

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 Hong Kong Financial Reporting Standards. The interim financial information has been presented in accordance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies adopted for the preparation of the financial statements are consistent with those described in the 2003 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 <i>HK\$'000</i> | Construction materials <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|--|--------------------------|
| Six months ended 30th June 2004 | | | |
| Turnover | 283,207 | 617,478 | 900,685 |
| Other revenues | <u>6,388</u> | <u>5,025</u> | <u>11,413</u> |
| Operating profit | <u>17,901</u> | <u>1,697</u> | 19,598 |
| Finance costs | | | (8,270) |
| Share of profits less losses of | | | |
| Jointly controlled entities | 173,259 | 4,565 | 177,824 |
| Associated companies | — | 1,308 | <u>1,308</u> |
| Profit before taxation | | | <u>190,460</u> |

Notes to the Financial Statements

2. SEGMENT INFORMATION (continued)

| | Properties and others <i>HK\$'000</i> | Construction materials <i>HK\$'000</i> | Total <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> |

A summary of geographical segments is set out as follows:

| | Turnover | | Operating profit/(loss) | |
|---------------------------|-----------------------|------------------|-------------------------|-----------------|
| | 2004 | 2003 | 2004 | 2003 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Hong Kong | 458,146 | 1,316,918 | 26,191 | 38,615 |
| Mainland China and others | 442,539 | 322,457 | (6,593) | 25,896 |
| | <u>900,685</u> | <u>1,639,375</u> | <u>19,598</u> | <u>64,511</u> |

3. OPERATING PROFIT

| | 2004 | 2003 |
|--|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Operating profit is stated after crediting: | | |
| Unrealised gain on listed investments | 5,989 | 6,400 |
| Profit on disposal of plant and equipment | 21 | 205 |
| Gain on disposal of operating rights | — | 28,260 |
| Amortisation of negative goodwill | 316 | 316 |
| | 316 | 316 |
| and after charging: | | |
| Cost of inventories sold | 554,566 | 451,853 |
| Depreciation | 40,665 | 33,980 |
| Amortisation | | |
| Quarry site development | 871 | 720 |
| Overburden removal costs | 8,208 | 6,898 |
| Royalty | 1,979 | 1,402 |
| Operating lease rental for land and buildings | 6,630 | 7,167 |
| Provision for other investments | 11,000 | — |
| Loss on disposal of listed investments | 2,893 | — |
| Unrealised loss on long-term investments | — | 1,365 |
| | — | 1,365 |

Notes to the Financial Statements

4. TAXATION

| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|-----------------------------|-------------------------|-------------------------|
| Company and subsidiaries | | |
| Hong Kong profits tax | (4,526) | (17,531) |
| Overseas taxation | (1,518) | (1,546) |
| Deferred taxation | 385 | 1,094 |
| Jointly controlled entities | | |
| Hong Kong profits tax | (32,392) | (3,892) |
| Overseas taxation | (279) | (378) |
| Deferred taxation | 1,290 | (487) |
| Associated companies | | |
| Hong Kong profits tax | (443) | — |
| | <u>(37,483)</u> | <u>(22,740)</u> |

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) 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 basic earnings per share is based on the profit attributable to shareholders of HK\$150,455,000 (2003: HK\$42,097,000) and the weighted average number of 1,980,970,000 shares (2003: 1,920,308,000 shares) in issue during the period.

The calculation of diluted earnings per share is based on the adjusted profit attributable to shareholders of HK\$138,533,000 and the weighted average number of 2,146,658,000 shares after adjusting for the effects of all dilutive potential shares.

The diluted earnings per share for the previous period was 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

6. DIVIDENDS

| | | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|------|---|-------------------------|-------------------------|
| 2003 | Final scrip dividend with a cash option, payable, of 2 cents per share | 39,643 | — |
| 2002 | Final scrip dividend with a cash option, paid, of 2 cents per share | | |
| | Scrip | — | 28,225 |
| | Cash | — | 10,187 |
| | | 39,643 | 38,412 |
| | | 39,643 | 38,412 |

The Board of Directors declares an interim dividend of 2 cents per share (2003: 1 cent), totalling HK\$40,184,000 for the six months ended 30th June 2004 (2003: HK\$19,630,000) to shareholders whose names appear on the registers of members of the Company at the close of business on 4th October 2004. This amount will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2004.

7. CAPITAL EXPENDITURE

For the six months ended 30th June 2004, the Group incurred HK\$42 million on tangible assets and HK\$4 million on deferred expenditure.

