

1. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain properties and investments and in accordance with accounting principles generally accepted in Hong Kong.

In 2001, the Group adopted and implemented the following revised or new Statement of Standard Accounting Practices ("SSAPs") issued by the Hong Kong Society of Accountants:

SSAP 1 (revised)	Presentation of financial statements
SSAP 9 (revised)	Events after the balance sheet date
SSAP 11 (revised)	Foreign currency translation
SSAP 14 (revised)	Leases
SSAP 15 (revised)	Cash flow statements
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 29	Intangible assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries
SSAP 33	Discontinuing operations

SSAP 1 (revised), SSAP 11 (revised), SSAP 15 (revised) and SSAP 33 are applied in advance of their effective dates.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group's accounting policies which have affected the amounts reported for the current or prior years:

(i) Dividends

In accordance with the revised SSAP 9, dividends proposed or declared after the balance sheet date are no longer recognised as liabilities at the balance sheet date. This change in accounting policy has been applied retrospectively and as a result, reserves of the Group and Company as at 31st December 2000 have been increased by HK\$35,312,000.

(ii) Goodwill

The Group has adopted the transitional provisions as permitted under SSAP 30 not to restate any goodwill/negative goodwill taken to reserves prior to 1st January 2001. However, any impairment in respect of such goodwill are recognised as an expense in the period in which impairment has occurred in accordance with the requirements of SSAP 31.

As a result, goodwill previously taken directly to reserve amounting to HK\$54,144,000 has been reclassified from contributed surplus to revenue reserves.

The principal accounting policies adopted in the preparation of these financial statements are set out below:

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(b) Basis of consolidation

The consolidated financial statements include the financial statements of K. Wah International Holdings Limited and its subsidiaries made up to 31st December and the Group's attributable share of post acquisition results and reserves of its jointly controlled entities and associated companies.

Results attributable to subsidiaries, jointly controlled entities and associated companies acquired or disposed of during the year are included in the consolidated profit and loss statement from the date of acquisition or to the date of disposal as applicable.

The profit or loss on disposal of subsidiaries, jointly controlled entities or associated companies is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill/negative goodwill which remains unamortised, including those previously taken directly to reserves.

All significant intercompany transactions and balances within the Group are eliminated.

(c) Subsidiaries

Subsidiaries are companies in which the Group has the power to exercise control governing the financial and operating policies of the company.

In the Company's balance sheet, investments in subsidiaries are carried at or below cost. Provision is made when, in the opinion of the directors, there is a long-term impairment in value. The results of subsidiaries are accounted for by the Company on the basis of dividend income.

(d) Jointly controlled entities

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established between the participating venturers and whereby the Group together with the venturer undertake an economic activity which is subject to joint control and none of the venturers has unilateral control over the economic activity.

The consolidated profit and loss statement includes the Group's share of the results of jointly controlled entities, and the consolidated balance sheet includes the Group's share of the net assets of jointly controlled entities under the equity method.

(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.

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(e) Associated companies (Cont'd)

The consolidated profit and loss statement includes the Group's share of the results of associated companies, and the consolidated balance sheet includes the Group's share of net assets of the associated companies under the equity method.

(f) Goodwill

Goodwill represents the difference between the cost of an acquisition over the fair values ascribed to the Group's share of the net tangible assets of the acquired subsidiaries, jointly controlled entities and associated companies at the effective date of acquisition.

Goodwill arising on acquisitions occurring on or after 1st January 2001 is included in the balance sheet as a separate asset and amortised using the straight line method over its estimated useful life of not more than twenty years.

Goodwill on acquisitions, which occurred prior to 1st January 2001, was taken directly to reserves. 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 the Directors, there is a long-term impairment in value.

Where the fair values ascribed to the net assets exceed the purchase consideration, such differences are recognised in the income statement in the year of acquisition or over the weighted average useful life of those non-monetary assets acquired.

(g) Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation and provision for significant impairment in values.

The cost or valuation of long-term and medium-term leasehold land is depreciated over the remaining term of the lease, including the period for which a right of renewal is attached, using the straight-line method. The cost or valuation of all other land and buildings and leasehold improvements is depreciated over their respective lease periods using the straight-line method.

Increases in valuation of leasehold land and buildings held as fixed assets are credited to the land and buildings revaluation reserve; subsequent decreases are first set off against increases on earlier valuations in respect of the same property and are thereafter charged to the profit and loss statement.

The cost of other fixed assets is depreciated over their estimated useful lives, using the straight-line method, at the following annual rates:

Plant and machinery	5 to 25%
Other assets	10 to 25%

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(g) Fixed assets and depreciation (Cont'd)

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss statement. Improvements are capitalised and depreciated over their expected useful lives to the Group. The carrying amounts of fixed assets are reviewed regularly. When the estimated recoverable amounts have declined permanently below their carrying amounts, the carrying amounts are written down to their estimated recoverable amounts. Expected future cash flows have been discounted in determining the recoverable amount.

Profit or loss on disposal of a fixed asset is determined as the difference between the net sales proceed and the carrying amount of the relevant asset, and is recognised in the profit and loss statement. Upon the disposal of revalued assets, the relevant realised revaluation reserve is transferred directly to revenue reserves.

(h) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed, held for their long-term investment potential and are not occupied by the Group. Investment properties are carried at fair values, representing their open market value based on professional valuation. A deficit in valuation is charged to the profit and loss statement; an increase is first credited to the profit and loss statement to the extent of valuation deficit previously charged and thereafter is credited to the investment properties revaluation reserve. Upon the disposal of an investment property, any relevant revaluation surplus realised is transferred to the profit and loss statement.

No depreciation is provided on investment properties held on leases of more than twenty years.

(i) Development properties

Development properties are included under current assets and comprise land at cost or valuation, construction costs, an appropriate proportion of overhead expenditure and interest attributable to the development, and profit taken to date, less sales instalments received and provisions for possible losses.

(j) Leased assets

Assets leased from third parties under agreements that transfer substantially all the risks and rewards incident to ownership of the relevant assets to the Group are classified as finance leases. At the inception of a finance lease, the fair value of the asset or, if lower, the present value of the minimum lease payments is capitalised as a fixed asset; the corresponding obligations, net of finance charges, is included under long-term liabilities. Gross rental payable in respect of finance leases are apportioned between interest charge and a reduction of lease obligations based on the interest rates implicit in the relevant leases.

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Rentals payable, net of incentives received from the lessors, under operating leases are charged to the profit and loss statement on a straight-line basis over the lease terms.

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(k) Deferred expenditure

Quarry site development represents costs of constructing infrastructure at the quarry site to facilitate excavation. Overburden removal costs are incurred to bring the quarry site into a condition ready for excavation. These costs are amortised over the estimated useful lives of the quarries and sites concerned using the straight-line method.

Pre-operating costs are expensed as they are incurred.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost calculated on the weighted average basis, comprises materials, direct labour and an appropriate proportion of production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(m) Investments

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

(n) Foreign currencies

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

The profit and loss statements of subsidiaries, jointly controlled entities and associated companies denominated in foreign currencies are translated at the weighted average exchange rates during the year and balance sheets are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising from the translation of net investments are dealt with as a movement in reserves.

