

**NOTES TO THE
CONDENSED
INTERIM
ACCOUNTS**

**1.
Principal
accounting
policies**

These unaudited condensed interim accounts (the "interim accounts") have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice No. 2.125 "Interim Financial Reporting" except that, in this first year of implementation of the Standard, as permitted by the Hong Kong Stock Exchange Listing Rules, no comparative figures have been presented for the condensed cash flow statement.

The accounting policies and methods of computation used in the preparation of the interim accounts are consistent with those in the annual accounts for the year ended 30th June 2000.

**2.
Turnover**

Turnover represents income from the operation of toll roads and bridges, income from cargo and container handling and storage, interest income and investment income from joint ventures, net of business and withholding taxes.

An analysis of the Group's turnover and contribution to operating profit before financing for the period by principal activities and markets are as follows:

| | Turnover | | Operating profit before financing | |
|---------------------------------|------------------------|------------------------|-----------------------------------|------------------------|
| | Six months ended | | Six months ended | |
| | 31.12.2000 HK\$'000 | 31.12.1999 HK\$'000 | 31.12.2000 HK\$'000 | 31.12.1999 HK\$'000 |
| Principal activities: | | | | |
| Cargo handling | 66,004 | – | (33,530) | (358) |
| Roads | 199,865 | 216,729 | 117,225 | 140,520 |
| Bridges | 148,050 | 159,061 | 94,398 | 148,549 |
| Energy and Water treatment | 71,174 | 86,257 | 71,373 | 86,084 |
| e-infrastructure and technology | 216 | – | 52,763 | (4) |
| Others | 31,855 | 15,487 | 33,627 | (30,236) |
| | 517,164 | 477,534 | 335,856 | 344,555 |
| Corporate expenses | | | (44,210) | (38,083) |
| | | | 291,646 | 306,472 |
| Principal markets: | | | | |
| Mainland | | | | |
| Guangdong | 306,399 | 314,052 | 245,235 | 250,138 |
| Wuhan | 67,295 | 99,543 | 17,543 | 93,304 |
| Guangxi | 38,575 | 34,035 | 20,186 | 18,758 |
| Jiangsu | 28,244 | – | (16,809) | – |
| Fujian | 34,876 | – | 215 | – |
| Shanxi | 5,277 | 1,374 | 1,748 | 39 |
| Sichuan | – | 11,653 | 17 | 11,620 |
| Tianjin | – | – | 19 | (206) |
| Hong Kong | 36,282 | 16,877 | (28,927) | (67,172) |
| Overseas | 216 | – | 52,419 | (9) |
| | 517,164 | 477,534 | 291,646 | 306,472 |

| 3. Other operating income | Six months ended 31.12.2000 HK\$'000 | Six months ended 31.12.1999 HK\$'000 |
|---|---|---|
| Profit on repurchase of convertible bonds (<i>notes 11(a) and (b)</i>) | 1,772 | 16,836 |
| Gain on disposal of non-trading securities listed outside Hong Kong (<i>note 13</i>) | 52,852 | – |
| Dividend from listed non-trading securities | 500 | – |
| Others | 5,055 | 5,820 |
| | 60,179 | 22,656 |
| 4. Operating costs | Six months ended 31.12.2000 HK\$'000 | Six months ended 31.12.1999 HK\$'000 |
| Impairment losses on other investments (<i>note 13</i>) | 3,927 | 62,559 |
| Depreciation | 103,828 | 49,290 |
| Management fees paid in connection with toll collection, maintenance and management services | 29,289 | 26,239 |
| Auditors' remuneration | 2,795 | 2,164 |
| Rental for leased premises | 10,718 | 1,878 |
| Loss on disposal of fixed assets | 433 | 9,569 |
| Amortisation of cost of investment in a co-operative joint venture | 767 | 767 |
| Staff costs | 65,852 | 32,331 |
| Retirement benefit costs | 3,182 | 1,234 |
| Other operating costs | 64,906 | 7,687 |
| | 285,697 | 193,718 |

