



Corporate Mission Statement

Our People

To provide an environment whereby our people can excel, develop and grow with the company

- Our people are our most important asset.
- We want to attract, develop and retain people of the highest character and competence.

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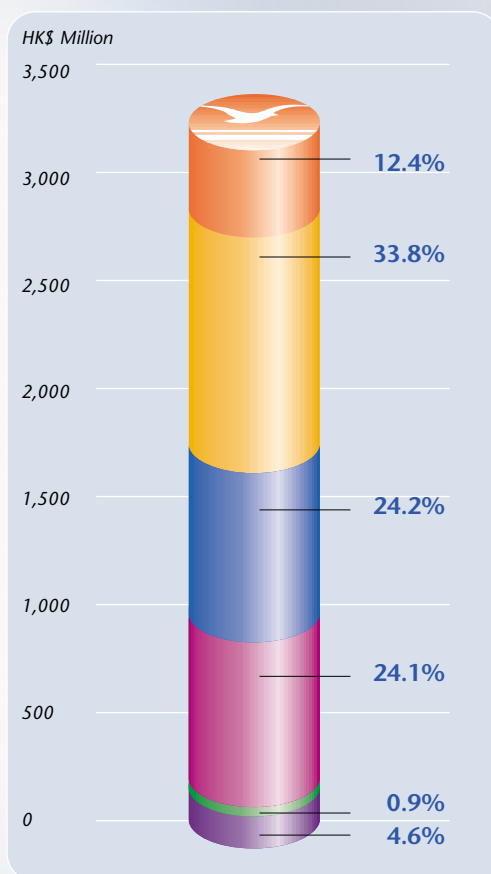
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Financial Highlights

	1999 HK\$ Million	% Change over 1998
Turnover	<u>5,376</u>	<u>+14%</u>
Operating profit before exceptional item and taxation	<u>514</u>	<u>+42%</u>
Profit attributable to shareholders	<u>408</u>	<u>+30%</u>
Basic / diluted earnings per share	<u>1.57</u>	<u>+30%</u>
Dividend per share	<u>1.40</u>	<u>+22%</u>

Assets Employed

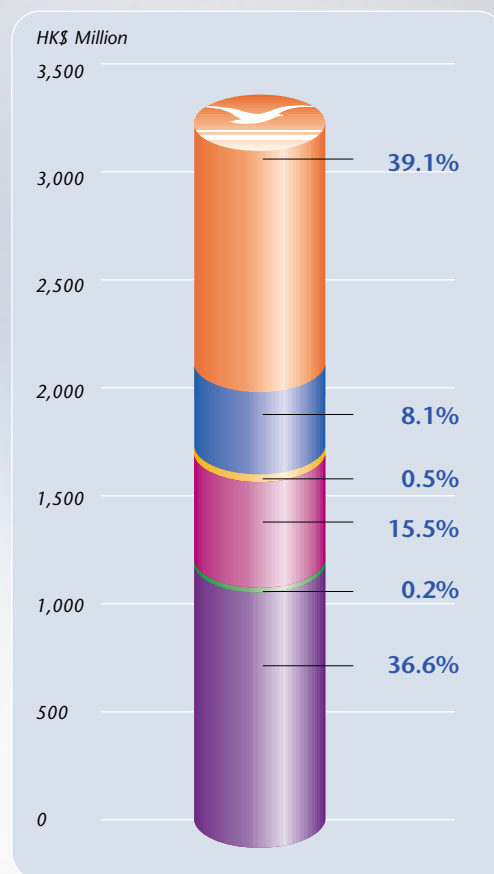
as at 31 March 1999



- Jointly controlled entities
- Properties under development for sale
- Deferred expenditure & other investments
- Other current assets
- Cash and bank balances
- Fixed assets

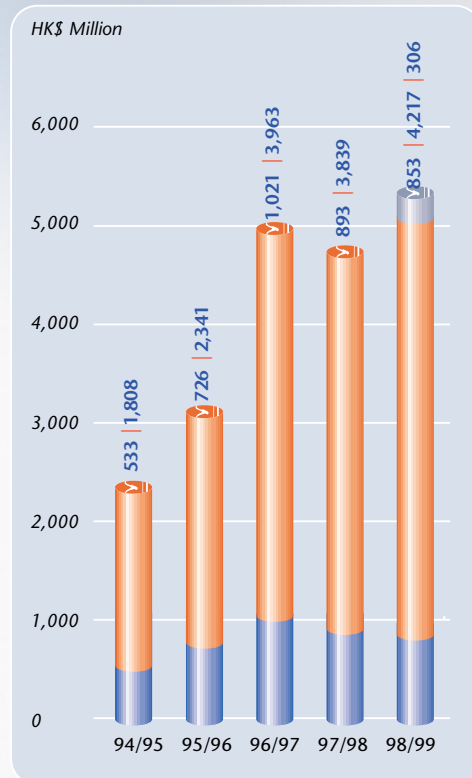
Capital and Liabilities

as at 31 March 1999



- Shareholders' funds
- Minority interests
- Deferred taxation
- Proposed dividends
- Bank loan & finance leases
- Other current liabilities

Turnover



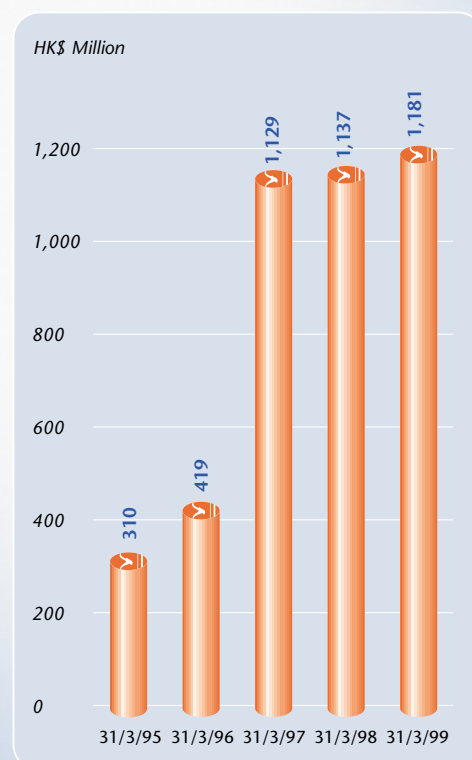
Construction Construction Materials Others

Profit Attributable to Shareholders



Construction Construction Materials Others

Shareholders' Funds



Corporate Information

Board of Directors

Executive Directors

Lo Hong Sui, Vincent
(Chairman)

Wong Yuet Leung, Frankie
(Vice-chairman)

Choi Yuk Keung, Lawrence
(Managing Director)

Wong Fook Lam, Raymond

Wong Hak Wood, Louis

Lowe Hoh Wai Wan, Vivien

Non-executive Directors

Cheng Bing Chark, Henry

Wong Ying Wai, Wilfred *

Griffiths, Anthony *

* Independent Directors

Secretary

Li Chi Keung, Evans

Auditors

Deloitte Touche Tohmatsu

Solicitors

Robin Bridge & John Liu

Registered Office

Clarendon House,
2 Church Street,
Hamilton HM 11, Bermuda

Head Office and Principal

Place of Business

34th Floor, Shui On Centre,
6-8 Harbour Road, Hong Kong

Principal Share Registrars and Transfer Office

The Bank of Bermuda Limited
6 Front Street,
Hamilton HM 11, Bermuda

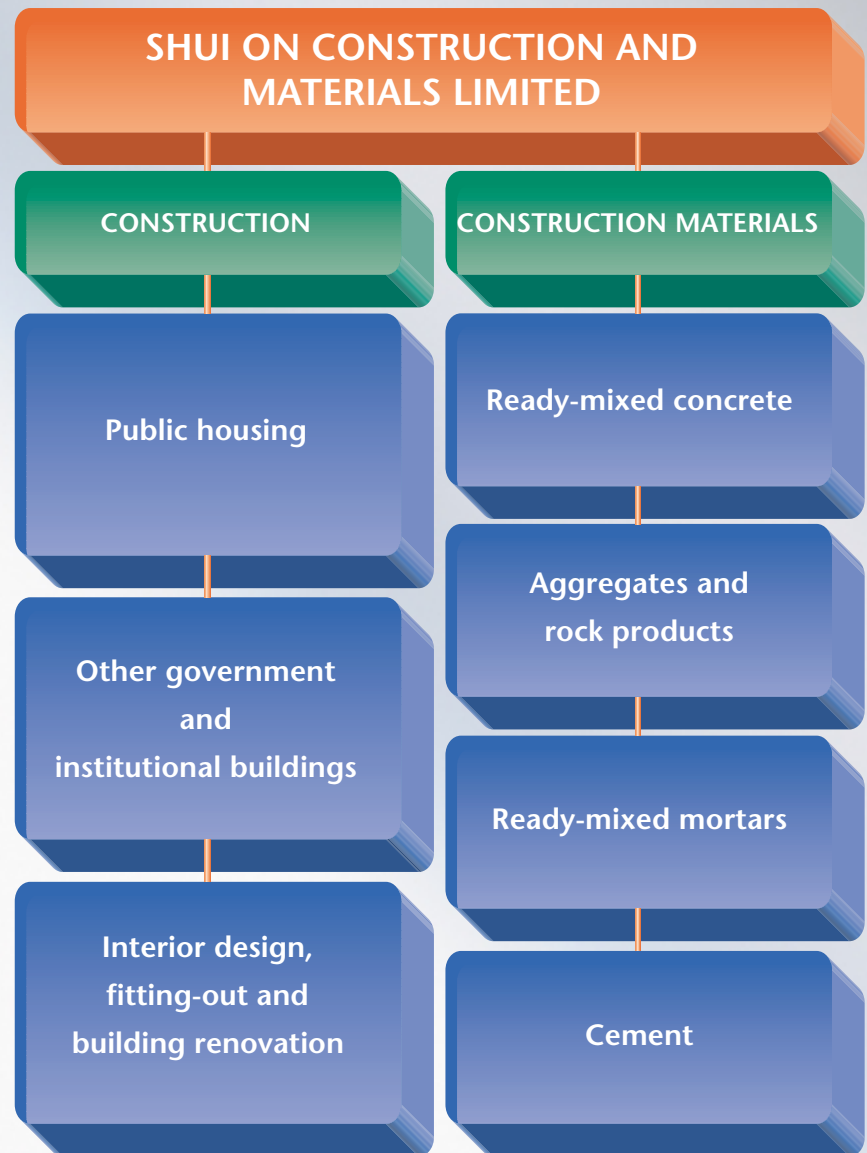
Branch Share Registrars and Transfer Office

Standard Registrars Limited
5th Floor, Wing On Centre,
111 Connaught Road Central,
Hong Kong

Principal Bankers

Bank of China
The Hongkong and Shanghai
Banking Corporation Limited
Hang Seng Bank Limited
Standard Chartered Bank

Business Structure



Chairman's Statement

**Lo Hong Sui,
Vincent**
Chairman



The Group's profit attributable to shareholders rose to HK\$408 million, an increase of 30% over that of the 1997/98 financial year, representing earnings per share of HK\$1.57, an increase of 30% over the previous year.

Results

I am pleased with the results for the year ended 31 March 1999. The Group's profit attributable to shareholders rose to HK\$408 million, an increase of 30% over that of the 1997/98 financial year, representing earnings per share of HK\$1.57, an increase of 30% over the previous year. Turnover amounted to HK\$5,376 million, 14% higher than the year before.

Dividends

The Directors recommended the payment of a final dividend of HK\$1.00 per share to shareholders whose names appear on the Register of Members of the Company on 17 August 1999. This, together with the interim dividend of HK\$0.40 per share, yields a total of HK\$1.40 per share for the year.

Business Review

Construction Division

This year was a fruitful one for our Construction Division. We were awarded several large-scale public housing contracts, the total value of which exceeded HK\$7.8 billion, representing 11,200 units upon completion. The construction work of the Tseung Kwan O Private Sector Participation Scheme (PSPS) development, which was awarded to the Group in July 1998, is now progressing ahead of schedule.

Numerous innovations were introduced to our sites during the past year and provided the quality assurance that our clients have come to count on. The innovations included the development of the construction integrated management system and jump lift system, the introduction of the water recycling system, automatic water spraying system along access roads for dust control, as well as the design and production, jointly with the Construction Materials Division, of precast facades and drywall units with built-in conduits. The majority of the precast units are manufactured by the Construction Materials Division's joint ventures in the Pearl River Delta.

Our continued commitment to safety management enabled us to win many prestigious awards in 1998/99, including :

Shui On Building Contractors Limited :

- Best Building Works Contractor Award in the Hong Kong Housing Authority Site Safety Campaign 1998 for the seventh consecutive year.
- Nine Best Building Works Site Awards, including two 'Gold' awards, six 'Silver' awards and one 'Bronze' award, in the Hong Kong Housing Authority Site Safety Campaign 1998.

- The Hong Kong Housing Authority's Safety Training Award for the fifth consecutive year.
- The Works Bureau's Considerate Contractors Site Award for the Ma On Shan Area 77 project site.

Shui On Construction Company Limited :

- The Works Bureau's Considerate Contractors Site Award for the Jockey Club Serene House of Castle Peak Hospital site.

Construction Materials Division

While the market for ready-mixed concrete, cement, aggregates and rock products in Hong Kong remained reasonably stable, there was an increasing demand for high quality construction materials in the Chinese Mainland.

