

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.

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Accounting Standards ("new HKFRSs"), which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

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.

Minority interests represent the interest of outside shareholders in the operating results and net assets of subsidiaries.

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.

1. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(e) Associated companies

An associated company is a company, not being a subsidiary or a joint venture, 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.

(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	20 to 50%

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.

1. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(g) Property, plant and equipment (Cont'd)

Profit or loss on disposal is determined as the difference between the net sales proceeds 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.

(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. Expenses incurred in connection with long-term financing are deferred and amortised on a straight line basis over the relevant tenure of the finance.

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.

1. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(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.

(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.

(n) Provisions

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.

1. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(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.

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 certain investments. Segment liabilities comprise mainly creditors and accruals. There are no sales or trading transactions between the business segments.

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

Year ended 31st December 2004

	Properties	Construction materials	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	369,809	1,299,143	61,586	1,730,538
Other revenues	7,709	7,638	1,817	17,164
Operating profit	41,249	16,613	11,090	68,952
Finance costs				(13,425)
Share of profits less losses of				
Jointly controlled entities	224,354	14,622	—	238,976
Associated companies	—	3,371	—	3,371
Profit before taxation				297,874
Taxation				(42,434)
Profit after taxation				255,440
Minority interests	(3,109)	(17,971)	(37)	(21,117)
Profit attributable to shareholders				234,323
Segment assets	5,056,052	1,557,701	26,445	6,640,198
Jointly controlled entities	58,340	382,136	—	440,476
Associated companies	—	18,650	—	18,650
Unallocated assets				930,748
Total assets				8,030,072
Segment liabilities	158,598	341,995	9,839	510,432
Minority interests	495,493	650,791	981	1,147,265
Unallocated liabilities				3,641,140
Total liabilities				5,298,837
Capital expenditure	2,454	73,039	17	75,510
Depreciation	3,326	76,125	102	79,553
Amortisation	2,452	18,180	—	20,632
Unrealised (loss)/gain of listed investments	—	(933)	16,128	15,195

2. SEGMENT INFORMATION (CONT'D)

Year ended 31st December 2003

	Properties <i>HK\$'000</i>	Construction materials <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	1,879,105	1,130,894	66,144	3,076,143
Other revenues	12,102	4,066	1,477	17,645
Operating profit	109,347	22,483	13,691	145,521
Finance costs				(17,144)
Share of profits less losses of				
Jointly controlled entities	46,971	6,874	—	53,845
Associated companies	—	998	—	998
Profit before taxation				183,220
Taxation				(45,831)
Profit after taxation				137,389
Minority interests	260	(17,232)	(37)	(17,009)
Profit attributable to shareholders				120,380
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				606,794
Total assets				5,871,887
Segment liabilities	197,887	289,691	6,077	493,655
Minority interests	469,922	613,048	899	1,083,869
Unallocated liabilities				1,762,676
Total liabilities				3,340,200
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	—	2,180	13,852	16,032

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 2004				
Hong Kong	746,529	41,681	3,403,250	12,217
Mainland China	913,233	32,659	4,432,940	63,264
Singapore	9,190	(5,803)	174,811	12
Japan	61,586	415	19,071	17
	1,730,538	68,952	8,030,072	75,510
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	—
	3,076,143	145,521	5,871,887	154,158

3. TURNOVER AND OTHER REVENUES

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover		
Sale of properties	332,135	1,842,095
Sale of construction materials	1,299,143	1,130,894
Rental	37,674	37,010
Sale of goods	61,586	66,144
	1,730,538	3,076,143
Other revenues		
Interest from banks	2,627	5,918
Interest from mortgage loans	6,488	8,730
Interest from loans to jointly controlled entities	981	—
Interest from other receivables	3,940	—
Interest from deferred receivable	1,321	1,521
Dividend from listed investments	1,807	1,476
	17,164	17,645
Total revenues	1,747,702	3,093,788

