1. PRINCIPAL 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 and implemented the following revised or new Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants:

SSAP 1 (revised)	Presentation of financial statements
SSAP 9 (revised)	Events after the balance sheet date
SSAP 11 (revised)	Foreign currency translation
SSAP 15 (revised)	Cash flow statement
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
SSAP 33	Discontinuing operations

SSAP 1 (revised), SSAP 11 (revised), SSAP 15 (revised) and SSAP 33 are applied in advance of their effective dates.

With the exception of SSAP 9 (revised), the changes in accounting policies, as detailed in notes below, do not have any significant effect on the profit or shareholders' funds resulting from the adoption of the above revised or new standards. 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 and that of the Company have been decreased by US$3.5 million.

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. Subsidiaries are companies in which the Group has the power to exercise control governing the financial and operating policies of the company.

The consolidated accounts also include the Group's attributable share of post-acquisition results and reserves of its jointly controlled entities.

Results attributable to subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the date on which control is transferred to the Group or to the date that control ceases, as applicable.

All significant inter-company transactions and balances between group companies are eliminated.

(b) Goodwill

Goodwill represents the difference between the cost of an acquisition over the fair values ascribed to the Group's share of the net tangible assets of the acquired subsidiaries and jointly controlled entities at the effective date of acquisition. Goodwill on acquisitions 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. Where the fair values ascribed to the net assets exceed the purchase consideration, such differences are recognised as income in the year of acquisition or over the weighted average useful life of the non-monetary assets.

In previous years, goodwill on acquisitions was taken directly to reserves. This accounting policy has been changed to conform with SSAP 30 Business combinations and such change has no effect to the accounts for the year.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Goodwill (Continued)

The carrying amount of goodwill, including those previously taken directly to reserves, is reviewed annually and provision is only made where, in the opinion of the Directors, there is a long-term impairment in value.

The profit or loss on disposal of subsidiaries and jointly controlled entities is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill which remains unamortised, including those previously taken directly to reserves.

(c) Jointly controlled entities

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established between the participating venturers and whereby the Group together with the venturers undertake an economic activity which is subject to joint control and none of the venturers has unilateral control over the economic activity. Jointly controlled entities are accounted for under the equity method whereby the Group's share of profits less losses is included in the consolidated profit and loss account and the Group's share of net assets is included in the consolidated balance sheet.

(d) Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation and provision for significant permanent impairment in values.

No depreciation is provided for vessels under construction, the investment property and freehold land.

The investment property, being a commercial building, is held for long-term yields and is not occupied by the Group. The investment property is carried at fair value, representing open market value determined annually based on Directors' or independent valuation. A deficit in valuation is charged to the profit and loss account; an increase is first credited to the profit and loss account to the extent of valuation deficit previously charged and thereafter is credited to the assets revaluation reserve. Upon disposal of the investment property, any revaluation surplus is transferred to the profit and loss account.

Other fixed assets are depreciated, using the straight line method, to write off their cost or valuation over their estimated useful lives or if shorter, the relevant finance lease periods, to their estimated residual values. Estimated useful lives are summarised as follows:

Container vessels	25 years
Containers	5 to 12 years
Chassis	10 to 12 years
Terminal equipment	10 to 15 years
Freehold buildings	Not exceeding 75 years
Medium-term leasehold land and buildings	Over period of the lease
Vehicles, furniture, computer and other equipment	5 to 10 years

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group. The carrying amounts of fixed assets are reviewed regularly. Where the estimated recoverable amounts have declined permanently below their carrying amounts, the carrying amounts are written down to their estimated recoverable amounts.

Interest and related costs on borrowings to finance the construction or acquisition of fixed assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

Profits and losses on disposal of fixed assets are determined as the difference between the net disposal proceeds and the carrying amounts of the assets and are dealt with in the profit and loss account. Upon disposal of revalued assets, any revaluation reserve is transferred directly to retained profit.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) Investments

Debt securities expected to be held until maturity and equity shares intended to be held for the long-term are included in the balance sheet under long-term investments and are carried at cost, as adjusted for the amortisation of the premiums and discounts on acquisition, less provisions. Provision is made when, in the opinion of the Directors, there is a long-term diminution in value.

Premiums or discounts on the acquisition of long-term debt securities are amortised through the profit and loss account over the period from the date of purchase to the expected date of maturity. Any profit or loss on the realisation of long-term investments is recognised as it arises and is included in the profit and loss account under other operating income.

Portfolio investments comprising mainly marketable securities, which are acquired principally for the purpose of generating a profit from short-term fluctuation in price and are readily convertible into cash, are included in the balance sheet under current assets and are carried at their realisable values. Income from portfolio investments, together with surplus or deficit, including exchange differences, arising from the sale or revaluation is included in the profit and loss account under net financing charges.

(f) Investments in finance leases

Assets leased to third parties under agreements that transfer substantially all the risks and rewards incident to ownership of the relevant assets to the lessees are classified as investments in finance leases. The present value of the lease payments is recognised as a receivable in the balance sheet. Gross earnings under finance leases are recognised over the term of the lease using the net investment method which reflects a constant periodic rate of return on the net investment in the leases.

(g) Leased assets

Assets leased from third parties under agreements that transfer substantially all the risks and rewards incident to ownership of the relevant assets to the Group are classified as finance leases. At the inception of a finance lease, the fair value of the asset or, if lower, the present value of the minimum lease payments, derived by discounting them at the interest rate implicit in the lease, is capitalised as a fixed asset; the corresponding obligations, net of finance charges, is included under long-term liabilities. Assets held under finance leases are depreciated on the basis described in note (d) above. Gross rental payable in respect of finance leases are apportioned between interest charges and a reduction of the lease obligations based on the interest rates implicit in the relevant leases.

