Notes to Financial Statements

31 December 2004

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding.

During the year, the principal activities of the Group consisted of the import and distribution of cement in Hong Kong, the manufacture and distribution of cement and slag powder in other areas of the People's Republic of China ("Mainland China") and the provision of cement handling services in the Philippines. Through its associates, the Group is also engaged in the production and distribution of ready-mixed concrete in Hong Kong, Mainland China and Brunei. There were no significant changes in the nature of the Group's principal activities during the year.

In the opinion of the directors, Taiwan Cement Corporation ("TCC"), a company incorporated and whose shares are listed in Taiwan, is the Company's ultimate holding company.

2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of certain fixed assets and equity investments as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2004, together with the Group's share of the results for the year and post-acquisition reserves of its associates as set out below. The results of subsidiaries and associates acquired or disposed of during the year are consolidated with reference to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Notes to Financial Statements *(continued)*

31 December 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture company;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Group holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill or negative goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in the consolidated reserves, is included as part of the Group's interests in associates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against the consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against the consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Notes to Financial Statements *(continued)*

31 December 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance costs, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that fixed asset.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life with a residual value of 1%. The estimated useful lives for this purpose are as follows:

Leasehold land	Over the period of the land use rights
Buildings	$3\frac{1}{3}$% - 4%
Plant and machinery	$6\frac{2}{3}$% - 20%
Furniture, fixtures and office equipment	20% - $33\frac{1}{3}$%
Motor vehicles	20%
Lighters	10%

Construction in progress represents the cost of new factory buildings under construction and the cost of plant and machinery acquired pending installation, and is stated at cost less any impairment losses. Cost comprises the direct costs of construction on related borrowed funds during the period of construction. No depreciation is provided on construction in progress until it is completed and put into use. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

Changes in values of fixed assets resulting from revaluations are dealt with, on an individual asset basis, as movements in the property revaluation reserve. Deficits arising from revaluation, to the extent that they cannot be offset against a revaluation surplus in respect of the same asset, are charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal or retirement of revalued assets, the attributable revaluation surplus not previously dealt with in retained profits is transferred directly to retained profits as a movement in reserves.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in securities

(i) Long term investments in listed and unlisted equities, which are held for an identified long term purpose, are included in the balance sheet as investment securities and are stated at cost less any impairment losses, on an individual investment basis.

The carrying amounts of long term investments are reviewed as at the balance sheet date in order to assess whether the fair values have declined below the carrying amounts. When such a decline has occurred, the carrying amount is reduced to the fair value unless there is evidence that the decline is temporary. The amount of the reduction is recognised as an expense in the profit and loss account.

(ii) Other investments in listed and unlisted equities, either intended to be held on a short term or long term basis, are stated in the balance sheet at fair value. Changes in fair values are recognised in the profit and loss account as they arise. Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. Unlisted securities are stated at their estimated fair value on an individual investment basis.

(iii) Provisions against the carrying amount of long term investments are written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(iv) Profits or losses on disposal of all investments are accounted for in the profit and loss account as they arise.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling prices less any further costs expected to be incurred to completion and disposal.

Leased assets

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Notes to Financial Statements *(continued)*

31 December 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, in the period in which such services are rendered;

(c) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and

(d) dividend income, when the shareholders' right to receive payment has been established.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. There were no borrowing costs qualified for capitalisation during the year.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of distributable reserves within the capital and reserves section in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Notes to Financial Statements *(continued)*

31 December 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries, are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

With respect to investments in certain overseas subsidiaries which are financed by way of loans that are not repayable in the foreseeable future, rather than equity, the resulting exchange differences on translation are included in the exchange fluctuation reserve. In the opinion of the directors, such loans are for practical purposes as permanent as equity and, accordingly, are treated as part of the Group's net investments in the enterprises.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates ruling the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Employee benefits

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the central pension scheme.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance. A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

Notes to Financial Statements *(continued)*
31 December 2004

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the import, distribution and handling of cement segment mainly relates to housing development and infrastructure construction activities in Hong Kong and the provision of cement handling services in the Philippines;

(b) the manufacture and distribution of cement and slag powder segment mainly relates to construction activities in Mainland China;

(c) the production and distribution of ready-mixed concrete segment mainly relates to housing development and infrastructure construction activities in Hong Kong and Mainland China; and

(d) the investment holding segment invests in listed and unlisted equity securities ranging from traditional businesses, such as banks and companies engaged in the manufacture and distribution of construction materials, to high-technology businesses, such as those providing broadband Internet access and content services.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

4. SEGMENT INFORMATION *(continued)*

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments.

Group

	Import, distribution and handling of cement		Manufacture and distribution of cement and slag powder		Production and distribution of ready-mixed concrete		Investment holding		Others		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales and services to external customers	**157,319**	175,830	**158,066**	77,209	**—**	—	**—**	—	**—**	207	**315,385**	253,246
Other revenue	**4,918**	5,456	**239**	123	**—**	—	**304,369**	47,670	**—**	730	**309,526**	53,979
Total	**162,237**	181,286	**158,305**	77,332	**—**	—	**304,369**	47,670	**—**	937	**624,911**	307,225
Segment results	**32,557**	36,789	**18,131**	814	**—**	—	**272,495**	36,577	**—**	(83)	**323,183**	74,097
Interest income, dividend income and unallocated gains											**31,437**	7,707
Profit from operating activities											**354,620**	81,804
Finance costs											**(8,535)**	(11,959)
Share of profits less losses of associates	**—**	—	**—**	—	**2,779**	703	**—**	—	**—**	—	**2,779**	703
Amortisation and impairment of goodwill of associates	**—**	—	**—**	—	**—**	—	**(5,957)**	(3,287)	**—**	—	**(5,957)**	(3,287)
Profit before tax											**342,907**	67,261
Tax	**(3,394)**	(4,411)	**—**	—	**(778)**	210	**(202)**	(1,556)	**—**	—	**(4,374)**	(5,757)
Profit before minority interests											**338,533**	61,504
Minority interests											**(10,401)**	(1,497)
Net profit from ordinary activities attributable to shareholders											**328,132**	60,007

