

Corporate Profile

Road King Infrastructure Limited is a Hong Kong-based company with core business in investment, development, operation and management of toll road and bridge projects in China. Road King was established in 1994 and listed on the Hong Kong Stock Exchange in July 1996.

Currently, Road King has a portfolio of 22 toll road and bridge projects. Road King's infrastructure investments exceed HK\$4 billion with a total road mileage of approximately 977 km spreading over 8 provinces in China.

Since its public listing, Road King continues to demonstrate steady traffic growth and solid business expansion. With its good track record of success, excellent reputation in China and a strong professional management team, Standard & Poor's has recently upgraded Road King's corporate credit rating to BBB- with stable outlook.

Road King will continue to leverage on its expertise and experience to make lucrative investments in toll road and transport related projects in China.

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Financial Highlight

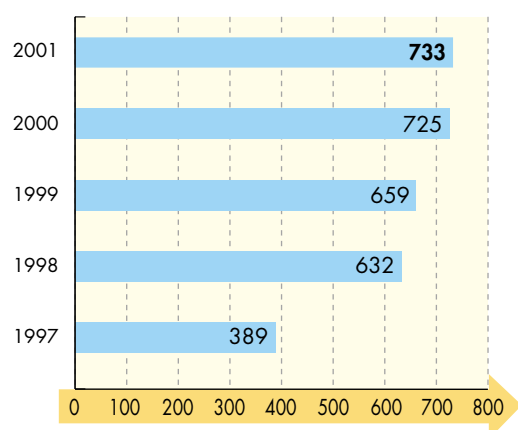
Consolidated Income Statement

(HK\$ million)	2001	2000	1999	1998	1997
Group's share of toll revenue	733	725	659	632	389
Share of operating profit of joint ventures	399	403	371	349	227
Profit before taxation	297	449	625	493	352
Profit for the year	241	428	610	480	350

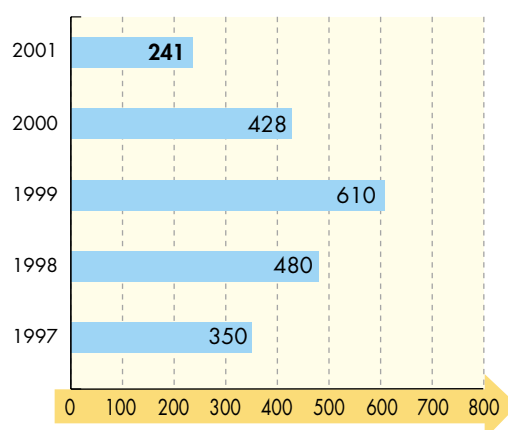
Consolidated Balance Sheet

(HK\$ million)	2001	2000	1999	1998	1997
Total assets	5,626	5,728	5,698	5,495	4,916
Total liabilities	(1,257)	(1,475)	(1,611)	(1,697)	(1,992)
Minority interests	(81)	(85)	(20)	(16)	(8)
Shareholders' funds	4,288	4,168	4,067	3,782	2,916

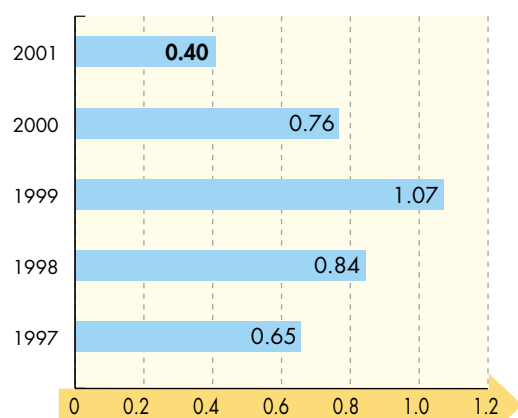
Group's Share of Toll Revenue (HK\$ million)



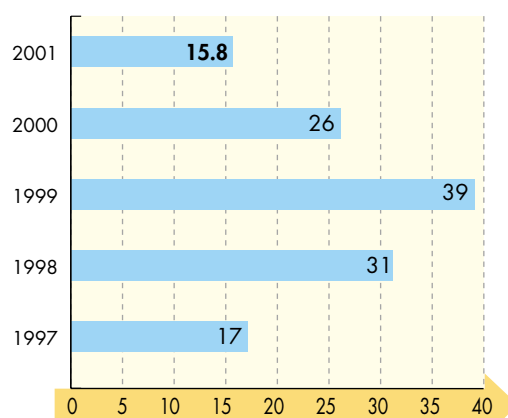
Profit for the Year (HK\$ million)



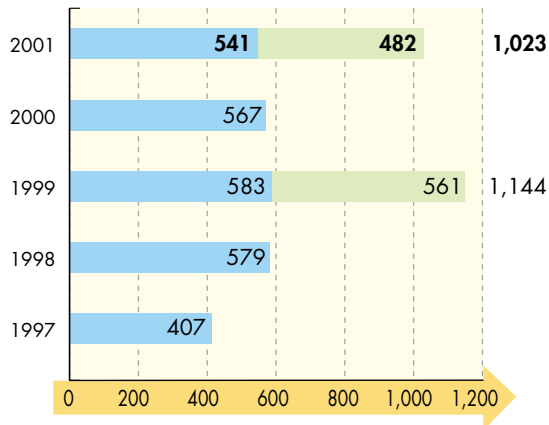
Earnings Per Share (HK\$)



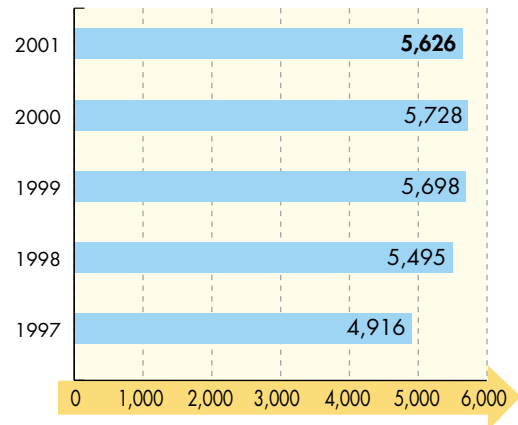
Dividend Per Share (HK cents)



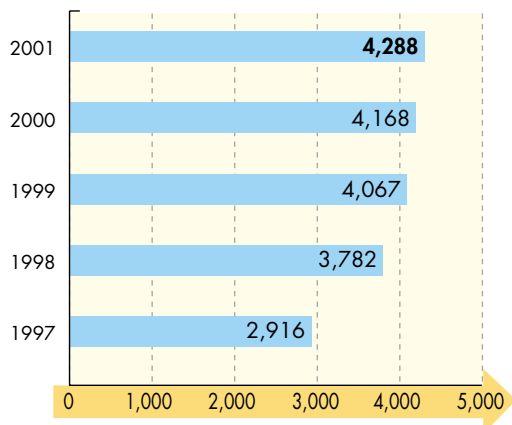
Cash Received from Toll Road Investments (HK\$ million)



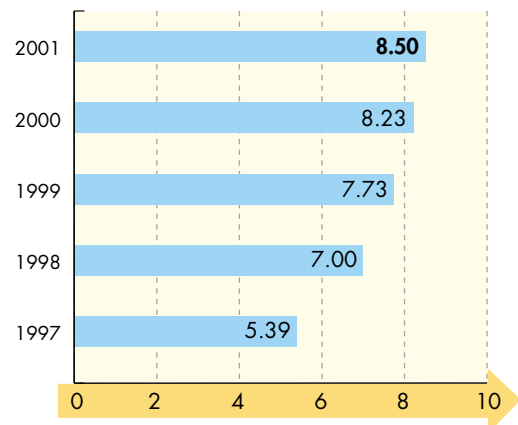
Total Assets (HK\$ million)



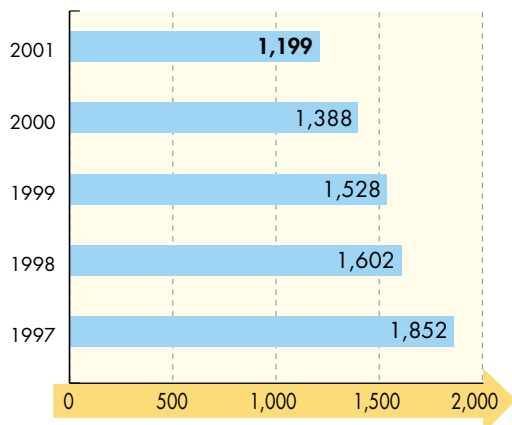
Shareholders' Fund (HK\$ million)



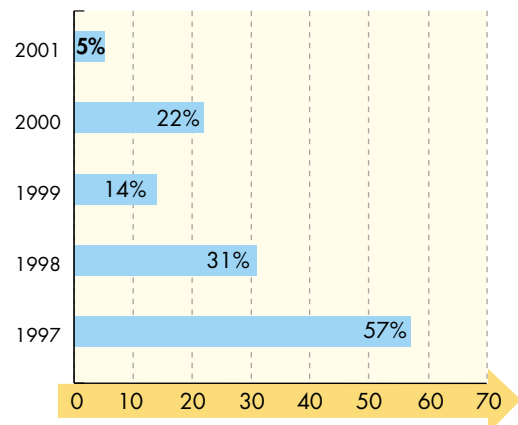
Net Book Value Per Share (HK\$)



Total Borrowings (HK\$ million)



Net Gearing Ratio



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

Corporate Structure

As at 20 March 2002



Stagecoach
Group PLC



AIG Asian
Infrastructure
Fund L.P.

49.082%

25.172%

6.313%



ROAD KING INFRASTRUCTURE LIMITED

Road King (China)
Infrastructure Limited

Road King Infrastructure
Management 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

Jiangsu

Anwell Investment Ltd.

- Suzhou-Shanghai Airport Highway

Lumbar Investments Ltd.

- Provincial Highway 211 Changzhou-Caoqiao Highway

Guangxi

Tonston Investments Ltd.

- Yulin City Ring Roads

Signrite Investments Ltd.

- Yulin-Gongguan Highway, Yulin Section

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

Henan

Lackson Investments Ltd.

Longdistance Investments Ltd.

- National Highway 311 and Provincial Highway 01 Xuchang-Nanyang Highway



Funds managed by
HSBC Private
Equity (Asia)
Limited



Public
Shareholders

2.578%

16.855%

Anhui

Kohyu Investments Ltd.

- Provincial Highway 307 Bengbu Huaihe Bridge Highway

Kamshan Investments Ltd.

- Provincial Highway 307 Bengbu Huaiyuan-Mengcheng Highway

Road Keen Investments Ltd.

Road Success Investments Ltd.

- National Highway 206 Hefei-Huainan Highway

Road Harvest Investments Ltd.

- Bengbu Chaoyanglu Huaihe Highway Bridge

Road Giant Investments Ltd.

Road Mass Investments Ltd.

Road Team Investments Ltd.

Road Union Investments Ltd.

- Hefei-Yeji 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

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

Herb King International Limited

****Chai-Na-Ta Corp.**

* 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



Dear Shareholders,

The Year 2001 is a year of turbulence. The global economic recession, the drastic downward variation of US interest rate, the 911 event, the ever highest deficit and unemployment rate in Hong Kong, etc. had caused certain uncertainties to the market. Despite all these, the Group continues to perform satisfactorily and it is now financially healthiest in its history and ready for its second booming.

The Group's operating profit for the year was HK\$409 million. If excluding the provision for doubtful receivables, the Group's actual operating profit would be HK\$535 million. Its consolidated profit attributable to shareholders was HK\$240.8 million. Earnings per share was HK\$0.4. The Board of Directors is recommending a final dividend of HK8.8 cents per share. Together with the interim dividend, the total dividend per ordinary share for 2001 will be HK15.8 cents.

Enhance profit potential

Broaden business spectrum

During the Year 2001, the Group arranged a medium-term loan financing to replace part of the TLC loan which was due by 23 January 2002. The Group also disposed its interests in the Jieyang Highway Network project in September 2001. As a result, by the end of 2001 the Group had a cash balance of about HK\$970 million in hand.

On 7 February 2002, the Group's corporate credit rating was upgraded from BB+ to BBB- by Standard & Poor's. This investment grade will enable the Group to arrange further funding much easier and cheaper. Return on future investments will thus be improved.

With the benefits of PRC's accession to WTO, the sustained positive GDP growth, the on-going economic development

of inner provinces, there are good rooms for the Group's expansion in PRC's infrastructure and infrastructure related business. The future of the Group is more positive and brighter than ever.

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, 20 March 2002



2001 Results

For the fiscal year of 2001, the Group's profit was HK\$240.8 million. Excluding the one-off provision for doubtful receivables due to the disposal of interests in Jieyang Highway Network project, the operating profit of the Group and share of joint ventures would be HK\$535 million, representing a decrease of 7.8% as compared to HK\$580 million in 2000. The decrease reflects the fact that certain toll road projects, which the Group has already recovered its original investment amount, are in the second stage of profit distribution in which PRC joint venture partners share a higher percentage of income. Upon the recovery of the partners' investment amounts, the Group's income distribution sharing ratio will increase again.

Business Review

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

Highway Projects

The Group has experienced a steady growth in total traffic flow and toll revenue from its toll road projects. In 2001, the total traffic and toll revenue derived from highway projects reached 103 million vehicles and RMB1,182 million respectively, representing 4.9% and 6.7% increase from that of 2000. Excluding the impact due to the disposal of the Group's interests in Jieyang Highway Network project, the Group's total traffic and toll revenue would demonstrate a growth of 9.3% and 11% respectively in 2001.

