

# Notes to the Financial Statements

Year ended 31 December 2001

## 1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants (“HKSA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the principal accounting policies adopted by the Group is set out below.

### **Adoption of new and revised Statements of Standard Accounting Practice (“SSAPs”)**

The Group has adopted the new and revised SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2001. The new and revised SSAPs having significant effects on the Group are:

SSAP 14 (revised)	Leases (effective for accounting periods commencing on or after 1 July 2000)
SSAP 26	Segment reporting
SSAP 30	Business combinations
SSAP 31	Impairment of assets

#### *Leases*

Disclosures for all of the Group’s leasing arrangements have been modified so as to comply with the requirements of SSAP 14 (revised). Comparatives have been restated in order to achieve a consistent presentation.

#### *Segment reporting*

The Group has changed the basis of identification of reportable segments to that required by SSAP 26. Segment disclosures for the year ended 31 December 2000 have been amended so that they are presented on a consistent basis.

#### *Business combinations and impairment of assets*

In prior years, goodwill or negative goodwill arising on acquisition of subsidiaries was written off against or credited to reserves. With the introduction of SSAP 30, the Group has changed its accounting policy for goodwill as set out below.

# Notes to the Financial Statements

Year ended 31 December 2001

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

### *Business combinations and impairment of assets (Continued)*

The Group has taken advantage of the transitional provision in SSAP 30 not to retrospectively restate the goodwill or negative goodwill previously written off against or credited to reserves. In accordance with SSAP 30, assessments of impairment of goodwill also apply to goodwill previously written off against reserves which will not be restated at the time of adoption of SSAP 30. Any impairment loss identified in respect of goodwill previously written off against reserves is to be treated in accordance with SSAP 31. The implementation of SSAP 31 in this respect is treated as a change in accounting policy in accordance with SSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies".

At balance sheet date, the Group has performed an assessment of the fair value of its assets, including the related goodwill that had previously been written off against reserves. As a result, the capital reserve prior to 1 January 2000 was increased by HK\$57,308,000, the revenue reserve prior to 1 January 2000 was decreased by HK\$50,886,000 and the difference represented the share of minority shareholders in this respect. There is no effect on the income statement presented for the years ended 31 December 2000 and 2001.

### **Basis of preparation**

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment properties, leasehold land and buildings and motor vessels and improvement and the marking to market of certain investments in securities as explained in the accounting policies set out below.

### **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 or up to their effective dates of acquisition or disposal respectively.

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

# Notes to the Financial Statements

Year ended 31 December 2001

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### **Goodwill**

Goodwill or negative goodwill arising on consolidation represents the excess or deficit of the consideration paid over the fair value of the Group's share of net assets of the acquired subsidiary at the date of acquisition. Any goodwill arising from acquisition is recognized as an intangible asset and is amortized on a straight-line basis over its estimated useful life not exceeding 20 years. Any negative goodwill arising on acquisition is presented as a deduction from goodwill and is released to the income statement based on an analysis of the circumstances from which the balance resulted. On disposal of a subsidiary, the attributable amount of unamortized goodwill or unreleased negative goodwill is included in the determination of the profit or loss on disposal.

### **Revenue recognition**

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

*Revenue from the operations of ship chartering/owning business* is recognized on the percentage of completion basis measured by time proportion.

*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.

*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.

# Notes to the Financial Statements

Year ended 31 December 2001

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

### **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 the 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 foreign subsidiaries and associates 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 charter are recognized as revenue and expenses on the percentage of completion basis. Rental receivables and payables in respect of other operating leases are recognized as revenue and expenses respectively on the straight-line basis over the lease terms.

### **Taxation**

The charge for taxation is based on the results for the year 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.

### **Retirement costs**

The Group operates a defined contribution retirement scheme and a mandatory provident fund scheme.

The assets of the defined contribution retirement scheme are held separately from those of the Group in an independent administered fund. Contributions are recognized as expenses as they become payable in accordance with the rules of the scheme.

Contributions to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the income statement when incurred.

# Notes to the Financial Statements

Year ended 31 December 2001

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Fixed assets

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

*Leasehold land and buildings* are stated at cost less accumulated depreciation and impairment loss, 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 and impairment loss.

*Property under development and vessels under construction* are stated at cost less necessary provision for impairment loss.

*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 and impairment loss. For motor vessels acquired after May 1994, they are stated at cost less accumulated depreciation and impairment loss.

*Other fixed assets* are stated at cost less accumulated depreciation and impairment loss.

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, which include the estimated cost for dismantling, removing the asset and restoring the site. 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.

# Notes to the Financial Statements

Year ended 31 December 2001

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Fixed assets (Continued)

Advantage has been taken of the transitional relief provided by paragraph 80 of SSAP 17 "Property, plant and equipment" issued by the HKSA from the requirement to make regular revaluation 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.

The gain or loss arising from the retirement or disposal of assets is determined as the difference between the net sales proceeds and the carrying amount of the assets and is recognized as an income or expense in the income statement.