Notes to Financial Statements *(continued)*
31 December 2004

4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

Group

	Import, distribution and handling of cement		Manufacturing and distribution of cement and slag powder		Production and distribution of ready-mixed concrete		Investment holding		Others		Eliminations		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**594,965**	585,198	**510,984**	281,670	**—**	—	**1,409,924**	1,230,246	**82**	83	**(909,826)**	(722,532)	**1,606,129**	1,374,665
Goodwill	**—**	—	**—**	—	**—**	1,774	**—**	—	**—**	—	**—**	—	**—**	1,774
Interests in associates	**—**	—	**—**	—	**108,395**	113,925	**—**	—	**—**	—	**—**	—	**108,395**	113,925
Unallocated assets	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**209,202**	88,271
Total assets													**1,923,726**	1,578,635
Segment liabilities	**125,931**	131,930	**384,667**	200,542	**—**	—	**491,196**	452,484	**82**	230	**(909,826)**	(722,532)	**92,050**	62,654
Unallocated liabilities	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**582,226**	593,543
Total liabilities													**674,276**	656,197
Other segment information:														
Capital expenditure	**88**	6	**222,656**	133,852	**—**	—	**—**	—	**—**	—	**—**	—	**222,744**	133,858
Depreciation and amortisation	**8,251**	8,604	**10,808**	7,471	**5,061**	5,438	**2,019**	1,714	**—**	—	**—**	—	**26,139**	23,227
Impairment losses recognised in the profit and loss account	**—**	—	**—**	—	**2,670**	—	**19,619**	4,500	**—**	—	**—**	—	**22,289**	4,500
Provision for other receivables	**332**	3,210	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**332**	3,210
Unrealised gain on short term investments	**—**	—	**—**	—	**—**	—	**228,812**	27,922	**—**	—	**—**	—	**228,812**	27,922
Surplus on revaluation recognised directly in equity	**—**	—	**—**	—	**—**	—	**6,518**	1,114	**—**	—	**—**	—	**6,518**	1,114

4. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

The following table presents revenue, certain asset and expenditure information for the Group's geographical segments.

Group

	Hong Kong		Mainland China		Philippines		Taiwan		Eliminations		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales and services to												
external customers	**133,919**	152,430	**158,066**	77,209	**23,400**	23,400	**—**	207	**—**	—	**315,385**	253,246
Other revenue	**2,624**	53,126	**239**	123	**—**	—	**306,663**	730	**—**	—	**309,526**	53,979
Total	**136,543**	205,556	**158,305**	77,332	**23,400**	23,400	**306,663**	937	**—**	—	**624,911**	307,225
Other segment information:												
Segment assets	**792,026**	757,235	**597,684**	353,206	**178,556**	162,927	**920,190**	823,435	**(564,730)**	(518,168)	**1,923,726**	1,578,635
Capital expenditure	**15**	6	**222,656**	133,852	**73**	—	**—**	—	**—**	—	**222,744**	133,858

Notes to Financial Statements *(continued)*

31 December 2004

5. TURNOVER, OTHER REVENUE AND GAINS

Turnover represents:

(i) invoiced amount of sales of cement, net of trade discounts and returns; and

(ii) income from the rendering of services.

An analysis of turnover, other revenue and gains is as follows:

	Note	2004 *HK$'000*	2003 *HK$'000*
Turnover			
Sale of cement		**291,985**	229,846
Rendering of services		**23,400**	23,400
		315,385	253,246
Other revenue			
Handling charges		**3,995**	4,482
Dividend income from			
- listed investments		**25,924**	3,105
- an unlisted investment		**938**	1,250
Interest income		**1,605**	342
Others		**1,140**	968
		33,602	10,147
Gains			
Unrealised gain on short term investments		**228,812**	27,922
Unrealised gain on reclassification of investment securities to short term investments	*18*	**—**	19,894
Gain on the merger relating to a short term investment	*18*	**75,557**	—
Gain on disposal of short term investments		**2,970**	2,049
Gain on disposal of investment securities		**—**	961
Gain on a waiver from creditors upon the liquidation of a subsidiary		**—**	690
Gain on disposal of fixed assets		**22**	23
		307,361	51,539
		340,963	61,686

6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	Notes	2004 HK$'000	2003 HK$'000
Cost of inventories sold		**167,842**	143,054
Cost of services rendered		**6,814**	8,056
Depreciation	13	**21,078**	17,789
Amortisation of goodwill *	14	**1,774**	2,151
Minimum lease payments under operating leases			
on land and buildings		**6,958**	8,068
Auditors' remuneration		**720**	625
Staff costs (excluding directors' remuneration, note 8):			
Wages and salaries		**19,924**	11,082
Net pension scheme contributions**		**631**	511
		20,555	11,593
Exchange losses, net *		**43**	598
Impairment of investment securities *		**19,619**	4,500
Write-back of provision for inventory obsolescence *		**—**	(400)
Write-back of provision for bad and doubtful debts *		**—**	(245)
Provision for other receivables *		**332**	3,210

* Included under "Other operating expenses" on the face of the consolidated profit and loss account.

** At 31 December 2004, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2003: Nil).

7. FINANCE COSTS

	Group 2004 HK$'000	 2003 HK$'000
Interest on bank loans wholly repayable within five years	**8,535**	11,959

Notes to Financial Statements *(continued)*

31 December 2004

8. REMUNERATION OF THE DIRECTORS AND THE FIVE HIGHEST PAID EMPLOYEES

Directors

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Fees:		
Executive directors	**320**	540
Non-executive directors	**600**	540
Independent non-executive directors	**450**	360
	1,370	1,440
Other emoluments (executive directors):		
Basic salaries, housing benefits, other allowances and benefits in kind	**1,617**	2,063
Bonuses	**2,190**	620
Pension scheme contributions	**8**	43
	3,815	2,726
	5,185	4,166

The number of directors whose remuneration fell within the following bands is set out below:

	Number of directors	
	2004	2003
Nil - HK$1,000,000	**7**	7
HK$1,500,001 - HK$2,000,000	**2**	1
	9	8

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

In addition to the above emoluments, certain directors were granted share options in prior years under the Company's share option scheme, further details of which are set out in note 26 to the financial statements. No value in respect of the share options granted was charged to the profit and loss account, or was otherwise included in the above directors' remuneration disclosures at the time when the options were granted.