Leases where a significant portion of the risk and rewards of ownership are retained by the lessors are classified as operating leases. Rentals payable, net of incentives received from the lessors, under operating leases are charged to the profit and loss account over the periods of the respective leases on a straight line basis or another systematic basis which is representative of the time pattern of the benefit to the lessees.

(h) Vessel repairs and surveys

Dry-docking and special survey costs for vessels are charged to the profit and loss account as incurred.

(i) Deferred expenditure

Costs associated with the development of identifiable and unique computer software products controlled by the Group and have probable economic benefit exceeding the cost beyond one year are deferred and capitalised as fixed assets on completion of development and then depreciated on the basis described in note (d) above. Expenses incurred in connection with long-term financing are deferred and amortised on a straight line basis over the relevant tenure of the loan periods. Expenditure associated with the leasing of the investment property is deferred and amortised on a straight line basis over a period of up to five years.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(j) Properties held for sale

Properties under development for sale are included under current assets and comprise land at cost, construction costs and any interest capitalised, less provisions for foreseeable losses. Completed properties held for sale are carried at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(k) Provisions

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

Restructuring provisions mainly comprise lease termination penalties and employee termination payments, and are recognised in the period in which the Group becomes legally or constructively committed to payment. Employee termination benefits are recognised only after either an agreement is in place with the appropriate employee representatives specifying the terms of redundancy and the number of employees affected, or after individual employees have been advised of the specific terms. Costs related to the ongoing activities of the Group are not provided in advance. Any fixed assets that are no longer required for their original use are transferred to current assets and carried at the lower of the carrying amount or estimated net realisable value.

(l) Deferred taxation

Deferred taxation is provided at the current tax rates using the liability method in respect of all significant timing differences, principally accelerated depreciation allowances, which are expected to reverse in the foreseeable future.

(m) Revenue recognition

Freight revenues from the operation of the international containerised transportation business are recognised on a percentage of completion basis, which is determined on the time proportion method of each individual vessel voyage. Revenues from the operation of container terminals and provision of other services are recognised when services are rendered or on an accrual basis. Rental income under operating leases is recognised over the periods of the respective leases on a straight line basis. Sales of properties under construction are recognised over the course of development based on the proportion of construction work completed or if lower, the proportion of sales proceeds received. Sales of completed properties are recognised upon completion of the sale and purchase contracts.

(n) Pensions and retirement benefits

The Group operates a number of defined benefit and defined contribution pension and retirement benefit schemes in the main countries in which the Group operates.

Contributions under the defined contribution schemes are charged to the profit and loss account in the year to which the contributions relate. For the defined benefit schemes, annual contributions are made in accordance with the advice of qualified actuaries for the funding of retirement benefits in order to build up reserves for each scheme member during the employee's service life and which are used to pay to the employee or dependent a pension after retirement. The costs of providing these benefits are recognised in the profit and loss account on a systematic basis over the average remaining lives of the employees.

(o) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and bank balances, deposits with banks and financial institutions repayable within three months from the date of placement and portfolio investments which are readily convertible into cash, net of bank overdrafts and advances from banks and financial institutions repayable within three months from the date of advance.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(p) Financial instruments

The Group enters into financial instruments, including futures, forward, swap and option transactions, in order to hedge its exposure to fluctuations in foreign exchange, interest rates and other operating costs as part of the Group's risk management strategy against assets, liabilities, position or cash flows measured on an accrued basis. These financial instruments are accounted for on an equivalent basis to the underlying assets, liabilities or net positions at the balance sheet date. Any profit or loss arising is recognised on the same basis as that arising from the related assets, liabilities or positions. Premiums on options are however charged to the profit and loss account as they are incurred. A net unrealised loss at the balance sheet date on open exchange contracts for future obligations is charged to the profit and loss account, whereas a net unrealised gain is deferred.

(q) Foreign currencies

The accounts are expressed in US dollars.

Transactions in other currencies during the year are converted at rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in other currencies at the balance sheet date are translated at rates of exchange ruling at that date. Exchange differences arising are dealt with in the profit and loss account.

Profit and loss accounts of subsidiaries expressed in other currencies are translated at the weighted average exchange rates for the year and balance sheets are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising from the translation of net investment in foreign subsidiaries are taken directly to reserves.

In previous years, profit and loss accounts of subsidiaries expressed in other currencies are translated at exchange rates ruling at the balance sheet date. This accounting policy has been changed to conform with SSAP 11 (revised) Foreign currency translation and the effect of such change to the accounts for the year is not material.

2. TURNOVER

US$'000	**2001**	2000
International transportation and logistics	**2,134,612**	2,168,283
Container terminals	**221,482**	209,040
Property investment and development	**22,856**	17,837
	2,378,950	2,395,160

The principal activities of the Group are international 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 container terminal businesses, sales of properties and rental income from the investment property.

