

## NOTES TO THE ACCOUNTS

### 1 PRINCIPAL ACCOUNTING POLICIES

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

**a Basis of preparation of the accounts**

The accounts have been prepared under the historical cost convention as modified by the revaluation of certain leasehold land and buildings and investment properties, in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

**b Basis of consolidation**

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

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

**c Fixed assets**

Fixed assets other than investment properties (note 1d) are stated at cost or valuation less accumulated depreciation.

Effective from 30th September 1995 no further revaluations of the Group's leasehold land and buildings have been carried out. The Group places reliance on paragraph 72 of Statement of Standard Accounting Practice 2.117 issued by the Hong Kong Society of Accountants, which provides exemption from the need to make regular revaluations for such assets.

Leasehold land is stated at cost or valuation and is amortised over the remaining period of the lease.

Land use rights are stated at cost and are amortised over the unexpired period of rights granted after the completion of construction work.

## 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

### c Fixed assets (Continued)

Containers are depreciated on a straight line basis over their estimated useful lives of 15 years, after taking into account of the residual value of 10% on cost.

Other fixed assets are depreciated at rates sufficient to write off their cost or valuation over their estimated useful lives to their respective residual values estimated by the directors on a straight line basis. The estimated useful lives of other fixed assets are summarised as follows:

Buildings	25 to 50 years
Motor vehicles	5 years
Leasehold improvements	5 years or the remaining period of the lease, whichever is shorter
Furniture, fixtures and equipment	5 years
Plant and machinery	5 years

No depreciation is provided for computer system under development and construction in progress.

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 the expected useful lives to the Group.

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained profit and is shown as a movement in reserves.

### d 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 20 years are valued annually by independent valuers. 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 annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to the operating profit. Any subsequent increases are credited to the operating profit up to the amount previously debited.

## 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

### d Investment properties (Continued)

Investment properties held on leases with unexpired period of 20 years or less are depreciated over the remaining portion 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 profit and loss account.

### e Capitalisation of fixed assets

All direct and indirect costs relating to the construction of plant and machinery including interest costs on related borrowed funds during the construction period and operating results prior to the commissioning date are capitalised as fixed assets.

A plant is considered to be commissioned when it is capable of producing saleable quality output in commercial quantities on an ongoing basis.

### f Subsidiaries

A company is considered to be a subsidiary if more than 50% of the issued voting capital is held for the long term.

In the Company's balance sheet investments in subsidiaries are stated at cost less provision for diminution in value other than temporary in nature. The results of subsidiaries are accounted for by the Company on the basis of dividends income.

### g Associated companies

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

The consolidated profit and loss account 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.

### h 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.

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities.

## 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

### i Goodwill and capital reserve

Goodwill represents the excess of purchase consideration over the fair values ascribed to the net assets of subsidiaries, associated companies and jointly controlled entities acquired and is eliminated against reserves in the year of acquisition.

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

### j Investments in securities

#### i Investment securities

Listed and unlisted investments which are held for long term are stated at cost less provision for diminution in value other than temporary in nature.

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 investment is reduced to its fair value. The amount of the reduction is recognised as an expense in the profit and loss account.

#### ii 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 profit and loss account. Profits or losses on disposal of other investments representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

### k Hire purchase contracts

Hire purchase contracts for containers are contracts for the lease of containers which contain a provision giving the lessee an option to acquire legal title to the containers upon the fulfilment of certain conditions stated in the contracts.

Amounts due from lessees in respect of hire purchase contracts are accounted for as hire purchase debtors and stated net of unearned income.

### l Inventories

Spare parts and consumables are stated at cost, using first-in first-out basis, less provision of obsolescence.

Resaleable containers are stated at lower of cost and net realisable value. Costs are calculated on weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

## 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

### **m Accounts receivable**

Provision is made against accounts receivable to the extent that they are considered to be doubtful. Accounts receivable in the balance sheet is stated net of such provision.

### **n Finance leases**

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

Payments to the lessor are treated as consisting of capital and interest elements. Finance charges are debited to the profit and loss account on a straight line basis over the lease term.

### **o Operating leases**

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

### **p 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 are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

### **q Off-balance sheet financial instruments**

The Group manages interest rate exposure of the loans by interest rate swap contract. Any differential to be paid or received on an interest rate swap contract is recognised as a component of interest expense over the period of the contract.

### **r 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 accounts to the extent that a liability or an asset is expected to be payable or receivable in the foreseeable future.

## 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

### s Translation of foreign currencies

Transactions in currencies other than United States dollars are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in currencies other than United States dollars at the balance sheet date are translated at exchange rates ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of subsidiaries, associated companies and jointly controlled entities expressed in currencies other than United States dollars are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising are dealt with as a movement in reserves.

### t Retirement benefit costs

The Group contributes to defined contribution retirement schemes which are available to all employees in Hong Kong and the United States of America. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group's contributions to these schemes are expensed as incurred. The Group's contributions for employees in Hong Kong may be reduced by forfeitures from those employees who leave the schemes prior to vesting fully in the contributions.

Pursuant to the relevant regulations of the governments in Germany, Italy, Japan, the United Kingdom, the United States of America and China Mainland, the subsidiaries of the Group in these countries participate in respective government benefit schemes (the "Schemes") whereby the subsidiaries are required to contribute to the Schemes for the retirement benefits of eligible employees. The subsidiaries in Japan and the United Kingdom also contribute to the Schemes for other benefits of eligible employees. Contributions made to the Schemes are calculated either based on certain percentages of the applicable payroll costs or fixed sums that are determined with reference to salary scale, as stipulated under the requirements of the respective countries. The governments of the respective countries are responsible for the entire benefits obligations payable to the retired employees. The only obligation of the Group with respect to the Schemes is to pay the ongoing contributions required by the Schemes. Contributions to the Schemes are charged to the profit and loss account as incurred.

### u Revenue recognition

The Group recognises revenue on the following bases:

#### i Revenue from container leasing

Rental income from containers under operating leases is recognised on a straight line basis over the period of each lease. Direct costs or reimbursements from lessees relating to the lifting and storage of containers are included in cost of sales when incurred or occurred.

Revenue on containers under hire purchase contracts is allocated to accounting period to give a constant periodic rate of return on the Group's net investment in the lease in each period. Direct costs relating to the negotiations and arrangement of a contract are written off in the profit and loss account when incurred.

## 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

### u Revenue recognition (Continued)

#### ii Revenue from container handling, transportation and storage

Revenue from container handling and transportation is recognised when the services are rendered.

Revenue from container storage is recognised on a straight line basis over the period of storage.

#### iii Revenue from container terminal operations

Revenue from container terminal operations is recognised when the services rendered are complete and the vessel leaves the berth.

#### iv Operating lease rental income from investment properties

Operating lease rental income from investment properties is recognised on a straight line basis over the period of each lease.

#### v Revenue from sale of containers

Revenue from sale of containers is recognised on the transfer of risks and rewards on ownership, which generally coincides with the time when the containers are delivered to customers and title has passed.

#### vi Commission on demurrage income and container sales

Commission on demurrage income is recognised upon the receipt of demurrage income from agents.

Commission on container sales is recognised when the sale proceeds are received.

