

Notes to the Accounts

1 Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention except that investment properties are stated at fair value.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are, unless otherwise stated, effective for accounting periods commencing on or after 1st January 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases (effective for periods commencing on or after 1st July 2000)
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

2 Principal accounting policies

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

(a) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. Subsidiaries are those entities in which the Group controls the composition of the Board of Directors, controls more than half the voting power or holds more than half of the issued share.

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

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

Notes to the Accounts

2 Principal accounting policies (cont'd)

(a) Group accounting (cont'd)

(i) Consolidation (cont'd)

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

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

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Jointly controlled entities

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

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and also goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

(iii) Associated companies

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

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and also goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

Notes to the Accounts

2 Principal accounting policies (cont'd)

(a) Group accounting (cont'd)

(iv) Translation of foreign currencies

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

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

(b) Fixed assets

(i) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods greater than 20 years are valued annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

Notes to the Accounts

2 Principal accounting policies (cont'd)

(b) Fixed assets (cont'd)

(ii) Other properties

Other properties are interests in land and buildings other than investment properties and are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation on leasehold land and buildings is calculated to write off their cost less accumulated impairment losses over the unexpired periods of the leases or their expected useful lives to the Group, whichever is shorter. The principal annual rates used for this purpose are 2 per cent to 7 per cent per annum.

(iii) Production facilities under construction

Production facilities under construction are stated at cost which comprise costs of construction, purchase cost of plant and machinery pending installation and interest charges arising from borrowings used to finance the construction.

No depreciation is provided for production facilities under construction until they are completed and put into commercial use.

(iv) Other fixed assets

Other fixed assets, comprising plant and machinery and tools, leasehold improvements, furniture, fixtures and office equipment and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses.

Other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Plant and machinery and tools	5 to 33 per cent
Leasehold improvements, furniture, fixtures and office equipment	20 per cent
Motor vehicles	20 to 33 per cent

The plant components are depreciated over the period to overhaul. Major costs incurred in restoring the plant components to its normal working condition to allow continued use of the overall asset are capitalised and depreciated over the period to the next overhaul.

Improvements are capitalised and depreciated over their expected useful lives to the Group.

Notes to the Accounts

2 Principal accounting policies (cont'd)

(b) Fixed assets (cont'd)

- (v) Impairment and gain or loss on disposal of fixed assets

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained profits and is shown as a movement in reserves.

(c) Assets under leases

- (i) Finance leases

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

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

- (ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

Notes to the Accounts

2 Principal accounting policies (continued)

(d) Interests in toll highways and bridges

Interests in toll highways and bridges represent their respective operating rights.

Amortisation of interests in toll highways and bridges is provided on the basis of a sinking fund calculation where annual amortisation amounts compounded at predetermined rates will be equal to the cost of the relevant toll highways and bridges at the end of the joint venture periods.

The sinking fund rates have been reviewed during the year with reference to the revised traffic flow projections of the respective toll highways and bridges. As a result, the rates have been changed to 0.8 - 4.8 per cent (2000: 3.9 - 7.0 per cent) per annum. The effect on the financial statements for the year ended 31st December 2001 is to increase the depreciation charge for the year by HK\$21,056,000.

(e) Intangibles

(i) Goodwill/negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associated company/jointly controlled entity at the date of acquisition.

In accordance with SSAP 30, goodwill on acquisitions occurring on or after 1st January 2001 is included in intangible assets and is amortised over its estimated useful life. Goodwill on acquisition of subsidiary/associated company/jointly controlled entity engaged in the operation of toll highways or bridges is amortised on the basis of a sinking fund calculation over the period for which the Group is granted the rights to operate the highways or bridges. For all other acquisitions, goodwill is generally amortised using the straight-line method over the maximum period of 20 years. Where an indication of impairment exists, the carrying amount of goodwill is assessed and written down immediately to its recoverable amount.

Goodwill on acquisitions that occurred prior to 1st January 2001 was written off against reserves. The Group has taken advantage of the transitional provision 1(a) in SSAP 30 "Business combinations", that goodwill previously written off against reserves has not been restated. However, where an impairment loss has arisen since the date of acquisition on goodwill previously written off against reserves, and previously there was not a policy to recognise such impairment losses, this change in accounting policy has been applied retrospectively and the impairment losses have been recognised as a prior year adjustment to opening retained earnings in accordance with SSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies". The comparative accounts for 2000 have been restated to conform to the changed policy. As detailed in note 28, the opening retained earnings for 2000 have been reduced by HK\$157,539,000 which is the amount of the adjustment in respect of impairment of goodwill relating to periods prior to 2000. This change has also resulted in a reduction in profit attributable to shareholders by HK\$57,972,000 for impairment of goodwill for the year ended 31st December 2000.

Notes to the Accounts

2 Principal accounting policies (cont'd)

(e) Intangibles (cont'd)

(i) Goodwill/negative goodwill (cont'd)

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

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

For acquisitions prior to 1st January 2001, negative goodwill was taken directly to reserves on acquisition. The Group has taken advantage of the transitional provisions in SSAP 30 and such negative goodwill has not been restated.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for acquisitions prior to 1st January 2001, the related goodwill written off against reserves to the extent it has not previously been realised in the profit and loss account.

(ii) Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over a period of not more than 5 years to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(iii) Impairment of intangible assets

Where an indication of impairment exists, the carrying amount of any intangible asset, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount.

Notes to the Accounts

2 Principal accounting policies (cont'd)

(f) Investments securities and other investments

(i) Investment securities

Investment securities are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to the profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(ii) Other investments

Other investments held for long-term are stated at cost less any aggregate amortisation and any provision for impairment losses that the Directors consider diminution in value other than temporary has taken place. If the rights and interest in investments are surrendered by the Group upon the termination of related joint venture period, amortisation is provided to write off its cost over the joint venture period on the straight-line basis. The results of other investments are accounted for on the basis of dividends received and receivable.

(g) Properties held for/under development

Properties held for/under development are stated at cost which comprises land cost, development and construction expenditures net of incidental rental income, borrowing costs capitalised and other direct costs attributable to the development, plus attributable profits recognised on the basis set out in note 2(p)(ii) taken up to date, less provisions for foreseeable losses and sales instalments received.

(h) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes land cost, development and construction expenditure, borrowing costs capitalised and other incidental costs. Net realisable value is the estimated price at which a property can be realised less related expenses.

Notes to the Accounts

2 Principal accounting policies (cont'd)

(i) Interests in property development projects

Interests in property development projects are stated at cost which comprises development cost contributed towards the project, borrowing costs capitalised and other incidental costs, less provision, if necessary, for diminution in value. The results of these projects are accounted for in the accounts only to the extent of actual proceeds or distributions of assets received and receivable by the Group.

(j) Inventories

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

(k) Accounts receivable

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

(l) Convertible bonds

Convertible bonds are stated at the aggregate of the net proceeds from the issue less amount converted into shares. The net proceeds represent the consideration received on the issue of bonds after deduction of issuing costs. Issuing costs which comprise costs incurred directly in connection with the issue of bonds are amortised on a straight-line basis over the terms of the bonds which is the earliest date at which the bonds would be redeemed.

When bonds are converted into shares, the amount recognised in respect of the shares issued upon conversion is the amount at which the liability of the bonds is stated as at the date of conversion less the related unamortised issuing costs attributable to the bonds converted.

Provision has been made for premium on redemption, which represents the difference between the principal and the redeemed amount. Premium on redemption was charged to the profit and loss account on a straight-line basis over the terms of the bonds.

Notes to the Accounts

2 Principal accounting policies (cont'd)

(m) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

(n) Contingent liabilities

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

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

(o) Deferred taxation

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

Notes to the Accounts

2 Principal accounting policies (cont'd)

(p) Revenue and profit recognition

- (i) Revenues arising from the sale of properties held for sale are recognised on the execution of the legally binding contracts of sale.
- (ii) The recognition of revenues from the sale of properties held for/under development in advance of completion commences when a legally binding contract of sale has been executed.

