



Construction Materials

Construction material business faced a challenging year with rapidly changing economic environment in different areas in which the Group operates. Having renowned for consistently high quality of cement supplied and services and stable, reasonable pricing, the Group has been able to maintain a high position in the industry and, in particular, accomplish an outstanding performance in the Group's Philippine operation.



Hong Kong

During the year under review, the construction material businesses of the Group in Hong Kong experienced a decline because of the reduction in consumption of cement and concrete in Hong Kong as well as their selling prices. Pre-tax profit of the Group's cement distribution operation in Hong Kong decreased by 3.0% from the previous year, and pre-tax profit contributed by associates of the Group which carried on concrete businesses dropped by 28.7%. Stagnant construction activities in the private and public residential sectors have contributed to such decline.

The Philippines

The performance of the Group's Philippine cement operation was outstanding and has become a significant profit contributor to the Group. Sales volume leaped by 157.4% to approximately 919,000 metric tonnes from the previous year's approximately 357,000 metric tonnes, and a one-fold pre-tax profit growth compared to the previous year was achieved. Recognition from distributors and end users for consistently high quality of cement supplied, responsive services, timely delivery and stable, reasonable pricing all contributed to the significant growth in sales. The effect of depreciation of the Philippine peso against the US dollar had some negative impact on operating profit, but the overall growth was still remarkable.

People's Republic of China (the "PRC")

In the PRC, Anhui King Bridge Cement Co. Ltd. ("AKB"), the Group's 60%-owned subsidiary which operates a cement manufacturing plant in Wuhu, commenced commercial production in August 2000. In its early stage of operations, AKB is in the process of establishing distribution channels and thus incurred a small amount of loss during the year.