

I. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies, associated companies and jointly controlled entities are shown in notes 36, 37 and 38 to the accounts respectively.

2. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation of accounts

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The accounts are prepared under the historical cost convention.

(b) Consolidation

The group accounts include the accounts of the Company and its subsidiaries made up to 31st December. The group accounts also include the Group's share of post acquisition profits less losses, and reserves, of its associated companies and jointly controlled entities.

The results of subsidiaries, associated companies and jointly controlled entities 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.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of 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 represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

(c) Goodwill

Goodwill represents the excess of purchase consideration over the share of fair values ascribed to the separable net assets of subsidiaries and associated companies at the date of acquisition and is taken to reserves in the year of acquisition.

(d) Subsidiaries

A company is a subsidiary if more than 50% of the voting capital is held for the long term or if the composition of the board of directors is controlled by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at costs less provision, if necessary, for any permanent diminution in value. The results of subsidiaries are accounted for by the Company on the basis of dividend income.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(e) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long term and significant influence is exercised in its management. The consolidated profit and loss account includes the Group's share of results of associated companies. Investments in associated companies are stated at the Group's share of net assets.

(f) Jointly controlled entities

A jointly controlled entity 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.

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision, if necessary, for any permanent diminution in value. The results of jointly controlled entities are accounted for by the Company on the basis of dividend income.

(g) Revenue recognition

Sales of goods are recognised when goods are delivered to customers.

Service income is recognised when services are rendered.

Sales of properties under development for sale in advance of completion are set out in note (m).

Rental, interest income and management fee income are recognised on an accruals basis.

Dividend from investments is recognised when the right to receive payment has been established.

(h) Assets under leases

(i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the fair value of the leased assets. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(h) Assets under leases (Cont'd)

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases and rentals payable net of any incentives received from the leasing company are charged to the profit and loss account evenly over the periods of the respective leases.

(i) Retirement benefits

The Group contributes to an employee pension scheme established by the Tianjin Municipal Government which undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group in the People's Republic of China ("PRC"). Contributions to the scheme are charged to the profit and loss account as incurred.

(j) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation.

No depreciation is provided in respect of construction in progress. Land use rights outside Hong Kong are amortised over the periods of the respective leases. Depreciation of ring road is provided on a sinking fund method. The annual depreciation amounts, compounded at rates ranging from 2.3% to 4.6% per annum, will equal to the costs of the ring road at the expiry of its lease terms. In previous years, the depreciation of ring road was based on straight line method. With effect from 1st January 2000, the Directors changed the method to match with traffic flow. The change has the effect of decreasing depreciation charge for the year by approximately HK\$20,250,000.

Depreciation of other fixed assets is calculated to write off the cost of the assets less residual values using a straight line method over their estimated useful lives as follows:

Leasehold land	over the unexpired lease term
Buildings	20–45 years
Leasehold improvement	10 years
Plant and machinery	10–18 years
Furniture and equipment	5–10 years
Motor vehicles	5–12 years
Others	5 years

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The gain or loss on disposal of a fixed asset 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.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)**(j) Fixed assets and depreciation (Cont'd)**

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

(k) Long term investments

Investments held for the long-term are stated at cost less provision for permanent diminution in value, if any.

(l) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost, calculated on a weighted average basis, comprises materials, direct labour and an appropriate portion of production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated cost to completion and selling expenses.

(m) Properties under development for sale

Properties under development for sale are included under current assets and comprise land cost, construction costs and other direct costs attributable to such properties, less allowances for any foreseeable losses.

When the properties under development for sale are sold in advance of completion, profit is recognised over the course of the development and is computed as a proportion of the total estimated profit to completion; the proportion used being the lower of the proportion of the construction works completed and the proportion of sales proceeds received to total estimated sales proceeds.

Where purchasers fail to pay the balance of the purchase price on completion and the Group exercises its entitlement to resell the property, sales deposits received in advance of completion which are forfeited are credited to operating profit; and any profits recognised up to the date of completion are written back.

(n) Deferred taxation

Deferred taxation is accounted for at the current tax rates 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 recoverable in the foreseeable future.

(o) Cash and cash equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash in hand, amounts repayable on demand from banks and financial institutions, less advances from banks and financial institutions repayable within three months from the date of the advance.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(p) Accounts receivable

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

(q) Foreign currencies

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

The financial statements of subsidiaries, associated companies and jointly controlled entities expressed in foreign currencies are translated into Hong Kong dollars at rates of exchange ruling at the balance sheet date. Exchange differences arising therefrom are dealt with as a movement in reserves.

(r) Borrowing costs

Borrowing costs that are directly attributable to the construction 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.

(s) Related companies

Related companies represent former holding companies of the subsidiaries comprising the Group after the Group's restructuring and companies or entities controlled by these former holding companies and the existing holding companies, other than companies comprising the Group.

