

1. GENERAL

The Company is a public limited company incorporated in Hong Kong. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Shanghai Industrial Investment (Holdings) Company Limited, also incorporated in Hong Kong.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 42.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/ CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group's accounting policies that have affected the amounts reported for the current or prior periods.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) *Events after the Balance Sheet Date*, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment which increases the accumulated profits of the Group and the Company as at 1st January, 2000 by HK\$195,016,000 and as at 1st January, 2001 by HK\$269,756,000 respectively.

Leases

SSAP 14 (Revised) *Leases* has introduced some amendments to the basis of accounting for finance and operating leases, and to the disclosures specified for the Group's leasing arrangements. These changes have not had any effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment has been required. Disclosures for all of the Group's leasing arrangements have been modified so as to comply with the requirements of SSAP 14 (Revised). Comparative amounts have been restated in order to achieve a consistent presentation.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/ CHANGES IN ACCOUNTING POLICIES (continued)

Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 *Segment Reporting*. Segment disclosures for the year ended 31st December, 2000 have been amended so that they are presented on a consistent basis.

Goodwill

In the current year, the Group has adopted SSAP 30 *Business Combinations* and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisition prior to 1st January, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisition prior to 1st January, 2001 will be credited to income at the time of disposal of the relevant subsidiary, associate or jointly controlled entity.

Goodwill arising on acquisition after 1st January, 2001 is capitalised and amortised on a straight line basis over its estimated useful life. Negative goodwill arising on acquisition after 1st January, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investment in securities, and 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 31st December each year.

The results of subsidiaries 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 between group enterprises are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill arising on acquisition prior to 1st January, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisition after 1st January, 2001 is capitalised and amortised on a straight line basis over its useful economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of a subsidiary is presented separately in the balance sheet.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of unamortised goodwill/goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisition prior to 1st January, 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary, associate or jointly controlled entity.

Negative goodwill arising on acquisition after 1st January, 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Negative goodwill (continued)

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised to income immediately.

Negative goodwill arising on the acquisition of an associate or a jointly controlled entity is deducted from the carrying value of that associate or jointly controlled entity. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

Investments in 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.

Investments in subsidiaries is included in the Company's balance sheet at cost less any identified impairment loss.

Interest in joint ventures

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.

The Group's interest in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities plus the unamortised premium paid on acquisition in so far as it has not already been written off or amortised less any identified impairment loss. The Group's share of post-acquisition results of jointly controlled entities are included in the consolidated income statement.

Interest in associates

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. The carrying amount of such investments is reduced to recognised any identified impairment loss in the value of individual investments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in infrastructure projects

The Group's investments in infrastructure projects are recorded at cost, as reduced by any identified impairment loss. Payments receivable each year under the joint venture and operation management agreements are apportioned between income and reduction of the carrying value of the investments so as to reflect a constant periodic rate of return on the net investment in these infrastructure projects.

Where the estimated recoverable amount of these investments falls below their carrying amount, the carrying amount of the investments, to the extent that it is considered to be irrecoverable, is written off immediately to the income statement.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has been passed.

Income from infrastructure projects where the Group is contracted to receive a pre-determined minimum sum over the period of the project is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment in these infrastructure projects.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Rental income, including rental invoiced in advance from letting of properties and plant and machinery under operating leases, is recognised on a straight line basis over the period of the respective leases.



3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Income from investment in securities is recognised when the Group's right to receive payment has been established.

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 valuation at the balance sheet date. Any surplus or deficit 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 deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

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

No depreciation is provided on investment properties which are held on leases with an unexpired term of more than 20 years, including the renewable period.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, is stated at cost or valuation less depreciation or amortisation at the balance sheet date and any accumulated impairment losses.

Land and buildings which have been previously classified as investment properties are stated at their valuation immediately prior to transfer less subsequent depreciation. No further valuation will be carried out on these land and buildings.

Properties in the course of construction for production are carried at cost less any identified impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Property, plant and equipment (continued)**

The cost or valuation of leasehold land is amortised over the period of the lease using the straight line method.

The cost of land use rights is amortised over the period of the rights using the straight line method.

Depreciation is provided to write off the cost or valuation of other property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Buildings	4% – 5%
Furniture, fixtures and equipment	20% – 33 ¹ / ₃ % or over the period of the lease in case of fixtures in rented premises
Motor vehicles	20% – 30%
Plant and machinery	6 ² / ₃ % – 20%

The gain or loss arising from 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.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, 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.

All other borrowing costs are recognised as expenses in the year in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method or, in the case of merchandise held for resale in a department store, cost is calculated using the retail price method.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight line basis over its useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Retirement benefits costs

Payments to defined contribution retirement benefits schemes are charged as expenses as they fall due. Payments made to state-managed retirement benefits schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefits scheme.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purpose 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 the resulting 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 an asset will crystallise in the foreseeable future.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's operations in the mainland People's Republic of China (the "PRC") are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the period of the respective leases.

4. TURNOVER

Turnover represents the aggregate of the net amounts received and receivable from third parties and is summarised as follows:

	2001 HK\$'000	2000 HK\$'000
Sales of goods	2,479,925	2,227,983
Income from infrastructure projects	719,493	732,538
	3,199,418	2,960,521

5. INVESTMENT INCOME

	2001 HK\$'000	2000 HK\$'000
Interest income	137,941	273,533
Gain on disposal of investments in securities	46,048	51,568
Income from unlisted investments, other than infrastructure projects	11,004	2,913
Dividend income from listed investments	2,845	14,143
Rental income from property, plant and equipment	3,717	2,387
	201,555	344,544

For the year ended 31st December, 2001

6. PROFIT FROM OPERATIONS

	2001 HK\$'000	2000 HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Staff costs, including directors' emoluments		
Basic salaries and allowances	244,454	223,769
Bonuses	66,162	55,474
Retirement benefits scheme contributions, net of forfeited contributions of HK\$939,574 (2000: HK\$108,997)	14,981	14,826
	325,597	294,069
Impairment loss of goodwill (included in administrative expenses)	1,158	—
Auditors' remuneration	5,000	4,300
Depreciation and amortisation of property, plant and equipment	108,114	98,588
Impairment loss on investments in infrastructure and other projects (included in other operating expenses)	17,277	9,823
Impairment loss on investment in securities (included in other operating expenses)	17,410	—
Net unrealised holding (gain) loss on investment in securities	(1,135)	9,846
Operating lease rentals in respect of equipment and motor vehicles	1,177	1,755
Operating lease rentals in respect of land and buildings to		
— ultimate holding company	8,179	8,245
— fellow subsidiaries	41,620	41,588
— others	15,623	23,758
Research and development costs	10,610	5,498
Loss (gain) on disposal of property, plant and equipment	969	(5,780)

7. GAIN ON DISPOSAL OF INTERESTS IN SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

	2001 HK\$'000	2000 HK\$'000
Gain on deemed disposal of interest in a jointly controlled entity	155,694	—
Gain on partial disposal of an associate	1,552	—
Loss on disposal and partial disposal of interests in subsidiaries	(2,886)	(2,474)
Gain on disposal and partial disposal of interest in jointly controlled entities	—	19,822
	154,360	17,348

8. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

	2001 HK\$'000	2000 HK\$'000
Directors' fees:		
Executive	—	—
Independent non-executive	776	776
Other emoluments of executive directors:		
Basic salaries and allowances	23,105	20,557
Bonuses	19,569	19,501
Retirement benefits scheme contributions	1,962	1,961
Total directors' emoluments	45,412	42,795

8. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (continued)

The emoluments of the directors were within the following bands:

	2001 Number of directors	2000 Number of directors
Up to HK\$1,000,000	6	6
HK\$1,000,001 to HK\$1,500,000	3	3
HK\$3,000,001 to HK\$3,500,000	—	1
HK\$4,000,001 to HK\$4,500,000	2	1
HK\$4,500,001 to HK\$5,000,000	1	1
HK\$5,000,001 to HK\$5,500,000	1	1
HK\$5,500,001 to HK\$6,000,000	1	1
HK\$6,000,001 to HK\$6,500,000	—	1
HK\$6,500,001 to HK\$7,000,000	1	1
HK\$7,000,001 to HK\$7,500,000	1	—

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

All the five highest paid employees of the Group in both years were executive directors of the Company. Details of their emoluments are disclosed above.

