

# Notes to the Financial Statements

For the year ended 31 December 2002

## 1. GENERAL

The Company is an exempted company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of the subsidiaries and infrastructure joint ventures are investment holding and the investment in, development, operation and management of toll roads and expressways in the People's Republic of China (the "PRC").

## 2. ADOPTION OF STATEMENT OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time the following new or revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants 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 34	Employee benefits

In accordance with SSAP 15 (Revised), the cash and cash equivalents is presented by means of a cash flow statement which classifies cash flows during the year according to operating, investing and financing activities. The cash flow statement for the year ended 31 December 2001 have been presented on a consistent basis.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements have been prepared in accordance with accounting principles generally acceptable in Hong Kong. The principal accounting policies adopted are set out below.

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other members of the Group.

On acquisition or disposal, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition or date of disposal.

All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Goodwill

Goodwill (negative goodwill) represents the excess (shortfall) of the cost of an acquisition over (below) the fair value of the Group's share of the net assets of the acquired subsidiary at the effective date of acquisition. Goodwill is recognised as an asset and is amortised using the straight line method over its estimated useful life, which is generally 3 to 20 years. Negative goodwill arising on acquisition is recognised as income on a systematic basis over the remaining weighted average useful life of the non-monetary assets acquired.

On the disposal of an investment in a subsidiary, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

### Investments in subsidiaries

A subsidiary is an enterprise over which the Company has control either directly or indirectly. Control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities.

Investments in subsidiaries are included in the Company's balance sheet at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

### Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

#### *Infrastructure joint ventures*

Joint venture arrangements which involve the establishment of a separate entity for investment in and development, operation and management of toll roads and expressways and in which each venturer has an interest are referred to as infrastructure joint ventures.

The Group's infrastructure joint ventures are Sino-foreign co-operative joint ventures registered in the PRC in respect of which the partners' cash/profit sharing ratios and the share of net assets upon the expiration of the joint venture periods are predetermined in accordance with the joint venture agreements and may not be in proportion to their capital contribution ratios.

Where the Group's interest in the joint venture is such that it establishes joint control over the economic activity of the joint venture with other venturers, the Group's interests in the joint ventures are carried at cost plus its share of post-acquisition undistributed reserves of the joint ventures in accordance with the defined cash/profit sharing ratios less any identified impairment loss and borrowing costs capitalized in accordance with the Group's accounting policy. Borrowing costs capitalised will be amortised from the date of the opening of the relevant highways and expressways over the remaining terms of the relevant joint ventures or where shorter, the useful life of relevant highways and expressways.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Capitalisation of interest charges

Interest charges relating to funds borrowed to finance the joint venture's highway construction and development project are capitalised up to the commencement of operation of the toll highway. Interest charges capitalised will be amortised from the date of the opening of the toll highway over the remaining term of the joint venture.

### Revenue recognition

Toll revenue, net of business tax, is recognised on a receipt basis. Minimum income undertakings are recognised when receivable in accordance with the joint venture agreements.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the Group's right to receive payment has been established.

### Toll highway operation right

Toll highway operation right is recognised as an asset and stated in the balance sheet at cost less depreciation and any identified impairment loss.

Depreciation of toll highway operation right is provided on the basis of a sinking fund calculation where annual depreciation amounts compounded at a rate of six per cent per annum will be equal to the cost of the toll highway operation right at the end of the relevant or respective joint venture period.

### Property, plant and equipment and depreciation

Property, plant and equipment other than construction in progress are stated at cost less depreciation and any identified impairment loss.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation of other items of property, plant and equipment is charged so as to write off the cost of property, plant and equipment other than construction in progress over their estimated useful lives, using the straight line method, on the following bases:

Freehold land	Nil
Land and buildings	Over the term of the lease from 20 to 25 years
Leasehold improvements	Over the term of the lease, or 3 years, whichever is shorter
Furniture, fixtures and equipment	10% - 25%
Plant and machinery	5% - 10%
Motor vehicles	12.5% - 25%

# Notes to the Financial Statements

For the year ended 31 December 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity securities) are measured at amortised cost, less any identified impairment loss recognised to reflect irrecoverable amounts. Any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as other investments.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

### Inventories and ginseng crops

Inventories are stated at the lower of cost and net realisable value, and cost is calculated using the first-in, first-out method.

The Company uses the full absorption costing method to value its ginseng crops. Included in crop costs are seeds, labour, interest expenses, applicable overheads and supplies. Costs are allocated each year based on the total number of acres under cultivation during the year.

Those crop costs relating to the acreage harvested and sold have been charged to the income statement as cost of inventories sold.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are expensed in the period in which they are incurred.

### Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations, which are denominated in currencies other than Hong Kong dollars, are translated at exchange rates prevailing on the balance sheet date. Income and expense items, which are denominated in currencies other than Hong Kong dollars, are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the relevant operation is disposed of.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease term.

### Research and development costs

Expenditure on research and development is charged to the income statement in the period in which it is incurred except where a major project is undertaken and it is reasonably anticipated that development costs will be recovered through future commercial activity.

### Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 4. TURNOVER

Turnover of the Group represents toll revenue, net of business tax, minimum income undertakings and amounts received and receivable for goods sold during the year.

In relation to a number of the Group's PRC joint ventures, the Group has obtained minimum income undertakings from the PRC joint venture partners in accordance with the relevant joint venture agreements. Any shortfall of the Group's share of the cash/profit of these PRC joint ventures below the minimum income undertakings will be borne by the PRC joint venture partners. The amount of minimum income shortfall recorded by the Group from its PRC joint venture partners for the year is analysed as follows:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Minimum income undertakings from:		
Partner of a PRC subsidiary	–	164
Partners of other joint ventures	<b>44,652</b>	137,328
	<hr/> <b>44,652</b> <hr/>	<hr/> 137,492 <hr/>

# Notes to the Financial Statements

For the year ended 31 December 2002

## 5. SEGMENTAL INFORMATION

The Group's turnover and profit for the year ended 31 December 2002 by business activities and geographical markets are as follows:

### By business segments:

	<b>Toll Road</b> HK\$'000	<b>Other Business</b> HK\$'000	<b>Unallocated</b> HK\$'000	<b>Consolidated</b> HK\$'000
<b>2002</b>				
Turnover: Group and share of infrastructure joint ventures	792,332	80,135	–	872,467
Less: Share of infrastructure joint ventures' toll revenue	(708,727)	–	–	(708,727)
<b>Turnover: Group</b>	<b>83,605</b>	<b>80,135</b>	<b>–</b>	<b>163,740</b>
Segment result	51,923	(33)	(117)	51,773
Net income recognised in respect of goodwill and negative goodwill	(149)	20,917	–	20,768
Allowance for doubtful receivables	(25,000)	–	–	(25,000)
Interest income	1,419	85	16,298	17,802
Corporate income	–	–	1,333	1,333
Corporate expenses	–	–	(54,114)	(54,114)
<b>Operating profit: Group</b>	<b>28,193</b>	<b>20,969</b>	<b>(36,600)</b>	<b>12,562</b>
Share of operating profit (loss) of joint ventures	417,725	(834)	–	416,891
Finance costs	(6,810)	(42)	(73,763)	(80,615)
<b>Profit before taxation</b>	<b>439,108</b>	<b>20,093</b>	<b>(110,363)</b>	<b>348,838</b>
Taxation	(31,370)	1,660	–	(29,710)
<b>Profit before minority interests</b>	<b>407,738</b>	<b>21,753</b>	<b>(110,363)</b>	<b>319,128</b>
Minority interests	(5,685)	(635)	–	(6,320)
<b>Profit for the year</b>	<b>402,053</b>	<b>21,118</b>	<b>(110,363)</b>	<b>312,808</b>
<b>Consolidated Balance Sheet</b>				
<b>Assets</b>				
Segment assets	586,926	169,428	–	756,354
Interests in joint ventures	3,962,258	–	–	3,962,258
Unallocated corporate assets	–	–	1,007,119	1,007,119
Total assets	<b>4,549,184</b>	<b>169,428</b>	<b>1,007,119</b>	<b>5,725,731</b>
<b>Liabilities</b>				
Segment liabilities	39,971	20,240	–	60,211
Unallocated corporate liabilities	–	–	1,143,580	1,143,580
Total liabilities	<b>39,971</b>	<b>20,240</b>	<b>1,143,580</b>	<b>1,203,791</b>
<b>Other information</b>				
Capital additions	436	2,696	2,253	5,385
Depreciation and amortisation	6,121	391	706	7,218
Other non-cash expenses	6,360	–	1,092	7,452