4. OPERATING PROFIT

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Operating profit is stated after crediting:		
Unrealised gain of listed investments	15,195	16,032
Profit on disposal of listed investments	—	2,372
Write-back of provision for development properties	—	8,478
Gain on disposal of operating rights	—	28,260
Net foreign exchange gains	4,748	—
Amortisation of negative goodwill	632	632
and after charging:		
Cost of inventories sold	1,194,494	1,008,355
Revaluation deficits of investment properties	5,503	12,071
Net foreign exchange losses	—	4,108
Depreciation	79,553	69,280
Amortisation		
Quarry site development	1,780	1,284
Overburden removal costs	16,400	14,391
Issue costs for convertible bonds	2,452	—
Staff costs including directors' remuneration	247,726	234,191
Royalty	5,003	4,275
Auditors' remuneration	2,097	1,897
Operating lease rentals		
Land and buildings	13,067	12,148
Plant and machinery	—	779
Impairment of long-term investments	2,880	2,145
Loss on disposal of property, plant and equipment	1,206	1,349
Loss on disposal of listed investments	2,893	—
Loss on disposal of unlisted investment	7,800	—
Loss on deemed disposal of a subsidiary	10,501	—
Outgoings in respect of investment properties	3,929	3,755

5. FINANCE COSTS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest expense		
Bank loans, overdrafts and others	56,241	51,540
Capitalised as cost of properties under development	(42,816)	(34,396)
	13,425	17,144

The capitalisation rates applied to funds borrowed generally and used for the development of properties are between 1% and 5% per annum (2003: 1% to 5% per annum).

6. DIRECTORS' REMUNERATION

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Fees	860	910
Salaries and other emoluments	16,559	13,608
Retirement benefits	1,093	908
	18,512	15,426

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

	Number of Directors	
	2004	2003
Nil – HK\$1,000,000	7	8
HK\$1,000,001 – HK\$1,500,000	1	2
HK\$1,500,001 – HK\$2,000,000	2	—
HK\$2,000,001 – HK\$2,500,000	2	1
HK\$4,000,001 – HK\$4,500,000	1	1
HK\$4,500,001 – HK\$5,000,000	1	1
	14	13

Fees paid to independent non-executive directors amounted to HK\$410,000 (2003: HK\$410,000) and no other emoluments were paid.

During the year, no options to subscribe for shares (2003: 7,691,000 shares) of the Company were granted to the directors and 300,000 and 870,000 options (2003: nil) were exercised by the directors at the respective exercise prices of HK\$0.5586 and HK\$0.36.

7. MANAGEMENT EMOLUMENTS

The five individuals whose emoluments were the highest in the Group for the year include two (2003: two) directors whose emoluments are reflected in note 6 above. The emoluments of the remaining three (2003: three) individuals are as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Salaries and other emoluments	7,609	6,160
Retirement benefits	322	466
	7,931	6,626

The emoluments of these individuals fell within the following bands:

	Number of employees	
	2004	2003
HK\$2,000,001 – HK\$2,500,000	2	3
HK\$3,000,001 – HK\$3,500,000	1	—
	3	3

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% of the employees' basic salary, depending upon the applicable local regulations. 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\$16,124,000 (2003: HK\$17,077,000), less forfeitures of HK\$518,000 (2003: HK\$264,000), leaving no balance (2003: HK\$112,000) available at the balance sheet date to reduce future contribution.

9. TAXATION

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Company and subsidiaries		
Hong Kong profits tax	1,389	27,396
Overseas taxation	6,396	7,085
Deferred taxation (<i>note 29(a)</i>)	(6,891)	397
	894	34,878
Jointly controlled entities		
Hong Kong profits tax	42,229	8,839
Overseas taxation	756	848
Deferred taxation	(2,255)	1,122
Associated companies		
Hong Kong profits tax	810	144
	42,434	45,831

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) 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.

9. TAXATION (CONT'D)

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the applicable taxation rate being the weighted average of rates prevailing in the countries in which the Group operates, as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit before taxation	297,874	183,220
Tax calculated at applicable tax rate	53,696	30,408
Income under tax relief	(14,253)	(15,260)
Income not subject to taxation	(11,635)	(6,710)
Expenses not deductible for taxation purposes	9,339	14,557
Utilisation of previously unrecognised tax losses	(8,031)	(7,862)
Tax loss not recognised	13,680	29,311
Over provision in previous years	(362)	(32)
Increase in tax rate	—	1,419
Taxation charge	42,434	45,831

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\$88,371,000 (2003: HK\$69,377,000).