3. TURNOVER AND CONTRIBUTION TO OPERATING PROFIT AFTER FINANCE COSTS

The group is principally engaged in manufacturing and sales of winery and textile products, provision of container and cargo handling services, operation of Eastern Outer Ring Road, sales of garment, chemical products and electrical components and sales of properties.

The turnover is net of value added tax, less discounts and returns where applicable.

(a) Analysis by principal activity

	2000 HK\$'000	1999 HK\$'000
(i) <i>Turnover</i>		
Manufacturing and sale of winery products	490,292	449,216
Manufacturing and sale of textile products (<i>Note</i>)	–	117,409
Provision of container handling services	199,583	191,305
Provision of cargo handling services	259,353	210,695
Operation of Eastern Outer Ring Road	201,354	120,447
Sale of garments, chemical products and electrical components	343,905	219,449
Sales of properties	26,421	–
	<u>1,520,908</u>	<u>1,308,521</u>
(ii) <i>Contribution to operating profit after finance costs</i>		
Manufacturing and sale of winery products	139,476	108,117
Manufacturing and sale of textile products (<i>Note</i>)	–	(60,153)
Provision of container handling services	45,244	45,128
Provision of cargo handling services	24,338	8,012
Operation of Eastern Outer Ring Road	75,695	65,404
Sales of garments, chemical products and electrical components	(10,006)	(9,738)
Sales of properties	(4,661)	–
	<u>270,086</u>	<u>156,770</u>
Net corporate (expenses)/income	(37,682)	4,097
Operating profit after finance costs	<u>232,404</u>	<u>160,867</u>

3. TURNOVER AND CONTRIBUTION TO OPERATING PROFIT AFTER FINANCE COSTS (Cont'd)

(b) Analysis by geographical segment:

	2000 HK\$'000	1999 HK\$'000
(i) Turnover		
Hong Kong	343,905	219,449
PRC Mainland		
Continuing operations	1,177,003	971,663
Discontinued operations (Note)	–	117,409
	<u>1,520,908</u>	<u>1,308,521</u>
(ii) Contribution to operating profit after finance costs		
Hong Kong	(40,377)	(3,357)
PRC Mainland		
Continuing operations	272,781	224,377
Discontinued operations (Note)	–	(60,153)
	<u>232,404</u>	<u>160,867</u>

Note:

During the year, the Group disposed of its entire interest in Tianjin Dongya Worsted Mill Group Company Limited and its subsidiary which manufacture and sell textile products in the People's Republic of China. The gain on the disposal amounting to HK\$7,942,000 includes capital reserve realised.

4. OTHER INCOME

	2000 HK\$'000	1999 HK\$'000
Interest income from bank deposits and others	50,484	61,431
Management fee income from a jointly controlled entity	9,750	–
Gain on disposal of subsidiaries	7,942	–
Gain on disposal of listed investments	546	569
Dividends from unlisted long term investments	476	515
Rental income from		
Land and buildings	2,683	704
Plant and machinery	565	1,145
Sundries	5,321	3,319
	<u>77,767</u>	<u>67,683</u>

5. OPERATING PROFIT BEFORE FINANCING

	2000	1999
	HK\$'000	HK\$'000
Operating profit before financing is stated after charging:		
Staff costs	184,350	170,882
Retirement benefit cost	19,875	20,915
Auditors' remuneration	2,786	2,538
Exchange loss	175	373
Depreciation		
Owned fixed assets	115,285	86,964
Leased fixed assets	224	171
Loss on disposal of fixed assets	12,253	5,914
Operating lease rental expense on		
Land and buildings	19,734	15,510
Berths, railway and storage space	18,341	18,264
Plant and equipment	8,083	7,286
Loss on deemed disposal of interest in an associated company	8,932	—

6. FINANCE COSTS

	2000	1999
	HK\$'000	HK\$'000
Interest on bank and other loans wholly repayable within five years	84,670	57,591
Amount capitalised under fixed assets	—	(23,388)
	84,670	34,203

7. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT**(a) Directors' emoluments**

	2000	1999
	HK\$'000	HK\$'000
Fees	8,138	9,376
Salaries and other emoluments	826	726
Discretionary bonuses	1,000	—
	9,964	10,102

8. TAXATION

	2000	1999
	HK\$'000	HK\$'000
Company and subsidiaries		
Hong Kong profits tax	3,068	–
Over provision of Hong Kong profits tax	(81)	(915)
PRC income tax	49,127	43,391
Associated companies		
PRC income tax	12,612	929
	64,726	43,405

Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profit for the year (1999: Nil).

Provision for the PRC income tax has been made at the applicable rate of taxation on the estimated assessable profit for the year.

In accordance with an approval document issued by the Tianjin Finance Bureau on 6th November 1997, with effect from the listing of the Company, the income tax rate applicable to Tianjin Harbour Second Stevedoring Co., Ltd. and Tianjin Port Container Terminal Co., Ltd. is 15%.

