

## NOTES TO CONDENSED INTERIM ACCOUNTS

### 1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited consolidated condensed interim accounts 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.

These condensed interim accounts should be read in conjunction with the 2001 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31st December 2001 except that the Group has adopted the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st 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 34	:	Employee benefits

The effect of adopting these new or revised standards to the Group for the period is insignificant.

### 2 TURNOVER

The Group is principally engaged in development, operation and management of toll highways and bridges in the mainland of China (“China”).

No segment information of the Group’s turnover and contribution to operating profit by activity and geographic area had been prepared as they were principally derived from the operation of the Group’s toll projects in China.

**3 OPERATING PROFIT**

**Six months ended 30th June**  
**2002**                      2001  
*HK\$'000*                      *HK\$'000*

Operating profit is stated after crediting and charging the following:

**Crediting**

Net exchange gains	<b>1,322</b>	690
Gain on partial disposal of a jointly controlled entity	<b>6,240</b>	—

**Charging**

Depreciation of fixed assets	<b>1,488</b>	1,628
Amortisation of interests in toll highways and bridges	<b>37,874</b>	29,561
Amortisation of goodwill	<b>1,240</b>	796
Amortisation of other investment	—	2,081
Staff costs		
Wages and salaries (including directors' remuneration)	<b>7,515</b>	6,646
Social security costs	<b>111</b>	157
Staff welfare	<b>584</b>	333
Pension costs - defined contribution plans	<b>211</b>	362

#### 4 TAXATION

- (a) No provision for Hong Kong profits tax has been made in the accounts as the Group has no income assessable to Hong Kong profits tax during the period (2001: nil).
- (b) Overseas taxation is provided on the profits of the Group's subsidiaries and an associated company in China in accordance with the Income Tax Law of China for Enterprises with Foreign Investment and Foreign Enterprises ("China Tax Law"). Under the China Tax Law, the Group's subsidiaries, associated companies and a jointly controlled entity in China are entitled to an income tax holiday for two to five years from its first profit making year and a 50 per cent reduction in income tax for the following three to five years. The applicable reduced income tax rate is 15 per cent. The Group's subsidiaries, associated companies and a jointly controlled entity in China are qualified for the aforesaid tax privileges during the period.
- (c) The amount of taxation charged to the condensed consolidated profit and loss account represents:

	<b>Six months ended 30th June</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Overseas taxation	<b>11,549</b>	9,997
Deferred taxation	<b>665</b>	917
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	<b>12,214</b>	10,914
Share of taxation attributable to an associated company	<b>1,849</b>	1,943
Share of deferred taxation attributable to associated companies	<b>2,275</b>	2,274
Share of deferred taxation attributable to a jointly controlled entity	<b>831</b>	—
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	<b>17,169</b>	15,131

## 5 DIVIDEND

	<b>Six months ended 30th June</b>	
	<b>2002</b>	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
2002 interim, proposed of 3.0 cents (2001: 3.0 cents) per share	<b>31,388</b>	31,337

At a meeting held on 16th April 2002, the directors of the Company proposed a final dividend of 2.5 cents per ordinary share for the year ended 31st December 2001, which was approved on 25th June 2002 and has been reflected as an appropriation of retained earnings for the six months ended 30th June 2002.

## 6 EARNINGS PER SHARE

The calculation of basic and fully diluted earnings per share is based on the Group's profit attributable to shareholders of HK\$77,728,000 (2001: HK\$132,462,000 and adjusted profit of HK\$135,760,000).

The basic earnings per share is based on the weighted average number of 1,045,088,326 (2001: 1,039,266,248) shares in issue during the period. The fully diluted earnings per share is based on 1,075,483,988 (2001: 1,118,009,133) shares which is the weighted average number of shares in issue during the period plus the weighted average of 30,395,662 (2001: 78,742,885) shares deemed to be issued at no consideration if all outstanding share options (2001: share options and convertible bonds) had been exercised.

## 7 CAPITAL EXPENDITURES

	<b>Interest &amp; in toll highways and</b>		
	<b>Goodwill</b>	<b>bridges</b>	<b>Fixed assets</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening net book amount at 1st January 2002	49,774	2,272,681	31,863
Additions	(2,682)	—	619
Amortisation/depreciation charge	(1,240)	(37,874)	(1,488)
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Closing net book amount at 30th June 2002	45,852	2,234,807	30,994

## 8 LONG-TERM LIABILITIES

	<b>30th June 2002 HK\$'000</b>	31st December 2001 HK\$'000
Bank loans		
Secured ( <i>note (a)</i> )	<b>148,750</b>	299,776
Unsecured	<b>140,187</b>	355,140
Loans from minority shareholders ( <i>note (b)</i> )	<b>38,493</b>	39,380
Less: current portion of long-term liabilities	<b>(25,500)</b>	(74,075)
	<b>301,930</b>	620,221

- (a) These bank loans are secured by the Group's interests in certain toll road projects in China.
- (b) The loans from minority shareholders are unsecured, interest free and have no fixed terms of repayment.
- (c) At 30th June 2002, the Group's bank loans were repayable as follows:

	<b>Bank loans (secured)</b>		<b>Bank loans (unsecured)</b>	
	<b>30th June 2002 HK\$'000</b>	31st December 2001 HK\$'000	<b>30th June 2002 HK\$'000</b>	31st December 2001 HK\$'000
Within one year	<b>25,500</b>	74,075	—	—
In the second year	<b>29,750</b>	86,125	<b>140,187</b>	355,140
In the third to fifth year	<b>93,500</b>	139,576	—	—
	<b>148,750</b>	299,776	<b>140,187</b>	355,140

## 9 CONTINGENT LIABILITIES AND COMMITMENTS

There is no material change in contingent liabilities and commitments since the last annual balance sheet date except the capital commitments in respect of acquisition of the remaining interest in a subsidiary amounting to HK\$135,561,000 was fully discharged during the period.

## 10 RELATED PARTY TRANSACTIONS

During the period, significant related party transactions which were carried out in normal course of the Group's business are as follows:

	<b>Six months ended 30th June</b>	
	<b>2002</b>	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Management fee paid to ultimate holding company ( <i>note (a)</i> )	650	500
Fixed cost toll highways management fee paid and payable to a minority shareholder ( <i>note (a)</i> )	25,657	29,154

- (a) These transactions were conducted in accordance with the terms as disclosed in the 2001 annual report.
- (b) On 12th April 2002, the Group had entered into an agreement to transfer 5 per cent of its interest in the jointly controlled entity to Guangzhou Highways Development Company for a total consideration of Rmb51.1 million (equivalent to approximately HK\$47.8 million), subject to satisfaction of certain conditions. The total consideration was satisfied on completion as to (1) Rmb34.9 million (equivalent to approximately HK\$32.6 million) by way of the procurement of the transfer of an aggregate of 0.995 per cent effective interest in an associated company, Guangdong Humen Bridge Co., Ltd. effective from 1st January 2002; and (2) Rmb16.2 million (equivalent to approximately HK\$15.2 million) in cash.

## 11 SUBSEQUENT EVENT

On 21st August 2002, the Group had entered into an agreement, subject to satisfaction of certain conditions, to acquire a non-majority effective interest in a Sino-foreign co-operative joint venture. Total consideration for the acquisition was equivalent to approximately Rmb322.0 million and a deposit of HK\$86.0 million was paid on 23rd August 2002.