

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2001

## 1. General

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited.

The principal activities of the Group are property development and investment, hotel operation and management, investment in infrastructure projects, civil and building construction and project management, real estate agency and management and treasury investment.

## 2. Principal Accounting Policies

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30th June each year.

The results of the subsidiaries, jointly controlled entities and associates acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

### Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary and is written off to reserves immediately on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration, is credited to reserves.

Any premium or discount arising on the acquisition of an interest in an associate, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the associate at the date of acquisition, is dealt with in the same manner as that described above for goodwill.

On disposal of investments in subsidiaries and associates, the attributable amount of goodwill/premium or discount previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal of the subsidiary or associate.

### Subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

In the Company's balance sheet, investments in subsidiaries are stated at cost less any identified impairment losses.

### Jointly controlled entities

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control. Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

## 2. Principal Accounting Policies (continued)

The consolidated income statement includes the Group's share of the post-acquisition results of its jointly controlled entities for the year. In the consolidated balance sheet, investments in jointly controlled entities are stated at cost less amortisation and any identified impairment losses plus the Group's attributable share of the undistributed post-acquisition reserves of the jointly controlled entities. The cost of investments in jointly controlled entities comprises capital contributed, development expenditure incurred by the Group, financial expenses capitalised less interest income on advances to jointly controlled entities deferred to the extent of the Group's interest therein during the development stage of the projects undertaken by the jointly controlled entities.

The cost of investments, to the extent not borne by the jointly controlled entities, is amortised on the same basis as that adopted by the relevant jointly controlled entity in respect of depreciation of its project cost, over the joint venture period commencing from the date of operation of the project undertaken.

When the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred.

### Associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates calculated based on their financial statements made up to a date not more than six months before the balance sheet date. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

In the Company's balance sheet, investments in associates are stated at cost less any identified impairment losses.

### Other investments

Development expenditure incurred under the terms of a concession agreement for the investment in a superstructure project during the development stage is carried in the consolidated balance sheet at cost less any identified impairment losses. Development expenditure includes construction costs, other incidental costs and attributable borrowing costs.

Investment securities, which are securities held for an identified long term purpose, are measured at reporting dates at cost less any identified impairment losses.

### Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. Principal Accounting Policies (continued)

#### Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the assets. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

It is the Group's practice to maintain its hotel property in a continual state of sound repair and maintenance and to make improvements from time to time and accordingly, the directors consider that depreciation is not necessary as the property maintains a residual value at least equal to its carrying value. Repairs and maintenance expenditure is charged to the income statement when incurred.

Depreciation is provided to write off the cost of other property, plant and equipment in use over their estimated useful lives from the date they become fully operational and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

| <i>Category of assets</i> | <i>Estimated useful lives</i>  |
|---------------------------|--|
| Leasehold land            | Over the term of the lease   |
| Buildings                 | 50 years or the remaining term of the land lease, whichever is shorter |
| Other assets              | 5 to 10 years  |

#### Development properties

Properties held for or under development are stated at cost less any identified impairment losses. The cost of such properties comprises land cost, development expenditure, other attributable expenses and, where appropriate, borrowing costs capitalised.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### Properties for sale

Properties for sale are stated at the lower of cost, comprising land and development cost, and net realisable value. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

#### Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that costs incurred to date bear to estimated total costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract cost will exceed total contract revenue, the expected loss is recognised as an expense immediately.

## 2. Principal Accounting Policies (continued)

When a contract covers a number of assets, the construction of each asset is treated as a separate contract when separate proposals have been submitted for each asset, each asset has been separately negotiated and the costs and revenues of each asset can be separately identified. A group of contracts, performed concurrently or in a continuous sequence, is treated as a single construction contract when they were negotiated as a single package and are so closely inter-related that they constitute a single project with an overall profit margin.

### Operating leases

Operating leases are leases whereby substantially all the risks and rewards of ownership of the assets remain with the lessors. Rentals receivable under operating leases are credited to the income statement on a straight line basis over the terms of the respective leases.

### Foreign currencies

Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates of exchange ruling on the balance sheet date. Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates of exchange ruling on the transaction dates. Exchange differences arising from foreign currency borrowings for the purpose of financing qualifying assets under development prior to completion, to the extent that they are regarded as adjustments to interest cost, are capitalised in accordance with the Group's accounting policy and form part of the cost of such assets. Other exchange differences are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries, jointly controlled entities and associates established outside Hong Kong, which are expressed in currencies other than Hong Kong dollars, are translated into Hong Kong dollars at the rates of exchange ruling on the balance sheet date. Exchange differences arising therefrom are dealt with in exchange equalisation reserve.

### Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

### Notes payable

Unsecured notes payable are separately disclosed and regarded as liabilities. The note issue expenses, which represent the discount on issue of notes and expenses incurred directly in connection with the issue, are deferred and amortised over the period of the notes so as to produce a constant periodic rate of charge on the carrying amount of the notes.

If any of the notes outstanding are repurchased by the Group prior to their maturity date, any gain or loss, representing the difference between the purchase price and the principal amount of the notes repurchased together with outstanding interest thereon and the related unamortised note issue expenses, is dealt with in the income statement. The Group's liability in respect of notes payable is presented net of the principal amount of notes repurchased.

### Capitalisation of borrowing costs

Borrowing costs, including project financing costs, directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Project financing costs, which represent all origination costs, including arrangement fees, legal fees and other related costs, directly associated with the arrangement of loans intended to finance the development and construction of a viable project, are deferred and amortised over the terms of the loans.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. Principal Accounting Policies (continued)

#### Cash equivalents

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

#### Revenue recognition

##### *Lease of properties*

Rental income in respect of properties under operating leases is recognised on a straight line basis over the respective lease term.

##### *Hotel operation and management*

Revenue from hotel operation and management is recognised when the relevant services are provided.

##### *Construction and project management*

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion that costs incurred to date bear to estimated total costs for each contract. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract can be estimated reliably, revenue from cost-plus contracts is recognised by reference to the recoverable costs incurred during the period plus the fees earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Income from project management is recognised when the relevant services are provided and the right to receive payment is established.

##### *Real estate agency and management*

Revenue from the provision of real estate agency and management services is recognised when the relevant services are provided.

##### *Interest income*

Interest income from bank deposits, loans receivable and infrastructure project investments is recognised on a time basis by reference to the principal outstanding and at the interest rate applicable.

##### *Investments*

Revenue from sale of investments is recognised when the relevant sale contract becomes unconditional.

### 3. Turnover And Contribution

Turnover represents property rental, revenue from hotel operation and management, income from infrastructure project investment, construction and project management fees, income from real estate agency and management services, bank and other interest income.

The turnover and contribution of the Group analysed by activity are as follows:

|   | Turnover         |                  | Contribution     |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2001<br>HK\$'000 | 2000<br>HK\$'000 | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Property rental, agency and management    | 369,964          | 360,787          | 234,975          | 223,475          |
| Hotel operations and management           | 275,548          | 292,948          | 20,242           | (14,687)         |
| Infrastructure project investment         | 531,466          | 444,031          | 490,523          | 412,356          |
| Construction and project management       | 517,608          | 406,424          | 9,482            | (19,276)         |
| Treasury operations – interest income     | 53,552           | 62,692           | 53,552           | 62,692           |
| Other activities                          | 1,965            | 5,439            | (261,984)        | 18,014           |
|   | 1,750,103        | 1,572,321        | 546,790          | 682,574          |
| Less: Unallocated administrative expenses |                  |                  | (50,366)         | (54,557)         |
| Profit from operations                    |                  |                  | 496,424          | 628,017          |

Note:

The turnover from infrastructure project investment shown above comprised mainly of interest income from project companies. The contribution from other activities for the current year includes the impairment loss on a hotel property under development amounted to HK\$290 million (2000: Nil).

