

Notes to the Financial Statements

Year ended 31 December 2000

1. PRINCIPAL ACCOUNTING POLICIES

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

Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost as modified by the revaluation of investment properties, leasehold land and buildings and motor vessels and improvement and the marking to market of short-term investments in securities.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired or disposed of during the year are dealt with in the consolidated income statement from the effective dates of acquisition and to the effective dates of disposal respectively.

Capital reserve or goodwill arising on consolidation represents the excess or deficit of the fair value of the net assets of the subsidiaries and associates at the dates of acquisition over the value of the consideration paid. The capital reserve and goodwill arising on consolidation are offset against each other and the net amount is included in or written off against reserves where appropriate.

On disposal of a subsidiary or an associate, the attributable amount of capital reserve or goodwill previously credited to or eliminated against reserves is included in the determination of the profit or loss on disposal.

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

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably.

Revenue from the operations of ship chartering/owning business is recognized on the percentage of completion basis.

Income from trading is recognized when goods are delivered and title has passed.

Income from transportation is recognized in the period when services are provided.

Income from warehousing is recognized in the period in which the properties are let out and on the straight-line basis over the lease terms.

Dividend and investment income are recognized when the shareholders' rights to receive payment have been established.

Notes to the Financial Statements

Year ended 31 December 2000

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Interest earned from held-to-maturity securities is recognized on a time proportion basis that takes account of the effective yield on the held-to-maturity securities from the date of acquisition until maturity. *Other interest income* is accrued on a time proportion basis on the principal outstanding and at the interest rate applicable.

Drydocking, repairs and survey costs

Vessel repairs and survey costs are written off as incurred. Drydocking and special survey costs are deferred and written off over the drydocking cycle of two to three years. Upon disposal of vessels, any relevant costs not yet written off are transferred to the income statement.

Foreign currencies

Transactions involving foreign currencies are translated at the approximate rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at balance sheet date are retranslated at the approximate rates of exchange ruling at that date. Translation differences are included in the income statement.

On consolidation, the results, assets and liabilities of overseas subsidiaries are translated at the approximate rates ruling at balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

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.

Hire income and payments applicable to operating leases in respect of time charters are recognized as revenue and expense on the percentage of completion basis.

Rentals in respect of other operating leases are recognized as revenue or expense on the straight-line basis over the lease terms.

Retirement benefits costs

The Group operates a defined contribution retirement scheme and a mandatory provident fund scheme. The assets of the schemes are held separately from those of the Group in their respective independently administered funds. Contributions are recognized as expenses as they become payable in accordance with the rules of the schemes.

Notes to the Financial Statements

Year ended 31 December 2000

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognized in the financial statements. The tax effect of timing differences, computed using the liability method, is recognized as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallize in the foreseeable future. A deferred tax asset is not recognized unless its realization is assured beyond reasonable doubt.

Fixed assets, other than investment properties

Fixed assets, other than investment properties, are carried in the balance sheets on the following bases:

- Leasehold land and buildings are stated at cost less accumulated depreciation, except for a leasehold land and building which is stated at valuation made in 1994 by a professional valuer on an open market existing use basis less accumulated depreciation.
- Property under development and vessels under construction are stated at cost.
- Motor vessels and improvement acquired before May 1994 are stated at the average valuation made by three firms of shipbrokers at open market value on a charter free basis in 1994 less accumulated depreciation. For motor vessels acquired after May 1994, they are stated at cost less accumulated depreciation.
- Other fixed assets are stated at cost less accumulated depreciation.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally recognized as an expense in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalized as an additional cost of the assets.

Advantage has been taken of the transitional relief provided by paragraph 72 of Statement of Standard Accounting Practice 17 "Property, plant and equipment" issued by the Hong Kong Society of Accountants from the requirement to make regular revaluations of certain leasehold land and buildings and motor vessels and improvement which had been carried at revalued amounts prior to 30 September 1995, and accordingly no further revaluation of the entire class of leasehold land and buildings and motor vessels and improvement is carried out. On the disposal of such assets, the attributable revaluation surplus is transferred to revenue reserve.

Depreciation is provided to write off the cost or valuation of motor vessels over their estimated useful lives, after taking into account their estimated residual values, in equal annual instalments. The estimated useful life of vessels is 25 years from the date of first registration.

Notes to the Financial Statements

Year ended 31 December 2000

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Fixed assets, other than investment properties (Continued)

Depreciation on vessel's improvement is provided on a straight-line basis over their expected useful lives ranging between 2.5 and 5 years.

Depreciation on other fixed assets is provided to write off their cost or valuation over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold land	0.1% - 2.4%
Buildings	3%
Plant and machinery	20%
Utility vessels, furniture and equipment	6% - 25%
Leasehold improvement	20% - 30%

When the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the diminution in value. In determining the recoverable amount of assets, expected future cash flows are discounted to their present values.

When assets are sold or retired, their cost or valuation and accumulated depreciation and diminution in value are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long-term basis for their investment potential.

Investment properties are stated at their open market values on the basis of annual professional valuations. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is included in the income statement.

Upon the disposal of an investment property, the relevant portion of the investment property revaluation reserve realized in respect of previous valuations will be included in the income statement.

No depreciation is provided in respect of investment properties with an unexpired lease term of over 20 years since the valuations take into account the state of each property at the date of valuation.