In accordance with approval documents dated 12th November 1997 issued by the State Tax Bureau, Tianjin Tai Kang Industrial Co., Ltd. and Tianjin Heavenly Palace Winery Co., Ltd. are exempted from income tax for two years starting from the first year of profit generation, followed by a 50% reduction for the next three years.

Further, in accordance with an approval document issued by the Tianjin Finance Bureau on 4th November 1997, Tianjin Jin Zheng Transportation Development Co., Ltd. is exempted from income tax for five years starting from the first year of profit generation. The company will be refunded for any tax paid in excess of the tax rate of 7.5% for the next five years and in excess of the tax rate of 15% thereafter.

The Group had no significant unprovided deferred taxation for the year.

9. (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$98,548,000 (1999: profit of HK\$63,329,000).

10. DIVIDENDS

	2000 HK\$'000	1999 HK\$'000
Interim, paid, of HK3.5 cents (1999: HK2 cents) per share	21,061	12,035
Final, proposed, of HK2.5 cents (1999: HK2 cents) per share	15,044	12,035
	36,105	24,070

11. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year of HK\$151,138,000 (1999: HK\$105,749,000) and 601,750,000 shares in issue (1999: 601,750,000 shares) during the year. In 2000, the share options had no dilutive effect on the basic earnings per share. In 1999, the diluted earnings per share was based on the profit of HK\$105,749,000 and 601,750,000 shares plus 5,852,853 shares deemed to be issued at no consideration if all outstanding share options had been exercised.

12. FIXED ASSETS

Group

	Land and buildings	Ring road	Leasehold improvement	Plant and machinery	Furniture and equipment	Motor vehicles	Construction in progress	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost									
At 1st January 2000	318,873	1,928,203	852	619,882	8,126	34,331	34,919	28,181	2,973,367
Exchange differences	1,282	8,138	–	3,271	28	128	135	119	13,101
Additions	84,639	30,813	600	11,159	802	9,421	178,946	4,506	320,886
Disposal of subsidiaries	(25,353)	–	–	(74,205)	–	(1,331)	(755)	–	(101,644)
Transfers	15,786	–	–	41,566	191	1,617	(59,160)	–	–
Disposals	(6,561)	–	–	(10,598)	(460)	(324)	(407)	(408)	(18,758)
At 31st December 2000	388,666	1,967,154	1,452	591,075	8,687	43,842	153,678	32,398	3,186,952
Accumulated depreciation									
At 1st January 2000	31,344	47,504	411	117,684	2,195	11,207	–	15,687	226,032
Exchange differences	126	200	–	1,465	8	43	–	66	1,908
Charge for the year	13,371	46,617	163	46,866	974	4,459	–	3,059	115,509
Disposal of subsidiaries	(683)	–	–	(6,642)	–	(229)	–	–	(7,554)
Written back on disposals	(472)	–	–	(3,866)	(399)	(167)	–	(277)	(5,181)
At 31st December 2000	43,686	94,321	574	155,507	2,778	15,313	–	18,535	330,714
Net book value									
At 31st December 2000	344,980	1,872,833	878	435,568	5,909	28,529	153,678	13,863	2,856,238
At 31st December 1999	287,529	1,880,699	441	502,198	5,931	23,124	34,919	12,494	2,747,335

12. FIXED ASSETS (Cont'd)

Company

	Leasehold land HK\$'000	Leasehold improvement HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost					
At 1st January 2000	–	358	969	2,276	3,603
Additions	84,639	543	289	264	85,735
At 31st December 2000	84,639	901	1,258	2,540	89,338
Accumulated depreciation					
At 1st January 2000	–	49	158	914	1,121
Charge for the year	590	103	118	508	1,319
At 31st December 2000	590	152	276	1,422	2,440
Net book value					
At 31st December 2000	84,049	749	982	1,118	86,898
At 31st December 1999	–	309	811	1,362	2,482

(a) The cost of the Group's and the Company's property interests comprises:

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Properties held in Hong Kong				
Medium term lease	1,205	1,205	–	–
Properties held in the PRC				
Long term leases	130	130	–	–
Medium term leases	387,331	317,538	84,639	–
Ring road in the PRC				
Medium term leases	1,967,154	1,928,203	–	–
	2,355,820	2,247,076	84,639	–

12. FIXED ASSETS (Cont'd)

- (b) Included in ring road is an amount of HK\$23,388,000 (1999: HK\$23,388,000) representing borrowing costs capitalised.
- (c) As at 31st December 2000, certain of the Group's fixed assets, with an aggregate net book value of approximately HK\$1,873 million (1999: HK\$2,009 million) were pledged to banks to secure banking facilities of the subsidiaries.
- (d) The net book value of fixed assets held under finance lease amounted to HK\$540,405 (1999: HK\$500,500).