The Chinese government recently accelerated the closure of small and inefficient cement plants, which produced sub-standard products and were causing severe pollution to the environment. This policy, together with numerous infrastructure programmes now on stream in Chongqing, which is now the largest municipality in China with population in excess of 30 million, is conducive to the production of higher grade cement in Chongqing. To meet this increasing demand for

high quality cement in the Chongqing market, we are in the process of constructing a second new rotary kiln at our Chongqing cement plant to increase the annual production capacity to one million tonnes.

The Nanjing cement joint venture has recorded a steady performance since it took over operations of the plant in March 1998.

Outlook

We are cautiously optimistic regarding the construction business in Hong Kong for the coming years. The Hong Kong SAR Government has repeatedly stated that it will continue its efforts to provide sufficient public housing to meet the demand of the growing population in Hong Kong. As a leading contractor of public housing, our Construction Division can expect further growth in the foreseeable future.

The Shui On Group was a pioneer in PSPS development projects, having participated in the first PSPS project in Yau Tong in the 1970s and developed the largest PSPS project ever, the Richland Gardens in Kowloon Bay, in the 1980s. It is our plan to continue to bid for more PSPS jobs in the future.



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1. Shui On won 11 awards in the Hong Kong Housing Authority Site Safety Campaign 1998, including the "Best Building Works Contractor" Award for the seventh consecutive year. Mr Lawrence Choi (centre), Managing Director of Shui On Construction and Materials Limited and Mr Louis Wong (right), Director and General Manager of Shui On Building Contractors Limited, received the award from Hong Kong Housing Authority Chairman Ms Rosanna Wong.
2. Shui On Building Contractors Limited and Shui On Construction Limited were honoured with the Works Bureau's "Considerate Contractors Site Awards" again.
3. Our continuous commitment to safety management enabled us to win numerous prestigious awards.

The Construction Division will also compete for major contracts from the Architectural Services Department (ASD). There is an upward trend in the proportion of design-and-build projects for tender from ASD and we will keep on strengthening our design-and-build capability in order to capture a bigger share of this growing market.

We will aggressively tap the institutional market where we have a good track record. The Hong Kong SAR Government will be spending HK\$235 billion over the next few years on large scale infrastructure, land reclamation and housing projects. Contracts on the KCRC West Rail, MTRC Tseung Kwan O Rail extension and the KCRC Ma On Shan Rail, the total contract amount of which exceeds HK\$100 billion, will be inviting tenders during 1999. Not only do these projects provide business opportunities to the Construction Division, they are also expected to boost the demand for concrete, cement and quarry products in Hong Kong.

There is also likely to be a rising demand for high quality cement in the Chinese Mainland in the years ahead, with its housing reforms and massive infrastructure developments. Longer term prospects for our Chinese Mainland operations are highly promising.

Based on existing orders on hand and the workload of both the Construction Division and Construction Materials Division, we are confident that 1999/2000 will be another year of strong profit growth for our company and the current dividend policy will be maintained, barring unforeseen circumstances.

Acknowledgments

Our success would not have been possible without the commitment and support of our people whom we consider our most important asset. I would like to extend my heartfelt appreciation to SOCAM's staff members for their dedication and contribution this past year and congratulate them on the results we have achieved.

Lo Hong Sui, Vincent

Chairman

Hong Kong, July 1999



1. *The Tseung Kwan O Private Sector Participation Scheme (PSPS) project, which was awarded to the Group in July 1998, was progressing ahead of schedule.*
2. *The Jockey Club Serene House of Castle Peak Hospital site won the "Considerate Contractors Site Award" from the Works Bureau.*

Review of Operations

**Choi Yuk Keung,
Lawrence**
Managing Director



Contributions from the Construction Division continued to increase significantly. Contracts secured by the Division last year reached a record level of HK\$8.6 billion.

Construction Division

1998/99 was the second full financial year since the Group was publicly-listed in February 1997. Contributions from the Construction Division continued to increase significantly. In terms of turnover, the HK\$4,517 million represented an increase of 18% over the previous year. The corresponding pre-tax profit of HK\$318 million however exceeded that of last year by a substantial 105%. This was primarily the result of falling construction costs in the deflationary environment, our continuous efforts towards cost reduction, our adoption of innovative construction methods, as well as our good working relationship with our clients, subcontractors and suppliers.

Public Housing - Shui On Building Contractors (SOBC)

Public housing works carried out for the Hong Kong Housing Authority (HKHA) and the Hong Kong Housing Society (HKHS) amounted to

approximately HK\$3,053 million and was equivalent to 68% of the Division's turnover. During the year, the Sandwich-Class Housing development of Tseung Kwan O Area 13 was successfully completed on time as was Tseung Kwan O Area 34/44 Phase III - the first public housing project comprising the new Concord Blocks for the Home Ownership Scheme. Other public housing projects in final completion stage included Shek Lei Estate, Un Chau Street Estate Phase III, and Tin Shui Wai Area 31 Phase II. The combined value of these five projects was approximately HK\$3,060 million and comprised 6,780 residential units.

During the year, SOBC secured eight public housing contracts at a record value of HK\$7.8 billion, representing 11,200 housing units, plus a number of maintenance contracts worth HK\$0.4 billion. These contracts were won with healthy tender margins, reflecting SOBC's cost competitiveness.

On-going work included the Private Sector Participation Scheme (PSPS) project in Tseung Kwan O Town Lot No. 62 Area 65A which was won by the Group in July 1998. Despite the prevailing sluggish economy, a consortium comprising some of the largest international and local banks, led by Bank of China, The Hongkong and Shanghai Banking Corporation and Hang Seng Bank, provided a loan of HK\$2.26 billion to finance the development of this project. Foundation works were completed in March 1999 and the project is progressing ahead of schedule. With confirmation by the HKHA, this project will be open for home ownership application by the end of 1999. There is every indication that this project will be a successful one providing substantial profit, given the decrease in sub-contractor prices and material cost, savings on interest costs as well as the excellent progress achieved so far.

Other Government and Institutional Buildings - Shui On Construction (SOC)

Construction work for three separate government clinics continued last year with Jockey Club Serene House of Castle Peak Hospital handed over in February 1999. The South Kwai Chung clinic was completed towards the end of April 1999 and the remaining one, in Sai Ying Pun, is progressing smoothly and should be completed in July 1999.

Design-and-build contracts have become increasingly common for works from the Architectural Services Department (ASD), which co-ordinates and oversees major building works for the government. To complement the massive public housing programme currently in progress, substantial funds have been allocated to speed up related infrastructure and ancillary facilities including government offices and quarters, hospitals and schools. In the education sector alone, for example, over HK\$9 billion will be spent in the

next few years to accelerate the construction of primary, secondary and special schools as well as the improvement of existing facilities.

SOC will also be looking towards the construction of offices and building works of large scale projects like the KCRC's West Rail and Ma On Shan Rail and MTRC's Tseung Kwan O Rail extension. The design-and-build team of SOC has been busy preparing and submitting tenders, and the outcome of a number of submitted bids should be known shortly.

SOC has successfully applied for inclusion in the Building (New Works) Group NW I List of HKHA which allows tenders of up to HK\$450 million.

Renovation and Fitting-Out - Pat Davie

Despite the economic slow-down, Pat Davie remained very active during the year. Its decision to concentrate on large and institutional clients bore fruit and Pat Davie managed to

secure new jobs with a total value in excess of HK\$450 million - three of which were valued at over HK\$60 million each. Major fitting-out works included contracts for the Standard Chartered Bank, Banque Paribas, Hong Kong Jockey Club and Hong Kong's Chek Lap Kok Airport. A prestigious renovation contract for Prince's Building was also awarded by the Hong Kong Land Group. The two MTRC renovation projects for the Kwun Tong station and Kowloon Bay Depot, as well as the refurbishment for the Li and Fung Group headquarters were substantially completed. Progress on other contracts was also satisfactory.

Contracts On Hand

The Group has secured an unprecedented number of contracts with value totalling HK\$8.6 billion during the year. At 30 June 1999, the gross and outstanding value of works were at record levels and amounted to HK\$14.3 billion and HK\$8.9 billion respectively.



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1. Tseung Kwan O Area 13
2. Un Chau Street Estate Phase III
3. Tin Shui Wai Area 31 Phase II

Construction Materials Division

Ready-mixed Concrete - Ken On

Despite the slow-down in building activities in the private residential market, the massive public housing programmes and other infrastructure works enabled Ken On to maintain a high level of activity and the total production of 1.1 million cubic metres of concrete was slightly more than that of last year. Sale price and gross margin both dropped slightly.

Three site batching plants in Tsim Sha Tsui, Hung Hom and Ho Man Tin completed their scheduled production for customers and were closed during the year. Meanwhile, two new commercial plants in Tseung Kwan O and Cheung Sha Wan were established.

The two batching plants in Guangzhou started to make a small contribution to Ken On following the revival in the local construction market and the commencement of production of precast facades for the Construction Division. Total production of ready-mixed concrete increased by 69% to 240,000 cubic metres.

Outstanding orders at 30 June 1999 were around one million cubic metres which should give Ken On a busy year ahead.

Aggregate and Rock Production - Lamma Rock Products

Although the total volume of rock products for the three quarries contracted from 4.3 million tonnes in 1997/98 to 3.5 million tonnes in the current year, aggregates produced increased by 10% and supply to Ken On's concrete operation accounted for almost 70% of aggregates sold.

The lack of large-scale reclamation projects after the completion of the airport and related projects further depressed the marine rock market. Understandably, the relatively low margin of these products only marginally impacted on the quarrying division's overall results.

To achieve economy of scale and cost efficiency, the operation in Chik Wan, Zhuhai was temporarily suspended from the beginning of the year and its workload was shifted to Lamma Island, which resulted in the acceleration of rock excavation from

this quarry where the lease will expire in late 2001. Meanwhile, the rehabilitation of the quarry face of the Lamma Island quarry was progressing on schedule. Measures are being taken to ensure that, if needed, production in the Chik Wan and Longkoushan quarries can be expanded if the search for a suitable replacement quarry does not materialize soon.

Cement Import and Distribution - Far East Cement

The trading volume of cement remained stable at approximately 570,000 tonnes. Ken On, the major customer, accounted for 73% of this volume. The severe economic downturn in Asia caused by the currency crisis continued to dampen cement prices in the region and corresponding reduction in prices were negotiated with Sumitomo Osaka Cement, the supplier and 25% shareholder of Far East Cement. As the slight drop in selling price was more than compensated for by the cheaper cost of cement imported, the final profit of this operation exceeded that of last year.



1. Tseung Kwan O Area 34/44 Phase III, the first public housing project comprising the new Concord Blocks for the Home Ownership Scheme to be completed and occupied.
2. Ho Man Tin South Phase III
3. The South Kwai Chung clinic was completed towards the end of April 1999.

Chongqing Cement Operation

In its third year of operation under TH Cement Group, in which SOCAM has an effective interest of 34%, the cement operation in Chongqing continued to perform profitably and according to plan. The co-operation with Chongqing Power Plant to produce fly-ash cement in newly-constructed grinding mills has proven to be successful from both environmental and commercial points of view. During the year, the strong demand for high grade cement from this operation often outstripped supply, which was the result of a greater awareness on quality as well as the commencement of numerous infrastructure and building projects in this new direct municipality of Chongqing. Production in 1998 reached 460,000 tonnes, which exceeded 1997 production by 217,000 tonnes.

A second new kiln, similar to the first one which was commissioned in October 1997, is now under construction at a much lower cost due to certain structural and storage facilities already installed. If progress

is satisfactory, a trial run towards November this year would boost production to approximately 700,000 tonnes in 1999. When full production is attained in 2000, output from this operation should exceed one million tonnes per annum. The encouraging market conditions in Chongqing and its surrounding area prompted feasibility studies on the further expansion of the existing operation or acquisition of other quality cement plants.

Nanjing Jiangnan Cement Operation

Our Group holds 60% of this newly-established cement joint venture which took over management of the cement plant in March 1998. The slow sales in the initial change-over period quickly improved during the summer high season and average production thereafter was maintained at 40,000 tonnes per month, which met the annual target of 500,000 tonnes. Sales achieved between March and December 1998 amounted to 398,000 tonnes. However, pressure on sale prices was

continuously felt as the traditional coastal markets of the Nanjing operation, including Shanghai, Shantou and Wenzhou, were flooded with cement produced for export, but diverted inland due to the over-supply situation in South East Asia.

To secure a steady source of sales, the joint venture agreed to invest along with a power plant and end users in Wenzhou, in a 300,000-tonne cement blending operation to produce fly-ash cement. Around 200,000 tonnes of its cement requirement will be supplied by our Nanjing cement factory.

Concurrently, an arrangement to supply approximately 100,000 tonnes of cement per annum to our two concrete batching plants in Guangzhou commenced in June.

These marketing strategies, if fully implemented, will strengthen the quality of sales mix and enable the joint venture to command better prices.

Choi Yuk Keung, Lawrence

Managing Director

Hong Kong, July 1999



1. Ken On's newly established batching plant in Cheung Sha Wan.
2. Lamma Rock Products' Longkoushan Quarry in Xinhui.
3. Rotary kiln in the Chongqing Cement Plant.

**[Our people are our
most important asset]**

People...

*the key
element
behind a
company's
success.*



Shui On has grown from a five-person company in 1971 to a sizeable organization with over 3,500 people under the umbrella of Shui On Construction and Materials Limited. The Corporate Mission Statement we developed in 1984 clearly sets out Shui On's corporate values and our belief that Shui On's long term success can only be achieved through the effort of all our people working towards common objectives. We value our people as our most important asset and we believe in their infinite potential to learn and grow.



Kenneth Chao (left) and Yuan Hung Chang (right) pictured at a Ken On concrete batching plant.

