



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Accounting policies

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”), and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), except that the comparative amounts for the condensed consolidated cash flow statement have not been prepared as the Company has taken advantage of the transitional provisions set out in the Listing Rules.

The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the audited financial statements for the year ended 31 December 2000, except that the Group has changed certain of its accounting policies following the adoption of the SSAPs and related Interpretation issued by HKSA which are effective for accounting periods commencing on or after 1 January 2001:

SSAP 9 (revised)	Events after the balance sheet date
SSAP 30	Business combinations
SSAP 31	Impairment of assets
Interpretation 13	Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves

The changes to the Group’s accounting policies and the effect of adopting these new policies are as follows:

(a) Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of purchase consideration paid over the fair values ascribed to the identifiable assets and liabilities acquired. Prior to 1 January 2001, such goodwill were either amortised on the straight-line basis over 10 years or eliminated against reserves at the time of acquisition.

1. Accounting policies (Continued)

During the six months ended 30 June 2001, the Group has adopted SSAP 30 “Business combinations” and SSAP 31 “Impairment of assets”, which stipulate that goodwill should be recognised as an asset, amortised over its estimated useful life of not more than 20 years, and carried at cost less any accumulated amortisation and any accumulated impairment losses. The Group is also required to assess at each balance sheet date whether there are any indications that goodwill may be impaired, and if there are such indications, the recoverable amount of the goodwill is to be determined, and any resultant impairment losses identified should be charged to the income statement. Pursuant to Interpretation 13, such assessment of impairment of the value also applies to goodwill previously eliminated against reserves. If any impairment loss is identified, it should be recognised as an expense in the income statement.

The Group has adopted the transitional arrangements allowed under SSAP 30, whereby no restatement of goodwill arising prior to 1 January 2001 and eliminated against reserves is required. In addition, the Group has performed an assessment of the fair value of such goodwill and has retrospectively restated its previously reported results for the six months ended 30 June 2000 and year ended 31 December 2000 by an expense of HK\$nil and HK\$418,029,000, respectively, for the impairment of goodwill arising from the acquisition of a subsidiary and an associate.

(b) Dividend distribution

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a current liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the proposed final dividend for the year ended 31 December 2000 amounting to HK\$31,910,000 previously recorded as a current liability as at 31 December 2000 has been restated and shown as a separate item under reserves.



2. Segmental information

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical location of operations, disclosed pursuant to the requirements of the Listing Rules, is as follows:

	Turnover		Contribution to profit from operating activities	
	Six months ended 30 June 2001 HK\$'000 (Unaudited)	2000 HK\$'000 (Unaudited)	Six months ended 30 June 2001 HK\$'000 (Unaudited)	2000 HK\$'000 (Unaudited)
By principal activity:				
Import and distribution of cement	361,511	322,944	65,851	69,254
Manufacturing and distribution of cement	19,428	—	(3,012)	(2,072)
Investment holding	—	—	1,005	(9,280)
Others	302	764	(5,668)	416
	381,241	323,708	58,176	58,318
By geographical location of operations:				
People's Republic of China:				
Hong Kong	132,425	132,429	34,379	35,932
Elsewhere	19,428	—	(3,012)	(2,072)
Philippines	229,086	190,515	32,539	24,238
Others	302	764	(5,730)	220
	381,241	323,708	58,176	58,318

3. Profit from operating activities

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

	Six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation	9,735	6,133
Amortisation of goodwill on acquisition of a subsidiary and an associate	2,632	2,632
Provision against bad and doubtful debts	900	—
Gain on disposal of short term investments	(702)	(64)
Unrealised gain on short term investments	(2,536)	(1,657)
Provision for impairment in value of investment securities	—	17,861
Dividend income from an unlisted investment	(625)	(1,250)
	<u> </u>	<u> </u>

4. 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 period. Taxes on assessable profits 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.

5. Dividends

	Six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Prior year final dividend of HK6 cents per share on 1,200,000 new shares issued upon exercise of share options subsequent to 6 April 2000	—	72
Prior year final dividend of HK4 cents per share on 2,346,000 shares repurchased subsequent to 2 April 2001	(94)	—
Interim dividend of HK2 cents per share (2000: HK3 cents per share)	15,869	24,167
	<u> </u>	<u> </u>
	<u>15,775</u>	<u>24,239</u>



6. Earnings per share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$64,194,000 (six months ended 30 June 2000: HK\$76,078,000) and the weighted average of 796,649,967 (six months ended 30 June 2000: 677,643,956) shares in issue during the period.

The calculation of diluted earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$64,194,000 (six months ended 30 June 2000: HK\$76,078,000) and 796,649,967 (six months ended 30 June 2000: 677,643,956) shares in issue during the period plus 3,995,787 (six months ended 30 June 2000: 10,044,952) dilutive ordinary shares deemed to have been issued at the beginning of the period or at the date of grant, whichever is later, in respect of share options.

7. Rental deposits

Included in rental deposits were HK\$880,000 (31 December 2000: HK\$880,000) paid to a fellow subsidiary by the Group relating to the leasing of a site on Tsing Yi Island, Hong Kong, and HK\$1,147,000 (31 December 2000: HK\$1,247,000) paid to a related company by the Group in respect of the leasing of a site in Manila, the Philippines.

