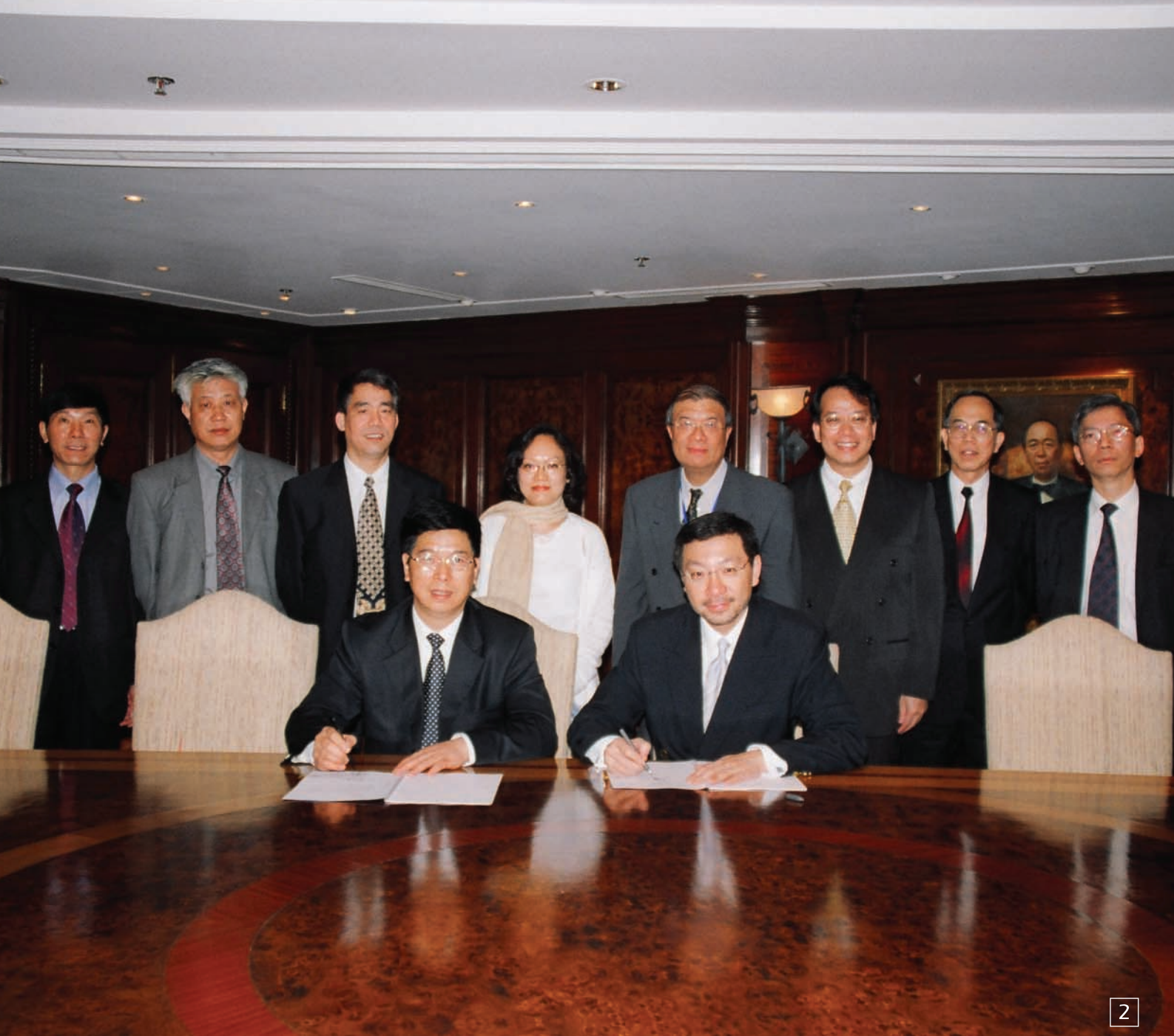




New Investment Projects



2

1. Picture taken during management of Beijing Shougang Group visiting K. Wah's Hong Kong headquarters
2. K. Wah entered into a joint venture with Anhui Maanshan Iron & Steel Group for the production of environmental friendly products
3. K. Wah and Hong Kong Polytechnic University joined hands to produce "green" pavers



3

Hong Kong	
Company	Award
K. Wah Construction Materials Limited	— 2003 Caring Company
K. Wah Concrete Company Limited	— 荃灣二區與汀九間青山公路改善合約編號：HY/2000/02施工安全嘉許
KWP Quarry Co. Limited	— 2003 Hong Kong Awards for Industry — Environmental Performance Award — Certificate of Merit for Good Housekeeping Plan — Certificate for Satisfying the Workplace Hygiene Assessment Criteria
Mainland China	
Company	Award
K. Wah Stones (Zhu Hai) Company Limited	— 珠海市2002年至2003年度安全生產先進單位
K. Wah Materials (Huidong) Limited	— 嘉華特種混凝土系列產品 — 3.15質量服務信譽保證產品
Guangzhou K. Wah Nanfang Cement Limited	— 廣東省水泥企業化驗室驗收合格証 — 全國第九次水泥品質指標檢驗大對比全優單位 — 2003年度水泥物檢化學分析對比定值單位 — 2003年全省水泥品質指標大對比全合格單位 — 廣東省工業品價格調查先進企業 — 廣東省水泥協會先進會員單位 — 廣東省水泥行業質量效益型先進企業
Shanghai Jiajian Concrete Co., Ltd.	— 2003年度上海市混凝土行業「質量誠信杯」榮譽稱號
Shanghai Xincui Concrete Co. Ltd.	— 2003年度先進企業稱號
Shanghai Jia Shen Concrete Co., Ltd.	— 2003年度上海市混凝土行業「質量誠信杯」榮譽稱號
Shanghai Gang Hui Concrete Co., Ltd.	— 2003年度上海市混凝土行業「質量誠信杯」榮譽稱號 — 2003年度徐滙區區域內建設工程質量檢測單位先進集體
Shanghai Bao Jia Concrete Co., Ltd.	— 2003年度上海市混凝土行業「質量誠信杯」榮譽稱號 — 2003年度月浦鎮「十強企業」光榮稱號 — 計量合格確認證書
K. Wah Quarry (Huzhou) Company Limited	— 中國環保優質建材
Maanshan Masteel K. Wah Concrete Co., Ltd.	— 全國工程建設質量管理優秀小組 — 全國冶金系統 QC 發佈會成果一等獎 — 馬鞍山市2003年度預拌混凝土攪拌站檢查結果第一名
Nanjing K. Wah Concrete Co., Ltd.	— 「重合同，守信用」單位 — 「南京混凝土協會」會員資格 — 揚子 — 巴斯夫安全通報嘉獎 — 安全生產優勝單位

