

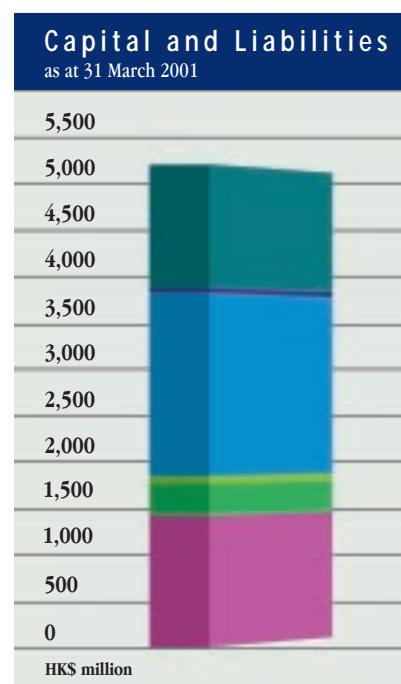
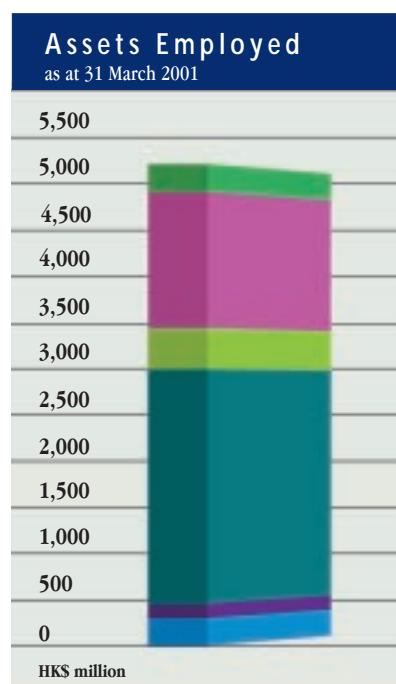
Financial Highlights



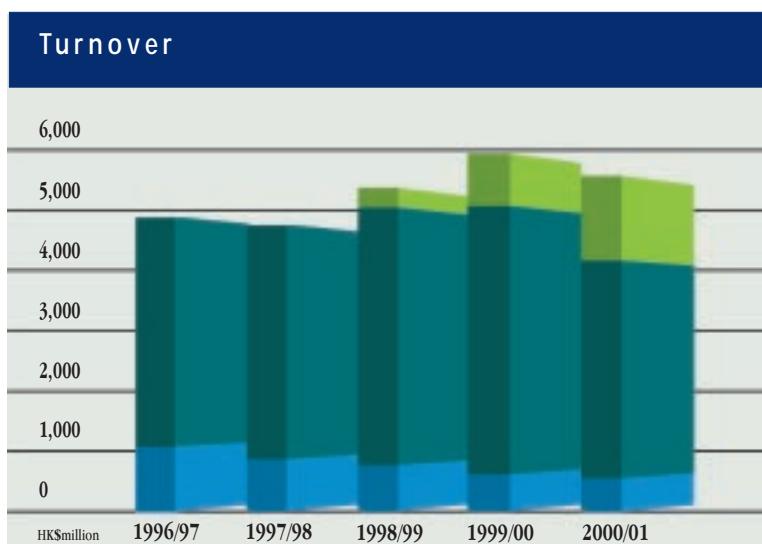
	2001 HK\$ million	%Change Over 2000
Turnover	5,556	-7.2 %
Profit from ordinary activities before taxation	598	-2.3 %
Profit attributable to shareholders	508	+1.0 %
Earnings per share	HK\$	
Basic	1.93	+0.5 %
Diluted	1.93	+1.0 %
Dividend per share	1.80	+0 %

- Fixed assets
- Other current assets
- Deferred expenditure and other investments
- Proceeds receivable from the sale of all residential units of the PSPS project
- Properties held for sale
- Cash and bank balances

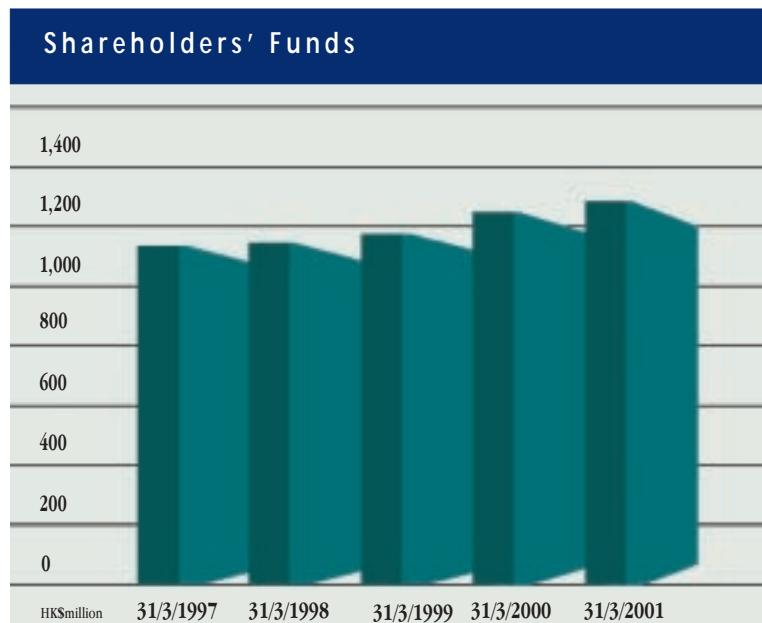
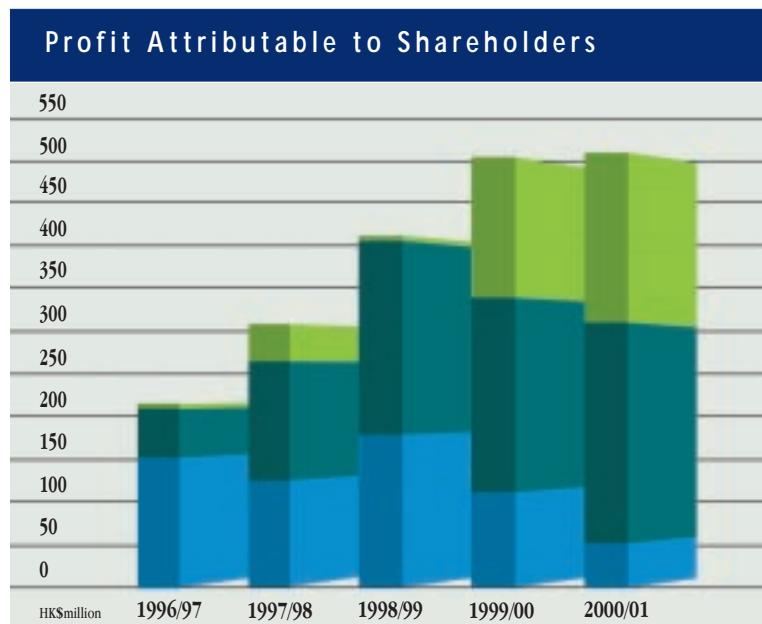
- Shareholders' funds
- Minority interests
- Bank borrowings
- Taxation
- Proposed dividends
- Other current liabilities



■ Property Development
 And Investment And others
■ Construction
■ Construction Materials



■ Property Development
 And Investment And others
■ Construction
■ Construction Materials



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 Hak Wood, Louis, *Deputy Managing Director*
Wong Ying Wai, Wilfred
Wong Fook Lam, Raymond
Lowe Hoh Wai Wan, Vivien

Non-executive Directors

Cheng Bing Chark, Henry
Griffiths, Anthony *
Professor Enright, Michael John *

* *Independent Directors*

Secretary

Wong Wai Man, Antonio

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

SHUI ON CONSTRUCTION AND MATERIALS LIMITED

Construction

Construction Materials

E-commerce

Public Housing

Commercial And
Institutional
Buildings

Interior
Fitting-out
And Building
Renovation

Ready-mixed
Concrete

Aggregates And
Rock Products

Ready-mixed
Mortars

Cement

Building
Components

Construction
And Home
Improvement
Materials



Lo Hong Sui,

Vincent

Chairman

SOCAM - Annual Report

<http://www.shuion.com.hk/eng/socam/socam1a.htm>

Internet zone



Results

I am pleased to report that Shui On Construction and Materials Limited (SOCAM) has achieved healthy profitability for the year ended 31 March 2001. The Group's profit attributable to shareholders rose to HK\$508 million, an increase of 1% over that of the 1999/2000 financial year, representing earnings per share of HK\$1.93, an increase of 0.5% over the previous year. Turnover amounted to HK\$5,556 million, down 7% from the year before.

Dividends

The Directors recommend the payment of a final dividend of HK\$1.2 per share to shareholders whose names appear on the Register of Members of the Company on 21 August 2001. This, together with the interim dividend of HK\$0.6 per share already paid, yields a total of HK\$1.8 per share for the year.

Business Review

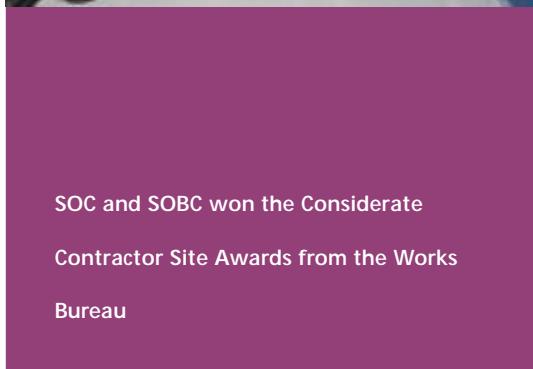
With effective cost control, SOCAM's operations maintained healthy profitability in the year under review despite unfavourable conditions in the construction and construction related industries in Hong Kong.

The number of construction projects available for tendering from the Hong Kong Housing Authority (HKHA) declined, resulting in increased competition and slimmer margins. Nevertheless, SOCAM's construction division managed to lower costs and improve profit margins steadily through the adoption of innovative techniques and technologies as well as improvements in environmental protection and safety management.

SOCAM.com was launched in December 2000 to enhance the Group's operational processes such as tendering, procurement and project management. All tenders for the supply of goods and subcontracting of works for our construction projects were put on the web for bidding by registered members. By June 2001, our unique web-based Electronic Project Management System had been implemented in seven of our construction projects. Significant savings will be achieved when these applications are fully integrated into our operations, further improving our competitiveness in the market.



SOC and SOBC were the first companies in Hong Kong awarded the Occupational Health and Safety Assessment Series (OHSAS) 18001 certification.



Shui On Construction Company Limited (SOC) and Shui On Building Contractors Limited (SOBC) scored two firsts during the year. They were the first companies in Hong Kong awarded ISO 14001 certification for environmental management system by the China National Accreditation Committee for Environmental System Certification Bodies, as well as the Occupational Health and Safety Assessment Series (OHSAS) 18001 certification by the Hong Kong Quality Assurance Agency.

During the year, SOCAM continued to win numerous prestigious industry awards in safety and health, including: Nine awards under the Good Housekeeping Plan, organized by the Occupational Safety and Health Council Three Best Building Works Site Awards and five Best Safety Team Awards from the Labour Department Two Considerate Contractor Site Awards from the Works Bureau Two Low Accident Achievement Target Awards by the Hong Kong Construction Association

Our high standards and strong capabilities have enabled us to enter the HKHA's Premier League and become one of the Authority's strategic partners in pursuit of construction excellence. Our achievements also put us in a strong position in other areas of the public sector and we will strive to secure more construction projects from the Architectural Services Department and major institutions in Hong Kong.

