

## 1. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in manufacturing and sales of winery products, provision of container and cargo handling services, operation of Eastern Outer Ring Road, sales of garments, chemical products and electrical components and sales of properties.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

### (a) Basis of preparation of accounts

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

In the current year, the Group adopted the following Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants 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
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 investments in subsidiaries

The effect of adopting these new/revised standards is set out in the accounting policies below.

### (b) Consolidation

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

The results of subsidiaries, associated companies and jointly controlled entities acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

## 2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (b) Consolidation (Cont'd)

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill/negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognized in the consolidated profit and loss accounts.

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

### (c) Goodwill/negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries, associated companies or jointly controlled entities 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 taken directly to reserves. The Group has taken advantage of the transitional provision in SSAP 30 and goodwill previously taken directly to reserves has not been restated.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition. For acquisitions prior to 1st January 2001, negative goodwill was taken directly to reserves on acquisition. For acquisitions after 1st January 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the income statement immediately. The Group has taken advantage of the transitional provisions in SSAP 30 and such negative goodwill has not been restated.

The carrying amount of goodwill, including those previously taken directly to reserves, is reviewed annually and provision is only made where, in the opinion of directors, there is a long-term impairment in value.

## 2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (d) Subsidiaries

A company is a subsidiary if the Group controls more than half of the voting power, controls the composition of the board of directors or hold more than half of the issued share capital.

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

### (e) Associated companies

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

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

### (f) Jointly controlled entities

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

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

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

### (g) Revenue recognition

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

Service income is recognised when services are rendered.

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

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

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

## 2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (h) Assets under leases

#### (i) *Finance leases*

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

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

#### (ii) *Operating leases*

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

### (i) Retirement benefits

The Group contributes to an employee pension scheme established by the Tianjin Municipal Government which undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group in the People's Republic of China ("PRC"). The Group also contributes to a mandatory provident fund scheme for all Hong Kong employees. The contributions are based on a fixed percentage of the members' salary. Contributions to the schemes are charged to the profit and loss account as incurred.

### (j) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

No depreciation is provided in respect of construction in progress. Land use rights outside Hong Kong are amortised over the periods of the respective leases. Depreciation of ring road is provided on a sinking fund method, compounded at rates ranging from 2.3% to 4.6% per annum, over the terms of the useful life.

## 2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (j) Fixed assets and depreciation (Cont'd)

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

Leasehold land	over the unexpired lease term
Buildings	20–45 years
Improvements on leased berths	35 years
Plant and machinery	10–18 years
Leasehold improvement, furniture and equipment	5–10 years
Motor vehicles	5–12 years
Others	5 years

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

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

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.

### (k) Long term investments

Investments held for the long term are stated at cost less provision for impairment losses, if any.

### (l) Stocks and work in progress

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

### (m) Properties under development for sale

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

## 2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (m) Properties under development for sale (Cont'd)

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

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

### (n) Deferred taxation

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

### (o) Cash and cash equivalents

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

### (p) Accounts receivable

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

### (q) Foreign currencies

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

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

## 2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (r) Borrowing costs

Borrowing costs that are directly attributable to the construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

### (s) Related companies

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

### (t) Dividends

In accordance with the revised SSAP 9, 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 detailed in Note 24, this change has resulted in an increase in opening retained profit at 1st January 2001 by HK\$15,044,000 (1st January 2000: HK\$12,035,000) which is the reversal of the provision for 2000 (1999) proposed final dividend previously recorded as a liability as at 31st December 2000 (31st December 1999) although not declared until after the balance sheet date.

### (u) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated items represent net corporate expenses or income. Segment assets consist primarily of fixed assets, investments in associated companies and jointly controlled entities, properties under development for sale, stocks, receivables and mainly exclude amounts due from related companies and holding company and long term investments. Segment liabilities consist mainly of trade payables and other payables and accruals and exclude taxation payable, amounts due to related companies and holding company, minority interests and corporate borrowings. Capital expenditure comprises additions to fixed assets.

In respect of geographical segment reporting, sales are based on the country in which the Group's production or service facilities are located. Total assets and capital expenditure are where the assets are located.

## 2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (v) Contingent liabilities and contingent assets

A 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.

### (w) Provisions

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 of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.



### 3. TURNOVER AND REVENUES

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

	2001 HK\$'000	2000 HK\$'000
Turnover		
Manufacturing and sale of winery products	532,356	490,292
Provision of container handling services	233,209	199,583
Provision of cargo handling services	246,838	259,353
Operation of Eastern Outer Ring Road	216,180	201,354
Sale of garments, chemical products and electrical components	169,994	343,905
Sales of properties	92,125	26,421
	<u>1,490,702</u>	<u>1,520,908</u>
Other revenues		
Gain on deemed disposals of and disposal of partial interest in an associated company	49,931	—
Interest income from bank deposits and others	34,708	50,484
Consideration received for granting of share options	1,200	—
Dividends from unlisted long term investments	320	476
Rental income from		
Plant and machinery	145	2,683
Land and buildings	—	565
Management fee income from a jointly controlled entity	—	9,750
Gain on disposal of subsidiaries	—	7,942
Gain on disposal of listed investments	—	546
Sundries	12,008	5,321
	<u>98,312</u>	<u>77,767</u>
	<u><u>1,589,014</u></u>	<u><u>1,598,675</u></u>

#### 4. OPERATING PROFIT BEFORE FINANCING

	2001 HK\$'000	2000 HK\$'000
Operating profit before financing is stated after charging/(crediting):		
Staff costs	210,496	184,350
Retirement benefit cost	23,535	19,875
Auditors' remuneration	2,847	2,786
Exchange (gain)/loss	(228)	175
Depreciation		
Owned fixed assets	115,248	115,285
Leased fixed assets	53	224
Net loss on disposal of fixed assets	3,047	12,253
Operating lease rental expense on		
Land and buildings	24,151	19,734
Berths, railway and storage space	19,258	18,341
Plant and equipment	7,012	8,083
Provision for bad and doubtful debts	36,857	5,074
Provision for obsolete stocks	10,566	—
Loss on deemed disposal of interest in an associated company	—	8,932
	<u>                    </u>	<u>                    </u>