In previous years, profit and loss statements of subsidiaries, jointly controlled entities and associated companies expressed in foreign currencies were translated at exchange rates ruling at the balance sheet date. This accounting policy has been changed to conform with SSAP 11 (revised) Foreign currency translation and the effect of such change to the accounts for the year is not material.

(o) Retirement benefit costs

The Group contributes to defined contribution retirement benefit schemes which are available to employees. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group's contributions to these schemes are expensed as incurred and may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(p) Deferred taxation

Deferred taxation is provided at the current rate of taxation under the liability method in respect of material timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(q) Revenue recognition

Sales of construction materials are recognised when the goods are delivered and title is transferred to customers.

Profit from the sales of completed properties are recognised upon execution of the sales agreements. When a development property is sold in advance of completion, sales are recognised over the course of the development and are computed as a proportion of the total estimated sales to completion; the proportion used being the lower of the proportion of construction costs incurred at the balance sheet date to estimated total construction costs and the proportion of sales proceeds received at the balance sheet date to total 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 are forfeited and credited to operating profit, and sales recognised up to the date of forfeiture are written back.

Rental income net of any incentives given to the lessee is recognised over the periods of the respective leases on a straight-line basis.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Dividend income is recognised when the right to receive payment is certain.

(r) Borrowing costs

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

(s) Provisions

Provisions are recognised when there is 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 a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(t) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, amounts repayable on demand from banks and financial institutions within three months from the date of placement, less advances from banks and financial institutions repayable within three months from the date of advance.

2. SEGMENT INFORMATION

The Group is principally engaged in property development and investment, manufacture, sale and distribution of construction materials. There are no other significant identifiable separate business. In accordance with the Group's internal financial reporting and operating activities, the primary reporting is by business segments and the secondary reporting is by geographical segments. Segment assets consist primarily fixed assets, other non-current assets, inventories, properties, debtors, prepayments and other receivables and mainly exclude investments. Segment liabilities comprise mainly creditors and accruals. There are no sales or trading transactions between the business segments.

A summary of business segments is set out as follows:

	Properties HK\$'000	Construction materials HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31st December 2001				
Turnover	1,152,189	1,082,615	40,096	2,274,900
Other revenues	<u>8,746</u>	<u>11,606</u>	<u>241</u>	<u>20,593</u>
Operating profit/(loss)	<u>71,929</u>	<u>112,672</u>	<u>(7,772)</u>	176,829
Finance costs				(7,072)
Share of profits less losses of				
Jointly controlled entities	(12)	1,938	—	1,926
Associated companies	(6,383)	(6,010)	—	<u>(12,393)</u>
Profit before taxation				159,290
Taxation				<u>(11,103)</u>
Profit after taxation				148,187
Minority interests				<u>(47,951)</u>
Profit attributable to shareholders				<u>100,236</u>
Segment assets	3,510,974	1,133,755	20,564	4,665,293
Jointly controlled entities	297,781	177,819	—	475,600
Associated companies	73,343	86,033	—	159,376
Common assets				<u>752,360</u>
Total assets				<u>6,052,629</u>
Segment liabilities	219,310	268,893	6,813	495,016
Common liabilities				<u>3,173,543</u>
Total liabilities				<u>3,668,559</u>
Capital expenditure	2,352	80,496	302	83,150
Depreciation	2,977	73,617	142	76,736
Amortisation	<u>—</u>	<u>11,815</u>	<u>—</u>	<u>11,815</u>

2. SEGMENT INFORMATION (Cont'd)

	Properties HK\$'000	Construction materials HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31st December 2000				
Turnover	641,300	1,093,521	43,629	1,778,450
Other revenues	<u>19,663</u>	<u>13,528</u>	<u>43</u>	<u>33,234</u>
Operating profit/(loss)	<u>12,919</u>	<u>182,027</u>	<u>(7,259)</u>	187,687
Finance costs				(24,518)
Share of profits less losses of				
Jointly controlled entities	(20)	(53)	—	(73)
Associated companies	(431)	(4,552)	—	<u>(4,983)</u>
Profit before taxation				158,113
Taxation				<u>(26,981)</u>
Profit after taxation				131,132
Minority interests				<u>(49,057)</u>
Profit attributable to shareholders				<u>82,075</u>
Segment assets	3,459,886	1,182,699	33,253	4,675,838
Jointly controlled entities	276,030	176,785	—	452,815
Associated companies	—	80,870	—	80,870
Common assets				<u>705,784</u>
Total assets				<u>5,915,307</u>
Segment liabilities	188,721	296,442	8,895	494,058
Common liabilities				<u>3,123,322</u>
Total liabilities				<u>3,617,380</u>
Capital expenditure	3,226	84,292	493	88,011
Depreciation	3,633	96,547	42	100,222
Amortisation	—	22,456	—	22,456
Write-off of pre-operating expenses	—	6,386	—	6,386
Write-off of other deferred expenditure	<u>—</u>	<u>10,392</u>	<u>—</u>	<u>10,392</u>

2. SEGMENT INFORMATION (Cont'd)

A summary of geographical segments is set out as follows:

	Turnover <i>HK\$'000</i>	Operating profit/(loss) <i>HK\$'000</i>	Total assets <i>HK\$'000</i>	Capital expenditure <i>HK\$'000</i>
Year ended 31st December 2001				
Hong Kong	1,407,367	151,493	3,580,469	63,259
Mainland China	813,260	34,336	2,258,562	18,896
Singapore	14,177	(9,277)	201,453	693
Japan	<u>40,096</u>	<u>277</u>	<u>12,145</u>	<u>302</u>
	<u>2,274,900</u>	<u>176,829</u>	<u>6,052,629</u>	<u>83,150</u>
Year ended 31st December 2000				
Hong Kong	1,113,831	240,794	3,280,777	68,932
Mainland China	608,051	(62,688)	2,391,811	18,586
Singapore	12,939	9,237	227,927	—
Japan	<u>43,629</u>	<u>344</u>	<u>14,792</u>	<u>493</u>
	<u>1,778,450</u>	<u>187,687</u>	<u>5,915,307</u>	<u>88,011</u>

3. TURNOVER AND OTHER REVENUES

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Turnover		
Sale of properties	1,113,597	599,090
Manufacture, sale and distribution of construction materials	1,082,615	1,093,521
Rental	38,592	42,210
Sale of goods	<u>40,096</u>	<u>43,629</u>
	<u>2,274,900</u>	<u>1,778,450</u>
Other revenues		
Dividend from listed investments	238	213
Interest from banks	17,957	30,620
Interest from deferred receivable	2,398	1,831
Interest from listed investments	<u>—</u>	<u>570</u>
	<u>20,593</u>	<u>33,234</u>
Total revenues	<u>2,295,493</u>	<u>1,811,684</u>

