Yuan (Shanghai) Property Management Co., Ltd.	PRC	US\$500,000	100	Property management

# shares held directly by the Company

## 31. ULTIMATE HOLDING COMPANY

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

## 32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 30th March, 2001.

### PROPERTIES UNDER DEVELOPMENT FOR SALE

	Description	Use	Approximate area	Stage of completion	Percentage of attributable interest to the Group
(1)	Aberdeen Inland Lot No. 435, Shum Wan Road, Hong Kong	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 319 units	Construction of superstructure	100
(2)	3 and 5 Mei Wo Circuit, Shatin Town Lot No. 217, Shatin, New Territories	Residential	Site area 1,307 sq.m. saleable area 542 sq.m. Car park 4 units	Occupation permit obtained awaiting certificate of compliance	100
(3)	Between Yuezhou Road, Hailaer Road, Tongzhou Road and Gaoyang Road at Hongkou District, Shanghai, the PRC	Residential, commercial and car parking spaces	Site area 35,000 sq.m. Estimated gross floor area 183,000 sq.m.	Phase One Section One: interior and installation  Phase One Section Two: Construction of superstructure	85

### INVESTMENT PROPERTIES

	Description	Use	Approximate area	Lease term	Percentage of attributable interest to the Group
(1)	39/F, 40/F and 42/F COSCO Tower, 183 Queen's Road Central, Hong Kong	Commercial	Gross floor area 6,158 sq.m.	From 25th June, 1997 to 30th June, 2047	100
(2)	Block 5, Kingswell Garden Lane 3887 Hong Mei Road, Shanghai, the PRC	Residential	2,592 sq.m.	From 26th December, 1996 to 4th June, 2065	100

# LIST OF MAJOR PROPERTIES

## LEASEHOLD LAND AND BUILDINGS

Description	Use	Approximate area	Lease term	Percentage of attributable interest to the Group
47/F-51/F COSCO Tower, 183 Queen's Road Central, Hong Kong	Commercial	Gross floor area 9,888 sq.m.	From 25th June, 1997 to 30th June, 2047	100

CONSOLIDATED RESULTS

	Year ended 31st December,			Sixteen months	Year ended
	2000	1999	1998	ended 31st	31st August,
	HK\$'000	HK\$'000	HK\$'000	December,	1996
				HK\$'000	HK\$'000
Turnover	<b>1,472,577</b>	1,986,181	801,307	1,314,792	819,257
Operating profit/(loss) after finance costs	<b>37,261</b>	20,737	(716,755)	605	(234,427)
Share of results of associated companies	<b>(1,287)</b>	(864)	4,590	883	(7,868)
Share of results of a jointly controlled entity	<b>(2,063)</b>	-	-	-	-
Profit/(loss) before taxation	<b>33,911</b>	19,873	(712,165)	1,488	(242,295)
Taxation	<b>(1,966)</b>	(149)	(1,075)	(2,076)	(929)
Profit/(loss) after taxation	<b>31,945</b>	19,724	(713,240)	(588)	(243,224)
Minority interests	<b>(1,748)</b>	(2,628)	(1,976)	108	431
Profit/(loss) attributable to shareholders	<b>30,197</b>	17,096	(715,216)	(480)	(242,793)

# FIVE-YEAR FINANCIAL SUMMARY

## CONSOLIDATED ASSETS AND LIABILITIES

	As at 31st December,				As at 31st
	<b>2000</b>	1999	1998	1997	August,
	<b>HK\$'000</b>	HK\$'000	HK\$'000	HK\$'000	1996
					HK\$'000
Fixed assets	<b>1,451,694</b>	1,479,051	1,511,839	51,093	41,522
Associated companies	<b>6,296</b>	9,041	6,978	71,244	72,219
Jointly controlled entity	<b>3,795</b>	-	-	-	-
Fixed return joint venture	<b>326,344</b>	407,372	472,059	-	-
Investment securities	<b>228,781</b>	215,673	240,259	623,587	-
Other non-current assets	<b>92,709</b>	55,980	-	20,894	21,600
Current assets	<b>2,075,501</b>	1,762,262	1,645,061	1,388,200	393,113
<b>TOTAL ASSETS</b>	<b>4,185,120</b>	3,929,379	3,876,196	2,155,018	528,454
Current liabilities	<b>1,408,829</b>	843,049	977,890	630,293	485,481
Long-term liabilities	<b>1,027,416</b>	1,391,682	1,230,850	395,815	39,497
Minority interests	<b>46,210</b>	24,377	21,788	8,234	8,323
<b>TOTAL LIABILITIES</b>	<b>2,482,455</b>	2,259,108	2,230,528	1,034,342	533,301
<b>NET ASSETS/(LIABILITIES)</b>	<b>1,702,665</b>	1,670,271	1,645,668	1,120,676	(4,847)

## PER SHARE DATA

	Year ended 31st December,				Sixteen months
	<b>2000</b>	1999	1998	1997	ended 31st
	<b>HK cents</b>	HK cents	HK cents	HK cents	December,
					Year ended
					31st August,
					1996
					HK cents
Earnings/(loss) per share	<b>2.19</b>	1.25	(55.00)	(0.05)	(30.11)
Net asset/(liability) value per share	<b>123.2</b>	121.04	120.08	101.86	(0.60)

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

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong on Friday, 18th May, 2001 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements for the year ended 31st December, 2000 together with the directors' report and the auditors' report thereon.
2. To re-elect the directors and to fix their remuneration.
3. To re-appoint auditors and to authorise the directors to fix their remuneration.
4. As special business, to consider and, if thought fit, to pass with or without amendments the following resolutions as ordinary resolutions of the Company:

### ORDINARY RESOLUTIONS

#### A. "THAT:

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

#### B. "THAT:

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

- (c) the aggregate nominal amount of the share capital of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) the exercise of the conversion rights attaching to any convertible securities issued by the Company; (ii) the exercise of warrants to subscribe for shares of the Company; (iii) the exercise of options granted under any share option scheme or similar arrangement for the time being adopted by the Company; (iv) an issue of shares of the Company in lieu of the whole or part of a dividend on shares of the Company in accordance with the Company's bye-laws; or (v) any offer of any class of shares of the Company for a period fixed by the directors of the Company and made pro rata (apart from fractional entitlements) by the Company to holders of such class of shares (excluding for that purpose any holder who is resident in a place where such offer is not permitted under the laws of that place), shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution, and the said approval shall be limited accordingly; and
- (d) for the purpose of this resolution, "Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:
- (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by Bermuda law or the bye-laws of the Company to be held; or
  - (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting."
- C. "THAT subject to the passing of Resolutions Nos. 4A and 4B set out in the notice ("Notice") of the annual general meeting of the Company dated 30th March, 2001, the general mandate granted to the directors of the Company in Resolution No. 4B set out in the Notice be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company pursuant to the exercise by the directors of the Company of the general mandate granted to them in Resolution No. 4A set out in the Notice to repurchase shares of the Company provided that such amount shall not exceed 10% of the total nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution."

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

Hong Kong, 30th March, 2001

*Notes:*

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares in the capital of the Company may appoint more than one proxy. A proxy need not be a member of the Company.
2. To be valid the proxy form together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited with the Company's branch share registrars in Hong Kong, Abacus Share Registrars Limited at 2401 Prince's Building, Central, Hong Kong not less than 48 hours before the time fixed for holding the meeting and adjourned meeting.
3. An explanatory statement as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in connection with the proposed repurchase mandate under Resolution Nos. 4A above will be despatched to members together with the 2000 Annual Report of the Company.