As the HKHA puts greater emphasis on building maintenance, we have set up a joint venture company to tap further into this growing market. In March 2001, the HKHA awarded us the status of Quality Maintenance Contractor, which is not only a strong endorsement of our efforts in fostering a quality and customer service culture in the maintenance industry, but also gives us more tendering opportunities in future HKHA maintenance contracts.

In line with our long-term commitment to development and growth, SOCAM launched AsiaMaterials.com — a B2B trading portal that offers one-stop services for buyers and suppliers in the building and home improvement materials

industries — to capture the vast opportunities in the information age. The online trading platform is complemented by a global network of product specialists at our off-line AsiaMaterials Business Centres (ABCs) to provide total solutions to customers. AsiaMaterials.com has set up six ABCs in the Chinese Mainland and more will be opened in the United States, Europe, the Asia Pacific region as well as the Chinese Mainland to further strengthen our global network.

The Hong Kong market for our Construction Materials Division continued to decline with falling margins and volume, but recently, the deterioration in the trading environment has slowed down. Competition, however, remains fierce.

On the other hand, there was an increasing demand for high quality construction materials in the central and western regions of the Chinese Mainland. The TH Cement joint venture is already a major supplier of high quality cement in Chongqing, China's fourth direct municipality and soon to become the economic and financial centre of Southwest China. In a move to further expand our cement operation, SOCAM has established a joint venture with a cement plant with annual production capacity of 300,000 tonnes in Zunyi City of Guizhou Province, which is located in the south-western part of the Mainland near Chongqing. Both Chongqing and Guizhou are of strategic importance in the Central Government's plan to open up and develop the central and western regions.

Outlook

After carefully reviewing the many business opportunities available to SOCAM, we have set our long-term development plans focusing on five major growth areas. Excellent progress has already been made.

Quality Housing Development in the Mainland

As the Hong Kong market will likely remain difficult in the near term, we will expand into fast-growing markets in the Chinese Mainland. The enthusiastic response from home purchasers for Bauhinia Garden, our Private Sector Participation Scheme (PSPS) project in Tseung Kwan O in Hong Kong, provides a strong testimony to SOCAM's capability as a property developer. In the coming years, we will systematically expand into the quality housing development market in key Mainland cities, our first major undertaking being Rui Hong Xin Cheng (RHXC), a large-scale domestic residential development project in Shanghai. The proposed investment in RHXC was passed unanimously at a Special General Meeting on 13 June, 2001.

Rui Hong Xin Cheng in Shanghai
will offer more than 16,000 residential
units over the next 10 years.



RHXC, phase 1 of which was developed by SOCAM's sister company, the privately held Shui On Properties Limited, has already established itself as a prestigious domestic housing development in Shanghai. With more than 16,000 residential units to be built over the next 10 years, RHXC will provide continual growth opportunities for SOCAM. Located in Hong Kou District in Puxi, the residential development is close to the Bund and the central business district. When the Metro station located on-site opens in late 2003, transportation will be even more convenient.

SOCAM is well positioned to expand into the property market in Shanghai as Shui On Properties has already built up an excellent reputation in this market over the past 16 years. With our solid experience in building large residential estates in Hong Kong and an improving property market in Shanghai, we are confident of RHXC's future success. We will also explore opportunities in the area surrounding Shanghai and, in the longer term, other major cities in the Mainland.

Cement Expansion in the Mainland's Central and Western Provinces

The prospects for our cement investments in Chongqing and Guizhou Province look highly promising as the Central Government speeds up the development of the central and western regions of the Mainland. Significant infrastructure and housing developments will be built, boosting the demand for high quality cement, SOCAM's target market.

In May 2001, SOCAM signed separate agreements with the existing joint venture and another cement plant in Zunyi, investing a total of Rmb 300 million to improve the product quality and raise the production capacity of the plants. In June, TH Cement signed an agreement to acquire 80% of Diwei Cement, which has an annual capacity of around 1.8 million tonnes. This will make us the largest producer in Chongqing, accounting for more than 70 percent of the high-grade cement market.

We will continue to purchase and modernize more cement plants in strategic locations in both Chongqing and Guizhou Province to meet the expected increase in demand for quality cement.

Construction and Construction Materials in Hong Kong and the Pearl River Delta

In Hong Kong, the Government's new infrastructure projects, new schools as well as various extensions of the MTR and KCR will have positive effects on the construction sector. While projects from the HKHA are expected to decline in the next few years, our status as one of the six HKHA Premier League Contractors and a Quality Maintenance Contractor will give us more tendering privileges. We will continue to develop SOCAM.com and adopt other new technologies to

Rotary kilns at TH Cement's plant in Chongqing





Ho Man Tin South Phase III

enhance our competitive edge and maintain our leading position in the market. Further efforts will also be made to bid for projects from the Architectural Services Department and other major institutions.

Global Online Materials Trading through AsiaMaterials.com

Our strong presence in the Mainland and vast experience in the construction and construction materials industries give AsiaMaterials.com the opportunity to link up China with the rest of the world and become a premier online global trading house for building and home improvement materials and products in the future. Already a major player in the global building materials market, China has great potential to capture a larger market share and AsiaMaterials.com will contribute to the process by providing domestic manufacturers with a direct access to the global market. In addition, plans are being formulated to secure exclusive agency rights for selected products and to build a product range with AsiaMaterials' own brand names.

Planning, Development and Promotion of Major Development Projects in the Chinese Mainland

Last, but not the least, SOCAM is examining suitable opportunities to undertake the planning, development and promotion of major development projects in major Mainland cities.

Acknowledgments

SOCAM's achievements would not have been possible without the commitment and hard work of our people, the most important asset of your company. I would like to extend my heartfelt appreciation to all staff members for their dedication and contribution this past year.

Lo Hong Sui, Vincent

Chairman

Hong Kong, July 2001



Choi Yuk Keung,

Lawrence

Managing Director



CONSTRUCTION DIVISION

Turnover for the year was HK\$3,546.5 million, a decrease of 16 percent compared with HK\$4,242.4 million last year. Pre-tax profit of HK\$287.2 million however represented an increase of 14 percent over the previous year. This favourable result was largely due to our efforts in improving efficiency of our operations, the adoption of innovative construction methods and the continuing fall in subcontractor prices in a deflationary environment. However, with the slowing down of the Hong Kong Housing Authority's (HKHA) public housing programme, it will be difficult to maintain this exceptional performance before strategic growth areas start to contribute significantly in the next two to three years.

Public Housing - Shui On Building Contractors (SOBC)

Public housing works carried out for the HKHA and the Hong Kong Housing Society amounted to approximately HK\$2,540 million and accounted for around 72 percent of the Division's turnover. Six contracts were completed, comprising 3,950 residential units and various commercial premises. They included Ma On Shan Area 77 Phase II, Ho Man Tin South Phase IV, Redevelopment of Shek Yam Estate Phase III, Ma Hang Village Phase 3, Tseung Kwan O Area 34/44 Phase III and the Sandwich-Class Housing Development at Ma On Shan Area 77 with a total contract sum of HK\$4.1 billion.

Four contracts, comprising 3,300 residential units, were awarded by the HKHA with a total value of around HK\$1,590 million. Three maintenance contracts for HK\$232 million were also won. Margins in recent tenders have however been eroded in light of the shrinking portfolio of HKHA.

The conclusions and recommendations in two reports, namely, "Quality Housing Initiatives" by HKHA in 2000 and the paper compiled by the Construction Industry Reform Committee at the beginning of 2001, prompted HKHA to step up the enforcement of much more stringent standards to safeguard the quality of public housing works. Six large contractors, including SOBC, assessed based on their past performance, management and control procedures in place, have been selected for inclusion in a coveted Premier League. Due recognition will be given to this status and certain design-and-build as well as complex projects will be made available for tender for this small group of superior contractors. HKHA is now also assessing tenders with reference to the overall past performance of contractors and is not necessarily awarding contracts to companies submitting the lowest bids. Notwithstanding the competitive environment, SOBC is therefore well placed to expand its market share in the dwindling public housing sector.

Ho Man Tin South Phase IV

To enhance the quality of maintenance services, the Housing Department also adopted various reform proposals, one of which was the introduction of a new status called Quality Maintenance Contractor (QMC), and preferential tender opportunities will be offered to this category of maintenance contractors. Having successfully passed the assessment and been included in the QMC list, SOBC will enjoy more tendering opportunities on maintenance sector contracts valued at over HK\$2 billion per annum.

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

The three existing contracts, namely the Public Health Laboratory Centre at Nam Cheong Street, Castle Peak Hospital Redevelopment Phase II Stage I and the Government Departmental Quarters at Hong Ning Road, all progressed smoothly and on schedule.

With the accelerated public housing development in the last few years and the massive urban redevelopment plans in the future, the government has plans for substantial increases in infrastructure and ancillary facilities to match the population growth in redeveloped areas and new towns. A large number of educational, recreational, health, and government facilities will be built over the next few years. More than 200 schools, youth centres and community halls, for example, are already on the drawing board. SOC, with design-and-build capability and good track record, will actively submit tenders for such works.

Renovation and Fitting-out - Pat Davie

With the property, banking, finance, retail and entertainment sectors all suffering from the sluggish economy and the downturn in the technology industry, very few businesses, institutions and public organizations have been willing to

commit large sums on renovation and fitting-out works. Contracts of reasonably large size were very limited, and only four contracts won in the past fifteen months were of values exceeding HK\$20 million, the largest of which being an alteration contract of HK\$88 million for the City University. The total value of new jobs secured amounted to approximately HK\$330 million compared with HK\$450 million in the previous year. Major projects handed over to clients satisfactorily during the year included works for Time Warner, ABN-AMRO Bank and the Open University of Hong Kong.

Contracts on Hand

At 30 June 2001, the gross and outstanding value of contracts on hand of the Construction Division amounted to approximately HK\$10.0 billion and HK\$5.6 billion respectively which should provide sufficient workload for the next two years.

SOCAM.com

SOCAM.com offers a comprehensive electronic construction management system designed to enhance efficiency in tendering, site management and workflow. Since its official launch in December 2000, over 400 suppliers and subcontractors have registered as users of its electronic tendering system and over HK\$200 million of tender value has been processed which has generated about HK\$2 million revenue in membership registration fees and transaction levies. An electronic Project Management System has been implemented at our new construction sites to facilitate efficient communication with the head office, eliminating the need to circulate a vast amount of management information and documents. On hand-held computer applications, we have begun making use of pocket computers for the management of traditional construction works to streamline site inspection and reporting procedures. It is expected that when the system is fully implemented, substantial savings can be achieved.



**The Public Health Laboratory Centre
site at Nam Cheong Street won the
"Considerate Contractor Site Award"
from the Works Bureau**

Health, Safety and the Environment

SOC and SOBC received the ISO 14001 Environmental Management System certificates from the China National Accreditation Committee for Environmental System Certification Bodies in 2000, after obtaining the same certification in Hong Kong in 1999. The two companies were also awarded the Occupational Health and Safety Assessment Series (OHSAS) 18001 certification by the Hong Kong Quality Assurance Agency in November 2000.

To further enhance our occupational health, safety and environmental management, we have established the e-HSE system (electronic Health, Safety and Environment system) to speed up data processing and analysis. The system is linked to SOCAM.com to ensure that efforts in safety and environmental management are consolidated into all aspects of our operation.

We continued to conduct regular overseas visits to learn the latest techniques and practices used in other countries. The Safe Working Cycle, which involves all site staff in safety management and improves communication between sub-contractors and project team members, was introduced after our visit to Japan last year.