[Communication]

We encourage open, honest, two-way communication to build trust and enhance teamwork at every level of the organization. We have established numerous channels to facilitate internal communication because we care about our people's feelings and views. Our employees' feedback, whether from employee opinion surveys, focus group discussions or informal communication sessions, is always taken into account when setting the company's direction and policies.



Connie Ho Management Trainee
(Joined Shui On in 1998.) (right)

“ I joined the company's Accounts Department less than a year ago - right after I graduated from university. Already I can tell that my colleagues like working here. This company abides by proper business ethics and sticks to its principles, even though it has its own commercial obligations to fulfill. ”

Amy Ho Secretary
(Best Co-Worker Award winner.
Joined Shui On in 1995.) (left)

“ The Estimating & Procuring Department is very busy. I'm really lucky to have a nice boss and colleagues who occasionally crack a few jokes - it definitely relieves the pressure. ”



Brenda Fung *Manager - Human Resources*
(Joined Shui On in 1987.) (left)

“You create your own success. So long as you believe in your capabilities, your efforts will be recognised,” said Brenda, who started her career as a training officer and was groomed to become one of the human resources professionals of the Group.

Laura Lo *Assistant Manager - Human Resources*
(Joined Shui On in 1987.) (right)

“At Shui On, one has the chance to work in different work groups. It feels like changing jobs and you gain an all-round experience. Still, you have to upgrade yourself constantly in order to fully satisfy your client's increasingly stringent requirements. These different experiences help me handle the pressure - it may seem hard to bear, but it's worth it when you find your capabilities have grown to their full potential.”

Our people are our most important asset

[Empowerment]



Kenneth Chao Manager - Marketing & Sales
Ken On Concrete (Joined Shui On in 1982.)

“ I started my career in Shui On years ago from a junior position and I’ve learnt everything from scratch and the experience is memorable. I’m really impressed with the company’s readiness to invest a lot of resources into improving its operations and its people’s capabilities. ”

Yuan Hung Chang Management Trainee
(Among the first group selected in the Chinese Mainland in 1997.)

“ During my stay in Hong Kong, I’ve been impressed by my Hong Kong colleagues’ outstanding qualities and way of doing things. For example, the senior management are constantly striving for perfection - even though they have already achieved a lot. Other co-workers are vigilant, and always striving for continuous improvement and maximum efficiency. I’m taking this working spirit and their way of doing things back to the Mainland with me. ”

We trust our people and encourage proper delegation of authority and decision making at the lowest possible levels. We are committed to consultative and participative management, rather than management by directives.



[Recognition]



We appreciate the value and contributions that our people bring to the company and we want them to get the recognition each of them deserves and to be proud of their accomplishments. We have a well-established performance appraisal system and have set up numerous award and recognition schemes to recognize outstanding individuals and teams.

Lee King Shun Engineer -
E & M Engineering
(Shui On Service & Quality Excellence
Award winner. Joined Shui On in 1988.)

“While the company provides lots of opportunities, it is up to us to make the effort to gain better prospects for ourselves. Equipped with an engineering background and a knowledge of information technology, I’m really lucky to have found a niche in Shui On to take my career to greater heights.”

[Quality]



Ko Him Tak at home in Lamma Quarry

Ko Him Tak Manager - Quarry
(Joined Shui On in 1985.)

Ko Him Tak manages the Xinhui Longkoushan Quarry joint-venture the Shui On way:

“The success of a company often hinges on its management style. By empowering middle management, I'm free from routine operational duties and can focus on business planning.”

Roger Chong Trainee -
Health Safety & Environment
(Joined Shui On in 1997.)

“Training for most safety officers normally lasts only for two years. But at Shui On, the training offered by the Health Safety and Environment department lasts for three years. Our department is at the forefront in the industry and team spirit is very high.”

Stevie Lo (left) and Roger Chong (right) testing water's PH value beside a waste water recycling tank developed by Shui On to conserve and recycle water for site cleaning.

We strive for high performance standards, pursue excellence in quality and service and foster a culture of continuous improvement. We are determined to facilitate and motivate our people to learn and improve, as we believe such practices help us to respond quickly to changing customer needs and maintain our competitive edge in the marketplace. Our Total Quality Management drive, launched in 1993, has reinforced the values set out in our Corporate Mission Statement and helped focus our commitment to quality which is to satisfy customer needs through total involvement and continuous improvement.

Stevie Lo Assistant Manager -
Health Safety & Environment
(Joined Shui On in 1987.)

“I literally grew up with Shui On's Health Safety and Environment Department. We have worked together to bring the department up from infancy to maturity. Today, Shui On's site safety system is virtually the industry standard. We've won many awards over the years, but the best award is having safe working environments in Shui On.”





(From left) Terence Chui, Brenda Yip and Judith Au Young join hands in upholding the high standard of Shui On products.

Terence Chui

*Senior Project Quantity Surveyor
(Joined Shui On in 1987.)*

“As a quantity surveyor, you have to keep yourself abreast of all the account items. At Shui On, this is not difficult at all — we follow a set of clear-cut rules laid down by the company in conformity with its emphasis on anti-corruption and fairness in all transactions.”

Judith Au Young *Graduate Engineer (Joined Shui On in 1996.)*

“The company’s training and development programmes encourage us to build our own career path in the construction industry. Although most female building services engineers work in consultancies and need not be stationed at construction sites, I believe my current training will help me in the long term.”

Brenda Yip *Senior Engineer
(Joined Shui On in 1990.)*

“The fact that I am a female engineer, and therefore a little bit of a rarity, has never resulted in any different treatment from the company as far as salary, responsibilities and prospects are concerned.”

[Work Environment]



Kam Cheung Yip Amah
(Joined Shui On in 1990.)

“The people here are easy-going and I am happy with my job. I share duties with my two other colleagues in serving tea, vacuuming and dusting the desks. We help each other and take pride in our work.”

We want our people to enjoy a safe, efficient, pleasant and friendly work environment. We maintain stringent safety standards, launch housekeeping campaigns, innovate in environmental practices and keep our offices smoke-free. We organize recreation clubs, community service projects and staff newsletters to promote staff fellowship and team spirit. We believe that work at Shui On can be enjoyable.

[Training & Development]

We believe that people have unlimited potential as long as they are determined to strive for the best. We encourage learning by providing staff training and development programmes and sponsorships. We believe that helping our employees' personal growth and career development gives the company a competitive edge, and that developing high calibre employees is vital to achieving organizational growth.



Teresa Chu *Manager-Training & Development*
(Joined Shui On in 1994.)

“I am glad that the company is committed to training and development. I am especially impressed with the senior management's active involvement and their support for staff training. Together with our colleagues' eagerness to learn, I have great job satisfaction.”

Lee Chun Pong *Apprentice (Joined Shui On in 1997.)*

“Meeting with apprentices from other companies, I discovered how lucky I was to be able to join Shui On's 4-year training programme. I have incredible opportunities, personal coaching and the chance to communicate directly with the senior management in internal apprentice gatherings. These are valuable experience to me.”



[Career Advancement]



We insist on the policy of “promotion from within” whenever possible. Many opportunities are given to our people for career advancement within the organization to encourage our people to grow with the company.

Freddy Lee (left) pictured at the Ho Man Tin Phase III site.

Freddy Lee Construction Manager
(Shui On Service & Quality Excellence Award winner.
Joined Shui On in 1986.)

“It is rare that a quantity surveyor is able to develop a new career in project management. Given the drastic change of job nature, I needed to upgrade myself with further studies. I couldn't have done it without the company's support.”

Tang Ka Wah Senior Construction Manager
(Shui On Service & Quality Excellence Award winner.
Joined Shui On in 1985 as Graduate Engineer.)

“I joined Shui On, a company renowned for its management systems, after my undergraduate studies and got my Chartered Engineer qualification, but I've also developed a career in construction and contracting management. Construction industry people go a long way at Shui On.”

[Future]

Our vision is to grow with our fellow workers and we will continue to invest in developing our most vital asset - **our people.**



(From left) Lee Chun Pong, Kwong Chi Shing, Tang Ka Wah and Lui Yau Fuk pictured in front of the Jockey Club Serene House of Castle Peak Hospital.

Kwong Chi Shing Project Supervisor (Joined Shui On in 1987.)

“ I was unsure about whether to stay with Shui On when I first joined the company. But I soon discovered that the company was dynamic and its strategy of focusing on public housing construction not only brought along steady business, but also provided security to site staff. The company had also given great support to frontline management like us. ”

Lui Yau Fuk Foreman
(Joined Shui On in 1987.)

“ There is good communication among Shui On site staff who discuss innovative ideas and solve problems as a team. Since the company hardly ever lays off employees and there are always jobs ahead, we are highly motivated. ”

Directors and Senior Management

Directors

Executive Directors

Lo Hong Sui, Vincent GBS JP

Aged 51, has been the Chairman of the Company since its incorporation in January 1997. He is also chairman and chief executive of the Shui On Group which he founded 28 years ago. He is the founding chairman and current president of the Business and Professionals Federation of Hong Kong, a member of The Ninth National Committee of Chinese People's Political Consultative Conference, the president of Shanghai - Hong Kong Council for the Promotion and Development of Yangtze, chairman of the Council of the Hong Kong University of Science and Technology, an adviser to Chinese Society of Macroeconomics, a member of Hong Kong/United States Economic Co-operation Committee, a council member of the China Overseas Friendship Association and a director of Hang Seng Bank Limited, Great Eagle Holdings Limited and New World China Land Limited.

Wong Yuet Leung, Frankie

Aged 50, has been the Vice-chairman of the Company since its incorporation in January 1997. He joined the Shui On Group in 1981 and has been managing director of Shui On Holdings Limited since 1991. Prior to joining the Shui On Group, he had many years of banking experience with several major international banks in Hong Kong. He graduated with a Bachelor of Science degree in Economics and a Master of Arts degree from the London School of Economics and Political Science and the University of Lancaster respectively.

Choi Yuk Keung, Lawrence

Aged 45, has been the Managing Director of the Company since its incorporation in January 1997. He has also been an executive director of the Shui On Group since 1990. He was appointed managing director of the Shui On Group's construction division in 1991 and also that of the construction materials division in 1995. He joined the Shui On Group in 1973 and has over 20 years of experience in construction. He holds a Bachelor of Science degree in Engineering from the University of California, Berkeley.

Wong Fook Lam, Raymond

Aged 44, has been an Executive Director of the Company since its incorporation in January 1997. He joined the Shui On Group in 1989 and has been an executive director of Shui On (Contractors) Limited since 1993. He is a Fellow of the Institute of Chartered Accountants in England and Wales and of the Hong Kong Society of Accountants, and an Associate of the Institute of Chartered Accountants of Australia.

Wong Hak Wood, Louis

Aged 48, has been an Executive Director of the Company since its incorporation in January 1997. He has also been a director of Shui On Building Contractors Limited and Shui On Construction Company Limited since 1993. He joined the Shui On Group in 1981 and has over 20 years of experience in construction. He holds a Bachelor of Science degree in Civil Engineering from the University of Manchester and is a Chartered Engineer, a Fellow of the Institution of Civil Engineers and a member of the Hong Kong Institution of Engineers. He is currently vice president of the Hong Kong Construction Association and chairman of its Labour Training, Health and Safety Committee, a member of the Construction Advisory Board of the Works Bureau, chairman of the Board of Studies for the Construction Management Training Programme of the Construction Industry Training Authority and a member of the Departmental Advisory Committee for Department of Building and Construction of the City University of Hong Kong.

Lowe Hoh Wai Wan, Vivien

Aged 50, has been an Executive Director of the Company since its incorporation in January 1997. She joined the Shui On Group in 1980 and has been an executive director of Shui On (Contractors) Limited since 1993. She holds a Bachelor of Arts degree in Sociology from the State University of New York, a Master of Arts degree in Sociology from the University of Illinois, and a Doctor of Philosophy degree in Sociology from the University of Wisconsin. She is currently a member of the Labour Advisory Board Committee on Occupational Safety and Health.

Non-executive Directors

Cheng Bing Chark, Henry

Aged 48, has been a Non-executive Director of the Company since its incorporation in January 1997. He has also been an executive director of the Shui On Group and managing director of the Shui On Group's properties division since 1994. He first joined the Shui On Group in 1982. He emigrated to Australia in 1990 and rejoined the Shui On Group in 1992. He holds a Master of Arts degree from the University of Wisconsin.

Wong Ying Wai, Wilfred

Aged 46, has been a Non-executive Director of the Company since its incorporation in January 1997. He is a Deputy to The Ninth National People's Congress, president and chief executive officer of China Investment Group Limited, chairman of the Business and Professionals Federation of Hong Kong and president of The Hong Kong Federation of Youth Groups. He was educated at Harvard University, Oxford University, the University of Hong Kong and the Chinese University of Hong Kong.

Griffiths, Anthony

Aged 55, has been a Non-executive Director of the Company since its incorporation in January 1997. He is the managing director of GML Consulting Limited. He is also the vice-chairman of the Hong Kong Coalition of Service Industry and the chairman of its Professional Services Committee, and a member of the Inland Revenue Department Users' Committee and the Hong Kong Housing Society. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

Senior Management

Chan Cheu Hung, William

Aged 51, is an Executive Director of Shui On Building Materials Limited, Ken On Concrete Company Limited and Lamma Rock Products Limited. He joined the Shui On Group in 1978, emigrated to Australia in 1984 and rejoined the Shui On Group in 1988. He holds a Master's degree in Business Administration and is a Fellow of the Institute of Quarrying.