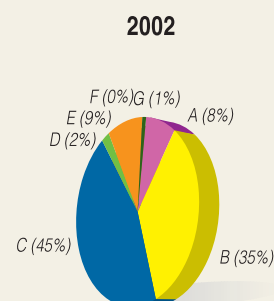
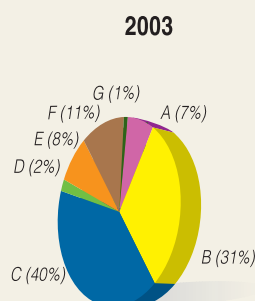
FINANCIAL POSITION AND GEARING RATIO

The financial position of the Group has continuously improved during the year. At 31st December 2003, the shareholders' funds increased by 1.5% to HK\$1,414 million from HK\$1,393 million as at 31st December 2002 and the Group's gross assets employed increased by 14.3% to HK\$1,778 million from HK\$1,556 million as at 31st December 2002.

The gearing ratio, defined as the ratio of total loans outstanding less cash balances to total assets, was practically at a debt free level at both 31st December 2003 and 31st December 2002.

SOURCES OF FUNDING

	2003	2002
	HK\$'000	HK\$'000
A Share capital	125,893	124,321
B Capital reserve	548,465	550,037
C Revenue reserves	712,542	690,849
D Revaluation reserve	27,363	27,363
E Minority interests	147,891	145,334
F Long-term liabilities	200,800	—
G Non-current liabilities	14,652	18,345
	<u>1,777,606</u>	<u>1,556,249</u>



LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to maintain a strong cash position. As at 31st December 2003, total cash and bank balances were HK\$306 million as compared to HK\$283 million as at 31st December 2002. The Group's liquidity remains strong and the Group has sufficient cash and available banking facilities to meet its commitment, working capital requirements and future assets acquisition.

TREASURY POLICY

The Group continues to adopt a conservative treasury policy with all bank deposits in either Hong Kong Dollars, United States Dollars or in the local currencies of the operating subsidiaries, keeping a minimum exposure to foreign exchange risks. All of the Group's borrowings are in either Hong Kong Dollars or Renminbi. Forward foreign contracts are utilized when suitable opportunities arise and when considered appropriate, to hedge against foreign exchange exposure. The group has not engaged in the use of other derivative products, which are considered not necessary for the Group's treasury management activities.

CHARGES ON GROUP ASSETS

Details of charges on group assets are set out in note 13 to financial statements.

CONTINGENT LIABILITIES

Details of contingent liabilities are set out in note 33 to financial statements.

EMPLOYEES

Employees and Remuneration Policy

The Group, excluding associated companies and jointly controlled entities, employs about 1,960 employees in Hong Kong and Mainland China. Employee costs, excluding Directors' emoluments, amounted to HK\$151 million.

The Group recruits and promotes individuals based on their competencies, merit and development potential and ensures remuneration packages are competitive. The Group has implemented a share option scheme for executives from 1991 following approval by its shareholders for the purpose of providing competitive package and long term retention of management talents. Likewise in Mainland China, employees' remuneration is commensurate with market levels with emphasis on provision of training and development opportunities.

Human and Organization Development

We promote learning by sponsoring employees to attend external and internal training courses in a wide range of areas such as knowledge of the Group and its businesses, business integrity and ethics, presentation and technical skills, quality awareness and safety, language and computer software applications in addition to tailor-made management development programs.

To augment the Group's present expansion, localization plan and future development in the Mainland, we continue with our Management Trainee Program to recruit high potential graduates and develop them to be our future managers. In alliance with Tongji University, Shanghai, a training plan was formulated to upgrade and strengthen the technical and managerial competencies of our technical, middle and senior managerial employees.

To operate more effectively, we also continue to promote greater transparency, delegation, ownership and better decision making among our senior management team.

Health, Safety and Environment

Health, safety and environmental protection (HSE) are integral parts of the Group's business. It is a shared initiative between the Group and all those concerned to give due consideration to stakeholders' HSE needs in our operations.

The Group applies both international and local standards and practices aimed at providing a safe and healthy workplace for its employees, and protecting the environment. The Group implements a comprehensive HSE system with a range of initiatives that include promoting safe and green working practices, managing hazards and environmental impacts that might arise, and providing training to its employees.

In 2003 the Group has successfully reduce the frequency rate (the number of lost time injuries per 100,000 hours worked in the year) of Hong Kong operations by 75% from 0.8 in 2000 to 0.2 in 2003 (figure below). The Group has also deployed the system in its Mainland operations.

