

德勤·關黃陳方會計師行

Certified Public Accountants
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**Deloitte
Touche
Tohmatsu**

TO THE SHAREHOLDERS OF WAI KEE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 24 to 75 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.

TO THE SHAREHOLDERS OF WAI KEE HOLDINGS LIMITED (cont'd)

(Incorporated in Bermuda with limited liability)

Fundamental uncertainty relating to the Public Housing Piling Incident in Shatin (The “Piling Incident”)

In forming our opinion, we have considered the adequacy of the disclosures made in note 6 to the financial statements which explains the recent developments following the Piling Incident and the resulting uncertainty of its financial impact to the Group. In the light of the likelihood of a claim by the Housing Authority against the Group, the directors are currently in consultation with the Group's legal advisors regarding the most appropriate response to any action brought. Although it is not possible to determine the outcome of this matter with reasonable certainty at this time, a provision of HK\$60 million, being the directors' estimate of the costs of carrying out remedial work and of legal and consultants' cost, which may arise due to the Piling Incident has been made in the financial statements. We consider that the fundamental uncertainty has been adequately accounted for and disclosed in the financial statements and our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31st March, 2000 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

1st August, 2000

Consolidated Income Statement

For the year ended 31st March, 2000

	NOTES	2000 HK\$'000	1999 HK\$'000
Group turnover and share of turnover of jointly controlled entities		3,114,049	2,988,383
Less: Share of turnover of jointly controlled entities		458,098	189,305
		<hr/>	<hr/>
Group turnover	4	2,655,951	2,799,078
Cost of sales		(2,402,364)	(2,599,852)
		<hr/>	<hr/>
Gross profit		253,587	199,226
Other revenue	5	27,444	98,927
Distribution costs		(15,328)	(12,162)
Administrative expenses		(209,406)	(204,999)
Provision for impairment loss of property, plant and equipment		(20,991)	–
Provision for piling incident	6	(60,000)	–
Share of profits less losses of jointly controlled entities		22,069	23,632
		<hr/>	<hr/>
(Loss) profit from operations	7	(2,625)	104,624
Finance costs	8	(72,902)	(60,402)
Share of profits less losses of associates		287,481	227,479
		<hr/>	<hr/>
Profit before taxation		211,954	271,701
Taxation	11	(27,176)	(21,189)
		<hr/>	<hr/>
Profit before minority interests		184,778	250,512
Minority interests		(24,390)	(11,614)
		<hr/>	<hr/>
Profit for the year	12	160,388	238,898
Dividends	13	(26,980)	(61,002)
		<hr/>	<hr/>
Profit for the year, retained		<u>133,408</u>	<u>177,896</u>
		<hr/>	<hr/>
Earnings per share	14		
– Basic		<u>23.83¢</u>	<u>34.87¢</u>
– Diluted		<u>22.89¢</u>	<u>32.49¢</u>

Consolidated Balance Sheet

As 31st March, 2000

	NOTES	2000 HK\$ '000	1999 HK\$ '000
Non-current assets			
Property, plant and equipment	15	177,234	196,790
Interests in associates	17	1,775,376	1,603,731
Interests in joint ventures	18	65,900	43,813
Investments in securities	19	800	798
Loans receivable	20	48,690	13,597
		2,068,000	1,858,729
Current assets			
Properties under development held for sale	21	731,897	–
Inventories	22	45,306	46,039
Amounts due from customers for contract work	23	390,479	283,848
Debtors, deposits and prepayments		817,532	768,010
Amounts due from associates		5,123	48,971
Amounts due from jointly controlled entities		7,625	316
Investments in securities	19	–	22,785
Dividend receivable from an associate		56,159	60,322
Tax recoverable		4,386	254
Loans receivable	20	5,678	8,722
Bank deposits pledged		35,121	–
Bank balances and cash		130,253	131,630
		2,229,559	1,370,897
Current liabilities			
Amounts due to customers for contract work	23	456,569	196,402
Creditors and accrued charges		960,932	701,821
Amounts due to jointly controlled entities		36,565	38,132
Amounts due to associates		806	–
Amount due to a related company		–	157
Amounts due to minority shareholders		3,059	3,059
Proposed dividend		–	40,576
Taxation		36,484	21,457
Bank loans – due within one year	24	173,358	278,426
Other borrowings – due within one year	25	237,016	44,176
Trust receipt loans, unsecured		51,112	423
Bank overdrafts, unsecured		43,261	6,027
		1,999,162	1,330,656
Net current assets		230,397	40,241
Total assets less current liabilities		2,298,397	1,898,970

Consolidated Balance Sheet (cont'd)

As 31st March, 2000

	NOTES	2000 HK\$ '000	1999 HK\$ '000
Minority interests		33,613	22,744
		<hr/>	<hr/>
Non-current liabilities			
Bank loans - due after one year	24	40,000	67,500
Other borrowings - due after one year	25	640,702	226,347
Loans from minority shareholders	26	928	928
Amounts due to associates	27	52,056	72,886
Amounts due to jointly controlled entities	28	27,461	10,446
Deferred gain	29	–	98,102
Deferred taxation	30	–	771
		<hr/>	<hr/>
		761,147	476,980
		<hr/>	<hr/>
		1,503,637	1,399,246
		<hr/>	<hr/>
Capital and reserves			
Share capital	31	65,475	67,743
Reserves	34	1,438,162	1,331,503
		<hr/>	<hr/>
		1,503,637	1,399,246
		<hr/>	<hr/>

The financial statements on pages 24 to 75 were approved by the Board of Directors on 1st August, 2000 and are signed on its behalf by:

Zen Wei Pao, William
Chairman

Zen Wei Peu, Derek
Vice Chairman

Balance Sheet

As 31st March, 2000

	NOTES	2000 HK\$'000	1999 HK\$'000
Non-current assets			
Interests in subsidiaries	16	896,279	1,011,304
Current assets			
Debtors, deposits and prepayments		181	1,241
Amount due from a subsidiary		150,000	200,000
Amount due from an associate		2	–
Dividend receivable from a subsidiary		–	70,000
Bank deposits pledged		26,837	–
Bank balances and cash		158	74
		<u>177,178</u>	<u>271,315</u>
Current liabilities			
Creditors and accrued charges		2,593	2,787
Proposed dividend		–	40,576
Bank loans – due within one year	24	145,500	186,000
Other borrowings – due within one year	25	15,000	30,000
Bank overdrafts, unsecured		–	1,200
		<u>163,093</u>	<u>260,563</u>
Net current assets		<u>14,085</u>	<u>10,752</u>
Total assets less current liabilities		<u>910,364</u>	<u>1,022,056</u>
Non-current liabilities			
Bank loans – due after one year	24	40,000	67,500
Other borrowings – due after one year	25	–	15,000
		<u>40,000</u>	<u>82,500</u>
		<u>870,364</u>	<u>939,556</u>
Capital and reserves			
Share capital	31	65,475	67,743
Reserves	34	804,889	871,813
		<u>870,364</u>	<u>939,556</u>

Zen Wei Pao, William
Chairman

Zen Wei Peu, Derek
Vice Chairman

Consolidated Statement of Recognised Gains and Losses

For the year ended 31st March, 2000

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Exchange difference arising on translation of the financial statements of overseas subsidiaries	–	10
Share of translation reserve movements of associates	(1,670)	(29)
Net losses not recognised in the income statement but recognised in the reserves	(1,670)	(19)
Profit for the year	160,388	238,898
Total recognised gains and losses	158,718	238,879
Goodwill arising on purchase of subsidiaries eliminated against reserves	(5,305)	–
Goodwill arising on acquisition of additional interest in subsidiaries eliminated against reserves	(3,233)	(5,105)
Capital reserve arising on acquisition of additional interest in an associate credited to reserves	6,642	24,095
	<u>156,822</u>	<u>257,869</u>

Consolidated Cash Flow Statement

For the year ended 31st March, 2000

	NOTES	2000 HK\$'000	1999 HK\$'000
NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES	35	(399,419)	103,208
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Dividends received from jointly controlled entities		–	51,648
Dividends received from an associate		104,908	50,624
Interest received		6,187	6,216
Interest paid		(26,167)	(34,633)
Dividends paid		(67,556)	(61,677)
Finance leases charges paid		(867)	(1,522)
Finance cost on convertible redeemable preference shares paid		(15,507)	(14,039)
Dividends paid to minority shareholders of subsidiaries		(6,700)	(7,700)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(5,702)	(11,083)
TAXATION			
Hong Kong Profits Tax (paid) refunded		(8,240)	3,974
Tax arising on other jurisdictions paid		(2,211)	–
Tax (paid) refunded		(10,451)	3,974
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		4,991	5,091
Disposal of interests in subsidiaries (net of cash and cash equivalents disposed of)	36	–	4,775
Proceeds on disposal of an associate		22,342	2,962
Increase in investment in associates		(176)	(42,146)
Purchase of property, plant and equipment		(45,676)	(33,614)
Capital contribution to a jointly controlled entity		(9,560)	–
Advances to jointly controlled entities		(1,145)	(6,480)
Advances to associates		(30,240)	(5,622)
Purchase of additional interests in subsidiaries		–	(6,017)
Purchase of unlisted investment securities		(230)	(570)
Proceeds from disposal of listed other investments		25,001	–
Purchase of subsidiaries (net of cash and cash equivalents acquired)	37	10,072	–
Bank deposits to secure banking facilities		(35,121)	–
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(59,742)	(81,621)
NET CASH (OUTFLOW) INFLOW BEFORE FINANCING		(475,314)	14,478

