

## 1. PRINCIPAL ACCOUNTING POLICIES

### (a) Basis of preparation

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain properties and in accordance with accounting principles generally accepted in Hong Kong.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

### (b) Basis of consolidation

The consolidated financial statements include the financial statements of K. Wah International Holdings Limited and its subsidiaries made up to 31st December and the Group's attributable share of post acquisition results and reserves of its jointly controlled entities and associated companies.

Results attributable to subsidiaries, jointly controlled entities and associated companies acquired or disposed of during the year are included in the consolidated profit and loss statement from the date of acquisition or to the date of disposal as applicable.

The profit or loss on disposal of subsidiaries, jointly controlled entities or associated companies is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill or negative goodwill which remains unamortised, including those previously taken directly to reserves.

All significant intercompany transactions and balances within the Group are eliminated.

### (c) Subsidiaries

Subsidiaries are companies in which the Group has the power to exercise control governing the financial and operating policies of the company.

In the Company's balance sheet, investments in subsidiaries are carried at or below cost. Provision is made when, in the opinion of the Directors, there is impairment in value other than temporary in nature. The results of subsidiaries are accounted for by the Company on the basis of dividend income.

### (d) Jointly controlled entities

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established between the participating venturers and whereby the Group together with the venturer undertake an economic activity which is subject to joint control and none of the venturers has unilateral control over the economic activity.

Jointly controlled entities are accounted for under the equity method whereby the Group's share of results is included in the consolidated profit and loss statement and the Group's share of net assets is included in the consolidated balance sheet.

## 1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (e) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

Associated companies are accounted for under the equity method whereby the Group's share of the results is included in the consolidated profit and loss statement and the Group's share of net assets is included in the consolidated balance sheet.

### (f) Goodwill

Goodwill represents the difference between the cost of an acquisition over the fair values ascribed to the Group's share of the net assets of the acquired subsidiaries, jointly controlled entities or associated companies at the effective date of acquisition.

Goodwill arising on acquisitions occurring on or after 1st January 2001 is included in the balance sheet as a separate asset and amortised using the straight line method over its estimated useful life of not more than twenty years. Goodwill on acquisitions, which occurred prior to 1st January 2001, was taken directly to reserves.

The carrying amount of goodwill, including those previously taken directly to reserves, is reviewed annually and provision is made where, in the opinion of the Directors, there is impairment in value other than temporary in nature.

Where the fair values ascribed to the net assets exceed the purchase consideration, such differences are recognised in the profit and loss statement in the year of acquisition or over the weighted average useful life of those non-monetary assets acquired.

### (g) Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation and provision for significant impairment in values.

The cost or valuation of long-term and medium-term leasehold land is depreciated over the remaining term of the lease, including the period for which a right of renewal is attached, using the straight-line method. The cost or valuation of all other land and buildings and leasehold improvements is depreciated over their respective lease periods using the straight-line method.

Increases in valuation of leasehold land and buildings held as fixed assets are credited to the property revaluation reserve; subsequent decreases are first set off against increases on earlier valuations in respect of the same property and are thereafter charged to the profit and loss statement.

The cost of other fixed assets is depreciated over their estimated useful lives, using the straight-line method, at the following annual rates:

Plant and machinery	5 to 25%
Other assets	10 to 25%

## 1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (g) Fixed assets and depreciation (Cont'd)

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss statement. Improvements are capitalised and depreciated over their expected useful lives to the Group. The carrying amounts of fixed assets are reviewed regularly. When the estimated recoverable amounts have declined permanently below their carrying amounts, the carrying amounts are written down to their estimated recoverable amounts. Expected future cash flows have been discounted in determining the recoverable amount.

Profit or loss on disposal of a fixed asset is determined as the difference between the net sales proceed and the carrying amount of the relevant asset, and is recognised in the profit and loss statement. Upon the disposal of revalued assets, the relevant realised revaluation reserve is transferred directly to revenue reserve.

### (h) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed, held for their long-term investment potential and are not occupied by the Group. Investment properties are carried at fair values, representing their open market value based on professional valuation. A deficit in valuation is charged to the profit and loss statement; an increase is first credited to the profit and loss statement to the extent of valuation deficit previously charged and thereafter is credited to the investment properties revaluation reserve. Upon the disposal of an investment property, any relevant revaluation surplus realised is transferred to the profit and loss statement.

No depreciation is provided on investment properties held on leases of more than twenty years.

### (i) Investment

Securities intended to be held for identified long-term purpose or strategic reason are included in the balance sheet under other non-current assets and are carried at cost less provision. The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investment will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss statement and is written back to profit and loss statement when the circumstances and events that led to the write-downs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Securities which are acquired principally for the purpose of generating a profit from short-term fluctuation in prices are included in the balance sheet under current assets and are carried at fair value. The net unrealised gains or losses arising from the changes in fair value of investments are recognised in the profit and loss statement. Profits or losses on disposal of investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss statement as they arise.

## **1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)**

### **(j) Leased assets**

Assets leased from third parties under agreements that transfer substantially all the risks and rewards incident to ownership of the relevant assets to the Group are classified as finance leases. At the inception of a finance lease, the fair value of the asset or, if lower, the present value of the minimum lease payments is capitalised as a fixed asset; the corresponding obligations, net of finance charges, is included under long-term liabilities. Assets held under finance leases are depreciated on the basis described in note (g) above. Gross rental payable in respect of finance leases are apportioned between interest charge and a reduction of lease obligations based on the interest rates implicit in the relevant leases.

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Rentals payable, net of incentives received from the lessors, under operating leases are charged to the profit and loss statement on a straight-line basis over the lease terms.

### **(k) Deferred expenditure**

Quarry site development represents costs of constructing infrastructure at the quarry site to facilitate excavation. Overburden removal costs are incurred to bring the quarry site into a condition ready for excavation. These costs are amortised over the estimated useful lives of the quarries and sites concerned using the straight-line method.

Pre-operating costs are expensed as they are incurred.

### **(l) Development properties**

Development properties are included under current assets and comprise land at cost or valuation, construction costs, an appropriate proportion of overhead expenditure and interest attributable to the development, and profit taken to date, less sales instalments received and provisions for possible losses. Completed properties held for sale are carried at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

### **(m) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost calculated on the weighted average basis, comprises materials, direct labour and an appropriate proportion of production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

### **(n) Deferred taxation**

Deferred taxation is provided at the current rate of taxation using the liability method in respect of material timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

## 1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (o) Provision

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

### (p) Revenue recognition

Sales of construction materials are recognised when the goods are delivered and legal title is transferred to customers.

