

POSITIVE THINKING ACTIVE PARTICIPATION

Contents

Interim Results Highlights	1
Business Review	2
Financial Review	4
Disclosure of Interests	6
Other Information	11
Independent Review Report	12
Condensed Consolidated Income Statement	14
Condensed Consolidated Balance Sheet	15
Condensed Consolidated Statement of Changes in Equity	17
Condensed Consolidated Cash Flow Statement	18
Notes to the Condensed Financial Statements	19

The board of directors (the "Board") of Wai Kee Holdings Limited (the "Company") announces the interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2002.

FINANCIAL PERFORMANCE HIGHLIGHTS

- Group turnover and share of turnover of jointly controlled entities decreased by 60.9% from HK\$1,788 million to HK\$700 million
- Profit attributable to shareholders increased by 61.5% from HK\$39 million to HK\$63 million
- Basic earnings per share increased by 63.0% from 5.02 cents to 8.18 cents
- Interim dividend is 2 cents per share
- Shareholders' funds increased by 3.1% from HK\$1,884 million* to HK\$1,942 million
- Net assets per share increased by 2.9% from HK\$2.43* to HK\$2.50

* As at 31st March, 2002

INTERIM DIVIDEND

The Board has resolved to pay an interim dividend of HK\$0.02 (2001: nil) per share for the six months ended 30th September, 2002 to the shareholders of the Company whose names appear in the Register of Members of the Company on 24th December, 2002.

It is expected that dividend warrants will be sent to the shareholders on or before 31st December, 2002.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 20th December, 2002 to Tuesday, 24th December, 2002, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Branch Share Registrars in Hong Kong, Secretaries Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on Thursday, 19th December, 2002.

CHANGE OF FINANCIAL YEAR END DATE

The Board has resolved to change the financial year end date of the Company from 31st March to 31st December effective from the financial year ending 31st December, 2002.

The Group's unaudited turnover and share of turnover of jointly controlled entities for the first half of this financial year 2002/2003 was HK\$700 million (2001/2002: HK\$1,788 million) generating an unaudited consolidated profit after tax of HK\$63 million (2001/2002: HK\$39 million). The Board considers the Group's performance satisfactory.

HIGHWAY AND EXPRESSWAY

Road King Infrastructure Limited ("Road King") continues to be a reliable source of cash flow for the Group and contributed profit of about HK\$58 million to the Group during the period. Road King recorded an unaudited profit after tax of HK\$237 million for the nine months and HK\$65 million for the three months ended 30th September, 2002. During the period, the Group received dividends amounting to HK\$63 million from Road King.

As at 30th September, 2002, Road King had a cash position of more than HK\$1,100 million. The relatively cash-rich Road King is looking for business opportunities to ensure healthy and continuous growth for itself.

CIVIL AND BUILDING CONSTRUCTION

The turnover and share of turnover of jointly controlled entities of construction division dropped significantly to HK\$648 million (2001/2002: HK\$1,570 million) for the period as a result of the substantial completion of certain major civil contracts and completion of the sale of interest in Ngo Kee Construction Company Limited, the Group's building construction division, in the previous year. The construction division contributed a profit of HK\$16 million (2001/2002: HK\$31 million) for the period. No further provision was considered necessary for the Shatin short piling incident for the current period as there has been not much development since the issue of our previous annual report.

As of the date of this report, the civil construction division of the Group had contracts in hand of HK\$8,100 million of which HK\$1,600 million has yet to be completed.

QUARRYING

The quarrying division recorded a profit of HK\$8 million for this period (2001/2002: loss of HK\$0.4 million after making provision of HK\$3 million against impairment of assets). The performance of the division was considered satisfactory given the significant slow down in property developments in both of the public and private sectors in Hong Kong.

A project located in Shanghai quarry was awarded and commenced operation in August this year. It is expected to contribute satisfactory profit to the Group in the fourth quarter of this year.

BIO-TECHNOLOGY

By the end of October 2002, the Group had invested a total amount of HK\$14 million in Wuhan Nature's Favour Bio-Engineering Limited ("Nature's Favour"), a joint venture company in China. The core business of Nature's Favour remains in the research and development of bio-pesticide and micro-biological products. Recently, the Chinese National Patent Administration Department has proclaimed patents for three of the bio-pesticide products.

Nature's Favour is currently setting up a production plant in Wuhan East Lake High-Tech Development Zone. The first phase of the construction will be substantially completed by the end of this year. It is anticipated that the first product will be launched into the market in the first quarter of year 2003.

PROPERTY DEVELOPMENT PROJECTS WITH GOVERNMENT

The Group has interests in two property development projects with Government. Both projects have substantially been completed and occupation permits were obtained in August and November 2002 respectively. As development costs, including finance costs, incurred subsequent to the issuance of occupation permits are treated as expenses, the Group has recorded a total amount of HK\$9 million as its share of expenses for the period.

