



WAI KEE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

**INTERIM REPORT
2000/2001**

The background of the cover is an aerial photograph of a large-scale construction project. On the right side, a tall, modern skyscraper with a grid-like facade is under construction. In the foreground, several elevated highways or expressways are visible, curving across the site. In the lower-left quadrant, a large stadium with a circular field is under construction. The overall scene depicts a major urban development project.

**POSITIVE THINKING
ACTIVE PARTICIPATION**

FINANCIAL PERFORMANCE HIGHLIGHTS

- Group turnover and share of turnover of jointly controlled entities increased by 17.2% from HK\$1,445,679,000 to HK\$1,694,565,000
- Profit attributable to shareholders decreased by 26.6% from HK\$143,200,000 (after deducting share of exceptional gain of HK\$95,000,000 from sale of interest in one infrastructure joint venture by Road King Infrastructure Limited) to HK\$105,113,000
- Basic earnings per share decreased by 58.2% from 35.21 cents to 14.71 cents
- Shareholders' funds increased by 15.1% from HK\$1,503,637,000* to HK\$1,731,249,000
- Net assets per share decreased by 2.6% from HK\$2.30* to HK\$2.24

* As at 31st March, 2000

The board of directors (the “Board”) of Wai Kee Holdings Limited (the “Company”) announces the unaudited condensed consolidated income statement of the Group for the six months ended 30th September, 2000 together with comparative figures for the corresponding periods in 1999, the unaudited condensed consolidated balance sheet of the Group as at 30th September, 2000 together with audited comparative figures as at 31st March, 2000 as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2000**

	NOTES	Six months ended 30th September,	
		2000 (Unaudited) HK\$'000	1999 (Unaudited) HK\$'000
Group turnover and share of turnover of jointly controlled entities		1,694,565	1,445,679
Less: Share of turnover of jointly controlled entities		507,091	182,833
Group turnover	3	1,187,474	1,262,846
Cost of sales		(1,081,541)	(1,047,271)
Gross profit		105,933	215,575
Other revenue	4	12,442	11,388
Distribution costs		(4,334)	(7,670)
Administrative expenses		(113,526)	(114,081)
Share of profits less losses of jointly controlled entities		47,053	6,165
Profit from operations		47,568	111,377
Finance costs	6	(37,017)	(25,234)
Share of profit of subsidiary not consolidated		8	–
Share of profits less losses of associates		108,598	191,293
Profit before taxation	3	119,157	277,436
Taxation	7	(13,312)	(22,834)
Profit before minority interests		105,845	254,602
Minority interests		(732)	(16,402)
Profit for the period		105,113	238,200
Dividends	8	–	(26,980)
Profit for the period, retained		105,113	211,220
Earnings per share	9		
– Basic		14.71 cents	35.21 cents
– Diluted		14.37 cents	31.04 cents

