

## NOTES TO THE CONDENSED INTERIM ACCOUNTS

### 1 Principal accounting policies

These unaudited condensed interim accounts (the "interim accounts") have been prepared in accordance with the requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting".

The accounting policies and methods of computation used in the preparation of the interim accounts are consistent with those in the annual financial statements for the year ended 30 June 2001, except that the Group has changed certain of its accounting policies following the adoption of new and revised SSAPs which became effective during the current accounting period.

The relevant changes to the Group's principal accounting policies are summarized below:

- (a) SSAP 9 (revised) "Events after the Balance Sheet Date" – The Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date.
- (b) SSAP 26 "Segment Reporting" – In note 2 to the condensed interim accounts, the Group has disclosed segment revenue and results as defined under SSAP 26. 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 format.
- (c) SSAP 28 "Provisions, Contingent Liabilities and Contingent Assets" – 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, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.
- (d) SSAP 30 "Business Combinations" – Prior to 1 July 2001, goodwill was taken to reserve in the year in which it occurred. The Group has adopted the transitional provisions in SSAP 30 and such goodwill has not been retroactively capitalised and amortised. Goodwill arising on or after 1 July 2001 is capitalised and amortised over its estimated useful life. Any impairment on goodwill is charged to profit and loss account.
- (e) SSAP 31 "Impairment of Assets" – At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets are impaired. If any indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised in the profit and loss account.

### 2 Turnover

Turnover represents income from the operation of toll roads and bridges, income from cargo and container handling and storage, interest income and investment income from joint ventures, net of business and withholding taxes, where applicable.



## 2 Turnover (Cont'd)

An analysis of the Group's turnover and contribution to operating profit before financing for the period by principal activities and markets is as follows:

	Turnover Six months ended		Operating profit before financing Six months ended	
	31.12.2001 HK\$'000	31.12.2000 HK\$'000	31.12.2001 HK\$'000	31.12.2000 HK\$'000
<b>Principal activities:</b>				
Cargo Handling	75,013	66,004	28,221	(33,530)
Roads	200,273	199,865	106,318	117,225
Bridges	67,186	148,050	32,813	94,398
Energy and Water Treatment	29,415	71,174	28,649	71,373
Telecommunications, Media and Technology	198	216	(54,600)	52,763
Others	–	–	–	1,772
	<b>372,085</b>	485,309	<b>141,401</b>	304,001
Other interest income	29,104	31,855	29,104	31,855
Unallocated corporate expenses	–	–	(65,608)	(44,210)
	<b>401,189</b>	517,164	<b>104,897</b>	291,646
<b>Principal markets:</b>				
Mainland				
Guangdong	176,170	306,399	118,976	245,235
Wuhan	52,166	67,295	15,178	17,543
Guangxi	46,584	38,575	22,079	20,186
Jiangsu	29,202	28,244	(4,064)	(16,809)
Fujian	44,566	34,876	(68,167)	215
Shanxi	20,089	5,277	9,766	1,748
Sichuan	–	–	78	17
Tianjin	–	–	(2,480)	19
Hong Kong	3,110	4,427	102,963	(16,572)
Overseas	198	216	(52,928)	52,419
	<b>372,085</b>	485,309	<b>141,401</b>	304,001
Other interest income	29,104	31,855	29,104	31,855
Unallocated corporate expenses	–	–	(65,608)	(44,210)
	<b>401,189</b>	517,164	<b>104,897</b>	291,646

Segment revenue and results of the Group by business segments are derived from principal activities of the Group as disclosed in the analysis above.

### 3 Other operating income

	Six months ended 31.12.2001 HK\$'000	Six months ended 31.12.2000 HK\$'000
Profit on repurchase of convertible bonds ( <i>note 11(a)</i> )	–	1,772
Gain on disposal of non-trading securities listed outside Hong Kong	–	52,852
Gain on disposal of jointly controlled entities ( <i>note</i> )	<b>113,676</b>	–
Surplus arising from deconsolidation of a subsidiary ( <i>note 13</i> )	<b>4,905</b>	–
Dividend from listed non-trading securities	–	500
Others	<b>4,462</b>	5,055
	<b>123,043</b>	60,179

*Note:* On 11 October 2001, a subscription agreement was entered into between the Group and an associated company in respect of the disposal of an effective interest of 9.75% in Asia Container Terminals Limited ("ACT"), a jointly controlled entity of the Group ("Subscription Agreement"). The gain on partial disposal of ACT, amounting to HK\$113,010,000, had been included in other operating income in the profit and loss account. The effective interest in ACT after the disposal was reduced to 17.5%.