Consolidated Cash Flow Statement (cont'd)

For the year ended 31st March, 2000

	NOTE	2000 HK\$'000	1999 HK\$'000
FINANCING	38		
Issue of shares		742	–
New bank loans raised		129,858	178,426
(Repayment to) advance from associates		(20,024)	65,714
Other borrowings raised		613,470	9,802
Loans from minority shareholders		–	2,000
Contribution from minority shareholder of a subsidiary		–	49
Repayment of bank loans		(262,426)	(100,000)
Repayment of other borrowings		(46,265)	(54,001)
Advance from (repayment to) jointly controlled entities		15,448	(38,765)
Repurchases of shares		(26,504)	(15,991)
Advance from (repayment of) trust receipt loans, net		35,976	(13,894)
Repayment of advance from minority shareholders		(3,572)	(1,235)
		<hr/>	<hr/>
NET CASH INFLOW FROM FINANCING		436,703	32,105
		<hr/>	<hr/>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(38,611)	46,583
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		125,603	79,020
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		86,992	125,603
		<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		130,253	131,630
Bank overdrafts		(43,261)	(6,027)
		<hr/>	<hr/>
		86,992	125,603
		<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

For the year ended 31st March, 2000

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares and warrants are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, associates and jointly controlled entities are set out in note 46, 17 and 18 respectively.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The Group adopted the following Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants which became effective during the year.

SSAP 1 (Revised)	Presentation of financial statements
SSAP 2 (Revised)	Net profit or loss for the period, fundamental errors and changes in accounting policies
SSAP 10 (Revised)	Accounting for investments in associates
SSAP 24	Accounting for investments in securities

SSAP 1 (Revised) and SSAP 2 (Revised) are concerned with the presentation and disclosure of financial information. The presentation in the financial statements in the current year has been modified to conform with the requirements of these standards. Comparative amounts have been restated to achieve a consistent presentation. In particular, additional analyses of income and expenditure have been presented; and items of income and expense that were separately identified on the face of the income statement in the prior year as ‘exceptional items’ have been reclassified within an appropriate income or expense classification. In addition, the description of various components in the financial statements and the terminology used has been updated to reflect the terminology of the new standards. None of the amendments outlined above has affected the results for the current or prior years.

The implementation of SSAP 1 (Revised) will require a change of accounting policy for pre-operating expenses to be dealt with in accordance with the requirements of SSAP 2 (Revised). The change of accounting policy will result in an increase of the Group’s profit for prior year by HK\$2,024,000 but will not affect the Group’s results for current year. Since the effect is insignificant, no restatement in the Group’s result for the prior year is made.

SSAP 10 (Revised) has not resulted in any significant changes to the accounting treatment adopted by the Group for investment in associates and accordingly no prior year adjustment has been required. Disclosures presented have been modified to meet the requirements of the new standard.

SSAP 24 has introduced a new framework for the classification of investments in securities and the adoption of the standard has had a significant effect on the treatment adopted by the Group for its investments. In adopting SSAP 24, the Group has selected the benchmark treatment for securities other than held-to-maturity securities.

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE (cont'd)

Under SSAP 24, investments in securities are now classified as investment securities (carried at cost less impairment), held-to-maturity (carried at amortised cost less provision for irrecoverable amounts) and other investments (carried at fair value, with valuation movements dealt with in the income statement). In prior years, the Group's investments were classified as long term (carried at cost less provision for permanent diminution in value). The accounting treatment specified by SSAP 24 has been applied retrospectively. Comparative information has been restated to reflect this change in accounting policy. In determining the fair value of investments held by the Group in prior year, the effect of hedging by the put option as disclosed in note 19 was taken into account and restatement of Group's profit for prior year is not necessary. There has been no effect on the Group's profit for the current year.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention. The principal accounting policies which have been adopted in preparing these financial statements and which conform with accounting principles generally accepted in Hong Kong, are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year. All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

Goodwill and capital reserve arising on consolidation

Goodwill arising on consolidation, which represents the excess of the purchase consideration over the fair value of the Group's share of the separable net assets of subsidiaries, associates and jointly controlled entities at the date of acquisition, is written off directly to reserves.

Capital reserve arising on consolidation, which represents the excess of the fair value of the Group's share of the separable net assets acquired over the purchase consideration, is credited directly to reserves.

On disposal of subsidiaries, associates and jointly controlled entities, the attributable amount of goodwill or capital reserve previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal of the subsidiaries, associates or jointly controlled entities.

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investment in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any decline in the value of the subsidiary that is other than temporary. Results of subsidiaries are accounted for by the Company on the basis of dividends received or receivables during the year.

Revenue recognition

Sale of goods is recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the surveys of work performed during the period.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

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

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. 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. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged as expenses in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of an asset and is recognised in profit for the period.

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, plant and equipment (cont'd)

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land	Over the terms of the relevant leases
Buildings	4% or over the terms of the relevant leases, whichever is shorter
Leasehold improvements	33 $\frac{1}{3}$ % or over the terms of the relevant leases, whichever is shorter
Plant and machinery	10% - 25%
Furniture, fixtures and equipment	25%
Motor vehicles	25%
Vessels	10% - 15%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the terms of the leases.

Properties under development for sale

Properties under development for sale of the Group's Private Sector Participation Scheme projects are stated at cost plus development profit recognised to date less provision where appropriate.

Cost comprises the cost of acquisition of land, construction costs, other direct costs and borrowing costs capitalised. Net realisable value is estimated by management based on prevailing market conditions or where a binding sales agreement executed, by reference to the agreed selling prices.

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.

Inventories

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Interests in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

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.

Jointly controlled operations

Where a group company undertakes its activities under joint venture arrangements directly, constituted as jointly controlled operations, the assets and liabilities arising from those jointly controlled operations are recognised in the balance sheet of the relevant Company on accrual basis and classified according to the nature of the item. The Groups share of the income from jointly controlled operations together with the expenses that it incurs are included on the income statement when it is probable that the economic benefits associated with the transactions will flow to/from the Group.

Jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of net assets of the jointly controlled entities. The Group's share of post-acquisition results of jointly controlled entities is included in the profit for the period.

When the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in jointly controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged as expenses by reference to the stage of completion of the contract activity at the balance sheet date on the same basis as the contract revenue recognised.

When it is probable the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the balance sheet as the “Amounts due from customers for contract work” or the “Amounts due to customers for contract work”, as appropriate. Amounts billed, but not yet paid by the customers, for work performed on a contract are included in the balance sheet under “Debtors, deposits and prepayments”.

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 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 year represents a constant yield on the investment.

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

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

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

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Finance leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership of the leased assets 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 finance leases obligations. The finance costs, which represent the difference between the total leasing commitments and the fair values of the assets acquired, are charged as expenses over the term of the relevant leases so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

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 recognised as an expense in the year in which they are incurred.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in profit for the period.

On consolidation the financial statements of overseas subsidiaries, associates and jointly controlled entities are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

Retirement benefit schemes contributions

The Group operates both defined contribution pension schemes and defined benefit pension schemes.

The contributions payable to the Group's defined contribution retirement benefit scheme and defined benefit pension scheme are charged as expenses.

For defined benefit pension scheme, the expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, are charged as expenses so as to spread the costs over the service lives of employees in the scheme operated by the group in such a way that the cost is a substantial level percentage of current and expected future pensionable payroll.

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Operating leases

Rentals payable under operating leases are charged as expenses on a straight line basis over the lease terms.

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. GROUP TURNOVER

Group turnover represents the revenue on construction contracts recognised, fees received and receivable from the operation of car park facilities and the value of goods sold to outside customers, less returns and allowances.

	2000	1999
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Group turnover comprises:		
Revenue on construction contracts	2,475,296	2,619,583
Sale of goods	173,826	179,495
Operation of car park facilities	6,829	–
Total	<u>2,655,951</u>	<u>2,799,078</u>

5. OTHER REVENUE

	2000	1999
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Other revenue has been arrived at after crediting:		
Interest on bank deposits	6,187	6,216
Gains on disposal of listed other investments	2,216	–
Gain on disposal of property, plant and equipment	1,089	2,412
Gain on disposal of subsidiaries	–	10,612
Management income received from a jointly controlled entity	6,754	50,000
Management income received from an associate	98	18,938
Diesel and water supply income received from a related company	818	1,321
Plant hire income received from a related company	298	432
Machinery repairing charges received from a related company	295	–

6. PROVISION FOR PILING INCIDENT

In preparing the financial statements, the directors have considered the likelihood of a claim which may be made against one of the Company's wholly owned subsidiaries, Zen Pacific Civil Contractors Limited ("ZPCCL"), for a sub-standard piling project discovered in late 1999.

ZPCCL was awarded a contract for the foundations for five blocks and a four storey car park for Hong Kong Housing Authority ("HA") Home Ownership Scheme at Yuen Chau Kok, Shatin in February 1998. The value of the contract was HK\$63 million. The work was completed in December 1998. It was tested and accepted by HA and a completion certificate was issued. The contractual maintenance period expired in June 1999. In December 1999, the HA reported some unusual settlement to two blocks which ZPCCL had subcontracted to a third party. ZPCCL responded immediately and engaged three international engineering consultants to provide independent expert advice.

