

## 1. Principal accounting policies

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

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

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (the "HKSA"). They have been prepared under the historical cost convention as modified by the revaluation of non-trading securities.

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

SSAP 9 (revised)	:	Events after the balance sheet date
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

### (b) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 30 June. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective dates of acquisition or up to the effective dates of disposal as appropriate.

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

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

### (c) Subsidiaries

Subsidiaries are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations of the entities.

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 income.

**1. Principal accounting policies** (continued)

**(d) Associated companies**

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

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

**(e) Joint ventures**

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

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

**(f) 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, jointly controlled entity or associated company at the date of acquisition.

Goodwill on acquisitions that occurred prior to 1 July 2001 was taken to reserves (refer note 23). Goodwill on acquisitions occurring on or after 1 July 2001 is stated in the balance sheet as a separate asset which is amortised using the straight-line method over its estimated useful life of not more than 20 years.

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 occurring on or after 1 July 2001, negative goodwill is presented in the same balance sheet classification as goodwill. For acquisitions prior to 1 July 2001, negative goodwill was taken directly to reserves on acquisition.

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

**1. Principal accounting policies** (continued)

**(g) Fixed assets**

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

Leasehold land is depreciated over the period of the lease. 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, to their residual values. The principal annual rates are as follows:

Buildings	3%
Leasehold improvements	Over the lease terms
Port facilities and terminal equipment	2.25% – 15%
Furniture, fixtures and office equipment	7% – 20%
Motor vehicles	10% – 25%

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

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

**(h) Construction in progress**

Construction in progress is stated at cost less accumulated impairment losses. Cost includes leasehold land cost, development and construction expenditure incurred and interest and other direct costs attributable to the development. Construction in progress is transferred to the appropriate category of fixed assets when completed and ready for use. No depreciation is provided for construction in progress.

**(i) Non-trading securities**

Non-trading securities are stated at their fair values representing quoted market prices at the balance sheet date. Changes in the fair values of the securities are dealt with as movements in the investments revaluation reserve, until the securities are sold or are determined to be impaired, when the cumulative gain or loss derived from the securities recognised in the investments revaluation reserve, together with the amount of any impairment, is charged to the consolidated profit and loss account for the year in which the impairment arises. Where the circumstances and events leading to the impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged and any appreciation in fair value is credited to the consolidated profit and loss account to the extent of the amount previously charged.

**(j) 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.

**1. Principal accounting policies** (continued)

**(k) Contingent liabilities**

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

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

**(l) Impairment of assets**

At the balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that 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 consolidated profit and loss account.

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

**(m) Deferred taxation**

Deferred taxation is accounted for at the current tax 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.

**(n) Leases**

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

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

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

**1. Principal accounting policies** (continued)

**(o) Retirement benefit costs**

The Group contributes to defined contribution retirement schemes which are available to all employees in Hong Kong. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group's contributions to these schemes are expensed as incurred. The Group's contributions in respect of employees who leave the schemes during the year are not forfeited to reduce the employer's contributions for the year.

The Group also contributes to employee pension schemes established by municipal governments in respect of certain subsidiaries in the People's Republic of China (the "PRC"). The municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group. Contributions to these schemes are charged to the consolidated profit and loss account as incurred.

**(p) 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. All exchange differences arising in these cases are dealt with in the consolidated profit and loss account.

The accounts of subsidiaries, associated companies and jointly controlled entities expressed in foreign currencies are translated at the exchange rates ruling at the balance sheet date. All exchange differences arising therefrom are dealt with as a movement in reserves.

**(q) Revenue recognition**

Income from cargo handling and storage, container handling and storage and road freight services are recognised when services are rendered.

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

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

**(r) Borrowing costs**

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

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

**1. Principal accounting policies** (continued)**(s) Segment reporting**

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

Unallocated costs represent net corporate expenses less corporate interest income. Segment assets consist primarily of fixed assets, debtors and operating cash, and mainly exclude non-trading securities. Segment liabilities comprise operating liabilities. Capital expenditure comprises additions to fixed assets.

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

**2. Turnover and segment information**

The Group is principally engaged in the investment in and the development, operation and management of terminals in seaports and riverports and related business. Turnover represents income from cargo and container handling and storage, and road freight services, net of business tax. Revenues recognised during the year are as follows:

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Turnover		
Cargo handling and storage	<b>27,901</b>	57,648
Container handling and storage	<b>90,020</b>	71,063
Road freight services	<b>7,136</b>	7,150
	<b>125,057</b>	135,861
Other revenues		
Bank interest income	<b>5,117</b>	5,277
Gross rental income	<b>1,217</b>	1,144
	<b>6,334</b>	6,421
Total revenues	<b>131,391</b>	142,282

## Notes to the Accounts

### 2. Turnover and segment information (continued)

#### (a) Primary reporting format – business segments

	Cargo handling and storage HK\$'000	Container handling and storage HK\$'000 (note)	2002		Corporate HK\$'000	Group HK\$'000
			Road freight services HK\$'000 (note)	Warehousing HK\$'000		
Turnover	27,901	90,020	7,136	-	-	125,057
Segment results	(5,449)	15,960	(4,186)	-	-	6,325
Impairment losses of fixed assets	-	(119,500)	-	-	-	(119,500)
Gain/(loss) on disposal of subsidiaries and partial disposal of jointly controlled entities	21,735	(90,020)	-	-	-	(68,285)
Unallocated costs						(28,267)
Operating loss						(209,727)
Finance costs						(2,930)
Share of results of						
Jointly controlled entities	-	18,038	-	147,311		165,349
Associated companies	-	195,955	-	64,752		260,707
Profit before taxation						213,399
Taxation						(67,162)
Profit after taxation						146,237
Minority interests						(2,292)
Profit attributable to shareholders						143,945
<b>As at 30 June 2002</b>						
Segment assets	-	355,827	43,149	2,575	-	401,551
Investments in jointly controlled entities	-	607,483	-	1,470,619	-	2,078,102
Investments in associated companies	-	544,073	-	448,539	-	992,612
Unallocated assets						344,856
Total assets						3,817,121
Segment liabilities	-	3,844	633	-	-	4,477
Unallocated liabilities						70,237
Total liabilities						74,714
Minority interests						25,005
						99,719
Capital expenditure	5,110	14,678	4,229	-	136	24,153
Depreciation and amortisation	4,858	30,106	3,859	-	128	38,951
Impairment losses of assets	-	119,500	-	-	5,774	125,274
Other non-cash expenses	252	175	39	-	27	493

**2. Turnover and segment information** (continued)**(a) Primary reporting format – business segments** (continued)

	2001					
	Cargo handling and storage HK\$'000	Container handling and storage HK\$'000	Road freight services HK\$'000	Warehousing HK\$'000	Corporate HK\$'000	Group HK\$'000
Turnover	57,648	71,063	7,150	–	–	135,861
Segment results	(15,150)	11,067	(2,382)	–	–	(6,465)
Unallocated costs						(43,177)
Operating loss						(49,642)
Finance costs						(4,592)
Share of results of						
Jointly controlled entities	–	11,645	–	139,399		151,044
Associated companies	–	181,966	–	62,076		244,042
Profit before taxation						340,852
Taxation						(75,080)
Profit after taxation						265,772
Minority interests						10,366
Profit attributable to shareholders						276,138
As at 30 June 2001						
Segment assets	155,787	1,129,673	50,055	2,575	–	1,338,090
Investments in jointly controlled entities	–	177,651	–	1,521,928	–	1,699,579
Investments in associated companies	–	330,756	–	469,097	–	799,853
Unallocated assets						105,426
Total assets						3,942,948
Segment liabilities	151,010	27,714	475	–	–	179,199
Unallocated liabilities						72,860
Total liabilities						252,059
Minority interests						212,157
						464,216
Capital expenditure	3,708	107,980	482	–	163	112,333
Depreciation and amortisation	10,377	29,420	3,147	–	614	43,558
Impairment loss of assets	–	–	–	–	2,915	2,915
Other non-cash expenses	746	984	808	–	4	2,542



**2. Turnover and segment information** (continued)**(a) Primary reporting format – business segments** (continued)

Note:

Certain assets and liabilities of container handling and storage, and road freight services businesses of the Group as at 30 June 2002 have been grouped under investments in jointly controlled entities (refer note 15(e)(iii)).