The turnover and contribution of the Group analysed by geographical location are as follows:

|  | Turnover         |                  | Contribution     |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2001<br>HK\$'000 | 2000<br>HK\$'000 | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Hong Kong  | 1,132,465        | 1,051,354        | 221,436          | 168,057          |
| Other regions in the People's<br>Republic of China ("PRC") | 613,040          | 519,548          | 578,007          | 475,889          |
| Republic of Malta  | –                | –                | (290,000)        | –                |
| Other locations  | 4,598            | 1,419            | (13,019)         | (15,929)         |
|  | 1,750,103        | 1,572,321        | 496,424          | 628,017          |

### 4. Other Revenue

|  | The Group        |                  |
|--|------------------|------------------|
|  | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Included in other revenue are the following: |                  |                  |
| Gain on repurchase of notes                  | 22,791           | 15,335           |
| Exchange gains                               | 17,442           | 1,557            |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 5. Profit From Operations Before Impairment Loss

|  | The Group        |                  |
|--|------------------|------------------|
|  | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Profit from operations before impairment loss has been arrived at after charging (crediting):                                    |                  |                  |
| Auditors' remuneration   | 4,457            | 4,193            |
| Depreciation of property, plant and equipment  | 15,908           | 17,084           |
| Amortisation of cost of investment in jointly controlled entities  | 36,543           | 31,676           |
| Provision for doubtful trade receivables   | 13,109           | 15,281           |
| Staff costs including directors' emoluments  | 214,290          | 237,828          |
| Rental income in respect of land and buildings under operating leases, less outgoings of HK\$115,006,000 (2000: HK\$114,697,000) | (245,699)        | (237,822)        |

## 6. Finance Costs

|   | The Group        |                  |
|---|------------------|------------------|
|   | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Interest on:                                      |                  |                  |
| Bank loans and overdrafts                         | 352,797          | 467,634          |
| Notes   |                  |                  |
| – wholly payable within five years                | 154,917          | 153,358          |
| – not wholly payable within five years            | 313,630          | 315,198          |
| Other loans wholly payable within five years      | 30,890           | 22,363           |
| Warranties wholly payable within five years       | 27,296           | 34,657           |
| Total interest                                    | 879,530          | 993,210          |
| Less: Amount borne by a jointly controlled entity | (126,456)        | (253,643)        |
| Amounts capitalised on:                           |                  |                  |
| – Infrastructure projects                         | (19,613)         | (106,151)        |
| – Properties under development                    | (7,424)          | (4,806)          |
| Notes issue expenses amortised                    | 726,037          | 628,610          |
| Other finance costs                               | 17,260           | 17,148           |
|   | 24,253           | 10,346           |
|   | 767,550          | 656,104          |

## 7. Taxation

|                                | The Group        |                  |
|--------------------------------|------------------|------------------|
|                                | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| The charge comprises:          |                  |                  |
| The Company and subsidiaries   |                  |                  |
| Hong Kong profits tax          |                  |                  |
| – Current year's provision     | 571              | 1,004            |
| – Overprovision in prior years | (1,200)          | (975)            |
| Taxation elsewhere             |                  |                  |
| – Current year's provision     | 14,406           | 106              |
| – Overprovision in prior years | (5,287)          | (3,002)          |
|                                | 8,490            | (2,867)          |
| Jointly controlled entities    |                  |                  |
| Taxation elsewhere             | 9,457            | 14,225           |
| Associates                     |                  |                  |
| Hong Kong profits tax          | 877              | 922              |
| Taxation elsewhere             | 7,685            | 7,905            |
|                                | 8,562            | 8,827            |
|                                | 26,509           | 20,185           |

Provision for Hong Kong profits tax is calculated at the rate of 16% (2000: 16%) on the estimated assessable profits for the year. Taxes on profits assessable elsewhere are calculated at rates prevailing in the countries in which the Group operates.

Deferred taxation has not been accounted for in the financial statements as there are no material timing differences.

Deferred tax has not been provided on the increase or decrease arising on revaluation of investment properties as the profits or losses arising from disposal of these assets would not be subject to taxation. Accordingly, the valuation surplus does not constitute a timing difference for deferred tax purposes.

## 8. Net Profit For The Year

Of the Group's net profit for the year, a profit of HK\$39,901,000 (2000: HK\$137,043,000) has been dealt with in the financial statements of the Company.

## 9. Dividends

|                                       | The Group and the Company |                  |
|---------------------------------------|---------------------------|------------------|
|                                       | 2001<br>HK\$'000          | 2000<br>HK\$'000 |
| Interim dividend, paid                |                           |                  |
| HK5 cents (2000: HK5 cents) per share | 43,799                    | 43,799           |
| Final dividend, proposed              |                           |                  |
| HK7 cents (2000: HK6 cents) per share | 61,319                    | 52,559           |
|                                       | 105,118                   | 96,358           |

The final dividend of HK7 cents (2000: HK6 cents) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 10. Earnings Per Share

The calculation of the basic earnings per share is based on the net profit for the year of HK\$305,510,000 (2000: HK\$169,290,000) and on 875,982,121 (2000: 875,982,121) ordinary shares in issue during the year.

Diluted earnings per share is not shown as the Company has no dilutive potential ordinary shares outstanding during the two years presented.

### 11. Emoluments Of Directors And Highest Paid Employees

#### (a) Directors' emoluments

|   | The Group        |                  |
|---|------------------|------------------|
|   | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Directors' fees                                 | 410              | 400              |
| Basic salaries, allowances and benefits-in-kind | 9,780            | 9,917            |
| Contribution to provident funds                 | 22               | -                |
|   | 10,212           | 10,317           |

Emoluments of the directors were within the following bands:

|                       | 2001<br>Number of<br>directors | 2000<br>Number of<br>directors |
|-----------------------|--------------------------------|--------------------------------|
| HK\$                  |                                |                                |
| Nil - 1,000,000       | 8                              | 6                              |
| 1,000,001 - 1,500,000 | 2                              | 2                              |
| 1,500,001 - 2,000,000 | 3                              | 2                              |
| 2,000,001 - 2,500,000 | -                              | 1                              |
| 2,500,001 - 3,000,000 | 1                              | 1                              |

Other than fees of HK\$158,000 (2000: HK\$150,000) payable to the independent non-executive directors which have been included above, no remuneration was paid or is payable to such directors.

#### (b) Highest paid employees' emoluments

The five individuals in the Group with the highest emoluments included four (2000: four) directors of the Company whose emoluments are included above. The emoluments of the remaining individual in respect of the year amounted to approximately HK\$1,457,000 (2000: HK\$1,317,000), comprising basic salaries, allowances and benefits-in-kind of HK\$1,450,000 (2000: HK\$1,317,000) and contribution to provident funds of HK\$7,000 (2000: Nil).

## 12. Investment Properties

|  | The Group        |                  |
|--|------------------|------------------|
|  | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Investment properties at valuation                                 |                  |                  |
| At beginning of the year   | 6,357,500        | 7,221,500        |
| Additions during the year  | 4,567            | –                |
| Construction cost adjustment                                       | (18,082)         | –                |
| Revaluation increase (decrease)                                    | 40,815           | (864,000)        |
| At end of the year   | 6,384,800        | 6,357,500        |
|  |                  |                  |
|  | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| The net book value of the Group's investment properties comprises: |                  |                  |
| Land and buildings in Hong Kong on                                 |                  |                  |
| Long leases  | 3,270,000        | 3,320,000        |
| Medium-term leases   | 3,114,800        | 3,037,500        |
|  | 6,384,800        | 6,357,500        |

The Group's investment properties were revalued at 30th June, 2001 on an open market value basis by FPD Savills (Hong Kong) Limited, an independent firm of professional property valuers. The increase arising on revaluation has been credited to investment property revaluation reserve (note 25).

Investment properties of the Group with an aggregate carrying value of HK\$4,750 million (2000: HK\$4,466 million) were rented out under operating leases at the balance sheet date.