3. OPERATING COSTS

US$'000	2001	2000
Cargo	**952,834**	957,196
Vessel and voyage	**437,214**	458,793
Equipment and repositioning	**340,650**	333,757
Terminal operating	**171,587**	156,638
Property management and development	**11,243**	8,010
	1,913,528	1,914,394

4. OTHER OPERATING INCOME

US$'000	2001	2000
Long-term investment income, listed	**1,704**	3,936
Profit on disposal of long-term investments	**3,323**	—
Profit on disposal of fixed assets	**2,280**	1,217
Exchange gain and others	**2,334**	5,938
Write back of provision for closure of subsidiaries	**—**	2,435
	9,641	13,526

5. OTHER OPERATING EXPENSES

US$'000	2001	2000
Business and administrative	**337,175**	306,668
Corporate	**8,497**	8,887
Provision for diminution in value of long-term investments	**2,000**	9,877
Payment for early termination of an agent	**—**	2,286
Loss on disposal of long-term investments	**—**	175
	347,672	327,893

6. OPERATING PROFIT BEFORE FINANCING

US$'000	2001	2000
Operating profit before financing is arrived at after crediting:		
Operating lease rental income		
Land and buildings	**20,092**	17,837
Gross earnings on finance leases	**291**	354
Payment for early termination of property leases	**307**	70
and after charging:		
Depreciation		
Owned fixed assets	**65,409**	59,160
Leased fixed assets	**33,352**	24,958
Operating lease rental expense		
Vessels and equipment	**280,728**	309,580
Land and buildings	**25,980**	20,971
Staff costs		
General and administrative staff	**228,437**	216,892
Terminal workers	**107,969**	103,209
Crew and seamen	**19,348**	17,869
Amortisation of deferred expenditure	**3,079**	4,896
Auditors' remuneration	**1,497**	1,731

7. DIRECTORS' REMUNERATION

US$'000	2001	2000
Fees	**266**	261
Salaries and other emoluments	**1,672**	1,780
Discretionary bonuses	**559**	478
Retirement benefits	**198**	106
	2,695	2,625

7. DIRECTORS' REMUNERATION (Continued)

The emoluments of individual Directors fall within the following bands:

Emoluments bands (US$)		Number of directors 2001	2000
Nil ~ 128,200	(Nil~HK$1,000,000)	**3**	4
320,501 ~ 384,600	(HK$2,500,001~HK$3,000,000)	**2**	1
384,601 ~ 448,700	(HK$3,000,001~HK$3,500,000)	**—**	1
769,201 ~ 833,300	(HK$6,000,001~HK$6,500,000)	**—**	1
833,301 ~ 897,400	(HK$6,500,001~HK$7,000,000)	**1**	1
961,501 ~ 1,025,600	(HK$7,500,001~HK$8,000,000)	**1**	—
		7	8

None of the Directors has waived the right to receive their emoluments. Fees and other emoluments paid to non-executive directors amount to US$13,000 (2000: US$13,000) and US$32,000 (2000: US$32,000), respectively.

Details of the emoluments paid to the five individuals, including two (2000: two) Directors, whose emoluments were the highest in the Group are:

US$'000	2001	2000
Salaries and other emoluments	**2,326**	2,170
Discretionary bonuses	**1,313**	1,238
Retirement benefits	**301**	198
	3,940	3,606

7. DIRECTORS' REMUNERATION (Continued)

The emoluments of the five individuals fall within the following bands :

Emoluments bands (US$)		Number of individuals 2001	2000
448,701 ~ 512,800	(HK$3,500,001~HK$4,000,000)	**1**	—
576,901 ~ 641,000	(HK$4,500,001~HK$5,000,000)	**—**	1
641,001 ~ 705,100	(HK$5,000,001~HK$5,500,000)	**—**	2
705,101 ~ 769,200	(HK$5,500,001~HK$6,000,000)	**1**	—
769,201 ~ 833,300	(HK$6,000,001~HK$6,500,000)	**—**	1
833,301 ~ 897,400	(HK$6,500,001~HK$7,000,000)	**2**	1
961,501 ~ 1,025,600	(HK$7,500,001~HK$8,000,000)	**1**	—
		5	5

8. NET FINANCING CHARGES

US$'000	2001	2000
Interest expense		
Bank loans, overdrafts and other loans wholly repayable within five years	**35,138**	46,682
Other loans not wholly repayable within five years	**1,075**	1,030
Finance lease obligations		
Wholly payable within five years	**7,188**	6,298
Not wholly payable within five years	**13,017**	9,270
	56,418	63,280
Amount capitalised under fixed assets	**(431)**	—
	55,987	63,280
Interest income	**(11,218)**	(14,028)
Net interest expense	**44,769**	49,252
Financing charges	**5,588**	6,981
Portfolio investment income	**(4,743)**	(7,987)
	45,614	48,246

Financing charges include the funding costs reimbursed to TAPCO (note 19) amounting to US$4.3 million (2000: US$5.9 million).

9. TAXATION

US$'000	2001	2000
Current overseas taxation		
Company and subsidiaries	**10,830**	18,974
Jointly controlled entities	**89**	13
	10,919	18,987

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 year. The rate applicable for Hong Kong profits tax is 16% (2000: 16%).

Deferred taxation charges/(credit) for the year has not been accounted for in respect of the following:

US$'000	2001	2000
Accelerated depreciation allowances	**1,371**	1,870
Taxation losses and others	**(4,732)**	8,999
	(3,361)	10,869

10. DIVIDENDS

US$'000	2001	2000
Final dividend in respect of 2000 of US3 cents (1999: US3 cents) per ordinary share	**15,514**	15,514
Interim dividend in respect of 2001 of US1 cent (2000: US1 cent) per ordinary share	**5,171**	5,171
	20,685	20,685

The Board of Directors declares a final dividend in respect of 2001 of US1.5 cents (2000: US3 cents) per ordinary share amounting to US$7.8 million (2000: US$15.5 million). This amount will be accounted for as an appropriation of retained profit in the year ending 31st December 2002.

