

Notes to the Financial Statements

For the year ended 31 December 2001

1. GENERAL

The Company is an exempted company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Wai Kee Holdings Limited ("Wai Kee"), a limited company incorporated in Bermuda with its shares also listed on the Stock Exchange.

The Company is an investment holding company. The principal activities of the subsidiaries and infrastructure joint ventures are investment holding and the investment in, development, operation and management of toll roads and expressways in People's Republic of China (the "PRC").

2. ADOPTION OF STATEMENT OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted the Statement of Standard Accounting Practice 26 "Segment reporting" ("SSAP26") issued by the Hong Kong Society of Accountants for the first time.

SSAP 26 has established principles for reporting the segmental analysis of financial information and the details are set out in note 5. Segment disclosures for the year ended 31 December 2000 have been amended so that they are presented on a consistent basis.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements have been prepared in accordance with accounting principles generally acceptable in Hong Kong. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 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. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other members of the Group.

On acquisition or disposal, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition or date of disposal.

All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

Notes to the Financial Statements

For the year ended 31 December 2001

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill (negative goodwill) represents the difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary or joint venture at the effective date of acquisition. Goodwill is recognised as an asset and is amortised using the straight line method over its estimated useful life, which is generally 3 to 20 years. Negative goodwill arising on acquisition is recognised as income on a systematic basis over the remaining weighted average useful life of the non-monetary assets acquired.

On the disposal of an investment in a subsidiary or a joint venture, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Investments in subsidiaries

A subsidiary is an enterprise over which the Company has control either directly or indirectly. Control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities.

Investments in subsidiaries are included in the Company's balance sheet at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

Infrastructure joint ventures

Joint venture arrangements which involve the establishment of a separate entity for investment in and development, operation and management of toll roads and expressways and in which each venturer has an interest are referred to as infrastructure joint ventures.

The Group's infrastructure joint ventures are Sino-foreign co-operative joint ventures registered in the PRC in respect of which the partners' cash/profit sharing ratios and the share of net assets upon the expiration of the joint venture periods are predetermined in accordance with the joint venture agreements and may not be in proportion to their capital contribution ratios.

Where the Group's interest in the joint venture is such that it establishes joint control over the economic activity of the joint venture with other venturers, the Group's interests in the joint ventures are carried at cost plus its share of post-acquisition undistributed reserves of the joint ventures in accordance with the defined cash/profit sharing ratios less any decline in value that is other than temporary and borrowing costs capitalized in accordance with the Group's accounting policy. Borrowing costs capitalised will be amortised from the date of the opening of the relevant highways and expressways over the remaining terms of the relevant joint ventures or where shorter, the useful life of relevant highways and expressways.

Notes to the Financial Statements

For the year ended 31 December 2001

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Toll revenue, net of business tax, is recognised on a receipt basis. Minimum income undertakings are recognised when receivable in accordance with the joint venture agreements.

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

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

Dividend income from investments is recognised when the Group's right to receive payment has been established.

Toll highway operation right

Toll highway operation right is recognised as an asset and stated in the balance sheet at cost.

Depreciation of toll highway operation right is provided on the basis of a sinking fund calculation where annual depreciation amounts compounded at a rate of six per cent. per annum will be equal to the cost of the toll highway operation right at the end of the relevant or respective joint venture period.

Property, plant and equipment and depreciation

Property, plant and equipment other than construction in progress are stated at cost less depreciation and any identified impairment loss. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation is of other items of property, plant and equipment charged so as to write off the cost of property, plant and equipment other than construction in progress over their estimated useful lives, using the straight line method, on the following bases:

Freehold land	Nil
Buildings	4% - 5%
Leasehold improvements	Over the term of the lease, or three years, whichever is shorter
Furniture, fixtures and equipment	10% - 25%
Plant and machinery	5% - 10%
Motor vehicles	12.5% - 25%

No depreciation is provided for construction in progress until such assets are ready for their intended use.

Notes to the Financial Statements

For the year ended 31 December 2001

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in securities

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

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity securities) are measured at amortised cost, less any identified impairment loss recognised to reflect irrecoverable amounts. Any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as other investments.

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

Inventories and ginseng crops

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.

The Company uses the full absorption costing method to value its ginseng crops. Included in crop costs are seed, labour, applicable overheads and supplies. Costs are allocated each year based on the total number of acres under cultivation during the year.

Those crop costs relating to the acreage harvested and sold have been charged to the income statement as cost of inventories sold.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are expensed in the period in which they are incurred.

Notes to the Financial Statements

For the year ended 31 December 2001

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation the financial statements of Group's overseas operations which are denominated in currencies other than the Hong Kong dollar and which operate in the PRC and overseas are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves. Such translation differences are recognised as income or as expenses in the period in which the relevant overseas operation is disposed of.

Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straightline basis over the relevant lease term.

Research and development costs

Expenditure on research and development is charged to the income statement in the year in which it is incurred except where a major project is undertaken and it is reasonably anticipated that development costs will be recovered through future commercial activity.

Taxation

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

Notes to the Financial Statements

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverse, the carrying amount of the asset (cash-generating unit) 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

Cash equivalents

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

4. TURNOVER

Turnover of the Group represents toll revenue, net of business tax, minimum income undertakings and amounts received and receivable for goods sold during the year.

In relation to a number of the Group's PRC joint ventures, the Group has obtained minimum income undertakings from the PRC joint venture partners in accordance with the relevant joint venture agreements. Any shortfall of the Group's share of the cash/profit of these PRC joint ventures below the minimum income undertakings will be borne by the PRC joint venture partners. The amount of minimum income shortfall recorded by the Group from its PRC joint venture partners for the year is analysed as follows:

	2001 HK\$'000	2000 HK\$'000
Minimum income undertakings from:		
Partner of a PRC subsidiary	164	2,394
Partners of other joint ventures	137,328	219,894
	137,492	222,288

Notes to the Financial Statements

For the year ended 31 December 2001

5. SEGMENTAL INFORMATION

The Group's turnover and profit before minority interests for the year ended 31 December 2001 by business activity and geographical market are as follows:

By business segments:

