

NOTES TO THE INTERIM ACCOUNTS

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 (“HKSA”) 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 2002 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 2002 except otherwise stated hereafter.

- (a) During the period, two subsidiary companies of the Group changed the estimated useful lives on depreciation of the following assets:

	Change of depreciation life	Effects on depreciation charge for the period
Loading equipment	from 15 years to 11 years	increase by approximately HK\$9 million
Ring Road	from 30 years to 50 years	decrease by approximately HK\$19 million

- (b) During the period, the Group adopted SSAP 35 “Government Grants and Disclosure of Government Assistance” and SSAP 12 “Income taxes” issued by the HKSA which are effective for accounting periods commencing on or after 1st July 2002 and 1st January 2003 respectively. The adoption of SSAP 35 has no material effect on the Group’s accounts. The effect of adopting SSAP 12 is set out below:

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of the 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 was expected to be payable or recoverable in the foreseeable future. The adoption of the new SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in the Condensed Consolidated Statement of Changes in Equity, opening reserves at 1st January 2002 and 2003 have been increased by HK\$36,800,000 and HK\$32,610,000, respectively, which represent the unprovided net deferred tax assets. This change has resulted in an increase in deferred tax liabilities at 31st December 2002 by HK\$10,123,000 and increase in interest in associated companies by HK\$50,019,000. The profit for the six months ended 30th June 2002 has been reduced by HK\$3,308,000.

NOTES TO THE INTERIM ACCOUNTS

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 and sales of properties.

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

	Note	Unaudited Six months ended 30th June	
		2003 HK\$'000	2002 HK\$'000
Manufacturing and sales of winery products		306,661	350,297
Provision of container handling services		182,753	120,565
Provision of cargo handling services		145,230	115,771
Operation of Eastern Outer Ring Road	(a)	131,546	120,917
Sales of properties		61,991	54,409
Sale of garments, chemical products and electrical components	(b)	67,398	46,143
		895,579	808,102

Notes:

- (a) Pursuant to an approval (Jin Zheng Fa [2003] No.52) dated 30th May, 2003 issued by the Tianjin Municipal People's Government, the direct collection of tolls by all toll stations situated at the urban area of Tianjin City, including the Eastern Outer Ring Road, was terminated with effect from 1st June 2003 and the Tianjin City Indebted Road Construction and Toll Collection Office (the "City Toll Collection Office") shall take up the responsibility of collecting toll payments from road users. Based on a pre-determined formula in accordance with the Eastern Outer Ring Road Toll Collection Agency Agreement dated 20th August 2003, the City Toll Collection Office shall then pay the toll fees to Jin Zheng Transportation Company.
- (b) The Group disposed of its entire interests in certain subsidiaries, which engaged in trading operations in Hong Kong, to Tsinlien Group Company Limited at a cash consideration of HK\$2 during the period.

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3 OPERATING PROFIT BEFORE FINANCING

	Unaudited	
	Six months ended 30th June	
	2003	2002
	HK\$'000	HK\$'000
Operating profit before financing is stated after crediting and charging the followings:		
<i>Crediting</i>		
Gain on deemed disposals and disposal of partial interest in an associated company	—	23,022
<i>Charging</i>		
Cost of stocks and completed properties sold	197,743	197,769
Exchange loss	133	30
Staff costs	116,348	93,780
Retirement benefit cost	15,695	13,574
Depreciation		
Owned fixed assets	64,224	66,392
Leased fixed assets	—	26
Loss on disposal of fixed assets	2,628	4,995
Operating lease expense on		
Land and buildings	11,404	11,873
Berths, railway and storage space	9,629	9,629
Plant and equipment	1,862	2,328
Impairment of goodwill on acquisition of a subsidiary	1,469	—
Provision for bad and doubtful debts	38,018	31,955

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4 TAXATION

	Unaudited	
	Six months ended 30th June	
	2003	2002
	HK\$'000	HK\$'000
Company and subsidiaries		
PRC income tax	40,742	35,898
Deferred tax relating to the origination and reversal of temporary differences	4,137	1,633
	44,879	37,531
Associated companies		
PRC income tax	9,101	8,349
Deferred tax relating to the origination and reversal of temporary differences	409	2,287
	54,389	48,167

No provision for Hong Kong profits tax has been made as there are no estimated assessable profit for the period (2002: 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.

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Pursuant to an approval document issued by State Tax Bureau dated 21st December 2001, the income tax applicable to Tianjin Jin Zheng Transportation Development Co., Ltd. is 7.5% from 2002 to 2004, and 15% thereafter.