Notes to the Financial Statements

Year ended 31 December 2000

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Intangible asset

Intangible asset represents transfer fee for club entrance and is amortized on a straight-line basis over 25 years.

Subsidiaries

A subsidiary is a company, in which the Group, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors or equivalent governing body. Investments in subsidiaries are stated at cost less provision, if necessary, for any permanent diminution in value.

Associates

An associate is a company in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the Group.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus the premium paid/less any discount on acquisition in so far as the premium/discount has not already been written off or amortized. Provision is only made if in the opinion of the directors there is a permanent diminution in value.

When the Group transacts with its associates, unrealized profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealized losses provide evidence of an impairment of the asset transferred.

Other investments

Toll roads

Costs of investments in toll roads are amortized on an annuity basis over the respective period of right during which toll income is accrued.

Co-operative joint ventures

Investment made by means of joint venture structures which do not result in the Group having joint control with other venturers are accounted for as other investments (where the Group exercises neither control nor significant influence). Investments in co-operative joint ventures are stated at cost less accumulated amortization. Costs of investments in co-operative joint ventures are amortized over the respective duration of the joint venture contract. Investment income is recognized on a receivable basis and in accordance with the provisions of the joint venture agreement. The profit sharing arrangement may not coincide with the proportion of the capital contribution from the joint venture partners. At the end of the joint venture period, the title to all assets of the joint venture will be reverted to the joint venture partners.

Notes to the Financial Statements

Year ended 31 December 2000

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Other investments (Continued)

Held-to-maturity securities

Held-to-maturity securities are stated at amortized cost and subject to impairment review at each reporting date to assess the credit risk and appropriate provisions for reducing the carrying value of the investment in that security. The amount of the provisions is recognized as an expense in the period in which the decline occurs.

The provisions previously made are written back to income when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

The profit or loss on disposal of a held-to-maturity security is accounted for in the period in which the disposal occurs as the difference between the net sales proceeds and the carrying amount of the security.

Unlisted club debentures

Unlisted club debentures are stated at cost and subject to impairment review at each reporting date to reflect any diminution in their values, which is expected to be other than temporary. The amount of provisions is recognized as an expense in the period in which the decline occurs.

Short-term investments in securities

Short-term investments in securities are stated at their fair values in the balance sheet. The unrealized holding gains and losses for short-term investments in securities are included in the income statement.

The profit or loss on disposal of short-term investments in securities is accounted for in the period in which the disposal occurs as the difference between the net sales proceeds and the carrying amount of the securities.

Inventories

Inventories comprise ship stores, which include bunker fuel stores, and trading goods.

Initial ship stores of vessels are capitalized as part of the costs of the vessels. Subsequent purchases of ship stores are charged as operating expenses to the extent that they are consumed during the year. Ship stores unused at balance sheet date are carried forward as inventories at the lower of cost and net realizable value. Trading goods are stated at the lower of cost and net realizable value.

Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Notes to the Financial Statements

Year ended 31 December 2000

1. PRINCIPAL ACCOUNTING POLICIES (Continued)**Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Cash equivalents

Cash equivalents in the consolidated cash flow statement represent short-term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired; less advances from banks or loans repayable within three months from the date of the advance.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

2. TURNOVER, REVENUE AND SEGMENTAL INFORMATION**(a) Turnover and revenue**

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the businesses of ship chartering, ship owning, trading, transportation and warehouse.

Turnover and revenue recognized by category are analyzed as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Turnover		
Chartering freight and hire:		
Hire income under time charter from owned vessels	112,029	68,835
Other chartering freight and hire income	301,670	295,851
Trading	281,294	354,019
Transportation and warehouse	4,465	12,884
	<u>699,458</u>	<u>731,589</u>
Other revenue		
Dividend and investment income from co-operative joint ventures	1,775	10,080
Interest income	28,223	21,177
	<u>29,998</u>	<u>31,257</u>
Revenue	<u><u>729,456</u></u>	<u><u>762,846</u></u>

Notes to the Financial Statements

Year ended 31 December 2000

2. TURNOVER, REVENUE AND SEGMENTAL INFORMATION (Continued)**(b) Segmental information**

The Group's turnover and contribution to profit (loss) from operations for the year, analyzed by principal activities are as follows:

	Group			
	Turnover		Contribution to profit (loss) from operations	
	2000	1999	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Chartering freight and hire	413,699	364,686	54,103	(40,295)
Trading	281,294	354,019	15,224	(18,085)
Transportation and warehouse	4,465	12,884	(370)	6,604
Direct investments in China	—	—	3,740	(5,503)
Others	—	—	(5,866)	(22,609)
	<u>699,458</u>	<u>731,589</u>	<u>66,831</u>	<u>(79,888)</u>

The Group's chartering freight and hire business cannot be attributable to any particular geographical location. About 59% of the Group's turnover from trading operation is carried out in China and the remaining is mainly carried out in Hong Kong. The Group's transportation and warehousing operations are mainly carried out in China. The Group's other activities, including property investments and short-term investments, are mainly carried out in Hong Kong.