**(b) Secondary reporting format – geographical segments**

	2002			
	Turnover HK\$'000	Segment results HK\$'000	Segment assets HK\$'000	Capital expenditure HK\$'000
Hong Kong	–	–	–	136
PRC	125,057	6,325	401,551	24,017
	<b>125,057</b>	<b>6,325</b>	<b>401,551</b>	<b>24,153</b>

	2001			
	Turnover HK\$'000	Segment results HK\$'000	Segment assets HK\$'000	Capital expenditure HK\$'000
Hong Kong	–	–	–	163
PRC	135,861	(6,465)	1,338,090	112,170
	<b>135,861</b>	<b>(6,465)</b>	<b>1,338,090</b>	<b>112,333</b>

### 3. Operating loss

Operating loss is stated after charging the following:

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Auditors' remuneration	<b>1,629</b>	2,083
Amortisation of goodwill	<b>16</b>	–
Bad debts written off	<b>1,231</b>	5,337
Provision for doubtful debts	<b>437</b>	1,623
Cost of services rendered (note)	<b>82,786</b>	103,662
Depreciation		
– owned fixed assets leased out under operating leases	<b>1,669</b>	2,322
– other owned fixed assets	<b>37,266</b>	41,236
Impairment loss of non-trading securities	<b>5,774</b>	2,915
Loss on disposal of fixed assets	<b>53</b>	918
Operating lease rentals in respect of land and buildings	<b>5,842</b>	10,518
Repairs, maintenance and consumables	<b>8,221</b>	10,390
Retirement benefit costs	<b>3,287</b>	4,035

Note:

Cost of services rendered also include retirement benefits costs and operating lease rentals of HK\$2,390,000 and HK\$4,053,000 (2001: HK\$3,354,000 and HK\$8,062,000) respectively as disclosed above.

### 4. Finance costs

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Interest expense on		
Bank loan wholly repayable within five years	<b>214</b>	–
Other loan wholly repayable within five years	<b>8</b>	462
Amount due to a minority shareholder of a former subsidiary	<b>2,708</b>	4,130
	<b>2,930</b>	4,592

## Notes to the Accounts

### 5. Taxation

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit for the year (2001: HK\$Nil). Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the year at rates of taxation prevailing in the countries in which the Group operates. Certain subsidiaries operating in the PRC are entitled to a 100% tax relief from corporate income tax for the year, and accordingly no corporate income tax has been made for the estimated assessable profit of those subsidiaries for the year.

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Company and subsidiaries		
PRC taxation	<b>69</b>	157
Share of taxation attributable to:		
Jointly controlled entities		
Hong Kong profits tax	<b>25,898</b>	22,899
Associated companies		
Hong Kong profits tax	<b>41,147</b>	51,887
PRC taxation	<b>48</b>	137
	<b>67,162</b>	75,080

There was no material unprovided deferred tax charge for the year (2001: HK\$Nil).

### 6. Share of results by minority interests

The minority interests' share of profits less losses of the Group's non-wholly owned subsidiaries amounted to HK\$2,292,000 for the year ended 30 June 2002 (2001: share of losses less profits of HK\$10,366,000).

### 7. Profit attributable to shareholders

The profit attributable to shareholders includes the profit for the year dealt with in the accounts of the Company amounting to HK\$235,345,000 (2001: HK\$98,437,000).

### 8. Dividends

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Interim, paid, of HK\$0.02 (2001: HK\$Nil) per ordinary share	<b>41,199</b>	–
4% cumulative convertible redeemable preference shares	<b>133,878</b>	133,878
	<b>175,077</b>	133,878

## 9. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$143,945,000 (2001: HK\$276,138,000) less preference share dividend of HK\$133,878,000 (2001: HK\$133,878,000) and the weighted average of 2,059,968,000 (2001: 2,059,968,000) ordinary shares in issue during the year.

The diluted earnings per share for the year ended 30 June 2002 is not presented as the conversion of preference shares is anti-dilutive.

The calculation of diluted earnings per share for the year ended 30 June 2001 was based on Group's profit attributable to shareholders of HK\$276,138,000 and 5,253,622,306 ordinary shares which are the weighted average number of 2,059,968,000 of ordinary shares in issue during that year plus the weighted average of 3,193,654,306 ordinary shares deemed to be issued on the conversion of all preference shares.

The conversion of share options is not dilutive for the years ended 30 June 2002 and 2001 as the exercise prices of the Company's outstanding options are higher than the fair value per ordinary share in the current year and the previous year.

## 10. Directors' and management's emoluments

### (a) Directors' emoluments

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

	2002 HK\$'000	2001 HK\$'000
Fees	600	—
Salaries, housing and other allowances, benefits in kind	—	—
Bonuses	—	—
Contributions to retirement schemes	—	—
	600	—

The above amounts include Directors' fees of HK\$200,000 (2001: HK\$Nil) paid to Independent Non-Executive Directors.

The Directors' emoluments are analysed as follows:

	Number of directors	
	2002	2001
Emolument bands		
Nil – HK\$1,000,000	10	10

The above analysis does not include individuals whose emoluments were among the five highest in the Group (2001: Nil).

As at 30 June 2002, five Directors had a total of 21,000,000 share options and 2,000,000 share options which were granted by the Company on 11 May 1999 and 16 February 2000 respectively under the share option scheme adopted by the Company on 11 April 1997. The options are exercisable at HK\$0.693 per share from 1999 to 2005.

No consideration was paid for each acceptance of the offer. No option was exercised by the Directors during the year.

**10. Directors' and management's emoluments** (continued)**(b) Management's emoluments**

Details of the aggregate emoluments paid to the five individuals (2001: five) whose emoluments were the highest in the Group and have not been included in the Directors' emoluments above are set out below:

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Salaries, housing and other allowances, benefits in kind	<b>5,529</b>	5,091
Bonuses	–	–
Contributions to retirement schemes	<b>271</b>	236
	<b>5,800</b>	5,327

The emoluments fell within the following bands:

Emolument bands	<b>Number of individuals</b>	
	<b>2002</b>	2001
Nil – HK\$1,000,000	<b>2</b>	2
HK\$1,000,001 – HK\$1,500,000	<b>1</b>	2
HK\$1,500,001 – HK\$2,000,000	<b>2</b>	1
	<b>5</b>	5

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

**11. Goodwill**

	<b>HK\$'000</b>
Cost	
Acquisition of an additional interest in a subsidiary during the year and at 30 June 2002	<b>675</b>
Accumulated amortisation	
Charge for the year and at 30 June 2002	<b>(16)</b>
Net book value	
<b>At 30 June 2002</b>	<b>659</b>
At 30 June 2001	–

Goodwill on acquisitions occurring prior to 1 July 2001 is taken directly to reserves (note 23).