Sales of completed properties are recognised upon execution of the sales agreements. When a development property is sold in advance of completion, sales are recognised over the course of the development and are computed as a proportion of the total estimated sales to completion; the proportion used being the lower of the proportion of construction costs incurred at the balance sheet date to estimated total construction costs and the proportion of sales proceeds received at the balance sheet date to total sales proceeds.

Where purchasers fail to pay the balance of the purchase price on completion and the Group exercises its entitlement to resell the property, sales deposits received in advance of completion are forfeited and credited to operating profit, and sales recognised up to the date of forfeiture are written back.

Rental income net of any incentives given to the lessee is recognised over the periods of the respective leases on a straight-line basis.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Dividend income is recognised when the right to receive payment is certain.

### (q) Employee benefits

Contributions to defined contribution retirement schemes are charged to the profit and loss statement in the year to which the contributions relate.

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Provisions for bonus plans due wholly within twelve months after balance sheet date are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

**1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)**

**(r) Borrowing costs**

Interest and related costs on borrowings directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to complete and prepare the assets for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit and loss statement in the year in which they are incurred.

**(s) Foreign currencies**

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at rates of exchange ruling at that date. Exchange differences arising are dealt with in the profit and loss statement.

Profit and loss statements of subsidiaries, jointly controlled entities and associated companies denominated in foreign currencies are translated at the weighted average exchange rates for the year and balance sheets are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising from the translation of net investments are taken directly to reserves.

**(t) Cash and cash equivalents**

Cash and cash equivalents comprise cash and bank balances, deposits with banks and financial institutions repayable within three months from the date of placement less bank overdrafts and advances from banks and financial institutions repayable within three months from the date of advance.

## 2. SEGMENT INFORMATION

The Group is principally engaged in property development and investment, manufacture, sale and distribution of construction materials. There are no other significant identifiable separate business. In accordance with the Group's internal financial reporting and operating activities, the primary reporting is by business segments and the secondary segment reporting is by geographical segments. Segment assets primarily consist of fixed assets, other non-current assets, inventories, properties, debtors and prepayments and mainly exclude investments. Segment liabilities comprise mainly creditors and accruals. There are no sales or trading transactions between the business segments.

A summary of business segments is set out as follows:

	Properties HK\$'000	Construction materials HK\$'000	Others HK\$'000	Total HK\$'000
<b>Year ended 31st December 2002</b>				
Turnover	1,079,095	1,010,999	44,458	2,134,552
Other revenues	<u>4,362</u>	<u>6,499</u>	<u>859</u>	<u>11,720</u>
Operating profit	<u>89,600</u>	<u>45,954</u>	<u>2,768</u>	138,322
Finance costs				(8,619)
Share of profits less losses of				
Jointly controlled entities	(33)	4,439	—	4,406
Associated companies	(1,544)	3,944	—	<u>2,400</u>
Profit before taxation				136,509
Taxation				<u>(7,296)</u>
Profit after taxation				129,213
Minority interests	222	(23,005)	(27)	<u>(22,810)</u>
Profit attributable to shareholders				<u>106,403</u>
Segment assets	4,082,913	1,340,767	26,106	5,449,786
Jointly controlled entities	341,514	196,327	—	537,841
Associated companies	—	15,244	—	15,244
Common assets				<u>761,495</u>
Total assets				<u>6,764,366</u>
Segment liabilities	252,000	263,801	7,706	523,507
Minority interests	501,599	599,832	784	1,102,215
Common liabilities				<u>2,674,989</u>
Total liabilities				<u>4,300,711</u>
Capital expenditure	1,710	154,628	20	156,358
Depreciation	3,012	58,976	123	62,111
Amortisation	—	14,879	—	14,879
Write-back of additional provision for fixed assets	<u>—</u>	<u>11,303</u>	<u>—</u>	<u>11,303</u>

2. SEGMENT INFORMATION (Cont'd)

	Properties HK\$'000	Construction materials HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31st December 2001				
Turnover	1,152,189	1,082,615	40,096	2,274,900
Other revenues	<u>8,746</u>	<u>11,606</u>	<u>241</u>	<u>20,593</u>
Operating profit/(loss)	<u>71,929</u>	<u>112,672</u>	<u>(7,772)</u>	176,829
Finance costs				(7,072)
Share of profits less losses of				
Jointly controlled entities	(12)	1,938	—	1,926
Associated companies	(6,383)	(6,010)	—	<u>(12,393)</u>
Profit before taxation				159,290
Taxation				<u>(11,103)</u>
Profit after taxation				148,187
Minority interests	(10,108)	(37,821)	(22)	<u>(47,951)</u>
Profit attributable to shareholders				<u>100,236</u>
Segment assets	3,510,974	1,133,755	20,564	4,665,293
Jointly controlled entities	297,781	177,819	—	475,600
Associated companies	73,343	86,033	—	159,376
Common assets				<u>752,360</u>
Total assets				<u>6,052,629</u>
Segment liabilities	219,310	268,893	6,813	495,016
Minority interests	500,184	570,782	682	1,071,648
Common liabilities				<u>2,101,895</u>
Total liabilities				<u>3,668,559</u>
Capital expenditure	2,352	80,496	302	83,150
Depreciation	2,977	73,617	142	76,736
Amortisation	<u>—</u>	<u>11,815</u>	<u>—</u>	<u>11,815</u>



## 2. SEGMENT INFORMATION (Cont'd)

A summary of the geographical segments is set out as follows:

	Turnover <i>HK\$'000</i>	Operating profit/(loss) <i>HK\$'000</i>	Total assets <i>HK\$'000</i>	Capital expenditure <i>HK\$'000</i>
<b>Year ended 31st December 2002</b>				
Hong Kong	1,479,594	98,858	3,532,325	55,395
Mainland China	583,176	37,179	3,025,036	100,940
Singapore	27,324	1,938	189,480	3
Japan	44,458	347	17,525	20
	<u>2,134,552</u>	<u>138,322</u>	<u>6,764,366</u>	<u>156,358</u>
<b>Year ended 31st December 2001</b>				
Hong Kong	1,407,367	151,493	3,580,469	63,259
Mainland China	813,260	34,336	2,258,562	18,896
Singapore	14,177	(9,277)	201,453	693
Japan	40,096	277	12,145	302
	<u>2,274,900</u>	<u>176,829</u>	<u>6,052,629</u>	<u>83,150</u>

## 3. TURNOVER AND OTHER REVENUES

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Turnover		
Sale of properties	1,039,956	1,113,597
Manufacture, sale and distribution of construction materials	1,010,999	1,082,615
Rental	39,139	38,592
Sale of goods	44,458	40,096
	<u>2,134,552</u>	<u>2,274,900</u>
Other revenues		
Interest from banks	6,733	17,957
Interest from mortgage loans	2,213	480
Interest from deferred receivable	1,918	1,918
Dividend from listed investments	856	238
	<u>11,720</u>	<u>20,593</u>
Total revenues	<u>2,146,272</u>	<u>2,295,493</u>