## 13. Property, Plant And Equipment

|  | Land and buildings            |                                 | Power<br>plant<br>(Note b)<br>HK\$'000 | Other<br>assets<br>HK\$'000 | Total<br>HK\$'000 |
|--|-------------------------------|---------------------------------|--|-----------------------------|-------------------|
|  | Hotel<br>property<br>HK\$'000 | Other<br>properties<br>HK\$'000 |  |                             |                   |
| <b>The Group</b>                       |                               |                                 |  |                             |                   |
| <b>COST</b>                            |                               |                                 |  |                             |                   |
| At 1st July, 2000                      | 495,911                       | 31,094                          | 2,303,407                              | 387,409                     | 3,217,821         |
| Additions                              | –                             | –                               | –                                      | 6,560                       | 6,560             |
| Construction cost adjustment           | (21,039)                      | –                               | –                                      | –                           | (21,039)          |
| Disposals/write-offs                   | –                             | –                               | –                                      | (48,316)                    | (48,316)          |
| At 30th June, 2001                     | 474,872                       | 31,094                          | 2,303,407                              | 345,653                     | 3,155,026         |
| <b>DEPRECIATION AND<br/>IMPAIRMENT</b> |                               |                                 |  |                             |                   |
| At 1st July, 2000                      | –                             | 6,968                           | 1,703,348                              | 353,259                     | 2,063,575         |
| Provided for the year                  | –                             | 584                             | –                                      | 15,324                      | 15,908            |
| Eliminated on<br>disposals/write-offs  | –                             | –                               | –                                      | (43,442)                    | (43,442)          |
| At 30th June, 2001                     | –                             | 7,552                           | 1,703,348                              | 325,141                     | 2,036,041         |
| <b>NET BOOK VALUES</b>                 |                               |                                 |  |                             |                   |
| At 30th June, 2001                     | 474,872                       | 23,542                          | 600,059                                | 20,512                      | 1,118,985         |
| At 30th June, 2000                     | 495,911                       | 24,126                          | 600,059                                | 34,150                      | 1,154,246         |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 13. Property, Plant And Equipment (continued)

Notes:

- (a) The land and buildings of the Group are situated in Hong Kong on medium-term leases.
- (b) The power plant, referred to as the Tanjung Jati B Power Station, is located in Central Java, Indonesia and its development has been temporarily suspended. The cost of the power plant includes the cost of land sites situated in Indonesia held on medium-term leases amounted to approximately HK\$146 million (2000: HK\$146 million). The title of certain land sites for the plant have not yet been transferred to the Group.

## 14. Interests In Subsidiaries

|   | The Company      |                  |
|---|------------------|------------------|
|   | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Unlisted shares                                       |                  |                  |
| At cost less provision                                | 162,103          | 120,712          |
| At directors' 1972 valuation less amounts written off | 12,245           | 12,245           |
|   | 174,348          | 132,957          |
| Amounts due from subsidiaries less provisions         | 13,231,676       | 13,252,514       |
|   | 13,406,024       | 13,385,471       |

Details of the principal subsidiaries are set out in note 35.

## 15. Interests In Jointly Controlled Entities

|  | The Group        |                  |
|--|------------------|------------------|
|  | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Road and property projects in the PRC                                |                  |                  |
| Unlisted investments, at cost  | 5,888,359        | 5,809,542        |
| Loans to jointly controlled entities                                 |                  |                  |
| – advanced by the Group  | 8,086,666        | 7,361,363        |
| – financed by bank loans   | –                | 2,871,639        |
| Share of post acquisition reserves                                   | 342,523          | 375,569          |
| Less: Loans due within one year included in current assets (note 22) | –                | (1,091,440)      |
| Accumulated amortisation   | (123,612)        | (87,069)         |
|  | 14,193,936       | 15,239,604       |
| Property development project in Macau                                |                  |                  |
| Unlisted investments, at cost  | 4,850            | 4,850            |
| Share of post acquisition reserves                                   | (41,911)         | (1,937)          |
| Loan to a jointly controlled entity                                  | 489,164          | 477,596          |
| Less: Loan due within one year included in current assets (note 22)  | (77,176)         | (39,703)         |
|  | 374,927          | 440,806          |
|  | 14,568,863       | 15,680,410       |

## 15. Interests In Jointly Controlled Entities (continued)

|                                      | The Company      |                  |
|--------------------------------------|------------------|------------------|
|                                      | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Loans to a jointly controlled entity | 107,037          | 96,670           |

Notes:

Details of the principal jointly controlled entities at the balance sheet date are as follows:

### (a) Superhighway project in Guangdong Province

A subsidiary, Hopewell China Development (Superhighway) Limited, entered into a joint venture contract and supplemental agreements with The Guangdong Provincial Highway Construction Company for the construction, operation and management of the Guangzhou-Shenzhen-Zhuhai superhighway (the "Superhighway") in Guangdong Province of the PRC in three phases which are undertaken by a co-operative joint venture company established in the PRC named Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited ("GSZ Superhighway"). The terms of co-operation of each phase of the Superhighway shall be 30 years from the official opening date of each phase. At the end of the co-operation period, all the immovable assets and facilities of GSZ Superhighway relating to each phase will revert to the PRC partner without compensation.

#### Phase I of the Superhighway ("Guangzhou-Shenzhen Superhighway")

The Group's entitlement to the profit of the toll operations of Guangzhou-Shenzhen Superhighway is 50% for the initial ten years, 48% for the next ten years and 45% for the last ten years of the joint venture period. The Group is also entitled to a share of 80% of the rentals and other income, after deduction of operating and financial expenses, arising from the development of commercial centres and shop spaces along and underneath the superhighway for a period of 30 years commencing on the date of completion of Guangzhou-Shenzhen Superhighway.

GSZ Superhighway has also been granted the rights to develop parcels of land within certain interchanges of Guangzhou-Shenzhen Superhighway for sale or rental with certain land premium to be waived. Detail terms of such grant have yet to be finalised.

The registered capital contributed and advances, other than the portion financed by bank borrowings which were on-lent to GSZ Superhighway, made to GSZ Superhighway by the Group totalling approximately HK\$6,953 million (2000: HK\$6,424 million) carry interest at commercial lending rates. Guangzhou-Shenzhen Superhighway was officially opened in July 1997.

Financial information regarding GSZ Superhighway is set out below:

| Operating results   | Year ended 30th June |                   |
|---|----------------------|-------------------|
|   | 2001<br>RMB\$'000    | 2000<br>RMB\$'000 |
| Turnover  | 1,766,880            | 1,614,301         |
| Depreciation  | 138,465              | 128,165           |
| Profit from ordinary activities before taxation                           | 488,121              | 381,575           |
| Profit from ordinary activities before taxation attributable to the Group | 244,060              | 190,788           |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 15. Interests In Jointly Controlled Entities (continued)

## (a) Superhighway project in Guangdong Province (continued)

| Assets and liabilities   | As at 30th June   |                   |
|--|-------------------|-------------------|
|  | 2001<br>RMB\$'000 | 2000<br>RMB\$'000 |
| Non-current assets   |                   |                   |
| – Toll roads and other assets  | 11,691,227        | 11,822,208        |
| Non-current liabilities  |                   |                   |
| – Loans from joint venture partners and bank loans procured by a joint venture partner | (6,757,736)       | (8,153,245)       |
| – Registered capital contributed by a joint venture partner                            | (744,963)         | (745,805)         |
| – Other long-term liabilities  | (3,959,373)       | (1,206,093)       |
| Current assets   | 552,974           | 128,922           |
| Current liabilities  | (347,385)         | (2,013,442)       |

## Phases II and III of the Superhighway (“Guangzhou-Zhuhai Superhighway”)

The rights and interests in the development of Phases II and III of the Superhighway were transferred to another subsidiary, Hopewell Guangzhou-Zhuhai Superhighway Development Limited (“HGZ Superhighway”), free of any payment.

