

Liquidity, financial resources and capital structure

The Group adopts prudent treasury policies in managing its cash resources and bank borrowings.

Total cash and bank balances of the Group as at 31 December 2000 amounts to HK\$83.0 million, of which 91.7% are denominated in either HK\$, US\$ or RMB and the rest are denominated in NT\$ and Philippine pesos. Highly liquid short term investments with a market value of HK\$44.7 million as at 31 December 2000 were also held by the Group. A significant portion of the Group's accumulated surplus cash was utilised for the acquisition of the 10.02% equity interest in KGT, which was also partially financed by additional bank loans and a new share issue.

The maturity profile of the Group's bank loans as at 31 December 2000 is analysed below:

| | 2000 HK\$'000 | 1999 HK\$'000 |
|--------------------------|------------------|------------------|
| Amount repayable: | | |
| Within one year | 133,893 | 18,692 |
| Within two to five years | 254,801 | - |
| Beyond five years | - | 35,894 |
| Total bank loans | 388,694 | 54,586 |

Out of the bank loans as at 31 December 2000, HK\$307 million are denominated in HK\$, HK\$ equivalent of 12.9 million in US\$, HK\$ equivalent of 46.7 million in RMB and HK\$ equivalent of 22.1 million in Philippine pesos. All loans are of floating rate structures.

Apart from loans amounting to HK\$277 million which were secured by the pledge of 48,000,000 shares in KGT, all other bank loans are not secured by any charge against assets of the Group.

Gearing ratio, calculated based on total bank borrowings and total assets, as at 31 December 2000 is 30.4%.

Foreign currency exposures

The Group is committed to utilise various methods to mitigate foreign currency exposures arising from the currency mismatch of cement purchases and sales. To protect the benefits of shareholders, cost-efficient hedging methods will be considered in future transactions in foreign currencies.

No foreign exchange forward contracts were outstanding as at 31 December 2000.

Future investment plans

With the success of the Group's strategy to counteract cyclical trends in local construction material industries by expanding geographically, we will continue to explore new opportunities in other countries with a prudent approach.

All financing methods, including equity, debt and other means, will be considered so long as such methods are beneficial to shareholders as a whole.

Employees

As at 31 December 2000, the Group had 170 full-time employees. Total staff costs of the Group, excluding directors' remuneration, for the year then ended amounted to HK\$15.3 million. Discretionary bonuses, decided by top management, are payable to employees in Hong Kong and senior management of overseas subsidiaries based on performance. In addition, the Company's directors may, at their discretion, invite employees, including directors, of the Company or any of its subsidiaries and associates to take up options to subscribe for shares of the Company at discounted prices. During the year, 20,000,000 share options were granted to certain directors and employees of the Group.