

1. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

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 Hong Kong Financial Reporting Standards.

In 2003, the Group adopted the revised Statement of Standard Accounting Practice ("SSAP") 12 "Income Taxes" issued by the Hong Kong Society of Accountants. The adoption of the revised SSAP 12 has resulted in a change to the accounting policy of the Group as detailed in note 1(m) below.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of K. Wah International Holdings Limited and its subsidiaries made up to 31st December and the Group's attributable share of post acquisition results and reserves of its jointly controlled entities and associated companies.

Results attributable to subsidiaries, jointly controlled entities and associated companies acquired or disposed of during the year are included in the consolidated profit and loss statement from the date of acquisition or to the date of disposal as applicable.

The profit or loss on disposal of subsidiaries, jointly controlled entities or associated companies is calculated by reference to the share of net assets at the date of disposal including the attributable amount of goodwill or negative goodwill which remains unamortised, including those previously taken directly to reserves.

All significant intercompany transactions and balances within the Group are eliminated.

(c) Subsidiaries

Subsidiaries are companies in which the Group has the power to exercise control governing the financial and operating policies of the company.

In the Company's balance sheet, investments in subsidiaries are carried at or below cost. Provision is made when, in the opinion of the Directors, there is impairment in value other than temporary in nature. The results of subsidiaries are accounted for by the Company on the basis of dividend income.

(d) Jointly controlled entities

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established between the participating venturers and whereby the Group together with the venturer undertake an economic activity which is subject to joint control and none of the venturers has unilateral control over the economic activity.

Jointly controlled entities are accounted for under the equity method whereby the Group's share of results is included in the consolidated profit and loss statement and the Group's share of net assets is included in the consolidated balance sheet.

(e) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

Associated companies are accounted for under the equity method whereby the Group's share of the results is included in the consolidated profit and loss statement and the Group's share of net assets is included in the consolidated balance sheet.

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(f) Goodwill

Goodwill represents the difference between the cost of an acquisition over the fair values ascribed to the Group's share of the net assets of the acquired subsidiaries, jointly controlled entities and associated companies at the effective date of acquisition.

Goodwill arising on acquisitions 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. The carrying amount of goodwill is reviewed annually and provision is made when, in the opinion of the Directors, there is impairment in value other than temporary in nature.

Where the fair values ascribed to the net assets exceed the purchase consideration, such differences are recognised in the profit and loss statement in the year of acquisition or over the weighted average useful life of those non-monetary assets acquired.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and provision for impairment in value other than temporary in nature.

The cost or valuation of long-term and medium-term leasehold land is depreciated over the remaining term of the lease, including the period for which a right of renewal is attached, using the straight-line method. The cost or valuation of all other land and buildings and leasehold improvements is depreciated over their respective lease periods using the straight-line method.

Increases in valuation of leasehold land and buildings are credited to the property revaluation reserve; subsequent decreases are first set off against increases on earlier valuations in respect of the same property and are thereafter charged to the profit and loss statement.

The cost of other assets is depreciated over their estimated useful lives, using the straight-line method, at the following annual rates:

Plant and machinery	5 to 25%
Other assets	10 to 25%

Major costs incurred in restoring assets to their normal working condition are charged to the profit and loss statement. Improvements are capitalised and depreciated over their expected useful lives to the Group. The carrying amounts of assets are reviewed regularly. When the estimated recoverable amounts have declined permanently below their carrying amounts, the carrying amounts are written down to their estimated recoverable amounts. Expected future cash flows have been discounted in determining the recoverable amount.

Profit or loss on disposal is determined as the difference between the net sales proceed and the carrying amount of the relevant asset, and is recognised in the profit and loss statement. Upon the disposal of revalued assets, the relevant realised property revaluation reserve is transferred directly to revenue reserve.

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(h) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed, held for their long-term investment potential and are not occupied by the Group. Investment properties are carried at fair values, representing their open market value based on professional valuation. A deficit in valuation is charged to the profit and loss statement; an increase is first credited to the profit and loss statement to the extent of valuation deficit previously charged and thereafter is credited to the investment properties revaluation reserve. Upon the disposal of an investment property, any relevant revaluation surplus realised is transferred to the profit and loss statement.

No depreciation is provided on investment properties held on leases of more than twenty years.

(i) Investments

Securities intended to be held for indefinite long-term purpose or strategic reason are included in the balance sheet under non-current assets and are carried at cost less provision. The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investment will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss statement and is written back to profit and loss statement when the circumstances and events that led to the write-downs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Securities which are acquired principally for the purpose of generating a profit from short-term fluctuation in prices are included in the balance sheet under current assets and are carried at fair value. The net unrealised gains or losses arising from the changes in fair value of investments are recognised in the profit and loss statement. Profits or losses on disposal of investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss statement as they arise.

(j) Deferred expenditure

Quarry site development represents costs of constructing infrastructure at the quarry site to facilitate excavation. Overburden removal costs are incurred to bring the quarry site into a condition ready for excavation. These costs are amortised over the estimated useful lives of the quarries and sites concerned using the straight-line method.

Pre-operating costs are expensed as they are incurred.

(k) Development properties

Development properties are included under current assets and comprise land at cost or valuation, construction costs, an appropriate proportion of overhead expenditure and interest attributable to the development, and profit taken to date, less sales instalments received and provisions for possible losses. Completed properties held for sale are carried at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost calculated on the weighted average basis, comprises materials, direct labour and an appropriate proportion of production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(m) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. The principal temporary differences arise from depreciation on property, plant and equipments, provisions for expenses and tax losses carried forward. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred taxation assets relating to carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In previous years, deferred taxation was provided at the current tax rates using the liability method in respect of all significant timing differences, principally accelerated depreciation allowances, which was expected to reverse in the foreseeable future. This accounting policy has been changed to conform with the revised SSAP 12 and as a result, reserves of the Group as at 1st January 2002 and 2003 have been reduced by HK\$33,652,000 and HK\$37,721,000 respectively. This change has resulted in an increase in deferred taxation liabilities at 31st December 2002 by HK\$71,018,000 and a decrease in profit for the year ended 31st December 2002 by HK\$4,069,000.

(n) Provision

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(o) Revenue recognition

Sales of construction materials are recognised when the goods are delivered and legal title is transferred to customers.

Sales of completed properties are recognised upon execution of the sales agreements. When a development property is sold in advance of completion, sales are recognised over the course of the development and are computed as a proportion of the total estimated sales to completion; the proportion used being the lower of the proportion of construction costs incurred at the balance sheet date to estimated total construction costs and the proportion of sales proceeds received and receivable at the balance sheet date to total sales proceeds.

Where purchasers fail to pay the balance of the purchase price on completion and the Group exercises its entitlement to resell the property, sales deposits received in advance of completion are forfeited and credited to operating profit, and sales recognised up to the date of forfeiture are written back.

Rental income net of any incentives given to the lessee is recognised over the periods of the respective leases on a straight-line basis. Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable. Dividend income is recognised when the right to receive payment is certain.

(p) Employee benefits

Contributions to defined contribution retirement schemes are charged to the profit and loss statement in the year to which the contributions relate.

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(p) Employee benefits (Cont'd)

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Provisions for bonus plans due wholly within twelve months after balance sheet date are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(q) Leased assets

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Rentals payable, net of incentives received from the lessors, under operating leases are charged to the profit and loss statement on a straight-line basis over the lease terms.