# Notes to the Financial Statements

For the year ended 31 December 2002

## 5. SEGMENTAL INFORMATION (Continued)

### By business segments: (Continued)

	Toll Road HK\$'000	Other Business HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>2001</b>				
Turnover: Group and share of infrastructure joint ventures	870,853	75,564	–	946,417
Less: Share of infrastructure joint ventures' toll revenue	(700,916)	–	–	(700,916)
<b>Turnover: Group</b>	<u>169,937</u>	<u>75,564</u>	<u>–</u>	<u>245,501</u>
Segment result	146,171	(17,029)	–	129,142
Net income recognised in respect of goodwill and negative goodwill	(149)	18,776	–	18,627
Gain on disposal of interests in infrastructure joint ventures	34,033	–	–	34,033
Allowance for doubtful receivables	(125,765)	–	–	(125,765)
Interest income	1,991	230	12,598	14,819
Corporate income	–	–	249	249
Corporate expenses	–	–	(60,990)	(60,990)
<b>Operating profit: Group</b>	<u>56,281</u>	<u>1,977</u>	<u>(48,143)</u>	<u>10,115</u>
Share of operating profit (loss) of joint ventures	400,603	(1,765)	–	398,838
Finance costs	(6,360)	(488)	(104,442)	(111,290)
<b>Profit before taxation</b>	<u>450,524</u>	<u>(276)</u>	<u>(152,585)</u>	<u>297,663</u>
Taxation	(55,872)	(793)	–	(56,665)
<b>Profit before minority interests</b>	<u>394,652</u>	<u>(1,069)</u>	<u>(152,585)</u>	<u>240,998</u>
Minority interests	(4,607)	4,403	–	(204)
<b>Profit for the year</b>	<u>390,045</u>	<u>3,334</u>	<u>(152,585)</u>	<u>240,794</u>
<b>Consolidated Balance Sheet</b>				
<b>Assets</b>				
Segment assets	723,930	165,305	–	889,235
Interests in joint ventures	3,951,603	3,622	–	3,955,225
Unallocated corporate assets	–	–	781,273	781,273
Total assets	<u>4,675,533</u>	<u>168,927</u>	<u>781,273</u>	<u>5,625,733</u>
<b>Liabilities</b>				
Segment liabilities	4,746	23,944	–	28,690
Unallocated corporate liabilities	–	–	1,228,749	1,228,749
Total liabilities	<u>4,746</u>	<u>23,944</u>	<u>1,228,749</u>	<u>1,257,439</u>
<b>Other information</b>				
Capital additions	136	3,707	328	4,171
Depreciation and amortisation	8,104	653	589	9,346
Other non-cash expenses	6,360	1,296	–	7,656

# Notes to the Financial Statements

For the year ended 31 December 2002

## 5. SEGMENTAL INFORMATION (Continued)

By geographical segments:

	PRC	Hong Kong	Overseas	Unallocated	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>2002</b>					
Turnover: Group and share of infrastructure joint ventures	792,332	76,281	3,854	–	872,467
Less: Share of infrastructure joint ventures' toll revenue	(708,727)	–	–	–	(708,727)
<b>Turnover: Group</b>	<b>83,605</b>	<b>76,281</b>	<b>3,854</b>	<b>–</b>	<b>163,740</b>
Segment result	52,278	(4,816)	4,428	(117)	51,773
Net income recognised in respect of goodwill and negative goodwill	(149)	–	20,917	–	20,768
Allowance for doubtful receivables	(25,000)	–	–	–	(25,000)
Interest income	1,419	33	52	16,298	17,802
Corporate income	–	–	–	1,333	1,333
Corporate expenses	–	–	–	(54,114)	(54,114)
<b>Operating profit: Group</b>	<b>28,548</b>	<b>(4,783)</b>	<b>25,397</b>	<b>(36,600)</b>	<b>12,562</b>
Share of operating profit (loss) of joint ventures	416,891	–	–	–	416,891
Finance costs	(6,810)	–	(42)	(73,763)	(80,615)
<b>Profit before taxation</b>	<b>438,629</b>	<b>(4,783)</b>	<b>25,355</b>	<b>(110,363)</b>	<b>348,838</b>
Taxation	(31,370)	–	1,660	–	(29,710)
<b>Profit before minority interests</b>	<b>407,259</b>	<b>(4,783)</b>	<b>27,015</b>	<b>(110,363)</b>	<b>319,128</b>
Minority interests	(5,685)	–	(635)	–	(6,320)
<b>Profit for the year</b>	<b>401,574</b>	<b>(4,783)</b>	<b>26,380</b>	<b>(110,363)</b>	<b>312,808</b>
<b>Carrying amount of segment assets</b>					
Segment assets	586,926	10,275	159,153	–	756,354
Interests in joint ventures	3,962,258	–	–	–	3,962,258
Unallocated corporate assets	–	–	–	1,007,119	1,007,119
Total assets	<b>4,549,184</b>	<b>10,275</b>	<b>159,153</b>	<b>1,007,119</b>	<b>5,725,731</b>
<b>Other information</b>					
Capital additions	1,552	–	1,580	2,253	5,385

# Notes to the Financial Statements

For the year ended 31 December 2002

## 5. SEGMENTAL INFORMATION (Continued)

By geographical segments: (Continued)

	PRC HK\$'000	Hong Kong HK\$'000	Overseas HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>2001</b>					
Turnover: Group and share of infrastructure joint ventures	879,458	64,168	2,791	–	946,417
Less: Share of infrastructure joint ventures' toll revenue	(700,916)	–	–	–	(700,916)
<b>Turnover: Group</b>	<u>178,542</u>	<u>64,168</u>	<u>2,791</u>	<u>–</u>	<u>245,501</u>
Segment result	139,981	(8,723)	(2,116)	–	129,142
Net income recognised in respect of goodwill and negative goodwill	(2,290)	–	20,917	–	18,627
Gain on disposal of interests in infrastructure joint ventures	34,033	–	–	–	34,033
Allowance for doubtful receivables	(125,765)	–	–	–	(125,765)
Interest income	1,997	158	66	12,598	14,819
Corporate income	–	–	–	249	249
Corporate expenses	–	–	–	(60,990)	(60,990)
<b>Operating profit: Group</b>	<u>47,956</u>	<u>(8,565)</u>	<u>18,867</u>	<u>(48,143)</u>	<u>10,115</u>
Share of operating profit (loss) of joint ventures	398,838	–	–	–	398,838
Finance costs	(6,360)	–	(488)	(104,442)	(111,290)
<b>Profit before taxation</b>	<u>440,434</u>	<u>(8,565)</u>	<u>18,379</u>	<u>(152,585)</u>	<u>297,663</u>
Taxation	(55,872)	–	(793)	–	(56,665)
<b>Profit before minority interests</b>	<u>384,562</u>	<u>(8,565)</u>	<u>17,586</u>	<u>(152,585)</u>	<u>240,998</u>
Minority interests	(4,203)	–	3,999	–	(204)
<b>Profit for the year</b>	<u>380,359</u>	<u>(8,565)</u>	<u>21,585</u>	<u>(152,585)</u>	<u>240,794</u>
<b>Carrying amount of segment assets</b>					
Segment assets	697,975	45,082	146,178	–	889,235
Interests in joint ventures	3,955,225	–	–	–	3,955,225
Unallocated corporate assets	–	–	–	781,273	781,273
Total assets	<u>4,653,200</u>	<u>45,082</u>	<u>146,178</u>	<u>781,273</u>	<u>5,625,733</u>
<b>Other information</b>					
Capital additions	<u>1,280</u>	<u>3</u>	<u>2,560</u>	<u>328</u>	<u>4,171</u>

## 6. GAIN ON DISPOSAL OF INTERESTS IN INFRASTRUCTURE JOINT VENTURES

The amount in 2001 represented the gain (net of tax) on disposal of the Group's entire 50% interests in four infrastructure joint ventures of Jieyang Highway Network project which operated the highways linking Jieyang City to Shantou, Fengshun, Chiwei and Chaozhou in Guangdong Province, the PRC.

