

Notes to the Financial Statements

For the Year ended 31 December 2000

11. Finance Costs

	2000 HK\$'000	1999 HK\$'000
Interest on :		
Borrowings wholly repayable		
– within five years	72,011	72,782
– over five years	51,728	53,455
Add: discount on guaranteed notes	626	626
	52,354	54,081
Total borrowing costs	124,365	126,863
Amortisation of capitalised borrowing costs on financing the joint ventures' toll highways and expressways construction (note 21)	6,360	6,535
	130,725	133,398

12. Taxation

	2000 HK\$'000	1999 HK\$'000
Current tax	9,946	11,178
Deferred tax	11,400	–
	21,346	11,178

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The amounts represent share of PRC Income Tax attributable to the PRC infrastructure joint ventures.

Deferred tax has been provided for timing differences between the depreciation policies for toll highway operation rights adopted by the Group and the infrastructure joint ventures.

No provision for Hong Kong Profits Tax has been made as the income neither arises, nor is derived from, Hong Kong.

13. Profit for the Year

Of the Group's profit for the year of HK\$428,099,000 (1999: HK\$610,333,000), a profit of HK\$562,122,000 (1999: HK\$257,085,000) has been dealt with in the financial statements of the Company.

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14. Dividends

	2000	1999
	HK\$'000	HK\$'000
Proposed final dividend in respect of 1999 of HK\$0.22 (1998: HK\$0.23) per share	113,133	123,436
Interim dividend in respect of 2000 of HK\$0.19 (1999: HK\$0.10) per share	96,169	53,225
Special dividend in respect of 1999 of HK\$0.07 per share	-	37,258
Overprovision due to repurchase of own shares	-	(350)
	209,302	213,569
7.5% convertible cumulative preference shares	38,879	38,879
	248,181	252,448

A final dividend in respect of 2000 of HK\$0.07 per share amounting to a total of HK\$35,431,000 is proposed by the Board. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The amount will be accounted for as an appropriation of reserves in the year ending 31 December 2001.

The amount of final dividend proposed has been calculated on the basis of 506,156,967 shares in issue at 28 March 2001.

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15. Earnings Per Share

The calculation of the basic and diluted earnings per share is based on the following data:

	2000	1999
	HK\$'000	HK\$'000
Profit for the year	428,099	610,333
Convertible preference shares dividend	(38,879)	(38,879)
Earnings for the purposes of basic earnings per share	389,220	571,454
Effect of dilutive potential ordinary shares:		
Convertible preference shares dividend	38,879	38,879
Earnings for the purposes of diluted earnings per share	428,099	610,333

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15. Earnings Per Share (Continued)

	2000	1999
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	510,565,725	533,106,846
Effect of dilutive potential ordinary shares:		
Convertible preference shares	60,558,411	60,558,411
Options	450,931	17,891
Weighted average number of ordinary shares for the purposes of diluted earnings per share	571,575,067	593,683,148

16. Goodwill (Negative Goodwill)

	Goodwill	Negative goodwill	Total
	HK\$'000	HK\$'000	HK\$'000
THE GROUP			
GROSS AMOUNT			
At 1 January 2000	3,001	–	3,001
Additions	2,855	(62,751)	(59,896)
At 31 December 2000	5,856	(62,751)	(56,895)
AMORTISATION			
At 1 January 2000	–	–	–
(Amortised) released for the year	(1,759)	13,945	12,186
At 31 December 2000	(1,759)	13,945	12,186
CARRYING AMOUNT			
At 31 December 2000	4,097	(48,806)	(44,709)
At 31 December 1999	3,001	–	3,001

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Goodwill is amortised using the straight line method over its estimated useful life which ranges from generally 3 to 20 years.

Negative goodwill is recognised as income over 3 years, being the remaining weighted average useful life of the non-monetary assets acquired by the Group on the acquisition of Chai-Na-Ta Corp. (see note 36).

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For the Year ended 31 December 2000

17. Toll Highway Operation Right

	HK\$'000
THE GROUP COST	
At 1 January 2000 and at 31 December 2000	105,330
AMORTISATION	
At 1 January 2000	24,682
Amortised for the year	4,940
At 31 December 2000	29,622
CARRYING AMOUNT	
At 31 December 2000	75,708
At 31 December 1999	80,648

The Group had a right to operate and collect tolls from a highway situated in the PRC for a term of 20 years from the date of business licence of a PRC subsidiary.

