

# Financial Statements

## Consolidated Profit and Loss Account

For The Six Months Ended 30th June 2001

US\$'000	Note	2001	2000
Turnover	2	<b>1,187,672</b>	1,161,052
Operating costs		<b>(949,897)</b>	(974,284)
Gross profit		<b>237,775</b>	186,768
Other operating income		<b>3,857</b>	5,361
Other operating expenses		<b>(170,161)</b>	(137,664)
Other exchange (loss)/gain		<b>(28)</b>	1,720
Operating profit before financing	3	<b>71,443</b>	56,185
Net financing charges	5	<b>(25,501)</b>	(19,581)
Share of profits less losses of jointly controlled entities		<b>8,721</b>	(1,446)
Profit before taxation		<b>54,663</b>	35,158
Taxation	6	<b>(5,355)</b>	(10,699)
Profit after taxation		<b>49,308</b>	24,459
Minority interests		<b>(239)</b>	(274)
Profit attributable to shareholders		<b>49,069</b>	24,185
		<b>US cents</b>	US cents
Earnings per ordinary share	7	<b>9.5</b>	4.7

## Consolidated Balance Sheet

As At 30th June 2001

US\$'000	Note	30th June 2001	31st December 2000
Fixed assets		<b>1,307,809</b>	1,286,197
Jointly controlled entities		<b>59,490</b>	50,829
Other investments		<b>127,925</b>	145,112
Other non-current assets		<b>53,545</b>	58,078
<b>Non-current assets</b>		<b>1,548,769</b>	1,540,216
Properties held for sales		<b>1,855</b>	3,671
Debtors and prepayments	9	<b>222,834</b>	243,410
Current portion of investments in finance leases		<b>535</b>	522
Portfolio investments		<b>53,631</b>	53,243
Bank balances and deposits		<b>283,630</b>	314,192
<b>Current assets</b>		<b>562,485</b>	615,038
Creditors and accruals	10	<b>357,882</b>	389,230
Current portion of long-term liabilities	11	<b>134,337</b>	130,579
Bank loans and overdrafts		<b>52,177</b>	67,713
Current taxation		<b>999</b>	6,655
<b>Current liabilities</b>		<b>545,395</b>	594,177
<b>Net current assets</b>		<b>17,090</b>	20,861
Long-term liabilities	11	<b>(725,548)</b>	(753,761)
Other non-current liabilities		<b>(5,421)</b>	(6,037)
		<b>834,890</b>	801,279
<b>Capital employed</b>			
Share capital	12	<b>51,714</b>	51,714
Reserves	13	<b>778,812</b>	745,033
<b>Shareholders' funds</b>		<b>830,526</b>	796,747
Minority interests		<b>4,364</b>	4,532
		<b>834,890</b>	801,279

## Consolidated Cash Flow Statement

For The Six Months Ended 30th June 2001

US\$'000	2001	2000
Net cash inflow from operating activities	<b>115,763</b>	77,966
Net cash outflow from returns on investments and servicing of finance	<b>(42,058)</b>	(34,374)
Net tax paid	<b>(10,978)</b>	(14,208)
Investing activities		
Sale of fixed assets	<b>4,926</b>	4,170
Sale of long-term investments	<b>21,965</b>	5,458
Purchase of fixed assets	<b>(23,240)</b>	(29,435)
Purchase of long-term investments	<b>(4,179)</b>	(10,297)
Capital element from investments in finance leases	<b>143</b>	234
Increase in amounts due by jointly controlled entities	<b>(375)</b>	(2,665)
Increase in bank deposits maturing more than three months from the date of placement	<b>(5,308)</b>	(1,158)
Deferred expenditure incurred	<b>(1,413)</b>	(2,736)
Net cash outflow from investing activities	<b>(7,481)</b>	(36,429)
Net cash inflow/(outflow) before financing	<b>55,246</b>	(7,045)
Financing		
New long-term loans	<b>27,800</b>	2,434
Repayment of long-term loans	<b>(53,256)</b>	(25,233)
Capital element of finance lease rental payments	<b>(49,786)</b>	(8,799)
Decrease in short-term loans repayable more than three months from the date of advance	<b>(1,001)</b>	(3,201)
Net cash outflow from financing	<b>(76,243)</b>	(34,799)
Decrease in cash and cash equivalents	<b>(20,997)</b>	(41,844)
Cash and cash equivalents at beginning of period	<b>324,663</b>	275,818
Changes in exchange rates	<b>748</b>	(2,574)
Cash and cash equivalents at end of period	<b>304,414</b>	231,400
Analysis of cash and cash equivalents		
Bank balances and deposits maturing within three months from the date of placement	<b>302,960</b>	242,160
Portfolio investments	<b>53,631</b>	69,708
Overdrafts and bank loans repayable within three months from the date of advance	<b>(52,177)</b>	(80,468)
	<b>304,414</b>	231,400