4. OPERATING PROFIT

	2001 HK\$'000	2000 HK\$'000
Operating profit is stated after crediting:		
Unrealised gain on other investments	3,200	—
Profit on disposal of other investments	6,583	1,519
Net exchange gains	8,721	9,435
Write-back of provision for development properties	13,666	—
Write-back of deficit on revaluation of investment properties	—	25,502
Realisation of revaluation reserve upon disposal of properties	—	2,924
Gain on disposal of an associated company	—	6,650
Amortisation of negative goodwill	<u>632</u>	<u>—</u>
and after charging:		
Cost of inventories sold	811,574	736,995
Deficit on revaluation of investment properties	23,468	—
Provision for development properties	—	35,967
Depreciation		
Owned fixed assets	76,449	81,075
Leased fixed assets	287	307
Additional provision for fixed assets	—	18,840
Amortisation		
Quarry site development	1,494	5,173
Overburden removal costs	10,321	10,322
Pre-operating expenses and others	—	6,961
Write-off of pre-operating expenses	—	6,386
Write-off of other deferred expenditure	—	10,392
Staff costs including directors' remuneration	210,167	189,648
Royalties	4,944	5,846
Auditors' remuneration	2,078	2,391
Operating lease rentals for land and buildings	18,808	16,238
Unrealised loss on other investments	—	3,200
Unrealised loss on long-term investments	3,850	—
Loss on deemed disposal of subsidiaries	7,228	—
Loss on disposal of fixed assets	1,770	811
Outgoings in respect of investment properties	<u>3,362</u>	<u>4,251</u>

5. FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Interest expense		
Bank loans and overdrafts	106,843	145,078
Finance lease obligations wholly payable within five years	<u>163</u>	<u>398</u>
	107,006	145,476
Capitalised as cost of properties under development	<u>(99,934)</u>	<u>(120,958)</u>
	<u><u>7,072</u></u>	<u><u>24,518</u></u>

The capitalisation rates applied to funds borrowed generally and used for the development of properties are between 5% and 6% per annum (2000: 7% to 8% per annum).

6. DIRECTORS' EMOLUMENTS

	2001 HK\$'000	2000 HK\$'000
Fees	910	850
Salaries and other emoluments	9,169	9,722
Discretionary bonuses	—	645
Retirement benefits	<u>627</u>	<u>598</u>
	<u><u>10,706</u></u>	<u><u>11,815</u></u>

The emoluments of individual directors of the Company fell within the following bands:

	Number of Directors	
	2001	2000
Nil–HK\$1,000,000	11	8
HK\$1,000,001–HK\$2,000,000	1	1
HK\$2,000,001–HK\$3,000,000	—	1
HK\$3,000,001–HK\$4,000,000	<u>2</u>	<u>2</u>
	<u><u>14</u></u>	<u><u>12</u></u>

Fees paid to independent non-executive directors amounted to HK\$460,000 (2000: HK\$400,000) and no other emoluments were paid.

No options were granted to or exercised by the directors during the year (2000: Nil).

7. MANAGEMENT EMOLUMENTS

The five individuals whose emoluments were the highest in the Group for the year include two (2000: four) directors whose emoluments are reflected in the analysis above. The emoluments of the remaining three (2000: one) individuals are as follows:

	2001 HK\$'000	2000 HK\$'000
Salaries and other emoluments	5,195	1,541
Discretionary bonuses	—	333
Retirement benefits	<u>370</u>	<u>120</u>
	<u><u>5,565</u></u>	<u><u>1,994</u></u>

The emoluments of the individuals fell within the following bands:

	Number of employees	
	2001	2000
HK\$1,500,001–HK\$2,000,000	2	1
HK\$2,000,001–HK\$2,500,000	<u>1</u>	<u>—</u>
	<u><u>3</u></u>	<u><u>1</u></u>

8. RETIREMENT BENEFIT SCHEMES

The Group operates two defined contribution schemes in Hong Kong which comply with all the respective requirements under the Occupational Retirement Schemes Ordinance (ORSO) and Mandatory Provident Fund (MPF) Ordinance. All the assets under the schemes are held separately from the Group under independently administered funds. Contributions to the MPF Scheme follow the MPF Ordinance while contributions to the ORSO Scheme are based on a percentage ranging from 5% to 10% (depending upon the length of employment) of the basic salary of the employee, minus the mandatory contributions to the MPF Scheme. The Group's contributions to the ORSO Scheme may be reduced by contributions forfeited by those employees who leave the scheme prior to the full vesting of the employer's contributions on the employee.

The Group also contributes to other independent retirement plans, which comply with the respective requirements of the relevant authorities, in respect of employees outside Hong Kong.

The retirement benefit schemes cost charged to the profit and loss statement during the year ended 31st December 2001 comprises contributions made by the Group to the schemes of HK\$11,057,000 (2000: HK\$8,753,000), less forfeitures of HK\$852,000 (2000: HK\$1,625,000), leaving HK\$36,000 (2000: HK\$100,000) available at the year end to reduce future contribution.

9. TAXATION

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Company and subsidiaries		
Hong Kong profits tax	13,969	22,094
Tax refund	(10,749)	(1,164)
Overseas taxation	7,911	3,838
Deferred taxation (<i>note 29a</i>)	<u>(707)</u>	<u>1,540</u>
	10,424	26,308
Jointly controlled entities		
Overseas taxation	161	167
Associated companies		
Hong Kong profits tax	<u>518</u>	<u>506</u>
	<u>11,103</u>	<u>26,981</u>

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits for the year after setting off available tax losses brought forward.

Taxation assessable on profits generated overseas has been provided at the rates of taxation prevailing in the countries in which the Group operates.

There was no material unprovided deferred taxation for the year.

10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The attributable profit to shareholders is dealt with in the financial statements of the Company to the extent of HK\$80,913,000 (2000: HK\$87,384,000).

11. DIVIDENDS

	2001 HK\$'000	2000 HK\$'000
Interim scrip dividend with a cash option of 1 cent per share (2000: 1 cent per share)	18,235	17,273
Proposed final scrip dividend with a cash option of 2 cents per share (2000: 2 cents per share)	<u>37,438</u>	<u>35,312</u>
	<u>55,673</u>	<u>52,585</u>
The dividends have been partially settled by cash as follows:		
Interim	3,237	5,020
Final	<u>—</u>	<u>10,669</u>
	<u>3,237</u>	<u>15,689</u>

The Board of directors recommended a final scrip dividend with a cash option in respect of 2001 of 2 cents (2000: 2 cents) per share. This dividend will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2002.

12. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$100,236,000 (2000: HK\$82,075,000) and the weighted average number of shares in issue during the year of 1,793,622,000 shares (2000: 1,689,623,000 shares).

The diluted earnings per share is not presented as the exercise of the share options outstanding as at 31st December 2001 would not have a dilutive effect on the earnings per share.