	Toll Road HK\$'000	Others HK\$'000	Total HK\$'000
2001			
Turnover: Group and share of infrastructure joint ventures	870,853	75,564	946,417
Less: Share of infrastructure joint ventures' toll revenue	(700,916)	-	(700,916)
Turnover: Group	169,937	75,564	245,501
Segment result	146,171	(17,029)	129,142
Net income recognised in respect of goodwill and negative goodwill	(149)	18,776	18,627
Gain on disposal of interests in infrastructure joint ventures	34,033	-	34,033
Provision for doubtful receivables	(125,765)	-	(125,765)
Interest income			14,819
Unallocated corporate income			249
Unallocated corporate expenses			(60,990)
Operating profit: Group			10,115
Share of operating profit (loss) of joint ventures	400,603	(1,765)	398,838
Finance cost			(111,290)
Profit before taxation			297,663
Taxation	(55,872)	(793)	(56,665)
Profit before minority interests			240,998
Consolidated balance sheet			
Assets			
Segment assets	723,930	165,305	889,235
Interests in joint ventures	3,951,603	3,622	3,955,225
Unallocated corporate assets			781,273
Consolidated total assets			5,625,733
Liabilities			
Segment liabilities	4,746	23,944	28,690
Unallocated corporate liabilities			1,228,749
Consolidated total liabilities			1,257,439
Other information			
Capital additions	136	4,035	4,171
Depreciation and amortisation	8,104	1,242	9,346
Other non-cash expenses	6,360	1,296	7,656

Notes to the Financial Statements

For the year ended 31 December 2001

5. SEGMENTAL INFORMATION (Continued)

By business segments: (Continued)

	Toll Road HK\$'000	Others HK\$'000	Total HK\$'000
2000			
Turnover: Group and share of infrastructure joint ventures	947,718	25,408	973,126
Less: Share of infrastructure joint ventures' toll revenue	(697,352)	–	(697,352)
Turnover: Group	250,366	25,408	275,774
Segment result	224,352	(19,914)	204,438
Net income recognised in respect of goodwill and negative goodwill	(1,045)	13,231	12,186
Interest income			24,172
Unallocated corporate income			2,092
Unallocated corporate expenses			(66,204)
Operating profit: Group			176,684
Share of operating profit of joint ventures	403,462	–	403,462
Finance cost			(130,725)
Profit before taxation			449,421
Taxation	(21,346)	–	(21,346)
Profit before minority interests			428,075
Consolidated balance sheet			
Assets			
Segment assets	714,558	193,661	908,219
Interests in joint ventures	4,463,123	–	4,463,123
Unallocated corporate assets			357,027
Consolidated total assets			5,728,369
Liabilities			
Segment liabilities	3,737	59,141	62,878
Unallocated corporate liabilities			1,412,526
Consolidated total liabilities			1,475,404
Other information			
Capital additions	198	6,818	7,016
Depreciation and amortisation	7,025	2,050	9,075
Other non-cash expenses	6,360	–	6,360

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5. SEGMENTAL INFORMATION (Continued)

By geographical segments:

	PRC HK\$'000	Hong Kong HK\$'000	Overseas HK\$'000	Total HK\$'000
2001				
Turnover: Group and share of infrastructure joint ventures	879,458	64,168	2,791	946,417
Less: Share of infrastructure joint ventures' toll revenue	(700,916)	–	–	(700,916)
Turnover: Group	178,542	64,168	2,791	245,501
Carrying amount of segment assets	4,653,200	826,355	146,178	5,625,733
Capital additions	1,280	331	2,560	4,171
2000				
Turnover: Group and share of infrastructure joint ventures	970,639	2,487	–	973,126
Less: Share of infrastructure joint ventures' toll revenue	(697,352)	–	–	(697,352)
Turnover: Group	273,287	2,487	–	275,774
Carrying amount of segment assets	5,192,518	357,027	178,824	5,728,369
Capital additions	675	332	6,009	7,016

6. GAIN ON DISPOSAL OF INTERESTS IN INFRASTRUCTURE JOINT VENTURES

The gain on disposal represents the gain (net of tax) on disposal of the Group's entire 50% interests in four infrastructure joint ventures of Jieyang Highway Network project which operate the highways linking Jieyang City to Shantou, Fengshun, Chiwei and Chaozhou in Guangdong Province, the PRC.

7. PROVISION FOR DOUBTFUL RECEIVABLES

The amount recognised in the current year represents a provision for doubtful receivables in respect of the minimum income undertakings given by the PRC joint venture partners of the Jieyang Highway Network project.

Notes to the Financial Statements

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8. OPERATING PROFIT: GROUP

	2001 HK\$'000	2000 HK\$'000
Operating profit has been arrived at after charging:		
Amortisation of toll highway operation right	5,236	4,940
Auditors' remuneration	1,577	1,429
Depreciation of property, plant and equipment		
— owned assets	11,024	10,658
— assets under finance leases	259	248
	11,283	10,906
Less: capitalised in inventories and ginseng crops	(9,463)	(8,530)
	1,820	2,376
Loss on disposal of property, plant and equipment	577	—
Operating lease rentals in respect of rented land, premises and equipments	8,322	5,875
Less: capitalised in inventories and ginseng crops	(4,417)	(3,155)
	3,905	2,720
Research and development costs	889	1,966
Staff costs	51,956	56,793
Provident fund scheme contributions, net of forfeited contributions of HK\$263,000 (2000: HK\$435,000)	1,964	1,278
Less: capitalised in inventories and ginseng crops	(18,479)	(16,310)
Total staff costs	35,441	41,761
Exchange loss	9	—
and after crediting:		
Exchange gain	—	1,120
Gain on disposal of property, plant and equipment	—	22

Notes to the Financial Statements

For the year ended 31 December 2001

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' Emoluments

	2001 HK\$'000	2000 HK\$'000
Fees:		
Non-executive directors	710	710
Independent non-executive directors	430	430
	1,140	1,140
Other emoluments (executive directors):		
Salaries and other benefits	9,735	9,281
Performance related incentive payments	2,725	5,288
Retirement benefit scheme contributions	418	377
	12,878	14,946
	14,018	16,086

The emoluments were paid to the directors with the following bands :

	2001 Number of Directors	2000 Number of Directors
Nil to HK\$1,000,000	10	13
HK\$1,000,001 to HK\$2,000,000	-	-
HK\$2,000,001 to HK\$2,500,000	1	1
HK\$2,500,001 to HK\$3,000,000	-	-
HK\$3,000,001 to HK\$3,500,000	1	1
HK\$3,500,001 to HK\$6,000,000	-	-
HK\$6,000,001 to HK\$6,500,000	1	-
HK\$6,500,001 to HK\$7,500,000	-	-
HK\$7,500,001 to HK\$8,000,000	-	1

Details of share options held by individual directors at 31 December 2001 are shown in the directors' report.