Under the joint venture contract entered into with the Guangdong Provincial Highway Construction Company, Guangzhou-Zhuhai Superhighway will be developed in three phases through a jointly controlled entity to be established for this purpose. The co-operation period of Phase I of Guangzhou-Zhuhai Superhighway will be 30 years from the date on which the business licence of the jointly controlled entity is granted. The co-operation period of Phases II and III of Guangzhou-Zhuhai Superhighway will be 30 years from the respective commencement dates of the construction works for these phases. During the co-operation period of Phase I, HGZ Superhighway is entitled to 50% of the operating surplus of the jointly controlled entity arising from this phase after repayment of its borrowings. At the end of the co-operation period, all the immovable assets of the jointly controlled entity and facilities of the project will revert to the PRC partner without compensation. Detailed terms for development of Phases II and III of Guangzhou-Zhuhai Superhighway are yet to be agreed by the parties concerned. The joint venture contract is subject to approval by relevant PRC authorities.

## (b) Highway project in Shunde

A subsidiary, Hopewell Shunde Roads Limited (“Hopewell Shunde”), entered into joint venture contracts with a PRC party for the construction and operation of a highway system in Shunde, the PRC, which are undertaken by a co-operative joint venture company established in the PRC named Shunde Municipal Shunhope Highway Construction Company Limited (“Shunde Shunhope”). The co-operation period is 33 years from 23rd August, 1993, comprising a construction period of 3 years and an operation period of 30 years. The Group is entitled to share the operating surplus of Shunde Shunhope after repayment of its borrowings and repatriation of registered capital. The highway was officially opened in August 1996.

During the year, the Group’s 25% interest in Shunde Shunhope and part of the advances made by Hopewell Shunde together with interest thereon were disposed of at an aggregate consideration of approximately HK\$662 million, resulting in a gain on disposal of approximately HK\$382 million. Upon completion of the disposal, the Group’s interest in Shunde Shunhope has been reduced to 25%.

## 15. Interests In Jointly Controlled Entities (continued)

### (c) Ring Road project in Guangzhou

A subsidiary, Hopewell Guangzhou Ring Road (Hong Kong) Limited, entered into a joint venture contract with a PRC party for the construction, operation and management of Guangzhou East-South-West Ring Road, which are undertaken by a co-operative joint venture company established in the PRC named Guangzhou E-S-W Ring Road Company Limited ("Guangzhou Ring Road"). The rights and obligations of Hopewell Guangzhou Ring Road (Hong Kong) Limited were subsequently transferred to its fellow subsidiary, Hopewell Guangzhou Ring Road Limited ("Hopewell Ring Road"). Hopewell Ring Road entered into agreements with a subsidiary of Cheung Kong Infrastructure Holdings Limited, named CKI Guangzhou Ring Roads Limited ("CKI Ring Roads"), and the PRC party whereby the investment cost of Guangzhou East-South-West Ring Road was agreed at RMB4,500 million. Hopewell Ring Road and CKI Ring Roads have each agreed to contribute RMB2,000 million and the PRC party has agreed to contribute RMB500 million to finance the construction of Guangzhou East-South-West Ring Road. The co-operation period shall be 30 years commencing from January 2002.

The Group is entitled to 45% of the operating surplus of Guangzhou Ring Road for the initial ten years of the co-operation period and thereafter the Group's profit entitlement will be reduced to 37.5% for the subsequent ten years and 32.5% for the remaining ten years of the co-operation period.

### (d) National Highway 105 project in Shunde

A subsidiary, Hopewell Shunde Highway 105 Limited, has entered into joint venture contracts with PRC parties for the widening and upgrading of the existing National Highway 105 in Shunde, the PRC, which are undertaken by a co-operative joint venture company established in the PRC named Shunde Municipality Shunda Highway Company Limited ("Shunde Shunda"). The co-operation period is 29 years from 31st December, 1997 comprising a construction period of 3 years and an operation period of 26 years. The Company is entitled to a share of 30% of the operating surplus of Shunde Shunda after repayment of its borrowings and repatriation of registered capital. The highway was officially opened in January 2001.

### (e) Property development project in Huanggang of Shenzhen

A subsidiary, Hopewell Huang Gang Development Limited ("Hopewell Huang Gang"), entered into a joint venture contract with PRC parties for the development of certain properties in Huanggang of Shenzhen, the PRC, which is undertaken by a co-operative joint venture company established in the PRC named Shenzhen Huanghe Real Estate Development Company Limited ("Shenzhen Huanghe"), for a co-operation period ending on 30th April, 2041. The Group is required to contribute 74% of the registered capital of the Shenzhen Huanghe and is entitled to a share of 40% of the operating surplus of Shenzhen Huanghe after repayment of its borrowings and repatriation of registered capital.

During the year, Hopewell Huang Gang entered into agreements with the joint venture partners for the disposal of its interest in Shenzhen Huanghe at a consideration which is calculated based on the registered capital contributed and advances made by the Group to Shenzhen Huanghe together with interest thereon. The agreements for disposal are subject to approval by the relevant PRC authorities.

### (f) Property development project in Macau

The unlisted investment represents the Group's 50% interest in Nova Taipa-Urbanizacoes Limitada ("Nova Taipa"), a limited company incorporated and operating in Macau which is engaging principally in property development. The advances made to Nova Taipa by the Group totalling approximately HK\$489 million (2000: HK\$478 million) carry interest at commercial lending rates.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 16. Interests In Associates

|                             | The Group        |                  |
|-----------------------------|------------------|------------------|
|                             | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Share of net assets         | 116,254          | 134,657          |
| Amounts due from associates | 2,323            | 684              |
|                             | 118,577          | 135,341          |

  

|  | The Company      |                  |
|--|------------------|------------------|
|  | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Unlisted shares and investments, at cost | 12,959           | 12,957           |
| Less: Impairment loss recognised         | (2,750)          | (2,750)          |
| Amounts due from associates              | 1,951            | –                |
|  | 12,160           | 10,207           |

Details of the principal associates are set out in note 36.

## 17. Other Investments

|   | The Group        |                  | The Company      |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2001<br>HK\$'000 | 2000<br>HK\$'000 | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| BERTS concession (Note)                 |                  |                  |                  |                  |
| Development expenditure,<br>at cost     | 5,313,000        | 5,313,000        | –                | –                |
| Less: Impairment loss recognised        | (5,313,000)      | (5,313,000)      | –                | –                |
|   | –                | –                | –                | –                |
| Investment securities                   |                  |                  |                  |                  |
| Unlisted equity investments,<br>at cost | 131,110          | 134,244          | 3,000            | 3,000            |
| Less: Impairment loss recognised        | (90,951)         | (90,951)         | –                | –                |
|   | 40,159           | 43,293           | 3,000            | 3,000            |
|   | 40,159           | 43,293           | 3,000            | 3,000            |

Note:

A subsidiary, Hopewell (Thailand) Limited ("HTL"), entered into a concession agreement with The Ministry of Transport and Communications of Thailand ("MOTC") and The State Railway of Thailand ("SRT") for the construction and operation of an elevated road and train system within the Bangkok Metropolitan area known as the Bangkok Elevated Road and Train System ("BERTS") and for the development of commercial and residential properties along the concession area. The Group has received notices of termination of the concession agreement from MOTC which has been disputed by HTL. Details of the disputes are set out in note 34(b).

## 18. Long-term Loans Receivable

|   | The Group        |                  |
|---|------------------|------------------|
|   | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Long-term loans receivable  | 356,055          | 352,136          |
| Less: Loans due within one year included<br>in current assets (note 22) | (17,912)         | (16,387)         |
|   | 338,143          | 335,749          |

## 19. Inventories

|                                  | The Group        |                  |
|----------------------------------|------------------|------------------|
|                                  | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Construction materials           | 359              | 1,662            |
| Hotel and restaurant inventories | 9,958            | 10,493           |
|                                  | 10,317           | 12,155           |

Included above are inventories of HK\$359,000 (2000: HK\$1,662,000) which are carried at net realisable value.

