

## » 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 25, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These condensed accounts should be read in conjunction with the 2003 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 2003, except that the results of Wah Sang Gas Holdings Limited ("Wah Sang"), an associated company of the Group, were not equity accounted for in this interim accounts for the six months ended 30th June 2004. Further details are set out in note 8 to these condensed 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 toll roads in Tianjin and property development.

Revenues recognised during the period is as follows:

	Unaudited Six months ended 30th June	
	2004 HK\$'000	2003 HK\$'000
Manufacturing and sales of winery products	401,131	306,661
Provision of container handling services	198,318	182,753
Provision of cargo handling services	171,703	145,230
Operation of toll roads	93,707	131,546
Property development	202,805	61,991
Sale of garments, chemical products and electrical components ( <i>Note</i> )	—	67,398
	<b>1,067,664</b>	<b>895,579</b>

*Note:* In May 2003, the Group disposed of its entire interests in certain subsidiaries, which engaged in trading operations in Hong Kong, to Tsinlien Group Company Limited for a cash consideration of HK\$2.

### 3. GAIN ON DISPOSAL OF INCOME RECEIVING RIGHT

Pursuant to an agreement with the Tianjin Municipal Government in 1997, one of the Group's subsidiaries, Tianjin Jin Zheng Transportation Development Co., Ltd. ("Jinzheng"), was granted the exclusive right to operate, manage and maintain the Eastern Outer Ring Road in return for a fixed sum of income receivable annually from the Tianjin Government from 1997 to 2027 ("Income Receiving Right").

In 2004, Jinzheng disposed of its Income Receiving Right to TEDA Investment Holding Co., Ltd. ("TEDA") with effect from 1st January 2004 for a consideration of RMB750 million (approximately HK\$707 million) plus all interest payable in respect of an outstanding bank loan owed by Jinzheng. The consideration was satisfied in cash by TEDA in February 2004 which was in turn used to repay the related bank loan amounting to RMB750 million.

Subsequent to the aforesaid disposal, Jinzheng will continue to receive toll fees based on the volume of traffic flow and a pre-determined formula in accordance with the Eastern Outer Ring Road Toll Collection Agreement dated 20th August 2003.

### 4. OPERATING PROFIT BEFORE FINANCING

	<b>Unaudited Six months ended 30th June</b>	
	<b>2004 HK\$'000</b>	2003 HK\$'000
Operating profit before financing is stated after charging the following:		
Cost of stocks and completed properties sold	<b>291,949</b>	197,743
Staff costs	<b>130,400</b>	116,348
Retirement benefit costs	<b>18,030</b>	15,695
Depreciation	<b>77,430</b>	64,224
Loss on disposal of fixed assets	<b>2,555</b>	2,628
Operating lease expense on		
Land and buildings	<b>6,999</b>	11,404
Berths, railway and storage space	<b>10,111</b>	9,629
Plant and equipment	<b>2,973</b>	1,862
Impairment of goodwill on acquisition of a subsidiary during the year	<b>—</b>	1,469
Provision for bad and doubtful debts	<b>3,371</b>	38,018
Amortisation of goodwill	<b>1,352</b>	—

## 5. TAXATION

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Company and subsidiaries		
PRC income tax	<b>104,352</b>	40,742
Deferred tax relating to the origination and reversal of temporary differences	<b>1,500</b>	4,137
	<b>105,852</b>	44,879
Associated companies		
PRC income tax	<b>9,173</b>	9,101
Deferred tax relating to the origination and reversal of temporary differences	<b>—</b>	409
<b>Taxation charge</b>	<b>115,025</b>	54,389

No provision for Hong Kong profits tax has been made as there is no estimated assessable profit for the period for the Group (2003: Nil).

Provision for the PRC income tax has been made at the applicable rate of taxation on the estimated assessable profit for the period for each of the Group's subsidiaries and associates.

Rates applicable to principle subsidiaries and associates:

On 6th November 1997, the Tianjin Finance Bureau approved that 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% and remained effective as at period end.

