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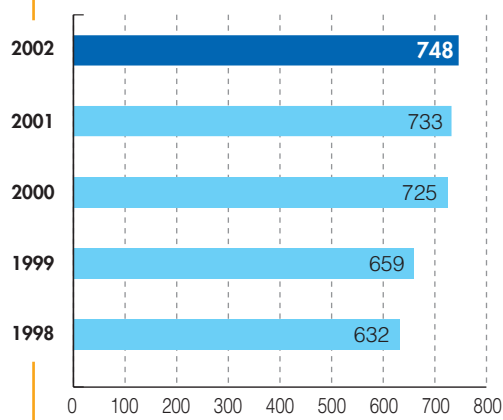
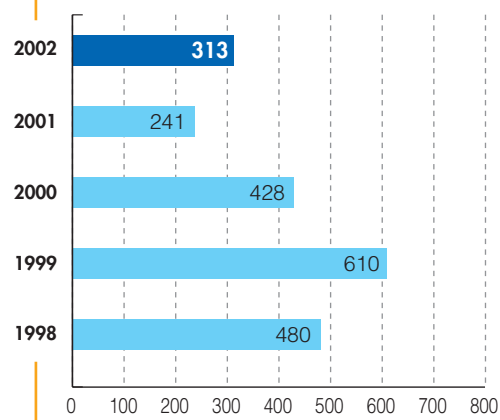
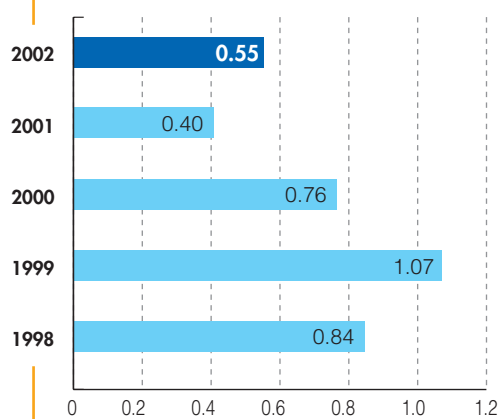
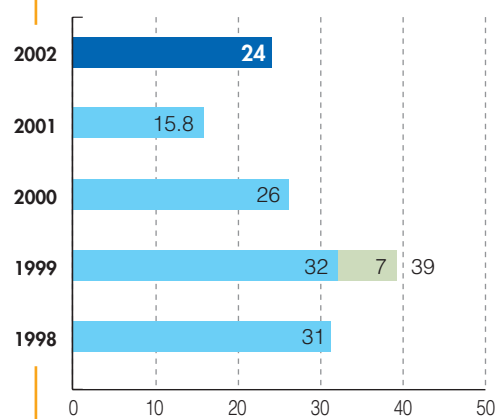
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**Consolidated Income Statement**

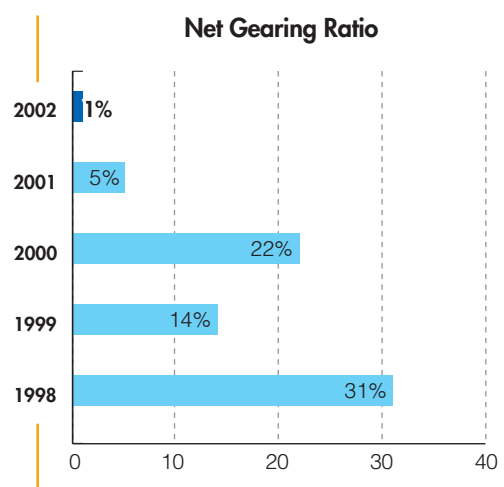
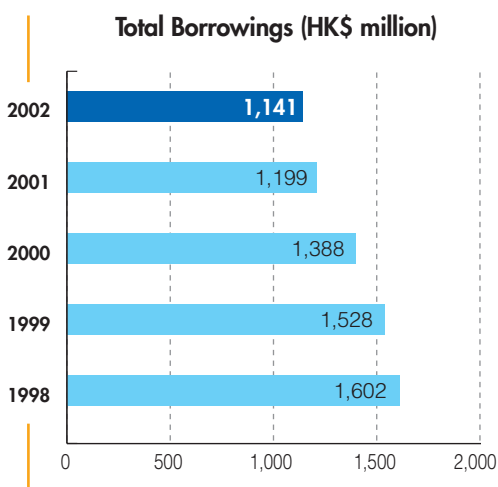
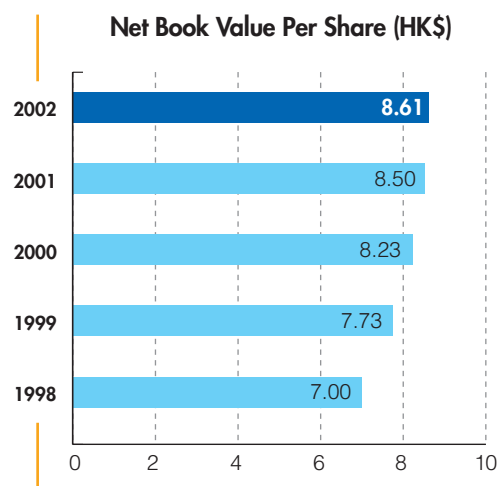
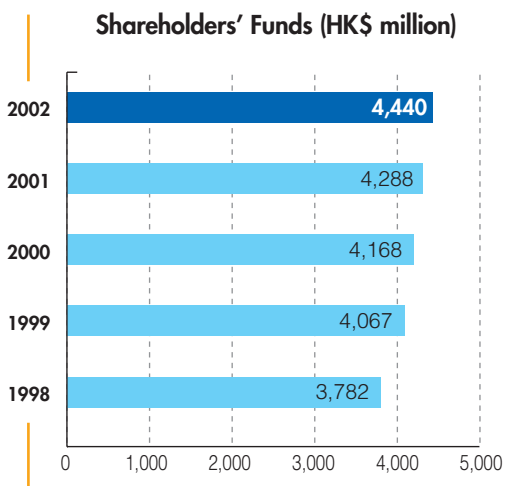
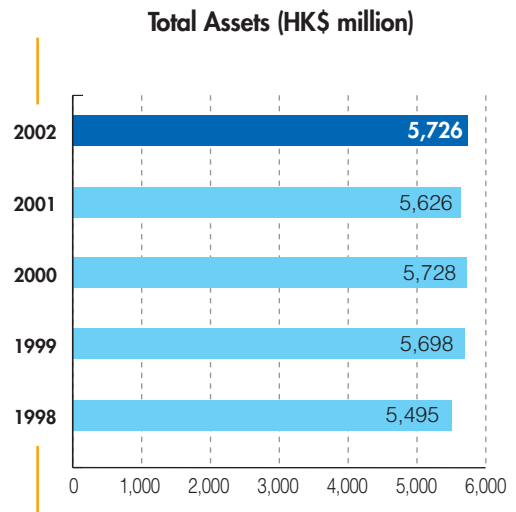
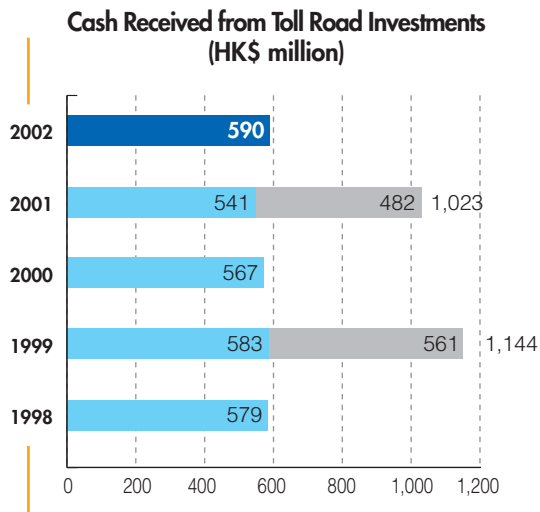
(HK\$ million)	Year ended 31 December				
	2002	2001	2000	1999	1998
Group's share of toll revenue	<b>748</b>	733	725	659	632
Share of operating profit of joint ventures	<b>417</b>	399	403	371	349
Profit before taxation	<b>349</b>	297	449	625	493
Profit for the year	<b>313</b>	241	428	610	480

**Consolidated Balance Sheet**

(HK\$ million)	As at 31 December				
	2002	2001	2000	1999	1998
Total assets	<b>5,726</b>	5,626	5,728	5,698	5,495
Total liabilities	<b>(1,204)</b>	(1,257)	(1,475)	(1,611)	(1,697)
Minority interests	<b>(82)</b>	(81)	(85)	(20)	(16)
Shareholders' funds	<b>4,440</b>	4,288	4,168	4,067	3,782

**Group's Share of Toll Revenue (HK\$ million)**

**Profit for the Year (HK\$ million)**

**Earnings Per Share (HK\$)**

**Dividend Per Share (HK cents)**


Special dividend



■ Related to disposal of interests in infrastructure joint venture(s)



# ROAD KING INFRASTRUCTURE LIMITED

Road King (China)  
Infrastructure Limited

## Guangdong

### Merry King Investment Ltd.

- Provincial Highway 268 Zhongshan Shiqi-Jiangmen Highway

### Easy Yield Investment Ltd.

- Foshan Guangzhou-Sanshui Expressway

### Landgear Investment Ltd.

- National Highway 324 Luoding-Chonghua Highway

### Intersafe Investments Ltd.

- Shenzhen Airport-Heao Expressway, Eastern Section

## Hunan

### Road Famous Investments Ltd.

- Road Grand Investments Ltd.
- Road Express Investments Ltd.
- Road Link Investments Ltd.
- Road Crown Investments Ltd.
- Road Glorious Investments Ltd.

- Changsha-Yiyang Expressway

## Shanxi

### Pondtai Investments Ltd.

- National Highway 108 Yuci Dongchangshou-Qixian Dongguan Highway

### Road Fortune Investments Ltd.

- National Highway 108 Taiyuan-Yuci Highway

### Road Gain Investments Ltd.

- National Highway 108 Yuci City Bypass

### Road Advance Investments Ltd.

- Provincial Highway Huanggu Route Xiaodian Fenhe Bridge

### Road Well Investments Ltd.

- Provincial Highway 104 Taiyuan Ximing-Gujiao Highway

## Hebei

### Road Sincere Investments Ltd.

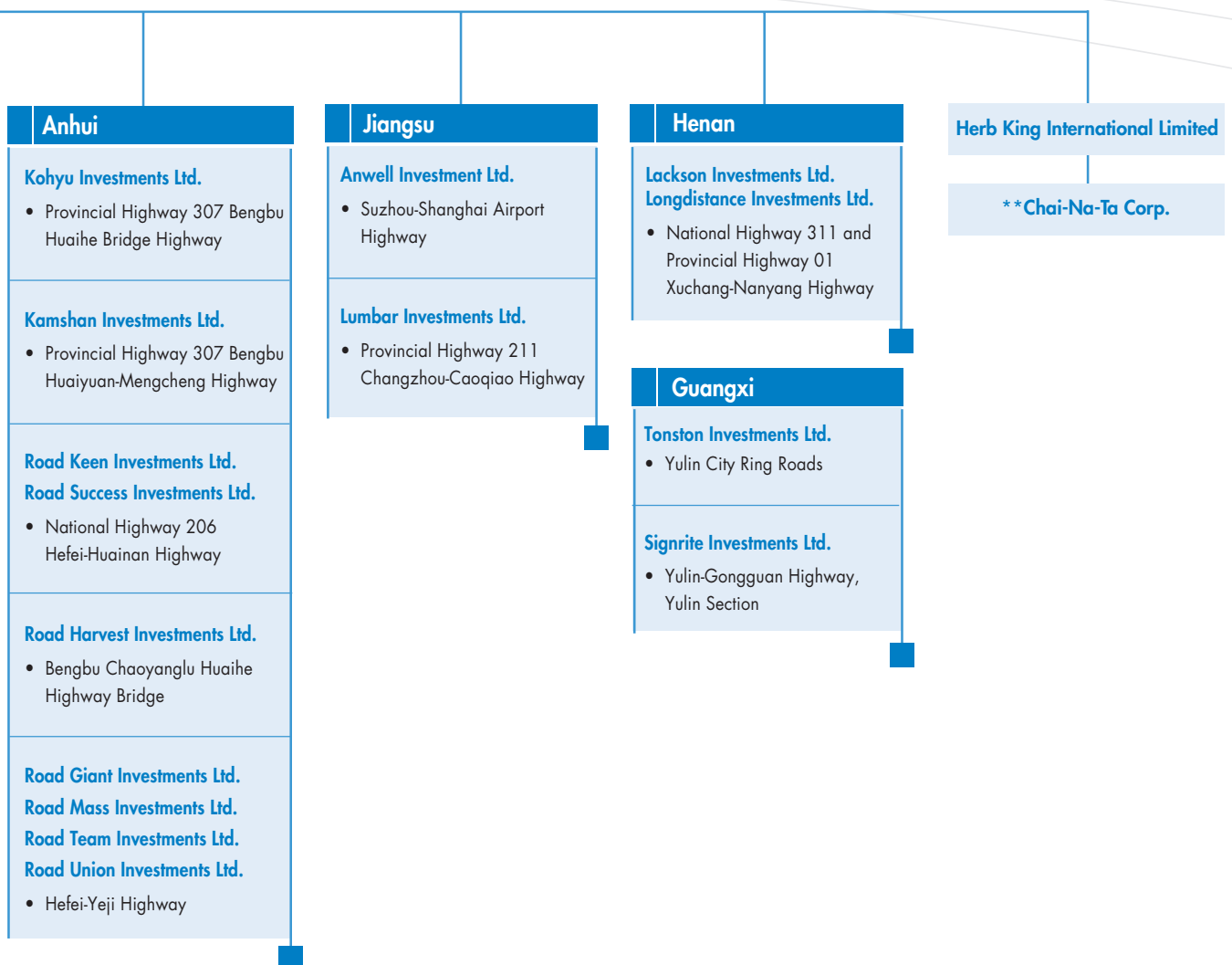
### Road Fly Investments Ltd.

- National Highway 307 Shijiazhuang-Jinzhou Highway

### Road Honour Investments Ltd.

### Road Sun Investments Ltd.

- National Highway 309 Handan-Guantao Highway



\* listed on the Hong Kong Stock Exchange

\*\*listed on the Toronto Stock Exchange and traded on the NASDAQ OTC Bulletin Board

Notes: including principal business operating subsidiaries only



**| Enhance profit potential**

**Broaden business spectrum |**

## CHAIRMAN'S STATEMENT



### Dear Shareholders,

In 2002, the Group recorded a delightful result. Though the global economy was clouded with uncertainties and anxieties, the Group's consolidated net profit for the year increased by 30%, to HK\$312.8 million. Earnings per share was HK55 cents, an increase of 37%.

Riding on China's soaring economy and the continuing growth in GDP, vehicle ownership in China surges tremendously. The Group's highway projects have recorded encouraging increases in toll revenue and traffic volume in 2002. Various analyses and researches indicate that this substantial increase will continue in the coming years, bringing benefit to the Group's business.

With its dedicated work in the past years, the Group's business is in a healthy operating environment which provides a steady inflow of cash. In 2002, the Group received HK\$590 million in cash from its highway projects. As at December 31, 2002, the Group's cash and bank balances were HK\$1,088 million while net gearing dropped to historical low of 1%. The Group's financial position is presently at the best level.

The Board of Directors has recommended a final dividend of HK8 cents per share. Together with the interim dividend, the total dividend per ordinary share for 2002 is HK24 cents, representing an increase of 52% over that of 2001. Under such healthy operation and financial situation, the Group expects to maintain a high dividend pay-out policy in the coming years, bringing shareholders with high cash return.

China's economic development is presently out-performing the rest of the world. It has been rapidly growing from a comparatively low level. Toll road infrastructure facilities are gradually generating economic benefits, and are rolling forward together with economic developments. The Group will more pro-actively develop its core business - toll road investment, development and management, aiming to expand its operational size and to excel its professional team. The Group has built a solid foundation in this business. With extensive experience, a team of professionals, strong financial position and good reputation in the industry, the Group is striving towards more encouraging developments and will achieve its goals.

I would like to take this opportunity to express my hearty gratitude to our shareholders, our business partners, and loyal and dedicated colleagues.

**Zen Wei Pao, William**

*Chairman*

Hong Kong, 27 March 2003



### 2002 Results

The Group attained a net profit of HK\$312.8 million in fiscal year 2002, representing an increase of 30% on that of 2001. Its earnings per share was HK55 cents, a growth of 37% as compared to HK40 cents in 2001.

### Business Review

Investment, development and management of highway projects is the Group's core business.

In 2002, highway projects of the Group recorded a total traffic of 103.8 million vehicles and toll revenue of RMB1,278 million, an increase of 9.7% and 14% respectively as compared to 2001 (the traffic and toll revenue from Jieyang Highway Network project was excluded). Traffic volume in China recorded significant growth in 2002. This salient increase accelerated in January 2003, the Group recorded a growth of 15% and 24% in traffic volume and toll revenue compared to that of the same period in 2002. Traffic flow to the Group's highway projects also took a shorter time to recover to normal after the Chinese New Year.

Toll rate increase approval for Hunan Changyi old road of the Changsha to Yiyang Expressway project was given in April 2002, raising the revenue of the Changyi old road and Changyi Expressway. In August, an increase on the toll rates of all the projects in Shanxi Province was approved, improving the performance of the projects. In September, Guangdong Foshan-Guangzhou-Sanshui Expressway gained the approval to adjust the classification of toll vehicles, thus boosting the toll revenue.

In December 2002, the construction of Anhui Bengbu Chaoyanglu Bridge was completed on schedule. With its commencement of operation, all of the Group's projects are now in operation and are generating toll revenue.

The Group reached an agreement to dispose of its interest in Shanxi Provincial Highway Huanggu Route Xiaodian Fenhe Bridge project to its PRC partner in December 2002. The proceedings are expected to be completed in the first half-year of 2003. This disposal was made in accordance with the Group's business development strategy.

In May 2002, the Group signed a conditional agreement to invest in and operate the Baoding-Tianjin Expressway project in Hebei Province. After months of negotiations and processing, agreement to the investment from the Hebei Provincial Government was obtained and the project is being reviewed and approved by relevant government authorities. Subject to the fulfillment of all the conditions, the Group will sign an unconditional contract with the relevant party, and details will be announced accordingly.



During 2002, the Group disposed its non-core Chinese medicine business. At present, the Group still holds more than 60% of Chai-Na-Ta Corp., the world's largest supplier of North American ginseng. The business performance of Chai-Na-Ta Corp. is satisfactory and a moderate profit was recorded in 2002.

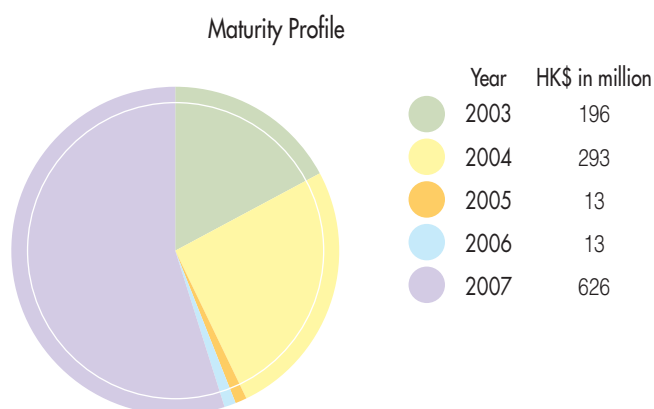
## Financial Review

### Liquidity and Financial Resources

As at 31 December 2002, the Group's net assets increased to HK\$4,440 million and net assets per share was HK\$8.61. Total assets reached HK\$5,726 million, while cash and bank balances were HK\$1,088 million. Total cash receipts from highway projects in 2002 amounted to HK\$590 million.

The Group continued to adopt prudent financial policies in cash management and bank borrowing. As at 31 December 2002, the Group's consolidated borrowings and net debt were HK\$1,141 million and HK\$53 million respectively. Net gearing ratio was at 1% only. The Group's major borrowings included a US dollar denominated transferable loan facility with an outstanding loan balance equivalent to HK\$488 million, a US dollar denominated guaranteed notes with an outstanding balance equivalent to HK\$620 million, a HK dollar denominated term loan facility with an aggregate outstanding balance equivalent to HK\$32 million, and a Canadian dollar denominated loan with an aggregate outstanding balance of HK\$1 million.

The chart below shows the maturity profile of the Group's borrowings as at 31 December 2002:



The Group's cash position continued to be strong in 2002 and this allowed the Group to make a principal prepayment in February 2003 for the US dollar denominated transferable loan of HK\$488 million which would be due in 2003 and 2004.



The low gearing position, steady and strong cash receipts, together with the Group's investment corporate credit rating facilitated the arrangement of low-cost financing. In December 2002, banks agreed to grant a loan of HK\$350 million for new project investments.



## Finance Cost and Interest Rate

The refinancing exercise and gradual repayment of existing debts lowered the total finance costs of the Group from HK\$111 million in 2001 to HK\$81 million in 2002, a drop of 27%.



With the exception of the fixed-rate US dollar denominated Guaranteed Notes, all borrowings of the Group are on a floating rate basis.