### Depreciation of fixed assets

No depreciation is provided in respect of investment properties with an unexpired lease term of over 20 years as well as property under development and vessels under construction until they are completed.

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, using straight-line method over the estimated useful life of 25 years from the date on which they become fully operational.

Depreciation is provided to write off the cost or valuation of other fixed assets (as specified below) over their estimated useful lives from the date on which they become fully operational 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%
Vessel's improvement	20% - 40%
Plant and machinery	20%
Leasehold improvement	20% - 30%
Utility vessels, furniture and equipment	6% - 25%

# Notes to the Financial Statements

Year ended 31 December 2001

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### **Intangible asset**

Intangible asset represents transfer fee for club entrance and is amortized on a straight-line basis over 20 years.

### **Subsidiaries**

A subsidiary, in accordance with the Companies Ordinance, is an enterprise in which the Company, directly or indirectly, holds more than half of the voting power or issued share capital, or controls the composition of the board of directors or equivalent governing body. An investment in a controlled subsidiary is consolidated into the consolidated financial statements. In the Company's balance sheet, investments in subsidiaries are stated at cost less impairment loss.

### **Associates**

An associate is an enterprise, in which the Company has significant influence and which is neither a subsidiary nor a joint venture of the Company.

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.

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 road*

Cost of investment in toll road is amortized on an annuity basis over the period of right during which toll income is accrued. The investment in toll road is stated at cost less accumulated amortization and impairment loss.

#### *Co-operative joint ventures*

Investments 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 and impairment loss. Costs of investments in co-operative joint ventures are amortized over the respective joint venture periods. Investment income is recognized on a receivable basis and in accordance with the provisions of the joint venture agreements. 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 2001

## 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 values of the investments in these securities. 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 held-to-maturity 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.

#### *Unlisted club debentures*

Unlisted club debentures are stated at cost and subject to impairment review at each reporting date to reflect any impairment in their values, which is expected to be other than temporary. The amount of impairment loss 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 net sales proceeds and the carrying amount of the securities.



# Notes to the Financial Statements

Year ended 31 December 2001

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

### **Impairment of assets**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated.

#### *Calculation of recoverable amount*

The recoverable amount of an asset is the higher of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit (the smallest identifiable group of assets that generates cash inflows from continuing use independently) to which the asset belongs.

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment loss is recognized as an expense immediately, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

#### *Reversals of impairment loss*

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. A reversal of impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### **Inventories**

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

Initial ship stores 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 the 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.

# Notes to the Financial Statements

Year ended 31 December 2001

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

### **Inventories** *(Continued)*

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.

### **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 can be made of the amount of the obligation. Expenditures for which provisions have been recognized are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation.

### **Cash equivalents**

For the purpose of consolidated cash flow statement, cash equivalents 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 repayable within three months from the date of the advances.

### **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.

### **Segment reporting**

In accordance with the Group's internal financial reporting, the Group has determined that business segments as the principal reporting format and no geographical segments analysis is presented on the Group's chartering freight and hire business as it cannot be attributable to any particular geographical location.

# Notes to the Financial Statements

Year ended 31 December 2001

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

### Segment reporting *(Continued)*

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period. Unallocated items mainly comprise financial assets, bank overdrafts, the amount due to holding company, financing expenses and minority interests.

## 2. 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 warehousing.

Turnover and revenue recognized by category are analyzed as follows:

	<b>Group</b>	
	<b>2001</b> <b>HK\$'000</b>	2000 <i>HK\$'000</i>
<b>Turnover</b>		
Chartering freight and hire:		
Hire income under time charter from owned vessels	<b>191,970</b>	112,029
Other chartering freight and hire income	<b>421,286</b>	301,670
Trading	<b>248,087</b>	281,294
Transportation and warehousing	<b>3,142</b>	4,465
	<b>864,485</b>	699,458
<b>Other revenue</b>		
Dividend and investment income from co-operative joint ventures	<b>8,172</b>	1,775
Interest income	<b>18,147</b>	28,223
<b>Revenue</b>	<b>890,804</b>	729,456

## Notes to the Financial Statements

Year ended 31 December 2001

### 3. PROFIT FROM OPERATIONS

This is stated after charging (crediting):

