

NOTES TO THE FINANCIAL STATEMENTS

1

Basis of preparation

The financial statements 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 (“HKSA”). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, investment property and other investments are stated at fair value.

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

SSAP 9 (revised)	: Events after the balance sheet date
SSAP 14 (revised)	: Leases (effective for periods commencing on or after 1 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 investments in subsidiaries

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

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Principal accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half 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.

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 accumulated foreign currency translation reserve and unamortised goodwill/negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

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

In the Company’s balance sheet the 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 dividends received and receivable.

(b) Jointly controlled entities

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.

Joint venture arrangements which involve the establishment of a separate entity in which each joint venture partner has an interest are referred to as jointly controlled entities.

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Principal accounting policies – Continued

(b) **Jointly controlled entities** – Continued

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/negative goodwill (net of accumulated amortisation and accumulated impairment losses) on acquisition.

Where the estimated recoverable amount of any of the investments in jointly controlled entities falls below its carrying value, an impairment loss is recognised in the profit and loss account to reduce the carrying value of the individual investment to its recoverable amount.

The gain or loss on the disposal of a jointly controlled entity represents the difference between the proceeds of the sale and the Group's share of its net assets together with any accumulated foreign currency translation reserve and unamortised goodwill/negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

(c) **Infrastructure joint ventures**

The Group's investments in infrastructure projects under cooperative joint venture arrangements are referred to as infrastructure joint ventures where the other joint ventures partners have unilateral control over the economic activities of the projects. The Group's return to be derived therefrom is pre-determined and the Group is not entitled to share the assets of these cooperative joint ventures at the end of the relevant joint venture period. Such investments are initially recorded at cost. Payments receivable from such investments are apportioned between income and reduction of the carrying value of the investments so as to give a constant periodic rate of return on the net investments. Where the estimated recoverable amount of any of these investments falls below its carrying value, an impairment loss is recognised in the profit and loss account to reduce the carrying value of the individual investment to its recoverable amount.

(d) **Associates**

An associate 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 the results of the associates for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associates and also goodwill/negative goodwill (net of accumulated amortisation and accumulated impairment losses) on acquisition.

In the Company's balance sheet the investments in associates are stated at cost less provision for impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

The gain or loss on the disposal of an associate represents the difference between the proceeds of the sale and the Group's share of its net assets together with any accumulated foreign currency translation reserve and unamortised goodwill/negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

(e) **Translation of foreign currencies**

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

The balance sheets of subsidiaries, jointly controlled entities and associates expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences arising therefrom are dealt with as a movement in reserves.

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Principal accounting policies – Continued

(f) 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 are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance in the investment properties revaluation reserve is charged to the profit and loss account. Where a decrease has previously been charged to the profit and loss account and a revaluation increase subsequently arises, this increase is credited to the profit and loss account to the extent of the decrease previously charged. Investment properties are not depreciated except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the carrying value over the remaining term of the lease.

(ii) Vessels

Vessels are stated in the consolidated balance sheet at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated to write off the vessels' cost less the directors' estimate of their residual values on a straight-line basis over their expected remaining working lives. Such working lives are taken as twenty-five years from the date when the vessels were built.

Vessel repairs and annual survey costs are charged to profit and loss account when incurred.

(iii) Other fixed assets

Other fixed assets, comprising land and buildings, plant, machinery, furniture and equipment, motor vehicles and leasehold improvements are stated at cost less accumulated depreciation and accumulated impairment losses.

Leasehold land is depreciated over the period of the lease while other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Land use rights	Over the term of the lease
Land and buildings	Over the term of the lease
Plant, machinery, furniture and equipment	2 to 10 years
Motor vehicles	5 to 10 years
Leasehold improvements	5 years

Improvements are capitalised and depreciated over their expected useful lives to the Group.

(iv) Impairment and 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 vessels, assets under construction and other 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.

The gain or loss on disposal of a fixed asset other than investment properties and assets under construction 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.

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.

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Principal accounting policies – Continued

(g) **Leases**

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

(h) **Intangibles**

(i) *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 subsidiary at the date of acquisition.

In accordance with SSAP 30, goodwill on acquisitions occurring on or after 1 January 2001 is included in intangible assets and is amortised using the straight-line method over its maximum estimated useful life of up to 20 years.

Goodwill on acquisitions that occurred prior to 1 January 2001 was written off against reserves. The Group has taken advantage of the transitional provisions 1(a) in SSAP 30 and goodwill previously written off against reserves has not been restated. However any impairment arising on such goodwill is accounted for in accordance with SSAP 31.

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 after 1 January 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of the future losses and expenses that are identified in the Group's 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 profit and loss account 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 profit and loss account 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 profit and loss account immediately.

For acquisitions prior to 1 January 2001, negative goodwill was taken directly to reserves on acquisitions. The Group has taken advantage of the transitional provisions in SSAP 30 and such negative goodwill has not been restated.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for pre 1 January 2001 acquisitions, the related goodwill written off against reserves to the extent it has not previously been realised in the profit and loss account.

(ii) *Toll highway operating rights*

Toll highway operating rights are stated at cost, being its acquisition price, less accumulated amortisation and accumulated impairment losses. Amortisation is provided to write off the cost less accumulated impairment losses of the toll highway operating rights on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the periods for which the Group is granted the rights to operate the toll highway.

(iii) *Impairment of intangible assets*

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

2

Principal accounting policies – Continued

(i) **Investments in securities**

Investments in securities are classified as investment securities and other investments.

(i) *Investment securities*

Investment securities are stated at cost less any 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 securities will be 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 the profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(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.

(j) **Inventories**

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

(k) **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.

(l) **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.

(m) **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 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.

In prior years, dry-docking expenses were provided over a dry-docking cycle. The adoption of SSAP 28 has meant that the provision for dry-docking expenses previously recognised at 31 December 2000 does not meet the recognition criteria prescribed in the new standard. In order to comply with the new standard, dry-docking expenses are now capitalised and amortised over a dry-docking cycle. As the amount involved is not significant in the context of the accounts as a whole in 2000 and 2001, the directors consider it appropriate to adjust the provision in the current year. Accordingly, the provision for dry-docking expense of HK\$27,166,000 at 31 December 2000 has been reversed and credited to the current year's profit and loss account. No adjustment to opening retained earnings for 2000 and 2001 has been made.

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Principal accounting policies – Continued

(n) Contingent liabilities

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 financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it 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.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(o) Convertible bonds

Convertible bonds are separately disclosed and regarded as liabilities unless conversion actually occurs. The finance cost recognised in the profit and loss account in respect of the convertible bonds is calculated so as to produce a constant periodic rate of charge on the remaining balance of the convertible bonds for each accounting period.

The costs incurred in connection with the issue of convertible bonds are capitalised and amortised on a straight-line basis over the lives of the convertible bonds from the date of issue of the bonds to their final redemption date. If any of the bonds is purchased and cancelled, redeemed or converted prior to the final redemption date, an appropriate portion of the remaining unamortised costs will be charged immediately to the profit and loss account.

(p) 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 recoverable in the foreseeable future.

(q) Revenue recognition

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

Revenue from voyage and time charters are recognised proportionately over the charter periods. The excess of the amounts received over the amounts recognised as revenue for the year is included in the balance sheet as charter hire received in advance.

Toll revenue, net of business tax, is recognised on a receipt basis.

Income from infrastructure joint ventures, where the Group is entitled to a pre-determined guaranteed return over the contract period, is recognised in such a manner so as to produce a constant periodic rate of return on the Group's net investments to the extent that the economic benefits associated with the transaction will flow to the Group.

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

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

Profit or loss on share dealing is recognised on a trade date basis when a sale and purchase contract is entered into.

Operating lease rental income is recognised on a straight-line basis.

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Principal accounting policies – Continued

(r) Retirement benefit costs

The Group contributes to defined contribution retirement schemes, which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the profit and loss account represents contributions payable by the Group to the funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred and as appropriate, are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

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

(s) 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 costs represent corporate expenses. Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables, amount due from an associate, other investments and operating cash, and mainly exclude interests in associates and jointly controlled entities, investments in infrastructure joint ventures, investments securities, investment properties, negative goodwill and loans to an investee. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions fixed assets (note 13).

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

(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 29, this change has resulted in an increase in the Group's and the Company's opening retained earnings at 1 January 2001 by HK\$164,002,000 (1 January 2000: HK\$142,973,000) which is the reversal of the provision for the 2000 (1999) proposed final dividend previously recorded as a liability as at 31 December 2000 (31 December 1999) although not declared until after balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

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Turnover, revenues and segment information

The principal activities of the Group comprise port and port-related operation, infrastructure operation and industrial manufacturing. Revenues recognised during the year are as follows:

	2001 HK\$'000	2000 HK\$'000
Turnover		
Sales of goods	674,460	830,765
Charter income	474,759	494,481
Gross rental income from land and buildings	27,664	29,031
Toll highway operating income	29,222	27,583
	1,206,105	1,381,860
Other revenues		
Interest income	49,475	76,110
Profit on sales of listed other investments (net)	28,594	9,737
Income from infrastructure joint ventures	7,945	58,396
Dividend income from listed other investments	961	2,043
Others	15,331	11,939
	102,306	158,225
Total revenues	1,308,411	1,540,085

Primary reporting format – business segments

The Group is organised into three main business segments:

- Ports and port-related operation – shipping operation by the Group; and port businesses comprising container terminal operation, bulk and general cargo terminal operation, port transportation and airport cargo handling operation carried out by the Group's associates
- Infrastructure operation – toll road operation
- Industrial manufacturing – paint manufacturing by the Group; and container manufacturing by the Group's associates

Other operations of the Group mainly comprise holding of properties and dealing in shares, neither of which are of a sufficient size to be reported separately.

