NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

1. Basis of Preparation

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA").

2. Change in Accounting Policies

In the current period, the Group has adopted SSAP No. 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

2. Change in Accounting Policies (cont'd)

The financial effect of the adoption of SSAP 12 (Revised) is summarised below:

	Goodwill	Interest in a jointly controlled entity	Accumulated profits (deficit)	Minority interests	Deferred tax liabilities
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1st January, 2003					
– As previously stated	86,005	–	85,347	155,643	2,207
– Arising from the adoption of SSAP12 (Revised)	7,825	–	(200)	(8,206)	16,231
– As restated	93,830	–	85,147	147,437	18,438
Balance at 1st January, 2002					
– As previously stated	90,686	169,118	(522,935)	34,024	–
– Arising from the adoption of SSAP12 (Revised)	8,250	(9,807)	78	(1,635)	–
– As restated	98,936	159,311	(522,857)	32,389	–

In the current period, the effect of the adoption of SSAP 12 (Revised) has decreased profit for the period by HK$373,000 (2002: HK$433,000.)

3. Principal accounting policies

The condensed financial statements have been prepared under the historical cost convention. The accounting policies adopted, except for the policy for taxation which is as explained in note 2 above and detailed below, are consistent with those followed in the preparation of the financial statements of the Group for the year ended 31st December, 2002.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

3. Principal accounting policies (cont'd)

Taxation (cont'd)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arise from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

4. Segment Information

The Group's operations are principally located in the People's Republic of China (the "PRC") including Hong Kong. An analysis of the Group's revenue and segment results by business segment is as follows:

Business Segments

	Distribution and manufacturing of cement and clinker	Distribution of ceramic tiles, granite and marble products			Consolidated
		Sales of goods	Installation services	Total	
	HK$'000 (unaudited)	HK$'000 (unaudited)	HK$'000 (unaudited)	HK$'000 (unaudited)	HK$'000 (unaudited)
For the six months ended 30th June, 2003					
Segment revenue	137,398	7,645	–	7,645	145,043
Segment results	36,251			1,520	37,771
Amortisation of goodwill	(2,553)			–	(2,553)
Indirect overheads					(3,004)
Profit from operations					32,214
Finance costs					(3,804)
Profit before taxation					28,410

	Distribution and manufacturing of cement and clinker	Distribution of ceramic tiles, granite and marble products			Consolidated
		Sales of goods	Installation services	Total	
	HK$'000 (unaudited)	HK$'000 (unaudited)	HK$'000 (unaudited)	HK$'000 (unaudited)	HK$'000 (unaudited) (as restated)
For the six months ended 30th June, 2002					
Segment revenue	87,562	2,002	587	2,589	90,151
Segment results	25,379			197	25,576
Amortisation of goodwill	(2,553)			–	(2,553)
Indirect overheads					(3,579)
Gain on deconsolidation of subsidiaries					27,838
Profit from operations					47,282
Finance costs					(2,666)
Share of results of a jointly controlled entity	3,483			–	3,483
Profit before taxation					48,099

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

5. Profit from operations

	Six months ended 30th June, 2003 HK$'000 (unaudited)	2002 HK$'000 (unaudited)
Profit from operations has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**7,252**	4,162
Interest income	**(632)**	(271)
Gain on disposal of investment in non-current equity securities	**–**	(1,253)

6. Finance costs

	Six months ended 30th June, 2003 HK$'000 (unaudited)	2002 HK$'000 (unaudited)
Interest on:		
Bank borrowings wholly repayable within five years	**3,802**	2,663
Finance lease obligations	**2**	3
	3,804	2,666

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

7. Taxation

	Six months ended 30th June, 2003 HK$'000 (unaudited)	2002 HK$'000 (unaudited) (as restated)
Current tax	**2,969**	2,559
Deferred tax	**1,002**	465
	3,971	3,024
Share of tax of a jointly controlled entity	**–**	640
	3,971	3,664

Current tax represents PRC Income Tax calculated at the applicable rate on estimated assessable profits.

No provision for Hong Kong Profits Tax has been made as the group companies operating in Hong Kong do not have any assessable profit for both periods.

8. Basic earnings per share

The calculation of the basic earnings per share is based on the net profit for the period of HK$13,148,000 (2002: HK$35,090,000) and on 729,395,043 (2002: 729,395,043, which shares have been adjusted for the period for the consolidation of the Company's shares on 20th December, 2002) shares in issue throughout the period.

