

▶▶ Notes to the Accounts

1. Principal accounting policies

The principal accounting policies adopted in the preparation of these consolidated accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (“HKSA”). The accounts are prepared under the historical cost convention.

In the current year, the Group adopted Statement of Standard Accounting Practice (“SSAP”) 35 “Government Grants and Disclosure of Government Assistance” and SSAP 12 “Income Taxes” issued by the HKSA which are effective for accounting periods commencing on or after 1st July 2002 and 1st January 2003, respectively.

The adoption of SSAP 35 has no material effect on the Group’s accounts. The effect of adopting SSAP 12 is set out in note 1(p) below.

(b) Consolidation

The group accounts include the accounts of the Company and its subsidiaries made up to 31st December. The group accounts also include the Group’s share of post acquisition profits less losses, and reserves, of its associated companies and jointly controlled entities.

The results of subsidiaries, associated companies and jointly controlled entities acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group’s share of its net assets together with any unamortised goodwill/negative goodwill or goodwill/negative goodwill taken to reserves and was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

1. Principal accounting policies (Cont'd)

(c) Goodwill/negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries, associated companies or jointly controlled entities at the date of acquisition.

Goodwill on acquisitions that occurred prior to 1st January 2001 was taken directly to reserves. Goodwill on acquisitions occurring on or after 1st January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition. For acquisitions prior to 1st January 2001, negative goodwill was taken directly to reserves on acquisition. For acquisitions after 1st January 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the income statement immediately.

The carrying amount of goodwill, including those previously taken directly to reserves, is reviewed annually and provision is only made where, in the opinion of directors, there is a long-term impairment in value.

(d) Subsidiaries

A company is a subsidiary if the Group controls more than half of the voting power, controls the composition of the board of directors or hold more than half of the issued share capital.

In the Company's balance sheet the investments in subsidiaries are stated at costs less provision for impairment losses, if necessary, for any permanent diminution in value. The results of subsidiaries are accounted for by the Company on the basis of dividend income.

1. Principal accounting policies (Cont'd)

(e) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of results of associated companies for the year, and the consolidated balance sheet includes the Group's share of net assets of the associated companies.

(f) Jointly controlled entities

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

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of net assets of the jointly controlled entities.

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision for impairment losses. The results of jointly controlled entities are accounted for by the Company on the basis of dividend income.

(g) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment loss, if any.

No depreciation is provided in respect of construction in progress. Land use rights outside Hong Kong are amortised over the periods of the respective leases. Depreciation of toll roads is calculated based on the pattern of the expected traffic flow throughout the period the Group expects to operate the toll roads.

1. Principal accounting policies (Cont'd)

(g) Fixed assets (Cont'd)

Depreciation of other fixed assets is calculated to write off the cost of the assets less accumulated impairment losses and estimated residual values using a straight line method over their estimated useful lives as follows:

Leasehold land	over the unexpired lease term
Buildings	20–45 years
Improvements on leased berths	35 years
Plant and machinery	10–18 years
Leasehold improvement, furniture and equipment	5–10 years
Motor vehicles	5–12 years
Others	5 years

During the year, two subsidiary companies of the Group changed the estimated useful lives on depreciation of the following assets:

	Change of depreciation life	Effects on depreciation charge for the year
Loading equipment	from 15 years to 11 years	increase by approximately HK\$19 million
Eastern Outer Ring Road	from 30 years to 50 years	decrease by approximately HK\$15 million

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

1. Principal accounting policies (Cont'd)

(h) Assets under leases

(i) *Finance leases*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the fair value of the leased assets. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(ii) *Operating leases*

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases and rentals payable net of any incentives received from the leasing company are charged to the profit and loss account evenly over the periods of the respective leases.

(i) Investments

Investments held for the long term are stated at cost less provision for impairment losses, if any.

Short term investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value are recognised in the profit and loss account. Profits or losses on disposal, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(j) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost, calculated on a weighted average basis, comprises materials, direct labour and an appropriate portion of production overheads. Net realisable value is determined on the basis of anticipated sales proceed less estimated cost to completion and selling expenses.

1. Principal accounting policies (Cont'd)

(k) Properties under development held for sale

Properties under development held for sale are included under current assets and comprise land cost, construction costs and other direct costs attributable to such properties, less allowances for any foreseeable losses.

Such properties are sold in advance of completion, profit is recognised over the course of the development and is computed as proportion of the total estimated profit to completion; the proportion used being the lower of the proportion of the construction works completed and the proportion of sales proceeds received to total estimated sales proceeds.

Where purchasers fail to pay the balance of the purchase price on completion and the Group exercises its entitlement to resell the property, sales deposits received in advance of completion which are forfeited are credited to operating profit; and any profits recognised up to the date of completion are written back.

Properties completed and remain unsold as at year end are included in current assets and stated at the lower of cost and net realisable value.

(l) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(m) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

(n) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

1. Principal accounting policies (Cont'd)

(o) Employee benefits

(i) *Employee leave entitlement*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Retirement scheme obligations*

Employees of the Group's PRC subsidiaries are members of state-managed employee pension scheme operated by the Tianjin Municipal People's Government which undertakes to assume the retirement benefit obligations of all existing and future retired employees. The Group's obligation is to make the required contributions under the schemes. In addition, the Group also contributes to a mandatory provident fund scheme for all Hong Kong employees. All these contributions are based on a certain percentage of the staff's salary and are charged to the profit and loss account as incurred.

(iii) *Equity compensation benefits*

Share options are granted to directors and continuous contract employees. No compensation cost is recognised in the profit and loss account in connection with share options granted. When the share options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

(p) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

1. Principal accounting policies (Cont'd)

(p) Deferred taxation (Cont'd)

In prior year, deferred taxation was accounted for at the current taxation rate in respect of the timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in the Consolidated Statement of Changes in Equity, opening reserves at 1st January 2002 and 2003 have been increased by HK\$36,800,000 and HK\$32,610,000, respectively, which represent the unprovided net deferred tax assets. This change has resulted in an increase in deferred tax liabilities at 31st December 2002 by HK\$10,123,000 and increase in interest in associated companies by HK\$50,019,000. The profit for the year ended 31st December 2002 has been reduced by HK\$4,190,000.

(q) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(r) Related companies

Related companies represent former holding companies of the subsidiaries comprising the Group after the Group's restructuring and companies or entities controlled by these former holding companies and the existing holding companies, other than companies comprising the Group.

1. Principal accounting policies (Cont'd)

(s) Foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

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

(t) Revenue recognition

Sales of goods are recognised when goods are delivered to customers.

Toll revenues are recognised when services are rendered.

Cargo and container handling service income is recognised when services are rendered.

Sales of properties under development for sale in advance of completion are set out in note (k).

Rental, interest income and management fee income are recognised on an accruals basis.

Dividend income from investments is recognised when the right to receive payment is established.

(u) Borrowing costs

Borrowing costs that are directly attributable to the construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

1. Principal accounting policies (Cont'd)

(v) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated items represent net corporate expenses or income. Segment assets consist primarily of goodwill, fixed assets, investments in associated companies and jointly controlled entities, properties under development for sale, completed properties held for sale, stocks, receivables and exclude amounts due from related companies and holding company, long term investments, short term investments, taxation recoverable and bank balances and cash. Segment liabilities consist of trade payables and other payables and accruals and exclude taxation payable, amounts due to related companies and holding company, minority interests and corporate borrowings. Capital expenditure comprises additions to fixed assets.

In respect of geographical segment reporting, sales are based on the country in which the Group's production or service facilities are located. Total assets and capital expenditure are where the assets are located.

2. Turnover and revenues

The principal activity of the Company is investment holding. The Group is principally engaged in manufacturing and sale of winery products, provision of container and cargo handling services, operation of toll roads in Tianjin and sale of properties.

