



Zen Wei Pao, William
Chairman

Dear shareholders,

The board of directors (the "Board") of the Company has resolved to change the financial year end date of the Company from 31st March to 31st December effective from the financial year ended 31st December, 2002. This report is the first set of the audited financial statements of the Company after the change of financial year end date prepared for the nine months from 1st April, 2002 to 31st December, 2002.

The Board announces that the Group's audited turnover and share of turnover of jointly controlled entities for the nine months ended 31st December, 2002 was HK\$1,164 million generating an audited consolidated profit for the period of HK\$87 million.

At the forthcoming Annual General Meeting to be held on 12th May, 2003, the Board will recommend the payment of a final dividend of HK2 cents per share.

BUSINESS REVIEW AND FUTURE OUTLOOK

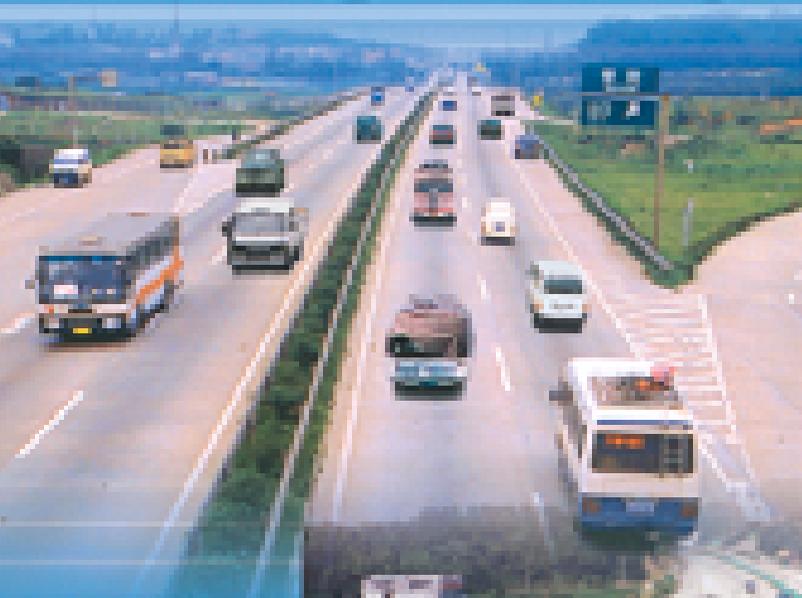
Highway and Expressway

Road King continues to reap the benefits resulting from the rapid growing transportation business in China and contributed profit of about HK\$86 million to the Group for the nine months ended 31st December, 2002 (year ended 31st March, 2002: HK\$87 million). Road King recorded an audited profit after tax of HK\$313 million for the year ended 31st December, 2002 representing an increase of 30% on that of 2001. During the period, the Group received dividends amounting to HK\$63 million from Road King.

In order to broaden its toll roads portfolio, Road King signed a conditional agreement in May 2002 on the operation and management of the Baoding-Tianjin Expressway project in Hebei Province. Agreement to the investment was obtained from the Hebei provincial government and the project is being reviewed and approved by relevant government authorities. The investment is expected to be around HK\$1 billion.



Highway



BUSINESS REVIEW AND FUTURE OUTLOOK (Cont'd)

Highway and Expressway (Cont'd)

On the financial front, Road King had cash and bank deposits of HK\$1,088 million as at 31st December, 2002. This solid cash position together with the reliable future cash inflow from existing toll road projects allowed Road King to make a principal repayment in February 2003 for the US dollar denominated transferable loan of HK\$488 million which would be due in 2003 and 2004.

Construction

The turnover and share of turnover of jointly controlled entities of construction division dropped significantly to HK\$1,047 million for the nine months ended 31st December, 2002 (year ended 31st March, 2002: HK\$2,781 million) as a result of the disposal of the Group's building construction division in the previous year and the substantial completion of certain major civil contracts in the current period. The construction division contributed a profit of HK\$19 million to the Group for the period.

Giving the fact that the construction market will not be able to recover in the near future, the directors believe it would be necessary to participate in construction activities outside Hong Kong, in particular in Mainland China where we believe the construction market will be gradually opened. We have operated in China and Taiwan since 1996 but the scale of contract is small compared to local operation. Ultimately our goal is to have at least 50% of our turnover outside Hong Kong, and hence lesser reliance on local market. We target that by year 2008 the turnover outside Hong Kong will be at least one-third of the total amount achieved by the whole civil division. We realize that the task of operating outside Hong Kong is a tough one, therefore dedication and continuous effort by the whole construction division will be needed to make this plan successful.

The arbitration with Housing Authority with regard to the Shatin project is ongoing and results are expected in second half of this year. The directors have determined that there is no requirement to make any provision for the current period in respect of the incident.