With the exception of the Anhui Bengbu Chaoyanglu Bridge project, all projects are operational and generating cash flow to the Group. The construction progress of the Chaoyanglu Bridge is on schedule and will be completed by the end of 2002. By the end of 2001, 65% of construction works was completed.

In 2001, the toll rates for highway projects in Guangxi and Henan Provinces were adjusted. In January 2001, Guangxi Yulin City Ring Road project was approved to raise its toll rate by 20%. In April, Henan Xunan Highway project raised its toll rate by 36%.

In September 2001, the Group completed the disposal of its interests in Jieyang Highway Network project. This transaction generated a gain of HK\$34 million to the Group. However, the Group decided to take a prudent approach to make a full provision against the outstanding receivables of approximately HK\$126 million in respect of the minimum income undertakings due from the PRC joint venture partners.

Performance of individual toll road projects was, in general, considered to be satisfactory with the exception of Guangxi Yulin Highway, Jiangsu Changcao Highway and Shanxi projects. The previous problems concerning Guangxi remained unresolved. However, the Guangxi Government had taken a helpful attitude to improve the project performance. Jiangsu Changcao Highway was increasingly faced with competition from parallel roads. The Changcao joint venture was striving to improve the situation through various measures. Although the performance of the Shanxi projects was below the Group's expectation, Shanxi projects had been improving in terms of both traffic flow and toll revenue as compared to previous years.

With persistent growth in traffic flow and toll revenue and the fact that some of the Group's projects had already recovered their original investments, the Group's turnover from minimum income undertakings in 2001 was only HK\$137 million, representing a 38% decrease from that of 2000.





Despite the fact that the global economy was accelerating a downturn in 2001, the PRC remained as one of a few countries to achieve a steady GDP growth. Thanks to the expanding and booming local economy in the PRC, the Group had maintained a satisfactory performance because of a well-diversified highway project portfolio with 22 projects spreading over 8 provinces. The Group's diversification strategy greatly enhances its stability and limits its vulnerability to individual project risk.

Due to the adoption of a more prudent management strategy, the Group had not committed to any new toll road project in 2001. The Group has maintained its stringent investment standards in order to ensure that only high-quality and profitable investment projects are undertaken by the Group. Whenever the project is good and the timing is mature, the Group is ready to make new investments.

Medical and Health Products

In 2001, the North American ginseng business primarily focused on cost control. With several effective measures,

the business was able to reduce corporate overhead by more than 39% during 2001. The Group was not required to provide any funding to support the operation. On the contrary, the North American operation was able to repay a significant portion of shareholder's loans due to the Group during the year. In the year, the North American business continued to improve its operation to suit the market changes.

In the Chinese medicine business, the Group had gradually reduced its investments. During the year, the Group had not invested new projects in this business sector.

Financial Review

In February 2002, Standard & Poor's upgraded the Group's corporate credit rating and rating on the Guaranteed Notes from BB+ to BBB- with stable outlook. According to Standard & Poor's, the rating upgrade has reflected the improving performance of the Group's diversified portfolio of toll road projects, its conservative capital structure with low debt level and relatively strong liquidity, and an experienced management team.

Liquidity and Financial Resources

As at 31 December 2001, the Group's net assets increased to HK\$4,288 million and net assets per share was HK\$8.5. The Group's total assets were HK\$5,626 million, while cash and bank deposits were HK\$969 million. During 2001, the Group received HK\$1,023 million including regular cash distribution from highway projects and the net proceeds from the disposal of Jieyang Highway Network project. Its consolidated borrowings and net debt amounted to HK\$1,199 million and HK\$230 million respectively. The Group maintained a very low net gearing ratio at 5% as compared to 22% in 2000.

The Group's major borrowings include a US dollar denominated transferable loan facility with an outstanding loan balance equivalent to HK\$581 million, US dollar denominated Guaranteed Notes with an outstanding balance equivalent to HK\$615 million and Canadian dollar denominated loan facilities with an aggregate outstanding balance equivalent to HK\$3 million. Of which, HK\$99 million will be due in 2002, HK\$194 million and HK\$290 million will be due in 2003 and 2004 respectively. The remaining balance will be due in 2007.

The Group's financial position is sound and healthy. With its total cash and bank deposits of HK\$969 million, the Group is in an excellent position to capture new investment opportunities.

Material Acquisitions and Disposals

The Group completed the disposal of its interests in Jieyang Highway Network project in September 2001. As a result of the disposal, the Group received a net proceeds of approximately HK\$482 million.

Capital Investment in 2001

In March 2001, the Group injected HK\$15.5 million of capital into the Anhui Bengbu Chaoyanglu Bridge project to finance the on-going construction.

Contingent Liabilities and Future Commitments

The Group provided various guarantees in the amount of approximately HK\$151 million to banks in Hong Kong for arranging RMB banking facilities which were provided by the PRC banks to the Group's various joint ventures in PRC. These guarantees were partly secured by charged deposits of the Group.

The Group has major capital commitment of approximately HK\$88 million, of which approximately HK\$43 million will be required in 2002.

Interest Rate

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

The Group's consolidated finance costs in 2001 dropped by 15%. It was mainly attributed to the Group's refinancing exercise in August and the gradual repayment of existing debt. Based on the refinancing terms, the interest margin under the new facility had dropped by more than 36% as compared to that of the previous loan facility.

Charges on the Group Assets

The transferable loan facility was mainly secured by charged deposits, mortgage over the shares of certain of the Group's subsidiaries and joint and several guarantee by the Company and certain of its subsidiaries. The Guaranteed Notes were secured by a floating charge over all assets of a subsidiary including a charge over deposits and were

jointly and severally guaranteed by the Company and certain of its subsidiaries. In respect of the Canadian dollar financing, the credit facilities were secured by inventories and certain real property of an overseas subsidiary. As at 31 December 2001, total charged deposits of the Group were approximately HK\$132 million.

Exposure on Foreign Exchange Fluctuations

The Group kept a substantial portion of bank deposits in US dollars and HK dollars to reduce the Group's overall exposure to exchange risks. To minimize the Group's Renminbi exchange risk, the Group had successfully assisted its highway projects to obtain RMB project finance facilities for more than RMB300 million.

Share Repurchase

During 2001, under the mandate given by the shareholders and the Board, the Group repurchased 1,849,000 shares of its own on The Stock Exchange of Hong Kong Limited for an aggregate consideration of HK\$5.37 million.

Employees

Excluding joint ventures, the Group had a total of 181 staff as at 31 December 2001. Employees' cost (excluding directors' emoluments) amounted to HK\$35.4 million. During 2001, no share option was issued by the Group to the staff of the Group under the share option scheme for employees.

The Group places strong emphasis on talented, dedicated and key employees together with an effective organization structure as main factors to its own success. The Group ensures that the pay level of its employees are competitive and commensurate with their responsibilities and performance.

Outlook

The Group believes that the toll road sector in the PRC will remain as promising and the performance of the existing projects will continue to perform satisfactorily. There are a number of favourable factors emerging for the toll road business in the PRC. They include:

- Economic environment will further improve with China's accession to WTO.
- Vehicle ownership has been increasing and is expected to grow tremendously due to expected reduction of imported car tariff over next few years. Car ownership has gradually become a more affordable choice for many local residents in the PRC.
- Freight traffic volume is expected to rise and demand for logistics services are escalating in the PRC.

With extensive and consolidated experience in the PRC toll road business, the Group is at a great advantage in seeking new investment opportunities in this sector and developing other infrastructure related projects such as transport and logistics business.

We are confident that, with our dedicated and diligent efforts, the Group will continue to grow.

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

Ko Yuk Bing

Managing Director & CEO

Hong Kong, 20 March 2002

Management Discussion & Analysis – Project Review



Guangdong Province

During this decade, economic development of Guangdong Province has continued to lead in China and has long been the hottest investment place for Hong Kong, Macau and Taiwan investors. Nowadays, the economic boom of Pearl River Delta has been publicly recognized. In 2000, the province's GDP recorded RMB 950.6 billion, an annual increase of 10.5% from previous year. Guangdong enhanced its foreign trade activities in 2000, total value of imports and exports for foreign trade grew rapidly to USD 170.1 billion, a 21.2% increase.

Under the close correlation between economic development and infrastructure development, Guangdong has formed a comprehensive expressway network. Up to 2001, a total of 104,000 km of highway had been built in the province, including 1,500 km expressway and 6,050 km Class 1 highway. The highway density was about 58.4 km per hundred km².

As a province with the largest investment amount in Road King's portfolio, the Group's projects in Guangdong performed satisfactorily during 2001. The annual total traffic and total toll revenue recorded a growth of 8.8% and 8.3% respectively, taking out figures from Jieyang Highway Network.



1

Shenzhen Airport-Heao Expressway, Eastern Section ("Jihe Expressway")

Grade	: Expressway, 6 lanes
Project Mileage	: 23.3 kilometers
Project Total Investment	: RMB 1,300 million
Interest Owned by the Group	: 45%
JV Period	: 30 years
JV Expiry Date	: 4 October 2026

Jihe Expressway, situated in Shenzhen, continued to deliver a promising growth during the year. Average daily traffic jumped 17% to 28,043 vehicles and annual toll revenue rose to RMB 153 million with a 15.1% increase. It is believed that Jihe Expressway will have steady growth in the coming future and will be one of the major profit contribution sources for the Group.

2

Jieyang Highway Network

Grade	: Class I / Class II Highway, 4 lanes / 6 lanes
Project Mileage	: 110.7 kilometers
Project Total Investment	: RMB 979.75 million
Interest Owned by the Group	: 50%

On 22 June 2001, the Group entered into agreements with PRC enterprises under the control of Jieyang Municipal Highway Bureau to dispose its entire interest in Jieyang Highway Network. The transaction was completed and disposal proceeds were received in September of the same year.

3

Provincial Highway 268 Zhongshan Shiqi-Jiangmen Highway ("Qijiang Highway")

Grade	: Class II Highway, 4 lanes
Project Mileage	: 26.5 kilometers
Project Total Investment	: RMB 141.67 million
Interest Owned by the Group	: 75%
JV Period	: 20 years
JV Expiry Date	: 11 January 2014

Associated with persistently encouraging economic performance of Zhongshan, Qijiang Highway maintained its steady growth during 2001. The annual toll revenue grew 6.7% to RMB 33.81 million, average daily traffic reached 13,061 mixed vehicles, a 5.6% growth compared with last year. Steady performance is expected for the coming year.

4

Foshan Guangzhou-Sanshui Expressway ("Guangsan Expressway")

Grade	: Expressway, 4 lanes
Project Mileage	: 52 kilometers
Project Total Investment	: RMB 900 million
Interest Owned by the Group	: 35%
JV Period	: 25 years
JV Expiry Date	: 19 June 2018

In 2001, Guangsan Expressway's average daily traffic rose 4.6% to 28,171 mixed vehicles and annual toll revenue increased 3.3% to RMB 142 million. As a vital route passing through Guangzhou, Foshan and Sanshui, a couple of relatively fast developing areas in Guangdong Province, Guangsan Expressway will be benefited from the province's economic development. The completion of whole section Guangzhou-Zhaoqing Expressway in 2002 will bring positive impact on Guangsan Expressway in the coming years.

5

National Highway 324 Luoding-Chonghua Highway ("Luochong Highway")

Grade	: Class I Highway, 6 lanes
Project Mileage	: 35 kilometers
Project Total Investment	: RMB 290.4 million
Interest Owned by the Group	: 61%
JV Period	: 20 years
JV Expiry Date	: 20 July 2014

As an inter-provincial highway connecting western Guangdong and eastern Guangxi, 75% of total traffic of Luochong Highway was cross-border traffic. In 2001, annual toll revenue recorded a growth of 2.2% to RMB 31.3 million, average daily traffic was 10,289 mixed vehicles. As the comprehensive maintenance work of its connecting Yunfu west section has been commenced in end-2001, some traffic of Luochong Highway had been diverted. It is expected the traffic will be resumed by mid-2002 at completion of maintenance works.

Guangxi Zhuang Autonomous Region

Guangxi is the hub from the south to southwest China, which also serves as one of the major sugar manufacturing and rice production bases. In 2000, GDP of the province rose to RMB 203.6 billion, recorded a growth of 7.2%.

In recent years, highway development of Guangxi reached a certain stage. In 2001, cumulative highway mileage of the province was 54,752 km, which consisted of 822 km expressway and 449 km Class I highway. The highway density was about 23.2 km per hundred km².

The total traffic of Road King's two projects in the province this year was equivalent with year 2000 and annual total revenue grew 6.0%.



6

Yulin City Ring Roads

Grade	: Class I / Class II Highway, 4 lanes / 6 lanes
Project Mileage	: 27 kilometers
Project Total Investment	: RMB 248.91 million
Interest Owned by the Group	: 70%
JV Period	: 25 years
JV Expiry Date	: 13 November 2021

The performance of Yulin City Ring Roads was relatively poor. For the year of 2001, the project recorded 4,392 mixed vehicles in average daily traffic and RMB 13.2 million in annual toll revenue last year. Revenue increased by 12% as a result of toll increase for some toll stations in January 2001, while traffic flow remained at the same level of year 2000.

