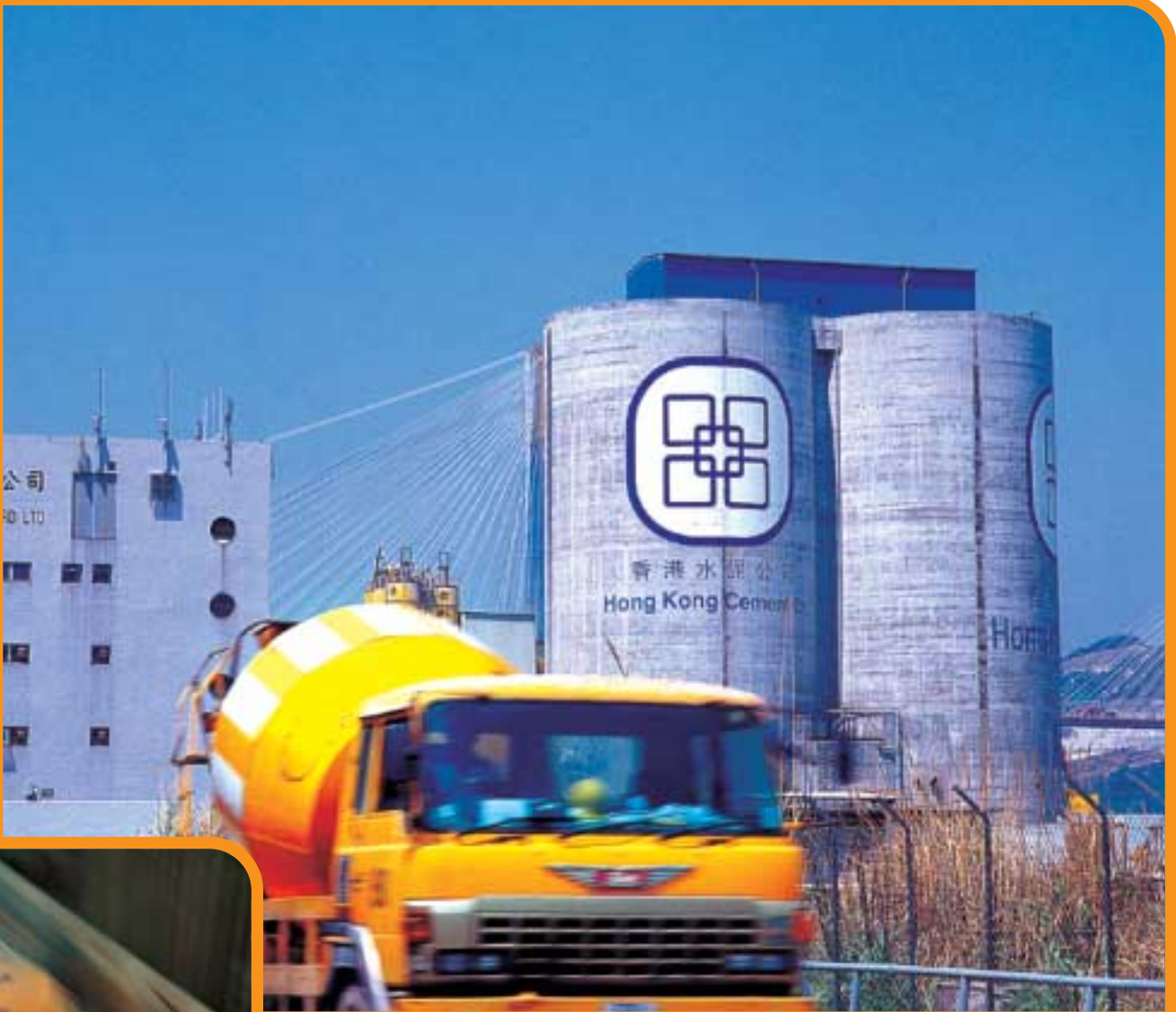


Operation Review



The Directors would like to report that the Group's audited consolidated turnover for the year ended 31 December 2003 was HK\$253.2 million, reducing by 8.7% from the previous year. Profit from operating activities for the year increased by 80.5% to HK\$81.8 million from the corresponding amount of HK\$45.3 million for the previous year. Net profit from ordinary activities attributable to shareholders for the year was HK\$60.0 million, against the corresponding net loss of HK\$584.6 million for the previous year, which included the effect of the provision for impairment of HK\$635.0 million made against the Group's investment in KG Telecommunications Co., Ltd. in 2002.