(r) Borrowing costs

Interest and related costs on borrowings directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to complete and prepare the assets for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit and loss statement in the year in which they are incurred.

(s) Foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at rates of exchange ruling at that date. Exchange differences arising are dealt with in the profit and loss statement.

Profit and loss statements of subsidiaries, jointly controlled entities and associated companies denominated in foreign currencies are translated at the weighted average exchange rates for the year and balance sheets are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising from the translation of net investments are taken directly to reserves.

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, deposits with banks and financial institutions repayable within three months from the date of placement, less bank overdrafts and advances from banks and financial institutions repayable within three months from the date of advance.

2. SEGMENT INFORMATION

The Group is principally engaged in property development and investment, manufacture, sale and distribution of construction materials. There is no other significant identifiable separate business. In accordance with the Group's internal financial reporting and operating activities, the primary segment reporting is by business segments and the secondary segment reporting is by geographical segments. Segment assets primarily consist of property, plant and equipment, other non-current assets, inventories, properties, debtors and prepayments and mainly exclude investments. Segment liabilities comprise mainly creditors and accruals. There are no sales or trading transactions between the business segments.

2. SEGMENT INFORMATION (Cont'd)

A summary of the business segments is set out as follows:

	Properties HK\$'000	Construction materials HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31st December 2003				
Turnover	1,879,105	1,130,894	66,144	3,076,143
Other revenues	<u>12,102</u>	<u>4,066</u>	<u>1,477</u>	<u>17,645</u>
Operating profit	<u>109,347</u>	<u>22,483</u>	<u>13,691</u>	145,521
Finance costs				(17,144)
Share of profits less losses of				
Jointly controlled entities	46,971	6,874	—	53,845
Associated companies	—	998	—	<u>998</u>
Profit before taxation				183,220
Taxation				<u>(45,831)</u>
Profit after taxation				137,389
Minority interests	260	(17,232)	(37)	<u>(17,009)</u>
Profit attributable to shareholders				<u>120,380</u>
Segment assets	3,209,513	1,480,474	21,978	4,711,965
Jointly controlled entities	299,581	237,449	—	537,030
Associated companies	—	16,098	—	16,098
Unallocated assets				<u>606,794</u>
Total assets				<u>5,871,887</u>
Segment liabilities	197,887	289,691	6,077	493,655
Minority interests	469,922	613,048	899	1,083,869
Unallocated liabilities				<u>1,762,676</u>
Total liabilities				<u>3,340,200</u>
Capital expenditure	2,425	151,733	—	154,158
Depreciation	3,132	66,018	130	69,280
Amortisation	—	15,675	—	15,675
Unrealised gain of listed investments	<u>—</u>	<u>2,180</u>	<u>13,852</u>	<u>16,032</u>

2. SEGMENT INFORMATION (Cont'd)

	Properties HK\$'000	Construction materials HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31st December 2002				
Turnover	1,079,095	1,010,999	44,458	2,134,552
Other revenues	<u>4,362</u>	<u>6,499</u>	<u>859</u>	<u>11,720</u>
Operating profit	<u>89,600</u>	<u>45,954</u>	<u>2,768</u>	138,322
Finance costs				(8,619)
Share of profits less losses of				
Jointly controlled entities	(33)	4,439	—	4,406
Associated companies	(1,544)	3,944	—	<u>2,400</u>
Profit before taxation				136,509
Taxation				<u>(11,365)</u>
Profit after taxation				125,144
Minority interests	222	(23,005)	(27)	<u>(22,810)</u>
Profit attributable to shareholders				<u>102,334</u>
Segment assets	4,082,913	1,340,767	26,106	5,449,786
Jointly controlled entities	340,381	196,327	—	536,708
Associated companies	—	15,244	—	15,244
Unallocated assets				<u>761,495</u>
Total assets				<u>6,763,233</u>
Segment liabilities	252,000	263,801	7,706	523,507
Minority interests	467,169	599,832	784	1,067,785
Unallocated liabilities				<u>2,746,007</u>
Total liabilities				<u>4,337,299</u>
Capital expenditure	1,710	154,628	20	156,358
Depreciation	3,012	58,976	123	62,111
Amortisation	—	14,879	—	14,879
Write-back of additional provision for plant and equipment	<u>—</u>	<u>11,303</u>	<u>—</u>	<u>11,303</u>

2. SEGMENT INFORMATION (Cont'd)

A summary of the geographical segments is set out as follows:

	Turnover <i>HK\$'000</i>	Operating profit/(loss) <i>HK\$'000</i>	Total assets <i>HK\$'000</i>	Capital expenditure <i>HK\$'000</i>
Year ended 31st December 2003				
Hong Kong	2,322,052	118,746	2,368,831	38,742
Mainland China	678,729	30,031	3,307,148	115,392
Singapore	9,218	(3,776)	179,690	24
Japan	66,144	520	16,218	—
	<u>3,076,143</u>	<u>145,521</u>	<u>5,871,887</u>	<u>154,158</u>
Year ended 31st December 2002				
Hong Kong	1,479,594	98,858	3,531,192	55,395
Mainland China	583,176	37,179	3,025,036	100,940
Singapore	27,324	1,938	189,480	3
Japan	44,458	347	17,525	20
	<u>2,134,552</u>	<u>138,322</u>	<u>6,763,233</u>	<u>156,358</u>

3. TURNOVER AND OTHER REVENUES

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Turnover		
Sale of properties	1,842,095	1,039,956
Manufacture, sale and distribution of construction materials	1,130,894	1,010,999
Rental	37,010	39,139
Sale of goods	66,144	44,458
	<u>3,076,143</u>	<u>2,134,552</u>
Other revenues		
Interest from banks	5,918	6,733
Interest from mortgage loans	8,730	2,213
Interest from deferred receivable	1,521	1,918
Dividend from listed investments	1,476	856
	<u>17,645</u>	<u>11,720</u>
Total revenues	<u>3,093,788</u>	<u>2,146,272</u>

4. OPERATING PROFIT

	2003 HK\$'000	2002 HK\$'000
Operating profit is stated after crediting:		
Unrealised gain of listed investments	16,032	950
Profit on disposal of listed investments	2,372	103
Write-back of provision for development properties	8,478	7,726
Profit on disposal of property, plant and equipment	—	343
Write-back of additional provision for plant and equipment	—	11,303
Gain on disposal of operating rights	28,260	—
Amortisation of negative goodwill	<u>632</u>	<u>631</u>
and after charging:		
Cost of inventories sold	1,008,355	821,812
Deficit on revaluation of investment properties	12,071	6,066
Net exchange losses	4,108	5,123
Depreciation	69,280	62,111
Amortisation		
Quarry site development	1,284	846
Overburden removal costs	14,391	14,033
Staff costs including directors' remuneration	234,191	211,276
Royalty	4,275	3,076
Auditors' remuneration	1,897	1,928
Operating lease rentals		
Land and buildings	12,148	11,740
Plant and machinery	779	1,888
Impairment of long-term investments	2,145	561
Loss on disposal of an associated company	—	12,658
Loss on disposal of property, plant and equipment	1,349	—
Outgoings in respect of investment properties	<u>3,755</u>	<u>3,091</u>

5. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest expense		
Bank loans and overdrafts	51,540	74,302
Finance lease obligations wholly repayable within five years	<u>—</u>	<u>2</u>
	51,540	74,304
Capitalised as cost of properties under development	<u>(34,396)</u>	<u>(65,685)</u>
	<u>17,144</u>	<u>8,619</u>

The capitalisation rates applied to funds borrowed generally and used for the development of properties are between 1% and 5% per annum (2002: 2% to 5% per annum).

