

1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain properties and investments, and in conformity with generally accepted accounting principles in Hong Kong.

In 2001, the Group adopted the following revised or new Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants.

SSAP 9 (revised):	Events after the balance sheet date
SSAP 14 (revised):	Leases
SSAP 26:	Segment reporting
SSAP 28:	Provisions, contingent liabilities and contingent assets
SSAP 29:	Intangible assets
SSAP 30:	Business combinations
SSAP 31:	Impairment of assets
SSAP 32:	Consolidated financial statements and accounting for investments in subsidiaries

The adoption of these SSAPs has no change in the accounting policies of the Group except for the following:

- (a) In accordance with the revised SSAP 9, dividends proposed after the balance sheet date are no longer recognised as liability at the balance sheet date. This change in accounting policy has been applied retrospectively and as a result, reserves of the Group as at 1st January 2001 have been increased by HK\$46,066,000.
- (b) Goodwill arising on acquisition of subsidiaries, jointly controlled entities and associated companies occurring on or after 1st January 2001 is included in the balance sheet as a separate asset and amortised using the straight line method over its estimated useful life of not more than twenty years. Goodwill on acquisitions, which occurred prior to 1st January 2001 was taken directly to reserves. This change in accounting policy has no effect to the accounts for the period.

Apart from the foregoing, the accounting policies adopted are consistent with those described in the 2000 Annual Report and Accounts.

Notes to the Financial Statements

2. TURNOVER AND RESULTS

The Group is principally engaged in manufacture, sale and distribution of construction materials.

	Turnover		Operating Profit	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of construction materials				
Hong Kong	395,376	404,267	82,827	126,183
Mainland China	146,294	110,041	2,220	(14)
	<u>541,670</u>	<u>514,308</u>	<u>85,047</u>	<u>126,169</u>

3. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2001	2000
	HK\$'000	HK\$'000
Crediting		
Realised profit on disposal of other investments	6,583	—
Unrealised profit of other investments	—	1,271
Profit on disposal of fixed assets	144	282
	<u>6,727</u>	<u>1,271</u>
Charging		
Depreciation:		
Owned fixed assets	39,595	38,558
Leased fixed assets	144	154
Operating lease rental for land and buildings	9,144	8,091
Royalty	3,177	2,949
Amortisation of deferred expenditure		
Quarry site development	887	2,062
Overburden removal costs	5,110	4,126
Pre-operating expenses and other deferred expenditure	—	4,737
Cost of inventories sold	373,221	309,250
	<u>388,057</u>	<u>362,867</u>

Notes to the Financial Statements

4. TAXATION

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Company and subsidiaries		
Hong Kong profits tax	8,539	12,595
Mainland China profits tax	437	—
Jointly controlled entities		
Mainland China profits tax	—	33
Associated companies		
Hong Kong profits tax	23	639
	<u>8,999</u>	<u>13,267</u>

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits for the period.

Taxation assessable on profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the countries in which those profits arose.

5. EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to shareholders of HK\$65,343,000 (2000: HK\$98,066,000) and the weighted average number of 1,151,690,000 shares (2000: 1,082,215,000 shares) in issue during the period.

The diluted earnings per share is not presented as the share options outstanding as at 30th June 2001 have no dilutive potential shares.

Notes to the Financial Statements

6. DIVIDENDS

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
2000 Final scrip dividend with a cash option, payable, of 4 cents per share	46,066	
1999 Final scrip dividend with a cash option, paid, of 4 cents per share		
Scrip		21,155
Cash		22,134
	<u>46,066</u>	<u>43,289</u>

The Board of Directors declares an interim scrip dividend of 1.5 cents per share (2000: 2.5 cents) with a cash option, totaling HK\$17,276,000 for the six months ended 30th June 2001 (2000: HK\$28,090,000) to shareholders whose names appear on the registers of members of the Company at the close of business on 12th October 2001. This amount will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2001.

