

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 accordance with generally accepted accounting principles in Hong Kong. The interim financial information has been presented in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants.

In 2003, the Group has adopted the revised SSAP 12 “Income Taxes”. The effect of such change to the results of the period is not material and details of this change in accounting policy will be given in the 2003 Annual Report.

Apart from the foregoing, the accounting policies adopted are consistent with those described in the 2002 Annual Report and Accounts.

2. SEGMENT INFORMATION

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

	Turnover		Operating Profit	
	2003	2002	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of construction materials				
Hong Kong	276,536	264,616	10,245	36,406
Mainland China	239,047	221,535	25,393	8,839
	515,583	486,151	35,638	45,245

Notes to the Financial Statements

3. OPERATING PROFIT

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Operating profit is stated after crediting:		
Profit on disposal of listed investments	—	103
Profit on disposal of fixed assets	205	80
Gain on disposal of operating rights	28,260	—
Interest income	5,731	12,150
Amortisation of negative goodwill	316	315
	<u> </u>	<u> </u>

and after charging:

Amortisation		
Quarry site development	720	394
Overburden removal costs	6,898	7,506
Depreciation	32,243	30,569
Operating lease rental for land and buildings	7,167	6,671
Royalty	1,402	1,108
Cost of inventories sold	421,592	364,084
Unrealised loss on long-term investments	1,365	697
	<u> </u>	<u> </u>

4. TAXATION CREDIT/(CHARGE)

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Company and subsidiaries		
Hong Kong profits tax	(531)	(3,517)
Mainland China profits tax	(1,133)	(2,247)
Deferred taxation	3,061	2,693
	<u> </u>	<u> </u>
	1,397	(3,071)
Jointly controlled entities		
Mainland China profits tax	(378)	(209)
	<u> </u>	<u> </u>
	1,019	(3,280)
	<u> </u>	<u> </u>

4. TAXATION CREDIT/(CHARGE) (Cont'd)

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 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. DIVIDENDS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
2002 Final scrip dividend with a cash option, payable, of 1.0 cent per share	12,432	—
2001 Final scrip dividend with a cash option, paid, of 2.5 cents per share		
Scrip	—	13,741
Cash	—	16,705
	12,432	30,446
	12,432	30,446

The Board of Directors declares an interim scrip dividend of 1 cent per ordinary share (2002: 1 cent) with a cash option, totalling HK\$12,478,000 for the six months ended 30th June 2003 (2002: HK\$12,397,000) to shareholders whose names appear on the register of members of the Company at the close of business on 10th October 2003. This amount will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2003.

6. EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to shareholders of HK\$31,143,000 (2002: HK\$35,983,000) and the weighted average number of 1,243,208,000 shares (2002: 1,217,134,000 shares) in issue during the period.

The diluted earnings per share is not presented as the exercise of the share options outstanding as at 30th June 2003 would not have a dilutive effect on the earnings per share.

Notes to the Financial Statements

7. CAPITAL EXPENDITURE

For the six months ended 30th June 2003, the Group incurred HK\$81 million on fixed assets and HK\$17 million on deferred expenditure.

8. DEBTORS AND PREPAYMENTS

	30th June 2003 HK\$'000	31st December 2002 HK\$'000
Trade debtors (<i>note a</i>)	294,738	283,080
Loan to a fellow subsidiary (<i>note b</i>)	219,000	—
Other receivable	23,779	28,751
Prepayments	45,944	48,828
	<u>583,461</u>	<u>360,659</u>

- (a) 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.

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 2003 HK\$'000	31st December 2002 HK\$'000
Within one month	117,954	141,316
Two to three months	102,987	80,428
Four to six months	37,306	50,566
Over six months	36,491	10,770
	<u>294,738</u>	<u>283,080</u>

8. DEBTORS AND PREPAYMENTS (Cont'd)

- (b) In July 2002, the Group granted a guaranteed unsecured revolving loan facility of HK\$330 million to a fellow subsidiary. The loan carries interest at 2.38% per annum above three-month HIBOR, with maturity of three years and an option to extend the maturity for further one or two years.

9. CREDITORS AND ACCRUALS

	30th June	31st December
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade creditors	116,925	104,619
Other creditors	75,185	59,670
Accrued operating expenses	77,088	92,918
Deposits received	4,896	5,194
	274,094	262,401
	274,094	262,401

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

	30th June	31st December
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one month	47,218	48,213
Two to three months	50,362	39,154
Four to six months	8,168	9,152
Over six months	11,177	8,100
	116,925	104,619
	116,925	104,619

10. SHARE CAPITAL

	Ordinary Shares of HK\$0.10 each	
	No. of shares	HK\$'000
Authorised:		
At 1st January 2003 and 30th June 2003	3,888,000,000	388,800
Issued and fully paid:		
At 1st January 2003 and 30th June 2003	1,243,207,815	124,321

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, options to subscribe for 20,482,000 shares at the exercise price of HK\$0.514 per share were granted to Directors, advisor and employees of the Company and its affiliates (2002: nil) and no options were exercised (2002: 1,130,000 shares). At 30th June 2003, outstanding options granted under the scheme are as follows:

Exercise period	Exercise price per share HK\$	Number of share options	
		30th June 2003	31st December 2002
20th May 1999 to 19th May 2008	0.5333	12,962,000	12,962,000
30th December 2000 to 29th December 2009	0.5216	25,302,000	25,302,000
1st March 2004 to 28th February 2013	0.5140	20,482,000	—
		<u>58,746,000</u>	<u>38,264,000</u>

Notes to the Financial Statements

11. RESERVES

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
At 1st January	1,268,249	1,235,958
Changes in exchange rates	52	(59)
Premium on shares issued	—	477
Profit for the period	31,143	35,983
Final dividend	<u>(12,432)</u>	<u>(30,446)</u>
At 30th June	<u><u>1,287,012</u></u>	<u><u>1,241,913</u></u>

12. LONG-TERM LIABILITIES

	30th June 2003 <i>HK\$'000</i>	31st December 2002 <i>HK\$'000</i>
Bank loans, secured	219,000	—
Current portion included in current liabilities	<u>(50,000)</u>	<u>—</u>
	<u><u>169,000</u></u>	<u><u>—</u></u>

13. CAPITAL COMMITMENTS

	30th June 2003 <i>HK\$'000</i>	31st December 2002 <i>HK\$'000</i>
Contracted but not provided for	<u><u>115,975</u></u>	<u><u>53,616</u></u>

In addition, the Group did not undertake to invest (2002: HK\$73,692,000) in any investee companies which are engaged in high technology projects during the period.