6. DIRECTORS' EMOLUMENTS

	2003 HK\$'000	2002 HK\$'000
Fees	910	1,060
Salaries and other emoluments	13,608	10,844
Retirement benefits	<u>908</u>	<u>745</u>
	<u>15,426</u>	<u>12,649</u>

The emoluments of individual directors of the Company fell within the following bands:

	Number of Directors	
	2003	2002
Nil–HK\$1,000,000	8	10
HK\$1,000,001–HK\$1,500,000	2	—
HK\$1,500,001–HK\$2,000,000	—	1
HK\$2,000,001–HK\$2,500,000	1	1
HK\$3,000,001–HK\$3,500,000	—	2
HK\$4,000,001–HK\$4,500,000	1	—
HK\$4,500,001–HK\$5,000,000	<u>1</u>	<u>—</u>
	<u>13</u>	<u>14</u>

Fees paid to independent non-executive directors amounted to HK\$410,000 (2002: HK\$460,000) and no other emoluments were paid.

During the year, options to subscribe for 7,691,000 shares (2002: nil) of the Company at the exercise price of HK\$0.72 per share were granted to the directors and no options were exercised by the directors (2002: nil).

7. MANAGEMENT EMOLUMENTS

The five individuals whose emoluments were the highest in the Group for the year include two (2002: three) directors whose emoluments are reflected in note 6 above. The emoluments of the remaining three (2002: two) individuals are as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries and other emoluments	6,160	3,868
Retirement benefits	<u>466</u>	<u>287</u>
	<u><u>6,626</u></u>	<u><u>4,155</u></u>

The emoluments of these individuals fell within the following bands:

	Number of employees	
	2003	2002
HK\$1,500,001–HK\$2,000,000	—	1
HK\$2,000,001–HK\$2,500,000	<u>3</u>	<u>1</u>
	<u><u>3</u></u>	<u><u>2</u></u>

8. RETIREMENT BENEFIT SCHEMES

The Group operates two defined contribution schemes in Hong Kong which comply with all the respective requirements under the Occupational Retirement Schemes Ordinance (ORSO) and Mandatory Provident Fund (MPF) Ordinance. All the assets under the schemes are held separately from the Group under independently administered funds. Contributions to the MPF Scheme follow the MPF Ordinance while contributions to the ORSO Scheme are based on a percentage ranging from 5% to 10% (depending upon the length of employment) of the basic salary of the employee, minus the mandatory contributions to the MPF Scheme. The Group's contributions to the ORSO Scheme may be reduced by contributions forfeited by those employees who leave the scheme prior to the full vesting of the employer's contributions on the employee.

The employees in the Mainland China participate in various pension plans organised by the relevant municipal and provincial government under which the Group is required to make monthly defined contributions to these plans at rates ranging from 8% to 22.5%, depending upon the applicable local regulations, of the employees' basic salary. The Group has no other obligations for the payment of pension and other post-retirement benefits of employees other than the above payments.

The retirement benefit schemes cost charged to the profit and loss statement during the year comprises contributions made by the Group to the schemes of HK\$17,077,000 (2002: HK\$12,624,000), less forfeitures of HK\$264,000 (2002: HK\$379,000), leaving HK\$112,000 (2002: HK\$123,000) available at the balance sheet date to reduce future contribution.

9. TAXATION

	2003 HK\$'000	2002 HK\$'000
Company and subsidiaries		
Hong Kong profits tax	27,396	3,301
Overseas taxation	7,085	6,092
Deferred taxation (note 29(a))	<u>397</u>	<u>1,376</u>
	34,878	10,769
Jointly controlled entities		
Hong Kong profits tax	8,839	—
Overseas taxation	848	558
Deferred taxation	1,122	—
Associated companies		
Hong Kong profits tax	<u>144</u>	<u>38</u>
	<u>45,831</u>	<u>11,365</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits for the year after setting off available tax losses brought forward. Taxation assessable on profits generated overseas has been provided at the rates of taxation prevailing in the countries in which the Group operates.

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2003 HK\$'000	2002 HK\$'000
Profit before taxation	<u>183,220</u>	<u>136,509</u>
Tax calculated at applicable tax rate	30,408	14,019
Income under tax relief	(15,260)	(6,284)
Income not subject to taxation	(6,710)	(15,151)
Expenses not deductible for taxation purposes	14,557	15,132
Utilisation of previously unrecognised tax losses	(7,862)	(9,039)
Tax losses not recognised	29,311	12,605
(Over)/under provision in previous years	(32)	83
Increase in tax rate	<u>1,419</u>	<u>—</u>
Taxation charge	<u>45,831</u>	<u>11,365</u>

10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the financial statements of the Company to the extent of HK\$69,377,000 (2002: HK\$79,158,000).

11. DIVIDENDS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Interim scrip dividend with a cash option of 1 cent (2002: 1 cent) per share	19,630	18,964
Proposed final scrip dividend with a cash option of 2 cents (2002: 2 cents) per share	<u>39,623</u>	<u>38,412</u>
	<u>59,253</u>	<u>57,376</u>
The dividends have been partially settled by cash as follows:		
Interim	4,531	7,555
Final	<u>—</u>	<u>10,187</u>
	<u>4,531</u>	<u>17,742</u>

The Board of Directors recommended a final scrip dividend with a cash option in respect of 2003 of 2 cents (2002: 2 cents) per share. This dividend will be accounted for as an appropriation of revenue reserve in the year ending 31st December 2004.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$120,380,000 (2002: HK\$102,334,000) and the weighted average number of 1,944,096,000 shares (2002: 1,888,664,000 shares) in issue during the year.

The diluted earnings per share is not presented as the exercise of the share options outstanding as at 31st December 2003 would not have a dilutive effect on the earnings per share.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Other assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation					
At 31st December 2002	424,879	320,975	621,718	275,101	1,642,673
Additions	5,246	—	65,723	62,743	133,712
Disposals	(5,845)	—	(18,918)	(20,543)	(45,306)
Revaluation deficit	—	(12,071)	—	—	(12,071)
At 31st December 2003	<u>424,280</u>	<u>308,904</u>	<u>668,523</u>	<u>317,301</u>	<u>1,719,008</u>
Accumulated depreciation					
At 31st December 2002	52,950	—	339,569	158,234	550,753
Charge for the year	8,042	—	37,926	23,312	69,280
Disposals	(1,247)	—	(17,072)	(18,902)	(37,221)
At 31st December 2003	<u>59,745</u>	<u>—</u>	<u>360,423</u>	<u>162,644</u>	<u>582,812</u>
Net book value					
At 31st December 2003	<u>364,535</u>	<u>308,904</u>	<u>308,100</u>	<u>154,657</u>	<u>1,136,196</u>
At 31st December 2002	<u>371,929</u>	<u>320,975</u>	<u>282,149</u>	<u>116,867</u>	<u>1,091,920</u>

- (a) Leasehold land and buildings are stated at cost or valuation less depreciation as detailed in note 14. Investment properties held under long-term leases outside Hong Kong amounting to HK\$93,904,000 were valued at 31st December 2003 on an open market value basis by CB Richard Ellis (Pte) Ltd., independent professional valuers. Investment properties held under medium-term leases outside Hong Kong amounting to HK\$53,000,000 were valued at 31st December 2003 on an open market value basis by Knight Frank Hong Kong Limited, independent professional valuers. Investment properties held under long-term leases in Hong Kong amounting to HK\$120,000,000 were valued at 31st December 2003 on an open market value basis by FPD Savills (Hong Kong) Limited, independent professional valuers. Investment properties held under medium-term leases in Hong Kong amounting to HK\$42,000,000 were valued at 31st December 2003 on an open market value basis by Vigers Hong Kong Limited, independent professional valuers.
- (b) Investment properties and leasehold land and buildings with carrying values of HK\$266,904,000 (2002: HK\$225,975,000) and HK\$290,082,000 (2002: HK\$295,904,000), respectively, were pledged to secure the Group's banking facilities.
- (c) Other assets comprise barges, furniture and equipment, leasehold improvements and motor vehicles.
- (d) Apart from the properties mentioned in (a) above, all other assets are carried at cost.

