

# Notes to the Accounts

## 1. PRINCIPAL ACCOUNTING POLICIES

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

### (a) *Basis of preparation of the accounts*

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (the “HKSA”). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain leasehold land and buildings and investment properties are stated at fair value.

In the current year, the Group adopted the following Statements of Standard Accounting Practice (“SSAP”) issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2001:

SSAP 9 (revised)	: Events after the balance sheet date
SSAP 14 (revised)	: Leases (effective for accounting periods commencing on or after 1st July 2000)
SSAP 26:	Segment reporting
SSAP 28:	Provisions, contingent liabilities and contingent assets
SSAP 29:	Intangible assets
SSAP 30:	Business combinations
SSAP 31:	Impairment of assets
SSAP 32:	Consolidated financial statements and accounting for investment in subsidiaries

The effect of adopting these new or revised accounting standards is set out below:

### (i) *Dividends*

In accordance with the SSAP 9 (revised), the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy. As a result, the retained profits at 1st January 2001 have been increased by US\$30,169,000 and the provision of US\$30,169,000 for 2000 proposed final dividend previously recorded as a liability as at 31st December 2000 has been reversed.

### (ii) *Provisions*

In accordance with SSAP 28, provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The Group does not have significant provision which does not meet the recognition and measurement criteria of SSAP 28 and has to be adjusted to the retained profits as at 1st January 2001.

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### (a) Basis of preparation of the accounts (continued)

#### (iii) Impairment of assets

SSAP 31 requires that the carrying amount of an asset is reduced to reflect the decline in value when the recoverable amount of an asset has declined below its carrying amount. In determining the recoverable amount of assets, expected cash flows are discounted to their present values.

The assessment on the carrying amounts of assets has indicated an impairment loss of assets of US\$5,928,000. An amount of US\$5,680,000 has been charged to consolidated profit and loss account (note 3) and an amount of US\$248,000 has been taken to other properties revaluation reserve as a revaluation decrease (note 22).

### (b) Group accounting

#### (i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued share capital. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

In the Company's balance sheet investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend income.

#### (ii) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill (net of accumulated amortisation) on acquisition.

#### (iii) Associated companies

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

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and goodwill (net of accumulated amortisation) on acquisition.

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### (b) Group accounting (continued)

#### (iv) Gain or loss on disposal

The gain or loss on the disposal of a subsidiary, a jointly controlled entity or an associated company represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill, including goodwill previously eliminated against reserves, which was not previously charged or recognised in the consolidated profit and loss account.

### (c) Fixed assets

#### (i) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods greater than 20 years are valued annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to the operating profit. Any subsequent increases are credited to the operating profit up to the amount previously debited.

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

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

#### (ii) Other fixed assets

Fixed assets other than investment properties (note 1(c)(i)) are stated at cost or valuation less accumulated depreciation and impairment losses.

Effective from 30th September 1995 no further revaluations of the Group's leasehold land and buildings have been carried out. The Group places reliance on paragraph 80 of SSAP 17 issued by the HKSA, which provides exemption from the need to make regular revaluations for such assets.

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

Land use rights represent amounts paid for use of land in China mainland under operating leases. Land use rights are stated at cost less accumulated impairment losses and are amortised over the unexpired period of lease.

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

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### (c) Fixed assets (continued)

#### (ii) Other fixed assets (continued)

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

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

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

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

#### (iii) Impairment/gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a decrease in revaluation reserve.

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

#### (iv) Capitalisation of fixed assets

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

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

Costs associated with developing or maintaining computer systems are recognised as an expense as incurred. However, costs that are directly associated with identifiable and unique computer systems controlled by the Group and have probable economic benefit exceeding the cost and beyond one year are recognised as assets. Direct costs include staff costs of the development team, consultancy fees and an appropriate portion of relevant overheads.

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### (c) Fixed assets (continued)

#### (iv) Capitalisation of fixed assets (continued)

Expenditure which enhances or extends the performance of computer systems beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer systems.

Computer development costs recognised as assets are amortised, upon completion of development, using the straight line method over their useful lives, not exceeding a period of 5 years.

### (d) Goodwill

Goodwill represents the excess of purchase consideration over the fair value of the Group's share of the net assets of subsidiaries, associated companies and jointly controlled entities acquired at the date of acquisition.

In accordance with SSAP 30, goodwill on acquisitions occurring on or after 1st January 2001 is included in intangible assets and is amortised using the straight line method over its estimated useful life. Goodwill on acquisitions that occurred prior to 1st January 2001 was eliminated against reserves. Where the fair values ascribed to the net assets of subsidiaries, associated companies and jointly controlled entities acquired exceed the purchase consideration, such differences are taken directly to reserves on acquisitions prior to 1st January 2001. This accounting policy has been changed to conform with SSAP 30. The Group has adopted the transitional provisions in SSAP 30 and such change has no effect to the accounts for the year.

Where an indication of impairment exists, the carrying amount of goodwill, including goodwill previously eliminated against reserves, is assessed and written down immediately to its recoverable amount.

### (e) Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases.

#### (i) Assets held for use under operating leases

When the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 1(c) above.

Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 1(m) below.

#### (ii) Operating lease charges

Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight line basis over the lease periods.

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

### **(f) Hire purchase contracts**

Hire purchase contracts for containers are contracts for the lease of containers which contain a provision giving the lessee an option to acquire legal title to the containers upon the fulfilment of certain conditions stated in the contracts. When assets are leased out under a hire purchase contract, the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Revenue on containers under hire purchase contracts is recognised in accordance with the Group's revenue recognition policies, as set out in note 1(m) below.

### **(g) Investment in securities**

#### **(i) Investment securities**

Listed and unlisted investments which are held for long term are stated at cost less provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investment is reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to profit and loss account when the circumstances and events that led to the write-downs and write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

#### **(ii) Other investments**

Other investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the profit and loss account. Profits or losses on disposal of other investments representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

### **(h) Inventories**

Inventories include spare parts, consumables and resaleable containers.

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

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

### **(i) Accounts receivable**

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

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### (j) *Cash and cash equivalents*

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

### (k) *Contingent liabilities and contingent assets*

Contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

### (l) *Deferred taxation*

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or receivable in the foreseeable future.

### (m) *Revenue recognition*

The Group recognises revenue on the following bases:

#### (i) *Revenue from container leasing*

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

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

#### (ii) *Revenue from container handling, transportation and storage*

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

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

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### (m) Revenue recognition (continued)

#### (iii) Revenue from container terminal operations

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

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

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

#### (v) Revenue from sale of containers

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

#### (vi) Commission on demurrage income

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

#### (vii) Interest income

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

#### (viii) Dividend income

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

#### (ix) Income on sale of investment securities

Income on sale of investment securities is recognised when the title to the investments is passed to the purchaser.

### (n) Retirement benefit costs

The Group contributes to defined contribution retirement schemes which are available to all employees in Hong Kong and the United States of America. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group's contributions to these schemes are expensed as incurred.

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



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

### **(o) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset.

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

### **(p) Off-balance sheet financial instruments**

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

### **(q) Translation of foreign currencies**

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

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

### **(r) Segment reporting**

Unallocated costs represent net corporate expenses and corporate finance costs less corporate interest income. Segment assets consist primarily of fixed assets, inventories, receivables and operating cash, and mainly exclude investment securities, investments in joint ventures and associated companies. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

## 2. TURNOVER, REVENUE AND SEGMENT INFORMATION

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

	2001 US\$'000	2000 US\$'000
Turnover		
Container rentals under operating leases	<b>208,342</b>	200,422
Hire purchase income	<b>1,001</b>	1,721
Container handling, transportation and storage income, commission and rebate income	<b>9,608</b>	10,494
Terminal operation income	<b>5,720</b>	5,256
	<u><b>224,671</b></u>	<u>217,893</u>
Other revenues		
Sale of inventories	<b>6,885</b>	17,388
Interest income	<b>5,178</b>	12,191
Gross rental income from investment properties	<b>51</b>	44
Dividend income from		
– listed investment	–	329
– unlisted investment	–	1,023
	<u><b>12,114</b></u>	<u>30,975</u>
Total revenues	<u><b>236,785</b></u>	<u>248,868</u>

## 2. TURNOVER, REVENUE AND SEGMENT INFORMATION *(continued)*

### *(a) Primary reporting format — business segments*

In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format. Accordingly, the Group has categorised its businesses into the following segments:

- container leasing
- container terminal and related businesses
- banking
- others

During the year, the PRC investment securities were disposed of.

There are no sales or other transactions between the business segments for the year ended 31st December 2001.

