

## NOTES TO CONDENSED INTERIM ACCOUNTS

### 1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants, except that no comparatives for the cash flow statement are presented. The omission of comparatives for the cash flow statement is not in accordance with SSAP 25 which requires that comparatives for the cash flow statement to be included.

In preparing these condensed interim accounts, the Group has taken advantage of the transitional provision contained in Appendix 16 (37.3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") which allows comparative figures for the cash flow statement to be omitted.

These condensed interim accounts should be read in conjunction with the 2000 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31st December 2000 except that the Group has changed certain of its accounting policies following its adoption of the following Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 30	:	Business combinations

The significant changes to the Group's accounting policies and the effects of adopting these new policies are set out below:

#### (a) *SSAP 9 (revised) : Events after the balance sheet date*

In accordance with SSAP 9 (revised), the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in Note 9, opening retained earnings at 1st January 2000 have increased by HK\$51,875,000 which is the reversal of the provision for the 1999 proposed final dividend previously recorded as a liability as at 31st December 1999 although not approved until after balance sheet date. Opening retained earnings at 1st January 2001 have increased by HK\$10,375,000 which is the reversal of the provision for 2000 proposed final dividend previously recorded as a liability as at 31st December 2000 although not approved until after the balance sheet date. This adjustment has resulted in a decrease in current liabilities at 31st December 2000 by HK\$10,375,000 for provision for proposed final dividend that is no longer required.

Changes to headings used in the previously reported 31st December 2000 balance sheet relating to dividends and profit for the year retained have also been made to reflect the changes resulting from SSAP 9 (revised).

**(b) SSAP 30 : Business combinations**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associated company/jointly controlled entity at the date of acquisition. Goodwill on acquisitions occurring on or after 1st January 2001 is included in intangible assets and is generally amortised using the straight-line method over the maximum period of 20 years.

Goodwill on acquisition of subsidiary/associated company/jointly controlled entity engaged in the operation of toll highways or bridges is amortised on the basis of a sinking fund calculation over the period for which the Group is granted the rights to operate the highways or bridges.

Goodwill on acquisitions that occurred prior to 1st January 2001 was written off against reserves. The Group has taken advantage of the transitional provisions in SSAP 30 and such goodwill has not been retrospectively capitalised and amortised. However, any impairment arising on such goodwill is accounted for in accordance with SSAP 31, Impairment of Assets.

**2 TURNOVER**

The Group is principally engaged in development, operation and management of toll highways and bridges in Mainland China ("China").

No segment information of the Group's turnover and contribution to operating profit by activity and geographic area had been prepared as they were principally derived from the operations of the Group's toll projects in China.

**3 OPERATING PROFIT**

Six months ended 30th June	
2001	2000
<i>HK\$'000</i>	<i>HK\$'000</i>

The operating profit is stated after crediting and charging the following:

Crediting

Net exchange gains	690	368
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Charging

Depreciation of fixed assets	31,189	29,353
Amortisation of goodwill	796	–
Amortisation of other investment	2,081	6,072
Retirement benefit costs	362	400
Staff costs (including directors' remuneration)	7,136	6,896

#### 4 TAXATION

- (a) No provision for Hong Kong profits tax has been made in the accounts as the Group has no income assessable to Hong Kong profits tax during the period (2000: nil).
- (b) Overseas taxation is provided on the profits of the Group's subsidiaries and an associated company in China in accordance with the Income Tax Law of China for Enterprises with Foreign Investment and Foreign Enterprises ("China Tax Law"). Under the China Tax Law, the Group's subsidiaries, associated companies and jointly controlled entity in China are entitled to an income tax holiday for two to five years from its first profit making year and a 50 per cent reduction in income tax for the following three to five years. The applicable reduced income tax rate is 15 per cent. The Group's subsidiaries, associated companies and jointly controlled entity in China are qualified for the aforesaid tax privileges during the period.
- (c) The amount of taxation charged to the condensed consolidated profit and loss account represents:

	Six months ended	
	30th June	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Overseas taxation	9,997	8,785
Deferred taxation	917	1,685
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	10,914	10,470
Share of taxation attributable to an associated company	1,943	2,759
Share of deferred taxation attributable to associated companies	2,274	2,263
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	15,131	15,492

#### 5 DIVIDEND

	Six months ended	
	30th June	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
2001 Interim, proposed on 18th September 2001, of 3.0 cents (2000: 3.0 cents) per share	31,337	31,125

## 6 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$132,462,000 (2000: HK\$145,740,000) and the weighted average of 1,039,266,248 (2000: 1,037,503,530) shares in issue during the period.

