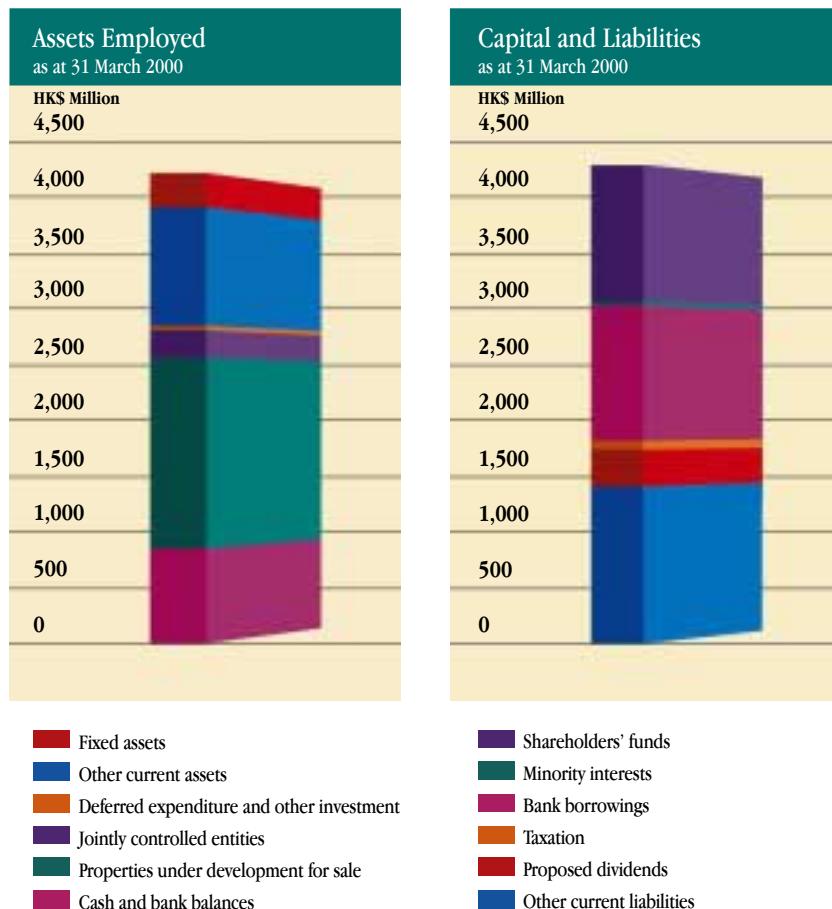
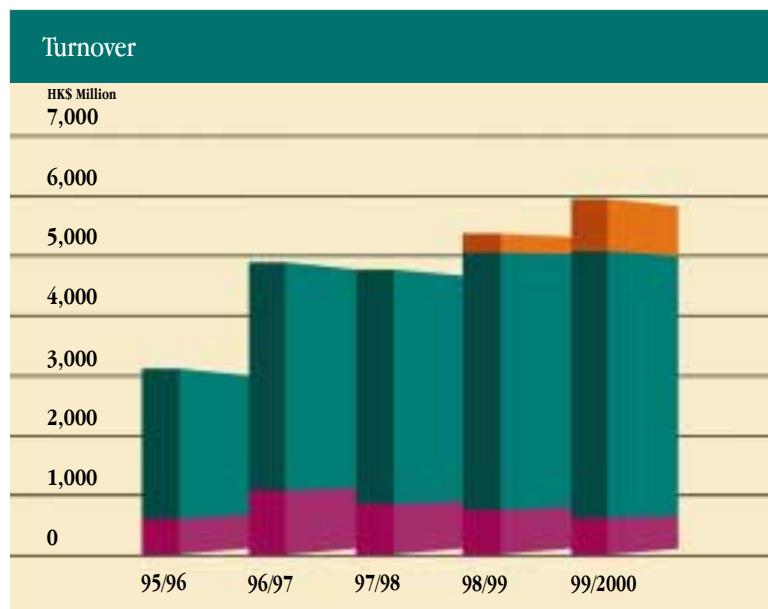


Financial Highlights

	2000 HK\$ Million	% Change Over 1999
Turnover	<u>5,985</u>	<u>+11%</u>
Operating profit before taxation	<u>612</u>	<u>+27%</u>
Profit attributable to shareholders	<u>503</u>	<u>+23%</u>
Earnings per share	HK\$	
Basic	<u>1.92</u>	<u>+22%</u>
Diluted	<u>1.91</u>	<u>+21%</u>
Dividend per share	<u>1.80</u>	<u>+29%</u>

2>



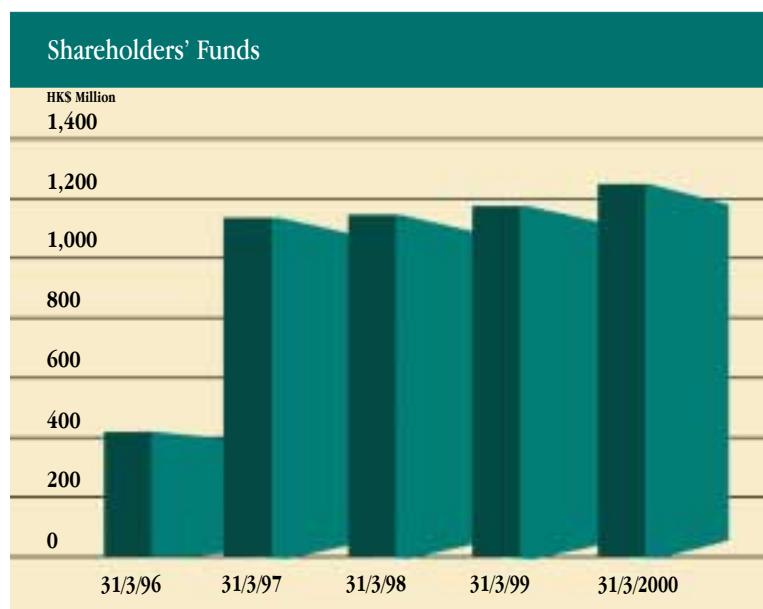


Others
Construction
Construction Materials



Others
Construction
Construction Materials

3>



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

Results

I am pleased to report that Shui On Construction and Materials Limited (SOCAM) has achieved highly satisfactory results for the year ended 31 March 2000. The Group's profit attributable to shareholders rose to HK\$503 million, an increase of 23% over that of the 1998/99 financial year, representing earnings per share of HK\$1.92, an increase of 22% over the previous year. Turnover amounted to HK\$5,985 million, 11% higher than the year before.

Dividends

The Directors recommend the payment of a final dividend of HK\$1.25 per share to shareholders whose names appear on the Register of Members of the Company on 5 September 2000. This, together with the interim dividend of HK\$0.55 per share, yields a total of HK\$1.8 per share for the year.

Business Review

SOCAM's operations achieved satisfactory growth in the year under review as a result of increased activities in the public sector.

The turnover of the Construction Division remained high during 1999/2000. We were awarded several large-scale contracts, among which the Redevelopment of Yau Tong Estate Phase V was the biggest single contract awarded for public housing construction with contract value exceeding HK\$1.6 billion. We also won our second design and build contract from

the Architectural Services Department for the construction of Departmental Quarters at Hong Ning Road after the North Point Government Offices.

The Group's profit attributable to shareholders rose to HK\$503 million, an increase of 23% over that of the 1998/99 financial year, representing earnings per share of HK\$1.92, an increase of 22% over the previous year.

7>

We welcome the Building Quality Reform Plan announced by the Hong Kong Housing Authority (HKHA) to provide better quality housing and to enhance public confidence. In response to the Reform proposal, Shui On has, in the last year, taken the initiative to hire labour directly for the plastering and tiling trades to allow for closer supervision and better quality control.

Chairman's Statement

1999/2000 was the year that witnessed Shui On's further achievement in environmental protection, quality, safety management and site housekeeping. Being the first building contractor in Hong Kong to have been awarded the ISO 9002 accreditation, we are pleased that both Shui On Construction Company Limited (SOC) and Shui On Building Contractors Limited (SOBC) were awarded ISO 14001 certification for environmental management system by the Hong Kong Quality Assurance Agency in December 1999.

8>

Shui On has always endeavoured to provide quality works whilst achieving a high standard of safety. We have been at the top of HKHA's site safety award list since 1992. In 1999, our Tseung Kwan O Area 65A Private Sector Participation Scheme (PSPS) site and



SOBC & SOC were awarded ISO 14001 environmental management system certification in 1999

Ho Man Tin South Phase 4 site topped the award lists of both the Private Sector and Public Sector categories in the first Safety Award Scheme on Good Housekeeping for the Construction Industry. These awards are a significant recognition since the scheme was organized by nine prominent organizations in the construction industry. It was the first territory-wide scheme that assessed building sites in both private and public sectors.



Shui On topped the award lists of both the Private Sector & Public Sector categories in the first Safety Award Scheme on Good Housekeeping for the Construction Industry

During the year, Shui On received the “Good People Management Award 1999” given by the Workplace Consultation Promotion Unit of the Labour Department in recognition of our outstanding performance in people management. This is a major recognition for Shui On’s policy and practices in human resources management and provides significant encouragement for our continued endeavour in the area.

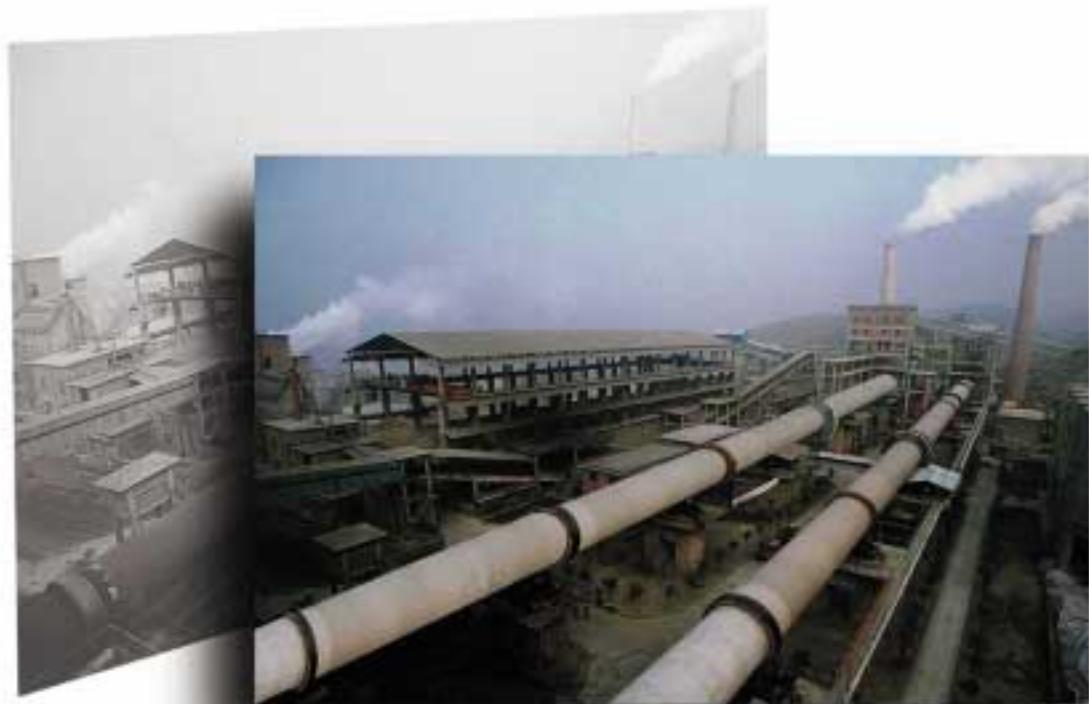
SOC and SOBC were awarded the “Low Accident Achievement Target Awards” by the Hong Kong Construction Association in recognition of our efforts in maintaining site safety. Our accident rates were further reduced to less than one-fifth of the industry average in 1999. These achievements put us in an advantageous position to secure more construction works in the public sector should the opportunity arise.

The market for our Construction Materials Division in Hong Kong remained relatively stable while there was an increasing demand for high quality construction materials in the Chinese Mainland. The TH Cement joint venture in Chongqing commissioned the second rotary kiln in the Hechuan plant in the last quarter of 1999. With the addition of this kiln, the annual production capacity of the plant would reach one million tonnes, making TH Cement the third largest cement supplier in Chongqing.

Chongqing is China’s fourth direct municipality and it will become the economic and financial centre of the southwestern part of the Mainland. The demand for high quality cement in Chongqing and its neighbouring areas is expected to grow. We are keen to capitalize on this opportunity and an agreement

9>

The Chongqing TH Cement plant commissioned the second rotary kiln in the last quarter of 1999

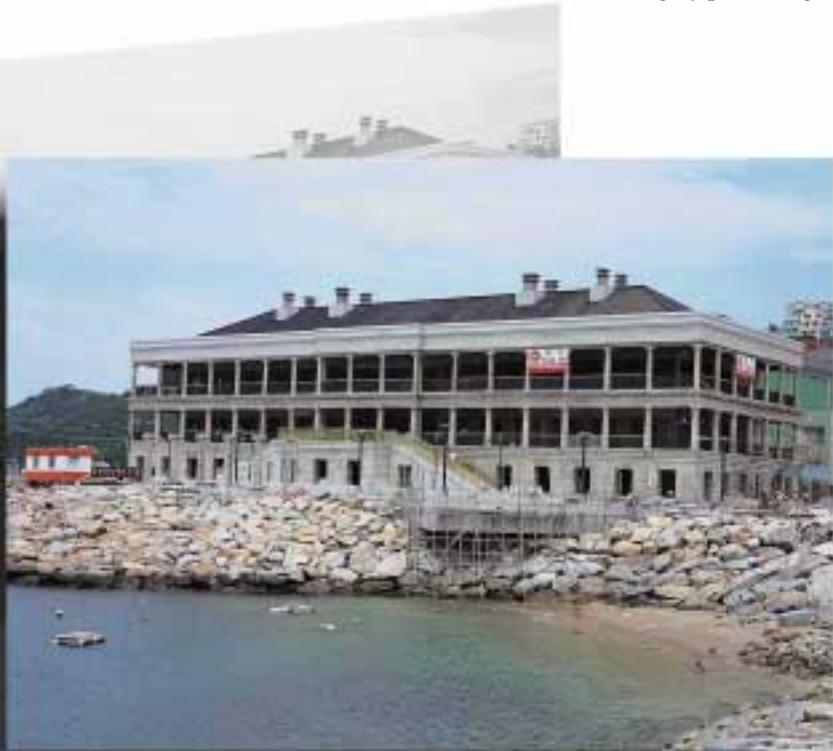


has been signed by TH Cement to purchase a second cement plant with 300,000 tonnes annual production capacity in Fuling, a district within Chongqing municipality that will further strengthen our capability and capacity to provide high quality cement in a growing market. In April 2000, TH Cement has entered into a letter of intent to purchase a cement plant with annual production capacity of 300,000 tonnes in Zun Yi City of Guizhou Province in a move to further expand its operation. The Nanjing Cement joint venture recorded increased volume and began exports to the southern China and Hong Kong regions as well as Australia in 1999.