Notes to the Financial Statements

Year ended 31 December 2000

3. PROFIT (LOSS) FROM OPERATIONS

This is stated after charging (crediting):

	Group	
	2000	1999
	HK\$'000	HK\$'000
Auditors' remuneration	755	866
Cost of inventories	285,194	338,543
Hire payment under time charters	161,342	97,403
Operating lease charges in respect of land and buildings	4,152	4,208
Exchange (gain) loss, including unrealized provision, for foreign currency exposures	(43,223)	30,852
Loss on disposal of investment properties	1,267	1,750
Loss on written off of fixed assets, other than investment properties	—	4,647
Gain on disposal of other investments	(3,039)	(13,835)
Net loss (gain) on disposal of short-term investments, including unrealized holding loss of HK\$41,020,000 (1999: gain of HK\$4,781,000)	43,504	(19,293)
Provision for bad and doubtful debts	14,029	24,625
Provision for permanent diminution in value in property under development	—	16,019
Provision for diminution in value in associates and co-operative joint ventures, including amounts due from co-operative joint ventures	—	1,782
Retirement benefits schemes contributions net of forfeited contributions of HK\$379,000 (1999: HK\$261,000)	1,555	1,607
Revaluation deficit of investment properties	1,200	—
Gain on disposal of subsidiaries and associates	—	(6,365)
Gross rental income of HK\$1,357,000 (1999: HK\$1,870,000) net of outgoings from operating leases on investment properties	(1,283)	(1,708)
Claims income, including HK\$57,200,000 (1999: Nil) from the settlement of proceedings taken against certain defendants for their failure to subscribe for the shares in a subsidiary of the Company	(69,789)	—

Notes to the Financial Statements

Year ended 31 December 2000

4. INTEREST EXPENSES

	Group	
	2000	1999
	HK\$'000	<i>HK\$'000</i>
Interest on bank loans and overdrafts:		
Wholly repayable within five years	14,320	14,731
Not wholly repayable within five years	3,111	1,662
	17,431	16,393

5. DIRECTORS' EMOLUMENTS

	Group	
	2000	1999
	HK\$'000	<i>HK\$'000</i>
Directors' fees	5,972	5,972
Other emoluments:		
Salaries and other benefits	4,157	4,689
Retirement benefits scheme contributions	87	85
	10,216	10,746

The directors' emoluments included fee of HK\$60,000 (1999: HK\$60,000) paid to the independent non-executive directors during the year.

Emoluments of the directors were within the following bands:

	Number of directors	
	2000	1999
Nil - HK\$1,000,000	4	4
HK\$1,500,001 - HK\$2,000,000	1	1
HK\$2,000,001 - HK\$2,500,000	1	1
HK\$2,500,001 - HK\$3,000,000	1	—
HK\$3,000,001 - HK\$3,500,000	1	2
	8	8

Notes to the Financial Statements

Year ended 31 December 2000

6. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included four (1999: *four*) directors whose details of emoluments are set out in note 5 above. Emoluments of the remaining one (1999: *one*) individual were as follows:

	Group	
	2000	1999
	HK\$'000	<i>HK\$'000</i>
Salaries and other benefits	<u>1,917</u>	<u>1,897</u>

7. TAXATION

	Group	
	2000	1999
	HK\$'000	<i>HK\$'000</i>
The Company and its subsidiaries:		
Hong Kong Profits Tax:		
Current year	486	259
Underprovision in prior years	<u>17</u>	<u>59</u>
	<u>503</u>	<u>318</u>

Hong Kong Profits Tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profits for the year. In the opinion of the directors, a substantial portion of the Group's income neither arose in nor derived from Hong Kong and therefore was not subject to Hong Kong Profits Tax.

No China Income Tax has been provided as the Group has no estimated assessable profits generated from its China operations during the year.

Notes to the Financial Statements

Year ended 31 December 2000

7. TAXATION (Continued)

The major components of deferred taxation not provided (credited) for the year are as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Increase (Reduction) in the excess of tax allowances over depreciation	1,822	(56)
Tax losses arising	(10,115)	(17,520)
	(8,293)	(17,576)

8. NET LOSS FOR THE YEAR

The net loss for the year included a loss of HK\$123,361,000 (1999: HK\$3,796,000) which has been dealt with in the financial statements of the Company, and a profit of HK\$141,000 (1999: loss of HK\$139,000) was attributable to the associates.

9. DIVIDENDS

The Board has resolved not to recommend the payment of any final dividend (1999: Nil). As interim dividend has also not been declared in the year (1999: Nil), there will be no dividend distribution for the whole year of 2000 (1999: Nil).

10. BASIC LOSS PER SHARE

Basic loss per share for the year was calculated on the net loss for the year of HK\$28,723,000 (1999: HK\$46,213,000) and on the weighted average number of 526,242,488 (1999: 526,242,488) shares in issue during the year.

Diluted loss per share was not presented as there was no potential ordinary shares in issue in both years.