The turnover is net of value added tax, less discounts and returns where applicable.

	2003	2002
	HK\$'000	HK\$'000
Turnover		
Manufacturing and sale of winery products	602,803	621,508
Provision of container handling services	375,899	309,036
Provision of cargo handling services	326,106	261,580
Operation of toll roads	289,311	261,094
Sales of properties	199,262	135,848
Trading in garments, chemical products and electrical components	67,398	156,193
	1,860,779	1,745,259
Other revenues		
Gain on deemed and partial disposals of interest in an associated company	17,681	24,924
Gain on disposal of a jointly controlled entity	3,619	—
Gain on disposal of short term investment	3,815	—
Interest income from bank deposits and others	11,899	13,046
Dividends from unlisted long term investments	411	143
Sundries	11,519	3,474
	48,944	41,587

3. Segment information

(a) Primary reporting format — business segments

	Year ended 31st December 2003									
	Winery HK\$'000	Container handling HK\$'000	Cargo handling HK\$'000	Operation of toll roads HK\$'000	Property development HK\$'000	Trading HK\$'000	Elevator and escalator HK\$'000	Gas fuel supply HK\$'000	Others HK\$'000	Group HK\$'000
Turnover	602,803	375,899	326,106	289,311	199,262	67,398	—	—	—	1,860,779
Segment results	153,487	97,190	(8,773)	190,437	10,326	(26,172)	—	—	—	416,495
Gain on deemed and partial disposals of interest in an associated company										17,681
Interest income										11,899
Net corporate expenses										(82,480)
Operating profit before financing										363,595
Finance costs										(82,240)
Share of profits less losses of										
Associated companies	—	595	3,648	—	—	—	62,939	21,891	(2,118)	86,955
Jointly controlled entities	1,002	—	—	—	—	—	—	—	(5,523)	(4,521)
Profit before taxation										363,789
Taxation										(79,741)
Profit after taxation										284,048
Minority interests										(71,252)
Profit attributable to shareholders										212,796
Segment assets										
Goodwill	—	—	—	54,096	—	—	—	—	—	54,096
Fixed assets	189,889	843,196	413,938	3,284,039	27,875	—	—	—	41,758	4,800,695
Associated companies	—	5,897	22,691	—	—	—	173,774	156,007	891	359,260
Jointly controlled entities	10,359	—	—	—	—	—	—	—	85,260	95,619
Other assets	341,385	25,537	60,300	149,915	588,473	—	405,828	—	70,408	1,641,846
Unallocated assets										1,721,463
Consolidated total assets										8,672,979
Segment liabilities										
Minority interests	198,861	3,647	333	773,339	26,891	—	188,656	—	(4,705)	1,187,022
Other liabilities	245,376	23,225	20,079	82,246	92,274	—	3,943	—	24,513	491,656
Unallocated liabilities										3,006,574
Consolidated total liabilities										4,685,252
Capital expenditure	31,668	85,124	60,337	1,525,869	112	405	—	—	16,319	1,719,834
Depreciation	22,261	66,741	23,592	28,693	1,955	91	—	—	869	144,202
Impairment of fixed assets	—	—	—	—	—	—	—	—	5,698	5,698

3. Segment information (Cont'd)

(a) Primary reporting format — business segments (Cont'd)

	Year ended 31st December 2002									
	Winery HK\$'000	Container handling HK\$'000	Cargo handling HK\$'000	Operation of toll roads HK\$'000	Property development HK\$'000	Trading HK\$'000	Elevator and escalator HK\$'000	Gas fuel supply HK\$'000	Others HK\$'000	Group HK\$'000
Turnover	621,508	309,036	261,580	261,094	135,848	156,193	—	—	—	1,745,259
Segment results	159,843	90,939	(22,591)	149,015	1,682	(54,109)	—	—	—	324,779
Gain on deemed and partial disposals of interest in an associated company										24,924
Interest income										13,046
Net corporate expenses										(66,646)
Operating profit before financing										296,103
Finance costs										(81,368)
Share of profits less losses of										
Associated companies	—	60	3,659	—	—	—	58,794	54,448	(991)	115,970
Jointly controlled entities	(70)	—	—	—	—	—	—	—	(1,428)	(1,498)
Profit before taxation										329,207
Taxation										(83,675)
Profit after taxation										245,532
Minority interests										(63,883)
Profit attributable to shareholders										181,649
Segment assets										
Fixed assets	180,982	826,899	382,436	1,786,860	82,647	555	—	—	26,466	3,286,845
Associated companies	—	5,483	21,646	—	—	—	215,947	142,040	1,009	386,125
Jointly controlled entities	9,357	—	—	—	—	—	—	—	105,592	114,949
Other assets	356,662	25,087	73,980	194	628,767	64,109	45,187	—	94,836	1,288,822
Unallocated assets										1,542,250
Consolidated total assets										6,618,991
Segment liabilities										
Minority interests	178,933	4,199	307	188,301	25,027	—	178,515	—	(4,912)	570,370
Other liabilities	266,972	12,069	40,418	22,611	81,424	45,050	9,305	—	16,667	494,516
Unallocated liabilities										2,024,083
Consolidated total liabilities										3,088,969
Capital expenditure	20,012	295,209	117,840	1,426	457	877	—	—	24,248	460,069
Depreciation	20,247	40,704	23,675	48,450	44	401	—	—	3,221	136,742
Provision for long term investments	—	—	—	—	—	2,418	—	—	—	2,418

3. Segment information (Cont'd)

(b) Secondary report format — geographical segments

	Turnover HK\$'000	Segment results HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
2003				
PRC mainland	1,793,381	442,667	8,246,835	1,719,429
Hong Kong	67,398	(26,172)	426,144	405
	1,860,779	416,495	8,672,979	1,719,834
2002				
PRC mainland	1,589,066	378,888	6,444,813	459,192
Hong Kong	156,193	(54,109)	174,178	877
	1,745,259	324,779	6,618,991	460,069

- (c) Pursuant to an approval (Jin Zheng Fa [2003] No. 52) dated 30th May 2003 issued by the Tianjin Municipal People's Government, the direct collection of tolls by all toll stations situated at the urban area of Tianjin City, including the Eastern Outer Ring Road, was terminated with effect from 1st June 2003 and the Tianjin City Indebted Road Construction and Toll Collection Office (the "City Toll Collection Office") should take up the responsibility of collecting toll payments from road users. Based on a pre-determined formula in accordance with the Eastern Outer Ring Road Toll Collection Agency Agreement dated 20th August 2003, the City Toll Collection Office shall then pay the toll fees to Jin Zheng Transportation Company. The City Toll Collection Office charges a toll collection management fee which is equal to 5% of the aggregate toll revenue receivable by the Group in return.
- (d) The Group disposed of its entire interests in certain subsidiaries, which engaged in trading operations in Hong Kong, to Tsinlien Group Company Limited for a cash consideration of HK\$2 during the year.