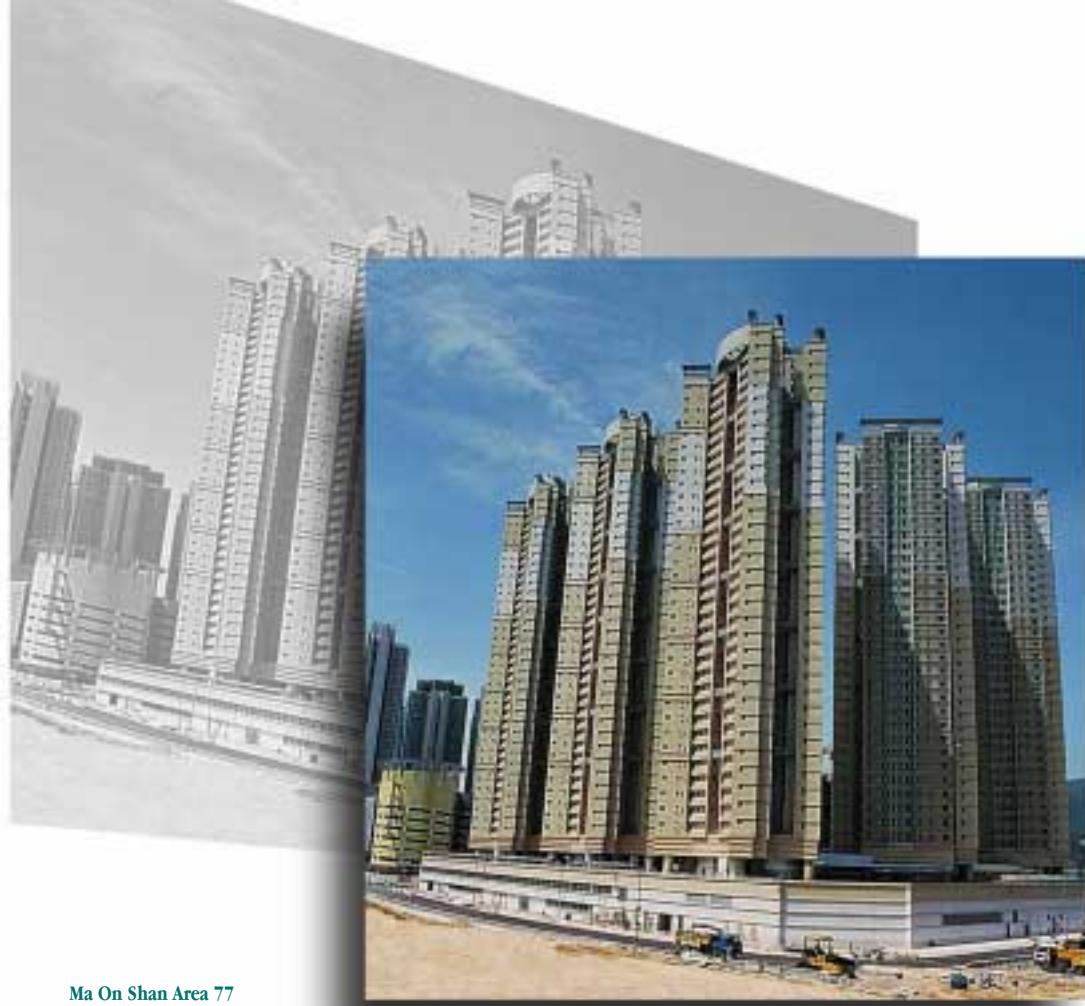
Outlook

Economic recovery in Hong Kong started in the second half of last year. Major projects such as Hong Kong Disneyland, Science Park and Cyberport are encouraging signs for Hong Kong's future development. The construction sector will also be boosted by Kowloon Canton Railway's West Rail Phase I, East Rail and Light Rail extensions, as well as Mass Transit Railway's Tseung Kwan O extension projects.

The Central Government's policy to open up and develop the central and western regions of the Mainland will generate growth and development in those areas in the decades ahead. There will be a rising demand for high quality cement in the central and western regions with its massive infrastructure and housing developments. Together with the impending accession of China into the World Trade Organization, the prospect for our cement investment is highly promising.



New Murray House
in Stanley



Ma On Shan Area 77

11>

Major changes are taking place in the global economy. E-commerce is gaining wider applications and creating unprecedented opportunities. SOCAM will capitalize on the benefits of the Internet and information technology while continuing to focus on its core businesses. Substantial savings can be expected when these applications are successfully integrated into the operations. The prospect for the on-line trading business of Chinese construction materials is good. SOCAM's expertise and experience in the construction industry will be put to good use in the supply chain management of this new business. Every effort will be made to capitalize on this exciting opportunity.

Acknowledgments

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

Lo Hong Sui, Vincent

Chairman

Hong Kong, July 2000

Review of Operations



Choi Yuk Keung,
Lawrence
Managing Director

CONSTRUCTION DIVISION

Turnover and pre-tax profit of the construction and building maintenance works amounted to HK\$4,242 million and HK\$251 million, respectively. Construction projects continued to benefit from its efforts in enhancing cost competitiveness through innovative construction techniques and the production of building components through the Construction Materials Division's various joint ventures in the Pearl River Delta. Apart from the construction activities, the Private Sector Participation Scheme (PSPS) project recorded a turnover of HK\$952 million and a pre-tax profit of HK\$194 million during the year.

Public Housing - Shui On Building Contractors (SOBC)

During the year, SOBC completed three contracts for the Hong Kong Housing Authority (HKHA), namely, Un Chau Street Estate Phase III, Shek Lei Estate Extension and Tin Shui Wai Area 31 Phase II, with a total of 4,800 residential units and ancillary commercial premises and facilities. The order book was maintained at a healthy level by the securing of four new contracts with a combined value of HK\$3,200 million, comprising 4,900 residential units.

The PSPS project in Tseung Kwan O Town Lot No. 62 Area 65A continues to progress on schedule. Superstructure for the eight residential blocks was topped out in May 2000.

Works on the interior of residential blocks and commercial areas are expected to complete before the end of 2000.

The Construction Division achieved strong profit growth. Annual production capacity of the Group's cement operations in the Chinese Mainland increased to 1.5 million tonnes.

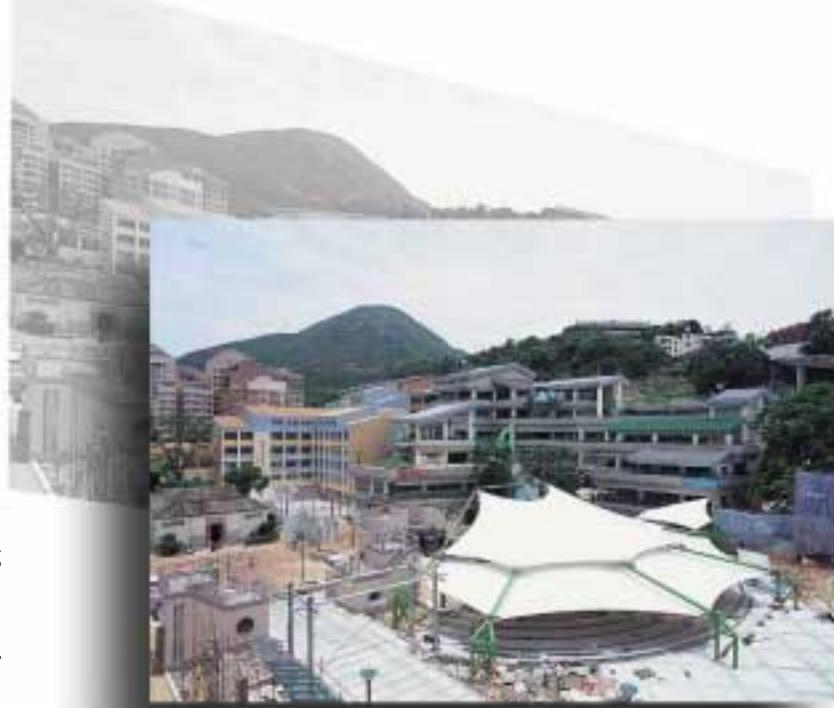
13>

The HKHA, adopting much more stringent standards, has changed the tendering award system and greater emphasis is placed on the past and current performance of bidders with regard to their quality and safety records. As a result, contractors that submit the lowest bids may not necessarily be awarded the contract. The Division's consistent efforts in providing high quality work place us in a good position to be a preferred contractor. Leveraging on our past records, it is expected that SOBC will be eligible to tender for a large number of HKHA projects between mid-June and September 2000. SOBC should be in a good position to secure more projects with reasonable margins.

Other Government and Institutional Buildings -

Shui On Construction (SOC)

The two out-patient clinics at South Kwai Chung and Sai Ying Pun were completed during the year. SOC was awarded two contracts in mid 1999 for the construction of a public health laboratory in Sham Shui Po and the Phase II development of Castle Peak Hospital. Following the successful completion of North Point Government Offices in 1998, SOC won a second design-and-build contract for the construction of two blocks of government departmental quarters in Kwun Tong.



*Ma Hang Village
Phase III, Stanley*

14>

It is expected that the Architectural Services Department (ASD) will continue to award contracts in order to keep pace with the massive new town development and the urban redevelopment programme. Substantial works in the foreseeable future include the construction of the police headquarters, the Science Park, government office complexes, modernized markets and schools. Some of these are design-and-build projects that will call for SOC's experience and expertise in this area. SOC is also making an effort to secure its first contract after its successful inclusion in the Building (New Works) Group NWI List of the HKHA which allows tender for projects up to HK\$450 million.



*Queen Mary Out-
patient Clinic*

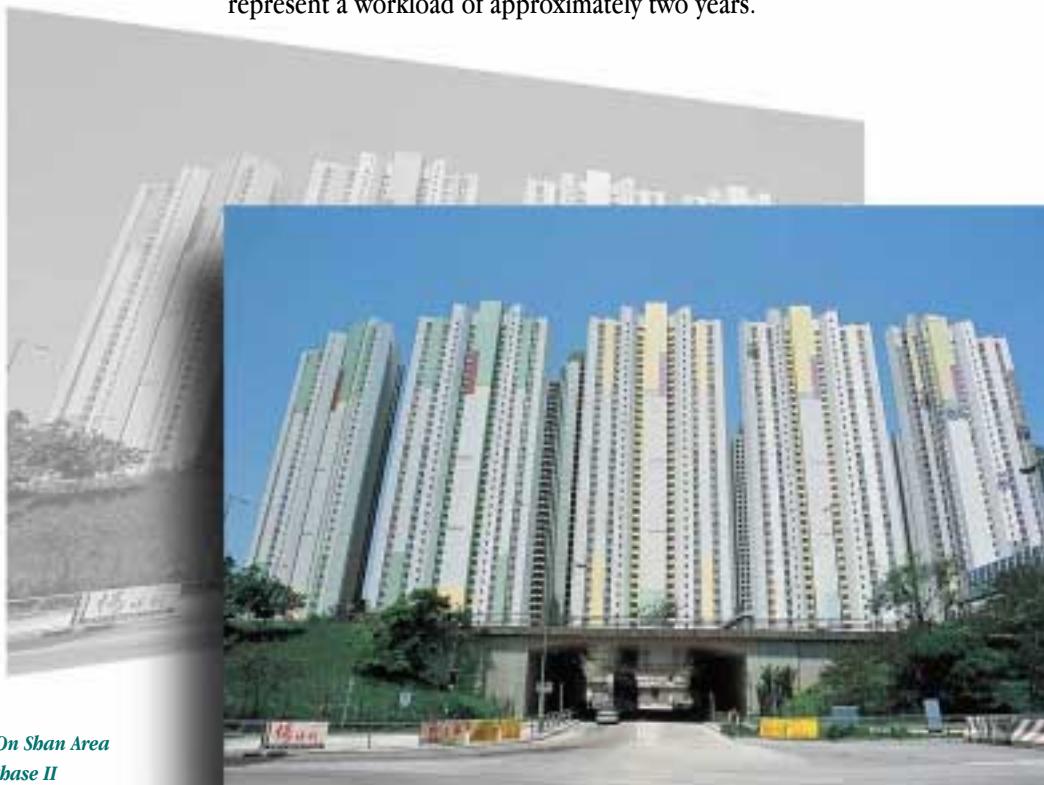
Renovation and Fitting-out - Pat Davie

Major fitting-out works carried out for the Standard Chartered Bank were completed and the renovation contract for the prestigious Prince's Building in Central was performed to the satisfaction of the Hong Kong Land Group within a tight schedule. The downturn in the property market began to affect the renovation and fitting-out market. New works secured during the year amounted to only HK\$300 million due to low tender prices submitted by major competitors. However, more tenders will be available as Hong Kong's economy is recovering and

have secured two major fitting-out contracts, one for the new office of Time Warner Inc. and the other for China Mobile (Hong Kong). Pat Davie will continue to focus on institutional and international clients and is expected to benefit from the revival of the economy.