7

Yulin-Gongguan Highway, Yulin Section ("Yugong Highway")

Grade	: Class I / Class II Highway, 2 lanes / 4 lanes
Project Mileage	: 39 kilometers
Project Total Investment	: RMB 203.8 million
Interest Owned by the Group	: 70%
JV Period	: 25 years
JV Expiry Date	: 13 November 2021

Affected by the closure of Yulin-Gongguan Highway Bobai section for upgrading works, average daily traffic and annual toll revenue of Yugong Highway flatted at 6,867 mixed vehicles and RMB 11.65 million respectively. Performance of the highway is expected to resume upon the completion of Bobai section in mid-2002.

Hunan Province

Hunan Province is the neighbor of Guangdong Province and is one of the most important agricultural provinces in China. The supply of rice and pig ranks among the highest in the country. With affluent ores reserve, the output of non-ferrous metals constitutes a quarter of the total production in China. Zhangjiajie, one of the most famous tourist spots in the nation, attracted over four million tourists annually. In 2000, the GDP was RMB 368.9 billion, grew by 9% compared with last year.

In order to cope with the surging passenger and freight traffic volume, government put huge effort in developing expressway network. In 2001, cumulative mileage of the province amounted to 66,593 km, that comprised 585 km expressway and 335 km Class 1 highway. The highway density was about 31.4 km per hundred km².

The Group’s project in the province recorded steady growth.



8 Changsha-Yiyang Expressway (“Changyi Expressway”)

Grade	: Expressway, 4 lanes
Project Mileage	: 75.6 kilometers
Project Total Investment	: RMB 1,432.58 million
Interest Owned by the Group	: 43.17%
JV Period	: 27 years
JV Expiry Date	: 13 October 2024

There are two major routes along the region of Changsha and Yiyang. One is Changsha to Yiyang Expressway and the other one is National Highway 319 Changsha to Yiyang old road. Both routes have been operating and

collecting tolls by joint ventures. During 2001, the average daily traffic and annual toll revenue surged to 23,788 and RMB 119 million, representing a growth of 19.6% and 7.8% respectively. Toll income of expressway represented 74% in total. Application for toll increment of old road is under way and is expected in the first half 2002. Taking advantage of the “Western Region Development Policy” of China, serving as a major passage to popular sightseeing spot - Zhangjiajie, and coupling with the gradual completion of its connecting expressways, Changyi Expressway will lure and generate more traffic.

Jiangsu Province

Jiangsu Province, located in eastern China and adjacent to Shanghai and Zhejiang, where Suzhou and Wuxi are well recognized by overseas investors as an ideal place for investment in the country. The GDP in 2000 totaled RMB 858.5 billion, surged 10.6% from past year, and remained as the second place in China. In 2000, succeed in attracting foreign investment resulted in promising growth of the export trade. Total value of Exports for Foreign Investment Enterprises amounted to RMB 14.45 billion with a tremendous rise of 46.6%, which constituted about 56.1% of the total export in Jiangsu.

Jiangsu has put great efforts to develop the transportation network in order to keep abreast of the economic growth. Up to 2001, a total of 58,884 km of highway had been accomplished in the province, which constituted 1,384 km of expressway and 2,905 km of Class 1 highway. The highway density was about 57.4 km per hundred km².

During the period, the overall performance of two Road King's projects in Jiangsu was basically in line with previous year.



grew by 1.5% from previous year. In end-2001, Qiandeng toll station was relocated, split into two toll collection points and each collected tolls on one direction with a significant toll adjustment. In result, toll income of Qiandeng toll station climbed about 20%. It is anticipated this positive movement will be reflected through the toll income for coming year.

9

Suzhou-Shanghai Airport Highway ("Airport Highway")

Grade	: Super Class II Highway, 4 lanes
Project Mileage	: 52.8 kilometers
Project Total Investment	: RMB 387 million
Interest Owned by the Group	: 50%
JV Period	: 23 years
JV Expiry Date	: 15 December 2017

Affected by the improvement of surrounding road network, Airport Highway only achieved a moderate growth last year. Annual toll revenue rose 3.5% to RMB 39.96 million, average daily traffic was 11,571 mixed vehicles, slightly

10

Provincial Highway 211 Changzhou-Caoqiao Highway ("Changcao Highway")

Grade	: Class I Highway, 4 lanes
Project Mileage	: 26.1 kilometers
Project Total Investment	: RMB 249 million
Interest Owned by the Group	: 60.24%
JV Period	: 20 years
JV Expiry Date	: 28 March 2016

Dampened by the problem of bypassing access of toll stations, both traffic and toll income of Changcao Highway declined in 2001. Average daily traffic dropped 3.9% to 4,785 mixed vehicles, while annual toll revenue fell 9.4% to RMB 20.07 million. Joint venture is striving to improve the situation through various measures.

Anhui Province

Located along the developed Yangtze River Delta, Anhui Province is the hinterland of eastern China. To lure foreign investment, a series of measures have been taken by simplifying approval procedures and implementing incentive scheme. In 2000, the import and export amounts reached USD 3.33 billion, surged for 25.7% compared to last year. At the same year, the GDP was RMB 303.2 billion, up 8%.

Up to 2001, a total of 65,800 km of highway had been achieved in the region, in which 597 km was expressway and 300 km was Class I highway. The highway density was about 47.1 km per hundred km².

Anhui is ranked the second, just behind Guangdong, in terms of the Group's investment allocation. The performance of Group's five highway & bridge projects in Anhui Province was encouraging that the total traffic and total toll revenue surged 17.8% and 11.5% in 2001.



million respectively, representing 11.8% and 6.7% increase to that of previous year. However, as expected, the full completion of Hefei to Xuzhou Expressway in 2002 will have negative impact on the project.

11
Provincial Highway 307 Bengbu Huaihe Bridge Highway ("Bengbu Huaihe Bridge Highway")

Grade	: Super Class II Highway and suspension cable-stayed bridge, 4 lanes
Project Mileage	: 21 kilometers
Project Total Investment	: RMB 232.2 million
Interest Owned by the Group	: 60%
JV Period	: 32 years
JV Expiry Date	: 22 November 2029

Bengbu Huaihe Bridge is the only bridge crossing Huaihe in Bengbu. Performance of the bridge is satisfactory in year 2001. Average daily traffic and annual toll revenue had reached 11,758 mixed vehicles and RMB 50.28

12
Provincial Highway 307 Bengbu Huaiyuan-Mengcheng Highway ("Bengbu Huaimeng Highway")

Grade	: Super Class II Highway, 4 lanes
Project Mileage	: 59 kilometers
Project Total Investment	: RMB 170.1 million
Interest Owned by the Group	: 60%
JV Period	: 32 years
JV Expiry Date	: 22 November 2029

Affected by the traffic diversion to adjacent route during the period, Bengbu Huaimeng Highway experienced a significant decrease in both traffic and toll revenue. Average daily traffic and annual toll revenue was recorded as 7,936 mixed vehicles and RMB 23.71 million. The joint venture is looking for actions/measures to improve the situation.

13

National Highway 206 Hefei-Huainan Highway (“Hehuai Highway”)

Grade	: Super Class II Highway, 4 lanes
Project Mileage	: 90 kilometers
Project Total Investment	: RMB 425 million
Interest Owned by the Group	: 60%
JV Period	: 25 years
JV Expiry Date	: 28 July 2022

Affected by the opening of Hefei to Xuzhou Expressway Southern section, traffic on Hehuai Highway suffered a structural change and the average toll rate lowered. Nevertheless, Hehuai Highway still benefited from the newly completed Hefei Second Ring Road, which induced significant number of small passenger vehicle. As a result, average daily traffic rose 14.2% to 16,258 mixed vehicles, while annual toll revenue only increased by 1.4% to RMB 73.4 million in 2001.

15

Hefei-Yeji Highway (“Heye Highway”)

Grade	: Class I Highway, 4 lanes / 6 lanes
Project Mileage	: 130 kilometers
Project Total Investment	: RMB 1,102 million
Interest Owned by the Group	: 50%
JV Period	: 25 years
JV Expiry Date	: 15 March 2025

During the period, joint venture adopted a series of measures to improve toll collection management system including staff restructuring and training, installation of CCTV and computerized toll collection system. Although affected by government policy on restricting over-weight trucks, the performance of Heye Highway was quite good. Annual toll revenue was RMB 124.19 million in comparison with RMB 85.72 million for 9-month of 2000. Average daily traffic recorded a 18.3% increase to 20,871 mixed vehicles.

14

Bengbu Chaoyanglu Huaihe Highway Bridge (“Chaoyanglu Huaihe Bridge”)

Grade	: Continuous rigid frame structure, 6 lanes
Project Mileage	: 1.765 kilometers
Project Total Investment	: RMB 183.98 million
Interest Owned by the Group	: 60%
JV Period	: 30 years
JV Expiry Date	: 22 November 2029

Located in the downtown of Bengbu City, Chaoyanglu Huaihe Bridge is built to relieve the congested Bengbu Huaihe Bridge and to foster the economic development of northern Bengbu City. Construction work progressed according to the planning schedule and is anticipated to open by late-2002. 65% of total construction works completed by end-2001.

Henan Province

Situated in the middle plains of China, Henan Province has well-developed industrial and agricultural economy. The province is one of the main wheat production areas, and its output of sesame and tobacco ranked the first in China. With relatively strong economy, Henan recorded the highest GDP among all the inland provinces for the previous few years and ranked the fifth in the nation. The GDP in 2000 was RMB 512.6 billion, recorded a growth of 9.4% from last year. As the most populous region with 92.56 million in population and its unique geographical location, Henan Province has long been the busiest transportation hub and plays a vital role in national transportation planning.

In order to relieve the congested situation, building of new expressways took place in the 9th Five-Year Plan and has been continued in the 10th Five-Year Plan. Up to 2001, a total of 69,041 km of highway had been built in the province, in which 1,076 km was expressway. The highway density was about 41.3 km per hundred km².

Road King's Henan project delivered a pleasant result that toll revenue soared during 2001.



16

National Highway 311 and Provincial Highway 01 Xuchang-Nanyang Highway ("Xunan Highway")

Grade	: Class I Highway, 4 lanes
Project Mileage	: 80 kilometers
Project Total Investment	: RMB 410 million
Interest Owned by the Group	: 50%
JV Period	: 23 years
JV Expiry Date	: 5 January 2020

Due to a toll rate increase of Xunan Highway in April 2001, the project's performance was outstanding. Annual toll revenue bounced to RMB 133 million, representing a sharp rise of 41.3%, while average daily traffic reached 19,509 mixed vehicles. As the planned parallel Xuchang-Pingdingshan-Nanyang Expressway was delayed, the incomes of the project for the coming few years are expected to be higher than originally projected.

Shanxi Province

In order to resume the economy of Shanxi, various measures have been taken by the government to stimulate developing of coal-mining and travel industries. Coal mining industry, as economic backbone of Shanxi, was in trouble of over-supply in these years. To improve the situation, provincial government took action in controlling the production volume and attacking the black market trading. The industry has recovered as a result of those means taken. Meanwhile, benefited from government's supporting policy, tourism of Shanxi was also improved. In 2000, the GDP was RMB 164 billion, up 7.7%.

Up to 2001, a total of 56,993 km of highway had been achieved in the province, in which 586 km was expressway and 674 km was Class I highway. The highway density was about 36.5 km per hundred km².

Taking advantage of economic recovery, Road King's five highway and bridge projects experienced steady growth. The total traffic and total annual revenue recorded 7.7% and 5.2% growth.



17

National Highway 108 Yuci Dongchangshou-Qixian Dongguan Highway ("Dongguan Highway")

Grade	: Class I Highway, 4 lanes
Project Mileage	: 38 kilometers
Project Total Investment	: RMB 247 million
Interest Owned by the Group	: 65%
JV Period	: 20 years
JV Expiry Date	: 25 November 2016

Under central government's incentive policy of developing western China, the economy of Shanxi Province has been improved. As one of the major national routes in Shanxi Jinzhong region, average daily traffic rose 8.1% to 4,759 mixed vehicles, while annual toll revenue had a 1.1% growth to RMB 10.64 million.

18

Taiyuan-Yuci Highway ("Taiyu Highway")

Grade	: Super Class I Highway, : 4 lanes / 6 lanes
Project Mileage	: 17 kilometers
Project Total Investment	: RMB 208.53 million
Interest Owned by the Group	: 65%
JV Period	: 23 years
JV Expiry Date	: 15 May 2020

Revenue and traffic of Taiyu Highway maintained at the same level as that of year 2000. It was because the impact on traffic diversion to Taiyuan Southern Ring Road minimized by the economic recovery during the period. Average daily traffic was 14,736 mixed vehicles while annual toll revenue was RMB 21.39 million.

19

National Highway 108 Yuci City Bypass ("Yuci City Bypass")

Grade	: Class I Highway, 4 lanes
Project Mileage	: 16.6 kilometers
Project Total Investment	: RMB 166.03 million
Interest Owned by the Group	: 65%
JV Period	: 23 years
JV Expiry Date	: 15 May 2020

As similar as other projects in Shanxi Province, the resumption of economy improved the performance of Yuci City Bypass. Average daily traffic was 3,989 mixed vehicles and annual toll revenue was RMB 9.23 million, representing 24.4% and 10.5% growth respectively.

20

Provincial Highway Huanggu Route Xiaodian Fenhe Bridge ("Xiaodian Fenhe Bridge")

Grade	: Class I Highway, 4 lanes
Project Mileage	: 5.5 kilometers
Project Total Investment	: RMB 65.3 million
Interest Owned by the Group	: 25%
JV Period	: 20 years
JV Expiry Date	: 31 May 2019

A new policy was implemented by the Taiyuan City Government to restrict lorries from using Taiyuan City Southern Ring Road. As an alternative, Xiaodian Fenhe Bridge benefited from this and experienced a better year with average daily traffic jumped 18.9% to 2,693 mixed vehicles and annual toll income rose 33.0% to RMB 4.19 million.