5. Finance costs

| | Six months ended 31.12.2000 HK\$'000 | Six months ended 31.12.1999 HK\$'000 |
|---|---|---|
| Interest on convertible bonds | 30,754 | 40,918 |
| Interest on bank and other borrowings | | |
| Wholly repayable within five years | 321,768 | 211,428 |
| Not wholly repayable within five years | 23,143 | 1,366 |
| Amortisation of deferred expenditure | 16,518 | 18,504 |
| Provision for premium on redemption of convertible bonds | 22,269 | 16,848 |
| | 414,452 | 289,064 |
| Amount capitalised as construction in progress | (28,035) | (22,152) |
| Amount capitalised as investment in a jointly controlled entity | (10,280) | (4,194) |
| | 376,137 | 262,718 |

6. Taxation

| | Six months ended 31.12.2000 HK\$'000 | Six months ended 31.12.1999 HK\$'000 |
|-----------------------------|---|---|
| Company and subsidiaries | | |
| PRC income tax | 5,921 | 5,096 |
| Associated companies | | |
| Hong Kong profits tax | 23,095 | 19,187 |
| PRC income tax | 33,400 | 27,249 |
| | 56,495 | 46,436 |
| Jointly controlled entities | | |
| Hong Kong profits tax | 11,592 | 10,848 |
| Macau income tax | 13,798 | 14,152 |
| PRC income tax | 7,323 | 10,055 |
| | 32,713 | 35,055 |
| | 95,129 | 86,587 |

No provision for Hong Kong profits tax has been made within the Group as the Group has no income assessable to Hong Kong profits tax for the period (six months ended 31.12.1999: nil). Except for five (six months ended 31.12.1999: three) PRC subsidiaries which are subject to PRC income tax at the rates ranging from 7.5% to 15%, all the other PRC subsidiaries remain tax exempt for the period.

**6.
Taxation
(cont'd)**

In respect of associated companies and jointly controlled entities, Hong Kong profits tax has been provided at the rate of 16% (six months ended 31.12.1999: 16%) on the income assessable to Hong Kong profits tax. PRC and Macau income taxes have been provided on the estimated assessable profits for the period at their prevailing rates of taxation.

Except for two (six months ended 31.12.1999: one) PRC jointly controlled entities which are subject to PRC income tax at the rate of 15% and two (six months ended 31.12.1999: one) PRC jointly controlled entities at the concessionary rate of 7.5%, all the other PRC jointly controlled entities remain tax exempt for the period.

No deferred taxation is provided as there are no material timing differences between profit as computed for taxation purposes and profit as stated in the accounts.

**7.
Interim
dividend**

The Board of Directors does not recommend the payment of an interim dividend in respect of the six months ended 31st December 2000 (six months ended 31.12.1999: nil).

**8.
Earnings
per share**

The calculation of earnings per share is based on the profit attributable to the shareholders of HK\$332,109,000 (six months ended 31.12.1999: HK\$404,641,000) after adjusting for the interest of HK\$29,492,000 (six months ended 31.12.1999: HK\$29,416,000) on the mandatorily convertible bonds and the weighted average of 858,145,287 (six months ended 31.12.1999: 874,521,956) shares in issue during the period.

The diluted earnings per share is based on adjusted profit of HK\$361,601,000 (six months ended 31.12.1999: HK\$457,984,000) on the assumption that the weighted average of those dilutive convertible bonds (six months ended 31.12.1999: convertible bonds and share options) had been converted (six months ended 31.12.1999: converted/exercised) and had saved finance costs thereon; and the weighted average of 954,994,037 (six months ended 31.12.1999: 1,032,841,255) shares issued and issuable.

**9.
Debtors and
prepayments**

Included in debtors and prepayments are trade debtors and their ageing analysis is as follows:

| | 31.12.2000 | 30.6.2000 |
|----------------|-------------------|-----------|
| | HK\$'000 | HK\$'000 |
| Within 90 days | 31,347 | 31,766 |
| 91 – 180 days | 8,033 | 8,416 |
| Over 180 days | 6,772 | 8,758 |
| | 46,152 | 48,940 |

The Group allows an average credit period of 30 to 90 days to its customers.