When properties held for/under development are sold in advance of completion, and there is reasonable certainty as to the outcome of the property development projects, the total estimated profit is apportioned over the entire period of construction to reflect the progress of the development. The profit is computed each year as a proportion of the total estimated profit to completion, the proportion used being the proportion of construction costs incurred at the balance sheet date to total estimated construction costs to completion, limited to the amount of sales instalments received and subject to due allowance for contingencies.

Where purchasers fail to pay the balance of the purchase price on completion and the Group exercises its rights to resell the property, sales deposits and instalments received in advance of completion are forfeited and credited to operating profit, any profits previously recognised in accordance with the aforesaid policy are reversed.

- (iii) Operating lease rental income is recognised on a time proportion basis.
- (iv) Revenue from property management is recognised in the year in which the services are rendered.
- (v) Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.
- (vi) Toll revenue, net of revenue tax, is recognised on a receipt basis.
- (vii) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.
- (viii) Dividend income is recognised when the right to receive payment is established.
- (ix) Agency fee revenue from property broking are recognised when the relevant agreement becomes unconditional or irrevocable.

Notes to the Accounts

2 Principal accounting policies (cont'd)

(q) Retirement benefit costs

The Group's contributions to the defined contribution retirement schemes are expensed as incurred and reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in an independently administered fund.

(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 account in the year in which they are incurred.

(s) Segment reporting

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

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, fixed assets, inventories, properties held for/under development, properties held for sale, property development projects, receivables, interests in jointly controlled entities and associated companies. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to fixed assets (note 14), including additions resulting from acquisitions through purchases of subsidiaries (note 32(d)).

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

Notes to the Accounts

3 Turnover, revenue and segment information

The Group is principally engaged in development, operation and management of toll highways and bridges, development, selling and management of properties and holding of investment properties, manufacturing and selling of newsprint, corrugated paper, cement and ready-mixed concrete. Revenues recognised during the year are as follows:

	2001	2000
	HK\$'000	HK\$'000
Turnover		
Net toll revenue from toll operations	418,616	489,744
Sales of properties	439,166	528,237
Gross rental income	141,555	139,396
Property management fee income	10,080	9,704
Sales of newsprint and corrugated paper	1,330,720	1,152,611
Sales of cement and ready-mixed concrete	1,019,564	1,056,735
Sales of computer software system	14,634	4,290
	<u>3,374,335</u>	<u>3,380,717</u>
Other revenues		
Dividend income	34,845	55,528
Interest income	34,233	41,464
Agency fee income	1,200	620
	<u>70,278</u>	<u>97,612</u>
Total revenues	<u>3,444,613</u>	<u>3,478,329</u>

Primary reporting format-business segments

The Group is organised mainly in Hong Kong and Mainland China into four main business segments:

- Toll operations-development, operation and management of toll highways and bridges
- Properties-development, selling and management of properties and holding of investment properties
- Paper-manufacturing and selling of newsprint and corrugated paper
- Cement-manufacturing and selling of cement and ready-mixed concrete

Other operations of the Group mainly comprise investment holding and high technology business, neither of which are of a sufficient size to be reported separately.

There are no sales between the business segments.

Notes to the Accounts

3 Turnover, revenue and segment information (cont'd)

Secondary reporting format-geographical segments

The Group's four business segments are mainly managed in Hong Kong and Mainland China:

Hong Kong-properties and cement

Mainland China-properties, paper, cement and toll operations

Others-properties

There are no sales between the geographical segments.

Primary reporting format-business segments

	Toll operations		Properties		Paper		Cement		Other operations		Group	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	<u>418,616</u>	<u>489,744</u>	<u>590,801</u>	<u>677,337</u>	<u>1,330,720</u>	<u>1,152,611</u>	<u>1,019,564</u>	<u>1,056,735</u>	<u>14,634</u>	<u>4,290</u>	<u>3,374,335</u>	<u>3,380,717</u>
Segment results	<u>227,709</u>	<u>157,144</u>	<u>88,655</u>	<u>247,093</u>	<u>203,690</u>	<u>147,763</u>	<u>79,520</u>	<u>60,975</u>	<u>1,059</u>	<u>(784)</u>	<u>600,633</u>	<u>612,191</u>
Interest income											<u>34,233</u>	<u>41,464</u>
Unallocated cost											<u>(60,150)</u>	<u>(44,061)</u>
Finance costs											<u>(256,048)</u>	<u>(272,533)</u>
Share of profits less (losses) of												
Jointly controlled entities	<u>—</u>	<u>—</u>	<u>(420)</u>	<u>(696)</u>	<u>(22,944)</u>	<u>1,183</u>	<u>5,255</u>	<u>(12,196)</u>	<u>—</u>	<u>—</u>	<u>(18,109)</u>	<u>(11,709)</u>
Associated companies	<u>117,497</u>	<u>144,777</u>	<u>12,884</u>	<u>(26,593)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,604</u>	<u>3,126</u>	<u>139,985</u>	<u>121,310</u>
Profit before taxation											<u>440,544</u>	<u>446,662</u>
Taxation											<u>(92,755)</u>	<u>(84,323)</u>
Profit after taxation											<u>347,789</u>	<u>362,339</u>
Minority interests											<u>(308,007)</u>	<u>(308,757)</u>
Profit attributable to shareholders											<u>39,782</u>	<u>53,582</u>

Notes to the Accounts

3 Turnover, revenue and segment information (cont'd)

Primary reporting format-business segments (cont'd)

	Toll operations		Properties		Paper		Cement		Other operations		Group	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	2,565,560	2,876,845	8,621,547	8,559,742	2,437,261	2,320,120	1,526,970	1,494,280	39,274	15,446	15,190,612	15,266,433
Interests in jointly controlled entities	436,592	258,800	264,446	257,116	171,000	194,364	435,120	430,988	—	—	1,307,158	1,141,268
Interests in associated companies	1,319,763	1,340,949	209,119	193,596	—	—	—	—	199,525	199,089	1,728,407	1,733,634
Unallocated assets											1,735,378	1,462,840
Total assets											19,961,555	19,604,175
Segment liabilities	25,106	25,021	362,617	305,836	190,788	189,451	202,830	209,966	4,366	2,560	785,707	732,834
Unallocated liabilities											6,219,792	5,960,906
Total liabilities											7,005,499	6,693,740
Capital expenditure	30,308	5,903	2,009	3,787	158,162	250,813	28,731	62,660	3,504	7,114	222,714	330,277
Depreciation and amortisation	88,794	68,376	4,446	8,229	129,785	125,295	61,277	69,550	1,139	480	285,441	271,930
Impairment charge	—	157,243	—	—	—	—	1,217	—	—	—	1,217	157,243
Other non-cash expenses	10,383	—	4,090	34,350	13,332	383	6,641	1,806	—	852	34,446	37,391

Secondary reporting format-geographical segments

	Turnover		Segment result		Total assets		Capital expenditure	
	2001	2000	2001	As restated 2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	553,699	764,730	68,017	103,125	2,838,342	2,884,270	12,990	22,386
Mainland China	2,817,867	2,613,323	528,314	512,323	13,933,935	13,707,325	209,724	307,891
Overseas	2,769	2,664	4,302	(3,257)	115,615	111,846	—	—
	<u>3,374,335</u>	<u>3,380,717</u>	<u>600,633</u>	<u>612,191</u>	<u>16,887,892</u>	<u>16,703,441</u>	<u>222,714</u>	<u>330,277</u>
Interest income			34,233	41,464				
Unallocated costs			(60,150)	(44,061)				
Operating profit			<u>574,716</u>	<u>609,594</u>				
Interests in jointly controlled entities					1,307,158	1,141,268		
Interests in associated companies					1,728,407	1,733,634		
Unallocated assets					38,098	25,832		
Total assets					<u>19,961,555</u>	<u>19,604,175</u>		

Notes to the Accounts

4 Provision for impairment of goodwill

As at 31st December 2001, the Group performed an assessment of the fair value of its goodwill that had previously been eliminated against reserves. The assessment was based on value in use of the assets as determined at the cash generating unit (the individual business operations) based on the present value of estimated future cash flows discounted at rates ranging from 9.0 per cent to 25.5 per cent. As a result, it was determined that a diminution in value of goodwill arising from the acquisition of interests in toll highways and bridges had occurred, and in accordance with the transitional provisions of SSAP 30 "Business combinations", the Group has retrospectively restated the profit for 2000 to conform to the changed policy. The opening retained earnings for 2000 have been reduced by HK\$157,539,000 which is the amount of the adjustment in respect of impairment of goodwill relating to periods prior to 2000. This change has resulted in a reduction in profit attributable to shareholders by HK\$57,972,000 for the year ended 31st December 2000 (notes 2(e)(i) and 28).