5 DIVIDENDS

	Unaudited Six months ended 30th June	
	2003 HK\$'000	2002 HK\$'000
2002 final, paid, of 3.3 HK cents (2001: final, paid, of 2.5 HK cents) per share	22,365	16,944
2003 interim, proposed on 18th September 2003, of 3.8 HK cents (2002: 3.3 HK cents) per share (note)	25,755	22,366
	48,120	39,310

Note: At a meeting held on 18th September 2003 the directors declared an interim dividend of 3.8 HK 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 2003.

6 EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to shareholders of HK\$126,356,000 (2002: HK\$107,272,000) and the weighted average number of 677,750,000 shares in issue (2002: 677,750,000 shares) during the period.

The exercise of share options would have no dilutive effect on earnings per share for the periods ended 30th June 2002 and 2003.

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7 TRADE RECEIVABLES

The aging analysis of the Group's trade receivables (net of provisions) are as follows:

	Unaudited 30th June 2003 HK\$'000	Audited 31st December 2002 HK\$'000
Current	79,649	162,743
30 to 90 days	43,157	21,192
91 to 180 days	22,470	8,537
Over 180 days	22,824	38,742
	168,100	231,214

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

8 TRADE PAYABLES

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

	Unaudited 30th June 2003 HK\$'000	Audited 31st December 2002 HK\$'000
Current	22,130	68,049
30 to 90 days	—	13,603
91 to 180 days	1,696	10,233
Over 180 days	442	2,600
	24,268	94,485

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9 SHARE CAPITAL

	Unaudited 30th June 2003 HK\$'000	Audited 31st December 2002 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 2003, 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.

Following the resignation of a director of the Company on 15th July 2003, 2,000,000 and 4,332,000 share options granted to this director on 17th April 1998 and 13th April 1999 respectively, exercisable at a respective price of HK\$6.136 and HK\$3.34 per share, were lapsed on 15th August 2003.

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10 LONG TERM LIABILITIES

	Unaudited 30th June 2003 HK\$'000	Audited 31st December 2002 HK\$'000
Bank loans		
secured	773,147	801,434
unsecured	613,030	714,440
Convertible bonds (<i>Note</i>)	156,000	156,000
Obligation under finance lease	—	25
	1,542,177	1,671,899
Less: Amounts due within one year included under current liabilities	649,502	314,950
Amounts due after one year	892,675	1,356,949
The maturity of the Group's long term liabilities is as follows:		
Bank loans		
Within one year	649,502	314,925
In the second year	574,460	755,575
In the third to fifth years inclusive	162,215	445,374
	1,386,177	1,515,874

Convertible bonds		
In the second year	156,000	156,000

Obligation under finance lease		
Within one year	—	25

	1,542,177	1,671,899

NOTES TO THE INTERIM ACCOUNTS

Note:

On 18th April 2002, a wholly-owned subsidiary of the Group issued US\$20,000,000 convertible guaranteed 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.

Unless previously purchased or cancelled, redeemed or concerted, the bonds will be redeemed at 106.39% of their principal amount plus accrued interest on 18th April 2005.

11 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using prevailing tax rate of subsidiaries at 15% (2002: 15%).

The movement on the deferred tax liabilities account in respect of accelerated tax depreciation is as follows:

	30th June 2003 HK\$'000	31st December 2002 HK\$'000
At the beginning of the period/year	10,123	6,866
Deferred taxation charged to profit and loss account	4,137	3,257
At the end of the period/year	14,260	10,123
Deferred tax liabilities recognised in the balance sheet are as follows:		
Deferred tax liabilities to be settled after 12 months	14,260	10,123

NOTES TO THE INTERIM ACCOUNTS

12 OPERATING LEASE COMMITMENTS

At 30th June, 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30th June 2003 HK\$'000	Audited 31st December 2002 HK\$'000
Land and building		
Not later than one year	10,156	13,466
Later than one year and not later than five years	26,337	26,295
Later than five years	60,762	64,043
	97,255	103,804
Equipment, berths and railway		
Not later than one year	19,838	19,356
Later than one year and not later than five years	82,501	81,996
Later than five years	214,351	224,967
	316,690	326,319
Plant and machinery		
Not later than one year	3,723	3,723
Later than one year and not later than five years	14,894	14,894
Later than five years	34,752	36,614
	53,369	55,231
	467,314	485,354

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13 CAPITAL COMMITMENTS

	Unaudited 30th June 2003 HK\$'000	Audited 31st December 2002 HK\$'000
Authorised but not contracted for		
Improvements on leased berths	37,337	37,000
Improvements on plant and machinery	6,343	—
Land and building	—	19,500
	43,680	56,500
Contracted but not provided for in respect of		
Improvements on leased berths	6,000	78,000
Tang Jin Expressway	27,910	33,635
	33,910	111,635

14 CONTINGENT LIABILITIES

	Unaudited 30th June 2003 HK\$'000	Audited 31st December 2002 HK\$'000
Guarantees given to banks in respect of banking facilities extended to:		
A jointly controlled entity	28,286	28,286
A fellow subsidiary company	23,500	—

