

Notes to the Interim Accounts

For the six months ended 30th June 2002

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited consolidated condensed accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

These condensed accounts should be read in conjunction with the 2001 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31st December 2001 except that the Group has changed certain of its accounting policies following its adoption of the following Hong Kong Statement 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 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial reporting
SSAP 33	:	Discontinuing operations
SSAP 34	:	Employee benefits

The effect of such change to the results for the period is not material and details of this change in accounting policy will be given in the 2002 annual accounts.

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2 TURNOVER AND REVENUES

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.

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

	Unaudited	
	Six months ended 30th June	
	2002	2001
	HK\$'000	HK\$'000
Manufacturing and sales of winery products	350,297	300,862
Provision of container handling services	120,565	99,975
Provision of cargo handling services	115,771	120,666
Operation of Eastern Outer Ring Road	120,917	106,270
Sales of garments, chemical products and electrical components	46,143	123,501
Sales of properties	54,409	38,032
	808,102	789,306

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3 OPERATING PROFIT BEFORE FINANCING

	Unaudited	
	Six months ended 30th June	
	2002	2001
	HK\$'000	HK\$'000
Operating profit before financing is stated after crediting and charging the following:		
<i>Crediting</i>		
Exchange (loss)/gain	(30)	676
Gain on disposal of fixed assets	—	499
Gain on partial disposal and deemed disposals of interests in an associated company	23,022	4,234
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<i>Charging</i>		
Staff costs	93,780	84,617
Retirement benefit cost	13,574	11,258
Depreciation		
Owned fixed assets	66,392	61,310
Leased fixed assets	26	112
Loss on disposal of fixed assets	4,995	1,597
Operating lease rental expense on		
Land and buildings	11,873	10,012
Berths, railway and storage space	9,629	9,629
Plant and equipment	2,328	2,494
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4 TAXATION

	Unaudited	
	Six months ended 30th June	
	2002	2001
	HK\$'000	HK\$'000
Company and subsidiaries		
Over provision of Hong Kong profits tax	—	(3,000)
PRC income tax	35,898	32,516
Associated companies		
PRC income tax	8,349	5,107
	44,247	34,623

No provision for Hong Kong profits tax has been made as there are no estimated assessable profit for the period (2001:Nil).

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

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

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

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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 period.

5 DIVIDENDS

	Unaudited Six months ended 30th June	
	2002 HK\$'000	2001 HK\$'000
2001 final, paid, of HK2.5 cents (2000: final, paid, of HK2.5 cents) per share	16,944	15,169
2002 interim, proposed on 18th September 2002, of HK3.3 cents (2001: interim, paid, of HK4.0 cents) per share (<i>note</i>)	22,366	27,110
	39,310	42,279

Note: At a meeting held on 18th September 2002, the directors declared an interim dividend of HK3.3 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.

6 EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to shareholders of HK\$110,580,000 (2001: HK\$95,547,000) and the weighted average number of 677,750,000 shares in issue (2001: 606,733,425 shares) during the period.

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The calculation of diluted earnings per share in 2001 was based on profit attributable to shareholders of HK\$95,547,000 and on the weighted average number of 606,733,425 shares in issue during the period plus the weighted average number of 2,451,083 shares deemed to have been issued at no consideration pursuant to the relevant outstanding options having been exercised.

The exercise of share options would have no dilutive effect on earnings per share in 2002.

7 TRADE RECEIVABLES

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

	Unaudited 30th June 2002 HK\$'000	Audited 31st December 2001 HK\$'000
Current	112,300	89,134
30 to 90 days	71,175	40,212
91 to 180 days	57,853	11,779
Over 180 days	95,211	106,341
	336,539	247,466

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

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8 TRADE PAYABLES

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

	Unaudited 30th June 2002 HK\$'000	Audited 31st December 2001 HK\$'000
Current	68,640	59,800
30 to 90 days	3,929	3,684
91 to 180 days	1,863	1,732
Over 180 days	7,300	7,079
	81,732	72,295

9 SHARE CAPITAL

	Unaudited 30th June 2002 HK\$'000	Audited 31st December 2001 HK\$'000
Authorised:		
3,000,000,000 shares of HK\$0.10 each	300,000	300,000
Issued and fully paid:		
677,750,000 shares of HK\$0.1 each	67,775	67,775

Note: At 30th June 2002, 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.

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10 LONG TERM LIABILITIES

	Unaudited 30th June 2002 HK\$'000	Audited 31st December 2001 HK\$'000
Bank loans		
secured	856,033	856,033
unsecured	549,966	430,961
Obligation under finance lease	—	120
Convertible bonds (<i>note</i>)	156,000	—
	1,561,999	1,287,114
Less: Amounts due within one year included under current liabilities	(771,934)	(297,544)
Amounts due after one year	790,065	989,570
The maturity of the Group's long term liabilities is as follows:		
Bank loans		
Within one year	771,934	297,449
In the second year	579,465	455,712
In the third to fifth years inclusive	54,600	533,833
	1,405,999	1,286,994
Obligation under finance lease		
Within one year	—	95
In the second year	—	25
	—	120
Convertible bonds		
In the third to fifth years inclusive	156,000	—
	1,561,999	1,287,114

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Note: On 18th April 2002, the Group issued US\$20,000,000 convertible bonds which are listed on the Luxembourg Stock Exchange and carry interest at 3% per annum payable semi-annually in arrears. Each bondholder 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.

