

Financial Statements

Consolidated Profit and Loss Account

For The Six Months Ended 30th June 2002

US\$'000	Note	2002	2001
Turnover	2	1,135,039	1,187,672
Operating costs		(983,692)	(949,897)
Gross profit		151,347	237,775
Other operating income		1,223	3,857
Other operating expenses		(137,412)	(170,189)
Operating profit before financing	3	15,158	71,443
Net financing charges	5	(16,386)	(25,501)
Share of profits less losses of jointly controlled entities		5,348	8,721
Profit before taxation		4,120	54,663
Taxation	6	(2,979)	(5,355)
Profit after taxation		1,141	49,308
Minority interests		(113)	(239)
Profit attributable to shareholders		1,028	49,069
		US cents	US cents
Earnings per ordinary share	7	0.2	9.5

Consolidated Balance Sheet

As At 30th June 2002

US\$'000	Note	30th June 2002	31st December 2001
Fixed assets		1,344,484	1,389,131
Jointly controlled entities		47,066	47,250
Long-term investments		104,612	107,272
Other non-current assets		63,736	53,212
Non-current assets		1,559,898	1,596,865
Properties under development and for sale		37,533	17,868
Debtors and prepayments	9	182,509	170,714
Current portion of investments in finance leases		559	527
Portfolio investments		44,694	42,935
Bank balances and deposits		297,727	307,008
Current assets		563,022	539,052
Creditors and accruals	10	345,882	355,528
Current portion of long-term liabilities	11	139,103	133,178
Bank overdrafts and short-term loans		43,038	42,895
Current taxation		2,357	416
Current liabilities		530,380	532,017
Net current assets		32,642	7,035
Long-term liabilities	11	(748,731)	(760,386)
Other non-current liabilities		(6,148)	(5,499)
		837,661	838,015
Capital employed			
Share capital	12	51,714	51,714
Reserves	13	778,056	781,654
Shareholders' funds		829,770	833,368
Minority interests		7,891	4,647
		837,661	838,015

Consolidated Cash Flow Statement

For The Six Months Ended 30th June 2002

US\$'000	2002	2001
Cash flows from operating activities		
Cash generated from operations	35,727	115,763
Interest paid	(10,959)	(23,694)
Interest element of finance lease rental payments	(8,581)	(9,142)
Financing charges paid	(2,000)	(3,172)
Overseas tax paid	(3,537)	(10,978)
Net cash from operating activities	10,650	68,777
Cash flows from investing activities		
Sale of fixed assets	1,170	4,926
Sale of long-term investments	3,244	21,965
Purchase of fixed assets	(6,203)	(23,240)
Purchase of long-term investments	(98)	(4,179)
Capital element from investments in finance leases	125	143
Increase in amounts due by jointly controlled entities	(2,671)	(375)
Decrease/(increase) in bank deposits maturing more than three months from the date of placement	2,252	(5,308)
Deferred expenditure incurred	(3,911)	(1,413)
Interest received	3,700	5,346
Long-term investment income	30	1,088
Portfolio investment income	1,040	2,991
Gross earnings from investments in finance leases	134	157
Dividend received from jointly controlled entities	8,204	392
Net cash from investing activities	7,016	2,493
Cash flows from financing activities		
New long-term loans	38,178	27,800
Repayment of long-term loans	(29,648)	(53,256)
Capital element of finance lease rental payments	(19,877)	(49,786)
Increase/(decrease) in short-term loans repayable more than three months from the date of advance	8,277	(1,001)
Capital contributions from minority interests	3,600	—
Dividends paid to shareholders	(7,757)	(15,514)
Dividends paid to minority interests	(469)	(510)
Net cash used in financing activities	(7,696)	(92,267)
Net increase/(decrease) in cash and cash equivalents	9,970	(20,997)
Cash and cash equivalents at beginning of period	331,591	324,663
Changes in exchange rates	1,517	748
Cash and cash equivalents at end of period	343,078	304,414
Analysis of cash and cash equivalents		
Bank balances and deposits maturing within three months from the date of placement	332,799	302,960
Portfolio investments	44,694	53,631
Overdrafts and bank loans repayable within three months from the date of advance	(34,415)	(52,177)
	343,078	304,414

