

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2001

1. BASIS OF PREPARATION

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of certain investments in securities. The condensed financial statements have been prepared in accordance with the Statement of Standard Accounting Practice 25 "Interim financial reporting" ("SSAP25") issued by the Hong Kong Society of Accountants, except that comparative figures are not presented for the condensed consolidated statement of recognised gains and losses and for the condensed consolidated cash flow statement, being the first condensed consolidated cash flow statement to be included in the interim financial report relating to accounting period ended on or after 1 July 2000. Such departures from SSAP 25 are permitted under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The condensed financial statements have been prepared in accordance with the accounting policies consistent with those adopted by the Group in its financial statements for the year ended 31 December 2000.

SSAP 26 "Segment reporting", which has been adopted for the first time in this interim reporting period, has established principles for reporting the segmental analysis of financial information. The details are set out in note 2.

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2. SEGMENTAL INFORMATION

The Group's turnover and profit before minority interests for the six months ended 30 June 2001 by business activity and geographical market are as follows:

By business segments :

	Toll Road HK\$'000	Others HK\$'000	Total HK\$'000
For the six months ended 30 June 2001			
Turnover: Group and share of infrastructure joint ventures	419,207	48,048	467,255
Less : Share of infrastructure joint ventures' toll revenue	(333,593)	–	(333,593)
Turnover: Group	<u>85,614</u>	<u>48,048</u>	<u>133,662</u>
Segment result	75,120	(2,199)	72,921
Net income recognised in respect of goodwill and negative goodwill	(75)	9,983	9,908
Interest income			7,135
Unallocated corporate income			2
Unallocated corporate expenses			(27,580)
Operating profit: Group			<u>62,386</u>
Share of operating profit (loss) of joint ventures	197,050	(548)	196,502
Finance costs			(53,746)
Profit before taxation			<u>205,142</u>
Taxation	(19,328)	2,924	(16,404)
Profit before minority interests			<u>188,738</u>
Other information			
Capital additions	74	853	927
Depreciation and amortisation	2,994	506	3,500
Other non-cash expenses	–	1,109	1,109
Condensed consolidated balance sheet as at 30 June 2001			
Assets			
Segment assets	739,701	189,591	929,292
Interests in joint ventures	4,463,165	4,175	4,467,340
Unallocated corporate assets			380,750
Consolidated total assets			<u>5,777,382</u>
Liabilities			
Segment liabilities	4,312	30,034	34,346
Unallocated corporate liabilities			1,339,178
Consolidated total liabilities			<u>1,373,524</u>

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2. SEGMENTAL INFORMATION (Continued)

By business segments: (Continued)

	Toll Road HK\$'000	Others HK\$'000	Total HK\$'000
For the six months ended 30 June 2000			
Turnover: Group and share of infrastructure joint ventures	436,970	12,326	449,296
Less : Share of infrastructure joint ventures' toll revenue	(328,586)	–	(328,586)
Turnover: Group	<u>108,384</u>	<u>12,326</u>	<u>120,710</u>
Segment result	98,188	(5,260)	92,928
Interest income			13,743
Unallocated corporate income			4,726
Unallocated corporate expenses			(24,476)
Operating profit: Group			<u>86,921</u>
Share of operating profit of joint ventures	225,498	–	225,498
Finance costs			(66,635)
Profit before taxation			<u>245,784</u>
Taxation	(4,061)	–	(4,061)
Profit before minority interests			<u>241,723</u>
Other information			
Capital additions	–	498	498
Depreciation and amortisation	2,981	413	3,394
Other non-cash expenses	–	–	–
Condensed consolidated balance sheet as at 31 December 2000			
Assets			
Segment assets	714,558	193,661	908,219
Interests in joint ventures	4,463,123	–	4,463,123
Unallocated corporate assets			357,027
Consolidated total assets			<u>5,728,369</u>
Liabilities			
Segment liabilities	3,737	59,141	62,878
Unallocated corporate liabilities			1,412,526
Consolidated total liabilities			<u>1,475,404</u>

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2. SEGMENTAL INFORMATION (Continued)

By geographical segments:

	People's Republic of China (the "PRC") HK\$'000	Hong Kong HK\$'000	Overseas HK\$'000	Total HK\$'000
For the six months ended 30 June 2001				
Turnover: Group and share of infrastructure joint ventures	427,593	37,669	1,993	467,255
Less : Share of infrastructure joint ventures' toll revenue	(333,593)	–	–	(333,593)
Turnover: Group	<u>94,000</u>	<u>37,669</u>	<u>1,993</u>	<u>133,662</u>
Carrying amount of segment assets	<u>5,218,103</u>	<u>380,750</u>	<u>178,529</u>	<u>5,777,382</u>
Capital additions	<u>178</u>	<u>36</u>	<u>713</u>	<u>927</u>
For the six months ended 30 June 2000				
Turnover: Group and share of infrastructure joint ventures	449,234	62	–	449,296
Less : Share of infrastructure joint ventures' toll revenue	(328,586)	–	–	(328,586)
Turnover: Group	<u>120,648</u>	<u>62</u>	<u>–</u>	<u>120,710</u>
Carrying amount of segment assets	<u>5,192,518</u>	<u>357,027</u>	<u>178,824</u>	<u>5,728,369</u>
Capital additions	<u>–</u>	<u>164</u>	<u>334</u>	<u>498</u>

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3. NET INCOME RECOGNISED IN RESPECT OF GOODWILL AND NEGATIVE GOODWILL

The amount mainly represents the negative goodwill arising from the acquisition of 62% equity interest in an overseas subsidiary recognised as income over three years, being the remaining weighted average useful life of the non-monetary assets.