Leung Kam Woon, Barnabas

Aged 52, is the Director of business development of the construction materials division. He joined the Shui On Group in 1978 and was the managing director of Far East Cement Company Limited from 1995 to 1996. He holds a Master's degree in Management Science and a Master's degree in Engineering, both from the University of California, Berkeley and a Bachelor's degree in Engineering Science from the University of Portland. He is a Fellow of the Institute of Quarrying.

Law, John Rodney

Aged 53, is the Director and General Manager of Pat Davie Limited. He joined the Shui On Group in 1988 and has over 30 years of experience in the construction industry.

Leich, John

Aged 48, is the General Manager of Ken On Concrete Company Limited. He joined the Shui On Group in 1992 and has over 20 years of experience in the concrete and cement industries. He holds a Bachelor's degree in Civil Engineering from the University of Sydney and has completed studies for a Master's degree in Business Administration at the University of Technology, Sydney.

Lee Wing Kee, Stephen

Aged 46, is the General Manager of Shui On Building Contractors Limited and Shui On Construction Company Limited. He joined the Shui On Group in 1985 but emigrated in 1994 and rejoined the Shui On Group in 1996. He has over 20 years of experience in construction. He holds a Bachelor of Science degree in Civil Engineering and is a chartered civil engineer.

Li Chun Ki, Stephen

Aged 46, is the Deputy General Manager of Shui On Building Contractors Limited. He joined the Shui On Group in 1985 and has over 20 years of experience in construction. He holds a Bachelor of Applied Science degree in Civil Engineering and is a chartered civil engineer.

Wong Leung Bing, Tony

Aged 48, is the Technical Director of the construction materials division. He joined the Shui On Group in 1979 but left in 1989 and rejoined in 1992. He has over 20 years of experience in the construction materials industry in Hong Kong. He holds a Bachelor's degree in Civil Engineering and a Master's degree in Concrete Technology both from the University of Dundee.

Kong Hon Ling, Frank

Aged 47, is the General Manager of special projects for the construction materials division. He joined the Shui On Group in 1982 and has over 20 years of experience in the quarrying industry. He holds a Bachelor's degree in Mechanical Engineering and a Master's degree in Mechanical Engineering from Nottingham University and is a member of the Institute of Quarrying.

Tam Kim Hung, Vincent

Aged 47, is the Deputy General Manager of special projects for the construction materials division. He joined the Shui On Group in 1981. He holds a Bachelor's degree in Business Administration and a Master of Science degree in Management Studies.

Li Chi Keung, Evans

Aged 38, is the Company Secretary of the Company and has been with the Shui On Group since 1991. He holds a Master's degree in Business Administration from the University of Leicester. He is a Fellow of the Association of Chartered Certified Accountants and an Associate of The Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Company Secretaries and the Hong Kong Society of Accountants.

Report of the Directors

The Directors present their report and the audited financial statements for the year ended 31 March, 1999.

Principal Activities

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in construction and contracting, renovation and fitting out, manufacturing and trading of construction materials, property development, property investment and investment holding.

The Group's turnover and contribution to operating profit for the year ended 31 March, 1999, analysed by principal activity and geographical market, were as follows:

	Turnover HK\$'000	Contribution to results from ordinary activities excluding exceptional items HK\$'000	Exceptional items HK\$'000	Contribution to results from ordinary activities before taxation HK\$'000
By principal activity:				
Construction and building maintenance	4,217,423	267,113	-	267,113
Sale of construction materials	852,785	161,135	-	161,135
Property development	300,015	51,054	-	51,054
Property investment	5,740	1,822	(30,601)	(28,779)
	<u>5,375,963</u>	<u>481,124</u>	<u>(30,601)</u>	<u>450,523</u>
Contribution from associated companies				(9)
Contribution from jointly controlled entities				39,580
Others				(6,610)
Profit from ordinary activities before taxation				<u>483,484</u>
By geographical market:				
Hong Kong	5,284,402	481,100	(30,601)	450,499
Other regions in the People's Republic of China	91,561	24	-	24
	<u>5,375,963</u>	<u>481,124</u>	<u>(30,601)</u>	<u>450,523</u>
Contribution from associated companies				(9)
Contribution from jointly controlled entities				39,580
Others				(6,610)
Profit from ordinary activities before taxation				<u>483,484</u>

Financial Results and Dividends

The results of the Group for the year ended 31 March, 1999 are set out in the consolidated profit and loss account on page 43. An interim dividend of HK\$0.40 per share was paid on 11 December, 1998. The Directors have resolved to recommend the payment of a final dividend of HK\$1.00 per share to shareholders whose names appear on the Company's register of members on 17 August, 1999.

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 18 to the financial statements.

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Reserves

Movements during the year in the reserves of the Group and the Company are set out in note 19 to the financial statements.

Subsidiaries, Associated Companies and Jointly Controlled Entities

Details of the Company's subsidiaries, associated companies and jointly controlled entities at 31 March, 1999 are set out in notes 31, 32 and 33 respectively to the financial statements.

Group Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 73.

Tangible Fixed Assets

During the year, the Group acquired an investment property at a cost of HK\$160,601,000 and revalued the investment property at the year end date. The revaluation resulted in a net deficit amounting to HK\$30,601,000, which has been charged directly to the profit and loss account.

Details of the above and movements in the other tangible fixed assets of the Group and the Company during the year are set out in note 11 to the financial statements.

Major Properties

Details of the major properties of the Group at 31 March, 1999 are set out on page 72 of the annual report.

Borrowings and Interest Capitalised

Details of bank loan and other borrowings of the Group are set out in note 20 to the financial statements.

Interest capitalised by the Group during the year in respect of properties under development amounted to HK\$21,947,000.

Report of the Directors

Directors

The Directors of the Company during the year and up to the date of this report were:

Mr. Lo Hong Sui, Vincent
Mr. Wong Yuet Leung, Frankie
Mr. Choi Yuk Keung, Lawrence
Mr. Wong Fook Lam, Raymond
Mr. Wong Hak Wood, Louis
Mrs. Lowe Hoh Wai Wan, Vivien
* Mr. Cheng Bing Chark, Henry
#* Mr. Wong Ying Wai, Wilfred
#* Mr. Griffiths, Anthony

* Non-executive directors

Independent directors

In accordance with the Company's Bye-laws, Mr. Wong Fook Lam, Raymond and Mr. Griffiths, Anthony shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The term of office of each non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

Directors' Interests in Shares

(i) Shares

As at 31 March, 1999, the interests of the Directors in the share capital of the Company and its associated corporations as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance were as follows:

Name of Directors	Personal interests	Number of shares		Other interests
		Family interests	Corporate interests	
Mr. Lo Hong Sui, Vincent	-	-	-	192,148,000 (Note)
Mr. Wong Yuet Leung, Frankie	779,000	-	-	-
Mr. Choi Yuk Keung, Lawrence	1,585,000	-	-	-
Mr. Wong Fook Lam, Raymond	-	-	-	-
Mr. Wong Hak Wood, Louis	488,000	-	-	-
Mrs. Lowe Hoh Wai Wan, Vivien	-	-	-	-
Mr. Cheng Bing Chark, Henry	-	-	-	-
Mr. Wong Ying Wai, Wilfred	-	-	-	-
Mr. Griffiths, Anthony	-	-	-	-

Apart from the above, as at 31 March, 1999, there was no other interest recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance.

Note:

The 192,148,000 shares in the capital of the Company are held by Shui On Company Limited which is owned by The Bosrich Unit Trust. The units of the unit trust are the property of a discretionary trust of which Mr. Lo Hong Sui, Vincent is a discretionary beneficiary. Accordingly, Mr. Lo Hong Sui, Vincent is deemed to be interested in such shares.

Directors' Interests in Shares (Continued)

(ii) Options

As at 31 March, 1999, the Directors had personal interests in share options granted under the Company's employee share option scheme as follows:

Name of Directors	Number of shares to be subscribed under share options	Date granted	Period during which share options are exercisable	Subscription price per share HK\$
Mr. Wong Yuet Leung, Frankie	400,000	25.7.1997	25.1.1998 to 24.7.2002	7.50
	120,000	15.7.1998	15.1.1999 to 14.7.2003	4.14
Mr. Choi Yuk Keung, Lawrence	400,000	25.7.1997	25.1.1998 to 24.7.2002	7.50
	220,000	15.7.1998	15.1.1999 to 14.7.2003	4.14
Mr. Wong Fook Lam, Raymond	280,000	25.7.1997	25.1.1998 to 24.7.2002	7.50
	120,000	15.7.1998	15.1.1999 to 14.7.2003	4.14
Mr. Wong Hak Wood, Louis	280,000	25.7.1997	25.1.1998 to 24.7.2002	7.50
	150,000	15.7.1998	15.1.1999 to 14.7.2003	4.14
Mrs. Lowe Hoh Wai Wan, Vivien	200,000	25.7.1997	25.1.1998 to 24.7.2002	7.50
	120,000	15.7.1998	15.1.1999 to 14.7.2003	4.14

Consideration paid for each grant was HK\$1.00.

None of the Directors had exercised any share options to subscribe for shares of the Company during the year.

Details of the employee share option scheme are set out in note 18 to the financial statements.

Apart from the above, during the year, none of the Directors or the chief executive of the Company or their spouses or children under the age of 18 were granted or had exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporations.

Substantial Shareholders' Interests in Shares

Other than the interests disclosed under the section headed "Directors' Interests in Shares", the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the Securities (Disclosure of Interests) Ordinance disclosed that there is no person having an interest in 10% or more of the issued share capital of the Company as at 31 March, 1999.

Connected Transactions

Super Race Limited ("SRL"), a 50% owned associated company of Shui On Company Limited ("SOCL"), the Company's ultimate holding company, performed construction work as subcontractors to Shui On Building Contractors Limited ("SOBC"), a wholly-owned subsidiary of the Group, on normal commercial terms in the ordinary course of business during the year. The aggregate amount charged by SRL to SOBC for the year was approximately HK\$5,369,000.

During the year, Pat Davie Limited ("PDL"), a 60% owned subsidiary of the Group, performed decoration and renovation work for Shanghai Ruichen Property Company Limited, a 99% owned subsidiary of SOCL, Shanghai Shui On Consulting Company Limited, a wholly-owned subsidiary of SOCL, and Shanghai Jiu Hai Rimmer Properties Company Limited, a 80% owned subsidiary of SOCL. The jobs were contracted on normal commercial terms in the ordinary course of business. The aggregate amount charged by PDL for such work for the year was approximately HK\$6,612,000.

Connected Transactions *(Continued)*

The Company provided management information systems services to Shui On Investment Company Limited, Shui On Properties Management Limited, Shui On Properties Limited and Centre Top Limited, wholly-owned subsidiaries of SOCL, during the year. The services were charged at rates meant to recover the costs and expenses incurred by the Company and were fair and reasonable in the circumstances. The aggregate amount charged by the Company for such services for the year was approximately HK\$1,299,000.

During the year, Shui On Holdings Limited ("SOH"), a wholly-owned subsidiary of SOCL, continued to provide a guarantee for a finance lease facility extended to Shui On Plant & Equipment Services Limited, a wholly-owned subsidiary of the Group. As at 31 March, 1999, the outstanding obligation under this finance lease facility amounted to approximately HK\$1,553,000.

The Group is licensed by SOH to use the trademark, trade name "Shui On", "瑞安" and/or the Seagull devices on a non-exclusive, royalty-free basis for an unlimited period of time.

Directors' Interests

Save as aforesaid under the section headed "Connected Transactions", there were no contracts of significance, to which the Company or any of its subsidiaries was a party, subsisting at the end of the year or at any time during the year, in which a director had a material interest either directly or indirectly.

None of the Directors of the Company has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensations.

Other than the share options granted to the Directors as aforementioned, there were no arrangements to which the Company, its ultimate holding company or any of its subsidiaries was a party so as to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Provident and Retirement Fund Scheme

Details of the Group's provident and retirement fund scheme are shown in note 5(iii) to the financial statements.

Major Suppliers and Major Customers

The five largest suppliers of the Group accounted for less than 30% of the total purchases of the Group in the year.

The five largest customers of the Group accounted for approximately 65% of the total turnover of the Group in the year with the largest customer, accounting for approximately 40% of the turnover of the Group.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has a beneficial interest in the Group's five largest customers or five largest suppliers.

Donations

During the year, the Company and its subsidiaries made donations amounting to HK\$65,000.

Corporate Governance

The Company has complied throughout the year ended 31 March, 1999 with those paragraphs of the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited with which it is required to report compliance, except that non-executive directors were not appointed for a specific term as they are subject to retirement by rotation at annual general meeting in accordance with the Company's Bye-Laws.

In July, 1998, the Company established an Audit Committee comprised two independent non-executive directors and one non-executive director. In establishing the terms of reference for this committee, the Directors have had regard to the "Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants in December, 1997.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Year 2000 Compliance

The Group has adopted the definition of Year 2000 compliance as promulgated by the British Standards Institute which, in simple terms, means neither performance nor functionality of computer and other systems and equipment that rely on embedded electronic chip technology is affected by dates prior to, during and after the year 2000.

In 1997, the Group began to conduct a detailed risk assessment of the Year 2000 issue. A comprehensive action plan and a timetable have been put in place. A special task force, led by an executive director of the Company and supported by in-house IT personnel, was set up to undertake the compliance work.

The Year 2000 compliance project of the Group includes the upgrade or replacement of all purchased computer hardware and system software products and the modification of all in-house developed computer application software, which are not Year 2000 compliant.

