

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2002

### 1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA").

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

The condensed financial statements have been prepared in accordance with the accounting policies consistent with those adopted by the Group in its financial statements for the year ended 31 December 2001. In addition, the Group has adopted the following revised or new SSAPs issued by HKSA which are effective for accounting periods commencing on or after 1 January 2002.

SSAP 1 (Revised)	Presentation of financial statements
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

In accordance with SSAP 15 (Revised), the cash and cash equivalents is presented by means of cash flow statement which classifies cash flows during the period according to operating, investing and financing activities. Condensed cash flow statement for the six months ended 30 June 2001 have been presented on a consistent basis.

Except for the above, the adoption of the new SSAPs has had no material impact on the Group's financial statements.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2002

### 2. SEGMENTAL INFORMATION

The Group's turnover and profit before minority interests for the six months ended 30 June 2002 by business activity and geographical market are as follows:

By business segments:

	Toll Road <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>For the six months ended 30 June 2002</b>				
Turnover: Group and share of infrastructure joint ventures	378,874	44,068	–	422,942
Less: Share of infrastructure joint ventures' toll revenue	(338,361)	–	–	(338,361)
<b>Turnover: Group</b>	<u>40,513</u>	<u>44,068</u>	<u>–</u>	<u>84,581</u>
Segment result	24,565	(456)	–	24,109
Net income recognised in respect of goodwill and negative goodwill	(75)	10,459	–	10,384
Interest income	464	29	7,746	8,239
Corporate income	–	–	1,549	1,549
Corporate expenses	–	–	(25,065)	(25,065)
<b>Operating profit: Group</b>	<u>24,954</u>	<u>10,032</u>	<u>(15,770)</u>	<u>19,216</u>
Share of operating profit (loss) of joint ventures	207,261	(834)	–	206,427
Finance costs	(3,180)	(63)	(36,256)	(39,499)
<b>Profit before taxation</b>	<u>229,035</u>	<u>9,135</u>	<u>(52,026)</u>	<u>186,144</u>
Taxation	(12,039)	654	–	(11,385)
<b>Profit before minority interests</b>	<u>216,996</u>	<u>9,789</u>	<u>(52,026)</u>	<u>174,759</u>

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED 30 JUNE 2002

**2. SEGMENTAL INFORMATION** *(continued)*By business segments: *(continued)*

	Toll Road <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>For the six months ended 30 June 2001</b>				
Turnover: Group and share of infrastructure joint ventures	419,207	48,048	–	467,255
Less: Share of infrastructure joint ventures' toll revenue	(333,593)	–	–	(333,593)
<b>Turnover: Group</b>	<u>85,614</u>	<u>48,048</u>	<u>–</u>	<u>133,662</u>
Segment result	75,120	(2,199)	–	72,921
Net income recognised in respect of goodwill and negative goodwill	(75)	9,983	–	9,908
Interest income	–	–	7,135	7,135
Corporate income	–	–	2	2
Corporate expenses	–	–	(27,580)	(27,580)
<b>Operating profit: Group</b>	<u>75,045</u>	<u>7,784</u>	<u>(20,443)</u>	<u>62,386</u>
Share of operating profit (loss) of joint ventures	197,050	(548)	–	196,502
Finance costs	–	–	(53,746)	(53,746)
<b>Profit before taxation</b>	<u>272,095</u>	<u>7,236</u>	<u>(74,189)</u>	<u>205,142</u>
Taxation	(19,328)	2,924	–	(16,404)
<b>Profit before minority interests</b>	<u>252,767</u>	<u>10,160</u>	<u>(74,189)</u>	<u>188,738</u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2002

### 2. SEGMENTAL INFORMATION (continued)

By geographical segments:

	People's Republic of China (the "PRC") HK\$'000	Hong Kong HK\$'000	Overseas HK\$'000	Total HK\$'000
<b>For the six months ended 30 June 2002</b>				
Turnover: Group and share of infrastructure joint ventures	378,874	43,655	413	422,942
Less: Share of infrastructure joint ventures' toll revenue	(338,361)	–	–	(338,361)
<b>Turnover: Group</b>	<b>40,513</b>	<b>43,655</b>	<b>413</b>	<b>84,581</b>
<b>Profit before minority interests</b>	<b>215,822</b>	<b>(43,359)</b>	<b>2,296</b>	<b>174,759</b>
<b>For the six months ended 30 June 2001</b>				
Turnover: Group and share of infrastructure joint ventures	427,593	37,669	1,993	467,255
Less: Share of infrastructure joint ventures' toll revenue	(333,593)	–	–	(333,593)
<b>Turnover: Group</b>	<b>94,000</b>	<b>37,669</b>	<b>1,993</b>	<b>133,662</b>
<b>Profit before minority interests</b>	<b>243,436</b>	<b>(64,636)</b>	<b>9,938</b>	<b>188,738</b>

### 3. NET INCOME RECOGNISED IN RESPECT OF GOODWILL AND NEGATIVE GOODWILL

The amount mainly represents the negative goodwill arising from the acquisition of 62% equity interest in an overseas subsidiary. The negative goodwill is being recognised as income over three years which is the weighted average useful life of the non-monetary assets.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED 30 JUNE 2002

**4. OTHER INCOME**

Other income includes the following:

	Six months ended 30 June	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Interest income	8,239	7,135
Gain on disposal of interests in subsidiaries	689	–

The above gain includes an amount of HK\$589,000 which relates to the disposal of the Company's entire interests in CNT Life Sciences, Inc. to a director of the Company, details of which were disclosed in the Company's announcement dated 17 April 2002.

