

# Notes to the Interim Financial Statements

## 1. BASIS OF PREPARATION

The interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”) and Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. In addition, the Group has presented segment revenues and results as defined in SSAP 26 “Segment Reporting” with comparative figures for the six months ended 30th June, 2000 in note 5 below.

The accounting policies used in preparation of the interim financial statements are consistent with those used in the Group’s annual financial statements for the year ended 31st December, 2000, except for the following changes pursuant to new SSAPs issued by HKSA which are effective for accounting periods commencing on or after 1st January, 2001:

In accordance with SSAP 30 “Business Combinations”, the Group has elected not to restate the goodwill arising from acquisition of subsidiaries, associates and jointly controlled entities previously eliminated against reserves. The goodwill arising from acquisition of subsidiaries, associates and jointly controlled entities on or after 1st January, 2001 is now recognised as an asset and amortised on a straight-line basis over its estimated useful life. Any impairment loss identified is recognised as an expense immediately.

In accordance with SSAP 9 (revised) “Events After The Balance Sheet Date”, the Group now recognises dividend proposed or declared after the balance sheet date as a separate component of equity. This accounting policy has been applied retrospectively, and the proposed final dividend of HK\$902 million previously recognised as a current liability as at 31st December, 2000 has been restated to conform to the current period’s presentation.

## Notes to the Interim Financial Statements (Cont'd)

### 2. TURNOVER

Group turnover represents net sales from infrastructure materials businesses, return on investments and interest income received and receivable from infrastructure project investments, net of withholding tax, where applicable.

In addition, the Group also accounts for its proportionate share of turnover of jointly controlled entities. Turnover of associates are not included.

#### By business segment

for the six months ended 30th June

HK\$million	Group turnover	2001 Share of turnover of jointly controlled entities	Total	Group turnover	2000 Share of turnover of jointly controlled entities	Total
Infrastructure investments	238	705	943	308	249	557
Infrastructure materials and infrastructure-related businesses	958	–	958	1,034	–	1,034
<b>Total</b>	<b>1,196</b>	<b>705</b>	<b>1,901</b>	<b>1,342</b>	<b>249</b>	<b>1,591</b>

#### By geographic region

for the six months ended 30th June

HK\$million	Group turnover	2001 Share of turnover of jointly controlled entities	Total	Group turnover	2000 Share of turnover of jointly controlled entities	Total
Hong Kong	817	–	817	879	–	879
Mainland China	359	705	1,064	456	249	705
Others	20	–	20	7	–	7
<b>Total</b>	<b>1,196</b>	<b>705</b>	<b>1,901</b>	<b>1,342</b>	<b>249</b>	<b>1,591</b>

The comparative figures of turnover for the six months ended 30th June, 2000 have been restated to conform to the current period's presentation.

## Notes to the Interim Financial Statements (Cont'd)

### 3. OTHER REVENUE

Other revenue includes the following:

HK\$million	Six months ended 30th June	
	2001	2000
Interest income	364	316
Finance lease income	3	2
Distribution from listed stapled securities	18	20
Dividend from other listed securities	2	–
Gain on disposals of other listed securities	10	–
Gain on disposal of a subsidiary	221	–
Charterhire service income	688	208

### 4. OPERATING COSTS

Operating costs include the following:

HK\$million	Six months ended 30th June	
	2001	2000
Depreciation	95	92
Amortisation of costs of investments in infrastructure projects	87	93
Provision against infrastructure project investments	500	–
Cost of charterhire services rendered	686	206
Cost of inventories sold	645	688