13. SUBSIDIARIES

	Company	
	2000	1999
	HK\$'000	HK\$'000
Unlisted shares, at cost	2,887,057	2,731,650
Amounts due from subsidiaries	509,501	512,974
Amount due to a subsidiary	(20,513)	(5,402)
Loan to a subsidiary	–	3,952
Dividends receivable from subsidiaries	–	112,012
	<u>3,376,045</u>	<u>3,355,186</u>

- (a) Details of principal subsidiaries, which in the directors' opinion, materially affect the results or net assets of the Group at 31st December 2000 are set out in note 36.
- (b) The shares of a subsidiary were pledged to a bank for bank loan facilities granted to the subsidiary.

14. ASSOCIATED COMPANIES

	Group	
	2000	1999
	HK\$'000	HK\$'000
Group's share of net assets		
Unlisted shares	201,688	189,460
Listed shares in Hong Kong	47,373	–
	249,061	189,460
Amounts due to associated companies	(895)	(2,766)
Amounts due from associated companies	1,791	1,972
	<u>249,957</u>	<u>188,666</u>
Market value of listed shares	<u>375,390</u>	<u>–</u>

14. ASSOCIATED COMPANIES (Cont'd)

- (a) Details of principal associated companies, which in the directors' opinion, materially affect the results or net assets of the Group at 31st December 2000 are set out in note 37.
- (b) The Group's interest in the listed associated company has been pledged to secure bank loan facilities granted to a subsidiary.
- (c) During the year, a group restructuring was completed whereby Otis Elevator (China) Investment Co., Ltd ("OCL") became the immediate holding company of China Tianjin Otis Elevator Co., Ltd ("CTOEC"). The summary of the financial information of the major associated companies is as follows:

	2000	1999	
	CTOEC	OCL	CTOEC
	(Half year prior to restructuring) HK\$'000	(Full year) HK\$'000	(Full year) HK\$'000
Results			
Turnover	<u>411,104</u>	<u>1,111,560</u>	<u>985,882</u>
Operating profit before taxation	<u>10,647</u>	<u>29,211</u>	<u>35,592</u>
Profit after taxation	<u>3,784</u>	<u>7,402</u>	<u>37,318</u>
Share of profit after taxation attributable to the Group	<u>1,719</u>	<u>2,983</u>	<u>14,028</u>
Assets and liabilities			
Fixed assets		429,282	236,700
Other long term assets		42,502	39,422
Current assets		1,387,319	718,666
Current liabilities		<u>(1,409,421)</u>	<u>(891,823)</u>
Net assets		<u>449,682</u>	<u>102,965</u>
Share of net assets attributable to the Group		<u>149,943</u>	<u>38,703</u>

15. JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	–	–	36,180	–
Group's share of net assets	16,455	–	–	–
Amounts due to	(1,021)	–	(1,021)	–
	<u>15,434</u>	<u>–</u>	<u>35,159</u>	<u>–</u>

Details of jointly controlled entities are set out in note 38.

16 LONG TERM INVESTMENTS

	Group	
	2000 HK\$'000	1999 HK\$'000
Unlisted investments, at cost (<i>note</i>)	110,293	99,105
Loans to investee companies (<i>note</i>)	67,010	62,911
	<u>177,303</u>	<u>162,016</u>
Provisions	(2,513)	(2,513)
	<u>174,790</u>	<u>159,503</u>

Note:

The investments include cost of HK\$81,935,000 (1999: HK\$81,935,000) and loans of HK\$67,010,000 (1999: HK\$62,911,000) in fourteen joint ventures which build, operate and manage Tang Jin Expressway in which the Group holds 6.62% in each of them. The loans are unsecured, interest free and have no fixed repayment terms.

17. PROPERTIES UNDER DEVELOPMENT FOR SALE

	Group	
	2000 HK\$'000	1999 HK\$'000
Land cost	6,839	–
Development and incidental costs	63,679	–
	<u>70,518</u>	<u>–</u>

18. STOCKS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Raw materials	116,074	134,606
Work in progress	12,052	66,866
Finished goods	61,941	118,716
Consumable stocks	20,353	7,443
Less: provision	(1,861)	(7,921)
	<u>208,559</u>	<u>319,710</u>

At 31st December 2000, the carrying amount of stocks that are carried at net realisable value amounted to HK\$826,209 (1999: HK\$1,524,909).

19. BALANCES WITH RELATED COMPANIES

	2000	1999
	HK\$'000	HK\$'000
Amounts due from related companies (<i>note a</i>)	<u>52,318</u>	<u>6,111</u>
Amounts due to related companies (<i>note a</i>)	(16,823)	(87,363)
Construction costs payable to a minority shareholder (<i>note b</i>)	<u>(169,287)</u>	<u>(638,398)</u>
	<u>(186,110)</u>	<u>(725,761)</u>

Notes:

- (a) The amount receivables and payables are unsecured, interest free and have no fixed repayment terms.
- (b) The construction costs payable to Eastern Outer Ring Road Company Limited relate to the construction of Eastern Outer Ring Road owned by the Group.