With our continuous efforts in process improvement, the accident rate for SOC and SOBC dropped to 39 per 1,000 workers in 2000, or just 26% of the industry average in Hong Kong.

PROPERTY DEVELOPMENT

Private Sector Participation Scheme ("PSPS") Project

Construction of the PSPS project in Tseung Kwan O Town Lot No.62, Area 65A was completed and the certificate of compliance was granted in early April 2001. Named Bauhinia Garden, its residential units were offered for sale by the government in early 2001. The development was well received by the public, with an estimated 37,000 visitors visiting the

Bauhinia Garden in
Tseung Kwan O



Rui Hong Xin Cheng is a quality residential development project located close to the Bund and the central business areas of Shanghai.



showflat during the two-week preview period. Over half of the applications for the three PSPS and Home Ownership Scheme projects on sale in the same batch were for Bauhinia Garden. All of its 3,200 units were sold out within weeks, creating a talking point in the currently lack-lustre property market. If a favourable environment returns for PSPS, further involvement of the Group in such types of developments should not be ruled out. As of June 2001, the commercial arcade has also been sold.

Rui Hong Xin Cheng

Rui Hong Xin Cheng is a quality residential development project located close to the Bund and the central business areas of Shanghai. Previously developed by Shui On Properties Ltd, a privately held business owned by the Group's Chairman, Rui Hong Xin Cheng was injected into the public company with a view to establishing for SOCAM a strong foothold in Shanghai as a major property developer. Backed by the recommendations of the independent directors and financial advisers, this project was accepted unanimously by minority shareholders at a special general meeting held on 13 June 2001. Already a prestigious domestic housing development attracting buyers from Shanghai's relatively young and well educated middle class, the entire project, when eventually completed, will produce a total gross floor area of approximately 1.15 million square metres of high-rise residential building space, and 250,000 square metres of retail and commercial space. The first phase of this development by the Group totals 237,000 square metres, of which approximately 160,000 square metres will be residential apartments. The rest is for commercial units and car parks situated above a subway station which will be operational in 2003.

Ken On operates six batching plants in Hong Kong



More than 80 percent of the completed units in the previous phase, currently developed by Shui On Properties Ltd, have already been sold at an average price of Rmb 6,700 per square metre. The current development cost is estimated to be below Rmb 6,000 per square metre. The 16,000 residential units to be built over the next 10 years in a rising Shanghai property market should therefore provide continuous growth for the Group in the future. The expected upward adjustment in property prices is buoyed by the robust economy in Shanghai, tax incentives available to home buyers and the rapidly developing mortgage market. The investment cost of Rmb 1.4 billion for the first phase will largely be financed by banking facilities and internal funds.

CONSTRUCTION MATERIALS DIVISION

Ready-mixed Concrete - Ken On

The continual downturn in the property and building sectors significantly eroded the profitability of the concrete division as total sales volume dropped by about 15 percent. Approximately 950,000 cubic metres were sold by Ken On in a much weaker concrete market in Hong Kong with total consumption industry-wise further shrinking to only 7 million cubic metres, from 9 million cubic metres in the previous year. A decrease in average selling price, together with the aforementioned reduction in sales volume, has the combined effect of substantially reducing Ken On's results by 49 percent as compared with the previous year.

Six batching plants were in operation, two of which, namely the Tung Chung Plant and Cheung Sha Wan Plant, are scheduled to be closed down upon the expiry of leases in late 2001 and early 2002 respectively. With reduced workload, efforts have been made in plant rationalization and elimination of excess capacity.

The two batching plants in Guangzhou continued to operate under stiff competition with small losses resulting from a 30 percent reduction in sales. The new plant in the south-eastern part of Guangzhou had begun supplying to the prestigious Mass Transit Railway contract though only a small contribution was generated. At 30 June 2001, the order book of Ken On stood at over 800,000 cubic metres which should allow a stable production level in the coming year.

Quarrying Operations

Rock processing discontinued on Lamma Island following the expiry of quarrying rights in March 2000. Rehabilitation works of the Lamma quarry continue on schedule. With the production of the replacement quarries gradually coming on line, total production of the division amounted to 2.9 million tonnes and represented a reduction of 15 percent compared to last year. Ken On's usage accounted for approximately 80 percent of aggregates produced. Part of the quarrying activities was replaced by the new site formation contract in Guishan Island, Zhuhai where crushed rocks are by-products of the project. The setting up of crushing and loading facilities at Guishan is now at the final stage and full-scale production will commence around October. The quarry in Chik Wan, while also replacing the production in the Lamma quarry last year, is now preparing for a large marine rock contract recently secured for the reclamation of the Lamma Power Station of Hong Kong Electric. With the reduction in the number of quarries in Hong Kong and the commencement of infrastructure works on Disneyland and Container Terminal 9, prices of rock products are expected to hold firm and the quarrying division should make a gradual recovery in contribution in the foreseeable future.

Cement Import and Distribution - Far East Cement

Amid the shrinking volume of the concrete sector and a depressed cement market in Asia in general, Far East Cement's trading volume for the year was reduced to approximately 330,000 tonnes, 74 percent of which was taken up by Ken On. Following the expiry of the quarrying rights in Lamma Island in March 2000, Far East Cement, the sub-tenant adjacent to the quarry, also ceased operation on 1 April 2001. This joint venture between Sumitomo Osaka Cement, the IMC Group and Shui On Building Materials had been most fruitful since its inception in 1980. Apart from being a vehicle



Chik Wan quarry in

Zhuhai

for steady shipments of high quality cement from Japan, it had also been recognized as a reputable cement trader in the Hong Kong market. In place of Far East Cement, Shui On Cement Co. Ltd. was formed in April 2001 by the Group to continue handling the import of cement from Sumitomo Osaka Cement and our Nanjing cement plant, the latter supplying 84,000 tonnes of cement to the Hong Kong market last year.

Cement Operations in the Chinese Mainland

The Group's investment in cement operations in the Chinese Mainland now enters its sixth year. Our experience in acquisitions and reforming state-owned plants, marketing and technological know-how as well as our established reputation in the industry enable us to plan our expansion to coincide with the Central Government's modernization of the Central and Western provinces. The injection of resources into numerous substantial infrastructural projects resulted in the rapid increase in high grade cement consumption in these areas. The official upgrading of cement specifications nationwide as well as the closure of small and polluted cement plants are conducive to our target of becoming one of the top producers in the Chinese Mainland with a total capacity of six to seven million tonnes within the next three years.

Chongqing Operation

80 percent of the TH Cement Group in Chongqing is now equally owned by the Group and its Hong Kong partner. The addition of the second new kiln has brought the capacity of the existing plant to one million tonnes per annum and actual sales in 2000 reached 820,000 tonnes, albeit profit, achieved consecutively for five years, was reduced due to an aggressive strategy to expand market share. As the first producer of the environmentally friendly fly ash cement in the Chinese Mainland, the operation continued to enjoy tax concessions. The clinker grinding mill with a capacity of 400,000 tonnes in the city area has greatly extended the radius of sales and TH Cement has firmly established itself as one of the three largest producers in Chongqing. The Group is also negotiating to set up a clinker grinding mill adjacent to the largest Chongqing steel factory to capture the market of steel-slag cement, another popular and environmentally friendly product in developed countries.

TH Cement is the first producer of the
environmentally friendly fly ash cement
in the Chinese Mainland.





SOCAM is building a sizeable cement business in Guizhou.

On 30 June 2001, TH Cement signed the acquisition agreement for 80 percent of Diwei Cement, the largest of the three high grade cement producers in Chongqing with a capacity of around 1.8 million tonnes per annum. This important acquisition now places TH Cement as the leader in Chongqing and eliminates a hitherto strong competitor. The new joint venture is expected to commence in October and the resultant savings in human resources and other operating areas should enhance the profitability of the expanded TH Cement Group. The joint venture for the acquisition of the 300,000 tonne Fuling cement plant, signed in June 2000, was delayed pending restructuring of existing bank financing.

Guizhou Operation

Guizhou province, though among the poorest of the Chinese provinces, abounds with valuable natural resources, including coal and limestone, the latter being the main ingredient for cement production. In Guizhou, massive plans have been formed for the construction of electric power plants, dams, roads and other substantial infrastructure works, one of the purposes of which is to transfer some of the energy produced to the affluent eastern and coastal regions. With TH Cement now concentrating on the Chongqing market, our Group will effectively be the sole foreign investor and will play a leading role in building up a sizeable cement entity in Guizhou to complement the TH Cement Group. A small plant in Zunyi city of Guizhou was acquired in November 2000. This 300,000-tonne production plant generated an encouraging profit of Rmb 5 million in the first six months under our management which justifies the construction of a new kiln with a 400,000-tonne capacity nearby. This approach to expansion follows the successful formula established in Chongqing to ensure excess human resources in an acquired plant can be well utilized in appropriate market conditions. The joint venture contract for this extension, together with a letter of intent for the acquisition of a small plant and the addition of another 400,000-tonne kiln in the adjacent city of Xishui, were signed at the end of May 2001 in Beijing under the auspices of senior government officials from the Mainland and Hong Kong. In June 2001 a formal contract was signed for the Xishui project. Further acquisitions and expansion should enable the Group to develop a production capacity of around three million tonnes per annum within three years in Guizhou alone.



AsiaMaterials.com was officially launched in March to tap the global materials trading market.

Nanjing Operation

The Jiangnan Cement plant continued to operate under the severe market conditions which have been prevailing among the coastal cities since the Asian financial crisis. In order to optimize operational capacity, all markets have been investigated and developed with 200,000 tonnes being supplied to Australia, Hong Kong and Guangzhou, in the latter two cases to Ken On's batching plants in Hong Kong and Guangzhou. Annual throughput to Hong Kong in 2001 will amount to approximately 200,000 tonnes. The Jiangnan Cement plant is still operating at a loss due to the highly competitive prices applicable locally, but efforts are being made to improve further the efficiency of operations and to secure concessions from various suppliers and partners.

E-COMMERCE

AsiaMaterials.com

AsiaMaterials.com, launched in March 2001 to tap the vast building materials trading market worldwide, offers its services to customers via a robust business-to-business electronic platform that facilitates online trading of building materials as well as a global network of AsiaMaterials Business Centres. Six business centres in Beijing, Shanghai, Tianjin, Guangzhou, Hangzhou and Wuhan, as well as a technology centre in Shenzhen, have been opened in the first quarter of 2001. Three more business centres will be set up in the USA, Europe and Asia Pacific by the end of this year.

AsiaMaterials.com has also partnered with a number of major construction materials groups as well as global technology and service providers. Plans are now being formulated to secure exclusive agency rights for selected products and to build a product range bearing brand names owned by AsiaMaterials.

FINANCIAL REVIEW

Liquidity and Financing

As at 31 March 2001, the Group's outstanding bank borrowings amounted to HK\$2,023 million, consisting entirely of the drawn-down portion of the project loan arranged to finance the PSPS project at Tseung Kwan O Town Lot No. 62. This project loan was fully repaid on 2 May 2001.

At the year end date, the gearing ratio of the Group, calculated on the basis of bank borrowings over shareholders'

equity, was 1.60 (2000: 0.97). Following the repayment of the PSPS project loan on 2 May 2001 as aforementioned, the Group will practically be debt-free, other than amounts due under normal trade payables. The Group's borrowings were on floating rate basis.

With cash on hand, marketable securities and available banking facilities at the year end date, the Group's liquidity position remained strong and should provide sufficient financial resources to satisfy its commitments and working capital requirements.