**CONDENSED CONSOLIDATED BALANCE SHEET
AT 30TH SEPTEMBER, 2000**

	<i>NOTES</i>	30th September, 2000 (Unaudited) HK\$'000	31st March, 2000 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	10	171,524	177,234
Subsidiary not consolidated	11	9	–
Interests in associates		1,843,218	1,775,376
Interests in joint ventures	12	131,124	65,900
Investments in securities		175	800
Loans receivable		45,859	48,690
		<u>2,191,909</u>	<u>2,068,000</u>
Current assets			
Properties under development held for sale	13	–	731,897
Inventories		90,196	45,306
Amounts due from customers for contract work		202,448	390,479
Debtors, deposits and prepayments	14	695,238	817,532
Amounts due from associates		6,185	5,123
Amounts due from jointly controlled entities		4,990	7,625
Dividend receivable from an associate		–	56,159
Tax recoverable		–	4,386
Loans receivable		5,475	5,678
Bank deposits pledged		60,328	35,121
Bank balances and cash		192,905	130,253
		<u>1,257,765</u>	<u>2,229,559</u>
Current liabilities			
Amounts due to customers for contract work		279,464	456,569
Creditors and accrued charges	15	862,753	960,932
Amounts due to jointly controlled entities		37,908	36,565
Amounts due to associates		132	806
Amount due to minority shareholders		3,059	3,059
Taxation		27,697	36,484
Bank loans – due within one year		159,659	173,358
Other borrowings – due within one year	16	6,556	237,016
Trust receipt loans, unsecured		33,087	51,112
Bank overdrafts, unsecured		24,347	43,261
		<u>1,434,662</u>	<u>1,999,162</u>
Net current (liabilities) assets		<u>(176,897)</u>	230,397
Total assets less current liabilities		<u>2,015,012</u>	<u>2,298,397</u>
Minority interests		<u>34,390</u>	33,613
Non-current liabilities			
Bank loans – due after one year		–	40,000
Other borrowings – due after one year	16	6,077	640,702
Redeemable exchangeable bonds	17	180,000	–
Loans from minority shareholders		928	928
Amounts due to associates		34,913	52,056
Amounts due to jointly controlled entities		27,455	27,461
		<u>249,373</u>	<u>761,147</u>
		<u>1,731,249</u>	<u>1,503,637</u>
Capital and reserves			
Share capital	18	77,399	65,475
Reserves	19	1,653,850	1,438,162
		<u>1,731,249</u>	<u>1,503,637</u>

**CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2000**

**Six months ended
30th September, 2000
(Unaudited)
HK\$'000**

Exchange difference arising on translation of the financial statements of foreign subsidiaries	(26)
Share of reserve movements of associates	39,028
Net losses not recognised in the income statement but recognised in the reserves	39,002
Profit for the period	105,113
Total recognised gains and losses	144,115
Goodwill arising on acquisition of additional interest in subsidiaries eliminated against reserves	(423)
Capital reserve arising on acquisition of additional interest in an associate credited to reserves	580
	<u>144,272</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2000**

	Six months ended 30th September, 2000 HK\$'000 (Unaudited)
NET CASH INFLOW FROM OPERATING ACTIVITIES	87,041
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	29,339
TAX PAID	(276)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(76,851)
NET CASH INFLOW BEFORE FINANCING	<u>39,253</u>
NET CASH INFLOW FROM FINANCING	<u>42,313</u>
INCREASE IN CASH AND CASH EQUIVALENTS	81,566
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>86,992</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u><u>168,558</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS	
Bank balances and cash	192,905
Bank overdrafts	(24,347)
	<u><u>168,558</u></u>

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2000**

1. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants (“SSAP 25”), except that comparative figures are not presented for the statement of recognized gains and losses and for the cash flow statement, being the first cash flow statement to be included in the interim financial report relating to accounting period ended on or after 1st July, 2000. Such departures from SSAP 25 are permitted under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed financial statements have been prepared under the historical cost convention. The accounting policies adopted are consistent with those followed in the Group’s annual financial statements for the year ended 31st March, 2000.

The comparative figures of the condensed consolidated income statement have been restated to conform with the requirements of SSAP 1 (revised) “Presentation of financial statements”.

2. PILING INCIDENT

In preparing the condensed financial statements, the directors have also 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. Details of which have been disclosed in note 6 to the financial statements for the year ended 31st March, 2000 on the Company’s 2000 annual report. As of the date of approval of these condensed financial statements, ZPCCL has not received notice of any legal actions having been brought by Housing Authority. For this incident, a provision of HK\$60 million has been made in the financial statements for the year ended 31st March, 2000. No further provision has been made in the current period.