Notes to the Financial Statements

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9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Employees Emoluments

During the year, the five highest paid individuals included three directors (2000: three directors), details of whose emoluments are set out above. The emoluments of the remaining two (2000: two) highest paid individuals were as follows:

	2001 HK\$'000	2000 HK\$'000
Salaries and other benefits	3,012	2,876
Performance related incentive payments	550	496
Retirement benefit scheme contributions	219	171
	3,781	3,543

The emoluments were paid to the employees with the following band:

	2001 Number of employees	2000 Number of employees
HK\$1,500,001 to HK\$2,000,000	2	2

10. SHARE OF OPERATING PROFIT OF JOINT VENTURES

	2001 HK\$'000	2000 HK\$'000
Share of operating profit of infrastructure joint ventures before depreciation	521,483	519,694
Amortisation of toll highway operation rights	(120,880)	(115,434)
	400,603	404,260
Share of postacquisition loss of a joint venture	(1,765)	(798)
	398,838	403,462

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11. FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Interest on :		
Borrowings wholly repayable		
— within five years	52,693	72,011
— over five years	51,611	51,728
Add: discount on guaranteed notes	626	626
	52,237	52,354
Total borrowing costs	104,930	124,365
Amortisation of capitalised borrowing costs on financing the joint ventures' toll highways and expressways construction (note 21)	6,360	6,360
	111,290	130,725

12. TAXATION

	2001 HK\$'000	2000 HK\$'000
Current tax	11,665	9,946
Deferred tax	45,000	11,400
	56,665	21,346

The amounts represent share of PRC income tax attributable to the PRC infrastructure joint ventures.

Deferred tax has been provided for timing differences between the depreciation policy for toll highway operation rights adopted by the Group and the infrastructure joint ventures.

No provision for Hong Kong profits tax has been made as the income neither arises, nor is derived from, Hong Kong.

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13. PROFIT FOR THE YEAR

Of the Group's profit for the year of HK\$240,794,000 (2000: HK\$428,099,000), a profit of HK\$368,189,000 (2000: HK\$562,122,000) has been dealt with in the financial statements of the Company.

14. DIVIDENDS

	2001 HK\$'000	2000 HK\$'000
Final dividend paid in respect of 2000 of HK\$0.07 (1999: HK\$0.22) per share	35,431	113,133
Interim dividend paid in respect of 2001 of HK\$0.07 (2000: HK\$0.19) per share	35,431	96,169
	70,862	209,302
7.5% convertible cumulative preference shares dividends	38,879	38,879
	109,741	248,181

A final dividend in respect of 2001 of HK8.8 cents per share amounting to a total of HK\$45,373,000 is proposed by the Board. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The amount will be accounted for as an appropriation of reserves in the year ending 31 December 2002.

The amount of final dividend proposed has been calculated on the basis of 515,601,209 shares in issue as at 20 March 2002.

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15. EARNINGS PER SHARE

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

	2001	2000
	HK\$'000	HK\$'000
Profit for the year	240,794	428,099
Convertible preference shares dividend	(38,879)	(38,879)
Earnings for the purposes of basic earnings per share	201,915	389,220
Effect of dilutive potential ordinary shares:		
Convertible preference shares dividend	N/A	38,879
Earnings for the purposes of diluted earnings per share	N/A	428,099
	2001	2000
	Number	Number
	of shares	of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	506,014,065	510,565,725
Effect of dilutive potential ordinary shares:		
Convertible preference shares	N/A	60,558,411
Options	N/A	450,931
Weighted average number of ordinary shares for the purposes of diluted earnings per share	N/A	571,575,067

The effect of convertible preference shares is excluded from the calculation of diluted earnings per share for the year since the effect will be anti-dilutive.

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16. GOODWILL (NEGATIVE GOODWILL)

	Goodwill HK\$'000	Negative goodwill HK\$'000	Total HK\$'000
THE GROUP			
GROSS AMOUNT			
At 1 January 2001 and 31 December 2001	5,856	(62,751)	(56,895)
AMORTISATION			
At 1 January 2001	(1,759)	13,945	12,186
(Amortised) released for the year	(2,290)	20,917	18,627
At 31 December 2001	(4,049)	34,862	30,813
CARRYING AMOUNT			
At 31 December 2001	1,807	(27,889)	(26,082)
At 31 December 2000	4,097	(48,806)	(44,709)

Goodwill is amortised using the straight line method over its estimated useful life which ranges from generally 3 to 20 years.

Negative goodwill is recognised as income over 3 years, being the remaining weighted average useful life of the non-monetary assets acquired by the Group on the acquisition of Chai-Na-Ta Corp.

17. TOLL HIGHWAY OPERATION RIGHT

	HK\$'000
THE GROUP	
COST	
At 1 January 2001 and at 31 December 2001	105,330
AMORTISATION	
At 1 January 2001	29,622
Amortised for the year	5,236
At 31 December 2001	34,858
CARRYING AMOUNT	
At 31 December 2001	70,472
At 31 December 2000	75,708

The Group had a right to operate and collect tolls from a highway situated in the PRC for a term of 20 years from the date of business licence of the PRC subsidiary.

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18. PROPERTY, PLANT AND EQUIPMENT

	Freehold land in overseas HK\$'000	Construction in progress situated in the PRC HK\$'000	Land and buildings HK\$'000	Leasehold improvement HK\$'000	Furniture, fixture and equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP								
COST								
At 1 January 2001	3,142	14,940	15,181	3,035	9,729	104,776	5,724	156,527
Additions	-	-	1,327	-	303	2,104	437	4,171
Disposals	-	-	(550)	(328)	(797)	(580)	(341)	(2,596)
Reclassification	-	-	(9,159)	-	-	9,628	(469)	-
Transfer	-	(14,940)	-	-	-	14,940	-	-
Exchange adjustments	(205)	-	(881)	(137)	(219)	(6,818)	(140)	(8,400)
At 31 December 2001	2,937	-	5,918	2,570	9,016	124,050	5,211	149,702
DEPRECIATION								
At 1 January 2001	-	-	4,883	2,217	7,269	69,398	4,112	87,879
Charge for the year	-	-	239	284	1,211	9,153	396	11,283
Eliminated on disposals	-	-	(169)	(255)	(538)	(470)	(65)	(1,497)
Reclassification	-	-	(3,038)	-	-	3,442	(404)	-
Exchange adjustments	-	-	(300)	(104)	(193)	(4,516)	(102)	(5,215)
At 31 December 2001	-	-	1,615	2,142	7,749	77,007	3,937	92,450
CARRYING AMOUNT								
At 31 December 2001	2,937	-	4,303	428	1,267	47,043	1,274	57,252
At 31 December 2000	3,142	14,940	10,298	818	2,460	35,378	1,612	68,648

	2001 HK\$'000	2000 HK\$'000
The Group's land and buildings are situated in		
— overseas and freehold	2,937	3,142
— overseas and held under medium term leases	3,360	9,160
— the PRC and held under medium term leases	943	1,138
	7,240	13,440

The Group has pledged land and buildings situated in overseas having a carrying amount of HK\$4,564,000 (2000: HK\$3,142,000) to secure a long term loan.