## 12. Fixed assets

	Leasehold land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Port facilities and terminal equipment HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost							
At 1 July 2001	436,516	3,155	478,505	35,299	22,766	370,778	1,347,019
Additions	148	–	3,877	720	1,651	17,757	24,153
Transfer	1,120	–	7,710	–	–	(8,830)	–
Disposals	–	–	(3,953)	(271)	–	–	(4,224)
Disposal of a subsidiary	–	–	(120,757)	(10,447)	(4,245)	(1,665)	(137,114)
Deconsolidation of subsidiaries	(131,883)	–	(315,097)	(22,701)	(19,621)	(306,735)	(796,037)
<b>At 30 June 2002</b>	<b>305,901</b>	<b>3,155</b>	<b>50,285</b>	<b>2,600</b>	<b>551</b>	<b>71,305</b>	<b>433,797</b>
Accumulated depreciation and impairment losses							
At 1 July 2001	35,020	1,686	97,525	20,249	12,016	–	166,496
Charge for the year	10,658	75	22,762	3,561	1,879	–	38,935
Impairment loss	117,000	–	–	–	–	2,500	119,500
Disposals	–	–	(3,459)	(180)	–	–	(3,639)
Disposal of a subsidiary	–	–	(48,646)	(7,905)	(1,912)	–	(58,463)
Deconsolidation of subsidiaries	(14,793)	–	(59,974)	(14,640)	(11,814)	–	(101,221)
<b>At 30 June 2002</b>	<b>147,885</b>	<b>1,761</b>	<b>8,208</b>	<b>1,085</b>	<b>169</b>	<b>2,500</b>	<b>161,608</b>
Net book value							
<b>At 30 June 2002</b>	<b>158,016</b>	<b>1,394</b>	<b>42,077</b>	<b>1,515</b>	<b>382</b>	<b>68,805</b>	<b>272,189</b>
At 30 June 2001	401,496	1,469	380,980	15,050	10,750	370,778	1,180,523

All leasehold land and buildings, port facilities and construction in progress are situated in the PRC and are held under leases of 10 to 50 years.

The aggregate cost and accumulated depreciation and accumulated impairment losses of leasehold land and buildings held for use in operating leases as at 30 June 2002 amounted to approximately HK\$69,255,000 (2001: HK\$98,653,000), HK\$7,091,000 (2001: HK\$7,746,000) and HK\$26,814,000 (2001: HK\$Nil) respectively.

## Notes to the Accounts

### 13. Investments in subsidiaries

	Company	
	2002 HK\$'000	2001 HK\$'000
Unlisted investments, at cost (note b)	<b>3,369,253</b>	3,369,253
Amounts due from subsidiaries (note a)	<b>2,663,827</b>	2,429,432
Loan due to a subsidiary (note a)	<b>(242,336)</b>	–
	<b>5,790,744</b>	5,798,685
Less: Provision	<b>(436,205)</b>	(223,428)
	<b>5,354,539</b>	5,575,257

Notes:

- (a) The amounts/loan due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment.
- (b) Particulars of the principal subsidiaries which are directly or indirectly held as at 30 June 2002 are as follows:

Name	Place of incorporation/ establishment	Place of operations	Principal activities	Issued share capital/paid up capital	Group equity interest	
					2002	2001
* Hetro Limited	British Virgin Islands ("BVI")	Hong Kong	Investment holding	100 ordinary shares of US\$1 each	100%	100%
Keen Sales Limited	Hong Kong	Hong Kong	Investment holding	2 ordinary shares of HK\$1 each and 2 non-voting deferred shares of HK\$1 each	100%	100%
N.S.A. (Tianjin) Int'l Cargo Distribution Co., Ltd.	PRC	PRC	Holding a piece of land	US\$7,809,700	100%	100%
Nanjing Huining Wharfs Co., Ltd. (note iii)	PRC	PRC	Cargo handling and storage	US\$11,800,000	–	55%
New World Port Investments Limited	Hong Kong	Hong Kong	Investment holding	2 ordinary shares of HK\$1 each	100%	100%
Ready City Limited	Hong Kong	Hong Kong	Investment holding	200 ordinary shares of HK\$1 each	100%	100%
* Righteous Corporation	BVI	Hong Kong	Investment holding	1 ordinary share of US\$1	100%	100%

**13. Investments in subsidiaries** (continued)

Name	Place of incorporation/ establishment	Place of operations	Principal activities	Issued share capital/paid up capital	Group equity interest	
					2002	2001
* Stockfield Limited	BVI	Hong Kong	Investment holding	1 ordinary share of US\$1	100%	100%
Sunmall Limited (note i)	Hong Kong	Hong Kong	Investment holding	2 ordinary shares of HK\$1 each	100%	100%
# Suzhou Huisu International Container Freight Wharfs Co., Ltd. ("Huisu") (note ii)	PRC	PRC	Container handling, warehousing and road freight operations	US\$3,750,000	75%	55%
Xiamen New World Xiangyu Warehouse & Processing Zone Limited	PRC	PRC	Development of warehousing, processing and logistics facilities	US\$5,000,000	100%	100%
Xiamen Xinyuan Container Terminal Co., Ltd.	PRC	PRC	Cargo consolidation, container storage, and repairs and maintenance	RMB17,000,000	70%	70%
Xiamen Xiangyu Free Trade Zone Huijian Quay Co., Ltd. (note 15(e)(iii))	PRC	PRC	Development of container terminal	RMB166,700,000	-	60%
Xiamen Xiang Yu Quay Co., Ltd. (note 15(e)(iii))	PRC	PRC	Container handling and storage and road freight operations	RMB100,000,000	-	92%

\* Shares directly held by the Company

# The Group shares 100% of the subsidiary's results

The above table lists the principal subsidiaries of the Company which, in the opinion of the Directors, materially affect the results and/or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.



### 13. Investments in subsidiaries (continued)

Notes:

- (i) Pursuant to a share subscription agreement dated 11 October 2001 (the "Subscription Agreement"), Pacific Owner Limited ("POL"), a then wholly owned subsidiary of Sunmall Limited and the Company, issued three redeemable convertible shares of US\$1.00 each (the "Subscription Shares") to CSX World Terminals Hong Kong Limited ("CSXWTHK") at a cash consideration of HK\$242,336,001 (the "Consideration") (the "POL Transaction"). POL holds an equity interest of 66.1% in CSXWT Terminal 8 Limited ("CSXWT8"), a jointly controlled entity of the Company, which in turn holds an equity interest of 29.5% in Asia Container Terminals Limited ("ACT"), a jointly controlled entity of the Company. ACT has carried out projects in relation to the completion of the construction of Container Terminal No. 9 ("CT9") and the subsequent operation and management of that terminal or Container Terminal No. 8 West ("CT8W") under a berth swap agreement entered into between ACT and Modern Terminals Limited ("ACT project").

CSXWTHK has the right to direct all decision makings of POL and CSXWT8 in relation to the ACT project and has assumed all the funding obligations and contingent liabilities of POL in connection with ACT project with effect from the date of completion of the Subscription Agreement, i.e., 16 November 2001.

CSXWTHK has the right to convert the Subscription Shares issued into ordinary shares of POL. If CSXWTHK does not exercise its right to convert, the Company has a right to compel such conversion or redeem the Subscription Shares.

The Consideration has been received by the Company as a non-interest bearing loan. Until the conversion of the Subscription Shares, CSXWTHK will obtain the title for 100% interest in POL.

The Group has accounted for the POL Transaction as its disposal of the equity interest in POL, and therefore the relevant equity interests in CSXWT8 and ACT held by POL, on completion of the Subscription Agreement.

- (ii) On 8 February 2001 and 18 September 2001, an agreement and a supplemental agreement were entered into between the Group and Suzhou Tonggang Group Company ("Tonggang"), the minority shareholder of Huisu, respectively pursuant to which the Group acquired a 20% interest in Huisu from Tonggang at a consideration of approximately RMB4.9 million (approximately HK\$4.6 million). On 11 January 2002, the transaction was approved by the relevant PRC authorities and thereafter, the Group's equity interest in Huisu was increased to 75%.
- (iii) Pursuant to an operating and management agreement (the "Operating and Management Agreement") entered into between Nanjing Huining Wharfs Co, Ltd. ("Huining"), a then 55% indirectly owned subsidiary of the Company, and the minority shareholder of Huining on 30 August 2001, the minority shareholder has agreed to act as the new operator of Huining for its unexpired tenure up to 2 June 2019 at a consideration of RMB18,000,000 (approximately HK\$16,830,000) ("Huining Transaction") to be paid to the Group by Huining.