#### vii Interest income

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

#### viii Dividend income

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

## 2 REVENUES AND TURNOVER

The Group is principally engaged in container leasing, container handling and storage and container terminal operations. Revenues recognised during the year are as follows:

	2000	1999
	US\$'000	US\$'000
	.....	.....
Turnover		
Container rentals under operating leases	200,422	201,809
Hire purchase income	1,721	3,306
Container handling, transportation and storage income, commission and rebate income	10,494	10,942
Terminal operation income	5,256	4,581
	<u>217,893</u>	<u>220,638</u>
Other revenues		
Sale of inventories	17,388	23,985
Interest income	12,191	5,068
Gross rental income from investment properties	44	60
Dividend income from		
– listed investment	329	199
– unlisted investment	1,023	–
	<u>30,975</u>	<u>29,312</u>
Total revenues	<u>248,868</u>	<u>249,950</u>

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

	Turnover		Contribution to operating profit after finance costs	
	2000	1999	2000	1999
	US\$'000	US\$'000	US\$'000	US\$'000
	.....	.....	.....	.....
Container leasing	202,143	205,115	75,826	85,098
Container handling and storage	10,494	10,942	3,297	2,881
Container terminal operations	5,256	4,581	3,217	1,514
Less: Corporate finance costs			(853)	(2,514)
Net corporate expenses			(8)	(3,595)
	<u>217,893</u>	<u>220,638</u>	<u>81,479</u>	<u>83,384</u>



## 2 REVENUES AND TURNOVER (Continued)

The movements of containers under operating leases or hire purchase contracts are known through report from the lessees but the Group is not able to control the movements of containers except to the degree that the movements are restricted by the terms of the leases or where safety of the containers is concerned. It is therefore impracticable to present turnover or contribution to operating profit after finance costs of container leasing by geographical areas.

The activities of container handling and storage and container terminal operations are carried out in Hong Kong and China Mainland respectively.

## 3 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2000	1999
	US\$'000	US\$'000
	.....	.....
<b>Crediting</b>		
Gain on disposal of fixed assets	81	—
	<hr/>	<hr/>
<b>Charging</b>		
Depreciation and amortisation	74,815	70,551
Cost of inventories sold	16,894	12,808
Loss on disposal of fixed assets	—	157
Outgoings in respect of investment properties	9	1
Provision for an investee company (note 15)	4,600	2,845
Provision for inventories	197	—
Rental expense under operating leases		
— land and buildings	3,153	3,485
— plant and machinery	448	441
Retirement benefit costs (note 9)	662	682
Revaluation deficit of investment properties (note 11b)	98	232
Staff costs	11,705	11,319
Auditors' remuneration	449	314
	<hr/>	<hr/>

**4 FINANCE COSTS**

	<b>2000</b>	<b>1999</b>
	<b>US\$'000</b>	<b>US\$'000</b>
	.....	.....
Interest expense on:		
Bank loans	27,218	26,983
Other loans		
– wholly repayable within five years	9,548	8,206
– not wholly repayable within five years	1,124	–
Loans from a minority shareholder of a subsidiary		
– wholly repayable within five years	174	–
– not wholly repayable within five years	–	262
Container purchase payables	69	1,213
(Gain)/loss on interest rate swap contracts	(51)	401
	<u>38,082</u>	<u>37,065</u>
Other incidental borrowing costs	5,031	3,241
	<u>43,113</u>	<u>40,306</u>

**5 TAXATION**

	<b>2000</b>	<b>1999</b>
	<b>US\$'000</b>	<b>US\$'000</b>
	.....	.....
Company and subsidiaries:		
Hong Kong profits tax	325	278
10% 1997/98 Hong Kong profits tax rebate	–	(60)
China Mainland taxation	112	91
Overseas taxation	363	340
Over provision in prior years	(106)	(131)
	<u>694</u>	<u>518</u>
Share of taxation attributable to:		
Jointly controlled entities		
China Mainland taxation	543	227
Associated companies		
Hong Kong profits tax	8,800	7,856
10% 1997/1998 Hong Kong profits tax rebate	–	(472)
China Mainland taxation	909	769
Deferred taxation	–	(1,286)
	<u>10,946</u>	<u>7,612</u>

## 5 TAXATION (Continued)

Hong Kong profits tax has been provided at a rate of 16% (1999: 16%) on the estimated assessable profit for the year. A substantial portion of the Group's profit neither arises in nor is derived from Hong Kong. Accordingly, that portion of the Group's profit is not subject to Hong Kong profits tax.

Taxation on profits from container terminal operations in China Mainland has been calculated at an effective tax rate of 7.5% (1999: 7.5%) on the estimated assessable profit for the year. The subsidiary in China Mainland is eligible for a 50% relief from corporate income tax of 15% for five years since 1998 .

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

The Group's profits from container leasing are exempt from income tax in China Mainland in accordance with a notice granting temporary exemption of income tax on rental payments made to foreign container leasing companies operating in international transportation (Guo Shui Fa (1993) No. 49) issued by the State Tax Bureau of the People's Republic of China (the "PRC") on 12th March 1993.

The Group is also exempt from business tax on its rental income and interest income earned in China Mainland in accordance with a notice granting exemption from business tax for foreign enterprises earning such income but having no establishment in China Mainland (Guo Shui Fa (1997) No. 35) issued by the State Tax Bureau of the PRC on 14th March 1997.

The deferred tax charge/(credit) for the year has not been provided in respect of the following:

	2000	1999
	US\$'000	US\$'000
	.....	.....
Accelerated depreciation allowances	(1,376)	7,229
Other timing differences	—	183
Tax losses	178	(4,810)
	<u>(1,198)</u>	<u>2,602</u>

Deferred tax on the revaluation surplus and deficit of the leasehold land and buildings and investment properties in Hong Kong has not been quantified as this does not constitute a timing difference for deferred taxation purposes.

## 6 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of US\$65,631,000 (1999:US\$99,015,000).

## 7 DIVIDENDS

	2000	1999
	US\$'000	US\$'000
	.....	.....
Interim, paid, of US1.055 cents (1999: US0.994 cents) per ordinary share	22,562	21,258
Final, proposed, of US1.410 cents (1999: US1.350 cents) per ordinary share	30,169	28,890
Additional 1998 final dividend paid on shares issued due to the share placement before the closure of the register of members	—	1,127
	<u>52,731</u>	<u>51,275</u>

## 8 EARNINGS PER SHARE

### a Basic earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of US\$142,546,000 (1999: US\$134,082,000) and on the weighted average number of 2,139,228,298 (1999: 2,109,505,999) ordinary shares in issue during the year.

### b Diluted earnings per share

Diluted earnings per share for the year ended 31st December 2000 is calculated based on the profit attributable to shareholders of US\$142,546,000 and the weighted average number of 2,139,228,298 ordinary shares in issue during the year and 199,216 ordinary shares deemed to be issued at no consideration if all outstanding share options have been exercised.

As the exercise price of the share options during the year ended 31st December 1999 was greater than the average market price of the Company's share, there was no dilution effect on earnings per share in 1999.

## 9 RETIREMENT BENEFIT COSTS

The Group contributes to defined contribution retirement schemes which are available to all employees in Hong Kong and the United States of America and to the schemes operated by governments of Germany, Italy, Japan, the United Kingdom, the United States of America and China Mainland (collectively the “Retirement Schemes”).

The retirement benefit costs charged to the profit and loss account represent contributions payable by the Group to the Retirement Schemes and amounted to US\$662,000 (1999: US\$682,000). Contributions totalling US\$8,000 (1999: US\$Nil) were payable to the Retirement Schemes as at 31st December 2000 and are included in trade and other payables. Forfeited contributions totalling US\$60,000 (1999: US\$59,000) were utilised during the year leaving US\$Nil (1999: US\$6,000) available at the year end to reduce future contributions.

The assets of the Retirement Schemes are held separately from those of the Group in independently administered funds.

## 10 DIRECTORS’ AND MANAGEMENT’S EMOLUMENTS

### a Directors’ emoluments

The aggregate amounts of emoluments paid to the directors of the Company during the year are as follows:

	2000 US\$’000	1999 US\$’000
Fees	211	205
Salaries, housing and other allowances, benefits in kind	734	648
Bonuses	44	48
Contribution to retirement schemes	29	31
	1,018	932

The above amounts include directors’ fees of US\$84,615 (1999: US\$77,170) paid to independent non-executive directors.

## 10 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS (Continued)

### a Directors' emoluments (Continued)

As at 31st December 2000, two directors of the Company had a total of 3,000,000 share options which were granted by the Company on 1st July 1996 under the share option scheme adopted by the Company on 30th November 1994 (the "Share Option Scheme"). The options are exercisable at HK\$5.53 per share at any time within ten years from the date of grant.