11. DIVIDENDS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interim scrip dividend with a cash option of 2 cents (2003: 1 cent) per share	40,195	19,630
Proposed final cash dividend of 4 cents (2003: scrip dividend with a cash option of 2 cents) per share	88,152	39,643
	128,347	59,273
The dividends have been partially settled by cash as follows:		
Interim	33,284	4,531
Final	—	7,473
	33,284	12,004

The Board of Directors has recommended the payment of a final cash dividend in respect of 2004 of 4 cents (2003: scrip dividend with a cash option of 2 cents) per share. This dividend will be accounted for as an appropriation of revenue reserve in the year ending 31st December 2005.

12. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the year is based on the following:

	<i>HK\$'000</i>
Profit for calculation of basic earnings per share	234,323
Effect of dilutive potential ordinary shares:	
Interest on convertible bonds, net of tax	2,675
Unamortised issue costs for convertible bonds, net of tax	(11,464)
Profit for calculation of diluted earnings per share	225,534
	Number of shares
Weighted average number of shares for calculating basic earnings per share	1,996,230,000
Effect of dilutive potential ordinary shares:	
Convertible bonds	265,522,000
Share options	17,563,000
Weighted average number of shares for calculating diluted earnings per share	2,279,315,000

The calculation of basic earnings per share for 2003 was based on the profit attributable to shareholders of HK\$120,380,000 and the weighted average number of 1,944,096,000 shares in issue during the year.

The diluted earnings per share for 2003 was 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	Investment properties	Plant and machinery	Other assets	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost or valuation					
At 31st December 2003	424,280	308,904	668,523	317,301	1,719,008
Additions	19,624	—	42,448	9,293	71,365
Disposals	—	—	(10,588)	(14,150)	(24,738)
Reclassification	(27,940)	27,940	—	—	—
Revaluation deficit	—	(10,046)	—	—	(10,046)
At 31st December 2004	415,964	326,798	700,383	312,444	1,755,589
Accumulated depreciation					
At 31st December 2003	59,745	—	360,423	162,644	582,812
Charge for the year	9,162	—	42,782	27,609	79,553
Disposals	—	—	(6,492)	(11,167)	(17,659)
Reclassification	(4,543)	4,543	—	—	—
Revaluation deficit	—	(4,543)	—	—	(4,543)
At 31st December 2004	64,364	—	396,713	179,086	640,163
Net book value					
At 31st December 2004	351,600	326,798	303,670	133,358	1,115,426
At 31st December 2003	364,535	308,904	308,100	154,657	1,136,196

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (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\$86,298,000 were valued at 31st December 2004 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 2004 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\$122,000,000 were valued at 31st December 2004 on an open market value basis by Savills (Hong Kong) Limited, independent professional valuers. Investment properties held under medium-term leases in Hong Kong amounting to HK\$65,500,000 were valued at 31st December 2004 on an open market value basis by Vigers Appraisal & Consulting Limited, independent professional valuers.
- (b) Investment properties and leasehold land and buildings with carrying values of HK\$261,298,000 (2003: HK\$266,904,000) and HK\$284,260,000 (2003: HK\$290,082,000), 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 <i>HK\$'000</i>	Outside Hong Kong <i>HK\$'000</i>	2004 Total <i>HK\$'000</i>	2003 Total <i>HK\$'000</i>
Long-term lease				
At cost	113,741	2,495	116,236	116,236
Medium-term lease				
At cost	28,935	48,671	77,606	57,982
At professional valuation 1990	222,122	—	222,122	250,062
	364,798	51,166	415,964	424,280

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\$158,973,000 (2003: HK\$163,203,000).

15. SUBSIDIARIES

	Company	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	259,561	259,561
Loan receivable	300,000	586,000
Amounts receivable	1,734,970	1,855,825
	2,294,531	2,701,386

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	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	489,739	194,638
Loans receivable	21,336	246,848
Amounts receivable	133,901	95,544
Amounts payable	(204,500)	—
	440,476	537,030

The loans receivable are unsecured, carry interest at prevailing market rate and have no fixed terms of repayment. Amounts receivable of HK\$42,705,000, of which HK\$5,645,000 is secured, carry interest at prevailing market rate and have fixed terms of repayment. The remaining amounts receivable are unsecured, interest free and have no fixed terms of repayment. The amounts payable 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	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	18,650	16,098