On the same date, the Group entered into an agreement with Huining pursuant to which the Group consented that the minority shareholder had the sole operation and management right of Huining. Furthermore, the Group also entered into a share pledge agreement with the minority shareholder pursuant to which the Group had pledged its entire 55% interest in Huining in favour of the minority shareholder as the Group's fulfillment of its obligation under the Operating and Management Agreement and as undertaking to maintain its interest in Huining until the expiry of tenure of Huining up to June 2019.

On 24 December 2001, the Operating and Management Agreement was approved by the relevant PRC authorities. The consideration was received by the Group on 22 March 2002. The Group has accounted for the Huining Transaction as its disposal of equity interest in Huining.

## 14. Investments in associated companies

	2002 HK\$'000	Group 2001 HK\$'000
Share of net assets	957,720	799,853
Goodwill on acquisition	34,892	–
	992,612	799,853

Notes:

- (a) The Company has no directly owned associated company as at 30 June 2002 and 2001. The particulars of the principal associated company held by the Company's subsidiaries as at 30 June 2002 are as follows:

Name	Place of incorporation	Place of operations	Principal activities	Issued share capital	Group equity interest	
					2002	2001
CSX World Terminals Hong Kong Limited	Hong Kong	Hong Kong	Operation of container terminal	55,000 "A" ordinary shares of HK\$1 each and 5,000 "B" ordinary shares of HK\$1 each	<b>33.34%</b>	33.34%

The above principal associated company of the Group, in the opinion of the Directors, materially affect the results and/or assets of the Group. To give details of other associated companies would, in the opinion of the Directors, result in particulars of excessive length.

**14. Investments in associated companies** (continued)

- (b) A summary of the financial information of CSXWTHK, a significant associated company of the Group, prepared based on the audited accounts of CSXWTHK for the relevant years, after making such adjustments as appropriate (including adjustments mainly for the fair value of fixed assets upon the Group's acquisition thereof), is as follows:

**Results for the year**

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Turnover	<b>1,152,502</b>	1,467,470
Profit before taxation	<b>781,965</b>	731,980
Taxation	<b>(123,560)</b>	(156,042)
Profit after taxation	<b>658,405</b>	575,938

**Net assets as at 30 June**

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Non-current assets	<b>2,308,169</b>	2,102,112
Current assets	<b>507,905</b>	532,078
Current liabilities	<b>(172,805)</b>	(192,385)
Non-current liabilities	<b>(52,186)</b>	(42,725)
	<b>2,591,083</b>	2,399,080

- (c) Contingent liabilities
- (i) ACT, a jointly controlled entity of CSXWTHK, is a party to agreements with third parties in respect of the joint development of CT9, the related berth swap arrangement and the funding/financing therefor. In the event of default of any of the third parties, ACT will be required to provide additional funds for the project. CSXWTHK has given guarantees in respect of these obligations of ACT and one of ACT's shareholders to provide additional funds. Were CSXWTHK required to perform its obligations under the guarantees, the maximum amount of the additional liabilities assumed in respect of the CT9 development, in addition to CSXWTHK's share of the capital commitments of ACT as at 30 June 2002 of approximately HK\$571 million (2001: HK\$193 million), amounted to approximately HK\$1,325 million (2001: HK\$449 million).
- (ii) A corporate guarantee has been given by CSXWTHK in favour of certain banks for banking facilities granted to ACT to the extent of approximately HK\$796.5 million as at 30 June 2002 (2001: HK\$300 million), in proportion to CSXWTHK interest in ACT. The proportionate amount utilised against such facilities as at 30 June 2002 which was secured by the corporate guarantee amounted to approximately HK\$172.6 million (2001: HK\$27.1 million).

## 15. Investments in jointly controlled entities

	Group	
	2002 HK\$'000	2001 HK\$'000
Non-current assets		
Share of net assets	1,693,088	1,473,105
Loans to jointly controlled entities (note a)	465,021	306,481
Loan from a jointly controlled entity (note b)	(80,007)	(80,007)
	<b>2,078,102</b>	1,699,579
Current assets		
Amounts due from jointly controlled entities (note c)	31,619	2,575
Loans to jointly controlled entities (note a)	84,150	–
	<b>115,769</b>	2,575
	<b>2,193,871</b>	1,702,154

Notes:

	2002 HK\$'000	2001 HK\$'000
(a) Subordinated loans (note ii)	251,370	305,301
Loans (note iii)	297,801	1,180
Total loans	<b>549,171</b>	306,481
Less: Current portion of loans (note iii)	<b>(84,150)</b>	–
	<b>465,021</b>	306,481

- (i) The total loans to jointly controlled entities are unsecured and interest free.
- (ii) The loans (the "Subordinated Loans") have been subordinated to bank borrowings and all other major indebtedness, including amounts repayable over one year, of certain jointly controlled entities of the Group. Accordingly, the Subordinated Loans have been classified as non-current assets.
- (iii) Loans of HK\$295,793,000 (2001: HK\$Nil) represented loans to Xiamen Xiang Yu Quay Co., Ltd, and Xiamen Xiangyu Free Trade Zone Huijian Quay Co., Ltd., then indirect subsidiaries of the Company (note 15(e)(iii)). Out of these loans, approximately HK\$84,150,000 (2001: HK\$Nil) is expected to be receivable within one year and has been included as current assets.

## Notes to the Accounts

### 15. Investments in jointly controlled entities (continued)

- (b) The loan from a jointly controlled entity is unsecured, interest free and not repayable within one year.
- (c) The amounts due from jointly controlled entities are unsecured, interest free and have no fixed terms of repayment.
- (d) As at 30 June 2001, the shares in a jointly controlled entity were pledged to a syndicate of financial institutions to secure a loan facility of HK\$1,750 million granted to that jointly controlled entity. The outstanding amount under the loan facility had been fully repaid during the year and the pledge was released accordingly.
- (e) The following is a list of the principal jointly controlled entities which are indirectly held by the Company as at 30 June 2002:

Name	Place of incorporation/ establishment	Place of operations	Principal activities	Issued share capital/paid up capital	Percentage of interest in ownership/ voting power/ profit sharing	
					2002	2001
Asia Container Terminals Limited (note i)	Hong Kong	Hong Kong	Development and operation of container terminal	1,000 ordinary shares of HK\$1 each	<b>23.34%</b>	36.33%
ATL Logistics Centre Hong Kong Limited ("ATL") (note ii)	Hong Kong	Hong Kong	Operation of cargo handling and storage facilities	100,000 "A" ordinary shares of HK\$1 each, 20,000 "B" preference shares of HK\$1 each, and 54,918 non-voting deferred shares of HK\$1 each	<b>55.67%</b>	55.67%
ATL Logistics Centre Yantian Limited	Hong Kong	Hong Kong	Investment holding	10,000 ordinary shares of HK\$1 each	<b>46%</b>	46%
CSX World Terminals New World (Tianjin) Limited	Cayman Islands ("CI")	Hong Kong	Investment holding	1,000 ordinary shares of US\$1 each	<b>50%</b>	50%
CSX World Terminals New World Limited	BVI	Hong Kong	Investment holding	2,000 ordinary shares of US\$1 each	<b>50%</b>	50%
CSX Orient (Tianjin) Container Terminals Co., Limited (formerly Sea-Land Orient (Tianjin) Container Terminals Co., Limited)	PRC	PRC	Operation of container terminal	US\$29,200,000	<b>24.5%/ 22.2%/ 24.5%</b>	24.5%/ 22.2%/ 24.5%

