

## 26. RESERVES (Cont'd)

## (b) Company

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Revenue reserves <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January 2000	838,064	213,560	13	645,196	1,696,833
Premium on shares issued	2	–	–	–	2
Shares issued as scrip dividends	(10,796)	–	–	–	(10,796)
Reserve arising on scrip dividends	–	–	–	35,742	35,742
Profit for the year	–	–	–	87,384	87,384
Dividends	–	–	–	(52,585)	(52,585)
<b>At 31st December 2000</b>	<b>827,270</b>	<b>213,560</b>	<b>13</b>	<b>715,737</b>	<b>1,756,580</b>
At 1st April 1999	664,486	213,560	13	638,245	1,516,304
Premium on shares issued	2	–	–	–	2
Premium on rights issued	176,776	–	–	–	176,776
Rights issue expenses	(3,200)	–	–	–	(3,200)
Profit for the period	–	–	–	40,097	40,097
Dividends	–	–	–	(33,146)	(33,146)
At 31st December 1999	838,064	213,560	13	645,196	1,696,833

The distributable reserves of the Company at 31st December 2000, under the Companies Act of Bermuda, amounted to HK\$929,310,000 (1999: HK\$858,769,000).

## 27. LONG-TERM LIABILITIES

## Group

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Bank loans – secured	1,617,477	1,685,234
– unsecured	58,750	60,000
Obligations under finance leases wholly repayable within five years	2,112	3,562
	<b>1,678,339</b>	1,748,796
Current portion included in current liabilities	(550,715)	(674,432)
	<b>1,127,624</b>	1,074,364

**27. LONG-TERM LIABILITIES (Cont'd)**

**Group (Cont'd)**

The bank loans are repayable within the following periods:

	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>549,249</b>	672,980
In the second year	<b>700,898</b>	256,300
In the third to fifth year	<b>426,080</b>	787,954
After the fifth year	-	28,000
	<u><b>1,676,227</b></u>	<u>1,745,234</u>

Obligations under finance leases are repayable within the following periods:

Within one year	<b>1,466</b>	1,452
In the second year	<b>646</b>	1,465
In the third to fifth year	-	645
	<u><b>2,112</b></u>	<u>3,562</u>

**Company**

The bank loan is wholly repayable within five years.

**28. DEFERRED TAXATION**

**Group**

	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000
At beginning of year	<b>18,810</b>	19,440
Transfer from/(to) profit and loss statement (note 8)	<b>1,540</b>	(630)
At end of year	<u><b>20,350</b></u>	<u>18,810</u>
Deferred taxation has been provided in the financial statements in respect of:		
Accelerated depreciation allowances	<b>41,312</b>	37,705
Other timing differences	<b>(20,962)</b>	(18,895)
	<u><b>20,350</b></u>	<u>18,810</u>

28. DEFERRED TAXATION (Cont'd)

The revaluation surplus or deficit arising from the revaluation of the Group's leasehold land and buildings and investment properties does not constitute timing differences for Hong Kong profits tax purposes because they are held for the long-term and any gains or losses would not be subject to Hong Kong profits tax.

There are no material unprovided timing differences at the balance sheet date.

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Year ended 31st December 2000 HK\$'000	Nine months ended 31st December 1999 HK\$'000
Operating profit	187,687	131,832
Profit on disposal of other investments	(1,519)	(1,904)
Gain on disposal of an associated company	(6,650)	-
Unrealised loss/(gain) of other investments	3,200	(2,641)
Interest income	(31,190)	(17,967)
Interest capitalised on properties under development	120,958	68,063
Dividend income from listed investments	(213)	(188)
Depreciation charge	100,222	58,276
Loss on sale of fixed assets	811	8,905
Amortisation of deferred expenditure	22,456	15,222
Write-off of pre-operating expenses	6,386	-
Write-off of other deferred expenditure	10,392	-
Decrease/(increase) in development properties	158,423	(973,765)
Provision for diminution in value of development properties (Write-back of revaluation deficits)/revaluation deficits	35,967	442
of investment properties	(25,502)	8,491
Realisation of revaluation reserve upon disposal of development properties	(2,924)	-
(Increase)/decrease in inventories	(2,123)	5,201
Decrease/(increase) in trade debtors, other receivable and prepayments	3,271	(43,156)
(Decrease)/increase in creditors and accruals	(19,993)	31,981
Decrease in other investments	11,694	48,431
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	<b>571,353</b>	<b>(662,777)</b>

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(b) Analysis of changes in financing during the year