4. OTHER INCOME

Bank interest income amounted to HK\$7,135,000 (2000:HK\$13,743,000) is included in other income.

5. DEPRECIATION AND AMORTISATION

	Six months ended 30 June	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Amortisation of toll highway operation right	2,470	2,470
Depreciation of property, plant and equipment		
– owned assets	5,894	2,995
– assets under finance leases	161	62
	6,055	3,057
Less: capitalised in inventories and ginseng crops	(5,025)	(2,133)
	1,030	924
	<u>3,500</u>	<u>3,394</u>

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6. FINANCE COSTS

	Six months ended 30 June	
	2001 HK\$'000	2000 HK\$'000
Interest on :		
Borrowings wholly repayable		
– within five years	24,447	37,336
– over five years	25,806	25,858
Add : discount on guaranteed notes	313	261
	<u>26,119</u>	<u>26,119</u>
Total borrowing costs	50,566	63,455
Amortisation of capitalised borrowing costs on financing the joint ventures' toll highways and expressways construction	3,180	3,180
	<u>53,746</u>	<u>66,635</u>

7. TAXATION

	Six months ended 30 June	
	2001 HK\$'000	2000 HK\$'000
Current tax	5,078	4,061
Deferred tax		
Business other than the infrastructure joint ventures	(2,924)	–
Share of tax on results of the PRC infrastructure joint ventures	14,250	–
	<u>16,404</u>	<u>4,061</u>

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

Deferred tax charge 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.

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8. DIVIDENDS

In accordance with the revised Statement of Standard Accounting Practice (SSAP 9 (Revised)), dividends declared after the balance sheet date are not recognised as a liability in the balance sheet. In previous years, the declaration of dividends after the balance sheet date was treated as an adjusting post balance sheet event. The effect of this change is to include the proposed dividend in respect of 2000 in current period and, as a result, the dividend for six months ended 30 June 2000 is adjusted from HK\$96,170,000 to HK\$132,466,000.

	Six months ended 30 June	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Final dividend in respect of 2000 of HK\$0.07 (1999: HK\$0.22) per share	35,431	113,133
7.5% convertible cumulative preference shares	<u>19,226</u>	<u>19,333</u>
	<u>54,657</u>	<u>132,466</u>

An interim dividend in respect of 2001 of HK\$0.07 per share amounting to a total of HK\$35,431,000 is approved by the Board. This interim dividend has not been included as a liability in these interim financial statements.

The amount of interim dividend has been calculated on the basis of 506,156,967 shares in issue as at 20 July 2001.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Profit for the period	186,010	239,955
Convertible preference shares dividend	<u>(19,226)</u>	<u>(19,333)</u>
Earnings for the purposes of basic earnings per share	166,784	220,622
Effect of dilutive potential ordinary shares :		
Convertible preference shares dividend	<u>19,226</u>	<u>19,333</u>
Earnings for the purposes of diluted earnings per share	<u>186,010</u>	<u>239,955</u>

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9. EARNINGS PER SHARE (Continued)

	Six months ended 30 June	
	2001 <i>Number of shares</i>	2000 <i>Number of shares</i>
Weighted average number of ordinary shares for the purposes of basic earnings per share	506,156,967	515,192,334
Effect of dilutive potential ordinary shares :		
Convertible preference shares	60,558,411	60,558,411
Options	219,282	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>566,934,660</u>	<u>575,750,745</u>

10. INTERESTS IN JOINT VENTURES

	30 June 2001 <i>HK\$'000</i>	31 December 2000 <i>HK\$'000</i>
	Interests in infrastructure joint ventures	
Cost of investments	1,810,011	1,810,011
Share of post-acquisition undistributed results	1,146,439	968,717
	<u>2,956,450</u>	<u>2,778,728</u>
Loans to infrastructure joint ventures	2,800,105	2,777,085
Repayment of loans from infrastructure joint ventures	(1,424,212)	(1,226,098)
Net borrowing cost capitalised on financing the infrastructure joint ventures' toll highways and expressways construction	130,822	133,408
	<u>4,463,165</u>	<u>4,463,123</u>
Interests in other joint ventures		
Cost of investments	4,588	798
Loan to a joint venture	933	—
Share of post-acquisition undistributed results	(1,346)	(798)
	<u>4,175</u>	<u>—</u>
Total interests in joint ventures	<u>4,467,340</u>	<u>4,463,123</u>

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11. DEBTORS – DUE AFTER ONE YEAR

The amounts comprise minimum income undertakings guaranteed by the PRC joint venture partners of HK\$83,205,000 (2000:HK\$72,298,000) and HK\$126,193,000 (2000:HK\$110,513,000) due in 2002 and 2004 respectively in accordance with the terms of the relevant joint venture agreements.