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	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred expenditure		
Overburden removal costs	99,679	114,366
Quarry site development	14,073	13,421
Issue costs for convertible bonds	13,896	—
	127,648	127,787
Deferred receivable (<i>note (a)</i>)	6,707	8,147
Mortgage loans (<i>note (b)</i>)	18,168	192,500
Long-term investments		
Listed in Hong Kong	972	2,487
Unlisted	151,403	102,306
	304,898	433,227
Market value of listed long-term investments	708	736

(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 2009. 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

	Under		Total
	Completed	development	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At cost, less provision	218,071	4,333,525	4,551,596
At professional valuation 1990	10,254	—	10,254
At 31st December 2004	228,325	4,333,525	4,561,850
At 31st December 2003	352,355	2,166,987	2,519,342

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	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Aggregates and sand	36,959	24,820
Concrete pipes and blocks	16,762	8,723
Cement	8,750	4,813
Spare parts	22,620	22,861
Consumables	8,084	7,499
	93,175	68,716

The carrying amount of inventories stated at net realisable value amounted to HK\$3,550,000 (2003: HK\$1,809,000).

21. DEBTORS AND PREPAYMENTS

	Group		Company	
	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors	471,934	379,975	—	—
Other receivables	130,293	134,847	—	—
Prepayments	63,133	39,662	270	729
	665,360	554,484	270	729

The Group has established credit policies which follow local industry standards. 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 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:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one month	135,270	148,678
Two to three months	157,988	151,263
Four to six months	89,423	57,813
Over six months	89,253	22,221
	471,934	379,975

22. OTHER INVESTMENTS

	Group	
	2004	2003
	HK\$'000	HK\$'000
Listed in Hong Kong, at market value	44,547	29,352
Unlisted shares	—	52,204
	44,547	81,556

23. CASH AND BANK BALANCES

The cash and bank balances include HK\$24,476,000 (2003: HK\$146,628,000) which have been pledged or assigned for specific purposes under certain conditions.

24. CREDITORS AND ACCRUALS

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade creditors	300,403	296,370	—	—
Other creditors	78,456	86,948	1,547	1,673
Accrued operating expenses	102,701	95,806	181	198
Deposits received	28,872	14,531	—	—
	510,432	493,655	1,728	1,871

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

	2004	2003
	HK\$'000	HK\$'000
Within one month	186,800	234,086
Two to three months	63,237	39,129
Four to six months	26,502	9,661
Over six months	23,864	13,494
	300,403	296,370

25. SHARE CAPITAL

Company

	2004		2003	
	Ordinary Shares of HK\$0.10 each	HK\$'000	Ordinary Shares of HK\$0.10 each	HK\$'000
Authorised:				
At beginning of year	3,888,000,000	388,800	3,888,000,000	388,800
Increase during the year	1,112,000,000	111,200	—	—
At end of year	5,000,000,000	500,000	3,888,000,000	388,800
Issued and fully paid:				
At beginning of year	1,977,968,748	197,797	1,919,545,431	191,955
Share options exercised	6,875,000	687	2,378,000	238
Issued as scrip dividends	30,800,990	3,080	56,045,317	5,604
At end of year	2,015,644,738	201,564	1,977,968,748	197,797

By a special resolution passed on 31st May 2004, the authorised share capital of the Company was increased from HK\$388,800,000 to HK\$500,000,000 by the creation of additional 1,112,000,000 ordinary shares of HK\$0.10 each.

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:

	2004	2003
At beginning of year	39,767,000	17,541,000
Granted (<i>note (a)</i>)	—	24,754,000
Exercised (<i>note (b)</i>)	(6,725,000)	(2,528,000)
Lapsed (<i>note (c)</i>)	(5,211,000)	—
At end of year (<i>note (d)</i>)	27,831,000	39,767,000

(a) Options granted

During the year, no new (2003: 24,754,000) share options were granted.

26. SHARE OPTION SCHEME (CONT'D)

(b) Options exercised

Exercise period	Exercise price <i>HK\$</i>	Number of
		shares issued
January 2004	0.3600	870,000
January 2004	0.5586	500,000
March 2004	0.7200	1,637,000
April 2004	0.7200	388,000
May 2004	0.3600	370,000
May 2004	0.5586	240,000
May 2004	0.7200	426,000
September 2004	0.7200	529,000
October 2004	1.3000	500,000
November 2004	0.7200	264,000
November 2004	1.3000	500,000
December 2004	0.7200	501,000
Number of options exercised during the year		6,725,000
December 2003	0.5586	150,000*
Number of shares issued during the year		6,875,000

* These options were exercised on 31st December 2003 but the shares were allotted on 19th January 2004.