According to the Government's housing policy announced recently, the subsidised Home Ownership Scheme will cease indefinitely. In this regard, it is anticipated that one of the property development projects will be converted to public rental housing.

The Government, however, has yet to decide on the usage of the other property development project. Discussions have been held with Government authorities in respect of the usage and the extra costs incurred. Any decision reached will be reported in due course. In respect of this development project, the Company has an outstanding guarantee to a subsidiary of New World Services Limited that the profit before taxation of the project should not be less than HK\$70 million. Based on the information presently available, the directors have considered that the situation would be resolved in the next few months and the financial impact of such guarantee would be insignificant. Accordingly, no provision was made for any financial impact in respect of such guarantee in the financial statements.

LIQUIDITY AND FINANCIAL RESOURCES

During the period, the level of total borrowings increased from HK\$235 million to HK\$282 million with the maturity profile summarised as follows:

	30th September, 2002 <i>HK\$' million</i>	31st March, 2002 <i>HK\$' million</i>
Under one year	178	151
In the second year	54	84
In the third to fifth year inclusive	50	–
	<u>282</u>	<u>235</u>

Major movements of the total borrowings during the period were:

- (a) The Group obtained a three years term loan of HK\$150 million from a bank to pay off the remaining balance of HK\$135 million of the redeemable exchangeable bond. Apart from that, additional short term bank borrowings amounting to HK\$26 million were raised throughout the period mainly to support the working capital of the construction division; and
- (b) Additional interests of HK\$6 million was accrued during the period for the financial arrangement related to the disposals of interests in two property development projects with Government in the previous year, making up a total outstanding amount of HK\$69 million recorded as liability as at 30th September, 2002.

As at 30th September, 2002, the Group's cash and bank balances amounted to HK\$126 million, of which HK\$40 million bank deposits were pledged to secure banking and bond facilities granted to the Group and a jointly controlled entity.

In line with the successful monitoring of the level of borrowings, the Group's net finance costs for the period amounted to HK\$11 million, reduced by 15.4% as compared with that in last period.

The Group's borrowings and cash balances were principally denominated in Hong Kong dollars. Hence, there is no significant exposure to foreign exchange rate fluctuations.

CAPITAL STRUCTURE AND GEARING RATIO

The net gearing ratio, being the ratio of net borrowings (total borrowings less cash and bank balances) to shareholders' funds, was slightly reduced from 8.1% to 8.0% during the period. As at 30th September, 2002, the shareholders' funds amounted to HK\$1,942 million (HK\$1,884 million as at 31st March, 2002), representing HK\$2.50 per share (HK\$2.43 per share as at 31st March, 2002). Increase in shareholders' funds was mainly attributable to profit generated for the current period.

PLEDGE OF ASSETS

As at 30th September, 2002, apart from the deposits pledged to secure banking facilities granted, 46.5 million Road King shares were pledged to secure the Group's performance in respect of the sale and repurchase of interests in two property development projects with Government and a total of 180 million Road King shares were pledged to a bank to secure a three years term loan and other banking facilities granted to the Group.

CONTINGENT LIABILITIES

Apart from the outstanding profit guarantee in respect of a property development project with Government, the Group had contingent liabilities amounting to HK\$533 million as at 30th September, 2002 (HK\$594 million as at 31st March, 2002) mainly related to performance bonds of outstanding construction contracts issued to customers.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th September, 2002, the Group had 712 employees (864 employees as at 31st March, 2002), of which 565 (665 as at 31st March, 2002) were located in Hong Kong, 112 (160 as at 31st March, 2002) were located in mainland China and 35 (39 as at 31st March, 2002) were located in Taiwan.

Competitive remuneration packages are structured to commensurate with individual responsibilities, qualification, experience and performance.

OUTLOOK

The Group remains to focus on its core business and strengthen its financial position. The Board expects the existing business operations will continue to generate profits. The Board would like to take this opportunity to extend its heartiest thanks to its entire loyal and hardworking staff.

DIRECTORS' INTERESTS

As at 30th September, 2002, 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 under personal interests
William Zen Wei Pao	Ordinary	187,381,843
Derek Zen Wei Peu	Ordinary	161,013,078
Steve Wong Che Ming	Ordinary	600,000

2. Associated Corporations

Name of director	Name of company	Class of shares held	Number of shares held under personal 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

INTERESTS IN WARRANTS

Road King Infrastructure Limited

Name of director	Number of 2003 warrants held under personal interests
Derek Zen Wei Peu	241,329

INTERESTS IN SHARE OPTIONS

1. The Company

The share option scheme of the Company adopted on 7th August, 1992 (the "Old Share Option Scheme") was terminated and a new share option scheme (the "New Share Option Scheme") was adopted by the Company at the annual general meeting held on 18th September, 2002 to comply with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). As a result, the Company may no longer grant further options under the Old Share Option Scheme. However, all options granted prior to the termination of the Old Share Option Scheme shall remain in full force and effect. During the period, 2,470,000 options were exercised and 600,000 options were cancelled. As at 30th September, 2002, 18,850,000 options granted under the Old Share Option Scheme remained outstanding. No options were granted under the New Share Option Scheme during the period.