The required systems upgrade and modification have been completed according to schedule. The relevant computer suppliers and service providers have also confirmed that their products and services are Year 2000 compliant. It is anticipated that the Year 2000 issue will not cause any significant operational problems to the Group. The Group is in the process of formulating contingency plans to deal with any unforeseen problems that may arise during the millennium crossover.

The total cost of this compliance project is estimated to be approximately HK\$3.7 million, mainly for replacement of computer hardware and system software with upgraded versions. Costs incurred up to 31 March, 1999 amounted to approximately HK\$3.2 million, most of which have been capitalised in the accounts. As at 31 March, 1999, the amount contracted but not provided for in the accounts was approximately HK\$0.5 million.

Auditors

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Lo Hong Sui, Vincent

Chairman

28 June, 1999

Report of the Auditors



德勤·關黃陳方
會計師行

Certified Public Accountants 執業會計師
26th Floor, Wing On Centre 香港中環干諾道中111號
111 Connaught Road Central 永安中心26樓
Hong Kong

To the Shareholders of Shui On Construction and Materials Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 43 to 71 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March, 1999 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 28 June, 1999

Consolidated Profit and Loss Account

For the year ended 31 March 1999

	Notes	1999 HK\$'000	1998 HK\$'000
Turnover	4	5,375,963	4,731,873
Operating profit	5		
Continuing operations excluding exceptional item		474,514	332,864
Exceptional item	6	(30,601)	-
		443,913	332,864
Share of results of associated companies		(9)	(223)
Share of results of jointly controlled entities		39,580	29,673
Profit from ordinary activities before taxation		483,484	362,314
Taxation	7	(74,374)	(49,965)
Profit before minority interests		409,110	312,349
Minority interests		(791)	787
Profit attributable to shareholders	8	408,319	313,136
Dividends	9	(364,040)	(299,000)
Profit for the year, retained		44,279	14,136
Earnings per share	10		
Basic		HK\$1.57	HK\$1.20
Diluted		HK\$1.57	HK\$1.20

Balance Sheets

As at 31 March 1999

	Notes	The Group		The Company	
		1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
Tangible fixed assets	11	400,706	271,946	3,291	4,250
Interests in subsidiaries	12	-	-	1,081,861	965,196
Interests in associated companies	13	8	76	15	6
Interests in jointly controlled entities	14	147,948	91,136	2,116	7,819
Other investments	15	10,508	99,761	-	-
Deferred expenditure	16	18,226	11,950	-	-
Net current assets (liabilities)	17	1,126,104	689,353	(222,472)	(112,812)
		1,703,500	1,164,222	864,811	864,459
Financed by:					
Share capital	18	260,040	260,000	260,040	260,000
Reserves	19	921,256	876,948	604,771	604,459
Total shareholders' fund		1,181,296	1,136,948	864,811	864,459
Long-term borrowings	20	498,846	4,074	-	-
Deferred taxation	21	5,523	6,356	-	-
Minority interests		17,835	16,844	-	-
		1,703,500	1,164,222	864,811	864,459

The financial statements on pages 43 to 71 were approved by the Board of Directors on 28 June, 1999.

Choi Yuk Keung, Lawrence
Managing Director

Wong Fook Lam, Raymond
Executive Director

Consolidated Cash Flow Statement

For the year ended 31 March 1999

	Notes	1999 HK\$'000	1998 HK\$'000
Net cash (outflow) inflow from operating activities*	22	(129,602)	570,475
Returns on investments and servicing of finance			
Interest received		49,252	65,733
Interest paid		(23,940)	(2,542)
Interest on obligations under finance leases		(534)	(4,433)
Dividends received from unlisted investments		2,431	653
Dividends received from listed investments		417	615
Dividends received from jointly controlled entities		33,350	30,200
Dividends paid		(364,000)	(38,980)
Net cash (outflow) inflow from returns on investments and servicing of finance		(303,024)	51,246
Taxation			
Hong Kong profits tax paid		(45,869)	(54,338)
Hong Kong profits tax recovered		4,481	115
Net tax paid		(41,388)	(54,223)
Investing activities			
Purchase of tangible fixed assets		(64,073)	(50,007)
Purchase of an investment property		(121,459)	-
Proceeds from sale of tangible fixed assets		6,142	1,889
Investment in associated companies		59	-
Investment in jointly controlled entities		(57,059)	(31,970)
Purchase of subsidiary (Net of cash and cash equivalents acquired)	23	-	(2,806)
Site establishment cost and pre-operating cost expended		(16,982)	(1,202)
Proceeds on disposal (purchase) of other investments		89,253	(105,406)
Deposit paid for acquisition of an investment property		-	(39,142)
Net cash (outflow) from investing activities		(164,119)	(228,644)
Net cash (outflow) inflow before financing carried forward		(638,133)	338,854

Consolidated Cash Flow Statement

For the year ended 31 March 1999

	Note	1999 HK\$'000	1998 HK\$'000
Net cash (outflow) inflow before financing brought forward		(638,133)	338,854
Financing	24		
Net proceeds received on issue of shares		166	-
Repayment of obligations under finance leases		(10,326)	(89,399)
New secured bank loan being project finance for properties under development for sale		498,846	-
Repayment of bank loan		-	(4,279)
Increase in minority interests		200	5,621
Net cash inflow (outflow) from financing		488,886	(88,057)
(Decrease) increase in cash and cash equivalents		(149,247)	250,797
Cash and cash equivalents at the beginning of the year		926,177	675,590
Effect of foreign exchange rate changes		(97)	(210)
Cash and cash equivalents at the end of the year		776,833	926,177
Analysis of the balances of cash and cash equivalents			
Bank balances, deposits and cash		776,833	926,177

* Included in net cash outflow from operating activities during the year is an outflow of HK\$781,214,000 relating to properties under development for sale as stated in note 22, part of which is financed by the secured bank loan of HK\$498,846,000.

Notes to Financial Statements

For the year ended 31 March 1999

(1) General

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Directors consider that its ultimate holding company is Shui On Company Limited, a private limited liability company incorporated in the British Virgin Islands.

(2) Adoption of Statements of Standard Accounting Practice

In the current year, the Group has adopted the following Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants.

SSAP 5 (Revised)	Earnings Per Share
SSAP 20	Related Party Disclosures
SSAP 21	Accounting for Interests in Joint Ventures
SSAP 22	Inventories
SSAP 23	Construction Contracts

The adoption of SSAP 5 (Revised) has resulted in some modifications to the basis of calculation of earnings per share amounts and to the disclosures presented for earnings per share (see note 10). The effect on the prior year earnings per share is insignificant.

SSAP 20 requires the disclosure of details of transactions with specified related parties (see note 25).

SSAP 21 specifies the accounting treatment to be adopted for joint ventures. In previous years, joint venture arrangements were accounted for as associated companies. Adoption of the new standard has resulted in the separate identification of joint ventures in the financial statements. However, since the basis of accounting used for joint ventures (that is, equity accounting) is the same as that specified for associated companies, there has been no material effect on the profit for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

SSAP 22 and SSAP 23 respectively specify the accounting treatment to be adopted for inventories and construction contracts. The adoption of those standards has resulted in some changes in terminology and presentation, but does not have a material effect on the profit for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

(3) Significant Accounting Policies

The principal accounting policies which have been adopted in preparing these financial statements and which conform with accounting principles generally accepted in Hong Kong are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or made up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the net assets at the date of acquisition of a subsidiary and is written off to reserves immediately on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration, is credited to reserves.

Any premium or discount arising on the acquisition of an interest in an associated company or a jointly controlled entity, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the associated company or jointly controlled entity at the date of acquisition, is dealt with in the same manner as that described above for goodwill.

(3) Significant Accounting Policies *(Continued)*

Goodwill *(Continued)*

On the disposal of investments in subsidiaries, associated companies and jointly controlled entities, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal of the subsidiary or associated company or joint venture.

Subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost less provision, if necessary, for any permanent diminution in value.

Associated companies

An associated company is an enterprise, over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

The consolidated profit and loss account includes the Group's share of the post-acquisition results of its associated companies based on their latest audited financial statements prepared up to 31 March or to a date not exceeding six months prior to 31 March. In the consolidated balance sheet, interests in associated companies are stated at the Group's share of the net assets of the associated companies.

When the Group transacts with its associated companies, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associated company, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of associated companies are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associated companies are stated at cost less provision, if necessary, for any permanent diminution in value.

Listed investments

Long-term listed investments are stated at cost less provision, if necessary, for any permanent diminution in value.

Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

Jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities. The Group's share of the post-acquisition results of jointly controlled entities is included in the consolidated profit and loss account.

When the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the jointly controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

The Company's investments in jointly controlled entities are included under long-term investments and are stated at cost less provision for permanent diminution in value. Results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

(3) Significant Accounting Policies (Continued)

Other joint venture arrangements

Investments made by means of joint venture structures which do not result in the Group having joint control with the other venturers are accounted for as subsidiaries (where the Group controls the board of directors or equivalent governing body), associated companies (where the Group is in a position to exercise significant influence) or investments (where the Group exercises neither control nor significant influence).

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Tangible fixed assets and depreciation

Tangible fixed assets other than land and buildings or investment properties in Hong Kong are stated at cost less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul 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 tangible fixed assets, the expenditure is capitalised as an additional cost of the fixed assets.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss account.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is written down to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Depreciation is provided to write off the cost of fixed assets other than investment properties over their estimated useful lives and after taking into account their estimated residue value, using the straight line method, at the following rates per annum:

Category of fixed assets	Annual depreciation rates
Property in Hong Kong and other regions of the People's Republic of China ("PRC")	
under medium-term lease	
Leasehold Land	Over the term of the lease
Buildings	2.5%
Property in Hong Kong under short lease	Over the term of the lease
Plant and machinery	10 - 25%
Motor vehicles, equipment, furniture, fixtures and other assets	20 - 33%

Land and buildings in Hong Kong are stated in the balance sheet at their revalued amounts, being the fair values on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any surplus arising on revaluation of fixed assets is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, when it is recognised as income. A decrease in net carrying amount arising on revaluation of fixed assets is charged to the profit and loss account to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

(3) Significant Accounting Policies *(Continued)*

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. They are valued at intervals of not more than three years by independent professionally qualified valuers. In each of the intervening years, valuations are undertaken by professionally qualified executives of the Company or its related companies. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the profit and loss account. Where a deficit has previously been charged to the profit and loss account and a revaluation surplus subsequently arises, this surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On the disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the profit and loss account.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Properties under development for sale

Properties under development for sale are stated at cost plus development profit recognised to date less provision where appropriate.

Cost comprises the cost of acquisition of land, construction costs, other direct costs and borrowing costs capitalised. Net realisable value is estimated by management based on prevailing market conditions or where a binding sales agreement is executed, by reference to the agreed selling prices.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the profit and loss account by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the value of work carried out during the year.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Revenue recognition

Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue from the construction contract is recognised on the percentage of completion method, measured by reference to the value of work carried out during the period. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the employer.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(3) Significant Accounting Policies *(Continued)*

Revenue recognition (Continued)

Private Sector Participating Scheme (PSPS) Projects

Income from property development projects undertaken by the Group which are known as PSPS are recognised when the outcome of the projects can be estimated reliably over the development period on the basis of development costs incurred to date as a proportion of the estimated total development costs.

Others

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Sales of goods are recognised when goods are delivered and title has been passed.

Dividend income is recognised when the Group's right to receive the relevant payment has been established.

Deferred expenditure

Deferred expenditure includes site establishment expenditure for quarrying rights or leased sites and is written off over the duration of the relevant quarrying rights or site leases. Pre-operating expenses incurred before the commencement of full operation of a project are amortised over five years.

Re-instatement costs

Estimated expenditure in connection with site restoration is provided for over the duration of the relevant quarrying rights or the respective site leases.

Foreign currencies

Transactions in foreign currencies are translated at the approximate rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the approximate rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the profit and loss account.

On consolidation, the financial statements of subsidiaries, associated companies or jointly controlled entities which operate in the PRC and which are denominated in currencies other than Hong Kong dollars are translated at the rates applicable on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

Finance leases and operating leases

Leases are classified as finance leases when the terms of the leases transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessors, net of interest charges, is included in the balance sheet as finance lease obligations. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the profit and loss account over the period of the relevant lease to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the profit and loss account on a straight line basis over the relevant lease term.