4. Operating profit before financing

	2003 HK\$'000	2002 HK\$'000
Operating profit before financing is stated after (crediting)/charging:		
Cost of stocks and completed properties sold	457,653	492,969
Staff cost (including directors' emoluments)		
Wages and salaries	253,126	255,911
Retirement benefit costs	29,641	26,201
Auditors' remuneration	2,730	2,652
Exchange (gain)/loss	(38)	125
Depreciation		
Owned fixed assets	144,202	136,689
Leased fixed assets	—	53
Net loss on disposal of fixed assets	10,084	5,387
Operating lease expense on		
Land and buildings	18,276	22,103
Berths, railway and storage space	19,258	19,258
Plant and equipment	9,258	6,439
Impairment of land and building	5,698	—
Provision for bad and doubtful debts	66,418	74,963
Provision for obsolete stocks	626	3,523
Provision for long term investment	—	2,418
Impairment of goodwill on acquisition of a subsidiary	1,469	—
Loss on disposal of subsidiaries	3,758	—

5. Finance costs

	2003 HK\$'000	2002 HK\$'000
Interest on bank and other loans wholly repayable within five years	79,953	84,087
Interest on convertible bonds	4,571	3,315
	84,524	87,402
Less: Interest capitalised in properties under development	(2,284)	(6,034)
	82,240	81,368

6. Taxation

The amount of taxation charged to the consolidated profit and loss account represents:

	2003	2002
	HK\$'000	HK\$'000
Current taxation		
Hong Kong profits tax	—	113
PRC income tax	66,032	62,199
Under/(over) provisions in prior years	662	(1,039)
Deferred taxation relating to the origination and reversal of temporary differences (<i>Note 29</i>)	5,439	3,257
	72,133	64,530
Share of PRC income tax attributable to		
Jointly controlled entities	(383)	383
Associated companies	7,991	18,762
	79,741	83,675

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated taxable profit for the year (2002: 16%) and provision for the PRC income tax has been made at the applicable rates of taxation on the estimated taxable profit for the year.

In accordance with an approval document issued by the Tianjin Finance Bureau on 6th November 1997, with effect from the listing of the Company, the income tax rate applicable to Tianjin Harbour Second Stevedoring Co., Ltd. and Tianjin Port Container Terminal Co., Ltd. is 15%.

In accordance with approval documents dated 12th November 1997 issued by the State Tax Bureau, Tianjin Tai Kang Industrial Co., Ltd. and Tianjin Heavenly Palace Winery Co., Ltd. are exempted from income tax for two years starting from the first year of profit generation, followed by a 50% reduction for the next three years.

6. Taxation (Cont'd)

Further, in accordance with an approval document issued by the Tianjin Finance Bureau on 4th November 1997, Tianjin Jin Zheng Transportation Development Co., Ltd. is exempted from income tax for five years starting from the first year of profit generation. The company will be refunded for any tax paid in excess of the tax rate of 7.5% for the next five years and in excess of the tax rate of 15% thereafter. Pursuant to another document issued by State Tax Bureau dated 21st December 2001, the income tax rate applicable to Tianjin Jin Zheng Transportation Development Co., Ltd. is 7.5% from 2002 to 2004, and 15% thereafter.

Pursuant to the relevant laws and regulations in the PRC, Tianjin Mass Transit (Group) Development Co., Ltd. and its subsidiaries ("MTD Group") is exempted from income tax for two years starting from the first year of profit generation and thereafter, MTD Group is entitled to a 50% relief from the PRC enterprise income tax for the following three years. The reduced tax rate for the relief period is 7.5%. After the expiry of the tax relief period, MTD Group is subject to an income tax rate of 15%, being the preferential tax rate applicable.

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the applicable tax rate, being the weighted average of rates prevailing in the territory in which the Group's principal subsidiaries operate, as follows:

	2003	2002
	HK\$'000	HK\$'000
Profit before taxation	363,789	329,207
Calculated at applicable tax rate	83,116	77,807
Income of subsidiaries under tax reduction	(18,125)	(8,145)
Income not subject to taxation	(21,337)	(24,811)
Expenses not deductible for taxation purposes	33,282	34,027
Utilisation of previously unrecognised tax losses	(1,255)	(1,290)
Tax losses not recognised	4,060	6,087
Taxation charge	79,741	83,675

7. Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of profit of HK\$292,037,000 (2002: HK\$93,553,000).

8. Dividends

	2003	2002
	HK\$'000	HK\$'000
2003 final dividends, proposed, of 3.9 HK cents (2002: final, paid, of 3.3 HK cents per share)	26,822	22,365
2003 interim, paid, of 3.8 HK cents (2002: 3.3 HK cents) per share	25,804	22,365
	52,626	44,730

At a meeting held on 26th April 2004 the directors proposed a final dividend of 3.9 HK cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2004.

9. Earnings per share

The calculation of the basic earnings per share was based on profit attributable to shareholders of HK\$212,796,000 (2002: HK\$181,649,000) and the weighted average number of 678,771,278 ordinary shares in issue (2002: 677,750,000 shares) during the year.

The share options have no material dilutive effect on basic earnings per share for the years ended 31st December 2002 and 2003.

10. Emoluments of directors and senior management

(a) Directors' emoluments

	2003	2002
	HK\$'000	HK\$'000
Fees	5,120	7,188
Salaries and other emoluments	1,533	1,017
	6,653	8,205
	Number of individuals	
	2003	2002
Emolument bands (HK\$)		
Nil –1,000,000	14	11
1,000,001–1,500,000	2	4
	16	15

Remuneration paid to independent non-executive directors for the year represents fees amounting to HK\$900,000 (2002: HK\$900,000). During the year, none of the directors had waived their directors' fees (2002: Nil).

10. Emoluments of directors and senior management (Cont'd)

(b) Senior management emoluments

Details of the emoluments paid to the five individuals, including 3 directors (2002: 4 directors), whose emoluments were the highest in the Group are as follows:

	2003	2002
	HK\$'000	HK\$'000
Fees	2,444	3,984
Salaries and other emoluments	3,233	1,794
	5,677	5,778

	Number of individual	
	2003	2002
Emolument bands (HK\$)		
Nil –1,000,000	3	1
1,000,001–1,500,000	2	4
	5	5

During the year, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office (2002: Nil).

11. Goodwill

	2003	2002
	HK\$'000	HK\$'000
Cost		
Acquisition of subsidiaries (<i>Note 33(d)</i>) and at 31st December 2003	55,565	—
Accumulated amortisation and impairment		
Impairment (<i>Note 4</i>) and at 31st December 2003	(1,469)	—
Net book value		
At 31st December 2003	54,096	—

12. Fixed assets

Group

	Land and buildings HK\$'000	Toll roads HK\$'000	Improvement on leased berths HK\$'000	Plant and machinery HK\$'000	Leasehold improvement, and furniture equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Others HK\$'000	Total HK\$'000
Cost									
At 1st January 2003	423,904	1,967,418	363,196	945,437	13,342	53,237	41,903	44,416	3,852,853
Additions	12,765	7,830	—	5,732	791	1,239	153,993	4,695	187,045
Acquisition of subsidiaries (Note 33(d))	2,671	1,567,742	—	973	1,323	2,035	10,692	—	1,585,436
Disposals of subsidiaries (Note 33(e))	(1,335)	—	—	—	(1,523)	(300)	—	—	(3,158)
Transfers upon completion	11,559	—	2,293	115,424	21,370	2,410	(153,056)	—	—
Disposals	(51,475)	—	—	(10,778)	(3,006)	(1,199)	(2,800)	(193)	(69,451)
At 31st December 2003	398,089	3,542,990	365,489	1,056,788	32,297	57,422	50,732	48,918	5,552,725
Accumulated depreciation and impairment									
At 1st January 2003	71,261	186,141	12,984	240,270	5,782	23,872	—	25,698	566,008
Charge for the year	13,255	27,900	9,556	80,485	2,380	4,453	—	6,173	144,202
Impairment charge	5,698	—	—	—	—	—	—	—	5,698
Acquisition of subsidiaries (Note 33(d))	—	50,936	—	—	591	1,120	—	—	52,647
Disposal of subsidiaries (Note 33(e))	(990)	—	—	—	(1,000)	(300)	—	—	(2,290)
Disposals	(3,540)	—	—	(7,364)	(2,282)	(876)	—	(173)	(14,235)
At 31st December 2003	85,684	264,977	22,540	313,391	5,471	28,269	—	31,698	752,030
Net book value									
At 31st December 2003	312,405	3,278,013	342,949	743,397	26,826	29,153	50,732	17,220	4,800,695
At 31st December 2002	352,643	1,781,277	350,212	705,167	7,560	29,365	41,903	18,718	3,286,845