A summary of movement during the period under the Old Share Option Scheme is as follows:

Name	Date granted	Vesting period	Exercisable period	Exercise price HK\$	Number of share options				Balance at 30.9.2002
					Balance at 1.4.2002	Granted during the period	Exercised during the period	Expired/ cancelled during the period	
Directors									
Zen Wei Pao, William	29th November, 2000	3 years	29th November, 2001 to 28th November, 2004	0.34	5,000,000	—	—	—	5,000,000
Zen Wei Peu, Derek	29th November, 2000	3 years	29th November, 2001 to 28th November, 2004	0.34	5,000,000	—	—	—	5,000,000
Yue Pak Lim	29th November, 2000	3 years	29th November, 2001 to 28th November, 2004	0.34	1,000,000	—	—	—	1,000,000
Fong Shiu Leung, Keter	29th November, 2000	3 years	29th November, 2001 to 28th November, 2004	0.34	1,000,000	—	—	—	1,000,000
Lam Wai Hon, Patrick	29th November, 2000	3 years	29th November, 2001 to 28th November, 2004	0.34	500,000	—	—	—	500,000
Cheng Chi Pang, Leslie	29th November, 2000	3 years	29th November, 2001 to 28th November, 2004	0.34	500,000	—	—	—	500,000
Wong Che Ming, Steve	29th November, 2000	3 years	29th November, 2001 to 28th November, 2004	0.34	500,000	—	—	—	500,000
Sub-total					13,500,000	—	—	—	13,500,000

Disclosure of Interests

INTERESTS IN SHARE OPTIONS (Cont'd)

1. The Company (Cont'd)

Name	Date granted	Vesting period	Exercisable period	Exercise price HK\$	Number of share options				Balance at 30.9.2002
					Balance at 1.4.2002	Granted during the period	Exercised during the period*	Expired/cancelled during the period	
Others									
Employees	9th November, 1998	3 years	9th November, 1999 to 8th November, 2002	0.96	50,000	—	—	—	50,000
	11th November, 1999	3 years	1st December, 2000 to 30th November, 2003	1.28	700,000	—	—	(200,000)	500,000
	29th November, 2000	3 years	29th November, 2001 to 28th November, 2004	0.34	7,670,000	—	(2,470,000)	(400,000)	4,800,000
Sub-total					8,420,000	—	(2,470,000)	(600,000)	5,350,000
Total					21,920,000	—	(2,470,000)	(600,000)	18,850,000

* The weighted average closing price of the Company immediately before the dates on which the options were exercised is HK\$0.70.

INTERESTS IN SHARE OPTIONS (Cont'd)

2. Road King Infrastructure Limited

Name	Date granted	Vesting period	Exercisable period	Exercise price HK\$	Number of share options				Balance at 30.9.2002
					Balance at 1.4.2002	Granted during the period	Exercised during the period	Expired/ cancelled during the period	
Directors									
Zen Wei Pao, William	2nd August, 1999	2 years	2nd August, 2000 to 1st August, 2002	5.60	719,000	—	—	(719,000)	—
	2nd August, 1999	2 years	2nd August, 2000 to 1st August, 2002	4.95	550,000	—	—	(550,000)	—
	8th August, 2000	2 years	8th August, 2001 to 7th August, 2003	3.20	2,900,000	—	—	—	2,900,000
Zen Wei Peu, Derek	2nd August, 1999	2 years	2nd August, 2000 to 1st August, 2002	5.60	539,000	—	—	(539,000)	—
	2nd August, 1999	2 years	2nd August, 2000 to 1st August, 2002	4.95	250,000	—	—	(250,000)	—
	8th August, 2000	2 years	8th August, 2001 to 7th August, 2003	3.20	1,500,000	—	—	—	1,500,000
Fong Shiu Leung, Keter	8th August, 2000	2 years	8th August, 2001 to 7th August, 2003	3.20	320,000	—	—	—	320,000
Total					<u>6,778,000</u>	<u>—</u>	<u>—</u>	<u>(2,058,000)</u>	<u>4,720,000</u>

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, 2002, 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	204,018,000
New World Services Limited (incorporated in the British Virgin Islands) (Note 1)	204,018,000
New World Services Limited (incorporated in the Cayman Islands) (Note 2)	204,018,000
Citiplus Investment Limited (Note 3)	204,018,000
New World Development Company Limited (Note 4)	204,018,000
Chow Tai Fook Enterprises Limited (Note 5)	204,018,000

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 period, the Company has made the following repurchases of its own shares on the Stock Exchange:

Month/Year	Number of ordinary shares repurchased	Price per share		Aggregate price paid HK\$
		Highest HK\$	Lowest HK\$	
April 2002	2,030,000	0.68	0.65	1,356,900
July 2002	100,000	0.61	0.61	61,000
	<u>2,130,000</u>			<u>1,417,900</u>

AUDIT COMMITTEE

The Audit Committee has reviewed with management and external auditors the accounting principles and policies adopted by the Group and the unaudited interim financial statements for the six months ended 30th September, 2002.