**10.
Creditors and
accruals**

Ageing analysis of trade payable is not presented as the amount outstanding as at period/year end is insignificant.

**11.
Bank and
other borrowings**

| | Unaudited 31.12.2000 HK\$'000 | Audited 30.6.2000 HK\$'000 |
|---|--|----------------------------------|
| 5% Convertible bonds due 2001 (<i>note a</i>) | 931,593 | 1,005,810 |
| 1% Convertible bonds due 2003 (<i>note b</i>) | 1,381,739 | 1,381,739 |
| 10% Fixed rate notes due 2004 | 200,000 | 200,000 |
| Floating rate notes due 2003 | 351,000 | 351,000 |
| Bank and other loans, unsecured (<i>note c</i>) | 5,995,650 | 5,027,650 |
| Bank loans, secured (<i>note c</i>) | 824,206 | 644,708 |
| Loans from minority shareholders of subsidiaries | | |
| Interest bearing | 1,226,870 | 1,221,084 |
| Non-interest bearing | 82,901 | 82,901 |
| | 10,993,959 | 9,914,892 |

(a) During the period, the Company repurchased bonds with an aggregate principal amount of US\$9,515,000 (six months ended 31.12.1999: US\$22,769,000) for a total consideration of HK\$72,445,000 (six months ended 31.12.1999: HK\$162,534,000) and these bonds were then cancelled. The surplus arising from the repurchase of the bonds, amounting to HK\$1,772,000 (six months ended 31.12.1999: HK\$14,108,000), has been accounted for as other operating income in the profit and loss account.

(b) During the six months ended 31st December 1999, the Company repurchased bonds with an aggregate principal amount of US\$4,200,000 for a total consideration of HK\$29,856,000 and these bonds were then cancelled. The surplus arising from the repurchase of the bonds, amounting to HK\$2,728,000 had been accounted for as other operating income in the profit and loss account for the six months ended 31st December 1999. No bonds were repurchased during the six months ended 31st December 2000.

(c) Long term bank and other loans are repayable as follows:

| | Unaudited 31.12.2000 HK\$'000 | Audited 30.6.2000 HK\$'000 |
|---|--|----------------------------------|
| Within one year | 82,272 | 274,116 |
| Between one and two years | 4,974,603 | 5,018,283 |
| Between two and five years | 1,449,432 | 481,432 |
| After five years | 395,821 | 172,643 |
| | 6,902,128 | 5,946,474 |
| Current portion included in current liabilities | (82,272) | (274,116) |
| | 6,819,856 | 5,672,358 |

12. Share capital

| | Unaudited 31.12.2000 HK\$'000 | Audited 30.6.2000 HK\$'000 |
|---|--|----------------------------------|
| <i>Authorised:</i> | | |
| 2,000,000,000 shares of HK\$1 each | 2,000,000 | 2,000,000 |
| <i>Issued and fully paid:</i> | | |
| 855,325,340 (as at 30.6.2000: 861,914,940) shares of HK\$1 each | 855,325 | 861,915 |

During the period, 6,589,600 shares (year ended 30.6.2000: 14,289,800 shares) were repurchased and cancelled by the Company and no new shares (year ended 30.6.2000: 54,000 shares upon exercise of options) were issued.

Pursuant to the share option scheme adopted on 3rd October 1997, the Company may grant options to directors and employees of the Company or any of its subsidiaries to subscribe for shares in the Company. The movements in the number of share options granted during the period and the balance outstanding at 31st December 2000 were as follows:

| Exercise price per share HK\$ | At 1st July 2000 | Granted during the period | Lapsed during the period | At 31st December 2000 |
|--|---------------------------------|--|---|--------------------------------------|
| 10.20 ⁽¹⁾ | 2,301,800 | – | – | 2,301,800 |
| 10.20 ⁽²⁾ | 360,000 | – | – | 360,000 |
| 12.00 ⁽³⁾ | 10,531,200 | – | (29,000) | 10,502,200 |
| 12.00 ⁽⁴⁾ | 1,440,000 | – | – | 1,440,000 |
| | 14,633,000 | – | (29,000) | 14,604,000 |

(1) Exercisable from 1st July 1999 to 1st June 2004.

