

4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the import and distribution of cement segment mainly comprises housing developments and infrastructure construction activities in Hong Kong and the Philippines;
- (b) the manufacturing and distribution of cement mainly comprises construction activities in the Mainland China;
- (c) the production and distribution of ready-mixed concrete mainly comprises housing developments and infrastructure construction activities in Hong Kong and Mainland China;
- (d) the provision of cellular telecommunications services serves customers in Taiwan; and
- (e) the investment holding segment invests in listed and unlisted equity securities ranging from traditional businesses such as banks and companies engaged in the manufacturing and distribution of construction materials, to high-technology business such as provides of broadband internet access and contents services.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

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4. Segment Information (continued)

Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

	Import and distribution of cement		Manufacturing and distribution of cement		Production and distribution of ready-mixed concrete		Provision of cellular telecommunication services		Investment holding		Others		Eliminations		Consolidated	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Segment revenue:																
Sales to external customers	622,879	635,131	48,476	5,852	—	—	—	—	—	—	—	10,107	—	—	671,355	651,090
Other revenue	9,215	8,070	37	2	—	—	—	—	24,755	307	5	21	—	—	34,012	8,400
Total revenue	632,094	643,201	48,513	5,854	—	—	—	—	24,755	307	5	10,128	—	—	705,367	659,490
Segment results	98,041	111,847	(5,428)	(4,981)	—	—	—	(394,841)	(7,918)	(38,079)	(13,244)	(29,347)	—	—	71,451	(355,401)
Interest and dividend income and unallocated gains															8,546	11,842
Profit/(loss) from operating activities															79,997	(343,559)
Finance costs															(26,221)	(18,766)
Share of profits less losses of associates	—	—	—	—	52,463	57,213	13,967	25,568	—	—	—	(244)	—	—	66,430	82,537
Profit/(loss) before tax															120,206	(279,788)
Tax	(8,220)	(12,619)	—	—	(9,238)	(11,136)	(6,018)	(4,531)	—	—	—	—	—	—	(23,476)	(28,286)
Minority interests															(169)	(3,717)
Net profit/(loss) from ordinary activities attributable to shareholders															96,561	(311,791)

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4. Segment Information (continued)

Business segments (continued)

	Import and distribution of cement		Manufacturing and distribution of cement		Production and distribution of ready-mixed concrete		Provision of cellular telecommunication services		Investment holding		Others		Eliminations		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	600,024	502,216	151,345	165,763	—	—	—	—	409,138	320,568	3,782	15,643	(584,705)	(418,397)	579,584	585,793
Goodwill	—	—	—	—	6,076	8,227	—	—	—	—	—	—	—	—	6,076	8,227
Interests in associates	—	—	—	—	131,943	125,696	651,661	557,716	—	—	—	—	—	—	783,604	683,412
Total assets	600,024	502,216	151,345	165,763	138,019	133,923	651,661	557,716	409,138	320,568	3,782	15,643	(584,705)	(418,397)	1,369,264	1,277,432
Segment liabilities	160,082	148,550	87,844	83,019	—	—	—	—	422,127	261,664	2,891	1,209	(584,676)	(418,397)	88,268	76,045
Bank loans	107,896	64,964	35,515	46,730	—	—	247,000	277,000	82,500	—	—	—	—	—	472,911	388,694
Total liabilities	267,978	213,514	123,359	129,749	—	—	247,000	277,000	504,627	261,664	2,891	1,209	(584,676)	(418,397)	561,179	464,739
Other segment information:																
Capital expenditure	1,090	3,772	8,971	13,686	—	—	—	—	—	—	87	1,210	—	—	10,148	18,668
Depreciation	11,694	11,738	6,603	3,054	—	—	—	—	—	—	2,204	323	—	—	20,501	15,115
Amortisation	—	—	—	—	5,366	5,264	—	—	—	—	—	—	—	—	5,366	5,264
Impairment losses	—	—	—	—	—	—	—	394,841	—	—	—	23,188	—	—	—	418,029

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4. Segment Information (continued)

Geographical segments

The following table presents revenue, profit/(loss) and certain asset and expenditure information regarding the Group's geographical segments.