	Share capital and share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Loans and finance lease obligations <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance as at 1st January 2000	1,003,792	44,945	2,031,084	1,072,898	4,152,719
Cash inflow/(outflow) from financing	3	-	(67,503)	12,860	(54,640)
Purchase of additional interest in a subsidiary	-	-	-	(6,817)	(6,817)
Dividends paid to minority interests	-	-	-	(18,641)	(18,641)
Minority share of other reserves	-	-	-	992	992
Minority share of profits for the year	-	-	-	49,057	49,057
<b>Balance as at 31st December 2000</b>	<b>1,003,795</b>	<b>44,945</b>	<b>1,963,581</b>	<b>1,110,349</b>	<b>4,122,670</b>
Balance as at 1st April 1999	774,971	44,945	1,278,625	1,086,970	3,185,511
Cash inflow/(outflow) from financing	232,021	-	752,459	(32,116)	952,364
Rights issue expenses	(3,200)	-	-	-	(3,200)
Dividends paid to minority interests	-	-	-	(12,812)	(12,812)
Minority share of other reserves	-	-	-	928	928
Minority share of profits for the period	-	-	-	29,928	29,928
Balance as at 31st December 1999	1,003,792	44,945	2,031,084	1,072,898	4,152,719

(c) Disposal of an associated company

	<i>HK\$'000</i>
Share of net assets	86,928
Gain on disposal	6,650
	<u>93,578</u>
Represented by:	
Other receivable	<u>93,578</u>

## 30. COMMITMENTS

## Group

	2000 HK\$'000	1999 HK\$'000
(a) Commitments in respect of property developments Contracted but not provided for	<u>510,615</u>	<u>385,933</u>
(b) Commitments in respect of capital expenditure Contracted but not provided for	<u>4,038</u>	<u>8,839</u>
(c) Commitments in respect of other investments Contracted but not provided for	<u>151,929</u>	<u>–</u>
(d) Operating lease commitments		
Commitments payable within the next twelve months in respect of land and buildings under operating leases expiring in the following periods:		
Within one year	2,025	6,033
Second to fifth year inclusive	1,771	3,981
After fifth year	<u>4,313</u>	<u>4,254</u>
	<u>8,109</u>	<u>14,268</u>
(e) Forward exchange Forward exchange contracts outstanding	<u>204,164</u>	<u>189,920</u>

## 31. CONTINGENT LIABILITIES

The Company has executed guarantees in favour of banks and financial institutions in respect of facilities granted to certain subsidiaries and a jointly controlled entity amounting to HK\$2,545,545,000 (1999: HK\$2,181,266,000) and HK\$203,500,000 (1999: nil) respectively. At 31st December 2000, the facilities utilised amounted to HK\$1,486,805,000 (1999: HK\$1,310,669,000) and HK\$60,250,000 (1999: nil) respectively.

The Company has executed a guarantee in favour of a bank in respect of a performance bond for a subsidiary amounting to HK\$63,500,000 (1999: HK\$50,800,000). In addition, the Company has executed a guarantee in favour of the HKSAR Government in respect of the performance by the subsidiary's obligation under a contract with the HKSAR Government.

**32. RELATED PARTY TRANSACTIONS**

The following is a summary of significant transactions between the Group and related parties, in addition to those disclosed elsewhere in the financial statements which in the opinion of the directors were carried out in the normal course of business during the year:

- (a) Sales of aggregates to an associated company amounted to HK\$23,473,000 (1999: HK\$16,718,000). It was conducted in the normal course of business at prices and terms no less than those charged to other third party customers of the Group.
- (b) The Group receives rental income from an associated company amounted to HK\$9,192,000 (1999: HK\$6,638,000) based on the terms of rental agreement between the parties.
- (c) On 23rd September 1999, Great Place Developments Limited, a wholly-owned subsidiary of the Company, issued the callable and redeemable unsecured guaranteed floating rate notes due in 2002 in the amount of HK\$280,000,000 to K. Wah Construction Materials Limited, a subsidiary of the Company, at par in cash. The notes bear interest at the rate of 4.5% per annum over six-month HIBOR.

**33. POST BALANCE SHEET EVENT**

On 19th February 2001, the Group acquired a piece of land from the Hong Kong SAR through a public land auction of Sha Tin Town Lot No. 483 located at Area 77, Ma On Shan, Shatin, New Territories at a consideration of HK\$560 million. The transaction was completed on 19th March 2001.

