



Notes to Interim Financial Statements

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

- (i) These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”). The accounting policies and basis of preparation used in the preparation of these interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2001 except as disclosed in (ii) below.
- (ii) The Group has adopted the following new SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002:
- | | | |
|-------------------|---|--------------------------------------|
| SSAP 1 (revised) | : | Presentation of financial statements |
| SSAP 11 (revised) | : | Foreign currency translation |
| SSAP 15 (revised) | : | Cash flow statements |
| SSAP 25 (revised) | : | Interim financial reporting |
| SSAP 33 | : | Discontinuing operations |
| SSAP 34 | : | Employee benefits |

The changes to the Group’s accounting policies and the effect of adopting these new policies is set out below:

SSAP 11 (revised): Foreign currency translation

The balance sheet of subsidiaries, jointly-controlled entities and associates expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

In prior periods, the profit and loss of foreign enterprises was translated at closing rate. This is a change in accounting policy, however, the translation of the profit and loss of foreign enterprises in prior periods has not been restated as the effect of this change is not material to the current and prior periods.

2. SEGMENT INFORMATION

Turnover represents income generated from total logistics and transportation ancillary services, rental income from investment properties and information and high-tech related manufacturing business, net of business tax and surcharge.



Notes to Interim Financial Statements

2. SEGMENT INFORMATION (continued)

An analysis of the unaudited turnover and profit/(loss) from operating activities by principal activities and by geographical areas is as follows:

	Turnover Six months ended 30 June			2001 (Unaudited) Share of associates and jointly- controlled entities [#]			Profit/(Loss) from Operating activities Six months ended 30 June	
	The Group Company and subsidiaries HK\$'000	2002 (Unaudited) Share of associates and jointly- controlled entities [#] HK\$'000	Total [#] HK\$'000	The Group Company and subsidiaries HK\$'000	2001 (Unaudited) Share of associates and jointly- controlled entities [#] HK\$'000	Total [#] HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
By principal activities								
Continuing operations:								
Logistics and related business	26,637	83,344	109,981	4,207	—	4,207	15,968	1,712
Property investment	11,072	—	11,072	9,997	—	9,997	5,725	6,606
Investment holding	—	—	—	—	—	—	194,018	92,979
Information and high-tech related manufacturing business	—	141,209	141,209	—	135,479	135,479	—	—
	37,709	224,553	262,262	14,204	135,479	149,683	215,711	101,297
Discontinued operations:								
Passenger transportation	—	—	—	417,131	—	417,131	—	12,727
Property development and sales	—	—	—	22,730	—	22,730	—	1,064
	—	—	—	439,861	—	439,861	—	13,791
	37,709	224,553	262,262	454,065	135,479	589,544	215,711	115,088
By geographical areas								
Continuing operations:								
Hong Kong	—	—	—	—	—	—	(9,185)	92,979
The People's Republic of China except Hong Kong ("PRC")	37,709	224,553	262,262	14,204	135,479	149,683	224,896	8,318
	37,709	224,553	262,262	14,204	135,479	149,683	215,711	101,297
Discontinued operations:								
PRC	—	—	—	439,861	—	439,861	—	13,791
	37,709	224,553	262,262	454,065	135,479	589,544	215,711	115,088

[#] For reference only

3. Profit from operating activities

	Six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
The Group's profit from operating activities is stated after crediting and charging the following:		
Crediting		
Gain on other investments	200,396	—
Write-back of impairment on jointly-controlled entity	11,301	—
Dividend income	10,828	—
Amortisation of negative goodwill	8,385	—
Gain on disposal of interests in an associate	—	45,736
Gain on dilution of interests in an associate	—	48,179
Charging		
Depreciation of fixed assets	4,023	97,736
Impairment losses on fixed assets	—	14,534
Amortisation of intangible assets	—	6,839



Notes to Interim Financial Statements

4. TAX

No provision for Hong Kong profits tax has been made in the interim financial statements as the Group did not generate any assessable profits in Hong Kong during the six months ended 30 June 2002 (2001: Nil). Tax on overseas profits, based on existing legislation, interpretations and practices, has been calculated on the estimated assessable profit for the period at the rate of taxes prevailing in the countries in which the Group operates.

	Six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Outside Hong Kong	11,005	5,464
Hong Kong — over provision in prior period	(35)	—
	10,970	5,464
Share of taxes attributable to:		
Associates	4,212	1,652
Jointly-controlled entities	598	722
Tax charge for the period	15,780	7,838

5. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share are based on the Group's profit attributable to shareholders for the period of HK\$262,906,000 (2001: HK\$112,283,000).

The calculation of basic earnings per share is based on 11,215,211,626 (2001: the weighted average of 11,110,785,650) ordinary shares in issue during the period. The calculation of diluted earnings per share is based on 11,215,211,626 (2001: the weighted average of 11,110,785,650) ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average of 33,232,727 (2001: 115,855,138) ordinary shares assumed to have been issued at no consideration in the deemed exercise of all share options in existence during the period.

6. INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend in respect of the six months ended 30 June 2002 (2001: Nil).