9. TAXATION

	2001 HK\$'000	2000 HK\$'000
The charge comprises:		
Taxation of the Company and its subsidiaries		
— Hong Kong Profits Tax		
— current year	8,510	15,985
— overprovision in prior years	(5,096)	—
— PRC income tax		
— current year	56,528	27,725
— overprovision in prior years	(7,304)	(10,000)
	52,638	33,710
Deferred taxation (note 31)		
— current year	7,124	3,750
— effect of change in tax rate	2,100	—
	9,224	3,750
Share of PRC income tax of jointly controlled entities	35,127	34,574
Share of PRC income tax of associates	11,865	8,266
	46,992	42,840
	108,854	80,300

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the year.

Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiaries, jointly controlled entities and associates are entitled to certain exemption and reliefs from PRC income tax for a number of years. Certain PRC subsidiaries and associate are also entitled to reduced tax rates because they are classified as high technology entities under relevant rules. The current year's PRC income tax charges are arrived at after taking into account these various tax incentives.

The Group had no significant unprovided deferred taxation for the year.

10. PROFIT FOR THE YEAR

Of the Group's profit for the year, a profit of HK\$719,595,000 (2000: HK\$1,047,568,000) has been dealt with in the financial statements of the Company.

11. DIVIDENDS

	2001 HK\$'000	2000 HK\$'000
		(As restated)
Interim dividend of HK14 cents per share (2000: HK11 cents per share)	125,688	98,590
2000 final dividend of HK30 cents per share (1999 final dividend: HK22 cents per share)	269,756	195,016
Additional dividend due to exercise of share options/issue of new shares on subscription	47	—
Overprovision of final dividend resulting from repurchase of shares	—	(351)
	395,491	293,255

A final dividend of HK34 cents (2000 final dividend: HK30 cents) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

12. EARNINGS PER SHARE

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

	2001	2000
Earnings:		
Profit for the year and earnings for the purpose of basic and diluted earnings per share	HK\$1,202,534,000	HK\$1,134,669,000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	898,671,854	891,633,057
Effect of dilutive potential ordinary shares — share options	12,503,406	17,897,513
Weighted average number of ordinary shares for the purpose of diluted earnings per share	911,175,260	909,530,570

13. INVESTMENT PROPERTY

THE GROUP
HK\$'000

At valuation	
At 31st December, 2000 and 2001	12,000

The investment property was revalued at 31st December, 2001 by DTZ Debenham Tie Leung Limited, an independent property valuer, on an open market value existing use basis. This valuation did not give rise to any surplus or deficit during the year.

The Group's property is rented out under an operating lease.

The Group's investment property is situated in the PRC and is held under medium-term land use rights.

For the year ended 31st December, 2001

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Furniture, fixtures and equipment	Motor vehicles	Plant and machinery	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP						
COST OR VALUATION						
At 1st January, 2001	263,685	251,407	44,677	926,338	68,110	1,554,217
Acquired on acquisition of subsidiaries	21,339	1,137	—	18,669	—	41,145
Additions	8,921	65,150	5,199	47,180	107,875	234,325
Transfers/reclassifications	173,065	979	678	(9,204)	(165,518)	—
Disposals	(142)	(54,277)	(678)	(1,577)	—	(56,674)
At 31st December, 2001	466,868	264,396	49,876	981,406	10,467	1,773,013
Comprising:						
At cost	465,868	264,396	49,876	981,406	10,467	1,772,013
At valuation — 1996	1,000	—	—	—	—	1,000
	466,868	264,396	49,876	981,406	10,467	1,773,013
DEPRECIATION AND AMORTISATION						
At 1st January, 2001	43,592	104,257	34,037	394,780	—	576,666
Acquired on acquisition of subsidiaries	1,127	392	—	2,727	—	4,246
Provided for the year	12,496	36,871	3,335	55,412	—	108,114
Eliminated on disposals	(17)	(45,980)	(599)	(855)	—	(47,451)
At 31st December, 2001	57,198	95,540	36,773	452,064	—	641,575
NET BOOK VALUE						
At 31st December, 2001	409,670	168,856	13,103	529,342	10,467	1,131,438
At 31st December, 2000	220,093	147,150	10,640	531,558	68,110	977,551

In current year, land and buildings include certain assets carried at a cost or revaluation of HK\$7,721,450 (2000: HK\$2,549,620) in aggregate with accumulated depreciation of HK\$1,448,743 (2000: HK\$376,069) in respect of assets rented out under operating leases. Depreciation charged in respect of those assets in the year amounting to HK\$223,482 (2000: HK\$76,489).

14. PROPERTY, PLANT AND EQUIPMENT (continued)

In current year, plant and machinery includes certain assets carried at a cost of HK\$15,750,800 (2000: nil) in aggregate with accumulated depreciation of HK\$9,652,280 (2000: nil) in respect of assets rented out under operating leases. Depreciation charged in respect of those assets in the year amounting to HK\$1,575,080 (2000: nil).

	Land and buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE COMPANY				
COST				
At 1st January, 2001	—	19,357	7,222	26,579
Additions	2,803	1,222	—	4,025
At 31st December, 2001	2,803	20,579	7,222	30,604
DEPRECIATION				
At 1st January, 2001	—	11,910	6,592	18,502
Provided for the year	37	3,525	489	4,051
At 31st December, 2001	37	15,435	7,081	22,553
NET BOOK VALUE				
At 31st December, 2001	2,766	5,144	141	8,051
At 31st December, 2000	—	7,447	630	8,077

For the year ended 31st December, 2001

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	THE GROUP		THE COMPANY	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
The net book value of property interests comprises:				
Properties held under				
— long leases in Macau	1,323	1,371	—	—
— medium-term leases in Hong Kong	288,720	136,711	—	—
— medium-term land use rights in the PRC	119,627	82,011	2,766	—
	409,670	220,093	2,766	—

The Group's land and buildings stated at 1996 valuation were valued at 31st December, 1996 by an independent firm of professional property valuers on an open market value basis before being transferred from investment properties. No further valuation has been carried out on these properties.

15. GOODWILL

	THE GROUP HK\$'000
COST	
Arising on acquisition of subsidiaries	914
Acquisition of additional interest in subsidiaries	244
At 31st December, 2001	1,158
AMORTISATION AND IMPAIRMENT	
Impairment loss during the year and at 31st December, 2001	(1,158)
NET BOOK VALUE	
At 31st December, 2001	—
At 31st December, 2000	—

16. INTEREST IN SUBSIDIARIES

	THE COMPANY	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	803,449	800,077
Amounts due from subsidiaries	12,222,825	12,398,987
	13,026,274	13,199,064

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors, the amounts will not be repayable within one year of the balance sheet date. Accordingly, such amounts have been classified as non-current. Details of the Company's principal subsidiaries at 31st December, 2001 are set out in note 42.