8. REMUNERATION OF THE DIRECTORS AND THE FIVE HIGHEST PAID EMPLOYEES *(continued)*

Five highest paid employees

Of the five highest paid employees during the year, two (2003: two) were directors of the Company and their remuneration has been included in the directors' remuneration set out above. The details of the remuneration of the remaining three (2003: three) non-director, highest paid employees for the year are as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Basic salaries, housing benefits, other allowances and benefits in kind	**1,834**	1,384
Bonuses	**154**	400
Pension scheme contributions	**24**	24
	2,012	1,808

The remuneration of all non-director, highest paid employees fell within the band of Nil - HK$1,000,000. Certain employees were also granted share options in prior years under the Company's share option scheme, further details of which are set out in note 26 to the financial statements. No value in respect of the share options granted was charged to the profit and loss account, or was otherwise included in the above non-director, highest paid employees' remuneration disclosures at the time when the options were granted.

9. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

All of the Group's People's Republic of China (the "PRC") subsidiaries are exempt from PRC corporate income tax for two years starting from the first profitable year of their operations and are entitled to a 50% relief from corporate income tax for the following three years under the PRC tax laws.

No provision for income tax has been made for two of the Group's PRC subsidiaries as the subsidiaries benefit the tax exemption in the current year.

The remaining four PRC subsidiaries of the Group have not made any provision for corporate income tax as they did not generate any assessable profits during the year.

Notes to Financial Statements *(continued)*

31 December 2004

9. TAX *(continued)*

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, practices and interpretations in respect thereof. In accordance with the relevant tax rules and regulations, the Company's subsidiaries registered in the PRC benefit from income tax exemption and reduction.

	2004 *HK$'000*	2003 *HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	**3,583**	6,323
Under/(over)provision in prior years	**13**	(8)
Deferred (note 24)	**—**	(348)
	3,596	5,967
Share of tax attributable to associates:		
Hong Kong	**778**	(47)
Elsewhere	**—**	(163)
	778	(210)
Total tax charge for the year	**4,374**	5,757

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the country in which the Company and its subsidiaries and associates are domiciled to the tax expense at the Group's effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2004		2003	
	HK$'000	*%*	*HK$'000*	*%*
Profit before tax	**342,907**		67,261	
Tax at the statutory tax rate of 17.5%	**60,009**	**17.5**	11,771	17.5
Higher tax rate of other countries	**4,502**	**1.3**	1,212	1.8
Effect on opening deferred tax of increase in rates	**—**	**—**	61	0.1
Adjustments in respect of current tax of previous periods	**355**	**0.1**	(342)	(0.5)
Income not subject to tax during tax exemption period	**(11,988)**	**(3.5)**	(2,581)	(3.8)
Income not subject to tax	**(64,252)**	**(18.7)**	(11,527)	(17.1)
Expenses not deductible for tax	**13,002**	**3.8**	5,937	8.8
Tax losses utilised from previous periods	**—**	**—**	(923)	(1.4)
Tax losses not recognised	**2,746**	**0.8**	2,149	3.2
Tax charge at the Group's effective rate	**4,374**	**1.3**	5,757	8.6

10. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2004 dealt with in the financial statements of the Company was HK$322,243,000 (2003: HK$23,666,000) (note 27).

11. DIVIDENDS

	2004 *HK$'000*	2003 *HK$'000*
Interim paid - HK2.0 cents (2003: Nil) per ordinary share	15,458	—
Proposed final - HK0.5 cent (2003: HK2.5 cents) per ordinary share	3,865	19,323
Proposed special - HK3.5 cents (2003: Nil) per ordinary share	27,052	—
	46,375	19,323

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK$328,132,000 (2003: HK$60,007,000) and the weighted average of 772,922,000 shares (2003: 774,771,118 shares) in issue during the year.

Diluted earnings per share accounts have not been presented for the years ended 31 December 2004 and 2003 as the share options outstanding during these years had no diluting effect on the basic earnings per share for these years.

Notes to Financial Statements *(continued)*

31 December 2004

13. FIXED ASSETS

Group

	Leasehold land and buildings HK$'000	Office building HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Lighters HK$'000	Construction in progress HK$'000	Total HK$'000
Cost or valuation:								
At beginning of year	141,576	7,400	148,457	9,342	4,432	7,731	138,430	457,368
Additions	29,703	—	544	1,628	1,139	—	189,730	222,744
Disposals	—	—	—	(270)	(262)	—	—	(532)
Transfer	87,575	—	52,064	—	—	—	(139,639)	—
Surplus arising on revaluation	—	4,500	—	—	—	—	—	4,500
At 31 December 2004	**258,854**	**11,900**	**201,065**	**10,700**	**5,309**	**7,731**	**188,521**	**684,080**
Analysis of cost or valuation:								
At cost	258,854	—	201,065	10,700	5,309	7,731	188,521	672,180
At valuation	—	11,900	—	—	—	—	—	11,900
	258,854	11,900	201,065	10,700	5,309	7,731	188,521	684,080
Accumulated depreciation and impairment:								
At beginning of year	26,992	—	56,928	5,884	2,243	7,653	—	99,700
Provided during the year	6,884	2,018	10,666	882	628	—	—	21,078
Disposals	—	—	—	(33)	(248)	—	—	(281)
Written back on revaluation	—	(2,018)	—	—	—	—	—	(2,018)
At 31 December 2004	**33,876**	**—**	**67,594**	**6,733**	**2,623**	**7,653**	**—**	**118,479**
Net book value:								
At 31 December 2004	**224,978**	**11,900**	**133,471**	**3,967**	**2,686**	**78**	**188,521**	**565,601**
At 31 December 2003	114,584	7,400	91,529	3,458	2,189	78	138,430	357,668