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For the year ended 31 December 2002

## 7. ALLOWANCE FOR DOUBTFUL RECEIVABLES

The amount recognised in the current year represents an allowance for doubtful receivables in respect of the minimum income undertakings due from the PRC joint venture partners of the Luochong Highway project. The amount in the prior year represented an allowance for doubtful receivables in respect of minimum income undertakings due from the PRC joint venture partners of the Jieyang Highway Network project.

## 8. OPERATING PROFIT: GROUP

	2002 HK\$'000	2001 HK\$'000
Operating profit has been arrived at after charging:		
Depreciation of property, plant and equipment		
— owned assets	8,668	11,024
— assets under finance leases	—	259
	<u>8,668</u>	<u>11,283</u>
Less: capitalised in inventories and ginseng crops	(7,148)	(9,463)
	<u>1,520</u>	<u>1,820</u>
Amortisation of toll highway operation right	5,549	5,236
Operating lease rentals in respect of rented land, premises and equipment	7,315	8,322
Less: capitalised in inventories and ginseng crops	(4,424)	(4,417)
	<u>2,891</u>	<u>3,905</u>
Loss on disposal of property, plant and equipment	—	577
Loss on disposal of investment in securities	1,201	—
Unrealised loss on investment in securities	117	—
Auditors' remuneration	1,581	1,577
Research and development costs	—	889
Staff costs	51,596	51,956
Provident fund scheme contributions, net of forfeited contributions of HK\$308,000 (2001: HK\$263,000)	1,093	1,964
Less: capitalised in inventories and ginseng crops	(18,937)	(18,479)
Total staff costs	<u>33,752</u>	<u>35,441</u>
Exchange loss	2,851	9
and after crediting:		
Gain on disposal of property, plant and equipment	16	—
Gain on disposal of interests in subsidiaries ( <i>Note</i> )	689	—

*Note:* The above gain included an amount of HK\$589,000 which related to the disposal of the Company's entire interest 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.

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## 9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### Directors' Emoluments

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Fees:		
Non-executive directors	<b>740</b>	710
Independent non-executive directors	<b>490</b>	430
	<u><b>1,230</b></u>	<u>1,140</u>
Other emoluments (executive directors):		
Salaries and other benefits	<b>9,742</b>	9,735
Performance related incentive payments	<b>2,703</b>	2,725
Retirement benefit scheme contributions	<b>396</b>	418
	<u><b>12,841</b></u>	<u>12,878</u>
	<u><b>14,071</b></u>	<u>14,018</u>

The emoluments were paid to the directors with the following bands :

	<b>2002</b> <b>Number of</b> <b>Directors</b>	2001 Number of Directors
Nil to HK\$1,000,000	<b>10</b>	10
HK\$1,000,001 to HK\$2,000,000	<b>1</b>	–
HK\$2,000,001 to HK\$2,500,000	–	1
HK\$2,500,001 to HK\$3,000,000	–	–
HK\$3,000,001 to HK\$3,500,000	<b>1</b>	1
HK\$3,500,001 to HK\$6,000,000	–	–
HK\$6,000,001 to HK\$6,500,000	<b>1</b>	1
	<u><b>1</b></u>	<u>1</u>

Details of share options held by individual directors at 31 December 2002 are shown in the directors' report.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

### Employees Emoluments

During the year, the five highest paid individuals included three directors (2001: three directors), details of whose emoluments are set out above. The emoluments of the remaining two (2001: two) highest paid individuals were as follows:

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Salaries and other benefits	<b>3,024</b>	3,012
Performance related incentive payments	<b>480</b>	550
Retirement benefit scheme contributions	<b>267</b>	219
	<u><b>3,771</b></u>	<u>3,781</u>

The emoluments were paid to the employees with the following band:

	<b>2002</b> <b>Number of</b> <b>employees</b>	2001 Number of employees
HK\$1,500,001 to HK\$2,000,000	<u><b>2</b></u>	<u>2</u>

## 10. SHARE OF OPERATING PROFIT OF JOINT VENTURES

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Share of operating profit of infrastructure joint ventures before depreciation	<b>539,376</b>	521,483
Depreciation of toll highway operation rights	<b>(121,651)</b>	(120,880)
	<u><b>417,725</b></u>	<u>400,603</u>
Share of post-acquisition loss of a joint venture	<b>(834)</b>	(1,765)
	<u><b>416,891</b></u>	<u>398,838</u>

# Notes to the Financial Statements

For the year ended 31 December 2002

## 11. FINANCE COSTS

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Interest on :		
Borrowings wholly repayable		
— within five years	<b>70,217</b>	38,716
— over five years	—	51,611
Add: discount on guaranteed notes	<b>1,092</b>	626
	<hr/>	<hr/>
Total borrowing costs	<b>71,309</b>	90,953
Amortisation of capitalised borrowing costs on financing the joint ventures' toll highways and expressways construction ( <i>note 20</i> )	<b>6,360</b>	6,360
Other finance costs	<b>2,946</b>	13,977
	<hr/>	<hr/>
	<b>80,615</b>	111,290
	<hr/> <hr/>	<hr/> <hr/>

## 12. TAXATION

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Taxation attributable to overseas subsidiaries ( <i>Note 32</i> )		
Deferred tax	<b>(1,660)</b>	—
Share of taxation attributable to PRC infrastructure joint ventures		
Current tax	<b>23,021</b>	11,665
Deferred tax	<b>8,349</b>	45,000
	<hr/>	<hr/>
	<b>29,710</b>	56,665
	<hr/> <hr/>	<hr/> <hr/>

The 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 PRC infrastructure joint ventures, and other timing differences arising from an overseas subsidiary as set out in note 32.

No provision for Hong Kong Profits Tax has been made as the income neither arises, nor is derived from, Hong Kong.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 13. DIVIDENDS

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Final dividend paid in respect of 2001 of HK\$0.088 (2000: HK\$0.07) per share	<b>45,373</b>	35,431
Interim dividend paid in respect of 2002 of HK\$0.16 (2001: HK\$0.07) per share	<b>82,496</b>	35,431
	<b>127,869</b>	70,862
7.5% convertible cumulative preference shares dividends	<b>32,550</b>	38,879
	<b>160,419</b>	109,741

A final dividend paid in respect of 2002 of HK8 cents per share amounting to a total of HK\$41,248,000 is proposed by the Board. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The amount will be accounted for as an appropriation of reserves in the year ending 31 December 2003.

The amount of final dividend proposed has been calculated on the basis of 515,601,209 shares in issue as at 27 March 2003.

## 14. EARNINGS PER SHARE

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

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Profit for the year	<b>312,808</b>	240,794
Convertible preference shares dividend	<b>(32,550)</b>	(38,879)
Earnings for the purpose of basic earnings per share	<b>280,258</b>	201,915
Earnings for the purpose of diluted earnings per share	<b>280,258</b>	N/A

# Notes to the Financial Statements

For the year ended 31 December 2002

## 14. EARNINGS PER SHARE (Continued)

	<b>2002</b>	2001
	<b>Number of shares</b>	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>513,769,004</b>	506,014,065
Effect of dilutive potential ordinary shares:		
Options	<b>197,945</b>	N/A
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>513,966,949</b>	N/A
	<hr/> <hr/>	<hr/> <hr/>

The effect of convertible preference shares is excluded from the calculation of diluted earnings per share for both years since the effect will be anti-dilutive.

