

Notes to the Accounts

1 Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The accounts are prepared under the historical cost convention as modified by the revaluation of non-trading securities.

(b) Basis of consolidation

The consolidated accounts incorporate the accounts of the Company and all its subsidiaries made up to 30 June and include the Group's share of the results for the year and undistributed post-acquisition reserves of its associated companies and jointly controlled entities. The results of subsidiaries, associated companies and jointly controlled entities acquired or disposed of during the year are dealt with in the consolidated profit and loss account from the effective dates of acquisition or up to the effective dates of disposal respectively.

All material intra-group transactions and balances have been eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision, if necessary, for any diminution in value other than temporary. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Goodwill

Goodwill represents the excess of purchase consideration over the fair values ascribed to net assets of subsidiaries, associated companies or joint ventures (where they are accounted for as subsidiaries or on the same basis as associated companies) acquired and is written off directly to reserves in the year of acquisition.

Where the fair values ascribed to net assets of subsidiaries, associated companies or joint ventures acquired exceed the purchase consideration, such differences are taken to reserves in the year of acquisition.

(d) Subsidiaries

A company, including equity or co-operative joint ventures in the People's Republic of China (the "PRC"), is a subsidiary if more than 50% of the voting capital is held for the long term or if the composition of the board of directors is controlled by the Group.

(e) Associated companies

An associated company is a company other than a subsidiary or a jointly controlled entity, in which the Group's interest is held for the long term and is substantial, and significant influence is exercised through representations on the board of directors. The Group's investments in associated companies are stated at the Group's share of net assets. The Company's investments in associated companies are carried at cost less provision for any diminution in value other than temporary. Results of associated companies are accounted for by the Company only to the extent of dividends received and receivable.

(f) Jointly controlled entities

A jointly controlled entity is a joint venture established as a corporation, partnership or other entity in which the venturers have their respective interests and they have established a contractual arrangement among them to define their joint control over the economic activity of the entity.

1 Principal accounting policies (Continued)

(f) Jointly controlled entities (Continued)

The Company's interests in jointly controlled entities are classified as long-term investments and are stated at cost less provision for any diminution in value other than temporary.

The Group's interests in jointly controlled entities are stated at cost plus the Group's share of their post-acquisition results and reserves, less provision for any diminution in value other than temporary. The share of post-acquisition results and reserves is based on the relevant profit sharing ratios which vary according to the nature of the jointly controlled entities explained as follows:

(i) *Equity joint ventures*

Equity joint ventures are Sino-foreign joint ventures established in the PRC in respect of which the venturers' capital contribution ratios are defined in the joint venture contracts and the venturers' profit sharing ratios are in proportion to the capital contribution ratios.

(ii) *Co-operative joint ventures*

Co-operative joint ventures are Sino-foreign joint ventures established in the PRC in respect of which the venturers' profit sharing ratios and share of net assets upon the expiration of the joint venture periods are not in proportion to their capital contribution ratios but are as defined in the joint venture contracts. Where the Group is not entitled to share the net assets of a co-operative joint venture at the end of the joint venture period, the cost of investment in such co-operative joint venture is amortised over the joint venture period.

(iii) *Companies limited by shares*

Companies limited by shares are limited liability companies in respect of which each shareholder's beneficial interests therein is in accordance with the amount of the voting share capital held thereby.

(g) Joint ventures in the PRC

(i) *Equity joint ventures*

The Group's investments in these joint ventures are accounted for as subsidiaries (where the Group controls the composition of the board of directors) or as jointly controlled entities (where the Group and the other venturers of the equity joint ventures established joint control over the economic activity thereof).

Where the Group has no unilateral or joint control over the management of the equity joint ventures, the joint ventures are accounted for as non-trading securities.

(ii) *Co-operative joint ventures*

The Group's investments in these joint ventures are accounted for as subsidiaries (where the Group controls the composition of the board of directors) or as jointly controlled entities (where the Group and the other venturers of the co-operative joint ventures established joint control over the economic activity thereof).

(iii) *Fixed return joint ventures*

Where investment income derived from investments in and loans to joint ventures is predetermined in accordance with the provisions of the joint venture contracts for a substantial portion of the joint venture period, these joint ventures are referred to as fixed return joint ventures. Fixed return joint ventures are carried at cost less capital repayments received.

(h) Other investments

Other investments are long-term investments other than subsidiaries, associated companies and jointly controlled entities and include fixed return joint ventures and non-trading securities.

1 Principal accounting policies (Continued)

(h) Other investments (Continued)

(i) Fixed return joint ventures

These joint ventures are accounted for as set out in note g(iii) above.

(ii) Non-trading securities

Non-trading securities are investments in which the Group's interest are held for non-trading purposes. They are stated at their fair values in the balance sheet. Changes in fair value of individual securities are accounted for as movements in the investment revaluation reserve until the security is sold or is determined to be impaired. Upon disposal, the cumulative gain or loss is transferred from the investment revaluation reserve to the profit and loss account. Transfers from the investment revaluation reserve to the profit and loss account as a result of impairment are written back in the profit and loss account when the circumstances and events leading to the impairment cease to exist.

(i) Capitalisation of fixed assets

All direct and indirect costs relating to the construction of fixed assets including borrowing costs and foreign exchange differences on the related borrowed funds during the construction period, are capitalised as the costs of the fixed assets.

(j) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation.

Depreciation of toll roads and toll bridges is provided for on a sinking fund method or a straight-line method. For the sinking fund method, annual depreciation amounts compounded at rates ranging from 2% to 9% per annum will equal the costs of the relevant toll roads and toll bridges, at the expiry of the relevant joint venture periods. Certain toll roads and toll bridges are depreciated at rates sufficient to write off their costs on a straight-line basis over their toll collection periods ranging from 22 to 29 years.

Depreciation of other fixed assets is calculated to write off their costs over their estimated useful lives, using the straight-line method. The principal annual rates are as follows:

Land under medium-term leases	Over the lease terms
Buildings	2% to 3%
Port facilities and terminal equipment	2.25% to 15%
Other fixed assets	7% to 33.3%

No depreciation is provided in respect of construction in progress.

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(k) 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.

1 Principal accounting policies (Continued)

(l) Repair and maintenance expenses

Toll roads and bridges repair and maintenance expenses are charged to the profit and loss account as incurred.

(m) Deferred expenditure

Expenses in relation to the issue of convertible bonds and obtaining bank loan and notes are deferred and amortised on the straight-line basis over the unexpired term of the bonds and the available period of the facility respectively. Where the bonds are converted, redeemed or repurchased before the maturity date, the relevant portion of the issue costs is charged to the profit and loss account in the year in which the conversion, redemption or repurchase occurs.

(n) Deferred taxation

Deferred taxation is accounted for at the current rate of taxation in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(o) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessors are accounted for as operating leases and rentals payable are accounted for on the straight-line basis over the periods of the leases.

(p) Retirement benefit costs

The Group operates a defined contribution retirement scheme (the "ORSO Scheme") which is available to all the Company's employees in Hong Kong whose employment commenced before 1 October 2000. The assets of the ORSO Scheme are held separately in an independently administered fund. The Group's contributions to the ORSO Scheme are based on rates ranging from 5% to 15% of employees' salaries depending on length of service and are expensed as incurred. The Group's contributions in respect of employees who leave the ORSO Scheme during the year are not forfeited to reduce the employer's contributions for the year.

A mandatory provident fund scheme (the "MPF Scheme") has been established under the Hong Kong Mandatory Provident Fund Scheme Ordinance in December 2000. Commencing on 1 December 2000, newly-joined employees are compulsorily required to join the MPF Scheme. Employees under the ORSO Scheme were offered an option to elect between the ORSO Scheme and the MPF Scheme. The Group's contributions to the MPF Scheme are ranging from 5% to 15% of employees' salaries depending on length of service and are expensed as incurred.

The Group also contributes to employee pension schemes established by municipal government in respect of certain joint ventures in the PRC. The municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group. Contributions to these schemes are charged to the profit and loss account as incurred.

(q) Foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account, other than those dealt with in (i) above.