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, 2002, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules on the Stock Exchange.

By Order of the Board
William Zen Wei Pao
Chairman

Hong Kong, 5th December, 2002

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**Deloitte
Touche
Tohmatsu**

TO THE DIRECTORS OF WAI KEE HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 14 to 30.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standard 700 "Engagement to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

FUNDAMENTAL UNCERTAINTY RELATING TO THE PUBLIC HOUSING PILING INCIDENT IN SHATIN (THE "PILING INCIDENT")

In arriving at our review conclusion, we have considered the adequacy of the disclosure made in note 14 to the interim financial report concerning the Piling Incident which occurred during 1999 and which is the subject of a claim against one of the Company's wholly-owned subsidiaries by The Hong Kong Housing Authority. Both parties have now agreed that the claim will be settled through arbitration. A provision of HK\$60 million was made during the year ended 31st March, 2000 in respect of the Piling Incident and, in the opinion of directors, no further provision is required. Although it is not possible to determine the outcome of the arbitration with reasonable certainty at this time, we consider that the fundamental uncertainty has been adequately accounted for and disclosed in the interim financial report and our review conclusion is not modified in this respect.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th September, 2002.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 5th December, 2002

Condensed Consolidated Income Statement

For the six months ended 30th September, 2002

	NOTES	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Group turnover and share of turnover of jointly controlled entities		700,446	1,788,223
Less: Share of turnover of jointly controlled entities		<u>321,916</u>	<u>547,710</u>
Group turnover		378,530	1,240,513
Cost of sales		<u>(330,380)</u>	<u>(1,133,153)</u>
Gross profit		48,150	107,360
Other operating income	4	16,784	7,206
Distribution costs		(938)	(3,979)
Administrative expenses		(57,710)	(105,343)
Share of profits less losses of jointly controlled entities		<u>10,573</u>	<u>24,003</u>
Profit from operations	5	16,859	29,247
Finance costs	6	(10,823)	(16,295)
Share of profits less losses of associates		<u>77,060</u>	<u>46,870</u>
Profit before taxation		83,096	59,822
Taxation	7	<u>(15,786)</u>	<u>(25,231)</u>
Profit before minority interests		67,310	34,591
Minority interests		<u>(3,927)</u>	<u>4,272</u>
Profit for the period		<u><u>63,383</u></u>	<u><u>38,863</u></u>
Dividend	8	<u><u>7,754</u></u>	<u><u>—</u></u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	9		
– Basic		<u><u>8.18</u></u>	<u><u>5.02</u></u>
– Diluted		<u><u>8.13</u></u>	<u><u>4.97</u></u>

Condensed Consolidated Balance Sheet

At 30th September, 2002

	NOTES	30th September, 2002 (Unaudited) HK\$'000	31st March, 2002 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	10	52,321	53,746
Interests in associates		1,978,656	1,971,283
Interests in joint ventures		13,931	65,212
Loans receivable		32,647	33,697
		<u>2,077,555</u>	<u>2,123,938</u>
Current assets			
Inventories		12,114	17,686
Amount due from customers for contract work		96,822	107,575
Debtors, deposits and prepayments	11	264,838	310,545
Amounts due from associates		1,638	1,253
Amounts due from jointly controlled entities		15,067	3,406
Tax recoverable		906	906
Investments in securities	12	57,099	46,979
Loans receivable		5,839	7,743
Bank deposits pledged		39,947	40,933
Bank balances and cash		85,589	41,502
		<u>579,859</u>	<u>578,528</u>
Current liabilities			
Amount due to customers for contract work		52,002	101,156
Creditors and accrued charges	13	238,411	320,226
Provision for piling incident	14	60,000	60,000
Amounts due to jointly controlled entities		623	14,912
Amounts due to associates		8,674	6,819
Amounts due to related companies	15	85,361	—
Amount due to minority shareholders		2,548	3,059
Taxation		11,444	7,700
Bank loans – due within one year	16	78,888	14,889
Other borrowings – due within one year		203	191
Redeemable bond	17	—	135,000
Bank overdrafts, secured		13,014	1,131
		<u>551,168</u>	<u>665,083</u>