The effect of warrants is excluded from the calculation of diluted earnings per share for both years because the exercise price of the Company's warrants was higher than the average market price of ordinary shares for both 2002 and 2001.

## 15. GOODWILL (NEGATIVE GOODWILL)

	<b>Goodwill</b>	<b>Negative goodwill</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
<b>THE GROUP</b>			
Gross amount			
At 1 January 2002 and 31 December 2002	5,856	(62,751)	(56,895)
	<hr/>	<hr/>	<hr/>
Amortisation			
At 1 January 2002	(4,049)	34,862	30,813
(Amortised) released for the year	(149)	20,917	20,768
	<hr/>	<hr/>	<hr/>
At 31 December 2002	(4,198)	55,779	51,581
	<hr/>	<hr/>	<hr/>
Carrying amount			
At 31 December 2002	1,658	(6,972)	(5,314)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2001	1,807	(27,889)	(26,082)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Goodwill is amortised using the straight line method over its estimated useful life which ranges from generally 3 to 20 years.

Negative goodwill is recognised as income over 3 years, being the remaining weighted average useful life of the non-monetary assets acquired by the Group on the acquisition of Chai-Na-Ta Corp.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 16. TOLL HIGHWAY OPERATION RIGHT

	HK\$'000
<b>THE GROUP</b>	
Cost	
At 1 January 2002 and at 31 December 2002	<u>105,330</u>
Amortisation	
At 1 January 2002	34,858
Amortised for the year	<u>5,549</u>
At 31 December 2002	<u>40,407</u>
Carrying amount	
At 31 December 2002	<u><u>64,923</u></u>
At 31 December 2001	<u><u>70,472</u></u>

The Group had a right to operate and collect tolls from a highway situated in the PRC for a term of 20 years from the date of the business licence of a PRC subsidiary.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land in overseas HK\$'000	Land and buildings HK\$'000	Leasehold improvement HK\$'000	Furniture, fixture and equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>THE GROUP</b>							
Cost							
At 1 January 2002	2,937	5,918	2,570	9,016	124,050	5,211	149,702
Additions	–	1,244	2,167	474	1,376	124	5,385
Disposals	–	(473)	(6)	(93)	(2,545)	(602)	(3,719)
Disposal of subsidiaries	–	(2,121)	–	(43)	–	(110)	(2,274)
Reclassification	–	–	–	–	(362)	362	–
Exchange adjustments	55	84	40	63	2,045	33	2,320
At 31 December 2002	2,992	4,652	4,771	9,417	124,564	5,018	151,414
Depreciation							
At 1 January 2002	–	1,615	2,142	7,749	77,007	3,937	92,450
Charge for the year	–	244	458	750	6,847	369	8,668
Eliminated on disposals	–	(371)	(6)	(86)	(2,404)	(602)	(3,469)
Eliminated on disposal of subsidiaries	–	(11)	–	(14)	–	(7)	(32)
Reclassification	–	–	–	–	(50)	50	–
Exchange adjustments	–	26	34	57	1,447	19	1,583
At 31 December 2002	–	1,503	2,628	8,456	82,847	3,766	99,200
Net book value							
At 31 December 2002	2,992	3,149	2,143	961	41,717	1,252	52,214
At 31 December 2001	2,937	4,303	428	1,267	47,043	1,274	57,252

The Group's land and buildings are situated in  
 — overseas and freehold  
 — overseas and held under medium term leases  
 — the PRC and held under medium term leases

<b>2002</b>	2001
<b>HK\$'000</b>	HK\$'000
<b>2,992</b>	2,937
<b>2,227</b>	3,360
<b>922</b>	943
<b>6,141</b>	7,240

At 31 December 2002, the Group has pledged land and buildings situated overseas having a carrying amount of HK\$4,904,000 to secure the Group's banking facility.

At 31 December 2001, the Group has pledged leasehold land and buildings situated overseas having a carrying amount of HK\$4,564,000 to secure a long term loan. The pledge has been released during the year.

At 31 December 2001, the carrying amount of the Group's plant and machinery includes an amount of HK\$1,429,000 in respect of assets held under finance leases.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 18. INTERESTS IN SUBSIDIARIES

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Unlisted shares at cost	<b>1,388,042</b>	1,388,042
Amounts due from subsidiaries	<b>1,123,146</b>	1,321,670
	<b>2,511,188</b>	2,709,712

The carrying value of the unlisted shares is based on the book value of the underlying net assets of the subsidiaries attributable to the Group at the time they became members of the Group pursuant to the Group's reorganisation in 1996.

Details of the Company's principal subsidiaries at 31 December 2002 are as follows:

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary shares capital/ registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
Chai-Na-Ta Corp.	Canada	Canada	C\$24,320,817	–	62	Production and sale of North American ginseng
Herb King International Limited	Barbados	#	US\$7,510,000	–	100	Investment holding
Pida Investments Limited	British Virgin Islands	#	US\$1	–	100	Investment holding
More Growth Finance Limited	British Virgin Islands	#	US\$1	–	100	Investment holding
Road King (China) Infrastructure Limited	British Virgin Islands	PRC	HK\$1,300,000,000	100	–	Investment holding
Road Billion Investments Limited	British Virgin Islands	#	US\$1	100	–	Financial holding
Road King Infrastructure Finance (1997) Limited	British Virgin Islands	#	US\$1	100	–	Financial holding
Road King Infrastructure Management Limited	Hong Kong	Hong Kong	HK\$2	–	100	Provision of management services
Zhongshan Qijiang Highway Company Limited	PRC *	PRC	RMB60,480,000*	–	75*	Management of Provincial Highway 268
中山市岐江公路有限公司						Zhongshan Shiqi-Jiangmen Highway in Zhongshan, PRC

# Notes to the Financial Statements

For the year ended 31 December 2002

## 18. INTERESTS IN SUBSIDIARIES (Continued)

\* Zhongshan Qijiang Highway Company Limited is a co-operative joint venture registered in the PRC.

# The subsidiaries of the Company are investment holding companies only and do not have any operations.

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

None of the subsidiaries had any loan capital outstanding at the end of the year.

## 19. INTERESTS IN JOINT VENTURES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
<b>Interests in infrastructure joint ventures</b>		
Cost of investments	1,663,429	1,628,105
Share of post-acquisition undistributed results	1,337,489	1,099,200
	<u>3,000,918</u>	<u>2,727,305</u>
Loans to infrastructure joint ventures	2,544,624	2,505,912
Repayment of loans from infrastructure joint ventures	(1,704,805)	(1,408,662)
Net borrowing cost capitalised on financing the infrastructure joint ventures' toll highways and expressways construction (note 20)	121,521	127,048
	<u>3,962,258</u>	<u>3,951,603</u>
<b>Interests in other joint venture</b>		
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>
Total interests in joint ventures	<u><u>3,962,258</u></u>	<u><u>3,955,225</u></u>

Loans to infrastructure joint ventures are unsecured, interest free and have no fixed repayment terms.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 19. INTERESTS IN JOINT VENTURES (Continued)

All infrastructure joint ventures are co-operative joint ventures established in the PRC, details of which at 31 December 2002 are as follows:

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Anhui Road Universe Hefei Highway Development Co. Ltd. 安徽路宇合肥公路開發有限公司	RMB133,530,000	50% #	Construction and management of Hefei-Liuan Highway, Hefei Section, PRC
Anhui Road Universe Hehuai Highway Dayang Section Development Company Limited 安徽省路宇合淮公路大楊段開發有限公司	RMB90,000,000	60% * #	Investment in and development, operation and management of National Highway 206 Hefei - Huainan Highway Dayang Section in Anhui, PRC
Anhui Road Universe Hehuai Highway Yangjin Section Development Company Limited 安徽省路宇合淮公路楊金段開發有限公司	RMB80,000,000	60% * #	Investment in and development, operation and management of National Highway 206 Hefei - Huainan Highway Yangjin Section in Anhui, PRC
Anhui Road Universe Liuan Highway Development Co. Ltd. 安徽路宇六安公路開發有限公司	RMB92,400,000	50% #	Construction and management of Hefei-Liuan Highway, Liuan Section, PRC
Bengbu Road King Huaihe Bridge Highway Development Co., Ltd. 蚌埠路勁淮河公路橋開發有限公司	RMB92,880,000	60% * #	Investment in and development, operation and management of Bengbu Huaihe Bridge in Anhui, PRC
Bengbu Road King Huaimeng Highway Development Co., Ltd. 蚌埠路勁懷蒙公路開發有限公司	RMB68,040,000	60% * #	Investment in and development, operation and management of Provincial Highway 307 Bengbu Huaiyuan - Mengcheng Highway in Anhui, PRC
Bengbu Road King Chaoyanglu Huaihe Highway Bridge Development Co., Ltd. 蚌埠路勁朝陽路淮河公路橋開發有限公司	RMB73,592,000	60% * #	Investment in and construction, operation and management of Bengbu Chaoyanglu Huaihe Highway Bridge in Anhui, PRC

# Notes to the Financial Statements

For the year ended 31 December 2002

## 19. INTERESTS IN JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Foshan Guangsan Special-Use Automobile Highway Co., Ltd. 佛山廣三汽車專用公路有限公司	RMB293,364,000	35%	Construction and management of Foshan Guangzhou - Sanshui Expressway in Foshan, PRC
Guangxi Hengjing Highway Development Co., Ltd. 廣西恆勁公路開發有限公司	RMB81,520,000	70% * #	Investment in and development, operation and management of Yulin - Gongguan Highway, Yulin Section, in Guangxi Zhuang Autonomous Region, PRC
Guangxi Lutong Highway Development Co., Ltd. 廣西路通公路開發有限公司	RMB99,562,400	70% * #	Investment in and development, operation and management of Yulin City Ring Roads, in Guangxi Zhuang Autonomous Region, PRC
Handan Rongguang Highway Development Co., Ltd. 邯鄲榮光公路開發有限公司	RMB78,200,000	70% * #	Construction and management of National Highway 309, Handan-Feixiang Highway in Hebei, PRC
Handan Xinguang Highway Development Co., Ltd. 邯鄲新光公路開發有限公司	RMB81,800,000	70% * #	Construction and management of National Highway 309, Feixiang-Guantao Highway in Hebei, PRC
Hunan Changyi (Baining) Expressway Co., Ltd. 湖南長益(白寧)高速公路有限公司	RMB97,012,000	43.17% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Baining Section) in Hunan, PRC
Hunan Changyi (Cangyi) Expressway Co., Ltd. 湖南長益(滄益)高速公路有限公司	RMB98,985,000	43.17% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Cangyi Section) in Hunan, PRC

# Notes to the Financial Statements

For the year ended 31 December 2002

## 19. INTERESTS IN JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Hunan Changyi (Changbai) Expressway Co., Ltd. 湖南長益(長白)高速公路有限公司	RMB98,554,000	43.17% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Changbai Section) in Hunan, PRC
Hunan Changyi (Hengchang) Expressway Co., Ltd. 湖南長益(衡滄)高速公路有限公司	RMB101,695,000	43.17% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Hengchang Section) in Hunan, PRC
Hunan Changyi (Ningheng) Expressway Co., Ltd. 湖南長益(寧衡)高速公路有限公司	RMB98,458,000	43.17% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Ningheng Section) in Hunan, PRC
Hunan Changyi (Zijiang No. 2 Bridge) Expressway Co., Ltd. 湖南長益(資江二橋)高速公路有限公司	RMB78,328,000	43.17% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Zijiang No. 2 Bridge) in Hunan, PRC
Liuan Road Universe Liuye Highway Development Co., Ltd. 六安路宇六葉公路開發有限公司	RMB97,800,000	50% #	Construction and management of Liuan-Yeji Highway (Western Section) in Anhui, PRC
Liuan Road Universe Pihe Bridge Development Co., Ltd. 六安路宇淠河大橋開發有限公司	RMB90,364,000	50% #	Construction and management of Liuan Pihe Bridge in Anhui, PRC
Luodingshi Luochong Highway Company Limited 羅定市羅沖一級公路有限公司	RMB96,800,000	61% * #	Construction and management of National Highway 324 Luoding - Chonghua Highway in Luoding, PRC

# Notes to the Financial Statements

For the year ended 31 December 2002

## 19. INTERESTS IN JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Pingdingshan Road King Xuchang-Nanyang Highway (Xiangcheng Section) Development Co., Ltd. 平頂山路勁許南公路(襄城段)開發有限公司	RMB73,400,000	50% #	Investment in and development, operation and management of National Highway 311 & Provincial Highway 01 Xuchang - Nanyang Highway, Xiangcheng Section in Henan, PRC
Pingdingshan Road King Xuchang-Nanyang Highway (Yexian Section) Development Co., Ltd. 平頂山路勁許南公路(葉縣段)開發有限公司	RMB63,400,000	50% #	Investment in and development, operation and management of Provincial Highway 01 Xuchang-Nanyang Highway, Yexian Section in Henan, PRC
Shanxi Lutong Dongguan Highway Co., Ltd. 山西路通東觀公路有限公司	RMB82,340,000	65% * #	Investment in and development, operation and management of National Highway 108 Yuci Dongchangshou-Qixian Dongguan Highway in Shanxi, PRC
Shanxi Lutong Taiyu Highway Co., Ltd. 山西路通太古公路有限公司	RMB90,480,000	60% * #	Construction and management of Provincial Highway 104 Taiyuan Ximing-Gujiao Highway in Shanxi, PRC
Shanxi Lutong Taiyu Highway Co., Ltd. 山西路通太榆公路有限公司	RMB83,414,000	65% * #	Construction and management of National Highway 108 Taiyuan-Yuci Highway in Shanxi, PRC
Shanxi Lutong Xiaodian Fenhe Highway Bridge Co., Ltd. 山西路通小店汾河公路橋有限公司	RMB32,650,000	25% #	Construction and management of Provincial Highway Huanggu Route Xiaodian Fenhe Bridge in Shanxi, PRC
Shanxi Lutong Yuci Highway Co., Ltd. 山西路通榆次公路有限公司	RMB66,412,000	65% * #	Construction and management of National Highway 108 Yuci City Bypass in Shanxi, PRC

# Notes to the Financial Statements

For the year ended 31 December 2002

## 19. INTERESTS IN JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Shenzhen Airport - Heao Expressway (Eastern Section) Co., Ltd. 深圳機荷高速公路東段有限公司	RMB440,000,000	45%	Construction and management of Shenzhen Airport-Heao Expressway Eastern Section in Shenzhen, PRC
Shijiazhuang Luhui Road & Bridge Development Co., Ltd. 石家莊路輝道橋開發有限公司	RMB88,000,000	60% * #	Construction and management of National Highway 307, Shijiazhuang-Gaocheng Highway in Hebei, PRC
Shijiazhuang Luxin Road & Bridge Development Co., Ltd. 石家莊路信道橋開發有限公司	RMB44,000,000	60% * #	Construction and management of National Highway 307, Gaocheng - Jinzhou Highway in Hebei, PRC
Suzhou Road King Shanghai-Suzhou Airport Road Development Co., Ltd. 蘇州路勁蘇滬機場路發展有限公司	RMB130,000,000	50%	Construction and management of Suzhou-Shanghai Airport Highway in Suzhou, PRC
Wujin Road King Changcao Highway Development Co., Ltd. 武進路勁常漕公路開發有限公司	RMB100,000,000	60.24%*	Construction and management of Provincial Highway 211 Changzhou-Caoqiao Highway in Changzhou, PRC

\* The Group does not have effective control over these companies, and accordingly, these companies have not been accounted for as subsidiaries.