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Auditors' remuneration	<b>675</b>	755
Cost of inventories	<b>266,798</b>	285,194
Hire payment under time charter	<b>316,997</b>	161,342
Operating lease charges in respect of land and buildings	<b>4,667</b>	4,152
Exchange gain, including unrealized provision, for foreign currency exposures	<b>(51,726)</b>	(43,223)
Loss (Gain) on disposal of fixed assets, other than investment properties	<b>483</b>	(27)
Loss on disposal of an investment property	<b>385</b>	1,267
Gain on disposal of other investments	<b>—</b>	(3,039)
Loss on disposal of a subsidiary and an associate	<b>176</b>	—
Provision for impairment in value of an other investment (included in other operating expenses)	<b>11,700</b>	—
Net loss on disposal of short-term investments, including unrealized holding loss of HK\$7,456,000 (2000: HK\$41,020,000)	<b>20,471</b>	43,504
Revaluation deficit of investment properties	<b>500</b>	1,200
(Write-back of) Provision for bad and doubtful debts	<b>(8,249)</b>	14,029
Write-back of claims provision	<b>(5,460)</b>	—
Retirement benefits scheme contributions net of forfeited contributions of HK\$1,190,000 (2000: HK\$379,000)	<b>780</b>	1,555
Gross rental income of HK\$1,045,000 (2000: HK\$1,357,000) net of outgoings from operating leases on investment properties	<b>(963)</b>	(1,283)
Claims income, including HK\$Nil (2000: HK\$57,200,000) from the settlement of proceedings taken against certain defendants for their failure to subscribe for the shares in a subsidiary of the Company	<b>—</b>	(69,789)

## Notes to the Financial Statements

Year ended 31 December 2001

### 4. INTEREST EXPENSES

	Group	
	2001 HK\$'000	2000 HK\$'000
Interests on bank loans and overdrafts:		
Wholly repayable within five years	12,061	14,320
Not wholly repayable within five years	12,393	3,111
	<b>24,454</b>	17,431

### 5. DIRECTORS' EMOLUMENTS

	Group	
	2001 HK\$'000	2000 HK\$'000
Directors' fees	5,972	5,972
Other emoluments:		
Salaries and other benefits	4,086	4,157
Retirement benefits scheme contributions	89	87
	<b>10,147</b>	10,216

The directors' emoluments included fee of HK\$60,000 (2000: 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	
	2001	2000
HK\$0 - 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	1
HK\$3,000,001 - HK\$3,500,000	1	1
	<b>8</b>	8

## Notes to the Financial Statements

Year ended 31 December 2001

### 6. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included four (2000: four) directors whose details of emoluments are set out in note 5 above. Emoluments of the remaining one (2000: one) individual were as follows:

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Salaries and other benefits	<b>1,816</b>	1,917

### 7. TAXATION

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
The Company and its subsidiaries:		
Hong Kong Profits Tax:		
Current year	<b>230</b>	486
Underprovision in prior years	<b>95</b>	17
	<b>325</b>	503

Hong Kong Profits Tax is provided at the rate of 16% (2000: 16%) on the estimated assessable profits for the year. In the opinion of the Directors, 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. The Group is also not subject to taxation in any other jurisdictions in which the Group operates.

## Notes to the Financial Statements

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### 7. TAXATION (Continued)

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

	Group	
	2001 HK\$'000	2000 HK\$'000
(Reduction) Increase in the excess of tax allowances over depreciation	(289)	1,822
Tax losses arising	(59)	(10,115)
	<b>(348)</b>	(8,293)

### 8. NET LOSS FOR THE YEAR

The net loss for the year included a loss of HK\$37,285,000 (2000: HK\$123,361,000) which has been dealt with in the financial statements of the Company, and a loss of HK\$133,000 (2000: a profit of HK\$141,000) was attributable to the associates.

### 9. DIVIDENDS

The Board has resolved not to recommend the payment of any final dividend for the year (2000: Nil). As interim dividend has also not been declared in the year (2000: Nil), there is no dividend distribution for the whole year of 2001 (2000: Nil).

### 10. BASIC LOSS PER SHARE

Basic loss per share for the year is calculated on the net loss for the year of HK\$18,456,000 (2000: HK\$28,723,000) and on the weighted average number of 526,242,488 (2000: 526,242,488) shares in issue during the year.

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

# Notes to the Financial Statements

Year ended 31 December 2001

## 11. FIXED ASSETS

### Group

	Investment properties	Leasehold land and buildings	Property under development	Motor vessels and improvement	Vessels under construction	Plant and machinery	Leasehold improvement, utility vessels, furniture and equipment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost or valuation</b>								
At beginning of year	25,800	215,353	65,064	1,003,172	147,501	1,065	32,573	1,490,528
Additions	–	–	4,292	4,261	309,918	419	1,102	319,992
Disposals:								
through disposal								
of a subsidiary	–	(2,391)	–	–	–	–	(634)	(3,025)
others	(1,800)	(2,292)	–	–	–	(184)	(391)	(4,667)
Revaluation	(500)	–	–	–	–	–	–	(500)
Reclassification	–	–	–	354,238	(354,238)	–	–	–
<b>At balance sheet date</b>	<b>23,500</b>	<b>210,670</b>	<b>69,356</b>	<b>1,361,671</b>	<b>103,181</b>	<b>1,300</b>	<b>32,650</b>	<b>1,802,328</b>
<b>Accumulated depreciation and impairment loss</b>								
At beginning of year	–	124,949	50,064	381,200	–	1,008	24,831	582,052
Charge for the year	–	1,725	–	48,422	–	126	2,968	53,241
Disposals:								
through disposal								
of a subsidiary	–	(322)	–	–	–	–	(564)	(886)
others	–	(918)	–	–	–	(177)	(360)	(1,455)
Impairment loss	–	5,743	4,292	46,562	–	–	–	56,597
<b>At balance sheet date</b>	<b>–</b>	<b>131,177</b>	<b>54,356</b>	<b>476,184</b>	<b>–</b>	<b>957</b>	<b>26,875</b>	<b>689,549</b>
<b>Net book value</b>								
<b>At balance sheet date</b>	<b>23,500</b>	<b>79,493</b>	<b>15,000</b>	<b>885,487</b>	<b>103,181</b>	<b>343</b>	<b>5,775</b>	<b>1,112,779</b>
At beginning of year	25,800	90,404	15,000	621,972	147,501	57	7,742	908,476
<b>Analysis of cost or valuation of fixed assets at balance sheet date</b>								
At cost	–	157,670	69,356	1,016,989	103,181	1,300	32,650	1,381,146
At professional valuation in:								
1994	–	53,000	–	344,682	–	–	–	397,682
2001	23,500	–	–	–	–	–	–	23,500
	<b>23,500</b>	<b>210,670</b>	<b>69,356</b>	<b>1,361,671</b>	<b>103,181</b>	<b>1,300</b>	<b>32,650</b>	<b>1,802,328</b>



