

Notes to Consolidated Cash Flow Statement

(a) RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOWS FROM OPERATING ACTIVITIES

	2000 HK\$'000	1999 HK\$'000
Operating profit/(loss) before taxation and share of associated companies results	157,940	(346,229)
Provision for diminution in value of motor vessels	–	327,600
(Gain)/loss on disposal of motor vessels (net)	(1,783)	6,270
Interest earned	(30,010)	(17,913)
Bank interest paid	36,451	28,042
Finance lease interest paid	15,158	12,843
Exchange difference on translation	(66)	4,730
Write-off of deferred drydocking and survey expenses on disposal of vessels	3,776	1,687
Amortisation of deferred drydocking and survey expenses	17,900	15,154
Depreciation of fixed assets	78,805	88,946
Loss on disposal of fixed assets	–	679
Increase in ship stores	(5,392)	(428)
Decrease in other debtors, deposits and prepayments	1,380	16,367
Increase/(decrease) in amounts due from/to affiliated companies and associated companies (net)	18,376	(5,681)
Decrease/(increase) in claims against third parties	2,517	(2,828)
(Increase)/decrease in amounts due from/to charterers (net)	(942)	7,336
Increase/(decrease) in trade creditors, provisions and accruals	8,243	(24,134)
Net cash inflows from operating activities	302,353	112,441

(b) ANALYSIS OF CHANGES IN FINANCING

	Bank Loans/ Finance Lease HK\$'000	Vessel Working Funds HK\$'000
Balance brought forward	870,833	6,765
Loans repaid	(343,579)	–
Repayment of vessel working funds	–	(2,865)
New subsidiaries	98,498	–
Exchange difference on translation	(2,308)	–
Balance carried forward	623,444	3,900

Notes to Consolidated Cash Flow Statement

(c) ACQUISITION OF SUBSIDIARIES

The effects of the acquisition of subsidiaries have been reflected in the separate assets and liabilities of the Group. The effects are analysed as follows:

(i) Acquisition of subsidiaries

	Geraldton Navigation Company Incorporated Group HK\$'000	Dignity Navigation Co. Pte. Ltd. HK\$'000	Total HK\$'000
Net assets acquired			
Fixed assets	135,681	140,267	275,948
Deferred drydocking and survey expenses	—	862	862
Cash at banks	1,630	12	1,642
Ship stores	328	225	553
Other debtors, deposits and prepayments	23,660	4,714	28,374
Provisions and accruals	(2,351)	(1,876)	(4,227)
Bank loans	(98,498)	—	(98,498)
	<u>60,450</u>	<u>144,204</u>	<u>204,654</u>
Satisfied by cash consideration	30,225	64,368	94,593
Carrying value of the associated companies in the Group accounts at the date they became subsidiaries	26,202	13,988	40,190
Amounts due from associated companies	<u>4,023</u>	<u>65,848</u>	<u>69,871</u>
	<u>60,450</u>	<u>144,204</u>	<u>204,654</u>

Notes to Consolidated Cash Flow Statement

(c) ACQUISITION OF SUBSIDIARIES (continued)

(ii) Analysis of net cash outflow in respect of the acquisition of subsidiary companies

	Geraldton Navigation Company Incorporated Group HK\$'000	Dignity Navigation Co. Pte. Ltd. HK\$'000	Total HK\$'000
Cash consideration for acquisition of remaining shares	30,225	64,368	94,593
Cash at bank acquired	<u>(1,630)</u>	<u>(12)</u>	<u>(1,642)</u>
Net cash outflow in respect of the acquisition of subsidiary companies	<u>28,595</u>	<u>64,356</u>	<u>92,951</u>