# The profit/cash sharing ratios in these infrastructure joint ventures differ from the proportion of the registered capital held by the Group over the duration of the joint ventures. During the early stage of the joint ventures, the Group is usually entitled to higher profit/cash sharing ratios than the proportion of registered capital held by the Group as contained in the relevant joint venture agreements. Until such time as specified in the joint venture agreements, the other venturers of the joint ventures may be entitled to profit/cash sharing ratios higher than their respective proportion of registered capital held by them over a specific period of time under the joint venture agreements. Thereafter, the profit sharing ratios of the Group may be the same as the proportion of the registered capital held by the Group or in accordance with a predetermined ratio stipulated in the joint venture agreements.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 19. INTERESTS IN JOINT VENTURES (Continued)

The summary of aggregate financial information of the infrastructure joint ventures, based on the adjusted financial statements prepared under the accounting principles generally accepted in Hong Kong for the year ended 31 December 2002 is as follows:

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
<b>Income statement</b>		
Net toll revenue	<u><b>1,083,024</b></u>	<u>1,006,441</u>
Depreciation charges	<u><b>268,594</b></u>	<u>254,477</u>
Profit before taxation	<u><b>536,617</b></u>	<u>463,721</u>
Group's share of profits before taxation less losses	<u><b>417,725</b></u>	<u>400,603</u>
<b>Balance sheet</b>		
Property, plant and equipment	<u><b>7,382,083</b></u>	<u>7,568,823</u>
Other assets	<u><b>39</b></u>	<u>261</u>
Current assets	<u><b>230,241</b></u>	<u>221,243</u>
Current liabilities	<u><b>(295,349)</b></u>	<u>(240,208)</u>
Net current liabilities	<u><b>(65,108)</b></u>	<u>(18,965)</u>
Amount due to joint venture partners	<u><b>(2,767,240)</b></u>	<u>(3,306,723)</u>
Net assets	<u><b>4,549,774</b></u>	<u>4,243,396</u>

# Notes to the Financial Statements

For the year ended 31 December 2002

## 20. NET BORROWING COSTS CAPITALISED ON FINANCING THE INFRASTRUCTURE JOINT VENTURES' TOLL HIGHWAYS AND EXPRESSWAYS CONSTRUCTION

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Gross amount		
At 1 January	153,896	153,896
Additions	833	–
At 31 December	154,729	153,896
Amortisation		
At 1 January	26,848	20,488
Charge for the year	6,360	6,360
At 31 December	33,208	26,848
Carrying amount		
At 31 December	121,521	127,048

## 21. INVESTMENTS IN SECURITIES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Non-current		
Held-to-maturity debt securities, unlisted overseas	–	52,387
Current		
Debt securities, unlisted overseas	81,742	–
Other investments, unlisted	7,800	–
	89,542	–

# Notes to the Financial Statements

For the year ended 31 December 2002

## 22. DEBTORS - DUE AFTER ONE YEAR

The amounts represent minimum income undertakings guaranteed by the PRC joint venture partners due in 2004 in accordance with the terms of the relevant joint venture agreements.

## 23. CHARGED DEPOSITS

### THE GROUP

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

At 31 December 2002, bank balances of HK\$87,834,000 (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.

### THE COMPANY

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

At 31 December 2002, bank balances of HK\$35,962,000 (2001: HK\$35,780,000) are classified under current assets because the balances are pledged as security for the Group's indebtedness due within one year.

## 24. INVENTORIES AND GINSENG CROPS

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Inventories	40,415	52,741
Ginseng crops	87,819	94,062
	<hr/>	<hr/>
	<b>128,234</b>	146,803
	<hr/> <hr/>	<hr/> <hr/>

Ginseng plants reach maturity and normally can be harvested at the end of their third year of growth. However, the Group may allow crops to mature longer to allow for higher yields and additional seed harvests.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 25. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments of the Group is an amount of HK\$157,321,000 (2001: HK\$234,931,000) representing minimum income undertakings due from the PRC joint venture partners.

Minimum income undertakings have been recognised in accordance with the terms set out in the relevant joint venture agreements and are settled according to schedule as agreed with the relevant PRC joint venture partners.

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Aged analysis of debtors		
Within 60 days	684	121,508
60-90 days	–	21
More than 90 days	157,321	114,203
	<hr/>	<hr/>
	158,005	235,732
Interest receivable	2,246	1,136
Deposits and prepayments	18,445	20,319
	<hr/>	<hr/>
	178,696	257,187
	<hr/> <hr/>	<hr/> <hr/>

# Notes to the Financial Statements

For the year ended 31 December 2002

## 26. SHARE CAPITAL

	2002 Number of shares	2001 Number of shares	2002 HK\$'000	2001 HK\$'000
<b>Authorised:</b>				
Ordinary shares of HK\$0.1 each	<u>20,000,000,000</u>	<u>20,000,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
7.5% convertible preference shares ("CP Shares") of HK\$0.1 each	<u>518,380</u>	<u>518,380</u>	<u>52</u>	<u>52</u>
<b>Issued and fully paid:</b>				
Ordinary shares				
At 1 January	504,307,967	506,156,967	50,430	50,615
Ordinary shares issued	11,682,242	–	1,168	–
Shares repurchased and cancelled	(389,000)	(1,849,000)	(39)	(185)
At 31 December	<u>515,601,209</u>	<u>504,307,967</u>	<u>51,559</u>	<u>50,430</u>
CP shares				
At 1 January	518,380	518,380	52	52
Shares converted and cancelled	(100,000)	–	(10)	–
At 31 December	<u>418,380</u>	<u>518,380</u>	<u>42</u>	<u>52</u>
Total issued and fully paid shares at 31 December	<u>516,019,589</u>	<u>504,826,347</u>	<u>51,601</u>	<u>50,482</u>

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 at a conversion price of HK\$8.56 per share to this shareholder.

During the year, the Company repurchased its own ordinary shares on the Stock Exchange as follows :

Month of repurchase	Number of ordinary shares of HK\$0.1 each	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
January 2002	339,000	3.175	3.050	1,065
February 2002	50,000	3.000	3.000	150
	<u>389,000</u>			<u>1,215</u>

# Notes to the Financial Statements

For the year ended 31 December 2002

## 26. SHARE CAPITAL (Continued)

These repurchased shares were cancelled upon repurchase and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The premium payable on repurchase was paid out of the Company's share premium account.

The CP Shares carry equal rights and rank pari passu with one another and each CP Share has the rights set out below:

The holders of the CP Shares are entitled to a fixed cumulative cash dividend payable in priority to holders of any other class of shares in the capital of the Company in Hong Kong dollars at the rate of 7.5% per annum on the principal amount of HK\$418,380,000 (2001: HK\$518,380,000).

All outstanding CP Shares shall be converted into ordinary shares in the period between the second and the fifth anniversaries of the issue date, and the Company will cause to be allotted and issue to each holder such number of ordinary shares as will be equal to the aggregate of the principal amounts of such outstanding CP Shares held by the relevant holder divided by the initial conversion price of HK\$8.56, subject to adjustment.

The holders of the CP Shares are not entitled to vote at general meetings of the Company save in the event that the Company fails to pay the dividend on the CP Shares for two consecutive years, in which case a holder will be entitled to receive notice of and vote at general meetings of the Company.