Treasury Policies

The objective of the Group's treasury policies is to arrange the assets and liabilities so as to reduce appropriately its exposure to fluctuations in exchange and interest rates. Treasury transactions unrelated to underlying financial exposure are not undertaken.

At 31 March 2001, the Group's borrowings, revenue and cash balances were mainly in Hong Kong Dollars. The Group did not have any significant commitments and exposure in foreign currencies.

Contingent Liabilities and Pledge Of Assets

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\$171.1 million (2000: HK\$159.4 million); (b) guarantees in lieu of utility deposits amounting to approximately HK\$0.8 million (2000: HK\$1.7 million).

At 31 March 2001, the Company has given guarantees to banks in respect of general facilities granted to its subsidiaries (including a PSPS project loan of HK\$2,265.0 million) and jointly controlled entities amounting to approximately HK\$3,729.4 million and HK\$161.1 million (2000: HK\$3,793.0 million and HK\$nil) respectively.

Properties held for resale and sales proceeds from the PSPS project have been pledged as securities for the drawn-down portion of the PSPS project loan of HK\$2,022.6 million at 31 March, 2001 (2000: HK\$1,194.3 million), which was fully repaid on 2 May 2001. The related guarantees to banks were subsequently released.

Employees

At 31 March 2001, the number of salaried staff of the Group was approximately 1,300 in Hong Kong and 3,200 in subsidiaries and jointly controlled entities in the Chinese Mainland. The Group ensures that its employees' remuneration packages are competitive. Employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus systems. Share options are granted annually by the Board of Directors to senior management staff members as appropriate.

Choi Yuk Keung, Lawrence

Managing Director

Hong Kong, July 2001



Going Forward into the Digital Era

The rapid development of the Internet and e-business is changing the way people work and live in the new millennium. While there is much hype about the rise and fall of the dotcom, the real benefits are being realized by innovative companies with a strong foundation in the old economy.

In line with our long-term commitment to continual improvement and growth, Shui On has launched two Internet initiatives to capture the vast new opportunities in the information era. SOCAM.com is designed to enhance the Group's operational processes such as procurement and project management, while AsiaMaterials.com is a B2B (business-to-business) trading portal offering one-stop services for buyers and suppliers in the building materials industry.

These two initiatives help Shui On streamline work processes, reduce operational costs, open up new markets and, most importantly, stay ahead in the highly competitive digital age.

Looking ahead, Shui On will continue to capitalize on new technologies and opportunities to create value for our shareholders, our customers and our people.



A major step forward for SOCAM and the construction industry

As a key player in the construction industry in Hong Kong, SOCAM is committed to the adoption of innovative techniques and technologies to improve quality and productivity. Taking advantage of the rapid development of the Internet and information technology, we launched SOCAM.com in December 2000 to boost the efficiency and cost-effectiveness of the Group's operations. In the initial stage, the website caters to the procurement and project management needs of our construction and contracting businesses.

SOCAM.com transforms a significant portion of the conventional manual and paper-based work procedures in the construction industry to a web-based environment. It brings higher efficiency and accuracy, better information flow and greater savings to Shui On and our business partners. This means better service for our customers, competitive advantage for the Group and ultimately a more attractive return to our shareholders.

Electronic Tendering System

One of the key functions of SOCAM.com is the Electronic Tendering (e-Tendering) System, an advanced web-based tool with which the entire tendering process is conducted on the Internet using a secured system. Tenders for the supply of goods and contracting of works for the Group's construction projects are put on the website for bidding by registered members.

- The system caters to the entire tendering process, from tender invitation, tender collection, tender submission by suppliers and subcontractors to tender opening and tender analysis.
- It adopts advanced security systems to ensure data security and tenderer authenticity.
- More than 400 active suppliers and subcontractors registered with SOCAM.com within five months.



Electronic Project Management System

The Electronic Project Management System (e-PMS) is designed to meet the specific requirements of SOCAM's construction projects, incorporating the entire workflow. It provides a common platform to facilitate communication, collaboration and information sharing among project members, enabling them to work together more closely and effectively.

- Document control - project documents and communications are digitized, speeding up tracking and retrieval.
- Instructions control - information in the client's instructions and the related drawing list and drawing distribution record updates are captured with a single set of input data, reducing human errors while increasing efficiency.
- Management information - up-to-date project information, including progress reports and site photos, can be viewed by management any time.

PDA applications

To facilitate frontline supervision work, construction site staff use PDAs (Personal Digital Assistants) to generate in-process inspection checklists, final defect checklists and system testing checklists. The data will then be synchronized to the e-PMS database for storage.

- Site staff carry relevant floor maps in a compact PDA for instant access and marking.
- Centralized database enhances accuracy and speeds up follow-up actions.



Capturing new business opportunities in the Internet age

At Shui On, we are constantly looking for new business opportunities that offer attractive long-term returns for our shareholders.

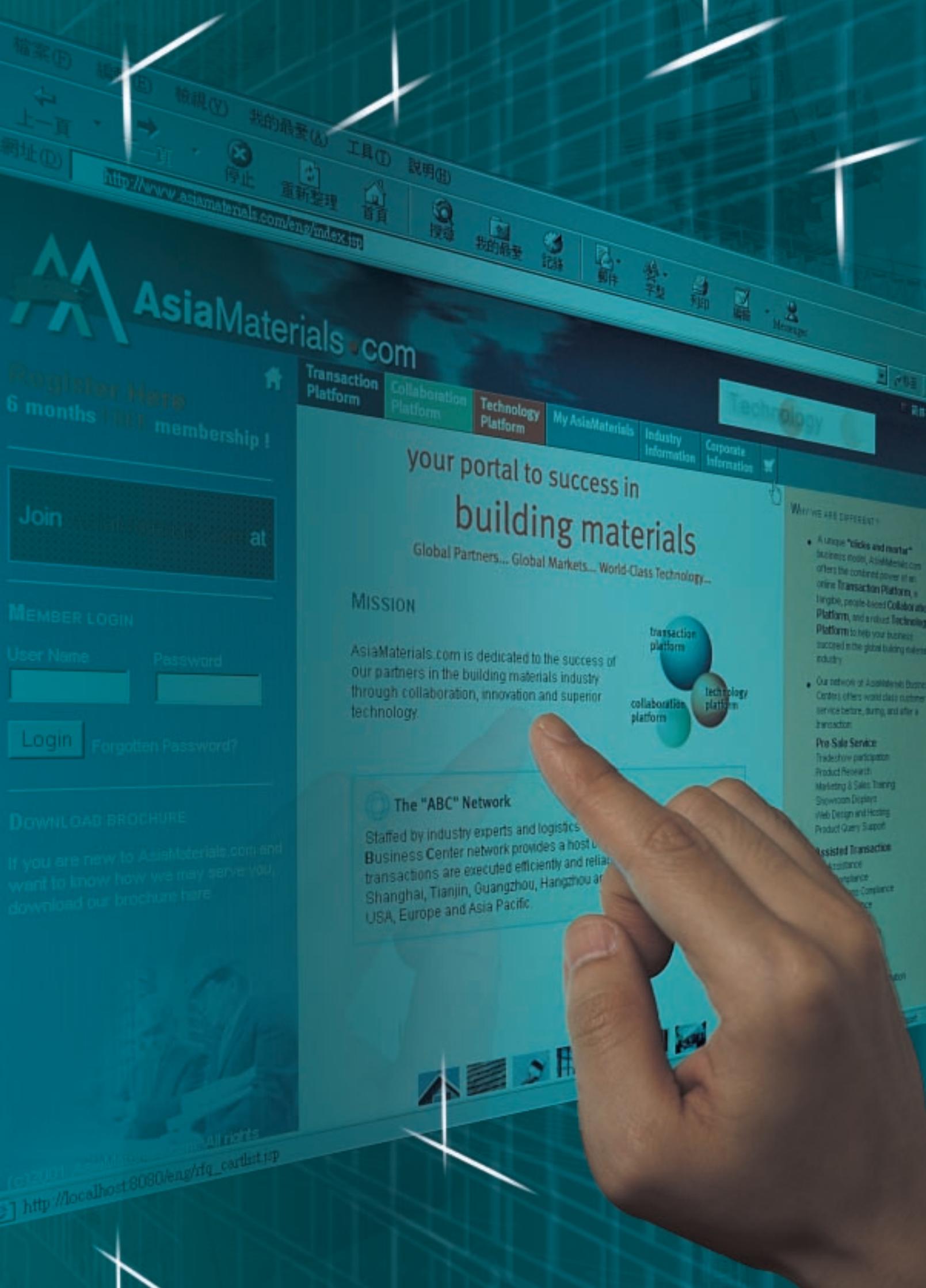
The increasing globalisation of the world economy, the imminent accession of China into the World Trade Organisation (WTO) and the advent of the Internet age have brought forth unique business opportunities. Combining our vast experience in building materials with the latest information technology, we launched AsiaMaterials.com in March 2001 to tap into the building materials market worldwide.

Focusing on the China market

China is already one of the major players in the global building materials market and has great potential to capture a larger market share, especially after its accession to the WTO. Capitalizing on Shui On's experience and expertise in the construction and building materials industries and extensive people network in China, AsiaMaterials.com initially focuses on the Mainland market and acts as a gateway to domestic and overseas manufacturers alike, allowing them an access to the global market.

A clicks-and-mortar model

AsiaMaterials.com brings together people, markets and technology to create a unique clicks-and-mortar business model for the global building materials industry. It offers the combined power of an electronic trading platform, a global network of AsiaMaterials Business Centres (ABCs) and a range of horizontal and technology services, providing end-to-end total solutions to buyers and sellers in the building materials industry worldwide.



AsiaMaterials.com's best-of-breed technology not only enables buyers and sellers to conduct business online in the global marketplace, but also allows them to link business transactions with their internal operating systems as well as those of their suppliers, thus achieving maximum efficiency gain throughout the supply chain.

Complementing this is an equally potent real-world counterpart, a global network of ABCs to cultivate customer relationships and help solve business transaction problems.

AsiaMaterials.com has also collaborated with strategic partners to offer a comprehensive range of horizontal services, including product quality inspection, logistic management, supply chain management, insurance and payment.

The global ABC network

The first six of AsiaMaterials.com's global network of ABCs are located in key cities throughout China – Beijing, Shanghai, Tianjin, Guangzhou, Hangzhou and Wuhan. An ABC will be established in the US soon and more will be opened in future in China, North America, Europe and the Asia Pacific region to further strengthen the global network.

Staffed by professional sales and technical support teams with in-depth product and technical knowledge, the ABCs provide a host of support services to ensure that transactions are executed efficiently and reliably. They allow customers to meet our teams face-to-face, and become a hub for buyers, sellers and trading partners. The centres also provide market information for trading, including domestic policies, regulations, supply and demand statistics and price trends.

By combining online facilities with offline operations, the clicks-and-mortar model has great potential in today's e-business, and AsiaMaterials.com will continue to evolve itself in line with the rapidly changing business landscape.

Directors and Senior Management



Directors

Executive Directors

Lo Hong Sui,

Vincent

GBS JP

Aged 53, has been the Chairman of the Company since 1997. He is also chairman and chief executive of the Shui On Group which he founded 30 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, the 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, a director of Great Eagle Holdings Limited and a non-executive director of Hang Seng Bank Limited and New World China Land Limited.

Wong Yuet Leung,

Frankie

Aged 52, 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 Yuk Keung,

Lawrence

Aged 47, 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 25 years of experience in construction. He holds a Bachelor of Science degree in Engineering from the University of California, Berkeley.