13. FIXED ASSETS *(continued)*

Group

An analysis of cost or valuation of the land and buildings at 31 December 2004 is as follows:

	At valuation *HK$'000*	At cost *HK$'000*	Total *HK$'000*
Commercial building situated in Hong Kong under a medium term lease	11,900	—	11,900
Industrial building situated in Hong Kong under a long term lease	—	40,358	40,358
Industrial buildings held under land use rights of medium term in Mainland China	—	178,156	178,156
Industrial building situated in the Philippines on freehold land	—	40,340	40,340
	11,900	258,854	270,754

The commercial building was revalued on 31 December 2004 at HK$11,900,000 (2003: HK$7,400,000) by Jones Lang LaSalle Limited, an independent firm of qualified professional valuers, at an open market value based on its existing use. The resulting surplus arising from the revaluation at 31 December 2004 of HK$6,518,000 (2003: HK$1,114,000), was dealt with in the property revaluation reserve (note 27). Had there not been any revaluation of the Group's commercial building, the carrying amount of cost less accumulated depreciation and any impairment losses at 31 December 2004 would have been approximately HK$600,000 (2003: HK$900,000).

At 31 December 2003, certain of the Group's plant and machinery with a net book value of approximately HK$43,992,000 was pledged to secure general banking facilities granted to the Group (note 21). The bank loan was fully repaid during the year.

Notes to Financial Statements *(continued)*

31 December 2004

14. GOODWILL

The amount of the goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of a subsidiary, is as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Cost:		
At beginning of year and at 31 December	**23,045**	23,045
Accumulated amortisation:		
At beginning of year	**21,271**	19,120
Amortisation provided during the year	**1,774**	2,151
At 31 December	**23,045**	21,271
Net book value:		
At 31 December	**—**	1,774

15. RENTAL DEPOSITS

Group

Included in rental deposits was HK$720,000 (2003: HK$720,000) paid to a fellow subsidiary by the Group relating to the leasing of a site on Tsing Yi Island, Hong Kong and HK$1,080,000 (2003: HK$1,080,000) paid to a related company by the Group in respect of the leasing of a site in Manila, the Philippines (note 31).

16. INTERESTS IN SUBSIDIARIES

	Company	
	2004	2003
	HK$'000	*HK$'000*
Unlisted shares, at cost	**264,590**	264,590
Due from subsidiaries	**1,986,054**	2,124,152
	2,250,644	2,388,742
Provision for an amount due from a subsidiary	**(474,042)**	(803,829)
	1,776,602	1,584,913
Due to subsidiaries	**(630,079)**	(621,437)

All balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

16. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
TCC Hong Kong Cement (BVI) Holdings Limited	British Virgin Islands ("BVI")/ Hong Kong	Ordinary US$1,000	100	—	Investment holding
Ulexite Investments Limited	BVI/ Hong Kong	Ordinary US$100	100	—	Investment holding
TCC Hong Kong Cement Development Limited	BVI/ Hong Kong	Ordinary US$10 Deferred*** US$90	—	100	Property holding
Dragon Pride International Limited	BVI/ Philippines	Ordinary US$100	—	100	Provision of cement handling services
Chiefolk Company Limited	Hong Kong	Ordinary HK$1,000,000	—	70	Investment holding
Hong Kong Cement Company Limited	Hong Kong	Ordinary HK$10,000	—	100	Import and distribution of cement
Koning Concrete Limited	Hong Kong	Ordinary HK$10,000	—	100	Investment holding
TCC Cement Corporation	Philippines	Ordinary Peso 91,020,500	—	100	Provision of cement handling services
Anhui King Bridge Cement Company Limited*	PRC/ Mainland China	Registered capital US$15,000,000	—	60	Manufacture and distribution of cement and slag powder

Notes to Financial Statements *(continued)*

31 December 2004

16. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
TCC Fuzhou Cement Company Limited*	PRC/ Mainland China	Registered capital US$10,000,000	—	100	Manufacture and distribution of cement
Ying Xin Yingde Cement Co. Ltd.*	PRC/ Mainland China	Registered capital US$2,000,000	—	100	Manufacture and distribution of cement
TCC Fuzhou Yangyu Port Company Limited*	PRC/ Mainland China	Registered capital US$5,000,000	—	100	Not yet commenced business
TCC Liuzhou Construction Materials Company Limited*	PRC/ Mainland China	Registered capital US$8,000,000	—	42**	Not yet commenced business
TCC Yingde Cement Company Limited*	PRC/ Mainland China	Registered capital US$9,600,000	—	100	Not yet commenced business
HKC Investment Corporation	Taiwan	Ordinary NT$3,145,000,000	—	100	Investment holding

* *Registered as equity joint ventures registered under the PRC law and are not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.*

** *A subsidiary of a non wholly-owned subsidiary of the Company and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.*

*** *The deferred shares of TCC Hong Kong Cement Development Limited are non-voting, carry no rights to dividends and are only entitled to a return of capital when the surplus exceeds US$1,000,000,000,000,000,000,000.*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

17. INTERESTS IN ASSOCIATES

	Group 2004 HK$'000	2003 HK$'000
Share of net assets other than goodwill	**77,513**	75,512
Goodwill arising on acquisition of an associate	**—**	5,957
	77,513	81,469
Loan to an associate, net of provision	**30,882**	32,456
	108,395	113,925

Movements in goodwill arising from the acquisition of associates, which has been capitalised as an asset in the consolidated balance sheet and included in interests in associates, are as follows:

	Group 2004 HK$'000	2003 HK$'000
Cost:		
At beginning of year and at 31 December	**32,870**	32,870
Accumulated amortisation and impairment:		
At beginning of year	**26,913**	23,626
Amortisation provided during the year	**3,287**	3,287
Impairment provided during the year	**2,670**	—
At 31 December	**32,870**	26,913
Net book value:		
At 31 December	**—**	5,957

The amount due from and the loan to an associate are unsecured, interest-free and have no fixed terms of repayment.