**34. PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES**

**(a) Subsidiaries**

Name of company	Principal place of operation	Issued share/registered capital			Par value per share	Percentage of equity held by the Group %	Principal activities
		Number of ordinary shares	Number of non-voting deferred shares				
<b>Wholly owned and directly held by the Company</b>							
<b>Incorporated in the British Virgin Islands</b>							
Sutimar Enterprises Limited	Hong Kong	100	-	US\$ 1	100	Investment holding	

### 34. PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES (Cont'd)

#### (a) Subsidiaries (Cont'd)

Name of company	Principal place of operation	Issued share/registered capital			Par value per share	Percentage of equity held by the Group %	Principal activities
		Number of ordinary shares	Number of non-voting deferred shares	Number of ordinary shares			
<b>Indirectly held by the Company</b>							
<b>Incorporated in Hong Kong</b>							
					HK\$		
Barichon Limited	Hong Kong	3,000,000	-	1	67	Sale and distribution of concrete pipes	
Bright City Development Limited	Hong Kong	2	-	1	100	Property development	
Chelsfield Limited	Hong Kong	2,111,192	-	10	67	Investment holding	
Chely Well Limited	Hong Kong	1,000	-	1	65	Investment holding	
Chief Palace Limited	Hong Kong	2	-	1	100	Property development	
Chinapex Company Limited	Singapore	1,000	-	10	100	Property investment and development	
China Win Enterprise Limited	Hong Kong	5,000,000	-	1	100	Investment holding	
Citifair Asia Limited	Hong Kong	10	-	1	67	Investment holding	
Colour Day International Limited	Hong Kong	2	-	1	100	Investment holding	
Construction Materials Limited	Hong Kong	30,000	-	10	67	Sale of aggregates	
Doran (Hong Kong) Limited	Hong Kong	1,000	-	10	67	Sale and distribution of concrete pipes	
Friendly Star Company Limited	Hong Kong	1,000	-	10	100	Property development	
Full Wealth Limited	Hong Kong	2	-	1	100	Property development	
Gold Base Limited	Hong Kong	2	-	1	100	Investment holding	
Hero Plaza Limited	Hong Kong	2	-	1	100	Property development	
K. Wah Block Company Limited	Zhuhai	7,500	-	10	67	Manufacture of precast concrete products	
K. Wah Concrete Company Limited	Hong Kong	2	1,000	100	67	Manufacture, sale and distribution of ready-mixed concrete	
K. Wah Construction Materials (Hong Kong) Limited	Hong Kong	2	2	10	67	Provision of management services	
K. Wah Construction Materials Limited	Hong Kong	1,151,656,667	-	0.1	67	Investment holding	
K. Wah Construction Products Limited	Hong Kong	2	1,000	100	67	Manufacture, sale and distribution of concrete products	

34. PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES  
(Cont'd)

(a) Subsidiaries (Cont'd)

Name of company	Principal place of operation	Issued share/registered capital			Percentage of equity held by the Group %	Principal activities
		Number of ordinary shares	Number of non-voting deferred shares	Par value per share		
<b>Indirectly held by the Company</b>						
<b>Incorporated in Hong Kong</b>						
				HK\$		
K. Wah Management Services Limited	Hong Kong	100	-	100	100	Provision of management services
K. Wah Materials Limited	Hong Kong	28,080,002	-	1	67	Trading
K. Wah Properties Investment Limited	Hong Kong	1,000	-	10	100	Investment holding
K. Wah Quarry Company Limited	Hong Kong	2	100,000	100	67	Sale of aggregates
K. Wah Stones (Holdings) Limited	Hong Kong	439,463,724	-	0.2	100	Investment holding
K. Wah Stones (Zhu Hai) Company Limited	Zuhai	2	1,000	10	67	Quarrying
K. Wah Trading and Development Limited	Hong Kong	2	2	10	67	Trading
KWP Quarry Co. Limited	Hong Kong	9,000,000	-	1	43	Quarrying
Lightway Limited	Hong Kong	2	2	1	67	Property investment
Liland Limited	Hong Kong	2	-	1	100	Investment holding
Lucky Way Investment Limited	Hong Kong	2	-	1	100	Property development
Master Target Limited	Hong Kong	2	-	1	67	Investment holding
Netrich Limited	Hong Kong	2	-	1	100	Property development
Origin World Limited	Hong Kong	2	-	1	100	Property investment
Quanturn Limited	Hong Kong	2	-	1	67	Equipment leasing
Queen Bright Limited	Hong Kong	2	-	1	100	Investment holding
Rainbow Country Limited	Hong Kong	2	-	1	67	Investment holding
Rainbow Mark Limited	Hong Kong	100	-	1	64	Investment holding
Rainbow States Limited	Hong Kong	2	-	1	67	Investment holding
Star Home Limited	Hong Kong	2	-	1	67	Investment holding
Star Route Limited	Hong Kong	2	-	1	67	Investment holding
Triconville Investments Limited	Hong Kong	10	-	1	67	Investment holding
Victory Way Limited	Hong Kong	1,000	-	1	90	Investment holding



34. PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES  
(Cont'd)

(a) Subsidiaries (Cont'd)

Name of company	Principal place of operation	Registered capital	Percentage of equity held by the Group %	Principal activities
<b>Incorporated in Mainland China</b>				
Doran Construction Products (Shenzhen) Co., Ltd.	Shenzhen	HK\$10,000,000	67	Manufacture, sale and distribution of concrete pipes
Guangzhou Jiafang Concrete Co., Ltd.	Guangzhou	RMB11,200,000	38	Manufacture, sale and distribution of ready-mixed concrete
Hui Cheng Real Estate Development Co. Ltd. Guangzhou	Guangzhou	HK\$200,000,000	90	Property development
Jia Hui Da Real Estate Development Co., Ltd. Shanghai	Shanghai	US\$30,000,000	36	Property development
K. Wah Construction Development Consultancy (Shanghai) Ltd.	Shanghai	US\$525,000	100	Provision of consultancy services
K. Wah Construction Products (Shenzhen) Co., Ltd.	Shenzhen	US\$1,290,000	67	Manufacture, sale and distribution of concrete pipes
K. Wah Consultancy (Shanghai) Co., Ltd.	Shanghai	US\$350,000	67	Provision of management services
K. Wah (Huangpi) Quarry Company Limited, Guangzhou	Guangzhou	US\$4,900,000	67	Quarrying
Nanjing New Universe Real Estate Development Co., Ltd.	Nanjing	US\$5,000,000	55	Property investment
Shanghai Beicai Concrete Co., Ltd.	Shanghai	RMB31,500,000	40	Manufacture, sale and distribution of ready-mixed concrete
Shanghai Ganghui Concrete Co., Ltd.	Shanghai	US\$4,000,000	40	Manufacture, sale and distribution of ready-mixed concrete
Shanghai Jiafu Concrete Co., Ltd.	Shanghai	US\$1,400,000	37	Manufacture, sale and distribution of ready-mixed concrete
Shanghai Jiagangcheng Real Estate Development Co., Ltd.	Shanghai	US\$13,000,000	95	Property development

34. PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES  
(Cont'd)

(a) Subsidiaries (Cont'd)

Name of company	Principal place of operation	Registered capital	Percentage of equity held by the Group %	Principal activities
Shanghai Jiajian Concrete Co., Ltd.	Shanghai	RMB17,400,000	40	Manufacture, sale and distribution of ready-mixed concrete
Shanghai Jia Shen Concrete Co., Ltd.	Shanghai	RMB4,400,000	67	Manufacture, sale and distribution of ready-mixed concrete
Shanghai K. Wah Concrete Co., Ltd.	Shanghai	RMB10,000,000	67	Manufacture, sale and distribution of ready-mixed concrete and provision of quality assurance services
Shanghai Xincai Concrete Co., Ltd.	Shanghai	US\$2,100,000	67	Manufacture, sale and distribution of ready-mixed concrete
Yue Hua Real Estate Development Co., Ltd. Guangzhou	Guangzhou	HK\$187,000,000	100	Property development

Name of company	Principal place of operation	Issued share capital		Percentage of equity held by the Group %	Principal activities
		Number of ordinary shares	Par value per share		
<b>Incorporated in Japan</b>					
Asahi Kohatsu Corporation	Japan	240	Yen 50,000	75	Trading
<b>Incorporated in the British Virgin Islands</b>					
All Smart Profits Limited	Hong Kong	10	US\$ 1	100	Investment holding
Cyber Point Assets Limited	Hong Kong	10	1	100	Investment holding
Eternal Profits International Limited	Hong Kong	10	1	67	Property investment
Fairlight Investments Limited	Hong Kong	10	1	67	Investment holding
High Regard Investments Limited	Hong Kong	20	1	67	Investment holding
Ontrack Developments Limited	Hong Kong	10	1	100	Investment holding
Repton Developments Limited	Hong Kong	10	1	100	Investment holding
Taksin Profits Limited	Hong Kong	17	1	67	Investment holding
Top Ridge Management Limited	Singapore	10	1	100	Property investment
Woodland Assets Limited	Hong Kong	10	1	67	Investment holding