# Notes to the Interim Financial Statements (Cont'd)

## 5. SEGMENT INFORMATION

### By business segment

for the six months ended 30th June

HK\$million	Investment in Hongkong Electric*		Infrastructure investments		Infrastructure materials and infrastructure- related businesses		Unallocated items		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
<b>Segment revenue</b>										
Group turnover	-	-	238	308	958	1,034	-	-	1,196	1,342
Charterhire service income	-	-	-	-	688	208	-	-	688	208
Others	-	-	6	15	22	23	-	-	28	38
	-	-	244	323	1,668	1,265	-	-	1,912	1,588
<b>Segment result</b>	-	-	124	194	130	193	-	-	254	387
Provision	-	-	(500)	-	-	-	-	-	(500)	-
Gain on disposal of a subsidiary	-	-	221	-	-	-	-	-	221	-
Interest and finance lease incomes	-	-	288	249	52	58	27	11	367	318
Other revenue	-	-	30	20	-	-	-	-	30	20
Net corporate overheads	-	-	-	-	-	-	(59)	(46)	(59)	(46)
<b>Operating profit</b>	-	-	163	463	182	251	(32)	(35)	313	679
Finance costs	-	-	-	-	-	-	(307)	(281)	(307)	(281)
Share of results of associates and jointly controlled entities	1,073	860	556	241	-	(11)	-	-	1,629	1,090
Taxation	(118)	(89)	(1)	-	(19)	(17)	-	-	(138)	(106)
Minority interests	-	-	-	-	12	7	-	-	12	7
<b>Profit attributable to shareholders</b>	955	771	718	704	175	230	(339)	(316)	1,509	1,389

\* During the period, the Group has a 38.87 per cent. equity interest in Hongkong Electric Holdings Limited, which is listed on The Stock Exchange of Hong Kong Limited.

# Notes to the Interim Financial Statements (Cont'd)

## 5. SEGMENT INFORMATION (Cont'd)

### By geographic region

for the six months ended 30th June

HK\$million	Hong Kong		Mainland China		Australia		Others		Unallocated items		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
<b>Segment revenue</b>												
Group turnover	817	879	359	456	-	-	20	7	-	-	1,196	1,342
Charterhire service income	14	7	68	83	5	-	601	118	-	-	688	208
Others	18	23	6	15	-	-	4	-	-	-	28	38
	<b>849</b>	<b>909</b>	<b>433</b>	<b>554</b>	<b>5</b>	<b>-</b>	<b>625</b>	<b>125</b>	<b>-</b>	<b>-</b>	<b>1,912</b>	<b>1,588</b>
<b>Segment result</b>	<b>207</b>	<b>228</b>	<b>57</b>	<b>159</b>	<b>-</b>	<b>(3)</b>	<b>(10)</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>254</b>	<b>387</b>
Provision	-	-	(500)	-	-	-	-	-	-	-	(500)	-
Gain on disposal of a subsidiary	-	-	221	-	-	-	-	-	-	-	221	-
Interest and finance lease incomes	52	58	-	-	288	249	-	-	27	11	367	318
Other revenue	12	-	-	-	18	20	-	-	-	-	30	20
Net corporate overheads	-	-	-	-	-	-	-	-	(59)	(46)	(59)	(46)
<b>Operating profit</b>	<b>271</b>	<b>286</b>	<b>(222)</b>	<b>159</b>	<b>306</b>	<b>266</b>	<b>(10)</b>	<b>3</b>	<b>(32)</b>	<b>(35)</b>	<b>313</b>	<b>679</b>
Finance costs	-	-	-	-	-	-	-	-	(307)	(281)	(307)	(281)
Share of results of associates and jointly controlled entities	1,082	860	196	241	351	-	-	(11)	-	-	1,629	1,090
Taxation	(138)	(106)	-	-	-	-	-	-	-	-	(138)	(106)
Minority interests	-	-	10	7	-	-	2	-	-	-	12	7
<b>Profit attributable to shareholders</b>	<b>1,215</b>	<b>1,040</b>	<b>(16)</b>	<b>407</b>	<b>657</b>	<b>266</b>	<b>(8)</b>	<b>(8)</b>	<b>(339)</b>	<b>(316)</b>	<b>1,509</b>	<b>1,389</b>

## Notes to the Interim Financial Statements (Cont'd)

### 6. TAXATION

HK\$million	Six months ended 30th June	
	2001	2000
<b>Company and subsidiaries</b>		
Hong Kong profits tax – current	20	19
– deferred	(1)	(2)
	<b>19</b>	17
<b>Associates</b>		
Hong Kong profits tax – current	118	89
– deferred	1	–
	<b>119</b>	89
<b>Total</b>	<b>138</b>	106

(a) Hong Kong profits tax is provided for at the rate of 16 per cent. (2000: 16 per cent.) on the estimated assessable profits for the period less available tax relief for losses brought forward.