There are no sales or other transactions between the business segments.

Secondary reporting format – geographical segments

The Group's three business operations are managed in its headquarter in Hong Kong and other offices in Mainland China. As the Group's shipping business (within the ports and port-related operation segment) covers the world's shipping routes, the directors consider that it would not be meaningful to allocate turnover and operating profit of the shipping business to specific geographical segments. The Group's other businesses are mainly in Hong Kong and Mainland China as follows:

- Hong Kong – industrial manufacturing and properties holding
- Mainland China – industrial manufacturing and infrastructure operation
- Others – industrial manufacturing

There are no sales between the geographical segments.

NOTES TO THE FINANCIAL STATEMENTS

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Turnover, revenues and segment information – Continued

Primary reporting format – business segments

	Ports and port-related		Infrastructure		Industrial manufacturing		Other operations		Group	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit and loss account										
Turnover	474,759	494,481	29,222	27,583	674,460	830,765	27,664	29,031	1,206,105	1,381,860
Segment results	233,469	248,961	28,269	56,208	66,036	115,776	23,795	14,010	351,569	434,955
Unallocated costs									(41,884)	(38,823)
Unallocated interest income									31,650	52,730
Gain on disposal of interests in associates									5,165	66,546
Provision for impairment on Interests in jointly controlled entities	-	-	(100,000)	-	-	-	-	-	(100,000)	-
Investments in infrastructure joint ventures	-	-	(39,559)	-	-	-	-	-	(39,559)	-
Loss on disposal of interests in subsidiaries									-	(84,373)
Operating profit									206,941	431,035
Finance costs									(66,561)	(101,949)
Share of profits less losses of Associates	513,483	467,625	-	-	189,774	161,809	-	-	703,257	629,434
Jointly controlled entities	(3,568)	-	136,003	123,390	-	-	(973)	(732)	131,462	122,658
Profit before taxation									975,099	1,081,178
Taxation									(115,037)	(102,734)
Profit after taxation									860,062	978,444
Minority interests									(59,852)	(100,376)
Profit for the year									800,210	878,068
Balance sheet										
Segment assets	1,469,416	1,810,945	342,672	353,022	619,654	914,670	1,177,224	1,211,831	3,608,966	4,290,468
Interests in associates	2,419,677	2,049,763	-	-	746,684	614,161	-	-	3,166,361	2,663,924
Interests in jointly controlled entities	158,074	115,489	3,125,754	3,273,570	-	-	38,506	3,230	3,322,334	3,392,289
Investments in infrastructure joint ventures	21,061	-	433,514	473,018	-	-	-	-	454,575	473,018
Investments securities	31,327	31,327	-	-	-	-	-	-	31,327	31,327
Loans to an investee	340,662	304,999	-	-	-	-	-	-	340,662	304,999
Negative goodwill	(158,817)	-	-	-	-	-	-	-	(158,817)	-
Unallocated assets									1,523,867	1,413,374
Total assets									12,289,275	12,569,399
Segment liabilities	413,556	420,563	50,493	56,709	219,058	512,889	1,713	51	684,820	990,212
Unallocated liabilities									599,145	733,490
Total liabilities									1,283,965	1,723,702
Other information										
Capital expenditure	-	-	-	-	5,704	6,515	-	9,015	5,704	15,530
Unallocated capital expenditure									223	462
									5,927	15,992
Depreciation	102,929	87,797	230	477	13,385	13,406	25,573	25,230	142,117	126,910
Unallocated depreciation									6,129	6,668
									148,246	133,578
Amortisation charge (net)	1,405	-	6,079	5,231	-	-	-	-	7,484	5,231
Impairment charges	-	-	139,559	-	-	-	-	-	139,559	-

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Turnover, revenues and segment information – Continued

Secondary reporting format – geographical segments

	Turnover		Segment results		Total assets		Capital expenditure	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Operations other than shipping business:								
Hong Kong	86,895	58,386	32,766	18,011	1,177,230	1,213,396	223	9,477
Mainland China	573,079	755,390	77,292	157,716	962,320	1,266,127	5,704	6,515
Others	71,372	73,603	8,042	10,267	–	–	–	–
Shipping business, global scale	474,759	494,481	233,469	248,961	1,469,416	1,810,945	–	–
	1,206,105	1,381,860	351,569	434,955	3,608,966	4,290,468	5,927	15,992
Unallocated costs			(41,884)	(38,823)				
Unallocated interest income			31,650	52,730				
Gain on disposal of interest in associates			5,165	66,546				
Provision for impairment on interests in jointly controlled entities			(100,000)					
Investments on infrastructure joint ventures			(39,559)	–				
Loss on disposal of interests in subsidiaries			–	(84,373)				
Operating profit			206,941	431,035				
Interests in associates					3,166,361	2,663,924		
Interests in jointly controlled entities					3,322,334	3,392,289		
Investments in infrastructure joint ventures					454,575	473,018		
Investment securities					31,327	31,327		
Loans to an investee					340,662	304,999		
Negative goodwill					(158,817)	–		
Unallocated assets					1,523,867	1,413,374		
Total assets					12,289,275	12,569,399		

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Net gain on vessel insurance claim

The amount represented the final sum of the proceeds received in 2000 from the insurance claim for the constructive total loss of a vessel.

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5 Operating profit	2001 HK\$'000	2000 HK\$'000
Operating profit has been arrived at after crediting and charging the following:		
Crediting		
Operating lease rental income from land and buildings, net of outgoings of HK\$776,000 (2000: HK\$856,000)	26,888	28,175
Net exchange gain	2,202	1,035
Net unrealised holding gain on listed other investments	680	1,815
Amortisation on:		
Negative goodwill on privatisation of a subsidiary (included in administrative expenses) (note 14)	6,268	–
Negative goodwill on acquisition of an associate (included in administrative expenses)	315	–
Charging		
Staff costs, including directors' remuneration	74,544	65,459
Retirement benefits schemes contributions, net of forfeited contributions of HK\$59,000 (2000: HK\$36,000)	4,294	5,780
Total staff costs	78,838	71,239
Cost of inventories sold	427,551	548,192
Auditors' remuneration	2,651	3,120
Depreciation and amortisation on:		
Fixed assets	148,246	133,578
Goodwill on acquisition of an associate (included in administrative expenses)	7,988	–
Toll highway operating rights (included in cost of sales, note 14)	6,079	5,231
Loss on disposal of fixed assets	121	74
Operating lease rentals in respect of land and buildings	8,721	8,790
Provision for bad and doubtful debts	15,629	31,076
Provision for amounts due from an associate	10,575	–
Deficit arising from revaluation of investment property	–	7,796
Provision for diminution in value of leasehold land and buildings (note 13)	7,500	–

6 Finance costs	2001 HK\$'000	2000 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	29,508	59,300
Bank borrowings not wholly repayable within five years	12,351	17,737
Convertible bonds, wholly repayable within five years	22,301	22,313
Amortisation and write-off of bond issue expenses	2,401	2,599
	66,561	101,949

7 Retirement benefit costs	
The Group contributes to defined contribution provident funds, including the scheme set up under the Hong Kong Mandatory Provident Fund Ordinance ("MPF Scheme"), which are available to all employees. In accordance with the terms of the provident funds, contributions to the schemes by the Group and the employees are calculated as a percentage of the employees' basic salaries. For the MPF Scheme, both the employees and the employer are required to contribute 5% of the employees' monthly salaries up to a maximum of HK\$1,000 ("mandatory contribution") and employees can choose to make additional contributions. The employees are entitled to 100% of the employer's mandatory contributions upon their retirement age of 65 years old, death or total incapacity. For non-MPF Scheme, the unvested benefits of employees forfeited upon termination of employment can be utilised by the Group to reduce future levels of contributions.	

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7 Retirement benefit costs – Continued

The Group also participates in the employee pension schemes of the respective municipal government in various places in Mainland China where the Group operates. The Group is to make monthly contributions calculated as a percentage of the monthly payroll costs and the respective municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group. The Group's contributions to the schemes are expensed as incurred.

During the year, the aggregate amount of employer's contribution made by the Group was approximately HK\$4,294,000 (2000: HK\$5,780,000), after deduction of forfeited contribution of approximately HK\$59,000 (2000: HK\$36,000).