**15. Investments in jointly controlled entities** (continued)

Name	Place of incorporation/ establishment	Place of operations	Principal activities	Issued share capital/paid up capital	Percentage of interest in ownership/ voting power/ profit sharing	
					2002	2001
United Asia Terminals (Yantian) Limited	Hong Kong	Hong Kong	Operation of cargo handling and storage facilities	52,000 "A" ordinary shares of HK\$1 each, 52,000 "B" ordinary shares of HK\$1 each and 26,000 "C" ordinary shares of HK\$1 each	40%	40%
Xiamen Xiangyu Free Trade Zone Huijian Quay Co., Ltd. (note iii)	PRC	PRC	Development of container terminal	RMB166,700,000	60%/ 50%/ 61.3%	–
Xiamen Xiang Yu Quay Co., Ltd. (note iii)	PRC	PRC	Container handling and storage and road freight operations	RMB100,000,000	92%/ 50%/ 61.3%	–
Xiamen Xiangyu Free Port Developing Co., Ltd. (note iii)	PRC	PRC	Development of container terminal	RMB117,340,000	0%/ 50%/ 61.3%	–

The above table lists the principal jointly controlled entities of the Group which, in the opinion of the Directors, materially affect the results and/or assets of the Group. To give details of other jointly controlled entities would, in the opinion of the Directors, result in particulars of excessive length.

**15. Investments in jointly controlled entities** (continued)

Notes:

- (i) The Group's equity interest in ACT represents the aggregate of (i) a 13.5% (2001: 33%) equity interest held by a wholly owned subsidiary of the Company and (ii) a 29.5% (2001: 10%) equity interest held by a 33.34% owned associated company of the Group.
- (ii) The Group's equity interest in ATL represents the aggregate of (i) a 39% equity interest held by a wholly owned subsidiary of the Company and (ii) a 50% equity interest held by a 33.34% owned associated company of the Group.

A summary of the financial information of ATL, a significant jointly controlled entity of the Group, prepared based on the audited accounts of ATL for the relevant years, after making such adjustments as appropriate (including adjustments mainly for the fair value of fixed assets upon the Group's acquisition thereof), is as follows:

**Results for the year**

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Turnover	<b>682,428</b>	716,083
Profit before taxation	<b>389,655</b>	372,641
Taxation	<b>(66,560)</b>	(58,715)
Profit after taxation	<b>323,095</b>	313,926
Group's share of profit before taxation	<b>151,965</b>	145,330

**Net assets as at 30 June**

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Non-current assets	<b>3,518,544</b>	3,681,674
Current assets	<b>283,325</b>	150,985
Current liabilities	<b>(335,742)</b>	(367,940)
Non-current liabilities	<b>(773,751)</b>	(650,441)
	<b>2,692,376</b>	2,814,278

**15. Investments in jointly controlled entities** (continued)

- (iii) Pursuant to a merger agreement dated 28 June 2002 ("Merger Agreement"), Xiamen Xiang Yu Quay Co., Ltd ("Xiangyu"), a then indirect 92% owned subsidiary, will be merged with Xiamen Xiangyu Free Trade Zone Huijian Quay Co., Ltd ("Huijian"), a then indirect 60% owned subsidiary, and Xiamen Xiangyu Free Port Developing Co., Ltd ("Xiangyu Free Port") by way of absorption (collectively "Merger Parties"). The new merged entity will be owned and managed as to 50% by the Group.

Pursuant to the Merger Agreement, each of the Merger Parties is responsible for its operating results for the period prior to 1 January 2002 based on its equity ratio of each of the Merger Parties. For the period from 1 January 2002 to the date of completion of the merger, the Group will entitle to the monthly operating results of each of the Merger Parties in accordance with the respective daily consolidated actual investment ratios in the Merger Parties.

The results of Xiangyu and Huijian for the year ended 30 June 2002 have been consolidated in the consolidated profit and loss account based on the Group's entitlement. Upon effective commencement of the merger on 30 June 2002, Xiangyu and Huijian became jointly controlled entities of the Group.

A summary of the combined financial information of the new merged entity has not been presented as the accounts of the new merged entity were not available.

**16. Debtors, deposits and prepayments**

Included in debtors, deposits and prepayments are trade debtors (net of provision) and their age analysis is as follows:

	<b>0-3 months</b> HK\$'000	<b>4-6 months</b> HK\$'000	<b>7-12 months</b> HK\$'000	<b>Total</b> HK\$'000
<b>Balance at 30 June 2002</b>	<b>3,113</b>	<b>166</b>	<b>36</b>	<b>3,315</b>
Balance at 30 June 2001	28,888	8,311	9,775	46,974

The Group grants an average credit period of 1 to 3 months to its customers.



## Notes to the Accounts

### 17. Non-trading securities

	Group	
	2002 HK\$'000	2001 HK\$'000
Listed securities in Hong Kong	<b>3,027</b>	8,801

The securities were purportedly purchased on behalf of a subsidiary of the Group by a former director, who was also the Company's former Chairman. The Board of Directors of the Company was not aware of the transaction at the time of acquisition, nor was the acquisition authorised by the Board. The Group has already initiated legal proceedings against the former director for the recovery of the total amount paid for the securities and/or the shortfall in the market value thereof.

### 18. Bank balances and cash

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Bank balances and cash	<b>12,673</b>	55,148	<b>1,462</b>	1,308
Time deposits	<b>336,658</b>	106,821	<b>328,762</b>	49,793
	<b>349,331</b>	161,969	<b>330,224</b>	51,101

### 19. Creditors and accruals

Included in creditors and accruals are trade creditors and their age analysis is as follows:

	0-3 months HK\$'000	4-6 months HK\$'000	7-12 months HK\$'000	More than 12 months HK\$'000	Total HK\$'000
<b>Balance at 30 June 2002</b>	<b>916</b>	<b>7</b>	<b>9</b>	<b>–</b>	<b>932</b>
Balance at 30 June 2001	3,326	383	11	514	4,234

**20. Amount due to a minority shareholder of a subsidiary**

The amount due to minority shareholder of a subsidiary as at 30 June 2001 was unsecured, interest free, except for an amount of HK\$99,747,000 which bore interest at the prevailing bank borrowing rate in the PRC and had no fixed terms of repayment. The balance became HK\$Nil as at 30 June 2002 as a result of the disposal of the subsidiary during the year.

**21. Other loan – unsecured**

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Other loan repayable within one year	–	1,572

The other loan as at 30 June 2001 bore interest at the Deutschemark deposit rate in the London Interbank Euro-Currency Market plus 1.875% per annum. The loan was fully repaid in July 2001.

**22. Share capital**

	<b>Company</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Authorised:		
7,800,000,000 ordinary shares of HK\$0.10 each ("Ordinary Shares")	<b>780,000</b>	780,000
4,000,000,000 4% cumulative convertible redeemable preference shares of HK\$0.10 each ("Preference Shares")	<b>400,000</b>	400,000
	<b>1,180,000</b>	1,180,000
Issued and fully paid:		
2,059,968,000 Ordinary Shares	<b>205,997</b>	205,997
3,193,654,306 Preference Shares	<b>319,365</b>	319,365
	<b>525,362</b>	525,362

The Preference Shares, which were issued on 15 March and 26 April 2000, are redeemable, at the sole discretion of the Company, on the fifth anniversary date of their issue, at HK\$1.048 each, together with any unpaid dividend. Alternatively, at the sole discretion of the Company, on the fifth anniversary date of their issue, they may be compulsorily converted into Ordinary Shares.

**22. Share capital** (continued)

All preference shareholders have the right (the "Conversion Right") to convert any or all of their Preference Shares into fully paid Ordinary Shares, where one Preference Share will be convertible into one Ordinary Share, subject to adjustment, in circumstances, such as the consolidation or sub-division of Ordinary Shares. The Conversion Right is exercisable at any time during a period of five years from the date of issue of the Preference Shares.

