

Notes to the Financial Statements

31 December 2000

20. Bank Loans

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Amounts repayable:				
Within one year	133,893	18,692	10,000	—
Within two to five years	254,801	—	197,000	—
Beyond five years	—	35,894	—	—
	388,694	54,586	207,000	—
Portion classified as current liabilities	(133,893)	(18,692)	(10,000)	—
Long term portion	254,801	35,894	197,000	—

The Company's bank loan amounting to HK\$207,000,000 (1999: Nil) was secured by corporate guarantee from certain subsidiaries and pledge of shares of an associate (see note 16).

Bank loans of the Group amounting to HK\$134,965,000 (1999: HK\$12,529,000) were secured by a corporate guarantee from the Company, out of which a bank loan of HK\$70,000,000 was also secured by a pledge of shares of an associate (see note 16). Another bank loan of the Group amounting to HK\$46,729,000 (1999: HK\$42,057,000) was guaranteed by the minority shareholder of a 60 per cent. owned subsidiary to the extent of HK\$88,800,000 in respect of the loan facilities granted to the subsidiary. In return for the guarantee given by this minority shareholder, the Company issued a counter-guarantee in favour of this minority shareholder to the extent of HK\$53,280,000, which is in proportion to the Group's attributable interest in the subsidiary.

Bank loans amounting to HK\$222,000,000 in aggregate initially due to mature in 2001 were rolled over pursuant to bank facility letters obtained subsequent to the balance sheet date. Pursuant to the roll-overs, the loans will be repayable beyond 31 December 2001 and have, therefore, been classified as non-current liabilities as at balance sheet date.

21. Trade payables

Trade payables as at 31 December 2000 and 1999 were all aged within 90 days.

Trade payables of the Group include a trade balance due to the ultimate holding company of HK\$23,476,000 (1999: HK\$23,206,000), which is unsecured, interest-free and repayable in accordance with normal trading terms.

Notes to the Financial Statements

31 December 2000

22. Deferred tax

Deferred tax has been provided for, under the liability method, at the rate of 16% (1999: 16%) on the significant timing differences between the taxable profits and profits reported in the financial statements.

The movement of the Group's deferred tax liabilities is as follows:

	Group	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of year	2,172	3,172
Amount crystallised during the year (<i>note 7</i>)	(690)	(1,000)
At 31 December	1,482	2,172

The principal components of the Group's provision for deferred tax assets/(liabilities) and the amounts not provided for on the timing differences between taxable profits and profits reported in the financial statements are as follows:

	Provided for		Not provided for	
	2000	1999	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accelerated depreciation allowances	(1,482)	(2,172)	—	—
Tax losses	—	—	10,250	1,077
	(1,482)	(2,172)	10,250	1,077

The revaluation of the Group's fixed assets does not constitute a timing difference and consequently, the amount of potential deferred tax thereon has not been quantified.

Notes to the Financial Statements

31 December 2000

23. Share capital

		Company	
	<i>Note</i>	2000	1999
		<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:			
2,000,000,000 (1999: 800,000,000) ordinary shares of HK\$0.10 each	(i)	200,000	80,000
Issued and fully paid:			
799,900,000 (1999: 481,500,000) ordinary shares of HK\$0.10 each	(ii)	79,990	48,150

Notes:

- (i) Pursuant to a resolution passed at an extraordinary general meeting held on 6 March 2000 (the "EGM"), the authorised share capital was increased from HK\$80,000,000 to HK\$200,000,000 by the creation of an additional 1,200,000,000 ordinary shares ranking pari passu with the existing shares of HK\$0.10 each.
- (ii) During the year, the following changes in the Company's issued share capital took place:

	<i>Note</i>	Number of shares issued/ (cancelled)	Nominal value <i>HK\$'000</i>
At beginning of year		481,500,000	48,150
Issue of 327,000,000 new shares to a controlling shareholder	(a)	327,000,000	32,700
Issue of 1,200,000 new shares upon exercise of share option	(b)	1,200,000	120
Repurchase of shares	(c)	(9,800,000)	(980)
At 31 December 2000		799,900,000	79,990

- (a) Pursuant to another resolution passed at the EGM, 327,000,000 new ordinary shares of HK\$0.10 each were issued on 14 March 2000 at HK\$3.50 per share to the Company's controlling shareholder, TCC International Limited, which then placed 237,000,000 shares at the same price to certain third party investors.
- (b) During the year, an option with rights to subscribe for 1,200,000 shares was exercised by a director on 16 May 2000 at the subscription price of HK\$1.0192 per share, resulting in the issue of 1,200,000 shares of HK\$0.10 each for a total cash consideration, before expenses, of HK\$1,223,000.