Condensed Consolidated Balance Sheet

At 30th September, 2002

	NOTES	30th September, 2002 (Unaudited) HK\$'000	31st March, 2002 (Audited) HK\$'000
Net current assets (liabilities)		28,691	(86,555)
Total assets less current liabilities		2,106,246	2,037,383
Minority interests		12,351	7,913
Non-current liabilities			
Bank loans – due after one year	16	100,000	—
Other borrowings – due after one year		504	608
Loans from minority shareholders		941	941
Amounts due to associates		44,444	48,148
Amounts due to jointly controlled entities		480	10,882
Amounts due to related companies	15	3,941	83,277
Deferred taxation		1,400	1,400
		151,710	145,256
		1,942,185	1,884,214
Capital and reserves			
Share capital		77,544	77,510
Reserves		1,864,641	1,806,704
		1,942,185	1,884,214

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September, 2002

	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Special reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st April, 2001	77,399	728,154	10,241	(29,530)	1,002,565	1,788,829
Exchange difference arising on translation of the financial statements of overseas operations	—	—	3,246	—	—	3,246
Share of reserves of associates	—	—	(190)	—	—	(190)
Total recognised gains not recognised in the condensed consolidated income statement	—	—	3,056	—	—	3,056
Profit for the period	—	—	—	—	38,863	38,863
At 30th September, 2001	77,399	728,154	13,297	(29,530)	1,041,428	1,830,748
Exchange difference arising on translation of the financial statements of overseas operations	—	—	(8,918)	—	—	(8,918)
Share of reserves of associates	—	—	190	—	—	190
Total recognised losses not recognised in the condensed consolidated income statement	—	—	(8,728)	—	—	(8,728)
Exercise of share options	111	266	—	—	—	377
Profit for the period	—	—	—	—	61,817	61,817
At 31st March, 2002	77,510	728,420	4,569	(29,530)	1,103,245	1,884,214
Exchange difference arising on translation of the financial statements of overseas operations	—	—	1,549	—	—	1,549
Share of reserves of associates	—	—	1,371	—	—	1,371
Total recognised gains not recognised in the condensed consolidated income statement	—	—	2,920	—	—	2,920
Exercise of share options	247	593	—	—	—	840
Shares repurchased	(213)	(1,205)	—	—	—	(1,418)
Profit for the period	—	—	—	—	63,383	63,383
Dividend paid	—	—	—	—	(7,754)	(7,754)
At 30th September, 2002	77,544	727,808	7,489	(29,530)	1,158,874	1,942,185

Condensed Consolidated Cash Flow Statement

For the six months ended 30th September, 2002

	2002 (Unaudited) HK\$'000	2001 (Unaudited and restated) HK\$'000
Net cash inflow from operating activities	32,281	83,243
Net cash outflow used in investing activities	(16,155)	(146,924)
Net cash inflow from financing activities	16,078	6,786
Increase (decrease) in cash and cash equivalents	32,204	(56,895)
Cash and cash equivalents at beginning of the period	40,371	106,527
Cash and cash equivalents at end of the period	<u>72,575</u>	<u>49,632</u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	85,589	57,874
Bank overdrafts	(13,014)	(8,242)
	<u>72,575</u>	<u>49,632</u>

Notes to the Condensed Financial Statements

For the six months ended 30th September, 2002

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of certain investments in securities.

The condensed financial statements have been prepared in accordance with the accounting policies consistent with those adopted by the Group in its annual financial statements for the year ended 31st March, 2002 except as described below.

In the current period, the Group has adopted, for the first time, the following new and revised SSAPs issued by the HKSA:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 33	Discontinuing operations
SSAP 34	Employee benefits

The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, but has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required. Comparative amounts for the prior period have been restated in order to achieve a consistent presentation.

Notes to the Condensed Financial Statements

For the six months ended 30th September, 2002

3. SEGMENTAL INFORMATION

The Group's turnover and profit for the six months ended 30th September, 2002 by business segment are as follows:

For management purposes, the Group is currently organised into four operating divisions - civil construction, building construction, quarrying, highway and expressway operations, and other operations. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Civil construction