11. EARNINGS PER ORDINARY SHARE

The calculation of earnings per ordinary share is based on the profit attributable to ordinary shareholders of US$59.6 million (2000: US$111.9 million) and 517.1 million ordinary shares in issue during the year.

12. FIXED ASSETS

US$'000	Container vessels	Vessels under construction	Containers	Chassis	Terminal equipment	Land and buildings outside Hong Kong Freehold	Land and buildings outside Hong Kong Medium-term leasehold	Vehicles, furnitures, computer and other equipment	Total
Group									
Cost or valuation									
At 31st December 2000	928,771	15,630	300,736	102,957	193,464	158,554	27,685	132,047	**1,859,844**
Changes in exchange rates	—	—	—	(172)	(5,449)	(40)	(64)	(1,249)	**(6,974)**
Revaluation	—	—	—	—	—	(20,000)	—	—	**(20,000)**
Additions	—	117,136	70,655	9,847	19,729	3,893	2,168	8,925	**232,353**
Disposals	—	—	(35,458)	(2,284)	(959)	—	(1,601)	(4,072)	**(44,374)**
At 31st December 2001	928,771	132,766	335,933	110,348	206,785	142,407	28,188	135,651	**2,020,849**
Accumulated depreciation									
At 31st December 2000	217,685	—	121,959	64,341	61,874	19,935	6,399	81,454	**573,647**
Changes in exchange rates	—	—	—	(55)	(1,399)	(21)	(27)	(883)	**(2,385)**
Charge for the year	33,108	—	26,077	6,600	13,311	1,523	1,697	16,445	**98,761**
Disposals	—	—	(32,854)	(112)	(791)	—	(1,105)	(3,443)	**(38,305)**
At 31st December 2001	250,793	—	115,182	70,774	72,995	21,437	6,964	93,573	**631,718**
Net book amount									
At 31st December 2001	677,978	132,766	220,751	39,574	133,790	120,970	21,224	42,078	**1,389,131**
At 31st December 2000	711,086	15,630	178,777	38,616	131,590	138,619	21,286	50,593	**1,286,197**
Net book amount of leased assets									
At 31st December 2001	—	—	169,045	32,250	66,190	—	—	480	**267,965**
At 31st December 2000	—	—	162,211	32,689	57,011	—	—	574	**252,485**

(a) Freehold land and buildings include the investment property, "Wall Street Plaza", which is a commercial property located at 88 Pine Street, New York, USA. The property is situated on three parcels of land, of which two parcels, representing approximately 34% of the site, are under long-term leases expiring in the year 2066. The property is stated at Directors' valuation of US$90.0 million (2000: US$110.0 million), by reference to a professional valuation made in December 2001 on an open market basis.

(b) Container vessels include three (2000: three) vessels which were previously operated under finance lease terms and direct ownership was acquired by the Group in May 1990. These vessels are carried at Directors' valuation, representing the then purchase consideration which was determined by reference to professional valuations on a cum-charter open market basis of US$87.0 million. Subsequent revaluations of these vessels are not required to be made in accordance with paragraph 72 of Hong Kong Statement of Standard Accounting Practice No 17. Had these vessels been carried at cost, the net book amount of the container vessels would have been reduced by US$3.5 million (2000: US$3.9 million).

12. FIXED ASSETS (Continued)

(c) Apart from the investment property and container vessels mentioned under (a) and (b) above, all other fixed assets are carried at cost.

(d) The aggregate net book amount of assets pledged as securities for loans amounts to US$970.3 million (2000: US$888.3 million). Specific charges on vessels of the Group include mortgages and assignments of insurance claims and charterhire income relating to these vessels.

13. SUBSIDIARIES

US$'000	**2001**	2000
Company		
Unlisted shares, at cost less provision	**169,482**	169,482
Amounts receivable	**437,813**	604,657
Amounts payable	**(203,134)**	(364,092)
	404,161	410,047

Particulars of the principal subsidiaries at 31st December 2001 are shown on pages 91 to 97. The amounts receivable and payable are unsecured, interest free and have no specific repayment terms.

14. JOINTLY CONTROLLED ENTITIES

US$'000	**2001**	2000
Group		
Unlisted shares, at cost less provision	**8,314**	8,314
Share of retained post-acquisition profits	**12,474**	10,405
Share of net assets	**20,788**	18,719
Amounts receivable	**26,462**	32,110
	47,250	50,829

Particulars of the principal jointly controlled entities at 31st December 2001 are shown on page 98. The amounts receivable are unsecured, interest free and have no specific repayment terms.

15. LONG-TERM INVESTMENTS

US$'000	**2001**	2000
Group		
Investment in Hui Xian, at cost (note (a))	**93,601**	91,201
Debt securities, at cost less provisions		
Listed outside Hong Kong (note (b))	**2,617**	41,540
Unlisted	**5,872**	6,300
Investments in finance leases (note 16)	**3,370**	4,137
Others, at cost less provisions		
Unlisted	**1,812**	1,934
	107,272	145,112

(a) The investment in Hui Xian represents the Group's approximately 8% (2000: 8%) unlisted equity interest in and advances to Hui Xian Holdings Limited ("Hui Xian"), incorporated in Hong Kong and the holding company for the Beijing Oriental Plaza, which comprises a commercial, retail and residential complex of approximately six million square feet, with total estimated development costs of approximately US$1.9 billion. The development is expected to complete in mid 2003.