8 Directors' and senior management's emoluments

(a) Directors' emoluments

	2001 HK\$'000	2000 HK\$'000
Fees:		
Executive directors	–	108
Independent non-executive directors	300	300
	300	408
Other emoluments (executive directors):		
Salaries and other emoluments	6,523	4,061
Discretionary bonuses	262	395
Retirement benefits scheme contributions	130	127
	6,915	4,583
	7,215	4,991

The emoluments of the directors disclosed above do not include the benefits derived or to be derived from the options granted under the Company's share option schemes. Details of the share options granted to and / or exercised by the directors are disclosed in the directors' report.

As at 31 December 2001, certain directors held options to acquire 4,140,000 (2000: 10,075,000) and 350,000 (2000: 350,000) shares of the Company at exercise prices of HK\$5.054 and HK\$5.615 per share respectively. The closing market price of the shares as at 31 December 2001 was HK\$5.0 per share.

During the year, a total of 3,584,000 (2000: 175,000) shares were issued to certain directors of the Company at an exercise price of HK\$5.054 per share under a share option scheme.

The directors' emoluments are within the following bands:

	Number of directors	
	2001	2000
Nil – HK\$1,000,000	13	12
HK\$1,000,001 – HK\$1,500,000	1	–
HK\$1,500,001 – HK\$2,000,000	1	2
HK\$2,000,001 – HK\$2,500,000	1	–
	16	14

No director waived emoluments in respect of the years ended 31 December 2001 and 2000.

NOTES TO THE FINANCIAL STATEMENTS

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Directors' and senior management's emoluments – Continued

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2000: two) were directors of the Company whose emoluments are included in the disclosure in note 8(a) above. The emoluments of the remaining two (2000: three) individuals were as follows:

	2001 HK\$'000	2000 HK\$'000
Salaries and other benefits	3,452	3,730
Performance related incentive payments	327	448
Retirement benefits scheme contributions	76	122
	3,855	4,300

The emoluments are within the following bands:

	Number of individuals	
	2001	2000
Nil – HK\$1,000,000	–	1
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$2,500,001 – HK\$3,000,000	1	–
	2	3

9

Taxation

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

The Group's major operating subsidiaries and jointly controlled entities are exempt from PRC Enterprise Income Tax in the first two profit making years and followed by a 50% reduction in PRC Enterprise Income Tax for the three years thereafter.

No provision for taxation was made in respect of the shipping business as the shipping companies have no assessable income in any relevant jurisdiction for the year.

	2001 HK\$'000	2000 HK\$'000
The amount of taxation charged to the consolidated profit and loss account represents:		
Hong Kong profits tax:		
Current year	5,847	5,000
Over provision in prior years	(137)	(166)
PRC Enterprise Income Tax	5,535	12,661
	11,245	17,495
Share of taxation attributable to associates:		
Hong Kong	64,898	59,502
PRC Enterprise Income Tax	37,036	25,796
Share of taxation attributable to jointly controlled entities	1,858	(59)
	115,037	102,734

There was no material unprovided deferred taxation for the year.

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Profit for the year

Profit of the year is dealt with in the accounts of the Company to the extent of HK\$169,853,000 (2000: HK\$527,448,000, as restated (note 29)).

NOTES TO THE FINANCIAL STATEMENTS

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Dividends

	2001 HK\$'000	2000 HK\$'000
Interim, paid, in respect of 2001 of HK7.0 cents (2000: HK5.0 cents) per share	144,075	102,492
Final, proposed, of 2001 of HK9.0 cents (2000: HK8.0 cents) per share	184,813	164,002
	328,888	266,494

- (a) The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the financial statements for the years ended 31 December 1999 and 2000 were HK\$142,973,000 and HK\$164,002,000 respectively. Under the Group's new accounting policy as described in note 2(t), these have been written back against reserves as at 1 January 2000 and 2001 in note 29 and are now charged in the period in which they were proposed.
- (b) At a meeting held on 22 April 2002, the directors declared a final dividend of HK9.0 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements but will be reflected as an appropriation of retained earnings for the year ending 31 December 2002.

12

Earnings per share

The calculation of the basic and diluted earnings per share are based on the following data:

	2001 HK\$'000	2000 HK\$'000
Earnings for the purposes of basic earnings per share	800,210	878,068
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	22,301	22,313
Earnings for the purposes of fully diluted earnings per share	822,511	900,381

	2001 Number of shares	2000 Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	2,053,031,000	2,044,984,000
Effect of dilutive potential ordinary shares:		
Options	489,000	1,122,000
Convertible bonds	61,997,000	61,997,000
Weighted average number of ordinary shares for the purposes of fully diluted earnings per share	2,115,517,000	2,108,103,000

13

Fixed assets

	Investment property HK\$'000	Land and buildings HK\$'000	Assets under construction HK\$'000	Group				Total HK\$'000
				Vessels HK\$'000	Plant, machinery, furniture and equipment HK\$'000	Motor vehicles HK\$'000	Leasehold improvements HK\$'000	
Cost or valuation								
At 1 January 2001	14,000	1,521,263	2,188	1,847,875	91,785	22,108	10,737	3,509,956
Exchange adjustments	(37)	4	-	(672)	-	-	1	(704)
Additions	8	125	1,517	-	3,140	1,137	-	5,927
Disposals	-	(229)	-	-	(248)	(261)	-	(738)
Transfers	-	2,035	(2,035)	-	-	-	-	-
At 31 December 2001	13,971	1,523,198	1,670	1,847,203	94,677	22,984	10,738	3,514,441
Accumulated depreciation								
At 1 January 2001	-	114,907	-	461,369	56,619	18,682	2,136	653,713
Exchange adjustments	-	1	-	(241)	-	-	-	(240)
Charge for the year	-	32,737	-	102,929	8,305	2,284	1,991	148,246
Provision for diminution in value	-	7,500	-	-	-	-	-	7,500
Disposals	-	(18)	-	-	(191)	(229)	-	(438)
At 31 December 2001	-	155,127	-	564,057	64,733	20,737	4,127	808,781
Net book value								
At 31 December 2001	13,971	1,368,071	1,670	1,283,146	29,944	2,247	6,611	2,705,660
At 31 December 2000	14,000	1,406,356	2,188	1,386,506	35,166	3,426	8,601	2,856,243

NOTES TO THE FINANCIAL STATEMENTS

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Fixed assets – Continued

- (a) The analysis of the cost or valuation of the above assets at 31 December 2001 is as follows:

	Investment property HK\$'000	Land and buildings HK\$'000	Assets under construction HK\$'000	Vessels HK\$'000	Plant, machinery, furniture and equipment HK\$'000	Motor vehicles HK\$'000	Leasehold improve- ments HK\$'000	Total HK\$'000
At cost	–	1,523,198	1,670	1,847,203	94,677	22,984	10,738	3,500,470
At 2001 valuation	13,971	–	–	–	–	–	–	13,971
	13,971	1,523,198	1,670	1,847,203	94,677	22,984	10,738	3,514,441

- (b) The analysis of the cost or valuation of the above assets at 31 December 2000 is as follows:

At cost	–	1,521,263	2,188	1,847,875	91,785	22,108	10,737	3,495,956
At 2000 valuation	14,000	–	–	–	–	–	–	14,000
	14,000	1,521,263	2,188	1,847,875	91,785	22,108	10,737	3,509,956

- (c) The Group's interests in investment property, land and buildings and assets under construction at their net book values are analysed as follows:

	Group					
	Investment property		Land and buildings		Assets under construction	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Leasehold land and buildings in Hong Kong, held on:						
Leases of over 50 years	–	–	1,309,183	1,337,621	–	–
Leases of between 10 to 50 years	–	–	8,314	16,311	–	–
Land use rights and buildings in the PRC, held on:						
Land use rights period of between 10 to 50 years	13,971	14,000	44,404	45,812	1,670	2,188
Land use rights period of less than 10 years	–	–	6,170	6,612	–	–
	13,971	14,000	1,368,071	1,406,356	1,670	2,188

- (d) The investment property was revalued at 31 December 2001 by Shenzhen Gongpinghen Appraisal Co., Ltd., a registered asset valuer in the PRC, on an open market value basis.
- (e) At 31 December 2001, a vessel with a net book value of HK\$300,354,600 (2000: HK\$316,828,000) was pledged as security for the Group's banking facilities (note 25).

