

NOTES TO FINANCIAL STATEMENTS

31 December 2001

18. Interests in associates (continued)

The condensed summary post-acquisition results of operations and the financial position of each of the significant associates accounted for by the Group using the equity method for the years ended 31 December 2001 and 2000 were as follows:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i> (Restated)
<i>Hong Kong Concrete</i>		
Current assets	109,457	111,722
Non-current assets	77,070	66,234
Current liabilities	88,704	72,798
Non-current liabilities	13,344	7,776
Commitments	11,437	15,815
Turnover	326,836	349,829
Net profit for the year attributable to shareholders	37,097	52,050
<i>Quon Hing Concrete</i>		
Current assets	129,286	146,334
Non-current assets	80,181	86,822
Current liabilities	85,262	131,229
Non-current liabilities	2,270	4,811
Contingent liabilities	3,806	8,211
Turnover	435,896	484,483
Net profit for the year attributable to shareholders	61,727	55,481
<i>KG Telecom</i>		
Current assets	2,227,341	1,989,401
Non-current assets	10,539,375	9,409,951
Current liabilities	2,683,026	2,202,291
Non-current liabilities	3,344,528	3,636,490
Commitments	3,815,071	3,521,165
Turnover	3,832,614	2,894,704
Net profit for the year attributable to shareholders	155,472	205,142

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19. Investments

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
<i>Investment securities</i>				
Listed equity investments, at cost:				
Listed outside Hong Kong	32,009	32,009	32,009	32,009
Provision for impairment	(26,170)	(17,851)	(26,170)	(17,851)
	5,839	14,158	5,839	14,158
Unlisted equity investments, at cost:				
Hong Kong	6,088	6,088	—	—
Elsewhere	119,823	45,123	—	—
Provision for impairment	(2,800)	—	—	—
	123,111	51,211	—	—
	128,950	65,369	5,839	14,158
Market value of listed equity investments				
– At balance sheet date	3,118	3,211	3,118	3,211
– At date of report	934*	2,264	934*	2,264
* The market value as at date of this annual report reflected the effect of a return of capital of US\$2.00 per share of a listed investment on 15 March 2002. Accordingly, the Group's and the Company's investment in this security was reduced by approximately HK\$2,335,000 upon receipt of such distribution.				
<i>Short term investments</i>				
Listed equity investments, at fair value:				
– Listed in Hong Kong	574	524	574	524
– Listed outside Hong Kong	65,753	41,084	65,753	41,084
	66,327	41,608	66,327	41,608
Unlisted equity investments, at fair value				
	3,791	3,100	—	—
	70,118	44,708	66,327	41,608
Market value of listed equity investments				
– At balance sheet date	66,327	41,608	66,327	41,608
– At date of report	62,506	48,004	62,506	48,004

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20. Trade Receivables

Credit is offered to customers following a financial assessment of the customers or to those customers which have an established payment record. The Group usually allows an average credit period of 60 days to its customers and seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management and their collection is followed up by accounting personnel. The following is an aged analysis of trade receivables as at the balance sheet date (based on invoice date and net of the provision for bad and doubtful debts).

	Group	
	2001 HK\$'000	2000 HK\$'000
Less than 90 days	35,387	81,698
91-180 days	1,833	4,114
181-360 days	547	1,313
	37,767	87,125

The trade receivables of the Group include a trade balance due from an associate of HK\$6,981,000 (2000: HK\$16,425,000), which is unsecured, interest-free and is repayable in accordance with normal trading terms.

21. Inventories

	Group	
	2001 HK\$'000	2000 HK\$'000
Raw materials	3,468	4,258
Work in progress	1,284	3,876
Finished goods	12,939	11,766
Consumable stores	945	521
Packing materials	204	2
	18,840	20,423

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22. Bank Loans

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank loans:				
Secured	410,411	388,694	227,000	207,000
Unsecured	62,500	—	40,000	—
	472,911	388,694	267,000	207,000
Amounts repayable:				
Within one year	136,098	133,893	40,000	10,000
In the second year	89,813	91,800	20,000	40,000
In the third to fifth years, inclusive	247,000	163,001	207,000	157,000
	472,911	388,694	267,000	207,000
Portion classified as current liabilities	(136,098)	(133,893)	(40,000)	(10,000)
Long term portion	336,813	254,801	227,000	197,000

The Company's bank loan amounting to HK\$207,000,000 (2000: HK\$207,000,000) was secured by a corporate guarantee from certain subsidiaries and a pledge of the shares of an associate (see note 18).

Apart from the above, certain of the Group's other bank loans amounting to HK\$167,896,000 (2000: HK\$134,965,000) were secured by a corporate guarantee from the Company and a bank loan of HK\$40,000,000 (2000: HK\$70,000,000) was also secured by a pledge of shares of an associate (see note 18). A further bank loan of the Group amounting to HK\$35,515,000 (2000: HK\$46,729,000) was secured by a pledge of certain of the Group's fixed assets (see note 14) (2000: The loan was guaranteed by the minority shareholder of a 60% owned subsidiary to the extent of HK\$88,800,000 in respect of the loan facilities granted to the subsidiary. In return for the guarantee given by this minority shareholder, the Company issued a counter-guarantee in favour of this minority shareholder to the extent of HK\$53,280,000, which is in proportion to the Group's attributable interest in the subsidiary).