17. INTEREST IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Share of net assets of jointly controlled entities	1,785,508	1,639,845
Amounts due from jointly controlled entities	198,727	179,623
	1,984,235	1,819,468

The amounts due from jointly controlled entities are unsecured and repayable after one year. Except for an amount of approximately HK\$179.4 million (2000: HK\$168.2 million) which bears interest at commercial rate, the remaining balance is non-interest bearing.

Details of the Group's principal jointly controlled entities at 31st December, 2001 are set out in note 43.

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18. INTEREST IN ASSOCIATES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Share of net assets of associates	1,638,797	284,084
Goodwill arising on acquisition of an associate/additional interest in an associate less amortisation	33,264	—
	1,672,061	284,084
Goodwill arising on acquisition of an associate/additional interest in an associate		
COST		
Arising on acquisition of an associate/additional interest in an associate and balance at 31st December, 2001	33,548	—
AMORTISATION		
Provided for the year and balance at 31st December, 2001	284	—
NET BOOK VALUE		
At 31st December, 2001	33,264	—

During the year, the Group acquired an approximately 17% equity interest in Semiconductor Manufacturing International Corporation ("SMIC"). The total consideration for the acquisition is approximately US\$185.6 million (approximately HK\$1,448 million). Part of the consideration of approximately HK\$1,089 million was paid and the unpaid portion of the consideration of approximately HK\$359 million is included in note 37.

In the opinion of the directors, the Group can exercise significant influence over the financial and operating policy decisions of SMIC and accordingly SMIC is classified as an associate.

The amortisation period adopted for goodwill ranges from five to twenty years.

Details of the Group's principal associates at 31st December, 2001 are set out in note 45.

19. INVESTMENTS IN INFRASTRUCTURE AND OTHER PROJECTS

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Unlisted investment in infrastructure projects		
— Yanan Road, at cost	1,405,344	1,405,344
— Inner Ring Road and the North-South Elevated Expressway, at cost	4,649,400	4,649,400
Less: Capital receipts from infrastructure projects	(472,679)	(361,740)
	5,582,065	5,693,004
Unlisted investments in other projects, at cost in		
— the PRC	114,230	127,887
— Hong Kong	5	5
Less: Impairment loss recognised	(19,600)	(13,227)
	94,635	114,665
Amounts due from investees, net of impairment loss	3	10,392
	5,676,703	5,818,061

The Group's investment in Yanan Road at 31st December, 2001 represents a 50.2% interest in the registered capital of 上海延安路高架道路發展有限公司 Shanghai Yanan Road Elevated Road Development Co., Ltd. ("Shanghai Yanan Road JV") which is a sino-foreign cooperative joint venture company established under the laws of the PRC for the period from 6th November, 1995 to 31st December, 2017 and is engaged in the construction, operation, management and maintenance of an elevated road in Shanghai, the PRC.

19. INVESTMENTS IN INFRASTRUCTURE AND OTHER PROJECTS (continued)

Under the terms of the relevant joint venture agreement and operation management agreement, the Group is contracted to receive a pre-determined sum from Shanghai Yanan Road JV in quarterly instalments during the period from March 1997 to December 2017 as a return on its investment. Should the operating profit of Shanghai Yanan Road JV be inadequate to pay the required contracted instalments to the Group, then the shortfall and interest accrued thereon will be paid by the PRC joint venture partner of Shanghai Yanan Road JV. Any excess of the operating profit of Shanghai Yanan Road JV over the contracted instalment will not be shared by the Group and is attributable to the PRC joint venture partner. At the expiry of the cooperative period, the exclusive right to operate the Yanan Road will revert to the Shanghai Municipal People's Government at nil consideration and the remaining assets and liabilities of Shanghai Yanan Road JV will be attributable to the PRC joint venture partner.

The Group's investment in Inner Ring Road and the North-South Elevated Expressway at 31st December, 2001 represents a 35% interest in the registered capital of 上海新建設發展有限公司 Shanghai New Construction Development Co., Ltd. ("Shanghai New Construction JV") which is a sino-foreign cooperative joint venture company established under the laws of the PRC for the period from 18th April, 1997 to 30th April, 2017 and is engaged in the operation, management and maintenance of the Inner Ring Road and the North-South Elevated Expressway in Shanghai, the PRC.

Under the terms of the relevant joint venture agreement and operation management agreement, the Group is contracted to receive a pre-determined minimum sum from Shanghai New Construction JV in quarterly instalments during the period from June 1997 to April 2017 as a return on the investment. Should the profits of Shanghai New Construction JV available for distribution be inadequate to pay the required contracted minimum instalments to the Group, then the shortfall will be paid by the PRC joint venture partner of Shanghai New Construction JV. Any excess of profit of Shanghai New Construction JV available for distribution over the contracted minimum instalment, except to the extent of any additional amount payable to the Group pursuant to the operation management agreement, will not be shared by the Group and is attributable to the PRC joint venture partner. At the expiry of the cooperation period, the exclusive right to operate and manage the Inner Ring Road and the North-South Elevated Expressway will revert to the Shanghai Municipal People's Government at nil consideration and the remaining assets and liabilities of Shanghai New Construction JV will be attributable to the PRC joint venture partner.

19. INVESTMENTS IN INFRASTRUCTURE AND OTHER PROJECTS (continued)

In addition to the infrastructure projects, the Group's other unlisted investments include principally interests in various companies established in the PRC which are engaged in the provision of printing services, manufacture of paper products, manufacture, sale of packaging materials and operation of a training centre. Pursuant to various addendums to the joint venture agreements with the respective PRC joint venture partners, the Group has forfeited its economic interests in connection with the operation and management of these companies in return for the receipt of contracted annual payments. The results, assets and liabilities of these investee companies are insignificant to the Group.

The amounts due from investees are unsecured and have no fixed repayment terms. Other than an amount of approximately HK\$9,377,000 which carried interest at commercial rates for the year ended 31st December, 2000, the remaining balances are non-interest bearing.

In the opinion of the directors, for the purpose of the preparation of the Group's consolidated financial statements, the above joint ventures are not regarded as the Group's subsidiaries, jointly controlled entities or associates because they carry contracted returns over the period of the respective joint venture.

In the opinion of the directors, the underlying value of the above unlisted investments are at least equal to their carrying values.

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20. INVESTMENT IN SECURITIES

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Investment securities				
Unlisted and non-current equity securities:				
PRC	11,700	—	—	—
Other investments				
Equity securities:				
Listed	6,966	273,761	1,625	22,197
Unlisted	235,505	186,216	—	—
	242,471	459,977	1,625	22,197
Comprising				
Listed				
Hong Kong	6,873	245,724	1,625	22,197
PRC	93	28,037	—	—
Unlisted				
PRC	207,425	46,986	—	—
United States of America	28,080	131,040	—	—
Others	—	8,190	—	—
	242,471	459,977	1,625	22,197
Market value of listed securities	6,966	273,761	1,625	22,197
Carrying amount of other investments analysed for reporting purposes as:				
Current	1,718	248,792	1,625	22,197
Non-current	240,753	211,185	—	—
	242,471	459,977	1,625	22,197
Carrying amount of investment in securities analysed for reporting purposes as:				
Current	1,718	248,792	1,625	22,197
Non-current	252,453	211,185	—	—
	254,171	459,977	1,625	22,197

21. DEPOSITS PAID ON ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

THE GROUP

The deposits were paid by the Group in connection with the acquisition of property, plant and equipment for new production facilities in Hong Kong.