No diluted earnings per share has been presented for the six months ended 30th June, 2002 and 30th June, 2003, as the Company has no dilutive potential ordinary shares during both periods.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

9. Property, plant and equipment

During the period, the Group acquired property, plant and equipment of HK$3,349,000.

10. Trade and other receivables

The Group has a policy of allowing its trade customers credit periods normally ranging from 30 days to 120 days. Included in trade and other receivables are trade receivables of approximately HK$140,818,000 (at 31st December, 2002: HK$151,434,000) and their aged analysis is as follows:

	At 30th June, 2003 HK$'000 (unaudited)	At 31st December, 2002 HK$'000 (audited)
0 – 90 days	**82,033**	87,940
91 – 180 days	**25,160**	40,315
181 – 365 days	**15,497**	9,963
Over 1 year	**18,128**	13,216
	140,818	151,434

Included in trade and other receivables above are:

(i) Loan receivable of HK$11,651,000 (at 31st December, 2002: HK$11,651,000) which carries interest at prime rate set by the bank in the PRC plus 5% per annum, is secured on the receivables, including receivable from a fellow subsidiary of the Group, and properties of the borrower. The repayment date of the loan is extended to November 2003.

(ii) Commercial bills of HK$32,987,000 (at 31st December, 2002: HK$12,997,000), which can be discounted for cash with financial institutions.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

11. Trade and other payables and deposits

Included in trade and other payables and deposits are trade payables of approximately HK$19,756,000 (at 31st December, 2002: HK$32,018,000) and their aged analysis is as follows:

	At 30th June, 2003 HK$'000 (unaudited)	At 31st December, 2002 HK$'000 (audited)
0 – 90 days	**17,744**	29,657
91 – 180 days	**1,115**	609
181 – 365 days	**215**	1,286
Over 1 year	**682**	466
	19,756	32,018

12. Bank borrowings

During the period, the Group obtained new bank loans of HK$16,981,000 and repaid bank loans of HK$41,698,000. The bank loans are used to finance the operations of the Group.

13. Operating lease commitments

In June 2001, the Group entered into an arrangement with a third party in the PRC to lease its production facilities for manufacture of cement with a term of twenty years. Under a supplemental agreement with the third party in the PRC, the Group has an option to terminate the said lease once every two years provided that a notice period of three months is given. The Group has no current intention to terminate the lease.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

13. Operating lease commitments (cont'd)

Under the above arrangement, at 30th June, 2003, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30th June, 2003 HK$'000 (unaudited)	At 31st December, 2002 HK$'000 (audited)
Within one year	**4,215**	1,990
In the second to fifth year inclusive	**4,151**	504
Over five years	**47**	–
	8,413	2,494

As the Group did not exercise the option to terminate the lease three months prior to the beginning of the second two-year lease period in 2003, the above commitment represents rental payments up to the end of the second two-year period. Up to May, 2006, the rental will be escalated by a fixed amount of approximately HK$470,000 per annum. Starting from June, 2006 onwards, the rental is fixed at the same term as that for the year ending May, 2006.

14. Contingent liabilities

	At 30th June, 2003 HK$'000 (unaudited)	At 31st December, 2002 HK$'000 (audited)
Guarantees given to banks and financial institutions in respect of facilities utilised by:		
– fellow subsidiaries	**56,604**	56,604
– third parties	**40,000**	22,169
Discounted commercial bills	**37,690**	35,577
	134,294	114,350

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

15. Related party transactions

During the period, the Group has entered into the following transactions:

		Six months ended 30th June,	
		2003	2002
		HK$'000	HK$'000
		(unaudited)	(unaudited)
(i)	**Ultimate holding company**		
	Office rental expenses	**–**	393
(ii)	**Jointly controlled entity**		
	Sales of cement and clinker	**–**	4,646
	Guarantee fee income	**–**	88
	Guarantee fee payment	**–**	151
(iii)	**Fellow subsidiaries**		
	Management fee	**420**	263
	Guarantee fee income	**281**	89
	Guarantee fee payment	**164**	211
(iv)	**A jointly controlled entity of a fellow subsidiary**		
	Sales of cement and clinker	**–**	491
(v)	**Minority shareholder**		
	Rental expenses, repairs and maintenance	**2,625**	2,356
(vi)	**Subsidiaries of a company which has significant beneficial interests in the Company's ultimate holding company**		
	Office cleaning charges, repair and maintenance	**20**	28
	Rental expense for office	**146**	–
	Rental charges for accommodation	**–**	84
(vii)	**A lawyers' firm in which an independent non-executive director is a partner**		
	Legal and professional fees	**323**	291

The above transactions were carried out at terms agreed between the related parties.