The calculation of fully diluted earnings per share is based on adjusted profit of HK\$135,760,000 (2000: HK\$145,740,000) on the assumption that the outstanding convertible bonds had been converted at the beginning of the period and had saved interest payable thereon, and the weighted average of 1,118,009,133 (2000: 1,049,876,778) shares which is the weighted average number of shares in issue during the period plus the weighted average of 78,742,885 (2000: 12,373,248) shares deemed to be issued at no consideration if all outstanding share options and convertible bonds had been exercised.

## 7 FIXED ASSETS

	<i>HK\$'000</i>
Net book value at 1st January 2001	2,638,772
Additions	18,478
Disposals	(11)
Depreciation	(31,189)
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Net book value at 30th June 2001	2,626,050

## 8 INTANGIBLE ASSETS

	<i>HK\$'000</i>
Goodwill from acquisition of subsidiary, at cost	51,525
Less: Accumulated amortisation	(796)
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Net book value at 30th June 2001	50,729

On 15th February 2001, the Group had completed the acquisition of the remaining 49 per cent interest in Xian Expressway at a cash consideration of HK\$173.0 million. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the subsidiary acquired at the date of acquisition.

## 9 RETAINED EARNINGS

	<i>Note</i>	<i>HK\$'000</i>
At 1st January 2000, as previously reported		492,204
Effect of adopting SSAP 9 (Revised)	1 (a)	51,875
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At 1st January 2000, as restated		544,079
1999 final dividends paid		(51,875)
Profit attributable to shareholders for the year		282,513
2000 interim dividend paid		(31,125)
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At 31st December 2000, as restated		743,592
Representing:		
Retained earnings		733,217
2000 final dividend proposed		10,375
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		743,592
At 1st January 2001, as previously reported		733,217
Effect of adopting SSAP 9 (Revised)	1 (a)	10,375
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At 1st January 2001, as restated		743,592
2000 final dividend proposed		(10,375)
Profit attributable to shareholders for the period		132,462
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At 30th June 2001		865,679
Representing:		
Retained earnings		834,342
2001 Interim dividend proposed	5	31,337
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		865,679

## 10 LONG-TERM LIABILITIES

	30th June 2001 <i>HK\$'000</i>	31st December 2000 <i>HK\$'000</i>
Bank loans		
Secured (note (a))	333,800	179,400
Unsecured	420,560	420,560
Loans from minority shareholders (note (b))	40,347	41,505
Less: current portion of long-term liabilities	(273,657)	(394,140)
	<b>521,050</b>	<b>247,325</b>

- (a) These bank loans are secured by the Group's interests in certain toll road projects in China.
- (b) The loans from minority shareholders are unsecured, interest free and not repayable in the next 12 months.
- (c) At 30th June 2001, the Group's bank loans were repayable as follows:

	Secured		Unsecured	
	30th June 2001 <i>HK\$'000</i>	31st December 2000 <i>HK\$'000</i>	30th June 2001 <i>HK\$'000</i>	31st December 2000 <i>HK\$'000</i>
Within one year	68,050	39,000	205,607	355,140
In the second year	80,100	50,700	214,953	65,420
In the third to fifth year	185,650	89,700	-	-
	<b>333,800</b>	<b>179,400</b>	<b>420,560</b>	<b>420,560</b>

## 11 CONTINGENT LIABILITIES AND COMMITMENTS

There is no material change in contingent liabilities and commitments since the last annual balance sheet date.

## 12 RELATED PARTY TRANSACTIONS

During the period, significant related party transactions which were carried out in the normal course of the Group's business are as follows:

	Six months ended	
	30th June	
	2001	2000
	HK\$'000	HK\$'000
Management fee paid to the ultimate holding company (note (a))	500	500
Fixed cost toll highways management fee paid and payable to a minority shareholder (note (a))	29,154	29,991
Acquisition of the remaining 49 per cent interest in Xian Expressway from the minority shareholders (note (b))	173,000	–

(a) These transactions were conducted in accordance with the terms as disclosed in the 2000 annual report.

(b) The purchase consideration of HK\$173.0 million is determined on the basis of fair market value according to an independent firm of professional valuers.