Notes to the Financial Statements

Year ended 31 December 2000

11. FIXED ASSETS

Group

	Investment properties <i>HK\$'000</i>	Leasehold land and buildings <i>HK\$'000</i>	Property under development <i>HK\$'000</i>	Motor vessels and improvement <i>HK\$'000</i>	Vessels under construction <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Utility vessels, furniture and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation								
At beginning of year	35,900	215,350	64,767	609,671	148,822	1,065	32,061	1,107,636
Additions	—	3	297	5,661	386,519	—	720	393,200
Disposals	(8,900)	—	—	—	—	—	(208)	(9,108)
Revaluation	(1,200)	—	—	—	—	—	—	(1,200)
Reclassification	—	—	—	387,840	(387,840)	—	—	—
At balance sheet date	25,800	215,353	65,064	1,003,172	147,501	1,065	32,573	1,490,528
Accumulated depreciation and diminution in value								
At beginning of year	—	39,406	49,767	225,857	—	994	22,199	338,223
Charge for the year	—	3,293	—	40,387	—	14	2,767	46,461
Provision for permanent diminution in value	—	82,250	297	114,956	—	—	—	197,503
Disposals	—	—	—	—	—	—	(135)	(135)
At balance sheet date	—	124,949	50,064	381,200	—	1,008	24,831	582,052
Net book value								
At balance sheet date	25,800	90,404	15,000	621,972	147,501	57	7,742	908,476
At beginning of year	35,900	175,944	15,000	383,814	148,822	71	9,862	769,413
Analysis of cost or valuation of fixed assets at balance sheet date								
At cost	—	162,353	65,064	658,490	147,501	1,065	32,573	1,067,046
At professional valuation in:								
1994	—	53,000	—	344,682	—	—	—	397,682
2000	25,800	—	—	—	—	—	—	25,800
	25,800	215,353	65,064	1,003,172	147,501	1,065	32,573	1,490,528

Investment properties were revalued at their open market value at balance sheet date by a chartered surveyor employed by the Group on an open market existing use basis.

At balance sheet date, the directors, with reference to professional valuations, reviewed the carrying amounts of fixed assets to assess whether their recoverable amounts have declined below their carrying amounts. Accordingly, a total provision of HK\$197,503,000 was made for permanent diminution in value in fixed assets for the year.

Notes to the Financial Statements

Year ended 31 December 2000

11. FIXED ASSETS (Continued)

Out of the provision for permanent diminution in value for the year, HK\$39,924,000 represented a reversal of previous revaluation surplus and thus was charged directly against related reserves. The remaining balance of HK\$157,579,000 was recognized as an expense and has been separately disclosed in the consolidated income statement. In 1999, a provision for permanent diminution in value amounted to HK\$16,019,000 was made. The amount was recognized as an expense and included as other operating expenses.

If the following classes of fixed assets had not been revalued at balance sheet date, their carrying amounts at cost less accumulated depreciation and provision for permanent diminution in value would have been:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Leasehold land and buildings	<u>90,404</u>	<u>144,845</u>
Motor vessels and improvement	<u>621,972</u>	<u>369,586</u>

Fixed assets include gross amount of HK\$1,028,972,000 (1999: HK\$645,571,000) and accumulated depreciation and diminution in value of HK\$381,200,000 (1999: HK\$225,857,000) in respect of assets held for use under operating leases.

The properties are held under long leases and their net book values are analyzed as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Held in Hong Kong	102,974	188,444
Held outside Hong Kong	2,430	2,500
Investment properties in Hong Kong	<u>25,800</u>	<u>35,900</u>
	<u>131,204</u>	<u>226,844</u>

Notes to the Financial Statements

Year ended 31 December 2000

12. INTANGIBLE ASSET

	Group	
	2000	1999
	HK\$'000	HK\$'000
Transfer fee for club entrance		
Cost		
At beginning of year and at balance sheet date	<u>250</u>	<u>250</u>
Accumulated amortization		
At beginning of year	77	67
Charge for the year	<u>10</u>	<u>10</u>
At balance sheet date	<u>87</u>	<u>77</u>
Net book value		
At balance sheet date	<u><u>163</u></u>	<u><u>173</u></u>

13. INTERESTS IN SUBSIDIARIES

	Company	
	2000	1999
	HK\$'000	HK\$'000
Listed shares on the Oslo Stock Exchange, at cost	351,702	351,702
Unlisted shares, at cost	<u>13</u>	<u>13</u>
	<u>351,715</u>	<u>351,715</u>
Due from subsidiaries	547,190	533,414
Less: Provision	<u>(121,315)</u>	<u>—</u>
	<u>425,875</u>	<u>533,414</u>
Due to subsidiaries	<u>(220,556)</u>	<u>(215,327)</u>
	<u><u>557,034</u></u>	<u><u>669,802</u></u>

Details of the Company's principal subsidiaries are set out in note 34 to the financial statements.

The market value of one of the subsidiaries, Jinhui Shipping, whose shares are listed on the Oslo Stock Exchange, amounted to approximately HK\$84,343,000 at balance sheet date (1999: HK\$121,367,000). As the directors are of the opinion that the reduction in value is of temporary nature, this unrealized loss in diminution in value has not been provided for in the financial statements of the Company.