3. SEGMENTAL INFORMATION

The Group's turnover and contribution to profit before taxation for the six months ended 30th September, 2000 by business activity and geographical market are as follows:

By business activity:

	Construction <i>HKS'000</i>	Quarrying <i>HKS'000</i>	Expressway and highway <i>HKS'000</i>	Building materials <i>HKS'000</i>	Others <i>HKS'000</i>	Total <i>HKS'000</i>
For the six months ended 30th September, 2000						
Group turnover and share of turnover of jointly controlled entities	1,454,776	83,606	–	156,138	45	1,694,565
Less: Share of turnover of jointly controlled entities	507,091	–	–	–	–	507,091
Group turnover	<u>947,685</u>	<u>83,606</u>	<u>–</u>	<u>156,138</u>	<u>45</u>	<u>1,187,474</u>
Contribution to profit before taxation	<u>43,837</u>	<u>6,844</u>	<u>83,645</u>	<u>2,491</u>	<u>(4,700)</u>	132,117
Unallocated corporate expenses						(12,960)
Profit before taxation						<u>119,157</u>
For the six months ended 30th September, 1999						
Group turnover and share of turnover of jointly controlled entities	1,305,944	63,427	–	62,856	13,452	1,445,679
Less: Share of turnover of jointly controlled entities	182,833	–	–	–	–	182,833
Group turnover	<u>1,123,111</u>	<u>63,427</u>	<u>–</u>	<u>62,856</u>	<u>13,452</u>	<u>1,262,846</u>
Contribution to profit before taxation	<u>102,043</u>	<u>14,475</u>	<u>170,572</u>	<u>6,471</u>	<u>(226)</u>	293,335
Unallocated corporate expenses						(15,899)
Profit before taxation						<u>277,436</u>

By geographical market:

	Hong Kong HK\$ '000	Other regions in the People's Republic of China (the "PRC") HK\$ '000	Republic of China HK\$ '000	Total HK\$ '000
For the six months ended 30th September, 2000				
Group turnover and share of turnover of jointly controlled entities	1,503,969	86,152	104,444	1,694,565
Less: Share of turnover of jointly controlled entities	501,921	–	5,170	507,091
	<u>1,002,048</u>	<u>86,152</u>	<u>99,274</u>	<u>1,187,474</u>
Group turnover				
Contribution to profit before taxation	24,130	117,558	(9,571)	132,117
	<u>24,130</u>	<u>117,558</u>	<u>(9,571)</u>	<u>132,117</u>
Unallocated corporate expenses				(12,960)
Profit before taxation				<u>119,157</u>
For the six months ended 30th September, 1999				
Group turnover and share of turnover of jointly controlled entities	1,218,038	94,902	132,739	1,445,679
Less: Share of turnover of jointly controlled entities	97,646	15,825	69,362	182,833
	<u>1,120,392</u>	<u>79,077</u>	<u>63,377</u>	<u>1,262,846</u>
Group turnover				
Contribution to profit before taxation	94,942	199,633	(1,240)	293,335
	<u>94,942</u>	<u>199,633</u>	<u>(1,240)</u>	<u>293,335</u>
Unallocated corporate expenses				(15,899)
Profit before taxation				<u>277,436</u>

4. OTHER REVENUE

Bank interest income amounted to HK\$6,921,000 (1999: HK\$3,023,000) is included in other revenue.

5. DEPRECIATION AND AMORTISATION

	Six months ended 30th September,	
	2000 HK\$'000	1999 HK\$'000
Depreciation and amortisation	19,089	21,517
Less: amount attributable to construction contracts	(5,158)	(5,661)
	<u>13,931</u>	<u>15,856</u>

6. FINANCE COSTS

An amount of HK\$2,194,000 (1999:HK\$Nil) which is attributable to construction contracts and properties under development held for sale has been capitalised during the period.

7. TAXATION

	Six months ended 30th September,	
	2000	1999
	HK\$'000	HK\$'000
Profit for the period		
Hong Kong	2,816	17,905
Other jurisdictions	922	2,549
Share of tax on results of associates	2,045	1,972
Share of tax on results of jointly controlled entities	7,529	408
	<u>13,312</u>	<u>22,834</u>

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

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

8. DIVIDENDS

	Six months ended 30th September,	
	2000	1999
	HK\$'000	HK\$'000
Interim dividend paid: Nil (1999: 4 cents) per share on 773,994,034 (1999: 675,560,034) ordinary shares	–	27,022
Overprovision in previous year due to shares repurchased	–	(42)
	<u>–</u>	<u>26,980</u>