NOTES TO THE FINANCIAL STATEMENTS

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Fixed assets – Continued

	Company			Total HK\$'000
	Plant, machinery, furniture and equipment HK\$'000	Motor vehicles HK\$'000	Leasehold improvements HK\$'000	
Cost				
At 1 January 2001	1,964	2,956	20	4,940
Additions	224	–	–	224
At 31 December 2001	2,188	2,956	20	5,164
Accumulated depreciation				
At 1 January 2001	1,487	2,468	–	3,955
Charge for the year	404	308	7	719
At 31 December 2001	1,891	2,776	7	4,674
Net book value				
At 31 December 2001	297	180	13	490
At 31 December 2000	477	488	20	985

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Intangibles

	Group	
	Toll highway operating rights HK\$'000	Negative goodwill HK\$'000
Net book value as at 1 January 2001	332,364	–
Exchange difference	68	–
Acquisition of minority interest in a subsidiary (Amortised)/released for the year (note 5)	–	(165,085)
	(6,079)	6,268
Net book value as at 31 December 2001	326,353	(158,817)
At 31 December 2001		
Cost	349,963	(165,085)
Accumulated amortisation	(23,610)	6,268
Net book value	326,353	(158,817)
At 31 December 2000		
Cost	349,884	–
Accumulated amortisation	(17,520)	–
Net book value	332,364	–

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Interests in subsidiaries – Company

	2001	As restated 2000
	HK\$'000	HK\$'000
Unlisted shares, at cost	1,789,674	1,789,674
Amounts due from subsidiaries	10,608,837	10,848,825
	12,398,511	12,638,499
Amounts due to subsidiaries	2,829,197	2,233,810

The amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repaid in the next twelve months from the balance sheet date and accordingly, the amounts are shown as non-current. In accordance with the new accounting policy as set out in note 29 (d), the amounts due from subsidiaries at 31 December 2000 have been restated to reverse the 2000 final dividend receivable from subsidiaries.

Other than CMHI Caymans Inc., the subsidiaries have no loan capital. CMHI Caymans Inc. has issued convertible bonds with a principal amount of US\$40,960,000 (equivalent to HK\$317,435,000) outstanding at 31 December 2001 (2000: US\$40,960,000). The Group has no interest in these convertible bonds.

Particulars of the Company's principal subsidiaries at 31 December 2001 are set out in note 39.

NOTES TO THE FINANCIAL STATEMENTS

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Interests in associates

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Listed shares, at cost				
Shares listed in PRC	–	–	153,174	153,174
Share of net assets of:				
Listed associates	1,133,794	908,773	–	–
Unlisted associates	1,827,113	1,609,773	–	–
	2,960,907	2,518,546	153,174	153,174
(Negative goodwill)/goodwill on acquisition of associates less amortisation and impairment:				
Listed associates	(9,750)	–	–	–
Unlisted associates	115,020	–	–	–
	105,270	–	–	–
Amounts due from associates	110,759	145,378	–	–
Provision	(10,575)	–	–	–
	100,184	145,378	–	–
	3,166,361	2,663,924	153,174	153,174
Market value of listed shares	656,489	340,134	347,423	48,281

At 31 December 2001, the Group held a total of 181,656,883 (2000: 182,606,883) shares in PRC listed associates, of which 120,511,190 (2000: 120,511,190) shares are founder shares and have no market value.

The amounts due from associates are unsecured, interest free and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repaid in the next twelve months from the balance sheet date and accordingly, the amounts are shown as non-current.

Particulars of the Group's principal associates at 31 December 2001 are set out in note 40.

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Interests in jointly controlled entities

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets of jointly controlled entities	2,030,010	1,899,773
Loans to jointly controlled entities	1,392,324	1,492,516
Less: Provision for impairment on interests in jointly controlled entities	(100,000)	–
	3,322,334	3,392,289

Loans to jointly controlled entities are unsecured, interest free and have no fixed terms of repayments. In the opinion of the directors, the loans are part of the investments in the jointly controlled entities and accordingly, the amounts are shown as non-current.

Particulars of the Group's jointly controlled entities at 31 December 2001 are set out in note 41.

For the year ended 31 December 2001, the traffic volume of one of the toll roads operated by certain jointly controlled entities was below budget. In accordance with the requirements of SSAP 31, the Group performed an assessment of the amount recoverable from the jointly controlled entities. The assessment was based on the toll roads' estimated future cash flows. The discount rate used in estimating the present value of the future cash flow was 12%. As a result, a provision of HK\$100,000,000 has been made for impairment on the interests in the jointly controlled entities for the year ended 31 December 2001.

NOTES TO THE FINANCIAL STATEMENTS

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Investments in infrastructure joint ventures

	Group	
	2001 HK\$'000	2000 HK\$'000
Unlisted investments, at cost	291,320	267,920
Loans to infrastructure joint ventures	252,709	252,654
	544,029	520,574
Less:		
Accumulated capital receipts from infrastructure joint ventures	(49,895)	(47,556)
Provision for impairment on investments in infrastructure joint ventures	(39,559)	–
	454,575	473,018

Loans to infrastructure joint ventures are unsecured, interest free and have no fixed terms of repayment. In the opinion of the directors, the loans are part of the investments in the infrastructure joint ventures and accordingly, the amounts are shown as non-current.

For the year ended 31 December 2001, the Group has failed to collect the fixed annual returns from certain infrastructure joint ventures. In accordance with the requirements of SSAP 31, the Group performed an assessment of the fair value of the infrastructure joint ventures. The assessment was based on the estimated future cash flows or net selling price of the investments, as appropriate. The discount rate used in estimating the present value of the future cash flow was 12%. As a result, a provision of HK\$39,559,000 has been made for impairment on the investments in the infrastructure joint ventures for the year ended 31 December 2001.

Particulars of the Group's infrastructure joint ventures at 31 December 2001 are as follows:

Name of joint venture	Country of establishment	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activity
Luo-mei Highways Company Limited <i>(note a)</i>	PRC	RMB83,000,000	33.4%	Operation of toll road
Zhangzhou Tongda Road Development Company Limited <i>(note b)</i>	PRC	US\$12,000,000	16.8%	Operation of toll road
Zhangzhou Haiwei Construct Development Company Limited <i>(note c)</i>	PRC	RMB340,000,000	40%	Operation of toll road
Ningbo China Merchants International Container Company Ltd. <i>(note d)</i>	PRC	US\$12,000,000	25%	Ports and port-related operation

NOTES TO THE FINANCIAL STATEMENTS

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Investments in infrastructure joint ventures – Continued

Notes:

- (a) The Group's investment in the infrastructure joint venture represents a 33.4% interest in the registered capital of Luo-mei Highways Company Limited 羅梅公路有限公司 ("Luo-mei Highways JV"), a Sino-foreign co-operative joint venture established in the PRC for the period from June 1996 to June 2021 and engaged in the operation of a toll road in the PRC.

According to the terms of the relevant joint venture agreements, the Group is entitled to receive from Luo-mei Highways JV a pre-determined annual return during the first 20 years (the "Guaranteed Period").

The Group's net investment is secured by the PRC joint venture partners' interest in the registered capital of Luo-mei Highways JV. The obligation of the PRC joint venture partners to pay the above annual return is in turn guaranteed by corporate guarantees given by 羅定市屏風山水泥廠 and 羅定市銀河紡織總廠. Should the distributable profit of Luo-mei Highways JV be insufficient to pay the agreed annual returns to the Group, the shortfall and interest accrued thereon will be paid by the PRC joint venture partners. If the Group's agreed annual returns cannot be repaid in full in the first 15 years, the Guaranteed Period will be extended to 30 years. At the expiry of the Guaranteed Period and after the payment of the agreed annual returns to the Group, the Group will not share any profit of Luo-mei Highways JV and the remaining assets of Luo-mei Highways JV will be attributable to the PRC joint venture partners upon termination of the joint venture.

- (b) The Group's investment in the infrastructure joint venture represents a 16.8% interest in the registered capital of Zhangzhou Tongda Road Development Company Limited 漳州通達道路開發有限公司 ("Zhangzhou Tongda JV"), a Sino-foreign co-operative joint venture established in the PRC for the period from April 1992 to April 2022 and engaged in the operation of a toll road in the PRC.

According to the terms of the relevant joint venture agreements, the Group is entitled to receive from Zhangzhou Tongda JV a fixed annual return of US\$1,700,000 for a term of 20 years (the "Guaranteed Period"). Any excess of the distributable profit of Zhangzhou Tongda JV over the agreed fixed annual return will not be shared by the Group and is attributable to the PRC joint venture partners. Should the distributable profit of Zhangzhou Tongda JV be insufficient to pay the agreed fixed annual returns to the Group, the shortfall and interest accrued thereon will be paid by the PRC joint venture partners. However, during the 7th year of the Guaranteed Period, the Group has the option to choose, for the rest of the Guaranteed Period, either (i) to share in the profit or loss of Zhangzhou Tongda JV in proportion to the percentage of registered capital held by the Group, or (ii) to continue to receive the guaranteed return. At the expiry of the Guaranteed Period, the Group will transfer its entire interest in Zhangzhou Tongda JV to the PRC joint venture partners at nil consideration and the remaining assets and liabilities of Zhangzhou Tongda JV will be attributable to the PRC joint venture partners.

- (c) The Group's investment in the infrastructure joint venture represents a 40% interest in the registered capital of Zhangzhou Haiwei Construct Development Company Limited 漳州海威建設發展有限公司 ("Zhangzhou Haiwei JV"), a Sino-foreign co-operative joint venture established in the PRC for the period from June 1996 to June 2026 and engaged in the construction, operation and management of a toll road in the PRC.

