

Notes to the Financial Statements

For the Year ended 31 December 2000

28. Warrants

During the year, a bonus issue of warrants was made on the basis of one warrant for every five ordinary shares held on 6 September 2000. Each warrant carries an entitlement to subscribe in cash at a price of HK\$5.00 (subject to adjustment) for one ordinary share of the Company, at any time from 6 March 2001 to 5 September 2003 (both days inclusive).

29. Reserves

	THE GROUP		THE COMPANY	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
SHARE PREMIUM				
At beginning of the year	1,544,273	1,612,292	1,544,273	1,612,292
Shares repurchase	(76,230)	(68,019)	(76,230)	(68,019)
At end of the year	1,468,043	1,544,273	1,468,043	1,544,273
EXCHANGE RESERVE				
At beginning of the year	12,290	15,743	-	-
Release on disposal of interest in an infrastructure joint venture	-	(3,448)	-	-
Exchange differences arising on translation of overseas operations	(489)	(5)	-	-
At end of the year	11,801	12,290	-	-
CONTRIBUTED SURPLUS				
At beginning and end of the year	-	-	1,348,042	1,348,042
SPECIAL RESERVE				
At beginning and end of the year	1,260,000	1,260,000	-	-
GOODWILL				
At beginning of the year				
- as originally stated	(3,001)	(6,717)	-	-
- prior year adjustment in respect of change in accounting policies	3,001	6,717	-	-
- as restated and balance at end of the year	-	-	-	-

Financial Statements

Notes to the Financial Statements

For the Year ended 31 December 2000

29. Reserves (Continued)

	THE GROUP		THE COMPANY	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
RETAINED PROFITS				
At beginning of the year				
– as originally stated	1,084,627	716,439	548,925	137,985
– prior year adjustment in respect of change in accounting policies	113,133	123,436	(522,867)	(116,564)
– as restated	1,197,760	839,875	26,058	21,421
Profit for the year	428,099	610,333	562,122	257,085
Dividends (note 14)	(248,181)	(252,448)	(248,181)	(252,448)
At end of the year	1,377,678	1,197,760	339,999	26,058
TOTAL RESERVES	4,117,522	4,014,323	3,156,084	2,918,373

Special reserve arising on a group reorganisation represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the issued share capital of Road King (China) Infrastructure Limited, which was acquired by the Company pursuant to the Group's reorganisation.

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of Road King (China) Infrastructure Limited at the date on which the Group's reorganisation became effective and the nominal amount of the share capital of the Company issued under the Group's reorganisation.

In addition to the retained profits, under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company's reserves available for distribution to shareholders as at 31 December 2000 and 1999 were as follows:

	2000 HK\$'000	1999 HK\$'000
Contributed surplus	1,348,042	1,348,042
Retained profits	339,999	26,058
	1,688,041	1,374,100
Proposed Dividend	35,431	113,133

Notes to the Financial Statements

For the Year ended 31 December 2000

30. Secured Loans

	2000 HK\$'000	1999 HK\$'000
Transferable loan certificate (<i>note i</i>)	809,396	963,567
Repurchase of transferable loan certificate	(41,605)	(49,530)
	767,791	914,037
Guaranteed notes (<i>note ii</i>)	1,080,337	1,079,711
Repurchase of guaranteed notes	(465,724)	(465,724)
	614,613	613,987
Other loan (<i>note iii</i>)	5,242	–
	1,387,646	1,528,024

The maturity of the above loans is as follows:

	2000 HK\$'000	1999 HK\$'000
Within one year	148,521	154,170
More than one year but not exceeding two years	624,512	154,170
More than two years but not exceeding five years	–	605,697
More than five years	614,613	613,987
	1,387,646	1,528,024
Less : Amount due within one year shown under current liabilities	(148,521)	(154,170)
Amount due after one year	1,239,125	1,373,854

Financial Statements

Notes to the Financial Statements

For the Year ended 31 December 2000

30. Secured Loans (Continued)

Notes:

- (i) The transferable loan certificate facility of US\$138 million (approximately HK\$1,068 million) is available to the Group, the transferable loan certificate issued bears interest at a rate of 2.2% per annum over LIBOR will mature on 22 January 2002. The repayment is to be made in five successively half yearly instalments and the first instalment is to be made on the date falling 36 months after the loan agreement date i.e. 23 January 1997.