The cost of inventories recognised as an expense during the year amounted to approximately HK\$75,011,000 (2000: HK\$99,354,000).

## 20. Trade And Other Receivables

Other than rentals receivable, which are payable upon presentation of invoices, the Group allows an average credit period of 15 to 60 days to its trade customers.

The following is an analysis of trade and other receivables outstanding at the balance sheet date:

|                       | The Group        |                  |
|-----------------------|------------------|------------------|
|                       | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Receivables aged      |                  |                  |
| 0 – 30 days           | 81,910           | 124,819          |
| 31 – 60 days          | 6,936            | 7,280            |
| Over 60 days          | 7,685            | 105,882          |
| Retentions receivable | 34,023           | 26,672           |
|                       | 130,554          | 264,653          |



## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 21. Amounts Due From (To) Customers For Contract Work

|  | The Group        |                  |
|--|------------------|------------------|
|  | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Contract costs incurred                          | 593,848          | 502,895          |
| Recognised profits less losses                   | 22,172           | 12,641           |
|  | 616,020          | 515,536          |
| Less: Progress billings received and receivable  | (646,333)        | (607,402)        |
|  | (30,313)         | (91,866)         |
| Represented by:                                  |                  |                  |
| Due from customers included in current assets    | 4,520            | –                |
| Due to customers included in current liabilities | (34,833)         | (91,866)         |
|  | (30,313)         | (91,866)         |

At 30th June, 2001, retentions held by customers and advances received from customers for contract work amounted to approximately HK\$34 million (2000: HK\$27 million) and HK\$9 million (2000: HK\$9 million) respectively.

## 22. Current Portion Of Long-term Loans Receivable

|  | The Group        |                  |
|--|------------------|------------------|
|  | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Current portion of   |                  |                  |
| Loan to a jointly controlled entity (note 15)                                    | 77,176           | 39,703           |
| Loans on-lent to a jointly<br>controlled entity financed by bank loans (note 15) | –                | 1,091,440        |
| Other long-term loans (note 18)  | 17,912           | 16,387           |
|  | 95,088           | 1,147,530        |

## 23. Trade And Other Payables

The following is an analysis of trade and other payables outstanding at the balance sheet date:

|  | The Group        |                  |
|--|------------------|------------------|
|  | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Payables due                           |                  |                  |
| 0 – 30 days                            | 184,586          | 224,728          |
| 31 – 60 days                           | 171,378          | 178,545          |
| Over 60 days                           | 182,123          | 494,484          |
| Retentions payable                     | 32,660           | 23,318           |
| Development expenditure payable (Note) | 685,033          | 696,884          |
|  | 1,255,780        | 1,617,959        |

Note:

The development expenditure payable represents construction and plant costs incurred by certain subsidiaries of the Company in connection with the Group's overseas infrastructure projects, the development of which has been suspended. Payments for the expenditure are overdue and have been withheld by the subsidiaries pending the outcome of negotiations currently undertaken to recover the costs of investments in these projects.

## 24. Share Capital

|                                  | The Group and the Company               |  |
|----------------------------------|---|--|
|                                  | Number of shares<br>2001 & 2000<br>'000 | Nominal value<br>2001 & 2000<br>HK\$'000 |
| Ordinary shares of HK\$2.50 each |   |  |
| Authorised                       | 1,200,000                               | 3,000,000                                |
| Issued and fully paid            | 875,982                                 | 2,189,955                                |

There were no changes in the share capital of the Company for the two years ended 30th June, 2001.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 25. Reserves

|   | Share<br>premium<br>HK\$'000 | Investment<br>property<br>revaluation<br>reserve<br>HK\$'000 | Capital<br>reserve<br>HK\$'000 | Exchange<br>equalisation<br>reserve<br>HK\$'000 | Retained<br>profits<br>HK\$'000 | Total<br>HK\$'000 |
|---|------------------------------|--|--------------------------------|---|---------------------------------|-------------------|
| <b>The Group</b>  |                              |  |                                |   |                                 |                   |
| At 1st July, 1999   | 8,508,890                    | 3,476,053  | 12,665                         | 16,465  | 241,695                         | 12,255,768        |
| Revaluation decrease  | -                            | (864,000)  | -                              | -   | -                               | (864,000)         |
| Exchange differences on translation<br>of financial statements of<br>subsidiaries, jointly controlled<br>entities and associates    | -                            | -  | -                              | 1,813   | -                               | 1,813             |
| Share of reserves of jointly controlled<br>entities and associates  | -                            | -  | -                              | (12,936)  | -                               | (12,936)          |
| Reserve realised on disposal of subsidiaries  | -                            | -  | 46                             | (943)   | -                               | (897)             |
| Net profit for the year   | -                            | -  | -                              | -   | 169,290                         | 169,290           |
| Dividends   | -                            | -  | -                              | -   | (96,358)                        | (96,358)          |
| At 30th June, 2000  | 8,508,890                    | 2,612,053  | 12,711                         | 4,399   | 314,627                         | 11,452,680        |
| Revaluation increase  | -                            | 40,815   | -                              | -   | -                               | 40,815            |
| Exchange differences on<br>translation of financial<br>statements of subsidiaries,<br>jointly controlled entities<br>and associates | -                            | -  | -                              | (8,843)   | -                               | (8,843)           |
| Share of reserves of jointly<br>controlled entities and<br>associates   | -                            | -  | -                              | (31)  | -                               | (31)              |
| Reserve realised on disposal of<br>subsidiaries and jointly controlled entity   | -                            | -  | 14                             | 2,660   | -                               | 2,674             |
| Net profit for the year   | -                            | -  | -                              | -   | 305,510                         | 305,510           |
| Dividends   | -                            | -  | -                              | -   | (105,118)                       | (105,118)         |
| At 30th June, 2001  | 8,508,890                    | 2,652,868  | 12,725                         | (1,815)   | 515,019                         | 11,687,687        |
| <b>The Company</b>  |                              |  |                                |   |                                 |                   |
| At 1st July, 1999   | 8,508,890                    | -  | 9,872                          | -   | 484,421                         | 9,003,183         |
| Net profit for the year   | -                            | -  | -                              | -   | 137,043                         | 137,043           |
| Dividends   | -                            | -  | -                              | -   | (96,358)                        | (96,358)          |
| At 30th June, 2000  | 8,508,890                    | -  | 9,872                          | -   | 525,106                         | 9,043,868         |
| Net profit for the year   | -                            | -  | -                              | -   | 39,901                          | 39,901            |
| Dividends   | -                            | -  | -                              | -   | (105,118)                       | (105,118)         |
| At 30th June, 2001  | 8,508,890                    | -  | 9,872                          | -   | 459,889                         | 8,978,651         |
| Included above is the Group's share of post-acquisition reserves of jointly controlled entities, as follows:                        |                              |  |                                |   |                                 |                   |
| At 30th June, 2001  | -                            | -  | -                              | 1,246   | 299,368                         | 300,614           |
| At 30th June, 2000  | -                            | -  | -                              | (1,063)   | 368,322                         | 367,259           |
| Included above is the Group's share of post-acquisition reserves of associates, as follows:   |                              |  |                                |   |                                 |                   |
| At 30th June, 2001  | -                            | 25,273   | -                              | 24,185  | 53,706                          | 103,164           |
| At 30th June, 2000  | -                            | 25,273   | -                              | 24,216  | 72,082                          | 121,571           |

The Company's total distributable reserves as at 30th June, 2001 represent retained profits of HK\$459,889,000 (2000: HK\$525,106,000).