The major shareholder of Hui Xian, which holds approximately 52% of the issued equity, has also been appointed the project manager of the development. Under the Hui Xian shareholders' agreement, the shareholders agreed to finance the development costs up to US$1.9 billion in proportion to their shareholdings. If the development costs exceed US$1.9 billion and any shareholders decide not to provide their share of the finance, the Group's percentage of shareholding in Hui Xian will be adjusted in accordance with the proportion of finance provided by the shareholders. In addition to the finance from the shareholders, Hui Xian has arranged bank loan facilities amounting to RMB4,460 million, over which the Group has provided a proportionate guarantee (note 28 (a)).

(b) Market value of listed debt securities was US$3.6 million (2000: US$38.6 million).

16. INVESTMENTS IN FINANCE LEASES

US$'000	**2001**	2000
Group		
Gross rental receivable	**4,370**	5,469
Gross earnings allocated to future periods	**(473)**	(810)
	3,897	4,659
Current portion included in current assets	**(527)**	(522)
	3,370	4,137

The cost of assets acquired for finance lease purposes amounted to US$6.4 million (2000: US$6.4 million). The finance leases are receivable in the following years:

US$'000	**Net investment**	**Gross earnings**	**Gross rental**
2002	527	256	783
2003	3,370	217	3,587
	3,897	473	4,370

17. OTHER NON-CURRENT ASSETS

US$'000	2001	2000
Group		
Deferred expenditure		
Property leasing expenses	**6,468**	13,374
Financing charges	**1,083**	1,232
Computer software development costs	**1,264**	417
Others	**405**	305
	9,220	15,328
Restricted bank balances and deposits (note 20)	**43,992**	42,750
	53,212	58,078
Company		
Restricted bank balances and deposits (note 20)	**22,752**	22,739

18. DEBTORS AND PREPAYMENTS

US$'000	2001	2000
Group		
Trade debtors (note 19)	**61,720**	125,961
Other debtors	**24,016**	25,291
Prepayments	**36,092**	49,328
Utility and other deposits	**31,290**	25,551
Bunker	**16,911**	17,080
Tax recoverable	**685**	199
	170,714	243,410
Company		
Other debtors	**5**	22
Prepayments	**91**	1,036
	96	1,058

19. TRADE DEBTORS

In 1998, the Group entered into a receivables purchase agreement (the "Agreement") under which the Group agreed to assign, from time to time, certain specific trade receivables to The Rhino Receivables Company Limited ("Rhino"), a Channel Island unrelated special purpose company. The Group can offer to sell, at the time of each aforesaid assignment, a certain portion of those receivables, subject to a specified accumulated maximum amount, to Tulip Asset Purchase Company BV ("TAPCO"), a Netherlands unrelated special purpose company. Rhino holds all such trade receivables on trust for the benefit of the Group and TAPCO. Under the Agreement, TAPCO will settle in cash on the date of sale a fixed portion of the purchase price of the trade receivables, representing approximately 91% of those trade receivables on the date of sale with the balance on final settlement. TAPCO funds the purchases of the receivables by cash advances from Tulip Funding Corporation, a United States unrelated special purpose company, which in turn issues US dollar floating rate commercial papers backed by such receivables, supplemented by letter of credit and liquidity arrangements from a bank. The Group continues to manage the trade receivables and acts as collection agent for Rhino. The Group also agrees to reimburse all funding costs incurred by TAPCO in relation to the purchases of the trade receivables from the Group. Upon collection of all trade receivables sold, TAPCO will settle the balance of the purchase price, after deducting any funding costs not yet reimbursed and bad debts arising from those trade receivables.

As at 31st December 2001, trade debtors of the Group includes the following trade receivables:

US$'000	2001	2000
Gross trade receivables assigned to Rhino	**105,261**	121,384
Less non-returnable proceeds received from TAPCO	**(99,000)**	(89,100)
	6,261	32,284

Trade receivables are normally due for payment on presentation of invoices or granted with 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 provision for bad and doubtful debts, prepared in accordance with the due date of invoices, is as follows :

US$'000	2001	2000
Below one month	**132,317**	159,561
Two to three months	**23,726**	36,707
Four to six months	**3,550**	17,507
Over six months	**1,127**	1,286
	160,720	215,061

20. BANK BALANCES AND DEPOSITS

US$'000	2001	2000
Group		
Restricted	**86,062**	106,356
Not restricted	**264,938**	250,586
	351,000	356,942
Less restricted and included in non-current assets (note 17)	**(43,992)**	(42,750)
	307,008	314,192
Company		
Restricted	**22,752**	22,739
Not restricted	**17,998**	13,045
	40,750	35,784
Less restricted and included in non-current assets (note 17)	**(22,752)**	(22,739)
	17,998	13,045

Restricted bank balances and deposits are funds which are pledged as securities for banking facilities or required to be utilised for specific purpose. A restricted deposit of the Group amounting to US$42.1 million (2000: US$63.6 million), which has been pledged as security for a short-term bank loan of the same amount (note 22), is not classified as a non-current asset.

