

INTERIM REPORT FOR 1996

INTERIM RESULTS

The Company was incorporated in Bermuda on 28th May, 1996 as a wholly owned subsidiary of Cheung Kong (Holdings) Limited ("Cheung Kong"). In preparing for the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company and its subsidiaries comprising the Group were reorganised in July 1996 pursuant to the terms of the restructuring agreement as set out in the prospectus of the Company dated 4th July, 1996 (the "Prospectus"). The Company has become a listed company on the Stock Exchange since 17th July, 1996 after completion of the placing and new issue of shares as more fully described in the Prospectus. Cheung Kong holds approximately 70% of the issued share capital of the Company.

This interim report covers the unaudited combined results of the Group for the six months ended 30th June, 1996 before the Company became listed and is issued in compliance with the Rules Governing the Listing of Securities on the Stock Exchange.

For accounting purpose, the Group is treated as a continuing entity and the combined profit and loss account has been prepared as if the Group structure had been in existence throughout the reporting period and in accordance with the principal accounting policies set out in the Prospectus.

The Directors of the Company are pleased to announce that the Group's unaudited combined profit attributable to shareholders for the six months ended 30th June, 1996, amounted to HK\$347.2 million, representing an increase of 44% as compared with the same period last year.

The unaudited combined profit and loss account for the six months period is set out below:-

	Six months ended 30th June	
	1996 HK\$Million	1995 HK\$Million
Turnover	1,373.5	1,095.2
Operating profit	386.6	259.1
Share of results of associated companies	—	—
Profit before taxation	386.6	259.1
Taxation (Note 1)		
Group		
Hong Kong		
Profits tax	39.2	10.4
Deferred tax	(2.7)	2.2
Overseas	3.4	5.6
Associated companies	—	—
Profit after taxation	346.7	240.9
Minority interests	0.5	0.4
Profit attributable to shareholders	347.2	241.3
Interim dividend	—	—
Profit for the period retained	347.2	241.3
Earnings per share (Note 2)	HK\$0.34	HK\$0.24

Notes:

1. Taxation
Hong Kong profits tax is provided for at the rate of 16.5% on the estimated assessable profits for the period of each individual company comprising the Group. Overseas taxation is provided for at the applicable rates of taxation in the relevant foreign jurisdiction on the estimated assessable income arising during the period.

Deferred taxation is accounted for at the current rate of taxation in respect of material timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or receivable in the foreseeable future.

2. Earnings per share

The calculation of earnings per share is based on the Group's combined profit attributable to shareholders of HK\$347.2 million (1995 - HK\$241.3 million) and on 1,026,000,000 shares issued (which were deemed to have been issued throughout the period) pursuant to the reorganisation in July 1996 before the placing and the new issue of shares.

INTERIM DIVIDEND

As stated in the Prospectus, the Directors do not recommend the payment of an interim dividend.

BUSINESS REVIEW

Power plants, toll roads and bridges

At the time of the Company's listing in July 1996, the Group had interests in 19 infrastructure projects in the PRC: 13 roads and bridges, and 6 power plants. Of the 19 projects, 8 were entered into by the Group prior to January 1996 whereas the 11 road and bridge projects of the Nanhai Road Network were signed in May 1996.

The three Shantou power plants and the Nanhai Jiangnan Power Plant became operational and revenue-generating since January 1995, and continued to contribute to the Group's revenue in the first half of 1996.

One of the two generating units (200 MW) of the Nanhai Power Plant 1 will become operational in late 1996. The second unit (200 MW) is expected to commence operation by mid-1997.

The loan documents relating to the Zhuhai Power Plant are expected to be signed in September 1996. The power plant is expected to start generating revenue in 1999.

The Shantou Bay Bridge was opened in late 1995, and was operational and revenue-generating throughout the first half of 1996.

The construction of the Shenzhen-Shantou Highway (Eastern Section) is nearing completion. Soft opening is scheduled for October 1996.

In the Prospectus, a buy-back arrangement regarding the Nanhai Road Network was included in the event that relevant government approvals could not be obtained by the Group within two years. We are pleased to announce that all government approvals regarding the Nanhai Road Network have been obtained, and the Group will make a capital contribution during August 1996, immediately after which an investment return will be generated.

With the above progress, 18 of the 19 signed contracts will generate revenue by the end of 1996, compared with 6 generating revenue in 1995.

Cement, concrete, aggregates and asphalt

The cement, concrete, aggregates and asphalt operations experienced strong volume growth and continued margin improvement resulting in strong growth in net profit over the same period last year. According to Government statistics, from January to May 1996, local cement consumption grew by almost 15%, while price rose by 11%. Green Island Cement and Anderson Asia continued to maintain its market leadership in Hong Kong.

The substantial increase in net profit is also the result of a combination of the continued cost reduction measures and increased sales of high profit margin and award-winning products, namely, high performance concrete and low alkaline cement. In particular, the revenue of low alkaline cement, a unique product of Green Island Cement, rose by more than 170%.

PROSPECTS

In this, our first interim report, I am pleased to report that in July 1996, the Company raised approximately HK\$4,150 million in the initial public offering, comprising an international placement and a new issue on the Stock Exchange. The offering was more than 20 times subscribed by overseas and local investors and received over 15,000 applications for the new issue in Hong Kong.

With the strong results in the first half of the year and the new issue proceeds, the Group is in a position to seize growth opportunities in the infrastructure and related businesses.

During the months of July and August, one contract and several letters of intent were signed. On 19th July, 1996, the Group and Hopewell Holdings Limited announced that a supplementary agreement had been signed with Guangzhou Freeway Company regarding the construction, management, and operation of the East-South-West Ring Road in Guangzhou. During the first and second week of August, letters of intent were signed with the city governments of Jiangmen and Taishan (both in Guangdong Province) respectively in respect of road and bridge projects. Contribution to the Group's revenue will follow as and when these letters of intent are translated into approved contracts.

The Group has been and will continue to be in discussion with PRC provincial and municipal government authorities regarding possible joint-venture opportunities in power and road projects, and expects some of them will result in letters of intent. We are optimistic about our prospects in the PRC.

The cement and concrete businesses are expected to consolidate their market-leading position, with projected population growth and increased infrastructure spending anticipated in Hong Kong. The Airport Core Projects ("ACP") will be coming to an end in 1998. After the end of the ACP, government spending is expected to be diverted to other projects which are likely to consume higher amounts of cement and concrete. According to Government estimates, Hong Kong's population is projected to increase from 6.3 million to 8.1 million by the year 2011. The demand for housing and related facilities, which have higher cement contents, is likely to be substantial. The prospects look promising.

The net profit for the year of 1996 was forecast in the Prospectus to be not less than HK\$728 million. The management remains confident in achieving this goal.

I take this opportunity to thank all our shareholders for their support in making the new listing such a big success, and also my colleagues on the Board and all the staff members of the Group for their hard work and commitment in making the new listing and the half year results a success.

Li Tzar Kuoi, Victor

Chairman

Hong Kong, 19th August, 1996

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the six months ended 30th June, 1996. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during this period.