(2) Exercisable from 1st July 2000 to 1st June 2005.

(3) Divided into 3 or 5 tranches exercisable from 1st July 1999 to 1st June 2004, from 1st July 2000 to 1st June 2004, from 1st July 2001 to 1st June 2004, from 1st July 2002 to 1st June 2004 and from 1st July 2003 to 1st June 2004 respectively.

(4) Divided into 3 tranches exercisable from 1st July 2001 to 1st June 2005, from 1st July 2002 to 1st June 2005 and from 1st July 2003 to 1st June 2005 respectively.

13. Reserves

| | Contributed surplus HK\$'000 | Share premium HK\$'000 | Capital reserve HK\$'000 | Retained profit HK\$'000 | Investment revaluation reserve HK\$'000 | Total HK\$'000 |
|---|------------------------------------|------------------------------|--------------------------------|--------------------------------|--|-------------------|
| At 1st July 2000 | 971,021 | 4,639,767 | 341,073 | 4,211,258 | 1,427,036 | 11,590,155 |
| Profit for the period retained | - | - | - | 361,601 | - | 361,601 |
| Interest on mandatorily convertible bonds | - | - | - | (29,492) | - | (29,492) |
| Transfer to capital reserve account | - | - | 319 | (319) | - | - |
| Repurchase of own shares | - | (45,167) | - | - | - | (45,167) |
| Net deficit on revaluation of non-trading investments | - | - | - | - | (1,489,309) | (1,489,309) |
| Impairment losses charged to profit and loss account (<i>note 4</i>) | - | - | - | - | 3,927 | 3,927 |
| Realised gain transferred to profit and loss account (<i>note 3</i>) | - | - | - | - | (52,852) | (52,852) |
| At 31st December 2000 | 971,021 | 4,594,600 | 341,392 | 4,543,048 | (111,198) | 10,338,863 |

14. Contingent liabilities

- (a) The Group has contingent liabilities relating to counter-guarantee given to the ultimate holding company of approximately HK\$1,085 million (as at 30.6.2000: HK\$1,085 million) in respect of the Group's attributable portion of a syndicated bank loan facility extended to a PRC jointly controlled entity of the Group, in respect of which the ultimate holding company has given a guarantee. As at 31st December 2000, the outstanding amount under the syndicated bank loan facility in respect of the counter-guarantee was approximately HK\$68 million (as at 30.6.2000: HK\$135 million).
- (b) The Group also has contingent liabilities relating to guarantees given to banks of approximately HK\$1,455 million (as at 30.6.2000: HK\$1,455 million) in respect of the Group's attributable portion of syndicated bank loan facilities extended to two (as at 30.6.2000: two) jointly controlled entities of the Group. As at 31st December 2000, the outstanding amounts under the syndicated bank loan facilities in respect of the guarantees were approximately HK\$278 million (as at 30.6.2000: HK\$279 million).

15. Commitments

- (a) At 31st December 2000, the capital commitments, principally for construction of toll roads, bridges and port facilities and acquisition of other investments were as follows:

| | Unaudited 31.12.2000 HK\$'000 | Audited 30.6.2000 HK\$'000 |
|-----------------------------------|--|----------------------------------|
| Contracted but not provided for | 629,854 | 803,662 |
| Authorised but not contracted for | 762,671 | 755,519 |
| | 1,392,525 | 1,559,181 |

- (b) The Group has committed to provide sufficient funds in the forms of capital and loan contributions to certain joint ventures under various joint venture contracts to finance relevant infrastructural projects. The directors estimate that the Group's share of projected funds requirements of these projects would be approximately HK\$145 million (as at 30.6.2000: HK\$158 million) which represents the attributable portion of the capital and loan contributions to be made to the joint ventures.