14. LEASEHOLD LAND AND BUILDINGS

Group

	Hong Kong HK\$'000	Outside Hong Kong HK\$'000	2003 Total HK\$'000	2002 Total HK\$'000
Long-term lease				
At cost	113,741	2,495	116,236	119,587
Medium-term lease				
At cost	28,935	29,047	57,982	55,230
At professional valuation 1990	<u>250,062</u>	<u>—</u>	<u>250,062</u>	<u>250,062</u>
	<u>392,738</u>	<u>31,542</u>	<u>424,280</u>	<u>424,879</u>

Medium-term leasehold land and buildings in Hong Kong were revalued as at 31st March 1990 on an open market basis by Jones Lang LaSalle Ltd, independent professional valuers. Subsequent revaluations of these properties are not required to be made in accordance with paragraph 80 of Hong Kong Statement of Standard Accounting Practice 17 — Property, Plant and Equipment. Had these properties been carried at cost, their carrying values would have been HK\$163,203,000 (2002: HK\$166,955,000).

15. SUBSIDIARIES

	Company	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	259,561	259,561
Loan receivable	586,000	828,000
Amounts receivable	<u>1,855,825</u>	<u>1,801,671</u>
	<u>2,701,386</u>	<u>2,889,232</u>

The loan receivable is unsecured, carries interest at prevailing market rate and has no fixed terms of repayment. The amounts receivable are unsecured, interest-free and have no fixed terms of repayment.

Details of subsidiaries which, in the opinion of the directors, materially affect the results or net assets of the Group are given in note 37(a).

16. JOINTLY CONTROLLED ENTITIES

	Group	
	2003	2002
	HK\$'000	HK\$'000
Share of net assets	194,638	112,259
Loans receivable	246,848	334,489
Amounts receivable	95,544	89,960
	<u>537,030</u>	<u>536,708</u>

The loans receivable are unsecured, carry interest at prevailing market rate and have no fixed terms of repayment. The amounts receivable are unsecured, interest-free and have no fixed terms of repayment.

Details of jointly controlled entities which, in the opinion of the directors, materially affect the results or net assets of the Group are given in note 37(b).

17. ASSOCIATED COMPANIES

	Group	
	2003	2002
	HK\$'000	HK\$'000
Share of net assets	16,098	15,244

Details of associated companies which, in the opinion of the directors, materially affect the results or net assets of the Group are given in note 37(c).

18. OTHER NON-CURRENT ASSETS

	Group	
	2003	2002
	HK\$'000	HK\$'000
Deferred expenditure		
Overburden removal costs	114,366	111,564
Quarry site development	13,421	11,452
	127,787	123,016
Deferred receivable (note (a))	8,147	11,020
Mortgage loans (note (b))	192,500	62,517
Long-term investments		
Listed in Hong Kong	2,487	2,487
Unlisted	102,306	104,451
	433,227	303,491
Market value of listed long-term investments	736	1,346

18. OTHER NON-CURRENT ASSETS (Cont'd)

- (a) Deferred receivable represents advances to various contractors. The advances are secured by assets provided by the contractors, carry interest at prevailing market rate and are repayable by monthly instalments up to 2008. The current portion of the receivable is included under other receivables.
- (b) Mortgage loans are advances to purchasers of development properties of the Group and secured by second mortgages on the related properties. The current portion of the loans is included under other receivables.

19. DEVELOPMENT PROPERTIES

Group

	Completed <i>HK\$'000</i>	Under development <i>HK\$'000</i>	Total <i>HK\$'000</i>
At cost, less provision	342,101	2,166,987	2,509,088
At professional valuation 1990	<u>10,254</u>	<u>—</u>	<u>10,254</u>
At 31st December 2003	<u>352,355</u>	<u>2,166,987</u>	<u>2,519,342</u>
At 31st December 2002	<u>1,075,233</u>	<u>2,414,926</u>	<u>3,490,159</u>

The completed properties at valuation are held under medium-term leases in Hong Kong and were revalued as at 31st March 1990 on an open market basis by Jones Lang LaSalle Ltd., independent professional valuers.

20. INVENTORIES

	Group	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Aggregates and sand	24,820	7,653
Concrete pipes and blocks	8,723	4,952
Cement	4,813	6,598
Spare parts	22,861	19,857
Consumables	<u>7,499</u>	<u>3,565</u>
	<u>68,716</u>	<u>42,625</u>

The carrying amount of inventories stated at net realisable value amounted to HK\$1,809,000 (2002: HK\$1,572,000).

21. DEBTORS AND PREPAYMENTS

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Trade debtors	379,975	358,434	—	—
Other receivables	134,847	108,001	—	—
Prepayments	<u>39,662</u>	<u>55,155</u>	<u>729</u>	<u>630</u>
	<u>554,484</u>	<u>521,590</u>	<u>729</u>	<u>630</u>

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 the Mainland China. These are subject to periodic reviews 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:

	2003 HK\$'000	2002 HK\$'000
Within one month	148,678	162,881
Two to three months	151,263	131,538
Four to six months	57,813	50,709
Over six months	<u>22,221</u>	<u>13,306</u>
	<u>379,975</u>	<u>358,434</u>

22. OTHER INVESTMENTS

	Group	
	2003 HK\$'000	2002 HK\$'000
Listed in Hong Kong, at market value	29,352	10,200
Unlisted shares	<u>52,204</u>	<u>52,204</u>
	<u>81,556</u>	<u>62,404</u>

23. CASH AND BANK BALANCES

The cash and bank balances include HK\$146,628,000 (2002: HK\$206,147,000) which can only be applied for the construction costs of certain development properties of the Group.