In January 2000, ZPCCL reported the suspicious case to Independent Commission Against Corruption who subsequently concluded the results of tests conducted by HA appeared to have been manipulated. This was also confirmed by the Investigation Panel appointed by HA.

A proposal for remedial works was drawn up by ZPCCL's consultants on the assumption that the HA investigations were accurate, and was submitted to HA for consideration. The consultants advised that no demolition of the affected blocks was necessary. The cost of remedial work was estimated to be approximately HK\$50 million. In March 2000, HA decided to demolish the two blocks.

In July 2000, HA announced their intention to take legal action to seek compensation from ZPCCL. In the light of the likelihood of a claim by HA against the Group, the directors are currently in consultation with the Group's legal advisors regarding the most appropriate response to any actions brought. Preliminary legal advice indicates that ZPCCL may have no financial liabilities to HA if the problems with the foundations result from misrepresentations. As of the date of approval of these financial statements, ZPCCL has not received notice of any legal actions having been brought by HA.

Although it is not possible to determine the outcome of this matter with reasonable certainty at this time, a provision of HK\$60 million, being the directors' estimate of the costs of carrying out remedial work and of legal and consultants' cost, which may arise due to the Piling Incident has been made in the financial statements.

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

7. (LOSS) PROFIT FROM OPERATIONS

	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) profit from operations has been arrived at after charging:		
Amortisation of pre-operating expenses	–	2,024
Auditors' remuneration	2,700	2,400
Depreciation and amortisation:		
Owned assets	52,869	42,517
Assets held under finance leases	3,184	303
Assets held under sale and lease back arrangements	2,726	4,989
	<u>58,779</u>	<u>47,809</u>
Less: amount attributable to construction contracts	14,777	256
	<u>44,002</u>	<u>47,553</u>
Staff costs:		
Directors' remuneration (note 9)	5,052	14,145
Staff costs excluding directors' remuneration	391,513	354,654
Retirement benefits scheme contributions, excluding amounts included in directors remuneration and net of forfeited contributions of HK\$1,242,000 (1999: HK\$1,796,000)	10,349	8,762
	<u>406,914</u>	<u>377,561</u>
Less: amount attributable to construction contracts	246,021	223,466
	<u>160,893</u>	<u>154,095</u>
Hire of plant and machinery charges	23,391	20,121
Less: amount attributable to construction contracts	23,113	11,707
	<u>278</u>	<u>8,414</u>
Operating lease rentals in respect of land and buildings	13,188	10,701
Less: amount attributable to construction contracts	370	–
	<u>12,818</u>	<u>10,701</u>

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

8. FINANCE COSTS

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Interests on:		
Borrowings wholly repayable within five years	64,580	35,202
Convertible redeemable preference shares	27,773	27,776
Finance leases	867	1,522
	<u>93,220</u>	<u>64,500</u>
Less: amount attributable to construction contracts and properties under development held for sale	<u>(20,318)</u>	<u>(4,098)</u>
	<u><u>72,902</u></u>	<u><u>60,402</u></u>

9. DIRECTORS' REMUNERATION

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Directors' fees:		
Executive	–	–
Independent non-executive	240	240
	<u>240</u>	<u>240</u>
Other emoluments - Executive Directors:		
Salary and other benefits	4,343	4,137
Performance related incentive payments	–	9,309
Retirement benefits scheme contributions	469	459
	<u>4,812</u>	<u>13,905</u>
	<u><u>5,052</u></u>	<u><u>14,145</u></u>

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

9. DIRECTORS' REMUNERATION (cont'd)

Remuneration of the Directors were within the following bands:

	Number of directors	
	2000	1999
Up to HK\$1,000,000	3	2
HK\$1,500,001 to HK\$2,000,000	1	—
HK\$2,500,001 to HK\$3,000,000	1	1
HK\$4,500,001 to HK\$5,000,000	—	1
HK\$6,500,001 to HK\$7,000,000	—	1
	<u> </u>	<u> </u>

10. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included one director (1999: three directors), details of whose emoluments are set out above. The emoluments of the remaining four (1999: two) highest paid individuals are as follows:

	2000	1999
	HK\$ '000	HK\$ '000
Salary and other benefits	10,961	6,221
Retirement benefits scheme contributions	396	188
	<u> </u>	<u> </u>
	<u>11,357</u>	<u>6,409</u>

Their emoluments were within the following bands:

	Number of employees	
	2000	1999
HK\$2,000,001 to HK\$2,500,000	1	—
HK\$2,500,001 to HK\$3,000,000	1	—
HK\$3,000,001 to HK\$3,500,000	2	2
	<u> </u>	<u> </u>

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

11. TAXATION

	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year		
Hong Kong	18,999	13,702
Other jurisdictions	2,828	577
Overprovision in prior years		
Hong Kong	(2,202)	(1,702)
Other jurisdictions	(5)	–
Deferred taxation		
Current year (note 30)	(771)	–
Share of tax on results of associates	4,949	5,239
Share of tax on results of jointly controlled entities	3,378	3,373
	<u>27,176</u>	<u>21,189</u>

Hong Kong Profits Tax is calculated at 16 per cent. (1999: 16 per cent.) on the estimated assessable profit for the year.

Taxation arising on other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Details of the unprovided deferred taxation at the balance sheet date and the potential deferred taxation not provided for in the year are set out in note 30.

12. PROFIT FOR THE YEAR

Of the Group's profit for the year of HK\$160,388,000 (1999: HK\$238,898,000), a loss of HK\$16,450,000 (1999: profit of HK\$45,057,000) has been dealt with in the financial statements of the Company.

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

13. DIVIDENDS

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Interim dividend paid: 4 (1999: 3) cents per share on 675,560,034 (1999: 684,013,325) ordinary shares	27,022	20,520
Final dividend proposed: Nil (1999: 6 cents per share on 676,267,325 ordinary shares)	–	40,576
Overprovision in previous year due to shares repurchased	(42)	(94)
	<u>26,980</u>	<u>61,002</u>

14. EARNINGS PER SHARE

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

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Profit for the year	160,388	238,898
Effect of dilutive potential ordinary shares:		
Net finance cost saved on convertible redeemable preference shares issued by a subsidiary on conversion	27,773	27,776
Increase in minority interests from exercising of the share options issued by a subsidiary	(3,025)	–
Earnings for the purpose of diluted earnings per share	<u>185,136</u>	<u>266,674</u>

Number of shares

Weighted average number of ordinary shares for the purpose of basic earnings per share	673,134,978	685,073,158
Effect of dilutive potential ordinary shares:		
Convertible redeemable preference shares	135,614,035	135,614,035
Options	123,297	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>808,872,310</u>	<u>820,687,193</u>

Note:

As the exercise price of warrants outstanding during the year ended 31st March, 2000 was higher than the average market price of the Company's ordinary shares, there was no dilution effect on earnings per share.

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

15. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Vessels <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST							
At 1st April, 1999	60,351	12,712	332,747	21,837	14,087	80,960	522,694
Additions	5,186	1,423	24,620	4,368	3,855	16,544	55,996
Disposals	–	(9)	(7,383)	(145)	(38)	(6,443)	(14,018)
Purchase of subsidiaries	–	1,052	5,176	1,347	545	–	8,120
At 31st March, 2000	65,537	15,178	355,160	27,407	18,449	91,061	572,792
DEPRECIATION							
At 1st April, 1999	18,424	6,867	226,695	14,647	10,084	49,187	325,904
Provided for the year	4,269	2,859	37,753	4,087	2,621	7,190	58,779
Provision for impairment loss	11,001	–	9,446	28	64	452	20,991
Eliminated on disposals	–	(1)	(6,641)	(140)	(38)	(3,296)	(10,116)
At 31st March, 2000	33,694	9,725	267,253	18,622	12,731	53,533	395,558
NET BOOK VALUES							
At 31st March, 2000	31,843	5,453	87,907	8,785	5,718	37,528	177,234
At 31st March, 1999	41,927	5,845	106,052	7,190	4,003	31,773	196,790

The net book values of leasehold land and buildings shown above comprise:

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Medium term leases in Hong Kong	5,834	6,088
Medium term leases outside Hong Kong	25,333	35,052
Short term leases outside Hong Kong	676	787
	<u>31,843</u>	<u>41,927</u>

The net book value of property, plant and equipment includes amounts of approximately HK\$11,199,000 and HK\$Nil (1999: HK\$4,464,000 and HK\$3,570,000) in respect of assets held under finance leases and assets held under sale and lease back arrangements respectively.

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

16. INTERESTS IN SUBSIDIARIES

	2000	1999
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Unlisted shares, at cost	124,144	124,144
Amounts due from subsidiaries	772,135	887,160
	<u>896,279</u>	<u>1,011,304</u>

The carrying amount of the unlisted shares is based on the book value of the underlying net tangible assets of the subsidiaries as at the date on which they were acquired by the Company at the time of the group reorganisation in 1992.

Details of the Company's principal subsidiaries at 31st March, 2000 are set out in note 46.

17. INTERESTS IN ASSOCIATES

	THE GROUP	
	2000	1999
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Share of net assets of associates	1,758,689	1,591,672
Amounts due from associates	16,687	12,059
	<u>1,775,376</u>	<u>1,603,731</u>

The amounts due from associates are unsecured and interest free and will not be repayable within the next twelve months.