None of the Preference Shares was converted during the year. The exercise in full of the Conversion Rights attached to the 3,193,654,306 Preference Shares in issue at 30 June 2002 would have, with the present capital structure of the Company, resulted in the issue of 3,193,654,306 additional Ordinary Shares.

In accordance with the Bye-laws of the Company, dividends on the Preference Shares (the "Preference Dividend") are to be paid out of the Company's distributable profits. The Preference Dividend is payable semi-annually on a dividend payment date, with the first dividend payment date on 31 July 2000. No dividend on any other share in the share capital of the Company is to be paid unless the Company has sufficient distributable profits to cover the Preference Dividend. At 30 June 2002, there was an unpaid dividend of HK\$55,018,000 (2001: HK\$55,018,000) in arrears for the outstanding Preference Shares. The unpaid dividend has been incorporated in the accounts.

**Share options**

On 11 April 1997, a share option scheme was adopted by the Company (the "1997 Share Option Scheme") under which the Directors may, at their discretion and during the period of three years commencing from 11 April 1997, grant options to Executive Directors or full-time employees of the Company or its subsidiaries to subscribe for Ordinary Shares of the Company.

The 1997 Share Option Scheme was expired on 11 April 2000. No further share options can be granted under such scheme. However, share options granted under the 1997 Share Option Scheme are still exercisable.

**22. Share capital** (continued)**Share options** (continued)

Movement of the share options granted under the 1997 Share Option Scheme is set out below:

Date of grant	Exercise price (subject to adjustments) HK\$	Exercise period (both dates inclusive)	Number of Ordinary Shares to be issued upon the exercise of the share option		
			Balance at 1 July 2001	Lapsed during the year	Balance at 30 June 2002
28 August 1998	0.7808	1 November 1998 to 28 February 2002	2,250,000	(2,250,000)	–
	0.7808	1 November 1999 to 28 February 2002	2,250,000	(2,250,000)	–
11 May 1999	0.6930	5 November 1999 to 4 November 2004	4,250,000	–	<b>4,250,000</b>
	0.6930	5 May 2001 to 4 November 2004	5,350,000	–	<b>5,350,000</b>
	0.6930	5 May 2002 to 4 November 2004	5,500,000	–	<b>5,500,000</b>
	0.6930	5 May 2003 to 4 November 2004	6,600,000	–	<b>6,600,000</b>
	0.6930	5 May 2004 to 4 November 2004	300,000	–	<b>300,000</b>
16 February 2000	0.6930	16 August 2000 to 15 August 2005	400,000	–	<b>400,000</b>
	0.6930	16 February 2002 to 15 August 2005	500,000	–	<b>500,000</b>
	0.6930	16 February 2003 to 15 August 2005	500,000	–	<b>500,000</b>
	0.6930	16 February 2004 to 15 August 2005	600,000	–	<b>600,000</b>
			28,500,000	(4,500,000)	<b>24,000,000</b>

None of the share options was exercised during the year.

**22. Share capital** (continued)

**Share options** (continued)

On 21 June 1999, the Company approved another share option scheme (the "1999 Share Option Scheme") under which the Directors may, at their discretion and during the period of three years commencing from 21 June 1999, grant options to any Director or full-time employee of the Company or its subsidiaries to subscribe for the Ordinary Shares. The 1999 Share Option Scheme was expired on 21 June 2002 and no share option had ever been granted under such scheme.

Subsequent to the amendment of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in 2001, a new share option scheme was adopted by the Company on 6 December 2001 (the "2001 Share Option Scheme") which will be valid and effective for a period of ten years from the date of adoption. The Directors of the Company may, at their discretion, grant options to any Director (including Executive Directors and Independent Non-Executive Directors) or employee of the Company or a subsidiary to subscribe for the Ordinary Shares. The total number of Ordinary Shares which may be issued upon exercise of all share options to be granted under the 2001 Share Option Scheme and any other share option schemes must not in aggregate exceed 10% of the ordinary share capital of the Company in issue as at the date of approval of the 2001 Share Option Scheme. No share option had been granted under such scheme since its adoption and as at the date of approval of the accounts.

As at the date of the approval of the accounts, a total of 22,000,000 share options were outstanding and all of which were granted under the 1997 Share Option Scheme. The exercise in full of the outstanding options, would, under the present capital structure of the Company, result in the issue of 22,000,000 additional Ordinary Shares and cash proceeds to the Company of approximately HK\$15,246,000, before the related share issue expenses.

The total number of Ordinary Shares available for issue under the 2001 Share Option Scheme is 183,996,800 which represents approximately 8.93% of the issued ordinary share capital of the Company.

## 23. Reserves

## Group

	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Investments revaluation reserve HK\$'000	Other reserves HK\$'000	Goodwill reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 July 2000	4,770,803	1,054	272,737	4,238	-	-	(2,265,164)	27,442	2,811,110
Movement in fair value	-	-	-	-	(2,915)	-	-	-	(2,915)
Release upon impairment in value	-	-	-	-	2,915	-	-	-	2,915
Transfer of reserves	-	-	-	-	-	415	-	(415)	-
Net profit for the year	-	-	-	-	-	-	-	276,138	276,138
Dividend (note 8)	-	-	-	-	-	-	-	(133,878)	(133,878)
<b>At 30 June 2001</b>	<b>4,770,803</b>	<b>1,054</b>	<b>272,737</b>	<b>4,238</b>	<b>-</b>	<b>415</b>	<b>(2,265,164)</b>	<b>169,287</b>	<b>2,953,370</b>
Retained by/ (accumulated in):									
Company and subsidiaries	4,770,803	1,054	272,737	4,238	-	415	(2,265,164)	(37,443)	2,746,640
Jointly controlled entities	-	-	-	-	-	-	-	108,467	108,467
Associated companies	-	-	-	-	-	-	-	98,263	98,263
<b>At 30 June 2001</b>	<b>4,770,803</b>	<b>1,054</b>	<b>272,737</b>	<b>4,238</b>	<b>-</b>	<b>415</b>	<b>(2,265,164)</b>	<b>169,287</b>	<b>2,953,370</b>
At 1 July 2001	4,770,803	1,054	272,737	4,238	-	415	(2,265,164)	169,287	2,953,370
Movement in fair value	-	-	-	-	(5,774)	-	-	-	(5,774)
Release upon impairment in value	-	-	-	-	5,774	-	-	-	5,774
Transfer of reserves	-	-	-	-	-	2,795	-	(2,795)	-
Release upon disposal of subsidiaries and partial disposal of jointly controlled entities	-	-	-	(920)	-	-	270,722	-	269,802
Net profit for the year	-	-	-	-	-	-	-	143,945	143,945
Dividend (note 8)	-	-	-	-	-	-	-	(175,077)	(175,077)
<b>At 30 June 2002</b>	<b>4,770,803</b>	<b>1,054</b>	<b>272,737</b>	<b>3,318</b>	<b>-</b>	<b>3,210</b>	<b>(1,994,442)</b>	<b>135,360</b>	<b>3,192,040</b>
Retained by/ (accumulated in):									
Company and subsidiaries	4,770,803	1,054	272,737	3,318	-	522	(1,994,442)	(90,384)	2,963,608
Jointly controlled entities	-	-	-	-	-	2,688	-	63,467	66,155
Associated companies	-	-	-	-	-	-	-	162,277	162,277
<b>At 30 June 2002</b>	<b>4,770,803</b>	<b>1,054</b>	<b>272,737</b>	<b>3,318</b>	<b>-</b>	<b>3,210</b>	<b>(1,994,442)</b>	<b>135,360</b>	<b>3,192,040</b>

## Notes to the Accounts

### 23. Reserves (continued)

Other reserves principally comprise statutory reserves which are created in accordance with the terms of the joint venture agreements of subsidiaries and jointly controlled entities established in the PRC and are required to be retained in the accounts of these subsidiaries and jointly controlled entities for specific purposes.

