



CONSTRUCTION MATERIALS

Hong Kong

During the year under review, despite a slight increase in sales volume amidst the overall reduction of cement consumption in the market, pre-tax profit of the Group's cement distribution operation in Hong Kong fell considerably from the previous year, largely attributable to the reduction of selling prices. Pre-tax profit contributed by associates of the Group which carried on ready-mixed concrete businesses dropped by 8.3%. The continued slow-down construction activities in the private and public residential sectors and stagnancy of infrastructure projects have contributed to such decline.

The Philippines

The performance of the Group's Philippine cement operation was encouraging. Sales volume increased by 7.4% from the previous year, and a 45% pre-tax profit growth compared to the previous year was achieved. Increase in selling prices in the Philippine cement market and more stable exchange rates of the Peso against the US dollar contributed to such outstanding results.

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

In the People's Republic of China (the "PRC"), Anhui King Bridge Cement Co. Ltd. ("AKB"), the Group's 60%-owned subsidiary which operates a cement manufacturing plant in Wuhu, had its first full year of commercial operations in 2001. Having commenced commercial production for slightly more than one year, AKB started to generate positive earnings from October 2001 although it suffered a net loss for the year, after having adjusted its production strategy and having improved supply and distribution channels.