

REPORT OF THE DIRECTORS

The directors herein present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2001.

Principal activities

The principal activity of the Company is investment holding.

The principal activities of the Group consisted of the import and distribution of cement in Hong Kong and the Philippines, and the manufacturing and distribution of cement in the other areas of the People's Republic of China ("Mainland China"). Through its associates, the Group is also engaged in the production and distribution of ready-mixed concrete in Hong Kong and Mainland China and the provision of cellular telecommunication services in Taiwan. There were no significant changes in the nature of the Group's principal activities during the year.

Segment information

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 December 2001 is set out in note 4 to the financial statements.

Results and dividends

The Group's profit for the year ended 31 December 2001 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 32 to 85.

An interim dividend of HK 2 cents per ordinary share was paid on 16 October 2001. The board of directors recommends the payment of a final dividend of HK 2 cents per ordinary share in respect of the year, to shareholders on the register of members on 4 June 2002. This recommendation has been incorporated in the financial statements as an allocation of share premium within capital and reserves in the balance sheet. Further details of this accounting treatment are set out in note 11 to the financial statements.

REPORT OF THE DIRECTORS

Summary financial information

Set out below is a summary of the results and a statement of net assets of the Group for the last five financial years.

Results

	2001 <i>HK\$'000</i>	Year ended 31 December			
		2000 <i>HK\$'000</i> (Restated)	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>	1997 <i>HK\$'000</i>
TURNOVER	671,355	651,090	443,385	364,873	372,255
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	96,561	(311,791)	145,398	109,462	124,509

Assets, liabilities and minority interests

	2001 <i>HK\$'000</i>	31 December			
		2000 <i>HK\$'000</i> (Restated)	1999 <i>HK\$'000</i> (Restated)	1998 <i>HK\$'000</i> (Restated)	1997 <i>HK\$'000</i> (Restated)
TOTAL ASSETS	1,369,264	1,277,432	881,611	728,404	587,967
TOTAL LIABILITIES	(561,179)	(464,739)	(138,346)	(87,315)	(61,503)
MINORITY INTERESTS	(63,842)	(74,424)	(71,128)	(67,426)	(30,049)
	744,243	738,269	672,137	573,663	496,415

Notes:

1. The consolidated results for each of the four years ended 31 December 2001 and the combined results for the year ended 31 December 1997 are extracted from the published audited financial statements, excepted for the restatement of certain balances pursuant to the prior year adjustments as set out in note 13 to the financial statements. The combined results for the year ended 31 December 1997 include (i) the audited results of Hong Kong Cement Manufacturing Company Limited, a fellow subsidiary, following the Group reorganisation in preparation for the listing of the Company's shares, which formerly carried on the business of import and distribution of cement, from 1 January 1997 up to the date of reorganisation in September 1997; and (ii) the combined results of the Company and its subsidiaries as if the structure following the Group reorganisation detailed above had been in existence throughout the year ended 31 December 1997.
2. The statements of net assets as at 31 December 1997, 1998, 1999, 2000 and 2001 are extracted from the audited financial statements of the Group.

REPORT OF THE DIRECTORS

Fixed assets

Details of movements in the fixed assets of the Group during the year are set out in note 14 to the financial statements.

Share capital and share options

Details of the movements in share capital and share options of the Company, together with the reasons therefor, are set out in note 25 to the financial statements.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law (2000 revision) of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 26 to the financial statements.

Distributable reserves

At 31 December 2001, the Company's reserves, including share premium and contributed surplus accounts, available for cash distribution and/or distribution in specie, computed in accordance with the Companies Law (2000 revision) of the Cayman Islands, amounted to HK\$1,028,981,000. Under the laws of the Cayman Islands, a company may make distributions to its members out of the share premium and contributed surplus accounts under certain circumstances.

Directors

The directors of the Company during the year and up to the date of this report were:

Executive directors

KOO Cheng Yun, Leslie (Chairman)

WU Yih Chin (Managing Director)

TSAO Jas Yee, James

Non-executive directors

HUI-BON-HOA Khien Piau, Pierre

CHIANG Cheng Hsiung

CHEN Chi Hsiung

Independent non-executive directors

LIAO Poon Huai, Donald

SHAN Weijian

In accordance with article 116 of the Company's articles of association, CHEN Chi Hsiung and LIAO Poon Huai, Donald, will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Directors' and senior management's biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 15 to 17 of the annual report.

Directors' service contracts

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable by the Group within one year without payment of compensation other than by statutory obligation.

Directors' interests in contracts

Except as further detailed in note 31 to the financial statements, no director had a significant beneficial interest, either direct or indirect, in any material contract to the business of the Group to which the Company or any of its holding companies, fellow subsidiaries and subsidiaries was a party during the year.

REPORT OF THE DIRECTORS

Directors' interests in shares

At 31 December 2001, the interests of the directors in the share capital of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Interests in the Company

Director	Nature of interest	Number of shares
HUI-BON-HOA Khien Piau, Pierre	Personal	5,680,000
WU Yih Chin	Personal	1,700,000
TSAO Jas Yee, James	Personal	1,500,000

Interests in the associated corporations

(i) Taiwan Cement Corporation ("TCC") *

Director	Number of shares and nature of interest			
	Personal	Family	Corporate	Total
KOO Cheng Yun, Leslie	24,475,142	2,935 (Note 1)	22,980,565 (Note 2)	47,458,642
WU Yih Chin	117,952	—	—	117,952
CHIANG Cheng Hsiung	468,198	29,120 (Note 1)	—	497,318
CHEN Chi Hsiung	323,987	17,215	—	341,202
LIAO Poon Huai, Donald	464,094	596,231 (Note 1)	—	1,060,325

* The ultimate holding company of the Company

Notes:

- (1) The shares are held by the respective directors' spouse as the registered and beneficial shareholder.
- (2) KOO Cheng Yun, Leslie, together with his spouse, hold 44% of the issued capital of a company which holds 22,980,565 shares of TCC.

(ii) Hong Kong Cement Manufacturing Company Limited **

Director	Nature of interest	Number of shares
HUI-BON-HOA Khien Piau, Pierre	Personal	710

Directors' interests in shares (continued)

Interests in the associated corporations (continued)

(iii) Prosperity Dielectrics Company Limited **

Director	Nature of interest	Number of shares
KOO Cheng Yun, Leslie	Personal	19,224
CHIANG Cheng Hsiung	Personal	16,000

(iv) Archtek Telecom Corporation **

Director	Nature of interest	Number of shares
CHIANG Cheng Hsiung	Personal	18
CHEN Chi Hsiung	Personal	18

(v) Taiwan Cement Engineering Corporation **

Director	Nature of interest	Number of shares
CHIANG Cheng Hsiung	Personal	24,073

(vi) Ta-Ho Maritime Corporation **

Director	Nature of interest	Number of shares
CHIANG Cheng Hsiung	Personal	26,450
	Family	71,083
		97,533
CHEN Chi Hsiung	Personal	11,500

** Subsidiaries of the ultimate holding company of the Company

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries of the Group held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other beneficial interest in the share capital of the Company or any of its associated corporations as defined in the SDI Ordinance.

Share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include directors, including independent non-executive directors, and employees of the Company and any of its subsidiaries and associates. The Scheme became effective upon the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 October 1997 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.