21

Provincial Highway 104 Taiyuan Ximing-Gujiao Highway ("Taigu Highway")

Grade	: Class II Highway, 3 lanes
Project Mileage	: 41.5 kilometers
Project Total Investment	: RMB 226.2 million
Interest Owned by the Group	: 60%
JV Period	: 23 years
JV Expiry Date	: 31 October 2020

By strictly controlling the supply of coal, retail price of coal raised, resulting in a gradual improvement of the industry's performance. Functioning as the major link between Gujiao, a coal mining city, and Taiyuan City, Taigu Highway was benefited from the economic upturn. Average daily traffic went up by 11.0% to 7,298 mixed vehicles and annual toll revenue increased by 9.6% to RMB 13.51 million.

Hebei Province

Hebei Province is the main access from the capital to elsewhere in China with a well-formed infrastructure network linking via railway, road and water transports. With a favorable geographical location, Hebei Province becomes the important industrial centre especially in cotton-manufacturing. In between, both Shijiazhuang and Handan cities have developed as the cotton weaving centres. In 2000, GDP of Hebei was RMB 507.6 billion, climbed up by 9.5%.

The prior ranking of freight transport volume has fostered the development of provincial highway network. Till 2001, a total of 62,615 km of highway had been achieved in the province, in which 1,565 km is expressway and 1,936 km is Class I highway. The highway density was about 33.4 km per hundred km².

Road King's two national-highway projects in the province recorded steady growth during the period, with increment of 4.8% and 4.9% in total traffic and total toll revenue respectively.



a moderate growth in 2001. Average daily traffic rose 2.4% to 12,964 mixed vehicles while annual toll revenue dropped 4.4% to RMB 39.41 million.

22

National Highway 307 Shijiazhuang-Jinzhou Highway ("Shijin Highway")

Grade	: Class I / II Highway, 4 lanes / 6 lanes
Project Mileage	: 40 kilometers
Project Total Investment	: RMB 330 million
Interest Owned by the Group	: 60%
JV Period	: 20 years
JV Expiry Date	: 13 July 2017

The full completion of Shijiazhuang to Huanghua Port Expressway had caused the diversion of some trucks. However, the overall traffic of Shijin Highway still showed

23

National Highway 309 Handan-Guantao Highway ("Hanguan Highway")

Grade	: Class I Highway, 4 lanes
Project Mileage	: 79 kilometers
Project Total Investment	: RMB 400 million
Interest Owned by the Group	: 70%
JV Period	: 18 years
JV Expiry Date	: 4 September 2015

Taking advantage of relocating of Qingzhang toll station in June 2001 and the opening of a cross-province bridge, Weihe Bridge, the performance of Hanguan Highway was good during the period. Average daily traffic increased by 9.3% to 8,787 mixed vehicles, while annual toll revenue surged 12.7% to RMB 54.38 million.

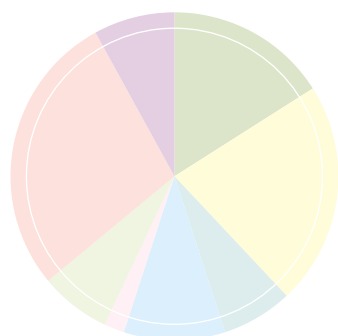
Management Discussion & Analysis – Financial Review

(A) Financial Results

Summary of Consolidated Income Statement

HK\$ million	2001	2000	Changes
Turnover: Group and share of infrastructure joint ventures			
Toll revenue	733	725	+ 1%
Minimum income undertakings	137	222	- 38%
Sales of goods	76	26	+ 192%
	946	973	- 3%
Less: Share of infrastructure joint ventures' toll revenue	(701)	(697)	+ 1%
Turnover: Group	245	276	- 11%
Net income recognised in respect of goodwill and negative goodwill	19	12	+ 58%
Gain on disposal of interests in infrastructure joint ventures	34	–	N/A
Other income	18	26	- 31%
Cost of inventories sold	(64)	(22)	+ 191%
Provision for doubtful receivables	(126)	–	N/A
Operating expenses	(117)	(115)	+ 2%
Share of operating profit of joint ventures	399	403	- 1%
Operating profit: Group and share of joint ventures	408	580	- 30%
Finance costs	(111)	(131)	- 15%
Profit before taxation	297	449	- 34%
Taxation	(56)	(21)	+ 167%
Profit for the year	241	428	- 44%
Weighted average number of issued shares	506,014,065	510,565,725	- 1%
Basic earnings per share	HK\$0.40	HK\$0.76	- 47%
Dividend per share in respect of current year	HK15.8 cents	HK26.0 cents	- 39%
HK\$ million			
Dividend in respect of current year			
Interim dividend	35	96	- 64%
Proposed final dividend	45	35	+ 29%
Dividend on convertible preference shares	39	39	–

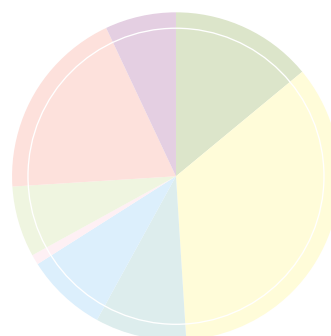
Profit Contribution by Geographic Region



2001

22%	Guangdong	35%
7%	Jiangsu	9%
10%	Henan	8%
2%	Guangxi	1%
7%	Shanxi	7%
28%	Anhui	19%
8%	Hebei	7%
16%	Hunan	14%

Profit Contribution by Geographic Region



2000

Group's share of toll revenue

Group's share of toll revenue increased by 1% mainly attributable to the increase in total traffic and toll rates in certain projects but was offset by the loss of toll revenue as a result of the disposal of interests in four infrastructure co-operative joint ventures in Jieyang Highway Network ("Jieyang JVs") in 2001. Excluding the effect of the disposed Jieyang JVs, the increase in toll revenue would be 11%.

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 approximately 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. Although the Group's bank and cash position improved during the year, interest income decreased substantially due to the reduction of bank deposit rates in 2001.

Provision for doubtful receivables

A full provision was made in respect of the outstanding receivables in relation to the minimum income undertakings due from the joint venture partners of Jieyang Highway Network project for approximately HK\$126 million.

Operating expenses

A slight increase of operating expenses was due to the inclusion of current year's operating expenses of the ginseng and medicine businesses. The ginseng business was acquired by the Group in May 2000.

Share of operating profit of joint ventures

Share of joint ventures' operating profit decreased by 1% due to the fact that some projects had reached their second stage of 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 JVs after their disposal. Excluding the effect of the disposed Jieyang JVs, share of operating results of joint ventures would increase by 6%.

Finance costs

Finance costs mainly represented interest of secured loans, the Guaranteed Notes less interest income on repurchased portion and the up-front finance costs in association with the refinancing exercise during the year. The decrease in finance costs was consistent with the falling US interest rates during 2001.

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 that adopted by the PRC infrastructure joint ventures. The substantial rise of taxation was due to an increase of the provision of deferred tax as a result of the increase in cumulative timing difference on depreciation.

(B) Cash Flow

Summary of Consolidated Cash Flow Statement

HK\$ million	2001	2000	Changes
Net cash inflow (outflow) from operating activities	40	(71)	111
Net cash outflow from returns on investment and servicing of finance	(62)	(291)	229
Net cash inflow from investing activities	840	140	700
Net cash inflow (outflow) before financing	818	(222)	1,040
Net cash outflow from financing	(195)	(226)	31
Increase (decrease) in cash and bank balances	623	(448)	1,071

Net cash inflow from operating activities was mainly attributable to decrease of debtors, deposits and prepayments by HK\$66 million and decrease of inventories and ginseng crops by HK\$21 million in the current year.

Net cash outflow from returns on investment and servicing of finance mainly consisted of dividends received from joint ventures of HK\$140 million (last year: HK\$66 million); dividend payment of HK\$110 million (last year: HK\$248 million), interest income of HK\$15 million (last year: HK\$29 million) and interest payment of HK\$107 million (last year: HK\$138 million).

Net cash inflow from investing activities mainly comprised a net proceeds of HK\$482 million (last year: Nil) from disposal of interests in Jieyang JVs, repayment of shareholder loans from joint ventures of HK\$298 million (last year: HK\$363 million), and decrease of charged deposits of HK\$106 million (last year: decrease of HK\$39 million).

Net cash outflow from financing principally consisted of the full repayment of the outstanding US\$ transferable loan facility of HK\$768 million (last year: HK\$146 million) and the arrangement of a new transferable loan facility of HK\$581 million (last year: Nil) in August 2001.

Capital Expenditure Commitments

As at the end of 2001, the Group's outstanding capital commitments in respect of toll road projects were as follows:

	HK\$ million
Within one year	43
In the second to fifth year inclusive	3
After the fifth year	42
	<hr/> 88

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

Contingent Liabilities

As at the end of 2001, the Group had the following contingent liabilities:

	HK\$ million
Guarantees indirectly given to banks in respect of bank facilities utilised by infrastructure joint ventures	<hr/> 151

(C) Financial Position

Summary of Consolidated Balance Sheet

HK\$ million	2001	2000	Changes
ASSETS			
Property, plant and equipment	57	69	- 12
Interests in joint ventures	3,955	4,463	- 508
Other non-current assets	285	327	- 42
Current assets	1,329	869	+ 460
Total assets	5,626	5,728	- 102
LIABILITIES			
Current liabilities	158	236	- 78
Long-term liabilities	1,099	1,239	- 140
Minority interests	81	85	- 4
Total liabilities	1,338	1,560	- 222
CAPITAL			
Shareholders' funds	4,288	4,168	+120

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 decreased to HK\$3,955 million mainly due to the disposal of interests in the Jieyang JVs during the year.

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

Current assets mainly comprised bank balances and cash, charged deposits, receivables, inventories and ginseng crops. Bank balances, cash and charged deposits aggregated to HK\$925 million (last year: HK\$391 million), partly including the net proceeds from the disposal of interests in the Jieyang JVs.

Current liabilities mainly comprised HK\$99 million of the short-term portion of the secured loans (last year: HK\$149 million) and HK\$24 million (last year: HK\$50 million) of interest payables.

Non-current liabilities comprised the long term portion of the Group's secured loans and guaranteed notes of HK\$1,099 million (last year: 1,239 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	2001	2000
Shareholders' funds	4,288	4,168
Secured loans	1,199	1,388
Total capital employed	5,487	5,556
Gearing ratio	28%	33%

The reduction of the Group's gearing ratio from 33% to 28% was mainly attributable to the full repayment of the US dollars transferable loan certificate of HK\$768 million together with the refinancing of a new transferable loan certificate of HK\$581 million. The Group's net gearing ratio had then decreased to 5% (last year: 22%).

Interest Coverage

HK\$ million	2001	2000
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	536	703
Finance costs	111	131
Interest coverage	4.8 times	5.4 times

Executive Directors

Mr. Zen Wei Pao, William

(aged 54, 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 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 46, 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 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 12 years' experience in business development and operation in the PRC.

Mr. Chui Chi Keung, Raymond

(aged 42, Finance Director)

Mr. Chui joined the Group in August 2000 and has been appointed as an Executive Director since 22 November 2000. He holds a Master of Business Administration degree and a Bachelor of Commerce degree. He is a Chartered Accountant in Canada and a member of The Canadian Institute of Chartered Accountants since 1989. Mr. Chui has over 15 years' experience in auditing, taxation, corporate finance, project finance, private equity investments and corporate banking.

Mr. Zen Wei Peu, Derek

(aged 49)

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 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 39, Company Secretary)

Mr. Fong has been appointed as an Executive Director 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 16 years' experience in auditing, accounting and business advisory profession.

Non-Executive Directors

Mr. Brian Souter

(aged 47)

Mr. Souter has been appointed as a Non-Executive Director of the Company since 6 May 1998. He is the Chairman 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 and is responsible for its new business development and corporate governance matters. He is a Chartered Accountant in the UK.

Mr. Cheng Wai Po, Samuel

(aged 42)

Mr. Cheng is an alternate Director to Mr. Brian Souter. He is a Director and the General Manager of Citybus Group Limited, a subsidiary 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. Keith Robertson Cochrane

(aged 37)

Mr. Cochrane has been appointed as a Non-Executive Director of the Company since 12 June 1998. He is Chief Executive of Stagecoach and also a Director of Citybus Group Limited and a member of the UK Bus Executive Group. He is a Chartered Accountant in the UK.

Mr. Martin Andrew Griffiths

(aged 35)

Mr. Griffiths is an alternate Director to Mr. Keith Robertson Cochrane. 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. Wu Chang, Tom

(aged 46)

Mr. Wu has been appointed as a Non-Executive Director of the Company since 29 January 2002. He is an assistant Director of Emerging Markets Partnership (H.K.) Ltd. ("EMP"), the Principal Adviser to AIG Infrastructure Fund L.P. ("AIG-AIF"). He is a member of the Hong Kong Society of Financial Analyst, a member of both the Institute of Chartered Accountants and the Certified Management Accountants in Canada, and a Fellow Member of The Hong Kong Society of Accountants. He holds a Master of Business Administration degree from York University in Canada, and a Bachelor of Commerce degree from University of Toronto in Canada. Mr. Wu has over 20 years of merger & acquisition, investment, and project finance experiences, gained from working in private equity fund investments, venture capital investments, investment banking, as well as participating on the senior management team of various companies in the telecommunications, manufacturing, auditing and consulting industries.

