

27. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 31st December 2000 HK\$'000	Nine months ended 31st December 1999 HK\$'000
Operating profit	218,899	176,649
Depreciation	78,712	56,485
Additional provision for fixed assets	18,840	–
Revaluation deficit of investment properties	6,036	–
Interest income	(42,289)	(19,588)
Loss on disposal of fixed assets	724	8,905
Amortisation of deferred expenditure	22,456	15,192
Write-off of pre-operating expenses	6,386	–
Write-off of other deferred expenditure	10,392	–
(Increase)/decrease in inventories	(2,126)	4,881
Increase in debtors and prepayments	(12,975)	(16,297)
Decrease in other investments	10,175	14,451
(Decrease)/increase in creditors and accruals	(3,549)	11,278
	<u>311,681</u>	<u>251,956</u>

(b) Analysis of changes in financing during the year

	Share capital and share premium HK\$'000	Loans and finance lease obligations HK\$'000	Minority interests HK\$'000	Total HK\$'000
As 31st December 1999	669,217	332,869	132,208	1,134,294
Changes in exchange rates	–	75	188	263
Purchase of additional interest in a subsidiary	–	–	(8,256)	(8,256)
Dividends paid to minority interest	–	–	(1,856)	(1,856)
Minority share of profits for the year	–	–	376	376
Cash inflow/(outflow) from financing	32	(42,722)	5,883	(36,807)
At 31st December 2000	<u>669,249</u>	<u>290,222</u>	<u>128,543</u>	<u>1,088,014</u>
As 31st March 1999	668,852	198,675	150,761	1,018,288
Changes in exchange rates	–	60	140	200
Dividends paid to minority interest	–	–	(537)	(537)
Minority share of profits for the period	–	–	476	476
Cash inflow/(outflow) from financing	365	134,134	(18,632)	115,867
At 31st December 1999	<u>669,217</u>	<u>332,869</u>	<u>132,208</u>	<u>1,134,294</u>

28. CAPITAL COMMITMENTS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Contracted but not provided for	4,038	8,839

In addition, the Group has undertaken to invest HK\$99,929,000 (1999: nil) in certain investee companies under associated companies (note 16) which are engaged in high technology projects.

29. OPERATING LEASE COMMITMENTS

Commitments payable within the next twelve months in respect of land and buildings under operating leases expiring in the following periods:

	Group	
	2000	1999
	HK\$'000	HK\$'000
First year	2,153	6,033
Second to fifth year inclusive	1,771	4,200
After the fifth year	4,313	4,254
	8,237	14,487

30. RELATED PARTY TRANSACTIONS

Significant related party transactions carried out in the normal course of the Group's business activities during the year are as follows:

- Sales of aggregates to an associated company amounted to HK\$23,473,000 (1999: HK\$16,718,000). These sales were made at prices and terms no less than those charged to other third party customers of the Group.
- The Company receives interest income of HK\$30,603,000 (1999: HK\$8,428,000) in respect of the floating rate notes as detailed in note 20.
- The Group receives rental income from an associated company amounted to HK\$9,192,000 (1999: HK\$6,638,000) based on the terms of rental agreement between the parties.

31. CONTINGENT LIABILITIES

The Company has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to HK\$199,100,000 (1999: HK\$133,600,000). At 31st December 2000, the facilities utilised amounted to HK\$119,500,000 (1999: HK\$90,400,000).

The Company has executed an indemnity to its ultimate holding company for guarantees in respect of the banking facilities granted to a subsidiary amounting to HK\$63,500,000 (1999: HK\$50,900,000). At 31st December 2000, facilities utilised amounted to HK\$63,500,000 (1999: HK\$50,900,000).

32. HOLDING COMPANY AND ULTIMATE HOLDING COMPANY

At 31st December 2000, the Company was a 67% owned subsidiary of Sutimar Enterprises Limited, incorporated in the British Virgin Islands, which is a wholly owned subsidiary of K. Wah International Holdings Limited, incorporated in Bermuda and listed in Hong Kong.

The directors regard K. Wah International Holdings Limited as being the ultimate holding company.

33. PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

(a) Subsidiaries

Name of Company	Principal place of operation	Issued share capital			Percentage of equity held by		Principal activities
		Number of ordinary shares	Number of non-voting deferred shares	Par value per share HK\$	the Company	the Group	
Incorporated in Hong Kong							
Barichon Limited	Hong Kong	3,000,000	–	1	–	99.93	Sale and distribution of concrete pipes
Chelsfield Limited	Hong Kong	2,111,192	–	10	–	100	Investment holding
Citifair Asia Limited	Hong Kong	10	–	1	–	100	Investment holding
Construction Materials Limited	Hong Kong	30,000	–	10	–	100	Sale of aggregates
Doran (Hong Kong) Limited	Hong Kong	1,000	–	10	–	100	Sale and distribution of concrete pipes

33. PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

(Cont'd)

(a) Subsidiaries (Cont'd)

Name of Company	Principal place of operation	Issued share capital		Par value per share HK\$	Percentage of equity held by		Principal activities
		Number of ordinary shares	Number of non-voting deferred shares		the Company	the Group	
K. Wah Block Company Limited	Zhuhai	7,500	–	10	–	100	Manufacture of precast concrete products
K. Wah Concrete Company Limited	Hong Kong	2	1,000	100	–	100	Manufacture, sale and distribution of ready-mixed concrete
K. Wah Construction Materials (Hong Kong) Limited	Hong Kong	2	2	10	–	100	Provision of management services
K. Wah Construction Products Limited	Hong Kong	2	1,000	100	–	100	Manufacture, sale and distribution of concrete products
K. Wah Materials Limited	Hong Kong	28,080,002	–	1	–	100	Trading
K. Wah Quarry Company Limited	Hong Kong	2	100,000	100	–	100	Sale of aggregates
K. Wah Stones (Zhu Hai) Company Limited	Zhuhai	2	1,000	10	–	100	Quarrying
K. Wah Trading and Development Limited	Hong Kong	2	2	10	–	100	Trading
KWP Quarry Co. Limited	Hong Kong	9,000,000	–	1	–	63.5	Quarrying
Lightway Limited	Hong Kong	2	2	1	–	100	Property investment
Master Target Limited	Hong Kong	2	–	1	–	100	Investment holding
Quanturn Limited	Hong Kong	2	–	1	–	100	Equipment leasing
Rainbow Country Limited	Hong Kong	2	–	1	–	100	Investment holding

33. PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

(Cont'd)

(a) Subsidiaries (Cont'd)

Name of Company	Principal place of operation	Issued share capital		Par value per share HK\$	Percentage of equity held by the Company	Group	Principal activities
		Number of ordinary shares	Number of non-voting deferred shares				
Rainbow Mark Limited	Hong Kong	100	–	1	–	95	Investment holding
Rainbow States Limited	Hong Kong	2	–	1	–	100	Investment holding
Star Home Limited	Hong Kong	2	–	1	–	100	Investment holding
Star Route Limited	Hong Kong	2	–	1	–	100	Investment holding
Triconville Investments Limited	Hong Kong	10	–	1	–	100	Investment holding
Incorporated in Mainland China		Registered capital			Percentage of equity held by the Company	Group	Principal activities
		HK\$	US\$	RMB			
Doran Construction Products (Shenzhen) Co., Ltd.	Shenzhen	10,000,000	–	–	–	100	Manufacture, sale and distribution of concrete pipes
Guangzhou Jiafang Concrete Co., Ltd.	Guangzhou	–	–	11,200,000	–	57	Manufacture, sale and distribution of ready-mixed concrete
K. Wah Construction Products (Shenzhen) Co., Ltd.	Shenzhen	–	1,290,000	–	–	100	Manufacture, sale and distribution of concrete pipes
K. Wah Consultancy (Shanghai) Co., Ltd.	Shanghai	–	350,000	–	–	100	Provision of management services
K. Wah (Huangpi) Quarry Company Limited, Guangzhou	Guangzhou	–	4,900,000	–	–	100	Quarrying

33. PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

(Cont'd)

(a) Subsidiaries (Cont'd)