## Disposals

In April 2002, the Group made a sale and purchase agreement to dispose of its entire equity interest in CNT Life Science, Inc. which was primarily engaged in research and development of manufacturing technology of pharmaceutical products.

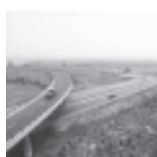
## Capital Investment

In 2002, the Group injected HK\$44 million of capital into the Anhui Bengbu Chaoyanglu Bridge Project which commenced operation on 8 December 2002.

## Contingent Liabilities and Future Commitment

The Group provided a range of guarantees in an amount of approximately HK\$117 million to banks in Hong Kong for arrangements of RMB banking facilities provided by PRC banks to various joint ventures of the Group in China.

The Group had major capital commitments of approximately HK\$44.7 million, of which approximately HK\$2.6 million will be required in 2003.



## Charges on the Group Assets

The transferable loan facility, which was fully prepaid in February 2003, was mainly secured by charged deposits, the mortgage over the shares of some subsidiaries of the Group and the joint and several guarantees by the Company and a number of subsidiaries. Upon prepayment, these charges will be released. The Guaranteed Notes were secured by a floating charge over all the assets of a subsidiary including a charge over deposits, and were jointly and severally guaranteed by the Company and some of its subsidiaries. In respect of the Canadian dollar financing, the credit facilities were secured by inventories and certain real properties of an overseas subsidiary. As at 31 December 2002, total charged deposits of the Group were approximately HK\$114 million.

## Exposure on Foreign Exchange Fluctuations

The Group kept a substantial portion of bank deposits in both US dollars and HK dollars to reduce its overall exposure to exchange risks. To further minimize the Renminbi exchange risk, the Group obtained more than RMB300 million project finance facilities for its highway projects. Renminbi has become more stable against other currencies at China's accession to WTO.

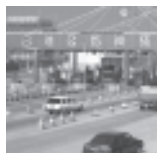
## Share Repurchase

In 2002, under the mandate given by the shareholders and the Board, the Group repurchased 389,000 shares of its own on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") for an aggregate consideration of HK\$1.2 million.

## Employees

As at 31 December 2002, the Group had a total number of 158 employees (not including the staff of the joint ventures). Expenditure on staff (excluding emoluments of the directors) amounted to HK\$33.8 million. In 2002, no share option was issued to employees under the share option scheme.

The Group strongly believes that talented and dedicated employees and an effective organization structure are its key success factors. The Group ensures that its employee remuneration is competitive and commensurate with the responsibilities and performance of its staff.



## Outlook

The Group believes China's highway business has a bright future. The Group will continue to develop toll road business as its core business and will stride to expand its operational size and to specialize its expertise.

In the coming years, China's highway constructions will continue to grow rapidly. There will be a great demand for non-governmental funding and this will create plenty of business opportunities and room for development. Car ownership in China has been growing rapidly since 2002. According to the authoritative research, the average annual growth rate will be more than 15% until 2010. The increase in car ownership together with vigorous flow of logistic and trading activities resulting from economic developments will lead to significant increase in traffic volume. This will bring benefits to the toll road industry and the Group's projects are certainly expected to have better performance.

In 2003, the Group will not only further streamline its existing projects, but will also pro-actively pursue the successful negotiation of new toll road projects, which the Group believes, will bring fruitful result within this year.

The economic reforms in China create plenty of business opportunities to investors. The Group will monitor closely the market movements and capture new valuable business opportunities for its further development.

## Acknowledgement

I would like to extend my gratitude to our business partners, shareholders and my colleagues for their continuous support and contribution to the Group.

**Ko Yuk Bing**

*Managing Director & CEO*

Hong Kong, 27 March 2003

MANAGEMENT DISCUSSION & ANALYSIS –

PROJECT REVIEW

A blue-tinted aerial photograph of a multi-lane highway with several vehicles. Overlaid on the image are the names of Chinese provinces in white text: Guangdong, Anhui, Guangxi, Shanxi, Jiangsu, Hunan, Hebei, and Henan.

Guangdong Anhui  
Guangxi Shanxi  
Jiangsu Hunan  
Hebei Henan



## Guangdong Province

With the rapid development of Pearl River Delta in recent years and its proximity to Hong Kong, Guangdong Province continued to play a leading role in China's economic development. In 2002, Guangdong realized a GDP of RMB1,167 billion (10.8% growth), ranking no. 1 in the country. Logistic industry achieved an outstanding performance. Shenzhen port had a throughput of 7.62 million TEUs, making it the sixth biggest hub port in the world. Automobile industry in 2002 made a sales turnover of RMB646.5 billion, an increase of 30.8%. The rapid growth of car owners demanded a more efficient highway transportation system.

The Group's investment in Guangdong Province:

Project Name	AADT	% growth	Annual Toll Revenue (RMB'M)	% growth
1. Jihe Expressway	29,208	+4.2%	156.99	+2.3%
2. Guangsan Expressway	31,043	+10.2%	174.93	+23.2%
3. Luochong Highway	11,154	+8.4%	35.40	+13.1%
4. Qijiang Highway	15,845	+21.3%	41.77	+23.6%

Jihe Expressway is the only eastbound and westbound expressway in Shenzhen city. The opening of Shuijingcun-Guanjingtou Expressway in early 2002 diverted away some local traffic. However, Jihe Expressway still recorded a moderate growth in traffic volume and toll revenue. The sustainable and rapid development of Shenzhen city is expected to enhance the growth of this project.

With the economic growth of the region, traffic volume and toll revenue of Guangsan Expressway attained a steady growth. The classification of toll vehicles was adjusted in September, increasing the toll revenue. At the end of 2002, the State Council approved the modification plan of Foshan city to include regions like Nanhai, Shunde and Sanshui in its administrative areas. This would further strengthen Foshan's economic development and the performance of Guangsan Expressway.

Luochong Highway recorded a better growth in traffic volume and toll revenue, reaping benefits from the completion of the reconstruction of Guangxi section of National Highway 324 and the opening of Guangzhou-Zhaoqing Expressway. Linked with the future Nanning-Yulin Expressway and Zhaoqing-Yunfu Expressway, Luochong Highway is expected to experience a further growth in traffic.



Traffic volume and toll revenue of Qijiang Highway grew substantially in 2002 as a result of the booming economy and growing foreign trade and exports in Zhongshan city. Meanwhile, the maintenance closure of National Highway 105 caused some road users from other provinces to switch to Qijiang Highway, leading to a new high in the project revenue.

### Guangxi Zhuang Autonomous Region

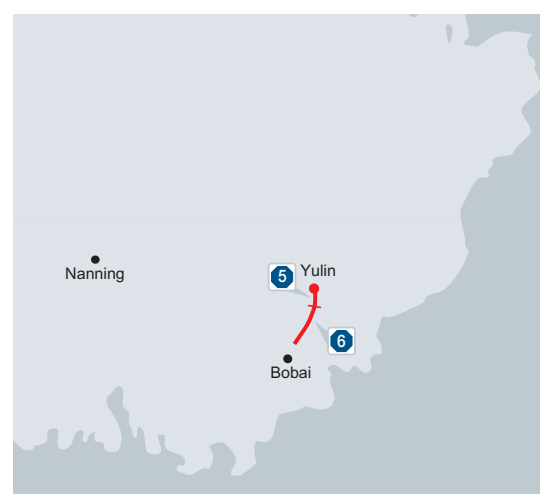
China is launching the strategic development for the Western Region. Being the harbour gateway in the southwest, Guangxi Zhuang Autonomous Region recorded a strong growth in every main economic indicator in 2002. The province realized a GDP of RMB243.7 billion, with a growth rate of 10.3%. Imports-exports turnover grew 35.2% while the volume of throughput of ports rose by 20.7%. As a coastal province in the inland, the Region put great effort on traffic infrastructure development which is especially important to the growth of the overall economy. In the past five years, Guangxi invested over RMB25 billion in selected traffic projects, initializing an integrated traffic system. It is a network of land and sea routes within and outside the region. This system will energize directly the economic growth of Guangxi. At the end of 2002, total highway mileage had exceeded 54,000 km, of which over 800 km was of the expressway.

The Group's investment in Guangxi Zhuang Autonomous Region:

Project Name	AADT	% growth	Annual Toll Revenue (RMB'M)	% growth
5. Yulin City Ring Roads	4,377	-0.3%	13.49	+2.2%
6. Yugong Highway	7,536	+9.7%	13.55	+16.3%

Yulin projects recorded a stable growth in both traffic volume and toll revenue. The opening of Bobai Section of Yulin-Baisha Highway contributed a significant growth on usage and revenue to Yugong Highway last year. The Liujiang-Shanxin section of Nanning-Yulin Expressway, which will be linked to Yulin City Ring Roads, is expected to be opened in the second half of the year 2003. Improvement works along the way will draw more vehicles using the roads.

## GUANGXI





## Jiangsu Province

Creating an ideal investment place has long been the goal for Jiangsu Province. Its excellent development has attracted a total of 153 Fortune 500 companies to invest there. With the favourite environment of China's entry to WTO and the fast growth in the Yangtze River Delta region, Jiangsu Province continued to grow with an open economy policy. In 2002, GDP reached RMB1,064 billion (an increase of 11.6%), continuing to make the second in the country. Imports-exports turnover reached a new height of US\$70 billion which was a growth of 36.9%. The magnitude of growth ranked No. 1 among the major export provinces and municipalities. The actual utilization amount of foreign investments was US\$10.83 billion, representing an increase of 76.3%. Improving infrastructure further enhanced the investment climate. As at 2002, there was a total of 60,141 km of highway of which 1,702 km was expressway including 315 km newly built.

The Group's investment in Jiangsu Province:

	Project Name	AADT	% growth	Annual Toll Revenue (RMB'M)	% growth
7.	Airport Highway	7,674	-33.7%	43.86	+9.8%
8.	Changcao Highway	5,197	+8.6%	22.26	+10.9%

With the relocation of Qiandeng toll station of Airport Highway in end of 2001 and the modification of the toll collection method, the Annual Toll Revenue improved satisfactorily in 2002. The adoption of the one-way toll collection at Qiandeng toll station brought a 10% rise of the project's toll revenue despite the drastic reduction of toll traffic volume. To avoid bypassing the toll station, the Jinjihu toll station of Airport Highway was relocated in January 2003, bringing in a remarkable rise of the toll revenue.

With the fast growth pace of Jiangsu Province and Changzhou City, the traffic volume and toll revenue achieved a satisfactory growth in 2002. Dampened by the problem of bypassing access of toll stations, the joint venture will continue to lower the impact by striving for higher toll revenue through measures of toll rate increment and toll station relocation.



## Shanxi Province

Shanxi Province has implemented various economic reforms to energize the economic development. Such measures brought brilliant results and raised the living standards substantially. GDP in 2002 was RMB200.2 billion, a growth of 10.8% and ranking the 8th in the country. This was a record breaking growth since 9 years ago. Core industries like coal-mining and tourism performed well. The volume of production and export of coal soared significantly in 2002. The income generated from the tourism reached RMB11.8 billion, an increase of 18%. As at 2002, a total of 59,611 km of highway was built in the province, with 1,070 km of expressway. The increase of highway raised the level of infrastructure development, speeding up the economic growth further.



The Group's investment in Shanxi Province:

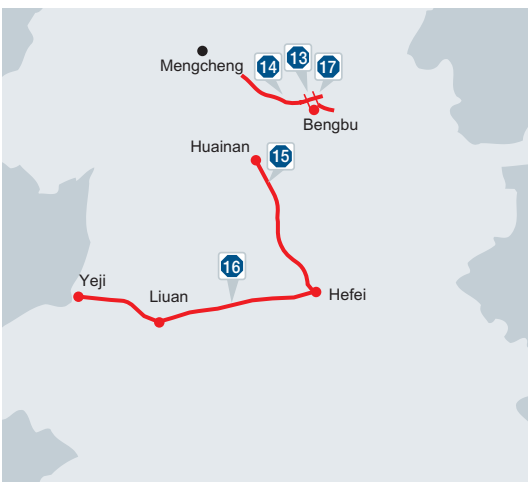
Project Name	AADT	% growth	Annual Toll Revenue (RMB'M)	% growth
9. Dongguan Highway	4,995	+5.0%	14.13	+32.8%
10. Taiyu Highway	16,478	+11.8%	30.74	+43.7%
11. Yuci City Bypass	4,380	+9.8%	13.32	+44.3%
12. Taigu Highway	7,928	+8.6%	19.60	+45.0%

A toll rate adjustment with an average increase of 30%-50% was made in August 2002 and the annual toll revenue bounced upward. However, this toll rate adjustment caused part of the traffic to shift to other more economical routes.

As the "Southern Gate" of Taiyuan City, Taiyu Highway benefited directly from the economic growth of Shanxi province and the substantial increase of traffic volume. However, the Group anticipated a negative impact before 2004 because of the completion of Outer Ring Expressway in Taiyuan City.

The recovery of the coal-mining industry brought a significant growth in traffic volume to Taigu Highway, Dongguan Highway and Yuci City Bypass. Nevertheless, the completion of Taiyuan-Qixian Expressway in December 2002 will cause a traffic diversion from Dongguan Highway and Yuci City Bypass. The Group will monitor closely the actual impact from the expressway.

The Group still owned the Xiaodian Fenhe Bridge project during the year. In end 2002, the Group has reached an agreement with our Shanxi joint venture partner to dispose the project's entire interests owned by the Group. The proceedings are expected to be completed in the first-half of 2003.



## Anhui Province

Anhui Province further refined its economic structure and the quality of industries this year. Emphasis was put on attracting investments and improving the environment for foreign trade and exports. The total value of imports and exports reached US\$4.18 billion, with a steady growth of 15.7% compared to the figure from last year. The GDP in 2002 was RMB356.9 billion, a 8.9% rise from last year. Turnover of freight traffic grew by 14.3%; road transportation and road passengers traffic turnover increased 18.6% and 14.8% respectively. This reflected a healthy economic development. As at 2002, the total length of highway amounted to 67,547 km including 866 km expressways of which 269 km was newly added during the year.

The Group's investment in Anhui Province:

Project Name	AADT	% growth	Annual Toll Revenue (RMB 'M)	% growth
13. Bengbu Huaihe Bridge Highway	12,353	+5.1%	43.25	-14.0%
14. Bengbu Huaimeng Highway	7,961	+0.3%	31.19	+31.6%
15. Hehuai Highway	17,882	+10.0%	78.81	+7.4%
16. Heye Highway	25,104	+20.3%	146.10	+17.6%
17. Chaoyanglu Huaihe Bridge	3,909	-	0.49	-

The opening of Hefei-Xuzhou Expressway Southern Section during the year changed the traffic mix of Bengbu and the surrounding areas significantly.

As Bengbu Huaihe Bridge Highway is located at the downtown of Bengbu City and more suitable for passenger vehicles, certain large trucks shifted to Hexu Expressway. Toll rates for trucks are higher than that of passenger vehicles, causing a rise in traffic volume but a drop in revenue. Nevertheless, the performance of Bengbu Huaihe Bridge Highway is better than the Group forecast. The northern section of Hexu Expressway will be completed in end 2003 and is expected to affect the traffic of this project further. The factor was anticipated when the Group invested.

At the entrance of Hexu Expressway southern section, Bengbu Huaimeng Highway became the main route for trucks. The growing percentage of trucks in the traffic mix increased toll revenue. The Group expected this favourable situation would be minimized after the link up of the southern and northern sections of Hexu Expressway in end 2003.



With a relatively even distribution of long haul vehicles and local vehicles using Heye Highway and Hehui Highway, both projects resulted in similar growth in traffic and toll revenue. Heye Highway also greatly benefited from government's measures on regulating the forms of truck transportation and the lack of direct competing roads.

Chaoyanglu Huaihe Bridge was opened to traffic and commenced toll collection in early December of year 2002. Operation has been smooth.

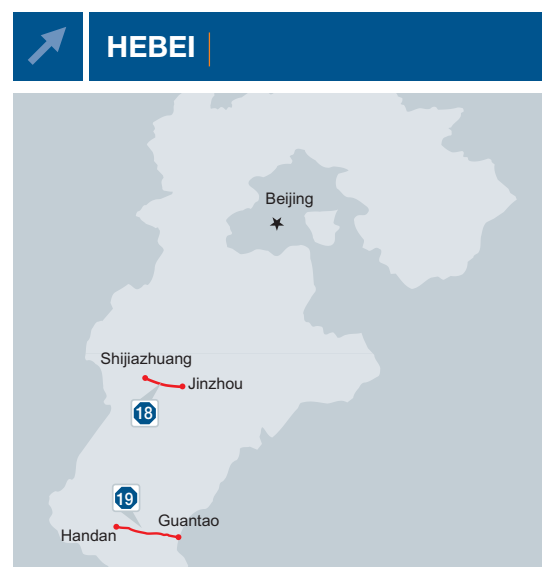
## Hebei Province

Surrounding Beijing and Tianjin, Hebei Province always has a leading position in economic development in the country. In 2002, GDP was RMB607.6 billion, an increase of 9.6%. Tourism, exports and transportation industries made an excellent performance. Tourism industry realized a total revenue of RMB27.9 billion, a growth of 13.1% from the 2001 figures. Imports-exports turnover was US\$6.667 billion, ranking the 10th in China. To serve the rapid development of various industries and the society, Hebei province continued to invest in highway industry. By 2002, total expressway mileage of Hebei Province reached 1,591 km. Rural road mileage is also increasing at a rate of 1,000 km per year, which improves the highway transportation environment in the province substantially.

The Group's investment in Hebei Province:

Project Name	AADT	% growth	Annual Toll Revenue (RMB'M)	% growth
18. Shijin Highway	12,363	-4.6%	41.30	+4.8%
19. Hanguan Highway	10,561	+20.2%	71.09	+30.7%

With management of bypassing traffic and toll evasion, together with the high growth of transportation industry in the region, Shijin Highway recorded a moderate growth last year in spite of the traffic diversion to Shijiazhuang-Huanghua Port Expressway.





Hanguan Highway is located at Handan city, the intersection between Hebei, Henan, Shandong and Shanxi Provinces. It saw a rapid growth in the number of passengers and freight traffic last year. Trip turnover of goods vehicles noticeably increased as the country prohibited vehicles from being overloaded. The total recovery of the coal mining industry contributed to the increase of toll revenue of Hanguan Highway which is the major gateway for transporting coal from Shanxi Province to the east. This project also experienced a temporal growth of usage as the neighboring Handan-Daming Highway was under maintenance.

**HENAN** 



**Henan Province**

Henan Province has been an agricultural province. In recent years, the Province has focused on strengthening the foundation of agricultural industry and modifying the industrial structure, aiming for industrial modernization. In the past five years, the average income per capita of the agricultural workers in the province grew by 30%. The share of industry in GDP exceeded 40%. With various economic measures in Henan, GDP reached RMB600 billion in 2002, making a growth of 9.5% and ranking the 5th in China. Henan has always placed greater emphasis on developing transportation in order to maximize the value of its central location in the plain. Over 1,000 km of expressways were under construction during 2002, with 154 km newly increased. The total expressway grew to 1,231 km and total mileage to 71,750 km, ranking among the highest in the country.

The Group's investment in Henan Province:

Project Name	AADT	% growth	Annual Toll Revenue (RMB'M)	% growth
20. Xunan Highway	20,760	+6.4%	147.24	+10.6%

Average daily traffic and toll revenue of Xunan Highway continued to grow significantly this year. Pingdingshan City, where the Highway is located, will emphasize the development of industries like coal mining, electricity, chemical and tourism in the coming years. With this local economic development, the Group forecasted that income from the Highway will grow steadily. Construction of the parallel Xunan Expressway started and it will be completed in 2005. Anticipation of traffic diversion to Xunan Expressway was included when the Group made this investment.



**HUNAN**

**Hunan Province**

Hunan Province economy continued to grow fast, realizing a GDP of RMB434.1 billion which made a 9% increase. Utilization of foreign capital reached US\$1.38 billion, representing a growth of 16% compared with that of last year. Rapid development of various sectors greatly stimulated the demand for highway transportation. Turnover of freight traffic by highway exceeded 30 billion ton km. Total highway mileage exceeded 60,000 km, in which expressway mileage achieved a breakthrough of 1,000 km, taking Hunan into the first 10 ranks in the nation. Hunan Provincial Government planned to have a fixed assets investment reaching up to RMB13 billion in 2003. The target of linking Changsha, the provincial capital, to 13 cities and autonomous prefectures by expressways is planned to be achieved in 2010.



The Group's investment in Hunan Province:

Project Name	AADT	% growth	Annual Toll Revenue (RMB'M)	% growth
21. Changyi Expressway	30,058	+26.4%	136.96	+15.3%
in Expressway	8,776	+20.0%	99.04	+12.6%
which Changyi old road	21,282	+29.2%	37.92	+23.1%

Changyi Expressway consists of Changsha to Yiyang Expressway and the Changsha to Yiyang section of the National Highway 319 ("Changyi old road"). Of the total toll revenue, Changyi Expressway contributed 72%.

With economic development, the growth performance of traffic and toll revenue of Changyi Expressway was promising. In April 2002, two toll stations of Changyi old road were allowed to raise toll rates for about 40%. This caused some vehicles to switch to use the expressway, further raising the volume and revenue of the expressway.

