

# NOTES TO FINANCIAL STATEMENTS

31 December 2001

## 14. Fixed assets

### Group

	Leasehold land and buildings HK\$'000	Office buildings HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Lighters HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost or valuation:								
At beginning of year	130,239	11,900	135,015	9,414	3,151	9,470	18,961	318,150
Additions	—	—	1,089	113	—	—	8,946	10,148
Transfers	14,768	—	12,917	222	—	—	(27,907)	—
Disposals	—	—	(29)	(16)	—	—	—	(45)
Deficit arising on revaluation	—	(2,900)	—	—	—	—	—	(2,900)
Exchange realignment	(3,496)	—	(2,432)	(136)	(33)	—	—	(6,097)
At 31 December 2001	141,511	9,000	146,560	9,597	3,118	9,470	—	319,256
Accumulated depreciation:								
At beginning of year	12,469	—	28,017	3,501	1,003	9,375	—	54,365
Provided during the year	4,984	1,785	10,822	2,018	892	—	—	20,501
Disposals	—	—	(27)	(5)	—	—	—	(32)
Written back on revaluation	—	(1,785)	—	—	—	—	—	(1,785)
Exchange realignment	(348)	—	(400)	(42)	(12)	—	—	(802)
At 31 December 2001	17,105	—	38,412	5,472	1,883	9,375	—	72,247
Net book value:								
At 31 December 2001	124,406	9,000	108,148	4,125	1,235	95	—	247,009
At 31 December 2000	117,770	11,900	106,998	5,913	2,148	95	18,961	263,785
Analysis of cost or valuation:								
At cost	141,511	—	146,560	9,597	3,118	9,470	—	310,256
At valuation	—	9,000	—	—	—	—	—	9,000
	141,511	9,000	146,560	9,597	3,118	9,470	—	319,256

# NOTES TO FINANCIAL STATEMENTS

31 December 2001

## 14. Fixed assets (continued)

Group

An analysis of cost or valuation of the land and buildings at 31 December 2001 is as follows:

	At valuation <i>HK\$'000</i>	At cost <i>HK\$'000</i>	Total <i>HK\$'000</i>
Commercial building situated in Hong Kong under a medium term lease	9,000	—	9,000
Industrial building situated in Hong Kong under a long term lease	—	40,358	40,358
Industrial building held under land use rights of medium term in the Mainland China	—	60,813	60,813
Industrial building situated in the Philippines on freehold land	—	40,340	40,340
	9,000	141,511	150,511

The commercial building was revalued on 31 December 2001 at HK\$9,000,000 (2000: HK\$11,900,000) by Jones Lang LaSalle Limited, an independent firm of qualified professional valuers, at an open market value on an existing use basis. The resulting deficit arising from the revaluation at 31 December 2001 of HK\$1,115,000 (2000: surplus of HK\$1,900,000), was dealt with in the property revaluation reserve (see note 26).

Had there not been any revaluation of the Group's commercial building, the carrying amount of cost less accumulated depreciation at 31 December 2001 would have been approximately HK\$1,500,000 (2000: HK\$1,800,000).

Prior to its transfer to leasehold land and buildings and plant and machinery, the carrying amount of construction in progress included capitalised interest of HK\$1,631,000 (31 December 2000: HK\$1,631,000).

At 31 December 2001, certain of the Group's plant and machinery with a net book value of approximately HK\$50,588,000 were pledged to secure general banking facilities granted to the Group.

# NOTES TO FINANCIAL STATEMENTS

31 December 2001

## 15. Goodwill

SSAP 30 was adopted during the year, as detailed in note 2 to the financial statements. The amount of the goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of subsidiaries, is as follows:

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Cost:		
At beginning of year and at 31 December	<b>21,512</b>	21,512
Accumulated amortisation:		
At beginning of year	<b>13,285</b>	11,134
Amortisation provided during the year	<b>2,151</b>	2,151
At 31 December	<b>15,436</b>	13,285
Net book value:		
At 31 December	<b>6,076</b>	8,227

As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill in respect of acquisitions which occurred prior to 1 January 2001, to remain eliminated against consolidated reserves.

Due to the adoption of SSAP 31 and Interpretation 13, the Group has adopted a policy to assess goodwill eliminated against consolidated reserves for impairment. As a result, the Group has recognised an impairment of part of the goodwill previously eliminated against reserves, of HK\$418,029,000. This impairment has been accounted for retrospectively as a prior year adjustment in accordance with the transitional provisions of SSAP 30. Because this goodwill remains eliminated against consolidated reserves (see note 26), this prior year adjustment has resulted in an increase in the Group's reserves other than retained profits and a reduction of the Group's retained profits as at 31 December 2000 by HK\$418,029,000, respectively, but has had no effect on the net asset value of the Group as at 31 December 2000. This prior year adjustment has had no effect on the current year.

# NOTES TO FINANCIAL STATEMENTS

31 December 2001

## 15. Goodwill (continued)

Movements of the goodwill remaining in consolidated reserves, arising from the acquisition of a subsidiary of HK\$23,188,000, and from acquisition of an associate, of HK\$1,006,454,000, prior to 1 January 2001, were as follows:

	Goodwill eliminated against reserves		
	On acquisition of an associate <i>HK\$'000</i>	On acquisition of a subsidiary <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:			
At beginning of year	1,006,454	23,188	1,029,642
Released on deemed disposal	(9,156)	—	(9,156)
At 31 December 2001	997,298	23,188	1,020,486
Accumulated impairment:			
At beginning of year:			
As previously reported	—	—	—
Prior year adjustment	394,841	23,188	418,029
As restated and as at 31 December 2001	394,841	23,188	418,029
Net book value:			
At 31 December 2001	602,457	—	602,457
At 31 December 2000 (as restated)	611,613	—	611,613

## 16. Rental deposits

Included in rental deposits were HK\$800,000 (2000: HK\$880,000) paid to a fellow subsidiary by the Group relating to the leasing of a site on Tsing Yi Island, Hong Kong and HK\$1,148,000 (2000: HK\$1,247,000) paid to a related company by the Group in respect of the leasing of a site in Manila, the Philippines (see note 31).