#### 5. FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Interest on bank and other loans wholly repayable within five years	93,924	84,670
Less: Amount capitalised under properties under development for sale	<u>(6,051)</u>	<u>—</u>
	<u>87,873</u>	<u>84,670</u>

## 6. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

## (a) Directors' emoluments

	2001 HK\$'000	2000 HK\$'000
Fees	8,525	8,138
Salaries and other emoluments	1,059	826
Discretionary bonuses	—	1,000
	<u>9,584</u>	<u>9,964</u>
	<b>Number of individual 2001</b>	<b>2000</b>
Emolument bands (HK\$)		
Nil – 1,000,000	11	14
1,000,001 – 1,500,000	2	3
1,500,001 – 2,000,000	<u>2</u>	<u>1</u>
	<u>15</u>	<u>18</u>

Remuneration paid to independent non-executive directors for the year represents fees amounting to HK\$765,000 (2000: HK\$480,000). During the year, none of the directors had waived their directors' fees (2000: Nil).

## (b) Senior management emoluments

Details of the emoluments paid to the five individuals, including 4 directors (2000: 4 directors), whose emoluments were the highest in the Group are as follows:

	2001 HK\$'000	2000 HK\$'000
Fees	5,664	4,658
Salaries and other emoluments	1,631	1,843
Discretionary bonuses	—	1,000
	<u>7,295</u>	<u>7,501</u>

6. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT (Cont'd)

(b) Senior management emoluments (Cont'd)

	<b>Number of individual</b>	
	<b>2001</b>	<b>2000</b>
Emolument bands (HK\$)		
Nil – 1,000,000	1	—
1,000,001 – 1,500,000	2	4
1,500,001 – 2,000,000	2	1
	<u>2</u>	<u>1</u>
	<u>5</u>	<u>5</u>

During the year, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office (2000: Nil).

7. TAXATION

	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Company and subsidiaries		
Hong Kong profits tax	67	3,068
Over provision of Hong Kong profits tax	(2,942)	(81)
PRC income tax	45,390	49,127
Associated companies		
PRC income tax	<u>11,843</u>	<u>12,612</u>
	<u>54,358</u>	<u>64,726</u>

Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profit for the year (2000: 16%).

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

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

## 7. TAXATION (Cont'd)

In accordance with approval documents dated 12th November 1997 issued by the State Tax Bureau, Tianjin Tai Kang Industrial Co., Ltd. and Tianjin Heavenly Palace Winery Co., Ltd. are exempted from income tax for two years starting from the first year of profit generation, followed by a 50% reduction for the next three years. Tianjin Heavenly Palace Winery Co., Ltd generated profit in 2000, accordingly it entitles to 50% reduction from 2002 to 2004.

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

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

## 8. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$174,819,000 (2000: loss of HK\$98,548,000).

## 9. DIVIDENDS

	2001 HK\$'000	2000 HK\$'000
2001 interim, paid, of HK4.0 cents (2000: HK3.5 cents) per share	27,110	21,061
2001 final, proposed, of HK2.5 cents (2000: final, paid, of HK2.5 cents) per share ( <i>note (b)</i> )	<u>16,944</u>	<u>15,169</u>
	<u><b>44,054</b></u>	<u><b>36,230</b></u>

- (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 HK\$12,035,000 and HK\$15,044,000 respectively. Under the Group's new accounting policy as described in Note 2(t), these have been written back against opening reserves as at 1st January 2000 and 2001 in Note 24 and are now charged in the period in which they were proposed.
- (b) At a meeting held on 24th April 2002 the directors declared a final dividend of HK2.5 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2002.

## 10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on profit attributable to shareholders of HK\$173,837,000 (2000: HK\$151,138,000) and the weighted average number of 642,555,479 shares in issue (2000: 601,750,000 shares) during the year.

The calculation of diluted earnings per share is based on profit attributable to shareholders of HK\$173,837,000 and the weighted average number of 642,555,479 shares in issue during the year plus the weighted average number of 3,468,223 shares deemed to be issued at no consideration if all outstanding options had been exercised. In 2000, the share options had no dilutive effect on the basic earnings per share.

## 11. FIXED ASSETS

### Group

	Land and buildings	Ring road	Improvements on leased berths	Plant and machinery	Leasehold improvement, furniture and equipment	Motor vehicles	Construction in progress	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost</b>									
At 1st January 2001	388,666	1,967,154	—	591,075	10,139	43,842	153,678	32,398	3,186,952
Additions	2,033	—	—	25,712	374	5,462	203,187	2,907	239,675
Transfers upon completion	1,925	—	311,145	19,138	368	2,297	(334,873)	—	—
Disposals	(95)	—	—	(9,987)	(189)	(1,900)	—	—	(12,171)
<b>At 31st December 2001</b>	<b>392,529</b>	<b>1,967,154</b>	<b>311,145</b>	<b>625,938</b>	<b>10,692</b>	<b>49,701</b>	<b>21,992</b>	<b>35,305</b>	<b>3,414,456</b>
<b>Accumulated depreciation</b>									
At 1st January 2001	43,686	94,321	—	155,507	3,352	15,313	—	18,535	330,714
Charge for the year	14,580	44,058	4,967	42,195	1,269	5,238	—	2,994	115,301
Written back on disposals	(47)	—	—	(3,462)	(80)	(881)	—	—	(4,470)
<b>At 31st December 2001</b>	<b>58,219</b>	<b>138,379</b>	<b>4,967</b>	<b>194,240</b>	<b>4,541</b>	<b>19,670</b>	<b>—</b>	<b>21,529</b>	<b>441,545</b>
<b>Net book value</b>									
<b>At 31st December 2001</b>	<b>334,310</b>	<b>1,828,775</b>	<b>306,178</b>	<b>431,698</b>	<b>6,151</b>	<b>30,031</b>	<b>21,992</b>	<b>13,776</b>	<b>2,972,911</b>
At 31st December 2000	344,980	1,872,833	—	435,568	6,787	28,529	153,678	13,863	2,856,238