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

17. INTERESTS IN ASSOCIATES (cont'd)

Details of the associates of the Group as at 31st March, 2000 are as follows:

Name of associate	Form of business structure	Place of incorporation or registration	Proportion of nominal value of issued ordinary capital held indirectly by the Company %	Principal activities
Grand Plan Development Limited	Incorporated	Republic of China	25	Property development
Hong Kong Landfill Restoration Group Limited	Incorporated	Hong Kong	23	Civil engineering
Kong On Waste Management Limited	Incorporated	Hong Kong	50	Environmental and waste management
New Continent Stone Products Limited	Incorporated	Republic of China	40 (note a)	Production of construction materials
Oceanblue Holdings Limited	Incorporated	British Virgin Islands	40	Not yet commenced business
Road King Infrastructure Limited ("Road King")	Incorporated	Bermuda	49.94 (note b)	Investment in and the development, operation and management of toll highways and expressways

Notes:

- Subsequent to 31st March, 2000, the associate was disposed of for a consideration of approximately HK\$2,317,000.

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

17. INTERESTS IN ASSOCIATES (cont'd)

Notes: (cont'd)

- b. Road King is incorporated in Bermuda with limited liability and also a company listed on Stock Exchange and the published financial information of Road King is set out below.

	1.1.2000 to 31.3.2000 <i>HK\$ '000</i> <i>(unaudited)</i>	1.1.1999 to 31.12.1999 <i>HK\$ '000</i> <i>(audited)</i>	1.1.1998 to 31.12.1998 <i>HK\$ '000</i> <i>(audited)</i>
Operating results:			
Toll revenue	6,927	27,017	25,756
Minimum income undertakings	51,550	216,133	277,545
Gain on disposal of interest in an infrastructure joint venture	–	211,751	–
Depreciation	1,679	6,337	7,823
Profit from ordinary activities before taxation	116,976	625,517	492,323
Profit from ordinary activities before taxation attributable to the Group	<u>52,907</u>	<u>286,958</u>	<u>219,697</u>
Financial position:			
		31.12.1999 <i>HK\$ '000</i> <i>(audited)</i>	31.12.1998 <i>HK\$ '000</i> <i>(audited)</i>
Non-current assets		4,611,295	4,929,885
Current assets		1,083,998	558,791
Current liabilities		(345,776)	(201,230)
Non-current liabilities		(1,378,729)	(1,619,731)
Minority interests		(19,969)	(15,963)
Net assets		<u>3,950,819</u>	<u>3,651,752</u>
Net assets attributable to the Group		<u>1,723,230</u>	<u>1,518,774</u>

Market value of shares in Road King at 31st March, 2000 amounted to HK\$1,078,672,000 (1999: HK\$1,193,328,000).

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

18. INTERESTS IN JOINT VENTURES

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Share of net assets of jointly controlled entities	65,900	37,649
Amounts due from jointly controlled entities	–	6,164
	<u>65,900</u>	<u>43,813</u>

The amounts due from jointly controlled entities in prior year were unsecured, interest free and would not be repayable within the next twelve months. In the current year, the outstanding balance of amounts due from jointly controlled entities are reclassified as current.

At 31st March, 2000, the Group had interests in the following jointly controlled entities:

Name	Form of business structure	Place of registration/ operation	Attributable interest to the Group %	Nature of business
大棟營造股份有限公司 - 亞太土木工程有限公司 共同承攬	Unincorporated	Republic of China	25	Marine engineering
AMSOC Joint Venture	Unincorporated	Hong Kong	37.5	Civil engineering
Balfour Beatty-Zen Pacific Joint Venture	Unincorporated	Hong Kong	50	Civil engineering
Barclay Mowlem-Zen Pacific-China Civil Joint Venture	Unincorporated	Hong Kong	35	Civil engineering
Barclay Mowlem-Zen Pacific Joint Venture	Unincorporated	Hong Kong	40	Civil engineering
China State-Zen Pacific Joint Venture	Unincorporated	Hong Kong	40	Civil engineering

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

18. INTERESTS IN JOINT VENTURES (cont'd)

Name	Form of business structure	Place of registration/ operation	Attributable interest to the Group %	Nature of business
Dragages-Zen Pacific Joint Venture	Unincorporated	Hong Kong	25	Civil engineering
Hyundai-Chung Lin -Zen Pacific Joint Venture	Unincorporated	Hong Kong	20	Not yet commenced business
Kier/Zen Pacific Joint Venture	Unincorporated	Hong Kong	50	Civil engineering
Shanxi Jin-Ya Road and Bridge Construction Limited	Incorporated	The People's Republic of China	50	Road construction
Zen Pacific-China Civil-Shui On Joint venture	Unincorporated	Hong Kong	50	Civil engineering
Zen Pacific-Shui On Joint Venture (C518)	Unincorporated	Hong Kong	50	Civil engineering

In addition to the jointly controlled entities listed above, during the year, the Group entered into a joint venture agreement to form a jointly controlled operation to produce precast concrete segment. The Group has a 70% interest in the jointly controlled operations.

In addition, at 31st March, 2000, the aggregate amount of assets, liabilities, income and profit recognised in the financial statements in relation to interests in jointly controlled operations are as follows:

	THE GROUP 2000 <i>HK\$ '000</i>
Assets	17,374
Liabilities	17,653
Turnover for the period then ended	714
Loss after taxation for the period then ended	279

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

19. INVESTMENTS IN SECURITIES

	THE GROUP	
	2000	1999
	HK\$ '000	HK\$ '000
Non-current investments		
Unlisted investment securities	<u>800</u>	<u>798</u>
Current investments		
Listed other investments	<u>–</u>	<u>22,785</u>
Market value of listed other investments	<u>–</u>	<u>9,907</u>

Pursuant to an agreement dated 30th September, 1998 entered into between a subsidiary of the Company and an independent third party (the “Grantor”), the subsidiary was granted an option to require the Grantor to purchase all the listed securities as shown in last year’s comparative figure upon the occurrence of certain events as specified in the agreement. During the year, the subsidiary exercised the put option and the Grantor had purchased all the listed securities at a total consideration of HK\$25,063,000.

20. LOANS RECEIVABLE

The maturity of the loans receivable is as follows:

	THE GROUP	
	2000	1999
	HK\$ '000	HK\$ '000
Under one year	5,678	8,722
In the second to fifth year inclusive	48,690	13,597
	<u>54,368</u>	<u>22,319</u>
Less: Amount receivable within one year shown under current assets	<u>5,678</u>	<u>8,722</u>
Amount receivable after one year	<u>48,690</u>	<u>13,597</u>

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

20. LOANS RECEIVABLE (cont'd)

The amount represents advances to and cost of construction work to be recoverable from the local government in Wanshan, the People's Republic of China ('PRC'), which will be settled by a waiver of royalty fees arising from the sale of quarry products from three quarries in the PRC. In the opinion of the directors, a portion of these loans receivable amounted to HK\$5,678,000 (1999: HK\$8,722,000) will be settled within the next twelve months and accordingly, the remaining balance of HK\$48,690,000 (1999: HK\$13,597,000) was shown under non-current.

21. PROPERTIES UNDER DEVELOPMENT HELD FOR SALE

	THE GROUP	
	2000	1999
	HK\$ '000	HK\$ '000
At cost	731,897	—

The properties under development held for sale represents the Group's interest in the Private Sector Participation Scheme property development project in Hong Kong.

In the opinion of the directors, the net realisable value of the properties under development held for sale should not be less than their carrying values.

At 31st March, 2000, the Group had interest capitalised of HK\$20,103,000 (1999: Nil) in respect of properties under development held for sale.

22. INVENTORIES

	THE GROUP	
	2000	1999
	HK\$ '000	HK\$ '000
Raw materials	622	4,995
Consumables	18,793	20,380
Work-in-progress	790	4,547
Finished goods	25,101	16,117
	<u>45,306</u>	<u>46,039</u>

Included above are raw materials of HK\$69,000 (1999: HK\$4,501,000), consumables of HK\$432,000 (1999: HK\$1,135,000) and finished goods of HK\$6,692,000 (1999: HK\$576,000) which are carried at net realisable values.

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

23. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	THE GROUP	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracts in progress at balance sheet date:		
Contract costs incurred plus recognised profits		
less recognised losses	9,684,714	5,733,248
Less: Progress billings	9,750,804	5,645,802
	(66,090)	87,446
	(66,090)	87,446
Represented by:		
Due from customers included in current assets	390,479	283,848
Due to customers included in current liabilities	456,569	196,402
	(66,090)	87,446
	(66,090)	87,446

At 31st March, 2000, retentions held by customers for contract work which are included in debtors, deposits, and prepayments amounted to HK\$190,909,000 (1999: HK\$186,226,000).