8. Deposits for investments

Deposits for investments of the Group as at 30 June 2001 represented amounts prepaid for acquisition of new shares of certain unlisted investees, pending completion of all procedures and regulatory approvals for the issuance of the new shares. The amounts were classified as non-current assets as these investments will be classified as either investment securities or interests in associates upon completion of the aforementioned procedures and approvals.

9. Trade receivables

Credit is offered to customers following the financial assessment by the management and their established payment record. The Group usually allows an average credit period of 60-90 days to its customers and seeks to maintain strict control over its outstanding trade receivables. Overdue balances are regularly reviewed by senior management and collections are followed up by relevant personnel.

The following is an aging analysis of trade receivables (net of provisions for bad and doubtful debts), based on the invoice date:

	30 June	31 December
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Less than 90 days	67,093	81,698
91-120 days	136	4,114
Over 120 days	740	1,313
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Total	67,969	87,125
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As at 30 June 2001, trade receivables of the Group included a trade balance due from an associate of HK\$11,750,000 (31 December 2000: HK\$16,425,000) which is unsecured, interest-free and repayable in accordance with normal trading terms.

10. Pledged time deposits

Pledged time deposits of the Group as at 30 June 2001 represented short term deposits pledged to a bank as security for short term bank facilities amounting to approximately HK\$116,741,000 (see note 11).



11. Bank Loans

	30 June	31 December
	2001	2000
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Short term bank loans	99,159	30,000
Long term bank loans repayable:		
Within one year	252,053	103,893
Within two to five years	206,287	254,801
	557,499	388,694
Portion classified as current liabilities	(351,212)	(133,893)
Long term portion	206,287	254,801

A bank loan of HK\$207,000,000 (31 December 2000: HK\$207,000,000) was secured by corporate guarantee from certain subsidiaries and a pledge of 37,000,000 shares of KG Telecommunications Co., Ltd. ("KGT"), an associate of the Group.

Bank loans amounting to HK\$164,029,000 (31 December 2000: HK\$134,965,000) were secured by a corporate guarantee from the Company, out of which a bank loan of HK\$55,000,000 (31 December 2000: HK\$70,000,000) was also secured by a pledge of 11,000,000 shares (31 December 2000: 11,000,000) of KGT.

Bank loans amounting to HK\$46,729,000 (31 December 2000: HK\$46,729,000) were guaranteed by the minority shareholder of a 60 per cent. owned subsidiary to the extent of HK\$88,800,000 in respect of the loan facilities granted to the subsidiary. In return for the guarantee given by this minority shareholder, the Company issued a counter-guarantee in favour of this minority shareholder to the extent of HK\$53,280,000, which is in proportion to the Group's attributable interest in the subsidiary.

A bank loan of HK\$116,741,000 (31 December 2000: nil) was secured by corporate guarantee from the Company and certain subsidiaries and a pledge of time deposits of HK\$121,475,000.

A bank loan of HK\$23,000,000 (31 December 2000: nil) was unsecured. 7,000,000 shares of KOOS Venture Capital Co., Ltd. and 5,000,000 shares of KGT were under the bank's custody in respect of this loan.

12. Trade payables

	30 June 2001 HK\$'000 (Unaudited)	31 December 2000 HK\$'000 (Audited)
Less than 90 days	108,117	33,286
91-120 days	246	—
Over 120 days	75	—
Total	108,438	33,286

Trade payables of the Group include a trade balance due to the ultimate holding company of the Group of HK\$95,732,000 (31 December 2000: HK\$23,476,000) which is unsecured, interest-free and repayable in accordance with normal trading terms. The above aging analysis of trade payables was based on the respective due dates of the receipts of goods and services.

13. Capital and reserves

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Goodwill HK\$'000	Property revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits/ losses HK\$'000	Dividends HK\$'000	Total HK\$'000
At 1 January 2001										
As previously stated	79,990	1,188,222	208,263	980	(1,029,642)	14,337	(53,748)	297,957	—	706,359
Prior period adjustments (Note 1)	—	—	—	—	418,029	—	—	(418,029)	31,910	31,910
As restated	79,990	1,188,222	208,263	980	(611,613)	14,337	(53,748)	(120,072)	31,910	738,269
Dividend paid	—	—	—	—	—	—	—	—	(31,816)	(31,816)
Overprovision of prior year's dividend	—	—	—	—	—	—	—	94	(94)	—
Interim dividend	—	(15,869)	—	—	—	—	—	—	15,869	—
Repurchases of shares	(643)	(8,507)	—	643	—	—	—	(643)	—	(9,150)
Exchange realignment on retranslation of:										
- overseas subsidiaries	—	—	—	—	—	—	(6,454)	—	—	(6,454)
- overseas associates	—	—	—	—	—	—	(19,923)	—	—	(19,923)
Profit for the period	—	—	—	—	—	—	—	64,194	—	64,194
At 30 June 2001	79,347	1,163,846	208,263	1,623	(611,613)	14,337	(80,125)	(56,427)	15,869	735,120



14. Contingent liabilities

The Group did not have any significant contingent liabilities at the at the balance sheet date (31 December 2000: Nil).