Contracts On Hand

As at 30 June 2000, the gross and outstanding values of contracts on hand of the Construction Division amounted to approximately HK\$13.5 billion and HK\$ 7.1 billion, respectively. These contracts represent a workload of approximately two years.



*Ma On Shan Area
77 Phase II*

overseas companies are expanding or setting up regional offices in anticipation of China's entry to the World Trade Organization. The transformation of Hong Kong to a knowledge based economy has also attracted world-class companies in the information technology sector to Hong Kong. We

Apart from the continuous stream of projects from the HKHA and ASD, we will also closely follow tendering opportunities relating to building works along the KCRC and MTRC extensions, as well as projects from institutions and public utilities.

CONSTRUCTION MATERIALS DIVISION

Ready-mixed concrete - Ken On

The slow-down of the private residential and office market as well as the absence of large-scale infrastructure works during the year resulted in further shrinking of concrete consumption in Hong Kong to about 9 million cubic metres. Whilst Ken On was able to maintain its market share, production of concrete and instant mortar dropped by 13% to 1.1 million cubic metres. Average selling prices remained relatively firm but gross profit contribution of Ken On was 10% below that of last year due to lower production volume.

16>

A new batching plant in Pak Shing Kok was established to supply concrete of stringent standards to the MTRC Tseung Kwan O line extension. The Lai Chi Kok plant had ceased production and orders on hand would be handled by the more efficient Cheung Sha Wan Plant that services the Western Kowloon area. Other cost reduction measures were implemented to improve the performance of the company.

Despite an increase of 50% in production to 360,000 cubic metres of concrete, the two batching plants in Guangzhou were still operating in a very competitive environment and sustained a small loss. One of these two plants will be relocated to the south-eastern part of Guangzhou where it can conveniently serve the Guangzhou Mass Transit Railway for its Phase II construction work as well as the new Convention and Exhibition Centre.



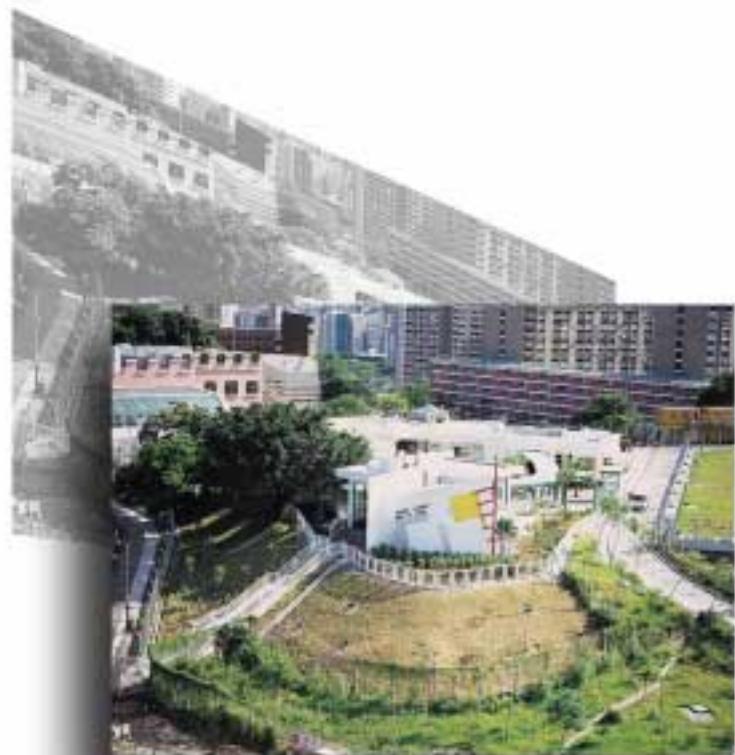
Ken On's newly established batching plant in Pak Shing Kok

Orders secured in the past few months in Hong Kong saw further downward price adjustments. As at 30 June 1999, the outstanding order book of Ken On was in excess of 900,000 cubic metres which should allow a stable production in the year ahead.

Quarrying Operations

The two quarries in Lamma Island and Xinhui produced a total of 3.4 million tonnes of rocks and aggregate, approximately 60% of which was for Ken On's concrete operation. The quarrying rights in Lamma Island had expired in March 2000 and rock processing was discontinued. The rehabilitation programme of the quarry progressed on schedule and within budget.

A site formation contract in Guishan Island, Zhuhai was secured. Crushed rocks, by-products of the project, will be utilized by Ken On as a replacement for the Lamma Island aggregate supply. Full-fledged operation is expected in late 2000 and the annual production of aggregate should reach 2 million tonnes. This new source, together with the re-opening of the Chik Wan quarry, should ensure a



*Mock-up Centre for
PRH & HOS
modular flats*

stable supply of high quality aggregate for our Ken On operation. Our sales team is also monitoring closely the potential business of larger rock products required by the very tight reclamation programme of the Hong Kong Disneyland and other infrastructure projects. With the dwindling supply of rocks from the limited number of quarries in Hong Kong, the Group anticipates a steady increase in contribution from the quarrying division in the next two years.

17>



*Quarry on Gui Shan
Island, Zhuhai*

Cement Import and Distribution - Far East Cement

Far East Cement, 50% of which is owned by the Group, registered a trading volume of bulk and bagged cement of 550,000 tonnes which was the same as the previous year. Ken On remained the major customer accounting for approximately 77% of this volume.

Despite the recovery of most Asian countries from the economic downturn, cement prices in Asia were still depressed due to excess supply. The adverse effect of a general reduction of approximately 9% in selling prices in Hong Kong was largely compensated by cheaper cement imported through our joint venture partner, Sumitomo Osaka Cement.

18>

Cement Operation in the Chinese Mainland

We continued to expand our cement investment in the Chinese Mainland during the year. A number of impending acquisitions are expected to accelerate our plan and boost the Group's production capacity in the next three years to reach three to four million tonnes per annum. The expansion will tie in with the Central Government's allocation of more resources to develop the Central and Western provinces, where cement consumption is expected to grow rapidly. On the other hand, the Central Government also decided to revamp the cement industry by enforcing the closure of inefficient and old plants to reduce adverse environmental impact and to improve the overall quality of cement. Such



*Yi Fung Court,
Kwai Chung*

measures will improve our competitive position as one of the few leading producers of high grade cement in the region.

Chongqing TH Cement

The Group's effective 34% holding in TH Cement has, since the end of the last financial year, been increased to 45% through the acquisition of stakes held by Far East Cement and the Chinese joint venture partner. This joint venture continued its fourth consecutive year of profitable operation although an aggressive sales strategy had to be adopted which resulted in a 5% price reduction in recent months. A few months after it was commissioned, the second rotary kiln reached its full capacity, bringing the total capacity of the plant to just over one million tonnes per annum. TH Cement was the first producer of fly ash cement in

the Chinese Mainland, mixing clinker with up to 30% of fly ash supplied by a nearby power plant. The local government encouraged the adoption of this environmentally friendly production method with an annual tax concession. Production of this plant can be further expanded to two million tonnes per annum within the next two to three years, if market condition permits. In view of this successful investment, TH Cement embarked on an expansion plan. Another joint venture agreement was signed in early June 2000 for the acquisition of a cement plant in the nearby Fuling District. TH Cement has a 70% stake in this joint venture, which translates to a 39% effective holding for the Group. This cement plant has a production capacity of 300,000 tonnes per annum.

TH Cement signed a letter of intent in April 2000 to purchase a cement plant with a 300,000 tonnes per annum capacity in a major city in Guizhou, a province adjacent to Szechuan. This plant's production capacity can be increased to 1.6 million tonnes annually. The plan is to closely match our

increase in production facilities with the local government's scheduled closure of small and old cement plants in the next three years. TH's expertise in producing high grade cement, the experience of successfully reforming state-owned enterprises, and the abundant raw materials and energy supply would ensure the success of this joint venture.

Nanjing Operation

In its second full year of operation under Shui On's management, this 60% joint venture investment of the Group attained break-even result in late 1999. It now has a clientele different from its traditional portfolio of state-owned enterprises two years ago. In the coming year, the Nanjing operation will supply approximately 200,000 tonnes of cement per annum to Ken On's operation in Hong Kong and Guangzhou, thus achieving vertical integration for the Construction Materials Division.

19>

The joint venture was the first Chinese cement plant to export substantial volume to Australia. So far, approximately 60,000 tonnes of cement have been shipped and annual sales are expected to be in excess of 100,000 tonnes per annum. The export business has reduced the competitive pressure from the local Nanjing market and Chinese coastal cities. The joint venture is expected to supply 60% of its output to Ken On and Australia in the coming year.

Choi Yuk Keung, Lawrence

Managing Director

Hong Kong, July 2000

*Ho Man Tin South
Phase III*



Innovation

Being a key player in the construction industry in Hong Kong, Shui On has been actively involved and investing resources and manpower in the research and development of innovative construction techniques. Research and development bring about sophisticated tools, new construction techniques, and technologically advanced equipment to create environmentally attuned construction processes. As a result, repetitive works can be automated to improve the production process of traditional construction methods.

20>

Shui On is committed to providing a good and safe workplace for workers, quality and reliable service for clients, attractive returns on investments for shareholders, environmentally friendly surroundings for the community as well as enhancing overall productivity of the construction industry. Over the years, Shui On has won recognition from within and outside the industry that affirms the company's achievement in enhancing the industry's standards in terms of product and service quality, efficiency, productivity, site safety and management.

Looking ahead, Shui On will continue its efforts in research and development. We are determined to introduce advanced technology and construction methods that can help establish a reputation for the Hong Kong construction industry in providing quality construction works.