## 11. FIXED ASSETS (Cont'd)

## Company

	Leasehold land HK\$'000	Leasehold improvement, furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost</b>				
At 1st January 2001	84,639	2,159	2,540	89,338
Additions	—	30	—	30
<b>At 31st December 2001</b>	<b>84,639</b>	<b>2,189</b>	<b>2,540</b>	<b>89,368</b>
<b>Accumulated depreciation</b>				
At 1st January 2001	590	428	1,422	2,440
Charge for the year	1,771	180	547	2,498
<b>At 31st December 2001</b>	<b>2,361</b>	<b>608</b>	<b>1,969</b>	<b>4,938</b>
<b>Net book value</b>				
<b>At 31st December 2001</b>	<b>82,278</b>	<b>1,581</b>	<b>571</b>	<b>84,430</b>
At 31st December 2000	84,049	1,731	1,118	86,898

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

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Properties held in Hong Kong				
Medium term lease	1,205	1,205	—	—
Properties held in the PRC				
Long term leases	130	130	—	—
Medium term leases	391,194	387,331	84,639	84,639
Ring Road in PRC				
Medium term leases	1,967,154	1,967,154	—	—
	<b>2,359,683</b>	<b>2,355,820</b>	<b>84,639</b>	<b>84,639</b>

## 11. FIXED ASSETS (Cont'd)

- (b) Included in ring road is an amount of HK\$23,388,000 (2000: HK\$23,388,000) representing borrowing costs capitalised.
- (c) As at 31st December 2001, certain of the Group's fixed assets, with an aggregate net book value of approximately HK\$1,829 million (2000: HK\$1,873 million) were pledged to banks to secure banking facilities of the subsidiaries.
- (d) The net book value of fixed assets held under finance lease amounted to HK\$158,600 (2000: HK\$540,405).

## 12. SUBSIDIARIES

	<b>Company</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost	<b>2,976,319</b>	2,887,057
Amounts due from subsidiaries	<b>900,667</b>	509,501
Amounts due to subsidiaries	<b>(68,919)</b>	(20,513)
	<b><u>3,808,067</u></b>	<u>3,376,045</u>

- (a) Details of principal subsidiaries, which in the directors' opinion, materially affect the results or net assets of the Group at 31st December 2001 are set out in note 36.
- (b) The shares of a subsidiary were pledged to a bank for bank loan facilities granted to the subsidiary.

## 13. ASSOCIATED COMPANIES

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Group's share of net assets		
Unlisted shares	<b>186,610</b>	201,688
Listed shares in Hong Kong	<b>100,737</b>	47,373
	<b>287,347</b>	249,061
Amounts due to associated companies	<b>(1,891)</b>	(895)
Amounts due from associated companies	<b>849</b>	1,791
	<b><u>286,305</u></b>	<u>249,957</u>
Market value of listed shares	<b><u>372,400</u></b>	<u>375,390</u>



## 13. ASSOCIATED COMPANIES (Cont'd)

- (a) Details of principal associated companies, which in the directors' opinion, materially affect the results or net assets of the Group at 31st December 2001 are set out in note 37.
- (b) The Group's interest in the listed associated company has been pledged to secure bank loan facilities granted to a subsidiary.
- (c) The summary of the financial information of a major unlisted associated company Otis Elevator (China) Investment Co., Ltd is as follows:

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Results		
Turnover	<u><b>1,748,903</b></u>	<u>1,522,664</u>
Operating profit before taxation	<u><b>85,578</b></u>	<u>39,858</u>
Profit after taxation	<u><b>59,205</b></u>	<u>11,186</u>
Share of profit after taxation attributable to the Group	<u><b>19,742</b></u>	<u>4,702</u>
Assets and liabilities		
Fixed assets	<b>406,280</b>	429,282
Other long term assets	<b>14,074</b>	42,502
Current assets	<b>1,617,249</b>	1,387,319
Current liabilities	<u><b>(1,666,184)</b></u>	<u>(1,409,421)</u>
Net assets	<u><b>371,419</b></u>	<u>449,682</u>
Share of net assets attributable to the Group	<u><b>134,239</b></u>	<u>149,943</u>

#### 14. JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	—	—	41,813	36,180
Group's share of net assets	36,661	16,455	—	—
Amounts due by	—	(1,021)	—	(1,021)
	<u>36,661</u>	<u>15,434</u>	<u>41,813</u>	<u>35,159</u>

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

#### 15. LONG TERM INVESTMENTS

	Group	
	2001 HK\$'000	2000 HK\$'000
Unlisted investments, at cost	106,503	110,293
Loans to investee companies	67,010	67,010
	<u>173,513</u>	<u>177,303</u>
Provisions	<u>(2,513)</u>	<u>(2,513)</u>
	<u>171,000</u>	<u>174,790</u>

The investments include cost of HK\$81,935,000 (2000: HK\$81,935,000) and loans of HK\$67,010,000 (2000: HK\$67,010,000) in fourteen joint ventures which build, operate and manage Tian Jin Expressway in which the Group holds 6.62% in each of them. The loans are unsecured, interest free and have no fixed repayment terms.

#### 16. PROPERTIES UNDER DEVELOPMENT FOR SALE

	Group	
	2001 HK\$'000	2000 HK\$'000
Land cost	48,983	6,839
Development and incidental costs	119,814	63,679
	<u>168,797</u>	<u>70,518</u>

## 17. STOCKS

	Group	
	2001 HK\$'000	2000 HK\$'000
Raw materials	99,091	116,074
Work in progress	27,523	12,052
Finished goods	94,195	61,941
Consumable stocks	8,436	20,353
Less: provision	<u>(12,427)</u>	<u>(1,861)</u>
	<u><b>216,818</b></u>	<u><b>208,559</b></u>

At 31st December 2001, the carrying amount of stocks that are carried at net realisable value amounted to HK\$476,778 (2000: HK\$826,209).