24. BANK LOANS

The maturity of the bank loans is as follows:

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Under one year	173,358	278,426	145,500	186,000
In the second year	40,000	67,500	40,000	67,500
	213,358	345,926	185,500	253,500
Less: Amount due within one year shown under current liabilities	173,358	278,426	145,500	186,000
Amount due after one year	40,000	67,500	40,000	67,500
Secured	59,921	–	37,500	–
Unsecured	153,437	345,926	148,000	253,500
	213,358	345,926	185,500	253,500

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

25. OTHER BORROWINGS

Other borrowings comprise:

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Syndicated loans (note a)	645,730	45,000	15,000	45,000
Convertible redeemable preference shares (note b)	216,871	204,461	–	–
Obligations under finance leases (note c)	15,117	9,715	–	–
Borrowings under sale and lease back arrangements (note d)	–	1,545	–	–
Margin loans (note d)	–	9,802	–	–
	<u>877,718</u>	<u>270,523</u>	<u>15,000</u>	<u>45,000</u>

The maturity of other borrowings is as follows:

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Under one year	237,016	44,176	15,000	30,000
In the second year	5,788	222,682	–	15,000
In the third to fifth year inclusive	634,914	3,665	–	–
	<u>877,718</u>	<u>270,523</u>	<u>15,000</u>	<u>45,000</u>
Less: Amount due within one year shown under current liabilities	<u>237,016</u>	<u>44,176</u>	<u>15,000</u>	<u>30,000</u>
Amount due after one year	<u>640,702</u>	<u>226,347</u>	<u>–</u>	<u>15,000</u>

Notes:

- a. The syndicated loans of the Group and the Company include an amount of HK\$15,000,000 (1999: HK\$45,000,000) which is unsecured, bears interest at market rate and is wholly repayable in August 2000.

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

25. OTHER BORROWINGS (cont'd)

Notes: (cont'd)

The remaining syndicated loan of the Group amounting to HK\$630,730,000 (1999: Nil) bears interest at market rate and is secured by the Group's properties under development held for sale. The syndicated loan is repayable on the earlier of 31st October, 2002 and 6 months from the issuance of the Certificate of Compliance by the Director of Lands certifying that the general and special conditions contained in the Government Grant have been complied with to his satisfaction.

- b. In accordance with an agreement dated 20th September, 1996, Wai Kee China Investments (BVI) Company Limited ("WKC"), a subsidiary of the Company, issued convertible redeemable preference shares ("CRPS") with an initial record value of US\$20,000,000 to independent third parties, details of which are set out in the circular sent to the shareholders of the Company on 2nd October, 1995.

The CRPS are convertible into the shares of WKC or of the Company with the conversion terms specified in the agreement. The CRPS are also redeemable at a premium upon the occurrence of certain events stipulated in the agreement or upon maturity in August 2000.

Holders of CRPS are entitled in priority to any dividend payable in respect of the ordinary shares of WKC at cumulative annual preferential dividend rates which are specified in the agreement. The cumulative annual preferential dividend for the year ended 31st August, 1997 was 7.5 per cent., which increased progressively to 11.39 per cent. for the year ending 31st August, 2000.

The Company has also undertaken and guaranteed the full, prompt and complete observance and performance of WKC of all terms, obligations and conditions under the agreement.

As disclosed in note 43(b), after the balance sheet date, the Company through a wholly-owned subsidiary acquired the CRPS back from its holders. Accordingly, the balance is classified as a current liability at 31st March, 2000. The dividends payable for the CRPS together with the premium on redemption have been treated as finance cost and charged to the income statement over the period up to August 2000 at a rate to produce a constant rate of return on the carrying amount.

- c. The maturity of obligations under finance leases is as follows:

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Under one year	5,146	2,829
In the second year	5,788	3,221
In the third to fifth year inclusive	4,183	3,665
	<u>15,117</u>	<u>9,715</u>

- d. The borrowings under sale and lease back arrangements and margin loans were fully repaid during the year.

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

26. LOANS FROM MINORITY SHAREHOLDERS

The loans from minority shareholders are unsecured, interest free and have no fixed repayment terms. In the opinion of directors, the amounts will not be repayable within the next twelve months.

27. AMOUNTS DUE TO ASSOCIATES

The amounts are unsecured, interest free and have no fixed repayment terms. In the opinion of directors, the amounts will not be repayable within the next twelve months.

28. AMOUNTS DUE TO JOINTLY CONTROLLED ENTITIES

The amounts are unsecured, interest free and have no fixed repayment terms. In the opinion of directors, the amounts will not be repayable within the next twelve months.

29. DEFERRED GAIN

Pursuant to an agreement dated 30th September, 1997 (the "Agreement") and a supplementary agreement dated 8th February, 1998, relating to the sale of 13 per cent. of the issued share capital of Zen Pacific Construction Limited ("Zen Pacific"), a former wholly owned subsidiary of the Company, the purchaser has been granted a put option by which the Company, within one month after the expiry of the period of twenty-one months, or twenty-seven months upon the occurrence of certain events, after the completion of the Agreement, may be required to repurchase the 13 per cent. of the issued share capital of Zen Pacific. During the year, the purchaser has served notice to exercise the put option and the deferred gain which represents the gain on disposal of Zen Pacific is eliminated against the cost of acquisition of additional interest in the subsidiary.

30. DEFERRED TAXATION

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Balance at the beginning of the year	771	771
Credit for the year (note 11)	(771)	—
Balance at the end of the year	—	771

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

30. DEFERRED TAXATION (cont'd)

The major components of the provision for deferred taxation and the total potential deferred tax assets unprovided are as follows:

THE GROUP	Provided		Unprovided	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tax effect of timing differences due to:				
Excess of tax allowances over depreciation	–	771	3,173	3,185
Recognition of attributable profits on contract work in progress	–	–	(5,274)	(3,644)
Tax losses	–	–	(19,851)	(14,610)
	<u>–</u>	<u>771</u>	<u>(21,952)</u>	<u>(15,069)</u>

The amount of the unprovided deferred tax charge (credit) for the year is as follows:

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Tax effect of timing differences due to:		
Excess of tax allowances over depreciation	(12)	(3,066)
Provision for foreseeable losses on contract work in progress	–	5,219
Recognition of attributable profits on contract work in progress	(1,630)	(6,460)
Tax losses	(5,241)	10,084
Effect of change in tax rate	–	652
	<u>(6,883)</u>	<u>6,429</u>

A significant portion of the potential deferred tax asset which principally represents the tax losses of certain subsidiaries available to set off future assessable profits has not been recognised in the financial statements as it is uncertain whether the tax benefit will be realised in the foreseeable future.

Deferred tax liabilities have not been provided for in the financial statements in respect of certain timing differences arising during the year as it is not expected that the potential deferred taxation liabilities will reverse in the foreseeable future, after taking into account of the Group's medium-term financial plans and projections.

The Company did not have any significant unprovided deferred taxation for the year or at the balance sheet date.

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

31. SHARE CAPITAL

	2000		1999	
	Number '000	HK\$'000	Number '000	HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	<u>1,000,000</u>	<u>100,000</u>	<u>1,000,000</u>	<u>100,000</u>
Issued and fully paid:				
At beginning of year	677,431	67,743	690,805	69,080
Shares repurchased and cancelled	(23,262)	(2,326)	(13,374)	(1,337)
Exercise of share options and warrants	583	58	–	–
At end of the year	<u>654,752</u>	<u>65,475</u>	<u>677,431</u>	<u>67,743</u>

During the year, the Company repurchased certain of its own shares and details of which are summarised as follows:

Month of repurchase	Number of ordinary shares of HK\$0.1 each	Price per share		Aggregate consideration paid
		Highest HK\$	Lowest HK\$	HK\$'000
April 1999	494,000	1.24	1.14	595
May 1999	210,000	1.34	1.30	275
June 1999	460,000	1.37	1.36	628
July 1999	450,000	1.64	1.50	719
August 1999	790,000	1.62	1.54	1,248
December 1999	2,366,000	1.55	1.47	3,560
January 2000	3,250,000	1.46	1.06	4,129
February 2000	11,202,000	1.05	0.91	10,890
March 2000	4,040,000	1.29	0.99	4,460
	<u>23,262,000</u>			<u>26,504</u>

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

31. SHARE CAPITAL (cont'd)

During the prior year, the Company repurchased certain of its own shares and details of which are summarised as follows:

Month of repurchase	Number of ordinary shares of HK\$0.1 each	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
April 1998	1,024,000	1.44	1.37	1,433
June 1998	2,262,000	1.34	1.25	2,953
August 1998	1,566,000	1.18	1.00	1,718
September 1998	1,076,000	1.15	1.00	1,136
October 1998	592,000	1.23	1.01	637
December 1998	2,260,000	1.23	1.18	2,708
January 1999	1,878,000	1.21	1.17	2,235
March 1999	2,716,000	1.21	1.14	3,171
	<u>13,374,000</u>			<u>15,991</u>

32. WARRANTS

At the balance sheet date, the Company had outstanding 102,101,619 (1999: 102,104,328) "2000 Warrants" entitling the registered holders to subscribe in cash at a price of HK\$2.00 (subject to adjustment) for one ordinary share of the Company, at any time from the date of issue to 30th June, 2000 (both days inclusive). Exercise in full of such warrants would result in the issue of 102,101,619 additional shares of HK\$0.10 each.

During the year, the registered holder of 2,709 "2000 Warrants" exercised their rights to subscribe for 2,709 ordinary shares in the Company at HK\$2.00 per share.

33. SHARE OPTION SCHEME

Pursuant to the Company's share option scheme adopted on 7th August, 1992, the directors of the Company may, at their discretion, invite employees of the Company and its subsidiaries, including the directors of the Company, to take up options to subscribe for shares of the Company at a price not less than 80 per cent. of the average closing price of the shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the option or the nominal value of a share, whichever is the higher. The maximum number of shares in respect of which options may be granted under the scheme may not exceed 10% of the issued capital of the Company, excluding any shares issued pursuant to the scheme from time to time. An option may be exercised at any time after one year from the date on which the option is deemed to be granted and accepted and prior to expiry of four years from that date.