As at 31st December 2000, one director of the Company had 5,000,000 share options which were granted by the Company on 20th May 1997 under the Share Option Scheme. The options are exercisable at HK\$8.80 per share at any time within ten years from the date of grant.

As at 31st December 2000, nine directors of the Company had a total of 2,800,000 share options which were granted by the Company on 6th April 2000 under the Share Option Scheme. The options are exercisable at HK\$3.584 per share at any time from the first day of the thirteenth month from the date of grant to the end of the twenty-fourth month from the date of grant.

The consideration paid for each offer was HK\$1.00. No option was exercised by the directors during the year ended 31st December 2000.

The directors' emoluments are analysed as follows:

	Number of directors	
	2000	1999
Emoluments band		
Nil – US\$128,205 (Nil – HK\$1,000,000)	17	16
US\$128,206 – US\$192,308 (HK\$1,000,001 – HK\$1,500,000)	—	—
US\$192,309 – US\$256,410 (HK\$1,500,001 – HK\$2,000,000)	1	1
US\$256,411 – US\$320,513 (HK\$2,000,001 – HK\$2,500,000)	—	—
US\$320,514 – US\$384,615 (HK\$2,500,001 – HK\$3,000,000)	1	1
	19	18

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

## 10 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS (Continued)

### b Management's emoluments

Details of the aggregate emoluments paid to the three (1999: three) individuals whose emoluments were the highest in the Group and have not been included in the directors' emoluments above are set out below:

	2000	1999
	US\$'000	US\$'000
	.....	.....
Salaries, housing and other allowances, benefits in kind	670	744
Bonuses	73	57
Contributions to retirement schemes	29	31
	<u>772</u>	<u>832</u>

The emoluments fell within the following bands:

	Number of individuals	
	2000	1999
	.....	.....
Emoluments band		
Nil – US\$128,205 (Nil – HK\$1,000,000)	—	—
US\$128,206 – US\$192,308 (HK\$1,000,001 – HK\$1,500,000)	—	—
US\$192,309 – US\$256,410 (HK\$1,500,001 – HK\$2,000,000)	2	1
US\$256,411 – US\$320,513 (HK\$2,000,001 – HK\$2,500,000)	—	1
US\$320,514 – US\$384,615 (HK\$2,500,001 – HK\$3,000,000)	1	1
	<u>3</u>	<u>3</u>

During the year, no emoluments had been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the year.

## 11 FIXED ASSETS

## Group

	Leasehold land and buildings		Investment properties in Hong Kong US\$'000	Land use rights outside Hong Kong		Construction in progress US\$'000	Containers US\$'000	Motor vehicles US\$'000	Leasehold improvements US\$'000	Furniture, fixtures and equipment US\$'000	Computer system under development		Total US\$'000
	in Hong Kong US\$'000	outside Hong Kong US\$'000		in Hong Kong US\$'000	outside Hong Kong US\$'000						Plant and machinery US\$'000	US\$'000	
Cost or valuation													
At 1st January 2000	21,722	9,556	1,137	1,856	73	1,255,642	1,003	1,967	6,806	12,544	–	–	1,312,306
Translation differences	–	–	–	–	–	–	–	–	(1)	(7)	–	–	(8)
Additions	–	–	–	–	2,031	116,290	72	34	863	–	591	–	119,881
Disposals	–	–	–	–	–	(80,023)	(23)	–	(188)	(348)	–	–	(80,582)
Revaluation deficit													
(note 11b)	–	–	(98)	–	–	–	–	–	–	–	–	–	(98)
Reclassification	–	898	–	–	(1,988)	–	–	–	16	1,074	–	–	–
At 31st December 2000	21,722	10,454	1,039	1,856	116	1,291,909	1,052	2,001	7,496	13,263	591	–	1,351,499
Accumulated depreciation													
At 1st January 2000	2,398	1,336	–	148	–	381,373	634	1,534	1,943	4,702	–	–	394,068
Translation differences	–	–	–	–	–	–	–	–	–	(6)	–	–	(6)
Charge for the year	505	309	–	74	–	71,423	125	399	1,357	623	–	–	74,815
Disposals	–	–	–	–	–	(59,264)	(20)	–	(176)	(328)	–	–	(59,788)
At 31st December 2000	2,903	1,645	–	222	–	393,532	739	1,933	3,124	4,991	–	–	409,089
Net book value													
At 31st December 2000	18,819	8,809	1,039	1,634	116	898,377	313	68	4,372	8,272	591	–	942,410
At 31st December 1999	19,324	8,220	1,137	1,708	73	874,269	369	433	4,863	7,842	–	–	918,238
The analysis of cost or valuation of the above assets is as follows:													
At cost	1,749	10,454	–	1,856	116	1,291,909	1,052	2,001	7,496	13,263	591	–	1,330,487
At professional valuation													
– 1994	19,973	–	–	–	–	–	–	–	–	–	–	–	19,973
– 2000	–	–	1,039	–	–	–	–	–	–	–	–	–	1,039
	21,722	10,454	1,039	1,856	116	1,291,909	1,052	2,001	7,496	13,263	591	–	1,351,499



## 11 FIXED ASSETS (Continued)

Notes:

- a The Group's interests in investment properties and leasehold land and buildings at their net book values are analysed as follows:

	Group	
	2000 US\$'000	1999 US\$'000
In Hong Kong, held on leases of over 50 years	19,858	20,461
Outside Hong Kong, held on leases of between 10 to 50 years	10,443	9,928
	<u>30,301</u>	<u>30,389</u>

- b The investment properties were revalued on 31st December 2000 on an open market value basis by DTZ Debenham Tie Leung Limited, an independent professional property valuer. The revaluation deficit has been accounted for in the profit and loss account (note 3).
- c Certain leasehold land and buildings in Hong Kong as at 31st December 2000 were revalued in 1994 on an open market value basis by C.Y. Leung & Company Limited (now known as DTZ Debenham Tie Leung Limited), an independent professional property valuer.  
The carrying amount of these leasehold land and buildings as at 31st December 2000 would have been US\$16,539,000 (1999: US\$16,971,000) had the leasehold land and buildings been carried at cost less accumulated depreciation in the accounts.
- d The aggregate cost and accumulated depreciation of containers held for use in operating leases as at 31st December 2000 amounted to US\$1,268,524,000 (1999: US\$1,228,431,000) and US\$387,477,000 (1999: US\$375,830,000) respectively.
- e Certain leasehold land and buildings in Hong Kong and containers with an aggregate net book value of US\$210,911,000 as at 31st December 2000 (1999: US\$272,302,000) were pledged as security for loan facilities granted by banks and third parties.
- f During the year, the Group transferred containers with an aggregate net book value of US\$17,606,000 (1999: US\$15,283,000) to inventories.

## 12 INVESTMENTS IN SUBSIDIARIES

	Company	
	2000 US\$'000	1999 US\$'000
Unlisted shares, at cost	164,010	138,510
Amounts due from subsidiaries (note a)	951,295	863,333
Amounts due to subsidiaries (note a)	(1,040)	(15,692)
Provision	(27,801)	(10,845)
	<u>1,086,464</u>	<u>975,306</u>

## 12 INVESTMENTS IN SUBSIDIARIES (Continued)

Notes:

- a The amounts due from/(to) subsidiaries are unsecured and have no fixed terms of repayment. The balances are interest free except for a balance of US\$897,436 (1999: US\$900,320) due from a subsidiary which is interest bearing at 8% (1999: 8%) per annum.
- b Details of the subsidiaries as at 31st December 2000 are as follows:

Name	Place of incorporation	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest	
					2000	1999
* Allgood International Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US\$1	100%	100%
# * Bauhinia 97 Ltd.	Cayman Islands	Hong Kong	Investment holding	2 ordinary shares of US\$1 each	100%	100%
Cheer Hero Development Limited	Hong Kong	Hong Kong	Container handling and stevedoring	10,000 ordinary shares of HK\$10 each	75%	75%
COSCO Container Services Limited	Hong Kong	Hong Kong	Investment holding, depot handling and container repairing	2 ordinary shares of HK\$1 each	100%	100%
# * COSCO Pacific (China) Investments Co., Ltd.	PRC	PRC	Investment holding	US\$30,000,000	100%	100%
# COSCO Pacific Management Company Limited	Hong Kong	Hong Kong	Provision of management services	2 ordinary shares of HK\$1 each	100%	100%