## 18. BALANCES WITH RELATED COMPANIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Amounts due from related companies ( <i>note a</i> )	<u><b>63,822</b></u>	<u>52,318</u>
Amounts due to related companies ( <i>note a</i> )	<b>(2,833)</b>	(16,823)
Construction costs payable to a minority shareholder ( <i>note b</i> )	<u><b>(96,649)</b></u>	<u>(169,287)</u>
	<u><b>(99,482)</b></u>	<u>(186,110)</u>

*Notes:*

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

## 19. TRADE RECEIVABLES

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

	Group	
	2001 HK\$'000	2000 HK\$'000
Below 30 days	89,134	136,234
30 to 90 days	40,212	116,392
91 to 180 days	11,779	25,708
Over 180 days	106,341	108,330
	<u>247,466</u>	<u>386,664</u>

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

## 20. BANK BALANCES AND CASH

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Restricted balances	25,609	30,372	—	—
Unrestricted balances	1,479,916	1,266,027	175,440	132,450
	<u>1,505,525</u>	<u>1,296,399</u>	<u>175,440</u>	<u>132,450</u>

## 21. TRADE PAYABLES

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

	Group	
	2001 HK\$'000	2000 HK\$'000
Below 30 days	59,800	54,363
30 to 90 days	3,684	3,461
91 to 180 days	1,732	4,188
Over 180 days	7,079	18,655
	<u>72,295</u>	<u>80,667</u>

## 22. BALANCES WITH ULTIMATE HOLDING COMPANY

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

## 23. SHARE CAPITAL

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
<i>Authorised:</i>		
3,000,000,000 shares of HK\$0.10 each	<b><u>300,000</u></b>	<u>300,000</u>
<i>Issued and fully paid:</i>		
At beginning of the year	<b>60,175</b>	60,175
Issue of shares	<b><u>7,600</u></b>	<u>—</u>
At the end of the year	<b><u>67,775</u></b>	<u>60,175</u>

On 30th March 2001, the Company entered into an agreement whereby the Company has agreed to grant to a third party an option for subscription of 120,000,000 new shares of the Company at a price of HK\$2 per share during the period from 31st March 2001 to 30th March 2002. The consideration paid by the grantee to the Company for granting the option is HK\$1,200,000. During the year, pursuant to the option agreement, 76,000,000 ordinary shares were issued at HK\$2 per share.

At 31st December 2001, the Company had outstanding options granted to directors and employees under the Company's share option scheme to subscribe for 28,668,000 shares of the Company of which 13,668,000 options are exercisable at HK\$3.34 and at any time prior to 17th March 2004, and 13,500,000 options are exercisable at HK\$6.136 and at any time prior to 21st November 2007, 500,000 options are exercisable at HK\$2.204 from 1st January 2002 to 21st November 2007 and 1,000,000 options are exercisable at HK\$2.204 from 1st July 2002 to 21st November 2007.

## 24. RESERVES

### Group

	Capital reserve	Share premium	General reserve	Goodwill reserve	Statutory reserves	Exchange reserve	Retained profit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2000, as previously stated	11,642	3,398,594	20,532	(923,395)	74,609	12,048	221,049	2,815,079
Prior year adjustment ( <i>note 2(t)</i> )	—	—	—	—	—	—	12,035	12,035
At 1st January 2000, as restated	11,642	3,398,594	20,532	(923,395)	74,609	12,048	233,084	2,827,114
Exchange differences	—	—	—	—	—	(381)	—	(381)
Transfers	—	—	7,869	—	16,310	—	(24,179)	—
Profit for the year	—	—	—	—	—	—	151,138	151,138
Dividends	—	—	—	—	—	—	(33,096)	(33,096)
Adjustment to goodwill upon completion of restructuring of an associated company	—	—	—	39,791	—	—	—	39,791
Realised on deemed disposal of interest in an associated company	—	—	—	18,235	—	—	—	18,235
Realised on disposal of subsidiaries	—	—	—	(6,769)	—	—	—	(6,769)
At 31st December 2000, as restated	<u>11,642</u>	<u>3,398,594</u>	<u>28,401</u>	<u>(872,138)</u>	<u>90,919</u>	<u>11,667</u>	<u>326,947</u>	<u>2,996,032</u>
At 1st January 2001, as previously stated	11,642	3,398,594	28,401	(872,138)	90,919	11,667	311,903	2,980,988
Prior year adjustment ( <i>note 2(t)</i> )	—	—	—	—	—	—	15,044	15,044
At 1st January 2001, as restated	11,642	3,398,594	28,401	(872,138)	90,919	11,667	326,947	2,996,032
Exchange differences	—	—	—	—	—	(1,828)	—	(1,828)
Transfers	—	—	11,472	—	33,468	—	(44,940)	—
Profit for the year	—	—	—	—	—	—	173,837	173,837
Dividends	—	—	—	—	—	—	(42,279)	(42,279)
Realised on deemed disposals of and disposal of partial interest in an associated company	—	—	—	9,251	—	—	—	9,251
Issue of shares	—	144,400	—	—	—	—	—	144,400
Share issue expenses	—	(253)	—	—	—	—	—	(253)
<b>At 31st December 2001</b>	<u><b>11,642</b></u>	<u><b>3,542,741</b></u>	<u><b>39,873</b></u>	<u><b>(862,887)</b></u>	<u><b>124,387</b></u>	<u><b>9,839</b></u>	<u><b>413,565</b></u>	<u><b>3,279,160</b></u>

(a) Goodwill reserve attributable to associated companies amounts to HK\$703,383,000 (2000: HK\$712,634,000). Retained profit attributable to associated companies and jointly controlled entities amounts to HK\$84,716,000 (2000: HK\$68,384,000) and HK\$5,152,000 (2000: HK\$19,725,000), respectively. All other reserves of the Group are dealt with in the accounts of the Company and its subsidiaries.

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

## 24. RESERVES (Cont'd)

## Company

	<b>Share premium</b>	<b>Retained profit</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
At 1st January 2000, as previously stated	3,398,594	142,668	3,541,262
Prior year adjustment ( <i>note 2(t)</i> )	—	12,035	12,035
	<u>3,398,594</u>	<u>142,668</u>	<u>3,541,262</u>
At 1st January 2000, as restated	3,398,594	154,703	3,553,297
Loss for the year	—	(98,548)	(98,548)
Dividends	—	(33,096)	(33,096)
	<u>3,398,594</u>	<u>154,703</u>	<u>3,553,297</u>
At 31st December 2000	<u>3,398,594</u>	<u>23,059</u>	<u>3,421,653</u>
At 1st January 2001, as previously stated	3,398,594	8,015	3,406,609
Prior year adjustment ( <i>note 2(t)</i> )	—	15,044	15,044
	<u>3,398,594</u>	<u>23,059</u>	<u>3,421,653</u>
At 1st January 2001, as restated	3,398,594	23,059	3,421,653
Issue of shares	144,400	—	144,400
Share issue expenses	(253)	—	(253)
Profit for the year	—	174,819	174,819
Dividends	—	(42,279)	(42,279)
	<u>3,542,741</u>	<u>155,599</u>	<u>3,698,340</u>
<b>At 31st December 2001</b>	<b><u>3,542,741</u></b>	<b><u>155,599</u></b>	<b><u>3,698,340</u></b>

The Company's reserves available for distribution to shareholders as at 31st December 2001 represent the retained profit of HK\$155,599,000 (2000: HK\$23,059,000).