15. Capital commitments

	30 June	31 December
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Contracted for acquisition of fixed assets	<u>8,692</u>	<u>9,192</u>

16. Related party transactions

A. Transactions of a recurring nature

Transactions (i) to (iii) also constituted connected transactions as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

		Six months ended 30 June	
		2001	2000
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Purchases of cement from ultimate holding company	(i)	228,322	182,557
Rental expenses paid to a fellow subsidiary	(ii)	2,640	2,640
Rental expenses paid to a related company*	(iii)	1,440	1,712
Sales of cement to an associate	(iv)	<u>46,450</u>	<u>54,049</u>

* *The related company is an associate of the ultimate holding company.*

16. Related party transactions (Continued)

A. Transactions of a recurring nature (Continued)

Notes:

- (i) The directors consider that purchases of cement from the ultimate holding company were made according to prices and conditions similar to those available to other cement importers in Hong Kong in respect of supplies from the same country of origin.

During the six months ended 30 June 2000, the prices charged by the ultimate holding company in respect of shipments to Hong Kong fell within 2.5 per cent. of the benchmark prices, being the weighted average price per tonne of cement calculated by reference to prices of imports from Taiwan or Japan into Hong Kong provided by the Census & Statistics Department of the Hong Kong Government Special Administrative Region, with reference to the respective countries of origin of the cement supplied by the ultimate holding company. During the six months ended 30 June 2001, the prices so charged did not exceed the benchmark price for imports from Taiwan. There were no purchases from the ultimate holding company which were imported from Japan.

The prices charged by the ultimate holding company in respect of shipments to the Philippines did not exceed the weighted average price per tonne of cement as quoted from certain large independent cement suppliers in respect of their supplies into the Philippines by more than 5 per cent.

The basis of these pricing policies was set out in greater detail in circulars to the shareholders of the Company dated 25 August 1998 and 9 July 2001 (with retrospective effect from 1 January 2001).

The balance due to the ultimate holding company in respect of cement supplies as at 30 June 2001 amounted to HK\$95,732,000 (31 December 2000: HK\$23,476,000) (see note 12).



16. Related party transactions (Continued)

A. Transactions of a recurring nature (Continued)

Notes: (Continued)

- (ii) The rental expenses related to a leasehold land in Hong Kong on which an industrial building of the Group is located. The monthly rentals of HK\$440,000 (six months ended 30 June 2000: HK\$440,000) were based on a market rental valuation provided by an independent professional valuer in 1999. A separate market rental valuation is subject to review every two years pursuant to the leasing agreement entered into between the Group and the fellow subsidiary in 1997. The terms of the leasing agreement were also disclosed in the Company's prospectus dated 23 September 1997. The next review will be conducted in September 2001.

A rental deposit of HK\$880,000 (31 December 2000: HK\$880,000) was paid to the fellow subsidiary (see note 7).

- (iii) The rental expenses related to a freehold land in the Philippines on which an industrial building of the Group is located. The monthly rentals of Pesos 1,500,000 (six months ended 30 June 2000: Pesos 1,500,000) were based on a market rental valuation provided by an independent professional valuer in 1999. A separate market rental valuation is subject to review every two years pursuant to the leasing agreement entered into between the Group and the related company in 1997. The terms of the leasing agreement were also disclosed in the Company's prospectus dated 23 September 1997. The next review will be conducted in September 2001.

A rental deposit of Pesos 7,650,000 (equivalent to HK\$1,147,000) (31 December 2000: Pesos 7,650,000, equivalent to HK\$1,247,000) was paid to this related company (see note 7).

- (iv) Sales of cement to an associate were made according to prices and conditions offered to other major customers of the Group. The balance due from the associate at 30 June 2001 was HK\$11,750,000 (31 December 2000: HK\$16,425,000) (see note 9).

16. Related party transactions (Continued)

A. Transactions of a recurring nature (Continued)

Notes: (Continued)

In respect of (i) the purchases of cement from the ultimate holding company; (ii) rental expenses paid to a fellow subsidiary; and (iii) rental expenses paid to a related company stated above, the Group entered into agreements with the respective parties for a period of 10 years, 30 years and 25 years (renewable for another 25 years), respectively, commencing from the year ended 31 December 1997.

B. Transactions among Group Companies

The Company also granted a corporate guarantee to banks in favour of certain of its subsidiaries in securing banking facilities available to these subsidiaries.

17. Comparative amounts

Due to the adoption of the new and revised SSAPs during the current period as referred to in note 1, the presentation of the financial statements has been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current period's presentation.

The amortisation of goodwill of HK\$2,632,000 for the six months ended 30 June 2000 has been reclassified from general and administrative expenses to other operating expenses as, in the opinion of the directors, such reclassification would produce a more appropriate presentation of the Group's operating results.

18. Approval of the interim financial statements

The condensed consolidated interim financial statements were approved by the board of directors on 26 September 2001.