20. TRADE RECEIVABLES

The aging analysis of the Group's trade receivables is as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Current	136,234	144,108
30 to 90 days	116,392	195,691
91 to 180 days	25,708	22,880
Over 180 days	108,330	102,316
	<u>386,664</u>	<u>464,995</u>

The various group companies have different credit policies dependent on the requirements of the markets and the businesses which they operate. In general, credit terms of 90 days are given to customers.

21. BANK BALANCES AND CASH

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Restricted balances	30,372	148,934	–	148,934
Unrestricted balances	<u>1,266,027</u>	<u>1,064,528</u>	<u>132,450</u>	<u>110,773</u>
	<u>1,296,399</u>	<u>1,213,462</u>	<u>132,450</u>	<u>259,707</u>

22. TRADE PAYABLES

The aging analysis of the Group's trade payables is as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Current	54,363	48,985
30 to 90 days	3,461	77
91 to 180 days	4,188	2,010
Over 180 days	18,655	18,067
	<u>80,667</u>	<u>69,139</u>

23. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY

The amounts payable are unsecured, interest free and have no fixed repayment terms.

24. AMOUNT DUE TO A FELLOW SUBSIDIARY

The amount payable was unsecured, interest free and had no fixed repayment terms.

25. SHARE CAPITAL

	2000	1999
	HK\$'000	HK\$'000
<i>Authorised:</i>		
3,000,000,000 shares of HK\$0.10 each	<u>300,000</u>	<u>300,000</u>
<i>Issued and fully paid:</i>		
601,750,000 shares of HK\$0.10 each	<u>60,175</u>	<u>60,175</u>

At 31st December 2000, the Company had outstanding options granted to directors and employees under the Company's share option scheme to subscribe for 33,500,000 shares of the Company of which 20,000,000 options are exercisable at HK\$3.34 and at any time prior to 17th March 2004, and 13,500,000 options are exercisable at HK\$6.136 and at any time prior to 21st November 2007.

26. RESERVES

Group

	Capital reserve	Share premium	General reserve	Goodwill reserve	Statutory reserves	Exchange reserve	Retained profit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 1999	–	3,398,594	19,976	(860,182)	81,049	3,817	145,128	2,788,382
Exchange differences	–	–	–	–	–	8,231	–	8,231
Acquisition of a subsidiary	–	–	–	10,762	–	–	–	10,762
Transfers	11,642	–	556	–	(6,440)	–	(5,758)	–
Acquisition of an associated company	–	–	–	(73,975)	–	–	–	(73,975)
Profit for the year	–	–	–	–	–	–	105,749	105,749
Dividends (<i>note 10</i>)	–	–	–	–	–	–	(24,070)	(24,070)
At 1st January 2000	11,642	3,398,594	20,532	(923,395)	74,609	12,048	221,049	2,815,079
Exchange differences	–	–	–	–	–	(381)	–	(381)
Transfers	–	–	7,869	–	16,310	–	(24,179)	–
Adjustment to goodwill upon completion of restructuring in an associated company	–	–	–	39,791	–	–	–	39,791
Realised on deemed disposal of interests in an associated company	–	–	–	18,235	–	–	–	18,235
Realised on disposal of subsidiaries	–	–	–	(6,769)	–	–	–	(6,769)
Profit for the year	–	–	–	–	–	–	151,138	151,138
Dividends (<i>note 10</i>)	–	–	–	–	–	–	(36,105)	(36,105)
At 31st December 2000	11,642	3,398,594	28,401	(872,138)	90,919	11,667	311,903	2,980,988

Goodwill reserve attributable to associated companies amounts to HK\$712,634,000 (1999: HK\$770,660,000). Retained profit attributable to associated companies and jointly controlled entities amounts to HK\$68,384,000 (1999: HK\$41,698,000) and HK\$19,725,000 (1999: Nil) respectively. All other reserves of the Group are dealt with in the accounts of the Company and its subsidiaries.

26. RESERVES (Cont'd)**Company**

	Share premium	Retained profit	Total
	HK\$'000	HK\$'000	HK\$'000
At 1st January 1999	3,398,594	103,409	3,502,003
Profit for the year	–	63,329	63,329
Dividends (<i>note 10</i>)	–	(24,070)	(24,070)
	<hr/>	<hr/>	<hr/>
At 31st December 1999	3,398,594	142,668	3,541,262
Loss for the year	–	(98,548)	(98,548)
Dividends (<i>note 10</i>)	–	(36,105)	(36,105)
	<hr/>	<hr/>	<hr/>
At 31st December 2000	<u>3,398,594</u>	<u>8,015</u>	<u>3,406,609</u>

(a) The Company's reserves available for distribution to shareholders as at 31st December 2000 represent the retained profit of HK\$8,015,000 (1999: HK\$142,668,000).