- construction of civil engineering projects

Building construction

- construction of building projects

Quarrying

- production and sale of quarry products

Highway and expressway operations

- investment in, development, operation and management of highway and expressway

Notes to the Condensed Financial Statements

For the six months ended 30th September, 2002

3. SEGMENTAL INFORMATION (Cont'd)

	Civil construction HK\$'000	Building construction HK\$'000	Quarrying HK\$'000	Highway and expressway operations HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000
Six months ended 30th September, 2002							
Results							
Group turnover	326,145	—	49,818	—	2,567	—	378,530
Add: Inter-segment sales	—	—	4,017	—	—	(4,017)	—
Segment turnover	326,145	—	53,835	—	2,567	(4,017)	378,530
Share of turnover of jointly controlled entities	321,916	—	—	—	—	—	321,916
Group turnover and share of turnover of jointly controlled entities	<u>648,061</u>	<u>—</u>	<u>53,835</u>	<u>—</u>	<u>2,567</u>	<u>(4,017)</u>	<u>700,446</u>
The inter-segment sales were charged at cost plus a percentage of profit mark up.							
Segment results	1,314	6,170	8,595	—	(4,373)	—	11,706
Share of profits less losses of jointly controlled entities	19,600	—	—	—	(9,027)	—	10,573
Segment results and share of profits less losses of jointly controlled entities	<u>20,914</u>	<u>6,170</u>	<u>8,595</u>	<u>—</u>	<u>(13,400)</u>	—	22,279
Unallocated corporate expenses	—	—	—	—	—	—	(5,420)
Profit from operations	—	—	—	—	—	—	16,859
Finance costs	—	—	—	—	—	—	(10,823)
Share of profits less losses of associates	1,056	—	—	76,004	—	—	77,060
Profit before taxation	—	—	—	—	—	—	83,096
Taxation	—	—	—	—	—	—	(15,786)
Profit before minority interests	—	—	—	—	—	—	67,310
Minority interests	—	—	—	—	—	—	(3,927)
Profit for the period	—	—	—	—	—	—	<u>63,383</u>

Notes to the Condensed Financial Statements

For the six months ended 30th September, 2002

3. SEGMENTAL INFORMATION (Cont'd)

	Civil construction HK\$'000	Building construction HK\$'000	Quarrying HK\$'000	Highway and expressway operations HK\$'000	Building materials HK\$'000	Others HK\$'000 (Note)	Elimination HK\$'000	Total HK\$'000
Six months ended 30th September, 2001								
Results								
Group turnover	539,643	482,378	75,535	—	137,041	5,916	—	1,240,513
Add: Inter-segment sales	1,015	—	5,672	—	—	1,497	(8,184)	—
Segment turnover	540,658	482,378	81,207	—	137,041	7,413	(8,184)	1,240,513
Share of turnover of jointly controlled entities	547,710	—	—	—	—	—	—	547,710
Group turnover and share of turnover of jointly controlled entities	<u>1,088,368</u>	<u>482,378</u>	<u>81,207</u>	<u>—</u>	<u>137,041</u>	<u>7,413</u>	<u>(8,184)</u>	<u>1,788,223</u>
The inter-segment sales were charged at cost plus a percentage of profit mark up.								
Segment results	(11,064)	30,787	(286)	—	(597)	(6,459)	—	12,381
Share of profits less losses of jointly controlled entities	24,006	—	—	—	—	(3)	—	24,003
Segment results and share of profits less losses of jointly controlled entities	<u>12,942</u>	<u>30,787</u>	<u>(286)</u>	<u>—</u>	<u>(597)</u>	<u>(6,462)</u>	<u>—</u>	<u>36,384</u>
Unallocated corporate expenses								(7,137)
Profit from operations								29,247
Finance costs								(16,295)
Share of profits less losses of associates	(555)	—	—	48,198	—	(773)		46,870
Profit before taxation								59,822
Taxation								(25,231)
Profit before minority interests								34,591
Minority interests								4,272
Profit for the period								<u>38,863</u>

Note: The building materials segment represented the results of its former subsidiary, Sundart Timber Products Company Limited ("Sundart"). Pursuant to an agreement dated 15th October, 2001, the Group's interest in Sundart was disposed of to an independent third party. Accordingly, the building materials segment operation was discontinued from that date.

Notes to the Condensed Financial Statements

For the six months ended 30th September, 2002

4. OTHER OPERATING INCOME

	Six months ended 30th September,	
	2002	2001
	HK\$'000	HK\$'000
Other operating income has been arrived at after crediting:		
Unrealised gain on revaluation of other unlisted investments	10,120	—
Bank interest income	<u>427</u>	<u>3,601</u>

5. PROFIT FROM OPERATIONS

	Six months ended 30th September,	
	2002	2001
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Amortisation of goodwill included in administrative expenses	—	3,186
Depreciation and amortisation less amount attributable to construction contracts of HK\$1,376,000 (2001: HK\$5,220,000)	5,303	13,003
Impairment loss on property, plant and equipment	<u>—</u>	<u>3,000</u>

6. FINANCE COSTS

An amount of HK\$81,710 which was attributable to construction contracts had been capitalised during the six months ended 30th September, 2001. No interest has been capitalised during the six months ended 30th September, 2002.

Notes to the Condensed Financial Statements

For the six months ended 30th September, 2002

7. TAXATION

	Six months ended 30th September,	
	2002	2001
	HK\$'000	HK\$'000
Profit for the period		
Hong Kong	4,999	11,330
Other jurisdictions	193	243
Under(over)provision in prior years		
Hong Kong	2	(520)
Other jurisdictions	(24)	—
Share of tax on results of associates	8,011	10,338
Share of tax on results of jointly controlled entities	2,605	3,840
	<u>15,786</u>	<u>25,231</u>

Hong Kong Profits Tax is calculated at 16 per cent. (2001: 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. DIVIDEND

On 23rd September, 2002, a dividend of HK\$0.01 (2001: nil) per ordinary share was paid to shareholders as the final dividend for the year ended 31st March, 2002.