## 12 INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest	
					2000	1999
# * COSCO Pacific Nominees Limited	British Virgin Islands	Worldwide	Provision of nominee services	1 ordinary share of US\$1	100%	100%
COSCO Qingdao Terminal Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US\$1	100%	100%
# * CPL Treasury Limited	British Virgin Islands	Hong Kong	Dormant	1 ordinary share of US\$1	100%	100%
Crestway International Limited	British Virgin Islands	Hong Kong	Investment holding	50,000 ordinary shares of US\$1 each	100%	100%
# * Elegance Investment Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US\$1	100%	100%
# Fairbreeze Shipping Company Limited	Hong Kong	Hong Kong	Property holding	5,000 ordinary shares of HK\$100 each	99.98%	99.98%
* Famous International Limited	British Virgin Islands	Worldwide	Investment holding and sale of old containers	1 ordinary share of US\$1	100%	100%
Fentalic Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US\$1	100%	100%
Florens Container Corporation S.A.	Panama	Worldwide	Container leasing	100 ordinary shares of US\$100 each	100%	100%

## 12 INVESTMENTS IN SUBSIDIARIES (Continued)

	Name	Place of incorporation	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest	
						2000	1999
#	Florens Container Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	22,014 ordinary shares of US\$1 each	100%	100%
	Florens Container Inc.	United States of America	United States of America	Container leasing	1 ordinary share of US\$1	100%	100%
	Florens Container, Inc. (1998)	United States of America	United States of America	Container leasing	100 ordinary shares of US\$1 each	100%	100%
	Florens Container Inc. (1999)	United States of America	United States of America	Container leasing	100 ordinary shares of US\$1 each	100%	—
	Florens Container, Inc. (2000)	United States of America	United States of America	Container leasing	100 ordinary shares of US\$1 each	100%	—
	Florens Container Services Company Limited	Hong Kong	Worldwide	Provision of container management services	100 ordinary shares of HK\$1 each	100%	100%
*	Florens Container Services (Deutschland) GmbH	Germany	Germany	Provision of container management services	2 shares of DM25,000 each	100%	100%
*	Florens Container Services (Italy) S.R.L.	Italy	Italy	Provision of container management services	20,000 quotas of ITL 1,000 each	100%	100%

## 12 INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest	
					2000	1999
* Florens Container Services (Japan) Co. Ltd.	Japan	Japan	Provision of container management services	200 ordinary shares of JPY 50,000 each	100%	100%
Florens Container Services (UK) Limited	United Kingdom	United Kingdom	Provision of container management services	183,610 ordinary shares of GBP 1 each	100%	100%
* Florens Container Services (USA), Ltd.	United States of America	United States of America	Provision of container management services	1,000 ordinary shares of US\$0.001 each	100%	100%
# Florens Industrial Holdings Limited	Bermuda	PRC	Investment holding	12,000 ordinary shares of US\$1 each	100%	100%
# * Florens Investments Company Limited	British Virgin Islands	Hong Kong	Dormant	1 ordinary share of US\$1	100%	100%
# Florens Ports Investments Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US\$1	100%	100%
Florens Shipping Corporation Limited	Bermuda	Worldwide	Container leasing	12,000 ordinary shares of US\$1 each	100%	100%
* Florens U.S. Holdings, Inc.	United States of America	United States of America	Investment holding	1 ordinary share of US\$1	100%	100%
* Frosti International Limited	British Virgin Islands	Hong Kong	Investment holding	2 ordinary shares of US\$1 each	100%	100%

## 12 INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest	
					2000	1999
Greating Services Limited	Hong Kong	Hong Kong	Depot handling, storage and transportation of containers	250,000 ordinary shares of HK\$1 each	100%	100%
* Hero King Limited	British Virgin Islands	Hong Kong	Property holding	1 ordinary share of US\$1	100%	100%
* Plangreat Limited	British Virgin Islands	Hong Kong	Investment holding	100 ordinary shares of US\$1 each	100%	100%
# * Toplink Enterprises Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US\$1	100%	100%
# * Topview Investment Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US\$1	100%	100%
Win Hanverky Investments Limited	Hong Kong	Hong Kong	Investment holding	10,000 ordinary shares of HK\$10 each	100%	100%
* Zhangjiagang Win Hanverky Container Terminal Co. Ltd.	PRC	PRC	Operation of container terminal	US\$16,800,000	51%	51%

# Shares held directly by the Company

\* Subsidiaries not audited by PricewaterhouseCoopers

The aggregate net assets, turnover and profit before taxation of subsidiaries not audited by PricewaterhouseCoopers amounted to approximately 2.4%, 2.6% and 2.5% (1999: 1.8%, 2.1% and 2.2%) of the Group's net assets, turnover and profit before taxation respectively.

### 13 INVESTMENTS IN JOINT VENTURES

	Group	
	2000	1999
	US\$'000	US\$'000
	.....	.....
Unlisted investments, at cost	31,707	31,707
Capital reserve on acquisition	1,472	1,472
Share of undistributed post acquisition reserves (note a)	9,093	5,396
	<hr/>	<hr/>
Share of net assets	42,272	38,575
Amounts due from jointly controlled entities (note b)	456	598
Amounts due to jointly controlled entities (note b)	(593)	(7,099)
	<hr/>	<hr/>
	42,135	32,074
	<hr/>	<hr/>

Notes:

- a Shanghai CIMC Far East Container Co., Ltd. and Tianjin CIMC North Ocean Container Co., Ltd., jointly controlled entities of the Group, entered into subcontracting agreements with China International Marine Containers (Group) Ltd. ("CIMC"), one of the venturers of these jointly controlled entities, during the year (the "Subcontracting Agreements"). Pursuant to the Subcontracting Agreements, the operations of these two jointly controlled entities are subcontracted to CIMC and CIMC, in return, provides guaranteed profits, the amounts of which are stipulated in the Subcontracting Agreements, to these jointly controlled entities for five years commencing from 1st January 2000.

The Group's share of profits from these two jointly controlled entities for the year ended 31st December 2000 is calculated based on the amounts of guaranteed profits as set out in the Subcontracting Agreements.

- b The amounts due from/(to) jointly controlled entities are unsecured and interest free. Balances in relation to purchases of containers have normal commercial terms of settlement while the other balances have no fixed terms of repayment.

### 13 INVESTMENTS IN JOINT VENTURES (Continued)

- c The Company has no directly owned jointly controlled entities as at 31st December 2000 and 1999. The following is a list of the jointly controlled entities held by its wholly owned subsidiaries as at 31st December 2000:

Name	Place of incorporation/ operation	Principal activities	Paid-up capital	Percentage of interest in ownership/voting power/profit sharing	
				2000	1999
Qingdao Cosport International Container Terminals Co. Ltd.	PRC	Operation of container terminal	RMB337,868,700	50%	50%
Shanghai CIMC Reefer Containers Co., Ltd.	PRC	Container manufacturing	US\$28,000,000	20%	20%
Shanghai CIMC Far East Container Co., Ltd.	PRC	Container manufacturing	US\$9,480,000	20%	20%
Shanghai Kansai Paint & Chemical Co., Ltd.	PRC	Production of container and marine paints	RMB58,177,941	20%	20%
Tianjin Kansai Paint & Chemicals Co., Ltd.	PRC	Production of container and marine paints	RMB30,293,460	20%	20%
Tianjin CIMC North Ocean Container Co., Ltd.	PRC	Container manufacturing	US\$8,582,000	22.5%	22.5%