Notes to Financial Statements *(continued)*

31 December 2004

17. INTERESTS IN ASSOCIATES *(continued)*

Particulars of the principal associates are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of ownership interest indirectly attributable to the Group	Principal activities
Hong Kong Concrete Company Limited ("Hong Kong Concrete")	Corporate	Hong Kong	31.5	Production and distribution of ready-mixed concrete
Quon Hing Concrete Company Limited (''Quon Hing Concrete") *	Corporate	Hong Kong	35	Production and distribution of ready-mixed concrete

* *The Group, through a 70% owned subsidiary, holds a 50% interest in Quon Hing Concrete.*

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

17. INTERESTS IN ASSOCIATES *(continued)*

The condensed summary post-acquisition results of operations and the financial position of each of the significant associates accounted for by the Group using the equity method for the years ended 31 December 2004 and 2003 were as follows:

	2004 *HK$'000*	2003 *HK$'000*
Hong Kong Concrete		
Current assets	**59,847**	81,426
Non-current assets	**75,150**	65,981
Current liabilities	**45,596**	58,970
Non-current liabilities	**6,630**	6,936
Commitments	**14,578**	3,150
Turnover	**174,067**	234,970
Net profit for the year attributable to shareholders	**1,270**	5,126

	2004 *HK$'000*	2003 *HK$'000*
Quon Hing Concrete		
Current assets	**218,670**	210,889
Non-current assets	**82,692**	106,269
Current liabilities	**201,614**	218,817
Non-current liabilities	**2,267**	3,068
Minority interests	**11,809**	12,987
Turnover	**396,740**	388,663
Net profit/(loss) for the year attributable to shareholders	**3,182**	(1,510)

Notes to Financial Statements *(continued)*

31 December 2004

18. INVESTMENTS

Investment securities	Group 2004 HK$'000	Group 2003 HK$'000	Company 2004 HK$'000	Company 2003 HK$'000
Unlisted equity investments, at cost:				
Hong Kong	**6,088**	6,088	**—**	—
Elsewhere	**119,823**	119,823	**—**	—
Provision for impairment	**(31,019)**	(11,400)	**—**	—
	94,892	114,511	**—**	—

Short term investments	Group 2004 HK$'000	Group 2003 HK$'000	Company 2004 HK$'000	Company 2003 HK$'000
Listed equity investments, at fair value:				
Listed in Hong Kong	**20,922**	16,760	**20,922**	16,760
Listed outside Hong Kong	**833,775**	97,219	**75,282**	97,219
	854,697	113,979	**96,204**	113,979
Unlisted equity investments, at fair value	**7,988**	714,623*	**—**	—
	862,685	828,602	**96,204**	113,979
Market value of listed equity investments:				
At balance sheet date	**854,697**	113,979	**96,204**	113,979
At date of report	**852,651**	120,423	**84,307**	120,423

* *Included the carrying value of the Group's 9.87% equity investment in KG Telecommunications Co., Ltd. ("KG Telecom") of HK$712,894,000, which was reclassified from investment securities at 25 November 2003, resulting in a gain on reclassification of HK$19,894,000 (note 5) in 2003.*

On 7 October 2003, KG Telecom entered into a merger acquisition agreement (the "Merger") with two independent third parties. Upon the completion of the Merger on 29 April 2004, the Group disposed of its entire interest in KG Telecom in exchange for a cash consideration of HK$261,061,000 and certain listed securities with a fair value of HK$526,557,000, resulting in a gain on the merger relating to a short term investment of HK$75,557,000 (note 5).

19. INVENTORIES

	Group 2004 HK$'000	2003 HK$'000
Raw materials	**11,273**	3,283
Work-in-progress	**586**	—
Finished goods	**19,892**	5,636
Consumable stores	**3,021**	256
Packing materials	**191**	669
	34,963	9,844

There were no inventories carried at net realisable value as at the balance sheet date (2003: Nil).

20. TRADE RECEIVABLES

Credit is offered to customers following a financial assessment of the customers or to those customers which have an established payment record. The Group usually offers a credit period of 60 – 90 days to its customers and seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management and their collection is followed up by accounting personnel.

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date and net of the provision for bad and doubtful debts, is as follows:

	Group 2004 HK$'000	2003 HK$'000
Less than 90 days	**28,722**	37,527
91 - 180 days	**5,270**	6,665
	33,992	44,192

The trade receivables of the Group include a trade balance due from an associate of HK$13,330,000 (2003: HK$20,672,000), which is unsecured, interest-free and is repayable in accordance with normal trading terms (note 31).

Notes to Financial Statements *(continued)*

31 December 2004

21. BANK LOANS

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank loans:				
Secured	**545,519**	535,081	**207,000**	217,000
Unsecured	**26,000**	46,000	**26,000**	46,000
	571,519	581,081	**233,000**	263,000
Amounts repayable:				
Within one year or on demand	**559,888**	474,081	**233,000**	156,000
In the second year	**9,305**	107,000	**—**	107,000
In the third to fifth years, inclusive	**2,326**	—	**—**	—
	571,519	581,081	**233,000**	263,000
Portion classified as current liabilities	**(559,888)**	(474,081)	**(233,000)**	(156,000)
Long term portion	**11,631**	107,000	**—**	107,000

The Company's bank loan amounting to HK$207,000,000 (2003: HK$217,000,000) was secured by a corporate guarantee from certain subsidiaries.

Apart from the above, certain of the Group's other bank loans amounting to HK$338,520,000 (2003: HK$301,258,000) were secured by a corporate guarantee from the Company. In the prior year, a further bank loan of the Group amounting to HK$16,823,000 was secured by a pledge of certain of the Group's fixed assets (note 13).

Pursuant to a loan agreement dated 19 March 2004 between the Company and a bank relating to a short term revolving loan facility of HK$40,000,000, a termination event would arise if Taiwan Cement Corporation, the Company's ultimate holding company, ceases to own beneficially, directly or indirectly, at least 51% of the shares in the Company's capital.

