

1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain properties and investments, and in conformity with generally accepted accounting principles in Hong Kong.

In 2001, the Group adopted the following revised or new Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants:

SSAP 9 (revised):	Events after the balance sheet date
SSAP 14 (revised):	Leases
SSAP 26:	Segment reporting
SSAP 28:	Provisions, contingent liabilities and contingent assets
SSAP 29:	Intangible assets
SSAP 30:	Business combinations
SSAP 31:	Impairment of assets
SSAP 32:	Consolidated financial statements and accounting for investments in subsidiaries

The adoption of these SSAPs has no change in the accounting policies of the Group except for the following:

- (a) In accordance with the revised SSAP 9, dividends proposed or declared after the balance sheet date are no longer recognised as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively and as a result, reserves of the Group as at 1st January 2001 have been increased by HK\$35,312,000.
- (b) Goodwill arising on acquisition of subsidiaries and jointly controlled entities and associated companies occurring on or after 1st January 2001 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.

Goodwill on acquisition, which occurred prior to 1st January 2001, was taken directly to reserves. This change in accounting policy has no effect to the accounts for the period.

Apart from the foregoing, the accounting policies adopted are consistent with those described in the 2000 Annual Report and Accounts.

Notes to the Financial Statements

2. TURNOVER AND RESULTS

The Group is principally engaged in manufacture, sale and distribution of construction materials, property development and investment.

An analysis of the group's turnover and results for the period by business segments is as follows:

	Construction materials <i>HK\$'000</i>	Properties <i>HK\$'000</i>	Other operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30th June 2001				
Turnover	<u>541,670</u>	<u>652,880</u>	<u>24,637</u>	<u>1,219,187</u>
Operating profit	<u>64,739</u>	<u>30,405</u>	<u>1,335</u>	96,479
Finance costs				(4,935)
Share of profits less losses of				
Jointly controlled entities				309
Associated companies				<u>(2,295)</u>
Profit before taxation				<u>89,558</u>
Six months ended 30th June 2000				
Turnover	<u>514,308</u>	<u>173,356</u>	<u>10,848</u>	<u>698,512</u>
Operating profit	<u>104,712</u>	<u>2,332</u>	<u>(7,775)</u>	99,269
Finance costs				(14,407)
Share of profits less losses of				
Jointly controlled entities				(431)
Associated companies				<u>(1,893)</u>
Profit before taxation				<u>82,538</u>

Notes to the Financial Statements

An analysis of the group's turnover and operating profit for the period by geographical segments is as follows:

	Turnover		Operating Profit	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Hong Kong	815,391	446,850	78,489	118,845
Mainland China	374,530	232,556	13,859	(21,203)
Singapore	4,628	8,258	5,085	5,568
Japan	24,638	10,848	(954)	(3,941)
	<u>1,219,187</u>	<u>698,512</u>	<u>96,479</u>	<u>99,269</u>

3. OPERATING PROFIT

2001 HK\$'000	2000 HK\$'000
------------------	------------------

Operating profit is stated after crediting and charging the following:

Crediting

Unrealised gain of other investments	3,750	—
Profit on disposal of other investments	6,583	—
Profit on disposal of fixed assets	166	282
	<u>10,499</u>	<u>282</u>

Charging

Cost of inventories sold	395,783	320,386
Depreciation		
Owned fixed assets	40,965	40,395
Leased fixed assets	144	154
Operating lease rental for land and buildings	9,144	8,091
Amortisation		
Quarry site development	887	2,062
Overburden removal costs	5,110	4,126
Pre-operating expenses and others	—	4,737
Royalties	3,177	2,949
Unrealised loss of other investments	—	1,479
	<u>458,206</u>	<u>374,289</u>

4. TAXATION

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Company and subsidiary companies		
Hong Kong profits tax	(13,539)	(12,855)
Over-provision in prior years	9,686	—
Overseas taxation	(5,610)	(646)
Jointly controlled entities		
Overseas taxation	—	(33)
Associated companies		
Hong Kong profits tax	<u>(23)</u>	<u>(639)</u>
	<u>(9,486)</u>	<u>(14,173)</u>

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits for the period.

Taxation assessable on profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the countries in which those profits arose.

5. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$50,577,000 (2000: HK\$40,120,000) and the weighted average number of 1,765,456,000 shares (2000: 1,657,279,000 shares) in issue during the period.

The diluted earnings per share is not presented as the share options and warrants outstanding as at 30th June 2001 have no dilutive potential shares.

Notes to the Financial Statements

6. DIVIDENDS

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
2000 Final scrip dividend with a cash option, payable, of 2 cents per share	35,312	—
1999 Final scrip dividend with a cash option, paid, of 2 cents per share		
Scrip	—	23,489
Cash	—	9,657
	<u>35,312</u>	<u>33,146</u>

The Board of Directors declares an interim dividend of 1 cent per fully paid ordinary share (2000: 1 cent), totalling HK\$18,235,000 for the six months ended 30th June 2001 (2000: HK\$17,273,000) to shareholders whose names appear on the registers of members of the Company at the close of business on 12th October 2001. This amount will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2001.