Wong Hak Wood,

Louis

Aged 50, has been an Executive Director of the Company since 1997 and was appointed as Deputy Managing Director of the Company on 6 September 2000. 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 1st 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.

Wong Ying Wai, Wilfred	Aged 48, had been a Non-executive Director of the Company since 1997 and was redesignated as Executive Director of the Company on 6 September 2000. He was also appointed as Managing Director of Shui On Holdings Limited and as Vice Chairman and President of AsiaMaterials.com 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 council member 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.
Wong Fook Lam, Raymond	Aged 46, 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.
Lowe Hoh Wai Wan, Vivien	Aged 52, 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.
<i>Non-Executive Directors</i>	
Cheng Bing Chark, Henry	Aged 50, 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 16 years. He holds a Master of Arts degree from the University of Wisconsin.
Griffiths, Anthony	Aged 57, 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.
Professor Enright, Michael John	Aged 42, was appointed as Non-executive Director on 6 September 2000. He is an expert on business strategy and international competition. He joined the faculty of the University of Hong Kong as the Sun Hung Kai Visiting Professor of Business Administration in 1996. He is also a Director and member of the Advisory Board of The Competitiveness Institute. Professor Enright received his Bachelor's degree in Chemistry, Master's degree in Business Administration and Doctor of Philosophy degree in Business Economics from Harvard University. Before coming to Hong Kong, Professor Enright spent six years as a professor at the Harvard Business School.

Senior Management

Chan Cheu Hung, William Aged 53, 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 18 years. He holds a Master's degree in Business Administration and is a Fellow of the Institute of Quarrying.

Leich, John Aged 50, is an Executive Director of Ken On Concrete Company Limited, Lamma Rock Products Limited, Instant Mortars Limited and Shui On Cement Limited. He joined the Shui On Group in 1992 and has over 25 years of experience in the concrete and cement industries. He holds a Bachelor's degree in Civil Engineering from the University of Sydney and has completed studies for a Master's degree in Business Administration at the University of Technology, Sydney.

Lee Wing Kee, Stephen Aged 48, is the Executive Director of Shui On Building Contractors Limited and Shui On Construction Company Limited. He has worked in the Shui On Group since 1985 and has over 25 years of experience in construction. He holds a Bachelor of Science degree in Civil Engineering and is a chartered civil engineer.

Leung Kam Woon, Barnabas Aged 54, 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 Master's degrees in Management Science and 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 55, 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.

Li Chun Ki, Stephen Aged 48, is the General Manager of Shui On Building Contractors Limited. He joined the Shui On Group in 1985 and has over 25 years of experience in construction. He holds a Bachelor of Applied Science degree in Civil Engineering and is a chartered civil engineer.

Kong Hon Ling, Frank Aged 49, is the General Manager of special projects for the construction materials division. He joined the Shui On Group in 1982 and has over 25 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.

Wong Leung Bing, Tony	Aged 50, is the Technical Director of the construction materials division. He has worked in the Shui On Group for over 18 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.
Wong Kam Lor, Dennis	Aged 45, is the Vice President of AsiaMaterials.com Limited and is primarily responsible for overseeing the company's operations and business strategy. He joined the Company in 2000 and has over 18 years of experience in corporate development, financial planning and accounting. He is a Fellow of the Hong Kong Society of Accountants and an Associate of the American Institute of Certified Public Accountants.
Yu Chi Fung, Peter	Aged 39, is the Vice President of AsiaMaterials.com Limited in charge of technology, online services, content management and technology partnerships. He joined the Company in 2000 and has over 16 years of technical and technology business experience in Asia Pacific. He holds a Bachelor's degree in Computer Information Systems from California State Polytechnic University.
Chim Siu Fai, Felix	Aged 40, is the Vice President of AsiaMaterials.com Limited responsible for the formulation and implementation of marketing strategies and the establishment of international sales and distribution network. He rejoined the Shui On Group in 2000 and has over 15 years of technical marketing and sales experience in building and construction materials as well as China trade experience. He holds a Bachelor of Science degree in Civil Engineering from the University of Leeds and a Master's degree in Business Administration from the University of Ottawa.
Li Chi Keung, Evans	Aged 40, is the Financial Controller of AsiaMaterials.com Limited. He joined the Shui On Group in 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.
Wong Wai Man, Antonio	Aged 38, is the Company Secretary of the Company and has been with the Shui On Group since 1991. He is a Fellow of the Association of Chartered Certified Accountants and the Hong Kong Society of Accountants.



The Directors present their annual report and the audited financial statements for the year ended 31 March, 2001.

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 and building materials, property development, property investment and investment holding.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March, 2001 are set out in the consolidated income statement on page 45.

An interim dividend of HK\$0.60 per share amounting to HK\$158.0 million was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK\$1.20 per share to the shareholders on the register of members on 21 August, 2001, amounting to HK\$316.0 million, and the retention of the remaining profit for the year of HK\$33.1 million.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 23 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 24 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 81.

INVESTMENT PROPERTY

The Group's investment property was revalued at 31 March, 2001, as set out in note 13 to the financial statements. The revaluation surplus over book value amounting to HK\$10.0 million has been credited directly to the income statement.

PROPERTY, PLANT AND EQUIPMENT

With the exception of certain land and buildings with insignificant carrying values which the directors are of the opinion that their carrying values approximate their fair values, all of the Group's leasehold land and buildings were revalued at 31 March, 2001. The revaluation surplus over book values amounting to HK\$1.4 million has been credited directly to the property, plant and equipment revaluation reserve.

Details of additions to and other movements during the year in the property, plant and equipment of the Group and the Company are set out in note 14 to the financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group at 31 March, 2001 are set out on page 80 of the annual report.

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 Hak Wood, Louis
 Mr. Wong Ying Wai, Wilfred (redesignated from non-executive director on 6 September 2000)
 Mr. Wong Fook Lam, Raymond
 Mrs. Lowe Hoh Wai Wan, Vivien
 * Mr. Cheng Bing Chark, Henry
 *# Mr. Griffiths, Anthony
 *# Professor Enright, Michael John (appointed on 6 September 2000)

*Non-executive directors

#Independent directors

In accordance with the Company's Bye-laws, Mr. Wong Yuet Leung, Frankie and Mr. Wong Hak Wood, Louis, shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

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

DIRECTORS' INTERESTS IN SHARES**(i) Shares**

As at 31 March, 2001, 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	-	-	-	168,458,000 <i>(Note)</i>
Mr. Wong Yuet Leung, Frankie	267,000	-	-	-
Mr. Choi Yuk Keung, Lawrence	1,389,000	-	-	-
Mr. Wong Hak Wood, Louis	378,000	-	-	-
Mr. Wong Ying Wai, Wilfred	-	-	-	-
Mr. Wong Fook Lam, Raymond	-	-	-	-
Mrs. Lowe Hoh Wai Wan, Vivien	216,000	-	-	-
Mr. Cheng Bing Chark, Henry	-	-	-	-
Mr. Griffiths, Anthony	-	-	-	-
Professor Enright, Michael John	-	-	-	-

Apart from the above, as at 31 March, 2001, there was no other interest recorded in the register required to be kept under Section 29 of the SDI Ordinance.

Note:

The 168,458,000 shares are held as to 166,148,000 shares and 2,310,000 shares by the ultimate holding company, Shui On Company Limited ("SOCL") and Shui On Finance Company Limited respectively, which is an indirect wholly-owned subsidiary of SOCL. SOCL is owned by the Bosrich Unit Trust. The units of the Bosrich 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, 2001, 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 31.3.2001 are exercisable	
			At 1.4.2000	Granted during the year	Exercised during the year		
Mr. Wong Yuet Leung, Frankie	25.7.1997	7.50	160,000	-	80,000	80,000	25.7.2001 to 24.7.2002
	15.7.1998	4.14	72,000	-	24,000	48,000	15.7.2001 to 14.7.2003
	7.7.1999	11.21	200,000	-	-	200,000	7.1.2000 to 6.7.2004
	4.7.2000	9.56	-	200,000	-	200,000	4.1.2001 to 3.7.2005
Mr. Choi Yuk Keung, Lawrence	25.7.1997	7.50	160,000	-	80,000	80,000	25.7.2001 to 24.7.2002
	15.7.1998	4.14	132,000	-	44,000	88,000	15.7.2001 to 14.7.2003
	7.7.1999	11.21	280,000	-	-	280,000	7.1.2000 to 6.7.2004
	4.7.2000	9.56	-	350,000	-	350,000	4.1.2001 to 3.7.2005
Mr. Wong Hak Wood, Louis	25.7.1997	7.50	168,000	-	56,000	112,000	25.7.2001 to 24.7.2002
	15.7.1998	4.14	90,000	-	30,000	60,000	15.7.2001 to 14.7.2003
	7.7.1999	11.21	250,000	-	-	250,000	7.1.2000 to 6.7.2004
	4.7.2000	9.56	-	280,000	-	280,000	4.1.2001 to 3.7.2005
Mr. Wong Fook Lam, Raymond	25.7.1997	7.50	112,000	-	56,000	56,000	25.7.2001 to 24.7.2002
	15.7.1998	4.14	72,000	-	24,000	48,000	15.7.2001 to 14.7.2003
	7.7.1999	11.21	150,000	-	-	150,000	7.1.2000 to 6.7.2004
	4.7.2000	9.56	-	160,000	-	160,000	4.1.2001 to 3.7.2005
Mrs. Lowe Hoh Wai Wan, Vivien	25.7.1997	7.50	80,000	-	24,000	56,000	25.7.2000 to 24.7.2002
	15.7.1998	4.14	72,000	-	24,000	48,000	15.7.2001 to 14.7.2003
	7.7.1999	11.21	150,000	-	-	150,000	7.1.2000 to 6.7.2004
	4.7.2000	9.56	-	160,000	-	160,000	4.1.2001 to 3.7.2005

Consideration paid for each grant was HK\$1.

Details of the employee share option scheme are set out in note 23 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 was no person having an interest in 10% or more of the issued share capital of the Company as at 31 March, 2001.

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

The Company provided management information systems services to Shui On Investment Company Limited, Shui On Properties Management Limited, Shui On Properties Limited and Centre Top Limited, wholly-owned subsidiaries of SOCL, during the year. The services were charged at rates designed to recover the costs and expenses incurred by the Company on a reasonable basis. The aggregate amount charged by the Company for such services for the year was approximately HK\$0.7 million.

The Group occupies two offices in Beijing and Shanghai which were owned by Beijing Hua Wei Center Co. Ltd and Shanghai Jiu Hai Rimmer Properties Co. Ltd., subsidiaries of SOCL. The rental deposits paid during the year amounted to HK\$0.1 million.

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.

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", 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 which subsisted at the end of the year or at any time during the year.

PROVIDENT AND RETIREMENT FUND SCHEMES

Details of the Group's provident and retirement fund schemes are shown in note 29 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 61% of the total turnover of the Group in the year with the largest customer accounting for approximately 44% 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\$0.2 million to charitable bodies and HK\$0.6 million to other communities.

POST BALANCE SHEET EVENT

Details of a significant post balance sheet event are set out in note 34 to the financial statements.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 March, 2001 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").

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.

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 a 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. As at 31 March, 2001, the outstanding amount of this project loan was approximately HK\$2,022.6 million, which was fully repaid on 2 May 2001.