12. Fixed assets (Cont'd)

Company

	Leasehold land HK\$'000	Leasehold improvement, furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost				
At 1st January 2003	84,639	2,353	2,540	89,532
Additions	—	20	—	20
Disposals	(50,719)	—	—	(50,719)
At 31st December 2003	33,920	2,373	2,540	38,833
Accumulated depreciation and impairment				
At 1st January 2003	4,132	843	2,396	7,371
Charge for the year	—	269	91	360
Impairment charge	5,698	—	—	5,698
Disposals	(3,369)	—	—	(3,369)
At 31st December 2003	6,461	1,112	2,487	10,060
Net book value				
At 31st December 2003	27,459	1,261	53	28,773
At 31st December 2002	80,507	1,510	144	82,161

12. Fixed assets (Cont'd)

(a) The cost of the Group's and the Company's property interests comprises:

	Group		Company	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Properties held in Hong Kong				
Medium term lease	—	1,205	—	—
Properties held in the PRC				
Long term leases	—	130	—	—
Medium term leases	398,089	422,569	33,920	84,639
Toll roads in PRC				
Medium term leases	3,542,990	1,967,418	—	—
	3,941,079	2,391,322	33,920	84,639

(b) Toll revenue arising from the operations of Eastern Outer Ring Road and Jinbin Expressway were pledged for bank loans of subsidiaries of the Group. The pledge on toll revenue of Eastern Outer Ring Road was released subsequent to year end.

13. Subsidiaries

	Company	
	2003	2002
	HK\$'000	HK\$'000
Unlisted shares, at cost	3,518,323	2,976,319
Amounts due from subsidiaries	1,140,587	1,169,351
Amounts due to subsidiaries	(142,555)	(201,804)
	4,516,355	3,943,866

Details of principal subsidiaries, which in the directors' opinion, materially affect the results or net assets of the Group at 31st December 2003 are set out in note 38.

14. Associated companies

	Group		Company	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group's share of net assets				
— Listed shares in Hong Kong of Wah Sang Gas Holdings Limited	156,007	142,040	—	—
— Other unlisted shares	199,306	241,765	—	—
	355,313	383,805	—	—
Amounts due to associated companies	(1,882)	(1,882)	—	—
Amounts due from associated companies	5,829	4,202	4,000	2,000
	359,260	386,125	4,000	2,000
Market value of listed shares	414,624	370,200	—	—

- (a) Details of principal associated companies, which in the directors' opinion, materially affect the results or net assets of the Group at 31st December 2003 are set out in note 39.
- (b) Included in the Group's share of profits less losses of associated companies totaling HK\$86,955,000 is an amount of HK\$19,882,000 representing the Group's share of profits of Wah Sang Gas Holdings Limited ("Wah Sang Holdings"), further details of which are set out in note 14(c)(i).

14. Associated companies (Cont'd)

(c) The summary of the financial information of each of the material associated companies, Wah Sang Gas Holdings Limited and Otis Elevator (China) Investment Company Limited, are as follows:

(i) *Wah Sang Gas Holdings Limited (Note)*

	2003				2002
	For the three months ended 31st March HK\$'000	For the three months ended 30th June HK\$'000	Aggregate for six months ended 30th June HK\$'000	For the three months ended 30th September HK\$'000	Aggregate for twelve months ended 31st December HK\$'000
Turnover	120,709	231,755	352,464	272,445	662,176
Operating profit before taxation	24,840	71,143	95,983	91,598	238,786
Profit after taxation	20,312	66,874	87,186	83,000	230,791
Minority interests	1,431	(1,529)	(98)	(1,594)	(7,178)
Profits attributable to shareholders	21,743	65,345	87,088	81,406	223,613
Share of profits after taxation attributable to the Group			19,882	18,585	49,902
Share of profits after taxation attributable to and equity accounted for by the Group			19,882	—	49,902

Note:

Wah Sang Holdings is listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited and has its financial year end date on 31st March. It is required to publish results quarterly.

14. Associated companies (Cont'd)

(i) *Wah Sang Gas Holdings Limited (Cont'd)*

On 19th December 2003, Wah Sang Holdings announced that it is under enquiry by the Securities and Futures Commission ("SFC") pursuant to section 179 of the Securities and Futures Ordinance. On 13th February 2004, Wah Sang Holdings announced that the release of its third quarter results for the nine months ended 31st December 2003 was postponed to 31st March 2004. This was further postponed to end of April 2004. On 6th April 2004, the SFC directed that trading in the shares of Wah Sang Holdings be suspended until further notice.

For the preparation of the Group's interim accounts previously announced for the six months ended 30th June 2003, the Group has equity accounted for its share of the profit of Wah Sang Holdings for the same period amounting to HK\$19,882,000. Since Wah Sang Holdings has not been able to release its financial information for the period ended 31st December 2003, together with the impending enquiry by the SFC, there exists uncertainty as to the actual performance of Wah Sang Holdings for the six months ended 31st December 2003. As a result, the directors of the Company consider it appropriate not to equity account for any of the results of Wah Sang Holdings for the six months ended 31st December 2003 until audited financial information of Wah Sang Holdings is available. Similarly, the share of net assets of Wah Sang Holdings equity accounted for in the Group's consolidated balance sheet as at 31st December 2003 was based on the results of Wah Sang Holdings up to 30th June 2003 amounting to HK\$156,007,000 which is analysed as follows:

	As at 30th June 2003 HK\$'000	As at 31st December 2002 HK\$'000
Assets and liabilities		
Fixed assets	961,636	751,511
Current assets	404,206	383,365
Current liabilities	(394,408)	(260,115)
Long term liabilities	(240,951)	(231,896)
Minority interests	(28,944)	(17,917)
Wan Sang Holdings' net assets	701,539	624,948
Share of net assets attributable to the Group representing the carrying value of the Group's investment in Wah Sang Holdings	156,007	142,040

14. Associated companies (Cont'd)

(i) *Wah Sang Gas Holdings Limited (Cont'd)*

Since Wah Sang Holdings is unable to release updated financial information and with the outcome from the enquiry by SFC pending, it is not practicable to estimate the financial impact this may have on the Group at this stage. However, as Wah Sang Holdings is currently continuing its normal operations, the directors of the Company are of the view that impairment to the aforesaid carrying value of the Group's investment in Wah Sang Holdings, if any, is unlikely to have a material negative impact on the financial position of the Group taken as a whole.

(ii) *Otis Elevator (China) Investment Company Limited*

	2003	As restated 2002
	HK\$'000	HK\$'000
Turnover	2,688,237	1,933,672
Operating profit before taxation	236,413	149,580
Profit after taxation	222,015	115,985
Minority interests	(10,109)	(4,152)
Profits attributable to shareholders	211,906	111,833
Share of profits after taxation attributable to the Group	47,819	37,290

14. Associated companies (Cont'd)

(ii) Otis Elevator (China) Investment Company Limited (Cont'd)

	As at 31st December 2003 HK\$'000	As at 31st December 2002 HK\$'000
Assets and liabilities		
Fixed assets	502,270	399,655
Other long term assets	192,206	309,646
Current assets	2,757,661	1,600,073
Current liabilities	(2,577,645)	(1,790,158)
Minority interests	(135,678)	(34,333)
Net assets	738,814	484,883
Share of net assets attributable to the Group	143,781	178,675

15. Jointly controlled entities

	Group		Company	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted shares, at cost less provision	—	—	—	37,693
Group's share of net assets	95,568	114,923	—	—
Amounts due by	51	26	—	—
	95,619	114,949	—	37,693

Details of jointly controlled entities are set out in note 40.

16. Long term investments

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Unlisted investments, at cost	102,575	267,455	—	160,623
Loans to investee companies	68,245	67,010	—	—
	170,820	334,465	—	160,623
Provisions for impairment	—	(4,931)	—	—
	170,820	329,534	—	160,623

Cost of long term investments of HK\$81.9 million (2002: HK\$81.9 million) represents the Group's investment in fourteen joint ventures which build, operate and manage Tang Jin Expressway in each of which the Group holds a 6.62% equity interest.

