

NOTES TO  
CONDENSED  
INTERIM  
ACCOUNTS

1.  
Accounting  
policies

These unaudited condensed consolidated interim accounts (the "interim accounts") are prepared in accordance with Statement of Standard Accounting Practice No. 25 ("SSAP 25"), "Interim Financial Reporting", issued by the Hong Kong Society of Accountants, (as applicable to condensed interim accounts) except that, in this first year of implementation of SSAP 25, as permitted by the Hong Kong Stock Exchange Listing Rules, no comparative figures have been presented for the condensed consolidated cash flow statement.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the accounts for the period from 1 January 1999 to 30 June 2000.

2.  
Turnover

Turnover represents income from cargo and container handling and storage, and road freight services, net of business tax. An analysis of the Group's turnover and contribution to operating loss for the period by principal activities is as follows:

	Turnover for the six months ended 31 December		Operating profit/(loss) for the six months ended 31 December	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Principal activities:				
Cargo handling and storage	27,328	19,616	(15,716)	(17,261)
Container handling and storage	32,494	22,552	333	(3,839)
Road freight services	3,298	2,051	(1,211)	(164)
Other overheads	-	-	(16,937)	620
	<b>63,120</b>	44,819	<b>(33,531)</b>	(20,644)

The principal market of the Group is located in Mainland China.

3.  
Operating loss

Operating loss is stated after charging cost of services rendered of HK\$50,276,000 (1999: HK\$43,415,000).

#### 4. Taxation

Hong Kong profits tax has not been provided as the Group does not have estimated assessable profit for the six months ended 31 December 2000 (1999: Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to profit and loss account represents:

	For the six months ended 31 December	
	2000 HK\$'000	1999 HK\$'000
Overseas taxation	44	–
Share of taxation attributable to:		
Jointly controlled entities	11,591	–
Associated companies	23,096	–
	<b>34,731</b>	–

There was no material unprovided deferred taxation for the period.

#### 5. Minority interests

Minority interests of HK\$8,218,000 for the six months ended 31 December 2000 (1999: HK\$8,764,000) represent the minority interests' share of net losses of non wholly-owned subsidiaries of the Group.

#### 6. Preference share dividend

	For the six months ended 31 December	
	2000 HK\$'000	1999 HK\$'000
4% cumulative convertible redeemable preference shares	67,489	–

#### 7. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the Group's profit attributable to shareholders of HK\$164,743,000 (1999: loss of HK\$13,298,000) less preference share dividend of HK\$67,489,000 (1999: HK\$ Nil) and the weighted average of 2,059,968,000 (1999: 819,462,000) ordinary shares in issue during the period.

The diluted earnings per share for the six months ended 31 December 2000 is based on 5,253,622,306 ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average of 3,193,654,306 ordinary shares deemed to be issued on the conversion of all preference shares. The conversion of share option is not dilutive as the exercise price of the Company's outstanding options is higher than the fair value per share for the six months ended 31 December 2000.

As the conversion of share options is anti-dilutive, the diluted loss per share for the six months ended 31 December 1999 is not presented.

**8.**  
**Debtors,  
deposits and  
prepayments**

Included in debtors, deposits and prepayments are trade debtors (net of provision) and their aging analysis is as follows:

	<b>0-3 months</b> HK\$'000	<b>4-6 months</b> HK\$'000	<b>7-12 months</b> HK\$'000	<b>Total</b> HK\$'000
Balance at 31 December 2000	31,347	8,033	6,772	46,152
Balance at 30 June 2000	31,766	8,416	8,758	48,940

The Group allows an average credit period of 30-90 days to its customers.

**9.**  
**Creditors and  
accruals**

Included in creditors and accruals are trade payables and their aging analysis is as follows:

	<b>0-3 months</b> HK\$'000	<b>4-6 months</b> HK\$'000	<b>7-12 months</b> HK\$'000	<b>More than 12 months</b> HK\$'000	<b>Total</b> HK\$'000
Balance at 31 December 2000	3,389	6	41	2,623	6,059
Balance at 30 June 2000	1,972	21	88	2,668	4,749

## 10. Share capital

	4% cumulative convertible redeemable preference shares of HK\$0.10 each ("Preference Shares")		Ordinary shares of HK\$0.10 each ("Ordinary Shares")		Total HK\$'000
	No. of shares	HK\$'000	No. of shares	HK\$'000	
<i>Authorised:</i>					
At 1 July 2000 and 31 December 2000	4,000,000,000	400,000	7,800,000,000	780,000	1,180,000
<i>Issued and fully paid:</i>					
At 1 July 2000 and 31 December 2000	3,193,654,306	319,365	2,059,968,000	205,997	525,362

The Preference Shares are redeemable, at the sole discretion of the Company, on the fifth anniversary date of their issue, at HK\$1.048 each, together with any unpaid dividend. Alternatively, at the sole discretion of the Company, on the fifth anniversary date of their issue, they may be compulsorily converted into Ordinary Shares.