The accounts of subsidiaries, associated companies and jointly controlled entities expressed in foreign currencies are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising therefrom are dealt with as a movement in reserves.

(r) Borrowing costs

Borrowing costs that are directly attributable to the financing of the Group's investments in joint ventures investing in infrastructural projects are capitalised as the cost of investments in these joint ventures up to the respective commissioning dates of the joint ventures' infrastructural assets.

All other borrowing costs are expensed in the profit and loss account in the year in which they are incurred, other than those dealt with in (i) above.

1 Principal accounting policies (Continued)

(s) Revenue recognition

Toll revenues, income from cargo and container handling and storage are recognised when services are rendered.

Interest income is recognised on a time proportion basis that takes into account the principal outstanding and the effective interest rates applicable.

Interest received and receivable in respect of loan financing provided to equity and co-operative joint ventures (where they are not accounted for as subsidiaries) during their pre-operational period is deferred and amortised over the repayment periods of these loans.

Income from investments in and loans to fixed return joint ventures is recognised on an accrual basis so as to produce a constant return on the investment and loan balance (net of capital repayments) on a combined basis, throughout the period of the Group's investments in these joint ventures.

Dividend income is recognised when the shareholder's right to receive payment is established.

2 Turnover and operating profit before financing

Turnover represents income from the operation of toll roads and bridges, income from cargo and container handling and storage, interest income and investment income from joint ventures, net of business and withholding taxes, where applicable, analysed as follows:

	2001 HK\$'000	2000 HK\$'000
Toll income	557,186	585,913
Cargo, container handling and storage income	140,560	32,577
	697,746	618,490
Business tax	(33,306)	(30,124)
	664,440	588,366
Interest income from		
Joint ventures	112,639	254,448
Third parties	221,883	57,858
	334,522	312,306
Withholding tax	(19,491)	(34,064)
	315,031	278,242
Income from a fixed return co-operative joint venture	123,661	121,220
	1,103,132	987,828

2 Turnover and operating profit before financing (Continued)

An analysis of the Group's turnover and contribution to operating profit before financing for the year by principal activities and markets is as follows:

	Turnover		Operating profit before financing	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Principal activities:				
Cargo handling	141,138	32,766	(49,646)	(2,549)
Roads	424,774	453,949	190,877	252,185
Bridges	182,131	312,240	178,566	229,564
Energy and water treatment	144,233	139,544	(162,871)	139,063
e-infrastructure and technology	1,223	1,354	(193,986)	712,367
Others	209,633	47,975	223,885	(112,951)
	1,103,132	987,828	186,825	1,217,679
Unallocated corporate expenses			(127,300)	(152,258)
			59,525	1,065,421
Principal markets:				
Mainland				
Guangdong	513,128	626,764	473,058	508,639
Wuhan	127,334	187,801	32,423	113,791
Guangxi	85,095	85,635	47,028	48,390
Jiangsu	59,762	16,841	52,021	15,497
Fujian	76,635	14,656	11,530	5,824
Shanxi	22,345	2,718	6,980	(1,189)
Sichuan	-	-	(121,609)	(77)
Beijing	-	-	(304,478)	-
Tianjin	-	-	19	(459)
Hong Kong	217,610	52,059	(184,811)	(337,358)
Overseas	1,223	1,354	47,364	712,363
	1,103,132	987,828	59,525	1,065,421

3 Other operating income

	2001 HK\$'000	2000 HK\$'000
Profit on repurchase of convertible bonds (notes 20(a) and (b))	1,772	24,213
Net gain on disposal of non-trading investments (note 22)	110,422	710,914
Gain on disposal of a jointly controlled entity	99,419	-
Written-back of impairment loss on other investments (note 22)	12,480	-
Dividend from listed non-trading securities	11,766	11,497
Others	10,765	10,856
	246,624	757,480

4 Operating costs

	2001 HK\$'000	2000 HK\$'000
Impairment losses on other investments (<i>note 22</i>)	244,793	250,557
Loss on disposal of associated companies	426,125	–
Loss on disposal of a subsidiary	6,963	–
Depreciation	219,838	153,918
Management fees paid in connection with toll collection, maintenance and management services	57,622	58,642
Auditors' remuneration	6,854	5,492
Rental for leased premises	20,952	7,316
Loss on disposal of fixed assets	821	11,298
Amortisation of cost of investment in a co-operative joint venture	1,534	1,534
Provision for payments on account of proposed joint ventures	–	20,750
Exchange loss	–	37,255
Staff costs	140,259	79,817
Retirement benefit costs	7,335	3,784
Other operating costs	157,135	49,524
	1,290,231	679,887

5 Finance costs

	2001 HK\$'000	2000 HK\$'000
Interest on convertible bonds	60,952	76,656
Interest on bank and other borrowings		
Wholly repayable within five years	643,488	501,259
Not wholly repayable within five years	47,021	20,724
Amortisation of deferred expenditure	32,817	35,016
Provision for premium on redemption of convertible bonds	70,202	37,831
	854,480	671,486
Amount capitalised as construction in progress (<i>note</i>)	(57,629)	(71,539)
Amount capitalised as investment in a jointly controlled entity (<i>note</i>)	(9,948)	(10,117)
	786,903	589,830

Note: To the extent that funds are borrowed generally and used for the purpose of financing the construction of fixed assets and certain qualifying investments in jointly controlled entities, the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation as part of the costs of these assets is 7.0% (2000: 6.6%) for the year.

6 Emoluments of directors and senior management

Details of the emoluments paid to the directors are as follows:

	2001 HK\$'000	2000 HK\$'000
Fees	–	–
Salaries and other emoluments	8,801	8,470
Contributions to retirement benefit scheme	480	431
	9,281	8,901

The emoluments of the directors fall within the following bands:

Emolument band HK\$	Number of individuals	
	2001	2000
Nil – 1,000,000	9	9
1,000,001 – 1,500,000	1	1
3,000,001 – 3,500,000	–	1
3,500,001 – 4,000,000	1	–
4,000,001 – 4,500,000	1	1
	12	12

No emoluments were paid to independent non-executive directors during the year (2000: nil).

The five individuals whose emoluments were the highest in the Group for the year include 3 (2000: 3) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2 (2000: 2) individuals during the year are as follows:

	2001 HK\$'000	2000 HK\$'000
Salaries and other emoluments	4,036	3,029
Contributions to retirement benefit scheme	314	221
	4,350	3,250

The emoluments fell within the following bands:

Emolument band HK\$	Number of individuals	
	2001	2000
1,500,001 – 2,000,000	1	2
2,000,001 – 2,500,000	1	–
	2	2

7 Taxation

	2001 HK\$'000	2000 HK\$'000
Company and subsidiaries		
PRC income tax	11,636	15,369
Associated companies		
Hong Kong profits tax	52,024	41,946
PRC income tax	36,715	58,346
	88,739	100,292
Jointly controlled entities		
Hong Kong profits tax	22,899	21,975
Macau income tax	22,676	22,650
PRC income tax	16,066	23,262
	61,641	67,887
	162,016	183,548

Hong Kong profits tax has been provided at the rate of 16% (2000:16%) on income assessable to Hong Kong profits tax. PRC and Macau income tax have been provided on the estimated assessable profits for the year at their prevailing rates of taxation.

No deferred taxation is provided as there are no material timing differences between profit as computed for taxation purposes and profit as stated in the accounts.

8 Profit available for appropriation

Profit available for appropriation is dealt with in the accounts of the Company to the extent of HK\$84,033,000 (2000: HK\$279,105,000).

9 Dividend

The board of directors does not recommend the payment of a final dividend for the year ended 30 June 2001 (2000: HK\$0.25 per share).

10 (Loss)/earnings per share

The calculation of loss (2000: earnings) per share is based on the loss attributable to the shareholders of HK\$43,913,000 (2000: profit attributable to the shareholders of HK\$1,209,139,000) after adjusting for the interest of HK\$58,979,000 (2000: HK\$58,718,000) on the mandatorily convertible bonds and the weighted average of 856,739,175 (2000: 872,311,723) shares in issue during the year.