	Hong Kong		Mainland China		Philippines		Taiwan		Eliminations		Consolidated	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Segment revenue:												
Sales to external customers	241,738	272,493	48,476	5,852	381,141	362,638	—	10,107	—	—	671,355	651,090
Other revenue	33,327	7,244	37	2	643	1,133	5	21	—	—	34,012	8,400
Total revenue	275,065	279,737	48,513	5,854	381,784	363,771	5	10,128	—	—	705,367	659,490
Segment results	51,764	44,348	(5,429)	(4,981)	38,451	26,881	(13,335)	(421,649)	—	—	71,451	(355,401)
Other segment information:												
Segment assets	518,988	363,646	158,115	171,502	169,371	160,776	782,297	632,852	(259,507)	(51,344)	1,369,264	1,277,432
Capital expenditure	5	1,658	8,970	13,686	1,086	2,114	87	1,210	—	—	10,148	18,668

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5. Turnover, revenue and gains/(losses)

Turnover represents:

- (i) invoiced amount of sales of cement, net of trade discounts and returns; and
- (ii) income from the rendering of services.

An analysis of turnover, other revenue and gains/(losses) is as follows:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Turnover		
Sales of cement	671,355	640,983
Rendering of services	—	10,107
	671,355	651,090
Other revenue		
Handling charges	7,671	5,477
Interest income	4,078	9,653
Dividend income from		
– listed investments	2,410	—
– an unlisted investment	1,250	2,125
Others	1,586	2,900
	16,995	20,155
Gains/(losses)		
Gain on disposal of short term investments	808	64
Unrealised gain/(loss) on short term investments	24,755	(14,087)
Gain/(loss) on disposal of fixed assets	(10)	23
	25,553	(14,000)
	42,548	6,155

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6. Profit/(Loss) from operating activities

The Group's profit/(loss) from operating activities is arrived at after charging:

	2001 <i>HK\$ '000</i>	2000 <i>HK\$ '000</i> (Restated)
Cost of inventories sold	433,793	486,691
Cost of services rendered	—	9,264
Depreciation	20,501	15,115
Auditors' remuneration	625	605
Loss on disposal of fixed assets	10	—
Minimum lease payments under operating leases on land and buildings	9,009	9,274
Amortisation of goodwill*:		
On acquisition of a subsidiary	2,151	2,151
On acquisition of an associate	3,215	3,113
Exchange losses, net*	4,021	17,159
Provision for bad and doubtful debts*	4,443	—
Write-off of loan to an associate*	2,248	—
Loss on deemed disposal of an associate*	2,723	—
Impairment of investment securities*	11,119	17,851
Unrealised loss on short term investments	—	14,087
Staff costs (excluding directors' remuneration, see note 8):		
Wages and salaries	15,564	14,864
Retirement scheme contributions	578	488
Less: Forfeited contributions	—	—
Net retirement scheme contributions	578	488

* Included in "Other operating expenses" on the face of the consolidated profit and loss account.

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7. Finance costs

	Group	
	2001 HK\$'000	2000 HK\$'000
Interest on bank loans and other facilities wholly repayable within five years	26,221	20,397
Less: Amounts capitalised to construction in progress	—	(1,631)
	26,221	18,766

8. Remuneration of the directors and the five highest paid employees

Directors' remuneration

	Group	
	2001 HK\$'000	2000 HK\$'000
Directors' fees:		
Executive	600	750
Non-executive	600	750
Independent non-executive	400	500
	1,600	2,000
Other emoluments:		
Executive:		
Basic salaries, housing benefits, other allowances and benefits in kind	2,107	2,042
Bonuses	948	980
Pension scheme contributions	43	—
	3,098	3,022
	4,698	5,022

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8. Remuneration of the directors and the five highest paid employees (continued)

Directors' remuneration (continued)

The number of directors whose remuneration fell within the following bands is set out below:

	Number of directors	
	2001	2000
Nil - HK\$1,000,000	6	6
HK\$1,000,001 - HK\$1,500,000	1	1
HK\$1,500,001 - HK\$2,000,000	1	1
	8	8

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

In addition to the above emoluments, certain directors were granted share options in the prior years under the Company's share option scheme, further details of which are set out under the heading "Share option scheme" in the Report of the Directors on pages 23 to 25. No value in respect of the share options granted was charged to the profit and loss account at the time when the options were granted.

Five highest paid employees

Of the five highest paid employees, two (2000: two) were directors of the Company and their remuneration has been included in the directors' remuneration set out above. The details of the remuneration of the remaining three (2000: three) non-director, highest paid employees are as follows:

	2001	Group
	HK\$'000	2000 HK\$'000
Basic salaries, housing benefits, other allowances and benefits in kind	1,666	1,628
Bonus	563	604
Retirement scheme contributions	65	57
	2,294	2,289

The remuneration of all non-director, highest paid employees fell within the band of Nil - HK\$1,000,000. Certain employees were also granted share options in the prior years under the Company's share option scheme, further details of which are set out under the heading "Share option scheme" in the Report of the Directors on pages 23 to 25. No value in respect of the share options granted has been charged to the profit and loss account at the time when the option were granted.