## 14 INVESTMENTS IN ASSOCIATED COMPANIES

	Group	
	2000 US\$'000	1999 US\$'000
Investments, at cost		
– unlisted shares	314,986	314,986
– shares listed in Hong Kong	219,189	219,189
Goodwill on acquisition written off	(341,597)	(341,597)
Share of undistributed post acquisition reserves	92,030	72,650
	<u>284,608</u>	<u>265,228</u>
Share of net assets	284,608	265,228
Loans to associated companies (note a)	45,555	57,070
	<u>330,163</u>	<u>322,298</u>
Market value of listed shares	<u>100,942</u>	<u>91,196</u>

### Notes:

- a The loans to associated companies are unsecured, interest free and have no fixed terms of repayment.
- b The Company has no directly owned associated company as at 31st December 2000 and 1999. The following is a list of the associated companies held by its wholly owned subsidiaries as at 31st December 2000:

Name	Place of incorporation/ operation	Principal activities	Issued share capital	Group equity interest	
				2000	1999
COSCO-HIT Terminals (Hong Kong) Limited	Hong Kong	Operation, management and development of Container Terminal 8 (East)	2 "A" ordinary shares of HK\$10 each and 2 "B" ordinary shares of HK\$10 each	50%	50%
Dawning Company Limited	British Virgin Islands/ Hong Kong	Investment holding	200 "A" shares of US\$1 each and 800 "B" shares of US\$1 each	20%	20%
Liu Chong Hing Bank Limited	Hong Kong	Banking and related financial services	435,000,000 ordinary shares of HK\$0.5 each	20%	20%
Twinbridge Development Corp.	British Virgin Islands/PRC	Investment holding	10,000 shares of US\$1 each	30%	30%

## 15 INVESTMENT SECURITIES

	Group	
	2000	1999
	US\$'000	US\$'000
	.....	.....
Equity securities		
Unlisted investments in Hong Kong, at cost (note a)	1	1
Loans to investee companies (note b)	47,174	47,067
Provision (note 3)	(7,445)	(2,845)
	<u>39,730</u>	<u>44,223</u>
Listed investment outside Hong Kong, at cost	<u>7,216</u>	<u>7,216</u>
	<u>46,946</u>	<u>51,439</u>
Market value of listed shares	<u>10,890</u>	<u>4,973</u>

## Notes:

- a Unlisted investments include a 10% equity interest in River Trade Terminal Holdings Limited (“River Trade Terminal”) and a 6.85% equity interest in Sigma Enterprises Limited (“Sigma”) which are principally engaged in the management and development of Tuen Mun Area 38 River Trade Terminal in Hong Kong and the management of Yantian International Container Terminal in China Mainland respectively.
- b Loans to investee companies represent loans to River Trade Terminal for financing the development of Tuen Mun Area 38 River Trade Terminal and Sigma for financing the operations of Yantian International Container Terminal respectively. These loans are unsecured, interest free and have no fixed terms of repayment.

## 16 HIRE PURCHASE DEBTORS

	Group	
	2000	1999
	US\$'000	US\$'000
	.....	.....
Hire purchase debtors less provision (note)	12,129	21,232
Amounts due within one year included under current assets	<u>(4,868)</u>	<u>(7,852)</u>
	<u>7,261</u>	<u>13,380</u>

Note:

The cost of assets acquired for the purpose of letting under hire purchase contracts amounted to US\$29,531,000 as at 31st December 2000 (1999: US\$52,451,000). The aggregate rentals receivable for the year in relation to the hire purchase contracts amounted to US\$10,090,000 (1999: US\$14,764,000).

## 17 BANK BALANCES AND CASH

	Group	
	2000	1999
	US\$'000	US\$'000
	.....	.....
Bank balance and cash	57,779	18,641
Restricted bank deposits included in non-current assets	<u>(3,855)</u>	<u>(1,303)</u>
	<u>53,924</u>	<u>17,338</u>

Included in bank balances and cash of the Group are amounts of US\$3,855,000 (1999: US\$1,303,000) pledged as security for a bank loan of the Group and are restricted for the purpose of the related banking facility.

## 18 INVENTORIES

As at 31st December 2000, inventories represent spare parts and consumables of US\$339,000 (1999: US\$333,000) and resaleable containers of US\$3,510,000 (1999: US\$2,951,000).

Spare parts and consumables are stated at cost. The carrying amount of resaleable containers that are carried at net realisable value amounted to US\$3,227,000 (1999: Nil).

## 19 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2000 US\$'000	1999 US\$'000	2000 US\$'000	1999 US\$'000
Trade receivables, less provision (note a)	19,201	20,669	—	—
Other receivables, deposits and prepayments	3,129	3,573	390	459
Amounts due from fellow subsidiaries (note b)	22,460	15,759	—	—
Amounts due from related companies (note b)	718	1,150	—	—
	<u>45,508</u>	<u>41,151</u>	<u>390</u>	<u>459</u>

Notes:

- a The Group grants various credit periods to its customers and the analysis of the credit periods by principal activities is as follows:
- container leasing : 60 days
  - container handling and storage : 30 to 90 days
  - container terminal operations : 90 days

As at 31st December 2000, the age analysis of the trade receivables (net of provision) of the Group was as follows:

	Group	
	2000 US\$'000	1999 US\$'000
Current	11,933	11,644
30 – 60 days	3,243	4,050
60 – 90 days	1,664	2,300
Over 90 days	<u>2,361</u>	<u>2,675</u>
	<u>19,201</u>	<u>20,669</u>

- b The amounts due from fellow subsidiaries and related companies are unsecured and interest free. Trading balances have normal commercial terms of settlement while other balances have no fixed terms of repayment.

## 20 TRADE AND OTHER PAYABLES

	Group		Company	
	2000	1999	2000	1999
	US\$'000	US\$'000	US\$'000	US\$'000
Trade payables (note a)	13,322	13,165	—	—
Other payables	821	1,178	60	224
Accruals and provisions	15,250	18,148	263	113
Amounts due to fellow subsidiaries (note b)	1,253	3,818	—	—
Amounts due to related companies (note b)	2,828	25,181	—	—
Amounts due to minority shareholders of subsidiaries (note b)	2,071	1,227	—	—
	<u>35,545</u>	<u>62,717</u>	<u>323</u>	<u>337</u>

Notes:

- a As at 31st December 2000, the age analysis of the trade payables of the Group was as follows:

	Group	
	2000	1999
	US\$'000	US\$'000
Current	8,082	2,607
30 – 60 days	3,567	273
60 – 90 days	350	88
Over 90 days	1,323	10,197
	<u>13,322</u>	<u>13,165</u>

- b The amounts due to fellow subsidiaries, related companies and minority shareholders of subsidiaries are unsecured and interest free. Balances in relation to purchases of containers have normal commercial terms of settlement while the other balances have no fixed terms of repayment.

## 21 SHORT TERM LOANS

	Group		Company	
	2000	1999	2000	1999
	US\$'000	US\$'000	US\$'000	US\$'000
Unsecured bank loans	<u>41,162</u>	<u>20,692</u>	<u>23,000</u>	—

Unsecured bank loan of the Group of approximately US\$1,686,000 as at 31st December 1999, which was guaranteed by a fellow subsidiary of the Company, was repaid during the year.

## 22 SHARE CAPITAL

	2000 US\$'000	1999 US\$'000
	.....	.....
Authorised:		
3,000,000,000 ordinary shares of HK\$0.10 each	<u>38,462</u>	<u>38,462</u>
Issued and fully paid:		
2,139,228,298 ordinary shares of HK\$0.10 each	<u>27,433</u>	<u>27,433</u>

- a The movements of the issued share capital of the Company are summarised as follows:

	Number of ordinary shares	Nominal value US\$'000
	.....	.....
At 1st January 1999	2,051,826,531	26,305
Issued on private placement (note b)	87,311,767	1,127
Issued on exercising of share options	<u>90,000</u>	<u>1</u>
At 31st December 1999 and 31st December 2000	<u>2,139,228,298</u>	<u>27,433</u>

- b Pursuant to the placing agreement dated 22nd April 1999 entered into between COSCO (Hong Kong) Group Limited (“COSCO (Hong Kong)”) and its placing agents, COSCO (Hong Kong) sold through placing agents a total of 167,599,752 shares (the “Placing Shares”) of the Company to independent professional and institutional investors at a price (the “Placing Price”) of HK\$4.78 per share (the “Placing”).