### Segment turnover and results

	For the year ended 31st December 2001						Total US\$'000
	Container leasing US\$'000	Container terminal and related businesses US\$'000	Banking US\$'000	PRC investment securities US\$'000	Other operations US\$'000	Corporate US\$'000	
Turnover							
External sales	209,343	15,328	—	—	—	—	224,671
Segment results	83,857	1,009	—	14,137	—	—	99,003
Unallocated costs							
– net corporate expenses	—	—	—	—	—	(3,187)	(3,187)
– corporate finance costs	—	—	—	—	—	(743)	(743)
– corporate interest income	—	—	—	—	—	3,611	3,611
Operating profit after finance costs	83,857	1,009	—	14,137	—	(319)	98,684
Share of profits less losses of							
– jointly controlled entities	—	3,801	—	—	5,620	—	9,421
– associated companies	—	47,805	9,007	—	—	—	56,812
Profit before taxation							164,917
Taxation							(9,566)
Profit after taxation							155,351
Minority interests							(1,011)
Profit attributable to shareholders							154,340

## 2. TURNOVER, REVENUE AND SEGMENT INFORMATION *(continued)*

### *(a) Primary reporting format — business segments (continued)*

#### Segment turnover and results

	For the year ended 31st December 2000						
	Container leasing US\$'000	Container terminal and related businesses US\$'000	Banking US\$'000	PRC investment securities US\$'000	Other operations US\$'000	Corporate US\$'000	Total US\$'000
Turnover							
Total revenue	202,143	15,846	—	—	—	—	217,989
Inter-segment sales	—	(96)	—	—	—	—	(96)
External sales	202,143	15,750	—	—	—	—	217,893
Segment results	75,826	1,788	—	327	—	—	77,941
Unallocated costs							
— net corporate expenses	—	—	—	—	—	(2,838)	(2,838)
— corporate finance costs	—	—	—	—	—	(853)	(853)
— corporate interest income	—	—	—	—	—	7,229	7,229
Operating profit after finance costs	75,826	1,788	—	327	—	3,538	81,479
Share of profits less losses of							
— jointly controlled entities	—	3,430	—	—	3,226	—	6,656
— associated companies	—	50,853	15,390	—	—	—	66,243
Profit before taxation							154,378
Taxation							(10,946)
Profit after taxation							143,432
Minority interests							(886)
Profit attributable to shareholders							142,546

## 2. TURNOVER, REVENUE AND SEGMENT INFORMATION *(continued)*

### *(a) Primary reporting format — business segments (continued)*

#### Segment balance sheet and other segment information

	Container leasing US\$'000	Container and related businesses US\$'000	Banking US\$'000	PRC investment securities US\$'000	Other operations US\$'000	Corporate US\$'000	Total US\$'000
<b>As at 31st December 2001</b>							
Segment assets	1,136,689	37,366	—	—	—	—	1,174,055
Investments in joint ventures	481	25,022	—	—	21,588	—	47,091
Investments in associated companies	—	173,506	158,250	—	—	—	331,756
Investment securities	—	37,299	—	—	—	—	37,299
Unallocated assets							148,546
Total assets							1,738,747
Segment liabilities	(509,522)	(9,111)	—	—	—	—	(518,633)
Minority interests	—	(7,509)	—	—	—	—	(7,509)
Unallocated liabilities							(12,311)
Total liabilities							(538,453)
Capital expenditure	166,394	1,994	—	—	—	595	168,983
Depreciation and amortisation	79,504	1,217	—	—	—	239	80,960
Impairment loss recognised in							
– profit and loss account	5,680	—	—	—	—	—	5,680
– other properties revaluation reserve	248	—	—	—	—	—	248
Other non-cash (income)/expenses	(4,816)	—	—	—	—	36	(4,780)
<b>As at 31st December 2000</b>							
Segment assets	1,012,716	38,111	—	—	—	—	1,050,827
Investments in joint ventures	(442)	24,772	—	—	17,805	—	42,135
Investments in associated companies	—	174,096	156,067	—	—	—	330,163
Investment securities	—	39,730	—	7,216	—	—	46,946
Unallocated assets							98,676
Total assets							1,568,747
Segment liabilities	(415,448)	(8,111)	—	—	—	—	(423,559)
Minority interests	—	(7,247)	—	—	—	—	(7,247)
Unallocated liabilities							(36,962)
Total liabilities							(467,768)
Capital expenditure	117,644	2,080	—	—	—	157	119,881
Depreciation and amortisation	72,614	1,114	—	—	—	557	74,285
Other non-cash (income)/expenses	376	(18)	—	—	—	—	358

## 2. TURNOVER, REVENUE AND SEGMENT INFORMATION *(continued)*

### *(b) Secondary reporting format — geographical segments*

The movements of containers under operating leases or hire purchase contracts are known through reports from the lessees but the Group is not able to control the movements of containers except to the degree that the movements are restricted by the terms of the leases or where safety of the containers is concerned. It is therefore impracticable to present segment information by geographical areas.

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

## 3. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2001 US\$'000	2000 US\$'000
<b>Crediting</b>		
Profit on sale of listed investment	14,137	—
Reversal of provision for container repairs and maintenance expense	6,156	—
Gross rental income under operating sublease	222	—
Gain on disposal of fixed assets	—	136
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<b>Charging</b>		
Cost of inventories sold	8,350	16,894
Depreciation and amortisation		
— owned fixed assets leased out under operating leases	76,826	71,030
— other owned fixed assets	4,134	3,255
Impairment loss of (note 11)		
— containers	4,377	—
— leasehold land and buildings	1,303	—
Loss on disposal of fixed assets	215	—
Loss on compensation for loss of containers from a fellow subsidiary	228	55
Outgoings in respect of investment properties	6	9
Provision for doubtful debts, net	514	144
Provision for an investee company (note 15)	3,450	4,600
Provision for inventories	265	197
Rental expense under operating leases		
— land and buildings leased from third parties	2,984	2,479
— land and buildings leased from a fellow subsidiary	714	674
— plant and machinery	449	448
Retirement benefit costs (note 9)	620	662
Revaluation deficit of investment properties (note 11(b))	154	98
Staff costs (including directors' emoluments)	11,982	11,705
Auditors' remuneration	451	449
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#### 4. FINANCE COSTS

	2001 US\$'000	2000 US\$'000
Interest expense on:		
Bank loans	16,273	27,218
Other loans		
– wholly repayable within five years	6,356	9,548
– not wholly repayable within five years	973	1,124
Loans from a minority shareholder of a subsidiary wholly repayable within five years	146	174
Loss/(gain) on interest rate swap contracts	204	(51)
Trade payables	49	–
Container purchase payables	–	69
	<u>24,001</u>	<u>38,082</u>
Other incidental borrowing costs	5,523	5,031
	<u>29,524</u>	<u>43,113</u>

#### 5. TAXATION

	2001 US\$'000	2000 US\$'000
Company and subsidiaries		
Hong Kong profits tax	260	325
China mainland taxation	139	112
Overseas taxation	239	363
Over provision in prior years	(6)	(106)
	<u>632</u>	<u>694</u>
Share of taxation attributable to:		
Jointly controlled entities		
China mainland taxation	1,129	543
Associated companies		
Hong Kong profits tax	7,012	8,800
China mainland taxation	793	909
	<u>9,566</u>	<u>10,946</u>

## 5. TAXATION (continued)

Hong Kong profits tax has been provided at a rate of 16% (2000: 16%) on the estimated assessable profit for the year. A substantial portion of the Group's profit neither arises in nor is derived from Hong Kong. Accordingly, that portion of the Group's profit is not subject to Hong Kong profits tax.

Taxation on profits from container terminal operations in China mainland has been calculated at an effective tax rate of 7.5% (2000: 7.5%) on the estimated assessable profit for the year. The subsidiary in China mainland is eligible for a 50% relief from corporate income tax of 15% for five years since 1998.

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

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

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

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

	2001 US\$'000	2000 US\$'000
Accelerated depreciation allowances	14,470	13,611
Tax losses	(11,545)	(10,503)
Other timing differences	301	(81)
	<u>3,226</u>	<u>3,027</u>

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

## 6. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of US\$105,171,000 (2000: US\$65,631,000).



## 7. DIVIDENDS

	2001 US\$'000	2000 US\$'000
Interim, paid, of US1.218 cents (2000: US1.055 cents) per ordinary share	<b>26,091</b>	22,562
Final, proposed, of US1.795 cents (2000: US1.410 cents) per ordinary share (note b)	<b>38,456</b>	30,169
Additional dividends paid on shares issued due to the exercise of share options before the closure of register of members		
– 2000 final	<b>26</b>	—
– 2001 interim	<b>3</b>	—
	<b>64,576</b>	52,731

### Notes:

- (a) The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the accounts for the years ended 31st December 1999 and 2000 were US\$28,890,000 and US\$30,169,000 respectively. Under the Group's new accounting policy as described in note 1(a)(i), these have been written back against retained profits as at 1st January 2000 and 2001 respectively as set out in note 22 to the accounts and are now charged in the year in which they were proposed.
- (b) At a meeting held on 27th March 2002, the directors declared a final dividend of HK14.0 cents (US1.795 cents) per ordinary share. This proposed dividend is not reflected as a dividend payable in this annual accounts until it has been approved at the Annual General Meeting and will be accounted for as an appropriation of retained profits for the year ending 31st December 2002.