7. TRADE DEBTORS, OTHER RECEIVABLES AND PREPAYMENTS

	30th June 2001 <i>HK\$'000</i>	31st December 2000 <i>HK\$'000</i>
Trade debtors	245,867	269,560
Other receivables	35,161	52,730
Prepayments	65,464	59,148
	<u>346,492</u>	<u>381,438</u>

The Group has established credit policies, which follow local industry standard. The Group normally allows an approved credit period ranging from 30 to 60 days for customers in Hong Kong and 120 to 180 days for customers in Mainland China. These are subject to periodic review by management.

Notes to the Financial Statements

The aging analysis of the Group's trade debtors based on the dates of the invoices and net of provision for bad and doubtful debts is as follows:

	30th June 2001 <i>HK\$'000</i>	31st December 2000 <i>HK\$'000</i>
Within one month	72,748	114,375
Two to three months	109,336	97,913
Four to six months	26,636	23,468
Over six months	37,147	33,804
	245,867	269,560
	245,867	269,560

8. CREDITORS AND ACCRUALS

	30th June 2001 <i>HK\$'000</i>	31st December 2000 <i>HK\$'000</i>
Trade creditors	87,224	96,736
Other creditors	40,981	56,878
Accrued operating expenses	130,690	134,210
Deposit received	9,200	8,992
	268,095	296,816
	268,095	296,816

Notes to the Financial Statements

The aging analysis of the Group's trade creditors based on the dates of the invoice is as follows:

	30th June 2001 HK\$'000	31st December 2000 HK\$'000
Within one month	29,615	43,703
Two to three months	27,938	28,979
Four to six months	13,741	14,800
Over six months	15,930	9,254
	<u>87,224</u>	<u>96,736</u>

9. SHARE CAPITAL

	Ordinary Shares of HK\$0.10 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
Authorised:		
At 1st January 2001	2,888,000,000	288,800
Increase in authorised ordinary share capital	1,000,000,000	100,000
	<u>3,888,000,000</u>	<u>388,800</u>
At 30th June 2001	<u>3,888,000,000</u>	<u>388,800</u>
Issued and fully paid:		
At 1st January 2001	1,151,656,667	115,166
Exercise of share options	100,000	10
	<u>1,151,756,667</u>	<u>115,176</u>
At 30th June 2001	<u>1,151,756,667</u>	<u>115,176</u>

By an ordinary resolution passed on 31st May 2001, the authorised share capital of the company was increased from HK\$288,800,000 to HK\$388,800,000 by the creation of 1,000,000,000 shares of HK\$0.10 each.

Notes to the Financial Statements

The Company operates a share option scheme under which options to subscribe for ordinary shares in the Company are granted to selected executives. During the period, no new options were granted (2000: nil) and options for 100,000 shares (2000: 60,000 shares) were exercised. At 30th June 2001, outstanding options granted under the scheme are as follows:

Exercise period	Option price per share <i>HK\$</i>	Number of shares
20th May 1999 to 19th May 2008	0.5333	13,162,000
30th December 2000 to 29th December 2009	0.5216	<u>26,232,000</u>
		<u><u>39,394,000</u></u>

10. RESERVES

	<i>HK\$'000</i>
At 1st January 2001 as previously reported	1,115,576
Effect of adopting SSAP 9 (Revised)	<u>46,066</u>
At 1st January 2001 as restated	1,161,642
Change in exchange rate	153
Premium on shares issued	43
Profit for the period	65,343
2000 Final dividend	<u>(46,066)</u>
At 30th June 2001	<u><u>1,181,115</u></u>

Notes to the Financial Statements

11. LONG-TERM LIABILITIES

	30th June 2001 <i>HK\$'000</i>	31st December 2000 <i>HK\$'000</i>
Bank loans		
— Secured	108,083	154,000
— Unsecured	48,750	58,750
Obligations under finance leases wholly repayable within five years	1,389	2,112
	158,222	214,862
Current portion included in current liabilities	(131,972)	(128,299)
	26,250	86,563

12. COMMITMENTS

	30th June 2001 <i>HK\$'000</i>	31st December 2000 <i>HK\$'000</i>
Contracted but not provided for	2,579	4,038

In addition, the Group has undertaken to invest HK\$92,498,000 (2000: HK\$99,929,000) in certain invested companies under associated companies, which are engaged in technology projects.