Pursuant to the subscription agreement on the same date, COSCO (Hong Kong) subscribed for 87,311,767 new shares (the “Subscription Shares”) at a price equal to the Placing Price (the “Subscription”) less an amount of attributable expenses incurred in respect of the Placing and Subscription. The premium of US\$52,735,000 arising on the issue of the Subscription Shares by the Company was accounted for in the share premium in 1999 (note 23).

## 22 SHARE CAPITAL (Continued)

### c Share options

Under the Share Option Scheme, the directors of the Company may, at their discretion, grant to any executive and/or employee of the Group, including any director in full time employment with any company in the Group, share options to subscribe for the Company's shares. The subscription price for the Company's shares under the Share Option Scheme is determined by the directors of the Company and will not be less than 80% of the average of the closing prices of the Company's shares on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of offer of the option or the nominal value of the Company's shares, whichever is higher. The maximum number of shares over which options may be outstanding may not exceed 10% of the ordinary share capital in issue from time to time.

There were 6,580,000 share options granted on 1st July 1996 which were exercisable at HK\$5.53 per ordinary share as at 1st January 2000. No share option was exercised but 3,500,000 share options were forfeited following the death of a former director and resignation of a former director during the year. As at 31st December 2000, there were 3,080,000 share options outstanding which are exercisable at any time within ten years from the date of the options granted.

There were 13,600,000 share options granted on 20th May 1997 (the "Offer Date") which were exercisable at HK\$8.80 per ordinary share as at 1st January 2000. No share option was exercised but 1,050,000 share options were forfeited following resignations of certain employees during the year. As at 31st December 2000, there were 12,550,000 share options outstanding which are exercisable at any time within ten years from the date of the options granted subject to the following conditions:

- i For those grantees who have completed one year full-time service in the Group may exercise a maximum of 20% of share options granted in each of the first five anniversary year from the Offer Date.
- ii For those grantees who have not completed one year full-time service in the Group as at the Offer Date, a maximum of 20% of options granted may be exercisable in each of the first five anniversary years of the Offer Date after completion of one year full-time service.

On 6th April 2000, a total of 15,470,000 share options were granted. 1,330,000 share options were forfeited following the resignations of two former directors and certain employees during the year. As at 31st December 2000, there were 14,140,000 share options outstanding which are exercisable at HK\$3.584 per ordinary share at any time from the first day of the thirteenth month from the date of grant to the end of the twenty-fourth month from the date of grant.

For those share options granted on 1st July 1996 and 20th May 1997, all grantees may reserve their rights to exercise and accumulate their share options exercisable during their employment with the Group.

## 23 RESERVES

### Group

	Share premium US\$'000	Other properties revaluation reserve US\$'000	Exchange reserve US\$'000	Capital reserve US\$'000	Other reserves US\$'000	Retained profits US\$'000	Total US\$'000
Companies and subsidiaries	503,772	1,127	11	–	196	218,584	723,690
Jointly controlled entities	–	–	(105)	333	–	4,439	4,667
Associated companies	–	–	748	82	–	90,109	90,939
At 1st January 1999	503,772	1,127	654	415	196	313,132	819,296
Premium on issue of shares under the Share Option Scheme	63	–	–	–	–	–	63
Premium on issue of new shares through a private placement (note 22b)	52,735	–	–	–	–	–	52,735
Share issue expenses	(42)	–	–	–	–	–	(42)
Transfer of reserves	–	–	–	–	2,692	(2,692)	–
Share of reserves of an associated company and a jointly controlled entity	–	–	48	7	–	–	55
Exchange translation differences	–	–	(689)	–	–	–	(689)
Retained profit for the year	–	–	–	–	–	82,807	82,807
At 31st December 1999	556,528	1,127	13	422	2,888	393,247	954,225
Retained by:							
Companies and subsidiaries	556,528	1,127	(17)	–	264	318,171	876,073
Jointly controlled entities	–	–	(105)	340	785	4,483	5,503
Associated companies	–	–	135	82	1,839	70,593	72,649
	556,528	1,127	13	422	2,888	393,247	954,225
At 1st January 2000	556,528	1,127	13	422	2,888	393,247	954,225
Transfer of reserves	–	–	–	–	1,468	(1,468)	–
Share of reserve of an associated company	–	–	64	–	–	–	64
Exchange translation differences	–	–	(727)	–	–	–	(727)
Retained profit for the year	–	–	–	–	–	89,815	89,815
At 31st December 2000	556,528	1,127	(650)	422	4,356	481,594	1,043,377
Retained by:							
Companies and subsidiaries	556,528	1,127	(108)	–	374	384,226	942,147
Jointly controlled entities	–	–	(87)	340	1,151	7,796	9,200
Associated companies	–	–	(455)	82	2,831	89,572	92,030
	556,528	1,127	(650)	422	4,356	481,594	1,043,377



## 23 RESERVES (Continued)

### Company

	Share premium US\$'000	Contributed surplus US\$'000	Retained profits US\$'000	Total US\$'000
At 1st January 1999	503,772	418,570	34,422	956,764
Premium on issue of shares under the Share Option Scheme	63	—	—	63
Premium on issue of new shares through a private placement (note 22b)	52,735	—	—	52,735
Share issue expenses	(42)	—	—	(42)
Retained profit for the year	—	—	47,740	47,740
At 31st December 1999	<u>556,528</u>	<u>418,570</u>	<u>82,162</u>	<u>1,057,260</u>
At 1st January 2000	556,528	418,570	82,162	1,057,260
Retained profit for the year	—	—	12,900	12,900
At 31st December 2000	<u>556,528</u>	<u>418,570</u>	<u>95,062</u>	<u>1,070,160</u>

The distributable reserves of the Company as at 31st December 2000 amounted to US\$513,632,000 (1999: US\$500,732,000).

## 24 LONG TERM LIABILITIES

	Group	
	2000 US\$'000	1999 US\$'000
Loans (note c)		
Secured	105,349	132,204
Unsecured	277,134	407,891
	<u>382,483</u>	<u>540,095</u>
Amounts due within one year included under current liabilities	<u>(98,207)</u>	<u>(241,695)</u>
	<u>284,276</u>	<u>298,400</u>

Notes:

- a The analysis of the above is as follows:

	Group	
	2000 US\$'000	1999 US\$'000
Wholly repayable within five years		
Bank loans	213,207	339,875
Other loans (note d)	147,801	142,074
Loans from a minority shareholder of a subsidiary (note e)	2,409	—
Not wholly repayable within five years		
Bank loans	—	55,255
Other loans (note f)	19,066	—
Loans from a minority shareholder of a subsidiary (note e)	—	2,891
	<u>382,483</u>	<u>540,095</u>

## 24 LONG TERM LIABILITIES (Continued)

b The maturity of the long term liabilities is as follows:

	Group	
	2000	1999
	US\$'000	US\$'000
	.....	.....
Bank loans		
Within one year	91,413	106,938
In the second year	77,796	104,595
In the third to fifth years inclusive	41,193	177,813
In more than five years	2,805	5,784
	<u>213,207</u>	<u>395,130</u>
Loans from a minority shareholder of a subsidiary		
Within one year	482	482
In the second year	482	482
In the third to fifth years inclusive	1,445	1,446
In more than five years	—	481
	<u>2,409</u>	<u>2,891</u>
Other loans		
Within one year	6,312	134,275
In the second year	145,587	4,336
In the third to fifth years inclusive	7,405	3,463
In more than five years	7,563	—
	<u>166,867</u>	<u>142,074</u>
	<u>382,483</u>	<u>540,095</u>

## 24 LONG TERM LIABILITIES (Continued)

- c Secured bank loans and other loans of US\$105,349,000 (1999: US\$132,204,000) were pledged by certain leasehold land and buildings in Hong Kong and containers of the Group (note 11e).

