



# PROSPECTS

The slow-down of housing developments and infrastructure construction activities in Hong Kong continued in the early months of 2003. We believe that the current challenging market conditions will persist and profit contribution from construction materials businesses in Hong Kong will be further eroded, though the effect will be partially mitigated by a substantial reduction in cement import prices since the beginning of 2003.

We are actively seeking investment opportunities on construction materials businesses in Mainland China. Apart from the Group's cement and slag powder grinding mill in Wuhu, Anhui Province and

the cement grinding mill and berth facilities in Fuzhou, Fujian Province, the Group planned to expand its business presence in southern China, which is considered to have the highest growth potential. The signing of a joint venture agreement with Liuzhou Steel (Group) Corporation in March 2003 to construct a slag powder grinding mill in which the Group's subsidiary has a 60% interest, is a preparatory step towards our goal to achieve an aggregate annual production capacity of 10 million metric tonnes in cement and slag powder within 5 years.





## 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 2002 amounted to HK\$52.3 million, of which 97.0% were denominated in either HK\$, US\$ or RMB, 2.9% were denominated in Philippine pesos and the rest were denominated in NT\$. Highly liquid short term investments with a market value of HK\$89.8 million as at 31 December 2002 were also held by the Group.

The maturity profile of the Group's bank loans as at 31 December 2002 is analysed below:

	2002 HK\$'000	2001 HK\$'000
<b>AMOUNT REPAYABLE:</b>		
Within one year	<b>175,019</b>	136,098
Within two to five years	<b>306,650</b>	336,813
Beyond five years	—	—
<b>TOTAL BANK LOANS</b>	<b>481,669</b>	472,911

Out of the bank loans as at 31 December 2002, HK\$433.0 million are denominated in HK\$, HK\$26.2 million in RMB and HK\$22.5 million in NT\$. All loans are of floating rate structures.

As at 31 December 2002, loans amounting to HK\$26.2 million were secured by a pledge of certain plant and machinery of a subsidiary. 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 2002, is 34.0%.

## Future Investment Plans

We have continued our aggressive but steady approach in developing our construction materials businesses in Mainland China. Apart from the projects mentioned under the "Prospects" section above, we are actively searching for suitable locations and reputable business partners for setting up cement and slag powder manufacturing plants in southern China.

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

## Foreign Currency Exposures

The Group utilised 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 foreign currency transactions.

No foreign exchange contracts were outstanding as at 31 December 2002.

## Employees

As at 31 December 2002, the Group had 147 full-time employees. Total wages and salaries of the Group for the year then ended amounted to HK\$13.2 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. During the year, no share option was granted to directors or employees of the Group and their associates.