Drywall Panel with Concealed Conduit

Jump Lift System

Site Safety and Environmental Protection Measures

Waste Water Treatment System

Enclosure for Preventing Dust Emission

Automatic Spraying System

Water Spraying System in Main Haul Road

21>

Precast Facade

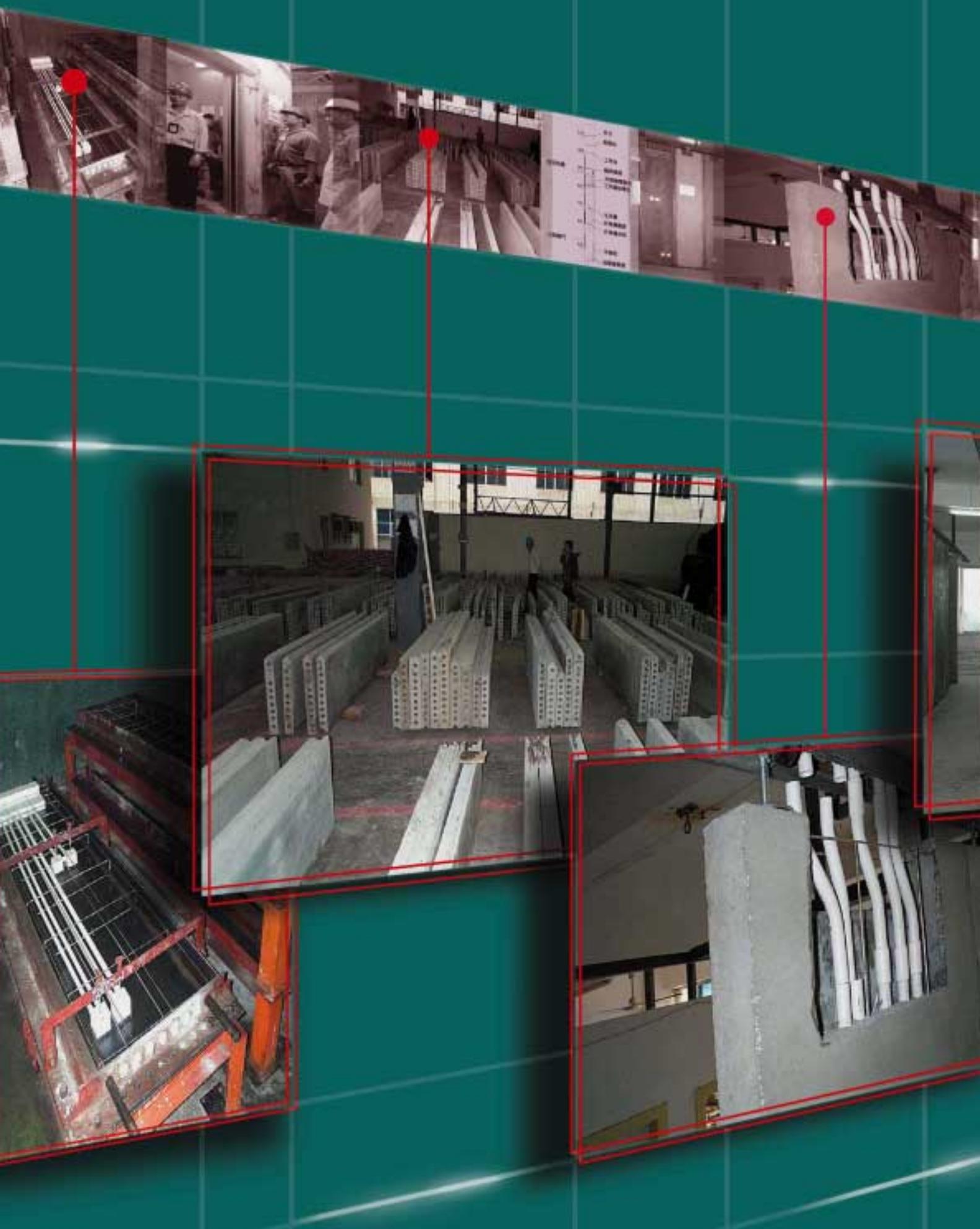
Aluminium Formwork

Six-day Construction Cycle

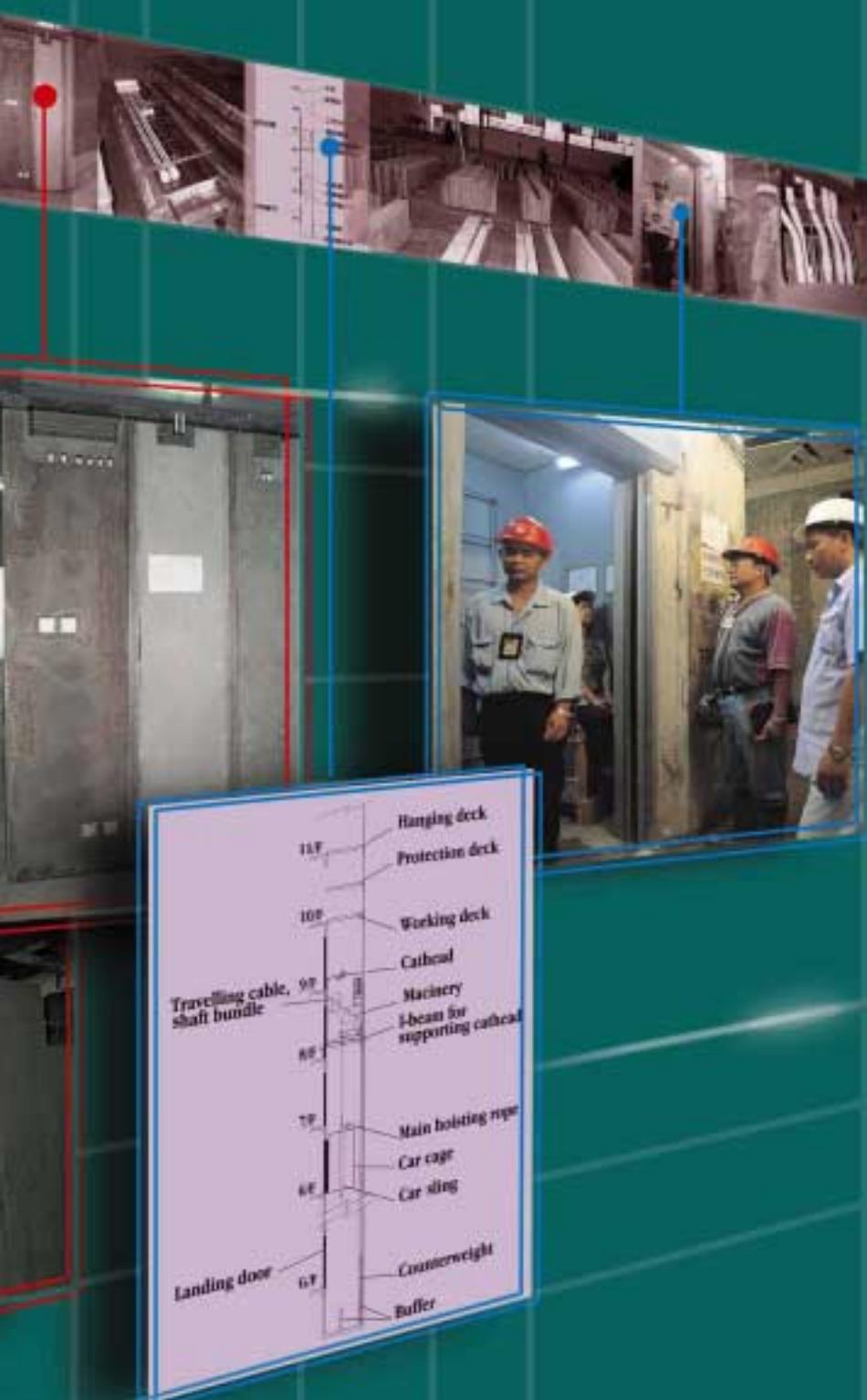
Half Tunnel Formwork

Construction Integrated Management System

Smart Card System for Site Entrance



Drywall Panel with Concealed Conduit Jump Lift System



Drywall Panel with Concealed Conduit

Application:

First adopted at the Redevelopment of Yau Tong Estate Phase V site in the year 2000.

Description:

Conduits, socket boxes and switch boxes are precasted into the drywall panel at the factory.

Features and benefits:

- * Eliminates chasing and subsequent patching up and making good on drywall panels, producing a better surface finishing.
- * Facilitates accurate installation of socket box and switch box outlets.
- * Prevents panel damage arising from chasing and hacking operations as well as associated handling processes.
- * Reduces wastage of conduits as compared to the in-situ installation method.
- * Reduces waste materials on site, thus resulting in a cleaner and tidier construction site.

Jump Lift System

Shui On won the Safety Technology Award at the Occupational Safety and Health Enhancement Forum 2000 with the application of the Jump Lift System in its building site.

Application:

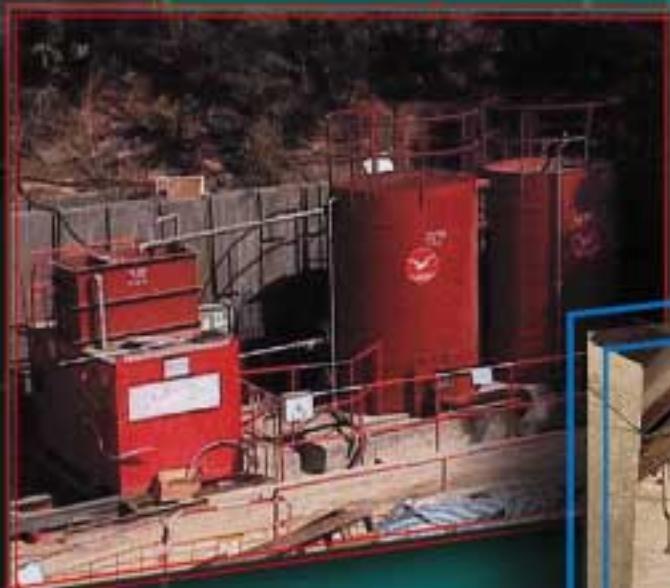
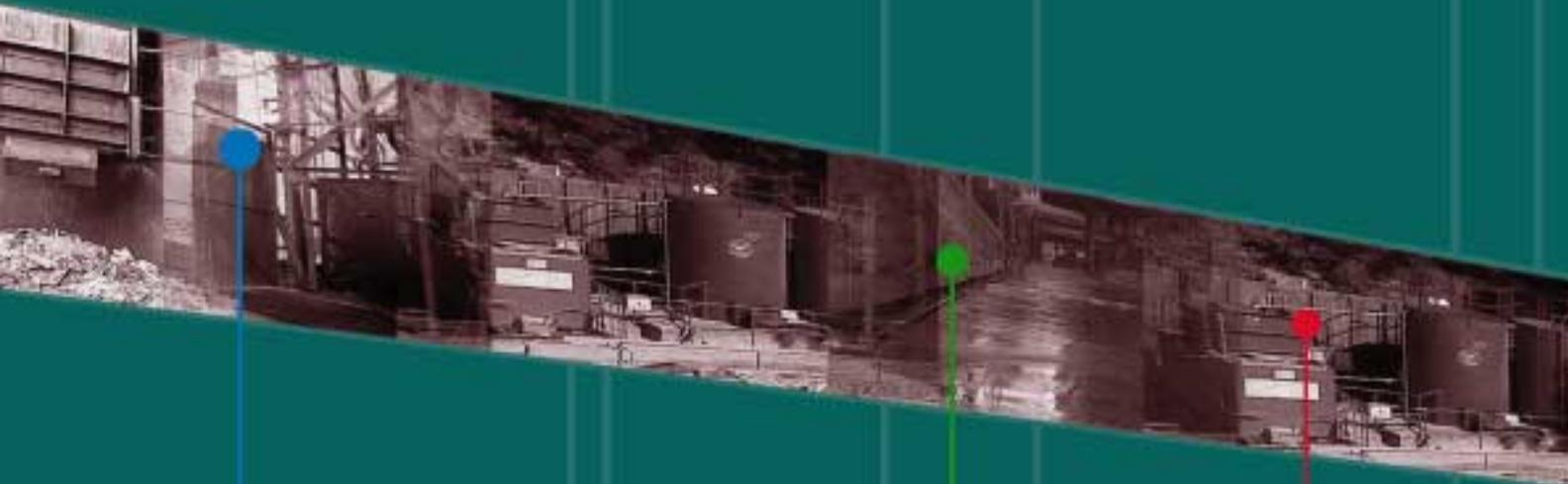
First adopted at the Private Sector Participation Scheme development at Tseung Kwan O Town Lot No.62 Area 65A site in 1998.

Description:

- * An advanced technique, developed by KONE Elevator in Europe, of putting lift cars into service during the construction stage without the need for a permanent lift motor room.
- * Installed in permanent lift shaft inside the building.
- * As the name suggests, the lift "jumps" as floors are added to a building under construction. As the building construction moves upwards, the "Jump Lift" follows, thereby serving as a construction lift.

Features and benefits:

- * Provides safer means of vertical transportation during construction and fitting-out phases.
- * Enables all weather operation, thus enhancing progress of site work.
- * Minimizes environmental impact on the surrounding area.
- * Allows fast change-over to permanent lift.
- * Provides lift service to every floor from the beginning to the final stages of construction.
- * Allows higher speed of travel than conventional construction lift, thus improving productivity.
- * Improves productivity and site supervision as work locations become easily accessible.
- * Prompts vertical check during construction of the building.
- * Saves lift shaft scaffolding cost and time.
- * Eliminates rework and making good of external finish due to temporary openings for conventional hoist and passenger lift.



Site Safety and Environmental Protection Measures

Waste Water Treatment System

Enclosure for Preventing Dust Emission

Automatic Spraying System

Water Spraying System



Site Safety and Environmental Protection Measures

As a responsible corporate citizen, Shui On has initiated various innovative measures in site safety and environmental protection, some of which not only became models for the industry to follow but also won reputable safety awards from clients.

Waste Water Treatment System

Application:

First adopted at the Ho Man Tin South Phase III site in 1998.

Description:

Waste water in construction sites is collected for sedimentation and filtration before recycling for car washing and spraying on dusty ground.

Features and benefits:

- * Filters waste water to reduce the suspended solid content to an acceptable standard for reuse.
- * Saves fresh water consumption on construction sites.

Enclosure for Preventing Dust Emission

Application:

First adopted at the Tseung Kwan O Area 13 site in 1999.

Description:

An enclosure is installed to envelop the material hoist platform.

Features and benefits:

- * Reduces dust emission from operation of material hoist during transportation of building materials especially those in dry powder form.
- * Improves safety by eliminating the tarpaulin cover to material hoist and by reducing accidents caused by falling objects.

Automatic Spraying System

Application:

First adopted at the Redevelopment of Un Chau Street Estate Phase III site in 1997.

Description:

Sprinkler heads and a vibration sensor are installed at the bottom of the refuse chute. Vibration caused by falling refuse signals operation by water sprinkler to suppress dust emission.

Features and benefits:

- * By spraying water, dust emission is minimized.
- * Uses vibration sensor to minimize water consumption.

Water Spraying System in Main Haul Road

Application:

First adopted at various Shui On construction sites in 1999.

Description:

Water pipes are installed along the main haul road with sprinklers placed at specific intervals. Water spraying takes place at regular intervals according to weather and site conditions.

Features and benefits:

- * Keeps the main haul road surface wet so as to minimize dust emission from unpaved road or during excavation work.
- * Uses recycled water to minimize water consumption.



Precast Facade Aluminium Formwork Six-day Construction Cycle



Precast Facade

Application:

Shui On was the first main contractor to apply this construction technique at a Hong Kong Housing Authority (HKHA) housing project (Tin Yiu Estate Phase III site) back in 1990. HKHA approved the design of precast facade and specified its use in the typical floor construction of most of its subsequent projects.

Description:

The external facade walls are precast with window frames cast in and can be produced on site or in the factory.

Features and benefits:

- * Uses precast facade to accelerate the repetitive typical floor construction for high-rise buildings.
- * Achieves better quality as compared with the in-situ facade produced by the timber shuttering method.
- * Ensures better waterproofing since the window frame is cast in with the precast facade.

Aluminium Formwork

Application:

The aluminium formwork system was first introduced in 1992 at the Kwai Chung Area 9H Phase II project. In 1994, aluminium formwork system was applied at the Tsui Wan Estate for the New Cruciform Block construction. Shui On was the first company to use aluminium formwork for the whole block in public housing construction.

Description:

Aluminium formwork system provides formworks for the construction of wall, slab, column, beam, staircase and even architectural features. It allows wall and slab to be cast in one operation.

Features and benefits:

- * Produces smooth concrete surface resulting in less remedial works.
- * Requires no timber shuttering thus reducing garbage and is waste on site and enhances environmental protection.
- * Allows easy handling by hands with its light weight aluminium.
- * Allows reuse and is environmentally friendly.
- * Can be tailor-made, hence suitable for non-standard housing design.

Six-day Construction Cycle

Application:

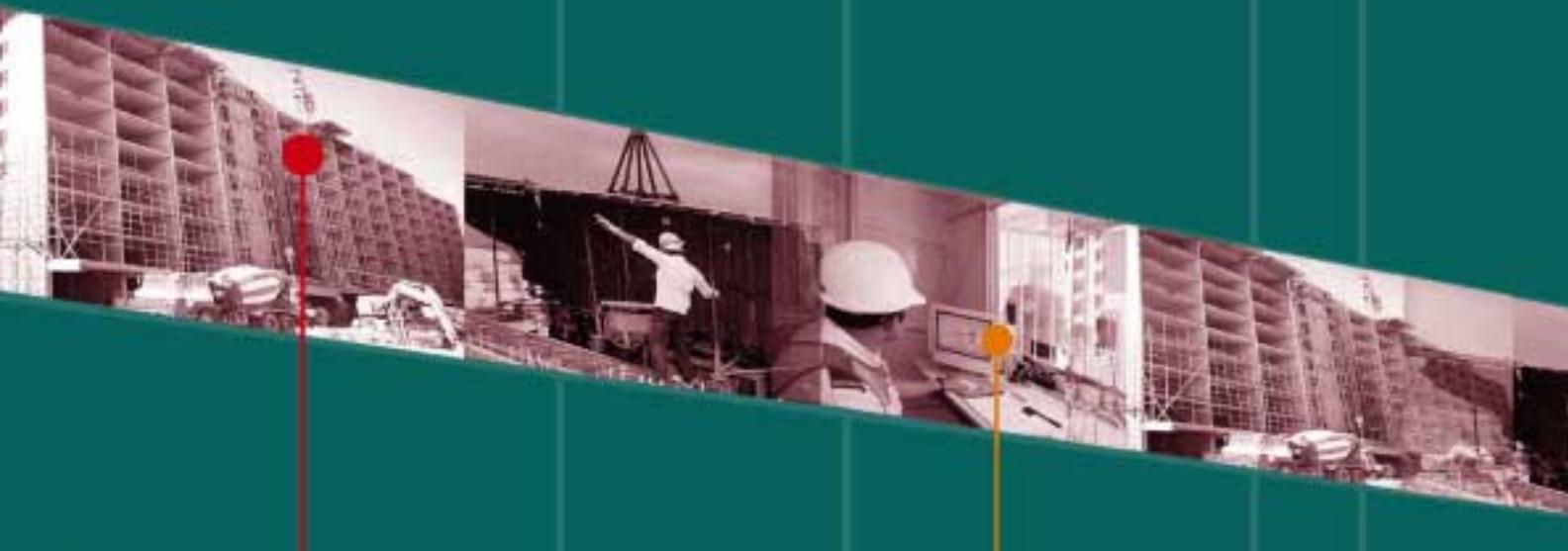
As demonstrated through the construction of Harmony Block at the Ma On Shan Phase II site in 1994, Shui On was the first main contractor on HKHA's Contractors' List to achieve a 6-day cycle for the typical floor construction of Harmony Block instead of the traditional 9-day cycle.