## 26. Long-term Borrowings

|   | The Group        |                  |
|---|------------------|------------------|
|   | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Unsecured notes payable (Note)                                    | 4,408,847        | 4,523,178        |
| Secured bank loans repayable                                      |                  |                  |
| within one year   | 194,825          | 1,195,785        |
| between one and two years   | 448,625          | 2,020,389        |
| between two and five years  | 1,734,218        | 2,522,005        |
| after five years  | 993,600          | –                |
|   | 3,371,268        | 5,738,179        |
| Other unsecured loans repayable                                   |                  |                  |
| between two and five years  | 46,234           | 46,679           |
|   | 7,826,349        | 10,308,036       |
| Less: Portion due within one year included in current liabilities |                  |                  |
| Syndicated bank loans on-lent to a jointly controlled entity      | –                | (1,091,440)      |
| Other bank loans  | (194,825)        | (104,345)        |
|   | (194,825)        | (1,195,785)      |
|   | 7,631,524        | 9,112,251        |

Note:

The balance represents

|                                       | The Group        |                  |
|---------------------------------------|------------------|------------------|
|                                       | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Principal amount of the notes payable |                  |                  |
| between two and five years            | 1,513,200        | 1,559,200        |
| after five years                      | 2,980,341        | 3,068,506        |
|                                       | 4,493,541        | 4,627,706        |
| Less: Unamortised note issue expenses | (84,694)         | (104,528)        |
|                                       | 4,408,847        | 4,523,178        |

The unsecured notes were issued by a subsidiary, Guangzhou-Shenzhen Superhighway (Holdings) Ltd., at a consideration comprising 99.622% of an aggregate principal of US\$200 million ("2004 Notes") and 99.349% of an aggregate principal of US\$400 million ("2007 Notes"). The 2004 Notes and 2007 Notes carry interest at 9<sup>7</sup>/<sub>8</sub>% per annum and 10<sup>1</sup>/<sub>4</sub>% per annum respectively which are payable semi-annually in arrears on 15th February and 15th August of each year.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 26. Long-term Borrowings (continued)

The 2004 Notes and 2007 Notes will mature on 15th August, 2004 and 15th August, 2007 respectively at 100% of their principal amount, unless redeemed earlier pursuant to the terms of the relevant notes. The 2004 Notes shall be redeemed on their maturity date. The 2007 Notes are redeemable at the option of the issuer at any time on or after 15th August, 2002, in whole or in part, at the following redemption prices plus accrued interest:

| Year                | Redemption price |
|---------------------|------------------|
| 2002                | 105.1250%        |
| 2003                | 102.5625%        |
| 2004 and thereafter | 100.0000%        |

The aggregate principal value of notes outstanding at 30th June, 2001 is approximately US\$593.6 million (2000: US\$593.6 million). The Group's liability shown above is presented net of notes with an aggregate principal value of approximately US\$17.5 million (2000: Nil) repurchased during the year and held by the Group at the balance sheet date.

### 27. Warranties

|   | The Group        |                  | The Company      |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2001<br>HK\$'000 | 2000<br>HK\$'000 | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Warranties payable (Note a)                                       |                  |                  |                  |                  |
| Within one year   | 78,000           | 77,960           | 78,000           | 77,960           |
| Between one and two years   | 78,000           | 77,960           | 78,000           | 77,960           |
| Between two and five years  | 78,000           | 155,920          | 78,000           | 155,920          |
| Other warranty provisions (Note b)                                | 234,000          | 311,840          | 234,000          | 311,840          |
|   | 164,059          | 164,059          | –                | –                |
| Less: Portion due within one year included in current liabilities | 398,059          | 475,899          | 234,000          | 311,840          |
|   | (78,000)         | (77,960)         | (78,000)         | (77,960)         |
|   | 320,059          | 397,939          | 156,000          | 233,880          |

Notes:

(a) The warranties payable carry interest at 10% per annum. Circumstances giving rise to such warranties are detailed in note 34(a).

(b) In the opinion of the directors, the other warranty provisions, which were made by the Group in prior years, will not become payable within one year from the balance sheet date, accordingly the provisions are classified as non-current liabilities.

### 28. Amounts Due To Subsidiaries

The amounts due to subsidiaries are unsecured and interest free without fixed repayment terms. In 2000, such amounts to the extent of approximately HK\$38,065,000 carried interest at commercial lending rates and the balance is interest free. Repayment of the amounts will not be demanded within one year from the balance sheet date, accordingly the amounts are classified as non-current liabilities.

### 29. Amounts Due To Associates

The amounts due to associates are unsecured and interest free without fixed repayment terms. Repayment of the amounts will not be demanded within one year from the balance sheet date, accordingly the amounts are classified as non-current liabilities.

### 30. Reconciliation Of Profit From Ordinary Activities Before Taxation To Net Cash Inflow From Operating Activities

|  | The Group        |                  |
|--|------------------|------------------|
|  | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Profit from ordinary activities before taxation  | 335,526          | 195,210          |
| Share of results of jointly controlled entities and associates                             | (224,820)        | (223,297)        |
| Interest income from jointly controlled entities   | (519,616)        | (444,031)        |
| Interest expenses less amounts capitalised and amount borne by a jointly controlled entity | 726,037          | 628,610          |
| Notes issue expenses amortised   | 17,260           | 17,148           |
| Depreciation of property, plant and equipment  | 15,908           | 17,084           |
| Profit on disposal of interest in a jointly controlled entity                              | (381,832)        | -                |
| Impairment loss on a hotel property under development                                      | 290,000          | -                |
| Loss on disposal of subsidiaries   | -                | 46               |
| Amortisation of cost of investment in jointly controlled entities                          | 36,543           | 31,676           |
| Loss on disposal of property, plant and equipment  | 2,141            | 646              |
| Gain on repurchase of notes  | (22,791)         | (15,335)         |
| Decrease in inventories  | 1,838            | 7,061            |
| Decrease in properties for sale  | 1,488            | -                |
| Decrease in trade and other receivables, deposits and prepayments                          | 138,417          | 84,910           |
| Decrease in trade and other payables and rentals and other deposits                        | (323,314)        | (3,968)          |
| (Increase) decrease in amounts due from customers for contract work                        | (4,520)          | 1,039            |
| (Decrease) increase in amounts due to customers for contract work                          | (57,033)         | 53,812           |
| <b>Net cash inflow from operating activities</b>   | <b>31,232</b>    | <b>350,611</b>   |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 31. Analysis Of Changes In Financing During The Year

|   | Warranties<br>HK\$'000 | Long-term<br>borrowings<br>and short-<br>term loans<br>not within<br>three months<br>of maturity*<br>HK\$'000 |
|---|------------------------|---|
| Balance at 1st July, 1999                           | 551,959                | 10,482,788  |
| Exchange adjustments                                | 1,900                  | 25,970  |
| Net cash (outflow) inflow from financing activities | (77,960)               | 30,260  |
| Gain on repurchase of notes                         | –                      | (15,335)  |
| Notes issue expenses charged to income statement    | –                      | 17,148  |
| Balance at 30th June, 2000                          | 475,899                | 10,540,831  |
| Exchange adjustments                                | 160                    | (4,068)   |
| Net cash outflow from financing activities          | (78,000)               | (2,376,883)   |
| Gain on repurchase of notes                         | –                      | (22,791)  |
| Notes issue expenses charged to income statement    | –                      | 17,260  |
| Balance at 30th June, 2001                          | 398,059                | 8,154,349   |

|                        | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
|------------------------|------------------|------------------|
| * Included in:         |                  |                  |
| Long-term borrowings   | 7,826,349        | 10,308,036       |
| Short-term bank loans  | 328,000          | 200,000          |
| Other short-term loans | –                | 32,795           |
|                        | 8,154,349        | 10,540,831       |