According to the terms of the relevant joint venture agreements, the Group is entitled to receive from Zhangzhou Haiwei JV a fixed annual return of US\$6,400,000 in the first 7 years commencing August 1997. Any excess of the distributable profit of Zhangzhou Haiwei JV over the agreed fixed annual return during the first 7 years will not be shared by the Group and is attributable to the PRC joint venture partners. During the following 16 years, the Group will share in the distribution of Zhangzhou Haiwei JV's profit in accordance with its capital contribution ratio, but the amount shared by the Group will not be less than US\$6,400,000 per annum. Should the distributable profit of Zhangzhou Haiwei JV be insufficient to pay the agreed annual returns to the Group, the shortfall and interest accrued thereon will be paid by the PRC joint venture partners. At the expiry of the abovementioned joint venture period and after the Group has received full payment of the amounts mentioned above, the Group will, at nil consideration, transfer its entire interest in Zhangzhou Haiwei JV to the PRC joint venture partners, and waive its right to the repayment of its loan to Zhangzhou Haiwei JV.

- (d) The Group's investment in the infrastructure joint venture represents a 25% interest in the registered capital of Ningbo China Merchants International Container Company Limited 寧波招商國際集裝箱有限公司 ("Ningbo JV"), a Sino-foreign co-operative joint venture established in the PRC for the period from December 2000 to December 2015 and engaged in the operation of a container port in the PRC.

According to the terms of the relevant joint venture agreement, the Group is entitled to receive from Ningbo JV a fixed annual return of US\$300,000 plus an annual return of 8.5% on the outstanding investment in the first 10 years. Profit of the Ningbo JV will not be shared by the Group. At the expiry of the abovementioned joint venture period the Group will, at nil consideration, transfer its entire interest in Ningbo JV to the PRC joint venture partner.

In the opinion of the directors, all the above joint ventures are the Group's passive investments because the Group's return to be derived therefrom is pre-determined and the Group is not entitled to share the assets of these joint ventures at the end of the relevant joint venture period.

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Investments in securities

	Group	
	2001 HK\$'000	2000 HK\$'000
Investment securities:		
Unlisted shares, at cost	31,327	31,327
Other investments, at market value:		
Listed shares outside Hong Kong	–	21,581
Listed shares in Hong Kong	10,443	10,368
Bonds listed outside Hong Kong	–	2,222
	10,443	34,171

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Loans to an investee

The loans are unsecured; bears interest at a rate of 1% per annum and have no fixed terms of repayment. In the opinion of the directors, the loans will not be repayable in the next twelve months from the balance sheet date and accordingly, the amounts are shown as non-current.

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Inventories

	Group	
	2001 HK\$'000	2000 HK\$'000
Raw materials	51,935	83,771
Work in progress	1,032	945
Finished goods	52,040	60,398
	105,007	145,114

Included in above are raw materials of HK\$146,000 (2000: HK\$1,829,000) and finished goods of HK\$258,000 (2000: HK\$1,126,000) which are carried at net realisable value.

22

Debtors, deposits and prepayments – Group and Company

Included in the Group's debtors, deposits and prepayments balance at the balance sheet date was trade debtors of HK\$196,166,000 (2000: HK\$248,334,000). The Group has a credit policy of allowing an average credit period of 60 days to its trade customers. The ageing analysis of trade debtors is as follows:

	2001	2000
	HK\$'000	HK\$'000
0 – 30 days	97,817	108,167
31 – 60 days	29,480	23,217
61 – 120 days	35,765	45,389
Over 120 days	33,104	71,561
	196,166	248,334

The Company has no trade debtors at 31 December 2001 and 2000.

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Amounts due from an intermediate holding company, fellow subsidiaries and an associate – Group and Company

The amounts are trading balance and are unsecured, interest free and repayable in accordance with the relevant trading terms.

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Creditors and accruals – Group and Company

Included in the Group's creditors and accruals balance at the balance sheet date was trade creditors of HK\$89,074,000 (2000: HK\$117,779,000). The ageing analysis of the trade creditors balance is as follows:

	2001 HK\$'000	2000 HK\$'000
0 – 30 days	58,018	82,723
31 – 60 days	22,236	19,058
61 – 120 days	8,678	7,302
Over 120 days	142	8,696
	89,074	117,779

The Company has no trade creditors at 31 December 2001 and 2000.

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Bank borrowings

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank loans and overdrafts				
Secured	216,225	227,806	–	–
Unsecured	342,847	716,629	155,950	415,700
	559,072	944,435	155,950	415,700
The Group's bank loans and overdrafts were repayable as follows:				
On demand or within one year	265,978	447,271	155,950	134,830
In the second year	48,902	204,014	–	191,666
In the third to fifth year	99,221	131,808	–	89,204
After the fifth year	144,971	161,342	–	–
	559,072	944,435	155,950	415,700
Less: Amount due within one year shown under current liabilities				
– Short term bank loans	(62,000)	–	–	–
– Bank borrowings due within one year	(203,978)	(447,271)	(155,950)	(134,830)
	293,094	497,164	–	280,870

At 31 December 2001, the Group's secured bank indebtedness was secured by one of its vessels and the secured vessel's earnings and insurance (note 13 (e)).

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Convertible bonds

	Group	
	2001 HK\$'000	2000 HK\$'000
Principal amount		
At 1 January	317,435	323,325
Converted during the year	–	(5,890)
	317,435	317,435
Issue expenses		
At 1 January	7,926	10,525
Amortisation for the year	(2,401)	(2,407)
Write-off upon conversion	–	(192)
	5,525	7,926
Carrying value at 31st December	311,910	309,509

The US\$40,960,000 (2000: US\$40,960,000) 7% guaranteed convertible bonds bear interest at 7% per annum. Interest is payable semi-annually in arrear on 20 May and 20 November each year commencing 20 November 1999 with the final payment of interest due on 20 April 2004. The convertible bonds are convertible into shares with a par value of HK\$0.1 each in the Company, on or after 31 May 1999 and up to 13 April 2004, at an initial conversion price of HK\$5.120 per share of the Company, determined on the basis of a fixed rate of exchange of HK\$7.7497 = US\$1.00. Unless previously converted, redeemed or purchased and cancelled, the convertible bonds will be redeemed, in whole or in part, at the option of the Group at any time on or after 20 April 2002 and prior to 20 April 2004 at 100% of their principal amount plus interest accrued.

NOTES TO THE FINANCIAL STATEMENTS

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Loans from minority shareholders – Group

The loans are unsecured, interest free and have no fixed terms of repayment. The minority shareholders have confirmed that they do not intend to demand repayment within the next twelve months from the balance sheet date. Accordingly, the loans are shown as non-current.

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Share capital

	Number of shares		Share capital	
	2001	2000	2001 HK\$'000	2000 HK\$'000
Ordinary shares of HK\$0.1 each				
Authorised:	3,000,000,000	3,000,000,000	300,000	300,000
Issued and fully paid:				
At 1 January	2,050,022,388	1,995,159,824	205,002	199,516
Issue of shares for acquisition of an associate	–	46,159,767	–	4,616
Issue of shares for acquisition of investment securities	–	7,377,452	–	738
Issue of shares on bond conversion	–	1,150,345	–	115
Issue of shares on exercise of share options (note (i))	4,150,000	175,000	415	17
Share repurchased (note (ii))	(700,000)	–	(70)	–
At 31 December	2,053,472,388	2,050,022,388	205,347	205,002

During the year, the following changes in the issued share capital of the Company took place:

- (i) During the year, 4,150,000 new ordinary shares of HK\$0.1 each in the Company were issued at exercise prices ranging from HK\$5.054 to HK\$5.63 per share on the exercise of share options by directors and employees.
- (ii) During the year, 700,000 ordinary shares of HK\$0.1 each were repurchased and cancelled. The premium paid on repurchase of these shares was charged to retained earnings of the Company.
- (iii) Details of share options granted by the Company pursuant to the share option schemes and the share options outstanding at 31 December 2001 are as follows:

Date of grant	Subscription price per share	At 1 January 2001	Share options granted during the year	Share options exercised during the year	Share options lapsed during the year	At 31 December 2001
1.March.2000	5.054	13,575,000	–	(4,090,000)	(1,076,000)	8,409,000
19.September.2000	5.615	1,400,000	–	(48,000)	–	1,352,000
24.May.2001	5.63	–	750,000	(12,000)	–	738,000
6.July.2001	5.61	–	700,000	–	–	700,000

The above outstanding share options can be exercised at any time during a period of 6 years commencing on the date of grant of the options.