(c) Options lapsed

Exercise period	Exercise price <i>HK\$</i>	Number of share options	
		2004	2003
20th May 1999 to 19th May 2008	0.5586	2,111,000	—
30th December 2000 to 29th December 2009	0.3600	2,004,000	—
1st March 2004 to 28th February 2013	0.7200	1,096,000	—
		5,211,000	—

26. SHARE OPTION SCHEME (CONT'D)

(d) Outstanding options

Exercise period	Exercise price <i>HK\$</i>	Number of share options	
		2004	2003
Directors			
20th May 1999 to 19th May 2008	0.5586	3,100,000	3,400,000
30th December 2000 to 29th December 2009	0.3600	3,920,000	4,790,000
1st March 2004 to 28th February 2013	0.7200	7,691,000	7,691,000
Employees and others			
20th May 1999 to 19th May 2008	0.5586	628,000	3,179,000
30th December 2000 to 29th December 2009	0.3600	1,570,000	3,944,000
1st March 2004 to 28th February 2013	0.7200	4,922,000	9,763,000
30th December 2003 to 29th December 2013	1.3000	6,000,000	7,000,000
		27,831,000	39,767,000

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 2003	809,473	99,089	13	34,188	68,037	1,323,090	2,333,890
Changes in exchange rates	—	—	—	—	—	1,042	1,042
Premium on shares issued	4,253	—	—	—	—	—	4,253
Shares issued as scrip dividends	(3,080)	—	—	—	—	—	(3,080)
Reserve arising on scrip dividends	—	—	—	—	—	39,081	39,081
Profit for the year	—	—	—	—	—	234,323	234,323
2003 final dividend	—	—	—	—	—	(39,643)	(39,643)
2004 interim dividend	—	—	—	—	—	(40,195)	(40,195)
At 31st December 2004	810,646	99,089	13	34,188	68,037	1,517,698	2,529,671
Retained by:							
Company and subsidiaries	810,646	99,089	13	34,188	68,037	1,292,941	2,304,914
Jointly controlled entities	—	—	—	—	—	203,741	203,741
Associated companies	—	—	—	—	—	21,016	21,016
	810,646	99,089	13	34,188	68,037	1,517,698	2,529,671
At 31st December 2002	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

27. RESERVES (CONT'D)

(b) Company

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Revenue reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31st December 2003	809,473	213,560	13	921,646	1,944,692
Premium on shares issued	4,253	—	—	—	4,253
Shares issued as scrip dividends	(3,080)	—	—	—	(3,080)
Reserve arising on scrip dividends	—	—	—	39,081	39,081
Profit for the year	—	—	—	88,371	88,371
2003 final dividend	—	—	—	(39,643)	(39,643)
2004 interim dividend	—	—	—	(40,195)	(40,195)
At 31st December 2004	810,646	213,560	13	969,260	1,993,479
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

The distributable reserves of the Company at 31st December 2004, under the Companies Act 1981 of Bermuda (as amended), amounted to HK\$1,182,820,000 (2003: HK\$1,135,206,000).

28. LONG-TERM LIABILITIES

Group

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Bank loans		
Secured	1,874,622	707,332
Unsecured	744,736	750,930
	2,619,358	1,458,262
Convertible bonds (<i>note (a)</i>)	864,260	—
	3,483,618	1,458,262
Current portion included in current liabilities	(808,409)	(156,078)
	2,675,209	1,302,184

28. LONG-TERM LIABILITIES (CONT'D)

Group (Cont'd)

The bank loans are repayable within the following periods:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	808,409	156,078
Between one to two years	636,537	735,969
Between two to five years	1,174,412	566,215
	2,619,358	1,458,262

- (a) 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.

As at 3rd March 2005, HK\$429 million of the convertible bonds have been converted into 191 million ordinary shares of the Company.