## 32. Charges On Assets And Options To Acquire Shares In A Subsidiary

- (a) The Group's investments in certain jointly controlled entities engaging in the development of infrastructure projects are pledged to the lenders to secure the bank loan facilities to the extent of approximately HK\$1,190 million (2000: HK\$4,112 million) granted to the Group and its jointly controlled entities to finance the development of such projects.
- (b) Other credit facilities of the Group to the extent of approximately HK\$2,934 million (2000: HK\$2,908 million) were secured by mortgages or charges on the Group's properties, bank deposits and other assets with an aggregate carrying value of approximately HK\$7,186 million (2000: HK\$7,204 million). At the balance sheet date, such facilities were utilised to the extent of approximately HK\$2,765 million (2000: HK\$2,614 million).
- (c) The amounts due by certain subsidiaries to their holding companies totalling approximately HK\$6,905 million (2000: HK\$11,312 million) have been subordinated to the syndicated bank borrowings of the Group which were utilised to finance the development projects undertaken by such subsidiaries.
- (d) Under an arrangement in connection with the credit facilities granted to the Group, the Group has granted an option, at nominal consideration, to the lender to purchase to the extent of 5% of the interests in a subsidiary which acts as the holding company of subsidiaries operating principally in the PRC. The option is only exercisable upon the future successful public flotation of this subsidiary at a price per share which would be the same as the share price of the subsidiary's shares available for public subscription.

## 33. Commitments

At the balance sheet date, companies in the Group had outstanding commitments as follows:

### (a) Guangzhou-Zhuhai Superhighway, the PRC

As detailed in note 15(a), a subsidiary has undertaken the development of Guangzhou-Zhuhai Superhighway through a jointly controlled entity to be established in the PRC. The estimated total development expenditure for Phase I of Guangzhou-Zhuhai Superhighway amounted to approximately RMB1,680 million of which RMB294 million will be provided by the Group. Up to the balance sheet date, development expenditure of approximately RMB134 million (2000: RMB117 million) has been incurred by the Group for this project.

### (b) Ring Road project in Guangzhou, the PRC

As detailed in note 15(c), a subsidiary has undertaken the development of the Guangzhou East-South-West Ring Road through a jointly controlled entity established in the PRC. The subsidiary, pursuant to agreements entered into with CKI Ring Roads and the PRC joint venture partner, has agreed to fund the construction to the extent of RMB2,000 million, of which approximately RMB446 million (2000: RMB486 million) remained outstanding at the balance sheet date.

### (c) Power Station Project in the Republic of Indonesia

A subsidiary has undertaken the development of the Tanjung Jati B Power Station in Indonesia. The total development cost is estimated to be approximately HK\$13,687 million. Development expenditure and project costs incurred up to the balance sheet date amounted to approximately HK\$3,163 million (2000: HK\$3,163 million). The Group has issued a notice to P.T. PLN (Persero), an electricity company operating in Indonesia, of the occurrence of certain Events of Force Majeure under the terms of the power purchase agreement. The development of this project has been temporarily suspended.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 33. Commitments (continued)

#### (d) Other investments

- (i) A subsidiary has agreed to provide funds to the extent of HK\$800 million to a jointly controlled entity for the development of its property development project. At the balance sheet date, funds advanced by the subsidiary to the jointly controlled entity amounted to approximately HK\$489 million (2000: HK\$478 million). In addition, as at that date, the Group's share of property development expenditure of the jointly controlled entity, which was contracted but not provided for in the financial statements, amounted to approximately HK\$374,000 (2000: HK\$44,000,000).
- (ii) The Group, through its subsidiaries, has also agreed to undertake the development of the commercial and residential properties in Machong county of Dongguan, the PRC, subject to approval by the relevant authority and/or the signing of formal project agreements, the terms and conditions of which have yet to be finalised.

#### (e) Property development expenditures

|                                   | The Group        |                  | The Company      |                  |
|-----------------------------------|------------------|------------------|------------------|------------------|
|                                   | 2001<br>HK\$'000 | 2000<br>HK\$'000 | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Authorised but not yet contracted | 21,513           | 75,660           | –                | –                |
| Contracted but not provided       | 66,519           | 37,166           | –                | –                |
|                                   | 88,032           | 112,826          | –                | –                |

### 34. Contingencies

At the balance sheet date, there were contingencies as follows:

#### (a) Disposal of CEPA

In connection with the disposal by the Group of its interests in Consolidated Electric Power Asia Limited ("CEPA") in prior years, the Group entered into an agreement with the purchaser under which the purchaser and its affiliates agreed to release and discharge the Group from all claims whatsoever that they may have against the Group arising under the sale agreement. The Group has also agreed to release and discharge the purchaser and its affiliates from all claims whatsoever the Group may have against them. In consideration thereof, the Group has agreed to give certain performance undertakings and indemnities and to make warranty payments to the purchaser and its affiliates which have been provided for in prior years.

#### (b) Transport system in Thailand

The Ministry of Transport and Communications of Thailand ("MOTC") has issued termination notices to Hopewell (Thailand) Limited ("HTL") to terminate the concession agreement entered into with HTL and reserved the rights to claim for any damages arising from such termination. MOTC has also issued a letter to seize all the concession payments which have been made by HTL and the performance bond of approximately HK\$86 million issued by a bank on behalf of HTL. However, the Government party has been unable to seize the bond since grounds for termination are disputed. In September 1998, MOTC confirmed the termination of the concession agreement and stated that HTL will be informed of the amount of damages in the future. On the other hand, HTL contended that the concession has been confiscated or expropriated by MOTC outside the terms of the concession agreement and has made a claim for damages of approximately Baht 100 billion and demanded MOTC to release the aforesaid performance bond.

### 34. Contingencies (continued)

#### (c) Tanjung Jati B Power Station in the Republic of Indonesia

A subsidiary, Slipform Engineering Limited, has given guarantees to certain members of the contractor consortium undertaking the construction of the Tanjung Jati B Power Station for the due performance of contractual and payment obligations of certain subsidiaries of the Company which are members of the contractor consortium.

#### (d) Infrastructure project in Luzon

A legal action was taken by a former director and a company related to him against the Company claiming, inter alia, compensation for expenses allegedly incurred in connection with a proposed infrastructure project in Luzon, the Republic of the Philippines, of approximately HK\$13.9 million and a declaration that the Company is contractually bound to allocate certain percentage of shares in the associate undertaking that project. The Company has filed a defence against the claims and intends to contest the case vigorously. The directors, based on legal advice obtained, are of the opinion that the case is without merit and would not result in any material loss to the Group.

#### (e) Other projects

A legal action was taken by a supplier against a subsidiary of the Company claiming, inter alia, compensation for alleged breach of contract of approximately HK\$23 million in connection with the construction of a road project in prior years. The subsidiary intends to contest the case vigorously. The directors, based on legal advice obtained, are of the opinion that the case is without merit and would not result in any material loss to the Group

#### (f) Other counter indemnities and guarantees

|  | The Group        |                  | The Company      |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2001<br>HK\$'000 | 2000<br>HK\$'000 | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Counter indemnities given in respect of performance bonds issued for other construction projects | 28,885           | 28,885           | 28,885           | 28,885           |
| Guarantees given for credit facilities of subsidiaries   | –                | –                | 3,994,554        | 3,422,254        |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 35. Principal Subsidiaries

The following list contains only the details of the subsidiaries which principally affect the results, assets or liabilities of the Group as the directors are of the opinion that a complete list of all the subsidiaries will be of excessive length. Except otherwise indicated, all the subsidiaries are private companies incorporated and are operating principally in the place of incorporation and all issued shares are ordinary shares. None of the subsidiaries had any loan capital outstanding during the year or at the end of the year.