The bank loan of approximately US\$1,325,000 (1999: US\$Nil) was guaranteed by the minority shareholder of a subsidiary.

- d US\$130 million US commercial notes (the “Notes”) were issued in 1998 to investors pursuant to an agreement dated 9th May 1998 (the “Agreement”). The Notes were backed by a letter of credit issued by a bank (the “LOC”) and guaranteed by the Company. The Notes were fully replaced by the issuance of US\$140 million US commercial notes (the “New Notes”) in 2000 pursuant to an agreement dated 20th April 2000. The New Notes are backed by a letter of credit issued by a bank (the “New LOC”) and guaranteed by the Company. Each New Note bears interest at prevailing market rates with a stated maturity date not exceeding 270 days. The New Notes will be redeemed and reissued upon their respective maturity dates until the expiry of the New LOC. The stated termination date of the New LOC is two years from 8th May 2000, the effective date of the New Notes. On this basis, the directors of the Company regard the New Notes as non-current liabilities.
- e Loans from a minority shareholder of a subsidiary are unsecured and repayable in various annual instalments up to December 2005. Annual interest rate is calculated at prevailing market rate quoted by the State Development Bank of the PRC at the end of every preceding year. The interest rate for 2000 was 6.21% (1999: 8.01%) per annum.
- f Other loans not wholly repayable within five years as at 31st December 2000 are repayable by instalments from 7th July 2000 to 4th July 2008. Interest is charged on the outstanding balances at the London Interbank Offered Rate plus a margin of 1.125% per annum.

## 25 CONTINGENT LIABILITIES

	Group		Company	
	2000 US\$'000	1999 US\$'000	2000 US\$'000	1999 US\$'000
Guarantees executed in favour of banks for securing banking facilities granted to				
Subsidiaries	—	—	396,911	555,986
Jointly controlled entities	748	2,518	—	—
Investee company	—	33,158	—	33,158
	<u>748</u>	<u>35,676</u>	<u>396,911</u>	<u>589,144</u>

## 26 CAPITAL COMMITMENTS

	Group		Company	
	2000 US\$'000	1999 US\$'000	2000 US\$'000	1999 US\$'000
Authorised but not contracted for				
Containers	155,698	92,507	—	—
Other fixed assets	2,836	—	—	—
	<u>158,534</u>	<u>92,507</u>	<u>—</u>	<u>—</u>
Contracted but not provided for				
Containers	—	7,493	—	—
Capital contribution to a subsidiary	—	—	—	25,500
Investment (note a)	45,770	—	—	—
	<u>45,770</u>	<u>7,493</u>	<u>—</u>	<u>25,500</u>

### Notes:

- a As at 31st December 2000, the Group's commitment in respect of an investment in a 20% equity interest in Shanghai Putong International Container Terminal Limited amounted to US\$45,770,000.
- b As at 31st December 2000 and 1999, there were no capital commitments relating to the Group's interests in the joint ventures included in the above.

As at 31st December 2000 and 1999, there were no capital commitments of the joint ventures themselves not included in the above.

## 27 LEASE COMMITMENTS

At 31st December 2000 the Group had commitments to make payments in the next twelve months under operating leases which expire as follows:

	Group	
	2000 US\$'000	1999 US\$'000
Land and buildings		
Expiring in the first year	512	1,478
Expiring in the second to fifth years inclusive	2,289	1,009
	<u>2,801</u>	<u>2,487</u>
Plant and machinery		
Expiring in the first year	286	—
Expiring in the second to fifth years inclusive	—	301
Expiring after the fifth year	3	116
	<u>3,090</u>	<u>2,904</u>

## 28 DEFERRED TAXATION

The potential deferred tax liability/(asset) as at 31st December 2000 not provided for in the accounts amounts to:

	Group	
	2000 US\$'000	1999 US\$'000
Accelerated depreciation allowances	13,254	14,630
Tax losses	(11,874)	(12,052)
	<u>1,380</u>	<u>2,578</u>

## 29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### a Reconciliation of operating profit to net cash inflow from operating activities

	2000	1999
	US\$'000	US\$'000
	.....	.....
Operating profit	124,592	123,690
Depreciation and amortisation	74,815	70,551
Dividend income	(1,352)	(199)
(Gain)/loss on disposal of fixed assets	(81)	157
Loss on disposal of a subsidiary	—	2
Provision for an investee company	4,600	2,845
Revaluation deficit of investment properties	98	232
Decrease in net balance with jointly controlled entities	(398)	(291)
Decrease in hire purchase debtors less provision	9,103	11,427
Decrease in inventories	17,041	12,781
Decrease/(increase) in trade receivables less provision, other receivables, deposits and prepayments	1,775	(8,596)
Decrease in net amount due from ultimate holding company	—	7,986
Increase in amounts due from fellow subsidiaries	(6,448)	(13,159)
Decrease in amounts due from related companies	432	3,635
Increase/(decrease) in trade and other payables and accruals and provisions	1,901	(1,077)
Decrease in amount due to immediate holding company	—	(5)
(Decrease)/increase in amounts due to fellow subsidiaries	(2,565)	3,802
Decrease in amounts due to related companies	(2,249)	(1,131)
Increase in amounts due to minority shareholders of subsidiaries	844	401
Interest income	(12,191)	(5,068)
Effect of foreign exchange rate changes	76	(35)
	<u>209,993</u>	<u>207,948</u>
Net cash inflow from operating activities	<u>209,993</u>	<u>207,948</u>

## 29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

## b Analysis of changes in financing during the year

	Share capital (including share premium) US\$'000	Loans US\$'000	Minority interests US\$'000
	.....	.....	.....
Balance at 1st January 1999	530,077	634,336	6,500
Issue of shares, net of expenses	53,884	—	—
Minority interest's share of profit for the year	—	—	667
Loans borrowed	—	144,454	—
Repayment of loans	—	(218,003)	—
Dividends paid to minority shareholders	—	—	(291)
	<u>583,961</u>	<u>560,787</u>	<u>6,876</u>
Balance at 31st December 1999	583,961	560,787	6,876
Balance at 1st January 2000	583,961	560,787	6,876
Effect of foreign exchange rate changes	—	(8)	—
Minority interest's share of profit for the year	—	—	886
Loans borrowed	—	85,185	—
Repayment of loans	—	(222,319)	—
Dividends paid to minority shareholders	—	—	(515)
	<u>583,961</u>	<u>423,645</u>	<u>7,247</u>
Balance at 31st December 2000	583,961	423,645	7,247



## 29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

### c Sale of a subsidiary

	1999 US\$'000
	.....
Net assets disposed of	
Fixed assets	2,217
Loss on disposal	(2)
	<u>2,215</u>
Satisfied by	
Cash	<u>2,215</u>

The subsidiary disposed of in 1999 did not contribute significant cash flows to the Group.

### d Analysis of the balances of cash and cash equivalents

	2000 US\$'000	1999 US\$'000
	.....	.....
Time deposits	87,828	233,694
Bank balances and cash	<u>53,924</u>	<u>17,338</u>
	<u>141,752</u>	<u>251,032</u>

### e Major non-cash transaction

During the year, US\$140 million US commercial notes were issued. US\$130 million out of the US\$140 million US commercial notes was used to replace the US\$130 million US commercial notes issued in 1998 and matured in 2000. The Group received a net cash inflow of US\$10 million which was included in loans borrowed during the year (note 29b).