Diluted loss per share for the year is not presented as the Company has no dilutive potential shares at year end. Diluted earnings per share for 2000 was based on adjusted profit of HK\$1,382,343,000 on the assumption that the weighted average of all convertible bonds in issue had been converted and had saved finance costs thereon and the weighted average of 1,093,773,931 shares issued and issuable.

11 Inventories

	Group and Company	
	2001 HK\$'000	2000 HK\$'000
Raw materials, at cost	500,247	—

12 Debtors, deposits and prepayments

(a) Included in debtors, deposits and prepayments are trade debtors and their ageing analysis is as follows:

	2001 HK\$'000	Group 2000 HK\$'000
Within 90 days	28,888	31,766
91 – 180 days	8,311	8,416
Over 180 days	9,775	8,758
	46,974	48,940

The Group grants an average credit period of 30 to 90 days to its customers.

(b) At 30 June 2001, the balance included a housing loan of HK\$2,766,000 (2000: HK\$3,102,000) to the Company Secretary, Mr Chow Oi Wah, Fergus. The loan is secured by a legal mortgage over the subject property, carries interest at 5% per annum and is repayable by monthly instalments up to March 2008. The maximum of the amount outstanding during the year was HK\$3,102,000 (2000: HK\$3,422,000).

(c) Also included are trade deposits of approximately HK\$698 million (2000: nil) paid to an associated company for the purchase of raw materials.

13 Deferred expenditure

	2001 HK\$'000	Group and Company 2000 HK\$'000
Cost less amount amortised		
Convertible bonds and notes issuing expenses	15,730	30,290
Bank loan procurement expenses	65,695	51,201
	81,425	81,491

14 Subsidiaries

	2001 HK\$'000	Company 2000 HK\$'000
Unlisted shares, at cost	4,842,899	4,788,298
Amounts due by subsidiaries, net of provision	12,468,160	12,456,678
Dividends receivable	–	1,040,000
	17,311,059	18,284,976
Amounts due to subsidiaries	(1,409,050)	(2,234,013)
	15,902,009	16,050,963

Particulars of the Company's subsidiaries, which, in the opinion of the directors, principally affect the results of the Group for the year and/or assets of the Group as at 30 June 2001, are given in note 30.

15 Associated companies

	Group	
	2001 HK\$'000	2000 HK\$'000
Group's share of net assets		
Shares listed in Hong Kong	-	1,485,138
Unlisted shares	1,828,500	783,482
	1,828,500	2,268,620
Amounts due by associated companies	167,100	15,576
Dividend receivable	-	27,820
	1,995,600	2,312,016
Market value of listed shares	-	996,355
	Company	
	2001 HK\$'000	2000 HK\$'000
Listed shares, at cost	-	1,241,633
Amounts due by associated companies	70,201	-
Dividend receivable	-	27,820
	70,201	1,269,453
Market value of listed shares	-	862,134

Except for an amount of HK\$46,800,000 (2000: nil) which carries interest at 8% per annum, the amounts due by associated companies are interest free, unsecured and have no fixed terms of repayment.

Particulars of the Company's associated companies, which, in the opinion of the directors, principally affect the results of the Group for the year and/or assets of the Group as at 30 June 2001, are given in note 31.

16 Jointly controlled entities

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Equity joint ventures				
Group's share of net assets	744,760	613,978	–	–
Amounts due by joint ventures (<i>note a</i>)	50,152	66,417	1,672	2,340
	794,912	680,395	1,672	2,340
Co-operative joint ventures				
Cost of investments (less accumulated amortisation of HK\$9,587,000 (2000: HK\$8,053,000)) (<i>note b</i>)	2,075,196	2,288,280	–	–
Share of undistributed post-acquisition results	330,950	462,860	–	–
	2,406,146	2,751,140	–	–
Amounts due by joint ventures (<i>note a</i>)	2,459,246	3,591,519	–	–
	4,865,392	6,342,659	–	–
Companies limited by shares				
Share of net assets (<i>note c</i>)	2,581,923	2,429,207	–	–
Subordinated loans (<i>note d</i>)	215,934	215,934	–	–
Amounts due by jointly controlled entities (<i>note a</i>)	115,848	113,875	–	–
Promissory note due to a jointly controlled entity (<i>note e</i>)	(80,007)	(80,351)	–	–
	2,833,698	2,678,665	–	–
Payments on account of proposed joint ventures (<i>note f</i>)	565,193	725,754	–	–
	9,059,195	10,427,473	1,672	2,340

Particulars of jointly controlled entities, which in the opinion of the directors, principally affect the results of the Group for the year and/or assets of the Group as at 30 June 2001 are given in note 32.

16 Jointly controlled entities (Continued)

(a) The amounts due by jointly controlled entities are analysed as follows:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Interest bearing				
Fixed rates ranging from 6% to 15% (2000: 8% to 15%) per annum	1,315,433	2,469,418	-	-
Variable rate	-	93,785	-	-
Non-interest bearing	1,309,813	1,208,608	1,672	2,340
	2,625,246	3,771,811	1,672	2,340

The repayment terms of the amounts due by joint ventures are specified in the relevant joint venture agreements.

- (b) The amounts include contributions to the registered capital of joint ventures of HK\$98,775,000 (2000: HK\$307,805,000) which carries interest at 10% per annum and HK\$149,773,000 (2000: HK\$149,773,000) which carries interest at the Hong Kong prime rate.
- (c) The shares in a jointly controlled entity are pledged to secure a bank loan facility of HK\$1,750 million (2000: HK\$1,750 million) granted to that jointly controlled entity. At 30 June 2001, the outstanding amount under the bank loan facility was approximately HK\$498 million (2000: HK\$757 million).
- (d) Except for an amount of HK\$19,038,000 (2000: HK\$19,038,000) which carries interest at 14% per annum, the loans to jointly controlled entities are interest free, have no fixed terms of repayment and are subordinated to bank borrowings and all other major indebtedness.
- (e) The promissory note is unsecured, interest free and repayable on demand.
- (f) The balances represent payments on account of proposed joint ventures for which only preliminary agreements have been signed and the joint venture companies have not yet been established as at the year end. Upon the completion of the relevant joint venture contracts and the establishment of the respective joint venture companies, the relevant amounts will be reclassified to joint venture balances.

An amount of HK\$381,114,000 (2000: nil) has been reclassified to loans receivable as the Group has decided to withdraw from certain preliminary agreements in which no further obligations has been committed by the Group. The loans receivable carry interest at 9% per annum. Except for an amount of HK\$81,114,000 which will be fully repaid by 31 December 2004, the remaining balance has no fixed terms of repayment.

17 Other investments

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Fixed return joint ventures				
Co-operative joint venture				
Capital and loan contributions (cost less capital repayment)	639,564	639,564	–	–
Amount due by a joint venture (<i>note</i>)	215,450	109,515	–	–
	855,014	749,079	–	–
Equity joint venture				
Capital and loan contributions (cost less capital repayment)	23,850	23,850	–	–
Amount due by a joint venture (<i>note</i>)	1,325	1,325	–	–
Provision	(25,175)	(25,175)	–	–
	–	–	–	–
Non-trading securities				
Unlisted				
Shares, at fair value	703,864	713,511	5,271	15,520
Investments in equity joint ventures, at cost	261,964	261,964	–	–
Provision	(249,484)	(261,964)	–	–
	716,344	713,511	5,271	15,520
Listed				
Shares listed in Hong Kong, at fair value	37,301	280,342	–	–
Shares listed outside Hong Kong, at fair value	265,695	1,910,670	2,073	–
	302,996	2,191,012	2,073	–
	1,874,354	3,653,602	7,344	15,520
Market value of listed shares	302,996	2,191,012	2,073	–

Note: Amounts due by joint ventures are unsecured, interest free and have repayment terms as specified in the relevant joint venture agreements.