Being a participating province involved in the development strategy for the Western Region, Hunan Province planned to construct a number of expressways. Some projects like Changde-Zhangjiajie Expressway and Changde-Jishou Expressway will link up with the Group's project and start to operate within the next three to five years, maximizing the growth potential of Changyi Expressway.

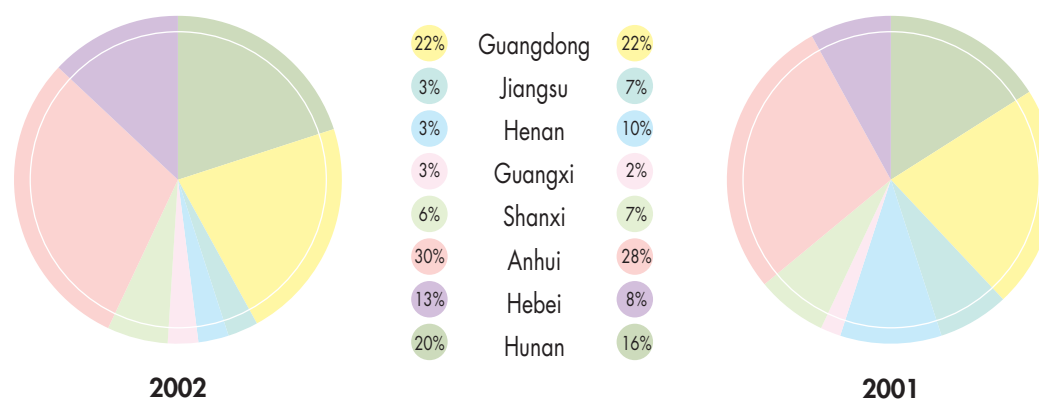


(A) Financial Results

Summary of Consolidated Income Statement

HK\$ million	2002	2001	% changes
Turnover: Group and share of infrastructure joint ventures			
Toll revenue	748	733	+2%
Minimum income undertakings	45	137	-67%
Sales of goods	80	76	+5%
	873	946	-8%
Less: Share of infrastructure joint ventures' toll revenue	(709)	(701)	+1%
Turnover: Group	164	245	-33%
Net income recognised in respect of goodwill and negative goodwill	21	19	+11%
Gain on disposal of interests in infrastructure joint ventures	–	34	N/A
Other income	20	18	+11%
Cost of inventories sold	(72)	(64)	+13%
Allowance for doubtful receivables	(25)	(126)	-80%
Operating expenses	(95)	(117)	-19%
Share of operating profit of joint ventures	417	399	+5%
Operating profit: Group and share of joint ventures	430	408	+5%
Finance costs	(81)	(111)	-27%
Profit before taxation	349	297	+18%
Taxation	(30)	(56)	-46%
Minority interests	(6)	–	N/A
Profit for the year	313	241	+30%
Weighted average number of issued shares	513,769,004	506,014,065	+ 2%
Basic earnings per share	HK\$0.55	HK\$0.40	+37%
Dividend per share in respect of current year	HK24 cents	HK15.8 cents	+52%
<b>HK\$ million</b>			
Dividend in respect of current year			
Interim dividend	82	35	+134%
Proposed final dividend	41	45	-9%
Dividend on convertible preference shares	33	39	-15%

## Profit Contribution by Geographic Region



## Group's share of toll revenue

Toll revenue increased by 2% mainly attributable to the increase in total traffic and toll rates in certain projects. Excluding the impact of the disposal of Jieyang Highway Network project in September 2001 and some of the Group's projects being in their second stage of income distribution where the joint venture partners are entitled to a higher income and toll revenue sharing ratio, the Group's toll revenue had increased by 15% as compared to 2001.

## Minimum income undertakings

The decrease was mainly due to the fact that some of the Group's projects had already reached the stage to recover their original investment amounts and, therefore, the provision of minimum income undertakings for some projects had been expired.

## Sales of goods

The amount mainly represented sales of goods from the North American ginseng business.

## Net income recognised in respect of goodwill and negative goodwill

The amount mainly represented the amortisation of negative goodwill arising from the acquisition of 62% shareholding of Chai-Na-Ta Corp. The negative goodwill is being recognised as income over three years which is the weighted average useful life of the non-monetary assets.

## Other income

Other income mainly consisted of interest income.

## Allowance for doubtful receivables

An allowance of HK\$25 million was made in respect of the outstanding receivables in relation to the minimum income undertakings due from the PRC joint venture partners of Luochong Highway project.



#### Operating expenses

The decrease of operating expenses was mainly attributable to the Group's disposal of its non-core Chinese medicine business, together with the effective cost saving plan of the ginseng business.

#### Share of operating profit of joint ventures

Share of joint ventures' operating profit increased by 5% mainly attributable to the increase of total traffic and toll rates in some of the Group's projects but was offset by the fact that some projects had reached their second stage of preferential income distribution where the PRC joint venture partners were entitled to have a higher income sharing ratio. Also, the Group would no longer share the profit from the Jieyang Highway Network project after its disposal in September 2001. Excluding the dual effects, share of operating results of joint ventures would increase by 22%.

#### Finance costs

Finance costs mainly represented interest of transferable loan certificate, guaranteed notes less interest income on repurchased portion and other finance costs in association with the financing exercise during the year. The decrease in finance costs was mainly attributable to the refinancing exercise and gradual repayment of existing debts.

#### Taxation

Taxation mainly represented share of PRC income tax attributable to the PRC infrastructure joint ventures and a deferred tax provision arising from timing differences between depreciation policy for toll highway operation rights adopted by the Group and the PRC infrastructure joint ventures. The substantial drop of deferred taxation was due to the narrow-down of cumulative timing differences arising from the different policies adopted.

## (B) Cash Flow

### Summary of Consolidated Cash Flow Statement

HK\$ million	2002	2001	Changes
Net cash from operating activities	66	40	26
Net cash from investing activities	371	995	(624)
Net cash used in financing activities	(300)	(412)	112
Increase in cash and bank balances	137	623	(486)

**Net cash from operating activities** was mainly attributable to decrease of debtors, deposits and prepayments by HK\$50 million and decrease of inventories and ginseng crops by HK\$29 million but offset by the decrease of creditors and accrued charges by HK\$3 million in the current year.

**Net cash from investing activities** mainly comprised repayment of shareholder loans from joint ventures of HK\$296 million (last year: HK\$298 million), dividends received from joint ventures of HK\$153 million (last year: HK\$140 million), proceeds from disposal of investment in securities of HK\$51 million (last year: Nil) and purchases of securities of HK\$90 million (last year: Nil), loans to joint ventures of HK\$39 million (last year: HK\$38 million) and additional investments in joint ventures of HK\$35 million (last year: HK\$4 million).

**Net cash used in financing activities** principally consisted of dividend payment of HK\$160 million (last year: HK\$110 million), repayment of transferable loan certificate of HK\$98 million (last year: HK\$768 million), interest payment of HK\$72 million (last year: HK\$107 million) and new loans raised of HK\$33 million (last year: HK\$581 million).



### Capital Expenditure Commitments

As at the end of 2002, the Group's outstanding contracted capital commitments in respect of toll road projects were as follows:

	<b>HK\$ million</b>
Within one year	3
In the second to fifth year inclusive	–
After the fifth year	42
	<hr/> 45

The commitments will be funded by the Group's working capital.

### Contingent Liabilities

As at the end of 2002, the Group had the following contingent liabilities:

	<b>HK\$ million</b>
Guarantees indirectly given to banks in respect of bank facilities utilised by infrastructure joint ventures	<hr/> 117

## (C) Financial Position

### Summary of Consolidated Balance Sheet

HK\$ million	2002	2001	Changes
<strong>ASSETS</strong>			
Property, plant and equipment	52	57	-5
Interests in joint ventures	3,962	3,955	+7
Other non-current assets	254	285	-31
Current assets	1,458	1,329	+129
Total assets	5,726	5,626	+100
<strong>LIABILITIES</strong>			
Current liabilities	259	158	+101
Long-term liabilities	945	1,099	-154
Minority interests	82	81	+1
Total liabilities	1,286	1,338	-52
<strong>CAPITAL</strong>			
Shareholders' funds	4,440	4,288	+152

**Property, plant and equipment** mainly comprised the fixed assets of subsidiaries including Zhongshan Qijiang Highway Company Limited and Chai-Na-Ta Corp.

**Interests in joint ventures** increased to HK\$3,962 million mainly due to the additional investments in a project during the year.

**Other non-current assets** mainly comprised toll highway operation right, goodwill, negative goodwill, debtors due after one year and charged deposits.

**Current assets** mainly comprised bank balances and cash, charged deposits, receivables, inventories and ginseng crops. As at 31 December 2002, bank balances, cash and charged deposits aggregated to HK\$1,088 million (last year: HK\$925 million).

**Current liabilities** mainly comprised HK\$196 million of the short-term portion of the secured loans (last year: HK\$99 million) and HK\$26 million (last year: HK\$24 million) of interest payables.

**Non-current liabilities** comprised the long term portion of the Group's secured loans and guaranteed notes of HK\$945 million (last year: 1,099 million).

The increase in **shareholders' funds** was attributable to the change of the retained profit, adjusted for cancellation of repurchased shares during the year.



### Capital Structure

HK\$ million	2002	2001
Shareholders' funds	4,440	4,288
Secured loans	1,141	1,199
Total capital employed	5,581	5,487
Gearing ratio	26%	28%

The reduction of the Group's gearing ratio from 28% to 26% was mainly attributable to the repayment of the transferable loan certificate of HK\$98 million. The Group's net gearing ratio had then decreased to 1% (last year: 5%).

### Interest Coverage

HK\$ million	2002	2001
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	552	536
Finance costs	81	111
Interest coverage	6.8 times	4.8 times



## Executive Directors

### **Mr. Zen Wei Pao, William**

*(aged 55, Chairman)*

Mr. Zen has been the Chairman of the Company since its establishment. He is also the Chairman of Wai Kee, the biggest shareholder of the Company. Mr. Zen holds a Bachelor of Science degree in Physics and a Master of Business Administration degree. He is a member of both The Hong Kong Institution of Engineers and The Institute of Quarrying, UK. He is also an individual founder member and a fellow member of Hong Kong Institution of Highways and Transportation. He has extensive experience in civil engineering, construction material and infrastructure development in Hong Kong, Taiwan and the PRC. He is the brother of Mr. Zen Wei Peu, Derek.

### **Mr. Ko Yuk Bing**

*(aged 47, Managing Director and Chief Executive Officer)*

Mr. Ko joined the Group in early 1995. Mr. Ko holds a Master of Science degree in Engineering. He is a Chartered Engineer, and is a fellow member of The Institution of Civil Engineers, UK, The Institution of Structural Engineers, UK, and The Hong Kong Institution of Engineers. He has extensive experience in infrastructure development in Hong Kong and the PRC, and has over 13 years' experience in business development and operation in the PRC.

### **Mr. Chan Kam Hung**

*(aged 44, Finance Director)*

Mr. Chan has been appointed as an Executive Director of the Company since 23 July 2002. He holds a Bachelor of Economics degree from the University of Sydney. He is a member of The Institute of Chartered Accountants of Australia and a fellow member of The Hong Kong Society of Accountants. Mr. Chan has over 20 years' of auditing, accounting and corporate management experience. Prior to joining the Company, he has held senior corporate management positions in multi-national companies and listed companies in Hong Kong.

### **Mr. Zen Wei Peu, Derek**

*(aged 50)*

Mr. Zen has been a Director of the Company since its establishment. He is also the Vice Chairman of Wai Kee. He holds a Bachelor of Science degree in Civil Engineering and a Master of Business Administration degree. He is a Chartered Engineer and is a member of The Institution of Civil Engineers, UK and a fellow member of The Institution of Quarrying, UK. Mr. Zen has over 24 years' experience in civil engineering industry. He is the brother of Mr. Zen Wei Pao, William.

### **Mr. Fong Shiu Leung, Keter**

*(aged 40, Company Secretary)*

Mr. Fong has been appointed as an Executive Director of the Company since 25 July 2000. He is also an Executive Director of Wai Kee. Mr. Fong holds a Bachelor degree in Arts. He is a Certified Practising Accountant in Australia and a fellow member of The Hong Kong Society of Accountants. He has 17 years' experience in auditing, accounting and business advisory profession.



## Non-Executive Directors

### **Mr. Brian Souter**

*(aged 48)*

Mr. Souter has been appointed as a Non-Executive Director of the Company since 6 May 1998. He is the Chief Executive of Stagecoach Group (“Stagecoach”), a substantial shareholder of the Company. Stagecoach is one of the world’s largest providers of public transport services and its securities are listed on the London Stock Exchange. Mr. Souter was a co-founder of Stagecoach in 1980. He is a Chartered Accountant in the UK.

### **Mr. Cheng Wai Po, Samuel**

*(aged 43)*

Mr. Cheng is an alternate Director to Mr. Brian Souter. He is a Director and the General Manager of SGC (HK Group) Limited and Citybus Limited, subsidiaries of Stagecoach. Mr. Cheng holds a Bachelor of Social Sciences degree from the University of Hong Kong and is a member of The Hong Kong Society of Accountants.

### **Mr. Ross Thomas Martin**

*(aged 52)*

Mr. Martin has been appointed as a Non-Executive Director of the Company since 26 August 2002. He is the Executive Chairman of Stagecoach New Zealand and the Chairman of Citybus Limited. Mr. Martin holds a Bachelor of Commerce degree from Victoria University in New Zealand and is a member of the New Zealand Institute of Chartered Accountants. He has been working to develop New Zealand’s bus public transport system for 10 years. Prior to joining Stagecoach, Mr. Martin worked in a range of industrial organisations in New Zealand and the UK.

### **Mr. Martin Andrew Griffiths**

*(aged 36)*

Mr. Griffiths is an alternate Director to Mr. Ross Thomas Martin. He is the Group Finance Director of Stagecoach and has extensive experience in risk management, financial reporting, and acquisitions and disposals. He is also a Director of Prepayment Cards Limited, thetrainline.com Limited and HK Kwoon Chung (Chongqing) Bus Investment Limited. Mr. Griffiths is a first class honours law graduate from the University of Glasgow and is a member of the Institute of Chartered Accountants of Scotland.

### **Mr. James Herbert Stewart**

*(aged 50)*

Mr. Stewart has been appointed as a Non-Executive Director of the Company since 22 May 2001. He is a Director of HSBC Private Equity (Asia) Limited (“HPEA”). He holds a Bachelor of Commerce degree from the University of British Columbia in Canada. He also holds qualifications from Canada as a Chartered Accountant and Chartered Insolvency Practitioner. He joined HPEA from William E. Simon & Sons (Asia) Limited (“Simon Asia”), a Hong Kong based private equity and fund management company where Mr. Stewart was an Investment Principal and Chief Financial Officer. Prior to joining Simon Asia in 1995, Mr. Stewart worked in the Corporate Financial Services Group of KPMG in Hong Kong and the Corporate Advisory Services Group of KPMG in Vancouver.

### **Ms. Chiang Wen Chee, Wendy**

*(aged 29)*

Ms. Chiang is an alternate Director to Mr. James Herbert Stewart. Ms. Chiang is a Manager of HPEA and holds a Bachelor of Arts degree from the University of Waterloo in Canada. She is also a member of The American Institute of Certified Public Accountants. Prior to joining HPEA, she worked in the audit division of KPMG in Hong Kong.

## Independent Non-Executive Directors

### **Mr. Chan Hing Chiu, Vincent**

*(aged 67)*

Mr. Chan joined the Company as an Independent Non-Executive Director in 1996. He was the Chairman of Scott Wilson Kirkpatrick (Hong Kong) Limited (“SWK”) and is currently retired. He was a Partner and a Director of SWK since 1981. Mr. Chan holds a Bachelor of Science degree in Engineering and a Master of Science degree. He is a member of The Institution of Civil Engineers, UK and a fellow member of The Hong Kong Institution of Engineers.

### **Mr. Chow Shiu Kee, Stephen**

*(aged 54)*

Mr. Chow joined the Company as an Independent Non-Executive Director in 1996. He holds a Bachelor of Arts degree and a Master of Law degree. He is a solicitor admitted to practice in Hong Kong, England and Wales, and Singapore, and is a partner of the solicitors firm of Messrs. Wong Poon Chan Law & Co. He is a Notary Public and a China Appointed Attesting Officer. Mr. Chow is a member of Solicitors Disciplinary Tribunal Panel, and a member of the Law Society Free Legal Advice Scheme.

## Senior Management

### **Mr. Leung Chin Wan**

*(aged 48)*

Mr. Leung is a General Manager of the Project Management Division. He holds a Master of Science degree in Engineering. He is a Chartered Engineer and is a member of both The Institution of Civil Engineers, UK and The Hong Kong Institution of Engineers. He has over 24 years’ experience in civil engineering industry with more than 14 years’ experience in PRC project management.

### **Mr. Yu Kam Fat, James**

*(aged 47)*

Mr. Yu is a General Manager of the Project Management Division. He holds a Master of Science degree in Engineering. He is a Chartered Engineer and is a member of The Association of Professional Engineers of Ontario, Canada, The Institution of Civil Engineers, UK, The Institution of Structural Engineers, UK and The Institution of Highway and Transportation, UK and is a fellow of The Hong Kong Institution of Engineers. He is also a Registered Structural Engineer, HK and a Registered Professional Engineer, HK. He has over 23 years’ experience in civil engineering industry and project management.

### **Mr. Chan Sai Kuen, Daniel**

*(aged 45)*

Mr. Chan is a Deputy General Manager of the Project Management Division. He holds a Bachelor of Business Administration degree in Accounting. He has over 21 years’ experience in accounting and project management.

### **Ms. Han Feng Hua**

*(aged 63)*

Ms. Han is a Project Controller of the Group, particularly involved in project management. She is a Senior Professional Engineer in the PRC and a committee member of Specialist Committee of the China Highway and Transportation Institution. Ms. Han was the Director of a Provincial Highway Bureau in the PRC. She has over 39 years’ experience in administration, road construction and management of the transportation sector in the PRC.



## Senior Management (Continued)

### **Mr. Xu De Bao**

*(aged 64)*

Mr. Xu is a Senior Project Manager stationed in the PRC. He was the Director of a City Communications Bureau in the PRC. He has over 15 years' experience in administration, road construction and personnel management of the transportation sector in the PRC.

### **Mr. Ding Huai Qing**

*(aged 62)*

Mr. Ding is a Senior Project Manager stationed in the PRC. He was the Director of a City Communications Bureau in the PRC. He has over 42 years' experience in administration, road construction and management of the transportation sector in the PRC.

### **Ms. Zhong Liang Jun**

*(aged 66)*

Ms. Zhong is a Senior Consultant particularly involved in business development. She was with the Ministry of Communications in the PRC. She has over 48 years' experience in transportation infrastructure development in the PRC.

### **Mr. Chen Guan Jun**

*(aged 70)*

Mr. Chen is a Senior Technical Consultant. He is a Senior Professional Engineer in the PRC. He is a honourable Director of the Bridge and Structure Society of China Civil Engineering Society, senior committee member of Jiangsu Road Association and an Academic Committee Chief of Jiangsu Highway and Transport Engineering Laboratory. He has over 50 years' experience in transportation infrastructure management.



The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31 December 2002.

### **Principal Activities**

The Company acts as an investment holding company. The principal activities of the subsidiaries and infrastructure joint ventures are investment holding and the investment in, development, operation and management of toll roads and expressways in the People's Republic of China ("PRC") and details of which are set out in notes 18 and 19 to the financial statements.

### **Results and Appropriations**

The results of the Group for the year ended 31 December 2002 are set out in the consolidated income statement on page 44.

An interim dividend of HK16 cents per share amounting to HK\$82,496,000 was paid to the shareholders on 15 August 2002. The convertible preference shares dividend of HK\$32,550,000 was paid during the year.

The directors recommend the payment of a final dividend of HK8 cents per share to the shareholders on the register of members on 12 May 2003 amounting to HK\$41,248,000.

### **Share Capital, Share Options and Warrants**

Details of the movements during the year in the share capital, share options, and warrants of the Company are set out in notes 26, 27 and 28 to the financial statements respectively.

### **Reserves**

Movements during the year in the reserves of the Group and the Company are set out in note 29 to the financial statements.

### **Property, Plant and Equipment**

Details of movements during the year in the property, plant and equipment of the Group are set out in note 17 to the financial statements.

### **Connected Transactions**

- (a) On 11 September 2000, a revolving credit agreement (the "Revolving Credit Agreement") was entered into between More Growth Finance Limited ("More Growth"), an indirectly wholly owned subsidiary of the Company, and Chai-Na-Ta Corp. ("CNT"), a 62% owned subsidiary of the Company.

Pursuant to the Revolving Credit Agreement, More Growth agreed to provide C\$5 million (approximately HK\$25,000,000) unsecured revolving credit bearing interest at the Canadian prime rate plus 2.5% per annum. Following maturity in March 2001, this facility was further extended until March 2003. For each extension More Growth charged an extension fee equal to 1% of the commitment amount. The purpose of the facility was to provide general working capital to CNT.