#### 4. OPERATING PROFIT

	2002 HK\$'000	2001 HK\$'000
Operating profit is stated after crediting:		
Unrealised gain on other investments	950	3,200
Profit on disposal of other investments	103	6,583
Net exchange gains	—	8,721
Write-back of provision for development properties	7,726	13,666
Profit on disposal of fixed assets	343	—
Write-back of additional provision for fixed assets	11,303	—
Amortisation of negative goodwill	<u>631</u>	<u>632</u>
and after charging:		
Cost of inventories sold	821,812	811,574
Deficit on revaluation of investment properties	6,066	23,468
Net exchange losses	5,123	—
Depreciation		
Owned fixed assets	62,039	76,449
Leased fixed assets	72	287
Amortisation		
Quarry site development	846	1,494
Overburden removal costs	14,033	10,321
Staff costs including directors' remuneration	211,276	210,167
Royalty	3,076	4,944
Auditors' remuneration	1,928	2,078
Operating lease rentals		
Land and buildings	11,740	18,808
Plant and machinery	1,888	—
Unrealised loss of long-term investments	561	3,850
Loss on disposal of an associated company	12,658	—
Loss on deemed disposal of subsidiaries	—	7,228
Loss on disposal of fixed assets	—	1,770
Outgoings in respect of investment properties	<u>3,091</u>	<u>3,362</u>

## 5. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest expense		
Bank loans and overdrafts	74,302	106,843
Finance lease obligations wholly repayable within five years	<u>2</u>	<u>163</u>
	74,304	107,006
Capitalised as cost of properties under development	<u>(65,685)</u>	<u>(99,934)</u>
	<u>8,619</u>	<u>7,072</u>

The capitalisation rates applied to funds borrowed generally and used for the development of properties are between 2% and 5% per annum (2001: 5% to 6% per annum).

## 6. DIRECTORS' EMOLUMENTS

	2002 HK\$'000	2001 HK\$'000
Fees	1,060	910
Salaries and other emoluments	10,844	9,169
Retirement benefits	<u>745</u>	<u>627</u>
	<u>12,649</u>	<u>10,706</u>

The emoluments of individual directors of the Company fell within the following bands:

	Number of Directors	
	2002	2001
Nil–HK\$1,000,000	10	11
HK\$1,000,001–HK\$2,000,000	1	1
HK\$2,000,001–HK\$3,000,000	1	—
HK\$3,000,001–HK\$4,000,000	<u>2</u>	<u>2</u>
	<u>14</u>	<u>14</u>

Fees paid to independent non-executive directors amounted to HK\$460,000 (2001: HK\$460,000) and no other emoluments were paid.

No options were granted to or exercised by the directors during the year ended 31st December 2002 (2001: nil).

## 7. MANAGEMENT EMOLUMENTS

The five individuals whose emoluments were the highest in the Group for the year include three (2001: two) directors whose emoluments are reflected in note 6 above. The emoluments of the remaining two (2001: three) individuals are as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and other emoluments	3,868	5,195
Retirement benefits	<u>287</u>	<u>370</u>
	<u><u>4,155</u></u>	<u><u>5,565</u></u>

The emoluments of these individuals fell within the following bands:

	Number of employees	
	2002	2001
HK\$1,500,001–HK\$2,000,000	1	2
HK\$2,000,001–HK\$2,500,000	<u>1</u>	<u>1</u>
	<u><u>2</u></u>	<u><u>3</u></u>

## 8. RETIREMENT BENEFIT SCHEMES

The Group operates two defined contribution schemes in Hong Kong which comply with all the respective requirements under the Occupational Retirement Schemes Ordinance (ORSO) and Mandatory Provident Fund (MPF) Ordinance. All the assets under the schemes are held separately from the Group under independently administered funds. Contributions to the MPF Scheme follow the MPF Ordinance while contributions to the ORSO Scheme are based on a percentage ranging from 5% to 10% (depending upon the length of employment) of the basic salary of the employee, minus the mandatory contributions to the MPF Scheme. The Group's contributions to the ORSO Scheme may be reduced by contributions forfeited by those employees who leave the scheme prior to the full vesting of the employer's contributions on the employee.

The employees in the Mainland China participate in various pension plans organised by the relevant municipal and provincial government under which the Group is required to make monthly defined contributions to these plans at rates ranging from 8% to 22.5%, dependent upon the applicable local regulations, of the employees' basic salary. The Group has no other obligations for the payment of pension and other post-retirement benefits of employees other than the above payments.

The retirement benefit schemes cost charged to the profit and loss statement during the year comprises contributions made by the Group to the schemes of HK\$12,624,000 (2001: HK\$11,057,000), less forfeitures of HK\$379,000 (2001: HK\$852,000), leaving HK\$123,000 (2001: HK\$36,000) available at the year end to reduce future contribution.

## 9. TAXATION

	2002 HK\$'000	2001 HK\$'000
Company and subsidiaries		
Hong Kong profits tax	3,301	13,969
Tax refund	—	(10,749)
Overseas taxation	6,092	7,911
Deferred taxation (note 29a)	<u>(2,693)</u>	<u>(707)</u>
	6,700	10,424
Jointly controlled entities		
Overseas taxation	558	161
Associated companies		
Hong Kong profits tax	<u>38</u>	<u>518</u>
	<u>7,296</u>	<u>11,103</u>

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits for the year after setting off available tax losses brought forward.

Taxation assessable on profits generated overseas has been provided at the rates of taxation prevailing in the countries in which the Group operates.

There was no material unprovided deferred taxation for the year.

## 10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the financial statements of the Company to the extent of HK\$79,158,000 (2001:HK\$80,913,000).

## 11. DIVIDENDS

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Interim scrip dividend with a cash option of 1 cent (2001: 1 cent) per share	18,964	18,235
Proposed final scrip dividend with a cash option of 2 cents (2001: 2 cents) per share	<u>38,407</u>	<u>37,513</u>
	<u><b>57,371</b></u>	<u><b>55,748</b></u>
The dividends have been partially settled by cash as follows:		
Interim	7,555	3,237
Final	<u>—</u>	<u>22,672</u>
	<u><b>7,555</b></u>	<u><b>25,909</b></u>

The Board of Directors recommended a final scrip dividend with a cash option in respect of 2002 of 2 cents (2001: 2 cents) per share. This dividend will be accounted for as an appropriation of revenue reserve in the year ending 31st December 2003.

## 12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$106,403,000 (2001: HK\$100,236,000) and the weighted average number of 1,888,664,000 shares (2001: 1,793,622,000 shares) in issue during the year.