18 Fixed assets

	Group						Company	
	Toll roads	Toll bridges	Land and buildings	Port facilities and terminal equipment	Construction in progress	Others	Total	Others
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost								
At 1 July 2000	3,804,663	1,949,616	469,058	361,476	2,647,870	173,305	9,405,988	13,891
Acquisition of subsidiaries	-	-	-	-	-	216	216	-
Disposal of a subsidiary	(179,923)	-	-	-	(31,970)	(5)	(211,898)	-
Additions	-	916	-	2,210	169,086	15,951	188,163	9,354
Disposals	-	-	-	(326)	-	(6,058)	(6,384)	(1,603)
Transfer upon completion	607,179	-	6,965	115,144	(731,976)	2,688	-	-
At 30 June 2001	4,231,919	1,950,532	476,023	478,504	2,053,010	186,097	9,376,085	21,642
Accumulated depreciation								
At 1 July 2000	240,329	187,110	28,265	69,334	-	66,163	591,201	7,141
Acquisition of subsidiaries	-	-	-	-	-	29	29	-
Disposal of a subsidiary	(5,394)	-	-	-	-	(3)	(5,397)	-
Charge for the year	96,454	66,963	7,563	28,196	-	20,662	219,838	2,747
Written back on disposals	-	-	-	(4)	-	(3,578)	(3,582)	(1,102)
At 30 June 2001	331,389	254,073	35,828	97,526	-	83,273	802,089	8,786
Net book value								
At 30 June 2001	3,900,530	1,696,459	440,195	380,978	2,053,010	102,824	8,573,996	12,856
At 30 June 2000	3,564,334	1,762,506	440,793	292,142	2,647,870	107,142	8,814,787	6,750

As at 30 June 2001, finance costs of HK\$132,037,000 (2000: HK\$119,064,000) have been capitalised in construction in progress.

Land and buildings comprise medium-term leases situated in Hong Kong of HK\$38,699,000 (2000: HK\$39,507,000) and in the PRC of HK\$401,496,000 (2000: HK\$401,286,000).

19 Creditors and accruals

Ageing analysis of trade payable is not presented as the amount outstanding as at year end is insignificant.

20 Bank and other borrowings

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
5% Convertible bonds due 2001 (<i>note a</i>)	931,593	1,005,810	931,593	1,005,810
1% Convertible bonds due 2003 (<i>note b</i>)	1,381,739	1,381,739	1,381,739	1,381,739
10% Fixed rate notes due 2004 (<i>note c</i>)	200,000	200,000	200,000	200,000
Floating rate notes due 2003 (<i>note d</i>)	351,000	351,000	351,000	351,000
Bank and other loans, unsecured (<i>note e</i>)	7,713,222	5,239,366	7,711,650	5,227,650
Bank loans, secured (<i>note e</i>)	869,626	707,108	–	–
Loans from minority shareholders of subsidiaries				
Interest bearing (<i>note f</i>)	1,000,646	1,221,084	–	–
Non-interest bearing (<i>note g</i>)	388,113	82,901	–	–
	12,835,939	10,189,008	10,575,982	8,166,199
Current portion included in current liabilities	(5,907,768)	(274,116)	(5,859,243)	(200,000)
	6,928,171	9,914,892	4,716,739	7,966,199

- (a) The convertible bonds bear interest at 5% per annum payable semi-annually in arrears. The bonds are listed on the Luxembourg Stock Exchange. Each holder of the bonds has the option to convert the bonds into shares of HK\$1 each of the Company at a conversion price of HK\$19.61 per share, subject to adjustment, at any time until 2 July 2001. Subsequent to the year end, bonds with principal amount of US\$15,000 were converted into shares of HK\$1 each of the Company, the remaining balance of the bonds were redeemed at par by the Company on 15 July 2001.

During the year, the Company repurchased bonds with an aggregate principal amount of US\$9,515,000 (2000: US\$58,170,000) for a total consideration of HK\$72,443,000 (2000: HK\$427,096,000) and these bonds were then cancelled. The surplus arising from the repurchase of the bonds, amounting to HK\$1,772,000 (2000: HK\$23,722,000), has been accounted for as other operating income in the profit and loss account.

- (b) The convertible bonds bear interest at 1% per annum payable semi-annually in arrears. The bonds are listed on the Luxembourg Stock Exchange. Each holder of the bonds has the option to convert the bonds into shares of HK\$1 each of the Company at a conversion price of HK\$23.05 per share, subject to adjustment, at any time until 1 April 2003. Subject to certain conditions, the bonds are redeemable at the option of the Company at any time on or after 15 April 2001, in whole or in part, in cash and/or for the Company's shares. Unless previously converted, redeemed or repurchased, the bonds will be redeemed at 143.4% of their principal amount together with the accrued interest on 15 April 2003. Provision of HK\$161,041,000 (2000: HK\$90,839,000) for the premium payable has been made in the accounts so as to provide a constant periodic rate of charge to the profit and loss account over the terms of the bonds.

No bonds were repurchased during the year. In 2000, the Company repurchased bonds with an aggregate principal amount of US\$8,755,000 for a total consideration of HK\$67,360,000 and these bonds were then cancelled. The surplus arising from the repurchase of bonds in last year amounting to HK\$491,000 had been accounted for as other operating income in the profit and loss account.

- (c) The fixed rate notes bear interest at 10% per annum payable quarterly in arrears. The notes are unsecured, transferable and repayable at their principal amount on 9 July 2004.
- (d) The floating rate notes bear interest at U.S. dollar deposit rate in the London interbank market plus 1.4% per annum payable semi-annually in arrears. The notes are unsecured and repayable at their principal amount on 24 February 2003.

20 Bank and other borrowings (Continued)

(e) Long-term bank and other loans are repayable as follows:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Within one year	4,976,175	274,116	4,927,650	200,000
Between one and two years	96,260	5,018,283	–	4,927,650
Between two and five years	3,304,142	481,432	2,784,000	100,000
After five years	206,271	172,643	–	–
	8,582,848	5,946,474	7,711,650	5,227,650

The bank loans include an aggregate amount of HK\$869,626,000 (2000: HK\$601,028,000) which bear interest at rates ranging from 6.21% to 8.07%. An amount of HK\$827,570,000 (2000: HK\$558,972,000) is repayable by seven instalments commencing from 20 January 2002 to 20 September 2007 and the remaining HK\$42,056,000 (2000: HK\$42,056,000) is repayable in full on 29 November 2005. Both loans are secured by the Group's interests in certain joint ventures and a subsidiary in the PRC.

(f) The loans represent loans made by the minority shareholders in consolidated joint ventures for the development of the relevant infrastructural projects. The loans are unsecured, bear interest at fixed rates ranging from 10% to 15% per annum and have repayment terms as specified in the relevant joint venture agreements.

(g) The loans are unsecured and have no fixed terms of repayment.

21 Share capital

	2001 HK\$'000	2000 HK\$'000
<i>Authorised:</i>		
2,000,000,000 shares of HK\$1 each	2,000,000	2,000,000
<i>Issued and fully paid:</i>		
855,325,340 (2000: 861,914,940) shares of HK\$1 each	855,325	861,915

During the year, 6,589,600 (2000: 14,289,800) shares were repurchased and cancelled by the Company.

Pursuant to the share option scheme adopted on 3 October 1997, the Company may grant options to directors and employees of the Company or any of its subsidiaries to subscribe for shares in the Company. No share options were granted during the year. The movements in the number of share options during the year and the balance outstanding at 30 June 2001 are as follows:

Exercise price per share	At 1 July 2000	Lapsed during the year	At 30 June 2001
HK\$			
10.20 ^(a)	2,301,800	(19,800)	2,282,000
10.20 ^(b)	360,000	–	360,000
12.00 ^(c)	10,531,200	(108,200)	10,423,000
12.00 ^(d)	1,440,000	–	1,440,000
	14,633,000	(128,000)	14,505,000

21 Share capital (Continued)

- (a) Exercisable from 1 July 1999 to 1 June 2004.
- (b) Exercisable from 1 July 2000 to 1 June 2005.
- (c) Divided into 3 or 5 tranches exercisable from 1 July 1999 to 1 June 2004, from 1 July 2000 to 1 June 2004, from 1 July 2001 to 1 June 2004, from 1 July 2002 to 1 June 2004 and from 1 July 2003 to 1 June 2004 respectively.
- (d) Divided into 3 tranches exercisable from 1 July 2001 to 1 June 2005, from 1 July 2002 to 1 June 2005 and from 1 July 2003 to 1 June 2005 respectively.