13. FIXED ASSETS

Group

	Leasehold land and buildings <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Other fixed assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation					
At 31st December 2000	417,682	492,901	602,914	227,372	1,740,869
Additions	—	—	23,832	22,905	46,737
Disposals	(153)	—	(22,951)	(8,919)	(32,023)
Deemed disposal of subsidiaries	—	(186,728)	—	(4,255)	(190,983)
Reclassification	(1,967)	—	1,967	—	—
Revaluation deficit	—	(23,468)	—	—	(23,468)
At 31st December 2001	<u>415,562</u>	<u>282,705</u>	<u>605,762</u>	<u>237,103</u>	<u>1,541,132</u>
Accumulated depreciation					
At 31st December 2000	39,213	—	310,043	156,748	506,004
Charge for the year	7,624	—	51,883	17,229	76,736
Disposals	(33)	—	(20,481)	(7,953)	(28,467)
Deemed disposal of subsidiaries	—	—	—	(1,751)	(1,751)
Reclassification	(496)	—	496	—	—
At 31st December 2001	<u>46,308</u>	<u>—</u>	<u>341,941</u>	<u>164,273</u>	<u>552,522</u>
Net book value					
At 31st December 2001	<u>369,254</u>	<u>282,705</u>	<u>263,821</u>	<u>72,830</u>	<u>988,610</u>
At 31st December 2000	<u>378,469</u>	<u>492,901</u>	<u>292,871</u>	<u>70,624</u>	<u>1,234,865</u>

13. FIXED ASSETS (Cont'd)

Group (Cont'd)

- (a) Leasehold land and buildings are stated at cost or valuation less depreciation as detailed in note 14. Investment properties held under long-term leases outside Hong Kong amounting to HK\$103,705,000 were valued at 31st December 2001 on an open market value basis by CB Richard Ellis (Pte) Ltd., independent professional valuers. Investment properties held under long-term leases in Hong Kong amounting to HK\$137,000,000 were valued at 31st December 2001 on an open market value basis by FPD Savills (Hong Kong) Limited, independent professional valuers. Investment properties held under medium-term leases in Hong Kong amounting to HK\$42,000,000 were valued at 31st December 2001 on an open market value basis by CB Richard Ellis Ltd., independent professional valuers.
- (b) Investment properties, land and buildings and plant and machinery with carrying values of HK\$240,705,000 (2000: HK\$448,901,000), HK\$301,605,000 (2000: HK\$307,547,000) and HK\$111,398,000 (2000: HK\$124,998,000) respectively were pledged to banks to secure the Group's borrowing facilities.
- (c) Other fixed assets comprise barges, furniture and equipment, leasehold improvements and motor vehicles.
- (d) The aggregate net book values of assets held under finance leases at 31st December 2001 were HK\$72,000 (2000: HK\$359,000).
- (e) Apart from the properties mentioned in (a) above, all other assets are carried at cost.

14. LEASEHOLD LAND AND BUILDINGS

Group

	Hong Kong HK\$'000	Outside Hong Kong HK\$'000	2001 Total HK\$'000	2000 Total HK\$'000
Long-term lease				
At cost	113,740	5,847	119,587	127,061
Medium-term lease				
At cost	28,935	16,918	45,853	40,499
At professional valuation 1990	<u>250,122</u>	<u>—</u>	<u>250,122</u>	<u>250,122</u>
	<u>392,797</u>	<u>22,765</u>	<u>415,562</u>	<u>417,682</u>

Medium-term leasehold land and buildings in Hong Kong were revalued as at 31st March 1990 on an open market basis by Jones Lang LaSalle, independent professional valuers. Subsequent revaluations of these properties are not required to be made in accordance with paragraph 80 of Hong Kong Statement of Standard Accounting Practice 17 — Property, Plant and Equipment. Had these properties been carried at cost, their carrying values would have been HK\$170,760,000 (2000: HK\$201,565,000).

15. SUBSIDIARIES

	Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Unlisted shares, at cost	259,561	259,561
Amounts receivable (note a)	1,682,951	1,495,562
Loan receivable (note b)	<u>462,000</u>	<u>150,000</u>
	<u>2,404,512</u>	<u>1,905,123</u>

(a) The amounts receivable are unsecured, interest-free and have no fixed terms of repayment.

(b) The loan receivable is unsecured, carries interest at prevailing market rate and has no fixed terms of repayment.

Details of subsidiaries which, in the opinion of the directors, materially affect the results or net assets of the Group are given in note 35(a).

16. JOINTLY CONTROLLED ENTITIES

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Share of net assets	97,832	94,176
Amounts receivable (note a)	85,349	85,712
Loans receivable (note b)	<u>292,419</u>	<u>272,927</u>
	<u>475,600</u>	<u>452,815</u>

(a) The amounts receivable are unsecured, interest-free and have no fixed terms of repayment.

(b) The loans receivable are unsecured, carry interest at prevailing market rate and have no fixed terms of repayment.

Details of jointly controlled entities which, in the opinion of the directors, materially affect the results or net assets of the Group are given in note 35(b).

17. ASSOCIATED COMPANIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	120,938	71,012
Amounts receivable (note a)	10,550	9,858
Loan receivable (note b)	27,888	—
	<u>159,376</u>	<u>80,870</u>

(a) The amounts receivable are unsecured, interest-free and have no fixed terms of repayment.

(b) Loan receivable is unsecured, carries interest at prevailing market rate and has no fixed terms of repayment.

Details of associated companies which, in the opinion of the directors, materially affect the results or net assets of the Group are given in note 35(c).

18. OTHER NON-CURRENT ASSETS

	Group	
	2001 HK\$'000	2000 HK\$'000
Deferred expenditure		
Overburden removal costs	94,077	69,341
Quarry site development	7,282	7,420
	<u>101,359</u>	<u>76,761</u>
Deferred receivable (note a)	9,127	12,351
Mortgage loans (note b)	21,941	—
Long-term investments, unlisted	31,223	9,672
	<u>163,650</u>	<u>98,784</u>

(a) Deferred receivable represents advances to various contractors for the delivery of concrete to customers. The advances are secured by the vehicles operated by the contractors, carry interest at prevailing market rate and are repayable by monthly instalments up to 2007. The current portion of the receivable is included under other receivables.

(b) Mortgage loans are advances to prospective purchasers of development properties of the Group and secured by second mortgages on the related properties. The current portion of the loans is included under other receivables.

19. DEVELOPMENT PROPERTIES

Group

	Completed <i>HK\$'000</i>	Under development <i>HK\$'000</i>	Total <i>HK\$'000</i>
At cost, less provision	554,192	2,374,659	2,928,851
At professional valuation 1990	<u>10,254</u>	<u>—</u>	<u>10,254</u>
At 31st December 2001	<u>564,446</u>	<u>2,374,659</u>	<u>2,939,105</u>
At 31st December 2000	<u>265,005</u>	<u>2,473,222</u>	<u>2,738,227</u>

Medium-term leasehold land and buildings in Hong Kong were revalued as at 31st March 1990 on an open market basis by Jones Lang LaSalle, independent professional valuers.

20. INVENTORIES

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Aggregates and sand	26,760	12,964
Concrete pipes and blocks	4,802	6,704
Cement	4,492	8,159
Spare parts	23,907	24,380
Consumables	<u>3,118</u>	<u>3,365</u>
	<u>63,079</u>	<u>55,572</u>

At 31st December 2001, the carrying amounts of inventories stated at net realisable value amounted to HK\$1,184,000 (2000: HK\$1,880,000).