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## Consolidated Statement of Recognised Gains and Losses

For The Six Months Ended 30th June 2001

<b>US\$'000</b>	<b>2001</b>	<b>2000</b>
Exchange differences arising on translation of overseas operations	<b>224</b>	(3,005)
Net gain/(loss) not recognised in the profit and loss account	<b>224</b>	(3,005)
Net profit for the period	<b>49,069</b>	24,185
Total recognised gain	<b>49,293</b>	21,180

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## Notes on the Accounts

### 1. Accounting Policies

The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in conformity with generally accepted accounting principles in Hong Kong.

In 2001, the Group adopted the following revised or new Statement of Standard Accounting Practices ("SSAP's") issued by the Hong Kong Society of Accountants:

SSAP 9 (revised) Events after the balance sheet date

SSAP 26 Segment reporting

SSAP 28 Provisions, contingent liabilities and contingent assets

SSAP 29 Intangible assets

SSAP 30 Business combinations

SSAP 31 Impairment of assets

SSAP 32 Consolidated financial statements and accounting for investments in subsidiaries

The adoption of these SSAP's has no changes in the accounting policies of the Group except for the following:

- (a) In accordance with the revised SSAP 9, dividends proposed or declared after the balance sheet date are no longer recognised as liabilities at the balance sheet date. This change in accounting policy has been applied retrospectively and as a result, reserves of the Group as at 31st December 2000 have been increased by US\$15.5 million.
- (b) Goodwill arising on acquisition of subsidiaries and jointly controlled entities occurring on or after 1st January 2001 is included in the balance sheet as a separate asset and amortised using the straight line method over its estimated useful life of not more than twenty years. Goodwill on acquisitions, which occurred prior to 1st January 2001, was taken directly to reserves. This change in accounting policy has no effect to the accounts for the period.

Apart from the foregoing, the accounting policies adopted are consistent with those described in the 2000 Annual Report and Accounts.

During 2000, the Group changed its accounting policies for pre-operating, dry-docking and special survey costs, details of which were given in the 2000 Annual Report and Accounts. The corresponding amounts for the six months ended 30th June 2000 have been restated to take effect of these changes.

## 2. Turnover

US\$'000	2001	2000
International containerised transportation and logistics		
Asia	<b>682,461</b>	685,303
North America	<b>216,001</b>	195,434
Europe	<b>156,966</b>	144,604
Australia	<b>17,353</b>	16,890
	<b>1,072,781</b>	1,042,231
Container terminals		
North America	<b>105,064</b>	108,710
Property investment and development		
North America	<b>9,827</b>	10,111
	<b>1,187,672</b>	1,161,052

The principal activities of the Group are international containerised transportation and logistics, container terminal, property investment and development.

Turnover represents gross freight, charterhire, service and other income from the operation of the international containerised transportation and logistics, container terminal businesses and rental income from investment property.

Freight revenues from international containerised transportation and logistics are analysed based on the outbound cargoes of each geographical territory.

## 3. Operating Profit Before Financing

US\$'000	2001	2000
International containerised transportation and logistics	<b>76,044</b>	42,695
Container terminals	<b>(5,405)</b>	15,279
Property investment and development	<b>4,621</b>	2,204
Others	<b>193</b>	(89)
	<b>75,453</b>	60,089
Corporate services	<b>(4,010)</b>	(3,904)
	<b>71,443</b>	56,185

### 3. Operating Profit Before Financing (continued)

In respect of the international containerised transportation and logistics activities which cover the world's major shipping lanes, the Directors consider that the nature of the trade and the way in which costs are allocated preclude a meaningful allocation of operating profit to specific geographical segments. Operating profit from international containerised transportation and logistics includes the results from the operations of the terminals at Long Beach and Kaohsiung which form an integral part of that business. The other container terminals and the investment property are located in North America. The Group has no other significant identifiable components in one geographical location for the purpose of carrying on a distinct and separate business.