Consolidated Statement of Changes in Equity

For The Six Months Ended 30th June 2002

US\$'000	Share capital	Share premium	Contributed surplus	Asset revaluation reserve	Retained profit	Total
At 31st December 2001	51,714	35,073	148,286	9,948	588,347	833,368
Changes in exchange rates	—	—	—	—	3,131	3,131
Profit for the period	—	—	—	—	1,028	1,028
Dividend (note 8)	—	—	—	—	(7,757)	(7,757)
At 30th June 2002	51,714	35,073	148,286	9,948	584,749	829,770
At 31st December 2000	51,714	35,073	148,286	9,948	551,726	796,747
Changes in exchange rates	—	—	—	—	224	224
Profit for the period	—	—	—	—	49,069	49,069
Dividend (note 8)	—	—	—	—	(15,514)	(15,514)
At 30th June 2001	51,714	35,073	148,286	9,948	585,505	830,526

Notes to the Accounts

1. Accounting Policies

The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in conformity with generally accepted accounting principles in Hong Kong.

In 2002, the Group has adopted the provisions of the Statement of Standard Accounting Practice No. 34 "Employee benefits" issued by the Hong Kong Society of Accountants. The effect of such change to the results for the period is not material and details of this change in accounting policy will be given in the 2002 Annual Accounts.

Apart from the foregoing, the accounting policies adopted are consistent with those described in the 2001 Annual Accounts.

2. Turnover

US\$'000	2002	2001
International transportation and logistics		
Asia	653,311	682,461
North America	195,124	216,001
Europe	155,627	156,966
Australia	19,952	17,353
	1,024,014	1,072,781
Container terminals		
North America	100,195	105,064
Property investment and development		
North America	10,256	9,827
Asia	574	—
	1,135,039	1,187,672

2. Turnover (continued)

The principal activities of the Group are international transportation and logistics, container terminal operations, property investment and development.

Turnover represents gross freight, charterhire, service and other income from the operation of the international containerised transportation and container terminal businesses, sales of properties and rental income from the investment property.

Freight revenues from international transportation and logistics are analysed based on the outbound cargoes of each geographical territory.

3. Operating Profit Before Financing

US\$'000	2002	2001
International transportation and logistics	6,316	76,044
Container terminals	4,466	(5,405)
Property investment and development	5,060	4,621
Others	3,127	193
	18,969	75,453
Corporate services	(3,811)	(4,010)
	15,158	71,443

In respect of the international transportation and logistics activities which cover the world's major shipping lanes, the Directors consider that the nature of the trade and the way in which costs are allocated precludes a meaningful allocation of operating profit to specific geographical segments. Operating profit from international transportation and logistics includes the results from the operations of the terminals at Long Beach and Kaohsiung which form an integral part of that business. The other container terminals and the investment property are located in North America. The Group has no other significant identifiable components in one geographical location for the purpose of carrying on a distinct and separate business.

4. Operating Profit

US\$'000	2002	2001
Operating profit before financing is arrived at after crediting :		
Operating lease rental income		
Land and buildings	11,890	9,827
Gross earnings on finance leases	134	157
and after charging :		
Depreciation		
Owned fixed assets	36,347	31,476
Leased fixed assets	19,250	16,101
Operating lease rental expense		
Vessels and equipment	143,901	118,170
Land and buildings	11,575	8,735
Amortisation of deferred expenditure	1,147	1,377

5. Net Financing Charges

US\$'000	2002	2001
Interest expense	(20,067)	(30,471)
Amount capitalised under fixed assets	891	—
Interest income	3,750	5,151
Net interest expense	(15,426)	(25,320)
Financing charges	(2,000)	(3,172)
Portfolio investment income	1,040	2,991
	(16,386)	(25,501)

6. Taxation

US\$'000	2002	2001
Current overseas taxation		
Company and subsidiaries	(2,967)	(5,313)
Jointly controlled entities	(12)	(42)
	(2,979)	(5,355)

Current taxation has been provided at the appropriate rates of taxation prevailing in the countries in which the Group operates on the estimated assessable profits for the period. No provision for Hong Kong profits tax has been made as the Group does not have any assessable profit for the period (2001: nil).