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

33. SHARE OPTION SCHEME (cont'd)

During the year, 850,000 options were granted to employees of the Company and its subsidiaries for a total consideration of HK\$17.

A summary of the movements in the options at the following subscription prices during the year and the balance outstanding at 31st March, 2000 under the share option scheme are as follows:

Exercise price HK\$	Balance at 1st April, 1999	Number of share options			Balance at 31st March, 2000
		Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	
0.96	350,000	–	(50,000)	–	300,000
1.28	–	850,000	–	(50,000)	800,000
1.30	1,580,000	–	(530,000)	(100,000)	950,000
1.38	450,000	–	–	–	450,000
1.39	1,500,000	–	–	(1,500,000)	–
1.50	250,000	–	–	–	250,000
1.60	3,000,000	–	–	–	3,000,000
	<u>7,130,000</u>	<u>850,000</u>	<u>(580,000)</u>	<u>(1,650,000)</u>	<u>5,750,000</u>

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

34. RESERVES

	Share premium HK\$'000	Translation reserve HK\$'000	(Goodwill) Capital reserve HK\$'000	Special reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE GROUP							
At 1st April 1998	694,885	12,164	(160,685)	(29,530)	–	621,094	1,137,928
Exchange difference arising on translation of the financial statements of overseas subsidiaries	–	10	–	–	–	–	10
Share of an associate's translation reserve	–	(29)	–	–	–	–	(29)
Shares repurchased	(14,654)	–	–	–	–	–	(14,654)
Realised upon disposal of subsidiaries	–	–	11,362	–	–	–	11,362
Acquisition of additional interest in an associate	–	–	24,095	–	–	–	24,095
Acquisition of additional interest in subsidiaries	–	–	(5,105)	–	–	–	(5,105)
Profit for the year	–	–	–	–	–	238,898	238,898
Dividends	–	–	–	–	–	(61,002)	(61,002)
At 31st March, 1999	680,231	12,145	(130,333)	(29,530)	–	798,990	1,331,503
Share of associates' reserve movements during the year	–	(1,670)	311	–	–	–	(1,359)
Shares repurchased	(24,178)	–	–	–	–	–	(24,178)
Acquisition of additional interest in an associate	–	–	6,642	–	–	–	6,642
Acquisition of additional interest in a subsidiary	–	–	(3,233)	–	–	–	(3,233)
Purchase of subsidiaries	–	–	(5,305)	–	–	–	(5,305)
Warrants and share options exercised	684	–	–	–	–	–	684
Profit for the year	–	–	–	–	–	160,388	160,388
Dividends	–	–	–	–	–	(26,980)	(26,980)
At 31st March, 2000	656,737	10,475	(131,918)	(29,530)	–	932,398	1,438,162
Attributable to:							
The Company and subsidiaries	656,737	387	(133,974)	(29,530)	–	316,972	810,592
Associates	–	10,088	2,056	–	–	555,900	568,044
Jointly controlled entities	–	–	–	–	–	59,526	59,526
At 31st March, 2000	656,737	10,475	(131,918)	(29,530)	–	932,398	1,438,162

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

34. RESERVES (cont'd)

	Share premium <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	(Goodwill) Capital reserve <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY							
At 1st April, 1998	694,885	–	–	–	93,994	113,533	902,412
Shares repurchased	(14,654)	–	–	–	–	–	(14,654)
Profit for the year	–	–	–	–	–	45,057	45,057
Dividends	–	–	–	–	–	(61,002)	(61,002)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 1999	680,231	–	–	–	93,994	97,588	871,813
Shares repurchased	(24,178)	–	–	–	–	–	(24,178)
Warrants and share options exercised	684	–	–	–	–	–	684
Loss for the year	–	–	–	–	–	(16,450)	(16,450)
Dividends	–	–	–	–	–	(26,980)	(26,980)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2000	<u>656,737</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>93,994</u>	<u>54,158</u>	<u>804,889</u>

The special reserve of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation in 1992.

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries at the date at which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation in 1992.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of a company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

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

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

34. RESERVES (cont'd)

In the opinion of the directors, the Company's reserves available for distribution to shareholders were as follows:

	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contributed surplus	93,994	93,994
Retained profits	54,158	97,588
	<u>148,152</u>	<u>191,582</u>

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

	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	211,954	271,701
Share of profit less losses of jointly controlled entities	(22,069)	(23,632)
Share of profits less losses of associates	(287,481)	(227,479)
Depreciation	44,002	47,553
Interest income	(6,187)	(6,216)
Interest expense	44,262	31,104
Finance leases charges	867	1,522
Finance cost on convertible redeemable preference shares	27,773	27,776
Gain on disposal of property, plant and equipment	(1,089)	(2,412)
Provision for impairment loss of property, plant and equipment	20,991	–
Gain on disposal of subsidiaries	–	(10,612)
Loss on disposal of an associate	–	173
Gain on disposal of other investments	(2,216)	–
Amortisation of pre-operating expenses	–	2,024
Provision for impairment loss of investment securities	228	7
Decrease in inventories	44,431	25,237
Increase in properties under development held for sale	(710,749)	–
(Increase) decrease in amounts due from customers for contract work	(77,388)	4,545
Increase in debtors, deposits and prepayments	(11,732)	(178,839)
Decrease in amounts due to a related company	(157)	(1,854)
Increase (decrease) in amounts due to customers for contract work	250,441	(119,362)
Increase in creditors and accrued charges	74,557	261,962
Exchange realignment	143	10
	<u>(399,419)</u>	<u>103,208</u>

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

36. DISPOSAL OF SUBSIDIARIES

	2000 HK\$'000	1999 HK\$'000
Property, plant and equipment	–	6,701
Inventories	–	39,424
Amounts due from customers for contract work	–	10,021
Debtors, deposits and prepayments	–	43,088
Bank balances and cash	–	8,351
Creditors and accrued charges	–	(25,184)
Amount due to an intermediate holding company	–	(66,875)
Other borrowings	–	(458)
Trust receipt loans	–	(20,891)
Loans from minority shareholders	–	(11,625)
Minority interests	–	4,515
Taxation	–	(610)
	<hr/>	<hr/>
Net liabilities disposed of	–	(13,543)
Attributable goodwill previously written off against reserves	–	11,362
Reclassification of interest in subsidiaries to interest in an associate	–	4,695
	<hr/>	<hr/>
	–	2,514
Gain on disposal of subsidiaries	–	10,612
	<hr/>	<hr/>
	–	13,126
	<hr/> <hr/>	<hr/> <hr/>
Satisfied by:		
Cash consideration received	–	13,126
	<hr/> <hr/>	<hr/> <hr/>
Analysis of net inflow of cash and cash equivalents in connection with disposal of interest in subsidiaries		
Cash consideration received	–	13,126
Bank balances and cash disposed of	–	(8,351)
	<hr/>	<hr/>
	–	4,775
	<hr/> <hr/>	<hr/> <hr/>

The subsidiaries disposed of during the previous year did not have any material impact on the Group's cash flows nor results for that year.

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

37. PURCHASE OF SUBSIDIARIES

	2000 HK\$'000	1999 HK\$'000
Property, plant and equipment	8,120	–
Inventories	43,698	–
Amounts due from customer for contract work	14,466	–
Debtors, deposits and prepayments	69,839	–
Amounts due from group companies	32	–
Bank balances and cash	12,210	–
Amounts due to customer for contract work	(9,726)	–
Creditors and accrued charges	(40,983)	–
Amounts due to group companies	(39,267)	–
Amount due to a minority shareholder	(3,572)	–
Taxation	(1,726)	–
Trust receipt loans	(14,713)	–
Shareholders' loan	(46,500)	–
Minority interests	2,843	–
	<hr/>	<hr/>
Net liabilities acquired	(5,279)	–
Share of net deficit of associates recognised	2,112	–
Goodwill arising on acquisition	5,305	–
	<hr/>	<hr/>
	2,138	–
	<hr/> <hr/>	<hr/> <hr/>
Satisfied by:		
Cash	2,138	–
	<hr/> <hr/>	<hr/> <hr/>
Analysis of net inflow of cash and cash equivalents in connection with the purchase of subsidiaries:		
Cash consideration paid	(2,138)	–
Bank balances and cash acquired	12,210	–
	<hr/>	<hr/>
	10,072	–
	<hr/> <hr/>	<hr/> <hr/>

The subsidiaries acquired during the year utilised HK\$20,116,000 of the Group's net operating cash outflows, paid HK\$12,961,000 in respect of net returns on investments and servicing of finance, paid HK\$2,617,000 in respect of taxation, utilised HK\$2,126,000 of the Group's net investing cash flows and raised HK\$37,899,000 in respect of financing activities. The results of the subsidiaries acquired during the year did not have any material impact on the Group's results.