21. DEBTORS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Trade debtors	304,948	315,580	—	—
Other receivable	186,604	181,229	2	303
Prepayments	<u>50,520</u>	<u>61,253</u>	<u>4</u>	<u>275</u>
	<u>542,072</u>	<u>558,062</u>	<u>6</u>	<u>578</u>

21. DEBTORS, PREPAYMENTS AND OTHER RECEIVABLES (Cont'd)

The Group has established credit policies which follow local industry standard. The average normal credit period offered ranges from 30 to 60 days for customers in Hong Kong and 120 to 180 days for customers in Mainland China. These are subject to periodic review by management.

The ageing analysis of the Group's trade debtors based on the date of invoices and net of provision for bad and doubtful debts is as follows:

	2001 HK\$'000	2000 HK\$'000
Within one month	147,516	158,103
Two to three months	110,486	97,985
Four to six months	31,363	23,903
Over six months	<u>15,583</u>	<u>35,589</u>
	<u><u>304,948</u></u>	<u><u>315,580</u></u>

22. OTHER INVESTMENTS

	Group	
	2001 HK\$'000	2000 HK\$'000
Listed in Hong Kong	9,250	6,050
Unlisted shares	<u>52,204</u>	<u>—</u>
	<u><u>61,454</u></u>	<u><u>6,050</u></u>

23. CASH AND BANK BALANCES

The cash and bank balances include HK\$191,748,000 (2000: HK\$92,052,000) which can only be used for the construction costs of certain development properties of the Group.

24. CREDITORS AND ACCRUALS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Trade creditors	272,798	211,676	—	—
Other creditors	80,504	124,126	1,974	1,738
Accrued operating expenses	123,632	142,240	131	134
Deposits received	<u>16,051</u>	<u>16,016</u>	<u>—</u>	<u>—</u>
	<u><u>492,985</u></u>	<u><u>494,058</u></u>	<u><u>2,105</u></u>	<u><u>1,872</u></u>

24. CREDITORS AND ACCRUALS (Cont'd)

The ageing analysis of the Group's trade creditors based on the date of the invoices is as follows:

	2001	2000
	HK\$'000	HK\$'000
Within one month	223,342	90,349
Two to three months	27,560	28,979
Four to six months	14,836	14,800
Over six months	7,060	77,548
	<u>272,798</u>	<u>211,676</u>

25. SHARE CAPITAL

Company

	2001		2000	
	Ordinary Shares of HK\$0.10 each	HK\$'000	Ordinary Shares of HK\$0.10 each	HK\$'000
Authorised:				
At beginning of year	2,888,000,000	288,800	2,888,000,000	288,800
Increase during the year	<u>1,000,000,000</u>	<u>100,000</u>	—	—
At end of year	<u>3,888,000,000</u>	<u>388,800</u>	<u>2,888,000,000</u>	<u>288,800</u>
Issued and fully paid:				
At beginning of year	1,765,251,042	176,525	1,657,277,886	165,728
Warrants exercised	17,327	2	3,867	1
Share options exercised	456,000	46	—	—
Issued as scrip dividends	<u>105,020,701</u>	<u>10,502</u>	<u>107,969,289</u>	<u>10,796</u>
At end of year	<u>1,870,745,070</u>	<u>187,075</u>	<u>1,765,251,042</u>	<u>176,525</u>

By an ordinary resolution passed on 31st May 2001, the authorised share capital of the company was increased from HK\$288,800,000 to HK\$388,800,000 by the creation of 1,000,000,000 shares of HK\$0.10 each.

At 31st December 2001, the company had no warrants outstanding.

26. SHARE OPTION SCHEME

The Company operates a share option scheme under which options to subscribe for ordinary shares in the Company are granted to selected executives. During the year, no new options were granted (2000: nil) and options to subscribe for 456,000 shares were exercised (2000: nil). At 31st December 2001, outstanding options granted under the scheme are as follows:

Exercise period	Option price per share HK\$	Number of shares
20th May 1999 to 19th May 2008	0.5586	9,352,000
30th December 2000 to 29th December 2009	0.3600	<u>13,230,000</u>
		<u>22,582,000</u>

27. RESERVES

(a) Group

	Share premium HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Property revaluation reserve HK\$'000	Revenue reserves HK\$'000	Total HK\$'000
At 31st December 2000							
As previously reported	827,270	44,945	13	34,188	68,037	1,111,637	2,086,090
Prior year adjustment (note 1ai)	—	—	—	—	—	35,312	35,312
Prior year adjustment (note 1aii)	—	54,144	—	—	—	(54,144)	—
As restated	827,270	99,089	13	34,188	68,037	1,092,805	2,121,402
Changes in exchange rate	—	—	—	—	—	(363)	(363)
Premium on shares issued	128	—	—	—	—	—	128
Shares issued as scrip dividends	(10,502)	—	—	—	—	—	(10,502)
Reserve arising on scrip dividends	—	—	—	—	—	39,641	39,641
Profit for the year	—	—	—	—	—	100,236	100,236
2000 final dividend	—	—	—	—	—	(35,312)	(35,312)
2001 interim dividend	—	—	—	—	—	(18,235)	(18,235)
At 31st December 2001	816,896	99,089	13	34,188	68,037	1,178,772	2,196,995
Company and subsidiaries	816,896	99,089	13	34,188	68,037	1,215,508	2,233,731
Jointly controlled entities	—	—	—	—	—	(37,660)	(37,660)
Associated companies	—	—	—	—	—	924	924
At 31st December 2001	816,896	99,089	13	34,188	68,037	1,178,772	2,196,995
At 31st December 1999							
As previously reported	838,064	44,945	13	31,004	80,853	1,044,152	2,039,031
Prior year adjustment (note 1ai)	—	—	—	—	—	33,146	33,146
Prior year adjustment (note 1aii)	—	54,144	—	—	—	(54,144)	—
As restated	838,064	99,089	13	31,004	80,853	1,023,154	2,072,177
Changes in exchange rates	—	—	—	—	—	2,253	2,253
Premium on shares issued	2	—	—	—	—	—	2
Shares issued as scrip dividends	(10,796)	—	—	—	—	—	(10,796)
Reserve arising on scrip dividends	—	—	—	—	—	35,742	35,742
Reserve on consolidation	—	—	—	3,184	—	—	3,184
Realisation upon disposal	—	—	—	—	(2,924)	—	(2,924)
Transfer to profit and loss statement for previous write-off	—	—	—	—	(9,892)	—	(9,892)
Profit for the year	—	—	—	—	—	82,075	82,075
1999 final dividend	—	—	—	—	—	(33,146)	(33,146)
2000 interim dividend	—	—	—	—	—	(17,273)	(17,273)
At 31st December 2000	827,270	99,089	13	34,188	68,037	1,092,805	2,121,402
Company and subsidiaries	827,270	99,089	13	34,188	68,037	1,121,158	2,149,755
Jointly controlled entities	—	—	—	—	—	(38,211)	(38,211)
Associated companies	—	—	—	—	—	9,858	9,858
At 31st December 2000	827,270	99,089	13	34,188	68,037	1,092,805	2,121,402