22. INVENTORIES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Raw materials	268,593	309,031
Work in progress	21,598	15,520
Finished goods	49,881	63,662
Merchandise held for resale	33,248	29,837
	373,320	418,050

The inventories are stated at cost.

23. TRADE AND OTHER RECEIVABLES

The Group allows credit period ranging from 30 days to 90 days to its trade customers.

Included in trade and other receivables are trade receivables of HK\$258,872,000 (2000: HK\$184,053,000) and their aged analysis is as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Trade receivables:		
Within 30 days	119,841	86,505
Within 31 – 60 days	57,396	40,347
Within 61 – 90 days	39,471	29,806
Within 91 – 180 days	34,210	27,395
Within 181 – 360 days	2,277	—
Over 360 days	5,677	—
	258,872	184,053

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24. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$121,243,000 (2000: HK\$91,860,000) and their aged analysis is as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Trade payables:		
Within 30 days	89,438	63,092
Within 31 – 60 days	15,380	11,901
Within 61 – 90 days	8,646	4,465
Within 91 – 180 days	6,294	4,581
Within 181 – 360 days	387	4,876
Over 360 days	1,098	2,945
	121,243	91,860

25. SHORT-TERM BORROWINGS

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Current portion of long-term bank loans (note 30)	1,170,000	585,000	1,170,000	585,000
Short-term bank loans	40,280	14,673	—	—
Other short-term loans	16,412	16,067	—	—
	1,226,692	615,740	1,170,000	585,000
Analysed as:				
Secured	23,458	—	—	—
Unsecured	1,203,234	615,740	1,170,000	585,000
	1,226,692	615,740	1,170,000	585,000

26. ISSUED CAPITAL

	Number of ordinary shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
— at 1st January, 2000, 31st December, 2000 and 31st December, 2001	2,000,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
— balance at 1st January, 2000	886,080,000	88,608
— exercise of share options	13,370,000	1,337
— shares repurchased and cancelled	(1,594,000)	(159)
— balance at 31st December, 2000	897,856,000	89,786
— exercise of share options	3,340,000	334
— shares repurchased and cancelled	(3,139,000)	(314)
— balance at 31st December, 2001	898,057,000	89,806

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HK\$0.10 each	Price per share (HK\$)		Aggregate consideration paid HK\$'000
		Highest	Lowest	
March 2001	1,571,000	12.95	12.60	20,218
July 2001	1,568,000	13.00	12.80	20,307

The repurchased shares were subsequently cancelled upon repurchase and accordingly, the issued capital of the Company was diminished by the nominal value thereof. The premium payable on repurchase was charged against the accumulated profits of the Company as set out in note 28.

For the year ended 31st December, 2001

26. ISSUED CAPITAL (continued)

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

All the shares issued by the Company during the year ranked pari passu with the then existing shares in all respects.

27. SHARE OPTIONS

At 31st December, 2001, the following options to subscribe for shares were outstanding:

Month of grant	Exercise price per share HK\$	Number of shares subject to share options
August 1998	10.432	19,650,000
January 1999	9.568	22,300,000
September 2000	15.900	50,000,000
March 2001	10.496	7,630,000
July 2001	10.432	8,000,000
		107,580,000

Options granted in September 2000 are exercisable from 29th March, 2001 to 28th March, 2002. Other options granted are exercisable not earlier than six months nor later than three and a half years after the date the options are accepted.

28. ACCUMULATED PROFITS

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
At 1st January				
— as originally stated	2,779,145	2,082,180	2,202,780	1,543,720
— prior period adjustment in respect of change in accounting policy for dividend recognition	269,756	195,016	269,756	195,016
— as restated	3,048,901	2,277,196	2,472,536	1,738,736
Profit for the year	1,202,534	1,134,669	719,595	1,047,568
Transfers to PRC statutory reserves, net of minority interests' share (note 29)	(51,965)	(49,196)	—	—
Dividends (note 11)	(395,491)	(293,255)	(395,491)	(293,255)
Shares repurchased and cancelled:				
Premium on shares	(40,211)	(20,354)	(40,211)	(20,354)
Transfer to capital redemption reserve	(314)	(159)	(314)	(159)
At 31st December	3,763,454	3,048,901	2,756,115	2,472,536

The accumulated profits of the Group include HK\$77.4 million (2000: HK\$11.1 million) retained by jointly controlled entities and HK\$77.8 million (2000: HK\$48.5 million) retained by associates.

The Company's reserve available for distribution to shareholders as at 31st December, 2001 represents the accumulated profits of HK\$2,756.1 million (2000: HK\$2,472.5 million).

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29. OTHER RESERVES

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Investment property revaluation reserve HK\$'000	Translation reserve HK\$'000	Goodwill HK\$'000	PRC statutory reserves HK\$'000	Total HK\$'000
THE GROUP							
At 1st January, 2000	9,196,261	—	299	8,519	(89,913)	129,782	9,244,948
Premium arising on issue of shares	120,275	—	—	—	—	—	120,275
Expenses incurred in connection with the issue of shares	(90)	—	—	—	—	—	(90)
Transfer arising on shares repurchased and cancelled	—	159	—	—	—	—	159
Exchange difference arising from translation of financial statements of PRC operations	—	—	—	(141)	—	—	(141)
Share of exchange difference arising from translation of financial statements of PRC operations of a jointly controlled entity	—	—	—	(213)	—	—	(213)
Share of PRC statutory reserves of an associate	—	—	—	—	—	(130)	(130)
Share of goodwill arising on acquisition of subsidiaries by jointly controlled entities	—	—	—	—	(23,394)	—	(23,394)
Goodwill arising on acquisition of subsidiaries/additional interests in a subsidiary	—	—	—	—	(414,901)	—	(414,901)
Goodwill arising on acquisition of jointly controlled entities	—	—	—	—	(482,661)	—	(482,661)
Capital reserve arising on acquisition of an associate	—	—	—	—	6,169	—	6,169
Realised on disposal and partial disposal of a jointly controlled entity	—	—	—	(90)	684	(1,368)	(774)
Realised on disposal and partial disposal of interests in subsidiaries	—	—	—	—	2,112	—	2,112
Transfers, net of minority interests' share (note 28)	—	—	—	—	—	49,196	49,196
At 31st December, 2000	9,316,446	159	299	8,075	(1,001,904)	177,480	8,500,555
Premium arising on issue of shares	33,652	—	—	—	—	—	33,652
Expenses incurred in connection with the issue of shares	(49)	—	—	—	—	—	(49)
Transfer arising on shares repurchased and cancelled	—	314	—	—	—	—	314
Exchange difference arising from translation of financial statements of PRC operations	—	—	—	(162)	—	—	(162)
Share of PRC statutory reserves of an associate	—	—	—	—	—	(648)	(648)
Realised on deemed disposal of interest in a jointly controlled entity	—	—	—	—	648	(454)	194
Realised on partial disposal of an associate	—	—	—	—	—	(673)	(673)
Transfers, net of minority interests' share (note 28)	—	—	—	—	—	51,965	51,965
At 31st December, 2001	9,350,049	473	299	7,913	(1,001,256)	227,670	8,585,148

29. OTHER RESERVES (continued)

The goodwill comprises approximately HK\$2,242 million (2000: HK\$2,243 million) in respect of goodwill, approximately HK\$103 million (2000: HK\$103 million) in respect of negative goodwill and approximately HK\$1,138 million (2000: HK\$1,138 million) in respect of capital reserve which arose in 1997 upon reduction of share premium as confirmed by the Order of the High Court of Hong Kong.