During the year, CNT has repaid C\$2 million to More Growth. Subsequent to the balance sheet date, CNT has fully settled C\$3 million of principal and the balance of accrued interest due to More Growth as of 12 March 2003.

The above transaction was structured on normal commercial terms and was approved by the Board of Directors of the Company.



### Connected Transactions (Continued)

(b) On 16 April 2002, the Company entered into the sale and purchase agreement (the "Agreement") with an executive director of the Company relating to the disposal of the entire equity interest in CNT Life Sciences, Inc., at the consideration of HK\$5,280,000, out of which HK\$2,640,000 had been paid to the Company at completion. Completion took place on 16 April 2002 immediately after the signing of the Agreement. The balance of HK\$2,640,000 with interest was paid to the Company on 31 December 2002. The details of the transaction were disclosed in the Company's announcement dated 17 April 2002.

### Directors and Directors' Service Contracts

The directors of the Company during the year and up to the date of this report are:

#### Executive directors:

Zen Wei Pao, William (*Chairman*)

Ko Yuk Bing (*Managing Director and Chief Executive Officer*)

Chan Kam Hung (*Finance Director*) (appointed on 23 July 2002)

Zen Wei Peu, Derek

Fong Shiu Leung, Keter

Chui Chi Keung, Raymond (resigned on 23 July 2002)

#### Non-executive directors:

Brian Souter

Cheng Wai Po, Samuel (alternate to Brian Souter)

Ross Thomas Martin (appointed on 27 August 2002)

Martin Andrew Griffiths (ceased to act as alternate to Keith Robertson Cochrane on 27 August 2002 and appointed on 27 August 2002 as alternate to Ross Thomas Martin)

James Herbert Stewart

Chiang Wen Chee, Wendy (alternate to James Herbert Stewart)

Keith Robertson Cochrane (resigned on 27 August 2002)

Wu Chang, Tom (appointed on 29 January 2002 and resigned on 14 January 2003)

Bharat Parashar (appointed on 29 January 2002 as alternate to Wu Chang, Tom and ceased to act as his alternate on 14 January 2003)

#### Independent non-executive directors:

Chan Hing Chiu, Vincent

Chow Shiu Kee, Stephen

In accordance with Bye-laws 86 and 87 of the Company's Bye-laws, Chan Kam Hung, Fong Shiu Leung, Keter, Ross Thomas Martin, Chan Hing Chiu, Vincent and Chow Shiu Kee, Stephen shall retire by rotation and, being eligible, offer themselves for re-election. All other remaining directors continue in office.

## Directors and Directors' Service Contracts (Continued)

Each of the executive directors, except Chan Kam Hung and Fong Shiu Leung, Keter, entered into a service contract with the Company for a term of three years commencing from 1 May 2000.

Chan Kam Hung and Fong Shiu Leung, Keter entered into service contracts with the Company subsequent to their appointments. The service contracts with Chan Kam Hung are for a term of three years commencing from 1 September 2002. The service contract with Fong Shiu Leung, Keter is for a term of three years commencing from 25 July 2000.

The term of office for each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## Directors' Interests in Contracts

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Directors' Interests in Securities

At 31 December 2002, the interests of the directors and their associates in the equity securities of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

### Interests in shares

1. The Company

Name of director	Class of shares held	Number of shares held under personal interests
Zen Wei Peu, Derek	Ordinary	1,206,645

2. Associated corporation

Name of director	Name of Company	Class of shares held	Number of shares held under personal interests
Wu Chang, Tom	Chai-Na-Ta Corp.	Common	500



## Directors' Interests in Securities (Continued)

### Interests in warrants

Name of director	Number of warrants held under personal interests
Zen Wei Peu, Derek	241,329

### Interests in options

The Company has a share option scheme under which directors and employees of the Company and any of its subsidiaries may be granted options to subscribe for shares in the Company. Details of the share option scheme and a summary of the movement of options granted during the year are set out in note 27 to the financial statements.

A summary of the movement during the year in share options granted is as follows:

Name	Date granted	Vesting period	Exercisable period	Exercise price	Number of share options				
					Balance at 1.1.2002	Granted during the year	Exercised during the year	Expired/cancelled during the year	Balance at 31.12.2002
HK\$									
<b>Directors</b>									
Zen Wei Pao, William	2 August 1999	2 years	2 August 2000 to 1 August 2002	5.60	719,000	–	–	(719,000)	–
	2 August 1999	2 years	2 August 2000 to 1 August 2002	4.95	550,000	–	–	(550,000)	–
	8 August 2000	2 years	8 August 2001 to 7 August 2003	3.20	2,900,000	–	–	–	2,900,000
Ko Yuk Bing	2 August 1999	2 years	2 August 2000 to 1 August 2002	5.60	719,000	–	–	(719,000)	–
	2 August 1999	2 years	2 August 2000 to 1 August 2002	4.95	500,000	–	–	(500,000)	–
	8 August 2000	2 years	8 August 2001 to 7 August 2003	3.20	2,600,000	–	–	–	2,600,000
Zen Wei Peu, Derek	2 August 1999	2 years	2 August 2000 to 1 August 2002	5.60	539,000	–	–	(539,000)	–
	2 August 1999	2 years	2 August 2000 to 1 August 2002	4.95	250,000	–	–	(250,000)	–
	8 August 2000	2 years	8 August 2001 to 7 August 2003	3.20	1,500,000	–	–	–	1,500,000
Fong Shiu Leung, Keter	8 August 2000	2 years	8 August 2001 to 7 August 2003	3.20	320,000	–	–	–	320,000

## Directors' Interests in Securities (Continued)

Name	Date granted	Vesting period	Exercisable period	Exercise price	Number of share options				
					Balance at 1.1.2002	Granted during the year	Exercised during the year	Expired/cancelled during the year	Balance at 31.12.2002
				HK\$					
Brian Souter	2 August 1999	2 years	2 August 2000 to 1 August 2002	4.95	100,000	–	–	(100,000)	–
	8 August 2000	2 years	8 August 2001 to 7 August 2003	3.20	190,000	–	–	–	190,000
Chan Hing Chiu, Vincent	2 August 1999	2 years	2 August 2000 to 1 August 2002	5.60	143,000	–	–	(143,000)	–
	2 August 1999	2 years	2 August 2000 to 1 August 2002	4.95	100,000	–	–	(100,000)	–
	8 August 2000	2 years	8 August 2001 to 7 August 2003	3.20	320,000	–	–	–	320,000
Chow Shiu Kee, Stephen	2 August 1999	2 years	2 August 2000 to 1 August 2002	5.60	143,000	–	–	(143,000)	–
	2 August 1999	2 years	2 August 2000 to 1 August 2002	4.95	100,000	–	–	(100,000)	–
	8 August 2000	2 years	8 August 2001 to 7 August 2003	3.20	320,000	–	–	–	320,000
Chui Chi Keung, Raymond	27 November 2000	2 years	27 November 2001 to 26 November 2003	3.20	200,000	–	–	–	200,000
Keith Robertson Cochrane	2 August 1999	2 years	2 August 2000 to 1 August 2002	4.95	100,000	–	–	(100,000)	–
	8 August 2000	2 years	8 August 2001 to 7 August 2003	3.20	190,000	–	–	(190,000)	–
					12,503,000	–	–	(4,153,000)	8,350,000
<b>Others</b>									
Employees	2 August 1999	2 years	2 August 2000 to 1 August 2002	5.60	170,000	–	–	(170,000)	–
	2 August 1999	2 years	2 August 2000 to 1 August 2002	4.95	675,000	–	–	(675,000)	–
	8 August 2000	2 years	8 August 2001 to 7 August 2003	3.20	2,795,000	–	–	(390,000)	2,405,000
					3,640,000	–	–	(1,235,000)	2,405,000
					16,143,000	–	–	(5,388,000)	10,755,000



### Directors' Interests in Securities (Continued)

Other than disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Other than disclosed above and nominee shares in certain subsidiaries held in trust for the Group, at 31 December 2002, neither the directors nor their associates had any interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

### Arrangements to Acquire Shares or Debentures

Other than the share option scheme as mentioned earlier, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### Substantial Shareholders

The register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10% or more in the share capital of the Company as at 31 December 2002:

<b>Name</b>	<b>Number of ordinary shares</b>
ZWP Investments Limited	187,066,766
Wai Kee China Investments Company Limited ( <i>Note 1</i> )	187,066,766
Wai Kee China Investments (BVI) Company Limited ( <i>Note 2</i> )	187,066,766
Groove Trading Limited	66,000,000
Wai Kee (Zens) Holding Limited ( <i>Note 3</i> )	253,066,766
Wai Kee Holdings Limited ( <i>Note 4</i> )	253,066,766
Dietmar Limited	129,788,536
SGC (HK Holdings) Limited ( <i>Note 5</i> )	129,788,536
SGC (HK Group) Limited ( <i>Note 6</i> )	129,788,536
Stagecoach Asia Limited ( <i>Note 7</i> )	129,788,536
Stagecoach Group PLC ( <i>Note 8</i> )	129,788,536

## Substantial Shareholders (Continued)

Notes:

1. ZWP Investments Limited is a wholly owned subsidiary of Wai Kee China Investments Company Limited (“Wai Kee China Investments”). By virtue of the SDI Ordinance, Wai Kee China Investments was deemed to be interested in the shares of the Company.
2. Wai Kee China Investments (BVI) Company Limited (“Wai Kee China BVI”) beneficially owned all the issued ordinary shares in the capital of Wai Kee China Investments. By virtue of the SDI Ordinance, Wai Kee China BVI was deemed to be interested in the shares of the Company.
3. Wai Kee (Zens) Holding Limited (“Wai Kee (Zens)”) beneficially owned all the issued ordinary shares in the capital of Wai Kee China BVI and Groove Trading Limited. By virtue of the SDI Ordinance, Wai Kee (Zens) was deemed to be interested in the shares of the Company.
4. Wai Kee Holdings Limited (“Wai Kee Holdings”) beneficially owned all the issued ordinary shares in the capital of Wai Kee (Zens). By virtue of the SDI Ordinance, Wai Kee Holdings was deemed to be interested in the shares of the Company.
5. Dietmar Limited is a wholly-owned subsidiary of SGC (HK Holdings) Limited (“SGC”). By virtue of the SDI Ordinance, SGC was deemed to be interested in the shares of the Company.
6. SGC is a wholly-owned subsidiary of SGC (HK Group) Limited (“SGC Group”). By virtue of the SDI Ordinance, SGC Group was deemed to be interested in the shares of the Company.
7. SGC Group is a wholly-owned subsidiary of Stagecoach Asia Limited (“Stagecoach Asia”). By virtue of the SDI Ordinance, Stagecoach Asia was deemed to be interested in the shares of the Company.
8. Stagecoach Asia is a wholly-owned subsidiary of Stagecoach Group PLC (“Stagecoach”). By virtue of the SDI Ordinance, Stagecoach was deemed to be interested in the shares of the Company.

## Purchase, Sale or Redemption of the Company’s Listed Securities and Secured Loans

During the year, the Company repurchased certain of its own shares, details of which are set out in note 26 to the financial statements. The directors considered that, as the Company’s shares were trading at a discount to the net asset value per share, the repurchases would increase the net asset value per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2002.

Details of the repurchase of certain secured loans are set out in note 30 to the financial statements.

## Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company’s Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## Major Customers and Suppliers

The principal business of the Group is to invest in, develop, operate and manage toll roads and expressways in the PRC. There are no major customers and suppliers in view of the nature of the Group’s business.



### Code of Best Practice

The Company has complied throughout the year ended 31 December 2002 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

### Audit Committee

Pursuant to the requirements of the Listing Rules, the Company had on 30 July 1998 established an Audit Committee comprising three members (two of them being independent non-executive directors) with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants.

### Practice Note 19 to the Listing Rules

In compliance with Practice Note 19 to the Listing Rules, the following information is disclosed:

**1. Pursuant to part 3.3 of the Practice Note 19:**

- (a) All the Group's investments in highway projects are structured in the form of Sino-foreign co-operative joint ventures. Except for one joint venture, all the remaining 33 joint ventures are regarded as infrastructure joint ventures irrespective of whether the interests exceed 50% or not. The investments are in the form of both registered capital and loans. The size of loans made by the Group and by the other joint venture partner(s) to each joint venture is in proportion to the respective interests in each joint venture.
- (b) During the year, the Group has provided guarantees of HK\$117 million to banks in respect of bank facilities utilised by infrastructure joint ventures.
- (c) The total amount of loans to the infrastructure joint ventures is HK\$2.54 billion which exceeds 57% of the Group's net assets as at 31 December 2002. The loans are actually part of the investments and are unsecured, interest free and have no definite repayment terms.
- (d) The loans to the infrastructure joint ventures were funded by equities raised at the listing of the Company or by borrowings or internal resources of the Group.

## Practice Note 19 to the Listing Rules (Continued)

PRC Infrastructure Joint Ventures	% of interest held indirectly by the Company	Loan to joint venture HK\$'000	Outstanding loan to be injected HK\$'000
Anhui Road Universe Hefei Highway Development Co., Ltd.	50%	34,303	–
Anhui Road Universe Hehuai Highway Dayang Section Development Company Limited	60%	75,663	–
Anhui Road Universe Hehuai Highway Yangjin Section Development Company Limited	60%	67,252	–
Anhui Road Universe Liuan Highway Development Co., Ltd.	50%	5,235	–
Bengbu Road King Chaoyanglu Huaihe Highway Bridge Development Co., Ltd.	60%	34,630	2,622
Bengbu Road King Huaihe Bridge Highway Development Co., Ltd.	60%	78,083	–
Bengbu Road King Huaimeng Highway Development Co., Ltd.	60%	57,201	–
Foshan Guangsan Special-Use Automobile Highway Co., Ltd.	35%	198,144	–
Guangxi Hengjing Highway Development Co., Ltd.	70%	61,513	18,384
Guangxi Lutong Highway Development Co., Ltd.	70%	81,800	15,793
Handan Rongguang Highway Development Co., Ltd.	70%	79,223	–
Handan Xinguang Highway Development Co., Ltd.	70%	80,474	–
Hunan Changyi (Baining) Expressway Co., Ltd.	43.17%	58,635	–
Hunan Changyi (Cangyi) Expressway Co., Ltd.	43.17%	59,832	–
Hunan Changyi (Changbai) Expressway Co., Ltd.	43.17%	59,567	–
Hunan Changyi (Hengchang) Expressway Co., Ltd.	43.17%	61,465	–
Hunan Changyi (Ningheng) Expressway Co., Ltd.	43.17%	59,510	–
Hunan Changyi (Zijiang No. 2 Bridge) Expressway Co., Ltd.	43.17%	47,346	–
Liuan Road Universe Liuye Highway Development Co., Ltd.	50%	23,546	–
Liuan Road Universe Pihe Bridge Development Co., Ltd.	50%	18,736	–
Luodingshi Luochong Highway Company Limited	61%	135,785	–
Pingdingshan Road King Xuchang-Nanyang Highway (Xiangcheng Section) Development Co., Ltd.	50%	72,087	–
Pingdingshan Road King Xuchang-Nanyang Highway (Yexian Section) Development Co., Ltd.	50%	59,025	–
Shanxi Lutong Dongguan Highway Co., Ltd.	65%	99,693	–
Shanxi Lutong Taigu Highway Co., Ltd.	60%	76,080	–
Shanxi Lutong Taiyu Highway Co., Ltd.	65%	75,938	–
Shanxi Lutong Xiaodian Fenhe Highway Bridge Co., Ltd.	25%	7,646	–
Shanxi Lutong Yuci Highway Co., Ltd.	65%	60,460	–
Shenzhen Airport-Heao Expressway (Eastern Section) Co., Ltd.	45%	377,028	–
Shijiazhuang Luhui Road & Bridge Development Co., Ltd.	60%	85,462	–
Shijiazhuang Luxin Road & Bridge Development Co., Ltd.	60%	48,443	–
Suzhou Road King Shanghai-Suzhou Airport Road Development Co., Ltd.	50%	120,874	–
Wujin Road King Changcao Highway Development Co., Ltd.	60.24%	83,945	–
		2,544,624	36,799
		2,544,624	36,799



**Practice Note 19 to the Listing Rules (Continued)**

**2. Pursuant to part 3.7.1 of Practice Note 19:**

The Group has a transferable loan certificate with an outstanding amount of about US\$62.5 million (HK\$487,500,000). The facility will mature on 2 February 2004. Under the facility agreement, the single largest shareholder of the Company is required to maintain directly or indirectly not less than thirty-five per cent (35%) of each class of the issued voting share capital of the Company throughout the continuance of the facility.

**3. Pursuant to part 3.10 of Practice Note 19:**

The summary of aggregate financial information of the infrastructure joint ventures, based on the adjusted financial statements prepared under the accounting principles generally accepted in Hong Kong for the year ended 31 December 2002, is as follows:

<b>Balance sheet</b>	<b>2002 HK\$'000</b>
Property, plant and equipment	7,382,083
Other assets	39
Current assets	230,241
Current liabilities	(295,349)
Net current liabilities	(65,108)
Amounts due to joint venture partners	(2,767,240)
Net assets	4,549,774

Details of the Group's attributable interests in the infrastructure joint ventures are set out in note 19 to the financial statements.

4. Save as disclosed above, there is no other disclosure required to be made by the Company pursuant to Practice Note 19.

**Donations**

During the year, the Group made charitable and other donations amounting to HK\$912,000.

**Auditors**

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors.

On behalf of the Board

**Zen Wei Pao, William**

CHAIRMAN

Hong Kong, 27 March 2003



## 德勤 • 關黃陳方會計師行

Certified Public Accountants  
26/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

香港中環干諾道中 111 號  
永安中心 26 樓

**Deloitte  
Touche  
Tohmatsu**

### TO THE SHAREHOLDERS OF ROAD KING INFRASTRUCTURE LIMITED

*(incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 44 to 91 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

#### Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

#### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong, 27 March 2003

# Consolidated Income Statement

For the year ended 31 December 2002

	Notes	2002 HK\$'000	2001 HK\$'000
Turnover: Group and share of infrastructure joint ventures			
Toll revenue		747,680	733,361
Minimum income undertakings		44,652	137,492
Sales of goods		80,135	75,564
		<u>872,467</u>	<u>946,417</u>
Less: Share of infrastructure joint ventures' toll revenue		<u>(708,727)</u>	<u>(700,916)</u>
<b>Turnover: Group</b>	4	<b>163,740</b>	245,501
Net income recognised in respect of goodwill and negative goodwill	15	20,768	18,627
Gain on disposal of interests in infrastructure joint ventures	6	–	34,033
Interest income		17,802	14,819
Other operating income		2,396	3,561
Cost of inventories sold		(71,762)	(63,736)
Allowance for doubtful receivables	7	(25,000)	(125,765)
Operating expenses		<u>(95,382)</u>	<u>(116,925)</u>
<b>Operating profit: Group</b>	8	<b>12,562</b>	10,115
Share of operating profit of joint ventures	10	<u>416,891</u>	<u>398,838</u>
<b>Operating profit: Group and share of joint ventures</b>		<b>429,453</b>	408,953
Finance costs	11	<u>(80,615)</u>	<u>(111,290)</u>
<b>Profit before taxation</b>		<b>348,838</b>	297,663
Taxation	12	<u>(29,710)</u>	<u>(56,665)</u>
<b>Profit before minority interests</b>		<b>319,128</b>	240,998
Minority interests		<u>(6,320)</u>	<u>(204)</u>
<b>Profit for the year</b>		<b>312,808</b>	240,794
<b>Dividends</b>	13	<u>160,419</u>	<u>109,741</u>
<b>Earnings per share</b>	14		
– Basic		<u>HK\$0.55</u>	<u>HK\$0.40</u>
– Diluted		<u>HK\$0.55</u>	<u>N/A</u>

# Consolidated Balance Sheet

At 31 December 2002

	Notes	2002 HK\$'000	2001 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	15	1,658	1,807
Negative goodwill	15	(6,972)	(27,889)
Toll highway operation right	16	64,923	70,472
Property, plant and equipment	17	52,214	57,252
Interests in joint ventures	19	3,962,258	3,955,225
Investments in securities	21	–	52,387
Debtors - due after one year	22	167,319	143,984
Charged deposits	23	26,054	43,132
		<u>4,267,454</u>	<u>4,296,370</u>
<b>Current assets</b>			
Inventories and ginseng crops	24	128,234	146,803
Investment in securities	21	89,542	–
Debtors, deposits and prepayments	25	178,696	257,187
Charged deposits	23	87,834	88,717
Bank balances and cash		973,971	836,656
		<u>1,458,277</u>	<u>1,329,363</u>
<b>Total assets</b>		<u><u>5,725,731</u></u>	<u><u>5,625,733</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	26	51,601	50,482
Reserves	29	4,388,363	4,237,027
		<u>4,439,964</u>	<u>4,287,509</u>
<b>Minority interests</b>		<u>81,976</u>	<u>80,785</u>
<b>Non-current liability</b>		<u>945,168</u>	<u>1,099,646</u>
Secured loans - due after one year	30		
<b>Current liabilities</b>		<u>57,342</u>	<u>51,067</u>
Creditors and accrued charges	31		
Secured loans - due within one year	30	195,631	99,094
Obligations under finance leases due within one year		–	457
Deferred taxation	32	5,650	7,175
		<u>258,623</u>	<u>157,793</u>
<b>Total equity and liabilities</b>		<u><u>5,725,731</u></u>	<u><u>5,625,733</u></u>