The diluted earnings per share is not presented as the exercise of the share options outstanding as at 31st December 2002 would not have a dilutive effect on the earnings per share.

## 13. FIXED ASSETS

## Group

	Leasehold land and buildings <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Other fixed assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation					
At 31st December 2001	415,562	282,705	605,762	237,103	1,541,132
Additions	12,459	44,336	36,537	70,826	164,158
Disposals	(626)	—	(32,389)	(23,536)	(56,551)
Reclassification	(2,516)	—	11,808	(9,292)	—
Revaluation deficit	—	(6,066)	—	—	(6,066)
At 31st December 2002	<u>424,879</u>	<u>320,975</u>	<u>621,718</u>	<u>275,101</u>	<u>1,642,673</u>
Accumulated depreciation					
At 31st December 2001	46,308	—	341,941	164,273	552,522
Charge for the year	7,689	—	35,588	18,834	62,111
Disposals	(129)	—	(31,011)	(21,437)	(52,577)
Reclassification	(918)	—	4,354	(3,436)	—
Write-back of additional provision	—	—	(11,303)	—	(11,303)
At 31st December 2002	<u>52,950</u>	<u>—</u>	<u>339,569</u>	<u>158,234</u>	<u>550,753</u>
Net book value					
<b>At 31st December 2002</b>	<b><u>371,929</u></b>	<b><u>320,975</u></b>	<b><u>282,149</u></b>	<b><u>116,867</u></b>	<b><u>1,091,920</u></b>
At 31st December 2001	<u>369,254</u>	<u>282,705</u>	<u>263,821</u>	<u>72,830</u>	<u>988,610</u>

### 13. FIXED ASSETS (Cont'd)

#### Group (Cont'd)

- (a) Leasehold land and buildings are stated at cost or valuation less depreciation as detailed in note 14. Investment properties held under long-term leases outside Hong Kong amounting to HK\$100,975,000 were valued at 31st December 2002 on an open market value basis by CB Richard Ellis (Pte) Ltd., independent professional valuers. Investment properties held under medium-term leases outside Hong Kong amounting to HK\$53,000,000 were valued at 31st December 2002 on an open market value basis by Knight Frank (Services) Ltd., independent professional valuers. Investment properties held under long-term leases in Hong Kong amounting to HK\$125,000,000 were valued at 31st December 2002 on an open market value basis by FPD Savills (Hong Kong) Limited, independent professional valuers. Investment properties held under medium-term leases in Hong Kong amounting to HK\$42,000,000 were valued at 31st December 2002 on an open market value basis by CB Richard Ellis Ltd., independent professional valuers.
- (b) Investment properties, land and buildings and plant and machinery with carrying values of HK\$225,975,000 (2001: HK\$240,705,000), HK\$295,904,000 (2001: HK\$301,605,000) and HK\$nil (2001: HK\$111,398,000), respectively, were pledged to secure the Group's borrowing facilities.
- (c) Other fixed assets comprise barges, furniture and equipment, leasehold improvements and motor vehicles.
- (d) At 31st December 2002, there were no assets held under finance leases (2001: HK\$72,000).
- (e) Apart from the properties mentioned in (a) above, all other assets are carried at cost.

### 14. LEASEHOLD LAND AND BUILDINGS

#### Group

	Hong Kong HK\$'000	Outside Hong Kong HK\$'000	2002 Total HK\$'000	2001 Total HK\$'000
Long-term lease				
At cost	113,740	5,847	119,587	119,587
Medium-term lease				
At cost	28,935	26,295	55,230	45,853
At professional valuation 1990	<u>250,062</u>	<u>—</u>	<u>250,062</u>	<u>250,122</u>
	<u>392,737</u>	<u>32,142</u>	<u>424,879</u>	<u>415,562</u>

Medium-term leasehold land and buildings in Hong Kong were revalued as at 31st March 1990 on an open market basis by Jones Lang LaSalle Ltd., independent professional valuers. Subsequent revaluations of these properties are not required to be made in accordance with paragraph 80 of Hong Kong Statement of Standard Accounting Practice 17 — Property, Plant and Equipment. Had these properties been carried at cost, their carrying values would have been HK\$166,955,000 (2001: HK\$170,760,000).



## 15. SUBSIDIARIES

	Company	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	259,561	259,561
Loan receivable	828,000	462,000
Amounts receivable	<u>1,801,671</u>	<u>1,682,951</u>
	<u><b>2,889,232</b></u>	<u><b>2,404,512</b></u>

The loan receivable is unsecured, carry interest at prevailing market rate and has no fixed terms of repayment. The amounts receivable are unsecured, interest-free and have no fixed terms of repayment.

Details of subsidiaries which, in the opinion of the Directors, materially affect the results or net assets of the Group are given in note 35(a).

## 16. JOINTLY CONTROLLED ENTITIES

	Group	
	2002 HK\$'000	2001 HK\$'000
Share of net assets	113,392	97,832
Loans receivable	334,489	292,419
Amounts receivable	<u>89,960</u>	<u>85,349</u>
	<u><b>537,841</b></u>	<u><b>475,600</b></u>

The loans receivable are unsecured, carry interest at prevailing market rate and have no fixed terms of repayment. The amounts receivable are unsecured, interest-free and have no fixed terms of repayment.

Details of jointly controlled entities which, in the opinion of the Directors, materially affect the results or net assets of the Group are given in note 35(b).

## 17. ASSOCIATED COMPANIES

	Group	
	2002 HK\$'000	2001 HK\$'000
Share of net assets	15,244	120,938
Loans receivable	—	27,888
Amounts receivable	—	10,550
	<u>15,244</u>	<u>159,376</u>

Loans receivable are unsecured, carry interest at prevailing market rate and have no fixed terms of repayment. The amounts receivable are unsecured, interest-free and have no fixed terms of repayment.

Details of associated companies which, in the opinion of the Directors, materially affect the results or net assets of the Group are given in note 35(c).

## 18. OTHER NON-CURRENT ASSETS

	Group	
	2002 HK\$'000	2001 HK\$'000
Deferred expenditure		
Overburden removal costs	111,564	94,077
Quarry site development	<u>11,452</u>	<u>7,282</u>
	123,016	101,359
Deferred receivable (note a)	11,020	9,127
Mortgage loans (note b)	62,517	21,941
Long-term investments		
Listed in Hong Kong	2,487	—
Unlisted	<u>104,451</u>	<u>31,223</u>
	<u>303,491</u>	<u>163,650</u>
Market value of listed long-term investments	<u>1,346</u>	—

(a) Deferred receivable represents advances to various contractors for the delivery of concrete to customers. The advances are secured by the vehicles operated by the contractors, carry interest at prevailing market rate and are repayable by monthly instalments up to 2008. The current portion of the receivable is included under other receivable.