### 4. Operating Profit

US\$'000	2001	2000
Operating profit before financing is arrived at after crediting:		
Operating lease rental income		
Land and buildings	9,827	10,111
Long-term investment income		
Listed	1,088	1,999
Gross earnings on finance leases	157	178
Profit on disposal of fixed assets	490	787
Profit on disposal of long-term investments	12	–
and after charging:		
Depreciation		
Owned fixed assets	31,476	24,473
Leased fixed assets	16,101	11,519
Operating lease rental expense		
Vessels and equipment	118,170	166,787
Land and buildings	8,735	10,244
Loss on disposal of long-term investments	–	247
Amortisation of deferred expenditure	1,377	2,441
Payment for early termination of an agent	–	2,286

## 5. Net Financing Charges

US\$'000	2001	2000
Interest expense	(30,471)	(26,848)
Interest income	5,151	6,654
Net interest expense	(25,320)	(20,194)
Financing charges	(3,172)	(3,962)
Portfolio investment income	2,991	4,575
	(25,501)	(19,581)

## 6. Taxation

US\$'000	2001	2000
Overseas taxation		
Company and subsidiaries	(5,313)	(10,654)
Jointly controlled entities	(42)	(45)
	(5,355)	(10,699)

Current taxation has been provided at the appropriate rates of taxation prevailing in the countries in which the Group operates on the estimated assessable profits for the period. No provision for Hong Kong profits tax has been made as the Group does not have any assessable profit for the period (2000: nil).

## 7. Earnings Per Ordinary Share

The calculation of earnings per ordinary share is based on the profit attributable to the shareholders of US\$49.1 million (2000: US\$24.2 million) and on 517.1 million ordinary shares in issue during the period.

## 8. Dividends

US\$'000	2001	2000
Final dividend in respect of 2000 of US3 cents (1999: US3 cents) per share	15,514	15,514

The Board of Directors declares an interim dividend in respect of 2001 of US1 cent (2000: US1 cent) per share amounting to US\$5.2 million (2000: US\$5.2 million). This amount will be accounted for as an appropriation of retained profit in the year ending 31st December 2001.



## 9. Debtors And Prepayments

<b>US\$'000</b>	<b>30th June 2001</b>	31st December 2000
Trade debtors	<b>87,507</b>	125,961
Other debtors	<b>24,389</b>	25,291
Prepayments	<b>56,018</b>	49,328
Utility and other deposits	<b>39,122</b>	25,551
Bunker	<b>15,590</b>	17,080
Tax recoverable	<b>208</b>	199
	<b>222,834</b>	243,410

As described in note 19 to the 2000 annual accounts, the Group has assigned and sold certain trade receivables to Rhino and TAPCO (as defined) respectively. Trade debtors of the Group includes the following trade receivables:

<b>US\$'000</b>	<b>30th June 2001</b>	31st December 2000
Gross trade receivables assigned to Rhino	<b>116,865</b>	121,384
Less non-returnable proceeds received from TAPCO	<b>(99,000)</b>	(89,100)
	<b>17,865</b>	32,284

Trade receivables are normally due for payment upon presentation of invoices or within an approved credit period ranging mainly from 10 to 45 days. Debtors with overdue balances are requested to settle all outstanding balances before any further credit is granted. The ageing analysis of the Group's trade debtors, including those assigned to Rhino but net of provisions for bad and doubtful debts, prepared in accordance with the due date of invoices, is as follows:

<b>US\$'000</b>	<b>30th June 2001</b>	31st December 2000
Below one month	<b>154,745</b>	159,561
Two to three months	<b>23,695</b>	36,707
Four to six months	<b>6,598</b>	17,507
Over six months	<b>1,469</b>	1,286
	<b>186,507</b>	215,061

## 10. Creditors And Accruals

<b>US\$'000</b>	<b>30th June 2001</b>	<b>31st December 2000</b>
Trade creditors	114,295	120,744
Other creditors	17,548	23,413
Accrued operating expenses	222,498	239,147
Deferred revenue	3,541	5,926
	<b>357,882</b>	<b>389,230</b>

The ageing analysis of the Group's trade creditors is as follows:

<b>US\$'000</b>	<b>30th June 2001</b>	<b>31st December 2000</b>
Below one month	54,744	50,306
Two to three months	38,105	68,414
Four to six months	20,857	1,735
Over six months	589	289
	<b>114,295</b>	<b>120,744</b>

## 11. Long-term Liabilities

<b>US\$'000</b>	<b>30th June 2001</b>	<b>31st December 2000</b>
Bank loans		
Secured	552,759	583,434
Other secured loans		
Wholly repayable within five years	25,775	22,861
Not wholly repayable within five years	17,319	15,198
Finance lease obligations		
Wholly payable within five years	59,320	150,940
Not wholly payable within five years	204,712	111,907
	<b>859,885</b>	<b>884,340</b>
Current portion included in current liabilities	<b>(134,337)</b>	<b>(130,579)</b>
	<b>725,548</b>	<b>753,761</b>