Description:

The 6-day cycle for typical floor construction of Harmony Blocks was achieved by providing additional tower cranes, wallforms, semi-precast slabs, close coordination and good planning.

Features and benefits:

- * Reduces the construction period for a 39-storey Harmony Block from 29 to 25 months.
- * Produces smooth slab soffit by adopting semi-precast planks and requires minimal timber formwork.
- * Shortens construction time without sacrificing the quality of housing units produced.



Half Tunnel Formwork

Construction Integrated Management System

Smart Card System for Site Entrance



Half Tunnel Formwork

Application:

First adopted at the Hang On Estate Phase I site in 1985.

Description:

A steel formwork system that allows monolithic casting of wall and slab in a single operation.

Features and benefits:

- * Enables easy installation and dismantlement.
- * Enables fast construction as walls and slabs are cast in one operation.
- * Obtains high quality concrete surfaces resulting in less remedial work.
- * Achieves better dimensional control since the formworks are prefabricated in a factory environment.
- * With the application of hot air curing, "1-day cycle construction method" for a portion of typical floor of Linear Block can be achieved.

Construction Integrated Management System (CIMS)

Application:

First adopted at the Ma Hang Village Phase III site in 1998.

Description:

- * Maintains control on incoming drawings, generates daily reports, keeps daily details of workers and provides interface to smart card system to further strengthen work site access control.

Features and benefits:

- * Enables both management and site staff to review work progress and keep track of the number of workers and construction materials needed on a daily basis.
- * Enables timely circulation, proper storage and easy retrieval of information.

Smart Card System for Site Entrance

Application:

First adopted at Shui On construction sites in 1999.

Description:

- * The Smart Card is a credit-card size plastic card with built-in IC (Integrated Circuit) chips.
- * Each card is assigned a specific code. When a worker uses his card to gain access to the site, personal details such as his photo, name and subcontractors' name will be shown on the security guard's computer terminal.

Features and benefits:

- * Strengthens site security and reduces possibilities of fake cards since each card is pre-registered into the computer system at each site.
- * Maintains workers' records and makes sure the percentage of skilled workers meets the requirements of clients.
- * Keeps track of in-out attendance records of site staff for better management of human resources functions such as payroll and Mandatory Provident Fund contribution.
- * Paves the way for introducing long-term employment of construction workers in the industry.

Directors and Senior Management

Directors

Executive Directors

Lo Hong Sui, Vincent GBS JP

Aged 52, has been the Chairman of the Company since 1997. He is also chairman and chief executive of the Shui On Group which he founded 29 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

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Aged 51, has been the Vice-chairman of the Company since 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 Yik Keung, Lawrence

Aged 46, has been the Managing Director of the Company since 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 45, has been an Executive Director of the Company since 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 49, has been an Executive Director of the Company since 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 25 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 and chairman of its Safety Committee, chairman of the Board of Studies for the Construction Management Training Programme of the Construction Industry Training Authority, a member of the Departmental Advisory Committee for Department of Building and Construction of the City University of Hong Kong, a member of the Advisory Committee of the Department of Civil Engineering of the University of Hong Kong and a representative of the Hong Kong Construction Association in the Construction Quality and Safety (QS) Sub-committee of the Construction Industry Review Committee.

Lowe Hob Wai Wan, Vivien

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Aged 51, has been an Executive Director of the Company since 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 49, has been a Non-executive Director of the Company since 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 has worked in the Shui On Group for over 15 years. He holds a Master of Arts degree from the University of Wisconsin.

Wong Ying Wai, Wilfred

Aged 47, has been a Non-executive Director of the Company since 1997. He is also president and chief executive officer of China Investment Group Limited and managing director of Henderson China Holdings Limited. He is a Deputy to The Ninth National People's Congress, chairman of the Business and Professionals Federation of Hong Kong, president of The Hong Kong Federation of Youth Groups and treasurer of the Hong Kong University of Science and Technology. He was educated at Harvard University, Oxford University, the University of Hong Kong and the Chinese University of Hong Kong.

Directors and Senior Management

Griffiths, Anthony

Aged 56, has been a Non-executive Director of the Company since 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 52, is an Executive Director of Shui On Building Materials Limited, Ken On Concrete Company Limited and Lamma Rock Products Limited. He has worked in the Shui On Group for over 17 years. He holds a Master's degree in Business Administration and is a Fellow of the Institute of Quarrying.

Leich, John

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Aged 49, is an Executive Director of Ken On Concrete Company Limited, Lamma Rock Products Limited and Instant Mortars 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.

Leung Kam Woon, Barnabas

Aged 53, 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 54, 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.

Lee Wing Kee, Stephen

Aged 47, is the General Manager of Shui On Building Contractors Limited and Shui On Construction Company Limited. He has worked in the Shui On Group for over 12 years and 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 47, 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 49, is the Technical Director of the construction materials division. He has worked in the Shui On Group for over 17 years. 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.

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Kong Hon Ling, Frank

Aged 48, 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 48, 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 39, 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 annual report and the audited financial statements for the year ended 31 March, 2000.

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, 2000, analysed by principal activity and geographical market, were as follows:

	Contribution to results from ordinary activities before taxation	
	HK\$'000	
	Turnover	HK\$'000
By principal activity:		
Construction and building maintenance	4,242,440	251,413
Sale of construction materials	780,000	123,367
Property development	951,886	194,312
Property investment	10,916	5,371
	<hr/> <u>5,985,242</u>	<hr/> <u>574,463</u>
Finance costs	(1,037)	
Share of results of associates	15	
Share of results of jointly controlled entities	35,165	
Other income	3,175	
Profit from ordinary activities before taxation	<hr/> <u>611,781</u>	
By geographical market:		
Hong Kong	5,862,994	572,277
Other regions in the People's Republic of China	<hr/> 122,248	<hr/> 2,186
	<hr/> <u>5,985,242</u>	<hr/> <u>574,463</u>
Finance costs	(1,037)	
Share of results of associates	15	
Share of results of jointly controlled entities	35,165	
Other income	3,175	
Profit from ordinary activities before taxation	<hr/> <u>611,781</u>	

Results and Appropriations

The results of the Group for the year ended 31 March, 2000 are set out in the consolidated income statement on page 41.

An interim dividend of HK\$0.55 per share amounting to HK\$144,266,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK\$1.25 per share to the shareholders on the register of members on 5 September, 2000, amounting to HK\$327,938,000, and the retention of the remaining profit for the year of HK\$29,204,000.

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 22 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 23 to the financial statements.

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.

Subsidiaries, Associates and Jointly Controlled Entities

Details of the Company's subsidiaries, associates and jointly controlled entities at 31 March, 2000 are set out in notes 35, 36 and 37 respectively to the financial statements.

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Investment Property

The Group's investment property was revalued at 31 March, 2000, as set out in note 14 to the financial statements.

Property, Plant and Equipment

Certain of the Group's leasehold land and buildings were revalued at 31 March, 2000. The revaluation resulted in a surplus over book values amounting to HK\$2,742,000, which has been credited directly to the properties revaluation reserve.

During the year, the Group acquired property, plant and equipment amounting to HK\$43,235,000.

Details of these and other movements during the year in the property, plant and equipment of the Group and the Company are set out in note 15 to the financial statements.

Major Properties

Details of the major properties of the Group at 31 March, 2000 are set out on page 72 of the annual report.

Borrowings and Interest Capitalised

Details of bank loans and other borrowings of the Group are set out in note 24 to the financial statements.

Interest capitalised by the Group during the year in respect of properties under development amounted to HK\$54,536,000 (1999: HK\$21,947,000).

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. Cheng Bing Chark, Henry and Mr. Wong Ying Wai, Wilfred 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.

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Directors' Interests in Shares

(i) Shares

As at 31 March, 2000, the interests of the Directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of Directors	Number of shares			
	Personal interests	Family interests	Corporate interests	Other interests
Mr. Lo Hong Sui, Vincent	-	-	-	167,496,000 (Note)
Mr. Wong Yuet Leung, Frankie	583,000	-	-	-
Mr. Choi Yuk Keung, Lawrence	2,113,000	-	-	-
Mr. Wong Fook Lam, Raymond	216,000	-	-	-
Mr. Wong Hak Wood, Louis	292,000	-	-	-
Mrs. Lowe Hoh Wai Wan, Vivien	168,000	24,000	-	-
Mr. Cheng Bing Chark, Henry	-	-	-	-
Mr. Wong Ying Wai, Wilfred	-	-	-	-
Mr. Griffiths, Anthony	-	-	-	-

Apart from the above, as at 31 March, 2000, there was no other interest recorded in the register required to be kept under Section 29 of the SDI Ordinance.

Note:

The 166,148,000 shares and 1,348,000 shares in the capital of the Company are, respectively, held by Shui On Company Limited and Shui On Finance Company Limited which is an indirect wholly-owned subsidiary of Shui On Company Limited. Shui On Company Limited 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, 2000, the Directors had personal interests in share options granted under the Company's employee share option scheme as follows:

Name of Directors	Date of grant	Subscription price per share	Number of share options			Period during which share options outstanding at 31.3.2000 are exercisable
			At 1.4.1999	Granted during the year	Exercised during the year	
HK\$						
Mr. Wong Yuet Leung, Frankie	25.7.1997	7.50	400,000	-	240,000	160,000 25.7.2000 to 24.7.2002
	15.7.1998	4.14	120,000	-	48,000	72,000 15.7.2000 to 14.7.2003
	7.7.1999	11.21	-	200,000	-	200,000 7.1.2000 to 6.7.2004
Mr. Choi Yuk Keung, Lawrence	25.7.1997	7.50	400,000	-	240,000	160,000 25.7.2000 to 24.7.2002
	15.7.1998	4.14	220,000	-	88,000	132,000 15.7.2000 to 14.7.2003
	7.7.1999	11.21	-	280,000	-	280,000 7.1.2000 to 6.7.2004
Mr. Wong Fook Lam, Raymond	25.7.1997	7.50	280,000	-	168,000	112,000 25.7.2000 to 24.7.2002
	15.7.1998	4.14	120,000	-	48,000	72,000 15.7.2000 to 14.7.2003
	7.7.1999	11.21	-	150,000	-	150,000 7.1.2000 to 6.7.2004
Mr. Wong Hak Wood, Louis	25.7.1997	7.50	280,000	-	112,000	168,000 25.7.1999 to 24.7.2002
	15.7.1998	4.14	150,000	-	60,000	90,000 15.7.2000 to 14.7.2003
	7.7.1999	11.21	-	250,000	-	250,000 7.1.2000 to 6.7.2004
Mrs. Lowe Hoh Wai Wan, Vivien	25.7.1997	7.50	200,000	-	120,000	80,000 25.7.2000 to 24.7.2002
	15.7.1998	4.14	120,000	-	48,000	72,000 15.7.2000 to 14.7.2003
	7.7.1999	11.21	-	150,000	-	150,000 7.1.2000 to 6.7.2004

Consideration paid for each grant was HK\$1.

Details of the employee share option scheme are set out in note 22 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 SDI 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, 2000.

Arrangement to Purchase Shares or Debentures

Other than as disclosed above, at no time during the year was the Company, its ultimate holding company or any of its subsidiaries a party to any arrangements 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.

Connected Transactions

During the year, Pat Davie Limited ("PDL"), a 72% owned subsidiary of the Group, performed decoration and renovation work for Shanghai Jiu Hai Rimmer Properties Company Limited, an 80% owned subsidiary of Shui On Company Limited ("SOCL"), the Company's ultimate holding company. The aggregate amount charged by PDL for such work for the year was approximately HK\$5,406,000.

The Company provided management information systems services to Shui On Investment Company Limited, Shui On Properties Management Limited, Shui On Properties Limited, Rimmer Investments Limited and Centre Top Limited, wholly-owned subsidiaries of SOCL, during the year. The services were charged at rates designed 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\$1,052,000.

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 2000, there was no outstanding obligation under this finance lease facility (1999: HK\$1,553,000).

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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.

In the opinion of those Directors not having an interest in the above transactions, these transactions were carried out in the ordinary course of business of the Group and on normal commercial terms.

Directors' Interests in Contracts of Significance

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

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.

Provident and Retirement Fund Scheme

Details of the Group's provident and retirement fund scheme are shown in note 28 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 66% of the total turnover of the Group in the year with the largest customer, accounting for approximately 49% 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 of HK\$300,000 to charitable bodies and HK\$1,806,000 to other communities.

Corporate Governance

The Company has complied throughout the year ended 31 March, 2000 with 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 (the "Listing Rules"), except that non-executive directors were not appointed for a specific term as they are subject to retirement by rotation at annual general meetings in accordance with the Company's Bye-Laws.