(b) Statutory reserves are reserves required by the relevant PRC laws applicable to the Group's subsidiaries.

27. LONG TERM LIABILITIES

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans				
secured	856,033	436,580	–	–
unsecured	293,500	–	293,500	–
Obligation under finance lease	351	373	351	373
	<hr/>	<hr/>	<hr/>	<hr/>
	1,149,884	436,953	293,851	373
Less: Amounts due within one year included under current liabilities	231	14,308	231	224
	<hr/>	<hr/>	<hr/>	<hr/>
Amounts due after one year	<u>1,149,653</u>	<u>422,645</u>	<u>293,620</u>	<u>149</u>

27. LONG TERM LIABILITIES (Cont'd)

The maturity of the Group's long term liabilities is as follows:

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Bank loans				
Within one year	–	14,084	–	–
In the second year	856,033	–	–	–
In the third to fifth years inclusive	293,500	422,496	293,500	–
	<u>1,149,533</u>	<u>436,580</u>	<u>293,500</u>	<u>–</u>
Obligation under finance lease				
Within one year	231	224	231	224
In the second year	95	149	95	149
In the third to fifth years inclusive	25	–	25	–
	<u>351</u>	<u>373</u>	<u>351</u>	<u>373</u>
	<u>1,149,884</u>	<u>436,953</u>	<u>293,851</u>	<u>373</u>

28. OPERATING LEASE COMMITMENTS

Operating lease commitments at 31st December 2000 payable in the next twelve months, analysed according to the period in which the lease expires, are as follows:

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Land and buildings				
Expiring in the first year	2,803	6,140	2,796	6,133
Expiring in the second to fifth years inclusive	2,227	30	2,196	–
Expiring after the fifth year	6,679	6,724	–	–
	<u>11,709</u>	<u>12,894</u>	<u>4,992</u>	<u>6,133</u>
Equipment, berths, railway and storage space				
Expiring after the fifth year	24,180	25,549	–	–
	<u>35,889</u>	<u>38,443</u>	<u>4,992</u>	<u>6,133</u>

29. CAPITAL COMMITMENTS

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Authorised but not contracted for				
Redevelopment of berths	160,000	–	–	–
Contracted but not provided for in respect of				
Tang Jin Expressway	55,955	60,465	–	–
Plant and machinery	8,089	16,658	–	–
Investment in a jointly controlled entity	33,024	–	33,024	–
Ring road	–	20,283	–	–
	97,068	97,406	33,024	–

30. CONTINGENT LIABILITIES

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given to banks in respect of banking facilities extended to				
Subsidiaries	–	–	1,129,000	1,070,200
An associated company	11,503	5,633	–	–

31. RETIREMENT BENEFIT SCHEME

The employees employed by the PRC subsidiaries are members of the state-managed employee pension scheme operated by the Tianjin Municipal Government. The subsidiaries are required to contribute a certain percentage of their payroll to the scheme to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contributions under the scheme.

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit before financing to net cash inflow from operating activities

	2000 HK\$'000	1999 HK\$'000
Operating profit before financing	317,074	195,070
Interest income	(50,484)	(61,431)
Depreciation	115,509	87,135
Loss on disposal of fixed assets	12,253	5,914
Decrease in deferred asset	–	247
Increase in stocks	(33,962)	(1,097)
(Increase)/decrease in trade receivables	(2,418)	94,602
(Increase)/decrease in other receivables, deposits and prepayments	(204,379)	46,696
Increase in trade payables	22,325	7,169
Increase in other payables and accruals	52,332	33,631
Increase in amounts due to ultimate holding company	3,538	191
(Decrease)/increase in amount due to a fellow subsidiary	(3,093)	2,423
Increase in amounts due from associated companies	(1,690)	(5,214)
(Decrease)/increase in net balances due to related companies	(116,747)	30,398
Gain on disposal of short term investments	(546)	(569)
Loss on deemed disposal of interest in an associated company	8,932	–
Gain on disposal of subsidiaries	(7,942)	–
Exchange differences	(5,750)	6,355
	<u>104,952</u>	<u>441,520</u>
Net cash inflow from operating activities	<u>104,952</u>	<u>441,520</u>

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(b) Disposal of subsidiaries

	2000 HK\$'000	1999 HK\$'000
Net assets disposed		
Fixed assets	94,090	—
Stocks	145,113	—
Trade receivables	80,749	—
Other receivables, deposits and prepayments	36,688	—
Bank balances and cash	(20,423)	—
Trade payables	(10,797)	—
Other payables and accruals	(137,044)	—
Short term loans and overdrafts	(105,602)	—
	<u>82,774</u>	—
Capital reserve	(6,769)	—
Gain on disposal of subsidiaries	7,942	—
	<u>83,947</u>	—
Satisfied by		
Leasehold land in PRC (Note (d))	83,947	—
	<u>83,947</u>	—
Analysis of net cash inflow in respect of disposal of subsidiaries		
Cash consideration	—	—
Net cash disposed	20,423	—
	<u>20,423</u>	—