Company

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unsecured bank loans	420,000	508,000
Current portion included in current liabilities	(395,000)	(53,000)
	25,000	455,000

The bank loans are repayable within the following periods:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	395,000	53,000
Between one to two years	25,000	430,000
Between two to five years	—	25,000
	420,000	508,000

29. NON-CURRENT LIABILITIES

Group

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Deferred taxation (<i>note (a)</i>)	81,474	88,365
Negative goodwill (<i>note (b)</i>)	136	768
	81,610	89,133

(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 taxation assets and liabilities during the year is as follows:

	<u>Deferred tax assets</u>		<u>Deferred tax liabilities</u>		Total <i>HK\$'000</i>
	Tax losses <i>HK\$'000</i>	Others <i>HK\$'000</i>	Accelerated depreciation allowance <i>HK\$'000</i>	Others <i>HK\$'000</i>	
At 31st December 2003	(29,426)	(820)	44,607	74,004	88,365
Charged/(credited) to profit and loss account	3,847	820	(4,426)	(7,132)	(6,891)
At 31st December 2004	(25,579)	—	40,181	66,872	81,474
At 31st December 2002	(24,169)	(629)	42,030	70,736	87,968
(Credited)/charged 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

Deferred taxation assets of HK\$87,692,000 (2003: HK\$84,553,000) arising from unused tax losses and other temporary differences totaling of HK\$473,388,000 (2003: HK\$458,618,000) have not been recognised in the financial statements. Unused tax losses of HK\$419,670,000 (2003: HK\$401,421,000) have no expiry date and the balance will expire at various dates up to and including 2010.

29. NON-CURRENT LIABILITIES (CONT'D)

(b) Negative goodwill

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost at beginning and end of year	2,663	2,663
Accumulated amortisation	(2,527)	(1,895)
At end of the year	136	768

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit	68,952	145,521
Depreciation	79,553	69,280
Amortisation of deferred expenditure	20,632	15,675
Loss/(profit) on disposal of listed investments	2,893	(2,372)
Loss on disposal of unlisted investment	7,800	—
Unrealised gain of listed investments	(15,195)	(16,032)
Impairment of long-term investments	2,880	2,145
Interest income	(15,357)	(16,169)
Interest capitalised on properties under development	42,816	34,396
Dividend income from listed investments	(1,807)	(1,476)
Loss on sale of property, plant and equipment	1,206	1,349
Amortisation of negative goodwill	(632)	(632)
Write back provision for development properties	—	(8,478)
Revaluation deficits of investment properties	5,503	12,071
Loss on deemed disposal of a subsidiary	10,501	—
Operating profit before working capital changes	209,745	235,278
(Increase)/decrease in development properties	(2,042,508)	979,295
Increase in inventories	(24,459)	(26,091)
Increase in debtors and prepayments	(110,876)	(32,894)
Decrease/(increase) in mortgage loans receivable	174,332	(129,983)
Increase/(decrease) in creditors and accruals	20,717	(29,850)
Cash (used in)/generated from operations	(1,773,049)	995,755

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

(b) Analysis of changes in financing

	Share capital and share premium <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Loans <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31st December 2003	1,007,270	1,083,869	1,635,246	3,726,385
Cash inflow from financing	4,940	31,036	1,884,505	1,920,481
Additional interest	—	10,501	—	10,501
Change in exchange rates	—	742	—	742
Minority interests' share of profits	—	21,117	—	21,117
At 31st December 2004	1,012,210	1,147,265	3,519,751	5,679,226
At 31st December 2002	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)
Change in exchange rates	—	(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

31. COMMITMENTS

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
(a) Contracted but not provided for		
Commitments in respect of property developments	969,302	935,850
Commitments in respect of capital expenditure	75,198	51,339
Share of commitments of the jointly controlled entities in respect of property developments	—	185,168
(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	7,497	7,339
Second to fifth years inclusive	24,843	23,743
After fifth year	22,696	30,638
	55,036	61,720

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	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
First year	68,883	26,409
Second to fifth years inclusive	165,595	47,350
After fifth year	21,720	32,715
	256,198	106,474

33. CONTINGENT LIABILITIES

The Company has executed guarantees in favour of banks and financial institutions in respect of facilities granted to certain subsidiaries amounting to HK\$3,844,074,000 (2003: HK\$1,505,277,000) of which HK\$1,903,793,000 (2003: HK\$766,554,000) have been utilised.

The Company has executed guarantees in favour of convertible bondholders in respect of the convertible bonds issued by a subsidiary amounting to HK\$864,260,000.

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\$18,640,000 (2003: HK\$16,375,000). 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\$9,737,000 (2003: HK\$9,691,000) based on the terms of rental agreement between the parties.
- (c) On 22nd July 2002, Brighten Lion Limited, a 66% 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\$70 million (2003: HK\$219 million).