21. CREDITORS AND ACCRUALS

US$'000	2001	2000
Group		
Trade creditors	**103,494**	120,744
Other creditors	**18,518**	23,413
Accrued operating expenses	**208,279**	239,147
Deferred revenue	**25,237**	5,926
	355,528	389,230
Company		
Accrued operating expenses	**1,399**	959

21. CREDITORS AND ACCRUALS (Continued)

The ageing analysis of the Group's trade creditors, prepared in accordance with date of invoices, is as follows:

US$'000	2001	2000
Below one month	**47,296**	50,306
Two to three months	**53,538**	68,414
Four to six months	**1,465**	1,735
Over six months	**1,195**	289
	103,494	120,744

22. BANK OVERDRAFTS AND SHORT-TERM LOANS

US$'000	2001	2000
Group		
Bank overdrafts		
Secured	**49**	—
Unsecured	**430**	3,107
Short-term loans		
Secured	**42,416**	64,606
	42,895	67,713

A secured bank loan of US$42.1 million (2000: US$63.6 million) is secured by a bank deposit of the same amount (note 20).

23. LONG-TERM LIABILITIES

US$'000	**2001**	2000
Group		
Bank loans		
Secured	**586,826**	583,434
Other secured loans		
Wholly repayable within five years	**15,339**	22,861
Not wholly repayable within five years	**12,814**	15,198
Finance lease obligations		
Wholly payable within five years	**130,758**	150,940
Not wholly payable within five years	**147,827**	111,907
	893,564	884,340
Current portion included in current liabilities	**(133,178)**	(130,579)
	760,386	753,761

23. LONG-TERM LIABILITIES (Continued)

(a) The maturity of the Group's bank loans, other loans and finance lease obligations is as follows:

US$'000	Bank loans	Other loans	Finance leases Present value	Finance leases Minimum payments
As at 31st December 2001				
2002	71,203	12,751	49,224	68,042
2003	92,934	5,197	35,557	50,894
2004	56,186	4,569	43,201	55,846
2005	60,716	3,075	28,212	38,448
2006	63,180	2,549	65,219	70,803
2007 onwards	242,607	12	57,172	62,259
	586,826	28,153	278,585	346,292

US$'000	Bank loans	Other loans	Finance leases Present value	Finance leases Minimum payments
As at 31st December 2000				
2001	84,616	14,472	31,491	49,111
2002	39,173	9,699	43,863	62,564
2003	80,939	4,567	29,976	44,882
2004	40,232	3,886	31,474	43,916
2005	35,972	2,888	24,999	35,117
2006 onwards	302,502	2,547	101,044	111,938
	583,434	38,059	262,847	347,528

(b) The bank loans, other loans and finance lease obligations carry interest at fixed rates, ranging from 6.02% to 10.64% per annum, or variable rates, varying from 0.3% to 2.0% over stipulated market rates per annum.

24. OTHER NON-CURRENT LIABILITIES

US$'000	Pensions	Other provisions	Total
Group			
At 31st December 1999	5,465	966	6,431
Changes in exchange rates	(560)	(75)	(635)
Provided	1,395	36	1,431
Utilised	(474)	(716)	(1,190)
At 31st December 2000	5,826	211	6,037
Changes in exchange rates	(631)	(5)	(636)
Provided	773	—	773
Utilised	(592)	(83)	(675)
At 31st December 2001	5,376	123	5,499

25. SHARE CAPITAL

US$'000	2001	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
	205,000	205,000
Issued and fully paid:		
517,141,632 ordinary shares of US$0.10 each	**51,714**	51,714

26. RESERVES

US$'000	2001	2000
Group		
Share premium	**35,073**	35,073
Contributed surplus	**148,286**	148,286
Asset revaluation reserve	**9,948**	9,948
Retained profit	**588,347**	551,726
	781,654	745,033
Company		
Share premium	**35,073**	35,073
Contributed surplus	**148,286**	148,286
Retained profit	**208,535**	210,857
	391,894	394,216

The profit attributable to shareholders for the year is dealt with in the accounts of the company to the extent of US$18.4 million (2000: US$27.6 million).

Under the Companies Act of Bermuda and the Bye-laws of the Company, the contributed surplus is also distributable. Accordingly, total distributable reserves of the Company amount to US$356.8 million (2000: US$359.1 million) as at 31st December 2001.

27. COMMITMENTS

Group

(a) Capital commitments

US$'000	2001	2000
Contracted but not provided for	**420,586**	168,417
Authorised but not contracted for	**32,957**	14,202
	453,543	182,619

27. COMMITMENTS (Continued)

Group (Continued)

(a) Capital commitments (Continued)

The commitments as at 31st December 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 March 2002, the Group entered into agreements under which two 7,700 TEU and one 4,100 TEU container vessels will be sold to third parties at considerations equal to the acquisition costs to the Group upon delivery. The Group also entered into agreements to bareboat charter these vessels under operating lease terms for minimum periods ranging from eight to twelve years from dates of delivery.