7. CAPITAL EXPENDITURE

	Negative goodwill (Unaudited) HK\$'000	Fixed assets (Unaudited) HK\$'000
Net book amount at 1 January 2002	(153,625)	244,592
Acquisition of additional equity interest in a subsidiary (<i>note 17</i>)	(9,575)	—
Additions	—	4,364
Disposals	—	(3,789)
Amortisation/depreciation	8,385	(4,023)
Net book amount at 30 June 2002	(154,815)	241,144



Notes to Interim Financial Statements

8. TRADE RECEIVABLES

Trade receivables generally have credit terms of 30 to 90 days. The ageing analysis of the Group's trade receivables is as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
0 – 90 days	3,391	5,764
91 – 180 days	3,483	256
181 – 365 days	4,273	138
Over 365 days	359	753
	11,506	6,911

9. OTHER INVESTMENTS

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Outside Hong Kong		
Listed debt securities, at market value	34,784	139,142
Listed equity securities, at market value	544,806	187
	579,590	139,329

The listed debt securities mainly represent government bonds listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange of the PRC.

The listed equity securities mainly represent 50 million A shares in China Merchants Bank Co., Limited ("CMB"). On 2 April 2002, the Group subscribed for 50 million A shares in CMB ("CMB shares") at an issue price of RMB7.30 (approximately HK\$6.88) per A share with a total consideration of RMB365 million (approximately HK\$344 million). The CMB shares represent approximately 0.88% of the issued capital of CMB as enlarged by the allotment and new issue of the A shares by CMB on the Shanghai Stock Exchange. The CMB shares are subject to a lock-up period of 12 months upon listing of the A shares on the Shanghai Stock Exchange, during which the Group is not allowed to sell or otherwise dispose of all or any part of these A shares.

10. TRADE PAYABLES

The ageing analysis of the Group's trade payables is as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
0 – 90 days	3,296	1,273
91 – 180 days	3,312	4,566
181 – 365 days	467	454
Over 365 days	1,842	1,624
	8,917	7,917



Notes to Interim Financial Statements

11. INTEREST-BEARING BORROWINGS

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Bank loans:		
Secured	232,469	223,039
Unsecured	292,343	142,896
Other unsecured loans and payables:	524,812	365,935
	278,390	258,977
Portion classified as current liabilities	803,202	624,912
	(364,844)	(387,712)
Non-current portion	438,358	237,200
Bank loans payable:		
Within one year	109,874	128,735
In the second year	414,938	217,360
In the third to fifth years, inclusive	—	19,840
	524,812	365,935
Other unsecured loans and payable:		
Within one year	254,970	258,977
In the second year	6,390	—
In the third to fifth years, inclusive	2,196	—
After five years	14,834	—
	278,390	258,977

The secured interest-bearing borrowings were supported by the pledge of certain land and building, investment properties, unlisted founder shares and bank deposits of the Group.

12. DUE TO CONTROLLING SHAREHOLDER

During the Period, the Group acquired the remaining 23.2% equity interests in Xin Tong Chan Development (Shenzhen) Co., Ltd. (formerly known as Shenzhen Freeway Development Company Limited, "XTC Development") from Shenzhen Investment Holdings Corporation ("SIHC"). The amount due to controlling shareholder represents the consideration of the acquisition. On 1 August 2002, the Company has issued convertible note to SIHC to satisfy the acquisition consideration (note 17 and note 18).

13. ISSUED SHARE CAPITAL

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Authorised		
20,000,000,000 ordinary shares of HK\$0.10 each	2,000,000	2,000,000
Issued and fully paid		
11,215,211,626 ordinary shares of HK\$0.10 each	1,121,521	1,121,521

14. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with original leases negotiated for terms of not exceeding 15 years. The rentals are subject to the annual adjustments in accordance with the terms of lease agreements.



Notes to Interim Financial Statements

14. OPERATING LEASE ARRANGEMENTS (continued)

(a) As lessor (continued)

As 30 June 2002, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Within one year	22,694	21,655
In the second to fifth years, inclusive	110,236	107,149
After five years	153,438	168,464
	286,368	297,268

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements.

At 30 June 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Within one year	324	424
In the second to fifth years, inclusive	324	—
After five years	495	—
	1,143	424

15. CAPITAL COMMITMENTS

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Contracted but not provided for:		
Investments in unlisted equity investment securities and associates in the PRC	3,016	1,053
Acquisition of additional equity interest in a subsidiary	—	330,000
	3,016	331,053

16. CONTINGENT LIABILITIES

At 30 June 2002, the Group had provided guarantees for mortgage loans granted by banks to certain purchasers of the Group's properties held for sale, amounting to approximately HK\$1,937,000 (31 December 2001: approximately HK\$3,151,000).

17. RELATED PARTY TRANSACTIONS

On 20 December 2001, the Group entered into an acquisition agreement with SIHC, pursuant to which the Group acquired the remaining 23.2% equity interest in XTC Development at a consideration of RMB349,920,000 (equivalent to approximately HK\$330,000,000). Upon completion of the above acquisition transaction on 31 January 2002, XTC Development became a wholly-owned subsidiary of the Group.

The consideration for the above acquisition was determined with reference to the net asset value of XTC Development as at 30 June 2001 and adjusted for the effect of the 165 million A shares issued by its associate, Shenzhen Expressway Company Limited as announced on 19 December 2001. The consideration was satisfied by the issue of a five-year redeemable non-interest bearing convertible note with a face value of HK\$330,000,000 and carry right to convert into ordinary shares of the Company at HK\$0.365 each.

Further details of the above acquisition are set out in a circular to shareholders of the Company dated 11 January 2002 and was approved by the shareholders of the Company on 31 January 2002.

The convertible note was issued on 1 August 2002 and will mature on 31 July 2007, five years after the date of issue (note 12 and note 18).

18. POST BALANCE SHEET EVENTS

The Group has issued a convertible note on 1 August 2002 to SIHC as satisfaction for the consideration of the further acquisition of 23.2% equity interest in XTC Development (note 12 and note 17).