On 12th November 1997, the State Tax Bureau approved that Tianjin Tai Kang Industrial Co., Ltd. ("Taikang") and Tianjin Heavenly Palace Winery Co., Ltd. ("Heavenly Palace") 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. The applicable tax rate of Taikang and Heavenly Palace for the current period is 30% and 33% respectively.

## 5. TAXATION (CONTINUED)

On 4th November 1997, the Tianjin Finance Bureau approved that Jinzheng is exempted from income tax for five years starting from the first year of profit generation and will be refunded for any tax paid in excess of the tax rate of 7.5% for the next five years and in excess of the tax rate of 15% thereafter. Subsequently on 21st December 2001, the State Tax Bureau confirmed that income tax applicable to Jinzheng is 7.5% from 2002 to 2004, and 15% thereafter.

Pursuant to the relevant laws and regulations in the PRC, Tianjin Mass Transit (Group) Development Co., Ltd. and its subsidiaries ("MTD Group") is exempted from income tax for two years starting from the first year of profit generation and thereafter, MTD Group is entitled to a 50% relief from the PRC enterprise income tax for the following three years. The reduced tax rate for the relief period is 7.5%. After the expiry of the tax relief period, MTD Group is subject to an income tax rate of 15%, being the preferential tax rate applicable.

## 6. DIVIDENDS

	<b>Unaudited Six months ended 30th June</b>	
	<b>2004 HK\$'000</b>	2003 HK\$'000
2003 final, paid, of HK3.9 cents (2002: final, paid, of HK3.3 cents) per share	<b>26,822</b>	22,365
2004 interim, declared on 16th September 2004, of HK4.6 cents (2003: interim, paid, of HK3.8 cents) per share ( <i>Note</i> )	<b>31,636</b>	25,755

*Note:* At a meeting held on 16th September 2004 the directors declared an interim dividend of HK4.6 cents per ordinary share. The declared 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 2004.

## 7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to shareholders of HK\$590,191,000 (2003: HK\$126,356,000) and the weighted average number of 687,287,000 shares in issue (2003: 677,750,000 shares) during the period.

The exercise of share options would have no material dilutive effect of earnings per share for the periods ended 30th June 2003 and 2004.

## 8. ASSOCIATED COMPANIES

	<b>Unaudited 30th June 2004 HK\$'000</b>	Audited 31st December 2003 HK\$'000
Group's share of net assets		
— Listed shares in Hong Kong of Wah Sang ( <i>Note</i> )	<b>158,261</b>	156,007
— Other unlisted shares	<b>235,087</b>	199,306
	<b>393,348</b>	355,313
Amounts due to associated companies	<b>(1,882)</b>	(1,882)
Amounts due from associated companies	<b>7,209</b>	5,829
	<b>398,675</b>	359,260
Market value of listed shares	<b>N/A</b>	414,624

*Note:* On 19th December 2003, Wah Sang announced that it is under enquiry by the Securities and Futures Commission ("SFC") pursuant to section 179 of the Securities and Futures Ordinance. On 13th February 2004, Wah Sang announced that the release of its third quarterly results for the nine months ended 31st December 2003 was postponed to end of March 2004. This was further postponed to end of April 2004. On 6th April 2004, the SFC directed that trading in the shares of Wah Sang be suspended.

## 8. ASSOCIATED COMPANIES (CONTINUED)

For the preparation of the Group's interim accounts previously announced for the six months ended 30th June 2003, the Group had equity accounted for its share of the profit of Wah Sang for the same period amounting to HK\$19,882,000. Since Wah Sang was not able to release its financial information for the period ended 31st December 2003, together with the impending enquiry by the SFC, there existed uncertainty as to the actual performance of Wah Sang for the six months ended 31st December 2003. As a result, the directors of the Company considered it appropriate not to equity account for any of the results of Wah Sang for the six months ended 31st December 2003 until audited financial information of Wah Sang was available. The share of net assets of Wah Sang equity accounted for in the Group's consolidated balance sheet as at 31st December 2003 accordingly was based on the results of Wah Sang upto 30th June 2003 amounting to HK\$156,007,000.