25. Long term liabilities

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank loans				
secured	856,033	856,033	—	—
unsecured	430,961	293,500	348,075	293,500
Obligation under finance lease	120	351	120	351
	<u>1,287,114</u>	<u>1,149,884</u>	<u>348,195</u>	<u>293,851</u>
Less: Amounts due within one year included under current liabilities	<u>297,544</u>	<u>231</u>	<u>37,145</u>	<u>231</u>
Amounts due after one year	<u>989,570</u>	<u>1,149,653</u>	<u>311,050</u>	<u>293,620</u>
The maturity of the Group's long term liabilities is as follows:				
Bank loans				
Within one year	297,449	—	37,050	—
In the second year	455,712	856,033	295,425	—
In the third to fifth years inclusive	533,833	293,500	15,600	293,500
	<u>1,286,994</u>	<u>1,149,533</u>	<u>348,075</u>	<u>293,500</u>
Obligation under finance lease				
Within one year	95	231	95	231
In the second year	25	95	25	95
In the third to fifth years inclusive	—	25	—	25
	<u>120</u>	<u>351</u>	<u>120</u>	<u>351</u>
	<u>1,287,114</u>	<u>1,149,884</u>	<u>348,195</u>	<u>293,851</u>



## 25. Long term liabilities (Cont'd)

The Group's and the Company's finance lease liabilities were repayable as follows:

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>101</b>	252
In the second year	<b>26</b>	101
In the third to fifth years inclusive	<b>—</b>	26
	<u>127</u>	<u>379</u>
Future finance charges on finance leases	<b>(7)</b>	(28)
	<u>120</u>	<u>351</u>
Present value of finance lease liabilities	<b>120</b>	351

## 26. OPERATING LEASE COMMITMENTS

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

	Group		Company	
	2001 HK\$'000	2000 HK\$'000 (Note)	2001 HK\$'000	2000 HK\$'000 (Note)
Land and buildings				
Not later than one year	12,977	11,427	6,488	4,992
Later than one year and not later than five years	27,974	28,734	2,233	2,994
Later than five years	69,713	76,148	—	—
	<u>110,664</u>	<u>116,309</u>	<u>8,721</u>	<u>7,986</u>
Equipment, berths, railway				
Not later than one year	19,257	19,257	—	—
Later than one year and not later than five years	80,121	79,054	—	—
Later than five years	246,198	256,165	—	—
	<u>345,576</u>	<u>354,476</u>	<u>—</u>	<u>—</u>
Plant and machinery				
Not later than one year	4,434	4,987	—	—
Later than one year and not later than five years	17,736	19,950	—	—
Later than five years	48,035	59,018	—	—
	<u>70,205</u>	<u>83,955</u>	<u>—</u>	<u>—</u>
	<u>526,445</u>	<u>554,740</u>	<u>8,721</u>	<u>7,986</u>

Note:

Pursuant to the revised Statement of Standard Accounting Practice No. 2.114, "Leases" which was issued by the Hong Kong Society of Accountants and became effective for accounting periods beginning on or after 1st July 2000, the comparative figures have been restated.

## 27. CAPITAL COMMITMENTS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Authorised but not contracted for				
Improvements on leased berths	<u>207,000</u>	<u>160,000</u>	<u>—</u>	<u>—</u>
Contracted but not provided for in respect of				
Improvements on leased berths	234,000	—	—	—
Tang Jin Expressway	55,955	55,955	—	—
Plant and machinery	—	8,089	—	—
Investment in jointly controlled entities	—	33,024	—	33,024
	<u>289,955</u>	<u>97,068</u>	<u>—</u>	<u>33,024</u>

## 28. CONTINGENT LIABILITIES

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Guarantees given to banks in respect of banking facilities extended to				
Subsidiaries	—	—	1,291,000	1,129,000
An associated company	<u>11,503</u>	<u>11,503</u>	<u>—</u>	<u>—</u>

## 29. RETIREMENT BENEFIT SCHEMES

The employees employed by the PRC subsidiaries are members of the state-managed employee pension scheme operated by the Tianjin Municipal Government. The subsidiaries are required to contribute a certain percentage of their payroll to the scheme to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contributions under the scheme. The Group also contributes to a mandatory provident fund scheme for all Hong Kong employees. The contributions are based on a fixed percentage of the members' salary.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001 HK\$'000	2000 HK\$'000
Operating profit before financing	<b>303,540</b>	317,074
Interest income	<b>(34,708)</b>	(50,484)
Depreciation	<b>115,301</b>	115,509
Net loss on disposal of fixed assets	<b>3,047</b>	12,253
Increase in stocks	<b>(8,259)</b>	(33,962)
Decrease/(increase) in trade receivables	<b>139,198</b>	(2,418)
Decrease/(increase) in other receivables, deposits and prepayments	<b>113,095</b>	(204,379)
(Decrease)/increase in trade payables	<b>(8,372)</b>	22,325
Increase in other payables and accruals	<b>81,455</b>	52,332
(Increase)/decrease in net amounts due from ultimate holding company	<b>(15,827)</b>	3,538
Decrease in amount due to a fellow subsidiary	—	(3,093)
Increase in amounts due to/(from) associated companies	<b>1,938</b>	(1,690)
Decrease in net balances due to related companies	<b>(98,132)</b>	(116,747)
Exchange differences	<b>(1,828)</b>	(5,750)
Gain on deemed disposals of interest in an associated company	<b>(25,094)</b>	—
Gain on disposal of partial interest in an associated company	<b>(24,837)</b>	—
Gain on disposal of short term investments	—	(546)
Loss on deemed disposal of interest in an associated company	—	8,932
Gain on disposal of subsidiaries	—	(7,942)
	<hr/>	<hr/>
Net cash inflow from operating activities	<b><u>540,517</u></b>	<b><u>104,952</u></b>