18. Property, Plant and Equipment

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	Construction in progress situated in the PRC	Land and Buildings	Leasehold improvements	Furniture, fixture and equipment	Plant and machinery	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP COST							
At 1 January 2000	14,940	1,294	418	5,042	-	3,552	25,246
On acquisition of subsidiaries	-	16,870	2,606	4,040	99,147	2,074	124,737
Additions	-	152	-	720	5,733	411	7,016
Disposals	-	-	-	(87)	(104)	(313)	(504)
Exchange adjustments	-	7	11	14	-	-	32
At 31 December 2000	14,940	18,323	3,035	9,729	104,776	5,724	156,527
DEPRECIATION							
At 1 January 2000	-	123	188	2,558	-	2,192	5,061
On acquisition of subsidiaries	-	4,242	1,733	3,264	61,490	1,491	72,220
Charge for the year	-	515	292	1,473	7,982	644	10,906
Eliminated on disposals	-	-	-	(35)	(74)	(215)	(324)
Exchange adjustments	-	3	4	9	-	-	16
At 31 December 2000	-	4,883	2,217	7,269	69,398	4,112	87,879
CARRYING AMOUNT							
At 31 December 2000	14,940	13,440	818	2,460	35,378	1,612	68,648
At 31 December 1999	14,940	1,171	230	2,484	-	1,360	20,185

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18. Property, Plant and Equipment (Continued)

	2000	1999
	HK\$'000	HK\$'000
The Group's land and buildings are situated in		
- overseas and freehold	3,142	-
- overseas and held under medium term leases	9,160	-
- the PRC and held under medium term leases	1,138	1,171
	13,440	1,171

The Group has pledged land and buildings situated in overseas having a carrying amount of approximately HK\$3,142,000 (1999:Nil) to secure a long term loan.

The carrying amount of the Group's plant and machinery includes an amount of approximately HK\$2,000,000 (1999: Nil) in respect of assets held under finance leases.

19. Interests in Subsidiaries

	2000	1999
	HK\$'000	HK\$'000
Unlisted shares at cost	1,388,042	1,388,042
Amounts due from subsidiaries	1,600,969	856,970
	2,989,011	2,245,012

The carrying value of the unlisted shares is based on the book value of the underlying net assets of the subsidiaries attributable to the Group at the time they became members of the Group pursuant to the Group's reorganisation in 1996.

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19. Interests in Subsidiaries (Continued)

Details of the Company's principal subsidiaries at 31 December 2000 are as follows:

Name of subsidiary	Place of incorporation/ registration *	Issued and fully paid ordinary share capital/ registered capital *	Proportion of nominal value of issued ordinary shares capital/registered capital* held by the Company		Principal activities
			Directly %	Indirectly %	
Chai-Na-Ta Corp.	Canada	C\$24,320,817	–	62	Production and sale of North American ginseng
Copleston Investments Limited	British Virgin Islands	US\$1	–	100	Investment holding
Herb King International Limited	Barbados	US\$7,510,000	–	100	Investment holding
CNT Life Sciences, Inc.	British Virgin Islands	US\$1	–	100	Investment holding
Pida Investments Limited	British Virgin Islands	US\$1	–	100	Investment holding
More Growth Finance Limited	British Virgin Islands	US\$1	–	100	Investment holding
Road King (China) Infrastructure Limited	British Virgin Islands	HK\$1,300,000,000	100	–	Investment holding
Road King Infrastructure Finance Limited	British Virgin Islands	US\$1	100	–	Provision of financial services
Road King Infrastructure Finance (1997) Limited	British Virgin Islands	US\$1	100	–	Provision of financial services
Road King Infrastructure Management Limited	Hong Kong	HK\$2	–	100	Provision of management services
Zhongshan Qijiang Highway Company Limited 中山市岐江公路有限公司	PRC *	RMB60,480,000*	–	75*	Management of Provincial Highway 268 Zhongshan Shiqi-Jiangmen Highway in Zhongshan, PRC

* Zhongshan Qijiang Highway Company Limited is a co-operative joint venture registered in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the period or constituted a substantial portion of the net asset of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any loan capital outstanding at the end of the year.

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20. Interests in Joint Ventures

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Interests in infrastructure joint ventures		
Cost of investments	1,810,011	1,608,897
Share of post-acquisition undistributed results	968,717	652,231
	2,778,728	2,261,128
Loans to infrastructure joint ventures	2,777,085	2,743,521
Repayment of loans from infrastructure joint ventures	(1,226,098)	(863,387)
Net borrowing cost capitalised on financing the infrastructure joint ventures' toll highways and expressways construction (note 21)	133,408	139,768
	4,463,123	4,281,030
Interest in other joint venture		
Cost of investment	798	-
Share of post-acquisition undistributed results	(798)	-
	-	-

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Loans to infrastructure joint ventures are unsecured, interest free and have no fixed repayment terms.