On 21st May 2004, Wah Sang announced that it has appointed Dr Zhang Hongru, executive director and general manager of the Company, as an executive director and chairman of Wah Sang following the resignation of Mr Shum Ka Sang, the previous chairman and chief executive officer of Wah Sang. A sub-committee was also set up by Wah Sang to address issues arising out of suspension of shares and enquiry by SFC.

As at the date of this interim accounts, the third quarterly results of Wah Sang for the nine months ended 31st December 2003 and the results for the year ended 31st March 2004 are still unavailable. For the preparation of the Group's interim accounts for the six months ended 30th June 2004, since Wah Sang is unable to release its updated financial information and with the outcome from the enquiry by SFC pending, it is not practicable to estimate the financial impact that may have on the Group at this stage. However, as Wah Sang is continuing its normal operations, the directors of the Company are of the view that the impairment to the carrying value of the Group's investment in Wah Sang is unlikely to have a material negative impact on the financial position of the Group taken as a whole.

## 9. TRADE RECEIVABLES

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

	<b>Unaudited 30th June 2004 HK\$'000</b>	Audited 31st December 2003 HK\$'000
Below 30 days	<b>67,832</b>	260,181
30 to 90 days	<b>69,540</b>	30,275
91 to 180 days	<b>29,947</b>	720
Over 180 days	<b>19,244</b>	13,170
	<b>186,563</b>	304,346

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

## 10. TRADE PAYABLES

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

	<b>Unaudited 30th June 2004 HK\$'000</b>	Audited 31st December 2003 HK\$'000
Below 30 days	<b>18,694</b>	15,046
30 to 90 days	<b>1,898</b>	47
Over 180 days	<b>325</b>	2,381
	<b>20,917</b>	17,474

## 11. SHARE CAPITAL

	<b>Unaudited 30th June 2004 HK\$'000</b>	Audited 31st December 2003 HK\$'000
Authorised: 3,000,000,000 shares of HK\$0.10 each	<b>300,000</b>	300,000
Issued and fully paid:		
At beginning of the period/year	<b>68,485</b>	67,775
Issue of shares ( <i>Note</i> )	<b>—</b>	130
Conversion of convertible bonds ( <i>Note 12(b)</i> )	<b>290</b>	580
At the end of the period/year	<b>68,775</b>	68,485

*Note:* 500,000 and 800,000 share options were exercised by the Group's employees on 6th and 9th October 2003 respectively. The exercise price was HK\$2.204 per share and was settled in full by cash. These shares rank pari passu with the existing shares.

## 12. LONG TERM LIABILITIES

	<b>Unaudited 30th June 2004 HK\$'000</b>	Audited 31st December 2003 HK\$'000
Bank loans		
Secured ( <i>Note a</i> )	<b>730,718</b>	1,324,722
Unsecured	<b>1,091,744</b>	1,246,844
Convertible bonds ( <i>Note b</i> )	<b>132,600</b>	140,400
	<b>1,955,062</b>	2,711,966
Less: Amounts due within one year included under current liabilities	<b>270,172</b>	660,475
Amounts due after one year	<b>1,684,890</b>	2,051,491
The maturity of the Group's long term liabilities is as follows:		
Bank loans		
Within one year	<b>137,572</b>	660,475
In the second year	<b>278,144</b>	407,230
In the third to fifth years inclusive	<b>1,045,630</b>	1,049,401
After the fifth year	<b>361,116</b>	454,460
	<b>1,822,462</b>	2,571,566
Convertible bonds		
Within one year	<b>132,600</b>	—
In the second year	<b>—</b>	140,400
	<b>132,600</b>	140,400
	<b>1,955,062</b>	2,711,966



## 12. LONG TERM LIABILITIES (CONTINUED)

Note:

- (a) The bank loans were secured by revenue collected from a toll road, corporate guarantee given by a minority shareholder of a subsidiary of the Group, bank deposits and equity interests in certain subsidiaries of the Group.
- (b) On 18th April 2002, the Group issued US\$20,000,000 convertible bonds which are listed on the Luxembourg Stock Exchange and carry interest at 3% per annum payable semi-annually in arrears. Each bondholder has the option to convert the bonds into shares of the Company of HK\$0.10 each at a conversion price of HK\$2.69 per share, subject to adjustment, at any time from 18th April 2003 to 11th April 2005.