Mr. Bharat Parashar

(aged 45)

Mr. Parashar is an alternate Director to Mr. Wu Chang, Tom. He joined EMP in September 2001 and is Regional Advisor to AIG-AIF on all their Asian investments. He holds a Bachelor of Arts (Hons) degree in economics from the Delhi University and a Master of Business Administration degree from the Asian Institute of Management. Mr. Parashar has 23 years' experience in Asia in the investment banking and commercial banking area in a variety of roles including management, business development and client management with industry leading financial institutions. Prior to joining EMP, he was a co-head of Salomon Smith Barney's investment banking business in South and South East Asia.

Mr. James Herbert Stewart

(aged 49)

Mr. Stewart has been appointed as a Non-Executive Director since 22 May 2001. He is a Director of HSBC Private Equity (Asia) Limited ("HPEM"). 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 has joined HPEM 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 28)

Ms. Chiang is an alternate Director to Mr. James Herbert Stewart. Ms. Chiang is a Manager of HPEM 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 HPEM, she worked in the audit division of KPMG in Hong Kong.

Independent Non-Executive Directors

Mr. Chan Hing Chiu, Vincent

(aged 66)

Mr. Chan joined the Company as an Independent Non-Executive Director of the Company 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 of The Hong Kong Institution of Engineers.

Mr. Chow Shiu Kee, Stephen

(aged 53)

Mr. Chow joined the Company as an Independent Non-Executive Director of the Company 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 47)

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 23 years' experience in civil engineering industry with more than 13 years' experience in PRC project management.

Mr. Yu Kam Fat, James

(aged 46)

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 22 years' experience in civil engineering industry and project management.

Mr. Chan Sai Kuen, Daniel

(aged 44)

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 20 years' experience in accounting and project management.

Directors and Senior Management

Ms. Han Feng Hua

(aged 62)

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 38 years' experience in administration, road construction and management of the transportation sector in the PRC.

Mr. Xu De Bao

(aged 63)

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 14 years' experience in administration, road construction and personnel management of the transportation sector in the PRC.

Mr. Ding Huai Qing

(aged 61)

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 41 years' experience in administration, road construction and management of the transportation sector in the PRC.

Ms. Zhong Liang Jun

(aged 65)

Ms. Zhong is a Senior Consultant particularly involved in business development. She was with the Ministry of Communications in the PRC. She has over 47 years' experience in transportation infrastructure development in the PRC.

Mr. Chen Guan Jun

(aged 69)

Mr. Chen is a Senior Technical Consultant. He is a Senior Professional Engineer in the PRC. He is a member of The Chinese People's Political Consultative Conference, 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 49 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 2001.

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 19 and 20 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2001 are set out in the consolidated income statement on page 48.

An interim dividend of HK7 cents per share amounting to HK\$35,431,000 was paid to the shareholders on 15 August 2001. The convertible preference shares dividend of HK\$38,879,000 was paid during the year.

The directors recommend the payment of a final dividend of HK8.8 cents per share to the shareholders on the Register of Members on 9 May 2002 amounting to HK\$45,373,000.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on pages 92 and 93.

Share Capital, Share Options and Warrants

Details of the movements during the year in the share capital and share options, and warrants of the Company are set out in notes 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 18 to the financial statements.

Connected Transactions

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% indirectly owned subsidiary of the Company.

Pursuant to the Revolving Credit Agreement, More Growth agreed to provide C\$5 million (approximately HK\$24,540,000) 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 2002. For each extension More Growth charged an extension fee equal to 1% of the commitment amount. The purpose of the fund was to provide general working capital to CNT.

Subsequent to the balance sheet date, the above loan was further renewed and extended for another twelve months until March 2003 with an extension fee equal to 1% of the commitment amount.

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

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*)

Chui Chi Keung, Raymond (*Finance Director*)

Zen Wei Peu, Derek

Fong Shiu Leung, Keter

Non-executive directors:

Brian Souter

Cheng Wai Po, Samuel (alternate to Brian Souter)

Keith Robertson Cochrane

Martin Andrew Griffiths (alternate to Keith Robertson Cochrane)

Wu Chang, Tom (appointed on 29 January 2002)

Bharat Parashar (appointed on 1 September 2001 as alternate to Law Hung Kuen, Janson, ceased to act as alternate to Law Hung Kuen, Janson on 6 October 2001, and appointed on 29 January 2002 as alternate to Wu Chang, Tom)

James Herbert Stewart (appointed on 28 March 2001 as alternate to Yu Kit Wai, Laetitia, ceased to act as alternate to Yu Kit Wai, Laetitia on 22 May 2001, and appointed on 22 May 2001)

Directors and Directors' Service Contracts (Continued)

Non-executive directors: (Continued)

Chiang Wen Chee, Wendy	(appointed on 1 September 2001 as alternate to James Herbert Stewart)
Yu Kit Wai, Laetitia	(appointed on 22 January 2001 and resigned on 22 May 2001, appointed on 22 May 2001 as alternate to James Herbert Stewart and resigned on 1 September 2001 as alternate to James Herbert Stewart)
Leung Man Kit, Michael	(resigned on 1 September 2001 as alternate to Law Hung Kuen, Janson)
Law Hung Kuen, Janson	(resigned on 6 October 2001)

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, Zen Wei Peu, Derek, Brian Souter, Keith Robertson Cochrane, James Herbert Stewart and Wu Chang, Tom shall retire by rotation and, being eligible, offer themselves for re-election. All other remaining directors continue in office.

Commencing from 1 May 2000, each of the executive directors, except for Chui Chi Keung, Raymond and Fong Shiu Leung, Keter, entered into a new service contract for a term of three years.

Chui Chi Keung, Raymond and Fong Shiu Leung, Keter entered into service contracts with the Company subsequent to their appointments. The service contract with Chui Chi Keung, Raymond is for a term of two years and five months commencing from 22 November 2000. 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

(i) Shares and warrants

At 31 December 2001, the interests of the directors and their associates in the share capital and warrants 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:

Name of director	Number of ordinary shares held under personal interests	Number of warrants held under personal interests
Zen Wei Peu, Derek	1,206,645	241,329

(ii) Options

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. 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, 404,000 options expired, 550,000 options were cancelled, and no options were granted or exercised.

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 1.1.2001	Granted during the year	Exercised during the year	Expired/cancelled during the year	Balance at 31.12.2001
HK\$									
Directors									
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

Directors' Interests in Securities (Continued)

Name	Date granted	Vesting period	Exercisable period	Exercise price	Number of share options				
					Balance at 1.1.2001	Granted during the year	Exercised during the year	Expired/cancelled during the year	Balance at 31.12.2001
				HK\$					
Chui Chi Keung, Raymond	27 November 2000	2 years	27 November 2001 to 26 November 2003	3.20	200,000	-	-	-	200,000
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
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
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
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
Law Hung Kuen, Janson	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)	-
					12,793,000	-	-	(290,000)	12,503,000

Directors' Interests in Securities (Continued)

Name	Date granted	Vesting period	Exercisable period	Exercise price	Number of share options				
					Balance at 1.1.2001	Granted during the year	Exercised during the year	Expired/cancelled during the year	Balance at 31.12.2001
				HK\$					
Others									
Employees	27 June 1998	2 years	30 June 1999 to 29 June 2001	5.14	419,000	-	-	(419,000)	-
	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	690,000	-	-	(15,000)	675,000
	8 August 2000	2 years	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

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 2001, 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 2001:

Name	Number of ordinary shares
ZWP Investments Limited	187,066,766
Wai Kee China Investments Company Limited (Note 1)	187,066,766
Wai Kee China Investments (BVI) Company Limited (Note 2)	187,066,766
Groove Trading Limited	66,000,000
Wai Kee (Zens) Holding Limited (Note 3)	253,066,766
Wai Kee Holdings Limited (Note 4)	253,066,766
Precis (1628) Limited	118,106,294
Stagecoach Group PLC (formerly known as Stagecoach Holdings PLC) (Note 5)	118,106,294

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. Precis (1628) Limited 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 27 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 2001.

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 its nature of business.

Code of Best Practice

The Company has complied throughout the year ended 31 December 2001 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 take 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 Group's interests exceed 50% or not. The investments are in the form of both registered capital and loan. 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\$151 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\$2.51 billion which exceeds 58% of the Group's net assets as at 31 December 2001. 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 Joint Ventures	% of interest held indirectly by the Company	Loan to joint venture HK\$'000	Outstanding loan to be injected HK\$'000
Infrastructure Joint Ventures			
Anhui Road Universe Hefei Highway Development Co., Ltd.	50%	18,729	–
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 Universal Liuan Highway Development Co., Ltd.	50%	–	–
Bengbu Road King Chaoyanglu Huaihe Highway Bridge Development Co., Ltd.	60%	24,139	11,319
Bengbu Road King Huaihe Bridge Highway Development Co., Ltd.	60%	78,083	–
Bengbu Road King Huaimeng Highway Development Co., Ltd.	60%	57,200	–
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 (Hengcang) 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%	17,145	–
Liuan Road Universe Pihe Bridge Development Co., Ltd.	50%	16,942	–
Luodingshi Luochong Highway Company Limited	61%	140,283	–
Pingdingshan Road King Xuchang-Nanyang Highway (Xiangcheng Section) Development Co., Ltd.	50%	68,352	–
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%	83,966	–
Other			
Beijing Mediking Pharmaceutical Technology Co., Ltd.	60%	933	–
		2,506,845	45,496

Practice Note 19 to the Listing Rules (Continued)

2. Pursuant to part 3.7.1 of Practice Note 19:

The Group has a syndicated bank loan facility of an outstanding amount of about US\$75 million. 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 2001, is as follows:

Balance sheet	2001 HK\$'000
Property, plant and equipment	7,568,823
Other assets	261
Current assets	221,243
Current liabilities	(240,208)
Net current liabilities	(18,965)
Amounts due to joint venture partners	(3,306,723)
Net assets	4,243,396

Details of the Group's attributable interest in the infrastructure joint ventures are set out in note 20 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\$1,435,000.

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, 20 March 2002

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 48 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 2001 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, 20 March 2002

Consolidated Income Statement

For the year ended 31 December 2001

	NOTES	2001 HK\$'000	2000 HK\$'000
Turnover: Group and share of infrastructure joint ventures	4		
Toll revenue		733,361	725,430
Minimum income undertakings		137,492	222,288
Sales of goods		75,564	25,408
		946,417	973,126
Less: Share of infrastructure joint ventures' toll revenue		(700,916)	(697,352)
Turnover: Group	4	245,501	275,774
Net income recognised in respect of goodwill and negative goodwill	16	18,627	12,186
Gain on disposal of interests in infrastructure joint ventures	6	34,033	–
Interest income		14,819	24,172
Other income		3,561	2,092
		316,541	314,224
Cost of inventories sold		(63,736)	(22,126)
Provision for doubtful receivables	7	(125,765)	–
Operating expenses		(116,925)	(115,414)
Operating profit: Group	8	10,115	176,684
Share of operating profit of joint ventures	10	398,838	403,462
Operating profit: Group and share of joint ventures		408,953	580,146
Finance costs	11	(111,290)	(130,725)
Profit before taxation		297,663	449,421
Taxation	12	(56,665)	(21,346)
Profit before minority interests		240,998	428,075
Minority interests		(204)	24
Profit for the year	13	240,794	428,099
Dividends	14	109,741	248,181
Earnings per share	15		
— Basic		HK\$0.40	HK\$0.76
— Diluted		N/A	HK\$0.75

Consolidated Balance Sheet

At 31 December 2001

	NOTES	2001 HK\$'000	2000 HK\$'000
ASSETS			
Non-current assets			
Goodwill	16	1,807	4,097
Negative goodwill	16	(27,889)	(48,806)
Toll highway operation right	17	70,472	75,708
Property, plant and equipment	18	57,252	68,648
Interests in joint ventures	20	3,955,225	4,463,123
Investments in securities	22	52,387	52,387
Debtors - due after one year	23	143,984	182,811
Charged deposits	24	43,132	61,652
		4,296,370	4,859,620
Current assets			
Inventories and ginseng crops	25	146,803	169,639
Debtors, deposits and prepayments	26	257,187	308,591
Charged deposits	24	88,717	176,287
Bank balances and cash		836,656	214,232
		1,329,363	868,749
Total assets		5,625,733	5,728,369
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	27	50,482	50,667
Reserves	29	4,237,027	4,117,522
		4,287,509	4,168,189
Minority interests		80,785	84,776
Non-current liabilities			
Secured loans – due after one year	30	1,099,646	1,239,125
Obligations under finance leases – due after one year	31	–	464
		1,099,646	1,239,589
Current liabilities			
Creditors and accrued charges	32	51,067	79,094
Secured loans – due within one year	30	99,094	148,521
Obligations under finance leases – due within one year	31	457	525
Deferred taxation	33	7,175	7,675
		157,793	235,815
Total equity and liabilities		5,625,733	5,728,369

The financial statements on pages 48 to 91 were approved and authorised for issue by the Board of Directors on 20 March 2002 and are signed on its behalf by:

Zen Wei Pao, William
DIRECTOR

Ko Yuk Bing
DIRECTOR

Balance Sheet

At 31 December 2001

	NOTES	2001 HK\$'000	2000 HK\$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	19	2,709,712	2,989,011
Charged deposits	24	43,132	60,286
		2,752,844	3,049,297
Current assets			
Deposits and prepayments		1,257	795
Charged deposits	24	35,780	127,262
Bank balances and cash		670,200	29,587
		707,237	157,644
Total assets		3,460,081	3,206,941
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	27	50,482	50,667
Reserves	29	3,409,346	3,156,084
		3,459,828	3,206,751
Current liabilities			
Accrued charges		253	190
Total equity and liabilities		3,460,081	3,206,941

Zen Wei Pao, William
DIRECTOR

Ko Yuk Bing
DIRECTOR

Consolidated Statement of Recognised Gains and Losses

For the year ended 31 December 2001

	2001	2000
	HK\$'000	HK\$'000
Exchange differences arising on translation of overseas operations and net loss not recognised in the income statement	(5,383)	(489)
Profit for the year	240,794	428,099
Total recognised gains and losses	235,411	427,610

Consolidated Cash Flow Statement

For the year ended 31 December 2001

	NOTES	2001 HK\$'000	2000 HK\$'000
Net cash inflow (outflow) from operating activities	34	39,734	(71,364)
Returns on investments and servicing of finance			
Dividends received from infrastructure joint ventures		140,012	66,428
Dividends paid		(109,741)	(248,181)
Interest received		14,856	29,540
Interest paid		(107,278)	(138,255)
Net cash outflow from returns on investment and servicing of finance		(62,151)	(290,468)
Investing activities			
Purchase of property, plant and equipment		(4,171)	(7,016)
Proceeds from disposal of property, plant and equipment		522	202
Proceeds from disposal of interests in infrastructure joint ventures	34	481,773	–
Purchase of subsidiaries	35	–	(20,362)
Additional investments in infrastructure joint ventures		(4,454)	(201,114)
Loans to infrastructure joint ventures		(37,892)	(33,564)
Repayment of loans from infrastructure joint ventures		298,120	362,711
Decrease in charged deposits		106,001	39,168
Net cash inflow from investing activities		839,899	140,025
Net cash inflow (outflow) before financing		817,482	(221,807)
Financing	36		
Repurchase of own shares		(5,371)	(78,193)
New loan raised		580,425	2,990
Repayment of transferable loan certificate		(767,791)	(146,246)
Repayment of other loans		(1,824)	–
Repayment of loan from a minority shareholder		–	(4,875)
Repayment of obligations under finance leases		(468)	(234)
Net cash outflow from financing		(195,029)	(226,558)
Increase (decrease) in cash and cash equivalents		622,453	(448,365)
Cash and cash equivalents at the beginning of the year		214,232	662,597
Effect of foreign exchange rate change		(29)	–
Cash and cash equivalents at the end of the year		836,656	214,232
Analysis of balances of cash and cash equivalents			
Bank balances and cash		836,656	214,232

Notes to the Financial Statements

For the year ended 31 December 2001

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"). Its ultimate holding company is Wai Kee Holdings Limited ("Wai Kee"), a limited company incorporated in Bermuda with its shares also listed on 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 People's Republic of China (the "PRC").

2. ADOPTION OF STATEMENT OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted the Statement of Standard Accounting Practice 26 "Segment reporting" ("SSAP26") issued by the Hong Kong Society of Accountants for the first time.

SSAP 26 has established principles for reporting the segmental analysis of financial information and the details are set out in note 5. Segment disclosures for the year ended 31 December 2000 have been amended so that they are presented on a consistent basis.

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 2001

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill (negative goodwill) represents the difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary or joint venture 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 or a joint venture, 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 decline in value that is other than temporary 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 2001

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

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 is of other items of property, plant and equipment 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
Buildings	4% - 5%
Leasehold improvements	Over the term of the lease, or three years, whichever is shorter
Furniture, fixtures and equipment	10% - 25%
Plant and machinery	5% - 10%
Motor vehicles	12.5% - 25%

No depreciation is provided for construction in progress until such assets are ready for their intended use.

Notes to the Financial Statements

For the year ended 31 December 2001

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. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The Company uses the full absorption costing method to value its ginseng crops. Included in crop costs are seed, labour, 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.

Notes to the Financial Statements

For the year ended 31 December 2001

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

On consolidation the financial statements of Group's overseas operations which are denominated in currencies other than the Hong Kong dollar and which operate in the PRC and overseas are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves. Such translation differences are recognised as income or as expenses in the period in which the relevant overseas operation is disposed of.

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 straightline basis over the relevant lease term.

Research and development costs

Expenditure on research and development is charged to the income statement in the year 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.

Notes to the Financial Statements

For the year ended 31 December 2001

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

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

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

Cash equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advances.

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:

	2001 HK\$'000	2000 HK\$'000
Minimum income undertakings from:		
Partner of a PRC subsidiary	164	2,394
Partners of other joint ventures	137,328	219,894
	137,492	222,288

Notes to the Financial Statements

For the year ended 31 December 2001

5. SEGMENTAL INFORMATION

The Group's turnover and profit before minority interests for the year ended 31 December 2001 by business activity and geographical market are as follows:

By business segments:

	Toll Road HK\$'000	Others HK\$'000	Total HK\$'000
2001			
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)
Turnover: Group	169,937	75,564	245,501
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
Provision for doubtful receivables	(125,765)	-	(125,765)
Interest income			14,819
Unallocated corporate income			249
Unallocated corporate expenses			(60,990)
Operating profit: Group			10,115
Share of operating profit (loss) of joint ventures	400,603	(1,765)	398,838
Finance cost			(111,290)
Profit before taxation			297,663
Taxation	(55,872)	(793)	(56,665)
Profit before minority interests			240,998
Consolidated balance sheet			
Assets			
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
Consolidated total assets			5,625,733
Liabilities			
Segment liabilities	4,746	23,944	28,690
Unallocated corporate liabilities			1,228,749
Consolidated total liabilities			1,257,439
Other information			
Capital additions	136	4,035	4,171
Depreciation and amortisation	8,104	1,242	9,346
Other non-cash expenses	6,360	1,296	7,656

Notes to the Financial Statements

For the year ended 31 December 2001

5. SEGMENTAL INFORMATION (Continued)

By business segments: (Continued)

	Toll Road HK\$'000	Others HK\$'000	Total HK\$'000
2000			
Turnover: Group and share of infrastructure joint ventures	947,718	25,408	973,126
Less: Share of infrastructure joint ventures' toll revenue	(697,352)	–	(697,352)
Turnover: Group	250,366	25,408	275,774
Segment result	224,352	(19,914)	204,438
Net income recognised in respect of goodwill and negative goodwill	(1,045)	13,231	12,186
Interest income			24,172
Unallocated corporate income			2,092
Unallocated corporate expenses			(66,204)
Operating profit: Group			176,684
Share of operating profit of joint ventures	403,462	–	403,462
Finance cost			(130,725)
Profit before taxation			449,421
Taxation	(21,346)	–	(21,346)
Profit before minority interests			428,075
Consolidated balance sheet			
Assets			
Segment assets	714,558	193,661	908,219
Interests in joint ventures	4,463,123	–	4,463,123
Unallocated corporate assets			357,027
Consolidated total assets			5,728,369
Liabilities			
Segment liabilities	3,737	59,141	62,878
Unallocated corporate liabilities			1,412,526
Consolidated total liabilities			1,475,404
Other information			
Capital additions	198	6,818	7,016
Depreciation and amortisation	7,025	2,050	9,075
Other non-cash expenses	6,360	–	6,360

Notes to the Financial Statements

For the year ended 31 December 2001

5. SEGMENTAL INFORMATION (Continued)

By geographical segments:

	PRC HK\$'000	Hong Kong HK\$'000	Overseas HK\$'000	Total HK\$'000
2001				
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)
Turnover: Group	178,542	64,168	2,791	245,501
Carrying amount of segment assets	4,653,200	826,355	146,178	5,625,733
Capital additions	1,280	331	2,560	4,171
2000				
Turnover: Group and share of infrastructure joint ventures	970,639	2,487	–	973,126
Less: Share of infrastructure joint ventures' toll revenue	(697,352)	–	–	(697,352)
Turnover: Group	273,287	2,487	–	275,774
Carrying amount of segment assets	5,192,518	357,027	178,824	5,728,369
Capital additions	675	332	6,009	7,016

6. GAIN ON DISPOSAL OF INTERESTS IN INFRASTRUCTURE JOINT VENTURES

The gain on disposal represents 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 operate the highways linking Jieyang City to Shantou, Fengshun, Chiwei and Chaozhou in Guangdong Province, the PRC.

7. PROVISION FOR DOUBTFUL RECEIVABLES

The amount recognised in the current year represents a provision for doubtful receivables in respect of the minimum income undertakings given by the PRC joint venture partners of the Jieyang Highway Network project.

Notes to the Financial Statements

For the year ended 31 December 2001

8. OPERATING PROFIT: GROUP

	2001 HK\$'000	2000 HK\$'000
Operating profit has been arrived at after charging:		
Amortisation of toll highway operation right	5,236	4,940
Auditors' remuneration	1,577	1,429
Depreciation of property, plant and equipment		
— owned assets	11,024	10,658
— assets under finance leases	259	248
	11,283	10,906
Less: capitalised in inventories and ginseng crops	(9,463)	(8,530)
	1,820	2,376
Loss on disposal of property, plant and equipment	577	—
Operating lease rentals in respect of rented land, premises and equipments	8,322	5,875
Less: capitalised in inventories and ginseng crops	(4,417)	(3,155)
	3,905	2,720
Research and development costs	889	1,966
Staff costs	51,956	56,793
Provident fund scheme contributions, net of forfeited contributions of HK\$263,000 (2000: HK\$435,000)	1,964	1,278
Less: capitalised in inventories and ginseng crops	(18,479)	(16,310)
Total staff costs	35,441	41,761
Exchange loss	9	—
and after crediting:		
Exchange gain	—	1,120
Gain on disposal of property, plant and equipment	—	22

Notes to the Financial Statements

For the year ended 31 December 2001

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' Emoluments

	2001 HK\$'000	2000 HK\$'000
Fees:		
Non-executive directors	710	710
Independent non-executive directors	430	430
	1,140	1,140
Other emoluments (executive directors):		
Salaries and other benefits	9,735	9,281
Performance related incentive payments	2,725	5,288
Retirement benefit scheme contributions	418	377
	12,878	14,946
	14,018	16,086

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

	2001 Number of Directors	2000 Number of Directors
Nil to HK\$1,000,000	10	13
HK\$1,000,001 to HK\$2,000,000	-	-
HK\$2,000,001 to HK\$2,500,000	1	1
HK\$2,500,001 to HK\$3,000,000	-	-
HK\$3,000,001 to HK\$3,500,000	1	1
HK\$3,500,001 to HK\$6,000,000	-	-
HK\$6,000,001 to HK\$6,500,000	1	-
HK\$6,500,001 to HK\$7,500,000	-	-
HK\$7,500,001 to HK\$8,000,000	-	1

Details of share options held by individual directors at 31 December 2001 are shown in the directors' report.

Notes to the Financial Statements

For the year ended 31 December 2001

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Employees Emoluments

During the year, the five highest paid individuals included three directors (2000: three directors), details of whose emoluments are set out above. The emoluments of the remaining two (2000: two) highest paid individuals were as follows:

	2001 HK\$'000	2000 HK\$'000
Salaries and other benefits	3,012	2,876
Performance related incentive payments	550	496
Retirement benefit scheme contributions	219	171
	3,781	3,543

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

	2001 Number of employees	2000 Number of employees
HK\$1,500,001 to HK\$2,000,000	2	2

10. SHARE OF OPERATING PROFIT OF JOINT VENTURES

	2001 HK\$'000	2000 HK\$'000
Share of operating profit of infrastructure joint ventures before depreciation	521,483	519,694
Amortisation of toll highway operation rights	(120,880)	(115,434)
	400,603	404,260
Share of postacquisition loss of a joint venture	(1,765)	(798)
	398,838	403,462

Notes to the Financial Statements

For the year ended 31 December 2001

11. FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Interest on :		
Borrowings wholly repayable		
— within five years	52,693	72,011
— over five years	51,611	51,728
Add: discount on guaranteed notes	626	626
	52,237	52,354
Total borrowing costs	104,930	124,365
Amortisation of capitalised borrowing costs on financing the joint ventures' toll highways and expressways construction (note 21)	6,360	6,360
	111,290	130,725

12. TAXATION

	2001 HK\$'000	2000 HK\$'000
Current tax	11,665	9,946
Deferred tax	45,000	11,400
	56,665	21,346

The 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 infrastructure joint ventures.

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 2001

13. PROFIT FOR THE YEAR

Of the Group's profit for the year of HK\$240,794,000 (2000: HK\$428,099,000), a profit of HK\$368,189,000 (2000: HK\$562,122,000) has been dealt with in the financial statements of the Company.

14. DIVIDENDS

	2001 HK\$'000	2000 HK\$'000
Final dividend paid in respect of 2000 of HK\$0.07 (1999: HK\$0.22) per share	35,431	113,133
Interim dividend paid in respect of 2001 of HK\$0.07 (2000: HK\$0.19) per share	35,431	96,169
	70,862	209,302
7.5% convertible cumulative preference shares dividends	38,879	38,879
	109,741	248,181

A final dividend in respect of 2001 of HK8.8 cents per share amounting to a total of HK\$45,373,000 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 2002.