22 Reserves

	Contributed surplus	Share premium	Capital reserve	Retained profit	Investment revaluation reserve	Total
	HK\$'000	(note a) HK\$'000	(note b) HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group						
At 1 July 1999	704,851	4,735,983	45,920	3,238,536	43,368	8,768,658
Foreign exchange adjustments	–	–	(113)	(7,226)	–	(7,339)
Profit for the year retained	–	–	–	1,053,476	–	1,053,476
Interest on mandatorily convertible bonds	–	–	–	(58,718)	–	(58,718)
Transfer to capital reserve account	–	–	14,810	(14,810)	–	–
Premium on shares issued	–	497	–	–	–	497
Repurchase of own shares	–	(96,713)	–	–	–	(96,713)
Net surplus on revaluation of non-trading investments	–	–	–	–	1,844,025	1,844,025
Impairment losses charged to profit and loss account (note 4)	–	–	–	–	250,557	250,557
Realised gain transferred to profit and loss account (note 3)	–	–	–	–	(710,914)	(710,914)
Reserves arising from reorganisation	289,965	–	280,456	–	–	570,421
Goodwill on acquisition of interests in associated companies and jointly controlled entities						
Subsidiaries	(14,291)	–	–	–	–	(14,291)
Jointly controlled entities	(9,504)	–	–	–	–	(9,504)
At 30 June 2000	971,021	4,639,767	341,073	4,211,258	1,427,036	11,590,155
Company and subsidiaries	980,525	4,639,767	341,073	2,512,508	1,427,036	9,900,909
Jointly controlled entities	(9,504)	–	–	1,154,893	–	1,145,389
Associated companies	–	–	–	543,857	–	543,857
	971,021	4,639,767	341,073	4,211,258	1,427,036	11,590,155

22 Reserves (Continued)

	Contributed surplus	Share premium <i>(note a)</i>	Capital reserve <i>(note b)</i>	Retained profit	Investment revaluation reserve	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group						
At 1 July 2000	971,021	4,639,767	341,073	4,211,258	1,427,036	11,590,155
Profit for the year retained	–	–	–	15,066	–	15,066
Interest on mandatorily convertible bonds	–	–	–	(58,979)	–	(58,979)
Transfer to capital reserve account	–	–	2,759	(2,759)	–	–
Repurchase of own shares	–	(45,167)	–	–	–	(45,167)
Net deficit on revaluation of non-trading investments	–	–	–	–	(1,761,369)	(1,761,369)
Impairment losses charged to profit and loss account <i>(note 4)</i>	–	–	–	–	244,793	244,793
Written-back of impairment loss transferred to profit and loss account <i>(note 3)</i>	–	–	–	–	(12,480)	(12,480)
Net realised gain transferred to profit and loss account <i>(note 3)</i>	–	–	–	–	(110,422)	(110,422)
Goodwill on acquisition of						
Subsidiaries	(21,612)	–	–	–	–	(21,612)
Associated companies	(86,925)	–	–	–	–	(86,925)
Additional interests in a jointly controlled entity	(1,055)	–	–	–	–	(1,055)
Release of reserves upon disposal of interests in associated companies and a subsidiary						
Company and subsidiaries	395,792	–	(1,946)	1,946	–	395,792
A jointly controlled entity	976	–	–	–	–	976
At 30 June 2001	1,258,197	4,594,600	341,886	4,166,532	(212,442)	10,148,773
Company and subsidiaries	1,266,725	4,594,600	341,886	2,543,884	(212,442)	8,534,653
Jointly controlled entities	(8,528)	–	–	1,306,601	–	1,298,073
Associated companies	–	–	–	316,047	–	316,047
	1,258,197	4,594,600	341,886	4,166,532	(212,442)	10,148,773

22 Reserves (Continued)

	Contributed surplus <i>(note a)</i> HK\$'000	Share premium <i>(note a)</i> HK\$'000	Retained profit HK\$'000	Investment revaluation reserve HK\$'000	Total HK\$'000
Company					
At 1 July 1999	3,269,219	4,735,983	128,010	–	8,133,212
Profit for the year retained	–	–	64,724	–	64,724
Premium on exercise of share options	–	497	–	–	497
Repurchase of own shares	–	(96,713)	–	–	(96,713)
Interest on mandatorily convertible bonds	–	–	(58,718)	–	(58,718)
	3,269,219	4,639,767	134,016	–	8,043,002
At 30 June 2000	3,269,219	4,639,767	134,016	–	8,043,002
At 1 July 2000	3,269,219	4,639,767	134,016	–	8,043,002
Profit for the year retained	–	–	84,033	–	84,033
Repurchase of own shares	–	(45,167)	–	–	(45,167)
Deficit on revaluation of non-trading investments	–	–	–	(8,176)	(8,176)
Impairment loss charged to profit and loss account	–	–	–	3,653	3,653
Realised loss transferred to profit and loss account	–	–	–	1,292	1,292
Interest on mandatorily convertible bonds	–	–	(58,979)	–	(58,979)
At 30 June 2001	3,269,219	4,594,600	159,070	(3,231)	8,019,658

(a) Under the Cayman Islands Company Law, the contributed surplus and share premium are both distributable. Accordingly, total distributable reserves of the Company amount to HK\$8,019,658,000 (2000: HK\$8,043,002,000) as at 30 June 2001.

The contributed surplus of the Company arose in 1995 when the Company issued shares in exchange for the shares of companies being acquired, and represents the difference between the nominal value of the Company's shares issued and the value of net assets of the companies acquired.

(b) Included in the capital reserve are the Group's share of the statutory reserves of PRC subsidiaries and capital reserve arising from the reorganisation of the port and port-related businesses in 2000.

23 Mandatorily convertible bonds

The mandatorily convertible bonds bear interest at the higher of 5% per annum payable semi-annually in arrears and a percentage equal to the dividends declared or paid per share during the relevant interest payment period divided by the conversion price. The holder of the bonds has the option to convert the bonds into shares of HK\$1 each of the Company at a conversion price of HK\$12 per share, subject to adjustment, at any time on or before 30 April 2002. Unless previously converted, the bonds will be mandatorily and automatically converted in full into shares of the Company on 30 April 2002.

There are no definitive accounting guidelines in Hong Kong in respect of the classification of mandatorily convertible bonds. On the basis of the above, the bonds are classified as equity and the interest thereon is charged to retained profit as a movement in reserves.

24 Contingent liabilities

The Group has contingent liabilities relating to guarantees given to banks of approximately HK\$1,455 million (2000: HK\$1,455 million) in respect of the Group's attributable portion of syndicated bank loan facilities extended to two (2000: two) jointly controlled entities of the Group. As at 30 June 2001, the outstanding amounts under the syndicated bank loan facilities in respect of the guarantees were approximately HK\$284 million (2000: HK\$279 million).

25 Commitments

- (a) At 30 June 2001, the capital commitments, principally for construction of toll roads, bridges and port facilities and acquisition of other investments were as follows:

	2001 HK\$'000	2000 HK\$'000
Contracted but not provided for	32,132	803,662
Authorised but not contracted for	1,877,516	755,519
	1,909,648	1,559,181

- (b) The Group has committed to provide sufficient funds in the forms of capital and loan contributions to certain joint ventures under various joint venture contracts to finance relevant infrastructural projects. The directors estimate that the Group's share of projected funds requirements of these projects would be approximately HK\$92 million (2000: HK\$158 million) which represents the attributable portion of the capital and loan contributions to be made to the joint ventures.

- (c) At 30 June 2001, the Group's share of capital commitments of the jointly controlled entities themselves not included in note 25(b) above were as follows:

	2001 HK\$'000	2000 HK\$'000
Contracted but not provided for	509,000	546,000
Authorised but not contracted for	130,000	167,000
	639,000	713,000

Certain subsidiaries and jointly controlled entities are parties to agreements with third parties pursuant to the joint development of Container Terminal 9 in Hong Kong, the related berth swap arrangement and the funding therefor. The Group's attributable share of capital commitments as at 30 June 2001 has been disclosed above.