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(c) Analysis of changes in financing during the year

	Minority interests	Bank loans and finance lease obligation	Total
	HK\$'000	HK\$'000	HK\$'000
At 1st January 1999	313,164	232,764	545,928
Exchange differences	4,701	–	4,701
Net cash inflows from financing	107,180	499,634	606,814
Share of profits and reserves attributable to minority shareholders	38,213	–	38,213
Dividend payable to minority shareholders	(28,928)	–	(28,928)
Acquisition of subsidiary	–	6,854	6,854
	<u>434,330</u>	<u>739,252</u>	<u>1,173,582</u>
At 31st December 1999	434,330	739,252	1,173,582
Exchange differences	3,182	–	3,182
Net cash inflows from financing	6,403	840,765	847,168
Share of profits and reserves attributable to minority shareholders	45,863	–	45,863
Disposal of subsidiaries	–	(105,602)	(105,602)
Dividend payable to a minority shareholder	(34,378)	–	(34,378)
	<u>455,400</u>	<u>1,474,415</u>	<u>1,929,815</u>
At 31st December 2000	455,400	1,474,415	1,929,815

(d) Major non-cash transactions

During the year, the Group disposed of subsidiaries to the ultimate holding company, Tsinlien Group Company Limited at a consideration of RMB 88 million. The consideration was satisfied by two pieces of leasehold land located in PRC.

In 1999, the Group acquired a subsidiary at nil consideration. The net assets of the subsidiary was approximately HK\$10,762,000 which was accounted for as capital reserve to the Group.

33. RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions during the year which in the opinion of the directors are carried out in the normal course of the Group's business:

	2000	1999
	HK\$'000	HK\$'000
Transactions with Tianjin Port Authority and its associates		
Service fees paid for supporting services and auxiliary services (<i>note (a)</i>)	23,391	14,640
Rental for land (<i>note (a)</i>)	6,435	6,408
Rental for berths, railway and storage space (<i>note (a)</i>)	18,341	18,263
Rental for equipment (<i>note (a)</i>)	6,196	7,286
Interest expenses (<i>note (c)</i>)	3,164	4,762
Purchase of stocks (<i>note (b)</i>)	27,507	–
Transactions with Tianjin Textile Industry Holding Company and its associates		
Subcontracting fee paid	–	779
Transactions with Tianjin Agricultural Cultivation Group Company and its associates		
Packaging services	9,538	8,127
Purchase of unfinished wine	12,740	16,725
Purchase of packaging material	2,174	2,351
Rental for electricity transformation station (<i>note (b)</i>)	2,037	2,030
Transactions with Tianjin Engineering Bureau		
Management fee paid (<i>note (a)</i>)	26,856	25,000
Consideration paid to purchase 6.62% interest in fourteen joint ventures (<i>note (a)</i>)	4,510	145,000
Bonus paid for early completion on redevelopment of Eastern Outer Ring Road (<i>note (a)</i>)	–	7,800
Construction cost paid for construction of Eastern Outer Ring Road (<i>note (b)</i>)	110,302	1,459,000
Interest expenses (<i>note (c)</i>)	–	17,730
Transactions with Tsinlien Group Company Limited and its associates		
Management fee paid (<i>note (a)</i>)	1,164	1,164
Rental on land and buildings (<i>note (a)</i>)	6,301	6,131
Consideration paid to purchase an associated company (<i>note (b)</i>)	–	82,000
Acquisition of two pieces of land (<i>note (b)</i>)	83,947	–
Disposal of subsidiaries (<i>note (b)</i>)	82,774	–

33. RELATED PARTY TRANSACTIONS (Cont'd)

Notes:

- (a) These transactions were conducted in accordance with agreements entered into at the time of the restructuring in preparation for listing of the Company's shares on The Stock Exchange of Hong Kong Limited in late 1997.
- (b) These transactions were conducted in accordance with agreements entered into subsequent to the listing as referred to (a) above.
- (c) Interest expenses were calculated at rates ranging from 5.58% to 5.85% per annum on the outstanding loan balances.

All the above transactions constitute connected transactions as defined under Chapter 14 of the Listing Rules except for interest expenses payable to Tianjin Port Authority of HK\$3,164,000 (1999:HK\$4,762,000).

34. ULTIMATE HOLDING COMPANY

The directors of the Company consider Tsinlien Group Company Limited, a company incorporated in Hong Kong, as being the ultimate holding company.

35. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 25th April 2001.