An interim dividend in respect of 2002 of HK\$0.02 (2001: nil) per ordinary share amounting to a total of HK\$15,503,000 (2001: nil) is approved by the Board on 5th December, 2002. This interim dividend has not been included as a liability in these condensed financial statements.

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,	
	2002	2001
	HK\$'000	HK\$'000
Earnings for the purpose of basic and diluted earnings per share	<u>63,383</u>	<u>38,863</u>

Notes to the Condensed Financial Statements

For the six months ended 30th September, 2002

9. EARNINGS PER SHARE (Cont'd)

	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	775,003,650	773,994,034
Effect of dilutive potential ordinary shares:		
Options	<u>4,971,193</u>	<u>7,376,250</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>779,974,843</u></u>	<u><u>781,370,284</u></u>

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group expended HK\$6,149,000 (2001: HK\$8,102,000) on property, plant and equipment.

11. DEBTORS, DEPOSITS AND PREPAYMENTS

	30th September, 2002 HK\$'000	31st March, 2002 HK\$'000
Trade debtors (aged analysis):		
0 to 60 days	144,400	107,423
61 to 90 days	117	3,642
Over 90 days	<u>5,754</u>	<u>30,233</u>
	150,271	141,298
Retentions receivable	42,052	108,402
Other debtors, deposits and prepayments	<u>72,515</u>	<u>60,845</u>
	<u><u>264,838</u></u>	<u><u>310,545</u></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 Condensed Financial Statements

For the six months ended 30th September, 2002

12. INVESTMENTS IN SECURITIES

	30th September, 2002 HK\$'000	31st March, 2002 HK\$'000
Unlisted equity securities		
Investment securities, at cost	800	800
Other investments, at fair value	57,099	46,979
	<u>57,899</u>	<u>47,779</u>
Less: impairment loss recognised	(800)	(800)
	<u>57,099</u>	<u>46,979</u>

Included in investments in securities is an amount of HK\$36,891,000 (31st March, 2002: HK\$36,891,000) which represents the Group's interest in Sundart, a former subsidiary, determined in accordance with SSAP 24 "Accounting for investments in securities". Pursuant to an agreement dated 15th October, 2001, the Group's interest in Sundart was disposed of to an independent third party for a cash consideration of HK\$34,800,000 with a put option and a call option as specified in the agreement. The consideration will be settled by instalments. Accordingly, the net assets of Sundart were deconsolidated on 15th October, 2001 when the transaction was completed and the disposal will be accounted for upon the lapse of the put option which will not be later than 15th January, 2004.

13. CREDITORS AND ACCRUED CHARGES

	30th September, 2002 HK\$'000	31st March, 2002 HK\$'000
Trade creditors (aged analysis):		
0 to 60 days	28,060	44,064
61 to 90 days	1,163	3,194
Over 90 days	17,720	6,237
	<u>46,943</u>	<u>53,495</u>
Retentions payable	37,958	48,341
Accrued project costs	65,509	114,602
Other creditors and accrued charges	88,001	103,788
	<u>238,411</u>	<u>320,226</u>

Notes to the Condensed Financial Statements

For the six months ended 30th September, 2002

14. PROVISION FOR PILING INCIDENT

In preparing the condensed financial statements, the directors have considered the likelihood of the success of a claim which is being made against one of the Company's wholly-owned subsidiaries, Zen Pacific Civil Contractors Limited ("ZPCCL"), in relation to a piling project which was discovered to be sub-standard in late 1999 and in respect of which the Group made a provision of HK\$60 million in its audited consolidated financial statements for the year ended 31st March, 2000, being the directors' estimate of the costs of carrying out remedial work and of legal and consultants' costs. Details were disclosed in note 6 to the financial statements for the year ended 31st March, 2000.

The Hong Kong Housing Authority ("HA") has now revised its claims in respect of the sub-standard piling from an amount of HK\$542 million to an amount ranging from HK\$214 million to HK\$605 million. Both parties have agreed to settle the claims through arbitration.

ZPCCL has taken legal advice on the claims alleged by the HA and the amount of any such claims, and on the counterclaim prepared based on acceptable legal arguments available to ZPCCL. Based on that advice and on the information at present available to ZPCCL, although it is not possible to determine the outcome of the arbitration with reasonable certainty at this time, the directors have determined that there is no requirement to make any additional provision in respect of the alleged claims in the condensed financial statements.