9. EARNINGS PER SHARE

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

	Six months ended 30th September,	
	2000	1999
	HK\$'000	HK\$'000
Profit for the period	105,113	238,200
Effect of dilutive potential ordinary shares:		
Net finance cost saved on convertible redeemable preference shares issued by a subsidiary	10,417	13,903
Decrease in share of profit of an associate resulting from exercising of the share options issued by that associate	(101)	–
Earnings for the purpose of diluted earnings per share	<u>115,429</u>	<u>252,103</u>
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	714,714,089	676,433,946
Effect of dilutive potential ordinary shares:		
Convertible redeemable preference shares	88,670,715	135,614,035
Options	–	246,622
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>803,384,804</u>	<u>812,294,603</u>

Note: As the exercise price of warrants and share options of the Company outstanding during the six months ended 30th September, 2000 were higher than the average market price of the Company's ordinary shares, there was no dilution effect on earnings per share.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group expended HK\$12,745,000 (1999: HK\$16,383,000) on property, plant and equipment.

11. SUBSIDIARY NOT CONSOLIDATED

The balance represents the Group's 51 per cent. interest in Supertime Holdings Limited ("Supertime") which participates in a property development project.

Pursuant to a shareholders' agreement dated 13th June, 2000, the Company has no control over Supertime. For this reason, the financial statements of Supertime have not been consolidated as, in the opinion of the directors, it would be misleading to do so.

As the Group is still in a position to exercise significant influence, including participation in financial and operating policy decisions, the condensed consolidated income statement includes the Group's share of the results of Supertime for the period. In the condensed consolidated balance sheet, interests in Supertime are stated at the Group's share of the net assets of Supertime.

12. INTERESTS IN JOINT VENTURES

Pursuant to an subscription agreement dated 13th June, 2000, the Group's interests in First Star Development Limited ("First Star") have been diluted from 100 per cent. to 51 per cent. by issuing 49 new ordinary shares in First Star's capital at par to an independent third party ("Subscriber"). Upon completion of the subscription agreement, the Group received from the Subscriber an amount of approximately HK\$36,945,000, being the half of the loans advanced by the Group to First Star. The Group did not have significant gain or loss on disposal of partial interests in First Star.

Pursuant to the shareholders' agreement on the same date, First Star is subject to joint control of both the Subscriber and the Group and over which none of the participating parties has unilateral control. Accordingly, the Group's interests in First Star are accounted for in the Group's interests in jointly controlled entities.

13. PROPERTIES UNDER DEVELOPMENT HELD FOR SALE

The balances at 31st March, 2000 represented properties under development held for sale of First Star.

14. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows average credit period of 60 days to its trade customers. For retention receivables in respect of the construction works, the due dates are usually one year after the completion of the construction work.

	30th September, 2000 HK\$'000	31st March, 2000 HK\$'000
Trade debtors:		
0-60 days	281,011	407,459
61-90 days	7,480	3,427
> 90 days	15,416	30,189
	<hr/>	<hr/>
	303,907	441,075
Other debtors, deposits and prepayments	137,483	155,746
Retention receivables	253,848	220,711
	<hr/>	<hr/>
	695,238	817,532
	<hr/> <hr/>	<hr/> <hr/>

15. CREDITORS AND ACCRUED CHARGES

	30th September, 2000 HK\$'000	31st March, 2000 HK\$'000
Trade creditors:		
0-60 days	113,640	213,100
61-90 days	12,854	13,265
> 90 days	19,182	34,664
	<hr/>	<hr/>
	145,676	261,029
Accrued project costs	304,149	288,430
Other creditors and accrued charges	284,500	288,189
Retention payables	128,428	123,284
	<hr/>	<hr/>
	862,753	960,932
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16. OTHER BORROWINGS

- (a) Included in the balances of other borrowings at 31st March, 2000 is the syndicated loan of First Star amounting to HK\$630,730,000.
- (b) At 31st March, 2000, 1,800 preference shares, denominated in United States dollar and issued to independent third party, with carrying value of HK\$216,871,000 in the capital of a wholly-owned subsidiary of the Company were included as other borrowings.