## 8. EARNINGS PER SHARE

### (a) *Basic earnings per share*

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of US\$154,340,000 (2000: US\$142,546,000) and on the weighted average number of 2,141,192,588 (2000: 2,139,228,298) ordinary shares in issue during the year.

### (b) *Diluted earnings per share*

Diluted earnings per share for the year ended 31st December 2001 is calculated based on the profit attributable to shareholders of US\$154,340,000 (2000: US\$142,546,000) and the weighted average number of 2,141,192,588 (2000: 2,139,228,298) ordinary shares in issue during the year and 2,886,490 (2000: 199,216) ordinary shares deemed to be issued at no consideration if all outstanding share options have been exercised.

## 9. RETIREMENT BENEFIT COSTS

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

The retirement benefit costs charged to the profit and loss account represent contributions payable by the Group to the Retirement Schemes and amounted to US\$620,000 (2000: US\$662,000). Contributions totalling US\$8,000 (2000: US\$8,000) were payable to the Retirement Schemes as at 31st December 2001 and are included in trade and other payables. Forfeited contributions totalling US\$7,000 (2000:US\$60,000) were utilised during the year.

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

## 10. DIRECTORS’ AND MANAGEMENT’S EMOLUMENTS

### (a) Directors’ emoluments

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

	2001 US\$’000	2000 US\$’000
Fees	231	211
Salaries, housing and other allowances, benefits in kind	1,259	734
Bonuses	37	44
Contribution to retirement schemes	2	29
	<u>1,529</u>	<u>1,018</u>

The above amounts include directors’ fees of US\$88,462 (2000: US\$84,615) paid to independent non-executive directors.

As at 31st December 2001, two directors of the Company had a total of 3,000,000 share options which were granted by the Company on 1st July 1996 under the share option scheme adopted by the Company on 30th November 1994 (the “Share Option Scheme”). The options are exercisable at HK\$5.53 per share at any time within ten years from the date of grant.

As at 31st December 2001, one director of the Company had 5,000,000 share options which were granted by the Company on 20th May 1997 under the Share Option Scheme. The options are exercisable at HK\$8.80 per share at any time within ten years from the date of grant, subject to certain conditions as set out in note 21 to the accounts.

## 10. DIRECTORS' AND MANAGEMENT'S EMOLUMENTS *(continued)*

### *(a) Directors' emoluments (continued)*

As at 31st December 2001, nine directors of the Company had a total of 2,800,000 share options which were granted by the Company on 6th April 2000 under the Share Option Scheme. During the year ended 31st December 2001, one director exercised 200,000 share options granted on 6th April 2000. The options are exercisable at HK\$3.584 per share at any time from the first date of the thirteenth month from the date of grant to the end of the twenty-fourth month from the date of grant.

The consideration paid for each offer was HK\$1.00.

The directors' emoluments are analysed as follows:

	Number of directors	
	2001	2000
Emoluments band		
Nil – US\$128,205 (Nil – HK\$1,000,000)	13	17
US\$128,206 – US\$192,308 (HK\$1,000,001 – HK\$1,500,000)	–	–
US\$192,309 – US\$256,410 (HK\$1,500,001 – HK\$2,000,000)	–	1
US\$256,411 – US\$320,513 (HK\$2,000,001 – HK\$2,500,000)	1	–
US\$320,514 – US\$384,615 (HK\$2,500,001 – HK\$3,000,000)	1	1
US\$384,616 – US\$448,718 (HK\$3,000,001 – HK\$3,500,000)	–	–
US\$448,719 – US\$512,821 (HK\$3,500,001 – HK\$4,000,000)	–	–
US\$512,822 – US\$576,923 (HK\$4,000,001 – HK\$4,500,000)	1	–
	16	19

The above analysis includes three (2000: two) individuals whose emoluments were among the five highest in the Group.

## 10. DIRECTORS' AND MANAGEMENT'S EMOLUMENTS *(continued)*

### *(b) Management's emoluments*

Details of the aggregate emoluments paid to the two (2000: three) individuals whose emoluments were the highest in the Group and have not been included in the directors' emoluments above are set out below:

	2001 US\$'000	2000 US\$'000
Salaries, housing and other allowances, benefits in kind	604	670
Bonuses	19	73
Contributions to retirement schemes	3	29
	<u>626</u>	<u>772</u>

The emoluments fell within the following bands:

	Number of individuals	
	2001	2000
Emoluments band		
Nil – US\$128,205 (Nil – HK\$1,000,000)	—	—
US\$128,206 – US\$192,308 (HK\$1,000,001 – HK\$1,500,000)	—	—
US\$192,309 – US\$256,410 (HK\$1,500,001 – HK\$2,000,000)	—	2
US\$256,411 – US\$320,513 (HK\$2,000,001 – HK\$2,500,000)	1	—
US\$320,514 – US\$384,615 (HK\$2,500,001 – HK\$3,000,000)	1	1
	<u>2</u>	<u>3</u>

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

## 11. FIXED ASSETS

### Group

	Leasehold land and buildings in Hong Kong US\$'000		Investment properties in Hong Kong US\$'000		Land use rights outside Hong Kong US\$'000		Construction in progress US\$'000		Containers US\$'000	Motor vehicles US\$'000	Leasehold improvements US\$'000	Furniture, fixtures and equipment US\$'000	Plant and machinery US\$'000	Computer system under development US\$'000	Total US\$'000
<b>Cost or valuation</b>															
At 1st January 2001	21,722	10,454	1,039	1,856	116	1,291,909	1,052	2,001	7,496	13,263	591	1,351,499			
Additions	–	–	–	–	1,902	164,988	467	120	502	–	1,004	168,983			
Disposals/transfer	–	–	–	–	–	(34,092)	–	–	(182)	–	–	(34,274)			
Revaluation deficit (note 11(b))	–	–	(154)	–	–	–	–	–	–	–	–	(154)			
Reclassification	–	1,599	–	–	(1,974)	–	–	–	17	375	(17)	–			
<b>At 31st December 2001</b>	<b>21,722</b>	<b>12,053</b>	<b>885</b>	<b>1,856</b>	<b>44</b>	<b>1,422,805</b>	<b>1,519</b>	<b>2,121</b>	<b>7,833</b>	<b>13,638</b>	<b>1,578</b>	<b>1,486,054</b>			
<b>Accumulated depreciation and impairment losses</b>															
At 1st January 2001	2,903	1,645	–	222	–	393,532	739	1,933	3,124	4,991	–	409,089			
Impairment loss recognised in – profit and loss account	1,276	27	–	–	–	4,377	–	–	–	–	–	5,680			
– other properties revaluation reserve	248	–	–	–	–	–	–	–	–	–	–	248			
Charge for the year	534	335	–	74	–	77,749	153	43	1,432	640	–	80,960			
Disposals/transfer	–	–	–	–	–	(23,564)	–	–	(134)	–	–	(23,698)			
<b>At 31st December 2001</b>	<b>4,961</b>	<b>2,007</b>	<b>–</b>	<b>296</b>	<b>–</b>	<b>452,094</b>	<b>892</b>	<b>1,976</b>	<b>4,422</b>	<b>5,631</b>	<b>–</b>	<b>472,279</b>			
<b>Net book value</b>															
<b>At 31st December 2001</b>	<b>16,761</b>	<b>10,046</b>	<b>885</b>	<b>1,560</b>	<b>44</b>	<b>970,711</b>	<b>627</b>	<b>145</b>	<b>3,411</b>	<b>8,007</b>	<b>1,578</b>	<b>1,013,775</b>			
At 31st December 2000	18,819	8,809	1,039	1,634	116	898,377	313	68	4,372	8,272	591	942,410			

## 11. FIXED ASSETS (continued)

### Group

	Leasehold land and buildings in Hong Kong US\$'000		Investment properties in Hong Kong US\$'000		Land use rights outside Hong Kong US\$'000		Construction in progress US\$'000		Containers US\$'000	Motor vehicles US\$'000	Leasehold improvements US\$'000	Furniture, fixtures and equipment US\$'000	Plant and machinery US\$'000	Computer system under development US\$'000	Total US\$'000
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The analysis of cost or valuation of the above assets as at 31st December 2001 is as follows:

At cost	1,749	12,053	—	1,856	44	1,422,805	1,519	2,121	7,833	13,638	1,578	1,465,196
At professional valuation												
– 1994	19,973	—	—	—	—	—	—	—	—	—	—	19,973
– 2001	—	—	885	—	—	—	—	—	—	—	—	885
	<u>21,722</u>	<u>12,053</u>	<u>885</u>	<u>1,856</u>	<u>44</u>	<u>1,422,805</u>	<u>1,519</u>	<u>2,121</u>	<u>7,833</u>	<u>13,638</u>	<u>1,578</u>	<u>1,486,054</u>

The analysis of cost or valuation of the above assets as at 31st December 2000 is as follows:

At cost	1,749	10,454	—	1,856	116	1,291,909	1,052	2,001	7,496	13,263	591	1,330,487
At professional valuation												
– 1994	19,973	—	—	—	—	—	—	—	—	—	—	19,973
– 2000	—	—	1,039	—	—	—	—	—	—	—	—	1,039
	<u>21,722</u>	<u>10,454</u>	<u>1,039</u>	<u>1,856</u>	<u>116</u>	<u>1,291,909</u>	<u>1,052</u>	<u>2,001</u>	<u>7,496</u>	<u>13,263</u>	<u>591</u>	<u>1,351,499</u>

## 11. FIXED ASSETS (continued)

Notes:

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

	2001 US\$'000	2000 US\$'000
In Hong Kong, held on leases of over 50 years	<b>17,646</b>	19,858
Outside Hong Kong, held on leases of between 10 to 50 years	<b>10,046</b>	8,809
	<b>27,692</b>	28,667

- (b) The investment properties as at 31st December 2001 and 2000 were revalued on an open market value basis by DTZ Debenham Tie Leung Limited, an independent professional property valuer. The revaluation deficit has been accounted for in the profit and loss account (note 3).