One of the jointly controlled entities has obtained banking facilities to finance 60% of its share of development costs at Container Terminal 9 and reduced the funds to be injected by the Group accordingly. The Group has given guarantee in respect of the banking facilities and is included in note 24.

In the event of default of any of the third parties, the subsidiaries and jointly controlled entities will be required to provide additional funds for the project. The Company has given guarantees in respect of these obligations of the subsidiaries and jointly controlled entities to provide additional funds. Were the Company required to perform its obligations under the guarantees, the maximum amount of the additional liabilities assumed, in addition to the Group's share of the capital commitments as disclosed above, is HK\$1,482 million (2000: HK\$1,482 million).

- (d) Certain PRC subsidiaries have entered into various contracts with the PRC partners or their supervisory authorities for the provision of toll collection, maintenance and management services and these subsidiaries have agreed to pay a management fee at fixed rates ranging from 14% to 16% (2000: 14% to 16%) per annum of toll revenues after business tax.

25 Commitments (Continued)

(e) At 30 June 2001, the Group had future aggregate minimum lease payments under operating leases as follows:

	2001 HK\$'000	2000 HK\$'000
Land and buildings		
In the first year	15,511	12,738
In the second to fifth years inclusive	41,066	34,421
After the fifth year	108,528	116,926
	165,105	164,085

Pursuant to the revised Statement of Standard Accounting Practice No. 2.114 – "Leases", which was issued by the Hong Kong Society of Accountants and became effective for accounting periods beginning on or after 1 July 2000, certain comparative figures have been restated.

(f) At 30 June 2001, the Group has outstanding foreign currency forward contracts amounting to US\$650 million (2000: nil) for the purpose of hedging of long-term borrowings.

26 Notes to consolidated cash flow statement

(a) Reconciliation of profit from operations to net cash (outflow)/inflow from operating activities

	2001 HK\$'000	2000 HK\$'000
Operating profit before financing	59,525	1,065,421
Depreciation	219,838	153,918
Dividend from listed non-trading securities	(11,766)	(11,497)
Profit on repurchase of convertible bonds	(1,772)	(24,213)
Net gain on disposal of non-trading investments	(110,422)	(710,914)
Impairment losses on other investments	244,793	250,557
Provision for payments on account of proposed joint ventures	–	20,750
Loss on disposal of fixed assets	821	11,298
Amortisation of deferred interest income	(30,352)	(105,497)
Amortisation of cost of investment in a co-operative joint venture	1,534	1,534
Income from a fixed return co-operative joint venture	(123,661)	(121,220)
Interest income	(304,171)	(206,809)
Increase in debtors and prepayments	(838,526)	(83,403)
Increase/(decrease) in creditors and accruals	23,220	(160,554)
Change in amounts with minority shareholders	(65,387)	(87,651)
Increase in inventories	(500,247)	–
Loss/(gain) on disposal of		
A subsidiary	6,963	–
Associated companies	426,125	–
A jointly controlled entity	(99,419)	–
Written-back of impairment loss on other investments	(12,480)	–
Exchange loss	–	34,242
	(1,115,384)	25,962

26 Notes to consolidated cash flow statement (Continued)

(b) Analysis of changes in financing during the year

	Share capital including share premium	Contributed surplus	Mandatorily convertible bonds	Bank and other borrowings	Unsecured bank loan	Minority interests	Deferred expenditure	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 1999	5,612,134	704,851	1,163,700	7,811,410	–	1,817,580	(78,845)	17,030,830
Net cash inflow/(outflow) from financing	(110,452)	–	–	2,357,855	–	11	(38,223)	2,209,191
Profit on repurchase of convertible bonds	–	–	–	(24,213)	–	–	–	(24,213)
Amortisation of deferred expenditure	–	–	–	–	–	–	35,577	35,577
Minority interests' share of profit	–	–	–	–	–	62,860	–	62,860
Minority interests in other reserves	–	–	–	–	–	(1,649)	–	(1,649)
Acquisition of subsidiaries	–	–	–	15,077	–	113,652	–	128,729
Reserves arising from reorganisation	–	289,965	–	–	–	–	–	289,965
Goodwill on acquisition of interests in associated companies and jointly controlled entities	–	(23,795)	–	–	–	–	–	(23,795)
Effect of foreign exchange rate changes	–	–	(1,515)	28,879	–	(4,861)	–	22,503
At 30 June 2000	5,501,682	971,021	1,162,185	10,189,008	–	1,987,593	(81,491)	19,729,998
At 1 July 2000	5,501,682	971,021	1,162,185	10,189,008	–	1,987,593	(81,491)	19,729,998
Net cash inflow/(outflow) from financing	(51,757)	–	–	2,576,354	82,680	4,280	(33,230)	2,578,327
Profit on repurchase of convertible bonds	–	–	–	(1,772)	–	–	–	(1,772)
Amortisation of deferred expenditure	–	–	–	–	–	–	33,296	33,296
Minority interests' share of profit	–	–	–	–	–	58,676	–	58,676
Dividend to minority interests	–	–	–	–	–	(2,964)	–	(2,964)
Land use right contributed by a minority shareholder of a subsidiary (note 26 (c))	–	–	–	72,349	–	–	–	72,349
Acquisition of a subsidiary	–	–	–	–	–	529	–	529
Goodwill on acquisition of								
Subsidiaries	–	(21,612)	–	–	–	–	–	(21,612)
Associated companies	–	(86,925)	–	–	–	–	–	(86,925)
Additional interests in a jointly controlled entity	–	(1,055)	–	–	–	–	–	(1,055)
Release of reserves upon disposal of interests in associated companies								
Company and a subsidiary	–	395,792	–	–	–	–	–	395,792
A jointly controlled entity	–	976	–	–	–	–	–	976
Disposal of a subsidiary	–	–	–	–	–	(124,213)	–	(124,213)
At 30 June 2001	5,449,925	1,258,197	1,162,185	12,835,939	82,680	1,923,901	(81,425)	22,631,402

26 Notes to consolidated cash flow statement (Continued)

(c) Land use right of HK\$72,349,000 was contributed by a minority shareholder of a subsidiary in the form of shareholders' loan to the subsidiary during the year.

(d) Acquisition of subsidiaries

	2001 HK\$'000	2000 HK\$'000
Net assets acquired		
Fixed assets	187	1,033,565
Associated company	–	1,081,756
Jointly controlled entities	–	1,216,402
Other investments	–	14,575
Debtors and prepayments	–	89,351
Bank balances and cash	2,774	107,688
Creditors and accruals	(1,816)	(68,024)
Amounts due to minority shareholders	–	(105,142)
Bank and other borrowings	–	(15,077)
Minority interests	(529)	(113,652)
	616	3,241,442
Interest in Pacific Ports Company Limited ("PPC") originally held by the Group	–	(340,667)
	616	2,900,775
Goodwill on acquisition	21,612	–
Capital reserve arising from reorganisation	–	(280,456)
	22,228	2,620,319
Represented by:		
Cash	22,228	–
Non-cash		
Disposal of port and port-related investments to PPC	–	2,620,319

The subsidiaries acquired during the year utilised HK\$4,905,000 (2000: contributed HK\$19,347,000) of the Group's net operating cash flows and utilised HK\$439,000 (2000: HK\$57,321,000) for investing activities. In 2000, an amount of HK\$64,843,000 had been received in respect of net returns on investments and servicing of finance.