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, 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. 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.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Cash equivalents

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

Notes to Financial Statements

For the year ended 31 March 1999

(4) Turnover

Turnover represents:

	1999 HK\$'000	1998 HK\$'000
Gross value of construction work and income from building maintenance jobs	4,217,423	3,839,317
Sale of construction materials	852,785	892,557
Property development	300,015	-
Rental income	5,740	-
	5,375,963	4,731,874

(5) Operating Profit

	1999 HK\$'000	1998 HK\$'000
Operating profit has been arrived at after charging (crediting):		
Interest on:		
Bank loans and overdrafts and other loans wholly repayable within 5 years	23,941	2,539
Finance lease charges	486	4,482
Total borrowing costs	24,427	7,021
Less: Amount capitalised to properties under development for sale	(21,947)	-
	2,480	7,021
Depreciation	59,236	58,616
Less: Amount capitalised to construction jobs	(1,829)	(2,586)
	57,407	56,030
Directors' emoluments (note 5(ii))		
Directors' fee	170	170
Management remuneration	12,875	12,242
Provident fund contributions	508	432
Auditors' remuneration	1,840	2,045
Payments under operating leases on land and buildings	34,454	25,497
Amortisation of deferred expenditure	10,706	13,258
(Profit) loss on disposal of fixed assets	(65)	120
Gross rents from investment properties	(5,740)	-
Less: outgoings	2,973	-
	(2,767)	-
Dividends from listed investments	(417)	(614)
Dividends from unlisted investments	(2,431)	(653)
Interest income	(46,797)	(67,515)

(5) Operating Profit *(Continued)*

(i) *Directors' emoluments*

Directors' emoluments disclosed pursuant to Section 161 of the Companies Ordinance are as follows:

	1999 HK\$'000	1998 HK\$'000
Fees		
Executive directors	60	60
Non-executive directors	110	110
Other emoluments		
Executive directors		
Salaries and other benefits	12,875	12,242
Provident fund contributions	508	432
Non-executive directors	-	-
	<u>13,553</u>	<u>12,844</u>

Directors' emoluments fall within the following bands:

	1999 Number of directors	1998 Number of directors
Emolument bands		
HK\$0 - HK\$500,000	5	5
HK\$500,001 - HK\$2,000,000	-	-
HK\$2,000,001 - HK\$2,500,000	1	1
HK\$2,500,001 - HK\$3,000,000	1	2
HK\$3,000,001 - HK\$3,500,000	1	-
HK\$3,500,001 - HK\$4,500,000	-	-
HK\$4,500,001 - HK\$5,000,000	1	1
	<u>9</u>	<u>9</u>

(ii) *Five highest-paid employees*

Among the five highest-paid employees, three (1998: three) are executive directors whose remuneration is disclosed in note 5(i) above. The remuneration of the other two (1998: two) employees disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange is as follows:

	1999 HK\$'000	1998 HK\$'000
Salaries and other emoluments	5,080	4,542
Provident fund contributions	197	166
	<u>5,277</u>	<u>4,708</u>

The above emoluments fall within the following bands:

	1999 Number of employees	1998 Number of employees
Emolument bands		
HK\$0 - HK\$2,000,000	-	-
HK\$2,000,001 - HK\$2,500,000	-	2
HK\$2,500,001 - HK\$3,000,000	2	-
	<u>2</u>	<u>2</u>

Notes to Financial Statements

For the year ended 31 March 1999

(5) Operating Profit *(Continued)*

(iii) *Provident and retirement fund scheme*

The Group is a participating member in the Shui On Provident and Retirement Scheme ("the Scheme"). The Scheme, which is principally a defined benefit scheme with a defined contribution element, is registered under the Occupational Retirement Scheme Ordinance. The assets of the Scheme are administered by the Trustees of the Scheme and are held separately from the assets of the Group. The Scheme is funded by monthly contributions from both employees and employers at rates ranging from 5% to 10% of the employees' basic salary and additional contributions, if any, by the employers on the basis of actuarial valuations carried out at least every three years. In accordance with the rules of the Scheme, employer contributions forfeited due to the resignations of staff members prior to the full vesting of those contributions are kept in the Scheme and not paid to the employer.

The latest actuarial valuation of the Scheme at 31 August, 1996 was carried out by Watson Wyatt Hong Kong Limited, an independent firm of actuaries and consultants, using the attained age method. The actuarial assumptions included investment yield on the assets, rate of salary escalation, withdrawal rates and mortality rates. The latest actuarial valuation showed that the assets of the Scheme had a funding level that exceeded the total past service liability at that date. However, due to the estimated decrease in the value of the Scheme assets following the Asian financial turmoil in 1998, the Group had made an additional contribution of HK\$10,213,000 to the Scheme during the year towards meeting any deficiency in the Scheme resulting therefrom.

The Group's total contribution to the Scheme charged to the profit and loss account during the year ended 31 March, 1999 amounted to HK\$27,592,000 (1998: HK\$15,240,000).

(6) Exceptional Item

	1999 HK\$'000	1998 HK\$'000
Deficit on revaluation of an investment property	30,601	-

(7) Taxation

	1999 HK\$'000	1998 HK\$'000
The charge comprises:		
Company and subsidiaries		
Hong Kong profits tax	68,543	44,522
Income tax of other regions in PRC	187	-
Deferred taxation (note 21)	(833)	919
Jointly controlled entities		
Hong Kong profits tax	6,566	4,984
Income tax of other regions in PRC	269	-
Deferred taxation	(358)	(460)
	<u>74,374</u>	<u>49,965</u>

Hong Kong profits tax is provided at the rate of 16% (1998: 16.5%) based on the estimated assessable profits for the year.

Details of the potential deferred tax charge not provided for in the year are set out in note 21.

(8) Profit Attributable to Shareholders

Of the Group's profit for the year of HK\$408,319,000 (1998: HK\$313,136,000) a profit of HK\$364,226,000 (1998: HK\$300,369,000) has been dealt with in the financial statements of the Company, and losses of HK\$9,000 (1998: HK\$224,000) and HK\$247,000 (1998: HK\$5,050,000) are attributable to the associated companies and jointly controlled entities respectively.

(9) Dividends

	1999 HK\$'000	1998 HK\$'000
Interim dividend - HK\$0.40 (1998: HK\$0.15) per share on 260,000,000 shares	104,000	39,000
Proposed dividend:		
Final dividend - HK\$1.00 per share on 260,040,000 shares (1998: HK\$0.30 per share on 260,000,000 shares)	260,040	78,000
Special dividend - Nil (1998: HK\$0.70 per share on 260,000,000 shares)	-	182,000
	260,040	260,000
	364,040	299,000

(10) Earnings Per Share

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

	1999 HK\$'000	1998 HK\$'000
Earnings for the purposes of basic and diluted earnings per share	408,319	313,136
	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	260,002	260,000
Effect of dilutive potential ordinary shares:		
Share options	603	72
Weighted average number of ordinary shares for the purposes of diluted earnings per share	260,605	260,072

Notes to Financial Statements

For the year ended 31 March 1999

(11) Tangible Fixed Assets

	Investment property held in Hong Kong under medium-term lease HK\$'000	Land and buildings in other regions of the PRC held under medium-term lease HK\$'000	Land and buildings in Hong Kong held under medium-term lease HK\$'000	Land and buildings in Hong Kong held under short-term lease HK\$'000
The Group				
At cost / valuation				
At 1 April, 1998	-	5,159	67,500	27,751
Additions	160,601	93	-	-
Disposals	-	-	-	-
Reallocation	-	-	-	-
Revaluation deficits	(30,601)	-	-	-
At 31 March, 1999	130,000	5,252	67,500	27,751
Accumulated depreciation				
At 1 April, 1998	-	546	-	27,722
Charge for the year	-	258	1,371	11
Eliminated on disposals	-	-	-	-
Reallocation	-	-	-	-
At 31 March, 1999	-	804	1,371	27,733
Net book value				
At 31 March, 1999	130,000	4,448	66,129	18
At 31 March, 1998	-	4,613	67,500	29
Cost or valuation comprising:				
At valuation 1999	130,000	-	-	-
At valuation 1998	-	-	67,500	-
At cost	-	5,252	-	27,751
	130,000	5,252	67,500	27,751

Notes:

- (i) The Group's investment property in Hong Kong under medium-term lease has been revalued as at 31 March, 1999 by C.Y. Leung & Company Limited, independent international property consultants, on an open market value basis. The above-mentioned valuations have been adopted by the Directors in these financial statements and the deficit arising from revaluation has been charged to the profit and loss account. The land and buildings in Hong Kong under medium-term lease have been revalued by an employee of a related company, Mr. Wong Wai Choi, George, Chartered Surveyor, on an open market value basis. As the Directors considered that there is no material change in their fair values since the last valuation in 1998, no adjustment for the surplus has been made in the financial statements. No separate valuation was undertaken for land and buildings in other regions of the PRC under medium-term lease and those in Hong Kong under short lease as their net book values are immaterial.

Plant and machinery owned HK\$'000	Plant and machinery leased HK\$'000	Motor vehicles owned HK\$'000	Equipment, furniture and other assets HK\$'000	Total HK\$'000
382,782	17,697	35,023	36,094	572,006
58,342	322	2,372	2,944	224,674
(24,736)	(2,408)	(1,541)	(3,427)	(32,112)
250	-	54	(304)	-
-	-	-	-	(30,601)
<u>416,638</u>	<u>15,611</u>	<u>35,908</u>	<u>35,307</u>	<u>733,967</u>
222,325	10,345	17,467	21,655	300,060
44,634	2,345	5,722	4,895	59,236
(19,651)	(2,157)	(878)	(3,349)	(26,035)
(256)	40	-	216	-
<u>247,052</u>	<u>10,573</u>	<u>22,311</u>	<u>23,417</u>	<u>333,261</u>
169,586	5,038	13,597	11,890	400,706
<u>160,457</u>	<u>7,352</u>	<u>17,556</u>	<u>14,439</u>	<u>271,946</u>
-	-	-	-	130,000
-	-	-	-	67,500
<u>416,638</u>	<u>15,611</u>	<u>35,908</u>	<u>35,307</u>	<u>536,467</u>
<u>416,638</u>	<u>15,611</u>	<u>35,908</u>	<u>35,307</u>	<u>733,967</u>

- (ii) Medium-term lease is defined as a lease having not more than 50 years and not less than 20 years to run. Short lease is defined as a lease having less than 20 years to run.
- (iii) Should the revalued land and buildings in Hong Kong under medium-term lease be carried at cost less accumulated depreciation, their net book value as at the balance sheet date would be HK\$31,992,000 (1998: HK\$33,583,000).

Notes to Financial Statements

For the year ended 31 March 1999

(11) Tangible Fixed Assets (Continued)

	Motor vehicles HK\$'000	Equipment, furniture and other assets HK\$'000	Total HK\$'000
The Company			
At cost			
At 1 April, 1998	792	5,229	6,021
Additions	9	415	424
Disposals	(1)	-	(1)
At 31 March, 1999	800	5,644	6,444
Accumulated depreciation			
At 1 April, 1998	265	1,506	1,771
Charge for the year	222	1,161	1,383
Eliminated on disposals	(1)	-	(1)
At 31 March, 1999	486	2,667	3,153
Net book value			
At 31 March, 1999	314	2,977	3,291
At 31 March, 1998	527	3,723	4,250

(12) Interests in Subsidiaries

	1999 HK\$'000	1998 HK\$'000
Unlisted shares, at cost	283,933	283,933
Amounts due from subsidiaries	807,716	691,325
Amounts due to subsidiaries	1,091,649 (9,788)	975,258 (10,062)
	1,081,861	965,196

Details of the principal subsidiaries are set out in note 31 to these financial statements.

(13) Interests in Associated Companies

	The Group		The Company	
	1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
Share of net (liabilities) of associated companies	(15)	(1,809)	-	-
Amounts due from associated companies	23	1,885	15	6
	8	76	15	6

Details of the associated companies are set out in note 32 to these financial statements.

(14) Interests in Jointly Controlled Entities

	The Group		The Company	
	1999	1998	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Jointly controlled entities				
Share of net assets	113,986	46,633	-	-
Amounts due from jointly controlled entities	97,827	110,006	2,116	7,819
Amounts due to jointly controlled entities	(63,865)	(65,503)	-	-
	<u>147,948</u>	<u>91,136</u>	<u>2,116</u>	<u>7,819</u>

Details of the jointly controlled entities are set out in note 33 to these financial statements.

(15) Other Investments

	The Group		The Company	
	1999	1998	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At cost:				
Listed investments in Hong Kong	-	89,318	-	-
Unlisted investments	10,508	10,443	-	-
	<u>10,508</u>	<u>99,761</u>	<u>-</u>	<u>-</u>
Market value of listed investments	-	90,342	-	-

(16) Deferred Expenditure

	As at	Additions	Amortisation	As at
	31 March, 1998		during the year	31 March, 1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Site establishment costs	7,584	15,012	(8,915)	13,681
Pre-operating expenses	4,366	1,970	(1,791)	4,545
	<u>11,950</u>	<u>16,982</u>	<u>(10,706)</u>	<u>18,226</u>

Notes to Financial Statements

For the year ended 31 March 1999

(17) Net Current Assets (Liabilities)

	The Group		The Company	
	1999	1998	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current assets				
Properties under development for sale	781,214	-	-	-
Inventories (note a)	39,404	39,919	-	-
Deposit for acquisition of an investment property	-	39,142	-	-
Debtors, deposits and prepayments	880,197	616,369	5,198	5,267
Amounts due from customers for contract work (note b)	172,682	248,332	-	-
Bank balances, deposits and cash	776,833	926,177	37,984	146,992
	<u>2,650,330</u>	<u>1,869,939</u>	<u>43,182</u>	<u>152,259</u>
Current liabilities				
Bills payable and trust receipts	3,479	-	-	-
Creditors and accruals	1,107,809	788,375	5,614	5,071
Amounts due to customers for contract work (note b)	102,306	101,260	-	-
Proposed dividends	260,040	260,000	260,040	260,000
Current portion of long-term liabilities	1,553	7,805	-	-
Provision for taxation	47,398	20,056	-	-
Amounts due to related companies	1,641	3,090	-	-
	<u>1,524,226</u>	<u>1,180,586</u>	<u>265,654</u>	<u>265,071</u>
	<u>1,126,104</u>	<u>689,353</u>	<u>(222,472)</u>	<u>(112,812)</u>

Properties under development amounting to HK\$781,214,000 have been pledged as security for bank loan.