The loans to these investee companies are unsecured, interest free and have no fixed repayment terms.

17. Properties under development held for sale

	Group	
	2003 HK\$'000	2002 HK\$'000
Land costs (<i>Note</i>)	347,813	440,664
Development and incidental costs	—	57,973
Interest capitalised	—	7,062
	347,813	505,699

Note:

Land costs of HK\$347.8 million (2002: HK\$347.8 million) represents the investment in a parcel of land located in Tianjin. The land use right will expire on 13th February 2052.

18. Completed properties held for sale

All completed properties are situated in PRC. As at 31st December 2003, the carrying value of properties held for sale being pledged as securities for banking facilities granted to the Group amounted to HK\$69,847,000 (2002: Nil).

19. Stocks

	Group	
	2003	2002
	HK\$'000	HK\$'000
Raw materials	67,986	78,145
Work in progress	10,071	19,473
Finished goods	109,468	88,963
Consumable stocks	16,903	15,304
Less: Provision for slow moving stocks	—	(5,173)
	204,428	196,712

20. Amounts due from/(to) ultimate holding company and a fellow subsidiary company

The balances are unsecured, interest free and have no fixed repayment terms.

21. Amounts due from/(to) related companies

	Group	
	2003	2002
	HK\$'000	HK\$'000
Amounts due from related companies (<i>Note a</i>)	53,194	54,285
Amounts due to related companies (<i>Note a</i>)	(32,900)	(758)
Construction costs payable to a minority shareholder (<i>Note b</i>)	(90,138)	(90,138)
	(123,038)	(90,896)

21. Amounts due from/(to) related companies (Cont'd)

Notes:

- (a) Amounts receivable and payable are unsecured, interest free and have no fixed repayment terms.
- (b) Amounts payable to Eastern Outer Ring Road Company Limited relate to the construction costs of a toll road owned by the Group.

22. Trade receivables

The aging analysis of the Group's trade receivables (net of provisions) are as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Below 30 days	260,181	162,743
30 to 90 days	30,275	21,192
91 to 180 days	720	8,537
Over 180 days	13,170	38,742
	304,346	231,214

The various group companies have different credit policies dependent on the requirements of the markets and the businesses which they operate. In general, credit terms of 90 days are given to customers.

23. Short term investments

	Group	
	2003	2002
	HK\$'000	HK\$'000
Designated deposits	58,429	60,380
Listed shares in Hong Kong	—	2,505
	58,429	62,885
Market values of listed shares	—	2,505

The designated deposits are placed with securities companies in Mainland China as trust deposits for investment purposes. Such deposits are redeemable within one year from date of placement.

24. Bank balances and cash

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Restricted balances	14,658	16,844	—	—
Unrestricted balances	1,424,336	1,062,453	367,799	52,982
	1,438,994	1,079,297	367,799	52,982

The restricted balances have been pledged as securities for certain bank loans.

25. Trade payables

The aging analysis of the Group's trade payables are as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Below 30 days	15,046	68,049
30 to 90 days	47	13,603
91 to 180 days	—	10,233
Over 180 days	2,381	2,600
	17,474	94,485

26. Share capital

	2003	2002
	HK\$'000	HK\$'000
Authorised:		
3,000,000,000 shares of HK\$0.10 each	300,000	300,000
Issued and fully paid:		
At beginning of the year	67,775	67,775
Issue of shares (<i>Note a</i>)	130	—
Conversion of convertible bonds (<i>Note b</i>)	580	—
At the end of the year	68,485	67,775

Notes:

- (a) On 6th and 9th October 2003, 500,000 and 800,000 share options were exercised by employees respectively. The exercise price was HK\$2.204 each and was settled in full by cash. The shares rank pari passu with the existing shares.
- (b) As detailed in note 28, the Group has convertible bonds listed on the Luxembourg Stock Exchange. On 16th November 2003, bondholders exercised their option to convert the bonds into shares of the Company by subscribing for 5,799,256 shares of the Company at HK\$2.69 each. The shares rank pari passu with the existing shares.

26. Share capital (Cont'd)

- (c) The Company has a share option scheme (the "Scheme") approved in an extraordinary general meeting on 22nd November 1997 under which the directors may, at their discretion and within 10 years from the approval date, invite any employees or executive directors of the Group to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated in the Scheme. The Company operates the Scheme for the purpose of promoting additional commitment and dedication to the long term objectives of the Group by the participants. The grant will expire on 21st November 2007 or an earlier date as determined by the board of directors. The cash consideration payable for each grant is HK\$1.

Prior to 1st September 2001, the subscription price is determined by the directors and shall be the higher of nominal value of the Company's share and a price not less than 80% of the market price immediately before the options are granted. The maximum number of shares issued to each employee or director in respect of which options may be granted shall not exceed 25% of the total shares in issue or to be issued under the Scheme. On 1st September 2001 when the amendments to the Listing Rules were effective, the subscription price shall be the higher of the closing price on the date of grant and the average closing price for the five business days immediately preceding the date of grant. The maximum number of shares issued and to be issued upon exercise of the options granted to each employee or director shall not exceed 1% of the total shares in issue in any 12-month period. Shares options granted since 1st September 2001 shall comply with the prevailing Listing Rules.

Movements in the number of share options outstanding during the year are as follows:

	Number of options	
	2003	2002
At the beginning of the year	28,668,000	28,668,000
Exercised (<i>Note (i)</i>)	(1,300,000)	—
Lapsed (<i>Note (ii)</i>)	(6,332,000)	—
At the end of the year (<i>Note (iii)</i>)	21,036,000	28,668,000

26. Share capital (Cont'd)

- (i) Options exercised on 6th and 9th October 2003 resulted in 500,000 and 800,000 shares (2002: Nil) being issued at HK\$2.204 for both exercises (2002: Nil), yielding the following net proceeds of HK\$2,866,000 (2002: Nil).

	2003	2002
	HK\$'000	HK\$'000
Ordinary share capital — at par	130	—
Share premium	2,736	—
Proceeds	2,866	—

	Exercise price per share	Number of shares issued
	HK\$	
Fair value of shares issued at exercise date of:		
— 6th October 2003	2.204	500,000
— 9th October 2003	2.204	800,000

- (ii) Following the resignation of Chen Cuiwan as a director on 15th July 2003, the share option lapsed on 15th August 2003.

26. Share capital (Cont'd)

(iii) Share options outstanding at the end of the year have the following terms:

Expiry date	Exercise price HK\$	Number of options		Vested percentages	
		2003	2002	2003	2002
Directors					
17th March 2004	3.34	9,336,000	13,668,000	100%	100%
21st November 2007	6.136	11,500,000	13,500,000	100%	100%
		20,836,000	27,168,000		
Continuous contract employees					
21st November 2007	2.204	200,000	1,500,000	100%	100%
		21,036,000	28,668,000		

(iv) Following the resignation of Chen Zihe on 30th December 2003, the share options lapsed on 30th January 2004. On 2nd January 2004, 500,000 share options were granted to an employee of the Company. The exercise price of the share options was HK\$3.66 each.