36. PRINCIPAL SUBSIDIARIES

Name	Place of incorporation/ establishment	Principal activities	Issued and paid up capital/ registered capital	Percentage of effective equity interest held	
				Company	Group
Operate in the People's Republic of China					
Sino-French Joint-Venture Dynasty Winery Ltd.	People's Republic of China	Manufacturing and sales of winery products	RMB124,389,000	—	61.9
Tianjin Harbour Second Stevedoring Co., Ltd.	People's Republic of China	Provision of stevedoring and storage services	RMB356,821,700	100	100
Tianjin Heavenly Palace Winery Co., Ltd.	People's Republic of China	Investment holding	RMB316,465,000	100	100
Tianjin Jin Zheng Transportation Development Co., Ltd.	People's Republic of China	Operating and management of Eastern Outer Ring Road	RMB1,037,557,000	90	90
Tianjin Port Container Terminal Co., Ltd.	People's Republic of China	Provision of containers transportation and storage services	RMB362,885,300	100	100
Tianjin Tai Kang Industrial Co., Ltd.	People's Republic of China	Investment holding	RMB1,030,269,400	82.74	82.74
Tianjin Gang Ning Real Estate Development Company Limited	People's Republic of China	Properties investment	RMB50,000,000	51	—
Tianjin Tianyang Grape Extracting Company Limited	People's Republic of China	Manufacturing and sales of winery products	RMB66,532,000	—	60

36. PRINCIPAL SUBSIDIARIES (Cont'd)

Name	Place of incorporation/ establishment	Principal activities	Issued and paid up capital/ registered capital	Percentage of effective equity interest held	
				Company	Group
Operate in the People's Republic of China (Cont'd)					
Tianjin Development Assets Management Company Limited	People's Republic of China	Investment holding	RMB32,076,000	100	100
Walfen (Tianjin) Pharmaceutical Company Limited	People's Republic of China	Research and development of bio-pharmaceutical products	RMB7,687,000	–	51
Operate in Hong Kong					
China Walfen Medical Limited	Hong Kong	Investment holding	HK\$100	–	51
Tsinlien Bolide Co., Limited	Hong Kong	Trading of metal wire	HK\$100,000	–	100
Tsinlien Chemicals Company Limited	Hong Kong	Trading of garment and chemical products	HK\$100,000	–	100
Tsinlien Garments Company Limited	Hong Kong	Trading of garments	HK\$100,000	–	100
Tianjin Development Trading Limited	Hong Kong	Trading	HK\$2	100	100

37. PRINCIPAL ASSOCIATED COMPANIES

Name	Place of incorporation/ establishment	Principal activities	Issued and paid up capital/ registered capital	Percentage of effective equity interest held	
				Company	Group
Operate in the People's Republic of China					
China Tianjin Otis Elevator Co., Ltd.	People's Republic of China	Manufacturing and sales of elevators and escalators	US\$26,300,000	–	33.34
Jinri Container Service Co., Ltd.	People's Republic of China	Provision of container repair service, storage and agency services	US\$1,011,500	–	40
Otis Elevator (China) Investment Co., Ltd.	People's Republic of China	Investment holding	US\$67,625,000	–	33.34
Tianjin Ally Thrive International Trade Co., Ltd.	People's Republic of China	Provision of shipping, transportation and storage services	RMB6,000,000	–	42.5
Tianjin Economic and Technology Development Zone Lianxing Trade Co., Ltd.	People's Republic of China	Trading of metal and chemical products	RMB1,000,000	–	40
Tianjin Harbour Container Transportation Co., Ltd.	People's Republic of China	Provision of storage and agency services	RMB30,000,000	–	35

37. PRINCIPAL ASSOCIATED COMPANIES (Cont'd)

Name	Place of incorporation/ establishment	Principal activities	Issued and paid up capital/ registered capital	Percentage of effective equity interest held	
				Company	Group
Operate in the People's Republic of China (Cont'd)					
Tianjin Jinhai Industrial Co., Ltd.	People's Republic of China	Provision of shipping, transportation and storage services	US\$1,500,000	–	41
Tianjin Jinli International Container Freight Agency Ltd.	People's Republic of China	Provision of agency service	US\$500,000	–	50
Tianjin Liantong Shipping Co., Ltd.	People's Republic of China	Provision of shipping agency services	US\$300,000	–	35
Shares listed and operate in Hong Kong					
Wah Sang Gas Holdings Limited	Bermuda	Investment holding	HK\$19,310,000	–	30.14

38. JOINTLY CONTROLLED ENTITIES

Name	Place of incorporation/ establishment	Principal activities	Issued and paid up capital/ registered capital	Percentage of effective equity interest held	
				Company	Group
Operate in the People's Republic of China					
GraphOn China Limited	Cayman Islands	Development and marketing of computer software	US\$70,000	50	50
Tianjin Pepsi-cola Beverage Company Limited	People's Republic of China	Manufacturing and sales of Pepsi Products and other beverages	RMB45,650,000	44	44