Pursuant to an agreement dated 28th July, 2000, the Group acquired these preference shares for a cash consideration of HK\$229,844,000. The consideration is settled by instalments and the last instalment will be due on or before 25th May, 2001. The outstanding consideration as at 30th September, 2000 amounting to HK\$81,112,000 is included in creditors and accrued charges of current liabilities.

Of the difference between the purchase consideration and the carrying value of these preference shares, amounts of HK\$10,417,000 and HK\$2,556,000 have been charged as finance cost and exchange loss respectively in the condensed consolidated income statement.

17. REDEEMABLE EXCHANGEABLE BOND

Pursuant to an agreement dated 28th June, 2000, the Company issued to an independent third party (“Bondholder”) in cash at par a HK\$180 million transferable, secured and redeemable exchangeable bond (“Bond”). The Bond is secured by 40,000,000 shares of Road King Infrastructure Limited (“Road King”), an associate of the Group. The Bond bears interests at prime rate and is redeemable on the second anniversary of the date of issue of the Bond. Starting from the first anniversary of the date of issue of the Bond, the Bondholder has the right to exchange the shares of Road King at an adjustable price of HK\$4.50 per share.

18. SHARE CAPITAL

	30th September, 2000 HK\$'000	31st March, 2000 HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
At beginning of period/year	65,475	67,743
Shares repurchased and cancelled	(876)	(2,326)
Exercise of share options and warrants	–	58
Placing of shares	12,800	–
At end of the period/year	<u>77,399</u>	<u>65,475</u>

19. RESERVES

	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>	Retained profits <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
THE GROUP						
At 1st April, 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)
	<u>656,737</u>	<u>10,475</u>	<u>(131,918)</u>	<u>(29,530)</u>	<u>932,398</u>	<u>1,438,162</u>
At 31st March, 2000	656,737	10,475	(131,918)	(29,530)	932,398	1,438,162
Exchange difference arising on translation of the financial statements of overseas subsidiaries	–	(26)	–	–	–	(26)
Share of an associate's reserve movement	–	–	39,028	–	–	39,028
Acquisition of additional interest in a subsidiary	–	–	(423)	–	–	(423)
Acquisition of additional interest in an associate	–	–	580	–	–	580
Shares repurchased	(5,384)	–	–	–	–	(5,384)
Placing of shares	76,800	–	–	–	–	76,800
Profit for the period	–	–	–	–	105,113	105,113
	<u>728,153</u>	<u>10,449</u>	<u>(92,733)</u>	<u>(29,530)</u>	<u>1,037,511</u>	<u>1,653,850</u>
At 30th September, 2000	<u>728,153</u>	<u>10,449</u>	<u>(92,733)</u>	<u>(29,530)</u>	<u>1,037,511</u>	<u>1,653,850</u>

20. COMMITMENTS

At 30th September, 2000, the Group had committed to invest approximately HK\$124,031,000 (31st March, 2000: HK\$124,031,000) into several joint ventures established in PRC. These joint ventures are principally engaged in property investment and the production of construction and building materials in PRC.

21. PLEDGE OF ASSETS

As at 30th September, 2000, the following assets of the Group were pledged to secure certain loan facilities granted to the Group.

- (a) Bank deposits amounting to HK\$60,328,000 (31st March, 2000: HK\$35,121,000).
- (b) Benefits under certain construction contracts of a subsidiary of the Company.

22. CONTINGENT LIABILITIES

	30th September, 2000 HK\$'000	31st March, 2000 HK\$'000
Guarantees given to financial institutions in respect of banking and other facilities granted to jointly controlled entities	1,736,250	85,936
Outstanding performance bonds in respect of construction contracts of:		
Subsidiaries	251,915	192,508
Associates	10,904	11,397
Jointly controlled entities	383,163	154,054
	<u>2,382,232</u>	<u>443,895</u>

The extent of such facilities utilised by jointly controlled entities at 30th September, 2000 amounted to HK\$795,799,000 (31st March, 2000: HK\$85,936,000).