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

On 30th January 2004, a bondholder exercised his option to convert the bonds into shares of the Company by subscribing for 2,899,628 shares (year ended 31st December 2003: 5,799,256 shares) of the Company at HK\$2.69 each. These shares rank pari passu with the existing shares (Note 11).

## 13. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using the applicable tax rate of the subsidiaries of 15% (2003: 15%).

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

	<b>Unaudited 30th June 2004 HK\$'000</b>	Audited 31st December 2003 HK\$'000
At the beginning of the period/year	<b>65,662</b>	10,123
Acquisition of subsidiaries	—	50,100
Deferred taxation charged to profit and loss account	<b>1,500</b>	5,439
<b>At the end of the period/year</b>	<b>67,162</b>	65,662

**13. DEFERRED TAXATION (CONTINUED)**

	<b>Unaudited 30th June 2004 HK\$'000</b>	Audited 31st December 2003 HK\$'000
Deferred tax liabilities recognised in the balance sheet are as follows:		
Deferred tax liabilities to be settled after more than 12 months	<b>67,162</b>	65,662

**14. OPERATING LEASE COMMITMENTS**

At 30th June 2004, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	<b>Unaudited 30th June 2004 HK\$'000</b>	Audited 31st December 2003 HK\$'000
Land and buildings		
Not later than one year	<b>9,472</b>	7,232
Later than one year and not later than five years	<b>26,499</b>	26,541
Later than five years	<b>53,983</b>	57,482
	<b>89,954</b>	91,255
Equipment, berths, railway		
Not later than one year	<b>20,221</b>	20,221
Later than one year and not later than five years	<b>83,512</b>	83,008
Later than five years	<b>193,120</b>	203,736
	<b>296,853</b>	306,965

#### 14. OPERATING LEASE COMMITMENTS (CONTINUED)

	<b>Unaudited 30th June 2004 HK\$'000</b>	Audited 31st December 2003 HK\$'000
Plant and machinery		
Not later than one year	3,723	3,723
Later than one year and not later than five years	14,893	14,893
Later than five years	31,029	32,891
	<b>49,645</b>	51,507
	<b>436,452</b>	449,727

#### 15. CAPITAL COMMITMENTS

	<b>Unaudited 30th June 2004 HK\$'000</b>	Audited 31st December 2003 HK\$'000
Authorised but not contracted for in respect of:		
— Improvements on leased berths	36,287	—
— Improvements on plant and machinery	3,375	2,860
— Land and buildings	69,580	—
	<b>109,242</b>	2,860

**15. CAPITAL COMMITMENTS (CONTINUED)**

	<b>Unaudited 30th June 2004 HK\$'000</b>	Audited 31st December 2003 HK\$'000
Contracted but not provided for in respect of:		
— Improvements on leased berths	<b>10,344</b>	24,212
— Improvements on plant and machinery	<b>29,107</b>	25,597
— Tang Jin Expressway	<b>27,910</b>	27,910
— Land and buildings	<b>2,450</b>	—
— Others	<b>4,643</b>	864
	<b>74,454</b>	78,583

**16. CONTINGENT LIABILITIES**

	<b>Unaudited 30th June 2004 HK\$'000</b>	Audited 31st December 2003 HK\$'000
Guarantees given to banks in respect of banking facilities extended to:		
— A jointly controlled entity	<b>—</b>	18,857
— A third party	<b>17,377</b>	15,344