7. TRADE DEBTORS, OTHER RECEIVABLES AND PREPAYMENTS

	30th June 2001 <i>HK\$'000</i>	31st December 2000 <i>HK\$'000</i>
Trade debtors	352,152	315,580
Other receivables	66,642	181,229
Prepayments	95,329	61,253
	<u>514,123</u>	<u>558,062</u>

The Group has established credit policies which follow local industry standard. The average normal credit period offered ranges from 30 to 60 days for customers in Hong Kong and 120 to 180 days for customers in Mainland China. These are subject to periodic review by management.

Notes to the Financial Statements

The aging analysis of the Group's trade debtors based on the dates of invoices and net of provision for bad and doubtful debts is as follows:

	30th June 2001 <i>HK\$'000</i>	31st December 2000 <i>HK\$'000</i>
Within one month	176,330	158,103
Two to three months	109,440	97,985
Four to six months	26,940	23,903
Over six months	39,442	35,589
	352,152	315,580
	352,152	315,580

8. CREDITORS AND ACCRUALS

	30th June 2001 <i>HK\$'000</i>	31st December 2000 <i>HK\$'000</i>
Trade creditors	136,380	211,676
Other creditors	127,696	124,126
Accrued operating expenses	186,006	142,240
Deposits received	16,610	16,016
	466,692	494,058
	466,692	494,058

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

	30th June 2001 <i>HK\$'000</i>	31st December 2000 <i>HK\$'000</i>
Within one month	72,948	90,349
Two to three months	28,329	28,979
Four to six months	13,741	14,800
Over six months	21,362	77,548
	136,380	211,676
	136,380	211,676

Notes to the Financial Statements

9. SHARE CAPITAL

	<i>Ordinary Shares of HK\$0.10 each</i>	<i>HK\$'000</i>
Authorised		
At 1st January 2001	2,888,000,000	288,800
Increase in authorised ordinary share capital	<u>1,000,000,000</u>	<u>100,000</u>
At 30th June 2001	<u><u>3,888,000,000</u></u>	<u><u>388,800</u></u>
Issued and fully paid		
At 1st January 2001	1,765,251,042	176,525
Options exercised	<u>341,000</u>	<u>34</u>
At 30th June 2001	<u><u>1,765,592,042</u></u>	<u><u>176,559</u></u>

By an ordinary resolution passed on 31st May 2001, the authorised share capital of the Company was increased from HK\$288,800,000 to HK\$388,800,000 by the creation of 1,000,000,000 shares of HK\$0.10 each.

At 30th June 2001, the Company had warrants outstanding with subscription rights to subscribe up to HK\$63,122,874 in aggregate for a total of 95,164,892 shares at a subscription price of HK\$0.6633 per share exercisable at any time until 30th September 2001.

The Company operates a share option scheme under which options to subscribe for ordinary shares in the Company are granted to selected executives. During the period, no new options were granted (2000: nil) and 341,000 options were exercised (2000: nil). At 30th June 2001, outstanding options granted under the scheme are as follows:

Exercise period	Option price per	
	share HK\$	Number of shares
20th May 1999 to 19th May 2008	0.5586	9,352,000
30th December 2000 to 29th December 2009	0.3600	<u>13,345,000</u>
		<u><u>22,697,000</u></u>

Notes to the Financial Statements

10. RESERVES

	2001 HK\$'000
At 1st January 2001 as previously reported	2,086,090
Effect of adopting SSAP 9 (Revised)	35,312
	2,121,402
At 1st January 2001 as restated	2,121,402
Premium on shares issued	89
Profit for the period	50,577
Changes in exchange rate	(173)
2000 Final dividend	(35,312)
	2,136,583

11. LONG-TERM LIABILITIES

	30th June 2001 HK\$'000	31st December 2000 HK\$'000
Bank loans		
— secured	1,311,605	1,617,477
— unsecured	209,906	58,750
Obligations under finance leases wholly repayable within five years	1,389	2,112
	1,522,900	1,678,339
Current portion included in current liabilities	(328,594)	(550,715)
	1,194,306	1,127,624

12. COMMITMENTS

	30th June 2001 HK\$'000	31st December 2000 HK\$'000
(a) Commitments in respect of property developments		
Contracted but not provided for	462,829	510,615
	462,829	510,615
(b) Commitments in respect of capital expenditure		
Contracted but not provided for	2,579	4,038
	2,579	4,038
(c) Commitments in respect of other investments		
Contracted but not provided for	92,498	151,929
	92,498	151,929