At 30th September, 2000, the Company has also given guarantees to indemnify all liabilities for certain construction contracts undertaken by its subsidiaries.

INTERIM DIVIDEND

The Board has resolved not to pay any interim dividend in respect of the six months ended 30th September, 2000. (1999: HK\$0.04)

BUSINESS REVIEW AND FUTURE OUTLOOK

The Group's unaudited consolidated profit after tax for the first half of this financial year 2000/2001 was HK\$105,113,000, representing a decrease of 55.9% as compared with the results of the corresponding period in the previous financial year. Even excluding our share of the exceptional gain of HK\$95,000,000 made by Road King Infrastructure Limited ("Road King") in the previous financial year, there was still a decrease in net profit of 26.6%. Nevertheless, the Board considers the Group's performance satisfactory in such difficult period.

1. *Highway Investment in the PRC*

Road King continues to perform well and contributed profit of about HK\$81,212,000 to the Group. It recorded an unaudited net profit after tax of HK\$111,909,000 for the three months and HK\$351,863,000 for the nine months ended 30th September, 2000. Except for one bridge project which is expected to commence operation in year 2002, all projects have been in operation generating steady cashflow of over HK\$47 million each month to Road King during the period.

In May, 2000, Road King acquired over 60% equity interest in Chai-Na-Ta Corp., a listed company in Canada and the United States and the world's largest supplier of North American ginseng. This is consistent with the Road King's objective to look for business opportunities other than infrastructure in the PRC to ensure healthy and continuous growth.

In June, 2000, Standard and Poor's, an international credit rating agency, upgraded Road King's corporate credit rating and rating on the issued guaranteed notes from BB to BB+ in view of Road King's achievement in the operating and financial aspects for the last two years. The Board is happy with Road King's performance and we are confident that Road King will continue to serve the Group as a major and steady profit center for the years to come.

2. *Construction*

The Shatin 14B short piling event has affected materially the profitability and future growth potential of the Group's construction division in the short and medium terms. Despite this, the construction division still managed to achieve a profit of HK\$33,719,000 for the period. This represents a decrease of 51.5% as compared with the same period last year when two major projects were completed with good performance. No further provision was considered for the short piling event for the current period as there has been not much development since the issue of our previous annual report.

At the end of October, 2000, the construction division of the Group had contracts in hand of about HK\$14 billion of which about HK\$7 billion has yet to be completed.

3. *Quarrying*

The quarry division contributed about HK\$6,001,000 for this period. With the recovery of the Hong Kong economy, the Group believes that this business line will remain profitable in the next few years.

4. *Building Materials*

In the first half of this financial year, this division contributed a moderate profit of about HK\$1,841,000. Sundart Timber Products Company Limited, a 65% owned subsidiary of the Group, continues to perform well and is diversifying from the traditional timber door and floor business to a much wider range of fitting out works.

5. *Financing*

With a combination of new financing like the one raised through shares placement to a subsidiary of New World Development Company Limited in June, 2000 and the internal generated funds from various projects, the Group managed to reduce its net gearing ratio from 25.9% (excluding PSPS Syndicated Loan) to 13.7% in the last six months. It is the intention of the Group to remain conservative in external borrowing until the short piling case has been settled.

Despite the difficult time ahead, the Board is still optimistic on the Group's performance and future. With our excellent management and diligent staff, the Board is confident to overcome all the difficulties. The Board would also like to take this opportunity to extend its heartiest thanks to all its loyal and hardworking staff.