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

3 July, 2001

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 45 to 79 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

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

BASIS OF OPINION

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

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

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March, 2001 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

3 July, 2001

Consolidated Income Statement
For the year ended 31 March 2001



	Notes	2001 HK\$ million	2000 HK\$ million
Turnover	3	5,556.1	5,985.2
Other revenue	4	67.6	59.3
Changes in inventories of finished goods, work in progress, contract work in progress and properties under development for sale		(341.6)	(247.5)
Raw materials and consumables used		(745.3)	(921.4)
Staff costs		(552.5)	(529.6)
Depreciation and amortisation expenses		(70.4)	(71.7)
Subcontracting, external labour costs and other operating expenses		(3,355.5)	(3,696.7)
Profit from operations	5	558.4	577.6
Finance costs	6	(1.1)	(1.0)
Share of results of jointly controlled entities		30.8	35.2
Surplus on revaluation of an investment property		10.0	-
Profit from ordinary activities before taxation		598.1	611.8
Taxation	9	(80.7)	(102.1)
Profit before minority interests		517.4	509.7
Minority interests		(9.1)	(6.6)
Profit attributable to shareholders	10	508.3	503.1
Dividends	11	(475.2)	(473.9)
Profit for the year, retained		33.1	29.2
Earnings per share	12	HK\$1.93	HK\$1.92
Basic		HK\$1.93	HK\$1.91
Diluted		HK\$1.93	HK\$1.91

Balance Sheets

As at 31 March 2001



Notes	The Group		The Company	
	2001	2000	2001	2000
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Non-Current Assets				
Investment property	13	140.0	130.0	-
Property, plant and equipment	14	270.5	253.9	3.5
Interests in subsidiaries	15	-	-	291.7
Interests in jointly controlled entities	16	159.4	117.3	-
Investments in securities	17	186.1	18.5	-
Club debenture	18	1.2	-	1.2
Site establishment expenditure	19	19.8	13.1	-
		777.0	532.8	296.4
		—	—	287.4
Current Assets				
Inventories	20	42.9	42.7	-
Properties held for sale		191.8	-	-
Properties under development for sale		-	1,656.1	-
Debtors, deposits and prepayments	21	3,456.2	853.9	2.6
Amounts due from customers for contract work	20	209.6	200.3	-
Amount due from subsidiaries		-	-	1,287.9
Amounts due from related companies		0.2	0.4	0.2
Amounts due from associates		0.1	-	-
Amounts due from jointly controlled entities		192.7	122.8	4.3
Bank balances, deposits and cash		293.0	879.6	2.1
		4,386.5	3,755.8	1,297.1
		—	—	1,015.1
Current Liabilities				
Creditors and accrued charges	22	1,217.5	1,145.3	6.4
Amounts due to customers for contract work	20	173.9	230.0	-
Amount due to subsidiaries		-	-	304.4
Amounts due to jointly controlled entities		40.1	61.2	-
Amount due to related companies		-	0.2	-
Provision for taxation		91.1	72.9	-
Proposed dividends		316.0	327.9	316.0
Bank borrowings, due within one year	25	2,027.3	-	-
		3,865.9	1,837.5	626.8
		—	—	426.9
Net Current Assets		520.6	1,918.3	670.3
		—	—	588.2
		1,297.6	2,451.1	966.7
		—	—	875.6

Notes	The Group		The Company	
	2001	2000	2001	2000
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Capital and Reserves				
Share capital	23	263.3	262.4	263.3
Reserves	24	1,002.8	964.9	703.4
		1,266.1	1,227.3	966.7
				875.6
Minority Interests		28.0	23.4	-
				-
Non-Current Liabilities				
Bank borrowings	25	-	1,194.3	-
Deferred taxation	26	3.5	6.1	-
		3.5	1,200.4	-
				-
		1,297.6	2,451.1	966.7
				875.6

The financial statements on pages 45 to 79 were approved by the Board of Directors on 3 July, 2001.

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 2001



	2001 HK\$ million	2000 HK\$ million
Revaluation surplus on land and buildings	1.4	2.7
Exchange differences arising on translation of overseas operations	(0.4)	(0.1)
 	<hr/>	<hr/>
Net gains not recognised in the income statement	1.0	2.6
Profit attributable to shareholders	508.3	503.1
 	<hr/>	<hr/>
Total recognised gains and losses	509.3	505.7
(Goodwill) capital reserve arising from acquisition of additional interests in jointly controlled entities and a subsidiary	(0.9)	0.1
 	<hr/>	<hr/>
	508.4	505.8

Consolidated Cash Flow Statement
For the year ended 31 March 2001



	Notes	2001 HK\$ million	2000 HK\$ million
NET CASH OUTFLOW FROM OPERATING ACTIVITIES *	27	(503.3)	(77.4)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		34.4	39.1
Interest paid		(127.8)	(56.8)
Dividends received from unlisted investments		0.3	-
Dividends received from listed investments		3.0	-
Dividends received from jointly controlled entities		57.0	30.0
Dividends paid to minority shareholders		(5.3)	-
Dividends paid		(487.1)	(406.0)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(525.5)	(393.7)
TAXATION			
Hong Kong Profits Tax paid		(58.5)	(70.4)
Income tax of other regions in the PRC paid		(0.1)	-
TAX PAID		(58.6)	(70.4)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(75.8)	(43.2)
Purchase of investments in securities		(170.6)	(6.4)
Purchase of club debenture		(1.2)	-
Proceeds from sale of property, plant and equipment		0.5	1.0
Investments in jointly controlled entities		(75.6)	(3.5)
Site establishment costs expended		(17.3)	(10.3)
Proceeds on disposal of investments in securities		1.9	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(338.1)	(62.4)
NET CASH OUTFLOW BEFORE FINANCING CARRIED FORWARD		(1,425.5)	(603.9)

For the year ended 31 March 2001

	Notes	2001 HK\$ million	2000 HK\$ million
NET CASH OUTFLOW BEFORE FINANCING BROUGHT FORWARD		(1,425.5)	(603.9)
FINANCING	28		
Net proceeds received on issue of shares		5.6	14.0
Repayment of obligations under finance leases		-	(1.5)
New secured and unsecured bank loans raised		833.0	695.5
Net cash inflow (outflow) from minority interests		0.5	(1.2)
NET CASH INFLOW FROM FINANCING		839.1	706.8
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(586.4)	102.9
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		879.6	776.8
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(0.2)	(0.1)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		293.0	879.6
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances, deposits and cash		293.0	879.6

*Included in net cash outflow from operating activities for the year is a net outflow of HK\$1,053.8 million (2000: HK\$874.9 million) relating to the PSPS project, part of which was financed by a secured bank loan. The amount of the increase in the secured bank loan during the year was HK\$828.3 million (2000: HK\$695.5 million) as set out in note 28.

Notes to The Financial Statements

For the year ended 31 March 2001



(1) GENERAL

The Company is 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 and building materials, property development, property investment and investment holding.

(2) SIGNIFICANT ACCOUNTING POLICIES

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

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, associates or jointly controlled entities.

Revenue recognition

Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue 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 are probably recoverable.

Private Sector Participation Scheme ("PSPS") Projects

Revenue from property development projects undertaken by the Group which are known as PSPS projects 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.

For the year ended 31 March 2001

(2) SIGNIFICANT ACCOUNTING POLICIES - continued

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 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.

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. 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.

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 certain 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.

(2) SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment - continued

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 or valuation 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.

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-term lease

Over the term of the lease

Plant and machinery

10 - 25%

Motor vehicles, equipment, furniture and other assets

20 - 33%

Certain 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 the 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.

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 the 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 impairment loss.

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.

For the year ended 31 March 2001

(2) SIGNIFICANT ACCOUNTING POLICIES - continued

Joint ventures

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

Jointly controlled entities

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

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

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 year.

Club debentures

Club debentures represent membership rights in recreational clubs and are stated at cost less impairment losses recognised.

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.

(2) SIGNIFICANT ACCOUNTING POLICIES - continued

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost comprises all costs of acquisition of land, construction costs, other direct costs and borrowing costs capitalised on such properties until they reach a marketable state. 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.

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 stated at cost less amortisation. Amortisation is provided to write off the cost of site establishment expenditure 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.

Foreign currencies

The accounting records of the Company and its subsidiaries in Hong Kong are maintained in Hong Kong dollars.

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.

For the year ended 31 March 2001

(2) SIGNIFICANT ACCOUNTING POLICIES - continued**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.

(3) SEGMENTAL INFORMATION AND TURNOVER

The Group's turnover and contribution to operating profit for the year ended 31 March, 2001, analysed by principal activity and geographical market, were as follows:

	2001		2000	
	Turnover HK\$ million	Contribution to results from ordinary activities before taxation HK\$ million	Turnover HK\$ million	Contribution to results from ordinary activities before taxation HK\$ million
<i>By principal activity:</i>				
Construction and building				
maintenance	3,546.5	287.2	4,242.4	251.4
Trading of building materials	3.8	(21.0)	-	-
Sale of construction materials	666.9	56.6	780.0	123.4
Property development	1,325.3	227.6	951.9	194.3
Property investment	13.6	9.0	10.9	5.4
	<u>5,556.1</u>	<u>559.4</u>	<u>5,985.2</u>	<u>574.5</u>
Finance costs		(1.1)		(1.0)
Share of results of jointly controlled entities		30.8		35.2
Surplus on revaluation of an investment property		10.0		-
Other (expenses) revenue		(1.0)		3.1
Profit from ordinary activities before taxation		<u>598.1</u>		<u>611.8</u>
<i>By geographical market:</i>				
Hong Kong	5,470.6	558.3	5,863.0	572.3
Other regions in the PRC	85.5	1.1	122.2	2.2
	<u>5,556.1</u>	<u>559.4</u>	<u>5,985.2</u>	<u>574.5</u>

(3) SEGMENTAL INFORMATION AND TURNOVER - continued

	2001	2000
	Contribution to results from ordinary activities before taxation	Contribution to results from ordinary activities before taxation
	Turnover HK\$ million	Turnover HK\$ million
Finance costs	(1.1)	(1.0)
Share of results of jointly controlled entities	30.8	35.2
Surplus on revaluation of an investment property	10.0	-
Other (expenses) revenue	(1.0)	3.1
 Profit from ordinary activities before taxation	 <u>598.1</u>	 <u>611.8</u>

(4) OTHER REVENUE

Included in other revenue is net investment income as follows:

	2001	2000
	HK\$ million	HK\$ million
Interest income	33.3	39.6
Net unrealised holding (loss) gain on other investments	(1.3)	1.8
Dividends received from investments in securities		
- listed	3.0	-
- unlisted	0.3	-
Net realised loss on disposal of other investments - listed	(0.2)	-
 	 <u> </u>	 <u> </u>

(5) PROFIT FROM OPERATIONS

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

Depreciation and amortisation	59.8	59.5
Owned assets	-	1.3
Assets held under finance lease	10.6	10.9
Site establishment expenditure	70.4	71.7
 Less: Amount capitalised to construction jobs	 (1.1)	 (1.8)
 Auditors' remuneration	 69.3	 69.9
Operating lease payments in respect of rented premises	2.3	2.0
Loss on disposal of property, plant and equipment	34.0	36.0
 Gross rent from an investment property	 (13.6)	 (10.9)
Less: Outgoings	3.7	4.5
 Net rental income	 (9.9)	 (6.4)
Pre-operating expenditure written off	-	4.5

For the year ended 31 March 2001

(6) FINANCE COSTS

	2001 HK\$ million	2000 HK\$ million
Interest on:		
Bank loans and overdrafts and other loans wholly repayable within 5 years	132.5	55.5
Finance leases	-	0.1
 Total borrowing costs	132.5	55.6
Less: Amount capitalised to properties under development for sale	(131.4)	(54.6)
 1.1	1.0	