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15 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	
	2003 HK\$'000	2002 HK\$'000
Transactions with Tianjin Port Authority and its associates		
Service fees paid for supporting services and auxiliary services (<i>note (b)</i>)	13,915	12,498
Rental for land (<i>note (a)</i>)	3,277	3,218
Rental for berths, railway and storage space (<i>note (a)</i>)	9,629	9,629
Rental for equipment (<i>note (a)</i>)	1,862	2,328
Purchase of stocks (<i>note (b)</i>)	16,184	11,594
Transactions with Tianjin Agricultural Cultivation Group Company and its associates		
Packaging services (<i>note (a)</i>)	13,407	9,497
Purchase of packing materials (<i>note (a)</i>)	7,716	8,479
Purchase of unprocessed wine (<i>note (a)</i>)	13,359	7,881
Rental for electricity transformation station (<i>note (b)</i>)	1,018	1,018
Investment in a joint venture (<i>note (c)</i>)	—	56,600
Transaction with Eastern Outer Ring Road Company		
Management fee paid (<i>note (a)</i>)	16,451	15,377
Transactions with Tsinlien Group Company Limited and its associates		
Disposal of subsidiaries at HK\$2 (<i>note (c)</i>)	—	—
Interest expenses (<i>note (d)</i>)	751	524
Management fee paid (<i>note (a)</i>)	566	583
Rental on land and buildings (<i>note (b)</i>)	2,997	3,173
Transaction with Tianjin Mechanical and Electrical Holding Company and its associates		
Acquisition of a subsidiary (<i>note (c)</i>)	19,065	—

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Notes:

- (a) These transactions were conducted in accordance with agreements entered into at the time of listing of the Company's shares on the Stock Exchange. Subject to certain conditions, waivers have been granted to the Company from strict compliance with the requirements as stipulated in Chapter 14 of the Listing Rules at the time of listing.
- (b) These transactions were conducted in accordance with agreements entered into subsequent to the listing as referred to (a) above. Subject to certain conditions, waivers have been granted to the Company from strict compliance with the requirements as stipulated in Chapter 14 of the Listing Rules on each occasion as they arise.
- (c) Announcements dated 6th February 2002, 27th June 2003 and 16th April 2003 respectively have been published by the Company in respect of these transactions.
- (d) Interest expenses were calculated at 6.11% per annum on the outstanding loan balance.

16 SEGMENT INFORMATION

Primary reporting format — business segments

	For the six months ended 30th June 2003									
	Winery	Container handling	Cargo handling	Operation of Eastern Outer Ring Road	Trading	Property development	Elevator and escalator	Gas fuel supply	Others	Group
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Turnover	306,661	182,753	145,230	131,546	67,398	61,991	—	—	—	895,579
Segment results	109,800	57,388	(14,506)	92,757	(22,751)	752	—	—	—	223,440
Interest income										7,326
Net corporate expenses										(21,032)
Operating profit before financing										209,734
Finance costs										(39,213)
Share of profits less losses of										
Associated companies	—	648	619	—	—	—	30,595	21,891	(757)	52,996
Jointly controlled entities	—	—	—	—	—	—	—	—	(75)	(75)
Profit before taxation										223,442
Taxation										(54,389)
Profit after taxation										169,053
Minority interests										(42,697)
Profit attributable to shareholders										126,356

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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	Elevator and escalator	Gas fuel supply	Others	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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 deemed disposals and disposal of partial interest 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)	—	—	—	29,386	22,773	—	51,834
Jointly controlled entities	—	—	—	—	—	—	—	—	(2,587)	(2,587)
Profit before taxation										197,807
Taxation										(48,167)
Profit after taxation										149,640
Minority interests										(42,368)
Profit attributable to shareholders										107,272

Secondary reporting format — geographical segments

	Turnover		Operating profits	
	Six months ended 30th June	2002	Six months ended 30th June	2002
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC mainland	828,181	761,959	246,191	201,444
Hong Kong	67,398	46,143	(22,751)	(20,909)
	895,579	808,102	223,440	180,535

17 SUBSEQUENT EVENTS

- (a) The Group is undergoing a restructuring pursuant to which the Group will spin-off its operations in toll roads with the intention to list on the main board of the Stock Exchange. The restructuring upon finalisation will have no significant impact on the financial position of the Group as at period end.
- (b) The Company has entered into a five-year syndicated loan facility agreement of US\$110 million on 23rd July 2003. The facility carries an interest margin of 0.8% over US dollar LIBOR. The proceeds will be used to refinance the existing indebtedness and general corporate funding requirements of the Group.

18 COMPARATIVE FIGURES

Comparative figures have been restated based on the requirement of the new accounting standard as set out in note 1(b) in the interim financial report.

19 APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board on 18th September 2003.