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

## (b) Disposal of subsidiaries

	2001 HK\$'000	2000 HK\$'000
Net assets disposed		
Fixed assets	—	94,090
Stocks	—	145,113
Trade receivables	—	80,749
Other receivables, deposits and prepayments	—	36,688
Bank balances and cash	—	(20,423)
Trade payables	—	(10,797)
Other payables and accruals	—	(137,044)
Short term loans and overdrafts	—	(105,602)
	<u>—</u>	<u>82,774</u>
Capital reserve	—	(6,769)
Gain on disposal of subsidiaries	—	7,942
	<u>—</u>	<u>83,947</u>
Satisfied by		
Leasehold land in PRC ( <i>Note (d)</i> )	—	83,947
	<u>—</u>	<u>83,947</u>
Analysis of net cash inflow in respect of disposal of subsidiaries		
Cash consideration	—	—
Net cash disposed	—	20,423
	<u>—</u>	<u>20,423</u>

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

(c) Analysis of changes in financing during the year

	<b>Share capital including premium</b>	<b>Minority interests</b>	<b>Bank loans and finance lease obligation</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2000	3,458,769	434,330	739,252	4,632,351
Exchange differences	—	3,182	—	3,182
Net cash inflows from financing	—	6,403	840,765	847,168
Share of profits and reserves attributable to minority shareholders	—	45,863	—	45,863
Dividend to minority shareholders	—	(34,378)	—	(34,378)
Disposal of subsidiaries	—	—	(105,602)	(105,602)
	<u>3,458,769</u>	<u>455,400</u>	<u>1,474,415</u>	<u>5,388,584</u>
At 31st December 2000	3,458,769	455,400	1,474,415	5,388,584
Net cash inflows/(outflows) from financing	151,747	61,754	(98,413)	115,088
Share of profits and reserves attributable to minority shareholders	—	53,248	—	53,248
Dividend to minority shareholders	—	(25,373)	—	(25,373)
	<u>151,747</u>	<u>36,381</u>	<u>(98,413)</u>	<u>115,088</u>
At 31st December 2001	<u>3,610,516</u>	<u>545,029</u>	<u>1,376,002</u>	<u>5,531,547</u>

(d) Major non-cash transactions

In 2000, the Group disposed of subsidiaries to the ultimate holding company, Tsinlien Group Company Limited at a consideration of RMB88 million. The consideration was satisfied by two pieces of leasehold land located in PRC.

### 31. RELATED PARTY TRANSACTIONS

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

	2001 HK\$'000	2000 HK\$'000
Transactions with Tianjin Port Authority and its associates		
Service fees paid for supporting services and auxiliary services ( <i>note (b)</i> )	24,922	23,391
Rental for land ( <i>note (a)</i> )	6,435	6,435
Rental for berths, railway and storage space ( <i>note (a)</i> )	19,258	18,341
Rental for equipment ( <i>note (a)</i> )	4,975	6,196
Interest expenses ( <i>note (c)</i> )	—	3,164
Purchase of stocks ( <i>note (b)</i> )	35,471	27,507
Transactions with Tianjin Agricultural Cultivation Group Company and its associates		
Packaging services	19,141	9,538
Purchase of unfinished wine	18,861	12,740
Purchase of packaging material	—	2,174
Rental for electricity transformation station ( <i>note (b)</i> )	2,037	2,037
Transaction with Tianjin Engineering Bureau		
Partial disposal of interest in a subsidiary ( <i>note (b)</i> )	62,700	—
Management fee paid ( <i>note (a)</i> )	28,737	26,856
Consideration paid to purchase 6.62% interest in fourteen joint ventures ( <i>note (a)</i> )	—	4,510
Construction cost paid for construction of Eastern Outer Ring Road ( <i>note (b)</i> )	—	110,302
Transactions with Tsinlien Group Company Limited and its associates		
Management fee paid ( <i>note (a)</i> )	1,164	1,164
Rental on land and buildings ( <i>note (a)</i> )	6,426	6,301
Acquisition of a piece of land ( <i>note (b)</i> )	—	83,947
Disposal of subsidiaries ( <i>note (b)</i> )	—	82,774
	<u>          </u>	<u>          </u>

### 31. RELATED PARTY TRANSACTIONS (Cont'd)

*Notes:*

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

All the above transactions constitute connected transactions as defined under Chapter 14 of the Listing Rules except for interest expenses paid to Tianjin Port Authority of HK\$3,164,000 in 2000.

### 32. SUBSEQUENT EVENTS

- (a) On 14th January 2002, the Group entered into a sale and purchase agreement with the Tianjin Administrative Bureau of Land to purchase a piece of land located in Tianjin at a consideration of approximately HK\$347,800,000 (RMB368,890,000).
- (b) On 6th February 2002, Tianjin Heavenly Palace Winery Company Limited ("Tiangong"), a wholly-owned subsidiary of the Group, entered into an agreement with Tianjin Dairy Group Limited ("Dairy Group"), Tianjin Agriculture Group Corporation ("Agriculture Group Company") and General Corporation of Tianjin Beichen Hi-tech Industrial Park ("Tianjin Beichen") to set up a joint venture in the People's Republic of China. The principal activities of the intended joint venture are to engage in the processing and sales of dairy products. The registered capital of the joint venture is approximately HK\$141,500,000 (RMB150,000,000) and held as to 40%, 28%, 27% and 5% by the Group, Dairy Group, Agriculture Group Company and Tianjin Beichen, respectively. According to the proportionate shareholding in the joint venture, the Group will invest approximately HK\$56,600,000 (RMB60,000,000) into the joint venture.