Notes to the Financial Statements

31 December 2000

23. Share capital (continued)

- (c) Details of repurchases of its own shares, all made through The Stock Exchange of Hong Kong Limited, by the Company during the year pursuant to the Company's share repurchase mandate granted on 23 May 2000 are as follows:

	Number of shares repurchased	Highest price HK\$	Lowest Price HK\$	Total consideration HK\$'000
July 2000	4,142,000	1.68	1.53	6,619
October 2000	2,258,000	1.53	1.38	3,300
November 2000	1,868,000	1.71	1.49	2,981
December 2000	<u>1,532,000</u>	1.66	1.43	<u>2,396</u>
	<u>9,800,000</u>			<u>15,296</u>

The repurchased shares were cancelled upon repurchase and accordingly, the issued share capital of the Company was diminished by the nominal value thereof. An amount equivalent to the nominal value of the shares repurchased had been transferred from retained profits of the Company to a capital redemption reserve. The premium payable on the repurchases was charged against the Company's share premium in accordance with the provisions of the Companies Law (2000 revision) of the Cayman Islands.

Share options

Under the terms of the Company's share option scheme (the "Option Scheme") conditionally approved by the shareholders on 15 September 1997, and which became effective upon the listing of the Company's shares on The Stock Exchange of Hong Kong Limited on 6 October 1997, the directors may, at their discretion, invite employees, including directors, of the Company or any of its subsidiaries and associates upon payment of HK\$1 to take up options to subscribe for shares of the Company at any time during the period commencing six months after the date on which the option is accepted ("Date of Grant") and up to the day falling immediately prior to the fifth anniversary of the Date of Grant. The directors may impose restrictions on the exercise of subscription rights and the exercise price is determined at the higher of the nominal value of the shares or 80 per cent. of the average of the closing prices of the shares on The Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the Date of Grant of the option.

The maximum number of shares in respect of which options may be granted under the Option Scheme and any other scheme may not exceed 10 per cent. of the issued share capital of the Company from time to time.

No option may be granted to any one person which, if exercised in full, would result in the total number of shares already issued and issuable to him under the Option Scheme exceeding 25 per cent. of the aggregate number of shares for the time being issued and issuable under the Option Scheme.

On 31 October 1997, 16,500,000 share options were granted to five directors of the Company pursuant to the terms of the Option Scheme. All the options are exercisable within the period from 1 May 1998 to 30 October 2002, both days inclusive, at an exercise price of HK\$1.0192 per share. On 15 November 1999, an option with rights to subscribe for 1,500,000 shares was exercised.

Notes to the Financial Statements

31 December 2000

23. Share capital (continued)

Share options (continued)

On 11 April 2000, 20,000,000 share options were granted to the same five directors and three employees of the Company pursuant to the terms of the Option Scheme. All the options are exercisable within the period from 11 October 2000 to 10 April 2005, both days inclusive, at an exercise price of HK\$1.6504 per share.

On 16 May 2000, an option granted on 31 October 1997 with rights to subscribe for 1,200,000 shares was exercised.

The share options outstanding as at 31 December 2000 entitle the option holders to subscribe for 33,800,000 shares (1999: 15,000,000 shares) of the Company.

A summary of the movements of outstanding options during the year and the number of options outstanding at 1 January 2000 and 31 December 2000 under the Company's share option scheme is as follows:

Date of grant	Exercisable period	Exercise price HK\$	Number of shares in respect of options granted			Balance at 31 December 2000
			Balance at 1 January 2000	Granted during the year	Exercised during the year	
31 October 1997	1 May 1998 to 30 October 2002	1.0192	15,000,000	—	1,200,000	13,800,000
11 April 2000	11 October 2000 to 10 April 2005	1.6504	—	20,000,000*	—	20,000,000
			15,000,000	20,000,000	1,200,000	33,800,000

* Out of the share options granted during the year, five directors of the Company and three employees of the Group are entitled to subscribe for 18,000,000 and 2,000,000 shares of the Company, respectively.