8. DEBTORS AND PREPAYMENTS

| | 30th June 2004 <i>HK\$'000</i> | 31st December 2003 <i>HK\$'000</i> |
|-------------------|--------------------------------------|--|
| Trade debtors | 472,066 | 379,975 |
| Other receivables | 157,928 | 134,847 |
| Prepayments | 26,162 | 39,662 |
| | 656,156 | 554,484 |
| | 656,156 | 554,484 |

Notes to the Financial Statements

8. DEBTORS AND PREPAYMENTS (continued)

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 2004 <i>HK\$'000</i> | 31st December 2003 <i>HK\$'000</i> |
|---------------------|--|--|
| Within one month | 150,164 | 148,678 |
| Two to three months | 173,282 | 151,263 |
| Four to six months | 79,115 | 57,813 |
| Over six months | 69,505 | 22,221 |
| | 472,066 | 379,975 |

9. CREDITORS AND ACCRUALS

| | 30th June 2004 <i>HK\$'000</i> | 31st December 2003 <i>HK\$'000</i> |
|----------------------------|--|--|
| Trade creditors | 316,296 | 296,370 |
| Other creditors | 83,058 | 86,948 |
| Accrued operating expenses | 83,191 | 95,806 |
| Deposits received | 11,020 | 14,531 |
| | 493,565 | 493,655 |

Notes to the Financial Statements

9. CREDITORS AND ACCRUALS (continued)

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

| | 30th June 2004 <i>HK\$'000</i> | 31st December 2003 <i>HK\$'000</i> |
|---------------------|--------------------------------------|--|
| Within one month | 201,629 | 234,086 |
| Two to three months | 75,704 | 39,129 |
| Four to six months | 19,564 | 9,661 |
| Over six months | 19,399 | 13,494 |
| | <u>316,296</u> | <u>296,370</u> |

10. SHARE CAPITAL

| | <i>Ordinary Shares of HK\$0.10 each</i> | <i>HK\$'000</i> |
|----------------------------|---|-----------------|
| Authorised | | |
| At 1st January 2004 | 3,888,000,000 | 388,800 |
| Increase during the period | 1,112,000,000 | 111,200 |
| | <u>5,000,000,000</u> | <u>500,000</u> |
| At 30th June 2004 | | |
| Issued and fully paid | | |
| At 1st January 2004 | 1,977,968,748 | 197,797 |
| Exercise of share options | 4,581,000 | 458 |
| | <u>1,982,549,748</u> | <u>198,255</u> |
| At 30th June 2004 | | |

Notes to the Financial Statements

10. SHARE CAPITAL (continued)

The Company operates a share option scheme under which options to subscribe for shares in the Company are granted to selected executives. During the period, no new options were granted (2003: 17,754,000) and 4,581,000 shares were issued on exercise of share options (2003: 1,043,000 shares) of which 150,000 options were exercised on 31st December 2003. At 30th June 2004, outstanding options granted under the scheme are as follows:

| Exercise period | Exercise price per share HK\$ | Number of share options | |
|---|-------------------------------------|---------------------------------------|-------------------------|
| | | 30th June 2004 | 31st December 2003 |
| 20th May 1999 to 19th May 2008 30th December 2000 to 29th December 2009 | 0.5586 | 5,839,000 | 6,579,000 |
| 1st March 2004 to 28th February 2013 30th December 2003 to 29th December 2013 | 0.3600 0.7200 | 7,494,000 15,003,000 | 8,734,000 17,454,000 |
| | 1.3000 | 7,000,000 | 7,000,000 |
| | | 35,336,000 | 39,767,000 |

11. RESERVES

| | 2004 HK\$'000 | 2003 HK\$'000 |
|---------------------------|------------------|------------------|
| At 1st January | 2,333,890 | 2,233,979 |
| Changes in exchange rates | 2,441 | 22 |
| Premium on shares issued | 2,250 | 330 |
| Profit for the period | 150,455 | 42,097 |
| Final dividend | (39,643) | (38,412) |
| At 30th June | 2,449,393 | 2,238,016 |

Notes to the Financial Statements

12. LONG-TERM LIABILITIES

| | 30th June 2004 <i>HK\$'000</i> | 31st December 2003 <i>HK\$'000</i> |
|---|--------------------------------------|--|
| Bank loans | | |
| Secured | 1,141,945 | 707,332 |
| Unsecured | 618,895 | 750,930 |
| | 1,760,840 | 1,458,262 |
| Convertible bonds <i>(note (a))</i> | 864,260 | — |
| | 2,625,100 | 1,458,262 |
| Current portion included in current liabilities | (418,153) | (156,078) |
| | 2,206,947 | 1,302,184 |

- (a) In March 2004, the Group issued an aggregate amount of HK\$864,260,000 0.5% guaranteed convertible bonds due in March 2009. The bonds are listed on the Luxembourg Stock Exchange and are convertible into shares of the Company, at a conversion price of HK\$2.25 per share on or after 23rd April 2004 up to 8th March 2009. The bonds are redeemable at 91.49% of their principal amount on 23rd March 2009 according to relevant terms and conditions of the bonds.

13. COMMITMENTS

| | 30th June 2004 <i>HK\$'000</i> | 31st December 2003 <i>HK\$'000</i> |
|---|--------------------------------------|--|
| Contracted but not provided for | | |
| Commitments in respect of property developments | 1,356,211 | 935,850 |
| Commitments in respect of capital expenditure | 62,495 | 51,339 |
| Share of commitments of the jointly controlled entities in respect of property development | 105,701 | 185,168 |