### 4 Operating costs

	Six months ended 31.12.2001 HK\$'000	Six months ended 31.12.2000 HK\$'000
Impairment losses on other investments ( <i>note 13</i> )	<b>52,139</b>	3,927
Impairment losses on fixed assets	<b>77,500</b>	–
Depreciation	<b>110,004</b>	103,828
Management fees paid in connection with toll collection, maintenance and management services	<b>28,487</b>	29,289
Auditors' remuneration	<b>3,066</b>	2,795
Rental for leased premises	<b>10,587</b>	10,718
Loss on disposal of fixed assets	<b>4,938</b>	433
Amortisation of cost of investment in a co-operative joint venture	<b>767</b>	767
Staff costs	<b>76,076</b>	65,852
Retirement benefit costs	<b>4,082</b>	3,182
Provision for payments on account of proposed joint ventures	<b>2,340</b>	–
Other operating costs	<b>49,349</b>	64,906
	<b>419,335</b>	285,697



**5 Finance costs**

	<b>Six months ended 31.12.2001 HK\$'000</b>	Six months ended 31.12.2000 HK\$'000
Interest on convertible bonds	8,664	30,754
Interest on bank and other borrowings		
Wholly repayable within five years	293,503	321,768
Not wholly repayable within five years	29,782	23,143
Amortisation of deferred expenditure	16,009	16,518
Provision for premium on redemption of convertible bonds	97,350	22,269
	<b>445,308</b>	414,452
Amount capitalised as construction in progress	<b>(24,515)</b>	(28,035)
Amount capitalised as investment in a jointly controlled entity	-	(10,280)
	<b>420,793</b>	376,137

**6 Taxation**

	<b>Six months ended 31.12.2001 HK\$'000</b>	Six months ended 31.12.2000 HK\$'000
Company and subsidiaries		
PRC income tax	6,461	5,921
Associated companies		
Hong Kong profits tax	21,166	23,095
PRC income tax	-	33,400
	<b>21,166</b>	56,495
Jointly controlled entities		
Hong Kong profits tax	12,077	11,592
Macau income tax	11,370	13,798
PRC income tax	4,434	7,323
	<b>27,881</b>	32,713
	<b>55,508</b>	95,129

## 6 Taxation (Cont'd)

Hong Kong profits tax has been provided at the rate of 16% (six months ended 31.12.2000: 16%) on income assessable to Hong Kong profits tax. PRC and Macau income tax have been provided on the estimated assessable profits for the period at their prevailing rates of taxation.

No deferred taxation is provided as there are no material timing differences between profit as computed for taxation purposes and profit as stated in the accounts.

## 7 Interim dividend

The Board of Directors does not recommend the payment of an interim dividend in respect of the six months ended 31 December 2001 (six months ended 31.12.2000: nil).

## 8 Earnings per share

The calculation of earnings per share is based on the profit attributable to the shareholders of HK\$70,618,000 (six months ended 31.12.2000: HK\$332,109,000) after adjusting for the interest of HK\$29,492,000 (six months ended 31.12.2000: HK\$29,492,000) on the mandatorily convertible bonds and the weighted average of 855,330,742 (six months ended 31.12.2000: 858,145,287) shares in issue during the period.

The diluted earnings per share for the period is not presented as the Company has no dilutive potential shares at period end. Diluted earnings per share for the six months ended 31 December 2000 was based on adjusted profit of HK\$361,601,000 on the assumption that the weighted average of those dilutive convertible bonds had been converted and had saved finance costs thereon; and the weighted average of 954,994,037 shares issued and issuable.