7. Earnings Per Ordinary Share

The calculation of earnings per ordinary share is based on the profit attributable to ordinary shareholders of US\$1.0 million (2001: US\$49.1 million) and 517.1 million ordinary shares in issue during the period.

8. Dividend

US\$'000	2002	2001
Final dividend in respect of 2001 of US1.5 cents (2000: US3 cents) per ordinary share	7,757	15,514

The Board of Directors do not recommend to declare an interim dividend for 2002 (2001: US1 cent per ordinary share).

9. Debtors and Prepayments

US\$'000	30th June 2002	31st December 2001
Trade debtors	66,210	61,720
Other debtors	20,879	24,016
Prepayments	40,367	36,092
Utility and other deposits	34,943	31,290
Bunker	16,914	16,911
Tax recoverable	3,196	685
	182,509	170,714

As described in note 19 to the 2001 Annual Accounts, the Group has assigned and sold certain trade receivables to Rhino and TAPCO (as defined) respectively. Trade debtors of the Group includes the following trade receivables:

US\$'000	30th June 2002	31st December 2001
Gross trade receivables assigned to Rhino	108,302	105,261
Less non-returnable proceeds received from TAPCO	(95,000)	(99,000)
	13,302	6,261

Trade receivables are normally due for payment on presentation of invoices or granted with an approved credit period ranging mainly from 10 to 45 days. Debtors with overdue balances are requested to settle all outstanding balances before any further credit is granted. The ageing analysis of the Group's trade debtors, including those assigned to Rhino but net of provisions for bad and doubtful debts, prepared in accordance with the due date of invoices, is as follows:

US\$'000	30th June 2002	31st December 2001
Below one month	138,077	132,317
Two to three months	19,420	23,726
Four to six months	1,914	3,550
Over six months	1,799	1,127
	161,210	160,720

10. Creditors and Accruals

US\$'000	30th June 2002	31st December 2001
Trade creditors	111,182	103,494
Other creditors	14,041	18,518
Accrued operating expenses	201,373	208,279
Deferred revenue	19,286	25,237
	345,882	355,528

The ageing analysis of the Group's trade creditors, prepared in accordance with date of invoices, is as follows:

US\$'000	30th June 2002	31st December 2001
Below one month	51,095	47,296
Two to three months	55,985	53,538
Four to six months	1,525	1,465
Over six months	2,577	1,195
	111,182	103,494

11. Long-term Liabilities

US\$'000	30th June 2002	31st December 2001
Bank loans		
Secured	600,818	586,826
Other secured loans		
Wholly repayable within five years	23,253	15,339
Not wholly repayable within five years	—	12,814
Finance lease obligations		
Wholly payable within five years	165,659	130,758
Not wholly payable within five years	98,104	147,827
	887,834	893,564
Current portion included in current liabilities	(139,103)	(133,178)
	748,731	760,386

12. Share Capital

US\$'000	30th June 2002	31st December 2001
Authorised :		
900,000,000 ordinary shares of US\$0.10 each	90,000	90,000
65,000,000 convertible redeemable preferred shares of US\$1 each	65,000	65,000
50,000,000 redeemable preferred shares of US\$1 each	50,000	50,000
	205,000	205,000
Issued and fully paid :		
517,141,632 ordinary shares of US\$0.10 each	51,714	51,714

13. Reserves

US\$'000	30th June 2002	31st December 2001
Share premium	35,073	35,073
Contributed surplus	148,286	148,286
Asset revaluation reserve	9,948	9,948
Retained profit	584,749	588,347
	778,056	781,654