24. CREDITORS AND ACCRUALS

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Trade creditors	296,370	322,106	—	—
Other creditors	86,948	87,683	1,673	1,615
Accrued operating expenses	95,806	102,017	198	1,763
Deposits received	14,531	11,699	—	—
	<u>493,655</u>	<u>523,505</u>	<u>1,871</u>	<u>3,378</u>

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

	2003 HK\$'000	2002 HK\$'000
Within one month	234,086	174,554
Two to three months	39,129	124,735
Four to six months	9,661	9,324
Over six months	13,494	13,493
	<u>296,370</u>	<u>322,106</u>

25. SHARE CAPITAL

Company

	2003		2002	
	Ordinary Shares of HK\$0.10 each HK\$'000	HK\$'000	Ordinary Shares of HK\$0.10 each HK\$'000	HK\$'000
Authorised:				
At beginning and end of year	<u>3,888,000,000</u>	<u>388,800</u>	<u>3,888,000,000</u>	<u>388,800</u>
Issued and fully paid:				
At beginning of year	1,919,545,431	191,955	1,870,745,070	187,075
Share options exercised	2,378,000	238	5,041,000	504
Issued as scrip dividends	<u>56,045,317</u>	<u>5,604</u>	<u>43,759,361</u>	<u>4,376</u>
At end of year	<u>1,977,968,748</u>	<u>197,797</u>	<u>1,919,545,431</u>	<u>191,955</u>

26. SHARE OPTION SCHEME

The Company operates a share option scheme under which options to subscribe for ordinary shares in the Company are granted to selected executives. Under the scheme, share options may be granted to Directors, senior executives or employees of the Company or its affiliates and other qualifying grantees. Consideration to be paid on each grant of option is HK\$1.00. The period within which the shares must be taken up under an option is determined by the Board from time to time, except that such period shall not expire more than 10 years from the date of grant of the option.

Movements in the number of share options outstanding during the year are as follows:

	2003	2002
At beginning of year	17,541,000	22,582,000
Granted (note (a))	24,754,000	—
Exercised (note (b))	<u>(2,528,000)</u>	<u>(5,041,000)</u>
At end of year (note (c))	<u>39,767,000</u>	<u>17,541,000</u>

(a) Options granted

17,754,000 and 7,000,000 share options were granted on 28th February 2003 and 29th December 2003 at the exercise price of HK\$0.72 and HK\$1.30 per share (2002: nil) and will expire on 28th February 2013 and 29th December 2013, respectively. Consideration of HK\$65 (2002: nil) was received in respect of the share options granted during the year.

(b) Options exercised

Exercise date	Exercise price HK\$	Number of shares
22nd January 2003	0.3600	200,000
22nd January 2003	0.5586	133,000
3rd March 2003	0.3600	250,000
4th March 2003	0.3600	200,000
28th March 2003	0.3600	100,000
4th April 2003	0.5586	160,000
18th September 2003	0.3600	100,000
2nd October 2003	0.5586	100,000
23rd October 2003	0.5586	300,000
23rd October 2003	0.3600	435,000
23rd October 2003	0.7200	300,000
12th December 2003	0.5586	<u>100,000</u>
Number of shares issued at 31st December 2003		2,378,000
31st December 2003	0.5586	<u>150,000*</u>
		<u>2,528,000</u>

* These shares were allotted on 19th January 2004.

26. SHARE OPTION SCHEME (Cont'd)

(c) Outstanding options

Exercise period	Exercise price per share HK\$	Number of share options	
		2003	2002
Directors			
20th May 1999 to 19th May 2008	0.5586	3,400,000	3,400,000
30th December 2000 to 29th December 2009	0.3600	4,790,000	4,790,000
1st March 2004 to 28th February 2013	0.7200	7,691,000	—
Others			
20th May 1999 to 19th May 2008	0.5586	3,179,000	4,122,000
30th December 2000 to 29th December 2009	0.3600	3,944,000	5,229,000
1st March 2004 to 28th February 2013	0.7200	9,763,000	—
30th December 2003 to 29th December 2013	1.3000	7,000,000	—
		<u>39,767,000</u>	<u>17,541,000</u>

27. RESERVES

(a) Group

	Share premium HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Property revaluation reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
At 31st December 2002							
As previously reported	814,194	99,089	13	34,188	68,037	1,256,179	2,271,700
Prior year adjustment (note 1(m))	—	—	—	—	—	(37,721)	(37,721)
As restated	814,194	99,089	13	34,188	68,037	1,218,458	2,233,979
Changes in exchange rates	—	—	—	—	—	(1,030)	(1,030)
Premium on shares issued	883	—	—	—	—	—	883
Shares issued as scrip dividends	(5,604)	—	—	—	—	—	(5,604)
Reserve arising on scrip dividends	—	—	—	—	—	43,324	43,324
Profit for the year	—	—	—	—	—	120,380	120,380
2002 final dividend	—	—	—	—	—	(38,412)	(38,412)
2003 interim dividend	—	—	—	—	—	(19,630)	(19,630)
At 31st December 2003	809,473	99,089	13	34,188	68,037	1,323,090	2,333,890
Retained by:							
Company and subsidiaries	809,473	99,089	13	34,188	68,037	1,295,697	2,306,497
Jointly controlled entities	—	—	—	—	—	8,929	8,929
Associated companies	—	—	—	—	—	18,464	18,464
	809,473	99,089	13	34,188	68,037	1,323,090	2,333,890
At 31st December 2001							
As previously reported	816,896	99,089	13	34,188	68,037	1,178,772	2,196,995
Prior year adjustment (note 1(m))	—	—	—	—	—	(33,652)	(33,652)
As restated	816,896	99,089	13	34,188	68,037	1,145,120	2,163,343
Changes in exchange rates	—	—	—	—	—	1,231	1,231
Premium on shares issued	1,674	—	—	—	—	—	1,674
Shares issued as scrip dividends	(4,376)	—	—	—	—	—	(4,376)
Reserve arising on scrip dividends	—	—	—	—	—	26,250	26,250
Profit for the year	—	—	—	—	—	102,334	102,334
2001 final dividend	—	—	—	—	—	(37,513)	(37,513)
2002 interim dividend	—	—	—	—	—	(18,964)	(18,964)
At 31st December 2002	814,194	99,089	13	34,188	68,037	1,218,458	2,233,979
Retained by:							
Company and subsidiaries	814,194	99,089	13	34,188	68,037	1,235,809	2,251,330
Jointly controlled entities	—	—	—	—	—	(34,945)	(34,945)
Associated companies	—	—	—	—	—	17,594	17,594
	814,194	99,089	13	34,188	68,037	1,218,458	2,233,979

27 RESERVES (Cont'd)

(b) Company

	Share premium HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
At 31st December 2002	814,194	213,560	13	866,987	1,894,754
Premium on shares issued	883	—	—	—	883
Shares issued as scrip dividends	(5,604)	—	—	—	(5,604)
Reserve arising on scrip dividends	—	—	—	43,324	43,324
Profit for the year	—	—	—	69,377	69,377
2002 final dividend	—	—	—	(38,412)	(38,412)
2003 interim dividend	—	—	—	(19,630)	(19,630)
At 31st December 2003	809,473	213,560	13	921,646	1,944,692
At 31st December 2001	816,896	213,560	13	818,056	1,848,525
Premium on shares issued	1,674	—	—	—	1,674
Shares issued as scrip dividends	(4,376)	—	—	—	(4,376)
Reserve arising on scrip dividends	—	—	—	26,250	26,250
Profit for the year	—	—	—	79,158	79,158
2001 final dividend	—	—	—	(37,513)	(37,513)
2002 interim dividend	—	—	—	(18,964)	(18,964)
At 31st December 2002	814,194	213,560	13	866,987	1,894,754

The distributable reserves of the Company at 31st December 2003, under the Companies Act 1981 of Bermuda (as amended), amounted to HK\$1,135,206,000 (2002: HK\$1,080,547,000).