12. CHARGED DEPOSITS

The amounts have been deposited in several designated banks maintained in accordance with the terms and conditions of the Group's long term loans. These bank balances are charged in favour of the agents of the loans and the deposits made will be applied towards the payment of interest and principal of the loans, the manner of which is contained in the relevant loan agreements.

As at 30 June 2001, bank balances of HK\$138,150,000 (2000:HK\$176,287,000) are classified under current assets because the balances are pledged as security for repayment of interest and principal of the loans due within one year.

13. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments of the Group is an amount of HK\$260,759,000 (2000: HK\$229,164,000) representing minimum income undertakings due from the PRC joint venture partners.

Minimum income undertakings, which have been recognised and received in accordance with the terms set out in the relevant joint venture agreements, are contractually payable on annual or semi-annual basis.

	30 June 2001 <i>HK\$'000</i>	31 December 2000 <i>HK\$'000</i>
Aged analysis of debtors		
Within 60 days	43,332	57,817
60 - 90 days	981	723
More than 90 days	222,039	175,581
	<u>266,352</u>	<u>234,121</u>
Interest receivable	403	24,693
Deposits and prepayments	28,342	49,777
	<u>295,097</u>	<u>308,591</u>

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14. SHARE CAPITAL

	30 June 2001 and 31 December 2000 <i>Number of shares</i>	30 June 2001 and 31 December 2000 <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.1 each	<u>20,000,000,000</u>	<u>2,000,000</u>
7.5% convertible preference shares of HK\$0.1 each	<u>518,000</u>	<u>52</u>
Issued and fully paid	<u>506,674,967</u>	<u>50,667</u>

15. RESERVES

	<i>HK\$'000</i>
SHARE PREMIUM	
At 1 January and 30 June 2001	<u>1,468,043</u>
EXCHANGE RESERVE	
At 1 January 2001	11,801
Exchange differences arising on translation of overseas operations	892
At 30 June 2001	<u>12,693</u>
SPECIAL RESERVE	
At 1 January and 30 June 2001	<u>1,260,000</u>
RETAINED PROFITS	
At 1 January 2001	1,377,678
Profit for the period	186,010
Dividends	(54,657)
At 30 June 2001	<u>1,509,031</u>
TOTAL RESERVES	<u>4,249,767</u>

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16. SECURED LOANS

	30 June 2001 <i>HK\$'000</i>	31 December 2000 <i>HK\$'000</i>
Transferable loan certificate (note i)	732,312	809,396
Repurchase of transferable loan certificate	(37,642)	(41,605)
	<u>694,670</u>	<u>767,791</u>
Guaranteed notes (notes ii)	1,080,650	1,080,337
Repurchase of guaranteed notes	(465,724)	(465,724)
	<u>614,926</u>	<u>614,613</u>
Other loans (notes iii)	6,358	5,242
	<u>1,315,954</u>	<u>1,387,646</u>

The maturity of the above loans is as follows :

	30 June 2001 <i>HK\$'000</i>	31 December 2000 <i>HK\$'000</i>
Within one year	699,796	148,521
More than one year but not exceeding two years	1,233	624,512
More than five years	614,925	614,613
	<u>1,315,954</u>	<u>1,387,646</u>
Less : Amount due within one year shown under current liabilities	(699,796)	(148,521)
Amount due after one year	<u>616,158</u>	<u>1,239,125</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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16. 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 which 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 successive semi-annual 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 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 loans bear interest at approximately 7% per annum and is repayable by scheduled instalments through to 1 November 2002. The loans are secured by inventories, unharvested crops and freehold land and buildings held by an overseas subsidiary.

17. CREDITORS AND ACCRUED CHARGES

	30 June 2001 <i>HK\$'000</i>	31 December 2000 <i>HK\$'000</i>
Aged analysis of creditors		
Within 60 days	4,543	5,233
60 - 90 days	2,614	444
More than 90 days	1,711	1,168
	<hr/> 8,868	<hr/> 6,845
Interest payable	23,932	50,422
Accrued charges	19,274	21,827
	<hr/> <hr/> 52,074	<hr/> <hr/> 79,094

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18. CAPITAL COMMITMENTS

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

	30 June 2001 <i>HK\$'000</i>	31 December 2000 <i>HK\$'000</i>
Investment loan to be injected into a subsidiary	<u>7,937</u>	<u>7,937</u>
Investment costs to be injected into infrastructure joint ventures		
Within one year	35,507	34,043
In the second to fifth year inclusive	2,801	16,963
After the fifth year	<u>42,113</u>	<u>44,915</u>
	<u>80,421</u>	<u>95,921</u>

19. CONTINGENT LIABILITIES

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

	30 June 2001 <i>HK\$'000</i>	31 December 2000 <i>HK\$'000</i>
Guarantee indirectly given to banks in respect of bank facilities utilised by infrastructure joint ventures	<u>167,754</u>	<u>154,973</u>