The amount of final dividend proposed has been calculated on the basis of 515,601,209 shares in issue as at 20 March 2002.

Notes to the Financial Statements

For the year ended 31 December 2001

15. EARNINGS PER SHARE

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

	2001	2000
	HK\$'000	HK\$'000
Profit for the year	240,794	428,099
Convertible preference shares dividend	(38,879)	(38,879)
Earnings for the purposes of basic earnings per share	201,915	389,220
Effect of dilutive potential ordinary shares:		
Convertible preference shares dividend	N/A	38,879
Earnings for the purposes of diluted earnings per share	N/A	428,099
	2001	2000
	Number	Number
	of shares	of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	506,014,065	510,565,725
Effect of dilutive potential ordinary shares:		
Convertible preference shares	N/A	60,558,411
Options	N/A	450,931
Weighted average number of ordinary shares for the purposes of diluted earnings per share	N/A	571,575,067

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

Notes to the Financial Statements

For the year ended 31 December 2001

16. GOODWILL (NEGATIVE GOODWILL)

	Goodwill HK\$'000	Negative goodwill HK\$'000	Total HK\$'000
THE GROUP			
GROSS AMOUNT			
At 1 January 2001 and 31 December 2001	5,856	(62,751)	(56,895)
AMORTISATION			
At 1 January 2001	(1,759)	13,945	12,186
(Amortised) released for the year	(2,290)	20,917	18,627
At 31 December 2001	(4,049)	34,862	30,813
CARRYING AMOUNT			
At 31 December 2001	1,807	(27,889)	(26,082)
At 31 December 2000	4,097	(48,806)	(44,709)

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.

17. TOLL HIGHWAY OPERATION RIGHT

	HK\$'000
THE GROUP	
COST	
At 1 January 2001 and at 31 December 2001	105,330
AMORTISATION	
At 1 January 2001	29,622
Amortised for the year	5,236
At 31 December 2001	34,858
CARRYING AMOUNT	
At 31 December 2001	70,472
At 31 December 2000	75,708

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 business licence of the PRC subsidiary.

Notes to the Financial Statements

For the year ended 31 December 2001

18. PROPERTY, PLANT AND EQUIPMENT

	Freehold land in overseas HK\$'000	Construction in progress situated in the PRC 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
THE GROUP								
COST								
At 1 January 2001	3,142	14,940	15,181	3,035	9,729	104,776	5,724	156,527
Additions	-	-	1,327	-	303	2,104	437	4,171
Disposals	-	-	(550)	(328)	(797)	(580)	(341)	(2,596)
Reclassification	-	-	(9,159)	-	-	9,628	(469)	-
Transfer	-	(14,940)	-	-	-	14,940	-	-
Exchange adjustments	(205)	-	(881)	(137)	(219)	(6,818)	(140)	(8,400)
At 31 December 2001	2,937	-	5,918	2,570	9,016	124,050	5,211	149,702
DEPRECIATION								
At 1 January 2001	-	-	4,883	2,217	7,269	69,398	4,112	87,879
Charge for the year	-	-	239	284	1,211	9,153	396	11,283
Eliminated on disposals	-	-	(169)	(255)	(538)	(470)	(65)	(1,497)
Reclassification	-	-	(3,038)	-	-	3,442	(404)	-
Exchange adjustments	-	-	(300)	(104)	(193)	(4,516)	(102)	(5,215)
At 31 December 2001	-	-	1,615	2,142	7,749	77,007	3,937	92,450
CARRYING AMOUNT								
At 31 December 2001	2,937	-	4,303	428	1,267	47,043	1,274	57,252
At 31 December 2000	3,142	14,940	10,298	818	2,460	35,378	1,612	68,648

	2001 HK\$'000	2000 HK\$'000
The Group's land and buildings are situated in		
— overseas and freehold	2,937	3,142
— overseas and held under medium term leases	3,360	9,160
— the PRC and held under medium term leases	943	1,138
	7,240	13,440

The Group has pledged land and buildings situated in overseas having a carrying amount of HK\$4,564,000 (2000: HK\$3,142,000) to secure a long term loan.

The carrying amount of the Group's plant and machinery includes an amount of HK\$1,429,000 (2000: HK\$2,000,000) in respect of assets held under finance leases.

Notes to the Financial Statements

For the year ended 31 December 2001

19. INTERESTS IN SUBSIDIARIES

	2001 HK\$'000	2000 HK\$'000
Unlisted shares at cost	1,388,042	1,388,042
Amounts due from subsidiaries	1,321,670	1,600,969
	2,709,712	2,989,011

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 2001 are as follows:

Name of subsidiary	Place of incorporation/ registration*	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	C\$24,320,817	–	62	Production and sale of North American ginseng
Herb King International Limited	Barbados	US\$7,510,000	–	100	Investment holding
CNT Life Sciences, Inc.	British Virgin Islands	US\$1	–	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	HK\$1,300,000,000	100	–	Investment holding
Road Billion Investments Limited	British Virgin Islands	US\$1	100	–	Provision of financial services
Road King Infrastructure Finance (1997) Limited	British Virgin Islands	US\$1	100	–	Provision of financial services
Road King Infrastructure Management Limited	Hong Kong	HK\$2	–	100	Provision of management services
Zhongshan Qijiang Highway Company Limited 中山市岐江公路有限公司	PRC*	RMB60,480,000*	–	75*	Management of Provincial Highway 268 Zhongshan Shiqi- Jiangmen Highway in Zhongshan, PRC

Notes to the Financial Statements

For the year ended 31 December 2001

19. INTERESTS IN SUBSIDIARIES (Continued)

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

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.

20. INTERESTS IN JOINT VENTURES

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Interests in infrastructure joint ventures		
Cost of investments	1,628,105	1,810,011
Share of post-acquisition undistributed results	1,099,200	968,717
	2,727,305	2,778,728
Loans to infrastructure joint ventures	2,505,912	2,777,085
Repayment of loans from infrastructure joint ventures	(1,408,662)	(1,226,098)
Net borrowing cost capitalised on financing the infrastructure joint ventures' toll highways and expressways construction (note 21)	127,048	133,408
	3,951,603	4,463,123
Interest in other joint venture		
Cost of investment	4,454	798
Loan to a joint venture	933	-
Share of post-acquisition undistributed results	(1,765)	(798)
	3,622	-
	3,955,225	4,463,123

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 2001

20. INTERESTS IN JOINT VENTURES (Continued)

All infrastructure joint ventures are co-operative joint ventures established in the PRC, details of which at 31 December 2001 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 Provincial Highway 307 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
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

Notes to the Financial Statements

For the year ended 31 December 2001

20. INTERESTS IN JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
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
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 (Hengcang) 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 (Hengcang Section) in Hunan, PRC

Notes to the Financial Statements

For the year ended 31 December 2001

20. 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 (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
Liu'an 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 Liu'an-Yeji Highway (Western Section) in Anhui, PRC
Liu'an Road Universe Pihe Bridge Development Co., Ltd. 六安路宇淝河大橋開發有限公司	RMB90,364,000	50%#	Construction and management of 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
Pingdingshan Road King Xuchang-Nanyang Highway (Xiangcheng Section) Development Co., Ltd. 平頂山路勁許南公路（襄城段）	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

Notes to the Financial Statements

For the year ended 31 December 2001

20. INTERESTS IN JOINT VENTURES (Continued)

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Shanxi Lutong Taigu 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	RMB66,410,000	65%*#	Construction and management of National Highway 108 Yuci City Bypass in Shanxi, PRC
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, GaochengJinzhou 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

Notes to the Financial Statements

For the year ended 31 December 2001

20. INTERESTS IN JOINT VENTURES (Continued)

- * 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.

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 2001, is as follows:

	2001 HK\$'000	2000 HK\$'000
Income statement		
Net toll revenue	1,006,441	943,593
Depreciation charges	254,477	242,668
Profit before taxation	463,721	426,452
Group's share of profits less losses	400,603	404,260
	2001 HK\$'000	2000 HK\$'000
Balance sheet		
Property, plant and equipment	7,568,823	8,633,901
Other assets	261	1,671
Current assets	221,243	401,370
Current liabilities	(240,208)	(352,130)
Net current (liabilities) assets	(18,965)	49,240
Amounts due to joint venture partners	(3,306,723)	(4,205,255)
Net assets	4,243,396	4,479,557

Notes to the Financial Statements

For the year ended 31 December 2001

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

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
GROSS AMOUNT		
At beginning of the year and at end of the year	153,896	153,896
AMORTISATION		
At beginning of the year	20,488	14,128
Charge for the year	6,360	6,360
At end of the year	26,848	20,488
CARRYING AMOUNT		
At end of the year	127,048	133,408

22. INVESTMENTS IN SECURITIES

	THE GROUP	
	2001 & 2000 HK\$'000	
Non-current investments		
Held-to-maturity debt securities, unlisted		52,387

23. DEBTORS – DUE AFTER ONE YEAR

The amounts comprise minimum income undertakings guaranteed by the PRC joint venture partners of HK\$143,984,000 (2000: HK\$110,513,000) due in 2004 in accordance with the terms of the relevant joint venture agreements.

Notes to the Financial Statements

For the year ended 31 December 2001

24. CHARGED DEPOSITS

THE GROUP

The amounts have been 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 repayment, the manner of which is contained in the relevant financing agreements.

At 31 December 2001, bank balances of HK\$88,717,000 (2000: HK\$176,287,000) are classified under current assets because the balances are pledged as security for the Group's indebtedness due within one year.

THE COMPANY

The amount has been 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 repayment, the manner of which is contained in the relevant financing agreements.

At 31 December 2001, bank balances of HK\$35,780,000 (2000: HK\$127,262,000) are classified under current assets because the balances are pledged as security for the Group's indebtedness due within one year.

25. INVENTORIES AND GINSENG CROPS

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Inventories	52,741	59,840
Ginseng crops	94,062	109,799
	146,803	169,639

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 2001

26. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments of the Group is an amount of HK\$234,931,000 (2000: HK\$229,164,000) representing minimum income undertakings due from the PRC joint venture partners.

Minimum income undertakings, which have been recognised and received in accordance with the terms set out in the relevant joint venture agreements, are contractually payable on an annual or semi-annual basis.

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Aged analysis of debtors		
Within 60 days	121,508	57,817
60-90 days	21	723
More than 90 days	114,203	175,581
	235,732	234,121
Interest receivable	1,136	24,693
Deposits and prepayments	20,319	49,777
	257,187	308,591

Notes to the Financial Statements

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27. SHARE CAPITAL

	2001 Number of shares	2000 Number of shares	2001 HK\$'000	2000 HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each	20,000,000,000	20,000,000,000	2,000,000	2,000,000
7.5% convertible preference shares ("CP Shares") of HK\$0.1 each	518,380	518,380	52	52
Issued and fully paid:				
At beginning of the year	506,675,347	526,304,347	50,667	52,630
Shares repurchased and cancelled	(1,849,000)	(19,629,000)	(185)	(1,963)
At end of the year	504,826,347	506,675,347	50,482	50,667

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	Lowest	
		HK\$	HK\$	
November 2001	560,000	2.800	2.525	1,520
December 2001	1,289,000	3.075	2.875	3,851
	1,849,000			5,371

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\$518,380,000.

Notes to the Financial Statements

For the year ended 31 December 2001

27. SHARE CAPITAL (Continued)

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 as with 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.

Options

The Company has a share option scheme under which directors and employees of the Company and 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 the directors' report.

At 31 December 2001, the following options to subscribe for shares were outstanding under the Company's share option scheme:

Date of grant	Exercisable period	Number of options	Exercise price per share
			HK\$
2 August 1999	2 August 2000 to 1 August 2002	2,433,000	5.60
2 August 1999	2 August 2000 to 1 August 2002	2,375,000	4.95
8 August 2000	8 August 2001 to 7 August 2003	11,335,000	3.20
		<u>16,143,000</u>	

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 2001, the company had 101,231,393 outstanding warrants.

Notes to the Financial Statements

For the year ended 31 December 2001

29. RESERVES

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
SHARE PREMIUM				
At beginning of the year	1,468,043	1,544,273	1,468,043	1,544,273
Shares repurchase	(5,186)	(76,230)	(5,186)	(76,230)
At end of the year	1,462,857	1,468,043	1,462,857	1,468,043
EXCHANGE RESERVE				
At beginning of the year	11,801	12,290	–	–
Release on disposal of interests in infrastructure joint ventures	(979)	–	–	–
Exchange differences arising on translation of overseas operations	(5,383)	(489)	–	–
At end of the year	5,439	11,801	–	–
CONTRIBUTED SURPLUS				
At beginning and end of the year	–	–	1,348,042	1,348,042
SPECIAL RESERVE				
At beginning and end of the year	1,260,000	1,260,000	–	–
RETAINED PROFITS				
At beginning of the year	1,377,678	1,197,760	339,999	26,058
Profit for the year	240,794	428,099	368,189	562,122
Dividends (note 14)	(109,741)	(248,181)	(109,741)	(248,181)
At end of the year	1,508,731	1,377,678	598,447	339,999
TOTAL RESERVES	4,237,027	4,117,522	3,409,346	3,156,084

Notes to the Financial Statements

For the year ended 31 December 2001

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 2001 and 2000 were as follows:

	2001	2000
	HK\$'000	HK\$'000
Contributed surplus	1,348,042	1,348,042
Retained profits	598,447	339,999
	1,946,489	1,688,041
Proposed dividend	45,373	35,431

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30. SECURED LOANS

	2001 HK\$'000	2000 HK\$'000
Transferable loan certificate (note i)	809,396	809,396
Repurchase of transferable loan certificate	(41,605)	(41,605)
Repayment of transferable loan certificate	(767,791)	-
	-	767,791
Transferable loan certificate (note i)	580,425	-
Guaranteed notes (note ii)	1,080,962	1,080,337
Repurchase of guaranteed notes	(465,724)	(465,724)
	615,238	614,613
Other loans	3,077	5,242
	1,198,740	1,387,646

The maturity of the above loans is as follows:

	2001 HK\$'000	2000 HK\$'000
Within one year	99,094	148,521
More than one year but not exceeding two years	194,195	624,512
More than two years but not exceeding five years	290,213	-
More than five years	615,238	614,613
	1,198,740	1,387,646
Less : Amount due within one year shown under current liabilities	(99,094)	(148,521)
Amount due after one year	1,099,646	1,239,125

Notes to the Financial Statements

For the year ended 31 December 2001

30. SECURED LOANS (Continued)

Notes:

- (i) The transferable loan certificate facility of US\$138 million, due in January 2002, was fully prepaid during the year and refinanced by a new transferable loan certificate facility of US\$75 million (HK\$581 million) in August 2001. The new facility bears interest rate at 1.4% per annum over LIBOR and will mature on 2 February 2004. The repayment will be made in four successively half yearly instalments and the first instalment will be made on the date falling twelve months after the loan agreement date as of 2 August 2001.