5 Operating profit

	2001 HK\$'000	2000 HK\$'000
Operating profit is stated after crediting and charging the following:		
Crediting		
Gross rental income from investment properties	84,898	88,437
Less: Direct outgoings	(5,714)	(8,210)
Net rental income from investment properties	<u>79,184</u>	<u>80,227</u>
Charging		
Auditors' remuneration	3,670	3,888
Cost of inventories sold	1,874,136	1,838,192
Depreciation		
Owned fixed assets	198,558	205,971
Leased fixed assets	655	886
Amortisation of interests toll highways and bridges	79,663	56,255
Amortisation of other investments	4,162	8,818
Amortisation of goodwill	2,244	—
Amortisation of development costs	159	—
Impairment loss on plant and machinery	1,217	—
Loss on disposals of fixed assets	22,715	21,086
Staff costs (including directors' remuneration)	202,643	186,379
Operating leases		
Hire of plant and machinery	11,000	11,000
Land and buildings	61,635	50,348
Loss on disposal of other investment	2,589	—
Retirement benefit costs (note 10)	40,825	47,691
Write off of bad debts/provision for doubtful debts	<u>24,063</u>	<u>37,391</u>

Notes to the Accounts

6 Finance costs

	2001 HK\$'000	2000 HK\$'000
Interest on bank loans and overdrafts	192,567	245,506
Interest element of finance leases	116	131
Premium on redemption of convertible bonds	7,248	5,803
Other interests on		
- amounts due to minority shareholders	38,027	10,378
- loan from a shareholder	833	13,117
- loan from a related company	6,942	3,655
- convertible bonds	20,378	17,156
- other loans wholly repayable within five years	1,029	3,265
	<hr/>	<hr/>
Total borrowing costs incurred	267,140	299,011
Less: amount capitalised to properties held for/under development and investment in a jointly controlled entity	(11,092)	(26,478)
	<hr/>	<hr/>
	256,048	272,533
	<hr/> <hr/>	<hr/> <hr/>

7 Taxation

Hong Kong profits tax has been provided at the rate of 16 per cent (2000: 16 per cent) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2001 HK\$'000	2000 HK\$'000
Hong Kong profits tax		
Current	11,592	14,166
Overprovision in prior years	—	(73)
	<hr/>	<hr/>
	11,592	14,093
	<hr/>	<hr/>
Overseas taxation		
Current	68,757	53,562
Transferred to deferred taxation account (note 30(a))	672	2,440
	<hr/>	<hr/>
	69,429	56,002
	<hr/>	<hr/>
Share of taxation attributable to		
Jointly controlled entities	248	—
Associated companies	11,486	14,228
	<hr/>	<hr/>
	11,734	14,228
	<hr/>	<hr/>
	92,755	84,323
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Accounts

7 Taxation (cont'd)

	2001 HK\$'000	2000 HK\$'000
Deferred taxation for the year has not been provided in respect of the following:		
Accelerated depreciation allowance	4,893	422
Tax losses	12,240	2,260
Other timing differences	258	(3,077)
	17,391	(395)
	17,391	(395)

8 Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of loss of HK\$22,263,000 (2000: profit of HK\$17,354,000).

9 Earnings per share

The calculation of basic and fully diluted earnings per share is based on the Group's profit attributable to shareholders of HK\$39,782,000 (2000 as restated: HK\$53,582,000).

The basic earnings per share is based on the weighted average of 3,976,268,141 (2000: 3,936,567,892) ordinary shares in issue during the year. The fully diluted earnings per share is based on 4,014,269,003 (2000: 3,976,687,142) ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average of 38,000,862 (2000: 40,119,250) ordinary shares deemed to be issued at no consideration if all outstanding options has been exercised.

The outstanding convertible bonds of the Company have not been taken into account for the purpose of calculation of the diluted earnings per share as the exercise of the outstanding convertible bonds would have an anti-dilutive effect.

10 Retirement benefit costs

The Group's contributions to the retirement scheme for Hong Kong employees are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. There were no forfeited contributions in current year (2000: Nil).

Notes to the Accounts

11 Directors' and senior management's emoluments

- (a) The aggregate amounts of emoluments payable to Directors of the Company during the year are as follows:

	2001	2000
	HK\$'000	HK\$'000
Fees	76	114
Basis salaries, housing allowances, share options, other allowances and benefits in kind	15,669	13,698
Discretionary bonuses	4,581	5,558
Directors' pension	429	365
	<u>20,755</u>	<u>19,735</u>

Directors' fees represent amounts paid to independent non-executive directors.

During the year ended 31st December 2001, certain Directors exercised their options to subscribe for the Company's and its subsidiary's ordinary shares. Details of options exercised during the year are disclosed in the Directors' Report. No options have been granted during the year.

- (b) The emoluments represent the amounts paid or payable to the Directors of the Company in the respective financial years. The emoluments of the Directors fell within the following bands:

Emoluments bands	Number of directors	
	2001	2000
Nil - HK\$1,000,000	*11	*8
HK\$1,000,001- HK\$1,500,000	2	1
HK\$1,500,001- HK\$2,000,000	1	—
HK\$2,000,001- HK\$2,500,000	3	3
HK\$2,500,001- HK\$3,000,000	1	1
HK\$3,000,001- HK\$3,500,000	—	—
HK\$3,500,001- HK\$4,000,000	—	1
HK\$4,000,001- HK\$4,500,000	1	—

* Included two (2000: three) independent non-executive directors.

No directors waived emoluments in respect of the years ended 31st December 2001 and 2000.

- (c) The five highest paid individuals are also Directors of the Company and details of their remunerations have already been disclosed above.

Notes to the Accounts

12 Interests in toll highways and bridges

	HK\$'000	
At 1st January 2001, as previously reported	—	
Effect of adoption of SSAP 29	2,593,742	
	<u>2,593,742</u>	
At 1st January 2001, as restated	2,593,742	
Disposal of interests in toll highways and bridges	(241,399)	
Amortisation charge	(79,663)	
	<u>(321,062)</u>	
At 31st December 2001	<u>2,272,680</u>	
	<u>2,272,680</u>	
	2001	2000
	HK\$'000	HK\$'000
Cost	2,503,526	2,776,034
Accumulated amortisation	(230,846)	(182,292)
	<u>2,272,680</u>	<u>2,593,742</u>

Interests in highways and bridges represent their respective operating rights. Previously, the Group classified interests in toll highways and bridges under fixed assets. Effective from 1st January 2001, the Group has reclassified the interests in toll highways and bridges with a net book value of HK\$2,593,742,000 as intangible assets as a result of adoption of SSAP 29 "Intangible Assets".