Bank loans amounting to HK\$309,500,000 in aggregate initially due to mature in 2002 were rolled over pursuant to bank facility letters obtained subsequent to the balance sheet date. Pursuant to the roll-overs, the loans will be repayable beyond 31 December 2002 and have, therefore, been classified as non-current liabilities as at the balance sheet date.

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23. Trade payables

The following is an aged analysis of trade payables as at the balance sheet date (based on invoice date).

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Less than 90 days	44,754	33,286
91 – 180 days	55	—
181 – 360 days	201	—
	45,010	33,286

Trade payables of the Group include a trade balance due to the ultimate holding company of HK\$29,372,000 (2000: HK\$23,476,000), which is unsecured, interest-free and is repayable in accordance with normal trading terms.

24. Deferred tax

Deferred tax has been provided for, using the liability method, at the rate of 16% (2000: 16%) on the significant timing differences between the taxable profits and profits reported in the financial statements.

The movement in the Group's deferred tax liabilities is as follows:

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
At beginning of year	1,482	2,172
Amount crystallised during the year (note 9)	—	(690)
At 31 December	1,482	1,482

The principal components of the Group's provision for deferred tax assets/(liabilities) and the amounts not provided for on the timing differences between taxable profits and profits reported in the financial statements are as follows:

	Provided for		Not provided for	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Accelerated depreciation allowances	(1,482)	(1,482)	—	—
Tax losses	—	—	—	10,250
	(1,482)	(1,482)	—	10,250

The revaluation of the Group's fixed assets does not constitute a timing difference and consequently, the amount of potential deferred tax thereon has not been quantified.

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25. Share capital

	Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	200,000	200,000
Issued and fully paid:		
788,906,000 (2000: 799,900,000) ordinary shares of HK\$0.10 each	78,891	79,990

During the year, the Company repurchased a total number of 10,994,000 of its own ordinary shares, at prices ranging from HK\$0.99 to HK\$1.63 per share through The Stock Exchange of Hong Kong Limited pursuant to the Company's share repurchase mandate granted on 15 May 2001. Details of the repurchases are as follows:

Month	Number of shares		Highest price <i>HK\$</i>	Lowest price <i>HK\$</i>	Total consideration <i>HK\$'000</i>
	repurchased				
January 2001	1,392,000		1.58	1.42	2,078
February 2001	758,000		1.57	1.47	1,156
April 2001	2,100,000		1.39	1.23	2,762
May 2001	1,526,000		1.47	1.34	2,120
June 2001	652,000		1.63	1.48	1,034
October 2001	2,400,000		1.12	1.03	2,568
November 2001	1,168,000		1.05	1.02	1,220
December 2001	998,000		1.05	0.99	1,008
	10,994,000				13,946

The repurchased shares were cancelled upon repurchase and accordingly, the issued share capital of the Company was diminished by the nominal value thereof. An amount equivalent to the nominal value of the shares repurchased was transferred from the retained profits of the Company to the capital redemption reserve. The premium payable on the repurchases was charged against the Company's share premium account in accordance with the provisions of the Companies Law (2000 revision) of the Cayman Islands.

Share options

The Company operates a share option scheme (the "Scheme"), further details of which are set out under the heading "Share option scheme" in the Report of the Directors on page 5 to 7.

At 1 January and 31 December 2001, the Company had 33,800,000 share options outstanding under the Scheme, with exercise periods ranging from 1 May 1998 to 10 April 2005 and exercise prices ranging from HK\$1.0192 to HK\$1.6504. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 33,800,000 additional shares of HK\$0.10 each and proceeds (before expenses) of approximately HK\$47,073,000. No options were exercised or granted during the year.

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26. Reserves

Group

	Share premium account HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Goodwill HK\$'000 (Restated)	Property revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 January 2000	112,260	208,263	—	—	12,437	(6,331)	248,848	575,477
Issue of shares	1,112,903	—	—	—	—	—	—	1,112,903
Share issue expenses	(22,625)	—	—	—	—	—	—	(22,625)
Repurchase of shares	(14,316)	—	980	—	—	—	(980)	(14,316)
Goodwill arising from acquisition of:								
– a subsidiary	—	—	—	(23,188)	—	—	—	(23,188)
– an associate	—	—	—	(1,006,454)	—	—	—	(1,006,454)
Surplus on revaluation	—	—	—	—	1,900	—	—	1,900
Exchange realignment on translation of the financial statements of:								
– overseas subsidiaries*	—	—	—	—	—	(11,185)	—	(11,185)
– overseas associates	—	—	—	—	—	(36,232)	—	(36,232)
Loss for the year	—	—	—	—	—	—	(311,791)	(311,791)
Provision for impairment loss of goodwill - Note 13								
– a subsidiary	—	—	—	23,188	—	—	—	23,188
– an associate	—	—	—	394,841	—	—	—	394,841
Underprovision for prior year's dividend	—	—	—	—	—	—	(72)	(72)
2000 interim dividend – Note 11	—	—	—	—	—	—	(24,167)	(24,167)
2000 final dividend proposed – Note 11	—	—	—	—	—	—	(31,910)	(31,910)
At 31 December 2000	1,188,222	208,263	980	(611,613)	14,337	(53,748)	(120,072)	626,369