## 12. Share Capital

US\$'000	30th June 2001	31st December 2000
Authorised:		
900,000,000 ordinary shares of US\$0.10 each	90,000	90,000
65,000,000 convertible redeemable preferred shares of US\$1 each	65,000	65,000
50,000,000 redeemable preferred shares of US\$1 each	50,000	50,000
	<b>205,000</b>	<b>205,000</b>
Issued and fully paid:		
517,141,632 ordinary shares of US\$0.10 each	51,714	51,714

## 13. Reserves

US\$'000	Contributed surplus	Share premium	Assets revaluation reserve	Retained profit	Total
At 31st December 2000					
As previously reported	148,286	35,073	9,948	536,212	729,519
Prior year adjustment (note 1)	-	-	-	15,514	15,514
As restated	148,286	35,073	9,948	551,726	745,033
Changes in exchange rates	-	-	-	224	224
Profit for the period	-	-	-	49,069	49,069
Dividend (note 8)	-	-	-	(15,514)	(15,514)
At 30th June 2001	148,286	35,073	9,948	585,505	778,812

## 14. Commitments

### (a) Capital commitments

US\$'000	30th June 2001	31st December 2000
Contracted but not provided for	528,987	168,417
Authorised but not contracted for	69,890	14,202
	<b>598,877</b>	<b>182,619</b>

The commitments as at 30th June 2001 include the balance of the purchase cost of six 7,700 TEU and one 4,100 TEU ice-strengthened container vessels (2000: two 7,700 TEU container vessels) to be delivered in 2003 and 2004.

In addition, the Group has a long-term investment plan in respect of the Beijing property development as set out in note 15(a) of the 2000 annual accounts.

### (b) Operating lease commitments

The aggregate minimum lease rental payable under non-cancellable operating leases are payable in the following years:

US\$'000	Vessels and equipment	Land and buildings	Total
As at 30th June 2001			
2001/02	242,080	18,539	260,619
2002/03	203,273	15,301	218,574
2003/04	157,478	22,016	179,494
2004/05	138,186	26,155	164,341
2005/06	116,836	20,333	137,169
2006/07 onwards	331,316	329,588	660,904
	<b>1,189,169</b>	<b>431,932</b>	<b>1,621,101</b>
As at 31st December 2000			
2001	216,736	18,475	235,211
2002	193,307	14,742	208,049
2003	165,214	14,716	179,930
2004	149,696	23,008	172,704
2005	139,330	22,547	161,877
2006 onwards	400,886	352,963	753,849
	<b>1,265,169</b>	<b>446,451</b>	<b>1,711,620</b>

## 15. Contingent Liabilities

- (a) Guarantees in respect of loan facilities given for:

US\$'000	Facilities		Utilised	
	30th June 2001	31st December 2000	30th June 2001	31st December 2000
Jointly controlled entities	<b>40,000</b>	57,000	<b>9,250</b>	24,700
Hui Xian (as defined in note 15 to the 2000 annual accounts)	<b>43,100</b>	43,100	<b>14,498</b>	1,353
	<b>83,100</b>	100,100	<b>23,748</b>	26,053

- (b) Certain jointly controlled entities, Orient Overseas Property (Hangzhou) Company Limited, Shanghai Orient Overseas Real Estates Company Limited, Shanghai Orient Overseas Xujiahui Real Estate Company Limited and Shanghai Orient Overseas Zhenning Real Estate Company Limited (together the "JVs") have entered into agreements with certain banks in China in relation to mortgage finance arrangements for end purchasers of their property development projects in Shanghai and Hangzhou. Pursuant to the terms of the agreements, the JVs have provided guarantees in respect of the outstanding loans and accrued interest owed by the purchasers to the financing banks. These guarantees will be discharged upon obtaining the legal title for each property unit and completion of mortgage registration by the financing banks. As at 30th June 2001, the outstanding guarantees for such mortgage loans amounted to US\$45.9 million (2000: US\$34.6 million). The Group's share of the contingent liabilities of the JVs is US\$21.8 million (2000: US\$16.4 million).
- (c) The Group holds an investment property in the USA and a taxation liability would arise if this property were sold. Based on the carrying value of the property of US\$110.0 million and the available taxation losses of the relevant subsidiaries as at 30th June 2001, this taxation liability would amount to approximately US\$22.6 million. No provision has been made in the accounts for this liability as the property is held for long-term investment purposes.
- (d) The Group is a member of the Trans-Atlantic Conference Agreement ("TACA") and involved in litigation with the European Commission as more fully described in note 28(d) to the 2000 annual accounts.