The financial statements on pages 44 to 91 were approved and authorised for issue by the Board of Directors on 27 March 2003 and are signed on its behalf by:

Zen Wei Pao, William  
DIRECTOR

Ko Yuk Bing  
DIRECTOR

# Balance Sheet

At 31 December 2002

	Notes	2002 HK\$'000	2001 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Interests in subsidiaries	18	2,511,188	2,709,712
Charged deposits	23	26,054	43,132
		<u>2,537,242</u>	<u>2,752,844</u>
<b>Current assets</b>			
Deposits and prepayments		2,234	1,257
Charged deposits	23	35,962	35,780
Bank balances and cash		795,123	670,200
		<u>833,319</u>	<u>707,237</u>
<b>Total assets</b>		<u><b>3,370,561</b></u>	<u><b>3,460,081</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	26	51,601	50,482
Reserves	29	3,317,906	3,409,346
		<u>3,369,507</u>	<u>3,459,828</u>
<b>Current liability</b>			
Accrued charges		1,054	253
<b>Total equity and liabilities</b>		<u><b>3,370,561</b></u>	<u><b>3,460,081</b></u>

Zen Wei Pao, William  
DIRECTOR

Ko Yuk Bing  
DIRECTOR

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2002

	Share capital	Share premium	Translation reserve	Special reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2001	50,667	1,468,043	11,801	1,260,000	1,377,678	4,168,189
Exchange differences arising on translation of overseas operations and net loss not recognised in the income statement	–	–	(5,383)	–	–	(5,383)
Shares repurchased and cancelled	(185)	(5,186)	–	–	–	(5,371)
Release on disposal of interests in infrastructure joint ventures	–	–	(979)	–	–	(979)
Profit for the year	–	–	–	–	240,794	240,794
Dividends	–	–	–	–	(109,741)	(109,741)
Balance at 31 December 2001	50,482	1,462,857	5,439	1,260,000	1,508,731	4,287,509
Exchange differences arising on translation of overseas operations and net gain not recognised in the income statement	–	–	1,261	–	–	1,261
Shares repurchased and cancelled	(39)	(1,176)	–	–	–	(1,215)
Release on disposal of interests in subsidiaries	–	–	20	–	–	20
Preference shares converted and cancelled	(10)	(97,291)	–	–	–	(97,301)
Issue of ordinary shares	1,168	96,133	–	–	–	97,301
Profit for the year	–	–	–	–	312,808	312,808
Dividends	–	–	–	–	(160,419)	(160,419)
Balance at 31 December 2002	51,601	1,460,523	6,720	1,260,000	1,661,120	4,439,964

# Consolidated Cash Flow Statement

For the year ended 31 December 2002

	Notes	2002 HK\$'000	2001 HK\$'000
<b>Operating activities</b>			
Profit before taxation		<b>348,838</b>	297,663
Adjustments for			
Depreciation of property, plant and equipment		<b>1,520</b>	1,820
Interest income		<b>(17,802)</b>	(14,819)
Interest expenses		<b>80,615</b>	111,290
Amortisation of goodwill		<b>149</b>	2,290
Negative goodwill released to income		<b>(20,917)</b>	(20,917)
Amortisation of toll highway operation right		<b>5,549</b>	5,236
Gain on disposal of interests in subsidiaries		<b>(689)</b>	–
Gain on disposal of interests in infrastructure joint ventures	33	<b>–</b>	(34,033)
Loss on disposal of investment in securities		<b>1,201</b>	–
Unrealised loss on investment in securities		<b>117</b>	–
Share of operating profit of joint ventures		<b>(416,891)</b>	(398,838)
(Gain) loss on disposal of property, plant and equipment		<b>(16)</b>	577
Exchange adjustment		<b>8,433</b>	1,648
Operating cash flows before movements in working capital		<b>(9,893)</b>	(48,083)
Decrease in inventories and ginseng crops		<b>28,532</b>	21,307
Decrease in debtors, deposits and prepayments		<b>50,366</b>	66,195
(Decrease) increase in creditors and accrued charges		<b>(2,955)</b>	315
<b>Net cash from operating activities</b>		<b>66,050</b>	39,734
<b>Investing activities</b>			
Interest received		<b>16,692</b>	14,856
Dividends received from infrastructure joint ventures		<b>152,712</b>	140,012
Proceeds on disposal of investments in securities		<b>51,186</b>	–
Proceeds on disposal of interests in subsidiaries	34	<b>5,497</b>	–
Proceeds on disposal of property, plant and equipment		<b>266</b>	522
Proceeds on disposal of interests in infrastructure joint ventures		<b>–</b>	481,773
Purchases of property, plant and equipment		<b>(5,385)</b>	(4,171)
Purchases of investments in securities		<b>(89,659)</b>	–
Additional investments in infrastructure joint ventures		<b>(35,324)</b>	(4,454)
Loans to infrastructure joint ventures		<b>(38,712)</b>	(37,892)
Repayment of loans from infrastructure joint ventures		<b>296,143</b>	298,120
Decrease in charged deposits		<b>17,985</b>	106,001
<b>Net cash from investing activities</b>		<b>371,401</b>	994,767

# Consolidated Cash Flow Statement

For the year ended 31 December 2002

	Notes	2002 HK\$'000	2001 HK\$'000
<b>Financing activities</b>	35		
New bank loans raised		<b>33,302</b>	580,425
Repayment of transferable loan certificate		<b>(97,500)</b>	(767,791)
Repayment of other loans		<b>(2,373)</b>	(1,824)
Repayment of obligations under finance leases		<b>(465)</b>	(468)
Repurchase of own shares		<b>(1,215)</b>	(5,371)
Interest paid		<b>(71,659)</b>	(107,278)
Dividends paid		<b>(160,419)</b>	(109,741)
<b>Net cash used in financing activities</b>		<b>(300,329)</b>	(412,048)
<b>Net increase in cash and cash equivalents</b>		<b>137,122</b>	622,453
<b>Cash and cash equivalents at 1 January</b>		<b>836,656</b>	214,232
Effect of foreign exchange rate changes		<b>193</b>	(29)
<b>Cash and cash equivalents at 31 December</b>		<b>973,971</b>	836,656
<b>Analysis of balance of cash and cash equivalents</b>			
Bank balances and cash		<b>973,971</b>	836,656

# Notes to the Financial Statements

For the year ended 31 December 2002

## 1. GENERAL

The Company is an exempted company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of the subsidiaries and infrastructure joint ventures are investment holding and the investment in, development, operation and management of toll roads and expressways in the People's Republic of China (the "PRC").

## 2. ADOPTION OF STATEMENT OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time the following new or revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2002.

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

In accordance with SSAP 15 (Revised), the cash and cash equivalents is presented by means of a cash flow statement which classifies cash flows during the year according to operating, investing and financing activities. The cash flow statement for the year ended 31 December 2001 have been presented on a consistent basis.

Except for the above, the adoption of the new or revised SSAPs has had no material impact on the Group's financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain investments in securities.

The financial statements have been prepared in accordance with accounting principles generally acceptable in Hong Kong. The principal accounting policies adopted are set out below.

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other members of the Group.

On acquisition or disposal, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition or date of disposal.

All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Goodwill

Goodwill (negative goodwill) represents the excess (shortfall) of the cost of an acquisition over (below) the fair value of the Group's share of the net assets of the acquired subsidiary at the effective date of acquisition. Goodwill is recognised as an asset and is amortised using the straight line method over its estimated useful life, which is generally 3 to 20 years. Negative goodwill arising on acquisition is recognised as income on a systematic basis over the remaining weighted average useful life of the non-monetary assets acquired.

On the disposal of an investment in a subsidiary, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

### Investments in subsidiaries

A subsidiary is an enterprise over which the Company has control either directly or indirectly. Control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities.

Investments in subsidiaries are included in the Company's balance sheet at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

### Interests in joint ventures

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

#### *Infrastructure joint ventures*

Joint venture arrangements which involve the establishment of a separate entity for investment in and development, operation and management of toll roads and expressways and in which each venturer has an interest are referred to as infrastructure joint ventures.

The Group's infrastructure joint ventures are Sino-foreign co-operative joint ventures registered in the PRC in respect of which the partners' cash/profit sharing ratios and the share of net assets upon the expiration of the joint venture periods are predetermined in accordance with the joint venture agreements and may not be in proportion to their capital contribution ratios.

Where the Group's interest in the joint venture is such that it establishes joint control over the economic activity of the joint venture with other venturers, the Group's interests in the joint ventures are carried at cost plus its share of post-acquisition undistributed reserves of the joint ventures in accordance with the defined cash/profit sharing ratios less any identified impairment loss and borrowing costs capitalized in accordance with the Group's accounting policy. Borrowing costs capitalised will be amortised from the date of the opening of the relevant highways and expressways over the remaining terms of the relevant joint ventures or where shorter, the useful life of relevant highways and expressways.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Capitalisation of interest charges

Interest charges relating to funds borrowed to finance the joint venture's highway construction and development project are capitalised up to the commencement of operation of the toll highway. Interest charges capitalised will be amortised from the date of the opening of the toll highway over the remaining term of the joint venture.

### Revenue recognition

Toll revenue, net of business tax, is recognised on a receipt basis. Minimum income undertakings are recognised when receivable in accordance with the joint venture agreements.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the Group's right to receive payment has been established.

### Toll highway operation right

Toll highway operation right is recognised as an asset and stated in the balance sheet at cost less depreciation and any identified impairment loss.

Depreciation of toll highway operation right is provided on the basis of a sinking fund calculation where annual depreciation amounts compounded at a rate of six per cent per annum will be equal to the cost of the toll highway operation right at the end of the relevant or respective joint venture period.

### Property, plant and equipment and depreciation

Property, plant and equipment other than construction in progress are stated at cost less depreciation and any identified impairment loss.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation of other items of property, plant and equipment is charged so as to write off the cost of property, plant and equipment other than construction in progress over their estimated useful lives, using the straight line method, on the following bases:

Freehold land	Nil
Land and buildings	Over the term of the lease from 20 to 25 years
Leasehold improvements	Over the term of the lease, or 3 years, whichever is shorter
Furniture, fixtures and equipment	10% - 25%
Plant and machinery	5% - 10%
Motor vehicles	12.5% - 25%

# Notes to the Financial Statements

For the year ended 31 December 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity securities) are measured at amortised cost, less any identified impairment loss recognised to reflect irrecoverable amounts. Any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as other investments.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

### Inventories and ginseng crops

Inventories are stated at the lower of cost and net realisable value, and cost is calculated using the first-in, first-out method.

The Company uses the full absorption costing method to value its ginseng crops. Included in crop costs are seeds, labour, interest expenses, applicable overheads and supplies. Costs are allocated each year based on the total number of acres under cultivation during the year.

Those crop costs relating to the acreage harvested and sold have been charged to the income statement as cost of inventories sold.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are expensed in the period in which they are incurred.

### Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations, which are denominated in currencies other than Hong Kong dollars, are translated at exchange rates prevailing on the balance sheet date. Income and expense items, which are denominated in currencies other than Hong Kong dollars, are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the relevant operation is disposed of.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease term.

### Research and development costs

Expenditure on research and development is charged to the income statement in the period in which it is incurred except where a major project is undertaken and it is reasonably anticipated that development costs will be recovered through future commercial activity.

### Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 4. TURNOVER

Turnover of the Group represents toll revenue, net of business tax, minimum income undertakings and amounts received and receivable for goods sold during the year.

In relation to a number of the Group's PRC joint ventures, the Group has obtained minimum income undertakings from the PRC joint venture partners in accordance with the relevant joint venture agreements. Any shortfall of the Group's share of the cash/profit of these PRC joint ventures below the minimum income undertakings will be borne by the PRC joint venture partners. The amount of minimum income shortfall recorded by the Group from its PRC joint venture partners for the year is analysed as follows:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Minimum income undertakings from:		
Partner of a PRC subsidiary	–	164
Partners of other joint ventures	<b>44,652</b>	137,328
	<hr/> <b>44,652</b> <hr/>	<hr/> 137,492 <hr/>

# Notes to the Financial Statements

For the year ended 31 December 2002

## 5. SEGMENTAL INFORMATION

The Group's turnover and profit for the year ended 31 December 2002 by business activities and geographical markets are as follows:

### By business segments:

	<b>Toll Road</b> HK\$'000	<b>Other Business</b> HK\$'000	<b>Unallocated</b> HK\$'000	<b>Consolidated</b> HK\$'000
<b>2002</b>				
Turnover: Group and share of infrastructure joint ventures	792,332	80,135	–	872,467
Less: Share of infrastructure joint ventures' toll revenue	(708,727)	–	–	(708,727)
<b>Turnover: Group</b>	<u>83,605</u>	<u>80,135</u>	<u>–</u>	<u>163,740</u>
Segment result	51,923	(33)	(117)	51,773
Net income recognised in respect of goodwill and negative goodwill	(149)	20,917	–	20,768
Allowance for doubtful receivables	(25,000)	–	–	(25,000)
Interest income	1,419	85	16,298	17,802
Corporate income	–	–	1,333	1,333
Corporate expenses	–	–	(54,114)	(54,114)
<b>Operating profit: Group</b>	<u>28,193</u>	<u>20,969</u>	<u>(36,600)</u>	<u>12,562</u>
Share of operating profit (loss) of joint ventures	417,725	(834)	–	416,891
Finance costs	(6,810)	(42)	(73,763)	(80,615)
<b>Profit before taxation</b>	<u>439,108</u>	<u>20,093</u>	<u>(110,363)</u>	<u>348,838</u>
Taxation	(31,370)	1,660	–	(29,710)
<b>Profit before minority interests</b>	<u>407,738</u>	<u>21,753</u>	<u>(110,363)</u>	<u>319,128</u>
Minority interests	(5,685)	(635)	–	(6,320)
<b>Profit for the year</b>	<u>402,053</u>	<u>21,118</u>	<u>(110,363)</u>	<u>312,808</u>
<b>Consolidated Balance Sheet</b>				
<b>Assets</b>				
Segment assets	586,926	169,428	–	756,354
Interests in joint ventures	3,962,258	–	–	3,962,258
Unallocated corporate assets	–	–	1,007,119	1,007,119
Total assets	<u>4,549,184</u>	<u>169,428</u>	<u>1,007,119</u>	<u>5,725,731</u>
<b>Liabilities</b>				
Segment liabilities	39,971	20,240	–	60,211
Unallocated corporate liabilities	–	–	1,143,580	1,143,580
Total liabilities	<u>39,971</u>	<u>20,240</u>	<u>1,143,580</u>	<u>1,203,791</u>
<b>Other information</b>				
Capital additions	436	2,696	2,253	5,385
Depreciation and amortisation	6,121	391	706	7,218
Other non-cash expenses	6,360	–	1,092	7,452

# Notes to the Financial Statements

For the year ended 31 December 2002

## 5. SEGMENTAL INFORMATION (Continued)

### By business segments: (Continued)

	Toll Road HK\$'000	Other Business HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>2001</b>				
Turnover: Group and share of infrastructure joint ventures	870,853	75,564	–	946,417
Less: Share of infrastructure joint ventures' toll revenue	(700,916)	–	–	(700,916)
<b>Turnover: Group</b>	<u>169,937</u>	<u>75,564</u>	<u>–</u>	<u>245,501</u>
Segment result	146,171	(17,029)	–	129,142
Net income recognised in respect of goodwill and negative goodwill	(149)	18,776	–	18,627
Gain on disposal of interests in infrastructure joint ventures	34,033	–	–	34,033
Allowance for doubtful receivables	(125,765)	–	–	(125,765)
Interest income	1,991	230	12,598	14,819
Corporate income	–	–	249	249
Corporate expenses	–	–	(60,990)	(60,990)
<b>Operating profit: Group</b>	<u>56,281</u>	<u>1,977</u>	<u>(48,143)</u>	<u>10,115</u>
Share of operating profit (loss) of joint ventures	400,603	(1,765)	–	398,838
Finance costs	(6,360)	(488)	(104,442)	(111,290)
<b>Profit before taxation</b>	<u>450,524</u>	<u>(276)</u>	<u>(152,585)</u>	<u>297,663</u>
Taxation	(55,872)	(793)	–	(56,665)
<b>Profit before minority interests</b>	<u>394,652</u>	<u>(1,069)</u>	<u>(152,585)</u>	<u>240,998</u>
Minority interests	(4,607)	4,403	–	(204)
<b>Profit for the year</b>	<u>390,045</u>	<u>3,334</u>	<u>(152,585)</u>	<u>240,794</u>
<b>Consolidated Balance Sheet</b>				
<b>Assets</b>				
Segment assets	723,930	165,305	–	889,235
Interests in joint ventures	3,951,603	3,622	–	3,955,225
Unallocated corporate assets	–	–	781,273	781,273
Total assets	<u>4,675,533</u>	<u>168,927</u>	<u>781,273</u>	<u>5,625,733</u>
<b>Liabilities</b>				
Segment liabilities	4,746	23,944	–	28,690
Unallocated corporate liabilities	–	–	1,228,749	1,228,749
Total liabilities	<u>4,746</u>	<u>23,944</u>	<u>1,228,749</u>	<u>1,257,439</u>
<b>Other information</b>				
Capital additions	136	3,707	328	4,171
Depreciation and amortisation	8,104	653	589	9,346
Other non-cash expenses	6,360	1,296	–	7,656

# Notes to the Financial Statements

For the year ended 31 December 2002

## 5. SEGMENTAL INFORMATION (Continued)

By geographical segments:

	PRC	Hong Kong	Overseas	Unallocated	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>2002</b>					
Turnover: Group and share of infrastructure joint ventures	792,332	76,281	3,854	–	872,467
Less: Share of infrastructure joint ventures' toll revenue	(708,727)	–	–	–	(708,727)
<b>Turnover: Group</b>	<b>83,605</b>	<b>76,281</b>	<b>3,854</b>	<b>–</b>	<b>163,740</b>
Segment result	52,278	(4,816)	4,428	(117)	51,773
Net income recognised in respect of goodwill and negative goodwill	(149)	–	20,917	–	20,768
Allowance for doubtful receivables	(25,000)	–	–	–	(25,000)
Interest income	1,419	33	52	16,298	17,802
Corporate income	–	–	–	1,333	1,333
Corporate expenses	–	–	–	(54,114)	(54,114)
<b>Operating profit: Group</b>	<b>28,548</b>	<b>(4,783)</b>	<b>25,397</b>	<b>(36,600)</b>	<b>12,562</b>
Share of operating profit (loss) of joint ventures	416,891	–	–	–	416,891
Finance costs	(6,810)	–	(42)	(73,763)	(80,615)
<b>Profit before taxation</b>	<b>438,629</b>	<b>(4,783)</b>	<b>25,355</b>	<b>(110,363)</b>	<b>348,838</b>
Taxation	(31,370)	–	1,660	–	(29,710)
<b>Profit before minority interests</b>	<b>407,259</b>	<b>(4,783)</b>	<b>27,015</b>	<b>(110,363)</b>	<b>319,128</b>
Minority interests	(5,685)	–	(635)	–	(6,320)
<b>Profit for the year</b>	<b>401,574</b>	<b>(4,783)</b>	<b>26,380</b>	<b>(110,363)</b>	<b>312,808</b>
<b>Carrying amount of segment assets</b>					
Segment assets	586,926	10,275	159,153	–	756,354
Interests in joint ventures	3,962,258	–	–	–	3,962,258
Unallocated corporate assets	–	–	–	1,007,119	1,007,119
Total assets	<b>4,549,184</b>	<b>10,275</b>	<b>159,153</b>	<b>1,007,119</b>	<b>5,725,731</b>
<b>Other information</b>					
Capital additions	1,552	–	1,580	2,253	5,385

# Notes to the Financial Statements

For the year ended 31 December 2002

## 5. SEGMENTAL INFORMATION (Continued)

By geographical segments: (Continued)

	PRC HK\$'000	Hong Kong HK\$'000	Overseas HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>2001</b>					
Turnover: Group and share of infrastructure joint ventures	879,458	64,168	2,791	–	946,417
Less: Share of infrastructure joint ventures' toll revenue	(700,916)	–	–	–	(700,916)
<b>Turnover: Group</b>	<u>178,542</u>	<u>64,168</u>	<u>2,791</u>	<u>–</u>	<u>245,501</u>
Segment result	139,981	(8,723)	(2,116)	–	129,142
Net income recognised in respect of goodwill and negative goodwill	(2,290)	–	20,917	–	18,627
Gain on disposal of interests in infrastructure joint ventures	34,033	–	–	–	34,033
Allowance for doubtful receivables	(125,765)	–	–	–	(125,765)
Interest income	1,997	158	66	12,598	14,819
Corporate income	–	–	–	249	249
Corporate expenses	–	–	–	(60,990)	(60,990)
<b>Operating profit: Group</b>	<u>47,956</u>	<u>(8,565)</u>	<u>18,867</u>	<u>(48,143)</u>	<u>10,115</u>
Share of operating profit (loss) of joint ventures	398,838	–	–	–	398,838
Finance costs	(6,360)	–	(488)	(104,442)	(111,290)
<b>Profit before taxation</b>	<u>440,434</u>	<u>(8,565)</u>	<u>18,379</u>	<u>(152,585)</u>	<u>297,663</u>
Taxation	(55,872)	–	(793)	–	(56,665)
<b>Profit before minority interests</b>	<u>384,562</u>	<u>(8,565)</u>	<u>17,586</u>	<u>(152,585)</u>	<u>240,998</u>
Minority interests	(4,203)	–	3,999	–	(204)
<b>Profit for the year</b>	<u>380,359</u>	<u>(8,565)</u>	<u>21,585</u>	<u>(152,585)</u>	<u>240,794</u>
<b>Carrying amount of segment assets</b>					
Segment assets	697,975	45,082	146,178	–	889,235
Interests in joint ventures	3,955,225	–	–	–	3,955,225
Unallocated corporate assets	–	–	–	781,273	781,273
Total assets	<u>4,653,200</u>	<u>45,082</u>	<u>146,178</u>	<u>781,273</u>	<u>5,625,733</u>
<b>Other information</b>					
Capital additions	<u>1,280</u>	<u>3</u>	<u>2,560</u>	<u>328</u>	<u>4,171</u>

## 6. GAIN ON DISPOSAL OF INTERESTS IN INFRASTRUCTURE JOINT VENTURES

The amount in 2001 represented the gain (net of tax) on disposal of the Group's entire 50% interests in four infrastructure joint ventures of Jieyang Highway Network project which operated the highways linking Jieyang City to Shantou, Fengshun, Chiwei and Chaozhou in Guangdong Province, the PRC.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 7. ALLOWANCE FOR DOUBTFUL RECEIVABLES

The amount recognised in the current year represents an allowance for doubtful receivables in respect of the minimum income undertakings due from the PRC joint venture partners of the Luochong Highway project. The amount in the prior year represented an allowance for doubtful receivables in respect of minimum income undertakings due from the PRC joint venture partners of the Jieyang Highway Network project.