## 27. SHARE OPTION SCHEME

Pursuant to the Company's Share Option Scheme for employees adopted on 3 June 1996, the directors may, at their discretion, invite employees of the Company and its subsidiaries, including any executive directors or non-executive directors, to take up options to subscribe for shares which in aggregate, may not exceed 10% of the issued share capital of the Company from time to time. No option may be granted to any one employee which if exercised would result in the total number of shares already issued and/or fall to be issued to him under the Scheme exceeding 25% of the maximum number of shares in respect of which options may at that time be granted under the Scheme. An offer of the grant of an option shall be made to an employee by letter in such form as the Board may from time to time determine requiring the employee to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Scheme and shall remain open for acceptance by the employee concerned for a period of 28 days from the offer date. An option shall be deemed to have been granted and accepted and to have taken effect when the duplicate letter comprising acceptance of the option duly signed by the grantee together with a remittance in favour of the Company of HK\$1.00. The subscription price for the shares in respect of which options are granted will be the higher of the nominal value of a share or 80% of the average closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the grant of any option. The Scheme will remain in force for a period of ten years from the date of its adoption. An option may be exercised at any time one year after the date upon which the option is deemed to be granted and accepted and prior to the expiry of three years from that date. During the year, 4,808,000 (2001: 404,000) options expired and 580,000 (2001: 550,000) options were cancelled and no (2001: Nil) options were granted or exercised.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 27. SHARE OPTION SCHEME (Continued)

The following tables disclose details of the Company's share options held by directors and employees and movements in such holdings during the year.

2002		Exercise price HK\$	Number of share options				Balance at 31.12.2002
			Balance at 1.1.2002	Granted during the year	Exercised during the year	Expired/ cancelled during the year	
Date granted	Exercisable period						
<u>Directors</u>							
2 August 1999	2 August 2000 to 1 August 2002	5.60	2,263,000	–	–	(2,263,000)	–
2 August 1999	2 August 2000 to 1 August 2002	4.95	1,700,000	–	–	(1,700,000)	–
8 August 2000	8 August 2001 to 7 August 2003	3.20	8,340,000	–	–	(190,000)	8,150,000
27 November 2000	27 November 2001 to 26 November 2003	3.20	200,000	–	–	–	200,000
			12,503,000	–	–	(4,153,000)	8,350,000
<u>Employees</u>							
2 August 1999	2 August 2000 to 1 August 2002	5.60	170,000	–	–	(170,000)	–
2 August 1999	2 August 2000 to 1 August 2002	4.95	675,000	–	–	(675,000)	–
8 August 2000	8 August 2001 to 7 August 2003	3.20	2,795,000	–	–	(390,000)	2,405,000
			3,640,000	–	–	(1,235,000)	2,405,000
			16,143,000	–	–	(5,388,000)	10,755,000

# Notes to the Financial Statements

For the year ended 31 December 2002

## 27. SHARE OPTION SCHEME (Continued)

		Number of share options					
2001		Exercise price	Balance at 1.1.2001	Granted during the year	Exercised during the year	Expired/cancelled during the year	Balance at 31.12.2001
Date granted	Exercisable period	HK\$					
<u>Directors</u>							
2 August 1999	2 August 2000 to 1 August 2002	5.60	2,263,000	–	–	–	2,263,000
2 August 1999	2 August 2000 to 1 August 2002	4.95	1,800,000	–	–	(100,000)	1,700,000
8 August 2000	8 August 2001 to 7 August 2003	3.20	8,530,000	–	–	(190,000)	8,340,000
27 November 2000	27 November 2001 to 26 November 2003	3.20	200,000	–	–	–	200,000
			12,793,000	–	–	(290,000)	12,503,000
<u>Employees</u>							
27 June 1998	30 June 1999 to 29 June 2001	5.14	419,000	–	–	(419,000)	–
2 August 1999	2 August 2000 to 1 August 2002	5.60	170,000	–	–	–	170,000
2 August 1999	2 August 2000 to 1 August 2002	4.95	690,000	–	–	(15,000)	675,000
8 August 2000	8 August 2001 to 7 August 2003	3.20	3,025,000	–	–	(230,000)	2,795,000
			4,304,000	–	–	(664,000)	3,640,000
			17,097,000	–	–	(954,000)	16,143,000

## 28. WARRANTS

During 2000, a bonus issue of warrants was made on the basis of one warrant for every five ordinary shares held on 6 September 2000. Each warrant carries an entitlement to subscribe in cash at a price of HK\$5.00 (subject to adjustment) for one ordinary share of the Company, at any time from 6 March 2001 to 5 September 2003 (both days inclusive).

At 31 December 2002, the Company had 101,231,393 (2001: 101,231,393) outstanding warrants.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 29. RESERVES

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
<b>Share premium</b>				
At 1 January	<b>1,462,857</b>	1,468,043	<b>1,462,857</b>	1,468,043
Shares repurchased and cancelled	<b>(1,176)</b>	(5,186)	<b>(1,176)</b>	(5,186)
Preference shares converted and cancelled	<b>(97,291)</b>	–	<b>(97,291)</b>	–
Issue of ordinary shares	<b>96,133</b>	–	<b>96,133</b>	–
At 31 December	<b>1,460,523</b>	1,462,857	<b>1,460,523</b>	1,462,857
<b>Translation reserve</b>				
At 1 January	<b>5,439</b>	11,801	–	–
Exchange differences arising on translation of overseas operations	<b>1,261</b>	(5,383)	–	–
Release on disposal of interests in infrastructure joint ventures	–	(979)	–	–
Release on disposal of subsidiaries	<b>20</b>	–	–	–
At 31 December	<b>6,720</b>	5,439	–	–
<b>Contributed surplus</b>				
At 1 January and 31 December	–	–	<b>1,348,042</b>	1,348,042
<b>Special reserve</b>				
At 1 January and 31 December	<b>1,260,000</b>	1,260,000	–	–
<b>Retained profits</b>				
At 1 January	<b>1,508,731</b>	1,377,678	<b>598,447</b>	339,999
Profit for the year	<b>312,808</b>	240,794	<b>71,313</b>	368,189
Dividends ( <i>note 13</i> )	<b>(160,419)</b>	(109,741)	<b>(160,419)</b>	(109,741)
At 31 December	<b>1,661,120</b>	1,508,731	<b>509,341</b>	598,447
<b>Total reserves</b>	<b>4,388,363</b>	4,237,027	<b>3,317,906</b>	3,409,346

# Notes to the Financial Statements

For the year ended 31 December 2002

## 29. RESERVES (Continued)

Special reserve arising on a group reorganisation represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the issued share capital of Road King (China) Infrastructure Limited, which was acquired by the Company pursuant to the group reorganisation.

The contributed surplus of the Company represents the differences between the consolidated shareholders' funds of Road King (China) Infrastructure Limited at the date on which the Group reorganisation became effective and the nominal amount of the share capital of the Company issued under the Group reorganisation.

In addition to the retained profits, under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company's reserves available for distribution to shareholders as at 31 December 2002 and 2001 were as follows:

	<b>2002</b>	2001
	<b>HK\$' 000</b>	HK\$' 000
Contributed surplus	<b>1,348,042</b>	1,348,042
Retained profits	<b>509,341</b>	598,447
	<hr/> <b>1,857,383</b> <hr/>	<hr/> 1,946,489 <hr/>
Proposed dividend	<b>41,248</b>	45,373

# Notes to the Financial Statements

For the year ended 31 December 2002

## 30. SECURED LOANS

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Transferable loan certificate ( <i>note i</i> )	-	809,396
Repurchase of transferable loan certificate	-	(41,605)
Repayment of transferable loan certificate	-	(767,791)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
Transferable loan certificate ( <i>note ii</i> )	580,425	580,425
Repayment of transferable loan certificate	(97,500)	-
Exchange adjustment	4,575	-
	<hr/>	<hr/>
	487,500	580,425
	<hr/>	<hr/>
Guaranteed notes ( <i>note iii</i> )	1,082,054	1,080,962
Repurchase of guaranteed notes	(465,724)	(465,724)
Exchange adjustment	3,857	-
	<hr/>	<hr/>
	620,187	615,238
	<hr/>	<hr/>
Term loan ( <i>note iv</i> )	32,350	-
Other loans	762	3,077
	<hr/>	<hr/>
	1,140,799	1,198,740
	<hr/> <hr/>	<hr/> <hr/>

The maturity of the above loans is as follows:

	2002 HK\$'000	2001 HK\$'000
Within one year	195,631	99,094
More than one year but not exceeding two years	292,631	194,195
More than two years but not exceeding five years	652,537	290,213
More than five years	-	615,238
	<hr/>	<hr/>
	1,140,799	1,198,740
	<hr/>	<hr/>
Less : Amount due within one year shown under current liabilities	(195,631)	(99,094)
	<hr/>	<hr/>
Amount due after one year	945,168	1,099,646
	<hr/> <hr/>	<hr/> <hr/>

# Notes to the Financial Statements

For the year ended 31 December 2002

## 30. SECURED LOANS (Continued)

Notes:

- (i) The transferable loan certificate facility of US\$138 million, due in January 2002, was fully repaid in 2001 and refinanced by the new transferable loan certificate of US\$75 million in August 2001.
- (ii) The transferable loan certificate of US\$75 million 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. The facility bears annual interest rate at a spread over LIBOR and will mature on 2 February 2004. The repayment will be made by four half yearly instalments and the first repayment was made twelve months after the loan agreement as of 2 August 2001. Subsequent to the balance sheet date, the facility was fully repaid on 4 February 2003.
- (iii) 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.
- (iv) The term loan is guaranteed by the Company. The loan bears annual interest rate at a spread 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.