#### Company

	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 July 2000	4,770,803	1,054	237,299	67,025	5,076,181
Net profit for the year	–	–	–	98,437	98,437
Dividend (note 8)	–	–	–	(133,878)	(133,878)
At 30 June 2001	4,770,803	1,054	237,299	31,584	5,040,740
At 1 July 2001	4,770,803	1,054	237,299	31,584	5,040,740
Net profit for the year	–	–	–	235,345	235,345
Dividend (note 8)	–	–	–	(175,077)	(175,077)
<b>At 30 June 2002</b>	<b>4,770,803</b>	<b>1,054</b>	<b>237,299</b>	<b>91,852</b>	<b>5,101,008</b>

The contributed surplus of the Company represents the difference between the nominal value of the ordinary share capital issued by the Company and the consolidated net asset value of the subsidiaries acquired at the date of acquisition pursuant to the group reorganisation implemented in 1997. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of contributed surplus in certain circumstances.

### 24. Minority interests

	2002 HK\$'000	2001 HK\$'000
Equity interests	12,516	65,014
Loans from minority shareholders	12,489	147,143
	<b>25,005</b>	212,157

Loans from minority shareholders were unsecured, interest free and have no fixed terms of repayment except for an amount of HK\$842,000 (2001: HK\$842,000) which was repayable on 1 January 2002. The Group is currently arranging the extension of the date of repayment of this loan.

Minority interests as at 30 June 2001 included minority interests of HK\$189,597,000 of former subsidiaries which were either disposed of or reclassified to jointly controlled entities during the year.

## 25. Notes to consolidated cash flow statement

## (a) Reconciliation of operating loss to net cash inflow/(outflow) from operating activities

	2002 HK\$'000	2001 HK\$'000
Operating loss	(209,727)	(49,642)
Interest income	(5,117)	(5,277)
Depreciation	38,935	43,558
Amortisation of goodwill	16	–
Loss on disposal of fixed assets	53	918
Impairment losses of		
– non-trading securities	5,774	2,915
– fixed assets	119,500	–
Net loss on disposal of subsidiaries and partial disposal of jointly controlled entities	68,285	–
Decrease/(increase) in debtors, deposits and prepayments	10,831	(5,476)
(Decrease)/increase in creditors and accruals	(13,398)	2,546
Increase in amount due to a minority shareholder of a subsidiary	7,598	8,467
Decrease in amount due from a jointly controlled entity	–	5
Net cash inflow/(outflow) from operating activities	<b>22,750</b>	(1,986)



## Notes to the Accounts

### 25. Notes to consolidated cash flow statement (continued)

#### (b) Analysis of changes in financing

	Share capital (including share premium) HK\$'000	Other loan HK\$'000	Bank loan HK\$'000	Minority interests HK\$'000
Balance at 1 July 2000	5,296,165	11,716	–	150,174
Cash outflow from financing	–	(10,144)	–	–
Land use right contributed by a minority shareholder of a subsidiary (note 25(f))	–	–	–	72,349
Share of loss for the year	–	–	–	(10,366)
Balance at 30 June 2001	5,296,165	1,572	–	212,157
Balance at 1 July 2001	5,296,165	1,572	–	212,157
Cash (outflow)/inflow from financing	–	(1,572)	11,220	–
Purchase of additional equity interest in a subsidiary (note 25(e))	–	–	–	(3,940)
Increase in loan from minority shareholder of a subsidiary (note 25(e))	–	–	–	4,615
Disposal of a subsidiary (note 25(c))	–	–	–	(810)
Deconsolidation of subsidiaries (note 25(d))	–	–	(11,220)	(189,309)
Share of profit for the year	–	–	–	2,292
<b>Balance at 30 June 2002</b>	<b>5,296,165</b>	<b>–</b>	<b>–</b>	<b>25,005</b>

**25. Notes to consolidated cash flow statement** (continued)**(c) Disposal of subsidiaries and partial disposal of jointly controlled entities**

	2002 HK\$'000	2001 HK\$'000
Net assets disposed of		
Fixed assets	78,651	–
Share of net liabilities of jointly controlled entities	(2,678)	–
Debtors, deposits and prepayments	49,291	–
Amount due from a jointly controlled entity	64,312	–
Bank balances and cash	29,346	–
Creditors and accruals	(30,083)	–
Amount due to a minority shareholder of a subsidiary	(130,380)	–
Minority interests	(810)	–
Goodwill reserve	270,722	–
Exchange reserves	(920)	–
	327,451	–
Net loss on disposal	(68,285)	–
	259,166	–
Satisfied by:		
Cash received	259,166	–
Net cash inflow arising from disposal of a subsidiary:		
Cash received	259,166	–
Bank balances and cash disposed of	(29,346)	–
	229,820	–

The subsidiaries disposed of and jointly controlled entities partially disposed of during the year contributed HK\$20,313,000 to the Group's net operating cash flows and utilised HK\$4,578,000 for investing activities.

**25. Notes to consolidated cash flow statement** (continued)**(d) Deconsolidation of subsidiaries**

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Net assets deconsolidated		
Fixed assets	<b>694,816</b>	–
Debtors, deposits and prepayments	<b>24,094</b>	–
Bank balances and cash	<b>81,186</b>	–
Creditors and accruals	<b>(12,170)</b>	–
Bank loan	<b>(11,220)</b>	–
Minority interests	<b>(189,309)</b>	–
	<b>587,397</b>	–
Represented by:		
Share of net assets of jointly controlled entities	<b>262,560</b>	–
Loans to jointly controlled entities	<b>295,793</b>	–
Amount due from a jointly controlled entity	<b>29,044</b>	–
	<b>587,397</b>	–
Net cash outflow arising on deconsolidation of subsidiaries		
Bank balances and cash deconsolidated	<b>(81,186)</b>	–

The deconsolidated subsidiaries which were reclassified to jointly controlled entities as at 30 June 2002 contributed HK\$39,255,000 to the Group's net operating cash flows, utilised HK\$12,899,000 for investing activities and contributed HK\$9,648,000 for financing.

**(e) Purchase of additional equity interest in a subsidiary**

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Share of net assets acquired	<b>3,940</b>	
Goodwill	<b>675</b>	
	<b>4,615</b>	
Satisfied by:		
Increase in loan from minority shareholder of the subsidiary	<b>4,615</b>	

During the year, the Group acquired an additional 20% equity interest in Huisu from its minority shareholder at a consideration of approximately HK\$4,615,000 (note 13(b)(ii)). The consideration was paid by the Group to the minority shareholder and the minority shareholder in return advanced the same amount to Huisu.

**25. Notes to consolidated cash flow statement** (continued)**(f) Major non-cash transaction**

Land use right of HK\$72,349,000 was contributed by a minority shareholder of a subsidiary in the form of shareholder's loan to the subsidiary in the last year.

**26. Related party transactions**

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

	Note	2002 HK\$'000	2001 HK\$'000
Rental and other related expenses paid to a fellow subsidiary	(a)	2,115	2,736
Rental charged by a minority shareholder of a former subsidiary	(b)	4,199	8,062
Interest charged by a minority shareholder of a former subsidiary	(c)	2,708	4,130
Reimbursement of payroll expense to an intermediate holding company	(d)	3,493	3,749

Notes:

- (a) A subsidiary of the Group entered into a lease agreement with a fellow subsidiary, New World Tower Company Limited, a subsidiary of the ultimate holding company, to lease office space for a period of 3 years commencing on 19 June 1998 at a monthly rental of HK\$206,640, exclusive of rates, management fees and air conditioning charges. The lease agreement was renewed on 12 June 2001 for a period of 3 years commencing with effect from 19 June 2001 at a monthly rental of HK\$147,600, exclusive of rates, management fees and air conditioning charges.
- (b) The rental expense represented the leasing of land and buildings and port facilities from a minority shareholder of a subsidiary which was disposed of during the year. The rental charge was based on an agreement entered into between the minority shareholder and the former subsidiary of the Company.
- (c) The interest was charged on the amount due to a minority shareholder of a former subsidiary at the prevailing bank borrowing rate in the PRC (note 20).
- (d) The Company has agreed to reimburse New World Infrastructure Limited ("NWI"), the Company's intermediate holding company, the payroll of certain of its employees who are responsible, on a full-time basis, for the administration of the port projects acquired by the Group from NWI. As these employees remain under the employment of NWI, the Company has reimbursed NWI their payroll on a cost basis. The reimbursement of payroll expenses to NWI has been included in the staff costs.

