

Anderson Road





1. Aerial view of Anderson Road Quarry
2. Aggregate's conveyor belts
3. Boulders or quarries on truck were unloaded for crushing
4. Aggregate are produced through conveyor belts equipped with sprinkler control system to reduce dust emission
5. Computerised control room in crushing plant

(3) PROPERTIES IN SINGAPORE (all 100% owned)

(i) San Centre, Chin Swee Road

The property comprises approximately 5,800 square metres of office space and 80 car parking spaces inside a 12-storey office building. Approximately 3,800 square metres is held for long term investment purpose and the remaining area is held for sale. Over 90% of the office space was leased out contributing a steady rental income to the Group.

(ii) Residential Units at 180A, Bencoolen Street

The property comprises 21 residential units and is held for sale. The local residential property market has been picking up very slowly during the year. It is planned to lease out the units for rental in the coming year.

(4) CONSTRUCTION MATERIALS BUSINESS AND TECHNOLOGY INVESTMENTS VIA 67% SHAREHOLDING IN K. WAH CONSTRUCTION MATERIALS LIMITED

(A) Construction Materials Business in Hong Kong

Market conditions remained competitive for the construction materials business affecting both the turnover and profit contribution during the year.

Turnover for the year was at similar level as last year but net profit from Hong Kong operations were reduced despite various cost control measures being implemented to maintain our competitive edge.

(B) Construction Materials Business in the Mainland

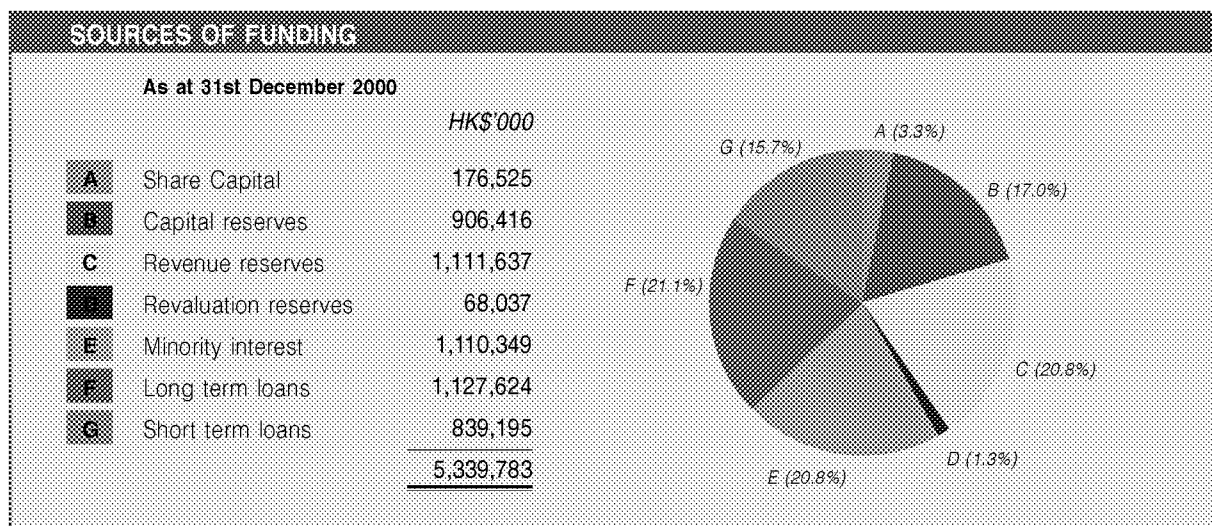
In Guangzhou, the overall performance of the operations was satisfactory. However, the area where our Huangpi Quarry is located is being zoned as one of the eight non-exploration areas by the local government, and closure notice was served in December 2000. Legal proceedings to revoke the closure notice have commenced. While awaiting the outcome of the legal proceedings and on a prudent basis, a provision has been set up against any contingent losses arising from the closure.

In Shanghai, the liquidity problem in the market has continued to ease during the year and our ready-mixed concrete operations in the city have recorded improvement both in turnover and profit contribution.

(C) Technology Investments

The Group has proceeded cautiously with its diversification plan. As at 31st December 2000, approximately HK\$75.6 million out of the total budget of HK\$312 million on eight projects have been invested. The Group is confident that these investments will achieve a satisfactory return for its shareholders in the long term.

(5) FINANCE



(A) Financial Position and Gearing Ratio

The financial position of the Group remained healthy during the year ended 31st December 2000. Funds employed was similar to last year of HK\$5.3 billion.

Long term liabilities remained steady during the year. The gearing ratio, defined as the ratio of total loans outstanding less cash balances to total assets, was maintained at the same healthy level of 25% as at 31st December 2000 as last year. As at 31st December 2000, the aggregate cash balances was HK\$683 million and total undrawn banking facilities of the Group amounted to over HK\$1,200 million.

The total fixed assets and current assets balances were similar to last year while the balance for the jointly controlled entities increased by 1.5 times or HK\$272 million mainly representing investments in the new joint ventures formed for acquiring lands for development from public land auctions during the year.

(B) Group Liquidity and Financial Resources

The liquidity position of the Group remained healthy during the year. Cash and bank balances less bank overdrafts and short term loans amounted to HK\$394 million, a decrease of HK\$94 million as compared to last year balance. The total long term borrowings amounted to HK\$1,678 million, a decrease of HK\$71 million as compared to last year balance. Out of the total long term borrowings over 67% of these borrowings mature over a period of one year and above.

The capital expenditure for the year amounted to HK\$35 million representing mainly the plant and machinery purchased for the Construction Materials operation. These payments were financed by funds generated from operating activities and bank borrowings.

The Group's gearing ratio is healthy and has sufficient funds to meet its commitment and operational requirements.

(5) FINANCE *(Cont'd)*

(C) Treasury Policies

The Group continues to adopt a conservative approach regarding foreign exchange exposure, which is managed to minimize risk. The majority of the Group's borrowings are in either Hong Kong Dollars or United States Dollars. Forward foreign exchange contracts are utilized when suitable opportunities arise and when considered appropriate, to hedge against non-Hong Kong Dollar and non-United State Dollar exposures. Interest rate swap contracts are also utilized when considered appropriate to avoid impact of any undue interest rate fluctuation on the operation.

The Group has not engaged in the use of derivative products, which are considered not necessary for the Group's treasury management activities.

(D) Charges on Group Assets

Details of charges on Group assets are set out in note 12 to the financial statements.

(E) Contingent Liabilities

Details of contingent liabilities are set out in note 31 to the financial statements.

(6) EMPLOYEES

(A) Employees and Remuneration Policy

The Group, excluding associated companies, employs 1,540 staff of which 510 are employed in Hong Kong. Employee costs, excluding Directors' emoluments, amounted to HK\$177,833,000. The Group recruits and promotes individuals based on their merits and development potentials for the positions offered. Staff performance is reviewed at least annually while compensation is performance driven. Following approval by the shareholders in 1989, the Group has been implementing a share option scheme for senior executives for the purpose of providing competitive remuneration package and long term retention of management talents.

(B) Training and Development

People are our key assets for future growth and success. The Group encourages employees to continuously enhance their business skills, knowledge and expertise to augment business competitiveness.

During the year, employees were sponsored to attend external and internal training courses in a wide range of areas such as e-commerce, application of information technology to business operation, finance and taxation, laws, human resources management, language and computer software application. To further upgrade our staff on the use of information technology at work, more training has been focused on information technology and knowledge. An I.T. resource centre named experience@kwah has been set up to stimulate and cultivate staff interest towards the use of information technology in building up work related knowledge and skills in an informal and relaxed environment.