Notes to the Financial Statements

Year ended 31 December 2000

14. INTERESTS IN ASSOCIATES

	Group	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Share of net assets (liabilities)	4	(137)
Due from associates	—	535
Due to associates	(1,406)	(54)
	(1,402)	344

15. OTHER INVESTMENTS

	Group		Company	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Toll road, at cost	15,600	15,600	—	—
Less: Accumulated amortization	(4,588)	(3,671)	—	—
	11,012	11,929	—	—
Co-operative joint ventures, at cost	78,648	110,043	—	—
Less: Accumulated amortization	(16,659)	(25,444)	—	—
	61,989	84,599	—	—
Less: Provision for diminution in value	(24,016)	(25,798)	—	—
	37,973	58,801	—	—
Unlisted club debentures, at cost	8,524	8,524	5,000	5,000
Unlisted investment, at cost	11,700	—	—	—
Held-to-maturity securities listed outside Hong Kong, at amortized cost	—	17,572	—	—
	69,209	96,826	5,000	5,000
Market value of held-to-maturity securities	—	17,276	—	—

Notes to the Financial Statements

Year ended 31 December 2000

16. OTHER NON-CURRENT ASSETS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Deferred drydocking expenses, at cost	18,589	16,631
Less: Amount written off	(11,443)	(4,866)
	<u>7,146</u>	<u>11,765</u>
Claims receivable	30,200	—
Less: Amount included in current assets	(13,000)	—
	<u>17,200</u>	<u>—</u>
Claims receivable due over one year	17,200	—
	<u>23,000</u>	<u>—</u>
Loan receivable due over one year	23,000	—
	<u>47,346</u>	<u>11,765</u>

17. INVENTORIES

	Group	
	2000	1999
	HK\$'000	HK\$'000
Ship stores	5,212	5,485
Trading goods	22,072	23,161
	<u>27,284</u>	<u>28,646</u>

Inventories at balance sheet date were carried at cost. In 1999, trading goods of HK\$5,716,000 were carried at net realizable value.

Notes to the Financial Statements

Year ended 31 December 2000

18. SHORT-TERM INVESTMENTS

	Group		Company	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Debt securities, at fair value:				
Listed outside Hong Kong	<u>52,919</u>	<u>32,035</u>	<u>—</u>	<u>—</u>
Equity securities, at fair value:				
Listed in Hong Kong	28,073	102,211	—	24,959
Listed outside Hong Kong	1,673	13,823	—	—
Unlisted	<u>2,593</u>	<u>1,989</u>	<u>—</u>	<u>—</u>
	<u>32,339</u>	<u>118,023</u>	<u>—</u>	<u>24,959</u>
	<u><u>85,258</u></u>	<u><u>150,058</u></u>	<u><u>—</u></u>	<u><u>24,959</u></u>

19. TRADE RECEIVABLES

Credit terms granted vary and are generally based on the terms of negotiation.

Trade receivables are normally to be settled within one year.

The ageing analysis of trade receivables (net of provision for bad and doubtful debts) is as follows:

	Group	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
0 — 90 days	76,043	79,581
91 — 180 days	10,346	13,516
181 — 365 days	1,191	1,299
Over 365 days	<u>2,062</u>	<u>5,240</u>
	<u><u>89,642</u></u>	<u><u>99,636</u></u>

Notes to the Financial Statements

Year ended 31 December 2000

20. ISSUED CAPITAL

	Company	
	Number of shares	Amount HK\$'000
Shares of HK\$0.10 each		
<i>Authorised:</i>		
At beginning of year and at balance sheet date	1,000,000,000	100,000
<i>Issued and fully paid:</i>		
At beginning of year and at balance sheet date	526,242,488	52,624

On 15 November 1991, a share option scheme (the "Scheme") was approved at an Extraordinary General Meeting of the Company under which the directors may, at their discretion, invite executives and/or employees of the Group to take up options to subscribe for shares in the Company which, in aggregate, may not exceed 10% of the issued share capital of the Company from time to time. The Scheme will remain in force for a period of ten years commencing on 15 November 1991.

No options were granted or agreed to be granted during the year and at balance sheet date.

Notes to the Financial Statements

Year ended 31 December 2000

21. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Other asset revaluation reserve HK\$'000	Other reserves HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
Group							
At 1 January 1999	288,733	96,447	2,023	29,110	109	170,756	587,178
Capital reserve and exchange reserve arising on consolidation	—	9	—	—	—	—	9
Release on disposal of subsidiaries	—	(7,733)	—	—	(109)	—	(7,842)
Release on disposal of associates	—	4,438	—	—	—	—	4,438
Loss for the year	—	—	—	—	—	(46,213)	(46,213)
At 31 December 1999	288,733	93,161	2,023	29,110	—	124,543	537,570
Exchange reserve arising on consolidation	—	(15)	—	—	—	—	(15)
Release on provision for permanent diminution in value in fixed assets	—	(10,814)	—	(29,110)	—	—	(39,924)
Loss for the year	—	—	—	—	—	(28,723)	(28,723)
At balance sheet date	288,733	82,332	2,023	—	—	95,820	468,908
Represented by:							
Company and subsidiaries	288,733	82,332	2,023	—	—	95,818	468,906
Associates	—	—	—	—	—	2	2
	288,733	82,332	2,023	—	—	95,820	468,908

The application of the share premium account and the capital redemption reserve is governed by Section 48B and 49H respectively of the Hong Kong Companies Ordinance. The capital reserve and other asset revaluation reserve have been set up and will be dealt with in accordance with the accounting policies adopted for goodwill arising on subsidiaries and associates, foreign currency translation and the revaluation of leasehold land and buildings and motor vessels and improvement.