(b) Mortgage loans are advances to purchasers of development properties of the Group and secured by second mortgages on the related properties. The current portion of the loans is included under other receivables.

## 19. DEVELOPMENT PROPERTIES

## Group

	Completed HK\$'000	Under development HK\$'000	Total HK\$'000
At cost, less provision	1,064,979	2,414,926	3,479,905
At professional valuation 1990	<u>10,254</u>	<u>—</u>	<u>10,254</u>
<b>At 31st December 2002</b>	<b><u>1,075,233</u></b>	<b><u>2,414,926</u></b>	<b><u>3,490,159</u></b>
At 31st December 2001	<u>564,446</u>	<u>2,374,659</u>	<u>2,939,105</u>

The completed properties at valuation are held under medium-term leases in Hong Kong and were revalued as at 31st March 1990 on an open market basis by Jones Lang LaSalle, independent professional valuers.

Properties under development include stage payments made for the acquisitions of properties amounting to HK\$721,393,000 (2001: nil).

## 20. INVENTORIES

	Group	
	2002 HK\$'000	2001 HK\$'000
Aggregates and sand	7,653	26,760
Concrete pipes and blocks	4,952	4,802
Cement	6,598	4,492
Spare parts	19,857	23,907
Consumables	<u>3,565</u>	<u>3,118</u>
	<b><u>42,625</u></b>	<b><u>63,079</u></b>

At 31st December 2002, the carrying amounts of inventories stated at net realisable value amounted to HK\$1,572,000 (2001: HK\$1,184,000).

## 21. DEBTORS AND PREPAYMENTS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Trade debtors	358,434	304,948	—	—
Other receivable	108,001	186,604	—	2
Prepayments	<u>55,155</u>	<u>50,520</u>	<u>630</u>	<u>4</u>
	<b><u>521,590</u></b>	<b><u>542,072</u></b>	<b><u>630</u></b>	<b><u>6</u></b>

## 21. DEBTORS AND PREPAYMENTS (Cont'd)

The Group has established credit policies which follows local industry standard. The average normal credit period offered ranges from 30 to 60 days for customers in Hong Kong and 120 to 180 days for customers in Mainland China. These are subject to periodic reviews by management.

The aging analysis of the Group's trade debtors based on the date of invoices and net of provision for bad and doubtful debts is as follows:

	2002 HK\$'000	2001 HK\$'000
Within one month	162,881	147,516
Two to three months	131,538	110,486
Four to six months	50,709	31,363
Over six months	<u>13,306</u>	<u>15,583</u>
	<u><u>358,434</u></u>	<u><u>304,948</u></u>

## 22. OTHER INVESTMENTS

	Group	
	2002 HK\$'000	2001 HK\$'000
Listed in Hong Kong, at market value	10,200	9,250
Unlisted shares	<u>52,204</u>	<u>52,204</u>
	<u><u>62,404</u></u>	<u><u>61,454</u></u>

## 23. CASH AND BANK BALANCES

The cash and bank balances include HK\$206,147,000 (2001: HK\$191,748,000) which can only be applied for the construction costs of certain development properties of the Group.

## 24. CREDITORS AND ACCRUALS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Trade creditors	322,106	272,798	—	—
Other creditors	87,683	80,504	1,615	1,974
Accrued operating expenses	102,017	123,632	1,763	131
Deposits received	<u>11,699</u>	<u>16,051</u>	<u>—</u>	<u>—</u>
	<u><u>523,505</u></u>	<u><u>492,985</u></u>	<u><u>3,378</u></u>	<u><u>2,105</u></u>

## 24. CREDITORS AND ACCRUALS (Cont'd)

The aging analysis of the Group's trade creditors based on the dates of the invoices is as follows:

	2002 HK\$'000	2001 HK\$'000
Within one month	174,554	223,342
Two to three months	124,735	27,560
Four to six months	9,324	14,836
Over six months	<u>13,493</u>	<u>7,060</u>
	<u><u>322,106</u></u>	<u><u>272,798</u></u>

## 25. SHARE CAPITAL

### Company

	2002		2001	
	Ordinary Shares of HK\$0.10 each	HK\$'000	Ordinary Shares of HK\$0.10 each	HK\$'000
Authorised:				
At beginning of year	3,888,000,000	388,800	2,888,000,000	288,800
Increase during the year	<u>—</u>	<u>—</u>	<u>1,000,000,000</u>	<u>100,000</u>
At end of year	<u><u>3,888,000,000</u></u>	<u><u>388,800</u></u>	<u><u>3,888,000,000</u></u>	<u><u>388,800</u></u>
Issued and fully paid:				
At beginning of year	1,870,745,070	187,075	1,765,251,042	176,525
Warrants exercised	—	—	17,327	2
Share options exercised	5,041,000	504	456,000	46
Issued as scrip dividends	<u>43,759,361</u>	<u>4,376</u>	<u>105,020,701</u>	<u>10,502</u>
At end of year	<u><u>1,919,545,431</u></u>	<u><u>191,955</u></u>	<u><u>1,870,745,070</u></u>	<u><u>187,075</u></u>

## 26. SHARE OPTION SCHEME

The Company operates a share option scheme under which options to subscribe for ordinary shares in the Company are granted to selected executives. At the Annual General Meeting of the Company held on 30th May 2002, the shareholders approved the adoption of a new share option scheme and the termination of the then existing share option scheme (which was adopted on 23rd June 2000, whereas options granted under the old scheme remain effective. Under the new scheme, share options may be granted to Directors, senior executives or employees of the Company or its affiliates and other qualifying grantees. Consideration to be paid on each grant of option is HK\$1.00. The period within which the shares must be taken up under an option is determined by the Board from time to time, except that such period shall not expire more than 10 years from the date of grant of the option.

Movements in the number of share options outstanding during the year are as follows:

	2002	2001
At beginning of year	22,582,000	23,038,000
Exercised (note (a))	<u>(5,041,000)</u>	<u>(456,000)</u>
At end of year (note (b))	<u>17,541,000</u>	<u>22,582,000</u>

### (a) Options exercised during the year

Exercise date	Exercise price HK\$	Number of shares issued
26th February 2002	0.36	1,170,000
15th April 2002	0.36	700,000
26th April 2002	0.36	954,000
26th April 2002	0.5586	1,130,000
3rd May 2002	0.5586	120,000
16th May 2002	0.5586	400,000
17th May 2002	0.5586	80,000
17th May 2002	0.36	237,000
21st May 2002	0.5586	100,000
20th June 2002	0.36	<u>150,000</u>
		<u>5,041,000</u>

### (b) Outstanding options

Exercise period	Exercise price per share HK\$	Number of share options	
		2002	2001
<b>Directors</b>			
20th May 1999 to 19th May 2008	0.5586	3,400,000	3,400,000
30th December 2000 to 29th December 2009	0.36	4,790,000	4,790,000
<b>Other employees</b>			
20th May 1999 to 19th May 2008	0.5586	4,122,000	5,952,000
30th December 2000 to 29th December 2009	0.36	<u>5,229,000</u>	<u>8,440,000</u>
		<u>17,541,000</u>	<u>22,582,000</u>

All the above options are 100% vested at the beginning and the end of the year.