13 Other intangible assets

	Goodwill	Negative goodwill	Development costs	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2001	—	—	—	—
Development costs recognised as an asset	—	—	6,545	6,545
Acquisition of subsidiaries and an associated company	63,616	(78,535)	—	(14,919)
Amortisation charge	(2,244)	—	(159)	(2,403)
	<u>61,372</u>	<u>(78,535)</u>	<u>6,386</u>	<u>(10,777)</u>
At 31st December 2001	<u>61,372</u>	<u>(78,535)</u>	<u>6,386</u>	<u>(10,777)</u>

Notes to the Accounts

14 Fixed assets

(a) Group

	Investment properties	Other properties	Interests in toll highways and bridges	Production facilities under construction	Plant and machinery and tools	Leasehold improvements, furniture, fixtures and office equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation								
At 1st January 2001, as previously reported	1,247,905	1,166,691	2,776,034	226,170	2,208,367	139,960	110,452	7,875,579
Effect of adoption of SSAP 29 (note 12)	—	—	(2,776,034)	—	—	—	—	(2,776,034)
At 1st January 2001, as restated	1,247,905	1,166,691	—	226,170	2,208,367	139,960	110,452	5,099,545
Additions	—	360	—	200,669	11,495	3,884	6,306	222,714
Transfer from properties held for sale	14,841	—	—	—	—	—	—	14,841
Deficits on valuation	(28,404)	—	—	—	—	—	—	(28,404)
Reclassification	(14,137)	14,137	—	—	—	—	—	—
Transfer upon completion	—	9,410	—	(64,974)	47,174	2,652	5,738	—
Disposals	(44,980)	(7,655)	—	(316)	(35,190)	(9,708)	(4,588)	(102,437)
Disposal of a subsidiary	—	—	—	(34,662)	—	(5,248)	(704)	(40,614)
At 31st December 2001	1,175,225	1,182,943	—	326,887	2,231,846	131,540	117,204	5,165,645
Accumulated depreciation								
At 1st January 2001, as previously reported	—	211,006	182,292	—	493,578	83,357	64,956	1,035,189
Effect of adoption of SSAP 29 (note 12)	—	—	(182,292)	—	—	—	—	(182,292)
At 1st January 2001, as restated	—	211,006	—	—	493,578	83,357	64,956	852,897
Charge for the year	—	38,911	—	—	130,464	17,890	11,948	199,213
Impairment loss	—	—	—	—	1,217	—	—	1,217
Disposals	—	(1,563)	—	—	(19,915)	(5,947)	(2,831)	(30,256)
Disposal of a subsidiary	—	—	—	—	—	(704)	—	(704)
At 31st December 2001	—	248,354	—	—	605,344	94,596	74,073	1,022,367
Net book value								
At 31st December 2001	1,175,225	934,589	—	326,887	1,626,502	36,944	43,131	4,143,278
At 31st December 2000, as restated	1,247,905	955,685	—	226,170	1,714,789	56,603	45,496	4,246,648

Notes to the Accounts

14 Fixed assets (cont'd)

(a) Group

The analysis of the cost or valuation at 31st December 2001 of the above assets is as follows:

	Investment properties HK\$'000	Other properties HK\$'000	Interests in toll highways and bridges HK\$'000	Production facilities under construction HK\$'000	Plant and machinery and tools HK\$'000	Leasehold improvements, furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At cost	—	1,182,943	—	326,887	2,231,846	131,540	117,204	3,990,420
At 2001 valuation	1,175,225	—	—	—	—	—	—	1,175,225
	<u>1,175,225</u>	<u>1,182,943</u>	<u>—</u>	<u>326,887</u>	<u>2,231,846</u>	<u>131,540</u>	<u>117,204</u>	<u>5,165,645</u>

The analysis of the cost or valuation at 31st December 2000 (restated) of the above assets is as follows:

At cost	—	1,166,691	—	226,170	2,208,367	139,960	110,452	3,851,640
At 2000 valuation	1,247,905	—	—	—	—	—	—	1,247,905
	<u>1,247,905</u>	<u>1,166,691</u>	<u>—</u>	<u>226,170</u>	<u>2,208,367</u>	<u>139,960</u>	<u>110,452</u>	<u>5,099,545</u>

(b) Company

	Investment properties HK\$'000	Other properties HK\$'000	Leasehold improvements, furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation					
At 1st January 2001	28,298	—	7,763	5,966	42,027
Additions	—	201	716	—	917
Deficits on valuation	(1,461)	—	—	—	(1,461)
Reclassification	(14,137)	14,137	—	—	—
At 31st December 2001	<u>12,700</u>	<u>14,338</u>	<u>8,479</u>	<u>5,966</u>	<u>41,483</u>
Accumulated depreciation					
At 1st January 2001	—	—	6,509	4,858	11,367
Charge for the year	—	355	561	656	1,572
At 31st December 2001	<u>—</u>	<u>355</u>	<u>7,070</u>	<u>5,514</u>	<u>12,939</u>
Net book value					
At 31st December 2001	<u>12,700</u>	<u>13,983</u>	<u>1,409</u>	<u>452</u>	<u>28,544</u>
At 31st December 2000	<u>28,298</u>	<u>—</u>	<u>1,254</u>	<u>1,108</u>	<u>30,660</u>
The analysis of the cost or valuation at 31st December 2001 of the above assets is as follows:					
At cost	—	14,338	8,479	5,966	28,783
At 2001 valuation	12,700	—	—	—	12,700
	<u>12,700</u>	<u>14,338</u>	<u>8,479</u>	<u>5,966</u>	<u>41,483</u>

Notes to the Accounts

14 Fixed assets (cont'd)

(b) Company

The analysis of the cost or valuation at 31st December 2000 of the above assets is as follows:

	Investment properties	Other properties	Leasehold improvements, furniture, fixtures and office equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At cost	—	—	7,763	5,966	13,729
At 2000 valuation	28,298	—	—	—	28,298
	<u>28,298</u>	<u>—</u>	<u>7,763</u>	<u>5,966</u>	<u>42,027</u>

(c) The Group's and the Company's interests in investment properties and other properties at their net book values are analysed as follows:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
In Hong Kong, held on:				
Leases of over 50 years	188,121	192,098	26,484	28,298
Leases of between 10 to 50 years	937,672	997,513	—	—
Outside Hong Kong, held on:				
Leases of between 10 to 50 years	199	—	199	—
Leases of over 50 years	983,822	1,013,979	—	—
	<u>2,109,814</u>	<u>2,203,590</u>	<u>26,683</u>	<u>28,298</u>

(d) Investment properties were revalued by independent firms of professional surveyors, RHL Appraisal Limited and Greater China Appraisal Limited on an open market value basis as at 31st December 2001.

(e) No borrowing costs were capitalised in production facilities under construction during the year (2000: HK\$783,000).

(f) As at 31st December 2001, the net book values of fixed assets held under finance leases by the Group and the Company amounted to HK\$507,000 (2000: HK\$1,107,000) and HK\$451,000 (2000: HK\$1,107,000) respectively.

Notes to the Accounts

15 Investments in subsidiaries

	Company	
	2001 HK\$'000	2000 HK\$'000
Investments, at cost		
Unlisted shares	36,676	36,676
Shares listed in Hong Kong	769	769
	<hr/>	<hr/>
	37,445	37,445
Due from subsidiaries (note (a))	6,337,983	6,150,077
	<hr/>	<hr/>
	6,375,428	6,187,522
	<hr/> <hr/>	<hr/> <hr/>
Market value of shares listed in Hong Kong	567	461
	<hr/> <hr/>	<hr/> <hr/>

(a) The amounts due from subsidiaries are unsecured and have no fixed terms of repayments. Except for the amounts of approximately HK\$2,435 million (2000: approximately HK\$4,251 million) which are interest-free, all amounts due from subsidiaries are interest bearing.

(b) Details of the principal subsidiaries of the Company as at 31st December 2001 are set out on pages 82 to 92.

16 Interests in jointly controlled entities

	2001	2000
	HK\$'000	HK\$'000
Share of net assets	1,108,351	947,629
Due from jointly controlled entities (note (a))	198,807	193,639
	<hr/>	<hr/>
	1,307,158	1,141,268
	<hr/> <hr/>	<hr/> <hr/>

(a) The amounts due from jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment.

(b) Details of the principal jointly controlled entities of the Group as at 31st December 2001 are set out on page 93.

Notes to the Accounts

17 Interests in associated companies

	2001	2000
	HK\$'000	HK\$'000
Share of net assets other than goodwill	1,690,388	1,652,612
Due from associated companies (notes (a) and (b))	231,875	274,942
Due to associated companies (note (a))	(193,856)	(193,920)
	1,728,407	1,733,634
	1,728,407	1,733,634

- (a) The amounts due from/(to) associated companies are unsecured, interest-free and have no fixed terms of repayment.
- (b) As at 31st December 2001, the amount due from an associated company of approximately HK\$13 million (2000: approximately HK\$13 million) had been subordinated to the repayment of a bank loan granted to the associated company.
- (c) Details of the principal associated companies of the Group as at 31st December 2001 are set out on page 94.