28. LONG-TERM LIABILITIES

Group

	2003 HK\$'000	2002 HK\$'000
Bank loans		
Secured	707,332	1,330,417
Unsecured	750,930	1,163,968
	1,458,262	2,494,385
Current portion included in current liabilities	(156,078)	(693,469)
	1,302,184	1,800,916

28. LONG-TERM LIABILITIES (Cont'd)

Group (Cont'd)

The bank loans are repayable within the following periods:

	2003 HK\$'000	2002 HK\$'000
Within one year	156,078	693,469
Between one to two years	735,969	756,206
Between two to five years	<u>566,215</u>	<u>1,044,710</u>
	<u><u>1,458,262</u></u>	<u><u>2,494,385</u></u>

Company

	2003 HK\$'000	2002 HK\$'000
Unsecured bank loans	508,000	740,000
Current portion included in current liabilities	<u>(53,000)</u>	<u>(90,000)</u>
	<u><u>455,000</u></u>	<u><u>650,000</u></u>

The bank loans are repayable within the following periods:

	2003 HK\$'000	2002 HK\$'000
Within one year	53,000	90,000
Between one to two years	430,000	245,000
Between two to five years	<u>25,000</u>	<u>405,000</u>
	<u><u>508,000</u></u>	<u><u>740,000</u></u>

29. NON-CURRENT LIABILITIES

Group

	2003 HK\$'000	2002 HK\$'000
Deferred taxation (note (a))	88,365	87,968
Negative goodwill (note (b))	<u>768</u>	<u>1,400</u>
	<u><u>89,133</u></u>	<u><u>89,368</u></u>

29. NON-CURRENT LIABILITIES (Cont'd)

(a) Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using applicable tax rates prevailing in the countries in which the Group operates.

Deferred taxation assets and liabilities are offset when there is a legal right to set off current taxation assets with current taxation liabilities and when the deferred taxation relates to the same authority. The above liabilities shown in the consolidated balance sheet are determined after appropriate offsetting of the relevant amounts.

The movement in deferred tax assets and liabilities during the year is as follows:

	Deferred tax assets		Deferred tax liabilities		Total HK\$'000
	Tax losses HK\$'000	Others HK\$'000	Accelerated depreciation allowance HK\$'000	Others HK\$'000	
At 31st December 2002					
As previously reported	(24,169)	(629)	41,743	5	16,950
Prior year adjustment (note 1(m))	—	—	287	70,731	71,018
As restated	(24,169)	(629)	42,030	70,736	87,968
Charged/(credited) to profit and loss account	(5,257)	(191)	2,577	3,268	397
At 31st December 2003	(29,426)	(820)	44,607	74,004	88,365
At 31st December 2001					
As previously reported	(21,242)	(937)	41,817	5	19,643
Prior year adjustment (note 1(m))	—	—	287	66,662	66,949
As restated	(21,242)	(937)	42,104	66,667	86,592
Charged/(credited) to profit and loss account	(2,927)	308	(74)	4,069	1,376
At 31st December 2002	(24,169)	(629)	42,030	70,736	87,968

Deferred taxation assets of HK\$84,553,000 (2002: HK\$61,733,000) arising from unused tax losses and other temporary differences totaling of HK\$458,618,000 (2002: HK\$359,526,000) have not been recognised in the accounts. Unused tax losses of HK\$401,421,000 (2002: HK\$307,356,000) have no expiry date and the balance will expire at various dates up to and including 2009.

29. NON-CURRENT LIABILITIES (Cont'd)

(b) Negative goodwill

	2003 HK\$'000	2002 HK\$'000
Cost at beginning and end of year	2,663	2,663
Accumulated amortisation	<u>(1,895)</u>	<u>(1,263)</u>
At end of the year	<u><u>768</u></u>	<u><u>1,400</u></u>

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to cash generated from/(used in) operations

	2003 HK\$'000	2002 HK\$'000
Operating profit	145,521	138,322
Depreciation	69,280	62,111
Amortisation of deferred expenditure	15,675	14,879
Profit on disposal of listed investments	(2,372)	(103)
Loss on disposal of an associated company	—	12,658
Unrealised gain of listed investments	(16,032)	(950)
Unrealised loss of long-term investments	2,145	561
Interest income	(16,169)	(10,864)
Interest capitalised on properties under development	34,396	65,685
Dividend income from listed investments	(1,476)	(856)
Loss/(profit) on sale of property, plant and equipment	1,349	(343)
Amortisation of negative goodwill	(632)	(631)
Write back provision for development properties	(8,478)	(7,726)
Revaluation deficits of investment properties	12,071	6,066
Write-back of additional provision for plant and equipment	<u>—</u>	<u>(11,303)</u>
Operating profit before working capital changes	235,278	267,506
Decrease/(increase) in development properties	979,295	(543,328)
(Increase)/decrease in inventories	(26,091)	20,454
(Increase)/decrease in debtors and prepayments	(32,894)	58,923
Increase in mortgage loans receivable	(129,983)	(40,576)
(Decrease)/increase in creditors and accruals	<u>(29,850)</u>	<u>30,520</u>
Cash generated from/(used in) operations	<u><u>995,755</u></u>	<u><u>(206,501)</u></u>

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(b) Analysis of changes in financing

	Share capital and share premium HK\$'000	Minority interests HK\$'000	Loans and finance lease obligations HK\$'000	Total HK\$'000
At 31st December 2002				
As previously reported	1,006,149	1,102,215	2,643,291	4,751,655
Prior year adjustment (note 1(m))	—	(34,430)	—	(34,430)
As restated	1,006,149	1,067,785	2,643,291	4,717,225
Cash inflow/(outflow) from financing	1,121	(151)	(1,008,045)	(1,007,075)
Minority interests' share of other reserves	—	(774)	—	(774)
Minority interests' share of profits	—	17,009	—	17,009
At 31st December 2003	1,007,270	1,083,869	1,635,246	3,726,385
At 31st December 2001				
As previously reported	1,003,971	1,071,648	2,060,504	4,136,123
Prior year adjustment (note 1(m))	—	(34,430)	—	(34,430)
As restated	1,003,971	1,037,218	2,060,504	4,101,693
Cash inflow from financing	2,178	7,814	582,787	592,779
Minority interests' share of other reserves	—	(57)	—	(57)
Minority interests' share of profits	—	22,810	—	22,810
At 31st December 2002	1,006,149	1,067,785	2,643,291	4,717,225

31. COMMITMENTS

	Group	
	2003 HK\$'000	2002 HK\$'000
(a) Contracted but not provided for		
Commitments in respect of property developments	935,850	699,684
Commitments in respect of capital expenditure	51,339	53,616
Share of commitments of the jointly controlled entities in respect of property developments	<u>185,168</u>	<u>197,691</u>

(b) Operating lease commitments

The future aggregate minimum lease rental expense in respect of land and buildings under non-cancellable operating leases is payable in the following periods:

First year	7,339	8,199
Second to fifth years inclusive	23,743	24,517
After fifth year	<u>30,638</u>	<u>38,564</u>
	<u>61,720</u>	<u>71,280</u>

32. OPERATING LEASE RENTAL RECEIVABLE

The future aggregate minimum lease rental income in respect of land and buildings under non-cancellable operating leases is receivable in the following periods:

	Group	
	2003 HK\$'000	2002 HK\$'000
First year	26,409	28,815
Second to fifth years inclusive	47,350	55,006
After fifth year	<u>32,715</u>	<u>53,878</u>
	<u>106,474</u>	<u>137,699</u>

33. CONTINGENT LIABILITIES

The Company has executed guarantees in favour of banks and financial institutions in respect of facilities granted to certain subsidiaries and a jointly controlled entity amounting to HK\$1,505,277,000 (2002: HK\$2,136,836,000) and nil (2002: HK\$203,500,000) respectively, of which HK\$766,554,000 (2002: HK\$1,389,943,000) and nil (2002: HK\$68,750,000), respectively, have been utilised.