Pursuant to the loan agreements dated 25 April 2002 between the Company and certain banks, relating to a three-year term loan facility and a three-year syndicated loan facility of HK$25,000,000 and HK$250,000,000, respectively, a termination event would arise if (i) Taiwan Cement Corporation, the Company's ultimate holding company, ceases to own legally and beneficially, at least 35% of the shares in the Company's capital; or (ii) the Group fails to meet the financial covenants stipulated in the loan facilities. The Company is also required to undertake a subordination of all loans granted to members of the Group and intercompany loans within the Group to the banks.

22. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date is as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Less than 90 days	**27,868**	27,242
91 - 180 days	**52**	23
181 - 360 days	**45**	30
Over 360 days	**264**	415
	28,229	27,710

The trade payables of the Group include a trade balance due to the ultimate holding company of HK$15,155,000 (2003: HK$21,121,000), which is unsecured, interest-free and is repayable in accordance with normal trading terms (note 31).

23. OTHER PAYABLES AND ACCRUED LIABILITIES

The other payables and accrued liabilities of the Group include a balance due to a minority shareholder of a subsidiary of HK$8,616,000 (2003: HK$3,681,000), which is unsecured, interest-free and has no fixed terms of repayment.

24. DEFERRED TAX

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

Group

	Accelerated tax depreciation *HK$'000*	Revaluation of property *HK$'000*	Total *HK$'000*
At 1 January 2003	647	—	647
Deferred tax credited to the profit and loss account during the year (note 9)	(348)	—	(348)
At 31 December 2003 and 1 January 2004	299	—	299
Deferred tax debited to equity during the year (note 26)	—	1,853	1,853
Gross deferred tax liabilities at 31 December 2004	299	1,853	2,152

The Company has tax losses arising in Hong Kong of HK$15,047,000 (2003: HK$5,444,000) that are available indefinitely for offsetting against future taxable profits of the company in which the losses arose. Also, the Group's subsidiary in the Philippines has tax losses of HK$15,347,000 (2003: HK$12,018,000) that will expire within three years from the balance sheet date. Deferred tax assets have not been recognised in respect of these losses as they have been loss-making for some time.

Notes to Financial Statements *(continued)*

31 December 2004

24. DEFERRED TAX *(continued)*

At 31 December 2004, there was no significant unrecognised deferred tax liability (2003: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or associates as the Group had no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

25. SHARE CAPITAL

Shares

	Company	
	2004	2003
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
772,922,000 ordinary shares of HK$0.10 each	**77,292**	77,292

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 26 to the financial statements.

26. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include directors, including independent non-executive directors, and employees of the Company and any of its subsidiaries and associates. The Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 5 October 1997 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Subsequent to the adoption of the Scheme on 5 October 1997, the Stock Exchange has introduced a number of changes to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") on share option schemes. Since these new rules came into effect on 1 September 2001, no share options have been granted under the Scheme. However, any option to be granted in the future under the Scheme shall be subject to the new changes which include, inter alia, the following:

(a) the maximum number of unexercised share options permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the date of approval of the Scheme. The maximum number of shares issuable under share options to each eligible participant within any 12-month period is limited to 1% of the shares in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting;

(b) share options granted to a director, chief executive or substantial shareholder, or to any of their associates, are subject to approval in advance by independent the non-executive directors; and

(c) the exercise price of share options is determined by directors, but may not be less than the higher of (i) the Stock Exchange closing price of the shares on the date of grant of the share options; and (ii) the average Stock Exchange closing price of the shares for the five trading days immediately preceding the date of the grant.

The Company does not intend to amend the terms of the Scheme to comply with the requirements of the amended Listing Rules on share option schemes. However, the Company shall ensure that future grants of share options shall comply with such requirements.

Under the existing Scheme, the maximum number of share options currently permitted to be granted is an amount equivalent, upon their exercise, to 10% of the total number of shares of the Company in issue as at the date of grant. The maximum number of share options issuable to each eligible participant in the Scheme is an amount equivalent to 25% of the total number of shares for the time being issued and issuable under the Scheme.

The offer of a grant of share options may be accepted in writing within 30 days from the date of offer and upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options commences on the date after six months from the date of grant and ends on the fifth anniversary of the date of grant, subject to certain cessation provisions.

The exercise price for shares under the share option scheme shall not be less than the higher of (i) 80% of the average of the closing prices of the Company's shares on the Stock Exchange as dated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer; and (ii) the nominal value of the Company's shares.

Notes to Financial Statements *(continued)*

31 December 2004

26. SHARE OPTION SCHEME *(continued)*

The outstanding share options granted under the Scheme are summarised below:

Name or category of participant	At 1 January 2004	Number of share options Lapsed during the year	At 31 December 2004	Date of grant of share options	Exercise price of share options HK$	Exercise period of share options outstanding at 31 December 2004
Directors						
KOO Cheng Yun, Leslie	7,000,000	—	7,000,000	11 April 2000	1.6504	11 October 2001 to 10 April 2005
WU Yih Chin	4,500,000	—	4,500,000	11 April 2000	1.6504	11 October 2001 to 10 April 2005
TSAO Jas Yee, James	1,000,000	(1,000,000)	—	11 April 2000	1.6504	N/A
CHIANG Cheng Hsiung	3,000,000	—	3,000,000	11 April 2000	1.6504	11 October 2001 to 10 April 2005
CHEN Chi Hsiung	2,500,000	—	2,500,000	11 April 2000	1.6504	11 October 2001 to 10 April 2005
	18,000,000	(1,000,000)	17,000,000			
Other employees	2,000,000	—	2,000,000	11 April 2000	1.6504	11 October 2001 to 10 April 2005
Total	20,000,000	(1,000,000)	19,000,000			

At 31 December 2004, the Company had 19,000,000 share options outstanding under the Scheme, which represented approximately 2.5% of the Company's shares in issue as at that date, with an exercise period from 11 October 2001 to 10 April 2005, both dates inclusive, at an exercise price of HK$1.6504 per share. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 19,000,000 additional ordinary shares of HK$0.10 each and additional share capital of HK$1,900,000 and share premium of HK$29,457,600 (before issue expenses). During the year, 1,000,000 option shares lapsed upon resignation of a director. No options were granted or exercised during the year.