- (c) At 31st December 2000, the Group's share of capital commitments of the jointly controlled entities themselves not included in note 15(b) above were as follows:

| | Unaudited 31.12.2000 HK\$'000 | Audited 30.6.2000 HK\$'000 |
|-----------------------------------|--|----------------------------------|
| Contracted but not provided for | 539,431 | 546,000 |
| Authorised but not contracted for | 133,244 | 167,000 |
| | 672,675 | 713,000 |

Certain subsidiaries and jointly controlled entities are parties to agreements with third parties pursuant to the joint development of Container Terminal 9 in Hong Kong, the related berth swap arrangement and the funding therefor. The Group's attributable share of capital commitments as at 31st December 2000 has been disclosed above.

One of the jointly controlled entities has obtained banking facilities to finance 60% of its share of development costs at Container Terminal 9 and reduced the funds to be injected by the Group accordingly. The Group has given guarantee in respect of the banking facilities and is included in note 14(b).

In the event of default of any of the third parties, the subsidiaries and jointly controlled entities will be required to provide additional funds for the project. The Company has given guarantees in respect of these obligations of the subsidiaries and jointly controlled entities to provide additional funds. Were the Company required to perform its obligations under the guarantees, the maximum amount of the additional liabilities assumed, in addition to the Group's share of the capital commitments as disclosed above, is HK\$1,482 million (as at 30.6.2000: HK\$1,482 million).

- (d) Certain PRC subsidiaries have entered into various contracts with the PRC partners or their supervisory authorities for the provision of toll collection, maintenance and management services and these subsidiaries have agreed to pay a management fee at fixed rates ranging from 14% to 16% (six months ended 31.12.1999: 14% to 16%) per annum of toll revenues after business tax.

15.
Commitments
(cont'd)

(e) Operating lease commitments at 31st December 2000 payable in the next twelve months analysed according to the periods in which the lease expires are as follows:

| | Unaudited 31.12.2000 HK\$'000 | Audited 30.6.2000 HK\$'000 |
|--|--|----------------------------------|
| Land and buildings | | |
| In the first year | 1,343 | 2,686 |
| In the second to fifth years inclusive | 5,941 | 1,653 |
| After the fifth year | 8,399 | 8,399 |
| | 15,683 | 12,738 |

16.
Related party
transactions

The following is a summary of significant related party transactions during the period carried out in the normal course of the Group's business:

| | Six months ended 31.12.2000 HK\$'000 | Six months ended 31.12.1999 HK\$'000 |
|--|---|---|
| Interest income from jointly controlled entities (gross of withholding tax) (<i>note a</i>) | (104,673) | (129,300) |
| Management fee received from a jointly controlled entity (<i>note b</i>) | (2,716) | (2,716) |
| Rental for leased premises to a fellow subsidiary (<i>note c</i>) | 4,692 | 1,681 |

Notes:

- (a) This represents interest income in respect of loan financing provided to jointly controlled entities. These loans are unsecured, carry interest at Hong Kong prime rate (six months ended 31.12.1999: Hong Kong prime rate) or at fixed rates ranging from 10% to 15% per annum (six months ended 31.12.1999: 10% to 15% per annum) and have repayment terms as specified in the respective joint venture agreements.
- (b) This represents management fee income in respect of management and administrative services rendered by the Company to a jointly controlled entity. The management fee is charged at a fixed annual amount as specified in the management and administrative services agreement.
- (c) The rental is charged at fixed monthly fees as specified in the tenancy agreements.

**17.
Subsequent
events**

- (a) On 22nd December 2000, a subsidiary of the Group entered into a conditional agreement for the disposal of entire interest in a jointly controlled entity, Guangzhou New World Bridges Construction Limited, to a third party in the PRC at a cash consideration of approximately HK\$1,347.5 million. The transaction was formally approved by the relevant PRC regulatory authority in January 2001. The gain on disposal is approximately HK\$99.3 million.

- (b) On 20th February 2001, the Company entered into a placing agreement with an independent third party for the placing of its entire interest in an associated company, Beijing Datang Power Generation Company Limited at a cash consideration of approximately HK\$1,256.3 million. The placement was completed on 23rd February 2001. The loss on disposal is approximately HK\$304.5 million.