Company

At 1 January 1999	288,733	—	2,023	—	—	341,342	632,098
Loss for the year	—	—	—	—	—	(3,796)	(3,796)
At 31 December 1999	288,733	—	2,023	—	—	337,546	628,302
Loss for the year	—	—	—	—	—	(123,361)	(123,361)
At balance sheet date	288,733	—	2,023	—	—	214,185	504,941

Revenue reserve includes HK\$32,220,000 which represents profits on disposal of certain subsidiaries to Jinhui Shipping in previous years. As it does not constitute realized profits within the meaning of Section 79B(2) of the Hong Kong Companies Ordinance, it is not available for distribution to shareholders. Thus, at balance sheet date, reserves of the Company available for distribution to shareholders amounted to HK\$181,965,000 (1999: HK\$305,326,000).

Notes to the Financial Statements

Year ended 31 December 2000

22. BANK LOANS AND OVERDRAFTS, SECURED

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The maturity of secured bank loans and overdrafts is as follows:				
Within one year	77,989	53,622	4,544	20,078
After one year but within two years	62,438	28,094	—	—
After two years but within five years	72,568	57,256	—	—
After five years	132,958	7,406	—	—
	345,953	146,378	4,544	20,078
Less: Amount repayable within one year and included in current liabilities	(77,989)	(53,622)	(4,544)	(20,078)
Amount repayable after one year	267,964	92,756	—	—

23. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
0 — 90 days	60,394	60,205
91 — 180 days	3,270	65
181 — 365 days	898	—
Over 365 days	27,265	25,671
	91,827	85,941

Notes to the Financial Statements

Year ended 31 December 2000

24. NOTES TO THE CASH FLOW STATEMENT**a) Reconciliation of loss before taxation to net cash inflow (outflow) from operating activities**

	Group	
	2000	1999
	HK\$'000	HK\$'000
Loss before taxation	(79,815)	(75,243)
Depreciation and amortization	49,925	51,246
Interest income	(28,223)	(21,177)
Interest expenses	17,431	16,393
Dividend income from short-term investments	(270)	(807)
Dividend and investment income, including toll income	(4,894)	(21,781)
Share of results of associates	(141)	139
Loss on written off of fixed assets, other than investment properties	—	4,647
Gain on disposal of fixed assets, other than investment properties	(27)	—
Loss on disposal of investment properties	1,267	1,750
Gain on disposal of other investments	(3,039)	(13,835)
Gain on disposal of subsidiaries and associates	—	(6,365)
Provision for permanent diminution in value in fixed assets	157,579	16,019
Provision for diminution in value in associates and co-operative joint ventures, including amounts due from co-operative joint ventures	—	1,782
Revaluation deficit on investment properties	1,200	—
Provision for bad and doubtful debts	14,029	24,625
Net drydocking expenses written off (deferred)	4,619	(11,765)
Discounts on held-to-maturity securities recognized	(280)	(839)
Net increase in claims receivable	(30,200)	—
Exchange adjustments	(37)	23
Changes in working capital:		
Inventories	(327)	(7,688)
Short-term investments	66,126	(104,627)
Trade receivables	(1,389)	(25,471)
Prepayments, deposits and other receivables	15,646	(12,820)
Trade payables	5,886	47,614
Provision for liabilities and charges and other payables	623	3,606
Net cash inflow (outflow) from operating activities	185,689	(134,574)

Notes to the Financial Statements

Year ended 31 December 2000

24. NOTES TO THE CASH FLOW STATEMENT (Continued)**b) Analysis of changes in financing during the year**

	Bank loans	Pledged deposits	Group		Total
			Loan receivable	Net amount due (from) to associates	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 1999	171,457	(63,465)	—	(1,559)	106,433
Cash flows from financing	<u>(47,485)</u>	<u>36,223</u>	<u>—</u>	<u>1,078</u>	<u>(10,184)</u>
At 31 December 1999	123,972	(27,242)	—	(481)	96,249
Cash flows from financing	<u>191,059</u>	<u>(20,600)</u>	<u>(23,000)</u>	<u>1,887</u>	<u>149,346</u>
At balance sheet date	<u>315,031</u>	<u>(47,842)</u>	<u>(23,000)</u>	<u>1,406</u>	<u>245,595</u>

c) Analysis of the balances of cash and cash equivalents

	Group	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank balances and cash	83,438	88,444
Bank overdrafts	<u>(30,922)</u>	<u>(22,406)</u>
	<u>52,516</u>	<u>66,038</u>

Notes to the Financial Statements

Year ended 31 December 2000

25. DEFERRED TAXATION

A potential deferred tax asset has not been recognized in the financial statements in respect of tax losses available to set off future profits as it is not certain that the tax losses will be utilized in the foreseeable future.

At balance sheet date, the major components of the deferred taxation liabilities (assets) not provided (credited) are as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Excess of tax allowances over depreciation	2,148	326
Tax losses carried forward	<u>(50,349)</u>	<u>(40,234)</u>
	<u>(48,201)</u>	<u>(39,908)</u>

26. PLEDGE OF ASSETS

At balance sheet date, the Group had certain credit facilities which were secured by the following:

- a) Legal charge on the Group's investment properties, leasehold land and buildings and motor vessels and improvement with an aggregate net book value of HK\$628,272,000 (1999: HK\$441,083,000);
- b) Deposits totalling HK\$47,842,000 (1999: HK\$27,242,000) placed with banks and a financial institution;
- c) Short-term investments in securities of fair values totalling HK\$53,700,000 (1999: HK\$14,913,000) placed with a bank;
- d) Legal charge on shares of the Company's ship owning subsidiaries; and
- e) Assignment agreements entered into with banks assigning ship owning subsidiaries' chartering income in favour of the banks.