**5. OPERATING PROFIT: GROUP**

Operating profit has been arrived at after charging:

	Six months ended 30 June	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Amortisation of toll highway operation right	2,734	2,470
Depreciation of property, plant and equipment		
– owned assets	5,619	5,894
– assets under finance leases	135	161
	5,754	6,055
Less: capitalised in inventories and ginseng crops	(5,015)	(5,025)
	739	1,030
Staff costs	26,551	26,834
Less: capitalised in inventories and ginseng crops	(5,982)	(5,835)
	20,569	20,999
Loss on disposal of investments in securities	1,201	–

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED 30 JUNE 2002

**6. FINANCE COSTS**

	Six months ended 30 June	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Interest on:		
Borrowings wholly repayable		
– within five years	9,997	24,447
– over five years	26,009	25,806
Add: discount on guaranteed notes	313	313
	<u>26,322</u>	<u>26,119</u>
Total borrowing costs	36,319	50,566
Amortisation of capitalised borrowing costs on financing the joint ventures' toll highways and expressways construction	3,180	3,180
	<u>39,499</u>	<u>53,746</u>

**7. TAXATION**

	Six months ended 30 June	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Current tax	8,110	5,078
Deferred tax		
Business other than the infrastructure joint ventures	(900)	(2,924)
Share of tax on results of the PRC infrastructure joint ventures	4,175	14,250
	<u>11,385</u>	<u>16,404</u>

Current tax 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.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED 30 JUNE 2002

**8. DIVIDENDS**

	Six months ended 30 June	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Final dividend in respect of 2001 of HK\$0.088 (2000: HK\$0.07) per share	45,373	35,431
7.5% convertible cumulative preference shares dividends	16,731	19,226
	<u>62,104</u>	<u>54,657</u>

An interim dividend in respect of 2002 of HK\$0.16 (2001: HK\$0.07) per ordinary share amounting to a total of HK\$82,496,000 (2001: HK\$35,431,000) is approved by the Board. This interim dividend has not been included as a liability in these interim financial statements.

The amount of interim dividend has been calculated on the basis of 515,601,209 ordinary shares in issue as at 22 July 2002.

**9. EARNINGS PER SHARE**

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

	Six months ended 30 June	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Profit for the period	172,507	186,010
Convertible preference shares dividend	(16,731)	(19,226)
Earnings for the purpose of basic earnings per share	155,776	166,784
Effect of dilutive potential ordinary shares:		
Convertible preference shares dividend	N/A	19,226
Earnings for the purpose of diluted earnings per share	N/A	186,010

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED 30 JUNE 2002

9. EARNINGS PER SHARE (*continued*)

	Six months ended 30 June	
	2002	2001
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	511,906,428	506,156,967
Effect of dilutive potential ordinary shares:		
Convertible preference shares	N/A	60,558,411
Options	N/A	219,282
Weighted average number of ordinary shares for the purpose of diluted earnings per share	N/A	566,934,660

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares for the six months ended 30 June 2002.

Diluted earning per share is not presented as effect of convertible preference shares is anti-dilutive.



**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED 30 JUNE 2002

**10. INTERESTS IN JOINT VENTURES**

	30 June 2002 <i>HK\$'000</i>	31 December 2001 <i>HK\$'000</i>
Interests in infrastructure joint ventures		
Cost of investments	1,643,604	1,628,105
Share of post-acquisition undistributed results	1,249,873	1,099,200
	<u>2,893,477</u>	<u>2,727,305</u>
Loans to infrastructure joint ventures	2,504,426	2,505,912
Repayment of loans from infrastructure joint ventures	(1,586,562)	(1,408,662)
Net borrowing cost capitalised on financing the infrastructure joint ventures' toll highways and expressways construction	123,993	127,048
	<u>3,935,334</u>	<u>3,951,603</u>
Interests in other joint venture		
Cost of investment	–	4,454
Loan to a joint venture	–	933
Share of post-acquisition undistributed results	–	(1,765)
	<u>–</u>	<u>3,622</u>
	<u>3,935,334</u>	<u>3,955,225</u>

**11. DEBTORS - DUE AFTER ONE YEAR**

The amounts comprise minimum income undertakings guaranteed by the PRC joint venture partners of HK\$153,798,000 (2001: HK\$143,984,000) due in 2004 in accordance with the terms of the relevant joint venture agreements.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2002

### 12. CHARGED DEPOSITS

The amounts have been deposited into 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 made will be applied towards the debt repayments, the manner of which is contained in the relevant financing agreements.

