

1. ACCOUNTING POLICIES

The financial statements have been prepared under historical cost convention as modified by the revaluation of certain investments and properties, 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 Financial Statements.

2. SEGMENT INFORMATION

The Group is principally engaged in property development and investment, manufacture, sale and distribution of construction materials. A summary of business segments is set out as follows:

	Properties and others	Construction materials	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Six months ended 30th June 2003			
Turnover	1,123,792	515,583	1,639,375
Other revenues	<u>7,004</u>	<u>2,954</u>	<u>9,958</u>
Operating profit	<u>38,237</u>	<u>26,274</u>	64,511
Finance costs			(9,835)
Share of profits less losses of			
Jointly controlled entities	22,233	1,523	23,756
Associated companies	—	341	<u>341</u>
Profit before taxation			<u>78,773</u>

Notes to the Financial Statements

	Properties and others <i>HK\$'000</i>	Construction materials <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30th June 2002			
Turnover	649,647	492,182	1,141,829
Other revenues	<u>2,325</u>	<u>2,609</u>	<u>4,934</u>
Operating profit	<u>47,857</u>	<u>35,704</u>	83,561
Finance costs			(2,114)
Share of profits less losses of			
Jointly controlled entities	(8)	691	683
Associated companies	(1,455)	(530)	<u>(1,985)</u>
Profit before taxation			<u>80,145</u>

A summary of geographical segments is set out as follows:

	Turnover		Operating Profit	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Hong Kong	1,316,918	816,823	38,615	75,010
Mainland China and others	<u>322,457</u>	<u>325,006</u>	<u>25,896</u>	<u>8,551</u>
	<u>1,639,375</u>	<u>1,141,829</u>	<u>64,511</u>	<u>83,561</u>

Notes to the Financial Statements

3. OPERATING PROFIT

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit is stated after crediting:		
Unrealised gain on other investments	6,400	1,350
Profit on disposal of listed investments	—	103
Profit on disposal of fixed assets	205	74
Gain on disposal of operating rights	28,260	—
Amortisation of negative goodwill	316	315
	316	315
and after charging:		
Cost of inventories sold	451,853	377,205
Depreciation	33,980	32,083
Amortisation		
Quarry site development	720	394
Overburden removal costs	6,898	7,506
Royalty	1,402	1,108
Operating lease rental for land and buildings	7,167	6,671
Unrealised loss on long-term investments	1,365	697
	1,365	697

4. TAXATION

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Company and subsidiaries		
Hong Kong profits tax	(15,374)	(6,002)
Under-provision in prior years	(2,157)	(15)
Overseas taxation	(1,546)	(6,504)
Deferred taxation	3,061	2,693
Jointly controlled entities		
Hong Kong profits tax	(3,892)	—
Overseas taxation	(378)	(209)
	(20,286)	(10,037)

Notes to the Financial Statements

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 overseas has been provided at the rates of taxation prevailing in the countries in which the Group operates.

5. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$44,551,000 (2002: HK\$56,288,000) and the weighted average number of shares in issue during the period of 1,920,308,000 (2002: 1,873,180,000 shares).

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.

6. DIVIDENDS

	2003 HK\$'000	2002 HK\$'000
2002 Final scrip dividend with a cash option, payable, of 2 cents per share	38,412	—
2001 Final scrip dividend with a cash option, paid, of 2 cents per share		
Scrip	—	14,841
Cash	—	22,672
	<u>38,412</u>	<u>37,513</u>

The Board of Directors declares an interim dividend of 1 cent per ordinary share (2002: 1 cent), totalling HK\$19,628,000 for the six months ended 30th June 2003 (2002: HK\$18,964,000) to shareholders whose names appear on the registers 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.

Notes to the Financial Statements

7. CAPITAL EXPENDITURE

For the six months ended 30th June 2003, the Group incurred HK\$82 million on fixed assets and HK\$17 million on deferred expenditure.

8. DEBTORS AND PREPAYMENTS

	30th June	31st December
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors	358,545	358,434
Other receivables	114,364	108,001
Prepayments	49,775	55,155
	522,684	521,590
	522,684	521,590

The Group has established credit policies which follow local industry standard. The average normal credit period offered ranges 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 date of invoices and net of provision for bad and doubtful debts is as follows:

	30th June	31st December
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one month	138,212	162,881
Two to three months	143,376	131,538
Four to six months	37,761	50,709
Over six months	39,196	13,306
	358,545	358,434
	358,545	358,434

Notes to the Financial Statements

9. CREDITORS AND ACCRUALS

	30th June 2003 <i>HK\$'000</i>	31st December 2002 <i>HK\$'000</i>
Trade creditors	290,584	322,106
Other creditors	104,136	87,683
Accrued operating expenses	91,270	102,017
Deposits received	12,071	11,699
	<u>498,061</u>	<u>523,505</u>

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

	30th June 2003 <i>HK\$'000</i>	31st December 2002 <i>HK\$'000</i>
Within one month	144,975	174,554
Two to three months	84,708	124,735
Four to six months	8,168	9,324
Over six months	52,733	13,493
	<u>290,584</u>	<u>322,106</u>

10. SHARE CAPITAL

	<i>Ordinary Shares of HK\$0.10 each</i>	<i>HK\$'000</i>
Authorised		
At 1st January 2003 and 30th June 2003	3,888,000,000	388,800
Issued and fully paid		
At 1st January 2003	1,919,545,431	191,955
Exercise of share options	1,043,000	104
At 30th June 2003	<u>1,920,588,431</u>	<u>192,059</u>

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, options to subscribe for 17,754,000 shares at the exercise price of HK\$0.72 per share were granted (2002: nil) and options to subscribe for 1,043,000 shares were exercised (2002: 5,041,000 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	0.5586	7,229,000	7,522,000
30th December 2000 to 29th December 2009	0.3600	9,269,000	10,019,000
1st March 2004 to 28th February 2013	0.7200	17,754,000	—
		34,252,000	17,541,000

11. RESERVES

	2003 HK\$'000	2002 HK\$'000
At 1st January	2,271,700	2,196,995
Changes in exchange rates	22	(108)
Premium on shares issued	330	1,674
Profit for the period	44,551	56,288
Final dividend	(38,412)	(22,672)
	2,278,191	2,232,177
At 30th June		

Notes to the Financial Statements

12. LONG-TERM LIABILITIES

	30th June 2003 <i>HK\$'000</i>	31st December 2002 <i>HK\$'000</i>
Bank loans		
Secured	1,263,527	1,330,417
Unsecured	<u>809,934</u>	<u>1,163,968</u>
	2,073,461	2,494,385
Current portion included in current liabilities	<u>(350,363)</u>	<u>(693,469)</u>
	<u>1,723,098</u>	<u>1,800,916</u>

13. COMMITMENTS

	30th June 2003 <i>HK\$'000</i>	31st December 2002 <i>HK\$'000</i>
(a) Commitments in respect of property developments		
Contracted but not provided for	<u>465,196</u>	<u>699,684</u>
(b) Commitments in respect of capital expenditure		
Contracted but not provided for	<u>115,975</u>	<u>53,616</u>
(c) Commitments in respect of other investments		
Contracted but not provided for	<u>—</u>	<u>73,692</u>
(d) The Group's share of capital commitments of the jointly controlled entities in respect of property developments not included in the above are as follows:		
Contracted but not provided for	<u>231,494</u>	<u>197,691</u>