The carrying amount of the Group's plant and machinery includes an amount of HK\$1,429,000 (2000: HK\$2,000,000) in respect of assets held under finance leases.

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19. INTERESTS IN SUBSIDIARIES

	2001 HK\$'000	2000 HK\$'000
Unlisted shares at cost	1,388,042	1,388,042
Amounts due from subsidiaries	1,321,670	1,600,969
	2,709,712	2,989,011

The carrying value of the unlisted shares is based on the book value of the underlying net assets of the subsidiaries attributable to the Group at the time they became members of the Group pursuant to the Group's reorganisation in 1996.

Details of the Company's principal subsidiaries at 31 December 2001 are as follows:

Name of subsidiary	Place of incorporation/ registration*	Issued and fully paid ordinary share capital/ registered capital*	Proportion of nominal value of issued ordinary shares capital/ registered capital* held by the Company		Principal activities
			Directly %	Indirectly %	
Chai-Na-Ta Corp.	Canada	C\$24,320,817	–	62	Production and sale of North American ginseng
Herb King International Limited	Barbados	US\$7,510,000	–	100	Investment holding
CNT Life Sciences, Inc.	British Virgin Islands	US\$1	–	100	Investment holding
Pida Investments Limited	British Virgin Islands	US\$1	–	100	Investment holding
More Growth Finance Limited	British Virgin Islands	US\$1	–	100	Investment holding
Road King (China) Infrastructure Limited	British Virgin Islands	HK\$1,300,000,000	100	–	Investment holding
Road Billion Investments Limited	British Virgin Islands	US\$1	100	–	Provision of financial services
Road King Infrastructure Finance (1997) Limited	British Virgin Islands	US\$1	100	–	Provision of financial services
Road King Infrastructure Management Limited	Hong Kong	HK\$2	–	100	Provision of management services
Zhongshan Qijiang Highway Company Limited 中山市岐江公路有限公司	PRC*	RMB60,480,000*	–	75*	Management of Provincial Highway 268 Zhongshan Shiqi- Jiangmen Highway in Zhongshan, PRC

Notes to the Financial Statements

For the year ended 31 December 2001

19. INTERESTS IN SUBSIDIARIES (Continued)

* Zhongshan Qijiang Highway Company Limited is a co-operative joint venture registered in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the period or constituted a substantial portion of the net asset 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 loan capital outstanding at the end of the year.

20. INTERESTS IN JOINT VENTURES

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Interests in infrastructure joint ventures		
Cost of investments	1,628,105	1,810,011
Share of post-acquisition undistributed results	1,099,200	968,717
	2,727,305	2,778,728
Loans to infrastructure joint ventures	2,505,912	2,777,085
Repayment of loans from infrastructure joint ventures	(1,408,662)	(1,226,098)
Net borrowing cost capitalised on financing the infrastructure joint ventures' toll highways and expressways construction (note 21)	127,048	133,408
	3,951,603	4,463,123
Interest in other joint venture		
Cost of investment	4,454	798
Loan to a joint venture	933	-
Share of post-acquisition undistributed results	(1,765)	(798)
	3,622	-
	3,955,225	4,463,123

Loans to infrastructure joint ventures are unsecured, interest free and have no fixed repayment terms.

Notes to the Financial Statements

For the year ended 31 December 2001

20. INTERESTS IN JOINT VENTURES (Continued)

All infrastructure joint ventures are co-operative joint ventures established in the PRC, details of which at 31 December 2001 are as follows:

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Anhui Road Universe Hefei Highway Development Co., Ltd. 安徽路宇合肥公路開發有限公司	RMB133,530,000	50%#	Construction and management of Hefei-Liuan Highway, Hefei Section, PRC
Anhui Road Universe Hehuai Highway Dayang Section Development Company Limited 安徽省路宇合淮公路大楊段開發有限公司	RMB90,000,000	60%**	Investment in and development, operation and management of National Highway 206 Hefei-Huainan Highway Dayang Section in Anhui, PRC
Anhui Road Universe Hehuai Highway Yangjin Section Development Company Limited 安徽省路宇合淮公路楊金段開發有限公司	RMB80,000,000	60%**	Investment in and development, operation and management of National Highway 206 Hefei-Huainan Highway Yangjin Section in Anhui, PRC
Anhui Road Universe Liuan Highway Development Co., Ltd. 安徽路宇六安公路開發有限公司	RMB92,400,000	50%#	Construction and management of Hefei-Liuan Highway, Liuan Section, PRC
Bengbu Road King Huaihe Bridge Highway Development Co., Ltd. 蚌埠路勁淮河公路橋開發有限公司	RMB92,880,000	60%**	Investment in and development, operation and management of Provincial Highway 307 Bengbu Huaihe Bridge in Anhui, PRC
Bengbu Road King Huaimeng Highway Development Co., Ltd. 蚌埠路勁懷蒙公路開發有限公司	RMB68,040,000	60%**	Investment in and development, operation and management of Provincial Highway 307 Bengbu Huaiyuan-Mengcheng Highway in Anhui, PRC
Bengbu Road King Chaoyanglu Huaihe Highway Bridge Development Co., Ltd. 蚌埠路勁朝陽路淮河公路橋開發有限公司	RMB73,592,000	60%**	Investment in and construction, operation and management of Bengbu Chaoyanglu Huaihe Highway Bridge in Anhui, PRC
Foshan Guangsan Special-Use Automobile Highway Co., Ltd. 佛山廣三汽車專用公路有限公司	RMB293,364,000	35%	Construction and management of Foshan Guangzhou-Sanshui Expressway in Foshan, PRC