All preference shareholders have the right (the "Conversion Right") to convert any or all of their Preference Shares into fully paid Ordinary Shares, where one Preference Share will be convertible into one Ordinary Share, subject to adjustment, in circumstances, such as the consolidation or sub-division of Ordinary Shares. The Conversion Right is exercisable at any time during a period of five years from the date of issue of the Preference Shares.

None of the Preference Shares was converted during the period. The exercise in full of the Conversion Rights attached to the 3,193,654,306 Preference Shares in issue at 31 December 2000 would have, with the present capital structure of the Company, resulted in the issue of 3,193,654,306 additional Ordinary Shares.

### Share options

The Company approved a share option scheme on 11 April 1997. The exercise in full of the outstanding options would, under the present capital structure of the Company, result in the issue of 28,500,000 additional Ordinary Shares and cash proceeds to the Company of approximately HK\$20,146,000, before the related share issue expenses. None of the options were exercised during the period.

## 11. Reserves

	Share premium	Capital redemption reserve	Special reserve	Exchange fluctuation reserve	Securities revaluation reserve	Goodwill reserve	Reserve fund	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2000	4,770,803	1,054	272,737	4,238	-	(2,265,164)	-	27,442	2,811,110
Movement in fair value	-	-	-	-	2,635	-	-	-	2,635
Release upon impairment in value	-	-	-	-	(2,635)	-	-	-	(2,635)
Net profit for the period	-	-	-	-	-	-	-	164,743	164,743
Dividend	-	-	-	-	-	-	-	(67,489)	(67,489)
Transfer of reserves	-	-	-	-	-	-	425	(425)	-
At 31 December 2000	4,770,803	1,054	272,737	4,238	-	(2,265,164)	425	124,271	2,908,364

## 12. Significant related party transactions

	Notes	For the six months ended 31 December	
		2000	1999
		HK\$'000	HK\$'000
Rental and other related expenses paid to an affiliate of New World Infrastructure Limited ("NWI")	(a)	1,381	1,382
Rental charged by a minority shareholder of a subsidiary	(b)	4,199	4,199
Interest charged by a minority shareholder of a subsidiary	(c)	-	934
Reimbursement of payroll expenses to NWI	(d)	2,033	-

### Notes:

- (a) The Group leased office premises from an affiliate of NWI. The rental and other related expenses were based on an agreement entered into between the affiliate and a subsidiary of the Company.
- (b) The rental expense related to the leasing of land and buildings and port facilities from a minority shareholder of a subsidiary. The rental charged was based on an agreement entered into between the minority shareholder and the subsidiary of the Company.
- (c) The interest arose from an amount due to a minority shareholder of a subsidiary.
- (d) From 15 March 2000 onwards, the Company has agreed to reimburse, on a cost basis, NWI the payroll of certain of its employees who are under the employment of NWI and are responsible, on a full-time basis, for the administration of the port projects acquired on 15 March 2000 by the Group from NWI. The total payroll expenses reimbursed to NWI amounted to HK\$2,033,000 for the period (1999: NIL) and has been included in the staff cost.

- (e) The Group has amounts due from non wholly-owned subsidiaries, which are unsecured, interest-free, and have no fixed terms of repayment. The balances as at 31 December 2000 and 30 June 2000 were as follows:

	<b>31 December 2000 HK\$'000</b>	30 June 2000 HK\$'000
Nanjing Huining Wharfs Co., Ltd.	<b>20,270</b>	20,270
Suzhou Huisu International Container Freight Wharfs Co., Ltd.	<b>12,224</b>	9,362
Xiamen Xiang Yu Quay Co., Ltd.	<b>197,389</b>	197,389
Xiaman Xiangyu Free Trade Zone Huijian Quay Co., Ltd.	<b>104,022</b>	64,172
Xiamen Xinyuan Container Terminal Co., Ltd.	<b>1,970</b>	1,970

- (f) During the period ended 31 December 2000, two wholly-owned subsidiaries of the Company executed corporate guarantees in favour of a finance company in respect of an equipment loan facility granted to Xiamen Xiang Yu Quay Co., Ltd., a 92% owned subsidiary of the Group. The outstanding loan balance as at 31 December 2000 was HK\$7,392,000.
- (g) A corporate guarantee has been given by NWI in favour of certain banks for banking facilities granted to Asia Container Terminals Limited ("ACT"), a jointly controlled entity of the Group, to the extent of approximately HK\$990 million as at 31 December 2000, in proportion to the Group's interest in ACT. The proportionate amount utilised against such facilities at 31 December 2000 which was secured by the guarantee amounted to approximately HK\$44 million.
- (h) The shares in a jointly controlled entity are pledged to a syndicate of financial institutions to secure a loan facility of HK\$1,750 million granted to that jointly controlled entity. At 31 December 2000, the outstanding amount under the loan facility was approximately HK\$627 million.

