



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

FOREWORD

2001 was a year of development and repositioning for K. Wah International Holdings. Significant inroads were made toward expanding the Group's core revenue base into the Mainland. In property development, in Shanghai alone, the Group had planned close to four million square feet, mostly prime residential projects in various stages of development. Strong profit contributions are expected from the second half of 2003 onward.

In construction materials, 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 grow market share and improve margin in the future.

YEAR 2001 RESULTS

Despite significant investments made in 2001 for the future, the Group's 2001 results were encouraging.

Turnover rose 28% from last year to HK\$2,275 million on account of strong sales in Hong Kong property.

Profit attributable to shareholders rose 22% from last year to reach HK\$100 million, the highest level of profit after the Asia financial crisis.

Earnings per share was 5.6 cents per share, a 14% increase compared to the twelve month period ended 31st December 2000.

The Board recommends a final dividend of 2 cents per share, resulting in a full year dividend of 3 cents per share, or a payout ratio of 54% for 2001. During the preceding two years, the Group's payout ratios averaged around 52%.

MARKET OUTLOOK

In property development, while affordability was at record high, homebuyers worried about job prospects and further decline in property value. Except for isolated development projects, both the primary and the secondary market continued to be soft. The Group is of the view that restoring homebuyers' confidence and the pride of ownership are the central issues, which must rely on a clear, consistent and market-oriented housing and land policy.

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, impacting the construction materials performance. Short-term the sector will remain soft but the Group is hopeful of a medium-term recovery led by the planned infrastructure projects and increased Urban Renewal activities.

In contrast, the Group is upbeat on Mainland's prospects in both construction materials and property in view of Mainland's sustained economic growth, increases in household income and consumption power, entry into the WTO and the 2008 Olympics. Nonetheless the Group recognizes the prudence, diligence and moderation which are required in successfully expanding into a complex, highly diversified and huge market which is China.

STRATEGIC FOCUS

Throughout 2001 the Group remained focused on its core strategies.

In properties, increasingly the Group will be making its presence felt in the Mainland, and particularly in the Shanghai area where the underlying economics for property development is more predictable. The K. Wah brand achieved initial recognition in Shanghai, and plans are in place to further strengthen the association of the K. Wah-branded residential properties with **“superior design, top quality and value for money”**.

In construction materials, the Group continued to build upon the leadership position achieved in Hong Kong in market share, production capacity, 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 could greatly enhance our future expansions 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 all the directors, the management, and the staff of K. Wah International Holdings — they as a team have made 2001 a year of accomplishments.

Dr. Lui Che Woo
Chairman

11th April 2002
Hong Kong

Hong Kong

Property Developments



1. The Palace, Broadcast Drive
2. Le Cachet, Happy Valley
3. The Montebello, Argyle Street
4. The SeaCrest, Tuen Mun