Notes to the Financial Statements

For the year ended 31 December 2001

20. INTERESTS IN JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Guangxi Hengjing Highway Development Co., Ltd. 廣西恆勁公路開發有限公司	RMB81,520,000	70%*#	Investment in and development, operation and management of Yulin-Gongguan Highway, Yulin Section, in Guangxi Zhuang Autonomous Region, PRC
Guangxi Lutong Highway Development Co., Ltd. 廣西路通公路開發有限公司	RMB99,562,400	70%*#	Investment in and development, operation and management of Yulin City Ring Roads, in Guangxi Zhuang Autonomous Region, PRC
Handan Rongguang Highway Development Co., Ltd. 邯鄲榮光公路開發有限公司	RMB78,200,000	70%*#	Construction and management of National Highway 309, Handan-Feixiang Highway in Hebei, PRC
Handan Xinguang Highway Development Co., Ltd. 邯鄲新光公路開發有限公司	RMB81,800,000	70%*#	Construction and management of National Highway 309, Feixiang-Guantao Highway in Hebei, PRC
Hunan Changyi (Baining) Expressway Co., Ltd. 湖南長益(白寧)高速公路有限公司	RMB97,012,000	43.17%#	Investment in and development, operation and management of Hunan Changsha-Yiyang Expressway (Baining Section) in Hunan, PRC
Hunan Changyi (Cangyi) Expressway Co., Ltd. 湖南長益(滄益)高速公路有限公司	RMB98,985,000	43.17%#	Investment in and development, operation and management of Hunan Changsha-Yiyang Expressway (Cangyi Section) in Hunan, PRC
Hunan Changyi (Changbai) Expressway Co., Ltd. 湖南長益(長白)高速公路有限公司	RMB98,554,000	43.17%#	Investment in and development, operation and management of Hunan Changsha-Yiyang Expressway (Changbai Section) in Hunan, PRC
Hunan Changyi (Hengcang) Expressway Co., Ltd. 湖南長益(衡滄)高速公路有限公司	RMB101,695,000	43.17%#	Investment in and development, operation and management of Hunan Changsha-Yiyang Expressway (Hengcang Section) in Hunan, PRC

Notes to the Financial Statements

For the year ended 31 December 2001

20. INTERESTS IN JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Hunan Changyi (Ningheng) Expressway Co., Ltd. 湖南長益（寧衡）高速公路有限公司	RMB98,458,000	43.17%#	Investment in and development, operation and management of Hunan Changsha-Yiyang Expressway (Ningheng Section) in Hunan, PRC
Hunan Changyi (Zijiang No. 2 Bridge) Expressway Co., Ltd. 湖南長益（資江二橋）高速公路有限公司	RMB78,328,000	43.17%#	Investment in and development, operation and management of Hunan Changsha-Yiyang Expressway (Zijiang No. 2 Bridge) in Hunan, PRC
Liu'an Road Universe Liuye Highway Development Co., Ltd. 六安路宇六葉公路開發有限公司	RMB97,800,000	50%#	Construction and management of Liu'an-Yeji Highway (Western Section) in Anhui, PRC
Liu'an Road Universe Pihe Bridge Development Co., Ltd. 六安路宇淝河大橋開發有限公司	RMB90,364,000	50%#	Construction and management of Pihe Bridge in Anhui, PRC
Luodingshi Luochong Highway Company Limited 羅定市羅沖一級公路有限公司	RMB96,800,000	61%**	Construction and management of National Highway 324 Luoding-Chonghua Highway in Luoding, PRC
Pingdingshan Road King Xuchang-Nanyang Highway (Xiangcheng Section) Development Co., Ltd. 平頂山路勁許南公路（襄城段）	RMB73,400,000	50%#	Investment in and development, operation and management of National Highway 311 & Provincial Highway 01 Xuchang-Nanyang Highway, Xiangcheng Section in Henan, PRC
Pingdingshan Road King Xuchang-Nanyang Highway (Yexian Section) Development Co., Ltd. 平頂山路勁許南公路（葉縣段） 開發有限公司	RMB63,400,000	50%#	Investment in and development, operation and management of Provincial Highway 01 Xuchang-Nanyang Highway, Yexian Section in Henan, PRC
Shanxi Lutong Dongguan Highway Co., Ltd. 山西路通東觀公路有限公司	RMB82,340,000	65%**	Investment in and development, operation and management of National Highway 108 Yuci Dongchangshou-Qixian Dongguan Highway in Shanxi, PRC

Notes to the Financial Statements

For the year ended 31 December 2001

20. INTERESTS IN JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Shanxi Lutong Taigu Highway Co., Ltd. 山西路通太古公路有限公司	RMB90,480,000	60%*#	Construction and management of Provincial Highway 104 Taiyuan Ximing-Gujiao Highway in Shanxi, PRC
Shanxi Lutong Taiyu Highway, Co., Ltd. 山西路通太榆公路有限公司	RMB83,414,000	65%*#	Construction and management of National Highway 108 Taiyuan-Yuci Highway in Shanxi, PRC
Shanxi Lutong Xiaodian Fenhe Highway Bridge Co., Ltd. 山西路通小店汾河公路橋有限公司	RMB32,650,000	25%#	Construction and management of Provincial Highway Huanggu Route Xiaodian Fenhe Bridge in Shanxi, PRC
Shanxi Lutong Yuci Highway Co., Ltd. 山西路通榆次公路有限公司	RMB66,410,000	65%*#	Construction and management of National Highway 108 Yuci City Bypass in Shanxi, PRC
Shenzhen Airport - Heao Expressway (Eastern Section) Co., Ltd. 深圳機荷高速公路東段有限公司	RMB440,000,000	45%	Construction and management of Shenzhen Airport-Heao Expressway Eastern Section in Shenzhen, PRC
Shijiazhuang Luhui Road & Bridge Development Co., Ltd. 石家莊路輝道橋開發有限公司	RMB88,000,000	60%*#	Construction and management of National Highway 307, Shijiazhuang-Gaocheng Highway in Hebei, PRC
Shijiazhuang Luxin Road & Bridge Development Co., Ltd. 石家莊路信道橋開發有限公司	RMB44,000,000	60%*#	Construction and management of National Highway 307, GaochengJinzhou Highway in Hebei, PRC
Suzhou Road King Shanghai-Suzhou Airport Road Development Co., Ltd. 蘇州路勁蘇滬機場路發展有限公司	RMB130,000,000	50%	Construction and management of Suzhou-Shanghai Airport Highway in Suzhou, PRC
Wujin Road King Changcao Highway Development Co., Ltd. 武進路勁常漕公路開發有限公司	RMB100,000,000	60.24%*	Construction and management of Provincial Highway 211 Changzhou-Caoqiao Highway in Changzhou, PRC