Subsequent to the balance sheet date, 5,500,000 option shares lapsed upon the resignation of two directors.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date are deleted from the register of outstanding options.

No theoretical value for the share options is disclosed as no share options were granted during the year.

27. RESERVES

Group

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Property revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Statutory reserve fund HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2003		1,123,525	208,263	2,076	3,192	13,810	(21,825)	—	(612,341)	716,700
Repurchase of shares		(3,499)	—	—	486	—	—	—	(486)	(3,499)
Surplus on revaluation		—	—	—	—	1,114	—	—	—	1,114
Exchange realignment on translation of the financial statements of overseas subsidiaries*		—	—	—	—	—	(857)	—	—	(857)
Net profit for the year		—	—	—	—	—	—	—	60,007	60,007
2003 final dividend proposed	11	(19,323)	—	—	—	—	—	—	—	(19,323)
At 31 December 2003 and 1 January 2004		1,100,703	208,263	2,076	3,678	14,924	(22,682)	—	(552,820)	754,142
Surplus on revaluation	13	—	—	—	—	6,518	—	—	—	6,518
Movement of deferred tax	24	—	—	—	—	(1,853)	—	—	—	(1,853)
Exchange realignment on translation of the financial statements of overseas subsidiaries*		—	—	—	—	—	29	—	—	29
Net profit for the year		—	—	—	—	—	—	—	328,132	328,132
2004 interim dividend	11	(15,458)	—	—	—	—	—	—	—	(15,458)
2004 final dividend proposed	11	(3,865)	—	—	—	—	—	—	—	(3,865)
2004 special dividend proposed	11	(27,052)	—	—	—	—	—	—	—	(27,052)
Transfer to statutory reserve fund		—	—	—	—	—	—	129	(129)	—
At 31 December 2004		1,054,328	208,263	2,076	3,678	19,589	(22,653)	129	(224,817)	1,040,593

* *As at 31 December 2004, there was no significant exchange realignment on translation of the financial statements of overseas subsidiaries. In the prior year, included in the exchange realignment on translation of the financial statements of overseas subsidiaries is a loss of HK$240,000 representing the exchange differences arising on translation of an amount due from a subsidiary of which a substantial portion is not repayable in the foreseeable future and, in the opinion of the directors, is part of the Company's net investment in the enterprise and is therefore accounted for as a movement in the exchange fluctuation reserve during that year (note 16).*

Notes to Financial Statements *(continued)*

31 December 2004

27. RESERVES *(continued)*

Group

	Share premium account HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Property revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Statutory reserve fund HK$	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
Reserves retained by:									
Company and subsidiaries	1,085,245	208,263	313	3,678	19,589	(22,653)	129	(323,271)	971,293
Associates	—	—	1,763	—	—	—	—	98,454	100,217
31 December 2004	1,085,245	208,263	2,076	3,678	19,589	(22,653)	129	(224,817)	1,071,510
Company and subsidiaries	1,100,703	208,263	313	3,678	14,924	(22,682)	—	(649,273)	655,926
Associates	—	—	1,763	—	—	—	—	96,453	98,216
31 December 2003	1,100,703	208,263	2,076	3,678	14,924	(22,682)	—	(552,820)	754,142

Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2003		1,123,525	264,585	3,192	(674,669)	716,633
Repurchase of shares		(3,499)	—	486	(486)	(3,499)
Net profit for the year	10	—	—	—	23,666	23,666
2003 interim dividend	11	(19,323)	—	—	—	(19,323)
At 31 December 2003 and 1 January 2004		1,100,703	264,585	3,678	(651,489)	717,477
Net profit for the year	10	—	—	—	322,243	322,243
2004 interim dividend	11	(15,458)	—	—	—	(15,458)
2004 final dividend proposed	11	(3,865)	—	—	—	(3,865)
2004 special dividend proposed	11	(27,052)	—	—	—	(27,052)
At 31 December 2004		1,054,328	264,585	3,678	(329,246)	993,345

27. RESERVES *(continued)*

The contributed surplus of the Group represents the difference between the fair value of the combined net asset value of the subsidiaries involved in the Group reorganisation in September 1997 and the assets, liabilities and undertakings which relate to the import and distribution of cement carried out by Hong Kong Cement Manufacturing Company Limited prior to the Group reorganisation (the "Relevant Business"), as if they were acquired by the Group when the subsidiaries and the Relevant Business commenced operations, and the nominal value of the Company's shares issued in exchange therefor.

The contributed surplus of the Company represents the difference between the fair value of the combined net asset value of the subsidiaries involved in the Group reorganisation in September 1997 and the assets, liabilities and undertakings which relate to the Relevant Business, when they were acquired by the Company pursuant to the Group reorganisation on the date of reorganisation, and the nominal value of the Company's shares issued.

Under the Companies Law (2004 Revision) of the Cayman Islands, the share premium and contributed surplus accounts are distributable to the shareholders of the Company under certain circumstances.

In accordance with the relevant PRC regulations applicable to wholly-foreign owned enterprises, one of the Company's PRC subsidiaries is required to appropriate an amount of not less than 10% of its profit after tax to the statutory reserve fund, which may be used to increase the paid-up capital of the PRC subsidiary.