## 17. 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	
	2004 HK\$'000	2003 HK\$'000
Transactions with Tianjin Port Authority and its associates		
Service fees paid for supporting services and auxiliary services <i>(Note (b))</i>	<b>14,512</b>	13,915
Rental for land <i>(Note (a))</i>	<b>3,218</b>	3,277
Rental for berths, railway and storage space <i>(Note (a))</i>	<b>10,111</b>	9,629
Rental for equipment <i>(Note (a))</i>	<b>1,955</b>	1,862
Purchase of inventories <i>(Note (b))</i>	<b>20,745</b>	16,184
Transactions with Tianjin Agricultural Cultivation Group Company and its associates		
Packaging services <i>(Note (a))</i>	<b>13,877</b>	13,407
Purchase of packing materials <i>(Note (a))</i>	<b>10,654</b>	7,716
Purchase of unprocessed wine <i>(Note (a))</i>	<b>9,125</b>	13,359
Rental for electricity transformation station <i>(Note (b))</i>	<b>1,018</b>	1,018
Transaction with Eastern Outer Ring Road Company		
Management fee paid <i>(Note (a))</i>	—	16,451
Transactions with Tsinlien Group Company Limited and its associates		
Interest expenses <i>(Note (c))</i>	—	751
Management fee paid <i>(Note (a))</i>	<b>499</b>	566
Rental on land and buildings <i>(Note (a))</i>	<b>2,220</b>	2,997
Transaction with Tianjin Mechanical and Electrical Holding Company		
Acquisition of a subsidiary <i>(Note (b))</i>	—	19,065

## 17. RELATED PARTY TRANSACTIONS (CONTINUED)

Note:

- (a) These were conducted in accordance with agreements entered into at the time of the restructuring in preparation for listing of the Company's shares on the Stock Exchange in late 1997.
- (b) These were conducted in accordance with agreements entered into subsequent to the listing of the Company as referred to (a) above.
- (c) The loan to one of the subsidiaries was repaid during the period 2003. Interest was charged at about 6% per annum on the outstanding loan balance.

## 18. SEGMENT INFORMATION

### Primary reporting format — business segments

	Unaudited									
	For the six months ended 30th June 2004									
	Winery	Container handling	Cargo handling	Operation of Toll Roads	Property development	Trading	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	401,131	198,318	171,703	93,707	202,805	—	—	—	—	1,067,664
Segment results	153,115	55,544	10,275	760,456	(1,035)	—	—	—	—	978,355
Interest income										7,059
Net corporate expenses										(21,556)
Operating profit before financing										963,858
Finance costs										(36,555)
Share of profits less losses of										42,752
Associated companies	—	1,288	719	—	—	—	40,888	—	(143)	
Jointly controlled entities	856	—	—	—	—	—	—	—	(953)	(97)
Profit before taxation										969,958
Taxation										(115,025)
Profit after taxation										854,933
Minority interests										(264,742)
Profit attributable to shareholders										590,191

## 18. SEGMENT INFORMATION (CONTINUED)

### Primary reporting format — business segments

	Unaudited									Group HK\$'000
	For the six months ended 30th June 2003									
	Winery HK\$'000	Container handling HK\$'000	Cargo handling HK\$'000	Operation of Toll Roads HK\$'000	Property development HK\$'000	Trading HK\$'000	Elevator and escalator HK\$'000	Gas fuel supply HK\$'000	Others HK\$'000	
Turnover	306,661	182,753	145,230	131,546	61,991	67,398	—	—	—	895,579
Segment results	109,800	57,388	(14,506)	92,757	752	(22,751)	—	—	—	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	266	—	—	—	—	—	—	—	(341)	(75)
Profit before taxation										223,442
Taxation										(54,389)
Profit after taxation										169,053
Minority interests										(42,697)
Profit attributable to shareholders										126,356

### Secondary reporting format — geographical segments

	Unaudited Turnover		Unaudited Operating profits	
	Six months ended 30th June		Six months ended 30th June	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
PRC mainland	1,067,664	828,181	978,355	246,191
Hong Kong	—	67,398	—	(22,751)
	1,067,664	895,579	978,355	223,440

## **19. SUBSEQUENT EVENTS**

On 18th August 2004, the Group submitted a formal application for the separate listing in the shares of Dynasty Wines Group Limited on the Main Board of the Stock Exchange. The spin-off is subject to the approval from the Listing Committee of the Stock Exchange and the Company's shareholders.

## **20. APPROVAL OF INTERIM FINANCIAL REPORT**

The interim financial report was approved by the Board on 16th September 2004.