# Notes to the Financial Statements

Year ended 31 December 2001

## 11. FIXED ASSETS (Continued)

Investment properties of the Group were revalued at balance sheet date by Midland Surveyors Limited, independent professional surveyors, on an open market value basis.

If the following classes of fixed assets had not been revalued at balance sheet date, their carrying amounts at cost less accumulated depreciation and impairment loss would have been:

	Group	
	2001 HK\$'000	2000 HK\$'000
Leasehold land and buildings	79,493	90,404
Motor vessels and improvement	885,487	621,972

All motor vessels and improvement and investment properties are held for use under operating leases.

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

	Group	
	2001 HK\$'000	2000 HK\$'000
Held in Hong Kong	94,187	102,974
Held outside Hong Kong	306	2,430
Investment properties in Hong Kong	23,500	25,800
	117,993	131,204

## Notes to the Financial Statements

Year ended 31 December 2001

### 12. INTANGIBLE ASSET

	<b>Group</b>	
	<b>2001</b> <b>HK\$'000</b>	2000 <i>HK\$'000</i>
<b>Transfer fee for club entrance</b>		
<b>Cost</b>		
At beginning of year and <b>at balance sheet date</b>	<b>250</b>	250
<b>Accumulated amortization</b>		
At beginning of year	<b>87</b>	77
Charge for the year	<b>15</b>	10
<b>At balance sheet date</b>	<b>102</b>	87
<b>Net book value</b>		
<b>At balance sheet date</b>	<b>148</b>	163

### 13. INTERESTS IN SUBSIDIARIES

	<b>Company</b>	
	<b>2001</b> <b>HK\$'000</b>	2000 <i>HK\$'000</i>
Listed shares on the Oslo Exchanges, at cost	<b>351,702</b>	351,702
Unlisted shares, at cost	<b>13</b>	13
	<b>351,715</b>	351,715
Due from subsidiaries, net of provision	<b>172,394</b>	425,875
Due to subsidiaries	<b>(3,570)</b>	(220,556)
	<b>520,539</b>	557,034

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 Exchanges, amounted to approximately HK\$56,678,000 at balance sheet date (2000: HK\$84,343,000).

## Notes to the Financial Statements

Year ended 31 December 2001

### 14. INTERESTS IN ASSOCIATES

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	23	4
Due to associates	(51)	(1,406)
	<b>(28)</b>	(1,402)

### 15. OTHER INVESTMENTS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Toll road, at cost	15,600	15,600	—	—
Less: Accumulated amortization	(5,414)	(4,588)	—	—
	<b>10,186</b>	11,012	—	—
Co-operative joint ventures, at cost	78,648	78,648	—	—
Less: Accumulated amortization	(19,191)	(16,659)	—	—
Provision for impairment loss	(24,016)	(24,016)	—	—
	<b>35,441</b>	37,973	—	—
Unlisted club debentures, at cost	8,524	8,524	5,000	5,000
Unlisted investments, at cost	11,700	11,700	—	—
Less: Provision for impairment loss	(11,700)	—	—	—
	—	11,700	—	—
	<b>54,151</b>	69,209	<b>5,000</b>	5,000

## Notes to the Financial Statements

Year ended 31 December 2001

### 16. OTHER NON-CURRENT ASSETS

	Group	
	2001 HK\$'000	2000 HK\$'000
Deferred drydocking expenses, at cost	14,539	18,589
Less: Amount written off	(10,913)	(11,443)
	<b>3,626</b>	7,146
Claim receivable	30,200	30,200
Less: Amount included in current assets	(30,200)	(13,000)
Claim receivable due over one year	—	17,200
Loan receivable	23,000	23,000
Less: Amount included in current assets	(23,000)	—
Loan receivable due over one year	—	23,000
	<b>3,626</b>	47,346

### 17. INVENTORIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Ship stores	2,435	5,212
Trading goods	18,252	22,072
	<b>20,687</b>	27,284

Inventories at the balance sheet date were carried at cost.