## 9 Debtors, deposits and prepayments

(a) Included in debtors, deposits and prepayments are trade debtors and their ageing analysis is as follows:

	<b>Unaudited 31.12.2001 HK\$'000</b>	Audited 30.6.2001 HK\$'000
Within 90 days	17,205	28,888
91 – 180 days	716	8,311
Over 180 days	199	9,775
	<b>18,120</b>	46,974

The Group grants an average credit period of 30 to 90 days to its customers.

(b) Also included are trade deposits of approximately HK\$728 million (year ended 30.6.2001: HK\$698 million) paid to an associated company for the purchase of inventories.



## 10 Creditors and accruals

Ageing analysis of trade payable is not presented as the amount outstanding as at period/year end is insignificant.

## 11 Bank and other borrowings

	<b>Unaudited 31.12.2001 HK\$'000</b>	Audited 30.6.2001 HK\$'000
5% Convertible bonds due 2001 <i>(note a)</i>	–	931,593
1% Convertible bonds due 2003 <i>(note b)</i>	<b>1,350,539</b>	1,381,739
10% Fixed rate notes due 2004	<b>200,000</b>	200,000
Floating rate notes due 2003	<b>351,000</b>	351,000
Bank loans, unsecured <i>(note c)</i>	<b>7,048,650</b>	7,713,222
Bank loans, secured <i>(note c)</i>	<b>975,420</b>	869,626
Loans from minority shareholders of subsidiaries		
Interest bearing	<b>1,001,500</b>	1,000,646
Non-interest bearing	<b>369,535</b>	388,113
Current portion included in current liabilities	<b>11,296,644 (1,581,603)</b>	12,835,939 (5,907,768)
	<b>9,715,041</b>	6,928,171

- (a) During the period, bonds with principal amount of US\$15,000 were converted into 5,917 shares of HK\$1 each of the Company, the remaining balance of the bonds were redeemed at par by the Company on 15 July 2001.

During the six months ended 31 December 2000, the Company repurchased bonds with an aggregate principal amount of US\$9,515,000 for a total consideration of HK\$72,445,000 and these bonds were then cancelled. The surplus arising from the repurchase of the bonds, amounting to HK\$1,772,000, had been accounted for as other operating income in the profit and loss account.

- (b) During the period, the Company repurchased bonds with an aggregate principal amount of US\$4,000,000 (six months ended 31.12.2000: nil) for a total consideration of HK\$39,567,000 (six months ended 31.12.2000: nil) and these bonds were then cancelled. Provision for premium on redemption of the bonds of HK\$8,367,000 was applied to set off against the deficit arising from the repurchase of the bonds.

## 11 Bank and other borrowings (Cont'd)

(c) Long-term bank loans are repayable as follows:

	Unaudited 31.12.2001 HK\$'000	Audited 30.6.2001 HK\$'000
Within one year	1,581,603	4,976,175
Between one and two years	533,060	96,260
Between two and five years	5,597,342	3,304,142
After five years	312,065	206,271
	<b>8,024,070</b>	8,582,848

## 12 Share capital

	Unaudited 31.12.2001 HK\$'000	Audited 30.6.2001 HK\$'000
Authorised:		
2,000,000,000 shares of HK\$1 each	2,000,000	2,000,000
Issued and fully paid:		
855,331,257 (30.6.2001: 855,325,340) shares of HK\$1 each	855,331	855,325

During the period, 5,917 shares (year ended 30.6.2001: nil) were issued upon the conversion of US\$15,000 5% convertible bonds due 2001 at a conversion price of HK\$19.61 per share. No shares were repurchased during the six months ended 31 December 2001 (year ended 30.6.2001: 6,589,600 shares were repurchased and cancelled by the Company).