(e) Analysis of the net (outflow)/inflow of cash and cash equivalents in respect of the acquisition of subsidiaries

	2001 HK\$'000	2000 HK\$'000
Cash consideration	(22,228)	–
Bank balances and cash acquired	2,774	107,688
	(19,454)	107,688

26 Notes to consolidated cash flow statement (Continued)

(f) Disposal of a subsidiary

	2001 HK\$'000	2000 HK\$'000
Net assets disposed		
Fixed assets	206,501	–
Debtors and prepayments	8,131	–
Bank balances and cash	23,248	–
Creditors and accruals	(22,140)	–
Taxation	(633)	–
Minority interests	(124,213)	–
	90,894	–
Loss on disposal	(6,963)	–
	83,931	–
Represented by:		
Accounts receivable	53,147	–
Cash received	30,784	–
	83,931	–

(g) Analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary

	2001 HK\$'000	2000 HK\$'000
Cash received	30,784	–
Bank balances and cash disposed	(23,248)	–
	7,536	–

27 Related party transactions

The following is a summary of significant related party transactions during the year carried out in the normal course of the Group's business:

	2001 HK\$'000	2000 HK\$'000
Interest income from jointly controlled entities (gross of withholding tax) (note a)	(112,639)	(254,448)
Management fee received from a jointly controlled entity (note b)	(6,753)	(3,636)
Purchases from an associated company (note c)	500,247	–
Rental for leased premises to a fellow subsidiary (note d)	8,924	3,997
	–	–

27 Related party transactions (Continued)

Notes:

- (a) This represents interest income in respect of loan financing provided to jointly controlled entities. These loans are unsecured, carry interest at Hong Kong prime rate (2000: Hong Kong prime rate) or at fixed rates ranging from 10% to 15% per annum (2000: 10% to 15% per annum) and have repayment terms as specified in the respective joint venture agreements.
- (b) This represents management fee income in respect of management and administrative services rendered by the Company to a jointly controlled entity. The management fee is charged at a fixed annual amount as specified in the management and administrative services agreement.
- (c) These represent purchases of raw materials from an associated company which were sold to the Group at its original purchase costs from third party suppliers. The Group also paid approximately HK\$698 million (2000: nil) as trade deposits to the associated company for the purchase of raw materials (*note 12(c)*).
- (d) The rental is charged at fixed monthly fees as specified in the tenancy agreements.

28 Ultimate holding company

The directors of the Company consider New World Development Company Limited, incorporated and listed in Hong Kong, as being the ultimate holding company.

29 Approval of accounts

The accounts were approved by the board of directors on 10 October 2001.

30 Principal subsidiaries

As at 30 June 2001 and 30 June 2000

	Share capital issued		Percentage of equity shares held		Principal activities
	Number	Par value per share	By the Company	By the Group	
<i>Incorporated and operating in Hong Kong</i>					
Billionable Investment Limited	4,998 ordinary	HK\$1	–	100	Investment holding
	2 non-voting deferred	HK\$1	–	–	
Keen Sales Limited	2 ordinary	HK\$1	–	75	Investment holding
	2 non-voting deferred	HK\$1	–	–	
New World Port Investments Limited	2 ordinary	HK\$1	–	75	Investment holding
Ready City Limited	200 ordinary	HK\$1	–	75	Investment holding

30 Principal subsidiaries (Continued)

	Share capital issued		Percentage of equity shares held		Principal activities
	Number	Par value per share	By the Company	By the Group	
<i>Incorporated and operating in Hong Kong (Continued)</i>					
True Hope Investment Limited	4,998 ordinary	HK\$1	–	100	Investment holding
	2 non-voting deferred	HK\$1	–	–	
Try Force Limited	4,998 ordinary	HK\$1	–	100	Investment holding
	2 non-voting deferred	HK\$1	–	–	
<i>Incorporated in Bermuda and operating in Hong Kong</i>					
Pacific Ports Company Limited	2,059,968,000 ordinary	HK\$0.10	–	75	Investment holding
	3,193,654,306 preference	HK\$0.10	–	100	
<i>Incorporated in the British Virgin Islands and operating in Hong Kong</i>					
Lotsgain Limited	100 ordinary	US\$1	100	–	Investment holding

30 Principal subsidiaries (Continued)

	Share capital issued/ registered capital		Attributable interest (note)		Principal activities
	Amount	Par value per share	To the Company	To the Group	
<i>Incorporated and operating in the PRC</i>					
Gaoming Xinming Bridge Ltd.	Rmb60,000,000	–	–	80(e)	Operation of toll bridge
Guangdong Xinzhao Highways Co., Ltd.	Rmb80,000,000	–	–	70(d)	Operation of toll road
Guangxi Beiliu Xinbei Highways Limited	Rmb99,200,000	–	–	60(d)	Operation of toll road
Guangxi Cangwu Xincang Highways Limited	Rmb64,000,000	–	–	70(d)	Operation of toll road
Guangdong Gaoyao Xinjun Highways Limited	Rmb71,600,000	–	–	55(d)	Operation of toll road
Guangdong Gaoyao Xinwei Highways Limited	Rmb38,500,000	–	–	60(d)	Operation of toll road
Guangxi Rongxian Xinrong Highways Limited	Rmb82,400,000	–	–	70(d)	Operation of toll road
Guangxi Yulin Xintong Highways Limited	Rmb64,000,000	–	–	60(d)	Operation of toll road
Guangxi Yulin Xinye Highways Limited	Rmb63,800,000	–	–	60(d)	Operation of toll road
Guangxi Yulin Xinyu Highways Limited	Rmb96,000,000	–	–	60(d)	Operation of toll road
Nanjing Huining Wharfs Co., Ltd.	US\$11,800,000	–	–	41.25(c)	Cargo handling and storage
New World Infrastructure (China) Investment Limited	US\$123,000,000	–	100(b)	–	Investment holding
Qingyuan Xincheng Highways Limited	Rmb36,000,000	–	–	80(d)	Operation of toll road
Shanxi Xinbei Expressway Company Limited	Rmb85,050,000	–	–	90(f)	Operation of toll road

30 Principal subsidiaries (Continued)

	Share capital issued/ registered capital		Attributable interest (note)		Principal activities
	Amount	Par value per share	To the Company	To the Group	
<i>Incorporated and operating in the PRC (Continued)</i>					
Shanxi Xinda Highways Limited	Rmb49,000,000	–	–	90(f)	Operation of toll road
Shanxi Xindan Expressway Company Limited	Rmb87,150,000	–	–	90(f)	Operation of toll road
Shanxi Xinhan Expressway Company Limited	Rmb84,700,000	–	–	90(f)	Operation of toll road
Shanxi Xinjing Expressway Company Limited	Rmb80,500,000	–	–	90(f)	Operation of toll road
Shanxi Xinhuang Highways Limited	Rmb57,100,000	–	–	90(f)	Operation of toll road
Shanxi Xinnan Expressway Company Limited	Rmb83,650,000	–	–	90(f)	Operation of toll road
Shanxi Xinze Expressway Company Limited	Rmb82,950,000	–	–	90(f)	Operation of toll road
Suzhou Huisu International Container Freight Wharfs Co., Ltd	US\$ 3,750,000	–	–	41.25(c)	Container handling, warehousing and road freight operations
Taiyuan Xintai Highways Limited	Rmb72,120,000	–	–	90(f)	Operation of toll road
Taiyuan Xinyuan Highways Limited	Rmb85,880,000	–	–	90(f)	Operation of toll road
Wuhan Bridge Construction Co., Ltd.	Rmb502,850,000	Rmb1	–	48.86(a)	Operation of toll bridge
Wuzhou Xinwu Highways Limited	Rmb72,000,000	–	–	45(d)	Operation of toll road

30 Principal subsidiaries (Continued)

	Share capital issued/ registered capital		Attributable interest (note)		Principal activities
	Amount	Par value per share	To the Company	To the Group	
<i>Incorporated and operating in the PRC (Continued)</i>					
Xiamen New World Xiangyu Warehouse & Processing Zone Limited	US\$5,000,000	—	—	75(b)	Development of warehousing, processing and logistic facilities
Xiamen Xiang Yu Quay Co., Ltd.	Rmb100,000,000	—	—	69(d)	Container handling, and storage and road freight operations
Xiamen Xinyuan Container Terminal Co., Ltd.	Rmb17,000,000	—	—	52.50(d)	Cargo consolidation, container storage and repairs and maintenance
Yunfu Xinxing Highways Limited	Rmb30,000,000	—	—	55(d)	Operation of toll road
Zhaoqing Deqing Xinyue Highways Limited	Rmb68,000,000	—	—	65(d)	Operation of toll road
Zhaoqing Xinde Highways Co., Ltd.	Rmb165,867,000	—	—	45(d)	Operation of toll road
Zhaoqing Xinfeng Highways Co., Ltd.	Rmb94,000,000	—	—	45(d)	Operation of toll road
Zhaoqing Xingao Highways Co., Ltd.	Rmb54,000,000	—	—	40(d)	Operation of toll road
Zhaoqing Xinhui Highways Co., Ltd.	Rmb103,500,000	—	—	50(d)	Operation of toll road
Zhaoqing Xinning Highways Co., Ltd.	Rmb90,000,000	—	—	55(d)	Operation of toll road