Subsequent to the balance sheet date, options to subscribe for 17,754,000 shares at the exercise price of HK\$0.72 per share were granted to directors, advisers and employees of the Company and its affiliates.

## 27. RESERVES

## (a) Group

	Share premium HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Property revaluation reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
At 31st December 2001	816,896	99,089	13	34,188	68,037	1,178,772	2,196,995
Changes in exchange rates	—	—	—	—	—	1,231	1,231
Premium on shares issued	1,674	—	—	—	—	—	1,674
Shares issued as scrip dividends	(4,376)	—	—	—	—	—	(4,376)
Reserve arising on scrip dividends	—	—	—	—	—	26,250	26,250
Profit for the year	—	—	—	—	—	106,403	106,403
2001 final dividend	—	—	—	—	—	(37,513)	(37,513)
2002 interim dividend	—	—	—	—	—	(18,964)	(18,964)
<b>At 31st December 2002</b>	<b>814,194</b>	<b>99,089</b>	<b>13</b>	<b>34,188</b>	<b>68,037</b>	<b>1,256,179</b>	<b>2,271,700</b>
Retained by:							
Company and subsidiaries	814,194	99,089	13	34,188	68,037	1,272,397	2,287,918
Jointly controlled entities	—	—	—	—	—	(33,812)	(33,812)
Associated companies	—	—	—	—	—	17,594	17,594
	<b>814,194</b>	<b>99,089</b>	<b>13</b>	<b>34,188</b>	<b>68,037</b>	<b>1,256,179</b>	<b>2,271,700</b>
At 31st December 2000	827,270	99,089	13	34,188	68,037	1,092,805	2,121,402
Changes in exchange rates	—	—	—	—	—	(363)	(363)
Premium on shares issued	128	—	—	—	—	—	128
Shares issued as scrip dividends	(10,502)	—	—	—	—	—	(10,502)
Reserve arising on scrip dividends	—	—	—	—	—	39,641	39,641
Profit for the year	—	—	—	—	—	100,236	100,236
2000 final dividend	—	—	—	—	—	(35,312)	(35,312)
2001 interim dividend	—	—	—	—	—	(18,235)	(18,235)
<b>At 31st December 2001</b>	<b>816,896</b>	<b>99,089</b>	<b>13</b>	<b>34,188</b>	<b>68,037</b>	<b>1,178,772</b>	<b>2,196,995</b>
Retained by:							
Company and subsidiaries	816,896	99,089	13	34,188	68,037	1,215,508	2,233,731
Jointly controlled entities	—	—	—	—	—	(37,660)	(37,660)
Associated companies	—	—	—	—	—	924	924
	<b>816,896</b>	<b>99,089</b>	<b>13</b>	<b>34,188</b>	<b>68,037</b>	<b>1,178,772</b>	<b>2,196,995</b>

## 27. RESERVES (Cont'd)

### (b) Company

	Share premium HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
At 31st December 2001	816,896	213,560	13	818,056	1,848,525
Premium on shares issued	1,674	—	—	—	1,674
Shares issued as scrip dividends	(4,376)	—	—	—	(4,376)
Reserve arising on scrip dividends	—	—	—	26,250	26,250
Profit for the year	—	—	—	79,158	79,158
2001 final dividend	—	—	—	(37,513)	(37,513)
2002 interim dividend	—	—	—	(18,964)	(18,964)
<b>At 31st December 2002</b>	<b>814,194</b>	<b>213,560</b>	<b>13</b>	<b>866,987</b>	<b>1,894,754</b>
At 31st December 2000	827,270	213,560	13	751,049	1,791,892
Premium on shares issued	128	—	—	—	128
Shares issued as scrip dividends	(10,502)	—	—	—	(10,502)
Reserve arising on scrip dividends	—	—	—	39,641	39,641
Profit for the year	—	—	—	80,913	80,913
2000 final dividend	—	—	—	(35,312)	(35,312)
2001 interim dividend	—	—	—	(18,235)	(18,235)
At 31st December 2001	816,896	213,560	13	818,056	1,848,525

The distributable reserves of the Company at 31st December 2002, under the Companies Act 1981 of Bermuda, amounted to HK\$1,080,547,000 (2001: HK\$1,031,616,000).

## 28. LONG-TERM LIABILITIES

### Group

	2002 HK\$'000	2001 HK\$'000
Bank loans		
Secured	1,330,417	1,031,857
Unsecured	1,163,968	662,842
Obligations under finance leases wholly payable within five years	—	638
	<b>2,494,385</b>	<b>1,695,337</b>
Current portion included in current liabilities	<b>(693,469)</b>	<b>(431,877)</b>
	<b>1,800,916</b>	<b>1,263,460</b>



## 28. LONG-TERM LIABILITIES (Cont'd)

### Group (Cont'd)

The bank loans are repayable within the following periods:

	2002 HK\$'000	2001 HK\$'000
Within one year	693,469	431,239
Between one to two years	756,206	450,797
Between two to five years	<u>1,044,710</u>	<u>812,663</u>
	<u><u>2,494,385</u></u>	<u><u>1,694,699</u></u>

### Company

	2002 HK\$'000	2001 HK\$'000
Unsecured bank loans	740,000	362,000
Current portion included in current liabilities	<u>(90,000)</u>	<u>—</u>
	<u><u>650,000</u></u>	<u><u>362,000</u></u>

The bank loans are repayable within the following periods:

	2002 HK\$'000	2001 HK\$'000
Within one year	90,000	—
Between one to two years	245,000	80,000
Between two to five years	<u>405,000</u>	<u>282,000</u>
	<u><u>740,000</u></u>	<u><u>362,000</u></u>

## 29. NON-CURRENT LIABILITIES

### Group

	2002 HK\$'000	2001 HK\$'000
Deferred taxation (note a)	16,950	19,643
Negative goodwill (note b)	<u>1,400</u>	<u>2,031</u>
	<u><u>18,350</u></u>	<u><u>21,674</u></u>

29. NON-CURRENT LIABILITIES (Cont'd)

(a) Deferred taxation

	2002 HK\$'000	2001 HK\$'000
At beginning of year	19,643	20,350
Transfer from profit and loss statement (note 9)	<u>(2,693)</u>	<u>(707)</u>
At end of year	<u><u>16,950</u></u>	<u><u>19,643</u></u>
Provided in the financial statements in respect of:		
Accelerated depreciation allowances	41,743	41,821
Other timing differences	<u>(24,793)</u>	<u>(22,178)</u>
	<u><u>16,950</u></u>	<u><u>19,643</u></u>

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.