**26. Related party transactions** (continued)

- (e) The Group has amounts due from non-wholly owned subsidiaries which are unsecured, interest free and have no fixed terms of repayment. The balances as at 30 June 2002 and 2001 were as follows:

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Nanjing Huining Wharfs Co., Ltd.*	–	20,270
Suzhou Huisu International Container Freight Wharfs Co., Ltd.	<b>12,181</b>	12,239
Xiamen Xiang Yu Quay Co., Ltd.*	–	197,391
Xiamen Xiangyu Free Trade Zone Huijian Quay Co., Ltd.*	–	121,097
Xiamen Xinyuan Container Terminal Co., Ltd.	<b>1,970</b>	1,970

- \* These companies were either disposed of or reclassified to jointly controlled entities during the year.

- (f) A corporate guarantee has been given by NWI in favour of certain banks for banking facilities granted to ACT to the extent of approximately HK\$891 million as at 30 June 2002 (2001: HK\$990 million), in proportion to the Group's interest in ACT. The proportionate amount utilised against such facilities at 30 June 2002 which was secured by the guarantee amounted to approximately HK\$193 million (2001: HK\$89 million).

CSXWTHK has agreed to counter-indemnify NWI the corporate guarantee of approximately HK\$527 million, as included above, given in relation to ACT pursuant to the Subscription Agreement (note 13(b)(i)).

- (g) During the prior period, two wholly owned subsidiaries of the Company executed corporate guarantees in favour of a finance company in respect of an equipment loan facility granted to Xiamen Xiang Yu Quay Co., Ltd., a then subsidiary of the Group. The outstanding loan balance as at 30 June 2001 was HK\$1,572,000 (note 21). The loan was fully repaid in July 2001 and the corporate guarantees were released since then.

**27. Litigations**

In prior years, the Group had certain transactions with a former director and certain former related companies as set out in the "Connected Transactions" announcement of the Company dated 4 May 1998 and the "Connected Transactions" circular of the Company dated 10 June 1998. In connection with the transactions, an aggregate amount of approximately HK\$117,527,000 as at 30 June 2002 (2001: HK\$111,753,000) and incidental costs were claimed against the former director and/or the former related companies. The claims were fully provided for as at 30 June 2002 and 2001.

As disclosed in note 17 to the accounts, the Group has also initiated legal proceedings against the former Director for the recovery of the total amount paid for the non-trading securities purchased and/or the shortfall in the market value thereof.

As at the date of approval of the accounts, the legal proceedings against the former director and the former related companies in respect of the above-mentioned claims were still underway. The Group will continue with the legal proceedings and will consider taking other means to recover the amounts.

## 28. Contingent liabilities

Prior to the acquisition of port and port-related investments acquired from NWI, New World Development Company Limited ("NWD"), the holding company of NWI, and/or NWI have assumed certain contingent liabilities to third parties with respect to certain subsidiaries and jointly controlled entities of the investing subsidiaries which hold the investments (the "Obligations"), including inter alia, the guarantees as detailed in notes 26(f) and 29(e) respectively, to the accounts. Pursuant to the sale and purchase agreement of the acquisition, the Company has agreed to counter-indemnify NWD and/or NWI and/or Lotsgain Limited, a wholly owned subsidiary of NWI, in the event that they are required to make any payments under the Obligations.

As mentioned in note 13(b)(i), such contingent liabilities has been reduced as a result of the counter-indemnity by CSXWTHK pursuant to the Subscription Agreement.

## 29. Commitments

At 30 June 2002, the Company did not have any significant commitments (2001: HK\$Nil).

At 30 June 2002, the Group had the following outstanding commitments:

- (a) The Group's capital commitments for the acquisition of port facilities and terminal equipment are as follows:

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Contracted but not provided for	<b>979</b>	3,732
Authorised but not contracted for	<b>125,127</b>	205,740
	<b>126,106</b>	209,472

Capital commitments as at 30 June 2001 included capital commitments of HK\$80,222,000 of former subsidiaries which were either disposed of or reclassified to jointly controlled entities during the year.

- (b) The Group's contracted commitments in respect of capital or loan contributions to PRC subsidiaries amounted to approximately HK\$56,084,000 (2001: HK\$56,084,000).
- (c) The Group's total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Not later than one year	<b>2,010</b>	10,376
Later than one year but not later than five years	<b>1,963</b>	37,484
Later than five years	–	108,528
	<b>3,973</b>	156,388

The total future aggregate minimum lease payments under non-cancellable operating leases as at 30 June 2001 included commitments of HK\$150,520,000 of a former subsidiary which was disposed of during the year.

**29. Commitments** (continued)

- (d) Details of the Group's share of capital commitments of jointly controlled entities not included above are as follows:

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Contracted but not provided for	<b>194,527</b>	531,382
Authorised but not contracted for	<b>129,435</b>	139,365
	<b>323,962</b>	670,747

The above commitments include an amount of approximately HK\$261 million (2001: HK\$639 million), representing the Group's share of capital commitments of ACT (including its share of development costs of CT9 and the related berth swap arrangement).

The above commitments include an amount of approximately HK\$43.8 million (2001: not applicable), representing the Group's share of capital commitments of Xiamen Xiang Yu Quay Co., Ltd, Xiamen Xiangyu Free Trade Zone Huijian Quay Co., Ltd and Xiamen Xiangyu Free Port Developing Co., Ltd, the new merged entity, as set out in note 15(e)(iii).

- (e) A subsidiary and certain jointly controlled entities are parties to agreements with third parties in respect of the joint development of CT9, the related berth swap arrangement and the financing/funding therefor. The Group's attributable share of such capital commitments as at 30 June 2002 has been disclosed in note (d) above. In the event of default of any of the third parties, the subsidiary and the jointly controlled entities will be required to provide additional funds for the project. NWI has given guarantees in respect of these obligations of the subsidiary and the jointly controlled entities to provide additional funds. Were NWI required to perform its obligations under the guarantees for the development of CT9 and the financing/funding therefor, the maximum amount of the additional liabilities assumed, in addition to the Group's share of the capital commitments of CT9 as included in note (d) above, is approximately HK\$1,482 million (2001: HK\$1,482 million) out of which approximately HK\$876 million has been counter-indemnified by CSXWTHK pursuant to the Subscription Agreement.

**30. Post balance sheet events**

On 18 October 2002, the Board of Directors of the Company resolved to implement a Group reorganisation whereby the Group would purchase the entire issued share capital of New World Services Limited, a subsidiary of NWD, and the investments in road, bridge, water treatment and power plant projects of NWI. The purchase considerations would be settled by a mixture of cash, issue of Ordinary Shares and undertaking of liabilities. Pursuant to the Group reorganisation, 3,193,654,306 Preference Shares in issue would be converted into fully paid Ordinary Shares.

**31. Ultimate holding company**

The directors regard New World Development Company Limited, a company incorporated and listed in Hong Kong, as being the ultimate holding company.

**32. Approval of the accounts**

The accounts were approved by the board of directors on 18 October 2002.