Note a:

	The Group		The Company	
	1999	1998	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Raw materials	10,194	12,660	-	-
Work-in-progress	6,393	4,820	-	-
Finished goods	11,283	10,456	-	-
Spare parts	11,534	11,983	-	-
	<u>39,404</u>	<u>39,919</u>	<u>-</u>	<u>-</u>

(17) Net Current Assets (Liabilities) (Continued)

Note b:

	The Group		The Company	
	1999	1998	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contracts in progress at the balance sheet date:				
Contract costs incurred	4,882,165	3,694,411	-	-
Recognised profits less recognised losses	252,929	228,448	-	-
	<u>5,135,094</u>	<u>3,922,859</u>	<u>-</u>	<u>-</u>
Progress billings	(5,064,718)	(3,775,787)	-	-
Net contract work	<u>70,376</u>	<u>147,072</u>	<u>-</u>	<u>-</u>
Represented by:				
Due from customers for contract work included in current assets	172,682	248,332	-	-
Due to customers for contract work included in current liabilities	(102,306)	(101,260)	-	-
	<u>70,376</u>	<u>147,072</u>	<u>-</u>	<u>-</u>

At 31 March, 1999, retentions held by customers for contract work amounted to HK\$206,500,000 (1998: HK\$175,701,000).

Note c:

Total operating costs, applicable to revenue other than revenue from construction contracts, recognised as an expense during the year was HK\$951,126,000 (1998: HK\$727,398,000).

(18) Share Capital

(a) Authorised:

	1999	1998
	HK\$'000	HK\$'000
400,000,000 shares of HK\$1 each	400,000	400,000

(b) Issued and fully paid:

	1999	1998
	HK\$'000	HK\$'000
Balance brought forward	260,000	260,000
Exercise of share options	40	-
Balance carried forward	<u>260,040</u>	<u>260,000</u>

Notes to Financial Statements

For the year ended 31 March 1999

(18) Share Capital *(Continued)* *Employee share option scheme*

Under the employee share option scheme which became effective on 16 July, 1997, the Board of Directors of the Company may offer to any Director or full time employee of the Company, or any of its subsidiaries, options to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares and 90% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately after the preliminary announcement of the Group's annual results, subject to a maximum of 10% of the issued share capital of the Company from time to time. Consideration paid for each grant is HK\$1.00.

Pursuant to the employee share option scheme, options to subscribe for shares in the Company were granted to certain executives. At 31 March, 1999, options to subscribe for 5,230,000 shares (1998: 2,550,000 shares) within the following exercisable periods were outstanding :

Exercisable period	Subscription price per share HK\$	No. of share options at 1.4.1998	Granted during the year	Exercised during the year	No. of share options at 31.3.1999
25 January, 1998 - 24 July, 2002	7.50	510,000	-	-	510,000
25 July, 1998 - 24 July, 2002	7.50	510,000	-	-	510,000
25 July, 1999 - 24 July, 2002	7.50	510,000	-	-	510,000
25 July, 2000 - 24 July, 2002	7.50	510,000	-	-	510,000
25 July, 2001 - 24 July, 2002	7.50	510,000	-	-	510,000
15 January, 1999 - 14 July, 2003	4.14	-	544,000	40,000	504,000
15 July, 1999 - 14 July, 2003	4.14	-	544,000	-	544,000
15 July, 2000 - 14 July, 2003	4.14	-	544,000	-	544,000
15 July, 2001 - 14 July, 2003	4.14	-	544,000	-	544,000
15 July, 2002 - 14 July, 2003	4.14	-	544,000	-	544,000
		<u>2,550,000</u>	<u>2,720,000</u>	<u>40,000</u>	<u>5,230,000</u>

(19) Reserves

	Property revaluation reserve HK\$'000	Share premium account HK\$'000	Translation reserve HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
The Group							
At 1 April, 1998	34,317	509,672	(111)	197,562	2	135,506	876,948
Shares issued at premium	-	126	-	-	-	-	126
Profit for the year	-	-	-	-	-	408,319	408,319
Dividends	-	-	-	-	-	(364,040)	(364,040)
Realised on depreciation	(697)	-	-	-	-	697	-
Exchange adjustment	-	-	(97)	-	-	-	(97)
At 31 March, 1999	<u>33,620</u>	<u>509,798</u>	<u>(208)</u>	<u>197,562</u>	<u>2</u>	<u>180,482</u>	<u>921,256</u>
The Company							
At 1 April, 1998	-	509,672	-	88,933	-	5,854	604,459
Shares issued at premium	-	126	-	-	-	-	126
Profit for the year	-	-	-	-	-	364,226	364,226
Dividends	-	-	-	-	-	(364,040)	(364,040)
At 31 March, 1999	<u>-</u>	<u>509,798</u>	<u>-</u>	<u>88,933</u>	<u>-</u>	<u>6,040</u>	<u>604,771</u>

(19) Reserves (Continued)

Included in the above is the Group's share of post-acquisition reserves of its associated companies, as follows:

	Property revaluation reserve HK\$'000	Share premium account HK\$'000	Translation reserve HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April, 1998	-	-	-	-	-	(1,809)	(1,809)
Reclassification upon an associated company becoming a subsidiary during the year	-	-	-	-	-	1,803	1,803
Loss for the year	-	-	-	-	-	(9)	(9)
At 31 March, 1999	-	-	-	-	-	(15)	(15)

Included in the above is the Group's share of post-acquisition profits of its jointly controlled entities, as follows:

	Property revaluation reserve HK\$'000	Share premium account HK\$'000	Translation reserve HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April, 1998	-	-	-	-	-	33,117	33,117
Profit for the year	-	-	-	-	-	33,103	33,103
Dividends	-	-	-	-	-	(33,350)	(33,350)
At 31 March, 1999	-	-	-	-	-	32,870	32,870

The contributed surplus of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1997.

Contributed surplus of the Company arose when the Company issued shares in exchange for the equity in subsidiaries and associated companies pursuant to the group restructuring in January 1997. Under the Companies Act of 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders of the Company.

As at the balance sheet date, the Company's reserves, including the contributed surplus, available for distribution to shareholders amounted to HK\$94,973,000 (1998: HK\$94,787,000).

Notes to Financial Statements

For the year ended 31 March 1999

(20) Long-term Liabilities

	The Group		The Company	
	1999	1998	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Secured bank loan	498,846	-	-	-
Obligations under finance leases	1,553	11,879	-	-
Less: Amounts due within one year (note 17)	(1,553)	(7,805)	-	-
	<u>498,846</u>	<u>4,074</u>	<u>-</u>	<u>-</u>
The borrowings are repayable as follows:				
Secured bank loan:				
More than one year, but not exceeding two years	498,846	-	-	-
Obligations under finance leases:				
Within one year	1,553	7,805	-	-
More than one year, but not exceeding two years	-	4,074	-	-
Less: Amounts due within one year (note 17)	(1,553)	(7,805)	-	-
	<u>498,846</u>	<u>4,074</u>	<u>-</u>	<u>-</u>

(21) Deferred Taxation

	The Group	
	1999	1998
	HK\$'000	HK\$'000
At 1 April, 1998	6,356	5,437
(Credit) charge for the year (note 7)	(833)	919
At 31 March, 1999	<u>5,523</u>	<u>6,356</u>

At the balance sheet date, the major components of the deferred taxation liabilities (assets), provided and unprovided, are as follows:

	Provided		Unprovided	
	1999	1998	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Group				
Tax effect of timing differences arising from:				
Excess of tax allowances over depreciation	6,743	8,456	10,984	7,843
Other timing differences	(1,220)	(2,100)	-	-
Tax effect of taxation losses	-	-	(17,393)	(9,800)
	<u>5,523</u>	<u>6,356</u>	<u>(6,409)</u>	<u>(1,957)</u>

The amount of the unprovided deferred tax charge (credit) for the year is as follows:-

	The Group		The Company	
	1999	1998	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tax effect of timing difference because of:				
Excess of tax allowances over depreciation	2,838	1,710	-	-
Tax effect of taxation losses	(7,258)	(1,531)	-	-
Effect of change in tax rate	(32)	-	-	-
	<u>(4,452)</u>	<u>179</u>	<u>-</u>	<u>-</u>

(22) Reconciliation of Operating Profit to Net Cash (Outflow) Inflow from Operating Activities

	1999 HK\$'000	1998 HK\$'000
Operating profit	474,514	332,864
Interest income	(46,797)	(67,515)
Interest expense	23,941	2,539
Finance lease charges	486	4,482
Amortisation of deferred expenditure	10,706	13,258
Depreciation on fixed assets	57,407	56,030
(Profit) loss on disposal of fixed assets	(65)	120
Increase in properties under development for sale	(781,214)	-
Decrease (increase) in amounts due from customers for contract work	75,650	(55,835)
Increase (decrease) in amounts due to customers for contract work	1,046	(159)
(Increase) decrease in debtors, deposits and prepayments	(266,283)	305,809
Decrease (increase) in inventories	2,344	(15,653)
Increase in creditors and accruals	319,481	1,213
Increase in bills payable and trust receipts	3,479	(1,944)
(Decrease) increase in amounts due to related companies	(1,449)	(3,467)
Dividends from unlisted investments	(2,431)	(653)
Dividends from listed investments	(417)	(614)
Net cash (outflow) inflow from operating activities	(129,602)	570,475

(23) Purchase of Subsidiary

	1999 HK\$'000	1998 HK\$'000
Net assets purchased		
Fixed assets	-	5,894
Stocks and work-in-progress	-	4,083
Debtors and prepayments	-	135
Bank and cash	-	44
Creditors and accruals	-	(4,974)
Minority interest	-	(2,332)
	-	2,850
Satisfied by cash	-	2,850

Analysis of net outflow of cash and cash equivalents in respect of the purchase of subsidiary

	1999 HK\$'000	1998 HK\$'000
Cash consideration	-	2,850
Cash and cash equivalents acquired	-	(44)
	-	2,806

Notes to Financial Statements

For the year ended 31 March 1999

(24) Analysis of Changes in Financing During the Year

	Share capital and share premium HK\$'000	Bank loan HK\$'000	Obligations under finance leases HK\$'000	Minority interests HK\$'000
Balance at 1 April, 1998	769,672	-	11,879	16,844
Exercise of share options	166	-	-	-
Minority share of profit for the year	-	-	-	791
Repayment during the year	-	-	(10,326)	-
Bank loan raised	-	498,846	-	-
Increase in minority interests	-	-	-	200
Balance at 31 March, 1999	769,838	498,846	1,553	17,835

(25) Related Party Transactions

- (a) During the year, the Group had the following significant transactions in the ordinary course of its business with Shui On Company Limited and its subsidiaries and associated companies other than those of the Group ("SOCL Group") on terms no less favourable than those with unrelated third parties. Shui On Company Limited is interested in the issued share capital of the Company.

Nature of transactions	1999 HK\$'000	1998 HK\$'000
Income received from SOCL Group:		
Decoration work	6,612	16,131
Management and information system services	1,299	564
Cost and expenses paid to SOCL Group:		
Construction/subcontracting work	5,369	2,652
Amounts due to SOCL Group	1,641	3,090

- (b) During the year, the Group had the following significant transactions in the ordinary course of its business with jointly controlled entities of the Group on terms no less favourable than those with unrelated third parties:

Nature of transactions	1999 HK\$'000	1998 HK\$'000
Income received:		
Interest income	2,817	6,683
Management fee	2,227	-
Supplies of construction materials	572	-
Cost and expenses paid:		
Construction/subcontracting work	130,509	59,830
Supplies of construction materials	273,604	259,013
Amounts due to jointly controlled entities	63,865	65,503
Amounts due from jointly controlled entities	97,827	110,006

- (c) During the year, the Group had received a contribution from a jointly controlled entity for rehabilitation projects amounting to HK\$8,333,000. The outstanding balance of this contribution receivable was HK\$25,000,000 as at the balance sheet date.

- (d) At the balance sheet date, the Group had amounts due from associated companies amounting to HK\$23,000 (1998: HK\$1,885,000).

(26) Quarrying Contract

The right granted to a subsidiary, Lamma Rock Products Limited ("LRP"), to operate a quarry at a site on Lamma Island, Hong Kong has been extended for a further period of 5 years plus a 2 year maintenance period commencing December 1995. At the end of the extended period, LRP is obliged to reinstate the quarry site and remove all plant and machinery and other structures from the quarry area at its own cost.

(27) Contingent Liabilities

At the balance sheet date, the Group had contingent liabilities not provided for in these financial statements as follows:

- (a) performance bonds established amounting to approximately HK\$228,900,000 (1998: HK\$322,000,000);
- (b) guarantees in lieu of utility deposits amounting to approximately HK\$1,500,000 (1998: HK\$1,000,000).

(28) Lease Commitments

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating lease in respect of rented premises as follows:

	1999 HK\$'000	1998 HK\$'000
Operating leases which expire:		
- within one year	13,080	1,358
- in the second to fifth years inclusive	15,649	15,538
- over five years	1,007	1,134
	<u>29,736</u>	<u>18,030</u>

(29) Capital Commitments

At the balance sheet date, the Group had contracted capital commitments in respect of the replacement of computer hardware and system software amounting to approximately HK\$500,000 (1998: nil).

(30) Comparative Figures

Certain comparative figures have been re-classified to conform with the adoption of Statements of Standard Accounting Practice as mentioned in note 2 above.

Notes to Financial Statements

For the year ended 31 March 1999

(31) Particulars of Principal Subsidiaries

The Directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the following list contains only the particulars of subsidiaries which principally affect the results or assets of the Group. All the companies listed below were incorporated and are operating in Hong Kong except otherwise indicated.