11 OPERATING LEASE COMMITMENTS

At 30th June, 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30th June 2002 HK\$'000	Audited 31st December 2001 HK\$'000
Land and building		
Within one year	11,539	12,977
In the second to fifth year inclusive	25,740	27,974
After the fifth year	66,496	69,713
	103,775	110,664
Equipment, berths, railway		
Within one year	19,257	19,257
In the second to fifth year inclusive	81,107	80,121
After the fifth year	235,583	246,198
	335,947	345,576
Plant and machinery		
Within one year	4,433	4,434
In the second to fifth year inclusive	17,736	17,736
After the fifth year	45,818	48,035
	67,987	70,205
	507,709	526,445

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12 CAPITAL COMMITMENTS

	Unaudited 30th June 2002 HK\$'000	Audited 31st December 2001 HK\$'000
Authorised but not contracted for		
Improvements on leased berths	132,813	207,000
Contracted but not provided for in respect of		
Improvements on leased berths	141,313	234,000
Tang Jin Expressway	50,447	55,955
	191,760	289,955

13 CONTINGENT LIABILITIES

	Unaudited 30th June 2002 HK\$'000	Audited 31st December 2001 HK\$'000
Guarantees given to banks in respect of banking facilities extended to an associated company	—	11,503

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14 RELATED PARTY TRANSACTIONS

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

	Unaudited	
	Six months ended 30th June	
	2002	2001
	HK\$'000	HK\$'000
Transactions with Tianjin Port Authority and its associates		
Service fees paid for supporting services and auxiliary services <i>(note (b))</i>	12,498	11,287
Rental for land <i>(note (a))</i>	3,218	3,258
Rental for berths, railway and storage space <i>(note (a))</i>	9,629	9,737
Rental for equipment <i>(note (a))</i>	2,328	2,494
Purchase of stocks <i>(note (b))</i>	11,594	15,210
Transactions with Tianjin Agricultural Cultivation Group Company and its associates		
Packaging services	9,497	8,314
Purchase of packing materials	8,479	—
Purchase of unfinished wine	7,881	—
Rental for electricity transformation station <i>(note (b))</i>	1,018	1,018
Investment in a joint venture <i>(note (b))</i>	56,600	—
Transaction with Tianjin Engineering Bureau		
Management fee paid <i>(note (a))</i>	15,377	17,908
Transactions with Tsinlien Group Company Limited and its associates		
Interest expenses <i>(note (c))</i>	524	—
Management fee paid <i>(note (a))</i>	583	583
Rental on land and buildings <i>(note (a))</i>	3,173	3,253

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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.
- (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 7.02% to 8.30% per annum on the outstanding loan balance.

15 SEGMENT INFORMATION

Primary reporting format — business segments

	For the six months ended 30th June 2002									
	Winery	Container handling	Cargo handling	Operation of Eastern Outer Ring Road	Trading	Property development	Gas fuel supply	Elevator and escalator	Others	Group
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Turnover	350,297	120,565	115,771	120,917	46,143	54,409	—	—	—	808,102
Segment results	120,436	28,034	(13,429)	71,427	(20,909)	(5,024)	—	—	—	180,535
Gain on partial disposal and deemed disposal of interests in an associated company										23,022
Interest income										8,675
Net corporate expenses										(24,170)
Operating profit before financing										188,062
Finance costs										(39,502)
Share of profits less losses of Associated companies			(325)				22,773	29,386		51,834
Jointly controlled entities									(2,587)	(2,587)
Profit before taxation										197,807
Taxation										(44,247)
Profit after taxation										153,560
Minority interests										(42,980)
Profit attributable to shareholders										110,580

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Primary reporting format — business segments

	For the six months ended 30th June 2001									Group HK\$'000
	Winery HK\$'000	Container handling HK\$'000	Cargo handling HK\$'000	Operation of Eastern Outer Ring Road HK\$'000	Trading HK\$'000	Property development HK\$'000	Gas fuel supply HK\$'000	Elevator and escalator HK\$'000	Others HK\$'000	
Turnover	300,862	99,975	120,666	106,270	123,501	38,032	—	—	—	789,306
Segment results	103,063	28,640	8,340	58,021	(14,226)	3,162	—	—	—	187,000
Gain on deemed disposal of interest in an associated company										4,234
Interest income										21,172
Net corporate expenses										(22,547)
Operating profit before financing										189,859
Finance costs										(47,267)
Share of profits less losses of Associated companies	—	—	(141)	—	—	—	7,101	16,926	—	23,886
Jointly controlled entities	—	—	—	—	—	—	—	—	(2,987)	(2,987)
Profit before taxation										163,491
Taxation										(34,623)
Profit after taxation										128,868
Minority interests										(33,321)
Profit attributable to shareholders										95,547

Secondary report format — geographical segments

	Turnover		Operating profits	
	Six months ended 30th June		Six months ended 30th June	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
PRC				
mainland	761,959	665,805	201,444	201,226
Hong Kong	46,143	123,501	(20,909)	(14,226)
	808,102	789,306	180,535	187,000