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9. Tax

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing law, practices and interpretations in respect thereof. In accordance with the relevant tax rules and regulations, the Company's subsidiary registered in Mainland China enjoys income tax exemption and reduction.

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Group:		
Hong Kong	8,228	13,881
Overprovision in prior year	(8)	(572)
Deferred tax (note 24)	—	(690)
	8,220	12,619
Share of tax attributable to associates:		
Hong Kong	9,238	9,909
Elsewhere	6,018	5,758
	15,256	15,667
Tax charge for the year	23,476	28,286

10. Net profit/(loss) from ordinary activities attributable to shareholders

The net profit for the year attributable to shareholders dealt with in the financial statements of the Company was HK\$941,000 (2000: net loss of HK\$363,370,000, as restated (notes 13 and 26)).

11. Dividends

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Interim paid	15,869	24,167
Additional 1999 final dividend*	—	72
Overprovision in prior year**	(94)	—
Final proposed	15,739	31,910
	31,514	56,149

The 2001 final dividend of HK2 cents per share is proposed to be paid to shareholders whose names appear on the register of members on 4 June 2002 and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

* Represented 1999's final dividend at HK6 cents per share on 1,200,000 shares due to the exercise of share options on 16 May 2000.

** Represented 2000's final dividend at HK4 cents per share on 2,346,000 shares repurchased between 3 April 2001 and 15 May 2001, both dates inclusive.

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11. Dividends (continued)

During the year, the Group adopted the revised SSAP 9 "Events after the balance sheet date", as detailed in note 2 to the financial statements. To comply with the revised SSAP, a prior year adjustment has been made to reclassify the proposed final dividend for the year ended 31 December 2000 of HK\$31,910,000, which was recognised as a current liability at the prior year end, to the proposed final dividend account within the capital and reserves section of the balance sheet. The result of this has been to reduce both the Group's and the Company's current liabilities and increase the reserves previously reported as at 31 December 2000 by HK\$31,910,000.

The effect of this change in accounting policy as at 31 December 2001, is that the current year's proposed final dividend of HK\$15,739,000 has been included in the proposed final dividend account within the capital and reserves section of the balance sheet at that date, whereas in previous years it would have been recognised as a current liability at the balance sheet date.

12. Earnings/(loss) per share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$96,561,000 (2000: net loss of HK\$311,791,000 (restated)) and the weighted average of 794,384,860 shares (2000: 741,460,142 shares) in issue during the year.

The calculation of the current year's diluted earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$96,561,000 and the weighted average of 794,384,860 shares in issue during the year, as used in the basic earnings per share calculation plus 3,092,988 dilutive ordinary shares assumed to have been issued for no consideration on the deemed exercise of share options throughout the year.

The diluted loss per share in the prior year was not shown as the share options outstanding during the prior year had an anti-dilutive effect on the basic loss per share (restated) for that year.

13. Prior year adjustments

(a) During the year, the Group adopted SSAP 9 (revised) "Events after the balance sheet date". In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at that date. This SSAP has been applied retrospectively. To comply with the revised SSAP, a prior year adjustment has been made, reclassifying the proposed final dividend for the year ended 31 December 2000 of HK\$31,910,000 (31 December 1999: HK\$48,510,000), which was recognised as a liability in the prior years, to the proposed final dividend account within the capital and reserves section of the balance sheet.

(b) During the year, the Group also adopted SSAP 31 "Impairment of assets". In accordance with SSAP 31, the Group is required to assess at each balance sheet date whether there are any indications that assets (including fixed assets, intangible assets and goodwill arising on acquisition of subsidiaries and associates) may be impaired, and if there are such indications, the recoverable amount of the assets has to be determined. As SSAP 31 is also applied to goodwill previously eliminated against consolidated reserves according to the provisions of Interpretation 13, assessments of impairment of the goodwill arising from the acquisition of OneMore Inc. ("OneMore"), a subsidiary, and KG Telecommunications Company Limited ("KG Telecom"), an associate, have been made by reference to their respective net asset values as at 31 December 2000 and estimated discounted future cash flows as at that date. Accordingly, provisions for impairment loss of HK\$23,188,000 and HK\$394,841,000 as at 31 December 2001 were required for OneMore and KG Telecom, respectively, and a prior year adjustment was put through to write-down the carrying value of these amounts of goodwill as at 31 December 2000, as detailed in notes 15 and 26.