18 Investment securities and other investments

	2001	2000
	HK\$'000	HK\$'000
Unlisted investment securities, at cost	41,475	42,482
Other investments, at cost	230,917	330,843
Less: Amortisation	—	(34,269)
	230,917	296,574
	272,392	339,056

Other investments represent the Group's investments in co-operative joint ventures established in China for the development and management of highways and the development of properties. Pursuant to the joint venture agreements, the Group is entitled to fixed returns from these investments over the joint venture periods. All remaining right and interest in one of the joint ventures will be surrendered to the other joint venture partner at the end of the joint venture period.

Notes to the Accounts

19 Properties held for/under development

As at 31st December 2001, the title of certain properties held for/under development amounting to HK\$2,116,690,000 (2000: HK\$2,493,835,000) are held in the name of a minority shareholder. Pursuant to the relevant joint venture agreements and undertakings by the minority shareholder, the minority shareholder has effected the transfer of the title of the properties held for/under development to the Group, pending the completion of relevant legal and registration procedures.

20 Properties held for sale

As at 31st December 2001, the title of certain properties held for sale amounting to HK\$907,122,000 (2000: HK\$323,857,000) are held in the name of a minority shareholder under the same arrangement as referred in note 19.

21 Interests in property development projects

These represent the Group's participation in property development projects in Mainland China and Macau through various agreements with unrelated parties. The Group does not participate in the control of the projects but is committed to contribute its share of development costs of the projects and is entitled to returns as stipulated in the agreements.

22 Inventories

	2001	2000
	HK\$'000	HK\$'000
Raw materials	231,093	194,620
Work in progress	16,084	9,830
Finished goods	69,630	46,320
	<u>316,807</u>	<u>250,770</u>

All inventories were stated at cost as at 31st December 2001 and 2000.

23 Due from/(to) related companies and minority shareholders

Balances due from/(to) related companies and minority shareholders are unsecured, interest-free and have no fixed terms of repayment.

Notes to the Accounts

24 Accounts receivable, prepayment and deposits

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Trade receivables	710,823	662,711	—	—
Other receivables, prepayment and deposits	418,792	360,346	5,432	4,526
	<u>1,129,615</u>	<u>1,023,057</u>	<u>5,432</u>	<u>4,526</u>

The Group has defined credit policies for different business and geographical segments. At 31st December 2001, the ageing analysis of the trade receivables is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Less than 30 days	290,713	298,723
31-90 days	223,043	201,323
Over 90 days	197,067	162,665
	<u>710,823</u>	<u>662,711</u>

25 Bank deposits and bank balances and cash

Included in the bank deposits and bank balances and cash of the Group and the Company are deposits denominated in Renminbi and placed with banks in Mainland China of approximately HK\$1,059 million (2000: HK\$811 million) and HK\$174 million (2000: HK\$217 million) respectively. The conversion of these Renminbi denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the Chinese government.

Notes to the Accounts

26 Accounts payable and accrued charges

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	181,069	287,853	—	—
Other payables and accruals	638,283	444,105	33,780	37,881
	<u>819,352</u>	<u>731,958</u>	<u>33,780</u>	<u>37,881</u>

At 31st December 2001, the ageing analysis of the trade payables is as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Less than 30 days	102,539	128,894
31-90 days	60,552	124,431
Over 90 days	17,978	34,528
	<u>181,069</u>	<u>287,853</u>

Notes to the Accounts

27 Share capital

	2001	2000
	HK\$'000	HK\$'000
Authorised:		
5,000,000,000 (2000: 5,000,000,000) ordinary shares of HK\$0.10 each	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
4,008,293,667 (2000: 3,937,627,400) ordinary shares of HK\$0.10 each	<u>400,829</u>	<u>393,762</u>
	No. of shares	HK\$'000
At 1st January 2000	3,936,503,400	393,650
Exercise of options	<u>1,124,000</u>	<u>112</u>
At 31st December 2000	<u><u>3,937,627,400</u></u>	<u><u>393,762</u></u>
At 31st January 2001	3,937,627,400	393,762
Exercise of options	11,652,000	1,165
Exercise of convertible bonds	<u>59,014,267</u>	<u>5,902</u>
At 31st December 2001	<u><u>4,008,293,667</u></u>	<u><u>400,829</u></u>

During the year, 11,652,000 ordinary shares of HK\$0.1 each were issued upon the exercise of 11,652,000 share options at an exercise price of HK\$0.5008 per share. 59,014,267 ordinary shares of HK\$0.1 each were issued upon the convertible bonds being converted into ordinary shares at a convertible price of HK\$0.6168 per share.

Pursuant to the share option schemes adopted on 21st November 1992 and 23rd June 1998 respectively, the Directors may, at their discretion, grant directors and employees of the Group options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. No options had been granted during the year. Exercise in full of all outstanding share options as at 31st December 2001 would result in the issue of 144,974,000 ordinary shares at an aggregate cash consideration of approximately HK\$70,378,000. Details of options exercised and lapsed during the year are disclosed in the Directors' Report.

Exercise in full of all outstanding convertible bonds would result in the issue of 653,385,000 ordinary shares and reduce in liability by approximately HK\$450,073,000.

Notes to the Accounts

28 Reserves

(a) Group

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Statutory reserves HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January 2000, as previously reported	4,854,300	1,815	120,594	73,698	(58,399)	1,243,437	6,235,445
Effect of adoption of SSAP 30 (note 2(e)(i))	—	—	157,539	—	—	(157,539)	—
At 1st January 2000, as restated	4,854,300	1,815	278,133	73,698	(58,399)	1,085,898	6,235,445
Net proceeds from issue of ordinary shares	423	—	—	—	—	—	423
Exchange differences	—	—	—	—	290	—	290
Goodwill written off arising from the acquisitions of subsidiaries, associated companies and jointly controlled entities	—	—	(103,152)	—	—	—	(103,152)
Release of reserve upon disposal of properties held for/under development and properties held for sale	—	—	(22,899)	—	—	—	(22,899)
Release of goodwill upon disposal/winding up of subsidiaries/associated companies/jointly controlled entities	—	—	5,457	—	1,285	—	6,742
Transfer	—	—	—	6,459	—	(6,459)	—
Goodwill written off arising from the acquisition of subsidiaries, associated companies and jointly controlled entities not covered by capital reserves	—	—	—	—	—	(136,619)	(136,619)
Profit for the year	—	—	—	—	—	111,554	111,554
Effect of adoption of SSAP 30 (note 2 (e)(i))	—	—	57,972	—	—	(57,972)	-
At 31st December 2000, as restated	<u>4,854,723</u>	<u>1,815</u>	<u>215,511</u>	<u>80,157</u>	<u>(56,824)</u>	<u>996,402</u>	<u>6,091,784</u>

Notes to the Accounts

28 Reserves (cont'd)

(a) Group (cont'd)

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Statutory reserves HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January 2001, as previously reported	4,854,723	1,815	—	80,157	(56,824)	1,211,913	6,091,784
Effect of adoption of SSAP 30 (note 2(e)(i))	—	—	215,511	—	—	(215,511)	—
At 1st January 2001, as restated	4,854,723	1,815	215,511	80,157	(56,824)	996,402	6,091,784
Net proceeds from issue of ordinary shares	35,137	—	—	—	—	—	35,137
Exchange differences	—	—	—	—	2,778	—	2,778
Share of reserves upon further acquisition of interest in an associated company	—	—	—	637	—	—	637
Release of reserve upon disposal of properties held for/under development and properties held for sale	—	—	(14,626)	—	—	—	(14,626)
Release of reserve upon disposal of a subsidiary	—	—	(24,900)	—	(846)	—	(25,746)
Release of reserve upon deemed disposal of a subsidiary	—	—	—	(20)	(17)	—	(37)
Transfer	—	—	—	3,631	—	(3,631)	—
Profit for the year	—	—	—	—	—	39,782	39,782
At 31st December 2001	<u>4,889,860</u>	<u>1,815</u>	<u>175,985</u>	<u>84,405</u>	<u>(54,909)</u>	<u>1,032,553</u>	<u>6,129,709</u>