**12 Share capital (Cont'd)**

Pursuant to the share option scheme adopted on 3 October 1997, the Company may grant options to directors and employees of the Company or any of its subsidiaries to subscribe for shares in the Company. The movements in the number of share options during the period and the balance outstanding at 31 December 2001 were as follows:

	<b>Exercise price per share HK\$</b>	<b>At 1 July 2001</b>	<b>Lapsed during the period</b>	<b>At 31 December 2001</b>
	10.20 <sup>(1)</sup>	2,282,000	–	2,282,000
	10.20 <sup>(2)</sup>	360,000	(120,000)	240,000
	12.00 <sup>(3)</sup>	10,423,000	(32,000)	10,391,000
	12.00 <sup>(4)</sup>	1,440,000	(480,000)	960,000
		14,505,000	(632,000)	13,873,000

(1) Exercisable from 1 July 1999 to 1 June 2004.

(2) Exercisable from 1 July 2000 to 1 June 2005.

(3) Divided into 3 or 5 tranches exercisable from 1 July 1999 to 1 June 2004, from 1 July 2000 to 1 June 2004, from 1 July 2001 to 1 June 2004, from 1 July 2002 to 1 June 2004 and from 1 July 2003 and 1 June 2004 respectively.

(4) Divided into 3 tranches exercisable from 1 July 2001 to 1 June 2005, from 1 July 2002 to 1 June 2005 and from 1 July 2003 to 1 June 2005 respectively.



### 13 Reserves

	Contributed surplus <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Retained profit <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2001	1,258,197	4,594,600	341,886	4,166,532	(212,442)	10,148,773
Profit available for appropriation	–	–	–	100,110	–	100,110
Interest on mandatorily convertible bonds	–	–	–	(29,492)	–	(29,492)
Transfer to capital reserve account	–	–	7,177	(7,177)	–	–
Premium on shares issued	–	111	–	–	–	111
Net deficit on revaluation of non-trading investments	–	–	–	–	(33,654)	(33,654)
Impairment losses charged to profit and loss account ( <i>note 4</i> )	–	–	–	–	52,139	52,139
Release of reserves upon disposal of interest in jointly controlled entities						
Subsidiaries	(33,555)	–	–	–	–	(33,555)
Release of reserve upon deconsolidation of a subsidiary ( <i>note</i> )	(690)	–	–	–	–	(690)
At 31 December 2001	1,223,952	4,594,711	349,063	4,229,973	(193,957)	10,203,742

*Note:* During the period, Nanjing Huining Wharfs Co., Ltd. (“Huining”), a subsidiary of the Company, entered into an operating and management agreement with its minority shareholder who agreed to undertake the operation and management of Huining and to be responsible for the profits and losses of Huining. Accordingly, Huining would not be accounted for as a subsidiary by the Group and has been reclassified to other investments. The write back of net liabilities of Huining as a result of its deconsolidation from the Group, amounting to HK\$4,905,000, has been accounted for as other operating income in the profit and loss account (*note (3)*).

### 14 Contingent liabilities

The Group has contingent liabilities relating to guarantee given to bank of approximately HK\$990 million (as at 30.6.2001: HK\$1,455 million) in respect of the Group’s attributable portion of a syndicated bank loan facility extended to one (as at 30.6.2001: two) jointly controlled entity of the Group. Pursuant to the Subscription Agreement, the associated company agreed to counter-indemnify the Group in respect of such guarantee amounted to approximately HK\$585 million. As at 31 December 2001, the outstanding amount under the syndicated bank loan facility in respect of the guarantee was approximately HK\$155 million (as at 30.6.2001: HK\$284 million).



## 15 Commitments

- (a) At 31 December 2001, the capital commitments, principally for construction of toll roads, bridges and port facilities and acquisition of other investments were as follows:

	<b>Unaudited 31.12.2001 HK\$'000</b>	Audited 30.6.2001 HK\$'000
Contracted but not provided for	<b>20,008</b>	32,132
Authorised but not contracted for	<b>1,654,310</b>	1,877,516
	<b>1,674,318</b>	1,909,648

- (b) The Group has committed to provide sufficient funds in the forms of capital and loan contributions to certain joint ventures under various joint venture contracts to finance relevant infrastructural projects. The directors estimate that the Group's share of projected funds requirements of these projects would be approximately HK\$77 million (as at 30.6.2001: HK\$92 million) which represents the attributable portion of the capital and loan contributions to be made to the joint ventures.