27. RESERVES (Cont'd)

(b) Company

	Share premium HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Revenue reserves HK\$'000	Total HK\$'000
At 31st December 2000					
As previously reported	827,270	213,560	13	715,737	1,756,580
Prior year adjustment (note 1ai)	—	—	—	35,312	35,312
As restated	827,270	213,560	13	751,049	1,791,892
Premium on shares issued	128	—	—	—	128
Shares issued as scrip dividends	(10,502)	—	—	—	(10,502)
Reserve arising on scrip dividends	—	—	—	39,641	39,641
Profit for the year	—	—	—	80,913	80,913
2000 final dividend	—	—	—	(35,312)	(35,312)
2001 interim dividend	—	—	—	(18,235)	(18,235)
At 31st December 2001	816,896	213,560	13	818,056	1,848,525
At 31st December 1999					
As previously reported	838,064	213,560	13	645,196	1,696,833
Prior year adjustment (note 1ai)	—	—	—	33,146	33,146
As restated	838,064	213,560	13	678,342	1,729,979
Premium on shares issued	2	—	—	—	2
Shares issued as scrip dividends	(10,796)	—	—	—	(10,796)
Reserve arising on scrip dividends	—	—	—	35,742	35,742
Profit for the year	—	—	—	87,384	87,384
1999 final dividend	—	—	—	(33,146)	(33,146)
2000 interim dividend	—	—	—	(17,273)	(17,273)
At 31st December 2000	827,270	213,560	13	751,049	1,791,892

The distributable reserves of the Company at 31st December 2001, under the Companies Act 1981 of Bermuda, amounted to HK\$1,031,616,000 (2000: HK\$964,609,000).

28. LONG-TERM LIABILITIES

Group

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Bank loans		
Secured	1,031,857	1,617,477
Unsecured	662,842	58,750
Obligations under finance leases wholly payable within five years	<u>638</u>	<u>2,112</u>
	1,695,337	1,678,339
Current portion included in current liabilities	<u>(431,877)</u>	<u>(550,715)</u>
	<u><u>1,263,460</u></u>	<u><u>1,127,624</u></u>

(a) The bank loans are repayable within the following periods:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Within one year	431,239	549,249
Between one to two years	450,797	700,898
Between two to five years	<u>812,663</u>	<u>426,080</u>
	<u><u>1,694,699</u></u>	<u><u>1,676,227</u></u>

(b) Obligations under finance leases are payable within the following periods:

	Present value		Minimum payment	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Within one year	638	1,466	644	1,555
Between one to two years	<u>—</u>	<u>646</u>	<u>—</u>	<u>652</u>
	<u><u>638</u></u>	<u><u>2,112</u></u>	<u><u>644</u></u>	<u><u>2,207</u></u>

Company

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Unsecured bank loans	<u><u>362,000</u></u>	<u><u>50,000</u></u>

28. LONG-TERM LIABILITIES (Cont'd)

Company (Cont'd)

The bank loans are repayable within the following periods:

	2001 HK\$'000	2000 HK\$'000
Between one to two years	80,000	—
Between two to five years	<u>282,000</u>	<u>50,000</u>
	<u><u>362,000</u></u>	<u><u>50,000</u></u>

29. NON-CURRENT LIABILITIES

Group

	2001 HK\$'000	2000 HK\$'000
Deferred taxation (note a)	19,643	20,350
Negative goodwill (note b)	<u>2,031</u>	<u>—</u>
	<u><u>21,674</u></u>	<u><u>20,350</u></u>

(a) Movements of deferred taxation during the year were as follows:

	2001 HK\$'000	2000 HK\$'000
At beginning of year	20,350	18,810
Transfer (to)/from profit and loss statement (note 9)	<u>(707)</u>	<u>1,540</u>
At end of year	<u><u>19,643</u></u>	<u><u>20,350</u></u>
Provided in the financial statements in respect of:		
Accelerated depreciation allowances	41,821	41,312
Other timing differences	<u>(22,178)</u>	<u>(20,962)</u>
	<u><u>19,643</u></u>	<u><u>20,350</u></u>

The revaluation surplus or deficit arising from the revaluation of the Group's leasehold land and buildings and investment properties does not constitute timing differences for Hong Kong profits tax purposes because they are held for the long-term and any gains or losses would not be subject to Hong Kong profits tax.

There are no material unprovided timing differences at the balance sheet date.

29. NON-CURRENT LIABILITIES (Cont'd)

Group (Cont'd)

(b) Negative goodwill

	2001 HK\$'000	2000 HK\$'000
Arising on acquisition of additional interest in a subsidiary	2,663	—
Amortisation	<u>(632)</u>	<u>—</u>
	<u>2,031</u>	<u>—</u>

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to cash generated from operations

	2001 HK\$'000	2000 HK\$'000
Operating profit	176,829	187,687
Depreciation	76,736	100,222
Amortisation of deferred expenditure	11,815	22,456
Profit on disposal of other investments	(6,583)	(1,519)
Profit on disposal of an associated company	—	(6,650)
Loss on deemed disposal of subsidiaries	7,228	—
Unrealised (gain)/loss on other investments	(3,200)	3,200
Unrealised loss on long-term investments	3,850	—
Interest income	(20,355)	(33,021)
Interest capitalised as properties under development	99,934	120,958
Dividend income from listed investments	(238)	(213)
Loss on sale of fixed assets	1,770	811
Write-off of pre-operating expenses	—	6,386
Write-off of other deferred expenditure	—	10,392
Amortisation of negative goodwill	(632)	—
(Write-back)/provision for diminution in value of development properties	(13,666)	35,967
Revaluation deficits/(write-back of revaluation deficits) of investment properties	23,468	(25,502)
Realisation of revaluation reserve upon disposal of development properties	<u>—</u>	<u>(2,924)</u>
Operating profit before working capital changes	356,956	418,250
(Increase)/decrease in development properties	(326,172)	158,423
Increase in inventories	(7,507)	(2,123)
Decrease in debtors, prepayments and other receivables	12,948	3,271
Increase in mortgage loans receivable	(21,941)	—
(Increase)/decrease in other investments	(52,204)	11,694
Increase/(decrease) in creditors and accruals	<u>80,381</u>	<u>(19,993)</u>
Cash generated from operations	<u>42,461</u>	<u>569,522</u>

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(b) Deemed disposal of interest in subsidiaries

	2001 HK\$'000
Net assets deconsolidated:	
Fixed assets and development properties	310,692
Debtors and prepayment	12,542
Cash	1,104
Creditors and accruals	(73,455)
Taxation	(3,332)
Bank loans	(92,316)
Minority interests	(68,029)
	<u>87,206</u>
Exchange difference	(252)
Loss on deemed disposal	(7,228)
	<u>79,726</u>
Reclassification to interest in an associated company	<u>79,726</u>
Net outflow of cash and cash equivalents in respect of the exclusion of subsidiaries from consolidation	<u>1,104</u>