Direct subsidiaries	Proportion of nominal value of ordinary shares held by the Company directly or indirectly	Issued and paid-up share capital	Principal activities
Shui On Contractors Limited *	100%	1 share of US\$1	Investment holding
Shui On Materials Limited *	100%	1 share of US\$1	Investment holding
Indirect subsidiaries	Proportion of nominal value of ordinary shares/registered capital held by the Company directly or indirectly	Issued and paid-up share capital/registered capital	Principal activities
Asia No.1 Material Supply Limited	100%	100 ordinary shares of HK\$100 each 1,000 non-voting deferred shares of HK\$100 each	Holding of a quarry right
Billion Centre Company Limited	100%	100 ordinary shares of HK\$1 each 2 non-voting deferred shares of HK\$1 each	Holding of a land lease
Dynamic Mark Limited	100%	100 ordinary shares of HK\$1 each 3,000,000 non-voting deferred shares of HK\$1 each	Investment holding
Eventful Time Investments Limited *	100%	1 share of US\$1	Investment holding
First Direction Limited	100%	100 ordinary shares of HK\$1 each 2 non-voting deferred shares of HK\$1 each	Property holding
Great Market Limited	100%	100 ordinary shares of HK\$1 each 5 non-voting deferred shares of HK\$1 each	Investment holding
Guangdong Kenon Concrete Co., Ltd. **	100%	Registered and paid up capital HK\$10,500,000	Supply of ready-mixed concrete
Guangzhou Ken On Concrete Co., Ltd. **	100%	Registered and paid up capital HK\$10,500,000	Supply of ready-mixed concrete
Guangdong Lamma Concrete Products Limited **	70%	Registered and paid up capital Rmb5,000,000	Manufacture of precast concrete facade
Guang Rui Construction Materials (Panyu) Ltd. **	70%	Registered and paid up capital HK\$2,100,000	Manufacture of precast concrete facade
Instant Mortars Limited	100%	2 ordinary shares of HK\$1 each	Supply of ready-mixed mortars
Jade City International Limited	100%	2 ordinary shares of HK\$1 each	Property development
Jesca Limited	100%	2 ordinary shares of HK\$1 each	Investment holding
Ken On Concrete Company Limited	100%	11,000,000 ordinary shares of HK\$1 each	Supply of ready-mixed concrete
Kinew Company Limited	66.7%	3 ordinary shares of HK\$1 each	Holding of a land lease
Kotemax Limited	100%	2 ordinary shares of HK\$1 each	Property holding
Kroner Investments Limited *	100%	1 share of US\$1	Investment holding

(31) Particulars of Principal Subsidiaries *(Continued)*

Indirect subsidiaries	Proportion of nominal value of ordinary shares/registered capital held by the Company directly or indirectly	Issued and paid-up share capital/registered capital	Principal activities
Lamma Concrete Products Limited	60%	10 ordinary shares of HK\$1 each	Investment holding
Lamma Rock Products Limited	100%	100 ordinary shares of HK\$10 each 3,500,000 non-voting deferred shares of HK\$10 each	Quarrying
Project Way Limited	100%	2 ordinary shares of HK\$1 each	Investment holding
Shui Fai Metal Works Engineering Company Limited	55%	10,000 ordinary shares of HK\$1 each	Sales and installation of wallform and other metal works
Shui On Building Contractors Limited	100%	6,000,100 ordinary shares of HK\$1 each 33,000,100 non-voting deferred shares of HK\$1 each 50,000 non-voting deferred shares of HK\$1,000 each	Building construction and maintenance
Shui On Building Materials Limited	100%	100 ordinary shares of HK\$1 each 1,000,000 non-voting deferred shares of HK\$1 each	Investment holding and sale of construction materials
Shui On Construction Company Limited	100%	100 ordinary shares of HK\$1 each 69,000,000 non-voting deferred shares of HK\$1 each 1,030,000 non-voting deferred shares of HK\$100 each	Building construction
Shui On Corporate Services Limited	100%	2 ordinary shares of HK\$1 each	Provision of secretarial services
Shui On Plant & Equipment Services Limited	100%	1,611,000 ordinary shares of HK\$1 each 45,389,000 non-voting deferred shares of HK\$1 each	Owning and leasing of plant and machinery and structural steel construction work
Panyu Dynamic Mark Steel & Aluminium Engineering Co. Ltd. **	75%	Registered and paid up capital HK\$4,000,000	Steel fabrication
Panyu Shui Fai Metal Works Engineering Company Limited **	55%	Registered and paid up capital HK\$9,000,000	Manufacturing wallform and other metal works
Pat Davie Limited	60%	2,600,100 ordinary shares of HK\$1 each 100,000 non-voting deferred shares of HK\$10 each	Interior decoration, fitting out, design and contracting
P.D. (Contractors) Limited #	100%	1,000,000 ordinary shares of HK\$1 each	Renovation work
Pat Davie (China) Limited #	100%	2 ordinary shares of HK\$1 each	Investment holding
Xinhui Longkoushan Rock Products Limited **	100%	Registered and paid up capital US\$1,785,700	Quarrying

* Incorporated in the British Virgin Islands

** Registered and operated in other regions of the PRC

Held through a 60% owned direct subsidiary

Notes to Financial Statements

For the year ended 31 March 1999

(32) Particulars of Associated Companies

As at 31 March, 1999, the Group had interests in the following associated companies:

Indirect associated companies	Effective percentage of issued capital held by the Group	Issued and paid-up share capital	Principal activities
China National New Building Materials Industry Investment Limited	50%	2 ordinary shares of HK\$1 each	Dormant
Happy Way Resources Limited	20%	5 ordinary shares of HK\$1 each	Dormant
Sawdrill Limited	50%	2 ordinary shares of HK\$1 each	Dormant

All the associated companies were incorporated and are operating in Hong Kong.

(33) Particulars of Jointly Controlled Entities

As at 31 March, 1999, the Group had interests in the following jointly controlled entities which were incorporated and are operating in Hong Kong except otherwise indicated:

Indirect jointly controlled entities	Effective percentage of issued capital held by the Group	Issued and paid-up share capital/ registered capital	Principal activities
Biella Enterprises Limited	20%	5 ordinary shares of HK\$1 each	Holding of a land lease
Brisfull Limited	50%	5,000,000 ordinary shares of HK\$1 each	Sale and installation of aluminium window products
City Engineering Limited	50%	10,000 ordinary shares of HK\$1 each	Installation of mould work
Far East Cement Company Limited	50%	200,000 ordinary shares of HK\$100 each	Trading of cement and investment holding
Houswell Enterprises Limited	50%	2 ordinary shares of HK\$1 each	Trading of bagged cement
Kaiping Biaofu Metal Products Limited **	50%	Registered and paid up capital US\$800,000	Manufacturing of aluminium window products
Nanjing Jiangnan Cement Company Limited ** ^Δ	60%	Registered and paid up capital RMB120,000,000	Manufacturing and trading of cement
Shui On (Panyu) Stainless Steel & Aluminium Products Company Limited **	50%	Registered and paid up capital HK\$2,000,000	Manufacturing and trading of stainless steel and aluminium products
TH Industrial Management Limited **	50%	2,740 ordinary shares of US\$1 each	Investment holding
Chongqing T.H. Cement Co. Ltd. ***	34%	Registered and paid up capital RMB50,000,000	Manufacturing and sale of cement

(33) Particulars of Principal Jointly Controlled Entities *(Continued)*

Indirect jointly controlled entities	Effective percentage of issued capital held by the Group	Issued and paid-up share capital/ registered capital	Principal activities
Chongqing T.H. Special Cement Co. Ltd. ^{**#}	34%	Registered capital RMB125,000,000 and paid up capital RMB88,687,797	Manufacturing and sale of cement
Chongqing T.H. White Cement Co. Ltd. ^{**#}	30%	Registered and paid up capital US\$1,506,000	Manufacturing and sale of cement

* Incorporated in the Bahamas

** Registered and operated in other regions of the PRC

Companies not audited by Deloitte Touche Tohmatsu

△ The Group is under a contractual arrangement to jointly control Nanjing Jiangnan Cement Company Limited with the PRC partner. Accordingly, the Directors consider it is a jointly controlled entity.

The results of Nanjing Jiangnan Cement Company Limited, TH Industrial Management Limited and Far East Cement Company Limited are accounted for by the Group based on their audited financial statements made up to 31 December, 1998.

Particulars of Properties

Particulars of properties held by the Group as at 31 March, 1999 are as follows:

(A) Properties held as Fixed Assets

Location	Use	Approx. floor area (Sq. ft.)	Lease term	Group's interest
Section A of Lot No. 609, Lot Nos. 610 and 611, Section F of Lot No. 612 in Demarcation District No. 85, Fanling, New Territories	Workshop and storage	27,980	The property is held for a term of 75 years commencing on 1 July, 1898 renewed for a further term of 24 years less the last three days and is statutorily extended to 30 June, 2047	100%
Section B and the Remaining Portion of Lot No. 1477 in Demarcation District No. 77, Ping Che, Fanling, New Territories	Workshop and storage	17,260	The property is held for a term of 75 years commencing on 1 July, 1898 renewed for a further term of 24 years less the last three days and is statutorily extended to 30 June, 2047	100%
Kun Tong Inland Lot No. 43 54 - 56 Tsun Yip Street Kwun Tong, Kowloon	Industrial/ godown	212,300	The property is held for a term of 21 years commencing on 1 July, 1995 renewed for a further term of 21 years and is statutorily extended to 30 June, 2047	100%

(B) Properties under Development for Sale

Location	Stage of completion	Expected date of completion	Usage	Site area (Sq. metres)	Estimated floor area after completion (Sq. metres)	Group's interest
Tseung Kwan O Town, Lot No. 62 Area 65A, Tseung Kwan O Sai Kung,	Super-structure in progress	January 2001	PSPS	25,101	181,840	100%

Group Financial Summary

New Territories

(1) Results

The proforma combined results of the Group for the three years ended 31 March, 1997 have been prepared on a merger basis as if the existing group structure had been in existence throughout the relevant years. The basis of presentation is consistent with the basis adopted for the financial information contained in the Prospectus issued on 22 January, 1997.

	1995 HK\$'000	1996 HK\$'000	1997 HK\$'000	For the year ended 31 March, 1998 HK\$'000	1999 HK\$'000
Turnover	2,341,095	3,066,611	4,984,176	4,731,873	5,375,963
Operating profit before exceptional item	32,306	75,450	242,518	332,864	474,514
Exceptional item	-	-	-	-	(30,601)
	32,306	75,450	242,518	332,864	443,913
Share of results of associated companies/ jointly controlled entities	3,033	6,495	24,849	29,450	39,571
Profit from ordinary activities before taxation	35,339	81,945	267,367	362,314	483,484
Taxation	(2,839)	(11,740)	(43,913)	(49,965)	(74,374)
Profit before minority interests	32,500	70,205	223,454	312,349	409,110
Minority interests	(2,092)	(198)	(39)	787	(791)
Profit attributable to shareholders	30,408	70,007	223,415	313,136	408,319

(2) Assets and Liabilities

	1997 HK\$'000	1998 HK\$'000	As at 31 March, 1999 HK\$'000
Total assets	2,104,986	2,344,808	3,227,726
Total liabilities	(966,376)	(1,191,016)	(2,028,595)
Minority interests	(9,680)	(16,844)	(17,835)
Shareholders' funds	1,128,930	1,136,948	1,181,296

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the shareholders of Shui On Construction and Materials Limited ("the Company") will be held at Boardroom I, Grand Hyatt, 1 Harbour Road, Hong Kong on Tuesday, 17 August 1999 at 3:00 p.m. for the following purposes:-

1. To receive and consider the audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31 March 1999.
2. To declare a final dividend.
3. To elect Directors and fix their remuneration.
4. To re-appoint Auditors and authorise the Directors to fix their remuneration.
5. To consider as special business and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions:

Ordinary Resolutions

(I) "THAT:

- (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$1.00 each in the capital of the Company and to make or grant offers, agreements or options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such powers either during or after the Relevant Period be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted and issued by the Directors pursuant to this Resolution, otherwise than pursuant to (i) a rights issue; (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to the employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (iii) any scrip dividend pursuant to the Bye-laws of the Company from time to time, shall not exceed twenty per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution, and the said approval shall be limited accordingly; and
- (c) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; or
 - (iii) the date on which the authority set out in this Resolution is revoked or varied by ordinary resolution of the shareholders in general meeting of the Company."

(II) "THAT:

- (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK\$1.00 each in the capital of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the shares of the Company to be repurchased pursuant to the approval in paragraph (a) above shall not exceed ten per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution and the said approval shall be limited accordingly; and
- (c) the expression "Relevant Period" shall for the purposes of this Resolution have the same meaning as assigned to it under Ordinary Resolution I set out in the notice convening this meeting."

(III) "THAT the general mandate granted to the Directors to allot, issue and deal with additional shares of the Company pursuant to Ordinary Resolution I set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution II set out in the notice convening this meeting, provided that such amount shall not exceed ten per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution."

By Order of the Board
Evans Li
Company Secretary

Hong Kong, 28 June 1999

Notes:-

- (1) Any member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.
- (2) To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the head office of the Company at 34th Floor, Shui On Centre, 6-8 Harbour Road, Hong Kong not less than 48 hours before the time appointed for holding the meeting.
- (3) The register of members of the Company will be closed from Tuesday, 10 August 1999 to Tuesday, 17 August 1999, both days inclusive, during which period no transfer of shares will be effected.
- (4) Concerning Ordinary Resolution I above, approval is being sought from the members as a general mandate in compliance with the Rules Governing the Listing of Securities on the Stock Exchange. The Directors, however, have no immediate plans to issue any new shares of the Company.
- (5) An explanatory statement containing further details regarding Ordinary Resolution II above will be sent to members together with the 1998/99 Annual Report.