Name of Company	Principal place of operation	Registered capital			Percentage of equity held by		Principal activities
		HK\$	US\$	RMB	Company	Group	
Shanghai Beicai Concrete Co., Ltd.	Shanghai	–	– 31,500,000	–	–	60	Manufacture, sale and distribution of ready-mixed concrete
Shanghai Ganghui Concrete Co., Ltd.	Shanghai	–	4,000,000	–	–	60	Manufacture, sale and distribution of ready-mixed concrete
Shanghai Jiafu Concrete Co., Ltd.	Shanghai	–	1,400,000	–	–	55	Manufacture, sale and distribution of ready-mixed concrete
Shanghai Jiajian Concrete Co., Ltd.	Shanghai	–	– 17,400,000	–	–	60	Manufacture, sale and distribution of ready-mixed concrete
Shanghai Jia Shen Concrete Co., Ltd.	Shanghai	–	– 4,400,000	–	–	100	Manufacture, sale and distribution of ready-mixed concrete
Shanghai K. Wah Concrete Co., Ltd.	Shanghai	–	– 10,000,000	–	–	100	Manufacture, sale and distribution of ready-mixed concrete and provision of quality assurance service
Shanghai Xin Cai Concrete Co., Ltd.	Shanghai	–	2,100,000	–	–	99	Manufacture, sale and distribution of ready-mixed concrete

33. PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

(Cont'd)

(a) Subsidiaries (Cont'd)

Name of Company	Principal place of operation	Issued share capital		Par value per share	Percentage of equity held by the Company Group		Principal activities
		Number of ordinary shares	Number of non-voting deferred shares				
Incorporated in the British Virgin Islands				US\$			
Eternal Profits International Limited	Hong Kong	10	–	1	–	100	Property Investment
Fairlight Investments Limited	Hong Kong	10	–	1	100	–	Investment holding
High Regard Investments Limited	Hong Kong	20	–	1	–	100	Investment holding
K. Wah Trading Company Limited	Cook Islands	1	–	1	–	100	Trading
Latent Developments Limited	Hong Kong	10	–	1	–	100	Investment holding
Profit Access Investments Limited	Hong Kong	10	–	1	–	100	Investment holding
Prosperous Fields Limited	Hong Kong	10	–	1	–	100	Investment holding
Taksin Profits Limited	Hong Kong	17	–	1	–	100	Investment holding
Woodland Assets Limited	Hong Kong	10	–	1	–	100	Investment holding

(b) Jointly Controlled Entities

Incorporated in Hong Kong				HK\$			
International Precast Systems Limited	Hong Kong	22,785,000	–	1	–	49.12	Manufacture, sale and distribution of precast concrete products
Incorporated in Mainland China							
				Registered capital			
		HK\$	US\$	RMB			
Guangzhou K. Wah Nanfang Cement Limited	Guangzhou	–	–100,000,000	–	–	50	Manufacture, sale and distribution of cement
Shanghai Bao Jia Concrete Co., Ltd.	Shanghai	–	4,000,000	–	–	50	Manufacture, sale and distribution of ready-mixed concrete

33. PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

(Cont'd)

(c) Associated Companies

Name of Company	Principal place of operation	Issued share capital		Par value per share	Percentage of equity held by		Principal activities
		Number of ordinary shares	Number of non-voting deferred shares		the Company	the Group	
				HK\$			
Incorporated in Hong Kong							
Tarmac Asphalt Hong Kong Limited	Hong Kong	1,100,000	–	10	–	20	Manufacture, sale and distribution and laying of asphalt
Cyberlabs Solutions Limited	Shenzhen	1,333,330	–	0.10	–	33	Provision of Chinese e-commerce solutions to businesses in Hong Kong and Mainland China
Incorporated in the Cayman Islands				US\$			
C-Tech Fund	Shanghai	880	–	1.00	–	22.73	Venture capital fund in technology business
Incorporated in the British Virgin Islands				HK\$			
ZhongGuanCun.com Limited	Beijing	1,200,000	–	0.10	–	28.50	Provision of an information exchange platform for internet investments