

Prospects



Construction activities in Hong Kong in housing developments and infrastructure have been showing signs of stabilisation from the first quarter of 2004. Consumption and selling prices of construction materials are expected to be comparable with the levels in 2003. Accordingly, the Directors believe that the construction materials businesses of the Group in Hong Kong should be able to maintain their profitability for 2004.

Demand of slag powder in the Yangtze River Delta, one of the geographical targets for AKB, has remained strong since the beginning of 2004, and the current relatively high selling price level is expected to persist throughout that year. The Directors believe that AKB will achieve encouraging results in the coming year.

The Group is accelerating its pace of investment expansion in Mainland China. The significant increase in demand of construction materials and the persistent high selling prices provide a good opportunity for the Group to explore. The cement market in Fuzhou and its adjacent areas seems to be promising in terms of consumption and selling price and the Directors expect satisfactory performance when the Group's Fuzhou subsidiaries commence commercial operations. The continuing increase in demand for cement and slag powder in the Pearl River Delta region in Guangdong provides a good target market for the Group's slag powder operation in Liuzhou and the cement manufacturing base in Yingde. For the latter, the Directors plan to commence construction before June 2004 and the whole project is planned to be complete by the end of 2005 with an annual production capacity of 4 million metric tonnes.

The Directors believe that southern China has great growth potential in the cement and slag powder markets and further investment opportunities are being explored in this area. The Group plans to achieve an aggregate annual production capacity in cement and slag powder of 10 million metric tonnes before 2007.

Building Our Strength



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 2003 amounted to HK\$88.3 million, of which 99.7% were denominated in either HK\$, US\$ or RMB, and 0.3% were denominated in NT\$. Highly liquid short term investments with a market value of HK\$114.0 million as at 31 December 2003 were also held by the Group.

The maturity profile of the Group's bank loans as at 31 December 2003 is analysed below:

	2003 HK\$'000	2002 HK\$'000
AMOUNT REPAYABLE:		
within one year	474,081	175,019
within two to five year	107,000	306,650
Beyond five years	—	—
TOTAL BANK LOANS	581,081	481,669

Out of the bank loans as at 31 December 2003, HK\$486.9 million are denominated in HK\$, HK\$77.4 million in US\$ and HK\$16.8 million in RMB. All loans are of floating rate structures.

As at 31 December 2003, loans amounting to HK\$16.8 million were secured by the 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 2003, is 36.8%.

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 2003.

Employees

As at 31 December 2003, the Group had 170 full-time employees. Total wages and salaries of the Group for the year then ended amounted to HK\$11.1 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.