(c) Analysis of changes in financing

	Share capital and share premium HK\$'000	Loans and finance lease obligations HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 31st December 2000	1,003,795	1,963,581	1,110,349	4,077,725
Cash inflow/(outflow) from financing	176	189,239	(4,450)	184,965
Deemed disposal of interest in subsidiaries	—	(92,316)	(82,023)	(174,339)
Minority interests' share of other reserves	—	—	(179)	(179)
Minority interests' share of profit for the year	—	—	47,951	47,951
At 31st December 2001	<u>1,003,971</u>	<u>2,060,504</u>	<u>1,071,648</u>	<u>4,136,123</u>
At 31st December 1999	1,003,792	2,031,084	1,072,898	4,107,774
Cash inflow/(outflow) from financing	3	(67,503)	(5,781)	(73,281)
Purchase of additional interest in a subsidiary	—	—	(6,817)	(6,817)
Minority interests' share of other reserves	—	—	992	992
Minority interests' share of profit for the year	—	—	49,057	49,057
At 31st December 2000	<u>1,003,795</u>	<u>1,963,581</u>	<u>1,110,349</u>	<u>4,077,725</u>

31. COMMITMENTS

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Commitments in respect of property developments		
Contracted but not provided for	<u>283,128</u>	<u>510,615</u>
(b) Commitments in respect of capital expenditure		
Contracted but not provided for	<u>38,531</u>	<u>4,038</u>
(c) Commitments in respect of other investments		
Contracted but not provided for	<u>78,325</u>	<u>151,929</u>
(d) Operating lease commitments		
The future aggregate minimum lease rental expense in respect of land and buildings under non-cancellable operating leases are payable in the following periods:		
First year	6,879	7,433
Second to fifth year inclusive	22,124	23,471
After fifth year	<u>39,541</u>	<u>44,281</u>
	<u>68,544</u>	<u>75,185</u>
(e) Forward exchange		
Forward exchange contracts outstanding	<u>219,180</u>	<u>204,164</u>

32. OPERATING LEASE RENTAL RECEIVABLE

The future aggregate minimum lease rental income in respect of land and buildings under non-cancellable operating leases are receivable in the following periods:

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
First year	29,606	25,911
Second to fifth year inclusive	55,068	55,907
After fifth year	<u>65,864</u>	<u>77,390</u>
	<u>150,538</u>	<u>159,208</u>

33. CONTINGENT LIABILITIES

The Company has executed guarantees in favour of banks and financial institutions in respect of facilities granted to certain subsidiaries and a jointly controlled entity amounting to HK\$3,040,061,000 (2000: HK\$2,545,545,000) and HK\$203,500,000 (2000: HK\$203,500,000) respectively. At 31st December 2001, the facilities utilised amounted to HK\$1,267,350,000 (2000: HK\$1,486,805,000) and HK\$61,750,000 (2000: HK\$60,250,000) respectively.

The Company has executed a guarantee in favour of the HKSAR Government in respect of the performance by a subsidiary's obligation under a contract with the HKSAR Government.

34. RELATED PARTY TRANSACTIONS

The following is a summary of significant transactions between the Group and related parties, in addition to those disclosed elsewhere in the financial statements which in the opinion of the directors, were carried out in the normal course of business during the year:

- (a) Sales of aggregates to an associated company amounted to HK\$24,620,000 (2000: HK\$23,473,000). These were conducted at prices and terms no less than those charged to other third party customers of the Group.
- (b) Rental income from an associated company amounted to HK\$9,557,000 (2000: HK\$9,192,000) based on the terms of rental agreement between the parties.
- (c) On 23rd September 1999, Great Place Developments Limited, a wholly-owned subsidiary of the Company, issued the callable and redeemable unsecured guaranteed floating rate notes due in 2002 in the amount of HK\$280,000,000 to K. Wah Construction Materials Limited, a subsidiary of the Company, at par in cash. The notes bear interest at the rate of 4.5% per annum over six-month HIBOR.

35. PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

(a) Subsidiaries

Name of company	Principal place of operation	Issued share/registered capital			Percentage of equity held by the Group %	Principal activities
		Number of ordinary shares	Number of non-voting deferred shares	Par value per share		
Wholly owned and directly held by the Company						
Incorporated in the British Virgin Islands						
Sutimar Enterprises Limited	Hong Kong	100	—	US\$ 1	100	Investment holding
Indirectly held by the Company						
Incorporated in Hong Kong						
Barichon Limited	Hong Kong	3,000,000	—	HK\$ 1	67	Sale and distribution of concrete pipes
Bright City Development Limited	Hong Kong	2	—	1	100	Property development
Chelsfield Limited	Hong Kong	2,111,192	—	10	67	Investment holding
Chely Well Limited	Hong Kong	1,000	—	1	65	Investment holding
Chief Palace Limited	Hong Kong	2	—	1	100	Property development
Chinapex Company Limited	Singapore	1,000	—	10	100	Property investment and development
China Win Enterprise Limited	Hong Kong	5,000,000	—	1	100	Investment holding
Citifair Asia Limited	Hong Kong	10	—	1	67	Investment holding
Colour Day International Limited	Hong Kong	2	—	1	100	Investment holding
Construction Materials Limited	Hong Kong	30,000	—	10	67	Sale of aggregates
Doran (Hong Kong) Limited	Hong Kong	1,000	—	10	67	Sale and distribution of concrete pipes
Friendly Star Company Limited	Hong Kong	1,000	—	10	100	Property development
Full Wealth Limited	Hong Kong	2	—	1	100	Property development
Gold Base Limited	Hong Kong	2	—	1	100	Investment holding
Gracerock Limited	Hong Kong	2	—	1	100	Investment holding
Hero Plaza Limited	Hong Kong	2	—	1	100	Property development
K. Wah Block Company Limited	Zhuhai	7,500	—	10	67	Manufacture of precast concrete products
K. Wah Concrete Company Limited	Hong Kong	2	1,000	100	67	Manufacture, sale and distribution of ready-mixed concrete

35. PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES
(Cont'd)

(a) Subsidiaries (Cont'd)

