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## Business Review

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This has been a period of consolidation for the Group. The Group's unaudited turnover and share of turnover of jointly controlled entities for the first half of this financial year 2001/2002 was HK\$1,788 million (2000/2001: HK\$1,695 million) generating an unaudited consolidated profit after tax of HK\$39 million (2000/2001: HK\$107 million). The Board considers the Group's performance satisfactory in such difficult period.

### **EXPRESSWAY AND HIGHWAY**

Road King Infrastructure Limited ("Road King") continues to be a reliable source of cash flow for the Group and contributed profit of about HK\$26 million to the Group. It recorded unaudited profit after tax (before provision for doubtful receivables) of HK\$310 million for the nine months and HK\$124 million for the three months ended 30th September, 2001.

In September, 2001, Road King completed the disposal of its entire interest in Jieyang Highway Network ("Jieyang JVs"). As a result of the transaction, Road King received a net sales proceed of HK\$477 million and recorded a gain of approximately HK\$29.5 million. However, upon completion of the disposal, the Board of Road King considered it prudent to make a full provision against the outstanding receivables in respect of the minimum income undertaking due from the joint venture partners of Jieyang JVs for approximately HK\$125.7 million.

As announced on 8th November, 2001, the Company'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 has become a subsidiary of the Company. Accordingly, in preparing the Company's financial statements commencing for the year ending 31st March, 2002, the results, assets and liabilities of Road King effective from 7th November, 2001 will be consolidated with those of the Company.

### **CIVIL AND BUILDING CONSTRUCTION**

Despite the Shatin short piling incident, the construction division still managed to achieve a profit of HK\$31 million for the period (2000/2001: HK\$32 million). No further provision was considered for the short piling incident for the current period as there has been not much development since the issue of our previous annual report.

### **CIVIL AND BUILDING CONSTRUCTION** (Cont'd)

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 for a total consideration of HK\$43 million. As part of the disposal arrangement, the Group is still entitled to approximately 70% of the future profits generated from all major outstanding contracts existed at the date of disposal.

At the end of October, 2001, the civil construction division of the Group had contracts in hand of about HK\$9,807 million of which about HK\$3,733 million has yet to be completed.

### **QUARRYING**

The quarry division recorded a slight loss of HK\$0.4 million for this period, after making a further provision of HK\$3 million against the remaining assets of Shanghai Quarry. The performance of the division was still affected by the slow down in the property developments in the private and public sectors.

Procedures have been in place to increase the operational efficiency and management remains confident that the division will generate steady cash flow for the Group for the years to come.

### **BUILDING MATERIAL**

The division recorded a loss of HK\$3 million for this period. As part of the corporate strategy to dispose of non-core businesses, the Group completed the sale of its interest in a 65% owned subsidiary, Sundart Timber Products Company Limited ("Sundart"), to third parties at a total consideration of HK\$38 million in October, 2001.