27. Reserves

Group

	Capital reserve HK\$'000	Share premium HK\$'000	General reserve HK\$'000	Goodwill reserve HK\$'000	Statutory reserves HK\$'000	Exchange reserve HK\$'000	Retained profit HK\$'000	Total HK\$'000
At 1st January 2002, as previously reported	11,642	3,542,741	39,873	(862,887)	124,387	9,839	413,565	3,279,160
Change in accounting policy — provision for net deferred tax assets (Note 1)	—	—	—	11,898	—	—	24,902	36,800
At 1st January 2002, as restated	11,642	3,542,741	39,873	(850,989)	124,387	9,839	438,467	3,315,960
Exchange differences	—	—	—	—	—	801	—	801
Transfers	—	—	8,887	—	21,787	—	(30,674)	—
Profit for the year	—	—	—	—	—	—	181,649	181,649
Dividends	—	—	—	—	—	—	(39,309)	(39,309)
Released on disposal of partial interest in an associated company	—	—	—	3,146	—	—	—	3,146
At 1st January 2003	11,642	3,542,741	48,760	(847,843)	146,174	10,640	550,133	3,462,247

27. Reserves (Cont'd)

Group (Cont'd)

	Capital reserve HK\$'000	Share premium HK\$'000	General reserve HK\$'000	Goodwill reserve HK\$'000	Statutory reserves HK\$'000	Exchange reserve HK\$'000	Retained profit HK\$'000	Total HK\$'000
At 1st January 2003, as previously reported	11,642	3,542,741	48,760	(859,741)	146,174	10,640	529,421	3,429,637
Change in accounting policy — provision for net deferred tax assets (Note 1)	—	—	—	11,898	—	—	20,712	32,610
At 1st January 2003, as restated	11,642	3,542,741	48,760	(847,843)	146,174	10,640	550,133	3,462,247
Issue of shares	—	17,756	—	—	—	—	—	17,756
Exchange differences	—	—	—	—	—	1,172	—	1,172
Transfers	—	—	18,334	—	19,755	—	(38,089)	—
Profit for the year	—	—	—	—	—	—	212,796	212,796
Dividends	—	—	—	—	—	—	(48,170)	(48,170)
Released on disposal of partial interest in an associated company	—	—	—	268,421	—	—	—	268,421
Released upon disposal of subsidiaries	1,028	—	—	3,992	—	—	—	5,020
At 31st December 2003	12,670	3,560,497	67,094	(575,430)	165,929	11,812	676,670	3,919,242

(a) Goodwill attributable to associated companies amounts to HK\$510,157,000 (2002: HK\$778,578,000). Retained profit and accumulated losses attributable to associated companies and jointly controlled entities amounts to HK\$133,761,000 (2002: HK\$163,385,000) and HK\$3,433,000 (2002: HK\$7,033,000), respectively. All other reserves of the Group are dealt with in the accounts of the Company and its subsidiaries.

(b) Statutory reserves and general reserves are reserves required by the relevant PRC laws applicable to the Group's subsidiaries and cannot be used for distribution in the form of cash dividends.

27. Reserves (Cont'd)

Company

	Share premium HK\$'000	Retained profit HK\$'000	Total HK\$'000
At 1st January 2002	3,542,741	155,599	3,698,340
Profit for the year	—	93,553	93,553
Dividends	—	(39,309)	(39,309)
At 31st December 2002	3,542,741	209,843	3,752,584
Issue of shares	17,756	—	17,756
Profit for the year	—	292,037	292,037
Dividends	—	(48,170)	(48,170)
At 31st December 2003	3,560,497	453,710	4,014,207

The Company's reserve available for distribution to shareholders as at 31st December 2003 is represented by the retained profit of HK\$453,710,000 (2002: HK\$209,843,000).

28. Long term liabilities

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Bank loans				
secured (<i>Note a</i>)	1,324,722	801,434	—	—
unsecured	1,246,844	714,440	858,000	424,125
Convertible bonds (<i>Note b</i>)	140,400	156,000	—	—
Obligation under finance lease	—	25	—	25
	2,711,966	1,671,899	858,000	424,150
Less: Amounts due within one year included under current liabilities	660,475	314,950	—	314,950
Amounts due after one year	2,051,491	1,356,949	858,000	109,200
The maturity of the Group's long term liabilities is as follows:				
Bank loans				
Within one year	660,475	314,925	—	314,925
In the second year	407,230	755,575	—	39,000
In the third to fifth years inclusive	1,049,401	445,374	858,000	70,200
After the fifth year	454,460	—	—	—
	2,571,566	1,515,874	858,000	424,125
Convertible bonds				
In the second year	140,400	—	—	—
In the third to fifth years inclusive	—	156,000	—	—
	140,400	156,000	—	—
Obligation under finance lease				
Within one year	—	25	—	25
	2,711,966	1,671,899	858,000	424,150

28. Long term liabilities (Cont'd)

Notes:

- (a) The bank loans were secured by toll revenue collection right of toll roads, completed properties held for sale, bank deposits and equity interests in certain subsidiaries of the Group.
- (b) On 18th April 2002, the Group issued US\$20,000,000 convertible bonds which are listed on the Luxembourg Stock Exchange and carry interest at 3% per annum payable semi-annually in arrears. Each bondholder has the option to convert the bonds into shares of the Company of HK\$0.10 each at a conversion price of HK\$2.69 per share, subject to adjustment, at any time from 18th April 2003 to 11th April 2005.

Unless previously purchased and cancelled, redeemed or converted, the bonds will be redeemed at 106.39% of their principal amount plus accrued interest on 18th April 2005.

During the year, US\$2,000,000 bonds were converted into 5,799,256 ordinary shares of HK\$0.10 each of the Company.

29. Deferred tax liabilities

Deferred taxation is calculated in full on temporary differences under the liability method using prevailing tax rate of subsidiaries at 15% (2002: 15%).

The movement on the deferred tax liabilities account in respect of accelerated tax depreciation is as follows:

	2003	2002
	HK\$'000	HK\$'000
At 1st January	10,123	6,866
Acquisition of subsidiaries (<i>Note 33(d)</i>)	50,100	—
Deferred taxation charged to profit and loss account (<i>Note 6</i>)	5,439	3,257
At 31st December	65,662	10,123

Deferred tax liabilities recognised in the balance sheet are as follows:

Deferred tax liabilities to be settled after 12 months	65,662	10,123
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30. Operating lease commitments

At 31st December 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Land and buildings				
Not later than one year	7,232	13,466	636	7,301
Later than one year and not later than five years	26,541	26,295	295	240
Later than five years	57,482	64,043	—	—
	91,255	103,804	931	7,541
Equipment, berths, railway				
Not later than one year	20,221	19,356	—	—
Later than one year and not later than five years	83,008	81,996	—	—
Later than five years	203,736	224,967	—	—
	306,965	326,319	—	—
Plant and machinery				
Not later than one year	3,723	3,723	—	—
Later than one year and not later than five years	14,893	14,894	—	—
Later than five years	32,891	36,614	—	—
	51,507	55,231	—	—
	449,727	485,354	931	7,541

31. Capital commitments

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Authorised but not contracted for in respect of				
Improvements on leased berths	—	37,000	—	—
Improvements on plant and machineries	2,860	—	—	—
Land and building	—	19,500	—	—
	2,860	56,500	—	—
Contracted but not provided for in respect of				
Improvements on leased berths	24,212	78,000	—	—
Improvements on plant and machineries	25,597	—	—	—
Tang Jin Expressway	27,910	33,635	—	—
Others	864	—	—	—
	78,583	111,635	—	—

32. Contingent liabilities

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Guarantees given to banks in respect of banking facilities extended to				
Subsidiaries	—	—	1,138,040	1,450,000
A jointly controlled entity	18,857	28,286	—	—
A third party	15,344	—	—	—

33. Notes to the consolidated cash flow statement

(a) Reconciliation of operating profit before financing to net cash inflow from operations