At of the date of this report, the construction division had contracts in hand of about HK\$8,019 million of which about HK\$1,566 million has yet to be completed.



Construction



BUSINESS REVIEW AND FUTURE OUTLOOK (Cont'd)

Quarrying

The quarrying division recorded a profit of HK\$21 million for the nine months ended 31st December, 2002 (year ended 31st March, 2002: loss of HK\$44 million after making a total provision and write-off of HK\$50 million against impairment of assets).

The quarry business is in a matured market in Hong Kong and with the downturn of construction activities the quarrying operation in Hong Kong will likely be affected. A significant part of this period's profit came from our quarry in Shanghai. We are now starting production of aggregate for the use of Shanghai Dayang deep water port.

Encouraged by this development, we are actively exploring new opportunities of quarrying in other areas of China. The management believes that a satisfactory return can be expected from China quarries in the medium and long term.



Quarry



BUSINESS REVIEW AND FUTURE OUTLOOK (Cont'd)

Bio-technology

Wuhan Nature's Favour Bio-Engineering Limited has completed the construction of a pilot plant and an extraction production plant. Manufacturing of bio-pesticide commenced in March 2003.

Two products with our own patent rights have obtained production and distribution licences. Another three new bio-pesticide products are expected to have all licences within 2003. The management is confident that the financial results of Wuhan Nature's Favour Bio-Engineering Limited in 2003 will be satisfactory.

Property Development Projects with Government

The Group has interests in two property development projects with Government. Both projects had 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\$28 million as its share of expenses for the period.

In view of the recent Government's housing policy, one of the property development projects has been converted to public rental housing and the Government has agreed to purchase the residential area and the car parking spaces in April 2003.

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 will be resolved in the next few months and the financial impact of such guarantee will be insignificant. Accordingly, no provision has been made for any financial impact in respect of such guarantee in the financial statements.



Bio-Technology



FINANCIAL REVIEW

Liquidity and Financial Resources

During the period, total borrowings were maintained at a similar level with the maturity profile summarised as follows:

	31st December, 2002 <i>HK\$' million</i>	31st March, 2002 <i>HK\$' million</i>
Within one year	173	151
In the second year	50	84
In the third to fifth year inclusive	25	–
	<u>248</u>	<u>235</u>

Major movements of the total borrowings during the period were:

- The Group obtained a three years term bank loan of HK\$150 million, of which HK\$25 million was repaid during the period, to pay off the remaining balance of HK\$135 million out of the HK\$180 million redeemable exchangeable bond. Apart from that, additional bank loans amounting to HK\$14 million were raised during the period.
- Additional interests of HK\$9 million was accrued during the period for the financial arrangement related to the disposals of interests in the development of two property development projects with the Government in year 2001, making up a total outstanding amount of HK\$72 million recorded as liability as at 31st December, 2002.

As at 31st December, 2002, the Group's cash and bank balances amounted to HK\$123 million, of which HK\$41 million bank deposits were pledged to secure bond and banking facilities granted to the Group and a jointly controlled entity.

The Group's net finance costs for the nine months ended 31st December, 2002 was HK\$16 million (year ended 31st March, 2002: HK\$28 million excluding Road King's net finance costs of HK\$51 million during the period in which Road King was a subsidiary of the Group).

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.

FINANCIAL REVIEW (Cont'd)

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 reduced from 8.1% to 6.4% during the period. As at 31st December, 2002, the shareholders' funds amounted to HK\$1,951 million, representing HK\$2.51 per share (HK\$2.43 per share as at 31st March, 2002). Increase in shareholders' funds was mainly attributable to profit retained after dividends paid for the period.

Pledge of Assets

As at 31st December, 2002, apart from the bank 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\$579 million as at 31st December, 2002 (HK\$594 million as at 31st March, 2002) related to performance and retention bonds issued to customers in respect of outstanding construction contracts.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2002, the Group had 795 employees (864 employees as at 31st March, 2002), of which 615 (665 as at 31st March, 2002) were located in Hong Kong, 148 (160 as at 31st March, 2002) were located in Mainland China and 32 (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 AND APPRECIATION

Strong economic growth and booming trading activities in China have fueled accelerated car ownership and road usage. The Board is confident that Road King is well posed to take advantage of opportunities arising therefrom and will continue to prosper in the coming years.

The depressed economy and property market in Hong Kong have affected the performances of both the construction and quarrying divisions. However, the divisions have taken steps to restructure themselves to be more competitive and cautiously position themselves to take advantage of opportunities in China.

The Group continues to focus on its core businesses and adopt a conservative approach in its financial management. With our committed and diligent staff, the Board is optimistic on the Group's performance and future. The Board would like to take this opportunity to extend its heartiest thanks to the entire loyal and dedicated staff.

Zen Wei Pao, William
Chairman

27th March, 2003