Construction materials businesses

HONG KONG

The highly challenging operating environment of the Group's construction materials businesses in Hong Kong persisted during the year. Sales volume of the Group's cement distribution business in Hong Kong fell by 7.9% from the previous year, while the downward adjustment of

selling prices flattened towards the second half of the year. The sluggishness of construction activities in the

public and private residential sectors caused a considerable reduction in both sales volume and selling prices of ready-mixed concrete and accounted for the significant drop in pre-tax profit contributed by ready-mixed concrete businesses carried on by associates of the Group.



MAINLAND CHINA

Anhui King Bridge Cement Co. Ltd. ("AKB"), the Group's 60%-owned subsidiary which operates a cement and slag powder grinding mill in Wuhu with an annual production capacity of 700,000 metric tonnes, produced a significantly higher profit for the year under review, mainly attributable to an increase in demand and the leap in selling prices of slag powder from the second half of the year.

Construction of the Group's wholly-owned cement grinding plant and related berth facilities in Fuzhou, Fujian Province, is in progress and commercial operation is expected to commence in the third quarter of 2004. The cement grinding mill which will have an annual production capacity of 1.5 million metric tonnes, together with a related berth which can handle vessels with tonnage up to a maximum of 25,000 metric tonnes.

The joint venture with Guangxi Liuzhou Steel (Group) Corporation in which the Company's subsidiary has a 60% equity interest is currently constructing a slag powder grinding mill with an annual production capacity of 700,000 metric tonnes, and commercial production is expected to commence in the first quarter of 2005.

The acquisition of an existing cement manufacturing plant in Yingde, Guangdong Province, was completed at the end of 2003. It has convenient access to the Pearl River Delta by river transport, highways and railway. Located in the vicinity of extensive limestone sources as well as available land for setting up additional cement production lines, this area will be converted into a large-scale cement manufacturing base.



THE PHILIPPINES

The Group possesses cement distribution facilities in Manila and renders cement handling services. During the year under review, such services continued to generate steady, considerable income.

OTHER SIGNIFICANT INVESTMENTS HELD

The Group's minority interest in NASDAQ-listed Gigamedia Limited was disposed of during the year at a gain of approximately HK\$1.0 million.

Provision for impairment of approximately HK\$4.5 million was made in the year against the Group's 5.1% interest in KGEx.com Co., Ltd., which renders data centre and related services in Taiwan.

On 7 October 2003, KG Telecommunications Co., Ltd. ("KG Telecom"), in which the Group has a 9.87% equity interest, entered into a merger acquisition agreement with Yuan-Ho Telecommunications Co., Ltd. and Far Eastone Telecommunications Co., Ltd., ("FET") whereby the Group is entitled to receive, for the shares in KG Telecom held by the Group, a total cash consideration of approximately NT\$1,154.5 million (equivalent to approximately HK\$262.4 million) and approximately 79.6 million FET shares, which had a market value of approximately NT\$2,013.9 million (approximately HK\$457.7 million) based on the closing market price of NT\$25.30 per share in the GreTai Securities Exchange in Taiwan as at 31 December 2003, if and when the merger proceeds to final completion. The merger is subject to the approval of the Securities and Futures Commission of the Ministry of Finance and is anticipated to complete on 29 April 2004. As the Group intends to focus on developing its core construction materials businesses in Mainland China, the FET shares to be received by the Group are expected to be disposed of if and when funds are required for that purpose and hence the Group reclassified its interest in KG Telecom as a short term investment, resulting in an unrealised holding gain of HK\$19.9 million recognized in the consolidated profit and loss account for the year upon reclassification.