### 13. Contingent liabilities

Prior to the acquisition of assets on 15 March 2000, New World Development Company Limited ("NWD") and/or NWI have assumed certain contingent liabilities to third parties with respect to certain subsidiaries and jointly controlled entities of all port and port-related investing subsidiaries of NWI (the "Obligations"), including inter alia, the guarantees as detailed in notes 12(g) and 14(e) respectively, to the condensed interim accounts. Pursuant to the conditional sale and purchase agreement entered into between the Company, NWI, and Lotsgain Limited, a wholly-owned subsidiary of NWI, on 23 December 1999 (the "S&P Agreement"), the Company has agreed to counter-indemnify NWD and/or NWI and/or Lotsgain Limited in the event that they are required to make any payments under the Obligations. The S&P Agreement was approved by the independent shareholders of the Company on 15 February 2000.

### 14. Commitments

At the balance sheet date, the Group had the following commitments:

- (a) The Group's capital commitments for the acquisition and construction of port facilities and terminal equipment are as follows:

	<b>31 December 2000 HK\$'000</b>	30 June 2000 HK\$'000
Contracted but not provided for	<b>23,972</b>	53,441
Authorised but not contracted for	<b>706,587</b>	699,435
	<b>730,559</b>	752,876

(b) The Group's contracted commitments in respect of capital or loan contributions to PRC subsidiaries amounted to approximately HK\$56,084,000 (30 June 2000: HK\$56,084,000).

(c) The Group had commitments to make payments in the next twelve months under operating leases which expire as follows:

	<b>31 December 2000 HK\$'000</b>	30 June 2000 HK\$'000
Land and buildings		
Within one year	<b>1,343</b>	2,686
In the second to fifth year inclusive	<b>687</b>	–
After the fifth year	<b>8,399</b>	8,399
	<b>10,429</b>	11,085

(d) Details of the Group's share of capital and operating lease commitments of jointly controlled entities not included above are as follows:

(i) Capital commitments

	<b>31 December 2000 HK\$'000</b>	30 June 2000 HK\$'000
Contracted but not provided for	<b>541,971</b>	546,405
Authorised but not contracted for	<b>144,575</b>	178,985
	<b>686,546</b>	725,390

The above commitments include an amount of approximately HK\$673 million, representing the Group's share of capital commitments of ACT (including its share of development costs of Container Terminal 9 in Hong Kong ("CT9") and the related berth swap arrangement). ACT had obtained banking facilities to finance 60% of its share of development costs for CT9 and would reduce the funds to be injected by the Group accordingly.

(ii) Operating lease commitments

	<b>31 December 2000 HK\$'000</b>	30 June 2000 HK\$'000
Commitments to make payments in the next twelve months under operating leases which expire as follows:		
Land and buildings		
Within one year	<b>2,938</b>	2,775
After the fifth year	<b>13,610</b>	10,373
	<b>16,548</b>	13,148

- (e) Certain subsidiaries and jointly controlled entities are parties to agreements with third parties in respect of the joint development of CT9, the related berth swap arrangement and the financing/funding therefor. The Group's attributable share of such capital commitments as at 31 December 2000 has been disclosed in note (d) above. In the event of default of any of the third parties, the subsidiaries and jointly controlled entities will be required to provide additional funds for the project.

NWI has given guarantees in respect of these obligations of the subsidiaries and jointly controlled entities to provide additional funds. Had NWI required to perform its obligations under the guarantees, the maximum amount of the additional liabilities assumed, in addition to the Group's share of the capital commitments as disclosed in note (d) above, would be approximately HK\$1,482 million.

**15.**  
**Subsequent  
event**

On 8 February 2001, an indirect wholly-owned subsidiary of the Company has entered into an agreement with the minority shareholder (the "Minority Shareholder") of Suzhou Huisu International Container Freight Wharfs Company Limited ("Huisu") for the acquisition of an additional 20% interest in Huisu from the Minority Shareholder at a consideration of approximately HK\$5 million. Upon completion of the acquisition, the Company's equity interest in Huisu will be increased to 75%.