

HIGHWAY BUSINESS

For the first half of 2001, the total traffic volume and toll revenue of the Group's toll road projects recorded 50 million vehicles and RMB574 million respectively, representing a growth of 6.4% and 9.8% as compared to the same period of 2000.

Yulin project in Guangxi Zhuang Autonomous Region and Pingdingshan project in Henan Province had obtained approval for toll rate increases in January and April of 2001 respectively.

Bengbu Chaoyanglu Huaihe Highway Bridge project in Anhui Province is in construction stage as scheduled.

On 22 June 2001, the Group entered into conditional agreements with its joint venture partners to dispose of its entire interests in the Jieyang Highway Network in Guangdong Province. The disposal is currently under government approval procedures.

FINANCIAL REVIEW

As at 30 June 2001, the net assets of the Group increased to HK\$4,320 million and net assets per share was HK\$8.53. The Group's total assets were HK\$5,777 million and its total borrowings were HK\$1,316 million. The Group's net gearing ratio was 19%. The major borrowings include US dollar denominated transferable loan facility with an outstanding balance equivalent to HK\$695 million, US dollar denominated Guarantee Notes with an outstanding balance equivalent to HK\$615 million and Canadian dollar denominated loan facilities with an aggregate outstanding balance equivalent to HK\$6 million. Of which, HK\$700 million will be due within one year and HK\$ 1 million will be due in 2003, the remaining will be due in 2007. Subsequent to the balance sheet date, the Group received an underwriting commitment from financial institutions for a US dollar denominated loan facility equivalent to HK\$546 million.

The existing US dollar denominated transferable loan facility was mainly secured by mortgage over the shares of certain of the Group's subsidiaries and was jointly and severally guaranteed by the Company and certain of its subsidiaries. The Guarantee Notes were secured by a floating charge over all assets of a subsidiary and were jointly and severally guaranteed by the Company and certain of its subsidiaries. In respect of the Canadian dollar financing, the credit facilities were secured by inventories and certain real property of an overseas subsidiary. In addition, the Group had also provided guarantee indirectly to banks for approximately HK\$168 million in respect of RMB banking facilities.

For the first six months of 2001, the Group also injected HK\$28 million into existing projects and already-committed investments.

To minimize the RMB currency exchange risk, the Group had successfully assisted a project to obtain RMB project finance facilities for RMB30 million.

FINANCIAL REVIEW (Continued)

For the six months ended 30 June 2001, the Group received HK\$242 million of cash distributions from its toll road projects and the Group's cash and bank balances were HK\$491 million (including pledged deposits of HK\$191 million in favour of agents of the existing debts). The Group has major capital commitment of up to HK\$88 million, of which approximately HK\$26.5 million will be further required in 2001.

Through its wholly owned subsidiaries, the Group entered into conditional agreements to dispose of its entire interests in Jieyang Highway Network for a consideration of RMB530.8 million. The net sale proceeds after deducting related expenses will be used for repayment of debt. As a result of the transaction, the Group will recognize a gain of approximately RMB30 million with the net sale proceeds of approximately RMB508 million. However, upon the completion of the sale, the Group will write off an amount of RMB143.9 million of outstanding receivables regarding the minimum income undertakings due from the joint venture partners. The disposal is subject to the relevant PRC government approval. Regarding this transaction, Standard & Poor's considers that the disposal will result in the potential reduction in the Group's gearing to be relatively significant, which will have positive credit implications for the Group.

EMPLOYEES

Excluding joint ventures, the Group has a total of 185 staff as at 30 June 2001. The pay levels of employees are commensurate with their responsibilities, performance and contribution.

PROSPECTS

The Board expects that the highway business will continue to generate a reliable cash income in the remaining half year of 2001. The Group will continue its business operation and development under the guidance of practical and prudent approach, taking into consideration of the market environment.