28. CONTINGENT LIABILITIES

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees in respect of banking facilities granted to:				
Wholly-owned subsidiaries	**—**	—	**359,900**	317,000
A non wholly-owned subsidiary	**—**	—	**—**	15,761
	—	—	**359,900**	332,761

Notes to Financial Statements *(continued)*

31 December 2004

28. CONTINGENT LIABILITIES *(continued)*

Details of the corporate guarantees given by the Company to banks in securing the banking facilities granted to the subsidiaries, and the amounts utilised are as follows:

	Guarantees given by the Company		Utilised as at the balance sheet date	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Wholly-owned subsidiaries:				
Hong Kong Cement Company Limited	**200,000**	200,000	**194,000**	200,000
TCC Fuzhou Cement Company Limited	**144,300**	101,400	**129,110**	86,400
TCC Fuzhou Yangyu Port Company Limited	**15,600**	15,600	**15,410**	15,600
	359,900	317,000	**338,520**	302,000
Non wholly-owned subsidiary:				
TCC Liuzhou Construction Materials Company Limited (note 31(B))	**—**	15,761	**—**	15,761
	359,900	332,761	**338,520**	317,761

29. OPERATING LEASE ARRANGEMENTS

The Group and the Company leases two industrial buildings under operating lease arrangements from a fellow subsidiary and a related company. Leases for properties are negotiated for terms of 30 years. Details of the terms of these leases are set out in note 31(A)(ii) and (iii).

At 31 December 2004, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**7,206**	6,958	**4,513**	4,320
In the second to fifth years, inclusive	**25,932**	26,113	**17,280**	17,280
After five years	**103,050**	109,530	**76,500**	80,820
	136,188	142,601	**98,293**	102,420

30. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 29 above, the Group had the following contracted, but not provided for commitments at the balance sheet date as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Capital commitments in respect of:		
— purchases of fixed assets	**13,649**	59,133
— construction of cement terminals	**990,045***	48,211
— capital contributions payable to subsidiaries incorporated in Mainland China:		
— wholly-owned	**—**	108,030
— non wholly-owned	**—**	28,080

The Company had no significant commitments at the balance sheet date (2003: Nil).

* *Included in this amount is a total consideration of approximately RMB1 billion for the design and construction of two new dry-process cement production lines and ancillary facilities with a daily clinker production capacity of 5,000 metric tonnes each pursuant to a turn-key agreement entered into by the Group on 24 December 2004. The construction is expected to be completed in the first half of 2006.*

31. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances set out elsewhere in these financial statements, during the year, the Group entered into the following material related party transactions:

A. Transactions of a recurring nature

Transactions (i) to (iii) also constitute connected transactions as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

		Group	
		2004	2003
	Notes	***HK$'000***	*HK$'000*
Purchases of cement from the ultimate holding company	(i)	**72,638**	87,544
Rental expenses paid to a fellow subsidiary	(ii)	**4,320**	4,653
Rental expenses paid to a related company*	(iii)	**2,160**	2,880
Sales of cement to an associate	(iv)	**48,413**	64,824

* *The related company is an associate of the ultimate holding company.*

Notes to Financial Statements *(continued)*

31 December 2004

31. RELATED PARTY TRANSACTIONS *(continued)*

A. Transactions of a recurring nature *(continued)*

Notes:

(i) The directors consider that the purchases of cement from the ultimate holding company were made according to prices and conditions similar to those available to other cement importers in Hong Kong in respect of supplies from the same country of origin.

The prices charged by the ultimate holding company in respect of shipments to Hong Kong did not exceed 2.5% over the benchmark prices, being the weighted average price per tonne of cement calculated by reference to prices of imports from Taiwan or Japan into Hong Kong provided by the Census & Statistics Department of the Hong Kong Government of the Special Administrative Region, with reference to the respective countries of origin of the cement supplied by the ultimate holding company.

The basis of these pricing policies was set out in greater detail in circulars to the shareholders of the Company dated 25 August 1998 and 9 July 2001.

The balance due to the ultimate holding company in respect of cement supplies as at 31 December 2004 amounted to HK$15,155,000 (2003: HK$21,121,000) (note 22).

(ii) The rental expenses related to leasehold land in Hong Kong on which an industrial building of the Group is located (note 13). The monthly rentals of HK$400,000 for the period from 1 January 2003 to 10 September 2003 and HK$360,000 thereafter were based on a market rental valuation provided by an independent professionally qualified valuer in 2003. A separate market rental valuation will be performed every two years pursuant to the leasing agreement entered into between the Group and the fellow subsidiary in 1997. The terms of the leasing agreement were also disclosed in the Company's prospectus dated 23 September 1997. The next review will be conducted in September 2005.

A rental deposit of HK$720,000 (2003: HK$720,000) was paid to the fellow subsidiary (note 15).

(iii) The rental expenses related to a freehold land in the Philippines on which an industrial building of the Group is located (note 13). The monthly rentals of Peso 1,800,000 for the period from 1 January 2003 to 31 August 2003 and Peso 1,200,000 thereafter were based on a market rental valuation provided by an independent professionally qualified valuer in 2003. A separate market rental valuation will be performed every two years pursuant to the leasing agreement entered into between the Group and the related company in 1997. The terms of the leasing agreement were also disclosed in the Company's prospectus dated 23 September 1997. The next review will be conducted in September 2005.

A rental deposit of Peso 7,200,000 (equivalent to HK$1,080,000) (2003: Peso 7,200,000 (equivalent to HK$1,080,000)) was paid to this related company (note 15).

(iv) The sales of cement to an associate were made according to prices and conditions offered to other major customers of the Group. The balance due from the associate at 31 December 2004 was HK$13,330,000 (2003: HK$20,672,000) (note 20).

In respect of (i) the purchases of cement from the ultimate holding company; (ii) the rental expenses paid to a fellow subsidiary; and (iii) the rental expenses paid to a related company stated above, the Group entered into agreements with the respective parties for a period of 10 years, 30 years and 25 years (renewable for another 25 years), respectively, commencing from 1997.

31. RELATED PARTY TRANSACTIONS *(continued)*

B. Transactions among Group companies

In the prior year, the Company also granted corporate guarantees to banks in favour of certain of its subsidiaries in securing banking facilities available to these companies. The corporate guarantee granted to a non wholly-owned subsidiary is in proportion to the Group's shareholding interest therein. Further details are set out in note 28 to the financial statements.

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 April 2005.