Notes to the Financial Statements

For the year ended 31 December 2001

20. INTERESTS IN JOINT VENTURES (Continued)

- * The Group does not have effective control over these companies, and accordingly, these companies have not been accounted for as subsidiaries.
- # The profit/cash sharing ratios in these infrastructure joint ventures differ from the proportion of the registered capital held by the Group over the duration of the joint ventures. During the early stage of the joint ventures, the Group is usually entitled to higher profit/cash sharing ratios than the proportion of registered capital held by the Group as contained in the relevant joint venture agreements. Until such time as specified in the joint venture agreements, the other venturers of the joint ventures may be entitled to profit/cash sharing ratios higher than their respective proportion of registered capital held by them over a specific period of time under the joint venture agreements. Thereafter, the profit sharing ratios of the Group may be the same as the proportion of the registered capital held by the Group or in accordance with a predetermined ratio stipulated in the joint venture agreements.

The summary of aggregate financial information of the infrastructure joint ventures, based on the adjusted financial statements prepared under the accounting principles generally accepted in Hong Kong for the year ended 31 December 2001, is as follows:

	2001 HK\$'000	2000 HK\$'000
Income statement		
Net toll revenue	1,006,441	943,593
Depreciation charges	254,477	242,668
Profit before taxation	463,721	426,452
Group's share of profits less losses	400,603	404,260
	2001 HK\$'000	2000 HK\$'000
Balance sheet		
Property, plant and equipment	7,568,823	8,633,901
Other assets	261	1,671
Current assets	221,243	401,370
Current liabilities	(240,208)	(352,130)
Net current (liabilities) assets	(18,965)	49,240
Amounts due to joint venture partners	(3,306,723)	(4,205,255)
Net assets	4,243,396	4,479,557

Notes to the Financial Statements

For the year ended 31 December 2001

21. NET BORROWING COSTS CAPITALISED ON FINANCING THE INFRASTRUCTURE JOINT VENTURES' TOLL HIGHWAYS AND EXPRESSWAYS CONSTRUCTION

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
GROSS AMOUNT		
At beginning of the year and at end of the year	153,896	153,896
AMORTISATION		
At beginning of the year	20,488	14,128
Charge for the year	6,360	6,360
At end of the year	26,848	20,488
CARRYING AMOUNT		
At end of the year	127,048	133,408

22. INVESTMENTS IN SECURITIES

	THE GROUP	
	2001 & 2000 HK\$'000	
Non-current investments		
Held-to-maturity debt securities, unlisted		52,387

23. DEBTORS – DUE AFTER ONE YEAR

The amounts comprise minimum income undertakings guaranteed by the PRC joint venture partners of HK\$143,984,000 (2000: HK\$110,513,000) due in 2004 in accordance with the terms of the relevant joint venture agreements.

Notes to the Financial Statements

For the year ended 31 December 2001

24. CHARGED DEPOSITS

THE GROUP

The amounts have been deposited in several designated banks and are maintained in accordance with the terms and conditions of the Group's financing agreements. These bank balances are charged in favour of several banks and part of the deposits will be applied towards the debt repayment, the manner of which is contained in the relevant financing agreements.

At 31 December 2001, bank balances of HK\$88,717,000 (2000: HK\$176,287,000) are classified under current assets because the balances are pledged as security for the Group's indebtedness due within one year.

THE COMPANY

The amount has been deposited in several designated banks and are maintained in accordance with the terms and conditions of the Group's financing agreements. These bank balances are charged in favour of several banks and part of the deposits will be applied towards the debt repayment, the manner of which is contained in the relevant financing agreements.

At 31 December 2001, bank balances of HK\$35,780,000 (2000: HK\$127,262,000) are classified under current assets because the balances are pledged as security for the Group's indebtedness due within one year.

25. INVENTORIES AND GINSENG CROPS

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Inventories	52,741	59,840
Ginseng crops	94,062	109,799
	146,803	169,639

Ginseng plants reach maturity and normally can be harvested at the end of their third year of growth. However, the Group may allow crops to mature longer to allow for higher yields and additional seed harvests.

Notes to the Financial Statements

For the year ended 31 December 2001

26. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments of the Group is an amount of HK\$234,931,000 (2000: HK\$229,164,000) representing minimum income undertakings due from the PRC joint venture partners.

Minimum income undertakings, which have been recognised and received in accordance with the terms set out in the relevant joint venture agreements, are contractually payable on an annual or semi-annual basis.

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Aged analysis of debtors		
Within 60 days	121,508	57,817
60-90 days	21	723
More than 90 days	114,203	175,581
	235,732	234,121
Interest receivable	1,136	24,693
Deposits and prepayments	20,319	49,777
	257,187	308,591

Notes to the Financial Statements

For the year ended 31 December 2001

27. SHARE CAPITAL

	2001 Number of shares	2000 Number of shares	2001 HK\$'000	2000 HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each	20,000,000,000	20,000,000,000	2,000,000	2,000,000
7.5% convertible preference shares ("CP Shares") of HK\$0.1 each	518,380	518,380	52	52
Issued and fully paid:				
At beginning of the year	506,675,347	526,304,347	50,667	52,630
Shares repurchased and cancelled	(1,849,000)	(19,629,000)	(185)	(1,963)
At end of the year	504,826,347	506,675,347	50,482	50,667

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

Month of repurchase	Number of ordinary shares of HK\$0.1 each	Price per share		Aggregate consideration paid HK\$'000
		Highest	Lowest	
		HK\$	HK\$	
November 2001	560,000	2.800	2.525	1,520
December 2001	1,289,000	3.075	2.875	3,851
	1,849,000			5,371

These repurchased shares were cancelled upon repurchase and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The premium payable on repurchase was paid out of the Company's share premium account.

The CP Shares carry equal rights and rank pari passu with one another and each CP Share has the rights set out below:

The holders of the CP Shares are entitled to a fixed cumulative cash dividend payable in priority to holders of any other class of shares in the capital of the Company in Hong Kong dollars at the rate of 7.5% per annum on the principal amount of HK\$518,380,000.