- (c) Certain leasehold land and buildings in Hong Kong as at 31st December 2001 were revalued in 1994 on an open market value basis by C.Y. Leung & Company Limited (now known as DTZ Debenham Tie Leung Limited), an independent professional property valuer.

The carrying amount of these leasehold land and buildings as at 31st December 2001 would have been US\$14,563,000 (2000: US\$16,539,000) had the leasehold land and buildings been carried at cost less accumulated depreciation and impairment losses in the accounts.

- (d) The aggregate cost, accumulated depreciation and accumulated impairment losses as at 31st December 2001 of the leased assets other than investment properties, where the Group is the lessor, comprise containers leased to a fellow subsidiary and third parties under operating leases, amounted to US\$1,409,540,000 (2000: US\$1,268,524,000), US\$439,843,000 (2000: US\$387,477,000) and US\$4,377,000 (2000: US\$Nil) respectively.

- (e) Certain leasehold land and buildings in Hong Kong and containers with an aggregate net book value of US\$253,778,000 as at 31st December 2001 (2000: US\$210,911,000) were pledged as security for loan facilities granted by banks and third parties.

- (f) During the year, the Group transferred containers with an aggregate net book value of US\$8,044,000 (2000: US\$17,606,000) to inventories.

## 12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2001 US\$'000	2000 US\$'000
Unlisted investments, at cost (note b)	159,654	164,010
Amounts due from subsidiaries (note a)	936,950	951,295
Amounts due to subsidiaries (note a)	(243)	(1,040)
Provision	(35,395)	(27,801)
	<b>1,060,966</b>	<b>1,086,464</b>

### Notes:

- (a) The amounts due from/(to) subsidiaries are unsecured and have no fixed terms of repayment. The balances are interest free except for a balance of US\$897,436 (2000: US\$897,436) due from a subsidiary which is interest bearing at 8% (2000: 8%) per annum.
- (b) Details of the subsidiaries as at 31st December 2001 are as follows:

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest	
					2001	2000
* Allgood International Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US\$1	100%	100%
# * Bauhinia 97 Ltd.	Cayman Islands	Hong Kong	Investment holding	2 ordinary shares of US\$1 each	100%	100%
Cheer Hero Development Limited	Hong Kong	Hong Kong	Container handling, storage and stevedoring	10,000 ordinary shares of HK\$10 each	75%	75%
COSCO Container Services Limited	Hong Kong	Hong Kong	Investment holding, depot handling, storage and container repairing	2 ordinary shares of HK\$1 each	100%	100%
# * COSCO Pacific (China) Investments Co., Ltd.	PRC	PRC	Investment holding	US\$30,000,000	100%	100%
# COSCO Pacific Management Company Limited	Hong Kong	Hong Kong	Investment holding and provision of management services	2 ordinary shares of HK\$1 each	100%	100%



## 12. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest	
					2001	2000
# * COSCO Pacific Nominees Limited	British Virgin Islands	Worldwide	Provision of nominee services	1 ordinary share of US\$1	100%	100%
* COSCO Qingdao Terminal Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US\$1	100%	100%
# * CPL Treasury Limited	British Virgin Islands	Hong Kong	Dormant	1 ordinary share of US\$1	100%	100%
Crestway International Limited	British Virgin Islands	Hong Kong	Investment holding	50,000 ordinary shares of US\$1 each	100%	100%
# * Elegance Investment Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US\$1	100%	100%
Fairbreeze Shipping Company Limited	Hong Kong	Hong Kong	Property holding	5,000 ordinary shares of HK\$100 each	100%	99.98%
* Famous International Limited	British Virgin Islands	Worldwide	Investment holding and sale of old containers	1 ordinary share of US\$1	100%	100%
* Fentalic Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US\$1	100%	100%
Florens Container Corporation S.A.	Panama	Worldwide	Container leasing	100 ordinary shares of US\$100 each	100%	100%
# Florens Container Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	22,014 ordinary shares of US\$1 each	100%	100%
Florens Container Inc.	United States of America	United States of America	Container leasing	1 ordinary share of US\$1	100%	100%
Florens Container, Inc. (1998)	United States of America	United States of America	Container leasing	100 ordinary shares of US\$1 each	100%	100%
Florens Container Inc. (1999)	United States of America	United States of America	Container leasing	100 ordinary shares of US\$1 each	100%	100%

## 12. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest	
					2001	2000
Florens Container, Inc. (2000)	United States of America	United States of America	Container leasing	100 ordinary shares of US\$1 each	100%	100%
Florens Container, Inc. (2001)	United States of America	United States of America	Container leasing	1 ordinary share of US\$1	100%	—
Florens Container Services Company Limited	Hong Kong	Worldwide	Provision of container management services	100 ordinary shares of HK\$1 each	100%	100%
* Florens Container Services (Deutschland) GmbH.	Germany	Germany	Provision of container management services	2 shares of DM25,000 each	100%	100%
* Florens Container Services (Italy) S.R.L.	Italy	Italy	Provision of container management services	20,000 quotas of ITL 1,000 each	100%	100%
* Florens Container Services (Japan) Co. Ltd.	Japan	Japan	Provision of container management services	200 ordinary shares of JPY 50,000 each	100%	100%
* Florens Container Services (UK) Limited	United Kingdom	United Kingdom	Provision of container management services	183,610 ordinary shares of GBP 1 each	100%	100%
* Florens Container Services (USA), Ltd.	United States of America	United States of America	Provision of container management services	1,000 ordinary shares of US\$0.001 each	100%	100%
# * Florens Industrial Holdings Limited	Bermuda	PRC	Investment holding	12,000 ordinary shares of US\$1 each	100%	100%
# * Florens Investments Company Limited	British Virgin Islands	Hong Kong	Dormant	1 ordinary share of US\$1	100%	100%
# Florens Ports Investments Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US\$1	100%	100%
Florens Shipping Corporation Limited	Bermuda	Worldwide	Container leasing	12,000 ordinary shares of US\$1 each	100%	100%

## 12. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest	
					2001	2000
* Florens U.S. Holdings, Inc.	United States of America	United States of America	Investment holding	1 ordinary share of US\$1	100%	100%
* Frosti International Limited	British Virgin Islands	Hong Kong	Investment holding	2 ordinary shares of US\$1 each	100%	100%
Greating Services Limited	Hong Kong	Hong Kong	Transportation of containers	250,000 ordinary shares of HK\$1 each	100%	100%
* Hero King Limited	British Virgin Islands	Hong Kong	Property holding	1 ordinary share of US\$1	100%	100%
* Plangreat Limited	British Virgin Islands	Hong Kong	Investment holding	100 ordinary shares of US\$1 each	100%	100%
# * Toplink Enterprises Limited	British Virgin Islands	Hong Kong	Dormant	1 ordinary share of US\$1	100%	100%
# * Topview Investment Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US\$1	100%	100%
Win Hanverky Investments Limited	Hong Kong	Hong Kong	Investment holding	10,000 ordinary shares of HK\$10 each	100%	100%
* Zhangjiagang Win Hanverky Container Terminal Co. Ltd.	PRC	PRC	Operation of container terminal	US\$16,800,000	51%	51%

# Shares held directly by the Company

\* Subsidiaries not audited by PricewaterhouseCoopers

The aggregate net assets, turnover and profit before taxation of subsidiaries not audited by PricewaterhouseCoopers amounted to approximately 3.5%, 2.5% and 0.8% (2000: 2.4%, 2.6% and 2.5%) of the Group's net assets, turnover and profit before taxation respectively.