Notes:

- (a) percentage of equity interest in a joint stock limited company
- (b) percentage of equity interest in wholly foreign-owned enterprises
- (c) percentage of equity interest in equity joint ventures
- (d) profit sharing percentage in co-operative joint ventures
- (e) profit sharing percentage in a co-operative joint venture for the first 7 years of the joint venture period, and thereafter 30%
- (f) cash sharing ratio for the first 12 years of the joint venture period, and thereafter 60%

31 Principal associated companies

As at 30 June 2001

	Share capital issued		Percentage of equity shares held (note)		Principal activities
	Number	Par value per share	By the Company	By the Group	
<i>Incorporated and operating in Hong Kong</i>					
CSX World Terminals Hong Kong Limited (formerly Sea-Land Orient Terminals Limited)	55,000 "A" ordinary	HK\$1	–	–	Operation of container terminal
	5,000 "B" ordinary	HK\$1	–	25.01	
<i>Incorporated and operating in the United States</i>					
CyberLancet Corporation	49,000,000 common	–	–	–	Development of internet technology
	21,000,000 Series A Preferred	–	–	100*	
CyberNova Corporation	30,000,000 common	–	–	–	Development of cable modem
	20,000,000 Series A Preferred	–	–	100*	
Prediwave Corporation	35,000,000 common	–	–	–	Development of video-on-demand technology
	15,000,000 Series A Preferred	–	–	100*	
TechStock, Inc.	30,000,000 common	–	–	–	Investment holding
	20,000,000 Series A Preferred	–	–	100*	
<i>Incorporated in the British Virgin Islands and operating in Hong Kong</i>					
New QU Energy Limited	65,000,000 common	–	–	–	Development and production of heat transfer devices
	35,000,000 Series A Preferred	–	–	64.29%	

Note: except for the associated companies acquired during the year which are marked with an asterisk, percentage of equity interest is unchanged from 30 June 2000.

32 Principal jointly controlled entities

As at 30 June 2001 and 30 June 2000

	Registered capital Amount	Attributable interest (note)		Principal activities
		To the Company	To the Group	
<i>Incorporated and operating in the PRC</i>				
Equity joint ventures				
Guangzhou Oriental Power Co., Ltd.	Rmb990,000,000	–	25(a)	Generation and supply of electricity
Guangzhou Pearl River Power Co., Ltd.	Rmb420,000,000	–	50(b)	Generation and supply of electricity
Sea-Land Orient (Tianjin) Container Terminals Co., Limited	US\$29,200,000	–	18.38(a)	Operation of container terminal
Co-operative joint ventures				
Beijing-Zhuhai Expressway (Guangzhou – Zhuhai Section) Co., Ltd.	Rmb580,000,000	–	25(c)	Operation of toll road
Guangzhou Northring Freeway Company Limited	US\$19,255,000	–	65.29(c)	Operation of toll road
Huishen (Yantian) Expressway Huizhou Co., Ltd.	Rmb39,000,000	–	33.33(c)	Operation of toll road
Huizhou City Hui-Ao Roadway Co., Ltd.	Rmb75,000,000	–	50(c)	Operation of toll roads
Huizhou City Huixin Expressway Co., Ltd.	Rmb34,400,000	–	50(c)	Investment holding and operation of toll road
Shenzhen New World Xianglong Network Technology Company Limited	Rmb187,680,000	–	84.46(c)	Exploration of wireless telecommunication network
Shenzhen New World Xianglong Technology Development Company Limited	Rmb93,840,000	–	84.46(c)	Exploration of wireless telecommunication network
Sichuan Qianwei Dali Power Company Limited	Rmb248,413,000	–	60(c)	Generation and supply of electricity
Tianjin Xindi Expressway Company Limited	Rmb93,688,000	–	90(d)	Operation of toll road

32 Principal jointly controlled entities (Continued)

	Registered capital	Attributable interest (note)		Principal activities
	Amount	To the Company	To the Group	
<i>Incorporated and operating in the PRC (Continued)</i>				
Co-operative joint ventures (Continued)				
Tianjin Xinlong Expressway Company Limited	Rmb99,400,000	–	90(d)	Operation of toll road
Tianjin Xinlu Expressway Company Limited	Rmb99,092,000	–	90(d)	Operation of toll road
Tianjin Xinming Expressway Company Limited	Rmb85,468,000	–	90(d)	Operation of toll road
Tianjin Xinqing Expressway Company Limited	Rmb99,368,000	–	90(d)	Operation of toll road
Tianjin Xinquan Expressway Company Limited	Rmb92,016,000	–	90(d)	Operation of toll road
Tianjin Xinsen Expressway Company Limited	Rmb87,300,000	–	90(d)	Operation of toll road
Tianjin Xinshi Expressway Company Limited	Rmb99,388,000	–	90(d)	Operation of toll road
Tianjin Xinsi Expressway Company Limited	Rmb96,624,000	–	90(d)	Operation of toll road
Tianjin Xintong Expressway Company Limited	Rmb99,448,000	–	90(d)	Operation of toll road
Tianjin Xintuo Expressway Company Limited	Rmb99,316,000	–	90(d)	Operation of toll road
Tianjin Xinxiang Expressway Company Limited	Rmb90,472,000	–	90(d)	Operation of toll road
Tianjin Xinyan Expressway Company Limited	Rmb89,028,000	–	90(d)	Operation of toll road
Tianjin Xinzhan Expressway Company Limited	Rmb89,392,000	–	90(d)	Operation of toll road
Tianjin Yongfa Highway And Bridge Construction Development Company Limited	Rmb40,000,000	–	90(c)	Operation of toll bridge
Wuhan Airport Road Development Ltd.	Rmb60,000,000	–	40(c)	Operation of toll road

32 Principal jointly controlled entities (Continued)

Notes:

- (a) percentage of equity interest in equity joint ventures.
- (b) percentage of equity interest in an equity joint venture for the 11th year and onwards of the joint venture period. For the first 10 years of the joint venture period, the Group is entitled to a fixed return.
- (c) profit sharing percentage in co-operative joint ventures.
- (d) cash sharing ratio for the first 15 years of the joint venture period, and thereafter 60%.

	Share capital issued		Percentage of equity shares held (note)		Principal activities
	Number	Par value per share	By the Company	By the Group	
<i>Incorporated and operating in Hong Kong</i>					
Companies limited by shares					
ATL Logistics Centre Hong Kong Limited (formerly Asia Terminals Limited)	100,000 "A" ordinary	HK\$1	–	41.75	Operation of cargo handling and storage facilities
	20,000 "B" preference	HK\$1	–	59.69	
	54,918 non-voting deferred	HK\$1	–	–	
Tate's Cairn Tunnel Company Limited	1,100,000 ordinary	HK\$0.01	–	29.50	Operation of toll tunnel
	600,000,000 non-voting deferred	HK\$1	–	–	
Asia Container Terminals Limited	1,000 ordinary	HK\$1	–	27.25	Development and operation of container terminal

Incorporated in Hong Kong and operating in Macau and the PRC

Companies limited by shares

Sino-French Holdings (Hong Kong) Limited	1,086,280 "A" ordinary	HK\$100	–	–	Operation of water and electricity plants
	2,089,000 "B" ordinary	HK\$100	–	50	
	1,002,720 "C" ordinary	HK\$100	–	–	

Note: except for the equity interest in Tate's Cairn Tunnel Company Limited increased from 27.5% to 29.5%, percentage of equity interest is unchanged from 30 June 2000.