(b) Negative goodwill

	2002 HK\$'000	2001 HK\$'000
Cost		
At beginning of year	2,663	—
Arising on acquisition of additional interest in a subsidiary	<u>—</u>	<u>2,663</u>
At end of year	2,663	2,663
Accumulated amortisation	<u>(1,263)</u>	<u>(632)</u>
	<u><u>1,400</u></u>	<u><u>2,031</u></u>

## 30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

## (a) Reconciliation of operating profit to cash (used in)/generated from operations

	2002 HK\$'000	2001 HK\$'000
Operating profit	138,322	176,829
Depreciation	62,111	76,736
Amortisation of deferred expenditure	14,879	11,815
Profit on disposal of other investments	(103)	(6,583)
Loss on disposal of an associated company	12,658	—
Loss on deemed disposal of subsidiaries	—	7,228
Unrealised gain of other investments	(950)	(3,200)
Unrealised loss of long-term investments	561	3,850
Interest income	(10,864)	(20,355)
Interest capitalised on properties under development	65,685	99,934
Dividend income from listed investments	(856)	(238)
(Profit)/loss on sale of fixed assets	(343)	1,770
Amortisation of negative goodwill	(631)	(632)
Write back provision for diminution in value of development properties	(7,726)	(13,666)
Revaluation deficits of investment properties	6,066	23,468
Write-back of additional provision for fixed assets	(11,303)	—
Operating profit before working capital changes	267,506	356,956
Increase in development properties	(543,328)	(326,172)
Decrease/(increase) in inventories	20,454	(7,507)
Decrease in debtors and prepayments	58,923	12,948
Increase in mortgage loans receivable	(40,576)	(21,941)
Increase in other investments	—	(52,204)
Increase in creditors and accruals	30,520	80,381
Cash (used in)/generated from operations	(206,501)	42,461

## (b) Analysis of changes in financing

	Share capital and share premium HK\$'000	Minority interests HK\$'000	Loans and finance lease obligations HK\$'000	Total HK\$'000
At 31st December 2001	1,003,971	1,071,648	2,060,504	4,136,123
Cash inflow from financing	2,178	7,814	582,787	592,779
Minority interests' share of other reserves	—	(57)	—	(57)
Minority interests' share of profits	—	22,810	—	22,810
<b>At 31st December 2002</b>	<b>1,006,149</b>	<b>1,102,215</b>	<b>2,643,291</b>	<b>4,751,655</b>
At 31st December 2000	1,003,795	1,110,349	1,963,581	4,077,725
Cash inflow/(outflow) from financing	176	(4,450)	189,239	184,965
Deemed disposal of interests in subsidiaries	—	(82,023)	(92,316)	(174,339)
Minority interests' share of other reserves	—	(179)	—	(179)
Minority interests' share of profits	—	47,951	—	47,951
At 31st December 2001	1,003,971	1,071,648	2,060,504	4,136,123

### 31. COMMITMENTS

	Group 2002 HK\$'000	2001 HK\$'000
(a) Commitments in respect of property developments		
Contracted but not provided for	<u>699,684</u>	<u>283,128</u>
(b) Commitments in respect of capital expenditure		
Contracted but not provided for	<u>53,616</u>	<u>38,531</u>
(c) Commitments in respect of other investments		
Contracted but not provided for	<u>73,692</u>	<u>78,325</u>
(d) The Group's share of capital commitments of the jointly controlled entities in respect of property developments not included in the above are as follows:		
Contracted but not provided for	<u>197,691</u>	<u>10,602</u>
(e) Operating lease commitments		
The future aggregate minimum lease rental expense in respect of land and buildings under non-cancellable operating leases is payable in the following periods:		
First year	8,199	6,879
Second to fifth years inclusive	24,517	22,124
After fifth year	<u>38,564</u>	<u>39,541</u>
	<u>71,280</u>	<u>68,544</u>
(f) Forward exchange		
Forward exchange contracts outstanding	<u>—</u>	<u>219,180</u>

### 32. OPERATING LEASE RENTAL RECEIVABLE

The future aggregate minimum lease rental income in respect of land and buildings under non-cancellable operating leases is receivable in the following periods:

	Group 2002 HK\$'000	2001 HK\$'000
First year	28,815	29,606
Second to fifth years inclusive	55,006	55,068
After fifth year	<u>53,878</u>	<u>65,864</u>
	<u>137,699</u>	<u>150,538</u>

### 33. 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\$2,136,836,000 (2001: HK\$3,040,061,000) and HK\$203,500,000 (2001: HK\$203,500,000) respectively, of which HK\$1,389,943,000 (2001: HK\$1,267,350,000) and HK\$68,750,000 (2001: HK\$61,750,000), respectively, have been utilised.

The Company has executed a guarantee in favour of the HKSAR Government in respect of the performance by a subsidiary's obligation under a contract with the HKSAR Government.

### 34. 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\$26,585,000 (2001: HK\$24,620,000). These were made at prices and terms no less than those charged to other third party customers of the Group.
- (b) Rental income from an associated company amounted to HK\$9,971,000 (2001: HK\$9,557,000) based on the terms of rental agreement between the parties.
- (c) On 22nd July 2002, Brighten Lion Limited, a 67% owned subsidiary, granted a guaranteed unsecured revolving loan facility of HK\$330 million to Great Place Developments Limited, a wholly-owned subsidiary. The facility carries interest at the rate of 2.38% per annum over three-month HIBOR, with a maturity of three years and an option to extend the maturity for further one or two years. The maximum loan outstanding during the year was HK\$50 million.