Notes to the Accounts

28 Reserves (cont'd)

(b) Company

	2001				2000			
	Share premium HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January	4,854,723	1,815	65,905	4,922,443	4,854,300	1,815	48,551	4,904,666
Net proceeds from issue of ordinary shares	35,137	—	—	35,137	423	—	—	423
(Loss)/profit for the year	—	—	(22,263)	(22,263)	—	—	17,354	17,354
At 31st December	<u>4,889,860</u>	<u>1,815</u>	<u>43,642</u>	<u>4,935,317</u>	<u>4,854,723</u>	<u>1,815</u>	<u>65,905</u>	<u>4,922,443</u>

- (a) Included in the Group's retained profits are profits amounting to HK\$365,463,000 (2000:HK\$236,964,000) and losses of HK\$70,155,000 (2000: losses of HK\$51,798,000) which are attributable to associated companies and jointly controlled entities respectively.
- (b) Statutory reserves represent enterprise expansion and general reserve funds set up by the operating subsidiaries, and associated companies in China. According to the Foreign Investment Enterprises Accounting Standards in China, upon approval, the general reserve fund may be used for making up losses and increasing capital while the enterprise expansion and general reserve funds attributable to subsidiaries and an associated company was HK\$80,544,000 (2000: HK\$76,933,000) and HK\$3,861,000 (2000: HK\$3,224,000) respectively.
- (c) Distributable reserves of the Company at 31st December 2001, calculated under Section 79B of the Hong Kong Companies Ordinance, amounted to HK\$43,642,000 (2000: HK\$65,905,000).

Notes to the Accounts

29 Non-current liabilities

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank loans				
Secured (note 37)				
- wholly repayable within five years	1,338,381	1,046,537	117,000	117,000
- not wholly repayable within five years	1,137	1,757	—	—
Unsecured	1,351,639	939,831	786,499	312,000
Obligations under finance leases	632	1,017	581	1,017
Loans from a shareholder	9,554	—	9,452	8,710
Loans from related companies	191,017	94,297	—	—
Loans from minority shareholders	1,766,437	1,961,141	8,000	—
Other loans	53,729	50,219	—	—
Convertible bonds (note 31)	450,073	581,473	450,073	486,473
	5,162,599	4,676,272	1,371,605	925,200
Less: Current portion of non-current liabilities	(801,424)	(1,302,360)	(381,691)	(321,142)
	4,361,175	3,373,912	989,914	604,058

Notes to the Accounts

29 Non-current liabilities (cont'd)

Long-term loans are repayable over the following periods:

(a) Group

	2001								2000							
	Obligations			Loans					Total	Obligations			Loans			
	Bank loans	under finance leases	Loans from a shareholder	from related companies	Loans from minority shareholders	Other loans	Convertible bonds	Bank loans		under finance leases	from a related company	Loans from minority shareholders	Other loans	Convertible bonds		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
On demand and within one year	453,986	301	9,554	80,132	8,001	—	249,450	801,424	1,056,674	432	94,297	55,957	—	95,000	1,302,360	
In the second year	1,491,032	302	—	—	—	—	200,623	1,691,957	600,001	585	—	—	—	249,450	850,036	
In the third to fifth year	745,002	29	—	—	—	—	—	745,031	329,693	—	—	—	—	237,023	566,716	
After the fifth year	1,137	—	—	—	—	—	—	1,137	1,757	—	—	—	—	—	1,757	
With no fixed repayment terms	—	—	—	110,885	1,758,436	53,729	—	1,923,050	—	—	—	1,905,184	50,219	—	1,955,403	
	<u>2,691,157</u>	<u>632</u>	<u>9,554</u>	<u>191,017</u>	<u>1,766,437</u>	<u>53,729</u>	<u>450,073</u>	<u>5,162,599</u>	<u>1,988,125</u>	<u>1,017</u>	<u>94,297</u>	<u>1,961,141</u>	<u>50,219</u>	<u>581,473</u>	<u>4,676,272</u>	
The balances are analysis as follows:																
Interest bearing	2,691,157	632	9,452	123,284	737,300	—	450,073	4,011,898	1,988,125	1,017	94,297	806,933	—	581,473	3,471,845	
Non-interest bearing	—	—	102	67,733	1,029,137	53,729	—	1,150,701	—	—	—	1,154,208	50,219	—	1,204,427	
	<u>2,691,157</u>	<u>632</u>	<u>9,554</u>	<u>191,017</u>	<u>1,766,437</u>	<u>53,729</u>	<u>450,073</u>	<u>5,162,599</u>	<u>1,988,125</u>	<u>1,017</u>	<u>94,297</u>	<u>1,961,141</u>	<u>50,219</u>	<u>581,473</u>	<u>4,676,272</u>	

Loans from a shareholder, related companies, minority shareholders and other loans are unsecured, interest bearing at 3.5 per cent to 9.25 per cent per annum except for an aggregate amount of approximately HK\$1,151 million (2000: approximately HK\$1,205 million) which is interest-free. Those portion of loans classified as with no fixed repayment terms would not be demanded for repayment within next twelve months from the balance sheet date.

Notes to the Accounts

29 Non-current liabilities (cont'd)

Long-term loans are repayable over the following periods:

(b) Company

	2001					2000					
	Obligations under finance lease		Loan from shareholder	Loan from a minority shareholder	Convertible bonds	Total	Obligations under finance lease		Loan from a shareholder	Convertible bonds	Total
	Bank loans	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Bank loans	HK\$'000	HK\$'000	HK\$'000	HK\$'000
On demand and within one year	114,499	290	9,452	8,000	249,450	381,691	312,000	432	8,710	—	321,142
In the second year	531,600	291	—	—	200,623	732,514	117,000	585	—	249,450	367,035
In the third to fifth year	257,400	—	—	—	—	257,400	—	—	—	237,023	237,023
	<u>903,499</u>	<u>581</u>	<u>9,452</u>	<u>8,000</u>	<u>450,073</u>	<u>1,371,605</u>	<u>429,000</u>	<u>1,017</u>	<u>8,710</u>	<u>486,473</u>	<u>925,200</u>

All balances are interest bearing.

(c) At 31st December 2001, the Group's finance lease liabilities were repayable as follows:

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	375	545	360	545
In the second year	375	725	360	725
In the third to fifth year	37	—	—	—
	<u>787</u>	<u>1,270</u>	<u>720</u>	<u>1,270</u>
Future finance charges on finance leases	(155)	(253)	(139)	(253)
Present value of finance lease liabilities	<u>632</u>	<u>1,017</u>	<u>581</u>	<u>1,017</u>

Notes to the Accounts

30 Deferred taxation

(a) Movements of deferred taxation account are as follows:

	2001	2000
	HK\$'000	HK\$'000
At 1st January	13,477	11,037
Transferred from profit and loss account (note 7)	672	2,440
Disposal of a subsidiary (note 32(e))	(849)	—
	<u>13,300</u>	<u>13,477</u>
At 31st December	13,300	13,477
	<u>13,300</u>	<u>13,477</u>
Provided for in respect of accelerated depreciation allowances	13,300	13,477
	<u>13,300</u>	<u>13,477</u>

(b) As at 31st December 2001, the Group has the following unprovided deferred tax (liabilities)/assets:

	2001	2000
	HK\$'000	HK\$'000
Accelerated depreciation allowances	(253)	(5,146)
Tax losses	27,967	15,727
Other timing differences	258	—
	<u>27,972</u>	<u>10,581</u>
	<u>27,972</u>	<u>10,581</u>

No recognition of deferred taxation asset has been made in the accounts as it is uncertain whether the asset will crystallise in the foreseeable future.

(c) The surplus and deficit arising on revaluation of investment properties does not constitute a timing difference and accordingly there are no deferred tax implications.