### 13. INVESTMENTS IN JOINT VENTURES

	2001 US\$'000	Group 2000 US\$'000
Unlisted investments, at cost	33,530	31,707
Capital reserve on acquisition	1,472	1,472
Share of undistributed post-acquisition reserves (note a)	9,608	9,093
Share of net assets	44,610	42,272
Amounts due from jointly controlled entities (note b)	2,500	456
Amounts due to jointly controlled entities (note b)	(19)	(593)
	<b>47,091</b>	<b>42,135</b>

*Notes:*

- (a) Shanghai CIMC Far East Container Co., Ltd. and Tianjin CIMC North Ocean Container Co., Ltd. (“Tianjin CIMC”), both are the jointly controlled entities of the Group, entered into subcontracting agreements with China International Marine Containers (Group) Ltd. (“CIMC”), one of the venturers of these jointly controlled entities, during 2000 and Tianjin CIMC entered into an amendment to the subcontracting agreement with CIMC during 2001 (collectively the “Agreements”).

Pursuant to the Agreements, the operations of these two jointly controlled entities are sub-contracted to CIMC and CIMC, in return, provides guaranteed profits, the amounts of which are stipulated in the Agreements, to these jointly controlled entities for five years commencing from 1st January 2000.

The Group’s share of profits from these two jointly controlled entities for the two years ended 31st December 2001 is calculated based on the amounts of guaranteed profits as set out in the Agreements.

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

### 13. INVESTMENTS IN JOINT VENTURES *(continued)*

(c) The Company has no directly owned jointly controlled entities as at 31st December 2001 and 2000. The following is a list of the jointly controlled entities held by its wholly owned subsidiaries as at 31st December 2001.

Name	Place of establishment/ operation	Principal activities	Paid-up capital	Percentage of interest in ownership/voting power/profit sharing	
				2001	2000
Qingdao Cosport International Container Terminals Co. Ltd.	PRC	Operation of container terminal	RMB337,868,700	50%	50%
Shanghai CIMC Reefer Containers Co., Ltd.	PRC	Container manufacturing	US\$31,000,000	20%	20%
Shanghai CIMC Far East Container Co., Ltd.	PRC	Container manufacturing	US\$9,480,000	20%	20%
Shanghai Kansai Paint & Chemical Co., Ltd.	PRC	Production of container and marine paints	US\$7,000,000	20%	20%
Tianjin Kansai Paint and Chemical Co., Ltd.	PRC	Production of container and marine paints	US\$5,000,000	20%	20%
Tianjin CIMC North Ocean Container Co., Ltd.	PRC	Container manufacturing	US\$16,682,000	22.5%	22.5%

## 14. INVESTMENTS IN ASSOCIATED COMPANIES

	Group	
	2001 US\$'000	2000 US\$'000
Investments, at cost		
– unlisted shares	314,986	314,986
– shares listed in Hong Kong	219,189	219,189
Goodwill on acquisition eliminated against reserves	(341,597)	(341,597)
Share of undistributed post acquisition reserves	91,867	92,030
Share of net assets	284,445	284,608
Loans to associated companies (note a)	47,306	45,555
Amount due from an associated company (note a)	5	—
	<b>331,756</b>	<b>330,163</b>
Market value of listed shares	<b>80,308</b>	<b>100,942</b>

### Notes:

- (a) Loans to associated companies and amount due from an associated company are unsecured, interest free and have no fixed terms of repayment.
- (b) The Company has no directly owned associated company as at 31st December 2001 and 2000. The following is a list of the associated companies held by its wholly owned subsidiaries as at 31st December 2001.

Name	Place of incorporation/ operation	Principal activities	Issued share capital	Group equity interest	
				2001	2000
COSCO-HIT Terminals (Hong Kong) Limited	Hong Kong	Operation, management and development of Container Terminal 8 (East)	2 “A” ordinary shares of HK\$10 each and 2 “B” ordinary shares of HK\$10 each	50%	50%
Dawning Company Limited	British Virgin Islands/ Hong Kong	Investment holding	200 “A” shares of US\$1 each and 800 “B” shares of US\$1 each	20%	20%
Liu Chong Hing Bank Limited	Hong Kong	Banking and related financial services	435,000,000 ordinary shares of HK\$0.5 each	20%	20%
Twinbridge Development Corp.	British Virgin Islands/PRC	Investment holding	10,000 shares of US\$1 each	30%	30%

## 15. INVESTMENT SECURITIES

	2001 US\$'000	Group 2000 US\$'000
Equity securities		
– unlisted investments in Hong Kong, at cost (note a)	1	1
Loans to investee companies (note b)	48,193	47,174
Provision (note 3)	<u>(10,895)</u>	<u>(7,445)</u>
	37,299	39,730
Listed investment outside Hong Kong, at cost	<u>–</u>	<u>7,216</u>
	<u>37,299</u>	<u>46,946</u>
Market value of listed shares	<u>–</u>	<u>10,890</u>

### Notes:

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

## 16. HIRE PURCHASE DEBTORS

### Group

	2001			2000		
	Gross receivables US\$'000	Unearned finance income US\$'000	Present value of minimum lease payment receivable US\$'000	Gross receivables US\$'000	Unearned finance income US\$'000	Present value of minimum lease payment receivable US\$'000
Hire purchase debtors						
– long term portion	3,036	(167)	2,869	7,900	(639)	7,261
– current portion	5,128	(533)	4,595	5,825	(957)	4,868
	<u>8,164</u>	<u>(700)</u>	<u>7,464</u>	<u>13,725</u>	<u>(1,596)</u>	<u>12,129</u>
Amounts receivable under hire purchase contracts:						
Not later than one year			5,128			5,825
Later than one year and not later than five years			3,036			7,900
			<u>8,164</u>			<u>13,725</u>
Less: unearned finance income			<u>(700)</u>			<u>(1,596)</u>
Present value of minimum lease payment receivable			<u>7,464</u>			<u>12,129</u>
The present value of minimum lease payment receivable is as follows:						
Not later than one year			4,595			4,868
Later than one year and not later than five years			2,869			7,261
			<u>7,464</u>			<u>12,129</u>

As at 31st December 2001, the Group entered into 15 (2000: 19) hire purchase contracts for leasing of certain containers. The average term of hire purchase contracts is 5 years (2000: 5 years).

The cost of assets acquired for the purpose of letting under hire purchase contracts amounted to US\$22,475,000 as at 31st December 2001 (2000: US\$29,531,000).

Unguaranteed residual values of assets leased under hire purchase contracts are estimated at approximately US\$10,000 (2000: US\$13,000).



## 17. BANK BALANCES AND CASH

	Group	
	2001 US\$'000	2000 US\$'000
Bank balance and cash	17,773	57,779
Restricted bank deposits included in non-current assets	<u>(8,174)</u>	<u>(3,855)</u>
	<u>9,599</u>	<u>53,924</u>

Included in bank balances and cash of the Group are amounts totalling of US\$8,174,000 (2000: US\$3,855,000) pledged as security for repayment of bank loans of the Group and are restricted for the purpose of the related banking facilities.

## 18. INVENTORIES

As at 31st December 2001, inventories represent spare parts and consumables of US\$274,000 (2000: US\$339,000) and resaleable containers of US\$3,004,000 (2000: US\$3,510,000).

Spare parts and consumables are stated at cost. The carrying amount of resaleable containers that are carried at net realisable value amounted to US\$1,954,000 (2000: US\$3,227,000).

## 19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2001 US\$'000	2000 US\$'000	2001 US\$'000	2000 US\$'000
Trade receivables, less provision (note a)	20,542	19,201	—	—
Other receivables, deposits and prepayments	1,904	3,129	345	390
Amounts due from fellow subsidiaries (note b)	20,929	22,460	—	—
Amounts due from related companies (note b)	<u>600</u>	<u>718</u>	<u>—</u>	<u>—</u>
	<u>43,975</u>	<u>45,508</u>	<u>345</u>	<u>390</u>

## 19. TRADE AND OTHER RECEIVABLES (continued)

Notes:

- (a) The Group grants credit period of 30 to 90 days to its customers.

At 31st December 2001, the age analysis of the trade receivables (net of provision) of the Group was as follows:

	2001 US\$'000	2000 US\$'000
Within 30 days	13,838	11,933
31-60 days	3,989	3,243
61-90 days	1,574	1,664
Over 90 days	1,141	2,361
	<u>20,542</u>	<u>19,201</u>

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

## 20. TRADE AND OTHER PAYABLES

	Group		Company	
	2001 US\$'000	2000 US\$'000	2001 US\$'000	2000 US\$'000
Trade payables (note a)	2,832	13,322	—	—
Other payables and accruals	14,279	16,071	273	323
Amount due to ultimate holding company (note b)	49	—	—	—
Amounts due to fellow subsidiaries (note b)	28	1,253	—	—
Amounts due to related companies (note b)	136	2,828	—	—
Amounts due to minority shareholders of subsidiaries (note b)	2,769	2,071	—	—
	<u>20,093</u>	<u>35,545</u>	<u>273</u>	<u>323</u>

## 20. TRADE AND OTHER PAYABLES (continued)

Notes:

(a) At 31st December 2001, the age analysis of the trade payables of the Group was as follows:

	2001 US\$'000	2000 US\$'000
Within 30 days	2,411	8,082
31-60 days	232	3,567
61-90 days	66	350
Over 90 days	123	1,323
	<u>2,832</u>	<u>13,322</u>

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

## 21. SHARE CAPITAL

	2001 US\$'000	2000 US\$'000
Authorised:		
3,000,000,000 ordinary shares of HK\$0.10 each	<u>38,462</u>	<u>38,462</u>
Issued and fully paid:		
2,142,542,298 (2000: 2,139,228,298) ordinary shares of HK\$0.10 each	<u>27,476</u>	<u>27,433</u>

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

	Number of ordinary shares	Nominal Value US\$'000
At 1st January 2001	2,139,228,298	27,433
Issued on exercising of share options (note b)	<u>3,314,000</u>	<u>43</u>
At 31st December 2001	<u>2,142,542,298</u>	<u>27,476</u>

## 21. SHARE CAPITAL *(continued)*

### (b) Share options

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

There were 3,080,000 share options granted on 1st July 1996 which were exercisable at HK\$5.53 per ordinary share as at 1st January 2001. No share option was exercised or lapsed during the year. As at 31st December 2001, there were 3,080,000 share options outstanding which are exercisable at any time within ten years from the date of the options granted.