### 30 RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions, in addition to those disclosed elsewhere in the accounts, which were carried out in the normal course of the Group's business:

	2000	1999
	US\$'000	US\$'000
	.....	.....
Container rental income from a fellow subsidiary (note a)	136,766	142,631
Income for container terminal handling services rendered by an associated company of the Group to a fellow subsidiary (note b)	85,593	78,893
Handling and storage income from fellow subsidiaries (note c)	7,504	7,227
Net transportation income from fellow subsidiaries (note c)	2,276	2,487
Management fee income from an associated company (note d)	2,581	2,581
Compensation for loss of containers from a fellow subsidiary (note e)	691	1,615
Container terminal handling fee received from a fellow subsidiary (note f)	1,104	820
Service income from an associated company of ultimate holding company (note g)	565	—
Container drop-off credit to a fellow subsidiary (note h)	2,114	(2,114)
Purchase of containers from (note i)		
— associated companies of ultimate holding company	(39,251)	(32,462)
— jointly controlled entities of the Group	(17,288)	(14,683)
Container freight charges to (note j)		
— associated companies of ultimate holding company	(1,601)	—
— a jointly controlled entity of the Group	(57)	—
— a fellow subsidiary	—	(718)
Refurbishment fee to a fellow subsidiary (note k)	(3,000)	(3,000)
Property rental expense paid to a fellow subsidiary under operating lease (note l)	(674)	(677)
Maintenance fee for refrigerated containers to a fellow subsidiary (note m)	—	(2,700)
	<u>          </u>	<u>          </u>

### 30 RELATED PARTY TRANSACTIONS (Continued)

Notes:

- a The Group has conducted container leasing business with COSCO Container Lines Company Limited (“COSCON”), a wholly owned subsidiary of the China Ocean Shipping (Group) Company (“COSCO”) which is the Company’s ultimate holding company. During the two years ended 31st December 2000 the Group entered into new container leasing arrangements and revised the terms of the existing container leasing contracts.

The Group’s container leasing transactions with COSCON during the year have been conducted based on the average leasing rates quoted from four (1999: three) of the top ten independent container leasing companies and in the ordinary and normal course of the business of the Group.

- b COSCO-HIT Terminals (Hong Kong) Limited (“COSCO-HIT”), an associated company of the Group, provided handling and storage services to COSCON for cargoes shipped to Container Terminal 8 (East) in Hong Kong. The services rendered were charged at terms pursuant to agreements entered into by COSCO-HIT with COSCON for the year ended 31st December 2000.
- c The handling and storage income and the transportation income received from fellow subsidiaries were conducted at terms no less favourable than terms available to independent third parties.
- d The Group provided advisory and management services to COSCO-HIT during the year. Management fee was charged and agreed at HK\$20 million (1999: HK\$20 million) per annum.
- e During the year, the Group had compensation received and receivable of US\$691,000 from COSCON (1999: US\$1,615,000) for the loss of containers under operating leases, resulting in a loss of US\$55,000 (1999: gain of US\$213,000).
- f During the year, the Group provided handling and storage services to a fellow subsidiary for cargoes shipped to Zhangjiagang port. The tariff rates charged by the Group were referenced to rates as set out by the Ministry of Communications of the PRC.
- g Pursuant to an agreement entered into between China International Marine Containers (Hong Kong) Limited (“CIMC HK”), an associated company of the ultimate holding company, and a subsidiary of the Group on 20th January 2000 (the “Service Agreement”), the Group provides CIMC HK with consultancy services for a term of 5 years at fees as stipulated in the Service Agreement.

### 30 RELATED PARTY TRANSACTIONS (Continued)

- h In 1999, the Group agreed to pay a container drop-off credit of US\$2,114,000 to COSCON for delivery of old containers returned from COSCON to the Group's designated depots in connection with the disposal of these containers. However, upon the settlement of this expense in 2000, COSCON finally agreed to waive the container drop-off credit and accordingly this expense payable was credited to the operating profit for the year.
- i The purchases of containers from associated companies of COSCO and jointly controlled entities of the Group were conducted in the normal course of the business at terms no less favourable than the purchases of containers from other third party suppliers of the Group.
- j During the year, the Group paid container freight charges of US\$1,601,000 and US\$57,000 to associated companies of COSCO and a jointly controlled entity of the Group respectively for container repositioning services rendered to the Group. Last year, the Group paid a container freight charge of US\$717,600 to COSCON.
- k Pursuant to an addendum of long term lease agreement dated 21st August 2000 entered into between a subsidiary of the Group and COSCON, the subsidiary agreed to pay a container refurbishment fee of US\$3,000,000 to COSCON for the year (1999: US\$3,000,000).
- l A subsidiary of the Group entered into a lease agreement with a fellow subsidiary, Wing Thye Holdings Limited ("Wing Thye"), a subsidiary of COSCO (Hong Kong), to lease office space for a period of 3 years commencing on 4th December 1997 at a monthly rental of HK\$476,707. The lease agreement was renewed on 7th March 2001 for a period of 3 years commencing with retrospective effect from 4th December 2000 at a monthly rental of HK\$465,023, exclusive of rates and management fees, which was determined by reference to an independent opinion given by DTZ Debenham Tie Leung Limited, a professional valuer. COSCO (Hong Kong) also provided a guarantee in the sum of HK\$1,395,069, representing rentals for three months to Wing Thye as security for due payment of rental and other monies by the subsidiary.
- m Pursuant to an addendum of long term lease agreement dated 7th July 1999, the Group agreed to pay to COSCON for maintenance services rendered for certain refrigerated containers at a fee of US\$2,700,000 for the year of 1999.

### 31 SIGNIFICANT ASSOCIATED COMPANIES

A summary of the audited financial information of COSCO-HIT Terminals (Hong Kong) Limited and Liu Chong Hing Bank Limited, two significant associated companies of the Group, after making adjustments by directors of the Company to conform with the Group's principal accounting policies, for the two years ended 31st December 2000 and 1999 is set out as follows:

#### a COSCO-HIT Terminals (Hong Kong) Limited

	2000 US\$'000	1999 US\$'000
Result for the year		
Turnover	136,599	120,637
Profit before taxation (note)	73,166	66,151
Taxation	(12,564)	(7,524)
Profit after taxation	60,602	58,627
Group's share of profit before taxation (note)	36,583	33,075
Net assets as at 31st December (note)		
Non-current assets	351,086	364,744
Current assets	50,671	35,060
Current liabilities	(51,370)	(24,200)
Long term liabilities	(205,128)	(231,511)
Deferred taxation	(2,535)	(2,543)
	142,724	141,550

Note:

Adjustments have been made to the deferred borrowing costs included in the accounts of COSCO-HIT Terminals (Hong Kong) Limited for the year ended 31st December 2000 to conform with the Group's principal accounting policies. As a result, the Group's share of profit before taxation of this associated company for the year ended 31st December 2000 has been increased by US\$200,000 (1999: decreased by US\$968,000) and the Group's share of net assets in this associated company as at 31st December 2000 has been decreased by US\$768,000 (1999: US\$968,000).

### 31 SIGNIFICANT ASSOCIATED COMPANIES (Continued)

#### b Liu Chong Hing Bank Limited

	2000 US\$'000	1999 US\$'000
Result for the year		
Net interest income	120,530	103,682
Profit before taxation (note)	76,949	55,930
Taxation	(12,594)	(9,494)
Profit after taxation	64,355	46,436
Group's share of profit before taxation (note)	15,390	11,186
Assets		
Cash and short-term funds	1,866,451	1,294,305
Advances and other accounts	2,484,669	2,541,399
Tangible fixed assets and other assets (note)	693,762	820,583
	5,044,882	4,656,287
Liabilities		
Deposits with customers	3,988,282	3,643,445
Certificates of deposit, deposits with other banks and financial institutions	151,554	174,637
Other liabilities	124,715	95,073
	4,264,551	3,913,155
Net assets as at 31st December	780,331	743,132

#### Note:

Adjustments have been made to the tangible fixed assets and investments in securities included in the accounts of Liu Chong Hing Bank Limited for the year ended 31st December 2000 to conform with the Group's principal accounting policies. As a consequence, the Group's share of profit before taxation of this associated company for the year ended 31st December 2000 has been increased by US\$1,163,000 (1999: US\$108,000) and the Group's share of net assets in this associated company has been increased by US\$9,187,000 (1999: US\$9,977,000) respectively.

### **32 ULTIMATE HOLDING COMPANY**

The directors regard China Ocean Shipping (Group) Company, a state-owned enterprise established in the People's Republic of China, as being the ultimate holding company.

### **33 APPROVAL OF ACCOUNTS**

The accounts were approved by the Board of Directors on 29th March 2001.