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Total HK\$'000
THE COMPANY				
At 1st January, 2000	9,196,261	—	1,137,728	10,333,989
Premium arising on issue of shares	120,275	—	—	120,275
Expenses incurred in connection with the issue of shares	(90)	—	—	(90)
Transfer arising on shares repurchased and cancelled	—	159	—	159
At 31st December, 2000	9,316,446	159	1,137,728	10,454,333
Premium arising on issue of shares	33,652	—	—	33,652
Expenses incurred in connection with the issue of shares	(49)	—	—	(49)
Transfer arising on shares repurchased and cancelled	—	314	—	314
At 31st December, 2001	9,350,049	473	1,137,728	10,488,250

The Company's capital reserve which arose in 1997 upon reduction of share premium as confirmed by the Order of the High Court of Hong Kong was not realised profits and is an undistributable reserve.

PRC statutory reserves are reserves required by the relevant PRC laws applicable to the Group's PRC subsidiaries, jointly controlled entities and associates.

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30. UNSECURED LONG-TERM BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank loans	1,170,000	1,755,000	1,170,000	1,755,000
Other loan	4,187	—	—	—
	1,174,187	1,755,000	1,170,000	1,755,000
Less: Bank and other borrowings due within one year included under current liabilities (note 25)	(1,170,000)	(585,000)	(1,170,000)	(585,000)
Amount due after one year	4,187	1,170,000	—	1,170,000
The bank and other borrowings are repayable as follows:				
Within one year	1,170,000	585,000	1,170,000	585,000
Between one to two years	4,187	1,170,000	—	1,170,000
	1,174,187	1,755,000	1,170,000	1,755,000

31. DEFERRED TAXATION

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Balance brought forward	74,800	71,050
Charge for the year (note 9)	9,224	3,750
Balance carried forward	84,024	74,800

The deferred tax liability represents principally the tax effect of timing differences arising as a result of the excess of depreciation allowances claimed for tax purposes over depreciation charged in the financial statements.

The Group and the Company had no significant unprovided deferred taxation at the balance sheet date.

Deferred tax has not been provided on the revaluation surplus arising on the revaluation of property in the PRC as it is not expected that the potential deferred taxation liability will crystallise in the foreseeable future.

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32. RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 HK\$'000	2000 HK\$'000
Profit from ordinary activities before taxation	1,489,969	1,314,567
Dividend income from listed investments	(2,845)	(14,143)
Income from unlisted investments, other than infrastructure projects	(11,004)	(2,913)
Interest income	(137,941)	(273,533)
Interest on borrowings	93,771	135,560
Rental income	(3,717)	(2,387)
Share of results of jointly controlled entities	(266,846)	(225,649)
Share of results of associates	(72,370)	(42,475)
Impairment loss of goodwill	1,158	—
Depreciation and amortisation of property, plant and equipment	108,114	98,588
Net unrealised holding (gain) loss on investment in securities	(1,135)	9,846
Gain on disposal of investment in securities	(46,048)	(51,568)
Loss (gain) on disposal of property, plant and equipment	969	(5,780)
Loss on disposal and partial disposal of interests in subsidiaries	2,886	2,474
Gain on partial disposal of an associate	(1,552)	—
Gain on disposal and partial disposal of interest in jointly controlled entities	—	(19,822)
Gain on deemed disposal of interest in a jointly controlled entity	(155,694)	—
Impairment loss on investments in infrastructure and other projects	17,277	9,823
Impairment loss on interest in a jointly controlled entity	—	2,100
Impairment loss on investment in securities	17,410	—
Decrease in inventories	49,191	94,889
Decrease in trade and other receivables	171,852	6,525
(Decrease) increase in trade and other payables	(46,616)	118,367
Net cash inflow from operating activities	1,206,829	1,154,469

33. PURCHASE OF SUBSIDIARIES

	2001 HK\$'000	2000 HK\$'000
Net assets acquired:		
Property, plant and equipment	36,899	—
Interest in a jointly controlled entity	—	164,411
Inventories	4,461	
Trade and other receivables	378	—
Bank balances and cash	7,159	—
Trade and other payables	(6,578)	—
Bank loans	(30,137)	—
Minority interests	(2,303)	—
	9,879	164,411
Goodwill arising on the Group's acquisition of subsidiaries	914	390,000
Goodwill arising on the subsidiary's acquisition of a jointly controlled entity	—	381,589
	914	771,589
	10,793	936,000
Satisfied by:		
Investment in infrastructure and other projects	6,116	—
Interest in an associate	(586)	—
Cash consideration paid	5,263	936,000
	10,793	936,000
Net inflow (outflow) of cash and cash equivalents in connection with the purchase of subsidiaries:		
Bank balances and cash acquired	7,159	—
Cash paid	(5,263)	(936,000)
	1,896	(936,000)

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33. PURCHASE OF SUBSIDIARIES (continued)

The subsidiaries acquired during the year contributed HK\$8,140,910 to the Group's net operating cash flows, paid HK\$2,990,109 in respect of the net returns on investments and servicing of finance, utilised HK\$10,339,881 for investing activities and raised HK\$905,317 in respect of financing activities.

The subsidiaries acquired during the year contributed HK\$42,169,030 and HK\$4,453,347 to the Group's turnover and profit before taxation respectively.

34. DISPOSAL OF A SUBSIDIARY

	2001 HK\$'000	2000 HK\$'000
Net assets disposed of:		
Property, plant and equipment	—	19
Inventories	—	16
Trade and other receivables	—	452
Bank balances and cash	—	312
Trade and other payables	—	(437)
Net assets	—	362
Attributable goodwill previously written off against reserves	—	2,112
Loss on disposal of a subsidiary	—	(2,474)
	—	—
Satisfied by:		
Cash consideration received	—	—
Analysis of net outflow of cash and cash equivalents in connection with the disposal of a subsidiary:		
Cash consideration received	—	
Bank balances and cash disposed of	—	(312)
Net outflow of cash and cash equivalents in connection with the disposal a subsidiary	—	(312)

The subsidiary disposed of during the year ended 31st December, 2000 did not have significant impact on the Group's cash flows or operating results for the year.

35. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Issued capital, share premium and capital redemption reserve HK\$'000	Minority interests HK\$'000	Bank and other loans HK\$'000
At 1st January, 2000	9,284,869	369,407	2,390,561
Issue of shares for cash	121,612	—	—
Expenses incurred in connection with the issue of shares	(90)	—	—
Shares repurchased and cancelled			
Consideration paid	(20,513)	—	—
Premium charged to accumulated profits	20,354	—	—
Transfer from accumulated profits	159	—	—
Capital contributions in cash by minority shareholders of subsidiaries	—	1,946	—
Acquired on increasing the Group's interest in a subsidiary	—	(25,332)	—
Share of profits by minority shareholders of subsidiaries	—	99,598	—
Dividends paid to minority shareholders of subsidiaries	—	(44,557)	—
Borrowings raised	—	—	25,319
Repayments during the year	—	—	(630,140)
At 31st December, 2000	9,406,391	401,062	1,785,740
Issue of shares for cash	33,986	—	—
Expenses incurred in connection with the issue of shares	(49)	—	—
Shares repurchased and cancelled			
Consideration paid	(40,525)	—	—
Premium charged to accumulated profits	40,211	—	—
Transfer from accumulated profits	314	—	—
Capital contributions in cash by minority shareholders of subsidiaries	—	27,612	—
Acquired on increasing the Group's interest in subsidiaries	—	(3,379)	—
Acquired on acquisition of subsidiaries	—	2,303	30,137
Increase in minority interests arising on partial disposal of subsidiaries	—	3,026	—
Share of profits by minority shareholders of subsidiaries	—	178,581	—
Dividends paid and payable to minority shareholders of subsidiaries	—	(126,896)	—
Borrowings raised	—	—	21,074
Repayments during the year	—	—	(606,072)
At 31st December, 2001	9,440,328	482,309	1,230,879

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36. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the balance sheet date, the Group and the Company had commitments under non-cancellable operating leases which fall due as follows:

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Within one year	48,379	49,701	4,190	4,284
In the second to fifth year inclusive	170,557	174,428	1,732	67
After five years	327,674	244,945	—	—
	546,610	469,074	5,922	4,351

Operating lease payments represent rental payable by the Group and the Company for certain office and factory properties. Leases are negotiated for an average term of 20 years and rentals are fixed for an average of 2 years.

Included in the above are operating lease commitments for land and buildings of approximately HK\$542 million (2000: HK\$467 million) and HK\$5.9 million (2000: HK\$4.4 million) payable by the Group and the Company respectively to the ultimate holding company and fellow subsidiaries.

The Group and the Company had no significant operating lease commitments for equipment and motor vehicles at the balance sheet date.

36. OPERATING LEASE ARRANGEMENTS (continued)

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP			
	Land and buildings		Plant and machinery	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Within one year	755	2,109	2,131	—
In the second to fifth year inclusive	1,770	8,540	6,393	—
After five years	—	1,442	—	—
	2,525	12,091	8,524	—

The Company had no significant operating lease arrangements at the balance sheet date.

37. CAPITAL COMMITMENTS

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of		
— investment in SMIC	358,581	—
— investments in the PRC the subsidiaries and jointly controlled entities	163,263	45,480
— acquisition of property, plant and equipment	17,458	160,340
— additions in construction in progress	5,641	—
	544,943	205,820
Capital expenditure authorised but not contracted for in respect of		
— investments in the PRC subsidiaries and jointly controlled entities	186,916	186,916

37. CAPITAL COMMITMENTS (continued)

In addition to the above, the Group's share of capital commitments of the jointly controlled entities are as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of		
— investments in the PRC subsidiaries and jointly controlled entities	12,070	9,202
— acquisition of property, plant and equipment	41,553	128,173
— additions in construction in progress	1,645	—
	55,268	137,375
Capital expenditure authorised but not contracted for in respect of		
— acquisition of property, plant and equipment	—	22,959

38. OTHER COMMITMENTS

At the balance sheet date, there were outstanding interest rate hedging contracts entered into by the Company with certain financial institutions to hedge the floating interest rate risk of the Company's bank loans of US\$150 million (2000: US\$225 million).

39. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Guarantees given to banks in respect of banking facilities extended to				
— subsidiaries	—	—	215,000	220,120
— jointly controlled entities	49,533	—	—	—
	49,533	—	215,000	220,120

Details of contingent liabilities given by the Group and the Company to connected persons are set out in note 42 (I)(c).

40. RETIREMENT BENEFITS SCHEMES

The Company and its subsidiaries in Hong Kong operate defined contribution retirement benefits scheme for their qualifying employees. To comply with the Mandatory Provident Fund Schemes Ordinance (the "MPFO"), a Mandatory Provident Fund Scheme (the "MPF Scheme") has also been established. New employees joined on or after 1st December, 2000, however, must join the MPF Scheme. The assets of both schemes are held separately in funds which are under the control of independent trustees. The retirement benefits schemes contributions charged to the income statement represent contributions payable by the Company and its subsidiaries in Hong Kong to the funds at rates specified in the rules of the schemes. When there are employees who leave the defined contribution retirement benefits scheme prior to becoming fully vested in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Company and its subsidiaries in Hong Kong.

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

At the balance sheet date, no forfeited contributions are available to reduce the contribution payable in the future years.

41. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

(I) Connected Persons

- (a) During the year, the Group had significant transactions and balances with related parties, some of which are also deemed to be connected persons pursuant to the Rules Governing the Listing of Securities on the Stock Exchange. The significant transactions with the connected parties during the year, and significant balances with them at the balance sheet date, are as follows:

Connected persons	Nature of transaction	THE GROUP	
		2001 HK\$'000	2000 HK\$'000
Transactions			
<i>Ultimate holding company:</i>			
Shanghai Industrial Investment (Holdings) Company Limited	Rentals paid on land and buildings (note (i))	8,179	8,245
<i>Fellow subsidiaries:</i>			
Nanyang Enterprises Properties Limited	Rentals paid on land and buildings (note (i))	19,800	19,800
SIIC Estate Company Limited	Rentals paid on land and buildings (note (i))	969	969
上海實業發展有限公司 (Shanghai SIIC Development Ltd.)	Rentals paid on land and buildings (note (i))	18,978	18,979
上海上實(集團)有限公司 (SIIC Shanghai Holdings Co., Ltd.)	Rentals paid on land and buildings (note (i))	1,810	1,589
<i>Joint venture partners of the Company's PRC subsidiaries:</i>			
中國(杭州)青春寶集團公司 (China (Hangzhou) Qingchunbao Group Co.)	Sales of finished medicine and health products (note (ii))	41	28,913
("China Qingchunbao") and its subsidiaries	Purchase of raw materials (note (ii))	2,621	1,429
Balances			
<i>Joint venture partner of the Company's PRC subsidiary:</i>			
China Qingchunbao and its subsidiaries	Balance at 31st December		
	— trade receivables	147	2,543
	— trade payables	1,116	173
	— dividend payable	50,000	—



41. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

(continued)

(I) Connected Persons (continued)

Notes:

- (i) The rentals were charged in accordance with the relevant tenancy agreements and the prevailing rent was equivalent or approximate to the open market rentals as certified by an independent firm of professional property valuers when the tenancy agreements were entered into.
 - (ii) These transactions were carried out at market prices or, where no market price was available, at cost plus a percentage profit mark-up.
- (b) Details of operating lease commitments with connected parties are set out in note 36.
- (c) As at 31st December, 2001, the Company had given guarantees amounting to approximately HK\$39 million (2000: HK\$35 million) to various banks in respect of credit facilities granted to The Wing Fat Printing Company, Limited ("Wing Fat") which is 93.3% indirectly owned by the Group. Also, the Group had provided advances to Wing Fat for financing its operations. As at 31st December, 2001, the Group had advanced approximately HK\$159 million (2000: HK\$159 million) to Wing Fat. The advances are unsecured, interest-free and have no fixed repayment terms. The guarantees given by the Company and advances made by the Group were the only financial assistance given by Wing Fat's shareholders to Wing Fat.

As at 31st December, 2000, the Company had given a guarantee amounting to HK\$5 million to a bank in respect of credit facilities granted to SIIC Medical Science and Technology (Group) Limited ("SIIC MedTech") which was a non-wholly owned subsidiary of the Group. The guarantee given by the Group was the only financial assistance given by the shareholders of SIIC MedTech to SIIC MedTech. The guarantee was released during the year.

41. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(II) Related Parties, Other Than Connected Persons

- (a) The significant transactions with related parties, other than connected persons, during the year, and significant balances with them at the balance sheet date, are as follows:

Related parties	Nature of transaction	THE GROUP	
		2001 HK\$'000	2000 HK\$'000
Transactions			
<i>Jointly controlled entities:</i>			
Sonconpak Limited	Purchase of packing materials (note (i))	—	1,712
Dragon Wealth Assets Limited	Service income (note (ii))	1,919	1,914
	Promotional expenses paid (note (ii))	3,724	7,453
Daily Wealth Investments Limited	Purchase of finished goods (note (i))	1,418	2,944
	Material cost received (note (i))	529	1,520
<i>Associate:</i>			
上海申永燙金材料有限公司 (Shanghai Shen Yong Stamping Foil Co., Ltd.)	Collection made on behalf of the group	23,289	5,474
	Payment made on behalf of the Group	21,364	9,346
Balances			
<i>Jointly controlled entities:</i>			
Dragon Wealth Assets Limited	Balance at 31st December — long-term receivable (note (iii))	3,120	3,120
Shanghai Jahwa United Co., Ltd.	Balance at 31st December — loan receivable (note (iii))	4,000	—
Mergen Holdings Ltd.	Balance at 31st December — long-term receivable (note (iii))	195,217	176,113
<i>Associates:</i>			
上海申永燙金材料有限公司 (Shanghai Shen Yong Stamping Foil Co., Ltd.)	Balance at 31st December — other receivable	19,037	18,004
	— short-term loan (note (iv))	7,541	—
濟南泉永印務有限公司 (Jinan Quanyong Printing Co., Ltd.)	Balance at 31st December short-term loan (note (iv))	—	3,738

41. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

(continued)

(II) Related Parties, Other Than Connected Persons (continued)

Notes:

- (i) These transactions were carried out at market prices or, where no market price was available, at cost plus a percentage profit mark-up.
 - (ii) These transactions were carried out in accordance with the terms of the agreement entered into between the relevant parties.
 - (iii) The loan is unsecured, bears interest at commercial rates and has no fixed repayment terms.
 - (iv) The loan is unsecured, bears interest at commercial rates and is repayable on demand.
- (b) As at 31st December, 2001, the Group had fixed bank deposits of approximately HK\$28 million (2000: nil) and HK\$21 million (2000: nil) pledged to banks in respect of banking facilities granted to an associate and a jointly controlled entity respectively.

For the year ended 31st December, 2001

42. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31st December, 2001 are as follows:

Name of subsidiary	Place of incorporation or establishment/ operations	Nominal value of issued and fully paid share capital/registered capital	Percentage of issued/ registered capital held by the attributable		Principal activities
			Company/ subsidiaries	to the Group	
S.I. Infrastructure Holdings Limited	British Virgin Islands/ Hong Kong	US\$1	100%	100%	Investment holding
SIHL Treasury Limited	Hong Kong	Ordinary shares – HK\$2	100%	100%	Provision of treasury management services
SIIC Medical Science and Technology (Group) Limited ("SIIC MedTech")	Cayman Islands/ Hong Kong	Ordinary shares – HK\$62,000,000	64.3%	64.3%	Investment holding
正大青春寶藥業有限公司 (Chia Tai Qingchunbao Pharmaceutical Co., Ltd.)	PRC	RMB128,500,000	55%	35.4%	Manufacture and sale of Chinese medicine and health food
Nanyang Tobacco (Marketing) Company, Limited	British Virgin Islands/PRC and Macau	Ordinary shares – US\$1 – HK\$100,000,000	100%	100%	Sale and marketing of cigarettes and raw materials sourcing
Nanyang Brothers Tobacco Company, Limited	Hong Kong	Ordinary shares – HK\$2 Non-voting deferred shares – HK\$8,000,000	100%	100%	Manufacture of cigarettes
上海東方商廈有限公司 (Shanghai Orient Shopping Centre Ltd.)	PRC	RMB37,340,000	51%	51%	Management and operation of a shopping centre
The Wing Fat Printing Company, Limited	Hong Kong	Ordinary shares – HK\$2,000,000 Non-voting deferred shares – HK\$1,829,510	93.3%	93.3%	Manufacture and sale of packaging materials and printed products

With the exception of S. I. Infrastructure Holdings Limited and SIHL Treasury Limited, all the above subsidiaries are indirectly held by the Company.

42. PRINCIPAL SUBSIDIARIES (continued)

None of the deferred shares are held by the Group. The deferred shares carry no rights to receive notice of or to attend or vote at any general meeting of the respective companies and have practically no rights to dividends or to participate in any distributions on winding up.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

43. PRINCIPAL JOINTLY CONTROLLED ENTITIES

Particulars of the Group's principal jointly controlled entities at 31st December, 2001 and which are all established in the PRC are as follows:

Name of jointly controlled entity	Percentage of registered capital		Principal activities
	held by the subsidiaries	attributable to the Group	
Mergen Limited	50%	50%	Research and development of biotechnology products
上海光明乳業有限公司 (Shanghai Bright Dairy and Food Co., Ltd.)	40%	40%	Manufacture, distribution and sale of dairy and related products
上海滙眾汽車製造有限公司 (Shanghai Huizhong Automotive Manufacturing Company Limited) ("Shanghai Huizhong")	50%	50%	Manufacture and sale of automobile components and spare parts
上海萬眾汽車零件有限公司 (Shanghai Wanzhong Automotive Components Co., Ltd.)	50%	50%	Manufacture and sale of automobile components and spare parts
上海三維製藥有限公司 (Shanghai Sunve Pharmaceutical Co., Ltd.)	48%	48%	Manufacture and sale of pharmaceutical products
上海三維生物技術有限公司 (Shanghai Sunway Biotech Co., Ltd.)	90%	49.8%	Manufacture and sale of pharmaceutical products
上海市信息投資股份有限公司 (Shanghai Information Investment Inc.)	20%	20%	Development of communication infrastructure and cable network and provision of internet-related services

43. PRINCIPAL JOINTLY CONTROLLED ENTITIES (continued)

All the above jointly controlled entities are indirectly held by the Company.

The above table lists the jointly controlled entities of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other jointly controlled entities would, in the opinion of the directors, result in particulars of excessive length.

A summary of the financial information of Shanghai Huizhong, the major jointly controlled entity of the Group, is set out in note 44.

44. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP'S MAJOR JOINTLY CONTROLLED ENTITY

The following is a summary of the financial information extracted from the audited financial statements of Shanghai Huizhong for the year ended 31st December, 2001:

Consolidated results for the year:

For the year ended 31st December

	Shanghai Huizhong	
	2001 HK\$'000	2000 HK\$'000
Turnover	3,371,696	3,122,674
Profit from ordinary activities before taxation	289,536	305,872
Profit from ordinary activities before taxation attributable to the Group	144,768	152,936

44. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP'S MAJOR JOINTLY CONTROLLED ENTITY (continued)

Consolidated financial position:

At 31st December

	2001 HK\$'000	2000 HK\$'000
Non-current assets	1,332,663	1,476,572
Current assets	1,612,956	1,641,733
Current liabilities	(896,809)	(1,135,719)
Net assets	2,048,810	1,982,586
Net assets attributable to the Group	1,024,405	991,293

For the year ended 31st December, 2001

45. PRINCIPAL ASSOCIATES

Particulars of the Group's principal associates at 31st December, 2001 and which are all established in the PRC are as follows:

Name of associates	Percentage of registered capital		Principal activities
	held by the subsidiaries	attributable to the Group	
Semiconductor Manufacturing International Corporation	17%	17%	Investment holding and manufacture and marketing of advanced technology semiconductors
上海家化聯合股份有限公司 (Shanghai Jahwa United Co., Ltd.)	28.15%	18.1%	Manufacture, distribution and sale of personal care and cosmetics products
濟南泉永印務有限公司 (Jinan Quanyong Printing Co., Ltd.)	48%	45%	Provision of printing services
上海申永燙金材料有限公司 (Shanghai Shen Yong Stamping Foil Co., Ltd.)	29%	27%	Manufacture of stamping foil
上海實業交通電器有限公司 (Shanghai SIIC Transportation Electric Co., Ltd.)	30%	30%	Manufacture, distribution and sale of automobile components
上海乾通汽車附件有限公司	31.5%	31.5%	Manufacture, distribution and sales of automobile components
浙江天外煙草印刷有限公司 (Zhejiang Tianwai Tobaccos Printing Co., Ltd.)	35%	33%	Provision of printing services

All the above associates are indirectly held by the Company.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.



46. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, the Company has entered into a syndicated loan agreement relating to term loan and revolving credit facilities of HK\$1.6 billion. The loan is unsecured, bears interest at commercial rates and is repayable before 30th April, 2007.

47. SEGMENT INFORMATION

For management purposes, the Group is currently organised into five operating divisions — consumer products/retailing, infrastructure and modern logistics, Chinese medicine and health food, automotive parts and information technology. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Consumer products/retailing	— manufacture and sale of cigarettes, packaging materials and printed products and operation of a shopping centre
Infrastructure and modern logistics	— investment in elevated road projects and modern logistic projects
Chinese medicine and health food operated under SIIC MedTech	— manufacture and sale of Chinese medicine and health food
Automotive parts	— manufacture and sale of automobile components and spare parts
Information technology	— development of communication infrastructure and information technology business

For the year ended 31st December, 2001

47. SEGMENT INFORMATION (continued)

Segment information about these businesses is presented below:

2001

	Consumer products/ retailing HK\$'000	Infrastructure and modern logistics HK\$'000	SIIC MedTech HK\$'000	Automotive parts HK\$'000	Information technology HK\$'000	Consolidated HK\$'000
Income statement:						
External sales	1,756,014	719,493	723,911	—	—	3,199,418
Segment results	171,705	718,245	150,109	—	—	1,040,059
Less: Net corporate administrative expenses						(87,836)
Add: Interest income						137,941
Profit from operations						1,090,164
Interest on bank and other borrowings wholly repayable within five years						(93,771)
Gain on disposal of interests in subsidiaries, associates and jointly controlled entities						154,360
Share of results of jointly controlled entities	67,622	(301)	259	146,388	52,878	266,846
Share of results of associates	26,571	—	27,576	19,830	(1,607)	72,370
Profit from ordinary activities before taxation						1,489,969
Taxation						(108,854)
Profit from ordinary activities after taxation						1,381,115



47. SEGMENT INFORMATION (continued)

2001

	Consumer products/ retailing HK\$'000	Infrastructure and modern logistics HK\$'000	SIIC MedTech HK\$'000	Automotive parts HK\$'000	Information technology HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Balance sheet:							
ASSETS							
Segment assets	2,324,922	5,923,964	750,708	161,028	291,639	—	9,452,261
Interest in jointly controlled entities	452,772	54,299	15,360	1,116,954	344,850	—	1,984,235
Interest in associates	133,075	—	284,012	153,571	1,101,403	—	1,672,061
Unallocated corporate assets							1,727,647
Consolidated total assets							14,836,204
LIABILITIES							
Segment liabilities	389,525	6,548	212,152	—	1,384	—	609,609
Unallocated corporate liabilities							1,305,878
Consolidated total liabilities							1,915,487
Other information:							
Capital additions	253,338	691	11,962	—	1,073	4,160	271,224
Depreciation and amortisation	91,243	22	11,573	—	35	5,241	108,114
Impairment losses	1,158	—	—	—	17,410	17,277	35,845

For the year ended 31st December, 2001

47. SEGMENT INFORMATION (continued)

2000

	Consumer products/ retailing HK\$'000	Infrastructure and modern logistics HK\$'000	SIIC MedTech HK\$'000	Automotive parts HK\$'000	Information technology HK\$'000	Consolidated HK\$'000
Income statement:						
External sales	1,694,550	732,537	533,434	—	—	2,960,521
Segment results	130,036	731,938	112,660	—	—	974,634
Less: Net corporate administrative expenses						(83,512)
Add: Interest income						273,533
Profit from operations						1,164,655
Interest on bank and other borrowings wholly repayable within five years						(135,560)
Gain on disposal of interests in subsidiaries, associates and jointly controlled entities						17,348
Share of results of jointly controlled entities	28,603	—	23,490	151,988	21,568	225,649
Share of results of associates	25,398	—	—	18,593	(1,516)	42,475
Profit from ordinary activities before taxation						1,314,567
Taxation						(80,300)
Profit from ordinary activities after taxation						1,234,267

47. SEGMENT INFORMATION (continued)

2000

	Consumer products/ retailing HK\$'000	Infrastructure and modern logistics HK\$'000	SIIC MedTech HK\$'000	Automotive parts HK\$'000	Information technology HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Balance sheet:							
ASSETS							
Segment assets	2,538,785	6,304,605	633,468	98,109	224,723	—	9,799,690
Interest in jointly							
controlled entities	436,182	—	120,016	1,045,462	217,808	—	1,819,468
Interest in associates	123,649	—	—	146,507	13,928	—	284,084
Unallocated corporate assets							2,591,200
Consolidated total assets							14,494,442
LIABILITIES							
Segment liabilities	382,647	6,548	125,583	53,040	235	—	568,053
Unallocated corporate liabilities							1,886,085
Consolidated total liabilities							2,454,138
Other information:							
Capital additions	77,618	—	7,993	—	—	5,444	91,055
Depreciation and amortisation	82,037	—	10,785	—	—	5,766	98,588
Impairment losses	11,923	—	—	—	—	—	11,923
Non-cash expense	—	—	—	—	—	9,846	9,846

47. SEGMENT INFORMATION (continued)

Geographical segments

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods and services.

	Sales revenue by geographical market		Contribution to profit from operations	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
PRC	2,471,323	2,229,556	969,930	912,031
South-East Asia	303,321	302,767	20,969	19,335
Other Asian countries	140,922	158,091	24,602	14,838
Hong Kong	124,068	124,372	14,083	16,940
Other areas	159,784	145,735	10,475	11,490
	3,199,418	2,960,521	1,040,059	974,634
Less: Net corporate administrative expenses			(87,836)	(83,512)
Add: Interest income			137,941	273,533
Profit from operations			1,090,164	1,164,655

The Group's consumer products/retailing division is located in the PRC and Hong Kong while the infrastructure and modern logistics division, SIIC MedTech division, automotive parts division and information technology division are located in the PRC.

47. SEGMENT INFORMATION (continued)

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Geographical region				
PRC	11,032,885	9,328,390	74,974	21,868
South-East Asia	13,146	1,761	—	—
Hong Kong	3,761,063	5,031,166	195,254	69,187
Other areas	29,110	133,125	996	—
	14,836,204	14,494,442	271,224	91,055