	2003 HK\$'000	2002 HK\$'000
Operating profit before financing	363,595	296,103
Interest income	(11,899)	(13,046)
Depreciation	144,202	136,742
Impairment charge	5,698	—
Goodwill written off	1,469	—
Net loss on disposal of fixed assets	10,084	5,387
Loss on disposal of subsidiaries	3,758	—
Gain on deemed and partial disposals of interest in an associated company	(17,681)	(24,924)
Operating profit before working capital changes	499,226	400,262
(Increase)/decrease in stocks	(7,177)	20,106
(Increase)/decrease in trade receivables	(102,868)	16,252
Decrease in other receivables, deposits and prepayments	43,879	17,517
(Decrease)/increase in trade payables	(50,654)	22,190
Increase in other payables and accruals	22,264	30,383
Decrease/(increase) in completed properties held for sale	64,325	(122,962)
Decrease/(increase) in short term investments	4,456	(62,885)
Decrease in net amounts due from ultimate holding company	4,913	6,153
(Decrease)/increase in amount due to a fellow subsidiary	(28,286)	28,286
Increase in net balances due to related companies	33,233	951
Exchange differences	1,172	801
Net cash inflow generated from operations	484,483	357,054

33. Notes to the consolidated cash flow statement (Cont'd)

(b) Analysis of changes in financing during the year

	Dividend payable HK\$'000	Share capital including premium HK\$'000	Minority interests HK\$'000	Restricted bank balances HK\$'000	Bank loans, convertible bonds and finance lease obligation HK\$'000	Total HK\$'000
At 1st January 2002	—	3,610,516	553,033	(25,609)	1,376,002	5,513,942
Dividends	39,309	—	—	—	—	39,309
Net cash inflows/(outflows) from financing	(39,309)	—	—	8,765	390,086	359,542
Share of profits and reserves attributable to minority shareholders	—	—	63,883	—	—	63,883
Dividends to minority shareholders	—	—	(46,546)	—	—	(46,546)
At 31st December 2002	—	3,610,516	570,370	(16,844)	1,766,088	5,930,130
Dividends	48,170	—	—	—	—	48,170
Net cash inflows/(outflows) from financing	(48,170)	—	—	2,186	291,291	245,307
Share of profits and reserves attributable to minority shareholders	—	—	71,252	—	—	71,252
Dividends to minority shareholders	—	—	(38,274)	—	—	(38,274)
Acquisition of subsidiaries (Note 33(d))	—	—	584,368	—	744,390	1,328,758
Disposal of subsidiaries (Note 33(e))	—	—	(694)	—	—	(694)
Issue of shares	—	2,866	—	—	—	2,866
Conversion of bonds	—	15,600	—	—	(15,600)	—
At 31st December 2003	—	3,628,982	1,187,022	(14,658)	2,786,169	7,587,515

(c) Major non-cash transactions

On 17th November 2003, US\$2,000,000 convertible bonds were converted into 5,799,256 ordinary shares of HK\$0.10 each of the Company.

On 29th December 2003, the Group entered into an agreement with Starwell Holdings Limited to purchase 6,000 shares of US\$1 each in Golden Horse Resources Limited, an intermediate holding company of Jinbin Expressway. The consideration was satisfied by the issue of 184,800,000 shares of HK\$0.10 each of Coastal Rapid Transit Company Limited, a then wholly owned subsidiary of the Group, credited as fully paid.

33. Notes to the consolidated cash flow statement (Cont'd)

(d) Acquisition of subsidiaries

	2003 HK\$'000	2002 HK\$'000
Net assets acquired		
Fixed assets (<i>Note 12</i>)	1,532,789	—
Stocks	4,225	—
Other receivables, deposits and prepayment	16,642	—
Bank balances and cash — unrestricted	6,989	—
Trade payables	(177)	—
Other payables and accruals	(57,486)	—
Bank loans (<i>Note 33(b)</i>)	(744,390)	—
Deferred tax liabilities (<i>Note 29</i>)	(50,100)	—
Minority interests (<i>Note 33(b)</i>)	(584,368)	—
	124,124	—
Goodwill on acquisition (<i>Note 11</i>)	55,565	—
	179,689	—
Less: Interest already held by the Group		
— convertible preference shares	(160,623)	—
	19,066	—
Satisfied by:		
Cash consideration	19,066	—
Convertible preference shares	160,623	—
	179,689	—
Analysis of net cash outflow in respect of acquisition of subsidiaries:		
Cash consideration	19,066	—
Bank balances and cash on hand acquired	(6,989)	—
Net cash outflow in respect of acquisition of subsidiaries	12,077	—

33. Notes to the consolidated cash flow statement (Cont'd)

(e) Disposal of subsidiaries

	2003 HK\$'000	2002 HK\$'000
Net liabilities disposed		
Fixed assets (<i>Note 12</i>)	868	—
Stocks	3,686	—
Trade receivables	29,736	—
Other receivables, deposits and prepayment	3,715	—
Bank balances and cash — unrestricted	7,464	—
Trade payables	(26,534)	—
Other payables and accruals	(5,599)	—
Short term bank loans and overdrafts repayable within three months from date of advance	(13,878)	—
Taxation payable	(26)	—
Minority interests (<i>Note 33(b)</i>)	(694)	—
Net liabilities disposed	(1,262)	—
Goodwill and capital reserves released upon disposal	5,020	—
Loss on disposal of subsidiaries	(3,758)	—
	—	—
Satisfied by:		
Cash consideration (HK\$2)	—	—
Analysis of net cash inflow in respect of disposal of subsidiaries:		
Bank balances and cash disposed	(7,464)	—
Short term bank loans and overdrafts repayable within three months from date of advance disposed	13,878	—
Net cash inflow in respect of disposal of subsidiaries	6,414	—

34. Related party transactions

The following is a summary of significant related party transactions during the year which in the opinion of the directors are carried out in the normal course of the Group's business:

	2003 HK\$'000	2002 HK\$'000
Transactions with Tianjin Port Authority and its associates		
Service fees paid for supporting services and auxiliary services (<i>note b</i>)	29,304	27,761
Purchase of stocks (<i>note b</i>)	41,525	32,167
Rental for berths, railway and storage space (<i>note a</i>)	19,258	19,258
Rental for land (<i>note a</i>)	6,554	6,554
Rental for equipment (<i>note a</i>)	3,723	3,723
Transactions with Tianjin Agricultural Cultivation Group Company and its associates		
Investment in a joint venture (<i>note b</i>)	—	56,600
Packaging services (<i>note a</i>)	27,267	21,950
Purchase of unprocessed wine (<i>note a</i>)	13,647	12,791
Purchase of packaging materials (<i>note a</i>)	16,844	14,912
Rental for electricity transformation station (<i>note b</i>)	2,037	2,037
Transaction with Tianjin Engineering Bureau		
Management fee paid (<i>note a</i>)	32,900	30,748
Transactions with Tsinlien Group Company Limited and its associates		
Disposal of subsidiaries at HK\$2 (<i>note b</i>)	—	—
Rental on land and buildings (<i>note a</i>)	5,789	6,227
Interest expense (<i>note c</i>)	1,541	1,680
Management fee paid (<i>note a</i>)	1,164	1,164
Transactions with Tianjin Mechanical and Electrical Holding Company and its associates		
Acquisition of a subsidiary (<i>note b</i>)	19,065	—

34. Related party transactions (Cont'd)

Notes:

- (a) These transactions were conducted in accordance with agreements entered into at the time of the restructuring in preparation for listing of the Company's shares on The Stock Exchange of Hong Kong Limited in late 1997.
- (b) These transactions were conducted in accordance with agreements entered into subsequent to the listing as referred to (a) above.
- (c) Interest expense was calculated at rate of 6.11% per annum on the outstanding loan balance.

All the above transactions constitute connected transactions as defined under Chapter 14 of the Listing Rules on the Stock Exchange except for interest expense paid.