15. AMOUNTS DUE TO RELATED COMPANIES

	30th September, 2002 HK\$'000	31st March, 2002 HK\$'000
Amount due to:		
A former subsidiary (Note a)	20,428	20,145
Other related companies (Note b)	68,874	63,132
	<u>89,302</u>	<u>83,277</u>
Less: Amount due within one year shown under current liabilities		
A former subsidiary (Note a)	20,428	—
Other related companies (Note b)	64,933	—
	<u>85,361</u>	<u>—</u>
Amount due after one year	<u><u>3,941</u></u>	<u><u>83,277</u></u>

Notes to the Condensed Financial Statements

For the six months ended 30th September, 2002

15. AMOUNTS DUE TO RELATED COMPANIES (Cont'd)

Notes:

- (a) The amount is unsecured, carries interest at prime rate and is repayable on 30th June, 2003. The former subsidiary became the subsidiary of one of the Company's substantial shareholders during the year ended 31st March, 2002.
- (b) On 28th April, 2001 the Group entered into agreements with two subsidiaries of a substantial shareholder of one of the Company's substantial shareholders. Pursuant to the agreements, the Group agreed:
- (i) to dispose of (1) its equity interests in an associate and a jointly controlled entity and (2) the amount due from the jointly controlled entity to the related companies at an aggregate consideration of HK\$55,239,000; and
- (ii) to buy back all the assets disposed of in (i) at an aggregate consideration of HK\$81,920,000 at different dates specified in the agreements.

As the transaction is of a financing nature in substance, the Group recognised the consideration received as a liability and charged the finance costs, which represent the difference between the consideration received and the consideration to be paid in the income statement over the period from the date of receipt of the consideration to the date of the buy back so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

16. BANK LOANS

	30th September, 2002 HK\$'000	31st March, 2002 HK\$'000
The maturity of bank borrowings is as follows:		
Within one year	78,888	14,889
In the second year	50,000	—
In the third to fifth years inclusive	50,000	—
	<u>178,888</u>	<u>14,889</u>
Less: Amount due within one year shown under current liabilities	<u>78,888</u>	<u>14,889</u>
Amount due after one year	<u>100,000</u>	<u>—</u>

Notes to the Condensed Financial Statements

For the six months ended 30th September, 2002

17. REDEEMABLE BOND

The redeemable bond ("Bond") was secured by 40,000,000 shares of Road King. The Bond carried interest at prime rate and was redeemable on 20th July, 2002. Starting from 20th July, 2001, the holder of the Bond ("Bondholder") had the right to exchange the Bond for the shares in Road King at an adjustable price of HK\$4.50 per share ("Exchange Right").

Pursuant to a supplemental agreement dated 20th March, 2002, the Bondholder agreed to waive the Exchange Right on the Bond and the Company agreed to repay the Bond by instalments. The Bond was repaid in full on 16th May, 2002.

18. COMMITMENTS

At 30th September, 2002, the Group had committed to invest approximately HK\$146,358,000 (31st March, 2002: HK\$153,027,000) into several joint ventures established in the PRC. These joint ventures are principally engaged in the production of construction and building materials and the research and development of bio-pesticide products in the PRC.

19. PLEDGE OF ASSETS

As at 30th September, 2002, the following assets of the Group were pledged:

- (a) Bank deposits amounting to HK\$39,947,000 (31st March, 2002: HK\$40,933,000) of the Group were pledged to secure the banking facilities granted to the Group and a jointly controlled entity.
- (b) 46,500,000 (31st March, 2002: 46,500,000) shares of Road King with a market value of HK\$148,800,000 (31st March, 2002: HK\$147,637,500) were pledged as security for the due performance of the sale and repurchase of an associate and a jointly controlled entity as set out in note 15(b).
- (c) 180,000,000 (31st March, 2002: 80,000,000) shares of Road King with a market value of HK\$576,000,000 (31st March, 2002: HK\$254,000,000) were pledged to secure the banking facilities granted to the Group.

At 31st March, 2002, 40,000,000 shares of Road King with a market value of HK\$127,000,000 were pledged to secure the redeemable bond issued by the Company as mentioned in note 17 and the pledge was released during the period after the repayment of the redeemable bond on 16th May, 2002.

Notes to the Condensed Financial Statements

For the six months ended 30th September, 2002

20. CONTINGENT LIABILITIES

	30th September, 2002 HK\$'000	31st March, 2002 HK\$'000
Outstanding performance/retention bonds in respect of construction contracts	<u>532,665</u>	<u>593,689</u>

At 30th September, 2002, the Company has also given guarantees to indemnify all liabilities for certain construction contracts undertaken by its subsidiaries.

At 30th September, 2002, the Company has an outstanding guarantee to a subsidiary of one of the Company's substantial shareholders that the net accumulated profit before taxation of First Star Development Limited ("First Star") derived from a property development project under the Home Ownership Scheme ("HOS") should not be less than HK\$70,000,000. First Star is a jointly controlled entity of the Group. This property development project has been substantially completed. Following the Government's recent announced housing policy, HOS will cease indefinitely. Discussions have been held with the Government authorities in respect of the ultimate usage of this property development project under HOS. Based on the information presently available, the directors have considered that the situation would be resolved in the next few months and the financial impact of such guarantee would be insignificant. Accordingly, no provision has been made in respect of such guarantee in the interim financial report.