As at 30 June 2002, bank balances of HK\$104,265,000 (2001: HK\$88,717,000) are classified under current assets because the balances are pledged as security for the Group's indebtedness due within one year.

### 13. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments of the Group is an amount of HK\$234,749,000 (2001: HK\$234,931,000) 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.

	30 June 2002 HK\$'000	31 December 2001 HK\$'000
Aged analysis of debtors		
Within 60 days	66,595	121,508
60-90 days	–	21
More than 90 days	171,061	114,203
	<hr/>	<hr/>
	237,656	235,732
Interest receivable	601	1,136
Deposits and prepayments	15,544	20,319
	<hr/>	<hr/>
	<b>253,801</b>	<b>257,187</b>
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED 30 JUNE 2002

**14. SHARE CAPITAL**

	Number of shares	HK\$'000
<b>Authorised:</b>		
At 30 June 2002 and 31 December 2001		
Ordinary shares of HK\$0.1 each	20,000,000,000	2,000,000
7.5% convertible preference shares ("CP shares") of HK\$0.1 each	518,380	52
<b>Issued and fully paid:</b>		
Ordinary shares		
At 1 January 2002	504,307,967	50,430
Ordinary shares issued	11,682,242	1,168
Shares repurchased and cancelled	(389,000)	(39)
At 30 June 2002	515,601,209	51,559
CP shares		
At 1 January 2002	518,380	52
Shares converted and cancelled	(100,000)	(10)
At 30 June 2002	418,380	42
Total issued and fully paid shares at 30 June 2002	516,019,589	51,601

On 27 February 2002, the shareholder of the CP shares had exercised conversion rights attaching to 100,000 of the CP shares held by it in the Company. Following the conversion, 100,000 CP shares were cancelled and 11,682,242 ordinary shares were issued to this shareholder.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED 30 JUNE 2002

**15. SECURED LOANS**

	30 June 2002 <i>HK\$'000</i>	31 December 2001 <i>HK\$'000</i>
Transferable loan certificate	–	809,396
Repurchase of transferable loan certificate	–	(41,605)
Repayment of transferable loan certificate	–	(767,791)
	<u>–</u>	<u>–</u>
Transferable loan certificate (note i)	580,425	580,425
Exchange adjustment	4,575	–
	<u>585,000</u>	<u>580,425</u>
Guaranteed notes (note ii)	1,081,275	1,080,962
Repurchase of guaranteed notes	(465,724)	(465,724)
	<u>615,551</u>	<u>615,238</u>
Term loan (note iii)	12,500	–
Other loans	1,406	3,077
	<u>1,214,457</u>	<u>1,198,740</u>

The maturity of the above loans is as follows:

	30 June 2002 <i>HK\$'000</i>	31 December 2001 <i>HK\$'000</i>
Within one year	196,230	99,094
More than one year but not exceeding two years	390,176	194,195
More than two years but not exceeding five years	12,500	290,213
More than five years	615,551	615,238
	<u>1,214,457</u>	<u>1,198,740</u>
Less : Amount due within one year shown under current liabilities	(196,230)	(99,094)
Amount due after one year	<u>1,018,227</u>	<u>1,099,646</u>

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED 30 JUNE 2002

**15. SECURED LOANS (continued)***Notes:*

- (i) The transferable loan certificate facility bears interest rate at 1.4% per annum over LIBOR and will mature on 2 February 2004. The repayments will be made by four 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 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.

- (iii) The term loan is guaranteed by the Company. The loan bears interest at 1.75% per annum over HIBOR and will mature in 5 years from the first drawdown date. The repayment would be made in five equal half yearly instalments from the first 36th month of the first drawdown date as of 26 April 2002.

**16. CREDITORS AND ACCRUED CHARGES**

	30 June 2002 <i>HK\$'000</i>	31 December 2001 <i>HK\$'000</i>
Aged analysis of creditors		
Within 60 days	2,255	8,795
60-90 days	2,591	2
	<hr/>	<hr/>
	4,846	8,797
Interest payable	24,054	23,928
Accrued charges	13,616	18,342
	<hr/>	<hr/>
	<b>42,516</b>	<b>51,067</b>
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED 30 JUNE 2002

**17. CAPITAL COMMITMENTS**

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

	30 June 2002 <i>HK\$'000</i>	31 December 2001 <i>HK\$'000</i>
Investment loan to be injected into a subsidiary	7,937	7,937
Investment costs to be injected into infrastructure joint ventures		
Within one year	28,573	43,482
In the second to fifth year inclusive	2,614	2,801
After the fifth year	34,176	34,176
	<u>65,363</u>	<u>80,459</u>
	<u>73,300</u>	<u>88,396</u>

**18. CONTINGENT LIABILITIES**

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

	30 June 2002 <i>HK\$'000</i>	31 December 2001 <i>HK\$'000</i>
Guarantees indirectly given to banks in respect of bank facilities utilised by infrastructure joint ventures	<u>134,130</u>	<u>150,535</u>