## Notes to the Financial Statements

Year ended 31 December 2001

### 18. SHORT-TERM INVESTMENTS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Debts securities, at fair value:				
Listed outside Hong Kong	16,165	52,919	—	—
Equity securities, at fair value:				
Listed in Hong Kong	10,792	28,073	1,735	—
Listed outside Hong Kong	2,437	1,673	—	—
Unlisted	—	2,593	—	—
	13,229	32,339	1,735	—
	29,394	85,258	1,735	—

### 19. TRADE RECEIVABLES

The credit terms given to charterers vary according to the types of vessels' employment. The credit terms could vary from 15 to 60 days.

The credit terms given to trading customers vary based on the financial assessments and payment track records. Credit limits are set for all customers and are revised only with the approval of senior management. General credit terms are payments by the end of 60 to 120 days following the month in which sales took place.

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

	Group	
	2001 HK\$'000	2000 HK\$'000
0 - 90 days	58,518	76,043
91 - 180 days	16,823	10,346
181 - 365 days	1,618	1,191
Over 365 days	1,337	2,062
	78,296	89,642

## Notes to the Financial Statements

Year ended 31 December 2001

### 20. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
0 - 90 days	54,792	60,394
91 - 180 days	984	3,270
181 - 365 days	637	898
Over 365 days	12,140	27,265
	<b>68,553</b>	91,827

### 21. BANK LOANS AND OVERDRAFTS, SECURED

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
The maturity of secured bank loans and overdrafts is as follows:				
Within one year	113,304	77,989	7,474	4,544
After one year but within two years	58,830	62,438	—	—
After two years but within five years	109,632	72,568	—	—
After five years	258,382	132,958	—	—
	<b>540,148</b>	345,953	<b>7,474</b>	4,544
Less:				
Amount included in current liabilities				
Bank loans, secured	(65,785)	(47,067)	—	—
Bank overdrafts, secured	(47,519)	(30,922)	(7,474)	(4,544)
	<b>426,844</b>	267,964	—	—

## Notes to the Financial Statements

Year ended 31 December 2001

### 22. ISSUED CAPITAL

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

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 expired on 14 November 2001. No options were granted or agreed to be granted before the Scheme expired.

## Notes to the Financial Statements

Year ended 31 December 2001

### 23. RESERVES

	<b>Share premium</b> <i>HK\$'000</i>	<b>Capital reserve</b> <i>HK\$'000</i>	<b>Capital redemption reserve</b> <i>HK\$'000</i>	<b>Other asset revaluation reserve</b> <i>HK\$'000</i>	<b>Revenue reserve</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Group</b>						
At 1 January 2000						
As previously reported	288,733	93,161	2,023	29,110	124,543	537,570
Changes in accounting policies for goodwill (Note 1)	—	57,308	—	—	(50,886)	6,422
As restated	288,733	150,469	2,023	29,110	73,657	543,992
Exchange reserve arising on consolidation	—	(15)	—	—	—	(15)
Release on provision for impairment in value of fixed assets	—	(10,814)	—	(29,110)	—	(39,924)
Loss for the year	—	—	—	—	(28,723)	(28,723)
At 31 December 2000	288,733	139,640	2,023	—	44,934	475,330
Exchange reserve arising on consolidation	—	6	—	—	—	6
Release on disposal of an associate	—	6	—	—	—	6
Loss for the year	—	—	—	—	(18,456)	(18,456)
<b>At balance sheet date</b>	<b>288,733</b>	<b>139,652</b>	<b>2,023</b>	<b>—</b>	<b>26,478</b>	<b>456,886</b>
Represented by:						
Company and subsidiaries	288,733	139,652	2,023	—	26,455	456,863
Associates	—	—	—	—	23	23
	<b>288,733</b>	<b>139,652</b>	<b>2,023</b>	<b>—</b>	<b>26,478</b>	<b>456,886</b>

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.



## Notes to the Financial Statements

Year ended 31 December 2001

### 23. RESERVES (Continued)

	<b>Share premium</b>	<b>Capital reserve</b>	<b>Capital redemption reserve</b>	<b>Other asset revaluation reserve</b>	<b>Revenue reserve</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Company</b>						
At 1 January 2000	288,733	–	2,023	–	337,546	628,302
Loss for the year	–	–	–	–	(123,361)	(123,361)
At 31 December 2000	288,733	–	2,023	–	214,185	504,941
Loss for the year	–	–	–	–	(37,285)	(37,285)
<b>At balance sheet date</b>	<b>288,733</b>	<b>–</b>	<b>2,023</b>	<b>–</b>	<b>176,900</b>	<b>467,656</b>

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\$144,680,000 (2000: HK\$181,965,000).