## 31. CREDITORS AND ACCRUED CHARGES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Aged analysis of creditors:		
Within 60 days	10,739	8,795
60 - 90 days	212	2
	<hr/>	<hr/>
	10,951	8,797
Interest payable	26,266	23,928
Accrued charges	20,125	18,342
	<hr/>	<hr/>
	57,342	51,067
	<hr/> <hr/>	<hr/> <hr/>

# Notes to the Financial Statements

For the year ended 31 December 2002

## 32. DEFERRED TAXATION

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
At 1 January	7,175	7,675
Exchange adjustments	135	(500)
Credit for the year	(1,660)	–
At 31 December	<u>5,650</u>	<u>7,175</u>

At 31 December 2002, major components of the deferred taxation liability are as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
(Shortfall) excess of tax allowances over depreciation	(115)	294
Tax losses	(2,390)	(3,867)
Other timing differences	8,155	10,748
	<u>5,650</u>	<u>7,175</u>

There was no significant unprovided deferred taxation for the Group and the Company for the year or at the balance sheet date.

## 33. DISPOSAL OF INTERESTS IN INFRASTRUCTURE JOINT VENTURES

The Group's disposal of its interests in four infrastructure joint ventures in 2001 had the following effects:

	2001 HK\$'000
Interests in infrastructure joint ventures	
Cost of investment	181,907
Share of post-acquisition undistributed results	74,236
Loans to infrastructure joint ventures	308,132
Repayment of loans from infrastructure joint ventures	(115,556)
	<u>448,719</u>
Translation reserve released	(979)
	<u>447,740</u>
Cash consideration	481,773
	<u>829,513</u>
Gain on disposal of interests in infrastructure joint ventures	<u>34,033</u>

# Notes to the Financial Statements

For the year ended 31 December 2002

## 34. DISPOSAL OF INTERESTS IN SUBSIDIARIES

The Group disposed of its entire interests in CNT Life Sciences, Inc. and CNT International Wellness Pharmaceutical Limited during the year and had the following effects:

	<b>2002</b> <b>HK\$'000</b>
Net assets disposed of:	
Property, plant and equipment	<b>2,242</b>
Interests in joint ventures	<b>2,787</b>
Debtors, deposits and prepayments	<b>1,290</b>
Bank balances and cash	<b>2,683</b>
Bank loan	<b>(952)</b>
Creditors and accrued charges	<b>(579)</b>
	<hr/>
	<b>7,471</b>
Translation reserve released	<b>20</b>
	<hr/>
	<b>7,491</b>
Cash consideration	<b>8,180</b>
	<hr/>
Gain on disposal of interests in subsidiaries	<b>689</b>
	<hr/> <hr/>
Net cash inflow arising on disposal:	
Cash consideration	<b>8,180</b>
Bank and cash balances disposed of	<b>(2,683)</b>
	<hr/>
	<b>5,497</b>
	<hr/> <hr/>

During the year, the disposed subsidiaries did not make any contribution to the Group's net operating cash flows, turnover and profit attributable to shareholders.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 35. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	2002 HK\$'000	2001 HK\$'000
<b>Share capital and premium</b>		
At 1 January	1,513,339	1,518,710
Repurchase of own shares	(1,215)	(5,371)
Preference shares converted and cancelled	(97,301)	–
Issue of ordinary shares	97,301	–
	<hr/>	<hr/>
At 31 December	<b>1,512,124</b>	1,513,339
	<hr/> <hr/>	<hr/> <hr/>
<b>Secured loans</b>		
At 1 January	1,198,740	1,387,646
Exchange adjustments	8,490	(342)
New transferable loan certificate	–	580,425
New loans raised	33,302	–
Repayment of transferable loan certificate	(97,500)	(767,791)
Repayment of other loans	(2,373)	(1,824)
Disposal of interests in subsidiaries	(952)	–
Discount on guaranteed notes	1,092	626
	<hr/>	<hr/>
At 31 December	<b>1,140,799</b>	1,198,740
	<hr/> <hr/>	<hr/> <hr/>
<b>Obligations under finance leases</b>		
At 1 January	457	989
Exchange adjustments	8	(64)
Repayment during the year	(465)	(468)
	<hr/>	<hr/>
At 31 December	<b>–</b>	457
	<hr/> <hr/>	<hr/> <hr/>

# Notes to the Financial Statements

For the year ended 31 December 2002

## 36. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees including directors. The assets of the scheme are held separately from those of the Group in funds under the control of the independent trustee. Both the Group and the employees contribute a fixed percent to the Scheme based on their monthly salary in accordance with government regulations.

The scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group. There were no forfeited contributions available to reduce future contributions at the balance sheet date.

The employees of the Group's subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the government. The subsidiary is required to contribute a fixed percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligations of the Group with respect to the retirement scheme is to make the specified contributions.

## 37. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Within one year	6,884	8,285
In the second to fifth year inclusive	11,097	10,192
	<u>17,981</u>	<u>18,477</u>

The commitments represent rentals payable by the Group for its offices and agricultural land use rights with the lease periods ranging from two to five years.

At 31 December 2002 and 2001, the Company had no operating lease commitments.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 38. CAPITAL COMMITMENT

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

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
<b>Contracted but not provided for</b>		
Investment loan to be injected into a subsidiary	7,937	7,937
Investment costs to be injected into infrastructure joint ventures		
Within one year	2,622	43,482
In the second to fifth year inclusive	–	2,801
After the fifth year	34,177	34,176
	<b>36,799</b>	80,459
	<b>44,736</b>	88,396
<b>Authorized but not contracted for</b>		
Investment costs to be injected into an infrastructure joint venture		
Within one year	993,700	–

At 31 December 2002 and 2001, the Company had no capital commitments.

## 39. CONTINGENT LIABILITIES

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

	2002 HK\$'000	2001 HK\$'000
Guarantees indirectly given to banks in respect of bank facilities utilised by infrastructure joint ventures	116,775	150,535

At the balance sheet date, the Company also provided guarantees of HK\$1,611,850,000 (2001: HK\$1,663,885,000) in respect of guaranteed notes and bank loans raised by its subsidiaries.

## 40. POST BALANCE SHEET EVENTS

- (a) On 4 February 2003, the Group has fully repaid the outstanding balance of US\$62.5 million (HK\$487,500,000) of the US\$75 million transferable loan certificate. Upon the early repayment, the charges associated with the loan have been early released.
- (b) On 5 December 2002, the Group has signed an agreement to dispose of its entire 65% interests in Shanxi Provincial Highway Huanggu Route Xiaodian Fenhe Bridge project to the PRC partner at a cash consideration of approximately HK\$15 million. The disposal has been approved by the relevant PRC government authorities and is estimated to be completed in first half of 2003. The disposal will not have a significant financial effect to the Group.