## 17. Interests in subsidiaries

	Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i> (Restated)
Unlisted shares, at cost	264,590	264,590
Due from subsidiaries	2,004,630	1,827,813
Provision for an amount due from a subsidiary	(420,829)	(418,029)
	1,848,391	1,674,374
Due to subsidiaries	(561,809)	(361,590)

# NOTES TO FINANCIAL STATEMENTS

31 December 2001

## 17. Interests in subsidiaries (continued)

Except for amounts due from subsidiaries amounting to HK\$1,974,923,000 (2000: HK\$1,799,512,000) of which a substantial portion is not to be repayable in the foreseeable future, all the other balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment (see note 26).

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary capital/registered share capital	Percentage of equity attributable to the Company	Principal activities
Anhui King Bridge Cement Company Limited*	Mainland China	Registered capital US\$15,000,000	60	Manufacturing and distribution of cement
Chiefolk Company Limited	Hong Kong	Ordinary HK\$1,000,000	70	Investment holding
Hong Kong Cement Company Limited	Hong Kong	Ordinary HK\$10,000	100	Import and distribution of cement
Koning Concrete Limited	Hong Kong	Ordinary HK\$10,000	100	Investment holding
TCC Cement Corporation	The Philippines	Ordinary Peso 91,020,500	100	Import and distribution of cement
TCC Hong Kong Cement (BVI) Holdings Limited	The British Virgin Islands/ Hong Kong	Ordinary US\$1,000	100	Investment holding
TCC Hong Kong Cement Development Limited	The British Virgin Islands/ Hong Kong	Ordinary US\$10 Deferred** US\$90	100	Property holding
Dragon Pride International Limited	The British Virgin Islands/ The Philippines	Ordinary US\$100	100	Trading of cement
Ulexite Investments Limited	The British Virgin Islands/ Hong Kong	Ordinary US\$100	100	Investment holding

# NOTES TO FINANCIAL STATEMENTS

31 December 2001

## 17. Interests in subsidiaries (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary capital/registered share capital	Percentage of equity attributable to the Company	Principal activities
HKC Investment Corporation	Taiwan	Ordinary NT\$3,145,000,000	100	Investment holding
OneMore Inc.	Taiwan	Ordinary NT\$100,000,000	51	Provision of advanced interactive multimedia solutions

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

Except for TCC Hong Kong Cement (BVI) Holdings Limited and Ulexite Investments Limited, all the above subsidiaries are indirectly held by the Company.

\* It is an equity joint venture registered in the Mainland China and not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

\*\* The deferred shares of TCC Hong Kong Cement Development Limited are non-voting, carry no rights to dividends and are only entitled to a return of capital when the surplus exceeds US\$1,000,000,000,000,000,000.

## 18. Interests in associates

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets other than goodwill	746,623	637,488
Goodwill arising on acquisition of an associate	12,531	14,011
	<b>759,154</b>	651,499
Dividend receivable from an associate	—	6,000
Loan to an associate, net of provision	24,450	25,913
	<b>783,604</b>	683,412

# NOTES TO FINANCIAL STATEMENTS

31 December 2001

## 18. Interests in associates (continued)

Movements in the goodwill arising from the acquisition of associates, which has been capitalised as an asset in the consolidated balance sheet and included in interests in associates, are as follows:

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Cost:		
At beginning of year	31,135	31,135
Additions	1,735	—
At 31 December	32,870	31,135
Accumulated amortisation:		
At beginning of year	17,124	14,011
Provided during the year	3,215	3,113
At 31 December	20,339	17,124
Net book value:		
At 31 December	12,531	14,011

In April 2000, the Group acquired an approximate 10% equity interest in an associate. The goodwill arising on acquisition of this associate, amounting to HK\$1,006,454,000, was eliminated against consolidated reserves during the year ended 31 December, 2000. Further details of the movements in this goodwill subsequent to its initial recognition are set out in note 15.

The amount due from and the loan to associates are unsecured, interest-free and have no fixed terms of repayment.

# NOTES TO FINANCIAL STATEMENTS

31 December 2001

## 18. Interests in associates (continued)

Particulars of the principal associates are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of equity indirectly attributable to the Company		Principal activities
			2001	2000	
Hong Kong Concrete Company Limited ("Hong Kong Concrete")	Corporate	Hong Kong	31.5	30	Production and distribution of ready-mixed concrete
Quon Hing Concrete Company Limited ("Quon Hing Concrete") *	Corporate	Hong Kong	35	35	Production and distribution of ready-mixed concrete
KG Telecommunications Company Limited ("KG Telecom")+	Corporate	Taiwan	9.87	10.02	Provision of cellular tele-communication services

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

\* The Group, through a 70% owned subsidiary, holds a 50% interest in Quon Hing Concrete.

+ By virtue of the Company's representation on the board of directors of KG Telecom, the Company is able to exercise significant influence over KG Telecom.

48,000,000 shares (2000: 48,000,000 shares) of KG Telecom have been pledged to two banks to secure two bank loans amounting to HK\$247,000,000 (2000: HK\$277,000,000) in aggregate and the general banking facilities granted to the Group (see note 22).

KG Telecom was not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.