The Company has executed a guarantee in favour of the HKSAR Government in respect of the performance by a subsidiary's obligation under a contract with the HKSAR Government.

34. RELATED PARTY TRANSACTIONS

The following is a summary of significant transactions between the Group and related parties, in addition to those disclosed elsewhere in the financial statements which in the opinion of the directors, were carried out in the normal course of business during the year:

- (a) Sales of aggregates to an associated company amounted to HK\$16,375,000 (2002: HK\$26,585,000). These were made at prices and terms no less than those charged to other third party customers of the Group.
- (b) Rental income from an associated company amounted to HK\$9,691,000 (2002: HK\$9,971,000) based on the terms of rental agreement between the parties.
- (c) On 22nd July 2002, Brighten Lion Limited, a 67% owned subsidiary, granted a guaranteed unsecured revolving loan facility of HK\$330 million to Great Place Developments Limited, a wholly-owned subsidiary. The facility carries interest at the rate of 2.38% per annum over three-month HIBOR, with a maturity of three years and an option to extend the maturity for further one or two years. The maximum loan outstanding during the year was HK\$219 million (2002: HK\$50 million).

35. POST BALANCE SHEET EVENT

In March 2004, the Group issued convertible bonds in the aggregate of HK\$864,260,000, which are listed on the Luxembourg Stock Exchange, at par value. The bonds carry interest at 0.5% per annum and the right to convert, subject to the right of the Group to pay cash in lieu of the shares, into new ordinary shares of HK\$0.10 each in the issued share capital of the Company at an initial conversion price of HK\$2.25 per share, subject to adjustment, at any time from 23rd April 2004 to 8th March 2009. Unless previously redeemed or converted, the bonds will be redeemed at 91.49% of their principal amount on 23rd March 2009. The Group may, at its option at any time after 6th April 2005 and prior to 23rd March 2009, redeem the bonds in whole or in part, at fixed redemption prices under certain specific circumstances.

36. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 15th April 2004.

37. PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

(a) Subsidiaries

Name of company	Principal place of operation	Issued share/registered capital			Effective percentage of equity held by the Group	Principal activities
		Number of ordinary shares	Number of non-voting deferred shares	Par value per share		
Directly held by the Company						
Incorporated in the British Virgin Islands						
Sutimar Enterprises Limited	Hong Kong	100	—	US\$ 1	100	Investment holding
Indirectly held by the Company						
Incorporated in Hong Kong						
Barichon Limited	Hong Kong	3,000,000	—	HK\$ 1	67	Sale and distribution of concrete pipes
Bright City Development Limited	Hong Kong	2	—	1	100	Property development
Brighten Lion Limited	Hong Kong	2	—	1	67	Provision of finance
Chelsfield Limited	Hong Kong	2,111,192	—	10	67	Investment holding
Chely Well Limited	Hong Kong	1,000	—	1	65	Investment holding
Chinapex Company Limited	Singapore	1,000	—	10	100	Property investment and development
China Win Enterprise Limited	Hong Kong	5,000,000	—	1	100	Investment holding
Citifair Asia Limited	Hong Kong	10	—	1	67	Investment holding

37. PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES (Cont'd)

(a) Subsidiaries (Cont'd)

Name of company	Principal place of operation	Issued share/registered capital			Effective percentage of equity held by the Group	Principal activities
		Number of ordinary shares	Number of non-voting deferred shares	Par value per share HK\$		
Colour Day International Limited	Hong Kong	2	—	1	100	Investment holding
Construction Materials Limited	Hong Kong	30,000	—	10	67	Sale of aggregates
Doran (Hong Kong) Limited	Hong Kong	1,000	—	10	67	Sale and distribution of concrete pipes
Friendly Star Company Limited	Hong Kong	1,000	—	10	100	Property development
Full Wealth Limited	Hong Kong	2	—	1	100	Property development
Gold Base Limited	Hong Kong	2	—	1	100	Investment holding
Gracerock Limited	Hong Kong	2	—	1	100	Investment holding
Hero Plaza Limited	Hong Kong	2	—	1	100	Property development
Kingrand Limited	Hong Kong	2	—	1	100	Property investment
K. Wah Concrete Company Limited	Hong Kong	2	1,000	100	67	Manufacture, sale and distribution of ready-mixed concrete
K. Wah Construction Materials (Hong Kong) Limited	Hong Kong	2	2	10	67	Provision of management services
K. Wah Construction Materials Limited	Hong Kong	1,258,934,651	—	0.1	67	Investment holding
K. Wah Construction Products Limited	Hong Kong	2	1,000	100	67	Manufacture, sale and distribution of concrete products
K. Wah Management Services Limited	Hong Kong	100	—	100	100	Provision of management services
K. Wah Materials Limited	Hong Kong	28,080,002	—	1	67	Trading
K. Wah Properties Investment Limited	Hong Kong	1,000	—	10	100	Investment holding
K. Wah Quarry Company Limited	Hong Kong	2	100,000	100	67	Sale of aggregates
K. Wah Stones (Holdings) Limited	Hong Kong	439,463,724	—	0.2	100	Investment holding
K. Wah Stones (Zhu Hai) Company Limited	Zuhai	2	1,000	10	67	Quarrying
K. Wah Trading and Development Limited	Hong Kong	2	2	10	67	Trading
KWP Quarry Co. Limited	Hong Kong	9,000,000	—	1	43	Quarrying
Lightway Limited	Hong Kong	2	2	1	67	Property investment
Lucky Way Investment Limited	Hong Kong	2	—	1	100	Property development
Master Target Limited	Hong Kong	2	—	1	67	Investment holding
Minter Limited	Hong Kong	2	—	1	100	Investment holding
Netrich Limited	Hong Kong	2	—	1	100	Property development
Origin World Limited	Hong Kong	2	—	1	100	Property investment
Perfect Development Limited	Hong Kong	2	—	1	100	Property development
Polynice Limited	Hong Kong	2	—	1	100	Provision of finance
Quantum Limited	Hong Kong	2	—	1	67	Equipment leasing
Rainbow Country Limited	Hong Kong	2	—	1	67	Investment holding
Rainbow Mark Limited	Hong Kong	100	—	1	64	Investment holding
Rainbow States Limited	Hong Kong	2	—	1	67	Investment holding
Star Home Limited	Hong Kong	2	—	1	67	Investment holding
Triconville Investments Limited	Hong Kong	10	—	1	67	Investment holding
Victory Way Limited	Hong Kong	1,000	—	1	90	Investment holding

37. PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES (Cont'd)

(a) Subsidiaries (Cont'd)