### 32. SUBSEQUENT EVENTS (Cont'd)

- (c) On 22nd March 2002, the Company entered into a conditional sale and purchase agreement with Starwell Holdings Limited ("Starwell") pursuant to which the Company has agreed to purchase from Starwell 4,000 non-voting convertible redeemable preference shares of Golden Horse Resources Limited ("Golden Horse") at a total consideration of US\$20,000,000. The redeemable preference shares confer on the holders the right to convert them into 4,000 fully paid ordinary shares of Golden Horse at any time on or after the issue of the preference shares. If the preference shares are fully converted, the Company will be interested in 4,000 ordinary shares of Golden Horse, representing 40% of the enlarged issued ordinary share capital of Golden Horse. The sole asset of Golden Horse is the interest in the entire issued share capital of China Mass Transit Development Company Limited, which owns 60% equity interest in each of the five joint ventures in the Peoples' Republic of China. The scope of business of the joint ventures include the development, construction and operation of highways, the development, construction, sales rental of real estate property and property management and related consultancy services. The consideration will be satisfied by the issue of convertible bonds, which are convertible into ordinary share capital of the Company.
- (d) On 18th April 2002, the Group issued US\$20,000,000 convertible bonds in settlement of the purchase consideration as referred to in (c) above. The bonds are listed on the Luxembourg Stock Exchange and carry interest at 3% per annum payable semi-annually in arrears. Each holder of the bonds has the option to convert the bonds into shares of the Company of HK\$0.10 each at a conversion price of HK\$2.69 per share, subject to adjustment, at any time from 18th April 2003 to 11th April 2005.

### 33. ULTIMATE HOLDING COMPANY

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

### 34. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 24th April 2002.

### 35. SEGMENT INFORMATION

#### Primary reporting format — business segments

	Winery	Container handling	Cargo handling	Operation of Eastern Outer Ring Road	Trading	Property development	Elevator and escalator	Gas fuel supply	Others	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Year ended 31st December 2001</b>										
Turnover	532,356	233,209	246,838	216,180	169,994	92,125	—	—	—	1,490,702
Segment results	135,138	50,486	7,321	108,352	(33,105)	4,036	—	—	—	272,228
Gain on deemed disposals of and disposal of partial interest in an associated company										49,931
Interest income										34,708
Net corporate expenses										(53,327)
Operating profit before financing										303,540
Finance costs										(87,873)
Share of profits less losses of										
Associated companies	—	—	3,322	—	—	—	34,492	33,196	—	71,010
Jointly controlled entities	—	—	—	—	—	—	—	—	(5,234)	(5,234)
Profit before taxation										281,443
Taxation										(54,358)
Profit after taxation										227,085
Minority interests										(53,248)
Profit attributable to shareholders										173,837
Segment assets										
Fixed assets	181,498	572,845	296,917	1,833,884	730	87,037	—	—	—	2,972,911
Associated companies	—	5,443	17,883	—	—	—	162,242	100,737	—	286,305
Jointly controlled entities	—	—	—	—	—	—	—	—	36,661	36,661
Other assets	411,819	41,497	87,162	67	90,853	171,029	30,330	—	50,076	882,833
Unallocated assets										1,756,757
Consolidated total assets										5,935,467
Segment liabilities										
Minority interests	164,436	4,646	(712)	193,785	—	23,537	162,640	—	(3,303)	545,029
Other liabilities	238,623	60,133	31,010	13,045	23,018	44,936	12,220	145	18,082	441,212
Unallocated liabilities										1,602,291
Consolidated total liabilities										2,588,532
Capital expenditure	25,415	196,496	16,077	707	59	921	—	—	—	239,675
Depreciation	18,244	23,515	25,870	44,727	234	2,711	—	—	—	115,301
Provision for diminution in value of long term investments	—	3,518	—	—	—	—	—	—	—	3,518

35. SEGMENT INFORMATION (Cont'd)

Primary reporting format — business segments (Cont'd)

	Winery	Container handling	Cargo handling	Operation of Eastern Outer Ring Road	Trading	Property development	Elevator and escalator	Gas fuel supply	Others	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Year ended 31st December 2000</b>										
Turnover	490,292	199,583	259,353	201,354	343,905	26,421	—	—	—	1,520,908
Segment results	138,552	41,108	26,895	110,178	(7,651)	(4,552)	—	—	—	304,530
Loss on deemed disposal of interest in an associated company										(8,932)
Gain on disposal of subsidiaries										7,942
Interest income										50,484
Net corporate expenses										(36,950)
Operating profit before financing										317,074
Finance costs										(84,670)
Share of profits less losses of										
Associated companies	—	216	2,770	—	—	—	16,608	19,704	—	39,298
Jointly controlled entities	—	—	—	—	—	—	—	—	(9,975)	(9,975)
Profit before taxation										261,727
Taxation										(64,726)
Profit after taxation										197,001
Minority interests										(45,863)
Profit attributable to shareholders										151,138
Segment assets										
Fixed assets	174,654	406,539	307,407	1,877,904	905	88,829	—	—	—	2,856,238
Associated companies	—	5,395	15,973	—	—	—	181,216	47,373	—	249,957
Jointly controlled entities	—	—	—	—	—	—	—	—	15,434	15,434
Other assets	351,872	21,799	102,527	55,877	178,998	70,547	14,295	—	232,673	1,028,588
Unallocated assets										1,523,507
Consolidated total assets										5,673,724
Segment liabilities										
Minority interests	141,908	3,045	192	121,994	—	20,609	164,078	—	3,574	455,400
Other liabilities	189,919	31,185	48,462	11,066	40,811	8,573	11,371	333	21,746	363,466
Unallocated liabilities										1,798,651
Consolidated total liabilities										2,617,517
Capital expenditure	31,640	136,809	33,967	31,885	1,203	85,382	—	—	—	320,886
Depreciation	13,606	22,237	28,089	47,130	242	4,205	—	—	—	115,509

35. SEGMENT INFORMATION (Cont'd)

Secondary report format — geographical segments

	Turnover	Segment	Total assets	Capital
	HK\$'000	results	HK\$'000	expenditure
		HK\$'000		HK\$'000
<b>2001</b>				
PRC mainland	1,320,708	305,333	5,619,680	239,616
Hong Kong	<u>169,994</u>	<u>(33,105)</u>	<u>315,787</u>	<u>59</u>
	<u>1,490,702</u>	<u>272,228</u>	<u>5,935,467</u>	<u>239,675</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>2000</b>				
PRC mainland	1,177,003	312,181	5,124,700	319,683
Hong Kong	<u>343,905</u>	<u>(7,651)</u>	<u>549,024</u>	<u>1,203</u>
	<u>1,520,908</u>	<u>304,530</u>	<u>5,673,724</u>	<u>320,886</u>