Notes to the Financial Statements

For the year ended 31 December 2001

27. SHARE CAPITAL (Continued)

All outstanding CP Shares shall be converted into ordinary shares in the period between the second and the fifth anniversaries of the issue date, and the Company will cause to be allotted and issue to each holder as with be equal to the aggregate of the principal amounts of such outstanding CP Shares held by the relevant holder divided by the initial conversion price of HK\$8.56, subject to adjustment.

The holders of the CP Shares are not entitled to vote at general meetings of the Company save in the event that the Company fails to pay the dividend on the CP Shares for two consecutive years, in which case a holder will be entitled to receive notice of and vote at general meetings of the Company.

Options

The Company has a share option scheme under which directors and employees of the Company and of its subsidiaries may be granted options to subscribe for shares in the Company. Details of the share option scheme and a summary of the movement of options granted during the year are set out in the directors' report.

At 31 December 2001, the following options to subscribe for shares were outstanding under the Company's share option scheme:

Date of grant	Exercisable period	Number of options	Exercise price per share
			HK\$
2 August 1999	2 August 2000 to 1 August 2002	2,433,000	5.60
2 August 1999	2 August 2000 to 1 August 2002	2,375,000	4.95
8 August 2000	8 August 2001 to 7 August 2003	11,335,000	3.20
		<u>16,143,000</u>	

28. WARRANTS

During 2000, a bonus issue of warrants was made on the basis of one warrant for every five ordinary shares held on 6 September 2000. Each warrant carries an entitlement to subscribe in cash at a price of HK\$5.00 (subject to adjustment) for one ordinary share of the Company, at any time from 6 March 2001 to 5 September 2003 (both days inclusive).

At 31 December 2001, the company had 101,231,393 outstanding warrants.

Notes to the Financial Statements

For the year ended 31 December 2001

29. RESERVES

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
SHARE PREMIUM				
At beginning of the year	1,468,043	1,544,273	1,468,043	1,544,273
Shares repurchase	(5,186)	(76,230)	(5,186)	(76,230)
At end of the year	1,462,857	1,468,043	1,462,857	1,468,043
EXCHANGE RESERVE				
At beginning of the year	11,801	12,290	-	-
Release on disposal of interests in infrastructure joint ventures	(979)	-	-	-
Exchange differences arising on translation of overseas operations	(5,383)	(489)	-	-
At end of the year	5,439	11,801	-	-
CONTRIBUTED SURPLUS				
At beginning and end of the year	-	-	1,348,042	1,348,042
SPECIAL RESERVE				
At beginning and end of the year	1,260,000	1,260,000	-	-
RETAINED PROFITS				
At beginning of the year	1,377,678	1,197,760	339,999	26,058
Profit for the year	240,794	428,099	368,189	562,122
Dividends (note 14)	(109,741)	(248,181)	(109,741)	(248,181)
At end of the year	1,508,731	1,377,678	598,447	339,999
TOTAL RESERVES	4,237,027	4,117,522	3,409,346	3,156,084

Notes to the Financial Statements

For the year ended 31 December 2001

29. RESERVES (Continued)

Special reserve arising on a group reorganisation represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the issued share capital of Road King (China) Infrastructure Limited, which was acquired by the Company pursuant to the group reorganisation.

The contributed surplus of the Company represents the differences between the consolidated shareholders' funds of Road King (China) Infrastructure Limited at the date on which the Group reorganisation became effective and the nominal amount of the share capital of the Company issued under the Group reorganisation.

In addition to the retained profits, under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company's reserves available for distribution to shareholders as at 31 December 2001 and 2000 were as follows:

	2001	2000
	HK\$'000	HK\$'000
Contributed surplus	1,348,042	1,348,042
Retained profits	598,447	339,999
	1,946,489	1,688,041
Proposed dividend	45,373	35,431

Notes to the Financial Statements

For the year ended 31 December 2001

30. SECURED LOANS

	2001 HK\$'000	2000 HK\$'000
Transferable loan certificate (note i)	809,396	809,396
Repurchase of transferable loan certificate	(41,605)	(41,605)
Repayment of transferable loan certificate	(767,791)	-
	-	767,791
Transferable loan certificate (note i)	580,425	-
Guaranteed notes (note ii)	1,080,962	1,080,337
Repurchase of guaranteed notes	(465,724)	(465,724)
	615,238	614,613
Other loans	3,077	5,242
	1,198,740	1,387,646

The maturity of the above loans is as follows:

	2001 HK\$'000	2000 HK\$'000
Within one year	99,094	148,521
More than one year but not exceeding two years	194,195	624,512
More than two years but not exceeding five years	290,213	-
More than five years	615,238	614,613
	1,198,740	1,387,646
Less : Amount due within one year shown under current liabilities	(99,094)	(148,521)
Amount due after one year	1,099,646	1,239,125

Notes to the Financial Statements

For the year ended 31 December 2001

30. SECURED LOANS (Continued)

Notes:

- (i) The transferable loan certificate facility of US\$138 million, due in January 2002, was fully prepaid during the year and refinanced by a new transferable loan certificate facility of US\$75 million (HK\$581 million) in August 2001. The new facility bears interest rate at 1.4% per annum over LIBOR and will mature on 2 February 2004. The repayment will be made in four successively half yearly instalments and the first instalment will be made on the date falling twelve months after the loan agreement date as of 2 August 2001.

The new facility is secured by charged deposits and mortgage over the shares of certain of the Company's subsidiaries and is jointly and severally guaranteed by the Company and certain of its subsidiaries.

- (ii) The guaranteed notes bear interest at a fixed rate of 9.5% per annum and will mature in July 2007. The notes are secured by a floating charge over all assets of a subsidiary including a charge over deposits and are jointly and severally guaranteed by the Company and certain of its subsidiaries.

31. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
The maturity of obligations under finance leases is as follows:		
Within one year	457	525
More than one year but not exceeding two years	-	464
	457	989
Less: Amount due within one year shown under current liabilities	(457)	(525)
Amount due after one year	-	464

Notes to the Financial Statements

For the year ended 31 December 2001

32. CREDITORS AND ACCRUED CHARGES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Aged analysis of creditors:		
Within 60 days	8,795	5,233
60 - 90 days	2	444
More than 90 days	-	1,168
	8,797	6,845
Interest payable	23,928	50,422
Accrued charges	18,342	21,827
	51,067	79,094

33. DEFERRED TAXATION

At the balance sheet date, major components of the deferred taxation liability are as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Excess of tax allowances over depreciation	294	3,197
Tax losses	(3,867)	(67,582)
Other timing differences	10,748	72,060
	7,175	7,675

There was no significant unprovided deferred taxation for the Group and the Company for the year or at the balance sheet date.