(b) Tax deferred or accelerated by the effects of timing differences is provided, using the liability method, to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

### 7. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$1,509 million (2000: HK\$1,389 million) and on 2,254,209,945 shares (2000: 2,254,209,945 shares) in issue during the interim period.

Diluted earnings per share has not been shown as there was no dilutive effect on the earnings per share if the convertible debentures outstanding during the six months ended 30th June, 2001 and 2000 were fully converted into shares of a non-wholly owned subsidiary which issued the debentures.

## Notes to the Interim Financial Statements (Cont'd)

### 8. DEBTORS AND PREPAYMENTS

Included in debtors and prepayments are trade debtors and infrastructure project receivables of HK\$1,244 million (HK\$1,275 million as at 31st December, 2000) and their ageing analysis is as follows:

HK\$million	As at 30th June 2001	As at 31st December 2000
Current	549	797
One month	32	56
Two to three months	18	21
Three months and more	857	607
<b>Gross total</b>	<b>1,456</b>	1,481
Provision	(212)	(206)
<b>Total after provision</b>	<b>1,244</b>	1,275

Trading terms with customers are largely on credit, except for new customers and customers with unsatisfactory payment records, where payment in advance is normally required. Invoices are normally payable within one month of issuance, except for certain well-established customers, where the terms are extended to two months, and certain customers with disputed items, where the terms are negotiated individually. Each customer has a maximum credit limit, which was granted and approved by senior management in accordance with the laid-down credit review policy and procedures.

Infrastructure project receivables are mainly derived from return from infrastructure project investments, which is predetermined in accordance with provisions of the relevant agreements. The return is contractually payable annually or semi-annually to the Group within a specified period.

### 9. CREDITORS AND ACCRUALS

Included in creditors and accruals are trade creditors of HK\$142 million (HK\$166 million as at 31st December, 2000) and their ageing analysis is as follows:

HK\$million	As at 30th June 2001	As at 31st December 2000
Current	74	88
One month	13	9
Two to three months	10	6
Three months and more	45	63
<b>Total</b>	<b>142</b>	166

## Notes to the Interim Financial Statements (Cont'd)

### 10. SHARE CAPITAL

There were no movements in the share capital of the Company in the six months ended 30th June, 2001 and 2000 respectively.

### 11. RESERVES

HK\$million	Share premium	Contributed surplus	Investment revaluation reserve	Exchange translation reserve	Retained profits	Proposed dividends	Total
At 1st January, 2001	3,836	7,632	19	(8)	10,129	902	22,510
Final dividend for the year 2000 paid	-	-	-	-	-	(902)	(902)
Surplus on revaluation of investments in securities	-	-	50	-	-	-	50
Revaluation deficit realised upon disposals of non-trading securities	-	-	27	-	-	-	27
Exchange translation differences	-	-	-	(12)	-	-	(12)
Profit for the period	-	-	-	-	1,509	-	1,509
Proposed interim dividend	-	-	-	-	(473)	473	-
<b>At 30th June, 2001</b>	<b>3,836</b>	<b>7,632</b>	<b>96</b>	<b>(20)</b>	<b>11,165</b>	<b>473</b>	<b>23,182</b>



## Notes to the Interim Financial Statements (Cont'd)

### 12. CAPITAL COMMITMENTS

The Group's capital commitments outstanding at 30th June and not provided for in the financial statements are as follows:

HK\$million	Contracted but not provided for		Authorised but not contracted for	
	As at 30th June 2001	As at 31st December 2000	As at 30th June 2001	As at 31st December 2000
Investment in an associate	16	16	-	-
Investments in jointly controlled entities	433	433	-	-
Infrastructure project investments	29	29	-	-
Plant and machinery	21	29	153	218
Others	-	-	2	6
<b>Total</b>	<b>499</b>	<b>507</b>	<b>155</b>	<b>224</b>

### 13. CONTINGENCIES

HK\$million	As at 30th June 2001	As at 31st December 2000
Performance bonds	25	5

### 14. DISPOSAL OF A SUBSIDIARY

During the period, the Group disposed of a subsidiary with sales proceeds of HK\$408 million and a net gain of HK\$221 million. The subsidiary did not make any significant contribution to the results of the Group during the periods ended 30th June, 2001 and 2000.

### 15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.