- (c) At 31 December 2001, the Group's share of capital commitments of the jointly controlled entities themselves not included in note 15(b) above were as follows:

	<b>Unaudited 31.12.2001 HK\$'000</b>	Audited 30.6.2001 HK\$'000
Contracted but not provided for	<b>186,000</b>	509,000
Authorised but not contracted for	<b>105,000</b>	130,000
	<b>291,000</b>	639,000

Certain subsidiaries and jointly controlled entities are parties to agreements with third parties pursuant to the joint development of Container Terminal 9 in Hong Kong, the related berth swap arrangement and the funding therefor. The Group's attributable share of capital commitments as at 31 December 2001 has been disclosed above.

One of the jointly controlled entities has obtained banking facilities to finance 60% of its share of development costs at Container Terminal 9 and reduced the funds to be injected by the Group accordingly. The Group has given guarantee in respect of the banking facilities and is included in note 14 above.

In the event of default of any of the third parties, the subsidiaries and jointly controlled entities will be required to provide additional funds for the project. The Company has given guarantees in respect of these obligations of the subsidiaries and jointly controlled entities to provide additional funds. Were the Company required to perform its obligations under the guarantees, the maximum amount of the additional liabilities assumed, in addition to the Group's share of the capital commitments as disclosed above, is HK\$1,482 million (as at 30.6.2001: HK\$1,482 million). Pursuant to the Subscription Agreement, the associated company agreed to counter-indemnify the Company in respect of such guarantees amounted to approximately HK\$876 million.

## 15 Commitments (Cont'd)

- (d) Certain PRC subsidiaries have entered into various contracts with the PRC partners or their supervisory authorities for the provision of toll collection, maintenance and management services and these subsidiaries have agreed to pay a management fee at fixed rates ranging from 14% to 16% (year ended 30.6.2001: 14% to 16%) per annum of toll revenues after business tax.
- (e) At 31 December 2001, the Group had future aggregate minimum lease payments under operating leases as follows:

	<b>Unaudited 31.12.2001 HK\$'000</b>	Audited 30.6.2001 HK\$'000
Land and buildings		
In the first year	<b>7,978</b>	15,511
In the second to fifth years inclusive	<b>7,761</b>	41,066
After the fifth year	–	108,528
	<b>15,739</b>	165,105

- (f) At 31 December 2001, the Group has outstanding foreign currency forward contracts amounting to US\$650 million (as at 30.6.2001: US\$650 million) for the purpose of hedging of long-term borrowings.

## 16 Related party transactions

The following is a summary of significant related party transactions during the period carried out in the normal course of the Group's business:

	<b>Six months ended 31.12.2001 HK\$'000</b>	Six months ended 31.12.2000 HK\$'000
Interest income from jointly controlled entities (gross of withholding tax) (note a)	<b>(47,398)</b>	(104,673)
Management fee received from a jointly controlled entity (note b)	<b>(4,462)</b>	(2,716)
Purchases from an associated company (note c)	<b>598,361</b>	–
Rental for leased premises to a fellow subsidiary (note d)	<b>3,947</b>	4,692



**16 Related party transactions (Cont'd)**

Notes:

- (a) This represents interest income in respect of loan financing provided to jointly controlled entities. These loans are unsecured, carry interest at Hong Kong prime rate (six months ended 31.12.2000: Hong Kong prime rate) or at fixed rates ranging from 10% to 15% per annum (six months ended 31.12.2000: 10% to 15% per annum) and have repayment terms as specified in the respective joint venture agreements.
- (b) This represents management fee income in respect of management and administrative services rendered by the Company to a jointly controlled entity. The management fee is charged at a fixed annual amount as specified in the management and administrative services agreement.
- (c) These represent purchases of inventories from an associated company which were sold to the Group at their original costs from third party suppliers. As at 31 December 2001, the Group has also paid approximately HK\$728 million (as at 30.6.2001: HK\$698 million) as trade deposits to the associated company for the purchase of inventories (*note 9(b)*).
- (d) The rental is charged at fixed monthly fees as specified in the tenancy agreements.