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.

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Disclosure under Practice Note 19 to the Listing Rules

An indirect wholly-owned subsidiary of the Company has entered into a loan agreement for the financing of the development of the Private Sector Participation Scheme ("PSPS") project which requires Mr. Lo Hong Sui, Vincent and his associates (as defined in the Listing Rules) to retain beneficially in aggregate an attributable interest in more than 50% of the issued share capital of the Company as well as that of the relevant subsidiary throughout the tenure of the loan agreement. The total amount of this project loan is HK\$2,265,000,000 and the repayment date is the earlier of 31 August, 2001 and the date falling six months after the date of issue of the certificate of compliance by the Director of Lands for the PSPS development.

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

26 June, 2000

Report of the Auditors

德勤·關黃陳方會計師行

Certified Public Accountants 香港中環干諾道中 111 號
26/F, Wing On Centre 永安中心 26 樓
111 Connaught Road Central
Hong Kong

**Deloitte
Touche
Tohmatsu**

To the Shareholders of Shui On Construction and Materials Limited (incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 41 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.

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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, 2000 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, 26 June, 2000

Consolidated Income Statement

For the year ended 31 March 2000

	Notes	2000 HK\$'000	1999 HK\$'000
Turnover	4	5,985,242	5,375,963
Other revenue	5	59,275	60,441
Changes in inventories of finished goods, work in progress and contract work in progress		(247,482)	(74,630)
Raw materials and consumables used		(921,435)	(1,020,869)
Staff costs		(529,545)	(498,107)
Depreciation and amortisation expenses		(71,707)	(69,940)
Subcontracting, external labour costs and other operating expenses		(3,696,710)	(3,295,864)
Profit from operations	6	577,638	476,994
Finance costs	7	(1,037)	(2,480)
Share of results of associates		15	(9)
Share of results of jointly controlled entities		35,165	39,580
Deficit on revaluation of an investment property		-	(30,601)
Profit from ordinary activities before taxation		611,781	483,484
Taxation	10	(102,114)	(74,374)
Profit before minority interests		509,667	409,110
Minority interests		(6,535)	(791)
Net profit for the year	11	503,132	408,319
Dividends	12	(473,928)	(364,040)
Profit for the year, retained		29,204	44,279
Earnings per share			
Basic	13	HK\$1.92	HK\$1.57
Diluted	13	HK\$1.91	HK\$1.57

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Balance Sheets

As at 31 March 2000

	Notes	The Group		The Company	
		2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Non-Current Assets					
Investment property	14	130,000	130,000	-	-
Property, plant and equipment	15	253,857	270,706	3,557	3,291
Interests in subsidiaries	16	-	-	283,933	283,933
Interests in associates	17	-	(15)	-	-
Interests in jointly controlled entities	18	117,325	113,986	-	-
Investments in securities	19	18,550	10,508	-	-
Site establishment expenditure	21	13,083	13,681	-	-
Pre-operating expenses		-	4,545	-	-
		<u>532,815</u>	<u>543,411</u>	<u>287,490</u>	<u>287,224</u>
Current Assets					
Inventories	20	42,715	39,404	-	-
Properties under development for sale		1,656,055	781,214	-	-
Debtors, deposits and prepayments		853,841	880,197	3,549	5,198
Amounts due from customers for contract work	20	200,341	172,682	-	-
Amount due from subsidiaries		-	-	1,006,022	807,716
Amounts due from related companies		390	-	386	-
Amounts due from associates		37	23	24	15
Amounts due from jointly controlled entities		122,821	97,827	2,566	2,116
Bank balances, deposits and cash		879,595	776,833	2,537	37,984
		<u>3,755,795</u>	<u>2,748,180</u>	<u>1,015,084</u>	<u>853,029</u>
Current Liabilities					
Creditors and accrued charges		1,145,274	1,107,809	5,575	5,614
Bills payable and trust receipts		-	3,479	-	-
Amounts due to customers for contract work	20	229,966	102,306	-	-
Amount due to subsidiaries		-	-	93,261	9,788
Amounts due to jointly controlled entities		61,215	63,865	-	-
Amount due to related companies		234	1,641	230	-
Obligations under finance leases	24	-	1,553	-	-
Provision for taxation		72,848	47,398	-	-
Proposed dividends		327,938	260,040	327,938	260,040
		<u>1,837,475</u>	<u>1,588,091</u>	<u>427,004</u>	<u>275,442</u>
Net Current Assets					
		<u>1,918,320</u>	<u>1,160,089</u>	<u>588,080</u>	<u>577,587</u>
		<u>2,451,135</u>	<u>1,703,500</u>	<u>875,570</u>	<u>864,811</u>

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	Notes	The Group		The Company	
		2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Capital and Reserves					
Share capital	22	262,350	260,040	262,350	260,040
Reserves	23	964,936	921,256	613,220	604,771
		<hr/>	<hr/>	<hr/>	<hr/>
		1,227,286	1,181,296	875,570	864,811
		<hr/>	<hr/>	<hr/>	<hr/>
Minority Interests		23,441	17,835	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Non-Current Liabilities					
Bank borrowings	24	1,194,266	498,846	-	-
Deferred taxation	25	6,142	5,523	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		1,200,408	504,369	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		2,451,135	1,703,500	875,570	864,811
		<hr/>	<hr/>	<hr/>	<hr/>

The financial statements on pages 41 to 71 were approved by the Board of Directors on 26 June, 2000.

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Choi Yuk Keung, Lawrence
Managing Director

Wong Fook Lam, Raymond
Executive Director

Consolidated Statement of Recognised Gains and Losses

For the year ended 31 March 2000

	2000 HK\$'000	1999 HK\$'000
Revaluation surplus on land and buildings	2,742	-
Exchange differences arising on translation of overseas operations	(96)	(97)
Net gains (losses) not recognised in the income statement	2,646	(97)
Net profit for the year	<u>503,132</u>	<u>408,319</u>
Total recognised gains and losses	505,778	408,222
Goodwill arising from acquisitions of jointly controlled entities and additional interest in a subsidiary	129	-
	<u>505,907</u>	<u>408,222</u>

Consolidated Cash Flow Statement

For the year ended 31 March 2000

	Notes	2000 HK\$'000	1999 HK\$'000
Net cash outflow from operating activities*	26	(77,350)	(117,199)
Returns on investments and servicing of finance			
Interest received		39,132	49,252
Interest paid		(56,752)	(23,940)
Interest on obligations under finance leases		(50)	(534)
Dividends received from unlisted investments		-	2,431
Dividends received from listed investments		-	417
Dividends received from jointly controlled entities		30,000	33,350
Dividends paid		(406,030)	(364,000)
Net cash outflow from returns on investments and servicing of finance		(393,700)	(303,024)
Taxation			
Hong Kong Profits Tax paid		(70,368)	(45,869)
Hong Kong Profits Tax recovered		-	4,481
Net tax paid		(70,368)	(41,388)
Investing activities			45>
Purchase of property, plant and equipment		(43,235)	(64,073)
Purchase of an investment property		-	(121,459)
Purchase of investments in securities		(6,370)	-
Proceeds from sale of property, plant and equipment		936	6,142
Investment in associates		-	(1,803)
Investment in jointly controlled entities		(3,486)	(67,600)
Site establishment cost expended		(10,282)	(16,982)
Proceeds on disposal of investments in securities		-	89,253
Net cash outflow from investing activities		(62,437)	(176,522)
Net cash outflow before financing carried forward		(603,855)	(638,133)

Consolidated Cash Flow Statement

For the year ended 31 March 2000

	Notes	2000 HK\$'000	1999 HK\$'000
Net cash outflow before financing brought forward		(603,855)	(638,133)
Financing	27		
Net proceeds received on issue of shares		14,011	166
Repayment of obligations under finance leases		(1,553)	(10,326)
New secured bank loan being project finance for properties under development for sale		695,420	498,846
(Decrease) increase in minority interests		(1,165)	200
Net cash inflow from financing		706,713	488,886
Increase (decrease) in cash and cash equivalents		102,858	(149,247)
Cash and cash equivalents at the beginning of the year		776,833	926,177
Effect of foreign exchange rate changes		(96)	(97)
Cash and cash equivalents at the end of the year		879,595	776,833
Analysis of the balances of cash and cash equivalents			
Bank balances, deposits and cash		879,595	776,833

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* Included in net cash outflow from operating activities during the year is an outflow of HK\$874,841,000 (1999: HK\$781,214,000) relating to properties under development for sale as stated in note 26, part of which is financed by the secured bank loan. The amount of the secured bank loan raised during the year was HK\$695,420,000 (1999: HK\$498,846,000) as set out in note 27.

Notes to Financial Statements

For the year ended 31 March 2000

(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.

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.

(2) Adoption of Statements of Standard Accounting Practice/Changes in Accounting Policies

In the current year, the Group has adopted, for the first time, the following Statements of Standard Accounting Practice ("SSAP"s) issued by the Hong Kong Society of Accountants:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 2 (Revised)	Net profit or loss for the period, fundamental errors and changes in accounting policies
SSAP 10 (Revised)	Accounting for investments in associates
SSAP 24	Accounting for investments in securities

SSAPs 1 and 2 are concerned with the presentation and disclosure of financial information. The presentation in the current year's financial statements has been modified in order to conform with the requirements of those Standards. Comparative amounts have been restated in order to achieve a consistent presentation.

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In addition, the description of various components in the financial statements and the terminology used has been updated to reflect the terminology of the new Standards.

In prior years, pre-operating expenses were capitalised and amortised, on a straight-line basis, over a period of not more than five years from the date of commencement of commercial operation. The adoption of SSAP 1 has led to a reassessment of this accounting policy. In particular, pre-operating expenses are not considered to give rise to an identifiable resource from which economic benefits are expected to flow to the Group. Accordingly, such expenditure is now recognised as an expense in the period in which it is incurred.

Due to the immateriality of the amounts previously capitalised, they have been written off in full in the current year. This change in accounting policy has resulted in a decrease in the Group's net assets and net profit for the year by HK\$4,545,000.

The revision of SSAP 10 has not resulted in any significant changes to the accounting treatment adopted for associates and accordingly no prior period adjustment has been required. Disclosures presented have been modified to meet the requirements of the new standard. This change in accounting policy has no material effect on the Group's net assets and net profit for the year.

SSAP 24 has introduced a new framework for the classification of investments in securities. In adopting SSAP 24, the Group has selected the benchmark treatment for securities other than held-to-maturity securities.

Under SSAP 24, investments in securities are carried at fair value, with revaluation movements dealt with in the income statement. This change in accounting policy has no material effect on the Group's net assets and net profit for the year.

(3) Significant Accounting Policies

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain land and buildings and investments in securities.

Notes to Financial Statements

For the year ended 31 March 2000

(3) Significant Accounting Policies - continued

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted 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 income statement 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.

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Any premium or discount arising on the acquisition of an interest in an associate 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 associate or jointly controlled entity at the date of acquisition, is dealt with in the same manner as that described above for goodwill.

On the disposal of investments in subsidiaries, associates or 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 subsidiaries or associates or jointly controlled entities.

Revenue recognition

Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts 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 customer.

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

Private Sector Participation Scheme ("PSPS") Projects

Income from property development projects undertaken by the Group which are known as PSPS Project is 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.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the term of the relevant lease.

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

(3) Significant Accounting Policies – continued

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 income statement over the period of the relevant lease so as 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 income statement on a straight line basis over the relevant lease term.

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 professional valuers. In each of the intervening years, valuations are undertaken by professionally qualified executives of the Group. Any revaluation increase or decrease 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 revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

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On the disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

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

Property, plant and equipment

Property, plant and equipment other than land and buildings 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 assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement 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 assets, the expenditure is capitalised as an additional cost of the 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 income statement.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced 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 property, plant and equipment over their estimated useful lives on a straight-line basis at the following rates per annum and after taking into account their estimated residue value, if applicable.

Notes to Financial Statements

For the year ended 31 March 2000

(3) Significant Accounting Policies - continued

Property, plant and equipment - continued

Land and buildings 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%

Land and buildings in Hong Kong under short lease

Over the term of the lease

Plant and machinery

10 - 25%

Motor vehicles, equipment, furniture 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 revaluation increase arising on revaluation of land and buildings 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, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense 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.

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Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Interests in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of its issued share capital, 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, as reduced by any decline in the value of the subsidiary that is other than temporary.

Interests in associates

An associate is an enterprise, other than a subsidiary or a jointly controlled entity, over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates 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 associates are stated at the Group's share of the net assets of the associates.

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

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.

(3) Significant Accounting Policies - continued

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 income statement.

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.

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), associates (where the Group is in a position to exercise significant influence) or investments in securities (where the Group exercises neither control nor significant influence).

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

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At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. Any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

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 income statement 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.

Notes to Financial Statements

For the year ended 31 March 2000

(3) Significant Accounting Policies - continued

Properties under development for sale

Properties under development for sale of the Group's PSPS Projects 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.

Site establishment expenditure

Site establishment expenditure for quarrying rights or leased sites is written off over the duration of the relevant quarrying rights or site leases.

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.

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Foreign currencies

Transactions in foreign currencies are translated at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are 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.