All infrastructure joint ventures are co-operative joint ventures established in the PRC, details of which at 31 December 2000 are as follows:

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Anhui Road Universe Hefei Highway Development Co., Ltd. 安徽路宇合肥公路開發有限公司	RMB133,530,000	50% #	Construction and management of Hefei-Liuan Highway, Hefei Section, PRC
Anhui Road Universe Hehuai Highway Dayang Section Development Company Limited 安徽省路宇合淮公路大楊段開發有限公司	RMB90,000,000	60% * #	Investment in and development, operation and management of National Highway 206 Hefei - Huainan Highway Dayang Section in Anhui, PRC

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20. Interests in Joint Ventures (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Anhui Road Universe Hehuai Highway Yangjin Section Development Company Limited 安徽省路宇合淮公路楊金段開發有限公司	RMB80,000,000	60% * #	Investment in and development, operation and management of National Highway 206 Hefei - Huainan Highway Yangjin Section in Anhui, PRC
Anhui Road Universe Liuan Highway Development Co., Ltd. 安徽路宇六安公路開發有限公司	RMB92,400,000	50% #	Construction and management of Hefei-Liuan Highway, Liuan Section, PRC
Bengbu Road King Chaoyanglu Huaihe Highway Bridge Development Co., Ltd. 蚌埠路勁朝陽路淮河公路橋開發有限公司	RMB73,592,000	60% * #	Investment in and construction, operation and management of Bengbu Chaoyanglu Huaihe Highway Bridge in Anhui, PRC
Bengbu Road King Huaihe Bridge Highway Development Co., Ltd. 蚌埠路勁淮河公路橋開發有限公司	RMB92,880,000	60% * #	Investment in and development, operation and management of Provincial Highway 307 Bengbu Huaihe Bridge in Anhui, PRC
Bengbu Road King Huai - Meng Highway Development Co., Ltd. 蚌埠路勁懷蒙公路開發有限公司	RMB68,040,000	60% * #	Investment in and development, operation and management of Provincial Highway 307 Bengbu Huaiyuan - Mengcheng Highway in Anhui, PRC

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20. Interests in Joint Ventures (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Foshan Guangsan Special-Use Automobile Highway Co., Ltd. 佛山廣三汽車專用公路有限公司	RMB293,364,000	35%	Construction and management of Foshan Guangzhou - Sanshui Expressway in Foshan, PRC
Guangxi Hengjing Highway Development Co., Ltd. 廣西恆勁公路開發有限公司	RMB81,520,000	70% * #	Investment in and development, operation and management of Yulin - Gongguan Highway, Yulin Section, in Guangxi Zhuang Autonomous Region, PRC
Guangxi Lutong Highway Development Co., Ltd. 廣西路通公路開發有限公司	RMB99,562,400	70% * #	Investment in and development, operation and management of Yulin City Ring Roads, in Guangxi Zhuang Autonomous Region, PRC
Handan Rongguang Highway Development Co., Ltd. 邯鄲榮光公路開發有限公司	RMB78,200,000	70% * #	Construction and management of National Highway 309, Handan-Feixiang Highway (Hanfei Section) in Hebei, PRC
Handan Xinguang Highway Development Co., Ltd. 邯鄲新光公路開發有限公司	RMB81,800,000	70% * #	Construction and management of National Highway 309, Feixiang-Guantao Highway (Feiguan Section) in Hebei, PRC

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20. Interests in Joint Ventures (Continued)

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Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Hunan Changyi (Baining) Expressway Co., Ltd. 湖南長益(白寧)高速公路有限公司	RMB97,012,000	43.17% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Baining Section) in Hunan, PRC
Hunan Changyi (Cangyi) Expressway Co., Ltd. 湖南長益(滄益)高速公路有限公司	RMB98,985,000	43.17% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Cangyi Section) in Hunan, PRC
Hunan Changyi (Changbai) Expressway Co., Ltd. 湖南長益(長白)高速公路有限公司	RMB98,554,000	43.17% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Changbai Section) in Hunan, PRC
Hunan Changyi (Hengchang) Expressway Co., Ltd. 湖南長益(衡滄)高速公路有限公司	RMB101,695,000	43.17%#	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Hengchang Section) in Hunan, PRC