14. Capital Expenditure

US\$'000	Deferred expenditure	Fixed assets	Total
Net book amount at 31st December 2001	9,220	1,389,131	1,398,351
Additions	3,911	9,370	13,281
Disposals	—	(3,092)	(3,092)
Depreciation and amortisation	(1,147)	(55,597)	(56,744)
Reclassification	(876)	876	—
Changes in exchange rates	13	3,796	3,809
Net book amount at 30th June 2002	11,121	1,344,484	1,355,605
Net book amount at 31st December 2000	15,328	1,286,197	1,301,525
Additions	1,413	74,621	76,034
Disposals	—	(4,436)	(4,436)
Depreciation and amortisation	(1,377)	(47,577)	(48,954)
Reclassification	(5,277)	—	(5,277)
Changes in exchange rates	10	(996)	(986)
Net book amount at 30th June 2001	10,097	1,307,809	1,317,906

15. Commitments

(a) Capital commitments

US\$'000	30th June 2002	31st December 2001
Contracted but not provided for	431,587	420,586
Authorised but not contracted for	27,986	32,957
	459,573	453,543

The commitments as at 30th June 2002 include the balance of the purchase cost of six 7,700 TEU and one 4,100 TEU ice-strengthened container vessels (2001: six 7,700 TEU and one 4,100 TEU ice-strengthened container vessels) to be delivered in 2003 and 2004. In March 2002, the Group entered into agreements under which two 7,700 TEU and one 4,100 TEU container vessels will be sold to third parties at considerations equal to the acquisition costs to the Group upon delivery. The Group also entered into agreements to bareboat charter these vessels under operating lease terms for minimum periods ranging from eight to twelve years from their respective dates of delivery.

In addition, the Group has a long-term investment plan in respect of the Beijing property development as set out in note 15(a) to the 2001 Annual Accounts.

15. Commitments (continued)

(b) Operating lease commitments

The future aggregate minimum lease rental expense under non-cancellable operating leases are payable in the following years:

US\$'000	Vessels and equipment	Land and buildings	Total
As at 30th June 2002			
2002/03	215,079	19,791	234,870
2003/04	174,770	31,444	206,214
2004/05	165,478	28,389	193,867
2005/06	143,728	24,337	168,065
2006/07	114,416	22,842	137,258
2007/08 onwards	391,575	343,553	735,128
	1,205,046	470,356	1,675,402
As at 31st December 2001			
2002	232,250	19,791	252,041
2003	183,039	18,610	201,649
2004	154,062	27,152	181,214
2005	138,143	24,227	162,370
2006	113,642	20,738	134,380
2007 onwards	297,663	350,689	648,352
	1,118,799	461,207	1,580,006

16. Contingent Liabilities

- (a) Guarantees in respect of loan facilities given for:

US\$'000	Facilities		Utilised	
	30th June 2002	31st December 2001	30th June 2002	31st December 2001
Jointly controlled entities Hui Xian (as defined in note 15 to the 2001 Annual Accounts)	—	40,000	—	11,700
	43,100	43,100	26,093	25,131
	43,100	83,100	26,093	36,831

- (b) A jointly controlled entity, Shanghai Orient Overseas Xujiahui Real Estate Company Limited ("SOOZ") has entered into agreements with certain banks in China in relation to the mortgage financing arrangements for end purchasers of its property development project in Shanghai. Pursuant to the terms of the agreements, SOOZ has provided guarantees in respect of the outstanding loans and accrued interest owed by the purchasers to the financing banks. These guarantees will be discharged upon obtaining the legal title for the property. As at 30th June 2002, the guarantees for such mortgage loans remained outstanding and amounted to US\$18.7 million (2001: US\$2.5 million). The Group's share of such contingent liabilities is US\$8.9 million (2001: US\$1.2 million).
- (c) The Group holds an investment property in the USA and a taxation liability would arise if this property were sold. Based on the carrying value of the property of US\$90.0 million and the available taxation losses of the relevant subsidiaries as at 30th June 2002, this taxation liability would amount to approximately US\$19.5 million. No provision has been made in the accounts for this liability as the property is held for long-term investment purposes.
- (d) The Group is a member of the Trans-Atlantic Conference Agreement ("TACA") and involved in litigation with the European Commission as more fully described in note 28(d) to the 2001 Annual Accounts.