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

38. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium	Amounts due to associates	Amounts due to jointly controlled entities	Bank loans	Other borrowings	Loans from minority shareholders	Trust receipt loans	Amounts due to minority shareholders	Minority interests
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1st April, 1998	763,965	7,172	87,343	267,500	301,443	10,553	35,208	4,294	15,178
Net cash inflow (outflow) from financing	(15,991)	65,714	(38,765)	78,426	(44,199)	2,000	(13,894)	(1,235)	49
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	(7,700)
Other movements not involving cash flows:									
Disposal of subsidiaries	-	-	-	-	(458)	(11,625)	(20,891)	-	4,515
Accrued finance cost on convertible redeemable preference shares	-	-	-	-	13,737	-	-	-	-
Minority interests' share of profit	-	-	-	-	-	-	-	-	11,614
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	(912)
Balance at 31st March, 1999	747,974	72,886	48,578	345,926	270,523	928	423	3,059	22,744
Net cash inflow (outflow) from financing	(25,762)	(20,024)	15,448	(132,568)	567,205	-	35,976	(3,572)	-
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	(6,700)
Other movements not involving cash flows:									
Purchase of a subsidiary	-	-	-	-	-	-	14,713	3,572	(2,843)
Purchase of additional interest in a subsidiary	-	-	-	-	-	-	-	-	(20,253)
Capitalisation of shareholders' loan to share capital	-	-	-	-	-	-	-	-	16,275
Accrued finance cost on									
- convertible redeemable preference shares	-	-	-	-	12,410	-	-	-	-
- syndicated loans	-	-	-	-	17,260	-	-	-	-
Inception of finance leases	-	-	-	-	10,320	-	-	-	-
Minority interests' share of profit	-	-	-	-	-	-	-	-	24,390
Balance at 31st March, 2000	722,212	52,862	64,026	213,358	877,718	928	51,112	3,059	33,613

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

39. MAJOR NON-CASH FLOW TRANSACTIONS

During the year the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$10,320,000 (1999: Nil).

On 15th July, 1999, Sundart Timber Products Company Limited, a 65% owned subsidiary, issued 46,500,000 ordinary shares of HK\$1.00 each to existing shareholders by capitalisation of the shareholders' loans of HK\$46,500,000.

40. COMMITMENTS

(a) Capital commitments

	THE GROUP	
	2000	1999
	HK\$ '000	HK\$ '000
Capital expenditure authorised but not contracted for with respect to plant and machinery	—	6,600

Save as aforesaid, the Group did not have any significant capital commitments at 31st March, 2000.

(b) Joint venture commitments

At 31st March, 2000, the Group had committed to invest approximately HK\$124,031,000 (1999: HK\$68,334,000) into several joint ventures established in PRC. These joint ventures are principally engaged in the production of construction and building materials and property investment in PRC.

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

40. COMMITMENTS (cont'd)

(c) Operating lease commitments

At 31st March, 2000, the Group had the following commitments payable within the next year under non-cancellable operating leases in respect of land and buildings:

	THE GROUP	
	2000	1999
	HK\$ '000	HK\$ '000
Operating leases which expire:		
Within one year	2,488	1,763
In the second to fifth year inclusive	18,553	12,320
	<u>21,041</u>	<u>14,083</u>

At 31st March, 2000, the Company did not have any significant commitments.

41. PLEDGE OF ASSETS

As at 31st March, 2000, the following assets of the Group were pledged to secure certain loan facilities granted to the Group.

- (a) Properties under development held for sale and all other assets of a wholly owned subsidiary of the Company with a carrying value of HK\$731,897,000 (1999: Nil) and HK\$2,985,000 (1999: Nil) respectively were pledged to secure syndicated loans to an extent of HK\$1,732,000,000.
- (b) Bank deposits amounting to HK\$35,121,000 (1999: Nil) of the Group were pledged to secure the banking facilities granted to the Group.
- (c) The benefits under certain construction contracts of a subsidiary of the Company were assigned to a bank to secure banking facilities granted to the Group.

As at 31st March, 2000, the Company pledged bank deposit amounting to HK\$26,837,000 (1999: Nil) to secure the banking facilities granted to the Company and a subsidiary of the Company.

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

42. CONTINGENT LIABILITIES

Guarantees

	THE GROUP		THE COMPANY	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Guarantees given to financial institutions in respect of banking and other facilities granted to:				
Subsidiaries	–	–	2,516,054	500,275
An associate	–	77,100	–	77,100
Jointly controlled entities	85,936	33,061	85,936	33,061
Outstanding performance bonds in respect of construction contracts	357,959	355,890	357,959	355,890
	<u>443,895</u>	<u>466,051</u>	<u>2,959,949</u>	<u>966,326</u>

The extent of such facilities utilised by the subsidiaries, an associate and jointly controlled entities at 31st March, 2000 amounted to HK\$882,159,000, HK\$Nil and HK\$85,936,000 (1999: HK\$186,364,000, HK\$25,550,000 and HK\$23,792,000) respectively.

At 31st March, 2000, the Company has also given guarantees to indemnify all liabilities for certain construction contracts undertaken by its subsidiaries.

43. POST BALANCE SHEETS EVENTS

- (a) Pursuant to an agreement dated 13th June, 2000, Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek (the "Vendors"), the chairman and vice chairman of the Company respectively, have sold 128,000,000 existing ordinary shares of HK\$0.10 each ("Share") in share capital of the Company to a subsidiary of New World Development Company Limited, an independent third party, at a price of HK\$0.70 per Share. Pursuant to the same agreement, the Vendors have subscribed 128,000,000 new Shares in the proportion that the number of Shares sold by them respectively to the independent third party at the price of HK\$0.70 per Share.
- (b) Pursuant to an agreement dated 28th July, 2000, Massive Return Investments Limited, a wholly-owned subsidiary of the Company incorporated after the balance sheet date, has brought from independent parties 1,800 preference shares in the capital of Wai Kee China Investments (BVI) Company Limited, another wholly-owned subsidiary of the Company in a consideration of US\$29,467,232. The consideration will be settled by instalments and the last instalment will be payable on or before 25th May, 2001. The outstanding consideration at all relevant times bears interests at 13% per annum.

44. RETIREMENT BENEFITS SCHEME

- (a) The Group operates a defined contribution retirement benefits scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of trustees.

The amount of retirement benefits contributions charged as expenses represents 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 contributions payable by the Group are reduced by the amount of forfeited contributions.

At the balance sheet date, the total amount of forfeited contributions, which arose when employees leave the scheme before they are fully vested in the contributions and which are available to reduce the contributions payable in the future years was approximately HK\$293,000 (1999: HK\$292,000).

- (b) In addition, the Group also operates a defined benefit pension scheme for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of trustees.

The pension cost is assessed in accordance with the advice of Mr. Robert Fok Tak Pun, Qualified Actuary of Principal Insurance Company (Hong Kong) Limited using the attained age method. The latest actuarial assessment of the scheme was at 1st April, 1997. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in salaries. It was assumed that the investment return would be 10.5 per cent. per annum and that salary increases would average 9 per cent. per annum.

At the date of the latest actuarial valuation, the market value of the assets of the scheme was approximately HK\$32,980,000 and the actuarial value of the assets was sufficient to cover 159 per cent. of the benefits that had accrued to members, after allowing for expected future increases in earnings.

No further actuarial assessment of the scheme was performed as the existing scheme would be transferring to a defined contribution basis with effect from 1st August, 2000. The assets of the existing scheme will continue to be held separately from those of the Group and of any other defined contribution scheme of the Group as prescribed in note 44(a) in funds under the control of the trustees. The transfer to a defined contribution basis has been completed with effect from 1st August, 2000. Accordingly, the Group will have no further obligation under the defined benefit scheme and all benefits will be provided under a defined contribution scheme.

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

45. RELATED PARTIES TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

	Notes	Associates		Jointly controlled entities		Related company	
		2000	1999	2000	1999	2000	1999
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	1	-	1,586	-	-	-	-
Management fee income	2	98	18,938	6,754	50,000	-	-
Payment for repairing charges	3	-	-	-	-	2,821	2,087
Purchase of materials and supplies	3	-	-	-	-	1,356	1,144
Receipt of diesel and water supply income	3	-	-	-	-	818	1,321
Receipt of plant hire income	3	-	-	-	-	298	432
Receipt of machinery repairing charges	3	-	-	-	-	295	-
Revenue from construction works	3	2,103	23,715	-	-	-	-
Revenue from sales of goods	4	-	-	850	-	-	-
Proceeds for purchase of property, plant and equipment	4	-	-	945	-	-	-
Amounts due from related parties	5	77,968	121,352	7,625	6,480	-	-
Amounts due to related parties		52,862	72,886	59,291	48,578	-	157

The related company is a company of which certain directors of the Company have beneficial interests.

Notes:

- (1) The interest rate was 2% over prime rate.
- (2) The management fee represented the agreed fees shared from respective joint ventures.
- (3) The transactions were carried out at cost plus a percentage profit mark-up.
- (4) The transactions were carried out at market value.
- (5) Included in the amounts due from associates of prior year is an amount of HK\$36,500,000 which is unsecured, bears interest at 2% over prime rate and is repayable within one year.

46. PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital*	Proportion of nominal value of issued capital/ attributable interest held by		Principal activities
			the Company*/ subsidiaries	the Group	
			%	%	
Dongguan Sundart Timber Products Company Limited	PRC	RMB16,848,000	100	65	Production of timber products

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

46. PRINCIPAL SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital*	Proportion of nominal value of issued capital/ attributable interest held by		Principal activities
			the Company*/ subsidiaries %	the Group %	
Dongguan Waidart Timber Products Company Limited	PRC	RMB4,723,736	90	58.5	Production of timber products
Elite Parking Limited	Hong Kong	HK\$2	100	100	Operation of car park facilities
Elite United Facilities Management Limited	Hong Kong	HK\$2	100	100	Investment holding
Elite United Group Limited	Hong Kong	HK\$2	100	100	Investment holding
First Star Development Limited	Hong Kong	HK\$2	100	100	Property development
Grandeur Building Material (Holdings) Limited	Hong Kong	HK\$2	100	100	Civil engineering and production of building materials
Groove Trading Limited	Hong Kong	HK\$2	100	100	Investment holding
Happywing Trading Limited	British Virgin Islands/ PRC	US\$1	100	100	Trading of construction materials
Leader Civil Engineering Corporation Limited	Hong Kong	HK\$15,200,000 Ordinary shares	100	100	Civil engineering
		HK\$24,000,000 Non-voting deferred shares	100	100	
Ngo Kee-Zen Pacific Joint Venture	Hong Kong	Unincorporated (note c)	100	100	Civil engineering and building construction works
Ngo Kee Construction Company Limited	Hong Kong	HK\$12,000,000	100	100	Building construction works
Pacific Asia Construction Material Limited	Hong Kong	HK\$2	100	100	Investment holding

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

46. PRINCIPAL SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation or registration/operation	Issued and fully paid ordinary share capital/registered capital*	Proportion of nominal value of issued capital/attributable interest held by		Principal activities
			the Company*/subsidiaries %	the Group %	
Shanghai Hui Lu Real Estate Co., Ltd.	PRC	US\$500,000* (note a)	100	100	Property development
Shengsi Dayangshan Quarry Co., Ltd.	PRC	US\$5,100,000*	100	100	Production of construction materials
Sundart Timber Products Company Limited	Hong Kong	HK\$46,510,000	65	65	Investment holding and supply of timber products
Supreme Source Investments Limited	British Virgin Islands	US\$1	100	100	Investment holding
Wai Hing Quarries (China) Limited	Hong Kong	HK\$2 Ordinary shares	100	100	Production of construction materials
		HK\$1,200,000 Non-voting deferred shares	100	100	
Wai Kee China Investments Company Limited	Hong Kong	HK\$2 Ordinary shares	100	100	Investment holding
		HK\$2 Non-voting deferred shares	100	100	
Wai Kee China Investments (BVI) Company Limited	British Virgin Islands	HK\$30,000,000 Ordinary shares	100	100	Investment holding
		US\$18,000,000 Convertible redeemable preference shares	–	–	
Wai Kee Holdings Management Limited	Hong Kong	HK\$2	100	100	Provision of administrative and management services to group companies
Wai Kee Machinery Limited	Hong Kong	HK\$2	100	100	Provision of repair and maintenance services

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

46. PRINCIPAL SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital*	Proportion of nominal value of issued capital/ attributable interest held by		Principal activities
			the Company*/ subsidiaries %	the Group %	
Wai Kee Quarry Asia Limited	Hong Kong	HK\$2	100	100	Investment holding
Wai Kee (Zens) Construction & Transportation Company Limited	Hong Kong	HK\$2 Ordinary shares HK\$14,800,000 Non-voting deferred shares HK\$5,200,000 Non-voting deferred shares (note b)	100 100 –	100 100 –	Civil engineering
Wai Kee (Zens) Holding Limited	British Virgin Islands	US\$50,000	100*	100	Investment holding
Wai Koon Properties Limited	Hong Kong	HK\$2	100	100	Property investment
Wai Luen Stone Products Limited	Hong Kong	HK\$2,200,000 Ordinary shares HK\$800,000 Non-voting deferred shares (note b)	100 –	100 –	Production of construction materials
Wisecheer China Investments Limited	Hong Kong	HK\$2,000,000	82	82	Trading of plant and machinery
WKH Nominees Limited	Hong Kong	HK\$2	100	100	Provision of nominees services to group companies
Zen Pacific Civil Contractors Limited	Hong Kong	HK\$1,000 Ordinary shares HK\$39,499,800 Non-voting deferred shares	100 100	100 100	Civil engineering
Zen Pacific Construction Limited	British Virgin Islands/ Hong Kong	US\$1,000	100	100	Investment holding
Zen Pacific Marine Contractors Limited	Hong Kong	HK\$200,000	100	100	Marine engineering and provision of transportation services

Notes to the Financial Statements (cont'd)

For the year ended 31st March, 2000

46. PRINCIPAL SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital*	Proportion of nominal value of issued capital/ attributable interest held by		Principal activities
			the Company*/ subsidiaries %	the Group %	
Zen Pacific – China State – Ngo Kee Joint Venture	Hong Kong	Unincorporated (note c)	60	60	Civil engineering and building
Zen Pacific – Shui On Joint Venture C304	Hong Kong	Unincorporated (note c)	90	90	Civil engineering
Zhongshan Grandeur Stone Products Co., Ltd.	PRC	HK\$36,300,000*	90	90	Production of building materials
Zhuhai Guishan Seawall Construction Company	PRC	HK\$21,000,000*	80	80	Seawall construction and production of construction materials
ZWP Investments Limited	Hong Kong	HK\$2	100	100	Investment holding

Except for Wai Kee (Zens) Holding Limited, all subsidiaries are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or constituted a substantial portion of the net assets 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 or at any time during the year.

Notes:

- At 31st March, 2000, US\$384,313 (1999: US\$384,313) of the registered capital had not yet been paid up.
- These deferred shares, which are not held by the Group, practically carry minimal rights to dividends and no rights to receive notice of or to attend or vote at any general meeting of respective companies. On winding up, the holders of the deferred shares are entitled to distribution out of the remaining assets of the respective companies only after the distribution of substantial amounts as specified in the Articles of Associations to holders of ordinary shares of the respective companies.
- No capital has been contributed by the partners of the joint venture.

RESULTS

	Year ended 31st March,				
	1996	1997	1998	1999	2000
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
TURNOVER					
Group and share of jointly controlled entities	841,924	1,602,156	2,236,294	2,988,383	3,114,049
Less: Share of jointly controlled entities	21,878	274,292	171,487	189,305	458,098
Group turnover	<u>820,046</u>	<u>1,327,864</u>	<u>2,064,807</u>	<u>2,799,078</u>	<u>2,655,951</u>
Operating profit (loss)					
Company and subsidiaries	80,044	249,617	(15,872)	20,590	(97,596)
Share of profits less losses of jointly controlled entities	12,120	1,572	42,360	23,632	22,069
Operating profit (loss)	92,164	251,189	26,488	44,222	(75,527)
Share of profits less losses of associates	39,451	99,736	185,339	227,479	287,481
Profit before taxation	131,615	350,925	211,827	271,701	211,954
Taxation charge (credit)	(2,270)	13,235	14,938	21,189	27,176
Profit before minority interests	133,885	337,690	196,889	250,512	184,778
Minority interests	33,557	15,562	(6,499)	11,614	24,390
Net profit attributable to shareholders	<u>100,328</u>	<u>322,128</u>	<u>203,388</u>	<u>238,898</u>	<u>160,388</u>

FINANCIAL POSITION

	As at 31st March,				
	1996	1997	1998	1999	2000
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Total assets	2,403,324	2,243,945	2,887,405	3,229,626	4,297,559
Total liabilities	(955,382)	(1,194,437)	(1,665,219)	(1,807,636)	(2,760,309)
Minority interests	(641,120)	9,277	(15,178)	(22,744)	(33,613)
Shareholders' funds	<u>806,822</u>	<u>1,058,785</u>	<u>1,207,008</u>	<u>1,399,246</u>	<u>1,503,637</u>

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of the Company will be held at Small Connaught Room, 1st Floor, Mandarin Oriental Hong Kong, 5 Connaught Road Central, Hong Kong on Wednesday, 20th September, 2000 at 4:00 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 31st March, 2000.
2. To elect Directors and to authorise the Board of Directors to fix Directors' remuneration.
3. To appoint Auditors and to authorise the Board of Directors to fix their remuneration.
4. 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 shares in the capital of the Company and to make or grant offers, agreements and options, including bonds, warrants and debentures convertible into 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 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 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 shares or rights to subscribe for shares in the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of 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 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 own shares, 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 shares to be repurchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue 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 (cont'd)

(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. 4(A) and 4(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 shares pursuant to Ordinary Resolution No. 4(A) above be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution No. 4(B) above provided that such amount shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company at the date of passing this Resolution.”

By Order of the Board
Horace Nip Yun Wing
Company Secretary

Hong Kong, 1st August, 2000

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) An explanatory statement containing further details regarding Ordinary Resolutions Nos. 4(A) to 4(C) above will be sent to shareholders shortly together with the 2000 Annual Report.

Directors

ZEN Wei Pao, William (*Chairman*)
ZEN Wei Peu, Derek (*Vice Chairman*)
NIP Yun Wing, Horace
FONG Shiu Leung, Keter
WONG Che Ming, Steve*
TSE Sze Wing, Edmund*

* *Independent Non-executive Directors*

Auditors

Deloitte Touche Tohmatsu

Solicitors

Richards Butler
Conyers, Dill & Pearman

Principal Bankers

The Hongkong and Shanghai Banking
Corporation Limited
The Sanwa Bank Limited
Standard Chartered Bank
CITIC Ka Wah Bank Limited
Hang Seng Bank
The China & South Sea Bank, Ltd

Company Secretary

NIP Yun Wing, Horace

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 HM11
Bermuda

Principal Place of Business

27th Floor, Oterprise Square
26 Nathan Road
Tsimshatsui
Kowloon
Hong Kong