The new facility 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.

- (ii) 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.

31. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
The maturity of obligations under finance leases is as follows:		
Within one year	457	525
More than one year but not exceeding two years	-	464
	457	989
Less: Amount due within one year shown under current liabilities	(457)	(525)
Amount due after one year	-	464

Notes to the Financial Statements

For the year ended 31 December 2001

32. CREDITORS AND ACCRUED CHARGES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Aged analysis of creditors:		
Within 60 days	8,795	5,233
60 - 90 days	2	444
More than 90 days	-	1,168
	8,797	6,845
Interest payable	23,928	50,422
Accrued charges	18,342	21,827
	51,067	79,094

33. DEFERRED TAXATION

At the balance sheet date, major components of the deferred taxation liability are as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Excess of tax allowances over depreciation	294	3,197
Tax losses	(3,867)	(67,582)
Other timing differences	10,748	72,060
	7,175	7,675

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

Notes to the Financial Statements

For the year ended 31 December 2001

34. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES

	2001 HK\$'000	2000 HK\$'000
Profit before taxation	297,663	449,421
Net income recognised in respect of goodwill and negative goodwill	(18,627)	(12,186)
Gain on disposal of interests in infrastructure joint ventures	(34,033)	–
Share of operating profit of joint ventures	(398,838)	(403,462)
Amortisation of toll highway operation right	5,236	4,940
Depreciation of property, plant and equipment	1,820	2,376
Interest income	(14,819)	(24,172)
Interest expenses	111,290	130,725
Loss (gain) on disposal of property, plant and equipment	577	(22)
Decrease (increase) in inventories	21,307	(39,774)
Decrease (increase) in debtors, deposits and prepayments	66,195	(153,765)
Increase (decrease) in creditors and accrued charges	315	(24,940)
Exchange adjustment	1,648	(505)
Net cash inflow (outflow) from operating activities	39,734	(71,364)

Note:

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

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

Notes to the Financial Statements

For the year ended 31 December 2001

35. PURCHASE OF SUBSIDIARIES

During 2000, the Group acquired 62% and 100% of the shares of Chai-Na-Ta Corp. ("CNT") and 珠海市新泰昌建材有限公司 ("新泰昌") for a consideration of approximately HK\$42,417,000 and HK\$3,725,000 respectively. The acquisition of CNT and 新泰昌 has been accounted for by the acquisition method of accounting commencing from 8 May 2000 and 27 March 2000 respectively. The amount of net negative goodwill arising as a result of the acquisition was HK\$59,896,000.

	2000 HK\$'000
NET ASSETS ACQUIRED	
Property, plant and equipment	52,517
Interest in a joint venture	798
Inventories and ginseng crops	121,335
Debtors, deposits and prepayments	21,666
Bank balances and cash	25,780
Creditors and accrued charges	(40,077)
Deferred taxation	(7,675)
Obligations under finance leases	(1,223)
Secured loans	(2,252)
Minority interests	(64,831)
	106,038
Goodwill	(59,896)
	46,142
SATISFIED BY	
Cash	46,142
Net cash outflow arising on acquisition:	
Cash consideration	46,142
Bank balances and cash acquired	(25,780)
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	20,362

The subsidiaries acquired made no material contribution to the Group's net operating cash flows, turnover and to the Group's profit from operations.

Notes to the Financial Statements

For the year ended 31 December 2001

36. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	2001 HK\$'000	2000 HK\$'000
SHARE CAPITAL AND PREMIUM		
At beginning of the year	1,518,710	1,596,903
Repurchase of own shares	(5,371)	(78,193)
At end of the year	1,513,339	1,518,710
SECURED LOANS		
At beginning of the year	1,387,646	1,528,024
Exchange adjustments	(342)	–
On acquisition of subsidiaries	–	2,252
New transferable loan certificate	580,425	–
New loan raised by an overseas subsidiary	–	2,990
Repayment of transferable loan certificate	(767,791)	(146,246)
Repayment of other loans	(1,824)	–
Discount on guaranteed notes	626	626
At end of the year	1,198,740	1,387,646
LOAN FROM A MINORITY SHAREHOLDER		
At beginning of the year	–	4,875
Repayment of loan from a minority shareholder	–	(4,875)
At end of the year	–	–
OBLIGATIONS UNDER FINANCE LEASES		
At beginning of the year	989	–
Exchange adjustments	(64)	–
On acquisition of subsidiaries	–	1,223
Repayment during the year	(468)	(234)
At end of the year	457	989

Notes to the Financial Statements

For the year ended 31 December 2001

37. PROVIDENT FUND

The Group operates a defined contribution 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.

The provident fund 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 was no forfeited contributions available to reduce future contributions at the balance sheet date.

In addition to the retirement benefit schemes operated by the Group, the Group is required to contribute respectively to Mandatory Provident Fund and central pension schemes for certain Group's employees in Hong Kong and the PRC based on applicable rates of monthly salary in accordance with government regulations.

38. 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:

	2001 HK\$'000	2000 HK\$'000
Within one year	8,285	3,979
In the second to fifth year inclusive	10,192	9,367
	18,477	13,346

At 31 December 2001 and 2000, the Company had no operating lease commitments.

39. CAPITAL COMMITMENTS

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

	2001 HK\$'000	2000 HK\$'000
Investment loan to be injected into a subsidiary	7,937	7,937
Investment costs to be injected into infrastructure joint ventures		
Within one year	43,482	34,043
In the second to fifth year inclusive	2,801	16,963
After the fifth year	34,176	44,915
	80,459	95,921
	88,396	103,858

At 31 December 2001 and 2000, the Company had no capital commitments.

Notes to the Financial Statements

For the year ended 31 December 2001

40. CONTINGENT LIABILITIES

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

	2001	2000
	HK\$'000	HK\$'000
Guarantees indirectly given to banks in respect of bank facilities utilised by infrastructure joint ventures	150,535	154,973

41. POST BALANCE SHEET EVENT

As at the balance sheet date, Wai Kee owned a total of 253,066,766 shares of the Company, representing approximately 50.22% of the total number of the issued ordinary shares of the Company. On 27 February 2002, the shareholder of the CP shares had exercised conversion rights attaching to 100,000 of the CP shares in the Company held by it. Accordingly, Wai Kee's shareholding in the Company was reduced to approximately 49.08% (on a fully diluted basis) upon the conversion of 100,000 CP shares. Subsequent to the conversion, the Company has ceased to be a subsidiary of Wai Kee.

Financial Summary

RESULTS

	2001 HK\$'000	For the Year Ended 31 December			
		2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000 <i>(Note 1)</i>
Turnover: Group and share of infrastructure joint ventures					
Toll revenue	733,361	725,430	659,052	632,535	388,674
Minimum income undertakings	137,492	222,288	216,133	277,545	209,378
Sales of goods	75,564	25,408	–	–	–
	946,417	973,126	875,185	910,080	598,052
Less: Share of infrastructure joint ventures' toll revenue	(700,916)	(697,352)	(632,035)	(606,779)	(366,265)
Turnover: Group	245,501	275,774	243,150	303,301	231,787
Net income recognised in respect of goodwill and negative goodwill	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	18,380	26,264	34,548	34,261	8,091
	316,541	314,224	495,384	387,598	239,878
Cost of inventories sold	(63,736)	(22,126)	–	–	–
Provision for doubtful receivables	(125,765)	–	(19,383)	(38,336)	–
Operating expenses	(116,925)	(115,414)	(87,765)	(77,535)	(91,866)
Operating profit: Group	10,115	176,684	388,236	271,727	148,012
Share of operating profit of joint ventures	398,838	403,462	370,679	348,848	227,393
Operating profit: Group and share of joint ventures	408,953	580,146	758,915	620,575	375,405
Finance costs	(111,290)	(130,725)	(133,398)	(128,052)	(23,070)
Profit before taxation	297,663	449,421	625,517	492,523	352,335
Taxation	(56,665)	(21,346)	(11,178)	(8,704)	(2,167)
Profit before minority interests	240,998	428,075	614,339	483,819	350,168
Minority interests	(204)	24	(4,006)	(3,464)	(141)
Profit for the year	240,794	428,099	610,333	480,355	350,027

Financial Summary

ASSETS AND LIABILITIES

	2001 HK\$'000	As at 31 December			
		2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
Total assets	5,625,733	5,728,369	5,698,294	5,495,393	4,916,529
Total liabilities	(1,257,439)	(1,475,404)	(1,611,372)	(1,697,525)	(1,992,412)
Minority interests	(80,785)	(84,776)	(19,969)	(15,963)	(8,266)
Shareholders' funds	4,287,509	4,168,189	4,066,953	3,781,905	2,915,851

Note:

- In 1997, the Company and its subsidiaries changed their statutory financial year end from 31 March to 31 December in order to be co-terminous with the financial year end of all the joint ventures in the PRC. As the previous audited consolidated accounts of the Company were prepared for the nine months ended 31 December 1997, the Directors consider it more meaningful to include the consolidated results for the twelve months ended 31 December 1997 for comparison purpose.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of the Company will be held at Ballroom B, 2nd Floor, Great Eagle Hotel, 8 Peking Road, Tsimshatsui, Kowloon, Hong Kong on Thursday, 9 May 2002 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 2001.
2. To declare a final dividend for the year ended 31 December 2001.
3. To elect Directors and to authorise the Board of Directors to fix Directors' remuneration.
4. To appoint Auditors and to authorise the Board of Directors to fix their remuneration.
5. As special business, to consider and, if thought fit, pass with or without amendments the following resolutions as Ordinary Resolutions:

ORDINARY RESOLUTIONS

(A) **"THAT:**

- (a) subject to paragraph (c) below, the exercise by the Directors of the Company 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 of the Company 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 of the Company 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 of the Company 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 of the Company 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 Hong Kong)."

(B) **THAT:**

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company 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, 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

Notice of Annual General Meeting

(iii) the revocation or variation of this Resolution by an ordinary resolution in general meeting of the Company.”

(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 of the Company 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.”

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

Hong Kong, 20 March 2002

Notes:

- (a) A Member of the Company entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a Member of the Company.
- (b) In order to be valid, the proxy forms must be deposited at the office of Secretaries Limited, the Company's Branch Share Registrars in Hong Kong, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjourned meeting.
- (c) The Register and Branch Register of Members of the Company will be closed from Friday, 3 May 2002 to Thursday, 9 May 2002, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms and, in case of warrant holders, all subscription forms accompanied by the relevant warrant certificates and relevant subscription moneys relating to the exercise of the outstanding warrants of the Company in respect of which holders of such warrants wish to exercise their rights so as to qualify for the final dividend must be lodged with the Company's Branch Share Registrars in Hong Kong, Secretaries Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on Thursday, 2 May 2002.

- (d) An explanatory statement containing further details regarding Ordinary Resolutions Nos. 5(A) to 5(C) above will be sent to shareholders shortly together with the 2001 Results Report.

General Terms

“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
“Joint Ventures” or “JVs”	The Sino-foreign co-operative joint ventures registered in PRC
“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
“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
“WTO”	World Trade Organisation

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

Executive Directors

Zen Wei Pao, William (Chairman)
Ko Yuk Bing (Managing Director & CEO)
Chui Chi Keung, Raymond (Finance Director)
Zen Wei Peu, Derek
Fong Shiu Leung, Keter

Non-Executive Directors

Brian Souter
Cheng Wai Po, Samuel
(Alternate to Brian Souter)
Keith Robertson Cochrane
Martin Andrew Griffiths
(Alternate to Keith Robertson Cochrane)
Wu Chang, Tom
Bharat Parashar
(Alternate to Wu Chang, Tom)
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
Keith Robertson Cochrane

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
Deutsche Bank AG, Hong Kong Branch
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, Ltd.

Company Secretary

Fong Shiu Leung, Keter

Principal Share Registrars and Transfer Office

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke, Bermuda

Hong Kong Branch Share Registrars and Transfer Office

Secretaries Limited
5th Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

Registered Office

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal Place of Business

26th Floor
Oterprise Square
26 Nathan 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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