The Group will repay the transferable loan certificate by five successive half-yearly instalments, the first instalment was made on 22 January 2000. The percentage of each repayment instalment is predetermined in accordance with the schedule set out in the facility.

The loan is secured by mortgage over the shares of certain of the Company's subsidiaries and is jointly and severally guaranteed by the Company and certain of its subsidiaries.

- (ii) The guaranteed notes bear interest at a fixed rate of 9.5% per annum and will mature in July 2007. The notes are secured by a floating charge over all assets of a subsidiary and are jointly and severally guaranteed by the Company and certain of its subsidiaries.
- (iii) Other loan bears interest at 7% per annum and is repayable by scheduled instalments through to 1 November 2002. The loan is secured by inventories, unharvested crops and freehold land held by an overseas subsidiary.

31. Obligations under finance leases

Financial Statements

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
The maturity of obligations under finance leases is as follows:		
Within one year	525	—
More than one year but not exceeding two years	464	—
	989	—
Less: Amount due within one year shown under current liabilities	(525)	—
Amount due after one year	464	—

32. Loan from a minority shareholder

The loan from a minority shareholder of the Group was unsecured, interest free and was repaid during the year.

Notes to the Financial Statements

For the Year ended 31 December 2000

33. Creditors and accrued charges

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Aged analysis of creditors:		
Within 60 days	5,233	–
60 - 90 days	444	–
More than 90 days	1,168	–
	6,845	–
Interest payable	50,422	64,938
Accrued charges	21,827	13,535
	79,094	78,473

34. Deferred taxation

At the balance sheet date, major components of the deferred taxation liability were as follows:

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Excess of tax allowances over depreciation	3,197	–
Tax losses	(67,582)	–
Other timing differences	72,060	–
	7,675	–

There was no significant unprovided deferred taxation for the Group and the Company for the year or at the balance sheet date.

Financial Statements

Notes to the Financial Statements

For the Year ended 31 December 2000

35. Reconciliation of profit before taxation to net cash (outflow) inflow from operating activities

	2000	1999
	HK\$'000	HK\$'000
Profit before taxation	449,421	625,517
Net income recognised in respect of goodwill and negative goodwill	(12,186)	-
Gain on disposal of interest in an infrastructure joint venture	-	(211,751)
Gain recognised on repurchase of secured loans	-	(5,935)
Share of operating profit of joint ventures	(403,462)	(370,679)
Amortisation of toll highway operation right	4,940	4,650
Depreciation of property, plant and equipment	2,376	1,687
Interest income	(24,172)	(34,548)
Interest expenses	130,725	133,398
Gain on disposal of property, plant and equipment	(22)	(64)
Loss on disposal of investments in securities	-	792
Pre-operating expenses written off	-	3,694
Increase in inventories	(39,774)	-
Increase in debtors, deposits and prepayments	(153,765)	(46,456)
Decrease in creditors and accrued charges	(24,940)	(1,061)
Exchange adjustment	(505)	(5)
Net cash (outflow) inflow from operating activities	(71,364)	99,239

Financial Statements

Note:

In the prior year, the Group's disposal of its interest in an infrastructure joint venture had the following effects on:

	1999
	HK\$'000
Interest in infrastructure joint venture	
Cost of investment	139,019
Share of post-acquisition undistributed results	31,694
Loans to infrastructure joint venture	233,839
Repayment of loans from infrastructure joint venture	(62,448)
Net borrowing cost capitalised on financing the infrastructure joint venture's toll highways and expressways construction	6,555
	348,659
Goodwill eliminated	3,716
Exchange reserve released	(3,448)
	348,927
Cash consideration	560,678
	211,751

Notes to the Financial Statements

For the Year ended 31 December 2000

36. Purchase of subsidiaries

During the year the Group acquired 62% and 100% of the shares of Chai-Na-Ta Corp. ("CNT") and 珠海市新泰昌建材有限公司 ("新泰昌") for a consideration of approximately HK\$42,417,000 and HK\$3,725,000 respectively. The acquisition of CNT and 新泰昌 has been accounted for by the acquisition method of accounting commencing from 8 May 2000 and 27 March 2000 respectively. The amount of net negative goodwill arising as a result of the acquisition was HK\$59,896,000.