Notes to the Financial Statements

Year ended 31 December 2000

27. COMMITMENTS**a) Capital expenditure commitment**

At balance sheet date, the Group had capital expenditure commitments relating to the newbuildings of five (1999: six) dry bulk vessels. The total purchase price of these vessels was approximately HK\$852,152,000 (1999: HK\$1,129,315,000) and the total amount contracted but not provided for (net of deposit paid) was approximately HK\$713,324,000 (1999: HK\$976,486,000).

b) Commitment under operating leases

At balance sheet date, the portion of outstanding commitments not provided for under non-cancellable operating leases, which was payable in the following year is as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Within one year:		
Land and buildings	3,033	2,615
Time charter hire	73,549	62,441
Others	16	20
	<u>76,598</u>	<u>65,076</u>
After one year but within five years:		
Land and buildings	281	4,070
Time charter hire	156,187	—
Others	14	—
	<u>156,482</u>	<u>4,070</u>
	<u><u>233,080</u></u>	<u><u>69,146</u></u>

Notes to the Financial Statements

Year ended 31 December 2000

28. CONTINGENT LIABILITIES

At balance sheet date, contingent liabilities not provided for in the financial statements are as follows:

	Group		Company	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Guarantees to secure banking facilities granted to subsidiaries	—	—	114,070	98,430
Other guarantees	506	85	—	—
	<u>506</u>	<u>85</u>	<u>114,070</u>	<u>98,430</u>

Banking facilities granted by the banks to certain subsidiaries were guaranteed by the Company. At balance sheet date, the amount of such facilities utilized was HK\$62,609,000 (1999: HK\$59,738,000).

29. RETIREMENT BENEFITS SCHEMES

The Group operates a defined contribution retirement scheme and a mandatory provident fund scheme. It is optional for all qualified employees to choose either of the schemes. The assets of the schemes are held separately from those of the Group in their respective schemes managed by an independent trustee. The pension costs charged represent contribution payable to the funds by the Group at the rates specified in the rules of the schemes.

The contribution to the defined contribution retirement scheme vests in employees according to a vesting percentage set out in the scheme. When employees leave the scheme prior to being vested fully in the contributions, the contribution payable by the Group is reduced by the amount of forfeited contribution. On the other hand, the contribution to the mandatory provident fund scheme vests immediately and fully in employees once the contribution is payable by the Group. There is no forfeited contribution when employees leave the mandatory provident fund scheme.

The Group's contributions to the retirement benefits schemes charged to the income statement during the year was HK\$1,555,000 (1999: HK\$1,607,000) net of the forfeited contributions of HK\$379,000 (1999: HK\$261,000) which arose upon employees leaving the defined contribution retirement scheme.

Notes to the Financial Statements

Year ended 31 December 2000

30. DIRECTORS' INTERESTS IN CONTRACTS

Vintage Investments Limited ("Vintage") entered into a consultancy agreement dated 28 September 1999 with Jinhui Shipping pursuant to which Vintage agreed to provide consultancy services to Jinhui Shipping for a quarterly fee of £2,500 (approximately HK\$29,000) and an amount up to 1% on the total value of any project where Vintage has undertaken consultancy. The agreement is terminable by giving 30 days prior notice to the other.

Mr. So Wing Hung Peter is a shareholder and a director of Vintage. Consultancy fee in the amount of £10,000 (approximately HK\$117,000) (1999: £2,500) has been paid during the year under the agreement.

Other than as disclosed above, none of the directors has a service agreement with any member of the Group which is not terminable within one year without payment of compensation other than statutory compensation.

31. CONNECTED TRANSACTION

In March 1998, the Company and Jinhui Shipping commenced proceedings against certain defendants seeking, inter alia, orders for specific performance, and damages in relation to, inter alia, the failure of one of the defendants to subscribe for 8.7 million shares in Jinhui Shipping at US\$1.35 per share.

The Company had entered into various settlement agreements with an associate company of the defendants during the year regarding the settlement of the proceedings whereby the associate company agreed to, inter alia, make certain cash payments (which amounted in aggregate to HK\$57,200,000), in full and final settlement of the Company's and Jinhui Shipping's claims against all of the defendants in the proceedings.

The Company had on 24 August 2000 entered into a deed of assignment pursuant to which the Company assigned to Jinhui Shipping at a nominal consideration of HK\$1 all the Company's rights and benefits under the settlement agreements after deducting certain sums to cover expenses (including legal and professional expenses) and other administration costs incurred in connection with the proceedings.

32. ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company is Fairline, a company incorporated in the British Virgin Islands.

33. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation because the directors believe that the current year's presentation is more appropriate to reflect the Group's operating results.