NOTES TO THE FINANCIAL STATEMENTS

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Reserves

	Group					
	Share premium HK\$'000	Capital reserve (goodwill) HK\$'000	Translation reserve HK\$'000	Statutory reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2000, as previously reported	7,685,949	(195,619)	8,602	72,248	1,491,416	9,062,596
Effect of adopting SSAP 9 (Revised) (note 2(t))	–	–	–	–	142,973	142,973
At 1 January 2000, as restated	7,685,949	(195,619)	8,602	72,248	1,634,389	9,205,569
Issue of shares for acquisition of an associate	284,484	–	–	–	–	284,484
Issue of shares for acquisition of investment securities	45,462	–	–	–	–	45,462
Issue of shares on bond conversion	5,775	–	–	–	–	5,775
Issue of shares on exercise of share options	867	–	–	–	–	867
Share issue expenses	(76)	–	–	–	–	(76)
Goodwill arising on acquisition of associates	–	(116,504)	–	–	–	(116,504)
Goodwill realised on deemed disposal of an associate	–	5,021	–	–	–	5,021
Reserves realised on disposal of subsidiaries	–	113,901	(17,228)	(2,134)	–	94,539
Share of goodwill reserve of associates	–	(3,791)	–	–	–	(3,791)
Share of goodwill reserve of jointly controlled entities	–	(643)	–	–	–	(643)
Exchange differences	–	–	6,332	–	–	6,332
Share of statutory reserves of jointly controlled entities	–	–	–	2,426	(2,426)	–
Profit for the year	–	–	–	–	878,068	878,068
1999 final dividend paid	–	–	–	–	(142,973)	(142,973)
2000 interim dividend paid (note 11)	–	–	–	–	(102,492)	(102,492)
Transfer to reserves	–	–	–	20,826	(20,826)	–
Reserves	8,022,461	(197,635)	(2,294)	93,366	2,079,738	9,995,636
2000 final dividend proposed	–	–	–	–	164,002	164,002
At 31 December 2000	8,022,461	(197,635)	(2,294)	93,366	2,243,740	10,159,638
Company and subsidiaries	8,022,461	(171,796)	(7,053)	60,605	1,479,282	9,383,499
Associates	–	(25,839)	4,259	30,335	627,550	636,305
Jointly controlled entities	–	–	500	2,426	136,908	139,834
At 31 December 2000	8,022,461	(197,635)	(2,294)	93,366	2,243,740	10,159,638

NOTES TO THE FINANCIAL STATEMENTS

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Reserves – Continued

	Group						
	Share premium HK\$'000	Capital reserve (goodwill) HK\$'000	Capital redemption reserve HK\$'000	Translation reserve HK\$'000	Statutory reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2001, as previously reported	8,022,461	(197,635)	–	(2,294)	93,366	2,079,738	9,995,636
Effect of adopting SSAP 9 (Revised) (note 2(t))	–	–	–	–	–	164,002	164,002
At 1 January 2001, as restated	8,022,461	(197,635)	–	(2,294)	93,366	2,243,740	10,159,638
Issue of shares on exercise of share options	20,593	–	–	–	–	–	20,593
Share issue expenses	(21)	–	–	–	–	–	(21)
Cost of shares repurchased	–	–	70	–	–	(70)	–
Premium on share repurchased	–	–	–	–	–	(3,123)	(3,123)
Exchange differences	–	–	–	(1,631)	–	–	(1,631)
Profit for the year	–	–	–	–	–	800,210	800,210
2000 final dividend paid (note 11)	–	–	–	–	–	(164,002)	(164,002)
2001 interim dividend paid (note 11)	–	–	–	–	–	(144,075)	(144,075)
Transfer to reserves	–	–	–	–	30,575	(30,575)	–
Reserves	8,043,033	(197,635)	70	(3,925)	123,941	2,517,292	10,482,776
2001 final dividend proposed	–	–	–	–	–	184,813	184,813
At 31 December 2001	8,043,033	(197,635)	70	(3,925)	123,941	2,702,105	10,667,589
Company and subsidiaries	8,043,033	(171,796)	70	(7,444)	66,802	1,697,130	9,627,795
Associates	–	(25,839)	–	3,019	51,148	778,410	806,738
Jointly controlled entities	–	–	–	500	5,991	226,565	233,056
At 31 December 2001	8,043,033	(197,635)	70	(3,925)	123,941	2,702,105	10,667,589

NOTES TO THE FINANCIAL STATEMENTS

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Reserves – Continued

	Share premium HK\$'000	Capital reserve HK\$'000	Company Capital redemption reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2000, as previously reported	7,685,949	2,339,985	–	555,273	10,581,207
Effect of adopting SSAP 9 (Revised)					
1999 final dividend receivable (note 29(d))	–	–	–	(557,000)	(557,000)
1999 final dividend proposed (note 2(t))	–	–	–	142,973	142,973
At 1 January 2000, as restated	7,685,949	2,339,985	–	141,246	10,167,180
Issue of shares for acquisition of an associate	284,484	–	–	–	284,484
Issue of shares for the acquisition of investment securities	45,462	–	–	–	45,462
Issue of shares on bond conversion	5,775	–	–	–	5,775
Issue of shares on exercise of share options	867	–	–	–	867
Share issue expenses	(76)	–	–	–	(76)
Profit for the year (note 10)					
As previously reported	–	–	–	155,948	155,948
1999 final dividend received	–	–	–	557,000	557,000
2000 final dividend receivable	–	–	–	(185,500)	(185,500)
As restated	–	–	–	527,448	527,448
1999 final dividend paid	–	–	–	(142,973)	(142,973)
2000 interim dividend paid (note 11)	–	–	–	(102,492)	(102,492)
Reserves	8,022,461	2,339,985	–	259,227	10,621,673
2000 final dividend proposed	–	–	–	164,002	164,002
At 31 December 2000	8,022,461	2,339,985	–	423,229	10,785,675
At 1 January 2001 as previously reported	8,022,461	2,339,985	–	444,727	10,807,173
Effect of adopting SSAP 9 (Revised)					
2000 final dividend receivable (note 29(d))	–	–	–	(185,500)	(185,500)
2000 final dividend proposed (note 2(t))	–	–	–	164,002	164,002
At 1 January 2001, as restated	8,022,461	2,339,985	–	423,229	10,785,675
Issue of shares on exercise of share options	20,593	–	–	–	20,593
Shares issue expenses	(21)	–	–	–	(21)
Profit for the year (note 10)	–	–	–	169,853	169,853
Cost of shares repurchased	–	–	70	(70)	–
Premium on share repurchase	–	–	–	(3,123)	(3,123)
2000 final dividend paid (note 11)	–	–	–	(164,002)	(164,002)
2001 interim dividend paid (note 11)	–	–	–	(144,075)	(144,075)
Reserves	8,043,033	2,339,985	70	96,999	10,480,087
2001 final dividend proposed	–	–	–	184,813	184,813
At 31 December 2001	8,043,033	2,339,985	70	281,812	10,664,900

NOTES TO THE FINANCIAL STATEMENTS

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Reserves – Continued

- (a) The Company's capital reserve which arose in 1998 upon reduction of share premium as confirmed by the Order of the High Court of the Hong Kong Special Administrative Region is not realised profits and is a non-distributable reserve.
- (b) The statutory reserves are reserves required under PRC laws and regulations.
- (c) The Company's reserves available for distribution to shareholders at 31st December 2001 amounted to approximately HK\$281,812,000 (2000: HK\$423,229,000 as restated) being its retained profits at that date.
- (d) Following the adoption of revised SSAP 9, opening retained earnings of the Company at 1 January 2001 has decreased by HK\$185,500,000 (1 January 2000: HK\$557,000,000) which is the reversal of the 2000 (1999) final dividend receivable from subsidiaries previously recorded as an asset at 31 December 2000 (31 December 1999) although not received until after the balance sheet date.

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Reconciliation of operating profit to net cash inflow from operating activities

	2001 HK\$'000	2000 HK\$'000
Operating profit	206,941	431,035
Depreciation and amortisation	155,730	138,809
Provision for impairment on interests in jointly controlled entities	100,000	–
Provision for impairment on investments in infrastructure joint ventures	39,559	–
Provision for amounts due from an associate	10,575	–
Provision for diminution in value of leasehold land and buildings	7,500	–
Deficit arising on revaluation of investment property	–	7,796
Loss on disposal of fixed assets	121	74
Interest income	(49,475)	(76,110)
Income received from infrastructure joint ventures	(7,945)	(58,396)
Net unrealised holding gain on listed other investments	(680)	(1,815)
Gain on disposal of listed other investments	(28,594)	(9,737)
Write back of dry-docking provision	(27,166)	–
Dividend income from listed other investments	(961)	(2,043)
Gain on disposal of interests in associates	(5,165)	(66,546)
Loss on disposal of interests in subsidiaries	–	84,373
Decrease/(increase) in inventories	40,106	(22,333)
(Increase)/decrease in debtors, deposits and prepayments	(23,520)	97,710
(Increase)/decrease in listed other investments	(4,173)	14,644
(Increase)/decrease in amounts due from/(to) intermediate holding company and fellow subsidiaries	(4,600)	2,001
Decrease in amounts due from associates	74,797	3,055
(Decrease)/increase in creditors and accruals	(31,796)	104,689
Net cash inflow from operating activities	451,254	647,206

NOTES TO THE FINANCIAL STATEMENTS

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Analysis of changes in financing during the year