DISCLOSURE OF INTERESTS

Directors' Interests

As at 30th September, 2000, the interests of the Directors of the Company in the equity securities of the Company and its associated corporations as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or as otherwise known to the Directors were as follows:

Interests in shares

1. The Company

Name of director	Class of shares held	Number of shares held			Total
		Personal interests	Family interests	Corporate interests	
William Zen Wei Pao	Ordinary	187,381,843	–	–	187,381,843
Derek Zen Wei Peu	Ordinary	157,131,078	–	–	151,131,078
Steve Wong Che Ming	Ordinary	600,000	–	–	600,000
Edmund Tse Sze Wing	Ordinary	–	1,630,000	–	1,630,000

2. Associated Corporations

Name of director	Name of company	Class of shares held	Number of shares held		
			Personal interests	Family interests	Corporate interests
William Zen Wei Pao	Wai Kee (Zens) Construction & Transportation Company Limited	Non-voting deferred	2,000,000	–	–
	Wai Luen Stone Products Limited	Non-voting deferred	30,000	–	–
Derek Zen Wei Peu	Road King Infrastructure Limited	Ordinary	1,206,645	–	–
	Wai Kee (Zens) Construction & Transportation Company Limited	Non-voting deferred	2,000,000	–	–
	Wai Luen Stone Products Limited	Non-voting deferred	30,000	–	–
Edmund Tse Sze Wing	Road King Infrastructure Limited	Ordinary	–	72,000	–

Interests in warrants

Road King Infrastructure Limited

Name of director	Number of 2003 warrants held			Total
	Personal interests	Family interests	Corporate interests	
Derek Zen Wei Peu	241,329	–	–	241,329
Edmund Tse Sze Wing	–	14,400	–	14,400

Interests in share options

Road King Infrastructure Limited

Name of director	Number of shares issuable under options	Exercisable period	Exercise price HK\$
William Zen Wei Pao	719,000	2-8-2000 to 1-8-2002	5.60
	550,000	2-8-2000 to 1-8-2002	4.95
	2,900,000	8-8-2001 to 7-8-2003	3.20
Derek Zen Wei Peu	539,000	2-8-2000 to 1-8-2002	5.60
	250,000	2-8-2000 to 1-8-2002	4.95
	1,500,000	8-8-2001 to 7-8-2003	3.20
Keter Fong Shiu Leung	320,000	8-8-2001 to 7-8-2003	3.20

Save as disclosed above, none of the Directors nor any of their associates had any interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

Save as disclosed above, none of the Directors nor their spouses or children under 18 years of age were granted or had exercised any rights to subscribe for any securities of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Save as disclosed above in respect of the interests of Mr. William Zen Wei Pao and Mr. Derek Zen Wei Peu in the Company, as at 30th September, 2000, the persons who were directly or indirectly interested in 10 per cent. or more of the issued share capital of the Company as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance were as follows:

Name	Number of shares held
Vast Earn Group Limited	128,000,000
New World Services Limited (<i>Note 1</i>)	128,000,000
New World Services Limited (<i>Note 2</i>)	128,000,000
Citiplus Investment Limited (<i>Note 3</i>)	128,000,000
New World Development Company Limited (<i>Note 4</i>)	128,000,000
Chow Tai Fook Enterprises Limited (<i>Note 5</i>)	128,000,000

Notes:

- (1) Vast Earn Group Limited is a wholly owned subsidiary of New World Services Limited (incorporated in the British Virgin Islands). By virtue of the SDI Ordinance, New World Services Limited was deemed to be interested in the shares of the Company.
- (2) New World Services Limited (incorporated in the British Virgin Islands) is a wholly owned subsidiary of New World Services Limited (incorporated in the Cayman Islands). By virtue of the SDI Ordinance, New World Services Limited (incorporated in the Cayman Islands) was deemed to be interested in the shares of the Company.
- (3) Citiplus Investment Limited holds about 51% of the issued share capital of New World Services Limited (incorporated in the Cayman Islands). By virtue of the SDI Ordinance, Citiplus Investment Limited was deemed to be interested in the shares of the Company.
- (4) Citiplus Investment Limited is a wholly owned subsidiary of New World Development Company Limited. By virtue of the SDI Ordinance, New World Development Company Limited was deemed to be interested in the shares of the Company.
- (5) Chow Tai Fook Enterprises Limited holds more than one-third of the issued share capital of New World Development Company Limited. By virtue of the SDI Ordinance, Chow Tai Fook Enterprises Limited was deemed to be interested in the shares of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30th September, 2000, the Company repurchased a total of 8,758,000 ordinary shares of HK\$0.10 each on the Stock Exchange. The details are summarised as follows:

	Number of ordinary shares repurchased	Price per share		Aggregate price paid HK\$
		Highest HK\$	Lowest HK\$	
2000				
April	1,086,000	0.81	0.80	871,260
May	6,590,000	0.78	0.57	4,738,100
June	1,082,000	0.62	0.57	649,400
	<u>8,758,000</u>			<u>6,258,760</u>

These repurchased shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium payable on repurchase was charged against the share premium account.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period.

PRACTICE NOTE 19 TO LISTING RULES

In accordance with the requirements under Practice Note 19 (“PN 19”) of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), the following information is disclosed:

- (1) Financial assistance to and guarantees given for the benefit of the Company’s affiliated companies, by the Company and/or its subsidiaries (the “Group”), in aggregate amounted to approximately HK\$2,179,166,000 as at 30th September, 2000, being 126% of the Group’s net assets of HK\$1,731,249,000 as at 30th September, 2000.
- (2) Pursuant to paragraph 3.3 of PN 19, details of the financial assistance to and guarantees given for the benefits of the affiliated companies of the Company as at 30th September, 2000 are as follows:

Jointly controlled entities/ Associates	Percentage of interest held	Shareholders’ loan/ amount due from (HK\$’000)	Guarantees given for loan/ banking facilities granted (HK\$’000)	Guaranteed loan drawn/ banking facilities utilized (HK\$’000)	Guarantee given for performance bonds in respect of construction contracts (HK\$’000)
Balfour Beatty-Zen Pacific Joint Venture	50%	488	4,250	4,250	111,890
Barclay Mowlem-Zen Pacific- AMEC Consortium	40%	–	–	–	3,850
Barclay Mowlem-Zen Pacific Joint Venture	40%	844	–	–	–
Barclay Mowlem-Zen Pacific- China Civil Joint Venture	35%	–	–	–	13,181
China State-Zen Pacific Joint Venture	40%	220	–	–	19,531
Dragages-Zen Pacific Joint Venture	25%	1,972	–	–	23,792
First Star Development Limited (“First Star”) (Note)	51%	37,674	1,732,000	791,549	116,900
Kier/Zen Pacific Joint Venture	50%	1,466	–	–	62,144
惠記集團有限公司-亞大單氏 海事工程有限公司-遠東疏浚 有限公司聯合承攬企業體	37.5%	–	–	–	31,875
Hong Kong Landfill Restoration Group Limited	23%	3,029	–	–	10,904
Kong On Waste Management Limited	50%	234	–	–	–
Medidas Greater China Limited	45%	198	–	–	–
Road King Infrastructure Limited	49.998%	2,724	–	–	–
		<u>48,849</u>	<u>1,736,250</u>	<u>795,799</u>	<u>394,067</u>

Note: The Group does not have unilateral control over First Star. Accordingly, First Star has been classified as a jointly controlled entity and accounted for using equity method.

Shareholders' loan to/amount due from affiliated companies were funded by internal resources and/or bank borrowings of the Group. The shareholders' loan to/amount due from affiliated companies have no fixed terms of repayment, and are unsecured and interest free, except the pro-rata shareholders' loan to First Star which bears interest at a rate of 10% per annum.

- (3) Pursuant to paragraph 3.10 of PN 19, a summary of the combined financial position of the Company's aforesaid affiliated companies as at 30th September, 2000 prepared based on the unaudited financial statements of individual affiliated companies is as follows:

	<i>HK\$ '000</i>
Non-current assets	5,237,499
Current assets	2,969,946
Current liabilities	(1,620,563)
Non-current liabilities	(2,113,054)
Minority interests	(96,429)
	<hr/>
Net assets	<u>4,377,399</u>

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

CODE OF BEST PRACTICE

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th September, 2000, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules.

By order of the Board
William Zen Wei Pao
Chairman

Hong Kong, 23rd November, 2000