DISCLOSURE OF INTERESTS**Directors' Interests**

As at 30 June 2001, the interests of the Directors of the Company (the "Directors") in the equity securities of the Company 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:

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



DISCLOSURE OF INTERESTS (Continued)**Directors' Interests** (Continued)

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

As at 30 June 2001, the following Directors of the Company had been granted the following options under the Share Option Scheme for Employees adopted by the Company to subscribe for ordinary shares of HK\$0.10 each in the Company:

Name of Director	Number of ordinary shares issuable under options	Exercisable period	Exercise price HK\$
William Zen Wei Pao	719,000	2 August 2000 – 1 August 2002	5.60
	550,000	2 August 2000 – 1 August 2002	4.95
	2,900,000	8 August 2001 – 7 August 2003	3.20
Ko Yuk Bing	719,000	2 August 2000 – 1 August 2002	5.60
	500,000	2 August 2000 – 1 August 2002	4.95
	2,600,000	8 August 2001 – 7 August 2003	3.20
Raymond Chui Chi Keung	200,000	27 November 2001 – 26 November 2003	3.20
Derek Zen Wei Peu	539,000	2 August 2000 – 1 August 2002	5.60
	250,000	2 August 2000 – 1 August 2002	4.95
	1,500,000	8 August 2001 – 7 August 2003	3.20
Keter Fong Shiu Leung	320,000	8 August 2001 – 7 August 2003	3.20

DISCLOSURE OF INTERESTS (Continued)

Directors' Interests (Continued)

Name of Director	Number of ordinary shares issuable under options	Exercisable period	Exercise price HK\$
Brian Souter	100,000	2 August 2000 – 1 August 2002	4.95
	190,000	8 August 2001 – 7 August 2003	3.20
Keith Robertson Cochrane	100,000	2 August 2000 – 1 August 2002	4.95
	190,000	8 August 2001 – 7 August 2003	3.20
Janson Law Hung Kuen	100,000	2 August 2000 – 1 August 2002	4.95
	190,000	8 August 2001 – 7 August 2003	3.20
Vincent Chan Hing Chiu	143,000	2 August 2000 – 1 August 2002	5.60
	100,000	2 August 2000 – 1 August 2002	4.95
	320,000	8 August 2001 – 7 August 2003	3.20
Stephen Chow Shiu Kee	143,000	2 August 2000 – 1 August 2002	5.60
	100,000	2 August 2000 – 1 August 2002	4.95
	320,000	8 August 2001 – 7 August 2003	3.20

No options have been exercised by any of the Directors during the period.

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



DISCLOSURE OF INTERESTS (Continued)**Substantial Shareholders' Interests**

As at 30 June 2001, the persons (other than Directors) 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 ordinary shares
ZWP Investments Limited	187,066,766
Wai Kee China Investments Company Limited (<i>Note 1</i>)	187,066,766
Wai Kee China Investments (BVI) Company Limited (<i>Note 2</i>)	187,066,766
Groove Trading Limited	66,000,000
Wai Kee (Zens) Holding Limited (<i>Note 3</i>)	253,066,766
Wai Kee Holdings Limited (<i>Note 4</i>)	253,066,766
Precis (1628) Limited	118,106,294
Stagecoach Holdings PLC (<i>Note 5</i>)	118,106,294

Notes:

- (1) ZWP Investments Limited is a wholly-owned subsidiary of Wai Kee China Investments Company Limited ("Wai Kee China Investments"). By virtue of the SDI Ordinance, Wai Kee China Investments was deemed to be interested in the shares of the Company.
- (2) Wai Kee China Investments (BVI) Company Limited ("Wai Kee China BVI") beneficially owned all the issued ordinary shares in the capital of Wai Kee China Investments. By virtue of the SDI Ordinance, Wai Kee China BVI was deemed to be interested in the shares of the Company.
- (3) Wai Kee (Zens) Holding Limited ("Wai Kee (Zens)") beneficially owned all the issued ordinary shares in the capital of Wai Kee China BVI and Groove Trading Limited. By virtue of the SDI Ordinance, Wai Kee (Zens) was deemed to be interested in the shares of the Company.
- (4) Wai Kee Holdings Limited ("Wai Kee Holdings") beneficially owned all the issued shares in the capital of Wai Kee (Zens). By virtue of the SDI Ordinance, Wai Kee Holdings was deemed to be interested in the shares of the Company.
- (5) Precis (1628) Limited is a wholly-owned subsidiary of Stagecoach Holdings PLC ("Stagecoach"). By virtue of the SDI Ordinance, Stagecoach was deemed to be interested in the shares of the Company.

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

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.