# Notes to the Financial Statements

Year ended 31 December 2001

## 24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (a) Reconciliation of loss before taxation to net cash inflow from operating activities

	Group	
	2001 HK\$'000	2000 HK\$'000
Loss before taxation	(5,864)	(79,815)
Depreciation and amortization	56,627	49,925
Interest income	(18,147)	(28,223)
Interest expenses	24,454	17,431
Dividend income from short-term investments	(653)	(270)
Dividend and investment income, including toll income	(10,980)	(4,894)
Share of results of associates	133	(141)
Loss (Gain) on disposal of fixed assets, other than investment properties	483	(27)
Loss on disposal of an investment property	385	1,267
Gain on disposal of other investments	—	(3,039)
Loss on disposal of a subsidiary and an associate	176	—
Provision for impairment in value of fixed assets	56,597	157,579
Provision for impairment in value of an other investment	11,700	—
Revaluation deficit of investment properties	500	1,200
(Write-back of) Provision for bad and doubtful debts	(8,249)	14,029
Net drydocking expense written off	3,520	4,619
Discounts on held-to-maturity securities recognized	—	(280)
Net increase in claims receivable	—	(30,200)
Write-back of claims provision	(5,460)	—
Effects of exchange rates movement	(33,727)	—
Exchange adjustments	(5)	(37)
Changes in working capital:		
Inventories	6,597	(327)
Short-term investments	55,864	66,126
Trade receivables	24,092	(1,389)
Prepayments, deposits and other receivables	28,230	15,646
Trade payables	(23,274)	5,886
Accrued charges and other payables	10,348	623
<b>Net cash inflow from operating activities</b>	<b>173,347</b>	<b>185,689</b>

## Notes to the Financial Statements

Year ended 31 December 2001

### 24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

#### (b) Summary of the effects of the disposal of a subsidiary

	Group	
	2001 HK\$'000	2000 HK\$'000
Net assets disposed:		
Fixed assets	2,139	—
Prepayments, deposits and other receivables	58	—
Accrued charges and other payables	(1,875)	—
	322	—
Loss on disposal of a subsidiary	(322)	—
	—	—

#### (c) Analysis of changes in financing during the year

	Group				
	Bank loans HK\$'000	Pledged deposits HK\$'000	Loan receivable HK\$'000	Due to (from) associates HK\$'000	Total HK\$'000
At 1 January 2000	123,972	(27,242)	—	(481)	96,249
Cash flows from financing	191,059	(20,600)	(23,000)	1,887	149,346
At 31 December 2000	315,031	(47,842)	(23,000)	1,406	245,595
Cash flows from financing	211,325	40,473	—	(43)	251,755
Change on disposal of an associate	—	—	—	(1,312)	(1,312)
Effects of exchange rates movement	(33,727)	—	—	—	(33,727)
<b>At balance sheet date</b>	<b>492,629</b>	<b>(7,369)</b>	<b>(23,000)</b>	<b>51</b>	<b>462,311</b>

## Notes to the Financial Statements

Year ended 31 December 2001

### 24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

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

	Group	
	2001 HK\$'000	2000 HK\$'000
Bank balances and cash	207,626	83,438
Bank overdrafts, secured	(47,519)	(30,922)
	<b>160,107</b>	52,516

### 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 deferred taxation (assets) liabilities not (credited) provided are as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Excess of tax allowances over depreciation	1,859	2,148
Tax losses carried forward	(50,408)	(50,349)
	<b>(48,549)</b>	(48,201)

### 26. PLEDGE OF ASSETS

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

- (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\$891,533,000 (2000: HK\$628,272,000);
- (b) Deposits totalling HK\$7,369,000 (2000: HK\$47,842,000) of the Group placed with a bank;

## Notes to the Financial Statements

Year ended 31 December 2001

### 26. PLEDGE OF ASSETS (Continued)

- (c) Short-term investments in securities of fair values totalling HK\$19,000,000 (2000: HK\$53,700,000) placed with a bank;
- (d) Legal charge on shares of eight ship owning subsidiaries of the Company; and
- (e) Assignment agreements entered into with banks assigning seven ship owning subsidiaries' chartering income in favour of banks.

### 27. COMMITMENTS

#### (a) Capital expenditure commitments

At balance sheet date, the Group had capital expenditure commitments relating to the newbuilding of three (2000: five) dry bulk vessels. The total purchase price of these vessels was approximately HK\$494,910,000 (2000: HK\$852,152,000) and the total amount contracted but not provided for (net of deposit paid) was approximately HK\$395,226,000 (2000: HK\$713,324,000).