(4) Turnover

Turnover represents:

	2000 HK\$'000	1999 HK\$'000
Gross value of construction work and income from building maintenance jobs	4,242,440	4,217,423
Sale of construction materials	780,000	852,785
Property development	951,886	300,015
Rental income	10,916	5,740
	<hr/>	<hr/>
	5,985,242	5,375,963

(5) Other Revenue

Included in other revenue is net investment income, as follows:

Interest income	39,617	46,797
Net unrealised holding gain on other investments	1,737	-
Dividend received from investments in securities		
-Listed	-	417
-Unlisted	-	2,431
	<hr/>	<hr/>

(6) Profit from Operations

Profit from operations has been arrived at after charging(crediting):

Depreciation and amortisation		
Owned assets	59,526	56,891
Assets held under finance lease	1,301	2,345
Site establishment expenditure	10,880	8,915
Pre-operating expenditure	-	1,791
	<hr/>	<hr/>
Less: Amount capitalised to construction jobs	71,707	69,942
	(1,828)	(1,829)
	<hr/>	<hr/>
Auditors' remuneration	69,879	68,113
Operating lease rental in respect of rented premises	2,047	1,840
Loss (gain) on disposal of property, plant and equipment	35,986	34,454
	1,063	(65)
	<hr/>	<hr/>
Gross rent from an investment property	(10,916)	(5,740)
Less: Outgoings	4,556	2,973
	<hr/>	<hr/>
Pre-operating expenditure written off	(6,360)	(2,767)
	4,545	-
	<hr/>	<hr/>

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Notes to Financial Statements

For the year ended 31 March 2000

(7) Finance Costs

	2000 HK\$'000	1999 HK\$'000
Interest on:		
Bank loans and overdrafts and other loans wholly repayable within 5 years	55,523	23,941
Finance leases	50	486
	<hr/>	<hr/>
Total borrowing costs	55,573	24,427
Less: Amount capitalised to properties under development for sale	(54,536)	(21,947)
	<hr/>	<hr/>
	1,037	2,480

(8) Directors' Emoluments

Fees			
Executive directors	60	60	
Non-executive directors	10	10	
Independent non-executive directors	100	100	
	<hr/>	<hr/>	<hr/>
Other emoluments			
Executive directors	13,910	12,875	
Salaries and other benefits	531	508	
Provident fund contributions	-	-	
Non-executive directors	14,611	13,553	
	<hr/>	<hr/>	<hr/>

The emoluments of the directors were within the following bands:

Emolument bands	2000 Number of directors	1999 Number of directors
HK\$0 - HK\$1,000,000	5	5
HK\$2,000,001 - HK\$2,500,000	1	1
HK\$2,500,001 - HK\$3,000,000	-	1
HK\$3,000,001 - HK\$3,500,000	1	1
HK\$3,500,001 - HK\$4,000,000	1	-
HK\$4,500,001 - HK\$5,000,000	-	1
HK\$5,000,001 - HK\$5,500,000	1	-
	<hr/>	<hr/>
	9	9

(9) Employees' Emoluments

Of the five individuals with highest emoluments in the Group, four (1999: three) are executive directors of the Company whose emoluments are included in the disclosures in note 8 above. The emoluments of the remaining one (1999: two) individual(s) were as follows:

	2000 HK\$'000	1999 HK\$'000
Salaries and other emoluments	2,402	5,080
Provident fund contributions	114	197
	<hr/>	<hr/>
	2,516	5,277
	<hr/>	<hr/>

Their emoluments were within the band of HK\$2,500,001 to HK\$3,000,000 for both years.

(10) Taxation

The charge comprises:

Company and subsidiaries

Hong Kong Profits Tax	95,756	68,543	55>
Income tax of other regions in the PRC	62	187	
Deferred taxation	619	(833)	
	<hr/>	<hr/>	
Jointly controlled entities	5,606	6,566	
Hong Kong Profits Tax	260	269	
Income tax of other regions in the PRC	(189)	(358)	
	<hr/>	<hr/>	
	102,114	74,374	
	<hr/>	<hr/>	

Hong Kong Profits Tax is calculated at 16% (1999: 16%) on the estimated assessable profits for the year. Income tax of other regions in the PRC has been provided for based on the estimated assessable profits in accordance with the relevant tax laws applicable to the Group in the Chinese Mainland.

Details of the potential deferred tax charge provided and not provided for in the year are set out in note 25.

(11) Net Profit for the Year

Of the Group's net profit for the year of HK\$503,132,000 (1999: HK\$408,319,000) a profit of HK\$470,676,000 (1999: HK\$364,226,000) has been dealt with in the financial statements of the Company.

(12) Dividends

Interim dividend - HK\$0.55 per share on 262,302,000 shares (1999: HK\$0.40 per share on 260,000,000 shares).

144,266

104,000

Additional 1999 final dividend at HK\$1 per share on 1,724,000 shares due to exercise of share options

1,724

-

Proposed final dividend - HK\$1.25 per share on 262,350,000 shares (1999: HK\$1.00 per share on 260,040,000 shares)

327,938

260,040

473,928

364,040

Notes to Financial Statements

For the year ended 31 March 2000

(13) Earnings Per Share

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

	2000 HK\$'000	1999 HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<u>503,132</u>	<u>408,319</u>
	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>261,532</u>	<u>260,002</u>
Effect of dilutive potential ordinary shares:		
Share options	<u>1,661</u>	<u>603</u>
	'000	'000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>263,193</u>	<u>260,605</u>

(14) Investment Property

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The Group	HK\$'000
At 1 April, 1999 and 31 March, 2000	<u>130,000</u>

The Group's investment property is held in Hong Kong under medium term lease. It was revalued at its open market value at 31 March, 2000 by DTZ Debenham Tie Leung Limited, independent international property advisors on an open market value basis.

The Group's investment property is rented out under operating leases.

(15) Property, Plant and Equipment

	Land and buildings in other regions of the PRC held under medium- term lease	Land and buildings in Hong Kong held under medium- term lease	Land and buildings in Hong Kong held under short- term lease	Plant and machinery owned	Plant and machinery leased	Motor vehicles owned	Equipment, furniture and other assets	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Group								
At cost/valuation								
At 1 April, 1999	5,252	67,500	27,751	416,638	15,611	35,908	35,307	603,967
Additions	590	-	-	34,792	79	2,582	5,192	43,235
Disposals	-	-	-	(15,847)	-	(1,799)	(724)	(18,370)
Reallocation	-	-	-	15,705	(15,690)	103	(118)	-
At 31 March, 2000	<u>5,842</u>	<u>67,500</u>	<u>27,751</u>	<u>451,288</u>	<u>-</u>	<u>36,794</u>	<u>39,657</u>	<u>628,832</u>
Accumulated depreciation								
At 1 April, 1999	804	1,371	27,733	247,052	10,573	22,311	23,417	333,261
Charge for the year	298	1,371	11	46,812	1,301	5,493	5,541	60,827
Eliminated on disposals	-	-	-	(14,107)	-	(1,606)	(658)	(16,371)
Reallocation	-	-	-	12,580	(11,874)	(212)	(494)	-
Adjustment upon valuation	-	(2,742)	-	-	-	-	-	(2,742)
At 31 March, 2000	<u>1,102</u>	<u>-</u>	<u>27,744</u>	<u>292,337</u>	<u>-</u>	<u>25,986</u>	<u>27,806</u>	<u>374,975</u>
Net book value								
At 31 March, 2000	<u>4,740</u>	<u>67,500</u>	<u>7</u>	<u>158,951</u>	<u>-</u>	<u>10,808</u>	<u>11,851</u>	<u>253,857</u>
At 31 March, 1999	<u>4,448</u>	<u>66,129</u>	<u>18</u>	<u>169,586</u>	<u>5,038</u>	<u>13,597</u>	<u>11,890</u>	<u>270,706</u>
Cost or valuation comprising:								
At valuation-2000	-	67,500	-	-	-	-	-	67,500
At cost	5,842	-	27,751	451,288	-	36,794	39,657	561,332
	<u>5,842</u>	<u>67,500</u>	<u>27,751</u>	<u>451,288</u>	<u>-</u>	<u>36,794</u>	<u>39,657</u>	<u>628,832</u>

Notes:

- (i) The land and buildings in Hong Kong under medium-term lease have been revalued on 31 March, 2000 by DTZ Debenham Tie Leung Limited, independent international property advisors, on an open market value basis. 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.
- (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\$32,814,000 (1999: HK\$33,601,000).

Notes to Financial Statements

For the year ended 31 March 2000

(15) Property, Plant and Equipment - continued

	Motor vehicles HK\$'000	Equipment, furniture and other assets HK\$'000	Total HK\$'000
The Company			
At cost			
At 1 April, 1999	800	5,644	6,444
Additions	114	1,680	1,794
<hr/>	<hr/>	<hr/>	<hr/>
At 31 March, 2000	914	7,324	8,238
<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation			
At 1 April, 1999	486	2,667	3,153
Charge for the year	190	1,338	1,528
<hr/>	<hr/>	<hr/>	<hr/>
At 31 March, 2000	676	4,005	4,681
<hr/>	<hr/>	<hr/>	<hr/>
Net book value			
At 31 March, 2000	238	3,319	3,557
<hr/>	<hr/>	<hr/>	<hr/>
At 31 March, 1999	314	2,977	3,291

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(16) Interests in Subsidiaries

The Company 2000 & 1999 HK\$'000

Unlisted shares, at cost **283,933**

Details of the principal subsidiaries are set out in note 35 to these financial statements.

(17) Interests in Associates

	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Unlisted shares at cost	-	-	-	-
Share of net liabilities	-	(15)	-	-

Details of the associates are set out in note 36 to these financial statements.

(18) Interests in Jointly Controlled Entities

Interests in Jointly Controlled Entities	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	-	-	-	-
Share of net assets	117,325	113,986	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	117,325	113,986	-	-

Details of the jointly controlled entities are set out in note 37 to these financial statements.

(19) Investments in Securities

	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Other investments - equity securities, unlisted	<u>18,550</u>	<u>10,508</u>	<u>-</u>	<u>-</u>

(20) Inventories

Raw materials	13,765	10,194	-	-
Work-in-progress	9,209	6,393	-	-
Finished goods	9,666	10,947	-	-
Spare parts	<u>10,075</u>	<u>11,870</u>	<u>-</u>	<u>-</u>
	<u>42,715</u>	<u>39,404</u>	<u>-</u>	<u>-</u>

No inventories are stated at net realisable value.

Amounts due from (to) customers for contract work

Contracts in progress at the balance sheet date:

Contract costs incurred	6,870,982	4,882,165	-	-
Recognised profits less recognised losses	<u>418,349</u>	<u>252,929</u>	<u>-</u>	<u>-</u>
	<u>7,289,331</u>	<u>5,135,094</u>	<u>-</u>	<u>-</u>
Progress billings	<u>(7,318,956)</u>	<u>(5,064,718)</u>	<u>-</u>	<u>-</u>
Net contract work	<u>(29,625)</u>	<u>70,376</u>	<u>-</u>	<u>-</u>

Represented by:

Amounts due from customers for contract work	200,341	172,682	-	-
Amounts due to customers for contract work	(229,966)	(102,306)	-	-
	<u>(29,625)</u>	<u>70,376</u>	<u>-</u>	<u>-</u>

At 31 March, 2000, retentions held by customers for contract work amounted to HK\$211,953,000 (1999: HK\$206,500,000).

Notes to Financial Statements

For the year ended 31 March 2000

(21) Site Establishment Expenditure

	The Group	
	2000 HK\$'000	1999 HK\$'000
Balance brought forward	13,681	7,584
Additions	10,282	15,012
Amortisation for the year	(10,880)	(8,915)
	13,083	13,681
Balance carried forward		

(22) Share Capital	(a) Authorised:	400,000,000 shares of HK\$1 each	400,000	400,000
	(b) Issued and fully paid:			
	Balance brought forward	260,040	260,000	
	Exercise of share options	2,310	40	
			262,350	260,040
	Balance carried forward			

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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.

Pursuant to the employee share option scheme, options to subscribe for shares in the Company were granted to certain executives. At 31 March, 2000, options to subscribe for 6,148,000 shares (1999: 5,230,000 shares) within the following exercisable periods were outstanding:

Exercisable period	Subscription price per share HK\$	No. of share options at 1.4.1999	Granted during the year	Exercised during the year	Cancelled during the year	No. of share options at 31.3.2000
25 January, 1998 - 24 July, 2002	7.50	510,000	-	(468,000)	-	42,000
25 July, 1998 - 24 July, 2002	7.50	510,000	-	(468,000)	-	42,000
25 July, 1999 - 24 July, 2002	7.50	510,000	-	(388,000)	-	122,000
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	504,000	-	(480,000)	-	24,000
15 July, 1999 - 14 July, 2003	4.14	544,000	-	(506,000)	-	38,000
15 July, 2000 - 14 July, 2003	4.14	544,000	-	-	(4,000)	540,000
15 July, 2001 - 14 July, 2003	4.14	544,000	-	-	(4,000)	540,000
15 July, 2002 - 14 July, 2003	4.14	544,000	-	-	(4,000)	540,000
7 January, 2000 - 6 July, 2004	11.21	-	648,000	-	-	648,000
7 July, 2000 - 6 July, 2004	11.21	-	648,000	-	-	648,000
7 July, 2001 - 6 July, 2004	11.21	-	648,000	-	-	648,000
7 July, 2002 - 6 July, 2004	11.21	-	648,000	-	-	648,000
7 July, 2003 - 6 July, 2004	11.21	-	648,000	-	-	648,000
		<u>5,230,000</u>	<u>3,240,000</u>	<u>(2,310,000)</u>	<u>(12,000)</u>	<u>6,148,000</u>

(23) Reserves

	Property, plant and equipment 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
Premium from shares issued	-	126	-	-	-	-	126
Profit for the year	-	-	-	-	-	408,319	408,319
Dividends	-	-	-	-	-	(364,040)	(364,040)
Depreciation	(697)	-	-	-	-	697	-
Exchange adjustment	-	-	(97)	-	-	-	(97)
At 31 March, 1999	33,620	509,798	—	197,562	2	180,482	921,256
Goodwill arising from acquisition of jointly controlled entities and additional interest in a subsidiary	-	-	(208)	-	-	-	129
Premium from shares issued	-	11,701	-	-	-	-	11,701
Profit for the year	-	-	-	-	-	503,132	503,132
Dividends	-	-	-	-	-	(473,928)	(473,928)
Depreciation	(697)	-	-	-	-	697	-
Exchange adjustments	-	-	(96)	-	-	-	(96)
Revaluation increase in the year	2,742	-	-	-	-	-	2,742
At 31 March, 2000	<u>35,665</u>	<u>521,499</u>	<u>(304)</u>	<u>197,562</u>	<u>131</u>	<u>210,383</u>	<u>964,936</u>
The Company							
At 1 April, 1998	-	509,672	-	88,933	-	5,854	604,459
Premium from shares issued	-	126	-	-	-	-	126
Profit for the year	-	-	-	-	-	364,226	364,226
Dividends	-	-	-	-	-	(364,040)	(364,040)
At 31 March, 1999	-	509,798	-	88,933	-	6,040	604,771
Premium from share issued	-	11,701	-	-	-	-	11,701
Profit for the year	-	-	-	-	-	470,676	470,676
Dividends	-	-	-	-	-	(473,928)	(473,928)
At 31 March, 2000	-	<u>521,499</u>	<u>-</u>	<u>88,933</u>	<u>-</u>	<u>2,788</u>	<u>613,220</u>

Notes to Financial Statements

For the year ended 31 March 2000

(23) Reserves - continued

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

	Property, plant and equipment 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 associate becoming a subsidiary during the year	-	-	-	-	-	1,803	1,803
Loss for the year	-	-	-	-	-	(9)	(9)
At 31 March, 1999						(15)	(15)
Profit for the year	-	-	-	-	-	15	15
At 31 March, 2000							

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

	Property, plant and equipment 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
Goodwill arising from acquisition	-	-	-	-	365	-	365
Profit for the year	-	-	-	-	-	29,488	29,488
Dividends	-	-	-	-	-	(30,000)	(30,000)
At 31 March, 2000					365	32,358	32,723

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 associates 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\$91,721,000 (1999: HK\$94,973,000).