35. Subsequent events

- (a) On 18th October 2002, Tianjin Jin Zheng Transportation Company and TEDA Investment Holding Co., Ltd. entered into a letter of intent (as amended by a supplemental agreement), pursuant to which Tianjin Jin Zheng Transportation Company has agreed to transfer to TEDA Investment Holding Co., Ltd. its Income Receiving Right, with effect from 1st January 2004, for a consideration of RMB750 million (approximately HK\$707 million) together with all interest payable in respect of the outstanding bank loans of RMB750 million owed by Tianjin Jin Zheng Transportation Company to a bank for the period from 1st January 2004 to 12th February 2004. The consideration was satisfied by TEDA Investment Holding Co., Ltd. in February 2004.
- (b) The Group has on 26th March 2004, entered into the equity transfer agreement with Sky Power Property Management Co., Ltd., a wholly owned subsidiary of Tsinlien, whereby the Group agreed to acquire further 49% equity interest in Tianjin Gang Ning Real Estate Development Co., Ltd., a 51% owned subsidiary of the Group as at 31st December 2003, at RMB32,140,000 (approximately HK\$30,321,000). The transaction was entered into at arm's length and on normal commercial terms. Details of the transactions have been disclosed in announcement dated 26th March 2004.
- (c) On 1st April 2004, the Group submitted a formal application for the separate listing in the shares of Coastal Rapid Transit Company Limited on the Main Board of the Stock Exchange. The spin-off is subject to the approval from the Listing Committee of the Stock Exchange.

36. Ultimate holding company

The directors of the Company consider Tsinlien Group Company Limited, a company incorporated in Hong Kong, as being the ultimate holding company.

37. Approval of accounts

The accounts were approved by the board of directors on 26th April 2004

38. Principal subsidiaries

Name	Principal activities	Issued and paid up capital/ registered capital	Percentage of effective equity interest held	
			2003	2002
Established and operating in the People's Republic of China				
Sino-French Joint-Venture Dynasty Winery Ltd.	Manufacturing and sales of winery products	RMB174,389,000	61.9 <i>(note a)</i>	61.9 <i>(note a)</i>
Tianjin Harbour Second Stevedoring Co., Ltd.	Provision of stevedoring and storage services	RMB356,821,655	100	100
Tianjin Heavenly Palace Winery Co., Ltd.	Investment holding	RMB353,730,400	100	100
Tianjin Port Container Terminal Co., Ltd.	Provision of containers transportation and storage services	RMB632,890,096	100	100
Tianjin Tai Kang Industrial Co., Ltd.	Investment holding	RMB1,030,269,400	82.74	82.74
Tianjin Gang Ning Real Estate Development Co., Ltd.	Properties investment	RMB50,000,000	51	51
Tianjin Tianyang Grape Extracting Co., Ltd.	Manufacturing and sales of winery products	RMB66,532,000	60 <i>(note a)</i>	60 <i>(note a)</i>
Tianjin Development Assets Management Co., Ltd.	Investment holding	RMB32,076,000	100	100
Walfen (Tianjin) Pharmaceutical Co., Ltd.	Research and development of bio- pharmaceutical products	RMB14,200,000	51 <i>(note a)</i>	51 <i>(note a)</i>

38. Principal subsidiaries (Cont'd)

Name	Principal activities	Issued and paid up capital/ registered capital	Percentage of effective equity interest held	
			2003	2002
Tianjin Airfreight Port Equipment Manufacturing Co., Ltd.	Development and manufacturing of ground support aero- equipment	RMB29,220,000	57.26 <i>(note a)</i>	—
Tianjin Jin Zheng Transportation Development Co., Ltd.	Operating and management of Eastern Outer Ring Road	RMB1,104,596,200	65.47 <i>(note a)</i> 67.6 <i>(note c)</i>	83.93 <i>(note a)</i> <i>(note b)</i> 86.67 <i>(note c)</i>
Tianjin Mass Transit (Group) Development Co., Ltd.	Operating and management of Jinbin Expressway	US\$11,992,000	46.8 <i>(note a)</i> <i>(note d)</i>	—
Tianjin Mass Transit Development 2 Co., Ltd.	Operating and management of Jinbin Expressway	US\$11,012,000	46.8 <i>(note a)</i> <i>(note d)</i>	—
Tianjin Mass Transit Development 3 Co., Ltd.	Operating and management of Jinbin Expressway	US\$10,976,000	46.8 <i>(note a)</i> <i>(note d)</i>	—
Tianjin Mass Transit Development 4 Co., Ltd.	Operating and management of Jinbin Expressway	US\$10,996,000	46.8 <i>(note a)</i> <i>(note d)</i>	—
Tianjin Mass Transit Development 5 Co., Ltd.	Operating and management of Jinbin Expressway	US\$11,020,000	46.8 <i>(note a)</i> <i>(note d)</i>	—

38. Principal subsidiaries (Cont'd)

Name	Principal activities	Issued and paid up capital/ registered capital	Percentage of effective equity interest held	
			2003	2002
Established in British Virgin Islands and operating in Hong Kong				
Dynamic Infrastructure Limited	Investment holding	US\$5	78 <i>(note a)</i> <i>(note d)</i>	100
Team Resources Limited	Investment holding	US\$1	78 <i>(note a)</i> <i>(note d)</i>	100
Golden Horse Resources Limited	Investment holding	US\$10,000	78 <i>(note a)</i> <i>(note d)</i>	—
China Mass Transit Development Co., Ltd.	Investment holding	US\$100	78 <i>(note a)</i> <i>(note d)</i>	—
Established in Cayman Islands and operating in Hong Kong				
Coastal Rapid Transit Company Limited	Investment holding	HK\$84,000,000	78 <i>(note d)</i>	—
Established and operating in Hong Kong				
China Walfen Medical Limited	Investment holding	HK\$100	51 <i>(note a)</i>	51 <i>(note a)</i>

Notes:

- (a) Indirectly held by the Company
- (b) Represents equity interest in the paid up capital of the subsidiary
- (c) Represents profit sharing ratio in the subsidiary
- (d) Subsidiaries are not audited by PricewaterhouseCoopers.

39. Principal associated companies

Name	Principal activities	Issued and paid up capital/ registered capital	Percentage of effective equity interest held	
			2003	2002
Established and operating in the People's Republic of China				
China Tianjin Otis Elevator Co., Ltd.	Manufacturing and sales of elevators and escalators	US\$26,300,000	16.55 <i>(note a)</i>	33.34 <i>(note a)</i>
Guangzhou Otis Elevator Co., Ltd.	Manufacturing and sales of elevators and escalators	US\$12,000,000	16.22 <i>(note a)</i>	32.68 <i>(note a)</i>
Otis Elevator (China) Investment Company Limited	Investment holding	US\$79,625,000	16.55 <i>(note a)</i>	33.34 <i>(note a)</i>
Hangzhou Xizi Otis Elevator Co., Ltd.	Manufacturing and sales of elevators and escalators	US\$15,000,000	13.24 <i>(note a)</i>	—
Established in British Virgin Islands and operating in Hong Kong				
Pearl Harbour Investment Limited	Investment holding	US\$2	50	50
Incorporated in Bermuda, operating in and shares listed in Hong Kong				
Wah Sang Gas Holdings Limited	Investment holding	HK\$21,770,000	22.67 <i>(note a)</i>	22.89 <i>(note a)</i>

Note:

(a) The associated companies are indirectly held by the Company.

40. Jointly controlled entities

Name	Principal activities	Issued and paid up capital/registered capital	Percentage of effective equity interest held	
			2003	2002
Established and operating in the People's Republic of China				
Tianjin Haihe Dairy Company Limited	Manufacturing and sale of dairy products	RMB200,000,000	40 <i>(note a)</i>	40 <i>(note a)</i>
Ning Xia Tiangong Yuma Winery Co., Ltd.	Manufacturing of unprocessed wine	RMB40,000,000	25 <i>(note a)</i>	25 <i>(note a)</i>
Tianjin Jingfa Investment Company Limited	Investment holding	RMB70,000,000	21.43 <i>(note a)</i>	30 <i>(note a)</i>

Note:

(a) The jointly controlled entities are indirectly held by the Company.