	HK\$'000
NET ASSETS ACQUIRED	
Property, plant and equipment	52,517
Interest in a joint venture	798
Inventories and ginseng crops	121,335
Debtors, deposits and prepayments	21,666
Bank balances and cash	25,780
Creditors and accrued charges	(40,077)
Deferred taxation	(7,675)
Obligations under finance leases	(1,223)
Secured loan	(2,252)
Minority interests	(64,831)
	106,038
Goodwill	(59,896)
	46,142
SATISFIED BY	
Cash	46,142
Net cash outflow arising on acquisition:	
Cash consideration	46,142
Bank balances and cash acquired	(25,780)
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	20,362

The subsidiaries acquired during the year made no material contribution to the Group's net operating cash flows, turnover and profit before taxation.

Financial Statements

Notes to the Financial Statements

For the Year ended 31 December 2000

37. Analysis of changes in financing during the year

Financial Statements

	2000 HK\$'000	1999 HK\$'000
SHARE CAPITAL AND PREMIUM		
At beginning of the year	1,596,903	1,666,287
Repurchase of own shares	(78,193)	(69,384)
At end of the year	1,518,710	1,596,903
SECURED LOANS		
At beginning of the year	1,528,024	1,601,554
On acquisition of subsidiaries	2,252	-
New loan raised by an overseas subsidiary	2,990	-
Cash consideration for repurchase of transferable loan certificate	-	(45,452)
Cash consideration for repurchase of guaranteed notes	-	(22,769)
Repayment of transferable loan certificate	(146,246)	-
Discount on guaranteed notes issued	626	626
Gain recognised on repurchase of transferable loan certificate	-	(4,078)
Gain recognised on repurchase of guaranteed notes	-	(1,857)
At end of the year	1,387,646	1,528,024
LOAN FROM A MINORITY SHAREHOLDER		
At beginning of the year	4,875	18,177
Repayment of loan from a minority shareholder	(4,875)	(13,302)
At end of the year	-	4,875
OBLIGATIONS UNDER FINANCE LEASES		
At beginning of the year	-	-
On acquisition of subsidiaries	1,223	-
Repayment during the year	(234)	-
At end of the year	989	-

Notes to the Financial Statements

For the Year ended 31 December 2000

38. Provident fund

The Group operates a defined contribution provident fund scheme for all qualifying employees including directors. The assets of the scheme are held separately from those of the Group in funds under the control of the independent trustee.

The provident fund scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group. There was no forfeited contributions available to reduce future contributions at the balance sheet date.

In addition to the retirement benefit schemes operated by the Group, the Group is required to contribute respectively to Mandatory Provident Fund and central pension schemes for certain Group's employees in Hong Kong and the PRC based on applicable rates of monthly salary in accordance with government regulations.

39. Operating lease commitments

At 31 December 2000 and 1999, the Group and the Company had no material outstanding commitments under non-cancellable operating lease commitments.

40. Capital commitments

At the balance sheet date, the Group had material capital commitments as follows:

	2000	1999
	HK\$'000	HK\$'000
Investment loan to be injected into a subsidiary	7,937	7,937
Investment costs to be injected into infrastructure joint ventures		
Within one year	34,043	75,535
In the second to fifth year inclusive	16,963	31,964
After the fifth year	44,915	26,946
	95,921	134,445

At 31 December 2000 and 1999, the Company had no capital commitments.

41. Contingent liabilities

At the balance sheet date, the Group and the Company has the following contingent liabilities arising from its interests in joint ventures:

	2000	1999
	HK\$'000	HK\$'000
Guarantee indirectly given to a bank in respect of bank facilities utilised by infrastructure joint ventures	154,973	—

Financial Statements