## 8. OPERATING PROFIT: GROUP

	2002 HK\$'000	2001 HK\$'000
Operating profit has been arrived at after charging:		
Depreciation of property, plant and equipment		
— owned assets	8,668	11,024
— assets under finance leases	—	259
	<u>8,668</u>	<u>11,283</u>
Less: capitalised in inventories and ginseng crops	(7,148)	(9,463)
	<u>1,520</u>	<u>1,820</u>
Amortisation of toll highway operation right	5,549	5,236
Operating lease rentals in respect of rented land, premises and equipment	7,315	8,322
Less: capitalised in inventories and ginseng crops	(4,424)	(4,417)
	<u>2,891</u>	<u>3,905</u>
Loss on disposal of property, plant and equipment	—	577
Loss on disposal of investment in securities	1,201	—
Unrealised loss on investment in securities	117	—
Auditors' remuneration	1,581	1,577
Research and development costs	—	889
Staff costs	51,596	51,956
Provident fund scheme contributions, net of forfeited contributions of HK\$308,000 (2001: HK\$263,000)	1,093	1,964
Less: capitalised in inventories and ginseng crops	(18,937)	(18,479)
Total staff costs	<u>33,752</u>	<u>35,441</u>
Exchange loss	2,851	9
and after crediting:		
Gain on disposal of property, plant and equipment	16	—
Gain on disposal of interests in subsidiaries ( <i>Note</i> )	689	—

*Note:* The above gain included an amount of HK\$589,000 which related to the disposal of the Company's entire interest in CNT Life Sciences, Inc. to a director of the Company, details of which were disclosed in the Company's announcement dated 17 April 2002.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### Directors' Emoluments

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Fees:		
Non-executive directors	<b>740</b>	710
Independent non-executive directors	<b>490</b>	430
	<u><b>1,230</b></u>	<u>1,140</u>
Other emoluments (executive directors):		
Salaries and other benefits	<b>9,742</b>	9,735
Performance related incentive payments	<b>2,703</b>	2,725
Retirement benefit scheme contributions	<b>396</b>	418
	<u><b>12,841</b></u>	<u>12,878</u>
	<u><b>14,071</b></u>	<u>14,018</u>

The emoluments were paid to the directors with the following bands :

	<b>2002</b> <b>Number of</b> <b>Directors</b>	2001 Number of Directors
Nil to HK\$1,000,000	<b>10</b>	10
HK\$1,000,001 to HK\$2,000,000	<b>1</b>	–
HK\$2,000,001 to HK\$2,500,000	<b>–</b>	1
HK\$2,500,001 to HK\$3,000,000	<b>–</b>	–
HK\$3,000,001 to HK\$3,500,000	<b>1</b>	1
HK\$3,500,001 to HK\$6,000,000	<b>–</b>	–
HK\$6,000,001 to HK\$6,500,000	<b>1</b>	1
	<u><b>1</b></u>	<u>1</u>

Details of share options held by individual directors at 31 December 2002 are shown in the directors' report.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

### Employees Emoluments

During the year, the five highest paid individuals included three directors (2001: three directors), details of whose emoluments are set out above. The emoluments of the remaining two (2001: two) highest paid individuals were as follows:

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Salaries and other benefits	<b>3,024</b>	3,012
Performance related incentive payments	<b>480</b>	550
Retirement benefit scheme contributions	<b>267</b>	219
	<u><b>3,771</b></u>	<u>3,781</u>

The emoluments were paid to the employees with the following band:

	<b>2002</b> <b>Number of</b> <b>employees</b>	2001 Number of employees
HK\$1,500,001 to HK\$2,000,000	<u><b>2</b></u>	<u>2</u>

## 10. SHARE OF OPERATING PROFIT OF JOINT VENTURES

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Share of operating profit of infrastructure joint ventures before depreciation	<b>539,376</b>	521,483
Depreciation of toll highway operation rights	<b>(121,651)</b>	(120,880)
	<u><b>417,725</b></u>	<u>400,603</u>
Share of post-acquisition loss of a joint venture	<b>(834)</b>	(1,765)
	<u><b>416,891</b></u>	<u>398,838</u>

# Notes to the Financial Statements

For the year ended 31 December 2002

## 11. FINANCE COSTS

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Interest on :		
Borrowings wholly repayable		
— within five years	<b>70,217</b>	38,716
— over five years	—	51,611
Add: discount on guaranteed notes	<b>1,092</b>	626
	<hr/>	<hr/>
Total borrowing costs	<b>71,309</b>	90,953
Amortisation of capitalised borrowing costs on financing the joint ventures' toll highways and expressways construction ( <i>note 20</i> )	<b>6,360</b>	6,360
Other finance costs	<b>2,946</b>	13,977
	<hr/>	<hr/>
	<b>80,615</b>	111,290
	<hr/> <hr/>	<hr/> <hr/>

## 12. TAXATION

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Taxation attributable to overseas subsidiaries ( <i>Note 32</i> )		
Deferred tax	<b>(1,660)</b>	—
Share of taxation attributable to PRC infrastructure joint ventures		
Current tax	<b>23,021</b>	11,665
Deferred tax	<b>8,349</b>	45,000
	<hr/>	<hr/>
	<b>29,710</b>	56,665
	<hr/> <hr/>	<hr/> <hr/>

The current tax amounts represent share of PRC income tax attributable to the PRC infrastructure joint ventures.

Deferred tax has been provided for timing differences between the depreciation policy for toll highway operation rights adopted by the Group and the PRC infrastructure joint ventures, and other timing differences arising from an overseas subsidiary as set out in note 32.

No provision for Hong Kong Profits Tax has been made as the income neither arises, nor is derived from, Hong Kong.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 13. DIVIDENDS

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Final dividend paid in respect of 2001 of HK\$0.088 (2000: HK\$0.07) per share	<b>45,373</b>	35,431
Interim dividend paid in respect of 2002 of HK\$0.16 (2001: HK\$0.07) per share	<b>82,496</b>	35,431
	<b>127,869</b>	70,862
7.5% convertible cumulative preference shares dividends	<b>32,550</b>	38,879
	<b>160,419</b>	109,741

A final dividend paid in respect of 2002 of HK8 cents per share amounting to a total of HK\$41,248,000 is proposed by the Board. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The amount will be accounted for as an appropriation of reserves in the year ending 31 December 2003.

The amount of final dividend proposed has been calculated on the basis of 515,601,209 shares in issue as at 27 March 2003.

## 14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Profit for the year	<b>312,808</b>	240,794
Convertible preference shares dividend	<b>(32,550)</b>	(38,879)
Earnings for the purpose of basic earnings per share	<b>280,258</b>	201,915
Earnings for the purpose of diluted earnings per share	<b>280,258</b>	N/A

# Notes to the Financial Statements

For the year ended 31 December 2002

## 14. EARNINGS PER SHARE (Continued)

	<b>2002</b>	2001
	<b>Number of shares</b>	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>513,769,004</b>	506,014,065
Effect of dilutive potential ordinary shares:		
Options	<b>197,945</b>	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>513,966,949</b>	N/A

The effect of convertible preference shares is excluded from the calculation of diluted earnings per share for both years since the effect will be anti-dilutive.

The effect of warrants is excluded from the calculation of diluted earnings per share for both years because the exercise price of the Company's warrants was higher than the average market price of ordinary shares for both 2002 and 2001.

## 15. GOODWILL (NEGATIVE GOODWILL)

	<b>Goodwill</b>	<b>Negative goodwill</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
<b>THE GROUP</b>			
Gross amount			
At 1 January 2002 and 31 December 2002	5,856	(62,751)	(56,895)
Amortisation			
At 1 January 2002	(4,049)	34,862	30,813
(Amortised) released for the year	(149)	20,917	20,768
At 31 December 2002	(4,198)	55,779	51,581
Carrying amount			
At 31 December 2002	1,658	(6,972)	(5,314)
At 31 December 2001	1,807	(27,889)	(26,082)

Goodwill is amortised using the straight line method over its estimated useful life which ranges from generally 3 to 20 years.

Negative goodwill is recognised as income over 3 years, being the remaining weighted average useful life of the non-monetary assets acquired by the Group on the acquisition of Chai-Na-Ta Corp.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 16. TOLL HIGHWAY OPERATION RIGHT

	HK\$'000
<b>THE GROUP</b>	
Cost	
At 1 January 2002 and at 31 December 2002	<u>105,330</u>
Amortisation	
At 1 January 2002	34,858
Amortised for the year	<u>5,549</u>
At 31 December 2002	<u>40,407</u>
Carrying amount	
At 31 December 2002	<u><u>64,923</u></u>
At 31 December 2001	<u><u>70,472</u></u>

The Group had a right to operate and collect tolls from a highway situated in the PRC for a term of 20 years from the date of the business licence of a PRC subsidiary.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land in overseas HK\$'000	Land and buildings HK\$'000	Leasehold improvement HK\$'000	Furniture, fixture and equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>THE GROUP</b>							
Cost							
At 1 January 2002	2,937	5,918	2,570	9,016	124,050	5,211	149,702
Additions	–	1,244	2,167	474	1,376	124	5,385
Disposals	–	(473)	(6)	(93)	(2,545)	(602)	(3,719)
Disposal of subsidiaries	–	(2,121)	–	(43)	–	(110)	(2,274)
Reclassification	–	–	–	–	(362)	362	–
Exchange adjustments	55	84	40	63	2,045	33	2,320
At 31 December 2002	2,992	4,652	4,771	9,417	124,564	5,018	151,414
Depreciation							
At 1 January 2002	–	1,615	2,142	7,749	77,007	3,937	92,450
Charge for the year	–	244	458	750	6,847	369	8,668
Eliminated on disposals	–	(371)	(6)	(86)	(2,404)	(602)	(3,469)
Eliminated on disposal of subsidiaries	–	(11)	–	(14)	–	(7)	(32)
Reclassification	–	–	–	–	(50)	50	–
Exchange adjustments	–	26	34	57	1,447	19	1,583
At 31 December 2002	–	1,503	2,628	8,456	82,847	3,766	99,200
Net book value							
At 31 December 2002	2,992	3,149	2,143	961	41,717	1,252	52,214
At 31 December 2001	2,937	4,303	428	1,267	47,043	1,274	57,252

The Group's land and buildings are situated in  
 — overseas and freehold  
 — overseas and held under medium term leases  
 — the PRC and held under medium term leases

<b>2002</b>	2001
<b>HK\$'000</b>	HK\$'000
<b>2,992</b>	2,937
<b>2,227</b>	3,360
<b>922</b>	943
<b>6,141</b>	7,240

At 31 December 2002, the Group has pledged land and buildings situated overseas having a carrying amount of HK\$4,904,000 to secure the Group's banking facility.

At 31 December 2001, the Group has pledged leasehold land and buildings situated overseas having a carrying amount of HK\$4,564,000 to secure a long term loan. The pledge has been released during the year.

At 31 December 2001, the carrying amount of the Group's plant and machinery includes an amount of HK\$1,429,000 in respect of assets held under finance leases.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 18. INTERESTS IN SUBSIDIARIES

	2002 HK\$'000	2001 HK\$'000
Unlisted shares at cost	1,388,042	1,388,042
Amounts due from subsidiaries	1,123,146	1,321,670
	<u>2,511,188</u>	<u>2,709,712</u>

The carrying value of the unlisted shares is based on the book value of the underlying net assets of the subsidiaries attributable to the Group at the time they became members of the Group pursuant to the Group's reorganisation in 1996.

Details of the Company's principal subsidiaries at 31 December 2002 are as follows:

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary shares capital/ registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
Chai-Na-Ta Corp.	Canada	Canada	C\$24,320,817	–	62	Production and sale of North American ginseng
Herb King International Limited	Barbados	#	US\$7,510,000	–	100	Investment holding
Pida Investments Limited	British Virgin Islands	#	US\$1	–	100	Investment holding
More Growth Finance Limited	British Virgin Islands	#	US\$1	–	100	Investment holding
Road King (China) Infrastructure Limited	British Virgin Islands	PRC	HK\$1,300,000,000	100	–	Investment holding
Road Billion Investments Limited	British Virgin Islands	#	US\$1	100	–	Financial holding
Road King Infrastructure Finance (1997) Limited	British Virgin Islands	#	US\$1	100	–	Financial holding
Road King Infrastructure Management Limited	Hong Kong	Hong Kong	HK\$2	–	100	Provision of management services
Zhongshan Qijiang Highway Company Limited	PRC *	PRC	RMB60,480,000*	–	75*	Management of Provincial Highway 268
中山市岐江公路有限公司						Zhongshan Shiqi-Jiangmen Highway in Zhongshan, PRC

# Notes to the Financial Statements

For the year ended 31 December 2002

## 18. INTERESTS IN SUBSIDIARIES (Continued)

\* Zhongshan Qijiang Highway Company Limited is a co-operative joint venture registered in the PRC.

# The subsidiaries of the Company are investment holding companies only and do not have any operations.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the period or constituted a substantial portion of the net asset of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any loan capital outstanding at the end of the year.

## 19. INTERESTS IN JOINT VENTURES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
<b>Interests in infrastructure joint ventures</b>		
Cost of investments	1,663,429	1,628,105
Share of post-acquisition undistributed results	1,337,489	1,099,200
	<u>3,000,918</u>	<u>2,727,305</u>
Loans to infrastructure joint ventures	2,544,624	2,505,912
Repayment of loans from infrastructure joint ventures	(1,704,805)	(1,408,662)
Net borrowing cost capitalised on financing the infrastructure joint ventures' toll highways and expressways construction (note 20)	121,521	127,048
	<u>3,962,258</u>	<u>3,951,603</u>
<b>Interests in other joint venture</b>		
Cost of investment	-	4,454
Loan to a joint venture	-	933
Share of post-acquisition undistributed results	-	(1,765)
	<u>-</u>	<u>3,622</u>
Total interests in joint ventures	<u><u>3,962,258</u></u>	<u><u>3,955,225</u></u>

Loans to infrastructure joint ventures are unsecured, interest free and have no fixed repayment terms.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 19. INTERESTS IN JOINT VENTURES (Continued)

All infrastructure joint ventures are co-operative joint ventures established in the PRC, details of which at 31 December 2002 are as follows:

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Anhui Road Universe Hefei Highway Development Co. Ltd. 安徽路宇合肥公路開發有限公司	RMB133,530,000	50% #	Construction and management of Hefei-Liuan Highway, Hefei Section, PRC
Anhui Road Universe Hehuai Highway Dayang Section Development Company Limited 安徽省路宇合淮公路大楊段開發有限公司	RMB90,000,000	60% * #	Investment in and development, operation and management of National Highway 206 Hefei - Huainan Highway Dayang Section in Anhui, PRC
Anhui Road Universe Hehuai Highway Yangjin Section Development Company Limited 安徽省路宇合淮公路楊金段開發有限公司	RMB80,000,000	60% * #	Investment in and development, operation and management of National Highway 206 Hefei - Huainan Highway Yangjin Section in Anhui, PRC
Anhui Road Universe Liuan Highway Development Co. Ltd. 安徽路宇六安公路開發有限公司	RMB92,400,000	50% #	Construction and management of Hefei-Liuan Highway, Liuan Section, PRC
Bengbu Road King Huaihe Bridge Highway Development Co., Ltd. 蚌埠路勁淮河公路橋開發有限公司	RMB92,880,000	60% * #	Investment in and development, operation and management of Bengbu Huaihe Bridge in Anhui, PRC
Bengbu Road King Huaimeng Highway Development Co., Ltd. 蚌埠路勁懷蒙公路開發有限公司	RMB68,040,000	60% * #	Investment in and development, operation and management of Provincial Highway 307 Bengbu Huaiyuan - Mengcheng Highway in Anhui, PRC
Bengbu Road King Chaoyanglu Huaihe Highway Bridge Development Co., Ltd. 蚌埠路勁朝陽路淮河公路橋開發有限公司	RMB73,592,000	60% * #	Investment in and construction, operation and management of Bengbu Chaoyanglu Huaihe Highway Bridge in Anhui, PRC

# Notes to the Financial Statements

For the year ended 31 December 2002

## 19. INTERESTS IN JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Foshan Guangsan Special-Use Automobile Highway Co., Ltd. 佛山廣三汽車專用公路有限公司	RMB293,364,000	35%	Construction and management of Foshan Guangzhou - Sanshui Expressway in Foshan, PRC
Guangxi Hengjing Highway Development Co., Ltd. 廣西恆勁公路開發有限公司	RMB81,520,000	70% * #	Investment in and development, operation and management of Yulin - Gongguan Highway, Yulin Section, in Guangxi Zhuang Autonomous Region, PRC
Guangxi Lutong Highway Development Co., Ltd. 廣西路通公路開發有限公司	RMB99,562,400	70% * #	Investment in and development, operation and management of Yulin City Ring Roads, in Guangxi Zhuang Autonomous Region, PRC
Handan Rongguang Highway Development Co., Ltd. 邯鄲榮光公路開發有限公司	RMB78,200,000	70% * #	Construction and management of National Highway 309, Handan-Feixiang Highway in Hebei, PRC
Handan Xinguang Highway Development Co., Ltd. 邯鄲新光公路開發有限公司	RMB81,800,000	70% * #	Construction and management of National Highway 309, Feixiang-Guantao Highway in Hebei, PRC
Hunan Changyi (Baining) Expressway Co., Ltd. 湖南長益(白寧)高速公路有限公司	RMB97,012,000	43.17% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Baining Section) in Hunan, PRC
Hunan Changyi (Cangyi) Expressway Co., Ltd. 湖南長益(滄益)高速公路有限公司	RMB98,985,000	43.17% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Cangyi Section) in Hunan, PRC

# Notes to the Financial Statements

For the year ended 31 December 2002

## 19. INTERESTS IN JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Hunan Changyi (Changbai) Expressway Co., Ltd. 湖南長益(長白)高速公路有限公司	RMB98,554,000	43.17% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Changbai Section) in Hunan, PRC
Hunan Changyi (Hengchang) Expressway Co., Ltd. 湖南長益(衡滄)高速公路有限公司	RMB101,695,000	43.17% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Hengchang Section) in Hunan, PRC
Hunan Changyi (Ningheng) Expressway Co., Ltd. 湖南長益(寧衡)高速公路有限公司	RMB98,458,000	43.17% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Ningheng Section) in Hunan, PRC
Hunan Changyi (Zijiang No. 2 Bridge) Expressway Co., Ltd. 湖南長益(資江二橋)高速公路有限公司	RMB78,328,000	43.17% #	Investment in and development, operation and management of Hunan Changsha - Yiyang Expressway (Zijiang No. 2 Bridge) in Hunan, PRC
Liuan Road Universe Liuye Highway Development Co., Ltd. 六安路宇六葉公路開發有限公司	RMB97,800,000	50% #	Construction and management of Liuan-Yeji Highway (Western Section) in Anhui, PRC
Liuan Road Universe Pihe Bridge Development Co., Ltd. 六安路宇淠河大橋開發有限公司	RMB90,364,000	50% #	Construction and management of Liuan Pihe Bridge in Anhui, PRC
Luodingshi Luochong Highway Company Limited 羅定市羅沖一級公路有限公司	RMB96,800,000	61% * #	Construction and management of National Highway 324 Luoding - Chonghua Highway in Luoding, PRC