Name of company	Principal place of operation	Issued share capital		Effective percentage of equity held by the Group	Principal activities
		Number of ordinary shares	Par value per share		
Incorporated in Japan					
			<i>Yen</i>		
Asahi Kohatsu Corporation	Japan	240	50,000	75	Trading
Incorporated in the British Virgin Islands					
			<i>US\$</i>		
All Smart Profits Limited	Hong Kong	10	1	100	Investment holding
Bestfull Profits Limited	Hong Kong	10	1	100	Investment holding
Cyber Point Assets Limited	Hong Kong	10	1	100	Investment holding
Eternal Profits International Limited	Hong Kong	10	1	67	Property investment
Fairlight Investments Limited	Hong Kong	10	1	67	Investment holding
Greatest Smart Limited	Hong Kong	10	1	100	Investment holding
High Regard Investments Limited	Hong Kong	20	1	67	Investment holding
K. Wah Trading Company Limited	Cook Islands	1	1	67	Trading
Latent Developments Limited	Hong Kong	10	1	67	Investment holding
Ontrack Development Limited	Hong Kong	10	1	100	Investment holding
Profit Access Investments Limited	Hong Kong	10	1	67	Investment holding
Prosperous Fields Limited	Hong Kong	10	1	67	Investment holding
Repton Development Limited	Hong Kong	10	1	100	Investment holding
Taksin Profits Limited	Hong Kong	17	1	67	Investment holding
Top Ridge Management Limited	Singapore	10	1	100	Property investment
Woodland Assets Limited	Hong Kong	10	1	67	Investment holding

Name of company	Principal place of operation	Registered capital	Effective percentage of equity held by the Group	Principal activities
Incorporated in Mainland China				
Wholly-owned foreign enterprise				
Doran Construction Products (Shenzhen) Co., Ltd.	Shenzhen	HK\$10,000,000	67	Manufacture, sale and distribution of concrete pipes
K. Wah (China) Investment Co., Ltd.	Shanghai	US\$30,000,000	100	Investment holding
K. Wah Construction Development Consultancy (Shanghai) Ltd.	Shanghai	US\$525,000	100	Provision of consultancy services
K. Wah Construction Products (Shenzhen) Co., Ltd.	Shenzhen	US\$1,290,000	67	Manufacture, sale and distribution of concrete pipes
K. Wah Consultancy (Guangzhou) Co., Ltd.	Guangzhou	HK\$1,560,000	67	Provision of management services
K. Wah Consultancy (Shanghai) Co., Ltd.	Shanghai	US\$350,000	67	Provision of management services
K. Wah Quarry (Huzhou) Co., Ltd.	Huzhou	US\$4,250,000	67	Quarrying
Shanghai Guoguang Real Estate Development Co., Ltd.	Shanghai	US\$27,000,000	100	Property development
上海嘉華青松混凝土有限公司	Shanghai	US\$2,420,000	67	Manufacture, sale and distribution of ready-mixed concrete
深圳嘉華混凝土管樁有限公司	Shenzhen	US\$2,100,000	67	Manufacture, sale and distribution of concrete piles
深圳嘉華加氣混凝土有限公司	Shenzhen	US\$2,700,000	67	Manufacture, sale and distribution of autoclaved aerated concrete

37. PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES (Cont'd)

(a) Subsidiaries (Cont'd)

Name of company	Principal place of operation	Registered capital	Effective percentage of equity held by the Group	Principal activities
Cooperative joint venture				
Beijing Shoujia Stone Co. Ltd.	Beijing	US\$1,080,000	37	Quarrying
北京嘉華高強混凝土有限公司	Beijing	US\$2,450,000	67	Manufacture, sale and distribution of ready-mixed concrete
Hui Cheng Real Estate Development Co. Ltd.	Guangzhou	HK\$200,000,000	90	Property development
Guangzhou				
K. Wah Materials (Huidong) Ltd.	Huidong	US\$2,800,000	67	Quarrying
Nanjing K. Wah Concrete Co., Ltd.	Nanjing	US\$1,330,000	67	Manufacture, sale and distribution of ready-mixed concrete
Shanghai Beicai Concrete Co., Ltd.	Shanghai	RMB31,500,000	67	Manufacture, sale and distribution of ready-mixed concrete
Shanghai Jiajian Concrete Co., Ltd.	Shanghai	RMB17,400,000	40	Manufacture, sale and distribution of ready-mixed concrete
Shanghai Jia Shen Concrete Co., Ltd.	Shanghai	RMB4,400,000	67	Manufacture, sale and distribution of ready-mixed concrete
Shanghai Jia Zhao Real Estate Development Co., Ltd.	Shanghai	US\$24,000,000	100	Property development
Shanghai K. Wah Concrete Co., Ltd.	Shanghai	RMB10,000,000	67	Manufacture, sale and distribution of ready-mixed concrete and provision of quality assurance service
Shanghai K. Wah Concrete Piles Co., Ltd.	Shanghai	US\$2,500,000	67	Manufacture, sale and distribution of concrete piles
Yue Hua Real Estate Development Co. Ltd.	Guangzhou	HK\$187,000,000	100	Property development
Guangzhou				
Equity joint venture				
Jia Hui Da Real Estate Development Co., Ltd.	Shanghai	US\$30,000,000	36	Property development
Shanghai				
Shanghai Ganghui Concrete Co., Ltd.	Shanghai	US\$4,000,000	40	Manufacture, sale and distribution of ready-mixed concrete
Shanghai Jiafu Concrete Co., Ltd.	Shanghai	US\$1,400,000	37	Manufacture, sale and distribution of ready-mixed concrete
Shanghai Jiagangcheng Real Estate Development Co., Ltd.	Shanghai	US\$13,000,000	95	Property development
Shanghai Jiashen Real Estate Development Co., Ltd.	Shanghai	US\$26,000,000	99	Property development
Shanghai Xin Cai Concrete Co., Ltd.	Shanghai	US\$2,100,000	66	Manufacture, sale and distribution of ready-mixed concrete

37. PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES (Cont'd)

(b) Jointly Controlled Entities

Name of company	Principal place of operation	Issued share capital		Effective percentage of equity held by the Group	Principal activities
		Number of ordinary shares	Par value per share HK\$		
Incorporated in Hong Kong					
Anglers' Bay Property Management Co. Ltd.	Hong Kong	2	1	50	Property management
Golden Famous International Limited	Hong Kong	2	1	25	Property development
International Precast Systems Limited	Hong Kong	22,785,000	1	33	Manufacture, sale and distribution of precast concrete products
Prime Force Limited	Hong Kong	2	1	50	Property development
Top Falcon Limited	Hong Kong	2	1	50	Provision of finance
Incorporated in Mainland China					
			Registered capital		
Anhui Masteel K. Wah New Building Materials Co., Ltd.	Maanshan	US\$4,290,000	N/A	20	Manufacture, sale and distribution of slag
北京首钢嘉華建材有限公司	Beijing	RMB50,000,000	N/A	27	Manufacture, sale and distribution of slag
Guangzhou K. Wah Nanfang Cement Limited	Guangzhou	RMB100,000,000	N/A	34	Manufacture, sale and distribution of cement
Shanghai Bao Jia Concrete Co., Limited.	Shanghai	US\$4,000,000	N/A	34	Manufacture, sale and distribution of ready-mixed concrete
Maanshan Masteel K. Wah Concrete Co. Ltd.	Maanshan	US\$2,450,000	N/A	20	Manufacture, sale and distribution of ready-mixed concrete

(c) Associated Companies

Incorporated in Hong Kong

Name of company	Principal place of operation	Issued share capital		Effective percentage of equity held by the Group	Principal activities
		Number of ordinary shares	Par value per share HK\$		
Tarmac Asphalt Hong Kong Limited	Hong Kong	1,100,000	10	13	Manufacture, sale and distribution and laying of asphalt