Notes to the Financial Statements

Year ended 31 December 2000

34. PRINCIPAL SUBSIDIARIES

Name	Issued and paid-up capital/ registered capital	Attributable equity interest	Principal activities	Place of operation
Incorporated in Bermuda				
Jinhui MetCoke Limited	12,000 ordinary shares of US\$1 each	50.9%	Investment holding and trading	Worldwide
#Jinhui Shipping and Transportation Limited	98,428,341 shares of US\$0.5 each	50.9%	Investment holding	Worldwide
Incorporated in the British Virgin Islands				
Advance Rich Limited	1 share of US\$1 each	50.9%	Investment	Worldwide
Jin Hui Shipping Inc.	50,000 shares of US\$1 each	50.9%	Investment holding	Worldwide
Jinhui Investments Limited	1 share of US\$1 each	50.9%	Investment holding	Worldwide
Jinhui Transportation Inc.	1,000 shares of US\$1 each	50.9%	Investment holding	Worldwide
#Mars Investments Limited	1 share of US\$1 each	100%	Investment holding	Worldwide
Pacific Concord International Shipping Limited	200,000 shares of US\$1 each	50.9%	Ship chartering	Worldwide
#Pantow Profits Limited	60,000 shares of US\$1 each	100%	Investment holding	Worldwide
Timeplus Limited	1,000 shares of US\$1 each	50.9%	Finance and investment	Worldwide
Yee Lee Technology Company Limited	4,000,000 shares of HK\$1 each	75%	Investment holding	Hong Kong
Incorporated in Hong Kong				
Best Flame International Limited	2 shares of HK\$1 each	50.9%	Property investment	Hong Kong
Carpa Limited	2 shares of HK\$1 each	100%	Property investment	Hong Kong
Exalten Limited	2 shares of HK\$1 each	100%	Property investment	Hong Kong
Fair Fait International Limited	2 shares of HK\$1 each	50.9%	Property investment	Hong Kong
Fair Group International Limited	10,000 shares of HK\$1 each	100%	Property investment	Hong Kong

Notes to the Financial Statements

Year ended 31 December 2000

34. PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Issued and paid-up capital/ registered capital	Attributable equity interest	Principal activities	Place of operation
Incorporated in Hong Kong (Continued)				
First King International Limited	2 shares of HK\$1 each	100%	Property investment	Hong Kong
First Lion International Limited	2 shares of HK\$1 each	100%	Property investment	Hong Kong
Goldbeam International Limited	5,000,000 shares of HK\$1 each	50.9%	Trading, ship management services, shipping agent and investment	Hong Kong
#Jinhui Investments (China) Limited	2 shares of HK\$1 each	100%	Investment holding	Hong Kong and China
Keenfair Investment Limited	2 shares of HK\$1 each	100%	Property investment	Hong Kong
Linkford International Limited	2 shares of HK\$1 each	100%	Property investment	Hong Kong
Monocosmic Limited	10,000 shares of HK\$1 each	50.9%	Property investment	Hong Kong
Ocean Fame International Limited	1,000 shares of HK\$1 each	100%	Property investment	Hong Kong
Ringo Star Company Limited	2 shares of HK\$1 each	50.9%	Property investment	Hong Kong
Yee Lee Industrial Chemical, Limited	50,000 shares of HK\$100 each	75%	Trading of chemical products	Hong Kong
Incorporated in the Republic of Liberia				
Galsworthy Limited	1 registered share of US\$1 each	50.9%	Ship chartering	Worldwide
Goldbeam Shipping Inc.	100 registered shares of US\$1 each	50.9%	Ship chartering	Worldwide
Jinbi Shipping Ltd.	1 registered share of US\$1 each	50.9%	Ship owning	Worldwide
Paxton Enterprises Limited	500 registered shares of US\$1 each	50.9%	Ship chartering	Worldwide
Wonder Enterprises Ltd.	500 registered shares of US\$1 each	50.9%	Ship chartering	Worldwide

Notes to the Financial Statements

Year ended 31 December 2000

34. PRINCIPAL SUBSIDIARIES (Continued)

Name	Issued and paid-up capital/ registered capital	Attributable equity interest	Principal activities	Place of operation
Incorporated in the Republic of Panama				
Jinan Marine Inc.	2 common shares of US\$1 each	50.9%	Ship owning	Worldwide
Jinda Shipping Inc.	2 common shares of US\$1 each	50.9%	Ship owning	Worldwide
Jinfeng Marine Inc.	2 common shares of US\$1 each	50.9%	Ship owning	Worldwide
Jinhui Marine Inc.	2 common shares of US\$1 each	50.9%	Ship owning	Worldwide
Jinkang Marine Inc.	2 common shares of US\$1 each	50.9%	Ship owning	Worldwide
Jinli Marine Inc.	2 common shares of US\$1 each	50.9%	Ship owning	Worldwide
Jinping Marine Inc.	2 common shares of US\$1 each	50.9%	Ship owning	Worldwide
Jinsheng Marine Inc.	2 common shares of US\$1 each	50.9%	Ship owning	Worldwide
Jinshun Shipping Inc.	2 common shares of US\$1 each	50.9%	Ship owning	Worldwide
Jintai Marine Inc.	2 common shares of US\$1 each	50.9%	Ship owning	Worldwide
Jinyi Shipping Inc.	2 common shares of US\$1 each	50.9%	Ship owning	Worldwide
Rimpacific Navigation Inc.	2 common shares of US\$1 each	50.9%	Ship chartering	Worldwide
Incorporated in the State of Delaware, United States of America				
Jinhui Shipping (USA) Inc.	500 shares of US\$1 each	50.9%	Shipping agent	United States of America

These are direct subsidiaries of the Company. All other companies are indirect subsidiaries.