#### (b) Commitments under operating leases (as lessee)

At balance sheet date, the total of future minimum lease payments under non-cancellable operating leases for each of the following periods of the Group are:

	Group	
	2001 HK\$'000	2000 HK\$'000
Within one year:		
Land and buildings	1,511	3,314
Time charter hire	189,807	229,736
Others	–	30
	<b>191,318</b>	233,080
After one year but within five years:		
Land and buildings	887	563
Time charter hire	385,355	468,860
Others	–	2
	<b>386,242</b>	469,425
	<b>577,560</b>	702,505

## Notes to the Financial Statements

Year ended 31 December 2001

### 27. COMMITMENTS (Continued)

#### (c) Commitments under operating leases (as lessor)

At balance sheet date, the total of future minimum lease payments receivables under non-cancellable operating leases for each of the following periods of the Group are:

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Within one year:		
Land and buildings	<b>1,011</b>	488
Time charter hire	<b>51,005</b>	20,125
	<b>52,016</b>	20,613
After one year but within five years:		
Land and buildings	<b>276</b>	99
	<b>52,292</b>	20,712

# Notes to the Financial Statements

Year ended 31 December 2001

## 28. SEGMENTAL INFORMATION

(a) (i) Consolidated income statement by business segments — 2001

	<b>Chartering freight and hire HK\$'000</b>	<b>Trading HK\$'000</b>	<b>Investments in China HK\$'000</b>	<b>Other operations HK\$'000</b>	<b>Total HK\$'000</b>
<b>Turnover</b>	<b>613,256</b>	<b>248,087</b>	<b>3,142</b>	<b>—</b>	<b>864,485</b>
Other operating income	57,719	7,376	8,470	1,437	75,002
Other net income (expenses)	(323)	146	65	53,953	53,841
	<b>670,652</b>	<b>255,609</b>	<b>11,677</b>	<b>55,390</b>	<b>993,328</b>
Operating expenses	(612,336)	(244,229)	(11,471)	(11,492)	(879,528)
Depreciation and amortization	(48,512)	(1,047)	(3,446)	(3,622)	(56,627)
<b>Profit (Loss) from operations</b>	<b>9,804</b>	<b>10,333</b>	<b>(3,240)</b>	<b>40,276</b>	<b>57,173</b>
Provision for impairment in value of fixed assets	(46,562)	—	—	(10,035)	(56,597)
Share of results of associates	—	(133)	—	—	(133)
	<b>(36,758)</b>	<b>10,200</b>	<b>(3,240)</b>	<b>30,241</b>	<b>443</b>
Interest income					18,147
Interest expenses					(24,454)
<b>Loss before taxation</b>					<b>(5,864)</b>
Taxation					(325)
<b>Loss from ordinary activities after taxation</b>					<b>(6,189)</b>
Minority interests					(12,267)
<b>Net loss for the year</b>					<b>(18,456)</b>

## Notes to the Financial Statements

Year ended 31 December 2001

### 28. SEGMENTAL INFORMATION (Continued)

(a) (ii) Consolidated income statement by business segments — 2000

	Chartering freight and hire HK\$'000	Trading HK\$'000	Investments in China HK\$'000	Other operations HK\$'000	Total HK\$'000
Turnover	413,699	281,294	4,465	—	699,458
Other operating income	33,083	23,748	1,808	1,523	60,162
Other net income	2,995	7,329	4,098	54,416	68,838
	449,777	312,371	10,371	55,939	828,458
Operating expenses	(396,118)	(301,905)	(12,777)	(902)	(711,702)
Depreciation and amortization	(40,473)	(1,249)	(3,560)	(4,643)	(49,925)
Profit (Loss) from operations	13,186	9,217	(5,966)	50,394	66,831
Provision for impairment in value of fixed assets	(92,930)	—	—	(64,649)	(157,579)
Share of results of associates	—	141	—	—	141
	(79,744)	9,358	(5,966)	(14,255)	(90,607)
Interest income					28,223
Interest expenses					(17,431)
Loss before taxation					(79,815)
Taxation					(503)
Loss from ordinary activities after taxation					(80,318)
Minority interests					51,595
Net loss for the year					(28,723)

- (iii) The Group's chartering freight and hire business cannot be attributable to any particular geographical location. About 75% (2000: 59%) of the Group's turnover from trading operation is carried out in mainland China and the remaining is mainly carried out in Hong Kong. The Group's investments in China operation is mainly carried out in mainland China. The Group's other operations, including property investments, foreign currency transactions and short-term investments, are mainly carried out in Hong Kong.



## Notes to the Financial Statements

Year ended 31 December 2001

### 28. SEGMENTAL INFORMATION (Continued)

(b) (i) Consolidated balance sheet by business segments — 2001

	<b>Chartering freight and hire HK\$'000</b>	<b>Trading HK\$'000</b>	<b>Investments in China HK\$'000</b>	<b>Other operations HK\$'000</b>	<b>Total HK\$'000</b>
<i>Allocated assets</i>					
<b>Fixed assets</b>	988,874	1,353	411	122,141	1,112,779
<b>Intangible asset</b>	—	—	—	148	148
<b>Interests in associates</b>	—	(28)	—	—	(28)
<b>Other investments</b>	—	—	45,627	8,524	54,151
<b>Other non-current assets</b>	3,626	—	—	—	3,626
<b>Current assets</b>	30,500	114,104	1,624	63,969	210,197
<b>Total segment assets</b>	1,023,000	115,429	47,662	194,782	1,380,873
<i>Unallocated assets</i>					
<b>Pledged deposits</b>					7,369
<b>Bank balances and cash</b>					207,626
<b>Total assets</b>					1,595,868
<i>Allocated liabilities</i>					
<b>Total segment liabilities</b>	(552,701)	(46,213)	(2,065)	(44,891)	(645,870)
<i>Unallocated liabilities</i>					
<b>Bank overdrafts, secured</b>					(47,519)
<b>Total liabilities</b>					(693,389)
<b>Capital expenditure incurred during the year</b>					
	314,231	1,182	11	4,568	319,992