There were 12,550,000 share options granted on 20th May 1997 (the "Offer Date") which were exercisable at HK\$8.80 per ordinary share as at 1st January 2001. No share option was exercised or lapsed during the year. As at 31st December 2001, there were 12,550,000 share options outstanding which are exercisable at any time within ten years from the date of the options granted subject to the following conditions:

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

There were 14,140,000 share options granted on 6th April 2000 which were exercisable at HK\$3.584 per ordinary share as at 1st January 2001. A total of 3,314,000 share options were exercised and 590,000 share options were lapsed following the resignations of certain employees during the year. As at 31st December 2001, there were 10,236,000 share options outstanding which are exercisable at HK\$3.584 per ordinary share at any time from the first day of the thirteenth month from the date of grant to the end of the twenty-fourth month from the date of grant.

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

## 22. RESERVES

### Group

	Share premium US\$'000	Other properties revaluation reserve US\$'000	Exchange reserve US\$'000	Capital reserve US\$'000	Other reserves US\$'000	Retained profits US\$'000	Total US\$'000
At 1st January 2000 as previously reported	556,528	1,127	13	422	2,888	393,247	954,225
Effect of adopting SSAP 9 (revised) (note 7)	—	—	—	—	—	28,890	28,890
At 1st January 2000 as restated	556,528	1,127	13	422	2,888	422,137	983,115
Profit for the year	—	—	—	—	—	142,546	142,546
Transfer of reserves	—	—	—	—	1,468	(1,468)	—
Share of exchange reserve of an associated company	—	—	64	—	—	—	64
Exchange translation differences	—	—	(727)	—	—	—	(727)
Dividends	—	—	—	—	—	(51,452)	(51,452)
At 31st December 2000	556,528	1,127	(650)	422	4,356	511,763	1,073,546
Representing:							
Reserves	556,528	1,127	(650)	422	4,356	481,594	1,043,377
2000 final dividend proposed	—	—	—	—	—	30,169	30,169
	556,528	1,127	(650)	422	4,356	511,763	1,073,546
Retained by:							
Companies and subsidiaries	556,528	1,127	(108)	—	374	414,395	972,316
Jointly controlled entities	—	—	(87)	340	1,151	7,796	9,200
Associated companies	—	—	(455)	82	2,831	89,572	92,030
At 31st December 2000	556,528	1,127	(650)	422	4,356	511,763	1,073,546

## 22. RESERVES (continued)

### Group

	Share premium US\$'000	Other properties revaluation reserve US\$'000	Exchange reserve US\$'000	Capital reserve US\$'000	Other reserves US\$'000	Retained profits US\$'000	Total US\$'000
At 1st January 2001 as previously reported	556,528	1,127	(650)	422	4,356	481,594	1,043,377
Effect of adopting SSAP 9 (revised) (note 7)	—	—	—	—	—	30,169	30,169
At 1st January 2001 as restated	556,528	1,127	(650)	422	4,356	511,763	1,073,546
Profit for the year	—	—	—	—	—	154,340	154,340
Premium on issue of shares under the Share Option Scheme	1,480	—	—	—	—	—	1,480
Transfer of reserves	—	—	—	—	1,685	(1,685)	—
Share of capital reserve of a jointly controlled entity and a subsidiary	—	—	—	(8)	—	—	(8)
Share of exchange reserve of an associated company	—	—	(3)	—	—	—	(3)
Impairment loss of leasehold land and buildings	—	(248)	—	—	—	—	(248)
Dividends	—	—	—	—	—	(56,289)	(56,289)
At 31st December 2001	<u>558,008</u>	<u>879</u>	<u>(653)</u>	<u>414</u>	<u>6,041</u>	<u>608,129</u>	<u>1,172,818</u>
Representing:							
Reserves	558,008	879	(653)	414	6,041	569,673	1,134,362
2001 final dividend proposed	—	—	—	—	—	38,456	38,456
	<u>558,008</u>	<u>879</u>	<u>(653)</u>	<u>414</u>	<u>6,041</u>	<u>608,129</u>	<u>1,172,818</u>
Retained by:							
Company and subsidiaries	558,008	879	(108)	—	510	511,947	1,071,236
Jointly controlled entities	—	—	(87)	332	2,528	6,942	9,715
Associated companies	—	—	(458)	82	3,003	89,240	91,867
At 31st December 2001	<u>558,008</u>	<u>879</u>	<u>(653)</u>	<u>414</u>	<u>6,041</u>	<u>608,129</u>	<u>1,172,818</u>

## 22. RESERVES (continued)

### Company

	Share premium US\$'000	Contributed surplus US\$'000	Retained profits US\$'000	Total US\$'000
At 1st January 2000 as previously reported	556,528	418,570	82,162	1,057,260
Effect of adopting SSAP 9 (revised) (note 7)	—	—	28,890	28,890
At 1st January 2000 as restated	556,528	418,570	111,052	1,086,150
Profit for the year	—	—	65,631	65,631
Dividends	—	—	(51,452)	(51,452)
At 31st December 2000	556,528	418,570	125,231	1,100,329
Representing:				
Reserves	556,528	418,570	95,062	1,070,160
2000 final dividend proposed	—	—	30,169	30,169
At 31st December 2000	556,528	418,570	125,231	1,100,329
At 1st January 2001 as previously reported	556,528	418,570	95,062	1,070,160
Effect of adopting SSAP 9 (revised) (note 7)	—	—	30,169	30,169
At 1st January 2001 as restated	556,528	418,570	125,231	1,100,329
Premium on issue of shares under the Share Option Scheme	1,480	—	—	1,480
Release of contributed surplus arising from group reorganisation (note a)	—	(4,356)	—	(4,356)
Profit for the year	—	—	105,171	105,171
Dividends	—	—	(56,289)	(56,289)
At 31st December 2001	558,008	414,214	174,113	1,146,335
Representing:				
Reserves	558,008	414,214	135,657	1,107,879
2001 final dividend proposed	—	—	38,456	38,456
At 31st December 2001	558,008	414,214	174,113	1,146,335

#### Notes:

- (a) During the year, the entire equity interest in Fairbreeze Shipping Company Limited (“Fairbreeze”), a directly owned subsidiary, was transferred by the Company to Florens Container Holdings Limited, a wholly owned subsidiary of the Company. The contributed surplus previously arising from the acquisition of Fairbreeze by the Company of US\$4,356,000 was released upon the transfer.
- (b) The distributable reserves of the Company as at 31st December 2001 amounted to US\$588,327,000 (2000: US\$543,801,000).

## 23. LONG TERM LIABILITIES

	2001 US\$'000	Group 2000 US\$'000
Loans (note c)		
Secured	162,532	105,349
Unsecured	<u>330,650</u>	<u>277,134</u>
	493,182	382,483
Amounts due within one year included under current liabilities	<u>(92,125)</u>	<u>(98,207)</u>
	<u>401,057</u>	<u>284,276</u>

(a) The analysis of the above is as follows:

	2001 US\$'000	Group 2000 US\$'000
Wholly repayable within five years		
Bank loans	220,328	190,777
Other loans (note d)	143,463	147,801
Loans from a minority shareholder of a subsidiary (note e)	1,927	2,409
Not wholly repayable within five years		
Bank loans	110,372	22,430
Other loans	<u>17,092</u>	<u>19,066</u>
	<u>493,182</u>	<u>382,483</u>



## 23. LONG TERM LIABILITIES (continued)

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

	2001 US\$'000	Group 2000 US\$'000
Bank loans		
Within one year	<b>86,056</b>	91,413
In the second year	<b>68,560</b>	77,796
In the third to fifth years inclusive	<b>156,182</b>	41,193
In more than five years	<b>19,902</b>	2,805
	<u><b>330,700</b></u>	<u>213,207</u>
Loans from a minority shareholder of a subsidiary		
Within one year	<b>482</b>	482
In the second year	<b>482</b>	482
In the third to fifth years inclusive	<b>963</b>	1,445
	<u><b>1,927</b></u>	<u>2,409</u>
Other loans		
Within one year	<b>5,587</b>	6,312
In the second year	<b>142,288</b>	145,587
In the third to fifth years inclusive	<b>7,976</b>	7,405
In more than five years	<b>4,704</b>	7,563
	<u><b>160,555</b></u>	<u>166,867</u>
	<u><b>493,182</b></u>	<u>382,483</u>

(c) Secured bank loans and other loans of US\$162,532,000 (2000: US\$105,349,000) were pledged by certain leasehold land and buildings in Hong Kong and containers of the Group (note 11(e)). US\$141,975,000 (2000: US\$78,064,000) out of the total loan amounts were also secured by the assignment of the container lease agreements and the rental income thereon, other assets and shares of certain subsidiaries.

