



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

### FOREWORD

2001 was a year of development and repositioning for K. Wah Construction Materials. Significant inroads were made toward expanding the Group's core revenue base into the Mainland. The Group continues to focus on building unit cost advantages through integrating the product supply cycle and securing advantageous delivery points. These measures will enhance the Group's ability to significantly increase market share and maintain margin in the future.

### YEAR 2001 RESULTS

Given the extremely soft construction sector in 2001, and despite significant investments made for the future, the Group's 2001 results were satisfactory.

Turnover was HK\$1,083 million compared to HK\$1,094 million last year, a decline of 1%. Weak demand and reduced margin in the Hong Kong market negated strong performance in Shanghai.

Profit attributable to shareholders declined 32% from last year to HK\$113 million.

Earnings per share was 9.6 cents per share, a 37% decrease compared to the year ended 31st December 2000.

The Board recommends a final dividend of 2.5 cents per share, resulting in a total dividend of 4 cents per share, with a payout ratio of 43% for 2001. For the preceding two years, the Group has maintained average payout ratios of over 40%.

### MARKET OUTLOOK

In Hong Kong, the construction sector experienced one of the most severe cyclical downturn in recent years. Soft demand led to price pressure and reduced margin, directly impacting the Group's performance. Short-term the sector will remain soft but the Group is hopeful of a medium-term improvement led by the planned infrastructure projects and increased Urban Renewal activities.

In contrast, the Group is upbeat on Mainland's prospects. At the same time the Group recognizes the prudence, diligence and moderation which are required in successfully expanding into a complex, highly diversified and enormous market which is China.

### STRATEGIC FOCUS

Throughout 2001 the Group remained focused on its core strategies.

The Group continued to build upon the leadership positions achieved in Hong Kong in market share, production capacity and technology, quality and services. The Group's legacy advantages in aggregates and delivery logistics made us one of the lowest cost suppliers, and therefore more resilient to cycle downturn. In the Mainland, we continued to invest vigorously for the future, targeting strategic partnerships in product and logistics to achieve a broader, well-integrated product mix and permanent cost advantage. The Group continues to penetrate the greater Shanghai area and grow share in the markets of ready-mix concrete and other construction products. In light of the 2008 Olympics, the Group is also actively exploring construction materials business opportunities in Beijing. It is envisaged that the Group's many years of local management experiences would greatly enhance our future expansion in the Mainland.

## PEOPLE

In K. Wah people are our most valuable asset. The Group continues to invest in developing talents to lead and support the Group's business expansion. Focus is on recruiting and shaping a core team of versatile, multi-skilled project managers who are equally effective on both sides of the border.

The "3C" principle — communication, co-operation and co-ordination — upon which the K. Wah teamwork is built continue to strive. "K50", a TQM program targeting fifty initiatives for improvement in the construction materials business was substantially completed.

## AWARD

In 2001, the Group's Huang Pi Quarry won first place honor among the country's 15 most environmental quarry operations, fully affirming K. Wah Construction Materials' superior and environmentally sound design and operations.

Lastly my gratitude to the directors, the management team, and all the staff of K. Wah Construction Materials — they as a team have made 2001 a year of accomplishments.

**Dr. Lui Che Woo**

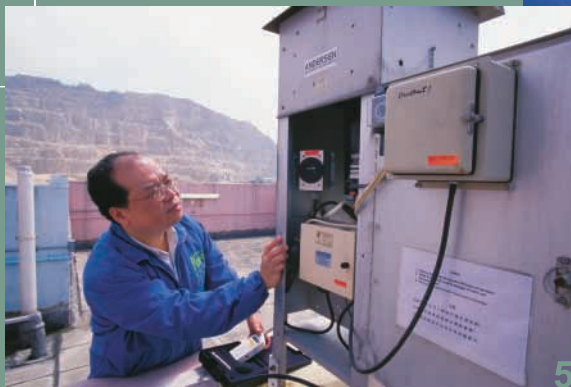
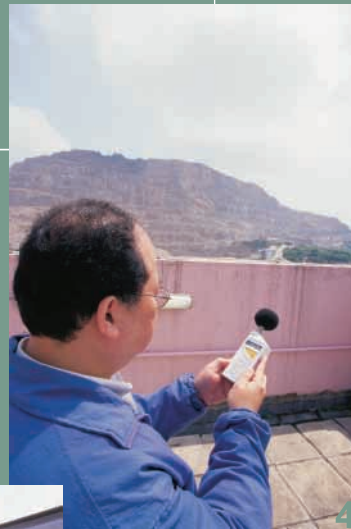
*Chairman*

11th April 2002

Hong Kong



# Commitment to Environmental Protection



1&2. Rehabilitation of Anderson Road Quarry  
3. Road-wetting trucks help reduce dust emission.  
4&5. Environmental impact assessment