Notes to the Financial Statements

31 December 2000

24. Reserves

Group

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Property revaluation reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 1999							
As previously stated	110,881	208,263	—	10,225	(5,984)	188,266	511,651
Prior year adjustments							
- Note 11	—	—	—	—	2,318	(17,106)	(14,788)
As restated	110,881	208,263	—	10,225	(3,666)	171,160	496,863
Issue of shares	1,379	—	—	—	—	—	1,379
Surplus on revaluation	—	—	—	2,212	—	—	2,212
Exchange realignment on translation of overseas subsidiaries*	—	—	—	—	(2,665)	—	(2,665)
Profit for the year	—	—	—	—	—	145,398	145,398
Dividends	—	—	—	—	—	(67,710)	(67,710)
At 31 December 1999	112,260	208,263	—	12,437	(6,331)	248,848	575,477

Notes to the Financial Statements

31 December 2000

24. Reserves (continued)

Group

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Goodwill <i>HK\$'000</i>	Property revaluation reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At beginning of year								
As previously stated	112,260	208,263	—	—	12,437	(9,009)	265,159	589,110
Prior year adjustments - Note 11	—	—	—	—	—	2,678	(16,311)	(13,633)
As restated	112,260	208,263	—	—	12,437	(6,331)	248,848	575,477
Issue of shares	1,112,903	—	—	—	—	—	—	1,112,903
Share issue expenses	(22,625)	—	—	—	—	—	—	(22,625)
Repurchase of shares	(14,316)	—	980	—	—	—	(980)	(14,316)
Goodwill arising from acquisition of:								
- a subsidiary	—	—	—	(23,188)	—	—	—	(23,188)
- an associate	—	—	—	(1,006,454)	—	—	—	(1,006,454)
Surplus on revaluation - Note 12	—	—	—	—	1,900	—	—	1,900
Exchange realignment on translation of:								
- overseas subsidiaries*	—	—	—	—	—	(11,185)	—	(11,185)
- overseas associates	—	—	—	—	—	(36,232)	—	(36,232)
Profit for the year	—	—	—	—	—	—	106,238	106,238
Dividends	—	—	—	—	—	—	(56,149)	(56,149)
At 31 December 2000	1,188,222	208,263	980	(1,029,642)	14,337	(53,748)	297,957	626,369
Reserves retained by:								
Company and subsidiaries	1,188,222	208,263	980	(1,029,642)	14,337	(17,457)	208,335	573,038
Associates	—	—	—	—	—	(36,291)	89,622	53,331
At 31 December 2000	1,188,222	208,263	980	(1,029,642)	14,337	(53,748)	297,957	626,369
Company and subsidiaries	112,260	208,263	—	—	12,437	(6,272)	173,596	500,284
Associates	—	—	—	—	—	(59)	75,252	75,193
At 31 December 1999	112,260	208,263	—	—	12,437	(6,331)	248,848	575,477

Notes to the Financial Statements

31 December 2000

24. Reserves (continued)

- * Included in the exchange realignment on translation of overseas subsidiaries is a loss of HK\$9,615,000 (1999:HK\$2,494,000) representing the exchange differences arising on translation of an amount due from a subsidiary of which a substantial portion is not to be repayable in the foreseeable future and, in the opinion of the directors, is part of the Company's net investment in the enterprise and is therefore accounted for as a movement in the exchange fluctuation reserve during the year (see note 15).

Company

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 1999	110,881	264,585	—	40,487	415,953
Issue of shares	1,379	—	—	—	1,379
Profit for the year	—	—	—	52,676	52,676
Dividends	—	—	—	(67,710)	(67,710)
At 31 December 1999 and beginning of year	112,260	264,585	—	25,453	402,298
Issue of shares	1,112,903	—	—	—	1,112,903
Share issue expenses	(22,625)	—	—	—	(22,625)
Repurchase of shares	(14,316)	—	980	(980)	(14,316)
Profit for the year	—	—	—	54,659	54,659
Dividends	—	—	—	(56,149)	(56,149)
At 31 December 2000	1,188,222	264,585	980	22,983	1,476,770

The contributed surplus of the Group represents the difference between the fair value of the combined net asset value of the subsidiaries involved in the Group reorganisation and the assets, liabilities and undertakings which relate to the import and distribution of cement carried out by Hong Kong Cement Manufacturing Company Limited prior to the Group reorganisation (the "Relevant Business"), as if they were acquired by the Group when the subsidiaries and the Relevant Business commenced operations, and the nominal value of the Company's shares issued in exchange therefor.

The contributed surplus of the Company represents the difference between the fair value of the combined net asset value of the subsidiaries involved in the Group reorganisation and the assets, liabilities and undertakings which relate to the Relevant Business, when they were acquired by the Company pursuant to the Group reorganisation on the date of reorganisation, and the nominal value of the Company's shares issued.

Under the Companies Law (2000 Revision) of the Cayman Islands, the share premium and contributed surplus accounts are distributable to the shareholders of the Company under certain circumstances.