35. POST BALANCE SHEET EVENTS

- (a) As at 3rd March 2005, HK\$429 million of the convertible bonds have been converted into 191 million ordinary shares of the Company at the conversion price of HK\$2.25 per share.
- (b) On 31st January 2005, the Company entered into a Joint Venture Agreement with Shanghai Baosteel Group Corporation, Mitsubishi Corporation and Tokyu Land Corporation to establish a joint venture company, to be named as "Shanghai Baoland Co., Ltd.", in Shanghai. An amount of approximately HK\$423.5 million will be funded by the Company which represents 41.5% interest of the joint venture company.

36. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 3rd March 2005.

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	66	Sale and distribution of concrete pipes
Bright City Development Limited	Hong Kong	2	—	1	100	Property development
Brighten Lion Limited	Hong Kong	2	—	1	66	Provision of finance
Chelsfield Limited	Hong Kong	2,111,192	—	10	66	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	66	Investment holding
Colour Day International Limited	Hong Kong	2	—	1	100	Investment holding
Construction Materials Limited	Hong Kong	30,000	—	10	66	Sale of aggregates
Doran (Hong Kong) Limited	Hong Kong	1,000	—	10	66	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
Greenwell Investments Limited	Guangzhou	2	—	1	100	Investment holding and property development
Gold Base Limited	Hong Kong	2	—	1	100	Investment holding
Goldstar Power Limited	Hong Kong	1	—	1	100	Property development and 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	66	Manufacture, sale and distribution of ready-mixed concrete

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\$		
K. Wah Construction Materials (Hong Kong) Limited	Hong Kong	2	2	10	66	Provision of management services
K. Wah Construction Materials Limited	Hong Kong	1,296,475,563	—	0.1	66	Investment holding
K. Wah Construction Products Limited	Hong Kong	2	1,000	100	66	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	66	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	66	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	Zhuhai	2	1,000	10	66	Quarrying
K. Wah Trading and Development Limited	Hong Kong	2	2	10	66	Trading
KWP Quarry Co. Limited	Hong Kong	9,000,000	—	1	42	Quarrying
Lightway Limited	Hong Kong	2	2	1	66	Property investment
Lucky Way Investment Limited	Hong Kong	2	—	1	100	Property development
Master Target Limited	Hong Kong	2	—	1	66	Investment holding
Minter Limited	Hong Kong	2	—	1	100	Investment holding
Netrich Limited	Hong Kong	2	—	1	100	Property development
New Fine Limited	Hong Kong	1	—	1	100	Property development
Orient Profit Limited	Hong Kong	1	—	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
Quanturn Limited	Hong Kong	2	—	1	66	Equipment leasing
Rainbow Country Limited	Hong Kong	2	—	1	66	Investment holding
Rainbow Mark Limited	Hong Kong	100	—	1	63	Investment holding
Rainbow States Limited	Hong Kong	2	—	1	66	Investment holding
Star Home Limited	Hong Kong	2	—	1	66	Investment holding
Triconville Investments Limited	Hong Kong	10	—	1	66	Investment holding
Union Profits Limited	Hong Kong	2	—	1	100	Property development
Victory Way Limited	Hong Kong	9,901,000	—	1	99.9	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	66	Property investment
Fairlight Investments Limited	Hong Kong	10	1	66	Investment holding
Greatest Smart Limited	Hong Kong	10	1	100	Investment holding
High Regard Investments Limited	Hong Kong	20	1	66	Investment holding
K. Wah International Finance Limited	Hong Kong	10	1	100	Provision of finance
Latent Developments Limited	Hong Kong	10	1	66	Investment holding
Ontrack Development Limited	Hong Kong	10	1	100	Investment holding
Profit Access Investments Limited	Hong Kong	10	1	66	Investment holding
Prosperous Fields Limited	Hong Kong	10	1	66	Investment holding
Repton Developments Limited	Hong Kong	10	1	100	Investment holding
Taksin Profits Limited	Hong Kong	17	1	66	Investment holding
Top Ridge Management Limited	Singapore	10	1	100	Property investment
Woodland Assets Limited	Hong Kong	10	1	66	Investment holding

