

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 accordance with Hong Kong Financial Reporting Standards. The interim financial information has been presented in accordance with Statement of Standard Accounting Practice 25 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies adopted for the preparation of these financial statements are consistent with those described in the 2003 Annual Report. These financial statements should be read in conjunction with the 2003 Annual Report.

2. SEGMENT INFORMATION

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

	Turnover		Operating profit	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Sales of construction materials				
Hong Kong	219,610	276,536	3,825	10,245
Mainland China	397,868	239,047	4,902	25,393
	<u>617,478</u>	<u>515,583</u>	<u>8,727</u>	<u>35,638</u>

Notes to the Financial Statements

3. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2004 HK\$'000	2003 HK\$'000
<i>Crediting</i>		
Profit on disposal of property, plant and equipment	32	205
Interest income	4,868	5,731
Gain on disposal of operating rights	—	28,260
Amortisation of negative goodwill	316	316
	<u> </u>	<u> </u>
<i>Charging</i>		
Amortisation:		
Quarry site development	871	720
Overburden removal costs	8,208	6,898
Depreciation	39,081	32,243
Operating lease rental for land and buildings	6,630	7,167
Royalty	1,979	1,402
Unrealised loss on listed investments	1,419	—
Loss on disposal of listed investments	2,893	—
Cost of inventories sold	538,639	421,592
Unrealised loss on long-term investments	—	1,365
	<u> </u>	<u> </u>

4. TAXATION (CHARGE)/CREDIT

	2004 HK\$'000	2003 HK\$'000
Company and subsidiaries		
Hong Kong profits tax	(42)	(531)
Mainland China profits tax	(1,270)	(1,133)
Deferred taxation	—	3,061
	<u> </u>	<u> </u>
	(1,312)	1,397
Jointly controlled entities		
Mainland China profits tax	(279)	(378)
Associated companies		
Hong Kong profits tax	(443)	—
	<u> </u>	<u> </u>
	(2,034)	1,019
	<u> </u>	<u> </u>

4. TAXATION (CHARGE)/CREDIT (Cont'd)

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits for the period. Taxation assessable on profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the countries in which those profits arose.

5. DIVIDENDS

	2004 HK\$'000	2003 HK\$'000
2003 Final scrip dividend with a cash option, payable, of HK1.0 cent per share	12,690	—
2002 Final scrip dividend with a cash option, paid, of HK1.0 cent per share		
Scrip	—	1,998
Cash	—	10,434
	<u>12,690</u>	<u>12,432</u>

The Board of Directors declares an interim scrip dividend of 1 cent per share (2003: 1 cent) with a cash option, totalling HK\$12,817,000 for the six months ended 30th June 2004 (2003: HK\$12,478,000) to shareholders whose names appear on the register of members of the Company at the close of business on 4th October 2004. This amount will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2004.

6. EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to shareholders of HK\$11,063,000 (2003: HK\$31,143,000) and the weighted average number of 1,265,589,484 shares (2003: 1,243,208,000 shares) in issue during the period.

The diluted earnings per share is not presented as the exercise of the share options outstanding as at 30th June 2004 would not have a dilutive effect on the earnings per share.

Notes to the Financial Statements

7. CAPITAL EXPENDITURE

For the six months ended 30th June 2004, the Group incurred HK\$40 million on property, plant and equipment and HK\$4 million on deferred expenditure.

8. DEBTORS AND PREPAYMENTS

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
Trade debtors (<i>note a</i>)	425,709	345,050
Loan to a fellow subsidiary (<i>note b</i>)	—	70,000
Other receivable	58,975	29,330
Prepayments	23,654	37,930
	<u>508,338</u>	<u>482,310</u>

- (a) The Group has established credit policies, which follow local industry standard. The Group normally allows an approved credit period ranging from 30 to 60 days for customers in Hong Kong and 120 to 180 days for customers in Mainland China. These are subject to periodic review by management.

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

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
Within one month	111,180	127,199
Two to three months	170,620	141,138
Four to six months	76,961	57,015
Over six months	66,948	19,698
	<u>425,709</u>	<u>345,050</u>

8. DEBTORS AND PREPAYMENTS (Cont'd)

- (b) In July 2002, the Group granted a guaranteed unsecured revolving loan facility of HK\$330 million to a fellow subsidiary. The loan carries interest at 2.38% per annum above three-month HIBOR, with maturity of three years and an option to extend the maturity for further one or two years.

9. CREDITORS AND ACCRUALS

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
Trade creditors	164,663	138,266
Other creditors	57,462	62,794
Accrued operating expenses	74,378	82,052
Deposits received	3,716	5,811
	<u>300,219</u>	<u>288,923</u>

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

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
Within one month	70,412	81,864
Two to three months	60,685	38,658
Four to six months	19,564	9,649
Over six months	14,002	8,095
	<u>164,663</u>	<u>138,266</u>

Notes to the Financial Statements

10. SHARE CAPITAL

	Ordinary shares of HK\$0.10 each	HK\$'000
Authorised:		
At 1st January 2004 and 30th June 2004	3,888,000,000	388,800
Issued and fully paid:		
At 1st January 2004	1,258,934,651	125,893
Exercise of share options	12,094,000	1,210
At 30th June 2004	1,271,028,651	127,103

The Company operates a share option scheme under which options to subscribe for shares in the Company are granted to selected executives. During the period, no new options were granted (2003: 20,482,000) and options for 12,094,000 shares (2003: nil) were exercised. At 30th June 2004, outstanding options granted under the scheme are as follows:

Exercise period	Exercise price per share HK\$	Number of share options	
		30th June 2004	31st December 2003
20th May 1999 to 19th May 2008	0.5333	10,738,000	12,962,000
30th December 2000 to 29th December 2009	0.5216	19,628,000	25,302,000
1st March 2004 to 28th February 2013	0.5140	16,286,000	20,482,000
		46,652,000	58,746,000

Notes to the Financial Statements

11. RESERVES

	2004 HK\$'000	2003 HK\$'000
At 1st January	1,288,370	1,268,249
Exchange differences arising on translation of overseas operations	2,580	52
Share premium arising upon exercise of share options	4,985	—
Profit for the period	11,063	31,143
Final dividend	(12,690)	(12,432)
	<u>1,294,308</u>	<u>1,287,012</u>
At 30th June	<u>1,294,308</u>	<u>1,287,012</u>

12. LONG-TERM LOANS

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
Bank loans		
Secured	—	20,800
Unsecured	106,745	190,000
	<u>106,745</u>	<u>210,800</u>
Current portion included in current liabilities	(10,000)	(10,000)
	<u>96,745</u>	<u>200,800</u>

13. CAPITAL COMMITMENTS

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
Contracted but not provided for	62,495	51,339