# Notes to the Financial Statements

For the year ended 31 December 2002

## 19. INTERESTS IN JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Pingdingshan Road King Xuchang-Nanyang Highway (Xiangcheng Section) Development Co., Ltd. 平頂山路勁許南公路(襄城段)開發有限公司	RMB73,400,000	50% #	Investment in and development, operation and management of National Highway 311 & Provincial Highway 01 Xuchang - Nanyang Highway, Xiangcheng Section in Henan, PRC
Pingdingshan Road King Xuchang-Nanyang Highway (Yexian Section) Development Co., Ltd. 平頂山路勁許南公路(葉縣段)開發有限公司	RMB63,400,000	50% #	Investment in and development, operation and management of Provincial Highway 01 Xuchang-Nanyang Highway, Yexian Section in Henan, PRC
Shanxi Lutong Dongguan Highway Co., Ltd. 山西路通東觀公路有限公司	RMB82,340,000	65% * #	Investment in and development, operation and management of National Highway 108 Yuci Dongchangshou-Qixian Dongguan Highway in Shanxi, PRC
Shanxi Lutong Taiyu Highway Co., Ltd. 山西路通太古公路有限公司	RMB90,480,000	60% * #	Construction and management of Provincial Highway 104 Taiyuan Ximing-Gujiao Highway in Shanxi, PRC
Shanxi Lutong Taiyu Highway Co., Ltd. 山西路通太榆公路有限公司	RMB83,414,000	65% * #	Construction and management of National Highway 108 Taiyuan-Yuci Highway in Shanxi, PRC
Shanxi Lutong Xiaodian Fenhe Highway Bridge Co., Ltd. 山西路通小店汾河公路橋有限公司	RMB32,650,000	25% #	Construction and management of Provincial Highway Huanggu Route Xiaodian Fenhe Bridge in Shanxi, PRC
Shanxi Lutong Yuci Highway Co., Ltd. 山西路通榆次公路有限公司	RMB66,412,000	65% * #	Construction and management of National Highway 108 Yuci City Bypass in Shanxi, PRC

# Notes to the Financial Statements

For the year ended 31 December 2002

## 19. INTERESTS IN JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Shenzhen Airport - Heao Expressway (Eastern Section) Co., Ltd. 深圳機荷高速公路東段有限公司	RMB440,000,000	45%	Construction and management of Shenzhen Airport-Heao Expressway Eastern Section in Shenzhen, PRC
Shijiazhuang Luhui Road & Bridge Development Co., Ltd. 石家莊路輝道橋開發有限公司	RMB88,000,000	60% * #	Construction and management of National Highway 307, Shijiazhuang-Gaocheng Highway in Hebei, PRC
Shijiazhuang Luxin Road & Bridge Development Co., Ltd. 石家莊路信道橋開發有限公司	RMB44,000,000	60% * #	Construction and management of National Highway 307, Gaocheng - Jinzhou Highway in Hebei, PRC
Suzhou Road King Shanghai-Suzhou Airport Road Development Co., Ltd. 蘇州路勁蘇滬機場路發展有限公司	RMB130,000,000	50%	Construction and management of Suzhou-Shanghai Airport Highway in Suzhou, PRC
Wujin Road King Changcao Highway Development Co., Ltd. 武進路勁常漕公路開發有限公司	RMB100,000,000	60.24%*	Construction and management of Provincial Highway 211 Changzhou-Caoqiao Highway in Changzhou, PRC

\* The Group does not have effective control over these companies, and accordingly, these companies have not been accounted for as subsidiaries.

# The profit/cash sharing ratios in these infrastructure joint ventures differ from the proportion of the registered capital held by the Group over the duration of the joint ventures. During the early stage of the joint ventures, the Group is usually entitled to higher profit/cash sharing ratios than the proportion of registered capital held by the Group as contained in the relevant joint venture agreements. Until such time as specified in the joint venture agreements, the other venturers of the joint ventures may be entitled to profit/cash sharing ratios higher than their respective proportion of registered capital held by them over a specific period of time under the joint venture agreements. Thereafter, the profit sharing ratios of the Group may be the same as the proportion of the registered capital held by the Group or in accordance with a predetermined ratio stipulated in the joint venture agreements.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 19. INTERESTS IN JOINT VENTURES (Continued)

The summary of aggregate financial information of the infrastructure joint ventures, based on the adjusted financial statements prepared under the accounting principles generally accepted in Hong Kong for the year ended 31 December 2002 is as follows:

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
<b>Income statement</b>		
Net toll revenue	<u><b>1,083,024</b></u>	<u>1,006,441</u>
Depreciation charges	<u><b>268,594</b></u>	<u>254,477</u>
Profit before taxation	<u><b>536,617</b></u>	<u>463,721</u>
Group's share of profits before taxation less losses	<u><b>417,725</b></u>	<u>400,603</u>
<b>Balance sheet</b>		
Property, plant and equipment	<u><b>7,382,083</b></u>	<u>7,568,823</u>
Other assets	<u><b>39</b></u>	<u>261</u>
Current assets	<u><b>230,241</b></u>	<u>221,243</u>
Current liabilities	<u><b>(295,349)</b></u>	<u>(240,208)</u>
Net current liabilities	<u><b>(65,108)</b></u>	<u>(18,965)</u>
Amount due to joint venture partners	<u><b>(2,767,240)</b></u>	<u>(3,306,723)</u>
Net assets	<u><b>4,549,774</b></u>	<u>4,243,396</u>

# Notes to the Financial Statements

For the year ended 31 December 2002

## 20. NET BORROWING COSTS CAPITALISED ON FINANCING THE INFRASTRUCTURE JOINT VENTURES' TOLL HIGHWAYS AND EXPRESSWAYS CONSTRUCTION

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Gross amount		
At 1 January	153,896	153,896
Additions	833	–
At 31 December	154,729	153,896
Amortisation		
At 1 January	26,848	20,488
Charge for the year	6,360	6,360
At 31 December	33,208	26,848
Carrying amount		
At 31 December	121,521	127,048

## 21. INVESTMENTS IN SECURITIES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Non-current		
Held-to-maturity debt securities, unlisted overseas	–	52,387
Current		
Debt securities, unlisted overseas	81,742	–
Other investments, unlisted	7,800	–
	89,542	–

# Notes to the Financial Statements

For the year ended 31 December 2002

## 22. DEBTORS - DUE AFTER ONE YEAR

The amounts represent minimum income undertakings guaranteed by the PRC joint venture partners due in 2004 in accordance with the terms of the relevant joint venture agreements.

## 23. CHARGED DEPOSITS

### THE GROUP

The amounts were deposited in several designated banks and are maintained in accordance with the terms and conditions of the Group's financing agreements. These bank balances are charged in favour of several banks and part of the deposits will be applied towards the debt repayments, the manner of which is contained in the relevant financing agreements.

At 31 December 2002, bank balances of HK\$87,834,000 (2001: HK\$88,717,000) are classified under current assets because the balances are pledged as security for the Group's indebtedness due within one year.

### THE COMPANY

The amounts were deposited in several designated banks and are maintained in accordance with the terms and conditions of the Group's financing agreements. These bank balances are charged in favour of several banks and part of the deposits will be applied towards the debt repayments, the manner of which is contained in the relevant financing agreements.

At 31 December 2002, bank balances of HK\$35,962,000 (2001: HK\$35,780,000) are classified under current assets because the balances are pledged as security for the Group's indebtedness due within one year.

## 24. INVENTORIES AND GINSENG CROPS

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Inventories	40,415	52,741
Ginseng crops	87,819	94,062
	<hr/>	<hr/>
	<b>128,234</b>	146,803
	<hr/> <hr/>	<hr/> <hr/>

Ginseng plants reach maturity and normally can be harvested at the end of their third year of growth. However, the Group may allow crops to mature longer to allow for higher yields and additional seed harvests.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 25. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments of the Group is an amount of HK\$157,321,000 (2001: HK\$234,931,000) representing minimum income undertakings due from the PRC joint venture partners.

Minimum income undertakings have been recognised in accordance with the terms set out in the relevant joint venture agreements and are settled according to schedule as agreed with the relevant PRC joint venture partners.

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Aged analysis of debtors		
Within 60 days	684	121,508
60-90 days	–	21
More than 90 days	157,321	114,203
	<hr/>	<hr/>
	158,005	235,732
Interest receivable	2,246	1,136
Deposits and prepayments	18,445	20,319
	<hr/>	<hr/>
	178,696	257,187
	<hr/> <hr/>	<hr/> <hr/>

# Notes to the Financial Statements

For the year ended 31 December 2002

## 26. SHARE CAPITAL

	2002 Number of shares	2001 Number of shares	2002 HK\$'000	2001 HK\$'000
<b>Authorised:</b>				
Ordinary shares of HK\$0.1 each	<u>20,000,000,000</u>	<u>20,000,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
7.5% convertible preference shares ("CP Shares") of HK\$0.1 each	<u>518,380</u>	<u>518,380</u>	<u>52</u>	<u>52</u>
<b>Issued and fully paid:</b>				
Ordinary shares				
At 1 January	504,307,967	506,156,967	50,430	50,615
Ordinary shares issued	11,682,242	–	1,168	–
Shares repurchased and cancelled	(389,000)	(1,849,000)	(39)	(185)
At 31 December	<u>515,601,209</u>	<u>504,307,967</u>	<u>51,559</u>	<u>50,430</u>
CP shares				
At 1 January	518,380	518,380	52	52
Shares converted and cancelled	(100,000)	–	(10)	–
At 31 December	<u>418,380</u>	<u>518,380</u>	<u>42</u>	<u>52</u>
Total issued and fully paid shares at 31 December	<u>516,019,589</u>	<u>504,826,347</u>	<u>51,601</u>	<u>50,482</u>

On 27 February 2002, the shareholder of the CP shares had exercised conversion rights attaching to 100,000 of the CP shares held by it in the Company. Following the conversion, 100,000 CP shares were cancelled and 11,682,242 ordinary shares were issued at a conversion price of HK\$8.56 per share to this shareholder.

During the year, the Company repurchased its own ordinary shares on the Stock Exchange as follows :

Month of repurchase	Number of ordinary shares of HK\$0.1 each	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
January 2002	339,000	3.175	3.050	1,065
February 2002	50,000	3.000	3.000	150
	<u>389,000</u>			<u>1,215</u>

# Notes to the Financial Statements

For the year ended 31 December 2002

## 26. SHARE CAPITAL (Continued)

These repurchased shares were cancelled upon repurchase and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The premium payable on repurchase was paid out of the Company's share premium account.

The CP Shares carry equal rights and rank pari passu with one another and each CP Share has the rights set out below:

The holders of the CP Shares are entitled to a fixed cumulative cash dividend payable in priority to holders of any other class of shares in the capital of the Company in Hong Kong dollars at the rate of 7.5% per annum on the principal amount of HK\$418,380,000 (2001: HK\$518,380,000).

All outstanding CP Shares shall be converted into ordinary shares in the period between the second and the fifth anniversaries of the issue date, and the Company will cause to be allotted and issue to each holder such number of ordinary shares as will be equal to the aggregate of the principal amounts of such outstanding CP Shares held by the relevant holder divided by the initial conversion price of HK\$8.56, subject to adjustment.

The holders of the CP Shares are not entitled to vote at general meetings of the Company save in the event that the Company fails to pay the dividend on the CP Shares for two consecutive years, in which case a holder will be entitled to receive notice of and vote at general meetings of the Company.

## 27. SHARE OPTION SCHEME

Pursuant to the Company's Share Option Scheme for employees adopted on 3 June 1996, the directors may, at their discretion, invite employees of the Company and its subsidiaries, including any executive directors or non-executive directors, to take up options to subscribe for shares which in aggregate, may not exceed 10% of the issued share capital of the Company from time to time. No option may be granted to any one employee which if exercised would result in the total number of shares already issued and/or fall to be issued to him under the Scheme exceeding 25% of the maximum number of shares in respect of which options may at that time be granted under the Scheme. An offer of the grant of an option shall be made to an employee by letter in such form as the Board may from time to time determine requiring the employee to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Scheme and shall remain open for acceptance by the employee concerned for a period of 28 days from the offer date. An option shall be deemed to have been granted and accepted and to have taken effect when the duplicate letter comprising acceptance of the option duly signed by the grantee together with a remittance in favour of the Company of HK\$1.00. The subscription price for the shares in respect of which options are granted will be the higher of the nominal value of a share or 80% of the average closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the grant of any option. The Scheme will remain in force for a period of ten years from the date of its adoption. An option may be exercised at any time one year after the date upon which the option is deemed to be granted and accepted and prior to the expiry of three years from that date. During the year, 4,808,000 (2001: 404,000) options expired and 580,000 (2001: 550,000) options were cancelled and no (2001: Nil) options were granted or exercised.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 27. SHARE OPTION SCHEME (Continued)

The following tables disclose details of the Company's share options held by directors and employees and movements in such holdings during the year.

		Number of share options					
2002		Exercise price HK\$	Balance at 1.1.2002	Granted during the year	Exercised during the year	Expired/ cancelled during the year	Balance at 31.12.2002
<u>Directors</u>							
2 August 1999	2 August 2000 to 1 August 2002	5.60	2,263,000	–	–	(2,263,000)	–
2 August 1999	2 August 2000 to 1 August 2002	4.95	1,700,000	–	–	(1,700,000)	–
8 August 2000	8 August 2001 to 7 August 2003	3.20	8,340,000	–	–	(190,000)	8,150,000
27 November 2000	27 November 2001 to 26 November 2003	3.20	200,000	–	–	–	200,000
			12,503,000	–	–	(4,153,000)	8,350,000
<u>Employees</u>							
2 August 1999	2 August 2000 to 1 August 2002	5.60	170,000	–	–	(170,000)	–
2 August 1999	2 August 2000 to 1 August 2002	4.95	675,000	–	–	(675,000)	–
8 August 2000	8 August 2001 to 7 August 2003	3.20	2,795,000	–	–	(390,000)	2,405,000
			3,640,000	–	–	(1,235,000)	2,405,000
			16,143,000	–	–	(5,388,000)	10,755,000

# Notes to the Financial Statements

For the year ended 31 December 2002

## 27. SHARE OPTION SCHEME (Continued)

2001		Exercise price HK\$	Number of share options				Balance at 31.12.2001
			Balance at 1.1.2001	Granted during the year	Exercised during the year	Expired/ cancelled during the year	
Date granted	Exercisable period						
<u>Directors</u>							
2 August 1999	2 August 2000 to 1 August 2002	5.60	2,263,000	–	–	–	2,263,000
2 August 1999	2 August 2000 to 1 August 2002	4.95	1,800,000	–	–	(100,000)	1,700,000
8 August 2000	8 August 2001 to 7 August 2003	3.20	8,530,000	–	–	(190,000)	8,340,000
27 November 2000	27 November 2001 to 26 November 2003	3.20	200,000	–	–	–	200,000
			12,793,000	–	–	(290,000)	12,503,000
<u>Employees</u>							
27 June 1998	30 June 1999 to 29 June 2001	5.14	419,000	–	–	(419,000)	–
2 August 1999	2 August 2000 to 1 August 2002	5.60	170,000	–	–	–	170,000
2 August 1999	2 August 2000 to 1 August 2002	4.95	690,000	–	–	(15,000)	675,000
8 August 2000	8 August 2001 to 7 August 2003	3.20	3,025,000	–	–	(230,000)	2,795,000
			4,304,000	–	–	(664,000)	3,640,000
			17,097,000	–	–	(954,000)	16,143,000

## 28. WARRANTS

During 2000, a bonus issue of warrants was made on the basis of one warrant for every five ordinary shares held on 6 September 2000. Each warrant carries an entitlement to subscribe in cash at a price of HK\$5.00 (subject to adjustment) for one ordinary share of the Company, at any time from 6 March 2001 to 5 September 2003 (both days inclusive).

At 31 December 2002, the Company had 101,231,393 (2001: 101,231,393) outstanding warrants.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 29. RESERVES

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
<b>Share premium</b>				
At 1 January	<b>1,462,857</b>	1,468,043	<b>1,462,857</b>	1,468,043
Shares repurchased and cancelled	<b>(1,176)</b>	(5,186)	<b>(1,176)</b>	(5,186)
Preference shares converted and cancelled	<b>(97,291)</b>	–	<b>(97,291)</b>	–
Issue of ordinary shares	<b>96,133</b>	–	<b>96,133</b>	–
At 31 December	<b>1,460,523</b>	1,462,857	<b>1,460,523</b>	1,462,857
<b>Translation reserve</b>				
At 1 January	<b>5,439</b>	11,801	–	–
Exchange differences arising on translation of overseas operations	<b>1,261</b>	(5,383)	–	–
Release on disposal of interests in infrastructure joint ventures	–	(979)	–	–
Release on disposal of subsidiaries	<b>20</b>	–	–	–
At 31 December	<b>6,720</b>	5,439	–	–
<b>Contributed surplus</b>				
At 1 January and 31 December	–	–	<b>1,348,042</b>	1,348,042
<b>Special reserve</b>				
At 1 January and 31 December	<b>1,260,000</b>	1,260,000	–	–
<b>Retained profits</b>				
At 1 January	<b>1,508,731</b>	1,377,678	<b>598,447</b>	339,999
Profit for the year	<b>312,808</b>	240,794	<b>71,313</b>	368,189
Dividends ( <i>note 13</i> )	<b>(160,419)</b>	(109,741)	<b>(160,419)</b>	(109,741)
At 31 December	<b>1,661,120</b>	1,508,731	<b>509,341</b>	598,447
<b>Total reserves</b>	<b>4,388,363</b>	4,237,027	<b>3,317,906</b>	3,409,346

# Notes to the Financial Statements

For the year ended 31 December 2002

## 29. RESERVES (Continued)

Special reserve arising on a group reorganisation represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the issued share capital of Road King (China) Infrastructure Limited, which was acquired by the Company pursuant to the group reorganisation.

The contributed surplus of the Company represents the differences between the consolidated shareholders' funds of Road King (China) Infrastructure Limited at the date on which the Group reorganisation became effective and the nominal amount of the share capital of the Company issued under the Group reorganisation.

In addition to the retained profits, under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company's reserves available for distribution to shareholders as at 31 December 2002 and 2001 were as follows:

	<b>2002</b>	2001
	<b>HK\$' 000</b>	HK\$' 000
Contributed surplus	<b>1,348,042</b>	1,348,042
Retained profits	<b>509,341</b>	598,447
	<hr/> <b>1,857,383</b> <hr/>	<hr/> 1,946,489 <hr/>
Proposed dividend	<b>41,248</b>	45,373

# Notes to the Financial Statements

For the year ended 31 December 2002

## 30. SECURED LOANS

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Transferable loan certificate ( <i>note i</i> )	-	809,396
Repurchase of transferable loan certificate	-	(41,605)
Repayment of transferable loan certificate	-	(767,791)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
Transferable loan certificate ( <i>note ii</i> )	580,425	580,425
Repayment of transferable loan certificate	(97,500)	-
Exchange adjustment	4,575	-
	<hr/>	<hr/>
	487,500	580,425
	<hr/>	<hr/>
Guaranteed notes ( <i>note iii</i> )	1,082,054	1,080,962
Repurchase of guaranteed notes	(465,724)	(465,724)
Exchange adjustment	3,857	-
	<hr/>	<hr/>
	620,187	615,238
	<hr/>	<hr/>
Term loan ( <i>note iv</i> )	32,350	-
Other loans	762	3,077
	<hr/>	<hr/>
	1,140,799	1,198,740
	<hr/> <hr/>	<hr/> <hr/>

The maturity of the above loans is as follows:

	2002 HK\$'000	2001 HK\$'000
Within one year	195,631	99,094
More than one year but not exceeding two years	292,631	194,195
More than two years but not exceeding five years	652,537	290,213
More than five years	-	615,238
	<hr/>	<hr/>
	1,140,799	1,198,740
	<hr/>	<hr/>
Less : Amount due within one year shown under current liabilities	(195,631)	(99,094)
	<hr/>	<hr/>
Amount due after one year	945,168	1,099,646
	<hr/> <hr/>	<hr/> <hr/>

# Notes to the Financial Statements

For the year ended 31 December 2002

## 30. SECURED LOANS (Continued)

Notes:

- (i) The transferable loan certificate facility of US\$138 million, due in January 2002, was fully repaid in 2001 and refinanced by the new transferable loan certificate of US\$75 million in August 2001.
- (ii) The transferable loan certificate of US\$75 million is secured by charged deposits and mortgage over the shares of certain of the Company's subsidiaries and is jointly and severally guaranteed by the Company and certain of its subsidiaries. The facility bears annual interest rate at a spread over LIBOR and will mature on 2 February 2004. The repayment will be made by four half yearly instalments and the first repayment was made twelve months after the loan agreement as of 2 August 2001. Subsequent to the balance sheet date, the facility was fully repaid on 4 February 2003.
- (iii) The guaranteed notes bear interest at a fixed rate of 9.5% per annum and will mature in July 2007. The notes are secured by a floating charge over all assets of a subsidiary including a charge over deposits and are jointly and severally guaranteed by the Company and certain of its subsidiaries.
- (iv) The term loan is guaranteed by the Company. The loan bears annual interest rate at a spread over HIBOR and will mature in 5 years from the first drawdown date. The repayment would be made in five equal half yearly instalments from the first 36th month of the first drawdown date as of 26 April 2002.