The bank loan of approximately US\$2,024,000 (2000: US\$1,325,000) was guaranteed by the minority shareholder of a subsidiary.

### 23. LONG TERM LIABILITIES *(continued)*

- (d) US\$140 million US commercial notes (the “Notes”) were issued in 2000 to investors pursuant to an agreement dated 20th April 2000 (the “Agreement”). The Notes were backed by a letter of credit issued by a bank (the “LOC”) and guaranteed by the Company.

The Notes were fully replaced by the issuance of US commercial notes of the same amount (the “New Notes”) on 18th January 2002 pursuant to an agreement dated 24th December 2001. The New Notes are backed by a letter of credit issued by a bank (the “New LOC”) and guaranteed by the Company.

Each New Note bears interest at prevailing market rates with a stated maturity date not exceeding 270 days. The New Notes will be redeemed and reissued upon their respective maturity dates until the expiry of the New LOC. The stated termination date of the New LOC is two years from 24th December 2001. On this basis, the directors of the Company regard the New Notes as non-current liabilities.

- (e) Loans from a minority shareholder of a subsidiary are unsecured and repayable in various annual instalments up to December 2004. Annual interest rate is calculated at prevailing market rate quoted by the State Development Bank of the PRC at the end of every preceding year. The interest rate for 2001 was 6.21% (2000: 6.21%) per annum.

### 24. CONTINGENT LIABILITIES

	Group		Company	
	2001 US\$'000	2000 US\$'000	2001 US\$'000	2000 US\$'000
Guarantees executed for securing banking facilities granted to:				
Subsidiaries	—	—	<b>505,586</b>	396,911
Jointly controlled entities	<b>585</b>	748	—	—
	<b>585</b>	748	<b>505,586</b>	396,911

## 25. CAPITAL COMMITMENTS

	2001 US\$'000	Group 2000 US\$'000
Authorised but not contracted for:		
Containers	48,691	155,698
Other fixed assets	—	2,836
	<u>48,691</u>	<u>158,534</u>
Contracted but not provided for:		
Containers	3,100	—
Investments (note a)	50,270	45,770
	<u>53,370</u>	<u>45,770</u>

### Notes:

- (a) As at 31st December 2001, the Group's committed investments represented a 20% equity interest in Shanghai Putong International Container Terminal Limited and a 8% equity interest in a joint stock limited company in Dalian, China mainland, amounted to approximately US\$45,770,000 (2000: US\$45,770,000) and approximately US\$4,500,000 (2000: not applicable) respectively.
- (b) As at 31st December 2001 and 2000, there were no capital commitments relating to the Group's interests in the joint ventures included in the above.

As at 31st December 2001 and 2000, there were no capital commitments of the joint ventures themselves not included in the above.

## 26. LEASE COMMITMENTS

### (a) Operating lease commitments – where the Group is the lessor

At 31st December 2001, the Group had future minimum lease payments receivable under non-cancellable leases in total and for each of the following periods:

	2001 US\$'000	2000 US\$'000
Containers		
– not later than one year	169,029	156,166
– later than one year and not later than five years	479,926	461,796
– later than five years	147,277	170,033
	<u>796,232</u>	<u>787,995</u>
Land and buildings		
– not later than one year	40	48
– later than one year and not later than five years	6	19
	<u>46</u>	<u>67</u>
	<u>796,278</u>	<u>788,062</u>

## 26. LEASE COMMITMENTS *(continued)*

### *(a) Operating lease commitments – where the Group is the lessor (continued)*

The future lease payments receivable under master lease contracts has not been included above as the amount of future lease payments receivable depends on the timing of pick up and drop off of containers by lessees during the lease period of the contracts.

At 31st December 2001, the Group had future minimum sublease payments receivable under non-cancellable leases in total and for each of the following periods.

	2001 US\$'000	2000 US\$'000
Land and buildings		
– not later than one year	381	—
– later than one year and not later than five years	32	—
	<u>413</u>	<u>—</u>

### *(b) Operating lease commitments – where the Group is the lessee*

At 31st December 2001, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2001 US\$'000	2000 US\$'000 (Restated)
Land and buildings		
– not later than one year	2,997	2,801
– later than one year and not later than five years	3,681	4,569
	<u>6,678</u>	<u>7,370</u>
Plant and machinery		
– not later than one year	384	290
– later than one year and not later than five years	383	10
	<u>767</u>	<u>300</u>
	<u>7,445</u>	<u>7,670</u>

## 27. DEFERRED TAXATION

The potential deferred tax liability/(asset) as at 31st December 2001 not provided for in the accounts amounts to:

	Group	
	2001 US\$'000	2000 US\$'000
Accelerated depreciation allowances	49,286	34,816
Tax losses	(39,243)	(27,698)
Other timing differences	63	(238)
	<b>10,106</b>	<b>6,880</b>

## 28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001 US\$'000	2000 US\$'000
Operating profit	128,208	124,592
Depreciation and amortisation	80,960	74,285
Dividend income	—	(1,352)
Loss/(gain) on disposal of fixed assets	443	(81)
Provision for doubtful debts, net	514	144
Provision for an investee company	3,450	4,600
Provision for inventories	265	197
Revaluation deficit of investment properties	154	98
Reversal of provision for container repairs and maintenance expense	(6,156)	—
Impairment losses of fixed assets	5,680	—
Profit on sale of listed investment	(14,137)	—
Increase in amount due from an associated company	(5)	—
Decrease in net balance with jointly controlled entities	(329)	(398)
Decrease in hire purchase debtors less provision	4,787	9,103
Decrease in inventories	8,350	16,844
(Increase)/decrease in trade receivables, other receivables, deposits and prepayments	(667)	1,631
Decrease/(increase) in amounts due from fellow subsidiaries	1,531	(6,448)
Decrease in amounts due from related companies	118	432
(Decrease)/increase in trade and other payables and accruals	(1,412)	1,901
Increase in amount due to ultimate holding company	49	—
Decrease in amounts due to fellow subsidiaries	(1,225)	(2,565)
Increase/(decrease) in amounts due to related companies	1,465	(2,249)
Increase in amounts due to minority shareholders of subsidiaries	698	844
Interest income	(5,178)	(12,191)
Effect of foreign exchange rate changes	(5)	76
	<b>207,558</b>	<b>209,463</b>
Net cash inflow from operating activities	<b>207,558</b>	<b>209,463</b>

## 28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

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

	Share capital (including share premium) US\$'000	Loans US\$'000	Minority interests US\$'000
Balance at 1st January 2000	583,961	560,787	6,876
Effect of foreign exchange rate changes	—	(8)	—
Minority interest's share of profit for the year	—	—	886
Loans borrowed	—	85,185	—
Repayment of loans	—	(222,319)	—
Dividends paid to minority shareholders	—	—	(515)
Balance at 31st December 2000	<u>583,961</u>	<u>423,645</u>	<u>7,247</u>
Balance at 1st January 2001	<b>583,961</b>	<b>423,645</b>	<b>7,247</b>
Issue of shares	<b>1,523</b>	—	—
Minority interest's share of profit for the year	—	—	<b>1,011</b>
Loans borrowed	—	<b>231,197</b>	—
Repayment of loans	—	<b>(145,304)</b>	—
Dividends paid to minority shareholders	—	—	<b>(749)</b>
Balance at 31st December 2001	<u><b>585,484</b></u>	<u><b>509,538</b></u>	<u><b>7,509</b></u>

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

	2001 US\$'000	2000 US\$'000
Time deposits	<b>236,336</b>	87,828
Bank balances and cash	<u><b>9,599</b></u>	<u>53,924</u>
	<u><b>245,935</b></u>	<u>141,752</u>

### (d) Major non-cash transaction

In the prior year, US\$140 million US commercial notes were issued. US\$130 million out of the US\$140 million US commercial notes was used to replace the US\$130 million US commercial notes issued in 1998 and matured in 2000. The Group received a net cash inflow of US\$10 million which was included in loans borrowed in the prior year (note 28(b)).