## 36. PRINCIPAL SUBSIDIARIES

Name	Place of incorporation/ establishment	Principal activities	Issued and paid up capital/ registered capital	Percentage of effective equity interest held	
				2001	2000
Operate in the People's Republic of China					
Sino-French Joint-Venture Dynasty Winery Ltd.	People's Republic of China	Manufacturing and sales of winery products	RMB124,389,000	<b>61.9</b> <i>(note a)</i>	61.9 <i>(note a)</i>
Tianjin Harbour Second Stevedoring Co., Ltd.	People's Republic of China	Provision of stevedoring and storage services	RMB356,821,700	<b>100</b>	100
Tianjin Heavenly Palace Winery Co., Ltd.	People's Republic of China	Investment holding	RMB353,730,400	<b>100</b>	100
Tianjin Jin Zheng Transportation Development Co., Ltd.	People's Republic of China	Operating and management of Eastern Outer Ring Road	RMB1,104,596,200	<b>83.93</b> <i>(note b)</i> <b>86.67</b> <i>(note c)</i>	90 <i>(note b)</i> 90 <i>(note c)</i>
Tianjin Port Container Terminal Co., Ltd.	People's Republic of China	Provision of containers transportation and storage services	RMB632,890,100	<b>100</b>	100
Tianjin Tai Kang Industrial Co., Ltd.	People's Republic of China	Investment holding	RMB1,030,269,400	<b>82.74</b>	82.74
Tianjin Gang Ning Real Estate Development Company Limited	People's Republic of China	Properties investment	RMB50,000,000	<b>51</b>	51
Tianjin Tianyang Grape Extracting Company Limited	People's Republic of China	Manufacturing and sales of winery products	RMB66,532,000	<b>60</b> <i>(note a)</i>	60 <i>(note a)</i>
Tianjin Development Assets Management Company Limited	People's Republic of China	Investment holding	RMB32,076,000	<b>100</b>	100

36. PRINCIPAL SUBSIDIARIES (Cont'd)

Name	Place of incorporation/ establishment	Principal activities	Issued and paid up capital/ registered capital	Percentage of effective equity interest held	
				2001	2000
Operate in the People's Republic of China (Cont'd)					
Walfen (Tianjin) Pharmaceutical Company Limited	People's Republic of China	Research and development of bio- pharmaceutical products	RMB14,200,000	<b>51</b> <i>(note a)</i>	51 <i>(note a)</i>
Operate in Hong Kong					
China Walfen Medical Limited	Hong Kong	Investment holding	HK\$100	<b>51</b> <i>(note a)</i>	51 <i>(note a)</i>
Tsinlien Bolide Co., Limited	Hong Kong	Trading of metal wire	HK\$100,000	<b>100</b> <i>(note a)</i>	100 <i>(note a)</i>
Tsinlien Chemicals Company Limited	Hong Kong	Trading of garment and chemical products	HK\$100,000	<b>100</b> <i>(note a)</i>	100 <i>(note a)</i>
Tsinlien Garments Company Limited	Hong Kong	Trading of garments	HK\$100,000	<b>100</b> <i>(note a)</i>	100 <i>(note a)</i>
Tianjin Development Trading Limited	Hong Kong	Trading	HK\$2	<b>100</b>	100

Notes:

- (a) Indirectly held by the Company
- (b) Represents equity interest in the paid up capital of the subsidiary
- (c) Represents profit sharing ratio in the subsidiary

### 37. PRINCIPAL ASSOCIATED COMPANIES

Name	Place of incorporation/ establishment	Principal activities	Issued and paid up capital/ registered capital	Percentage of effective equity interest held	
				2001	2000
Operate in the People's Republic of China					
China Tianjin Otis Elevator Co., Ltd.	People's Republic of China	Manufacturing and sales of elevators and escalators	US\$26,300,000	<b>33.34</b>	33.34
Jinri Container Service Co., Ltd.	People's Republic of China	Provision of container repair service, storage and agency services	US\$1,011,500	<b>40</b>	40
Otis Elevator (China) Investment Co., Ltd.	People's Republic of China	Investment holding	US\$67,625,000	<b>33.34</b>	33.34
Tianjin Ally Thrive International Trade Co., Ltd.	People's Republic of China	Provision of shipping, transportation and storage services	RMB6,000,000	<b>42.5</b>	42.5
Tianjin Economic and Technology Development Zone Lianxing Trade Co., Ltd.	People's Republic of China	Trading of metal and chemical products	RMB1,000,000	<b>40</b>	40
Tianjin Harbour Container Transportation Co., Ltd.	People's Republic of China	Provision of storage and agency services	RMB30,000,000	<b>35</b>	35
Tianjin Jinhai Industrial Co., Ltd.	People's Republic of China	Provision of shipping, transportation and storage services	US\$1,500,000	<b>41</b>	41
Tianjin Jinli International Container Freight Agency Ltd.	People's Republic of China	Provision of agency service	US\$500,000	<b>50</b>	50
Tianjin Liantong Shipping Co., Ltd.	People's Republic of China	Provision of shipping agency services	US\$300,000	<b>35</b>	35
Operate in Hong Kong					
Shares listed in Hong Kong					
Wah Sang Gas Holdings Limited	Bermuda	Investment holding	HK\$21,160,000	<b>25.14</b>	30.14

The associated companies are all indirectly held by the Company.

## 38. JOINTLY CONTROLLED ENTITIES

Name	Place of incorporation/ establishment	Principal activities	Issued and paid up capital/ registered capital	Percentage of effective equity interest held	
				2001	2000
Operate in the People's Republic of China					
Tianjin Pepsi-cola Beverage Company Limited	People's Republic of China	Manufacturing and sales of Pepsi Products and other beverages	RMB45,650,000	44	44
GraphOn China Limited	Cayman Islands	Development and marketing of computer software	US\$70,000	—	50

The jointly controlled entities are held directly by the Company.