## Notes to the Financial Statements

Year ended 31 December 2001

### 28. SEGMENTAL INFORMATION (Continued)

(b) (ii) Consolidated balance sheet by business segments – 2000

	Chartering freight and hire HK\$'000	Trading HK\$'000	Investments in China HK\$'000	Other operations HK\$'000	Total HK\$'000
<i>Allocated assets</i>					
Fixed assets	769,728	2,237	462	136,049	908,476
Intangible asset	–	–	–	163	163
Interests in associates	–	(1,402)	–	–	(1,402)
Other investments	–	–	48,985	20,224	69,209
Other non-current assets	7,146	23,000	–	17,200	47,346
Current assets	50,951	112,403	11,482	101,453	276,289
<b>Total segment assets</b>	<b>827,825</b>	<b>136,238</b>	<b>60,929</b>	<b>275,089</b>	<b>1,300,081</b>
<i>Unallocated assets</i>					
Pledged deposits					47,842
Bank balances and cash					83,438
<b>Total assets</b>					<b>1,431,361</b>
<i>Allocated liabilities</i>					
Total segment liabilities	(383,920)	(64,526)	(3,064)	(37,775)	(489,285)
<i>Unallocated liabilities</i>					
Bank overdrafts, secured					(30,922)
<b>Total liabilities</b>					<b>(520,207)</b>
Capital expenditure					
incurred during					
the year	392,317	523	11	349	393,200

(iii) The segment assets of the Group's chartering freight and hire business cannot be attributable to any particular geographical location. Besides, around 25% (2000: 20%) of the segment assets under the other three business segments are located in mainland China and the remaining are mainly located in Hong Kong.

## Notes to the Financial Statements

Year ended 31 December 2001

### 29. CONTINGENT LIABILITIES

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

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Guarantees to secure banking facilities granted to subsidiaries	—	—	<b>114,070</b>	114,070
Other guarantees	<b>486</b>	506	—	—
	<b>486</b>	506	<b>114,070</b>	114,070

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\$55,527,000 (2000: HK\$62,609,000).

### 30. 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 contributions to the defined contribution retirement scheme vest 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 contributions payable by the Group are reduced by the amount of forfeited contributions. On the other hand, the contributions to the mandatory provident fund scheme vest immediately and fully in employees once the contributions are 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\$780,000 (2000: HK\$1,555,000) net of the forfeited contributions of HK\$1,190,000 (2000: HK\$379,000) which arose upon employees leaving the defined contribution retirement scheme.

# Notes to the Financial Statements

Year ended 31 December 2001

## 31. 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 the consultancy services to Jinhui Shipping for a quarterly fee of £2,500 (approximately HK\$28,000) 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\$112,000) (2000: £10,000) has been paid during the year under the agreement.

Other than as disclosed above, none of the directors has a service contract with the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

## 32. ULTIMATE HOLDING COMPANY

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

## 33. COMPARATIVE FIGURES

As explained in note 1 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, certain comparatives have been adjusted, restated or reclassified to conform with the current year's presentation.

# Notes to the Financial Statements

Year ended 31 December 2001

## 34. PRINCIPAL SUBSIDIARIES

Name	Issued and paid-up capital	Attributable equity interest	Principal activities	Place of operation
<b>Incorporated in Bermuda</b>				
Jinhui MetCoke Limited	12,000 ordinary shares of US\$1 each	50.9%	Investment holding	Worldwide
# Jinhui Shipping and Transportation Limited	98,428,341 ordinary shares of US\$0.50 each	50.9%	Investment holding	Worldwide
<b>Incorporated in the British Virgin Islands</b>				
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
# Pantow Profits Limited	60,000 shares of US\$1 each	100%	Investment holding	Worldwide
Yee Lee Technology Company Limited	4,000,000 shares of HK\$1 each	75%	Investment holding	Hong Kong
<b>Incorporated in Hong Kong</b>				
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
Goldbeam International Limited	5,000,000 shares of HK\$1 each	50.9%	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

## Notes to the Financial Statements

Year ended 31 December 2001

### 34. PRINCIPAL SUBSIDIARIES (Continued)

Name	Issued and paid-up capital	Attributable equity interest	Principal activities	Place of operation
<b>Incorporated in the Republic of Liberia</b>				
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
<b>Incorporated in the Republic of Panama</b>				
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%	Investment	Worldwide
<b>Incorporated in the State of Delaware, United States of America</b>				
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.