

Notes to the Financial Statements

For the year ended 31st March, 2001

18. INTERESTS IN JOINT VENTURES (Cont'd)

At 31st March, 2001, 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-AMEC Consortium	Unincorporated	Hong Kong	30.73	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	30	Civil engineering
Dragages-Zen Pacific Joint Venture	Unincorporated	Hong Kong	25	Civil engineering
First Star Development Limited ("First Star") (note c)	Incorporated	Hong Kong	51	Property development
Kier/Zen Pacific Joint Venture	Unincorporated	Hong Kong	50	Civil engineering

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18. INTERESTS IN JOINT VENTURES (Cont'd)

Name	Form of business structure	Place of registration/ operation	Attributable interest to the Group %	Nature of business
Shanxi Jin-Ya Road and Bridge Construction Limited	Incorporated	PRC	50	Road construction
Zen Pacific-Shui On Joint Venture (C518)	Unincorporated	Hong Kong	50	Civil engineering
惠記集團有限公司 – 亞太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	Unincorporated	Republic of China	37.5	Civil engineering

Notes:

- (a) The Group charged interest to First Star which was capitalised in the financial statements of First Star. On consolidation, unrealised interest income of approximately HK\$2,350,000, computed based on the percentage of the Group's interest in First Star, was eliminated from the income statement and has been credited to the Group's interests in jointly controlled entities.
- (b) First Star subcontracted the construction work of a Private Sector Participation Scheme ("PSPS") project to a wholly-owned subsidiary of the Company. All the construction profit recognised by the Group are capitalised in the properties under development held for sale in First Star. As the Group retains an effective interest of 51% in First Star, 51% of the construction profit recognised by the Group is unrealised and has been credited to the Group's interests in jointly controlled entities.
- (c) Pursuant to a subscription agreement dated 13th June, 2000, the Group's interests in 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 half of the loans advanced by the Group to First Star. The Group did not have any 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 jointly 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 as interests in jointly controlled entities.

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18. INTERESTS IN JOINT VENTURES (Cont'd)

In addition to the jointly controlled entities listed above, the Group has 70% interests in a jointly controlled operation to produce precast concrete segment.

The aggregate amount of assets, liabilities, income and profit recognised in the financial statements in relation to interests in a jointly controlled operation is as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Assets	<u>13,096</u>	<u>17,374</u>
Liabilities	<u>12,275</u>	<u>17,653</u>
Turnover for the year/period then ended	<u>38,244</u>	<u>714</u>
Profit (loss) after taxation for the year/period then ended	<u>1,100</u>	<u>(279)</u>

19. INVESTMENTS IN SECURITIES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Non-current investments		
Unlisted investment securities	<u>800</u>	<u>800</u>

20. LOANS RECEIVABLE

The maturity of the loans receivable is as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Under one year	6,180	5,678
In the second to fifth year inclusive	<u>51,125</u>	<u>48,690</u>
	57,305	54,368
Less: Amount receivable within one year shown under current assets	<u>6,180</u>	<u>5,678</u>
Amount receivable after one year	<u>51,125</u>	<u>48,690</u>

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20. LOANS RECEIVABLE (Cont'd)

The amount represents advances to and the cost of construction work to be recoverable from the local government in Wanshan, PRC, which will be settled by a waiver of royalty fees arising from the sale of quarry products from three quarries in PRC. In the opinion of the Directors, a portion of these loans receivable amounted to HK\$6,180,000 (2000: HK\$5,678,000) will be settled within the next twelve months and accordingly, the remaining balance of HK\$51,125,000 (2000: HK\$48,690,000) was shown under non-current assets.

21. PROPERTIES UNDER DEVELOPMENT HELD FOR SALE

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
At cost	—	731,897

In 2000, the properties under development held for sale represented the Group's interest in a Private Sector Participation Scheme property development project in Hong Kong.

In 2000, the Group had interest capitalised of HK\$20,103,000 in respect of properties under development held for sale.