| Name of company   | Paid up issued share capital   | Proportion of nominal value of issued ordinary share capital held by the Company |              | Principal activities                                    |
|---|--|--|--------------|---|
|   |  | Directly %   | Indirectly % |   |
| <i>Incorporated in Hong Kong:</i>                               |  |  |              |   |
| Goldhill Investments Limited                                    | 2 shares of HK\$100 each and 60,600 non-voting deferred shares of HK\$100 each | –  | 100          | Property investment                                     |
| Hopewell China Development (Superhighway) Limited (ii)          | 2 shares of HK\$1 each and 2 non-voting deferred shares of HK\$1 each          | –  | 97.5         | Investment in superhighway project                      |
| Hopewell Construction Company, Limited                          | 200,000 shares of HK\$100 each   | –  | 100          | Construction, project management and investment holding |
| HH Finance Limited  | 100,000 shares of HK\$10 each  | 100  | –            | Loan financing  |
| Hopewell Food Industries Limited                                | 1,000,000 shares of HK\$1 each   | –  | 100          | Restaurant operation                                    |
| Hopewell Guangzhou-Zhuhai Superhighway Development Limited (ii) | 2 shares of HK\$1 each and 2 non-voting deferred shares of HK\$1 each          | –  | 100          | Investment in superhighway project                      |
| Hopewell Housing Limited  | 30,000 shares of HK\$100 each  | 100  | –            | Property agents and investment holding                  |
| Hopewell Huang Gang Development Limited (ii)                    | 2 shares of HK\$1 each   | –  | 100          | Property investment                                     |
| Hopewell Property Management Company Limited                    | 2 shares of HK\$100 each   | 100  | –            | Building management                                     |
| Hopewell Shunde Roads Limited (ii)                              | 2 shares of HK\$1 each   | –  | 100          | Investment in highway system project                    |
| Hopewell Slipform Engineering Limited                           | 2,000,000 shares of HK\$1 each   | –  | 100          | Construction specialist sub-contractor                  |

## 35. Principal Subsidiaries (continued)

| Name of company                                    | Paid up issued share capital   | Proportion of nominal value of issued ordinary share capital held by the Company |              | Principal activities                                    |
|--|--|--|--------------|---|
|  |  | Directly %   | Indirectly % |   |
| <i>Incorporated in Hong Kong: (continued)</i>      |  |  |              |   |
| Hopewell 108 Limited                               | 1,000 shares of HK\$100 each   | –  | 100          | Property investment                                     |
| Hopewell 109 Limited                               | 100 shares of HK\$100 each   | 100  | –            | Investment holding                                      |
| Hopewell 110 Limited                               | 10,000 shares of HK\$100 each  | –  | 100          | Property investment and development                     |
| International Trademart Company Limited            | 2 shares of HK\$1 each and 10,000 non-voting deferred shares of HK\$1 each     | –  | 100          | Property investment and operation of a trademart        |
| Kowloon Panda Hotel Limited                        | 2 shares of HK\$100 each and 20,000 non-voting deferred shares of HK\$100 each | –  | 100          | Hotel ownership and operations                          |
| Lok Foo Company Limited                            | 52,000 shares of HK\$100 each  | 100  | –            | Investment holding                                      |
| Mega Hotels Management Limited                     | 3,000,000 shares of HK\$1 each   | 90   | –            | Hotel management and investment holding                 |
| Parkgate Enterprises Limited                       | 10,000 shares of HK\$10 each   | –  | 100          | Property investment                                     |
| Slipform Engineering Limited                       | 1,000,001 shares of HK\$1 each   | –  | 100          | Construction, project consultant and investment holding |
| Wetherall Investments Limited                      | 2 shares of HK\$1 each and 2 non-voting deferred shares of HK\$1 each          | –  | 100          | Property investment and investment holding              |
| Yuba Company Limited                               | 10,000 shares of HK\$1 each  | –  | 100          | Property investment                                     |
| <i>Incorporated in Macau:</i>                      |  |  |              |   |
| Slipform Engineering (Macau) Limited               | 500,000 shares of MOP1 each  | –  | 100          | Civil and building construction                         |
| <i>Incorporated in the British Virgin Islands:</i> |  |  |              |   |
| Frederique Securities Limited (i)                  | 1 share of US\$1 each  | 100  | –            | Treasury investment                                     |
| Goldvista Properties Limited (i)                   | 1 share of US\$1 each  | –  | 100          | Property investment                                     |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 35. Principal Subsidiaries (continued)

| Name of company  | Paid up issued share capital  | Proportion of nominal value of issued ordinary share capital held by the Company |              | Principal activities                            |
|--|---|--|--------------|---|
|  |   | Directly %   | Indirectly % |   |
| <i>Incorporated in the British Virgin Islands: (continued)</i> |   |  |              |   |
| Guangzhou-Shenzhen Superhighway (Holdings) Ltd. (i)            | 20,000 shares of US\$1 each   | –  | 97.5         | Investment holding                              |
| Hopewell Guangzhou Ring Road Limited (ii)                      | 1 share of US\$1 each   | –  | 100          | Investment in highway system project            |
| Kammer Investment Limited (i)                                  | 1 share of US\$1 each   | 100  | –            | Investment holding                              |
| Primax Investment Limited (i)                                  | 1 share of US\$1 each   | 100  | –            | Investment holding                              |
| Procelain Properties Ltd. (i)                                  | 1 share of US\$1 each   | –  | 100          | Property investment                             |
| Singway (B.V.I.) Company Limited (i)                           | 1 share of US\$1 each   | –  | 100          | Property investment                             |
| Tubanan Power Limited (i)                                      | 100 shares of US\$1 each  | –  | 100          | Investment holding                              |
| Yee Shing International Limited (ii)                           | 1 share of US\$1 each   | –  | 100          | Treasury investment                             |
| <i>Incorporated in Cayman Islands:</i>                         |   |  |              |   |
| Delta Roads Limited (i)  | 46,422 shares of HK\$10 each  | –  | 100          | Investment holding                              |
| <i>Incorporated in Thailand:</i>                               |   |  |              |   |
| Hopewell (Thailand) Limited                                    | 1,500,000,000 shares of Baht 10 each  | 100  | –            | Investment in an elevated road and train system |
| <i>Incorporated in the Republic of Malta:</i>                  |   |  |              |   |
| Grand Hotel Excelsior Limited                                  | 50,000 shares of LM1 each   | –  | 100          | Development and operation of a hotel            |
| Slipform Engineering (Malta) Limited                           | 10,000 shares of LM1 each   | –  | 100          | Project management and construction             |
| <i>Incorporated in Indonesia:</i>                              |   |  |              |   |
| P.T. Hi Power Tubanan I  | 2,200,000 shares of US\$100 each paid up to an aggregate of US\$220,000,000 | –  | 80           | Development of a power station project          |

## Notes:

- (i) Operating principally in Hong Kong  
(ii) Operating principally in other regions in the PRC

## 35. Principal Subsidiaries (continued)

Notes: (continued)

The non-voting deferred shares carry practically no rights to dividends nor to receive notice of nor to attend or vote at any general meeting of the relevant companies nor to participate in any distribution on winding up.

Particulars of the subsidiaries, including those subsidiaries not listed above, will be annexed to the next annual return of the Company to be filed with The Registrar of Companies in accordance with the Companies Ordinance.

## 36. Principal Associates

Particulars regarding the principal associates, all of which are incorporated and operating in Hong Kong except otherwise indicated, are as follows:

| Name of company                                    | Proportion of nominal value<br>of issued capital held by the<br>Company directly<br>% | Principal activities |
|--|---|----------------------|
| Granlai Company Limited (i)                        | 46  | Property investment  |
| Manrose Limited                                    | 50  | Investment holding   |
| Shin Ho Ch'eng Development<br>Limited (i) and (ii) | 20  | Hotel operation      |

Notes:

(i) Adopted 31st December as financial year end date

(ii) Operating principally in the PRC

Particulars of the associates, including those associates not listed above, will be annexed to the next annual return of the Company to be filed with The Registrar of Companies in accordance with the Companies Ordinance.

## 37. Approval of Financial Statements

The financial statements on pages 43 to 79 were approved by the Board of Directors on 18th September, 2001.