



Chairman — **Dr. Lui Che Woo**, MBE, JP, LLD, DSSc

### FOREWORD

The result in 2002 proved that the Group has made the right move in diversifying into the Mainland. The contribution from the Group's Mainland Division increased significantly during the year. The profit before tax from the Mainland operation for 2002 accounted for approximately 29% of the Group's profit as compared to approximately 3% in 2001. Within the confines of the Group's strategy for investments in the Mainland, the Group has committed more than HK\$500 million in fifteen Mainland projects, of which two have started bringing profit contribution to the Group. The Group expects with all the remaining projects up and running in the coming two years, the Group will achieve a more balanced profit distribution between Hong Kong and the Mainland. The Group's business presence now covers Beijing, Shanghai, Guangzhou, Shenzhen, Nanjing, Anhui, Huzhou and Huidong.

### YEAR 2002 RESULTS

Though the Group's 2002 results is less profitable than 2001, it is considered satisfactory given the further deterioration of the Hong Kong economy and the Mainland market becoming more competitive.

Turnover was HK\$1,011 million compared to HK\$1,083 million last year, representing a decline of 7%. Further shrinking demand eroded our profit margin in the Hong Kong market. This however, was partly offset by better than expected performance in the Mainland.

Profit attributable to shareholders declined 45% from that of last year to HK\$62 million. Earnings per share was 5.1 cents per share, a 47% decrease compared to the year ended 31st December 2001.

The Board recommends a final dividend of 1 cent per share, resulting in a total dividend of 2 cents per share with a payout ratio of 40% for 2002. For the preceding three years, the Group has maintained an average payout ratio of over 40%.

### PROSPECTS

In Hong Kong, the severe and prolonged downturn in the local economy continues to affect the construction sector. Shrinking demand resulted in thinner margins which directly affected the Group's performance.

The Group is well prepared to cope with the foreseeable difficult business environment through further consolidation and streamlining of its Hong Kong operations and containing cost.

The Group maintains its view on the increasing potential in the Mainland. It recognises that to be successful in the Mainland, leveraging the Group's current strengths in corporate culture, system and human talents and Mainland experience are the key value drivers that the Group must focus on.

## STRATEGIC FOCUS

Throughout 2002, the Group remained focused on its core strategy implementation. In the year ahead, the Group will focus on leveraging its leadership position in Hong Kong to lead the Group through the most critical period of the Hong Kong economy and further reposition itself to capture rising opportunities when Hong Kong's economy recovers. In the Mainland, we continue to ensure that the 15 new projects embarked in 2002 will start generating profit contribution to the Group in the coming two years.

In light of growing opportunities in Mainland China, the Group will pursue its long term strategy to become one of the major suppliers of construction materials in Mainland. On this, the Group is actively exploring business opportunities to expand its presence in other provinces and cities and to enlarge its product range to include higher value products which are environmental friendly with better return.

## PEOPLE

In K. Wah, people are our most valuable assets. The Group believes the success of the Group's business relies upon the employees' talents and experience. The Group's personnel strategy is to continuously invest in developing talents and ensure that the Group has sufficient talents of the required disciplines to support the Group's growth in Greater China.

The Board welcomes the appointment of Mr. Chan Kai Nang as an executive director and deputy managing director of the Company with effect from 14th January 2003 and as the managing director of the Company with effect from 9th April 2003, bringing substantial valuable experience to the Group.

The Group has taken measures to monitor and evaluate the impact of the recent outbreak of atypical pneumonia on the Group's employees and business.

## AWARD

In 2002 K. Wah Construction Materials Limited won the Caring Company Award accredited by the Hong Kong Council of Social Service, recognising the Group's performance as a good corporate citizen.

On the corporate governance front, the Group's independent non-executive director, Dr. Charles Cheung won the Directors of the Year Awards 2002 of Listed Company Non-Executive Director from The Hong Kong Institute of Directors. Dr. Cheung was awarded for his outstanding contribution towards maintaining the Group's high standard of corporate governance.

Lastly, my gratitude goes to the directors; the management team, and all staff for their valuable contribution made in 2002.

**Dr. Lui Che Woo**  
*Chairman*

9th April 2003