22. INVENTORIES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Raw materials	17,607	622
Consumables	16,194	18,793
Work-in-progress	9,512	790
Finished goods	37,774	25,101
	<u>81,087</u>	<u>45,306</u>

The cost of inventories recognised as an expense during the year is HK\$126,260,000 (2000: HK\$120,091,000).

Included above are raw materials of HK\$69,000 (2000: HK\$69,000), consumables of HK\$208,000 (2000: HK\$432,000) and finished goods of HK\$16,746,000 (2000: HK\$6,692,000) which are carried at net realisable values.

Notes to the Financial Statements

For the year ended 31st March, 2001

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

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Contracts in progress at balance sheet date:		
Contract costs incurred plus recognised profits less recognised losses	10,537,113	9,684,714
Less: Progress billings	10,555,845	9,750,804
	<u>(18,732)</u>	<u>(66,090)</u>
Represented by:		
Due from customers included in current assets	189,185	390,479
Due to customers included in current liabilities	207,917	456,569
	<u>(18,732)</u>	<u>(66,090)</u>

24. DEBTORS, DEPOSITS AND PREPAYMENTS

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Trade debtors (aged analysis):		
0 to 60 days	204,467	407,459
61 to 90 days	10,177	3,427
Over 90 days	28,525	30,189
	<u>243,169</u>	<u>441,075</u>
Retentions receivable	193,965	190,909
Other debtors, deposits and prepayments	125,046	185,548
	<u>562,180</u>	<u>817,532</u>

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

Notes to the Financial Statements

For the year ended 31st March, 2001

25. CREDITORS AND ACCRUED CHARGES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Trade creditors (aged analysis):		
0 to 60 days	174,580	213,100
61 to 90 days	8,319	13,265
Over 90 days	20,637	34,664
	<u>203,536</u>	<u>261,029</u>
Retentions payable	134,924	123,284
Accrued project costs	231,035	288,430
Provision for piling incident	60,000	60,000
Other creditors and accrued charges	104,428	228,189
	<u>733,923</u>	<u>960,932</u>

26. BANK LOANS

The maturity of the bank loans is as follows:

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Under one year	64,463	173,358	40,000	145,500
In the second year	–	40,000	–	40,000
	<u>64,463</u>	<u>213,358</u>	<u>40,000</u>	<u>185,500</u>
Less: Amount due within one year shown under current liabilities	<u>64,463</u>	<u>173,358</u>	<u>40,000</u>	<u>145,500</u>
Amount due after one year	<u>–</u>	<u>40,000</u>	<u>–</u>	<u>40,000</u>
Secured	3,310	59,921	–	37,500
Unsecured	61,153	153,437	40,000	148,000
	<u>64,463</u>	<u>213,358</u>	<u>40,000</u>	<u>185,500</u>

Notes to the Financial Statements

For the year ended 31st March, 2001

27. OTHER BORROWINGS

Other borrowings comprise:

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Syndicated loans (note a)	–	645,730	–	15,000
Convertible redeemable preference shares issued by a subsidiary (note b)	–	216,871	–	–
Obligations under finance leases (note c)	6,319	15,117	–	–
Margin loan (note d)	9,590	–	–	–
Other (note b)	49,282	–	–	–
	<u>65,191</u>	<u>877,718</u>	<u>–</u>	<u>15,000</u>

The maturity of other borrowings is as follows:

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Under one year	63,318	237,016	–	15,000
In the second year	881	5,788	–	–
In the third to fifth year inclusive	992	634,914	–	–
	<u>65,191</u>	<u>877,718</u>	<u>–</u>	<u>15,000</u>
Less: Amount due within one year shown under current liabilities	<u>63,318</u>	<u>237,016</u>	<u>–</u>	<u>15,000</u>
Amount due after one year	<u><u>1,873</u></u>	<u><u>640,702</u></u>	<u><u>–</u></u>	<u><u>–</u></u>

Notes to the Financial Statements

For the year ended 31st March, 2001

27. OTHER BORROWINGS (Cont'd)

Notes:

- (a) The syndicated loans of the Group and the Company as at 31st March, 2000 included an amount of HK\$15,000,000 which was unsecured and carried interest at market rate and was settled during the year.