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For the year ended 31 December 2001

34. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES

	2001 HK\$'000	2000 HK\$'000
Profit before taxation	297,663	449,421
Net income recognised in respect of goodwill and negative goodwill	(18,627)	(12,186)
Gain on disposal of interests in infrastructure joint ventures	(34,033)	–
Share of operating profit of joint ventures	(398,838)	(403,462)
Amortisation of toll highway operation right	5,236	4,940
Depreciation of property, plant and equipment	1,820	2,376
Interest income	(14,819)	(24,172)
Interest expenses	111,290	130,725
Loss (gain) on disposal of property, plant and equipment	577	(22)
Decrease (increase) in inventories	21,307	(39,774)
Decrease (increase) in debtors, deposits and prepayments	66,195	(153,765)
Increase (decrease) in creditors and accrued charges	315	(24,940)
Exchange adjustment	1,648	(505)
Net cash inflow (outflow) from operating activities	39,734	(71,364)

Note:

The Group's disposal of its interests in four infrastructure joint ventures during the year had the following effects on:

	2001 HK\$'000
Interests in infrastructure joint ventures	
Cost of investment	181,907
Share of postacquisition undistributed results	74,236
Loans to infrastructure joint ventures	308,132
Repayment of loans from infrastructure joint ventures	(115,556)
	448,719
Exchange reserve released	(979)
	447,740
Cash consideration	481,773
	34,033
Gain on disposal of interests in infrastructure joint ventures	34,033

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35. PURCHASE OF SUBSIDIARIES

During 2000, the Group acquired 62% and 100% of the shares of Chai-Na-Ta Corp. ("CNT") and 珠海市新泰昌建材有限公司 ("新泰昌") for a consideration of approximately HK\$42,417,000 and HK\$3,725,000 respectively. The acquisition of CNT and 新泰昌 has been accounted for by the acquisition method of accounting commencing from 8 May 2000 and 27 March 2000 respectively. The amount of net negative goodwill arising as a result of the acquisition was HK\$59,896,000.

	2000 HK\$'000
NET ASSETS ACQUIRED	
Property, plant and equipment	52,517
Interest in a joint venture	798
Inventories and ginseng crops	121,335
Debtors, deposits and prepayments	21,666
Bank balances and cash	25,780
Creditors and accrued charges	(40,077)
Deferred taxation	(7,675)
Obligations under finance leases	(1,223)
Secured loans	(2,252)
Minority interests	(64,831)
	106,038
Goodwill	(59,896)
	46,142
SATISFIED BY	
Cash	46,142
Net cash outflow arising on acquisition:	
Cash consideration	46,142
Bank balances and cash acquired	(25,780)
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	20,362

The subsidiaries acquired made no material contribution to the Group's net operating cash flows, turnover and to the Group's profit from operations.

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For the year ended 31 December 2001

36. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	2001 HK\$'000	2000 HK\$'000
SHARE CAPITAL AND PREMIUM		
At beginning of the year	1,518,710	1,596,903
Repurchase of own shares	(5,371)	(78,193)
At end of the year	1,513,339	1,518,710
SECURED LOANS		
At beginning of the year	1,387,646	1,528,024
Exchange adjustments	(342)	–
On acquisition of subsidiaries	–	2,252
New transferable loan certificate	580,425	–
New loan raised by an overseas subsidiary	–	2,990
Repayment of transferable loan certificate	(767,791)	(146,246)
Repayment of other loans	(1,824)	–
Discount on guaranteed notes	626	626
At end of the year	1,198,740	1,387,646
LOAN FROM A MINORITY SHAREHOLDER		
At beginning of the year	–	4,875
Repayment of loan from a minority shareholder	–	(4,875)
At end of the year	–	–
OBLIGATIONS UNDER FINANCE LEASES		
At beginning of the year	989	–
Exchange adjustments	(64)	–
On acquisition of subsidiaries	–	1,223
Repayment during the year	(468)	(234)
At end of the year	457	989

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37. PROVIDENT FUND

The Group operates a defined contribution provident fund scheme for all qualifying employees including directors. The assets of the scheme are held separately from those of the Group in funds under the control of the independent trustee.

The provident fund scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group. There was no forfeited contributions available to reduce future contributions at the balance sheet date.

In addition to the retirement benefit schemes operated by the Group, the Group is required to contribute respectively to Mandatory Provident Fund and central pension schemes for certain Group's employees in Hong Kong and the PRC based on applicable rates of monthly salary in accordance with government regulations.

38. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2001 HK\$'000	2000 HK\$'000
Within one year	8,285	3,979
In the second to fifth year inclusive	10,192	9,367
	18,477	13,346

At 31 December 2001 and 2000, the Company had no operating lease commitments.

39. CAPITAL COMMITMENTS

At the balance sheet date, the Group had material capital commitments as follows:

	2001 HK\$'000	2000 HK\$'000
Investment loan to be injected into a subsidiary	7,937	7,937
Investment costs to be injected into infrastructure joint ventures		
Within one year	43,482	34,043
In the second to fifth year inclusive	2,801	16,963
After the fifth year	34,176	44,915
	80,459	95,921
	88,396	103,858

At 31 December 2001 and 2000, the Company had no capital commitments.

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40. CONTINGENT LIABILITIES

At the balance sheet date, the Group and the Company had the following contingent liabilities arising from its interests in joint ventures:

	2001	2000
	HK\$'000	HK\$'000
Guarantees indirectly given to banks in respect of bank facilities utilised by infrastructure joint ventures	150,535	154,973

41. POST BALANCE SHEET EVENT

As at the balance sheet date, Wai Kee owned a total of 253,066,766 shares of the Company, representing approximately 50.22% of the total number of the issued ordinary shares of the Company. On 27 February 2002, the shareholder of the CP shares had exercised conversion rights attaching to 100,000 of the CP shares in the Company held by it. Accordingly, Wai Kee's shareholding in the Company was reduced to approximately 49.08% (on a fully diluted basis) upon the conversion of 100,000 CP shares. Subsequent to the conversion, the Company has ceased to be a subsidiary of Wai Kee.