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

(b) Operating lease commitments

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

US$'000	Vessels and equipment	Land and buildings	Total
As at 31st December 2001			
2002	232,250	19,791	252,041
2003	183,039	18,610	201,649
2004	154,062	27,152	181,214
2005	138,143	24,227	162,370
2006	113,642	20,738	134,380
2007 onwards	297,663	350,689	648,352
	1,118,799	461,207	1,580,006

US$'000	Vessels and equipment	Land and buildings	Total
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
	1,265,169	446,451	1,711,620

27. COMMITMENTS (Continued)

Group (Continued)

(c) Operating lease rental receivable

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

US$'000	Land and buildings
As at 31st December 2001	
2002	19,106
2003	20,565
2004	19,165
2005	12,431
2006	10,697
2007 onwards	31,890
	113,854

US$'000	Land and buildings
As at 31st December 2000	
2001	18,046
2002	18,440
2003	17,905
2004	16,498
2005	11,166
2006 onwards	38,527
	120,582

28. CONTINGENT LIABILITIES

Group

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

US$'000	Facilities 2001	Facilities 2000	Utilised 2001	Utilised 2000
Jointly controlled entities	**40,000**	57,000	**11,700**	24,700
Hui Xian (note 15)	**43,100**	43,100	**25,131**	1,353
	83,100	100,100	**36,831**	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 the mortgage financing arrangement 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 the property. As at 31st December 2001, the guarantee for such mortgage loans provided by Shanghai Orient Overseas Xujiahui Real Estate Company Limited remained outstanding and amounted to US$2.5 million (2000 : US$34.6 million). The Group's share of such contingent liabilities is US$1.2 million (2000 : US$16.4 million).

(c) Contingent taxation liabilities
At 31st December 2001, there were unprovided deferred taxation (benefits)/liabilities which consisted of the following timing differences:

US$'000	2001	2000
Accelerated depreciation allowances	**10,403**	9,032
Taxation losses and others	**(24,115)**	(19,383)
	(13,712)	(10,351)

In addition, if the Group's investment property in the USA were sold, a taxation liability would arise. Based on the carrying value of the property of US$90.0 million and the available taxation losses of the relevant subsidiaries as at 31st December 2001, this taxation liability would amount to approximately US$16.0 million. No provision has been made in the accounts for this liability as the property is held for long-term investment purposes.

28. CONTINGENT LIABILITIES (Continued)

Group (Continued)

(d) Litigation

The Group joined the Trans-Atlantic Agreement ("TAA"), subsequently amended as the Trans-Atlantic Conference Agreement ("TACA"), in respect of its US East Coast/Northern Europe trade in 1992 and also entered into vessel sharing agreements with four other major operators in 1993. In October 1994, the European Commission ("EC") adopted a decision, which found the price agreements of the TACA infringed EC competition rules in a number of identified respects, including the rate-making authority in respect of the inland proportions within the European Union of through-intermodal transport services. Since then, the parties to the TACA have applied and taken various actions for the annulment and suspension of that decision.

In September 1998, the EC adopted a decision ("Decision") concerning the lawfulness of certain practices of the TACA. The Decision finds that the members of the TACA committed various infringements of the EC rules on competition, which prohibits agreements and practices restrictive of competition (Article 85 of the EC Treaty) and the abuse of a dominant position (Article 86 of the EC Treaty). The Decision also finds that the TACA parties infringed the equivalent provisions of the European Economic Area Agreement. The total fines imposed by EC on all the TACA parties for the infringement under Article 86 of the EC Treaty alone is Euro 272.9 million (approximately US$241.6 million), of which the Group's share is Euro 20.6 million (approximately US$18.3 million).

In December 1998, the TACA parties lodged an appeal to the European Court of First Instance for the annulment of the Decision. As security for the appeal, the Group has provided a bank guarantee in favour of the court for an amount equivalent to its share of the fine imposed. In February 2002, the Court of First Instance handed down a judgement and dismissed the legal challenges brought by the TAA and TACA parties in relation to the cases date back to 1994. The judgement has no practical impact on the way in which the TACA parties now operate. The appeal in respect of the Decision and fines imposed are still pending. The exact liabilities of the Group are dependent upon the final outcome of the results of the appeals, which would expect to take at least several years. While the Directors cannot predict with certainty the final outcome of the appeals, it is their opinion, based on legal advice, that it is very likely that the court will annul or significantly reduce the fines imposed in the Decision. Accordingly, no provision has been made in the accounts.

Company

(a) Guarantees in respect of loans, finance lease obligations and bank overdraft facilities given for:

	Facilities		**Utilised**	
US$'000	**2001**	2000	**2001**	2000
Subsidiaries	**1,103,590**	763,512	**787,236**	760,754
Jointly controlled entities	**40,000**	57,000	**11,700**	24,700
Hui Xian (note 15)	**43,100**	43,100	**25,131**	1,353
	1,186,690	863,612	**824,067**	786,807

(b) The Company has given guarantees for its subsidiaries in respect of future payment of operating lease rentals amounting to US$307.3 million (2000: US$425.2 million).

(c) The Company has given a guarantee for a subsidiary in respect of its commitment and obligations towards the Beijing Oriental Plaza project as set out in note 15(a).

28. CONTINGENT LIABILITIES (Continued)

Company (Continued)

(d) The Company has given a guarantee to a bank in respect of the guarantee in favour of the European Court detailed in note 28(d) above.

(e) The Company has provided an undertaking to the Foreign Investment Commission of Shanghai Municipal Government for a subsidiary in respect of its capital contribution for property development projects in the People's Republic of China. As at 31st December 2001, the outstanding contribution amounted to US$13.0 million (2000: nil).

29. FINANCIAL INSTRUMENTS

	Contract amount		Replacement cost	
US$'000	**2001**	2000	**2001**	2000
Interest rate swap agreements	**100,000**	250,000	**(2,378)**	—
Forward foreign exchange contracts	**19,511**	—	**(309)**	—
Foreign exchange option contracts	**39,888**	—	**(200)**	—
	159,399	250,000	**(2,887)**	—

The Group manages its exposure to fluctuations of foreign currencies, interest rates and bunker prices through a comprehensive set of procedures, policies and limits approved by the Committees of the Board of Directors. The Group does not engage in any transactions for speculative or dealing purposes. The above financial instruments arise from future, forward, swap and option transactions undertaken by the Group to hedge against assets, liabilities or positions.