	Share capital and share premium HK\$'000	Bank loans HK\$'000	Convertible bonds HK\$'000	Minority interests HK\$'000	Loans from minority shareholders HK\$'000
At 1 January 2000	7,885,465	924,682	312,800	653,289	474,210
Exchange differences	–	2,764	–	1,433	–
New loans raised	–	331,263	–	–	–
Issue of shares on exercise of share options	884	–	–	–	–
Issue of shares for acquisition of an associate	289,100	–	–	–	–
Issue of shares for acquisition of investment securities	46,200	–	–	–	–
Share issue expenses	(76)	–	–	–	–
Conversion of bonds	5,890	–	(5,890)	–	–
Repayment of loans	–	(426,666)	–	–	–
Amortisation and write-off of bond issue expenses	–	–	2,599	–	–
Minority share of profit for the year	–	–	–	100,376	–
Dividend paid to minority shareholders	–	–	–	(14,834)	–
Capital contribution from minority shareholders	–	–	–	3,307	–
Disposal of subsidiaries	–	–	–	(202,654)	(419,571)
Advance from minority shareholders	–	–	–	–	125,771
Loans repaid to minority shareholders	–	–	–	–	(4,514)
Minority shares of reserves of subsidiaries	–	–	–	(59,860)	–
At 31 December 2000	8,227,463	832,043	309,509	481,057	175,896
Exchange differences	–	(82)	–	28	5
Issue of shares on exercise of share options	21,008	–	–	–	–
Cost of shares repurchased	(70)	–	–	–	–
Share issue expenses	(21)	–	–	–	–
Repayment of loans	–	(334,889)	–	–	–
Amortisation and write-off of bond issue expenses	–	–	2,401	–	–
Minority share of profit for the year	–	–	–	59,852	–
Dividend paid to minority shareholders	–	–	–	(21,930)	–
Buyout of minority interests in Ming Wah Universal Bermuda Co., Ltd.	–	–	–	(386,633)	–
Loans repaid to minority shareholders	–	–	–	–	(6,942)
At 31 December 2001	8,248,380	497,072	311,910	132,374	168,959

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Major non-cash transactions

During the year the Group acquired additional interest in an associate. As consideration, the Group capitalised the loan of HK\$33,696,000 due from the associate.

NOTES TO THE FINANCIAL STATEMENTS

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Commitments

(a) **Capital commitments for fixed assets**

	2001	2000
	HK\$'000	HK\$'000
Contracted but not provided for	753	13,255

(b) **Capital commitments for investments in jointly controlled entities**

	2001	2000
	HK\$'000	HK\$'000
Contracted but not provided for	191,251	–

(c) **Commitments under operating leases**

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

	2001	Restated 2000
	HK\$'000	HK\$'000
Within one year	4,951	4,963
In the second to fifth year inclusive	750	12,930
Total	5,701	17,893

The Company did not have any commitments at 31 December 2001 (2000: Nil).

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Contingent liabilities

At 31 December 2001, there were contingent liabilities in respect of the following:

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees for bank loans and overdrafts of subsidiaries	–	–	39,680,000	57,047,000
Guarantees for bank loans of associates	59,938,000	70,998,000	59,938,000	70,998,000
Guarantees for bank loans of an investee	3,900,000	3,900,000	3,900,000	3,900,000
Guarantees for convertible bonds issued by a subsidiary	–	–	317,435,000	317,435,000
Total	63,838,000	74,898,000	420,953,000	449,380,000

Management anticipates that no material liabilities will arise from the above guarantees which arose in the ordinary course of business.

NOTES TO THE FINANCIAL STATEMENTS

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Related party transactions

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

	Name of party	Nature of transaction	Note	2001 HK\$'000	2000 HK\$'000
(a)	Holding companies: China Merchants Holdings (Hong Kong) Company Limited	Rentals of office premises charged by the Group	(iii)	16,058	16,701
(b)	Fellow subsidiaries: Hoi Tung Marine Machinery Suppliers Limited	Rentals of warehouse charged to the Group Transportation service fee charged to the Group	(iv) (i)	4,526 1,313	2,448 846
	Hong Kong Ming Wah Shipping Co. Ltd.	Rentals of the office premises charged by the Group	(iii)	3,826	4,144
	Salemay Company Limited	Rentals of office premises charged by the Group	(iii)	7,751	8,073
	Salemay Company Limited	Sales of road marking, construction and other industrial products by the Group	(i)	3,447	6,643
	CM-CCS Securities Limited	Rentals of office premises charged by the Group	(iii)	30	112
	Associated Maritime Company (Hong Kong) Limited	Management fee paid by the Group	(ii)	12,492	14,095

The transactions set out in (a) and (b) above were entered into on the following bases:

- (i) Transportation service fee and sales were charged at negotiated prices by reference to market rates.
- (ii) Management fee was charged at cost plus a percentage profit mark-up and by reference to turnover.
- (iii) Rentals charged by the Group were based on independent property valuation reports and in accordance with the tenancy agreement entered into on 19 January 2000.
- (iv) Rentals charged to the Group were based on mutual agreement.

	Name of party	Nature of transaction	2001 HK\$'000	2000 HK\$'000
(c)	Jointly controlled entity of of the Company Zhangzhou China Merchants Port Co Ltd	Management fee charged by the Group	546	78

Management fee charged by the Group is based on the contracted amount contained in a management agreement entered between Group and the PRC joint venture partner, a fellow subsidiary of the Company, in July 2000.

NOTES TO THE FINANCIAL STATEMENTS

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Related party transactions – Continued

Name of party	Nature of transaction	2001 HK\$'000	2000 HK\$'000
(d) Associates of the Company: China International Marine Containers (Group) Ltd.	Sales of container paints by the Group	169,831	302,478
Valspar Hai Hong Coatings (Shenzhen) Company Limited	Rentals of premise charged by the Group	428	428

The sales and rentals were charged at negotiated prices by reference to market rates.

Name of party	Nature of transaction	2001 HK\$'000	2000 HK\$'000
(e) Associates of the holding company: China Merchants Bank (“CMB”)	Advance to the Group	–	188,537
	Interest charged to the Group	–	5,180
	Interest earned by the Group	1,122	3,012
	Deposits placed with CMB	47,591	145,765

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Post balance sheet events

No significant disclosable post balance sheet events were noted subsequent to the balance sheet date.

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Ultimate holding company

The directors regard China Merchants Holdings Company Limited, a company registered in the PRC, as being the ultimate holding company.

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Approval of financial statements

The financial statements were approved by the Board of Directors on 22 April 2002.

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Particulars of principal subsidiaries

Name of subsidiary	Place of incorporation or registration and operation	Nominal value of issued share capital or registered capital	Proportion of nominal value of issued capital or registered capital held by the Company		Principal activities
			Directly	Indirectly	
CMHI Caymans Inc.	Cayman Islands	US\$2	100%	–	Provision of financial services to group companies
Cotter International Limited	BVI	US\$1	–	100%	Investment in an infrastructure joint venture, Luo-mei Highways Co. Ltd
Fair Oaks Development Limited	Hong Kong	HK\$2	100%	–	Investment holding and securities trading
Finstead Shipping Limited	Liberia	US\$500	–	100%	Ship owning and operation

NOTES TO THE FINANCIAL STATEMENTS

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Particulars of principal subsidiaries – Continued

Name of subsidiary	Place of incorporation or registration and operation	Nominal value of issued share capital or registered capital	Proportion of nominal value of issued capital or registered capital held by the Company		Principal activities
			Directly	Indirectly	
Fully Profit Property Limited	Hong Kong	HK\$2	100%	–	Property investment
Hai Hong Industry (Shenzhen) Co. Ltd.*#	PRC	HK\$30,700,000	–	100%	Manufacture and sales of paint products
Hempel-Hai Hong Coatings Company Limited*	Hong Kong	HK\$106,000,000	–	64%	Sales of paint products
Hempel-Hai Hong Coatings (Kunshan) Company Limited**	PRC	HK\$40,000,000	–	64%	Manufacture and sales of paint products
Hempel-Hai Hong Coatings (Shenzhen) Company Limited**	PRC	HK\$40,000,000	–	64%	Manufacture and sales of paint products
Hempel-Hai Hong Coatings (Yan Tai) Company Limited**	PRC	HK\$20,000,000	–	64%	Manufacture and sales of paint products
Hempel Coatings (Shenshen) Company Limited**	PRC	HK\$20,000,000	–	64%	Manufacture and sales of paint products
Island Tanker No. 1 Shipping Inc.	Liberia	US\$10,000	–	100%	Ship-owning and operation
Island Tanker No. 2 Shipping Inc.	Liberia	US\$10,000	–	100%	Ship-owning and operation
Island Tanker No. 3 Shipping Inc.	Liberia	US\$10,000	–	100%	Ship-owning and operation
Island Tanker No. 4 Shipping Inc.	Liberia	US\$10,000	–	100%	Ship-owning and operation
New Alliance Shipping Inc.	Liberia	US\$5,000	–	100%	Ship-owning and operation
New Amity Shipping Inc.	Liberia	US\$5,000	–	100%	Ship-owning and operation
Ningbo Changzhen Highway Co. Ltd* ^Δ	PRC	US\$7,730,640	–	60%	Operation of a toll Road
Ningbo Zhenluo Highway Co. Ltd* ^Δ	PRC	US\$6,329,440	–	60%	Operation of a toll Road

NOTES TO THE FINANCIAL STATEMENTS

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Particulars of principal subsidiaries – Continued

Name of subsidiary	Place of incorporation or registration and operation	Nominal value of issued share capital or registered capital	Proportion of nominal value of issued capital or registered capital held by the Company		Principal activities
			Directly	Indirectly	
Reed Overseas Limited	BVI	US\$1	–	100%	Investment in an infrastructure joint venture, Zhangzhou Tongda Road Development Co. Ltd.
Universal Sheen Investment Limited	Hong Kong	HK\$100	100%	–	Property holding
Wharton Overseas Limited	BVI	US\$1	–	100%	Investment in an infrastructure joint venture, Luo-mei Highways Co. Ltd.