### 35. PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

#### (a) Subsidiaries

Name of company	Principal place of operation	Issued share/registered capital			Effective percentage of equity held by the Group %	Principal activities
		Number of ordinary shares	Number of non-voting deferred shares	Par value per share		
<b>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
<b>Indirectly held by the Company</b>						
<b>Incorporated in Hong Kong</b>						
Barichon Limited	Hong Kong	3,000,000	—	HK\$ 1	67	Sale and distribution of concrete pipes
Bright City Development Limited	Hong Kong	2	—	1	100	Property development
Brighten Lion Limited	Hong Kong	2	—	1	67	Provision of finance
Chelsfield Limited	Hong Kong	2,111,192	—	10	67	Investment holding
Chely Well Limited	Hong Kong	1,000	—	1	65	Investment holding
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

## 35. 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			Effective percentage of equity held by the Group %	Principal activities
		Number of ordinary shares	Number of non-voting deferred shares	Par value per share HK\$		
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
Gracerock Limited	Hong Kong	2	—	1	100	Investment holding
Hero Plaza Limited	Hong Kong	2	—	1	100	Property development
Kingrand Limited	Hong Kong	2	—	1	100	Property investment
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	1,243,207,815	—	0.1	67	Investment holding
K. Wah Construction Products Limited	Hong Kong	2	1,000	100	67	Manufacture, sale and distribution of concrete products
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	Zhuhai	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
Lucky Way Investment Limited	Hong Kong	2	—	1	100	Property development
Master Target Limited	Hong Kong	2	—	1	67	Investment holding
Minter Limited	Hong Kong	2	—	1	100	Investment holding
Netrich Limited	Hong Kong	2	—	1	100	Property development
Origin World Limited	Hong Kong	2	—	1	100	Property investment
Perfect Development Limited	Hong Kong	2	—	1	100	Property development
Polynice Limited	Hong Kong	2	—	1	100	Provision of finance
Quanturn Limited	Hong Kong	2	—	1	67	Equipment leasing
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
Triconville Investments Limited	Hong Kong	10	—	1	67	Investment holding
Victory Way Limited	Hong Kong	1,000	—	1	90	Investment holding

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

(a) **Subsidiaries** (Cont'd)

Name of company	Principal place of operation	Issued share capital		Effective percentage of equity held by the Group %	Principal activities
		Number of ordinary shares	Par value per share		
<b>Incorporated in Japan</b>					
			<i>Yen</i>		
Asahi Kohatsu Corporation	Japan	240	50,000	75	Trading
<b>Incorporated in the British Virgin Islands</b>					
			<i>US\$</i>		
All Smart Profits Limited	Hong Kong	10	1	100	Investment holding
Bestfull Profits Limited	Hong Kong	10	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
Greatest Smart Limited	Hong Kong	10	1	100	Investment holding
High Regard Investments Limited	Hong Kong	20	1	67	Investment holding
K. Wah Trading Company Limited	Cook Islands	1	1	67	Trading
Latent Developments Limited	Hong Kong	10	1	67	Investment holding
Ontrack Developments Limited	Hong Kong	10	1	100	Investment holding
Profit Access Investments Limited	Hong Kong	10	1	67	Investment holding
Prosperous Fields Limited	Hong Kong	10	1	67	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

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

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

Name of company	Principal place of operation	Registered capital	Effective percentage of equity held by the Group %	Principal activities
<b>Incorporated in Mainland China</b>				
<b>Wholly-owned foreign enterprise</b>				
Doran Construction Products (Shenzhen) Co., Ltd.	Shenzhen	HK\$10,000,000	67	Manufacture, sale and distribution of concrete pipes
K. Wah (China) Investment Co., Ltd.	Shanghai	US\$30,000,000	100	Investment holding
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 (Guangzhou) Co., Ltd.	Guangzhou	HK\$1,560,000	67	Provision of management services
K. Wah Consultancy (Shanghai) Co., Ltd.	Shanghai	US\$350,000	67	Provision of management services
K. Wah Quarry (Huzhou) Co., Ltd.	Huzhou	US\$4,250,000	67	Quarrying
Shanghai Guoguang Real Estate Development Co., Ltd.	Shanghai	US\$27,000,000	100	Property development
<b>Cooperative joint venture</b>				
Beijing Shoujia Stone Co., Ltd.	Beijing	US\$1,080,000	37	Quarrying
Hui Cheng Real Estate Development Co. Ltd. Guangzhou	Guangzhou	HK\$200,000,000	90	Property development
K. Wah (Huangpi) Quarry Company Limited, Guangzhou	Guangzhou	US\$4,900,000	67	Quarrying
K. Wah Materials (Huidong) Limited	Huidong	US\$2,800,000	67	Quarrying
Nanjing K. Wah Concrete Co., Ltd.	Nanjing	US\$1,330,000	67	Manufacture, sale and distribution of ready-mixed concrete
Shanghai Beicai Concrete Co., Ltd.	Shanghai	RMB31,500,000	67	Manufacture, sale and distribution of ready-mixed concrete
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



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

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

Name of company	Principal place of operation	Registered capital	Effective percentage of equity held by the Group %	Principal activities
Shanghai Jia Zhao Real Estate Development Co., Ltd.	Shanghai	US\$24,000,000	100	Property development
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 K. Wah Concrete Piles Co., Ltd.	Shanghai	US\$2,500,000	67	Manufacture, sale and distribution of concrete piles
Yue Hua Real Estate Development Co. Ltd. Guangzhou	Guangzhou	HK\$187,000,000	100	Property development
<b>Equity joint venture</b>				
Jia Hui Da Real Estate Development Co., Ltd. Shanghai	Shanghai	US\$30,000,000	36	Property development
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
Shanghai Jiashen Real Estate Development Co., Ltd.	Shanghai	US\$26,000,000	99	Property development
Shanghai Xin Cai Concrete Co., Ltd.	Shanghai	US\$2,100,000	66	Manufacture, sale and distribution of ready-mixed concrete

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

**(b) Jointly Controlled Entities**

Name of company	Principal place of operation	Issued share capital		Effective percentage of equity held by the Group %	Principal activities
		Number of ordinary shares	Par value per share		
<b>Incorporated in Hong Kong</b>					
Golden Famous International Limited	Hong Kong	2	HK\$1	25	Property development
International Precast Systems Limited	Hong Kong	22,785,000	HK\$1	33	Manufacture, sale and distribution of precast concrete products
Prime Force Limited	Hong Kong	2	HK\$1	50	Property development
<b>Incorporated in Mainland China</b>					
		Registered capital			
Anhui Masteel K. Wah New Building Materials Co., Ltd.	Maanshan	US\$4,290,000	N/A	20	Manufacture, sale and distribution of slag
Guangzhou K. Wah Nanfang Cement Limited	Guangzhou	RMB100,000,000	N/A	34	Manufacture, sale and distribution of cement
Shanghai Bao Jia Concrete Co., Ltd.	Shanghai	US\$4,000,000	N/A	34	Manufacture, sale and distribution of ready-mixed concrete

**(c) Associated Companies**

**Incorporated in Hong Kong**

Name of company	Principal place of operation	Issued share capital		Effective percentage of equity held by the Group %	Principal activities
		Number of ordinary shares	Par value per share		
Tarmac Asphalt Hong Kong Limited	Hong Kong	1,100,000	HK\$10	13	Manufacture, sale and distribution and laying of asphalt