The notional or contractual amounts of these instruments indicate the volume of these transactions outstanding at the balance sheet date and they do not represent amounts at risk. The exposure to credit risk is limited to the settlement amount owing by counterparties, which are reputable financial institutions.

The replacement cost of contracts represents the mark to market value of all contracts, which is estimated by reference to indicative market rates for these contracts, at the balance sheet date. The majority of the results relating to the unexpired contracts are recognised with the underlying transactions. In accordance with the Group's accounting policies, any net unrealised loss on open exchange contracts at the balance sheet date is charged to the profit and loss account whereas a net gain is not recognised.

30. PENSION AND RETIREMENT BENEFITS

The Group operates a number of retirement schemes in the main countries in which it operates. The total cost charged to the profit and loss account of these schemes was US$10.7 million (2000: US$7.9 million).

The principal defined benefit schemes are operated in the USA, United Kingdom and Canada. The defined benefit schemes cover approximately 8.8% of the Group's employees and are fully funded, with the exception of two smaller schemes for which provisions have been made (note 24). The assets of the funded schemes are held in trust funds separate from the Group. The pension charge relating to these schemes was US$1.8 million (2000: US$0.5 million), and is assessed in accordance with the advice of qualified actuaries in accordance with local practice and regulations. The actuarial assumptions used to calculate the projected benefit obligations of the Group's pension schemes vary according to the economic conditions of the country in which they are situated. The main actuarial assumptions made in the principal defined benefit schemes were rates of return ranging between 6.0% and 8.0%, price inflation ranging between 2.5% and 7.5%, and salary increases ranging between 4.5% and 7.5%. The total value of the assets of the principal defined benefit schemes at their latest available valuation dates is approximately US$189.5 million. These valuations, which were made by independent professionally qualified actuaries between December 2000 and December 2001, also showed that in aggregate total surpluses amounted to US$6.1 million and total deficits amounted to US$1.2 million.

The principal defined contribution schemes are operated in Hong Kong, the USA and Canada. Contributions to the defined contribution schemes, all the assets of which are held in trust funds separate from the Group, are based on a percentage of employee salary, depending upon the length of service of the employee, but the Group's contributions to certain schemes may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in those contributions. The charge for the defined contribution schemes, which cover approximately 59.5% of the Group's employees, was US$8.9 million (2000: US$7.4 million), after netting off forfeitures of US$0.1 million (2000: US$0.3 million).

31. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit before financing to cash generated from operations

US$'000	**2001**	2000
Operating profit before financing	**107,391**	166,399
Depreciation	**98,761**	84,118
Profit on disposal of fixed assets	**(2,280)**	(1,217)
Long-term investment income	**(1,704)**	(3,936)
(Profit)/loss on disposal of long-term investments	**(3,323)**	175
Write back of provision for closure of subsidiaries	**—**	(2,435)
Provision for diminution in value of long-term investments	**2,000**	9,877
Amortisation of deferred expenditure	**3,079**	4,896
Revaluation deficit of investment property	**20,000**	—
Decrease in provisions	**(538)**	(394)
Operating profit before working capital changes	**223,386**	257,483
Increase in properties under development and for sale	**(14,197)**	(224)
Decrease in debtors and prepayments	**78,428**	6,450
Decrease in creditors and accruals	**(32,082)**	(8,960)
Cash generated from operations	**255,535**	254,749

31. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Disposal of subsidiaries

US$'000	**2001**	2000
Net assets disposed		
Fixed assets	—	6,181
Non-current assets	—	182
Debtors and prepayments	—	1,407
Cash and bank balances	—	439
Creditors and accruals	—	(875)
Short-term loans	—	(2,295)
	—	5,039
Loss on disposal	—	(4,565)
Cash consideration	—	474
Cash and bank balances disposed	—	439
Net cash inflow on disposal of subsidiaries	—	35

(c) Analysis of changes in financing

US$'000	**Share capital and premium**	**Minority interests**	**Loans and finance lease obligations**	**Total**
At 31st December 1999	86,787	5,508	654,724	747,019
Changes in exchange rates	—	(129)	(769)	(898)
Inception of finance leases	—	—	212,246	212,246
Minority interests' share of profit	—	614	—	614
Dividends paid to minority interests	—	(433)	—	(433)
Disposal of subsidiaries	—	—	(2,295)	(2,295)
Net cash inflow/(outflow) from financing	—	(1,028)	21,435	20,407
At 31st December 2000	86,787	4,532	885,341	976,660
Changes in exchange rates	—	103	(3,330)	(3,227)
Inception of finance leases	—	—	48,987	48,987
Minority interests' share of profit	—	522	—	522
Dividends paid to minority interests	—	(510)	—	(510)
Net cash outflow from financing	—	—	(37,088)	(37,088)
At 31st December 2001	86,787	4,647	893,910	985,344

31. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(d) Analysis of cash and cash equivalents

US$'000	**2001**	2000
Bank balances and deposits maturing within three months from the date of placement	**331,205**	338,132
Portfolio investments	**42,935**	53,243
Overdrafts and bank loans repayable within three months from the date of advance	**(42,549)**	(66,712)
	331,591	324,663

32. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 15th March 2002.