(24) Borrowings

	The Group		The Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Secured bank loan	1,194,266	498,846	-	-
Obligations under finance leases	-	1,553	-	-
Less: Amount due within one year	-	(1,553)	-	-
	<u>1,194,266</u>	<u>498,846</u>	<u>-</u>	<u>-</u>
The borrowings are repayable as follows:				
Secured bank loan:				
More than one year, but not exceeding two years	1,194,266	498,846	-	-
Obligations under finance leases:				
Within one year	-	1,553	-	-
Less: Amounts due within one year shown under current liabilities	-	(1,553)	-	-
	<u>1,194,266</u>	<u>498,846</u>	<u>-</u>	<u>-</u>

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(25) Deferred Taxation

	The Group	
	2000 HK\$'000	1999 HK\$'000
At 1 April, 1999		
Charge (credit) for the year (note 10)	5,523 619	6,356 (833)
	<u>6,142</u>	<u>5,523</u>
At 31 March, 2000		

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

	The Group				The Company			
	Provided		Unprovided		Provided		Unprovided	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Tax effect of timing differences arising from:								
Excess of tax allowances over depreciation	7,136	6,743	9,055	10,984	-	-	454	-
Other timing differences	(994)	(1,220)	-	-	-	-	-	-
Tax effect of taxation losses	-	-	(9,637)	(17,393)	-	-	(2,132)	-
	<u>6,142</u>	<u>5,523</u>	<u>(582)</u>	<u>(6,409)</u>	<u>-</u>	<u>-</u>	<u>(1,678)</u>	<u>-</u>

Notes to Financial Statements

For the year ended 31 March 2000

(25) Deferred Taxation - continued

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

	The Group	The Company
	2000 HK\$'000	1999 HK\$'000
	2000 HK\$'000	1999 HK\$'000
Tax effect of timing differences because of:		
(Shortfall) excess of tax allowances		
over depreciation	(1,929)	2,838
Tax effect of taxation losses	7,756	(7,258)
Effect of change in tax rate	-	(32)
	<hr/> 5,827	<hr/> (4,452)
	<hr/> (1,678)	<hr/> -

(26) Reconciliation of Profit from Ordinary Activities Before Taxation to Net Cash Outflow from Operating Activities

64>	2000 HK\$'000	1999 HK\$'000
Profit from ordinary activities before taxation	611,781	483,484
Share of results of associates	(15)	9
Share of results of jointly controlled entities	(35,165)	(39,580)
Interest income	(39,617)	(46,797)
Interest expense	55,523	23,941
Finance lease charges	50	486
Revaluation deficit on investment property	-	30,601
Increase in value of investment in securities	(1,737)	-
Amortisation of pre-operating expenditure	10,880	10,706
Depreciation on property, plant and equipment	58,999	57,407
Loss (profit) on disposal of property, plant and equipment	1,063	(65)
Loss on investment written off	10	-
Increase in properties under development for sale	(874,841)	(781,214)
Pre-operating expenditure written off	4,545	-
(Increase) decrease in amounts due from customers for contract work	(25,831)	75,650
Increase in amounts due to customers for contract work	127,660	1,046
Decrease (increase) in debtors, deposits and prepayments	26,896	(266,283)
(Increase) decrease in inventories	(3,311)	2,344
Increase in creditors and accruals	38,694	319,481
(Decrease) increase in bills payable and trust receipts	(3,479)	3,479
Decrease in amounts due to related companies	(1,407)	(1,449)
Dividends from unlisted investments	-	(2,431)
Dividends from listed investments	-	(417)
(Increase) decrease in amounts due from associates	(14)	1,862
(Increase) decrease in amounts due from jointly controlled entities	(24,994)	12,179
Decrease in amounts due to jointly controlled entities	(2,650)	(1,638)
Increase in amounts due from related companies	(390)	-
	<hr/> (77,350)	<hr/> (117,199)

(27) Analysis of Changes in Financing During the Year

	Share capital and share premium HK\$'000	Bank loan HK\$'000	Obliga- tions under finance leases HK\$'000	Minority interests HK\$'000
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
At 31 March, 1999	769,838	498,846	1,553	17,835
Exercise of share options	14,011	-	-	-
Minority share of profit for the year	-	-	-	6,535
Decrease in pre-acquisition reserve	-	-	-	236
Increase in minority interests	-	-	-	(1,165)
Repayment during the year	-	-	(1,553)	-
Bank loan raised	-	695,420	-	-
At 31 March, 2000	<u>783,849</u>	<u>1,194,266</u>	<u>-</u>	<u>23,441</u>

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(28) 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, 1999 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\$17,508,000 (1999: 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 income statement during the year ended 31 March, 2000 amounted to HK\$38,359,000 (1999: HK\$27,592,000).

Notes to Financial Statements

For the year ended 31 March 2000

(29) Lease Commitments

At the balance sheet date, the portion of the outstanding commitments under non-cancellable operating leases in respect of rented premises which are payable in the following year is as follows:

	The Group	The Company
	2000 HK\$'000	1999 HK\$'000
Operating leases which expire:		
- within one year	13,923	13,080
- in the second to fifth years inclusive	19,004	15,649
- over five years	1,899	1,007
	<hr/> 34,826	<hr/> 29,736
	<hr/> 3,441	<hr/> 3,918

(30) 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\$Nil (1999: HK\$500,000).

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The Company had no significant capital commitments at the balance sheet date.

(31) Pledge of Assets

Properties under development amounting to HK\$1,656,055,000 (1999: HK\$781,214,000) have been pledged as security for bank loan.

(32) 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. The outstanding balance of this reinstatement cost was approximately HK\$17,038,000 (1999: HK\$25,371,000) as at the balance sheet date and which was recoverable from a jointly controlled entity as set out in note 34(c).

(33) 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\$159,432,769 (1999: HK\$228,900,000);
- (b) guarantees in lieu of utility deposits amounting to approximately HK\$1,690,000 (1999: HK\$1,500,000).

The Company has given guarantees to banks in respect of general facilities granted to its subsidiaries at 31 March, 2000 amounting to approximately HK\$3,793,000,000 (1999: HK\$3,527,800,000).

(34) Related Party Transactions

- (a) During the year, the Group had the following significant transactions with Shui On Company Limited and its subsidiaries and associates other than those of the Group ("SOCL Group"). Shui On Company Limited is interested in the issued share capital of the Company. These transactions were carried out on terms similar to those applicable to transactions with unrelated parties.

(34) Related Party Transactions - continued

	2000 HK\$'000	1999 HK\$'000
Nature of transactions		
Income received from SOCL Group:		
Decoration work	5,406	6,612
Management and information system services	1,052	1,299
Cost and expenses paid to SOCL Group:		
Construction/subcontracting work	-	5,369
Balance as at 31 March		
Amounts due to SOCL Group	234	1,641
Amounts due from SOCL Group	390	-
(b) During the year, the Group had the following significant transactions with jointly controlled entities of the Group on terms similar to those applicable to transactions with unrelated parties.		
Nature of transactions		
Income received:		67>
Interest income	4,411	2,817
Management fee	2,056	2,227
Supplies of construction materials	-	572
Cost and expenses paid:		
Construction/subcontracting work	158,775	130,509
Supplies of construction materials	224,140	273,604
Balance as at 31 March		
Amounts due to jointly controlled entities	61,215	63,865
Amounts due from jointly controlled entities	122,821	97,827
Interest receivable	1,314	-

(c) During the year, the Group had received a contribution from a jointly controlled entity for rehabilitation projects amounting to HK\$8,333,000 (1999: HK\$8,333,000). The outstanding balance of this contribution receivable was HK\$16,667,000 (1999: HK\$25,000,000) as at the balance sheet date.

(d) The Group is licensed by Shui On Holdings Limited, a wholly-owned subsidiary of SOCL, 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.

(e) At the balance sheet date, the Group had amounts due from associates amounting to HK\$37,000 (1999: HK\$23,000).

(f) During the year, Shui On Holdings Limited, 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, 2000, there was no outstanding obligation under this finance lease facility (1999: HK\$1,553,000).

Notes to Financial Statements

For the year ended 31 March 2000

(35) 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/ registered capital held by the Company directly or indirectly	Issued and paid-up share capital/ registered capital	Principal activities
Casa Growth Limited*	100%	1 share of US\$1	Investment holding
Jesca Limited	100%	2 ordinary shares of HK\$1 each	Investment holding
Kroner Investments Limited *	100%	1 share of US\$1	Investment holding
Shui On Contractors Limited *	100%	1 share of US\$1	Investment holding
Shui On Corporate Services Limited	100%	2 ordinary shares of HK\$1 each	Provision of secretarial services
Shui On Materials Limited*	100%	1 share of US\$1	Investment holding
Total Trend Investments Limited*	100%	1 share of US\$1	Investment holding
Indirect subsidiaries			
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	80%	100 ordinary shares of HK\$1 each 3,000,000 non-voting deferred shares of HK\$1 each	Supply of metal gates
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

(35) 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	69>
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 **	42%	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 HKS2,100,000	Manufacture of panel walls	
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	
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	
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	

Notes to Financial Statements

For the year ended 31 March 2000

(35) 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
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 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. **	64%	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	Manufacture of wallform and other metal works
Pat Davie Limited	72%	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	72%	1,000,000 ordinary shares of HK\$1 each	Renovation work
Pat Davie (China) Limited	72%	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

(36) Particulars of Associates

As at 31 March, 2000, the Group had interests in the following associates:

Indirect associates	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 associates were incorporated and are operating in Hong Kong.

(37) Particulars of Jointly Controlled Entities

As at 31 March, 2000, 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	Manufacture of aluminium window products
Nanjing Jiangnan Cement Company Limited **△#	60%	Registered and paid up capital RMB120,000,000	Manufacture and trading of cement
Shui On (Panyu) Stainless Steel & Aluminium Products Company Limited **	40%	Registered and paid up capital HK\$2,000,000	Manufacture and trading of stainless steel and aluminium products
Super Race Limited	50%	420,000 ordinary shares HK\$1 each	Supply of sink units and cooking benches
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	Manufacture and sale of cement
Chongqing T.H. Special Cement Co. Ltd. **#	34%	Registered and paid up capital RMB125,000,000	Manufacture and sale of cement
Chongqing T.H. White Cement Co. Ltd. **#	30%	Registered and paid up capital US\$1,506,000	Manufacture and sale of cement
鶴山超合預制件有限公司 **	50%	Registered and paid up capital US\$284,600	Manufacture of sink units and cooking benches

* 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 financial statements made up to 31 December, 1999.

Particulars of Properties

As at 31 March 2000

Particulars of properties held by the Group are as follows:

(A) Properties held as property, plant and equipment

Location	Use	Approx. floor area (Sq. metres)	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	2,599	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	1,796	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%
Kwun Tong Inland Lot No.43 54 - 56 Tsun Yip Street Kwun Tong, Kowloon	Industrial/ godown	19,723	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, New Territories	Super- structure in progress	January 2001	PSPS	25,101	181,840	100%

Group Financial Summary

(1) Results

The proforma combined results of the Group for the two 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.

	For the year ended 31 March,				
	1996 HK\$'000	1997 HK\$'000	1998 HK\$'000	1999 HK\$'000	2000 HK\$'000
Turnover	<u>3,066,611</u>	<u>4,984,176</u>	<u>4,731,873</u>	<u>5,375,963</u>	<u>5,985,242</u>
Operating profit before taxation	75,450	242,518	332,864	443,913	576,601
Share of results of associates/jointly controlled entities	6,495	24,849	29,450	39,571	35,180
Profit from ordinary activities before taxation	81,945	267,367	362,314	483,484	611,781
Taxation	(11,740)	(43,913)	(49,965)	(74,374)	(102,114)
Profit before minority interests	70,205	223,454	312,349	409,110	509,667
Minority interests	(198)	(39)	787	(791)	(6,535)
Profit attributable to shareholders	<u>70,007</u>	<u>223,415</u>	<u>313,136</u>	<u>408,319</u>	<u>503,132</u>

(2) Assets and Liabilities

As at 31 March,

	1997 HK\$'000	1998 HK\$'000	1999 HK\$'000	2000 HK\$'000
Total assets	2,104,986	2,344,808	3,291,591	4,288,610
Total liabilities	(966,376)	(1,191,016)	(2,092,460)	(3,037,883)
Minority interests	(9,680)	(16,844)	(17,835)	(23,441)
Shareholders' funds	<u>1,128,930</u>	<u>1,136,948</u>	<u>1,181,296</u>	<u>1,227,286</u>

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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, 5 September 2000 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 2000.
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."

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(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 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, 26 June 2000

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, 29 August 2000 to Tuesday, 5 September 2000, 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 1999/2000 Annual Report.