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
Incorporated in Mainland China				
Wholly-owned foreign enterprise				
Doran Construction Products (Shenzhen) Co., Ltd.	Shenzhen	HK\$10,000,000	66	Manufacture, sale and distribution of concrete pipes
廣州市嘉華花都置業有限公司 K. Wah (China) Investment Co., Ltd.	Guangzhou Shanghai	HK\$93,600,000 US\$30,000,000	100	Property development
K. Wah Construction Development Consultancy (Shanghai) Ltd.	Shanghai	US\$525,000	100	Investment holding
K. Wah Construction Products (Shenzhen) Co., Ltd.	Shanghai	US\$25,000	100	Provision of consultancy services
K. Wah Construction Products (Shenzhen) Co., Ltd.	Shenzhen	US\$1,290,000	66	Manufacture, sale and distribution of concrete pipes
K. Wah Consultancy (Guangzhou) Co., Ltd.	Guangzhou	HK\$1,560,000	66	Provision of management services
K. Wah Consultancy (Shanghai) Co., Ltd.	Shanghai	US\$350,000	66	Provision of management services
K. Wah Quarry (Huzhou) Co., Ltd.	Huzhou	US\$4,250,000	66	Quarrying
Shanghai Guoguang Real Estate Development Co., Ltd.	Shanghai	US\$27,000,000	100	Property development
Shanghai K. Wah Qingsong Concrete Co. Ltd.	Shanghai	US\$2,420,000	66	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	66	Manufacture, sale and distribution of concrete pipes
Cooperative joint venture				
Beijing Shoujia Stone Co. Ltd.	Beijing	US\$1,080,000	36	Quarrying
Beijing K. Wah GaoQiang Concrete Co. Ltd.	Beijing	US\$2,450,000	66	Manufacture, sale and distribution of ready-mixed concrete
Hui Cheng Real Estate Development Co. Ltd. Guangzhou	Guangzhou	HK\$200,000,000	100	Property development
K. Wah Materials (Huidong) Ltd.	Huidong	US\$2,800,000	66	Quarrying
Nanjing K. Wah Concrete Co., Ltd.	Nanjing	US\$1,330,000	66	Manufacture, sale and distribution of ready-mixed concrete
Shanghai Beicai Concrete Co., Ltd.	Shanghai	RMB31,500,000	66	Manufacture, sale and distribution of ready-mixed concrete
Shanghai Jiajian Concrete Co., Ltd.	Shanghai	RMB17,400,000	39	Manufacture, sale and distribution of ready-mixed 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
Shanghai Jia Shen Concrete Co., Ltd.	Shanghai	RMB4,400,000	66	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	66	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	66	Manufacture, sale and distribution of concrete piles
Yue Hua Real Estate Development Co. Ltd. Guangzhou	Guangzhou	HK\$187,000,000	100	Property development
Equity joint venture				
Jia Hui Da Real Estate Development Co., Ltd. Shanghai	Shanghai	US\$53,000,000	36	Property development
Shanghai Ganghui Concrete Co., Ltd	Shanghai	US\$4,000,000	39	Manufacture, sale and distribution of ready-mixed concrete
Shanghai Jiafu Concrete Co., Ltd.	Shanghai	US\$1,400,000	36	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	65	Manufacture, sale and distribution of ready-mixed concrete
Incorporated in Macau				
K. Wah (Macao Commercial Offshore) Company Limited	Macau	MOP100,000	66	Trading

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
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
Beijing Shougang K.Wah Construction Materials Co. Ltd.	Beijing	RMB50,000,000	N/A	26	Manufacture, sale and distribution of slag
Guangdong Shaogang Jia Yang New Materials Co. Ltd.	Shaoguan	US\$6,000,000	N/A	23	Manufacture, sale and distribution of slag
Guangzhou K. Wah Nanfang Cement Limited	Guangzhou	RMB100,000,000	N/A	33	Manufacture, sale and distribution of cement
Shanghai Bao Jia Concrete Co., Limited.	Shanghai	US\$4,000,000	N/A	33	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
Yunnan Kungang & K. Wah Cement Construction Materials Co. Ltd.	Kunming	RMB300,000,000	N/A	20	Manufacture, sale and distribution of cement and slag

(c) Associated Companies

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					
Tarmac Asphalt Hong Kong Limited	Hong Kong	1,100,000	10	13	Manufacture, sale and distribution and laying of asphalt