The remaining syndicated loans of the Group as at 31st March, 2000, amounting to HK\$630,730,000 are obligations of First Star and bear interest at market rates and are secured by the First Star's properties under development held for sale. At 31st March, 2001, the syndicated loans are not reflected in the consolidated balance sheet, since First Star is classified as a jointly controlled entity (see note 18).

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

Holders of CRPS were entitled in priority to any dividend payable in respect of the ordinary shares of WKC at cumulative annual preferential dividend rates 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 ended 31st August, 2000.

Pursuant to an agreement dated 28th July, 2000, Massive Return Investments Limited, a wholly-owned subsidiary of the Company, repurchased the CRPS from the independent third parties for a consideration of US\$29,467,232. The consideration has to be settled in instalments, with the last instalment due on or before 25th May, 2001. The outstanding consideration at all relevant times bears interest at 13% per annum. At 31st March, 2001, the outstanding consideration is amounting to HK\$49,282,000.

Of the difference between the purchase consideration and the carrying value of the CRPS, amounts of HK\$10,900,000 and HK\$2,073,000 have been charged as finance cost and exchange loss respectively in the consolidated income statement.

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

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Under one year	4,446	5,146
In the second year	881	5,788
In the third to fifth year inclusive	992	4,183
	<u>6,319</u>	<u>15,117</u>

- (d) The margin loan is secured by certain shares of Road King, carries interest at prevailing market rates and is repayable on demand.

Notes to the Financial Statements

For the year ended 31st March, 2001

28. 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") on 20th July, 2000. The Bond is secured by 40,000,000 shares of Road King. The Bond bears interest 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 Bond for the shares in Road King at an adjustable price of HK\$4.50 per share. The Company also undertakes to the Bondholder that within 3 years from the date of issue of the Bond and notwithstanding the redemption, cancellation or exercise of the exchange rights attaching to the Bond, the Bondholder will be given the first right of refusal to participate in all disposals of shares of Road King held directly or indirectly by the Company and all allotment and issues of securities of the Company.

29. AMOUNTS DUE TO SUBSIDIARIES

Other than HK\$114,531,000 which bears interest at prime rate per annum, the remaining balances are interest free. All amounts are unsecured and have no fixed repayment terms. The subsidiaries have agreed not to demand repayment within twelve months from the balance sheet date and the balances are therefore shown as non-current liabilities.

30. LOANS FROM MINORITY SHAREHOLDERS

The loans from minority shareholders are unsecured, interest free and have no fixed repayment terms.

31. AMOUNTS DUE TO ASSOCIATES

The amounts are unsecured, interest free and have no fixed repayment terms. The associates have agreed not to demand repayment within twelve months from the balance sheet date and the balances are therefore shown as non-current liabilities.

Notes to the Financial Statements

For the year ended 31st March, 2001

32. AMOUNTS DUE TO JOINTLY CONTROLLED ENTITIES

The amounts are unsecured, interest free and have no fixed repayment terms. In the opinion of the Directors, the amounts will not be repayable within twelve months from the balance sheet date and the balances are therefore shown as non-current liabilities.

33. DEFERRED TAXATION

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Balance at beginning of the year	–	771
Credit for the year (note 10)	–	(771)
	<u>–</u>	<u>–</u>
Balance at end of the year	<u>–</u>	<u>–</u>

The major components of the unprovided deferred tax liabilities (assets) are as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Tax effect of timing differences due to:		
Excess of tax allowances over depreciation	2,447	3,173
Recognition of attributable profits on contract work in progress	(4,875)	(5,274)
Tax losses	(35,532)	(19,851)
	<u>(37,960)</u>	<u>(21,952)</u>

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

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Tax effect of timing differences due to:		
Excess of tax allowances over depreciation	(726)	(12)
Recognition of attributable profits on contract work in progress	399	(1,630)
Tax losses	(15,681)	(5,241)
	<u>(16,008)</u>	<u>(6,883)</u>