## 31. CREDITORS AND ACCRUED CHARGES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Aged analysis of creditors:		
Within 60 days	<b>10,739</b>	8,795
60 - 90 days	<b>212</b>	2
	<hr/> <b>10,951</b>	<hr/> 8,797
Interest payable	<b>26,266</b>	23,928
Accrued charges	<b>20,125</b>	18,342
	<hr/> <b>57,342</b> <hr/>	<hr/> 51,067 <hr/>

# Notes to the Financial Statements

For the year ended 31 December 2002

## 32. DEFERRED TAXATION

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
At 1 January	7,175	7,675
Exchange adjustments	135	(500)
Credit for the year	(1,660)	–
At 31 December	<u>5,650</u>	<u>7,175</u>

At 31 December 2002, major components of the deferred taxation liability are as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
(Shortfall) excess of tax allowances over depreciation	(115)	294
Tax losses	(2,390)	(3,867)
Other timing differences	8,155	10,748
	<u>5,650</u>	<u>7,175</u>

There was no significant unprovided deferred taxation for the Group and the Company for the year or at the balance sheet date.

## 33. DISPOSAL OF INTERESTS IN INFRASTRUCTURE JOINT VENTURES

The Group's disposal of its interests in four infrastructure joint ventures in 2001 had the following effects:

	2001 HK\$'000
Interests in infrastructure joint ventures	
Cost of investment	181,907
Share of post-acquisition undistributed results	74,236
Loans to infrastructure joint ventures	308,132
Repayment of loans from infrastructure joint ventures	(115,556)
	<u>448,719</u>
Translation reserve released	(979)
	<u>447,740</u>
Cash consideration	481,773
	<u>829,513</u>
Gain on disposal of interests in infrastructure joint ventures	<u>34,033</u>

# Notes to the Financial Statements

For the year ended 31 December 2002

## 34. DISPOSAL OF INTERESTS IN SUBSIDIARIES

The Group disposed of its entire interests in CNT Life Sciences, Inc. and CNT International Wellness Pharmaceutical Limited during the year and had the following effects:

	<b>2002</b> <b>HK\$'000</b>
Net assets disposed of:	
Property, plant and equipment	<b>2,242</b>
Interests in joint ventures	<b>2,787</b>
Debtors, deposits and prepayments	<b>1,290</b>
Bank balances and cash	<b>2,683</b>
Bank loan	<b>(952)</b>
Creditors and accrued charges	<b>(579)</b>
	<hr/>
	<b>7,471</b>
Translation reserve released	<b>20</b>
	<hr/>
	<b>7,491</b>
Cash consideration	<b>8,180</b>
	<hr/>
Gain on disposal of interests in subsidiaries	<b>689</b>
	<hr/> <hr/>
Net cash inflow arising on disposal:	
Cash consideration	<b>8,180</b>
Bank and cash balances disposed of	<b>(2,683)</b>
	<hr/>
	<b>5,497</b>
	<hr/> <hr/>

During the year, the disposed subsidiaries did not make any contribution to the Group's net operating cash flows, turnover and profit attributable to shareholders.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 35. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
<b>Share capital and premium</b>		
At 1 January	<b>1,513,339</b>	1,518,710
Repurchase of own shares	<b>(1,215)</b>	(5,371)
Preference shares converted and cancelled	<b>(97,301)</b>	–
Issue of ordinary shares	<b>97,301</b>	–
	<hr/>	<hr/>
At 31 December	<b>1,512,124</b>	1,513,339
	<hr/> <hr/>	<hr/> <hr/>
<b>Secured loans</b>		
At 1 January	<b>1,198,740</b>	1,387,646
Exchange adjustments	<b>8,490</b>	(342)
New transferable loan certificate	<b>–</b>	580,425
New loans raised	<b>33,302</b>	–
Repayment of transferable loan certificate	<b>(97,500)</b>	(767,791)
Repayment of other loans	<b>(2,373)</b>	(1,824)
Disposal of interests in subsidiaries	<b>(952)</b>	–
Discount on guaranteed notes	<b>1,092</b>	626
	<hr/>	<hr/>
At 31 December	<b>1,140,799</b>	1,198,740
	<hr/> <hr/>	<hr/> <hr/>
<b>Obligations under finance leases</b>		
At 1 January	<b>457</b>	989
Exchange adjustments	<b>8</b>	(64)
Repayment during the year	<b>(465)</b>	(468)
	<hr/>	<hr/>
At 31 December	<b>–</b>	457
	<hr/> <hr/>	<hr/> <hr/>

# Notes to the Financial Statements

For the year ended 31 December 2002

## 36. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees including directors. The assets of the scheme are held separately from those of the Group in funds under the control of the independent trustee. Both the Group and the employees contribute a fixed percent to the Scheme based on their monthly salary in accordance with government regulations.

The scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group. There were no forfeited contributions available to reduce future contributions at the balance sheet date.

The employees of the Group's subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the government. The subsidiary is required to contribute a fixed percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligations of the Group with respect to the retirement scheme is to make the specified contributions.

## 37. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Within one year	6,884	8,285
In the second to fifth year inclusive	11,097	10,192
	<u>17,981</u>	<u>18,477</u>

The commitments represent rentals payable by the Group for its offices and agricultural land use rights with the lease periods ranging from two to five years.

At 31 December 2002 and 2001, the Company had no operating lease commitments.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 38. CAPITAL COMMITMENT

At the balance sheet date, the Group had material capital commitments as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
<b>Contracted but not provided for</b>		
Investment loan to be injected into a subsidiary	<u>7,937</u>	<u>7,937</u>
Investment costs to be injected into infrastructure joint ventures		
Within one year	<u>2,622</u>	<u>43,482</u>
In the second to fifth year inclusive	<u>-</u>	<u>2,801</u>
After the fifth year	<u>34,177</u>	<u>34,176</u>
	<u>36,799</u>	<u>80,459</u>
	<u>44,736</u>	<u>88,396</u>
<b>Authorized but not contracted for</b>		
Investment costs to be injected into an infrastructure joint venture		
Within one year	<u>993,700</u>	<u>-</u>

At 31 December 2002 and 2001, the Company had no capital commitments.

## 39. CONTINGENT LIABILITIES

At the balance sheet date, the Group and the Company had the following contingent liabilities arising from its interests in joint ventures:

	2002 HK\$'000	2001 HK\$'000
Guarantees indirectly given to banks in respect of bank facilities utilised by infrastructure joint ventures	<u>116,775</u>	<u>150,535</u>

At the balance sheet date, the Company also provided guarantees of HK\$1,611,850,000 (2001: HK\$1,663,885,000) in respect of guaranteed notes and bank loans raised by its subsidiaries.

## 40. POST BALANCE SHEET EVENTS

- On 4 February 2003, the Group has fully repaid the outstanding balance of US\$62.5 million (HK\$487,500,000) of the US\$75 million transferable loan certificate. Upon the early repayment, the charges associated with the loan have been early released.
- On 5 December 2002, the Group has signed an agreement to dispose of its entire 65% interests in Shanxi Provincial Highway Huanggu Route Xiaodian Fenhe Bridge project to the PRC partner at a cash consideration of approximately HK\$15 million. The disposal has been approved by the relevant PRC government authorities and is estimated to be completed in first half of 2003. The disposal will not have a significant financial effect to the Group.

# FINANCIAL SUMMARY

## RESULTS

	For the Year Ended 31 December				
	2002	2001	2000	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover: Group and share of infrastructure joint ventures					
Toll revenue	<b>747,680</b>	733,361	725,430	659,052	632,535
Minimum income undertakings	<b>44,652</b>	137,492	222,288	216,133	277,545
Sales of goods	<b>80,135</b>	75,564	25,408	–	–
	<b>872,467</b>	946,417	973,126	875,185	910,080
Less: Share of infrastructure joint ventures' toll revenue	<b>(708,727)</b>	(700,916)	(697,352)	(632,035)	(606,779)
<b>Turnover: Group</b>	<b>163,740</b>	245,501	275,774	243,150	303,301
Net income recognised in respect of goodwill and negative goodwill	<b>20,768</b>	18,627	12,186	–	–
Gain on disposal of interests in infrastructure joint ventures	–	34,033	–	211,751	–
Gain recognised on repurchase of secured loans	–	–	–	5,935	50,036
Other income	<b>20,198</b>	18,380	26,264	34,548	34,261
Cost of inventories sold	<b>(71,762)</b>	(63,736)	(22,126)	–	–
Allowance for doubtful receivables	<b>(25,000)</b>	(125,765)	–	(19,383)	(38,336)
Operating expenses	<b>(95,382)</b>	(116,925)	(115,414)	(87,765)	(77,535)
<b>Operating profit: Group</b>	<b>12,562</b>	10,115	176,684	388,236	271,727
Share of operating profit of joint ventures	<b>416,891</b>	398,838	403,462	370,679	348,848
<b>Operating profit: Group and share of joint ventures</b>	<b>429,453</b>	408,953	580,146	758,915	620,575
Finance costs	<b>(80,615)</b>	(111,290)	(130,725)	(133,398)	(128,052)
<b>Profit before taxation</b>	<b>348,838</b>	297,663	449,421	625,517	492,523
Taxation	<b>(29,710)</b>	(56,665)	(21,346)	(11,178)	(8,704)
<b>Profit before minority interests</b>	<b>319,128</b>	240,998	428,075	614,339	483,819
Minority interests	<b>(6,320)</b>	(204)	24	(4,006)	(3,464)
<b>Profit for the year</b>	<b>312,808</b>	240,794	428,099	610,333	480,355

# FINANCIAL SUMMARY

## ASSETS AND LIABILITIES

	As at 31 December				
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
Total assets	<b>5,725,731</b>	5,625,733	5,728,369	5,698,294	5,495,393
Total liabilities	<b>(1,203,791)</b>	(1,257,439)	(1,475,404)	(1,611,372)	(1,697,525)
Minority interests	<b>(81,976)</b>	(80,785)	(84,776)	(19,969)	(15,963)
Shareholders' funds	<b><u>4,439,964</u></b>	<u>4,287,509</u>	<u>4,168,189</u>	<u>4,066,953</u>	<u>3,781,905</u>



**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting of the Company will be held at Ballroom B, 2nd Floor, Great Eagle Hotel, 8 Peking Road, Tsimshatsui, Kowloon, Hong Kong on Monday, 12 May 2003 at 3:30 p.m. to transact the following businesses:

1. To receive and consider the Audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31 December 2002.
2. To declare a final dividend for the year ended 31 December 2002.
3. To elect Directors and to authorise the Board of Directors to fix their remuneration.
4. To appoint Auditors and to authorise the Board of Directors to fix their remuneration.

### **ORDINARY RESOLUTIONS**

As special business, to consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:

5(A). **“THAT:**

- (a) subject to paragraph (c) below, the exercise by the directors of the Company (“Directors”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional ordinary shares in the capital of the Company and to make or grant offers, agreements and options, including bonds, warrants and debentures convertible into ordinary shares of the Company, which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options, including bonds, warrants and debentures convertible into ordinary shares of the Company, which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of ordinary share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of ordinary shares or rights to subscribe for ordinary shares in the Company; or (iii) any scrip dividend scheme or similar arrangement providing for the allotment of ordinary shares in the Company in lieu of the whole or part of a dividend pursuant to the Bye-laws of the Company from time to time, shall not exceed 20 per cent. of the aggregate nominal amount of the issued ordinary share capital of the Company at the date of passing this Resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and
- (iii) the revocation or variation of this Resolution by an ordinary resolution in general meeting of the Company.

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares whose names appear on the Register of Members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside the Hong Kong Special Administrative Region of the People’s Republic of China).”

5(B). **“THAT:**

- (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase its securities, subject to and in accordance with all applicable laws and the requirements of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of securities to be repurchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall (i) in case of ordinary shares of the Company, not exceed 10 per cent. of the aggregate nominal amount of the issued ordinary share capital of the Company at the date of passing this Resolution; and (ii) in case of warrants of the Company, not exceed 10 per cent. of the aggregate amount of subscription rights attached to all warrants of the Company outstanding at the date of passing this Resolution, and the said approval shall be limited accordingly; and
- (c) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and
- (iii) the revocation or variation of this Resolution by an ordinary resolution in general meeting of the Company.”



- 5(C). **“THAT** conditional upon the Ordinary Resolutions Nos. 5(A) and 5(B) as set out in the notice convening this Meeting being passed, the general mandate granted to the Directors to allot, issue and deal with additional ordinary shares pursuant to Ordinary Resolution No. 5(A) above be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the ordinary share capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution No. 5(B) above provided that such amount shall not exceed 10 per cent. of the aggregate nominal amount of the issued ordinary share capital of the Company at the date of passing this Resolution.”
6. **“THAT** subject to and conditional upon the Stock Exchange granting listing of, and permission to deal in, the shares of HK\$0.10 each in the capital of the Company (“Shares”) to be issued pursuant to the exercise of options which may be granted under the new share option scheme (the “New Scheme”), a copy of which is produced to this meeting marked “A” and signed by the chairman of this meeting for the purpose of identification:
- (a) the operation of the existing share option scheme (the “Existing Scheme”) adopted by the Company by ordinary resolution of its shareholders on 3 June 1996 be terminated so that no further options be granted under the Existing Scheme but in all other respects the provisions of the Existing Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior to the date of this resolution or otherwise as may be required in accordance with the provisions of the Existing Scheme and options granted prior to this termination shall continue to be valid and exercisable in accordance with the terms of the Existing Scheme; and
  - (b) the rules of the New Scheme be and is hereby approved and adopted and that the Directors be and are hereby authorised:
    - (i) to administer the New Scheme under which the options will be granted to eligible participants under the New Scheme to subscribe for Shares;
    - (ii) to modify and/or amend the rules of the New Scheme from time to time subject to the provisions of such rules;
    - (iii) to issue and allot from time to time such number of Shares as may be required to be issued pursuant to the exercise of options granted under the New Scheme; and
    - (iv) to make application at the appropriate time to the Stock Exchange, and any other stock exchange upon which the Shares may for the time being be listed, for listing of, and permission to deal in, the Shares which may from time to time issued and allotted pursuant to the exercise of options granted under the New Scheme.”

By Order of the Board  
**Keter Fong Shiu Leung**  
*Company Secretary*

Hong Kong, 27 March 2003

*NOTES:*

1. A member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.
3. The instrument appointing a proxy and (if required by the board of Directors) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be delivered to the office of Secretaries Limited, the Company's Branch Share Registrars in Hong Kong at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong or by way of notice to or in any document accompanying the notice convening the meeting not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposed to vote and in default the instrument of proxy shall not be treated as valid.
4. Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. In case of joint holders of any share, if more than one of such joint holders be present at any meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register in respect of the joint holdings.
6. An explanatory statement containing further details regarding Ordinary Resolutions Nos. 5(A) to 6 above will be sent to shareholders shortly in the form of a circular.



## General Terms

“AADT”	Annual average daily traffic
“Company” or “Road King”	Road King Infrastructure Limited, an exempted company incorporated with limited liability in Bermuda
“GDP”	Gross domestic product
“Group”	The Company and its subsidiaries
“Infrastructure Joint Ventures”	The Sino-foreign co-operative joint ventures registered in PRC which develop or construct or operate and manage the road projects in which the Group has an interest
“Joint Ventures” or “JVs”	The Sino-foreign co-operative joint ventures registered in PRC
“Listing Rules”	Rules governing the listing of securities on The Stock Exchange of Hong Kong Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	A company in which the Company directly or indirectly controls more than 50% of the voting rights or issued share capital or otherwise controls the composition of a majority of the board of directors or, in the case of a co-operative joint venture, such joint venture as to which the Company can control the composition of the board of directors

## Financial Terms

“Earnings Per Share (EPS)”	$\frac{\text{Profit attributable to shareholders}}{\text{Weighted average number of shares in issue during the year}}$
“EBITDA”	Earnings before interest, tax, depreciation and amortisation
“Gearing Ratio”	$\frac{\text{Total borrowings}}{\text{Shareholders' funds}}$
“Interest Coverage”	$\frac{\text{EBITDA}}{\text{The aggregate of interest and financing costs}}$
“Net Debt”	Total borrowings less the aggregate of charged deposits, cash and bank balances
“Net Gearing Ratio”	$\frac{\text{Net debt}}{\text{Shareholders' funds}}$
“Total Borrowings”	The aggregate of long-term and short-term portion of secured loans

## Project Name

### Guangdong Province

“Jihe Expressway”	Shenzhen Airport-Heao Expressway, Eastern Section
“Guangsan Expressway”	Foshan Guangzhou-Sanshui Expressway
“Luocong Highway”	National Highway 324 Luoding-Chonghua Highway
“Qijiang Highway”	Provincial Highway 268 Zhongshan Shiqi-Jiangmen Highway

### Guangxi Zhuang Autonomous Region

“Yulin City Ring Roads”	Yulin City Ring Roads
“Yugong Highway”	Yulin-Gongguan Highway, Yulin Section

### Jiangsu Province

“Airport Highway”	Suzhou-Shanghai Airport Highway
“Changcao Highway”	Provincial Highway 211 Changzhou-Caoqiao Highway

### Shanxi Province

“Dongguan Highway”	National Highway 108 Yuci Dongchangshou-Qixian Dongguan Highway
“Taiyu Highway”	Taiyuan-Yuci Highway
“Yuci City Bypass”	National Highway 108 Yuci City Bypass
“Taigu Highway”	Provincial Highway 104 Taiyuan Ximing-Gujiao Highway
“Xiaodian Fenhe Bridge”	Provincial Highway Huanggu Route Xiaodian Fenhe Bridge

### Anhui Province

“Bengbu Huaihe Bridge Highway”	Provincial Highway 307 Bengbu Huaihe Bridge Highway
“Bengbu Huaimeng Highway”	Provincial Highway 307 Bengbu Huaiyuan-Mengcheng Highway
“Hehuai Highway”	National Highway 206 Hefei-Huainan Highway
“Heye Highway”	Hefei-Yeji Highway
“Chaoyanglu Huaihe Bridge”	Bengbu Chaoyanglu Huaihe Highway Bridge

### Hebei Province

“Shijin Highway”	National Highway 307 Shijiazhuang-Jinzhou Highway
“Hanguan Highway”	National Highway 309 Handan-Guantao Highway

### Henan Province

“Xunan Highway”	National Highway 311 and Provincial Highway 01 Xuchang-Nanyang Highway
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### Hunan Province

“Changyi Expressway”	Changsha-Yiyang Expressway
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### Executive Directors

Zen Wei Pao, William (Chairman)  
 Ko Yuk Bing (Managing Director & CEO)  
 Chan Kam Hung (Finance Director)  
 Zen Wei Peu, Derek  
 Fong Shiu Leung, Keter

### Non-Executive Directors

Brian Souter  
 Cheng Wai Po, Samuel  
 (Alternate to Brian Souter)  
 Ross Thomas Martin  
 Martin Andrew Griffiths  
 (Alternate to Ross Thomas Martin)  
 James Herbert Stewart  
 Chiang Wen Chee, Wendy  
 (Alternate to James Herbert Stewart)

### Independent Non-Executive Directors

Chan Hing Chiu, Vincent  
 Chow Shiu Kee, Stephen

### Audit Committee

Chan Hing Chiu, Vincent  
 Chow Shiu Kee, Stephen  
 Ross Thomas Martin

### Auditors

Deloitte Touche Tohmatsu

### Solicitors

Deacons  
 Richards Butler  
 Sidley Austin Brown & Wood  
 Stikeman Elliott

### Principal Bankers

Bank of China (Hong Kong) Limited  
 CITIC Ka Wah Bank Limited  
 Hang Seng Bank Limited  
 Industrial and Commercial Bank of China (Asia) Limited  
 KBC Bank N.V.  
 Shanghai Commercial Bank Limited  
 The Bank of East Asia, Limited  
 The Hongkong and Shanghai Banking  
 Corporation Limited  
 UFJ Bank Limited  
 Wing Hang Bank, Limited

### Company Secretary

Fong Shiu Leung, Keter

### Principal Share Registrars and Transfer Office

Butterfield Fund Services (Bermuda) Limited  
 Rosebank Centre  
 11 Bermudiana Road  
 Pembroke, Bermuda

### Hong Kong Branch Share Registrars and Transfer Office

Secretaries Limited  
 G/F., Bank of East Asia Harbour View Centre  
 56 Gloucester Road  
 Wanchai  
 Hong Kong

### Registered Office

Clarendon House  
 Church Street  
 Hamilton HM 11  
 Bermuda

### Principal Place of Business

Suite 501, 5th Floor  
 Tower 6, The Gateway  
 9 Canton Road  
 Tsimshatsui  
 Kowloon  
 Hong Kong

### Internet Address

<http://www.roadking.com.hk>

### Share Listing

The Company's shares are listed on  
 The Stock Exchange of Hong Kong Limited

The stock codes are:  
 The Stock Exchange of Hong Kong Limited – 1098  
 Reuters – 1098.HK  
 Bloomberg – 1098 HK

### Investor Relations

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