* The financial statements of these subsidiaries were not audited by PricewaterhouseCoopers.

△ Sino-foreign joint venture.

Foreign investment enterprise.

The above table only lists those subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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Particulars of principal associates

Name of associate	Place of incorporation or registration and operation	Proportion of nominal value of issued capital or registered capital held by the Company		Principal activities
		Directly	Indirectly	
Asia Airfreight Terminal Company Limited	Hong Kong	–	20%	Airfreight
China International Marine Containers (Group) Ltd.* (“CIMC”) (B shares listed in Mainland China)	PRC	7.26%	20.05%	Design, manufacture and sales of dry freight containers and refrigerated containers
China Merchants Holdings (Pacific) Limited*	Singapore	–	23.9%	Investment holding
China Merchants Shekou Holdings Co. Ltd.* (“CMSH”)	PRC	–	18.62%**	Bulk cargo, domestic container port operation and passenger terminal services
China Nanshan Development (Group) Incorporation*	PRC	–	36.5%	Port transportation, petroleum services, property development, food and oil processing, building materials and other engineering services

NOTES TO THE FINANCIAL STATEMENTS

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Particulars of principal associates – Continued

Name of associate	Place of incorporation or registration and operation	Proportion of nominal value of issued capital or registered capital held by the Company		Principal activities
		Directly	Indirectly	
Jinan Metallic Pigment Company Limited *	PRC	–	35%	Manufacture and sales of metallic pigments for industrial use
Modern Terminals Limited (“MTL”)*	Hong Kong	–	22.1%	Provides container terminal services and warehouse services
PPG Coatings (Tianjin) Company Limited*	PRC	–	30%	Manufacture and sales of automotive coatings
Shekou Container Terminals Limited	PRC	–	32.5%	Container jetty business
Chiwan Container Terminal Co. Ltd.*	PRC	–	25.3%	Port and container terminal business
Valspar Hai Hong Coatings (Shenzhen) Company Limited*	PRC	–	40%	Manufacture and sales of packaging coating

* The financial statements of these companies were not audited by PricewaterhouseCoopers.

** In the opinion of the directors, the Group is in a position to exercise significant influence over CSMH. Accordingly, CSMH is regarded as an associate of the Group.

The above table only lists those associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

The results and assets and liabilities of the Group’s CIMC, a significant associate, are set out as follows:

	CIMC	
	2001 HK\$'000	2000 HK\$'000
Turnover	6,285,544	8,337,998
Profit for the year	537,957	414,563
Non-current assets	3,131,439	2,836,059
Current assets	2,628,186	3,316,457
Current liabilities	(1,792,334)	(2,979,520)
Non-current liabilities	(979,208)	(725,070)

In accordance with SSAP 10 paragraph 37, the Company should disclose detailed information including income, profit or losses, non-current assets, current assets, current liabilities, non-current liabilities and contingent liabilities of another significant associate, MTL. However, because of an agreement with the other shareholders of MTL, the information pertaining to MTL has not been disclosed in the financial statements, which represents a departure from the disclosure requirements of SSAP 10. In the opinion of the directors, this departure would not prevent the financial statements from giving a true and fair view of the Group’s results and affairs.

NOTES TO THE FINANCIAL STATEMENTS

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Particulars of jointly controlled entities

Name of jointly controlled entity	Nominal value of issued capital for registered capital	Proportion of nominal value of issued capital or registered capital held indirectly by the Company	Principal activities
(i) Joint ventures which hold the operating rights of the Guiliu Expressway in Guangxi, PRC (the "Guiliu JVs"):			
Guangxi Fushan Infrastructure Facilities Co., Ltd.	HK\$55,317,800	40%	Operation of toll road
Guangxi Guida Infrastructure Co., Ltd.	HK\$90,737,370	40%	Operation of toll road
Guangxi Liugui Highway Co., Ltd.	HK\$92,563,400	40%	Operation of toll road
Guangxi Liuqing Highway Co., Ltd.	HK\$84,661,600	40%	Operation of toll road
Guangxi Luqing Highway Construction Co., Ltd.	HK\$84,692,600	40%	Operation of toll road
Guangxi Machinery & Operation Co., Ltd.	HK\$84,126,200	40%	Operation of toll road
Guangxi Rongzhu Highway Construction Co., Ltd.	HK\$83,443,000	40%	Operation of toll road
Guangxi Surface Operation Co., Ltd.	HK\$67,552,000	40%	Operation of toll road
Guangxi Wanli Highway Engineering Co., Ltd.	HK\$92,453,900	40%	Operation of toll road
Guangxi Wushi Highway Co., Ltd.	HK\$66,732,800	40%	Operation of toll road
Guangxi Xinya Engineering Co., Ltd.	HK\$73,232,200	40%	Operation of toll road
Guangxi Zhenxing Infrastructure Co., Ltd.	HK\$49,317,000	40%	Operation of toll road
(ii) Joint ventures which hold the operating rights of the Guihuang Highway in Guizhou, PRC (the "Guihuang JVs"):			
Guizhou Jinguan Highway Co., Ltd.	US\$11,761,300	60%	Operation of toll road
Guizhou Jinhua Highway Co., Ltd.	US\$11,372,100	60%	Operation of toll road
Guizhou Pantao Highway Co., Ltd.	US\$10,204,320	60%	Operation of toll road
Guizhou Yunguan Highway Co., Ltd.	US\$10,201,600	60%	Operation of toll road

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Particulars of jointly controlled entities – Continued

Name of jointly controlled entity	Nominal value of issued capital for registered capital	Proportion of nominal value of issued capital or registered capital held indirectly by the Company	Principal activities
(iii) Joint ventures which hold the operating rights of the Yuyao Highway in Ningbo, PRC (the “Yuyao JVs”)			
Ningbo Baoshun Infrastructure Development Co. Ltd.	RMB54,304,000	60%	Operation of toll road
Ningbo Deshun Transportation Management Co. Ltd.	RMB79,696,000	60%	Operation of toll road
Ningbo Gangshun Communications Development Co. Ltd.	RMB65,624,000	60%	Operation of toll road
Ningbo Longshun Roads Development Co. Ltd.	RMB64,376,000	60%	Operation of toll road
Ningbo Yashun Roads & Bridges Co. Ltd.	RMB26,345,000	60%	Operation of toll road
Ningbo Yishun Roads Engineering Co. Ltd.	RMB98,924,000	60%	Operation of toll road
(iv) Others:			
CMF Technology Fund I Limited	US\$40,000,000	46.5%	Investment holding
Dichain Systems Limited	HK\$1,680,000	19.6%*	Investment holding
Twinbridge Development Corporation	US\$10,000	30%	Investment in toll bridge
Zhangzhou China Merchants Port Company Limited	RMB240,000,000	49%	Operation of berth No. 3 in the Zhengzhen Economic Development Zone, Fujian Province, PRC

* In the opinion of the directors, the Group exercised joint control over the financial and operating activities of this jointly controlled entity and hence classified as such.

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Particulars of jointly controlled entities – Continued

The Group's profit sharing entitlements in Guiliu JVs, Guihuang JVs and Yuyao JVs differ from the proportion of the registered capital held by the Group in these joint ventures for certain periods as follows:

- (a) For Guiliu JVs, the Group is entitled to share 90% of the profit/cash during the first 10 years;
- (b) For Guihuang JVs, the Group is entitled to share 100% of the profit/cash during the first 15 years; and
- (c) For Yuyao JVs, the Group is entitled to share 90%, 85%, 70%, 65%, 60%, 50% during the first, second, third, fourth, fifth to eighth and ninth to fifteenth years respectively.

Thereafter, the profit/cash sharing ratios of the Group will be the same as the proportion of the registered capital held by the Group. In the opinion of the directors, the Guiliu JVs, Guihuang JVs and Yuyao JVs are effectively jointly controlled and managed by the Group and the respective PRC joint venture partners. Accordingly, these companies are accounted for as jointly controlled entities of the Group.

The results and assets and liabilities of the Guiliu JVs, the material jointly controlled entities, are as follows:

	2001 HK\$'000	2000 HK\$'000
Turnover	125,368	116,544
Profit for the year	45,142	46,980
Non-current assets	2,552,652	2,592,493
Current assets	95,416	93,239
Current liabilities	(4,013)	(8,651)
Non-current liabilities	(1,196,680)	(1,275,955)