Name of company	Principal place of operation	Issued share/registered capital			Percentage of equity held by the Group %	Principal activities
		Number of ordinary shares	Number of non-voting deferred shares	Par value per share HK\$		
K. Wah Construction Materials (Hong Kong) Limited	Hong Kong	2	2	10	67	Provision of management services
K. Wah Construction Materials Limited	Hong Kong	1,216,740,404	—	0.1	67	Investment holding
K. Wah Construction Products Limited	Hong Kong	2	1,000	100	67	Manufacture, sale and distribution of concrete products
K. Wah Management Services Limited	Hong Kong	100	—	100	100	Provision of management services
K. Wah Materials Limited	Hong Kong	28,080,002	—	1	67	Trading
K. Wah Properties Investment Limited	Hong Kong	1,000	—	10	100	Investment holding
K. Wah Quarry Company Limited	Hong Kong	2	100,000	100	67	Sale of aggregates
K. Wah Stones (Holdings) Limited	Hong Kong	439,463,724	—	0.2	100	Investment holding
K. Wah Stones (Zhu Hai) Company Limited	Zhuhai	2	1,000	10	67	Quarrying
K. Wah Trading and Development Limited	Hong Kong	2	2	10	67	Trading
KWP Quarry Co. Limited	Hong Kong	9,000,000	—	1	43	Quarrying
Lightway Limited	Hong Kong	2	2	1	67	Property investment
Liland Limited	Hong Kong	2	—	1	100	Investment holding
Lucky Way Investment Limited	Hong Kong	2	—	1	100	Property development
Master Target Limited	Hong Kong	2	—	1	67	Investment holding
Minter Limited	Hong Kong	2	—	1	100	Investment holding
Netrich Limited	Hong Kong	2	—	1	100	Property development
Origin World Limited	Hong Kong	2	—	1	100	Property investment
Perfect Development Limited	Hong Kong	2	—	1	100	Property development
Polynice Limited	Hong Kong	2	—	1	100	Provision of finance
Quanturn Limited	Hong Kong	2	—	1	67	Equipment leasing
Queen Bright Limited	Hong Kong	2	—	1	100	Investment holding
Rainbow Country Limited	Hong Kong	2	—	1	67	Investment holding
Rainbow Mark Limited	Hong Kong	100	—	1	64	Investment holding
Rainbow States Limited	Hong Kong	2	—	1	67	Investment holding
Star Home Limited	Hong Kong	2	—	1	67	Investment holding
Star Route Limited	Hong Kong	2	—	1	67	Investment holding
Triconville Investments Limited	Hong Kong	10	—	1	67	Investment holding
Victory Way Limited	Hong Kong	1,000	—	1	90	Investment holding

35. 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 the Group %	Principal activities
Incorporated in Mainland China				
Doran Construction Products (Shenzhen) Co., Ltd.	Shenzhen	HK\$10,000,000	67	Manufacture, sale and distribution of concrete pipes
Guangzhou Jiafang Concrete Co., Ltd.	Guangzhou	RMB11,200,000	38	Manufacture, sale and distribution of ready-mixed concrete
Hui Cheng Real Estate Development Co. Ltd. Guangzhou	Guangzhou	HK\$200,000,000	90	Property development
Jia Hui Da Real Estate Development Co., Ltd. Shanghai	Shanghai	US\$30,000,000	36	Property development
K. Wah Consultancy (Shanghai) Co., Ltd.	Shanghai	US\$350,000	67	Provision of management services
K. Wah Construction Development Consultancy (Shanghai) Ltd.	Shanghai	US\$525,000	100	Provision of consultancy services
K. Wah Construction Products (Shenzhen) Co., Ltd.	Shenzhen	US\$1,290,000	67	Manufacture, sale and distribution of concrete pipes
K. Wah (Huangpi) Quarry Company Limited, Guangzhou	Guangzhou	US\$4,900,000	67	Quarrying
Shanghai Beicai Concrete Co., Ltd.	Shanghai	RMB31,500,000	67	Manufacture, sale and distribution of ready-mixed concrete
Shanghai Ganghui Concrete Co., Ltd.	Shanghai	US\$4,000,000	40	Manufacture, sale and distribution of ready-mixed concrete
Shanghai Jiafu Concrete Co., Ltd.	Shanghai	US\$1,400,000	37	Manufacture, sale and distribution of ready-mixed concrete
Shanghai Jiagangcheng Real Estate Development Co., Ltd.	Shanghai	US\$13,000,000	95	Property development
Shanghai Jiajian Concrete Co., Ltd.	Shanghai	RMB17,400,000	40	Manufacture, sale and distribution of ready-mixed concrete
Shanghai Jia Shen Concrete Co., Ltd.	Shanghai	RMB4,400,000	67	Manufacture, sale and distribution of ready-mixed concrete
Shanghai K. Wah Concrete Co., Ltd.	Shanghai	RMB10,000,000	67	Manufacture, sale and distribution of ready-mixed concrete and provision of quality assurance services
Shanghai Xin Cai Concrete Co., Ltd.	Shanghai	US\$2,100,000	66	Manufacture, sale and distribution of ready-mixed concrete
Yue Hua Real Estate Development Co. Ltd. Guangzhou	Guangzhou	HK\$187,000,000	100	Property development

35. PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES (Cont'd)

(a) Subsidiaries (Cont'd)

Name of company	Principal place of operation	Number of ordinary shares	Issued share capital		Principal activities
			Par value per share	Percentage of equity held by the Group %	
Incorporated in Japan					
			<i>Yen</i>		
Asahi Kohatsu Corporation	Japan	240	50,000	75	Trading
Incorporated in the British Virgin Islands					
			<i>US\$</i>		
All Smart Profits Limited	Hong Kong	10	1	100	Investment holding
Bestfull Profits Limited	Hong Kong	10	1	100	Investment holding
Cyber Point Assets Limited	Hong Kong	10	1	100	Investment holding
Eternal Profits International Limited	Hong Kong	10	1	67	Property investment
Fairlight Investments Limited	Hong Kong	10	1	67	Investment holding
Greatest Smart Limited	Hong Kong	10	1	100	Investment holding
High Regard Investments Limited	Hong Kong	20	1	67	Investment holding
K. Wah Trading Company Limited	Cook Islands	1	1	67	Trading
Latent Developments Limited	Hong Kong	10	1	67	Investment holding
Ontrack Developments Limited	Hong Kong	10	1	100	Investment holding
Profit Access Investments Limited	Hong Kong	10	1	67	Investment holding
Prosperous Fields Limited	Hong Kong	10	1	67	Investment holding
Repton Developments Limited	Hong Kong	10	1	100	Investment holding
Taksin Profits Limited	Hong Kong	17	1	67	Investment holding
Top Ridge Management Limited	Singapore	10	1	100	Property investment
Woodland Assets Limited	Hong Kong	10	1	67	Investment holding

35. PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES
(Cont'd)

(b) Jointly controlled entities

Name of company	Principal place of operation	Issued share capital			Principal activities
		Number of ordinary shares	Par value per share	Percentage of equity held by the Group %	
Incorporated in Hong Kong					
Golden Famous International Limited	Hong Kong	2	HK\$1	25	Property development
International Precast Systems Limited	Hong Kong	22,785,000	HK\$1	33	Manufacture, sale and distribution of precast concrete products
Prime Force Limited	Hong Kong	2	HK\$1	50	Property development
Incorporated in Mainland China					
		Registered capital			
Guangzhou K. Wah Nanfang Cement Limited	Guangzhou	RMB100,000,000	N/A	34	Manufacture, sale and distribution of cement
Shanghai Bao Jia Concrete Co., Limited.	Shanghai	US\$4,000,000	N/A	34	Manufacture, sale and distribution of ready-mixed concrete

(c) Associated Companies

Name of company	Principal place of operation	Issued share capital			Principal activities
		Number of ordinary shares	Par value per share	Percentage of equity held by the Group %	
Incorporated in Hong Kong					
Tarmac Asphalt Hong Kong Limited	Hong Kong	1,100,000	HK\$10	13	Manufacture, sale, distribution and laying of asphalt
Incorporated in Cayman Islands					
C-Tech Fund	Shanghai	880	US\$1	15	Venture capital fund in technology business
Incorporated in Mainland China					
		Registered capital			
Nanjing New Universe Real Estate Development Co., Ltd.	Nanjing	US\$5,000,000	N/A	28	Property investment