

## Chairman's Statement



**Zen Wei Pao, William**  
*Chairman*

Dear shareholders,

The board of directors (the "Board") of the Company announces that the Group's audited turnover and share of turnover of jointly controlled entities for the financial year ended 31st March, 2002 was HK\$3,369 million (2001: HK\$3,469 million) generating an audited consolidated profit after tax of HK\$101 million (2001: HK\$180 million). Excluding the impact of the one-off provision for doubtful receivables of Road King Infrastructure Limited ("Road King") and provisions against impairment of assets due to the closure of certain quarry sites in mainland China, the Group's profit for the year would have been HK\$214 million, representing an increase of 19% as compared with the results of the previous year.

At the forthcoming Annual General Meeting to be held on 18th September, 2002, the Board will recommend to the payment of a final dividend of 1 cent per share.

## BUSINESS REVIEW AND FUTURE OUTLOOK

### Highway and Expressway

Road King continues to be a reliable source of cash flow for the Group and contributed profit of about HK\$87 million (after the Group's share of provision for doubtful receivables of about HK\$63 million) to the Group. Road King recorded an audited profit after tax of HK\$241 million for the year ended 31st December, 2001 after making a full provision of HK\$126 million against the outstanding receivables in respect of the minimum income undertaking due from the joint venture partners of Jieyang Highway Network, and an unaudited profit after tax of HK\$173 million for the six months ended 30th June, 2002. During the year, the Group received total dividends of HK\$35 million from Road King.

Following the disposal of the Jieyang Highway Network and the refinancing of its medium-term loan facilities during the year, Road King has substantial resources to expand its business. As at 31st March, 2002, Road King had a cash balance of about HK\$1,135 million in hand.



# Highway



### **BUSINESS REVIEW AND FUTURE OUTLOOK** (Cont'd)

#### **Highway and Expressway** (Cont'd)

On 17th May, 2002, Road King signed a conditional agreement to operate and manage the Baoding-Tianjin Expressway in Hebei Province. Negotiation of detailed terms and conditions are currently under progress.

As announced on 8th November, 2001, the Group's shareholding in Road King exceeded 50% of the ordinary shares of HK\$0.10 each in the issued share capital of Road King, Road King had become a subsidiary of the Company. However, upon partial conversion of Road King's convertible preference shares into its ordinary shares on 27th February, 2002, the Group's shareholding in Road King was diluted to 49.08% and thereafter Road King maintains as an associate of the Group. Accordingly, in preparing the Company's financial statements for the year ended 31st March, 2002, Road King's results for the four months period from November, 2001 to February, 2002 were consolidated with those of the Company.

#### **Construction**

The construction division achieved a profit of HK\$94 million for the year. This represented an increase of 88% compared to last year's profit of HK\$50 million.

The Group's subsidiaries, Leader Civil Engineering Corporation Limited and Wai Kee (Zens) Construction & Transportation Company Limited, have won new contracts despite the competitive market and slow economy. In addition, a joint venture formed by the Group and its partners has won a HK\$750 million high-speed rail project in Taiwan.

The Group has gone into arbitration with the Government regarding the Shatin short piling incident. The Group expects results of the arbitration to be obtained at the earliest by the second half of 2003. In view of this development, the Group has decided that Zen Pacific Civil Contractors Limited will not tender for any new projects until the arbitration is resolved.

The Group currently owns a number of construction companies, which are operating in an already crowded market place. It makes sense to restructure these organizations to enable the construction division to compete more effectively and to look after our 400-plus employees. The Group is poised to open a new chapter for its construction division.



# Construction



### **BUSINESS REVIEW AND FUTURE OUTLOOK** (Cont'd)

#### **Construction** (Cont'd)

In addition to the internal restructuring, the Group acquired 49.5% interest in Kier Hong Kong Limited, the Hong Kong arm of Kier Group Plc ("Kier"), a major British construction company, in March, 2002. The Group has always wanted to establish an international position while Kier has been seeking a local partner to increase its competitiveness in Hong Kong and mainland China, where the Group is already well established. Given these objectives, a partnership relationship was the best route to achieving our goal. As a result of these arrangements, staff are assuming new roles and a more competitive and international structure will begin to take shape.

In September, 2001, the Group completed the sale of its interest in Ngo Kee Construction Company Limited ("Ngo Kee"), the Group's building construction division, with a put option to a wholly-owned subsidiary of New World Services Limited ("NWS") for a total consideration of HK\$43 million. In March, 2002, NWS unconditionally removed the put option and paid the remaining balance of consideration to the Group. As part of the disposal arrangement, the Group remains entitled to approximately 70% of the profits generated from all major contracts outstanding at the date of disposal. These contracts contributed a total profit of HK\$70 million to the Group for the year. However, as all these contracts have now been substantially completed, their future profit contribution will be limited.

As a result of the completion of certain major contracts and the disposal of Ngo Kee, the aggregate value of contracts in hand at the construction division fell to about HK\$8.0 billion (of which about HK\$1.6 billion has yet to be completed) at the end of March, 2002.

#### **Quarrying**

The quarrying division recorded a loss of HK\$44 million for this year after making a total provision and write-off of HK\$50 million against impairment of assets resulting from closure of certain quarry sites in mainland China in view of insufficient order. The slow down in property developments in the private and public sectors in Hong Kong and the consequential reduction in the overall demand in aggregates and stone products had hampered the development of quarry division during the year. Despite all these, the Group remains confident that this business line will remain viable in the near future.