## 29. RELATED PARTY TRANSACTIONS

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

	2001 US\$'000	2000 US\$'000
Container rental income from a fellow subsidiary (note a)	<b>135,959</b>	136,766
Income for container terminal handling services rendered by an associated company of the Group to a fellow subsidiary (note b)	<b>76,172</b>	85,593
Handling and storage income from fellow subsidiaries (note c)	<b>7,424</b>	7,504
Net transportation income from a fellow subsidiary (note c)	<b>1,777</b>	2,276
Management fee income from an associated company (note d)	<b>2,564</b>	2,581
Container terminal handling fee received from a fellow subsidiary (note e)	<b>936</b>	1,104
Container drop-off credit to a fellow subsidiary (note f)	—	2,114
Purchase of containers from (note g)		
– associated companies of ultimate holding company	<b>(50,848)</b>	(39,251)
– jointly controlled entities of the Group	<b>(19,498)</b>	(17,288)
Container freight expenses to (note h)		
– associated companies of ultimate holding company	<b>(1,763)</b>	(1,601)
– jointly controlled entities of the Group	<b>(392)</b>	(57)
Refurbishment fee to a fellow subsidiary (note i)	<b>(2,600)</b>	(3,000)

### Notes:

- (a) The Group has conducted container leasing business with COSCO Container Lines Company Limited (“COSCON”), a wholly owned subsidiary of China Ocean Shipping (Group) Company (“COSCO”) which is the Company's ultimate holding company. During the two years ended 31st December 2001, the Group entered into new long term container leasing arrangements and revised the terms of the existing container leasing contracts.

The Group's container leasing transactions during the year have been conducted based on the average leasing rates quoted from four (2000: four) of the top ten independent container leasing companies and in the ordinary and normal course of the business of the Group.

- (b) COSCO-HIT Terminals (Hong Kong) Limited (“COSCO-HIT”), an associated company of the Group, provided handling and storage services to COSCON for cargoes shipped to Container Terminal 8 (East) in Hong Kong. The services rendered were charged at terms pursuant to agreements entered into by COSCO-HIT with COSCON for the year ended 31st December 2001.
- (c) The handling and storage income and the transportation income received from fellow subsidiaries were conducted at terms no less favourable than terms available to independent third parties.
- (d) The Group provided advisory and management services to COSCO-HIT during the year. Management fee was charged and agreed at HK\$20 million (2000: HK\$20 million) per annum.

## 29. RELATED PARTY TRANSACTIONS *(continued)*

- (e) During the year, the Group provided handling and storage services to a fellow subsidiary for cargoes shipped to Zhangjiagang port. The tariff rates charged by the Group were referenced to the rates as set out by the Ministry of Communications of the PRC.
- (f) In 1999, the Group agreed to pay a container drop-off credit of US\$2,114,000 to COSCON for delivery of old containers returned from COSCON to the Group's designated depots in connection with the disposal of these containers. However, upon the settlement of this expense in 2000, COSCON finally agreed to waive the container drop-off credit and accordingly this expense payable was credited to the profit and loss account for that year.
- (g) The purchases of containers from associated companies of COSCO and jointly controlled entities of the Group were conducted in the normal course of the business at terms no less favourable than the purchases of containers from other third party suppliers of the Group.
- (h) During the year, the Group paid container freight charges of US\$1,763,000 (2000: US\$1,601,000) and US\$392,000 (2000: US\$57,000) to certain associated companies of COSCO and jointly controlled entities of the Group respectively for container repositioning services rendered to the Group.
- (i) Pursuant to an addendum of long term lease agreement dated 17th May 2001 entered into between a subsidiary of the Group and COSCON, the subsidiary agreed to pay a container refurbishment fee of US\$2,600,000 (2000: US\$3,000,000) to COSCON for the year.
- (j) On 7th March 2001, a subsidiary of the Group renewed the lease agreement with a fellow subsidiary, Wing Thye Holdings Limited ("Wing Thye"), a subsidiary of COSCO (Hong Kong) Group Limited ("COSCO Hong Kong"), for the lease of the office space for a period of 3 years commencing with retrospective effect from 4th December 2000 at a monthly rental of HK\$465,023, exclusive of rates and management fees, which was determined by reference to an independent opinion given by DTZ Debenham Tie Leung Limited, a professional valuer. COSCO Hong Kong provided a guarantee in the sum of HK\$1,395,069, representing rentals for three months to Wing Thye as security for due payment of rental and other monies by the subsidiary.
- (k) On 22nd August 2001, the Group entered into short term container leasing arrangement with COSCON whereby the Group agreed to lease the 10-year old containers to COSCON on a short term basis in addition to the existing 10 year leases with effect from 1st January 2002.
- (l) On 28th December 2001, the Group entered into a Promoters' Agreement with China Dalian Ocean Shipping Agency ("DOSA"), an indirect wholly owned subsidiary of COSCO, and three other independent third parties in relation to the establishment of a joint stock limited company which engages in container terminal operations and related business in Dalian, China mainland. Total investment amounted to RMB 469 million. The Group's attributable share of the investment was RMB 37.52 million (approximately US\$4.5 million) and the amount was included in the capital commitment as set out in note 25 to the accounts.



### 30. SIGNIFICANT ASSOCIATED COMPANIES

A summary of the audited financial information of COSCO-HIT Terminals (Hong Kong) Limited and Liu Chong Hing Bank Limited, two significant associated companies of the Group, after making adjustments by directors of the Company to conform with the Group's principal accounting policies, for the two years ended 31st December 2001 and 2000 is set out as follows:

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

	2001 US\$'000	2000 US\$'000
<b>Result for the year</b>		
Turnover	<b>127,168</b>	136,599
Profit before taxation (note)	<b>70,000</b>	73,166
Taxation	<b>(11,538)</b>	(12,564)
Profit after taxation	<b>58,462</b>	60,602
Group's share of profit before taxation (note)	<b>35,000</b>	36,583
<b>Net assets as at 31st December (note)</b>		
Non-current assets	<b>338,083</b>	351,086
Current assets	<b>32,144</b>	50,671
Current liabilities	<b>(46,763)</b>	(51,370)
Long term liabilities	<b>(206,923)</b>	(205,128)
Deferred taxation	<b>(2,535)</b>	(2,535)
	<b>114,006</b>	142,724

#### Note:

Adjustments have been made to the deferred borrowing costs included in the accounts of COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT") for the year ended 31st December 2001 to conform with the Group's principal accounting policies. As a result, the Group's share of profit before taxation of this associated company for the year ended 31st December 2001 has been increased by US\$196,000 (2000: US\$200,000) and the Group's share of net assets of this associated company as at 31st December 2001 has been decreased by US\$572,000 (2000: US\$768,000).

### 30. SIGNIFICANT ASSOCIATED COMPANIES (continued)

#### (b) Liu Chong Hing Bank Limited

	2001 US\$'000	2000 US\$'000
<b>Result for the year</b>		
Net interest income	<u>102,139</u>	<u>120,530</u>
Profit before taxation (note)	<u>45,033</u>	76,949
Taxation	<u>(6,213)</u>	<u>(12,594)</u>
Profit after taxation	<u>38,820</u>	<u>64,355</u>
Group's share of profit before taxation (note)	<u>9,007</u>	<u>15,390</u>
<b>Assets</b>		
Cash and short term funds	<u>1,829,467</u>	1,866,451
Advances and other accounts	<u>2,427,065</u>	2,484,669
Tangible fixed assets and other assets (note)	<u>851,032</u>	<u>693,762</u>
	<u>5,107,564</u>	<u>5,044,882</u>
<b>Liabilities</b>		
Deposits with customers	<u>4,190,477</u>	3,988,282
Certificates of deposit, deposits with other banks and financial institutions	<u>69,770</u>	151,554
Other liabilities	<u>56,067</u>	<u>124,715</u>
	<u>4,316,314</u>	<u>4,264,551</u>
Net assets as at 31st December	<u>791,250</u>	<u>780,331</u>

*Note:*

Adjustments have been made to the tangible fixed assets and investments in securities included in the accounts of Liu Chong Hing Bank Limited for the year ended 31st December 2001 to conform with the Group's principal accounting policies. As a consequence, the Group's share of profit before taxation of this associated company for the year ended 31st December 2001 has been decreased by US\$1,105,000 (2000: increased by US\$1,163,000) and the Group's share of net assets of this associated company has been increased by US\$9,635,000 (2000: US\$9,187,000) respectively.

### **31. COMPARATIVE FIGURES**

The comparative figures of the present value of minimum lease payment receivables under hire purchase contracts and operating leases as set out in notes 16 and 26 to the accounts respectively have been presented or restated as a result of the adoption of SSAP 14 (revised), “Leases”.

As disclosed in note 1(a)(i) and note 7 to the accounts, the proposed final dividend previously recorded as a liability as at 31st December 2000 has been reversed to retained profits and is charged in the year in which it was proposed as a result of the adoption of SSAP 9 (revised), “Events after the balance sheet”.

### **32. ULTIMATE HOLDING COMPANY**

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

### **33. APPROVAL OF ACCOUNTS**

The accounts were approved by the Board of Directors on 27th March 2002.