Notes to the Accounts

31 Convertible bonds

	Note	Group		Company	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bonds to be converted into shares of:					
The Company	(a)	450,073	486,473	450,073	486,473
GZI Transport	(b)	—	95,000	—	—
		<u>450,073</u>	<u>581,473</u>	<u>450,073</u>	<u>486,473</u>

As at 31st December 2001, the Company has outstanding convertible bonds as follows:-

Issue date	Total amount of issued convertible bonds HK\$'000	Interest rate per annum	Conversion price per share	Exercise period	Redeemable date	Redeemable amount as % to the principal amount
1st August 2000	200,623	3%	0.6168	1st February 2001 - 31st July 2003	31st July 2003	105%
30th December 1999	<u>249,450</u>	3%	0.76	30th December 2000 - 29th December 2002	29th December 2002	105%
	<u><u>450,073</u></u>					

Each convertible bond of HK\$100,000 can convert into the number of shares as determined by dividing the principal amount of the convertible bonds by the above conversion prices per share. During the year, convertible bonds of the Company of HK\$36,400,000 were converted into 59,014,267 ordinary shares, whilst convertible bonds of GZI Transport HK\$95,000,000 were redeemed.

Notes to the Accounts

32 Notes to the consolidated cash flow statement

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

	2001	As restated 2000
	HK\$'000	HK\$'000
Operating profit	574,716	609,594
Depreciation of fixed assets, amortisation of interests in toll highways and bridges	278,876	263,112
Amortisation of goodwill and development costs	2,403	—
Amortisation of other investments	4,162	8,818
Gain on disposal of subsidiaries	(4,207)	(8,602)
Loss on disposal of fixed assets	22,715	21,086
Loss on disposal of other investment	2,589	—
Deficit arising/(reversal of deficit) on revaluation of investment properties	28,404	(62,314)
Provision for impairment of goodwill	—	157,243
Impairment loss on plant and machinery	1,217	—
Provision for diminution in value of property held for development	14,000	—
Write off of bad debts/provision for doubtful debts	24,063	37,391
Release of exchange fluctuation reserve upon disposal of a subsidiary	—	1,285
Transfer of goodwill previously written off upon disposal of a subsidiary	—	5,457
Net increase in properties held for/under development, properties held for sale and interests in property development projects	(247,474)	(66,772)
Increase in inventories	(66,037)	(34,023)
Increase in accounts receivable, prepayments and deposits including amounts due from related companies and minority shareholders	(158,216)	(180,797)
Increase/(decrease) in accounts payable and accrued charges	86,189	(25,208)
Increase in development costs	(6,545)	—
Interest income	(34,233)	(41,464)
Dividend income	(34,845)	(55,528)
	<hr/>	<hr/>
Net cash inflow from operating activities	487,777	629,278
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Notes to the Accounts

32 Notes to the consolidated cash flow statement (cont'd)

(b) Analysis of changes in financing during the year

	Share capital (including share premium) HK\$'000	Convertible bonds HK\$'000	Bank and other loans HK\$'000	Minority interests HK\$'000	Loans from a shareholder, related companies and minority shareholders HK\$'000	Obligations under finance leases HK\$'000	Amounts due to associated companies and jointly controlled entities HK\$'000
At 1st January 2000	5,247,950	344,450	3,475,630	6,214,189	1,869,079	4,301	169,913
Issue of ordinary shares, net of expenses	535	—	—	—	—	—	—
Transfer from minority interests	—	—	—	(15,517)	15,517	—	—
Issue of convertible bonds	—	237,023	—	—	—	—	—
Minority interest share of profits	—	—	—	308,757	—	—	—
Minority interest share of capital reserve	—	—	—	99,271	—	—	—
Minority interest share of reserve upon acquisition of interest in an associated company	—	—	—	450	—	—	—
Acquisition of subsidiaries	—	—	—	(33,399)	—	—	—
Disposal of subsidiaries	—	—	—	11,716	—	—	—
Capital contributed by minority shareholders of subsidiaries	—	—	—	5,364	—	—	—
Dividends paid to minority shareholders	—	—	—	(165,942)	—	—	—
Net cash inflow/(outflow) from financing	—	—	(307,807)	—	170,842	(3,284)	24,007
At 31st December 2000	<u>5,248,485</u>	<u>581,473</u>	<u>3,167,823</u>	<u>6,424,889</u>	<u>2,055,438</u>	<u>1,017</u>	<u>193,920</u>

Notes to the Accounts

32 Notes to the consolidated cash flow statement (cont'd)

(b) Analysis of changes in financing during the year (cont'd)

	Share capital (including share premium) HK\$'000	Convertible bonds HK\$'000	Bank and other loans HK\$'000	Minority interests HK\$'000	Loans from a shareholder, related companies and minority shareholders HK\$'000	Obligations under finance leases HK\$'000	Amounts due to associated companies HK\$'000
At 1st January 2001	5,248,485	581,473	3,167,823	6,424,889	2,055,438	1,017	193,920
Issue of ordinary shares, net of expenses	5,804	—	—	—	—	—	—
Increase of shareholdings of subsidiaries	—	—	—	(79,116)	(120,720)	—	—
Capital contributed into a jointly controlled entity financed by a minority shareholder (note 32 (c))	—	—	—	—	94,003	—	—
Disposal of a subsidiary	—	—	—	—	(5,924)	—	—
Transfer from minority interests	—	—	—	(4,223)	4,223	—	—
Exercise of convertible bonds	36,400	(36,400)	—	—	—	—	—
Minority interest share of profits	—	—	—	308,007	—	—	—
Disposal of subsidiaries	—	—	—	(106,360)	—	—	—
Minority interest share of statutory reserve	—	—	—	10	—	—	—
Capital contributed by minority shareholders of subsidiaries	—	—	—	10,558	—	—	—
Dividends paid to minority shareholders	—	—	—	(128,247)	—	—	—
Net cash inflow/(outflow) from financing	—	(95,000)	382,440	—	44,191	(385)	(64)
At 31st December 2001	<u>5,290,689</u>	<u>450,073</u>	<u>3,550,263</u>	<u>6,425,518</u>	<u>2,071,211</u>	<u>632</u>	<u>193,856</u>

(c) Major non-cash transaction

Part of the capital injection into a jointly controlled entity during the year amounted to HK\$92,523,000 with HK\$1,480,000 interest thereon was financed by a minority shareholder.

Notes to the Accounts

32 Notes to the consolidated cash flow statement (cont'd)

(d) Purchase of subsidiaries

	2001 HK\$'000	2000 HK\$'000
Net assets acquired:		
Fixed assets	—	4,081
Inventories	—	404
Accounts receivable, prepayments and deposits	—	10,318
Bank balances and cash	—	29,432
Accounts payable and accrued charges	—	(4,616)
Taxation payable	—	(436)
Due to former shareholder	—	(9,923)
Due to minority shareholders	—	(7,473)
Minority interests	—	(33,399)
	<hr/>	<hr/>
	—	(11,612)
Acquisition of loan owed by the subsidiary	—	9,923
Goodwill arising from the acquisition	—	238,721
	<hr/>	<hr/>
	—	237,032
	<hr/> <hr/>	<hr/> <hr/>
Satisfied by:		
Issue of convertible bonds	—	237,023
Cash	—	9
	<hr/>	<hr/>
	—	237,032
	<hr/> <hr/>	<hr/> <hr/>
Analysis of net cash inflow in respect of the purchase of subsidiaries		
	2001	2000
	HK\$'000	HK\$'000
Cash consideration	—	(9)
Bank balances and cash of acquired subsidiaries	—	29,432
	<hr/>	<hr/>
Net inflow of cash and cash equivalents in respect of the purchase of subsidiaries	—	29,423
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Accounts

32 Notes to the consolidated cash flow statement (cont'd)

(e) Disposal of a subsidiary

	2001 HK\$'000	2000 HK\$'000
Net asset disposed:		
Fixed assets	281,309	56
Bank balances and cash	2,125	24,754
Accounts receivable, deposits and prepayments	3,046	403
Accounts payable and accrued charges	(5,559)	(105)
Due to minority shareholders	(5,924)	—
Taxation payable	(23,215)	—
Deferred taxation	(849)	—
Minority interests	(122,956)	(11,716)
	127,977	13,392
Capital reserve	(24,900)	—
Exchange fluctuation reserve	(846)	—
	102,231	13,392
Gain on disposal of a subsidiary	14,591	8,602
	116,822	21,994
Sales consideration, satisfied by cash	116,822	21,994
Analysis of the net cash inflow/(outflow) in respect of the disposal of a subsidiary:		
	2001	2000
	HK\$'000	HK\$'000
Cash consideration	116,822	21,994
Bank balances and cash of disposal subsidiary	(2,125)	(24,754)
	114,697	(2,760)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of a subsidiary	114,697	(2,760)

Notes to the Accounts

33 Commitments under operating leases

As at 31st December 2001, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2001	2001	As restated 2000	As restated 2000
	Land and buildings	Others	Land and buildings	Others
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Not later than one year	4,890	7,462	8,134	11,000
Later than one year and not later than five years	12,361	—	14,310	7,462
	17,251	7,462	22,444	18,462

In addition, the Group has operating lease commitments with rentals determined in relation to sales. It is not possible to quantify accurately future rentals payable under such lease.

The Company did not have any commitment under operating leases at 31st December 2001 (2000: Nil).

34 Future minimum rental payments receivable

As 31st December 2001, the Group and the Company had future minimum rental payments receivable under non-cancellable leases as follows:

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Not later than one year	69,122	63,177	126	312
Later than one year and not later than five years	91,424	92,409	—	126
Later than five years	29,218	8,344	—	—
	189,764	163,930	126	438

Notes to the Accounts

35 Other commitments

(a) Group

	2001 HK\$'000	2000 HK\$'000
(i) Commitments in respect of purchase of fixed assets and toll road and properties held for/under development:-		
Contracted but not provided for	703,897	1,312,850
Authorised but not contracted for	183,889	21,169
	887,786	1,334,019
(ii) Financial commitments in respect of investments in associated companies and joint ventures:-		
Contracted but not provided for	—	336,551
Authorised but not contracted for	—	76,161
	—	412,712
(iii) Group's share of capital commitments of jointly controlled entities contracted but not provided for	—	379,478
(iv) Commitment in respect of acquisition of remaining interest in a subsidiary contracted but not provided for	135,561	—

(b) Company

On 10th December 2001, the Company and its substantial shareholder, Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu"), entered into a Conditional Sale and Purchase Agreement, pursuant to which, inter alia, the Company agreed to purchase or procure the purchase and Yue Xiu agreed to sell or procure the sale of a 100 per cent interest in Guangzhou City Construction & Development Holdings (China) Limited and a 49 per cent interest in Super Gain Development Limited, being currently a 51 per cent subsidiary of the Company, for a total consideration of approximately HK\$5,014 million, subject to satisfaction of certain conditions. The transaction is expected to be completed by end of June 2002.

The consideration of approximately HK\$5,014 million will be satisfied as to (i) HK\$2,000 million in cash; (ii) about HK\$1,464 million by way of allotment and issuance of the Company's shares to Yue Xiu and/or its nominee(s); and (iii) HK\$1,550 million by way of disposals of the Company's 100 per cent interest in China Century Cement International Limited ("CCCI"), 36.84 per cent effective interest in Guangzhou Jin Peng Group Co., Ltd ("Jin Peng") and 46.7 per cent effective interest in China Information Technology Industry Co., Limited ("China ITI") and assignment of shareholders' loans of the CCCI Group, Jin Peng and China ITI in the aggregate amount of about HK\$886 million to Yue Xiu and/or its nominee(s). The terms of the Conditional Sales and Purchase Agreement have been arrived at after arm's length negotiations and are based on normal commercial terms.

Saved as disclosed above, the Company did not have other commitment at 31st December 2001 (2000: Nil).

Notes to the Accounts

36 Contingent liabilities

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
(a) Guarantees for banking and loan facilities granted to				
- subsidiaries	—	—	1,074,455	933,894
- jointly controlled entities	139,688	1,050,171	139,688	96,900
	139,688	1,050,171	1,214,143	1,030,794

- (b) At 31st December 2001 and 2000, the Group has pledged the income derived from its 24.3 per cent effective interest in an associated company to a bank in favour of one of the shareholders of that associated company (the "Shareholder") in respect of the repayment of a bank loan by the Shareholder amounted to Rmb500 million (approximately HK\$467 million) and interest thereon (collectively referred to as the "Relevant Loan").

A counter-indemnity has been provided by the Shareholder to the Group against all liabilities arising from such pledge. In addition, Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu"), a substantial shareholder of the Company, has insured an indemnity to the Group under which any shortfall to the bank will be satisfied/paid by Yue Xiu if the counter-indemnity given by the Shareholder to the Group is insufficient to cover the Relevant Loan.

37 Pledge of assets

At 31st December 2001 certain banking facilities and loans granted to the Group and the Company were secured by the following:

- (a) Mortgages on the Group's properties held for/under development, properties held for sale, other properties and investment properties with an aggregate carrying value of HK\$406 million (2000: HK\$394 million), HK\$180 million (2000: Nil), HK\$441 million (2000: HK\$477 million) and HK\$1,005 million (2000: HK\$1,352 million) respectively; and
- (b) Fixed deposits of the Group and the Company amounting to HK\$175 million (2000: HK\$217 million) and HK\$171 million (2000: HK\$217 million) respectively.

Notes to the Accounts

38 Related party transactions

Saved as disclosed elsewhere in these consolidated accounts, other significant related party transactions entered into in the normal course of the Group's business are as follows:-

	2001 HK\$'000	2000 HK\$'000
Rental expenses paid to a shareholder	1,332	1,296
Management fee to a minority shareholder	9,440	6,350
Interest received from minority shareholders	—	3,655
Sales to minority shareholders	331	—
Fixed cost toll highways management fee paid and payable to a minority shareholder (note a)	<u>58,332</u>	<u>60,813</u>

- (a) Fixed cost services agreements were entered into between Guangzhou Highways Development Company ("GHDC"), a minority shareholder, and certain subsidiaries engaging in the operation of toll highways in China, whereby GHDC carries out the day-to-day routine operational and maintenance services of the Guangshan Highway, Guangshen Highway, Gunangcong Highway Section I and II, Provincial Highway 1909 and Guanghua Highway respectively including the collection of toll charges and repairs and maintenance in return for a service fee at the fixed rate of 18 per cent of the gross aggregate toll revenue of each of the toll highways per annum.
- (b) On 15th February 2001, the Group acquired from a subsidiary of Yue Xiu the remaining 49 per cent interest in Xian Expressway. The consideration of HK\$173,000,000 was settled in cash. Goodwill arising from the acquisition amounted to HK\$51,525,000.
- (c) On 10th August 2001, the Group had capital injection into a jointly controlled entity amounted to HK\$92,523,000 which was financed by GHDC at 4.0 per cent interest per annum and repayable within one year.

39 Subsequent events

- (a) On 10th January 2002, the Group acquired the remaining 34 per cent interest in Onwell Enterprises Limited which holds the 23.6 per cent interest in investment holding in Guangdong Qinglian Highway Development Co., Ltd. The balance of the consideration as at 31st December 2001 of HK\$121,249,000 and HK\$14,312,000 was settled in cash on 10th January 2002 and 2nd April 2002 respectively. Negative goodwill arising from the acquisition amounted to HK\$9,698,000.
- (b) On 12th April 2002, the Group entered into an agreement to transfer 5.0 per cent of its interest in a jointly controlled entity to GHDC for a total consideration of Rmb51.1 million (equivalent to approximately HK\$48.2 million), subject to satisfaction of certain conditions. The total consideration will be satisfied on completion as to (1) Rmb34.9 million (equivalent to approximately HK\$32.9 million) by way of the procurement of the transfer of an aggregate of 0.995 per cent effective interest in an existing associated company, Guangdong Humen Bridge Co., Ltd. from 1st January 2002; and (2) Rmb16.2 million (equivalent to approximately HK\$15.3 million) in cash.

40 Approval of accounts

The accounts were approved by the Board of Directors on 19th April 2002.