(7) DIRECTORS' EMOLUMENTS

Fees		
Executive directors	0.1	0.1
Non-executive directors	-	-
Independent non-executive directors	0.1	0.1
 Other emoluments		
Executive directors	16.1	13.9
Salaries and other benefits	0.7	0.5
Provident fund contributions		
 17.0	14.6	

The emoluments of the directors were within the following bands:

Emolument bands	2001 Number of directors	2000 Number of directors
HK\$0 - HK\$1,000,000	5	5
HK\$1,000,001 - HK\$1,500,000	1	-
HK\$2,000,001 - HK\$2,500,000	-	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\$4,000,001 - HK\$4,500,000	1	-
HK\$5,000,001 - HK\$5,500,000	-	1
HK\$5,500,001 - HK\$6,000,000	1	-
 10	9	

(8) EMPLOYEES' EMOLUMENTS

Of the five individuals with highest emoluments in the Group, four (2000: four) are executive directors of the Company whose emoluments are included in the disclosures in note 7 above. The emoluments of the remaining one (2000: one) individual were as follows:

	2001 HK\$ million	2000 HK\$ million
Salaries and other emoluments	2.4	2.4
Provident fund contributions	0.1	0.1
	<hr/>	<hr/>
	2.5	2.5
	<hr/>	<hr/>

(9) TAXATION

The charge comprises:

Company and subsidiaries		
Hong Kong Profits Tax	76.6	95.7
Income tax of other regions in the PRC	0.2	0.1
Deferred taxation	(2.6)	0.6
Jointly controlled entities		
Hong Kong Profits Tax	6.6	5.6
Income tax of other regions in the PRC	0.7	0.3
Deferred taxation	(0.8)	(0.2)
	<hr/>	<hr/>
	80.7	102.1
	<hr/>	<hr/>

Hong Kong Profits Tax is calculated at 16% (2000:16%) 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 26.

(10) PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Of the Group's profit attributable to shareholders for the year of HK\$508.3 million (2000: HK\$503.1 million) a profit of HK\$560.7 million (2000: HK\$470.7 million) has been dealt with in the financial statements of the Company.

(11) DIVIDENDS

	2001 HK\$ million	2000 HK\$ million
Interim dividend - HK\$0.60 per share on 263,334,000 shares (2000: HK\$0.55 per share on 262,302,000 shares)	158.0	144.3
Final dividend for 1999/2000 at HK\$1.25 per share on 954,000 shares issued upon exercising share options (2000: Final dividend for 1998/1999 at HK\$1.00 per share on 1,724,000 shares)	1.2	1.7
Proposed final dividend - HK\$1.20 per share on 263,334,000 shares (2000: HK\$1.25 per share on 262,350,000 shares)	316.0	327.9
	<hr/>	<hr/>
	475.2	473.9
	<hr/>	<hr/>

For the year ended 31 March 2001

(12) EARNINGS PER SHARE

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

	2001 HK\$ million	2000 HK\$ million
Earnings for the purposes of basic and diluted earnings per share	<u>508.3</u>	<u>503.1</u>
	Million	Million
Weighted average number of ordinary shares for the purposes of basic earnings per share	263.0	261.5
Effect of dilutive potential ordinary shares:		
Share options	1.0	1.7
	<u>264.0</u>	<u>263.2</u>
(13) INVESTMENT PROPERTY		
THE GROUP	2001 HK\$ million	2000 HK\$ million
At 1 April	130.0	130.0
Revaluation increase	10.0	-
	<u>140.0</u>	<u>130.0</u>
At 31 March		

The Group's investment property is held in Hong Kong under medium-term lease. It was revalued at 31 March, 2001 by Chesterton Petty Limited, independent professional valuers on an open market value basis.

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

(14) PROPERTY, PLANT AND EQUIPMENT

The Group	Land and buildings in other regions	Land and buildings in of the PRC	Land and buildings in Hong Kong	Equipment, furniture and other assets	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
At cost/valuation					
At 1 April, 2000	5.8	67.5	27.8	451.3	36.8
Additions	-	-	-	54.0	4.0
Disposals	-	-	(2.1)	(11.6)	(1.6)
Reallocation	-	-	-	(0.5)	2.4
At 31 March, 2001	5.8	67.5	25.7	493.2	41.6
Accumulated depreciation					
At 1 April, 2000	1.1	-	27.8	292.3	26.0
Charge for the year	0.3	1.4	-	47.1	4.4
Eliminated on disposals	-	-	(2.1)	(11.0)	(1.5)
Reallocation	-	-	-	1.0	0.9
Adjustment upon valuation	-	(1.4)	-	-	-
At 31 March, 2001	1.4	-	25.7	329.4	29.8
Net book value					
At 31 March, 2001	4.4	67.5	-	163.8	11.8
At 31 March, 2000	4.7	67.5	-	159.0	10.8
Cost or valuation comprising:					
At valuation-2001	-	67.5	-	-	-
At cost	5.8	-	25.7	493.2	41.6
	5.8	67.5	25.7	493.2	41.6
					51.5
					685.3

Notes:

- (i) The land and buildings in Hong Kong under medium-term lease have been revalued on 31 March, 2001 by Chesterton Petty Limited, independent professional valuers, 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-term lease as their carrying values are insignificant and the directors are of the opinion that their carrying values approximate their fair value.
- (ii) A medium-term lease is defined as a lease having not more than 50 years and not less than 20 years to run. A short-term lease is defined as a lease having less than 20 years to run.
- (iii) If the revalued land and buildings in Hong Kong under medium-term lease were carried at cost less accumulated depreciation, their net book value as at the balance sheet date would be HK\$32.0 million (2000: HK\$32.8 million).

For the year ended 31 March 2001

(14) PROPERTY, PLANT AND EQUIPMENT - continued

	Motor vehicles HK\$ million	Equipment, furniture and other assets HK\$ million	Total HK\$ million
The Company			
At cost			
At 1 April, 2000	0.9	7.3	8.2
Additions	0.6	1.3	1.9
At 31 March, 2001	<u>1.5</u>	<u>8.6</u>	<u>10.1</u>
Accumulated depreciation			
At 1 April, 2000	0.7	4.0	4.7
Charge for the year	0.3	1.6	1.9
At 31 March, 2001	<u>1.0</u>	<u>5.6</u>	<u>6.6</u>
Net book value			
At 31 March, 2001	<u>0.5</u>	<u>3.0</u>	<u>3.5</u>
At 31 March, 2000	<u>0.2</u>	<u>3.3</u>	<u>3.5</u>

(15) INTERESTS IN SUBSIDIARIES

	The Company	
	2001 HK\$ million	2000 HK\$ million
Unlisted shares, at cost	<u>291.7</u>	<u>283.9</u>

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

(16) INTERESTS IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2001 HK\$ million	2000 HK\$ million
Share of net assets	<u>159.4</u>	<u>117.3</u>

Details of the jointly controlled entities are set out in note 38 to these financial statements.

(17) INVESTMENTS IN SECURITIES

	The Group	
	2001 HK\$ million	2000 HK\$ million
Other investments, at fair value:		
equity securities		
- unlisted	18.9	18.5
- listed	167.2	-
	<hr/>	<hr/>
Listed :		
- Hong Kong	186.1	18.5
Unlisted :		
- Overseas	167.2	-
	<hr/>	<hr/>
Market value of listed securities	18.9	18.5
	<hr/>	<hr/>
	186.1	18.5
	<hr/>	<hr/>
	167.2	-

(18) CLUB DEBENTURE

	The Group		The Company	
	2001 HK\$ million	2000 HK\$ million	2001 HK\$ million	2000 HK\$ million
Unlisted membership debenture in a recreational club, at cost	1.2	-	1.2	-

(19) SITE ESTABLISHMENT EXPENDITURE

	The Group	
	2001 HK\$ million	2000 HK\$ million
Balance brought forward	13.1	13.7
Additions	17.3	10.3
Amortisation for the year	(10.6)	(10.9)
	<hr/>	<hr/>
Balance carried forward	19.8	13.1

For the year ended 31 March 2001

(20) INVENTORIES

	The Group	
	2001 HK\$ million	2000 HK\$ million
Raw materials	13.9	13.8
Work-in-progress	10.2	9.2
Finished goods	8.0	9.7
Spare parts	10.8	10.0
	<hr/>	<hr/>
	42.9	42.7
Amounts due from (to) customers for contract work		
Contracts in progress at the balance sheet date:		
Contract costs incurred	6,229.8	6,871.0
Recognised profits less recognised losses	342.5	418.3
	<hr/>	<hr/>
Progress billings	6,572.3	7,289.3
	(6,536.6)	(7,319.0)
	<hr/>	<hr/>
Net contract work	35.7	(29.7)
Represented by:		
Amounts due from customers for contract work	209.6	200.3
Amounts due to customers for contract work	(173.9)	(230.0)
	<hr/>	<hr/>
	35.7	(29.7)

(21) DEBTORS, DEPOSITS AND PREPAYMENTS

The Group maintains a defined credit policy. The general credit term ranges from 30 days to 90 days.

	The Group	
	2001 HK\$ million	2000 HK\$ million
Debtors (net of provisions for bad and doubtful debts) aged analysis :		
Within 90 days	3,043.6*	494.0
91 days to 180 days	12.8	10.3
181 days to 360 days	7.7	8.2
Over 360 days	3.2	5.3
	3,067.3	517.8
Retentions receivable	170.0	211.9
Prepayments, deposits and other receivables	218.9	124.2
	3,456.2	853.9

* Included in debtors were proceeds of HK\$2,450.9 million relating to the sale of all the residential units of the PSPS project which were subsequently received in April, 2001.

(22) CREDITORS AND ACCRUED CHARGES

Creditors aged analysis:

Within 30 days	248.8	261.4
31 days to 90 days	72.0	57.4
91 days to 180 days	38.9	43.3
Over 180 days	7.8	5.1
	367.5	367.2
Retentions payable	222.9	219.8
Accruals and other payables	627.1	558.3
	1,217.5	1,145.3

For the year ended 31 March 2001

(23) SHARE CAPITAL

	2001 HK\$ million	2000 HK\$ million
(a) Authorised:		
400,000,000 shares of HK\$1 each	<u>400.0</u>	<u>400.0</u>
(b) Issued and fully paid:		
Balance brought forward	262.4	260.1
Exercise of share options	0.9	2.3
Balance carried forward	<u>263.3</u>	<u>262.4</u>

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, 2001, options to subscribe for 8,762,000 shares (2000: 6,148,000 shares) within the following exercisable periods were outstanding:

Exercisable period	Subscription price per share HK\$	No. of share options at 1.4.2000	Granted during the year	Exercised during the year	Cancelled during the year	No. of share options at 31.3.2001
25 January, 1998 - 24 July, 2002	7.50	42,000	-	-	-	42,000
25 July, 1998 - 24 July, 2002	7.50	42,000	-	-	-	42,000
25 July, 1999 - 24 July, 2002	7.50	122,000	-	(80,000)	-	42,000
25 July, 2000 - 24 July, 2002	7.50	510,000	-	(386,000)	-	124,000
25 July, 2001 - 24 July, 2002	7.50	510,000	-	-	-	510,000
15 January, 1999 - 14 July, 2003	4.14	24,000	-	(6,000)	-	18,000
15 July, 1999 - 14 July, 2003	4.14	38,000	-	(20,000)	-	18,000
15 July, 2000 - 14 July, 2003	4.14	540,000	-	(492,000)	(4,000)	44,000
15 July, 2001 - 14 July, 2003	4.14	540,000	-	-	(4,000)	536,000
15 July, 2002 - 14 July, 2003	4.14	540,000	-	-	(4,000)	536,000
7 January, 2000 - 6 July, 2004	11.21	648,000	-	-	(6,000)	642,000
7 July, 2000 - 6 July, 2004	11.21	648,000	-	-	(6,000)	642,000
7 July, 2001 - 6 July, 2004	11.21	648,000	-	-	(6,000)	642,000
7 July, 2002 - 6 July, 2004	11.21	648,000	-	-	(6,000)	642,000
7 July, 2003 - 6 July, 2004	11.21	648,000	-	-	(6,000)	642,000
4 January, 2001 - 3 July, 2005	9.56	-	728,000	-	-	728,000
4 July, 2001 - 3 July, 2005	9.56	-	728,000	-	-	728,000
4 July, 2002 - 3 July, 2005	9.56	-	728,000	-	-	728,000
4 July, 2003 - 3 July, 2005	9.56	-	728,000	-	-	728,000
4 July, 2004 - 3 July, 2005	9.56	-	728,000	-	-	728,000
		<u>6,148,000</u>	<u>3,640,000</u>	<u>(984,000)</u>	<u>(42,000)</u>	<u>8,762,000</u>

(24) RESERVES

	Property, plant and equipment revaluation reserve HK\$ million	Share premium account HK\$ million	Translation reserve HK\$ million	Contributed surplus HK\$ million	Capital reserve (Goodwill) HK\$ million	Retained profits HK\$ million	Reserve funds HK\$ million	Total HK\$ million
The Group								
At 1 April, 1999	33.6	509.8	(0.2)	197.6	-	180.5	-	921.3
Capital reserve arising from acquisition of jointly controlled entities and additional interest in a subsidiary	-	-	-	-	0.1	-	-	0.1
Premium from shares issued	-	11.7	-	-	-	-	-	11.7
Profit for the year	-	-	-	-	-	503.1	-	503.1
Dividends	-	-	-	-	-	(473.9)	-	(473.9)
Depreciation	(0.6)	-	-	-	-	0.6	-	-
Exchange adjustment	-	-	(0.1)	-	-	-	-	(0.1)
Revaluation increase in the year	2.7	-	-	-	-	-	-	2.7
	35.7	521.5	(0.3)	197.6	0.1	210.3	-	964.9
Goodwill arising from acquisition of jointly controlled entities and additional interests in a subsidiary	-	-	-	-	(0.9)	-	-	(0.9)
Premium from shares issued	-	4.7	-	-	-	-	-	4.7
Profit for the year	-	-	-	-	-	508.3	-	508.3
Dividends	-	-	-	-	-	(475.2)	-	(475.2)
Depreciation	(0.8)	-	-	-	-	0.8	-	-
Exchange adjustments	-	-	(0.4)	-	-	-	-	(0.4)
Revaluation increase in the year	1.4	-	-	-	-	-	-	1.4
Transfer to reserve funds (note)	-	-	-	-	-	(0.4)	0.4	-
	36.3	526.2	(0.7)	197.6	(0.8)	243.8	0.4	1,002.8
The Company								
At 1 April, 1999	-	509.8	-	88.9	-	6.0	-	604.7
Premium from shares issued	-	11.7	-	-	-	-	-	11.7
Profit for the year	-	-	-	-	-	470.7	-	470.7
Dividends	-	-	-	-	-	(473.9)	-	(473.9)
	-	521.5	-	88.9	-	2.8	-	613.2
Premium from share issued	-	4.7	-	-	-	-	-	4.7
Profit for the year	-	-	-	-	-	560.7	-	560.7
Dividends	-	-	-	-	-	(475.2)	-	(475.2)
	-	526.2	-	88.9	-	88.3	-	703.4

Note:

According to the relevant PRC rules and regulations applicable to foreign-owned enterprises, certain subsidiaries of the group are required to transfer at least 10% of their retained profits, as determined under PRC Accounting Regulations, to reserve funds.

For the year ended 31 March 2001

(24) RESERVES - continued

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

	Translation reserve HK\$ million	Capital reserve (Goodwill) HK\$ million	Retained profits HK\$ million	Total HK\$ million
At 1 April, 1999	-	-	32.9	32.9
Capital reserve arising from acquisition	-	0.3	-	0.3
Profit for the year	-	-	29.5	29.5
Dividends	-	-	(30.0)	(30.0)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March, 2000	-	0.3	32.4	32.7
Goodwill arising from acquisition	-	(0.6)	-	(0.6)
Profit for the year	-	-	24.3	24.3
Dividends	-	-	(57.0)	(57.0)
Exchange adjustments	(0.2)	-	-	(0.2)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March, 2001	(0.2)	(0.3)	(0.3)	(0.8)

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\$177.2 million (2000 : HK\$91.7 million).

(25) BANK BORROWINGS

The Group

	2001 HK\$ million	2000 HK\$ million
Secured bank loan	2,022.6	1,194.3
Unsecured bank loan	4.7	-
Less: Amounts due within one year	(2,027.3)	-
	<hr/>	<hr/>
	-	1,194.3

The borrowings are repayable as follows:

Within one year	2,027.3	-
More than one year, but not exceeding two years	-	1,194.3
	<hr/>	<hr/>
	2,027.3	1,194.3

(26) DEFERRED TAXATION

	The Group	
	2001 HK\$ million	2000 HK\$ million
At 1 April (Credit) charge for the year (note 9)	6.1 (2.6)	5.5 0.6
At 31 March	<u>3.5</u>	<u>6.1</u>

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	
	2001 HK\$ million	2000 HK\$ million						
Tax effect of timing differences arising from:								
Excess of tax allowances over depreciation	4.7	7.1	7.1	9.1	-	-	0.5	0.5
Other timing differences	(0.6)	(1.0)	-	-	-	-	-	-
Tax effect of taxation losses	(0.6)	-	(8.4)	(9.7)	-	-	(2.1)	(2.1)
	<u>3.5</u>	<u>6.1</u>	<u>(1.3)</u>	<u>(0.6)</u>	<u>-</u>	<u>-</u>	<u>(1.6)</u>	<u>(1.6)</u>

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

	The Group		The Company	
	2001 HK\$ million	2000 HK\$ million	2001 HK\$ million	2000 HK\$ million
Tax effect of timing differences because of:				
(Shortfall) excess of tax allowances over depreciation				
Tax effect of taxation losses	(2.0) 1.3	(1.9) 7.8	-	0.5 (2.1)
	<u>(0.7)</u>	<u>5.9</u>	<u>-</u>	<u>(1.6)</u>

For the year ended 31 March 2001

**(27) RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION TO
NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	2001 HK\$ million	2000 HK\$ million
Profit from ordinary activities before taxation	598.1	611.8
Share of results of jointly controlled entities	(30.8)	(35.2)
Interest income	(33.3)	(39.6)
Interest expense	132.5	55.6
Dividends from unlisted investments	(0.3)	-
Dividends from listed investments	(3.0)	-
Revaluation increase on investment property	(10.0)	-
Decrease (increase) in value of investments in securities	1.3	(1.8)
Amortisation of site establishment expenditure	10.6	10.9
Depreciation on property, plant and equipment	58.7	59.0
Loss on disposal of property, plant and equipment	0.3	1.1
Profit on disposal of listed investment	(0.2)	-
Decrease (increase) in properties under development for sale	1,656.1	(874.9)
Increase in properties held for sale	(191.8)	-
Pre-operating expenditure written off	-	4.5
Increase in amounts due from customers for contract work	(8.2)	(25.8)
(Decrease) increase in amounts due to customers for contract work	(56.1)	127.7
(Increase) decrease in debtors, deposits and prepayments	(2,603.4)	26.9
Increase in inventories	(0.2)	(3.3)
Increase in creditors and accruals	67.5	38.7
Decrease in bills payable and trust receipts	-	(3.5)
Decrease in amounts due to related companies	(0.2)	(1.4)
Increase in amounts due from associates	(0.1)	-
Increase in amounts due from jointly controlled entities	(69.9)	(25.0)
Decrease in amounts due to jointly controlled entities	(21.1)	(2.7)
Decrease (increase) in amounts due from related companies	0.2	(0.4)
Net cash outflow from operating activities	<u>(503.3)</u>	<u>(77.4)</u>

(28) ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium HK\$ million	Unsecured bank loan HK\$ million	Secured bank loan HK\$ million	Obligations under finance leases HK\$ million	Minority interests HK\$ million
At 1 April, 1999	769.9	-	498.8	1.5	17.8
Exercise of share options	14.0	-	-	-	-
Minority share of profit for the year	-	-	-	-	6.6
Decrease in pre-acquisition reserve	-	-	-	-	0.2
Repayment during the year	-	-	-	(1.5)	-
Bank loan raised	-	-	695.5	-	-
Decrease in minority interests	-	-	-	-	(1.2)
At 31 March, 2000	<u>783.9</u>	<u>-</u>	<u>1,194.3</u>	<u>-</u>	<u>23.4</u>
Exercise of share options	5.6	-	-	-	-
Minority share of profit for the year	-	-	-	-	9.1
Decrease in pre-acquisition reserve	-	-	-	-	0.3
Increase in minority interests	-	-	-	-	0.5
Dividends paid to minority shareholders	-	-	-	-	(5.3)
Bank loan raised	-	4.7	828.3	-	-
At 31 March, 2001	<u>789.5</u>	<u>4.7</u>	<u>2,022.6</u>	<u>-</u>	<u>28.0</u>

(29) PROVIDENT AND RETIREMENT FUND SCHEMES

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

The latest actuarial valuation of the ORSO 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 include investment yield on the assets, rate of salary escalation, withdrawal rates and mortality rates. The latest actuarial valuation showed that the assets of the ORSO 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 ORSO Scheme assets following the Asian financial turmoil in 1998, the Group had made an additional contribution of HK\$7.3 million (2000: HK\$ 17.5 million) to the ORSO Scheme towards meeting the deficiency in the ORSO Scheme asset resulting therefrom.

A Mandatory Provident Fund Scheme (the MPF Scheme) was set up under the Mandatory Provident Fund Ordinance in December 2000. The assets of the MPF Scheme are held separately from those of the funds under the control of an independent trustee. The Group has also obtained exemption for the ORSO Scheme, all existing members of which were offered the choice of staying in the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 September, 2000 have to join the MPF Scheme. The MPF Scheme contains optional voluntary contribution features whereby employees and employers will contribute at a rate based on basic salaries in the same manner as that of the ORSO Scheme. In accordance with the rules of the MPF Scheme, employer voluntary contributions forfeited due to resignation of staff members prior to fully vesting in such contributions may be used to reduce the amount of future employer contributions.

The Group's total contribution to the ORSO Scheme and MPF Scheme charged to the income statement during the year ended 31 March, 2001 amounted to HK\$31.1 million (2000: HK\$38.4 million).

(30) 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	
	2001 HK\$ million	2000 HK\$ million	2001 HK\$ million	2000 HK\$ million
Operating leases which expire:				
- within one year	19.0	13.9	3.4	-
- in the second to fifth years inclusive	14.8	19.0	-	3.4
- over five years	0.9	1.9	-	-
	<hr/> 34.7	<hr/> 34.8	<hr/> 3.4	<hr/> 3.4

(31) CAPITAL COMMITMENTS

At the balance sheet date, the Group's share of the capital commitments of its jointly controlled entities are as follows:

	2001 HK\$ million	2000 HK\$ million
Contracted but not provided for	<hr/> 6.5	<hr/> 1.9
Authorised but not contracted for	<hr/> 4.8	<hr/> 11.4

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

For the year ended 31 March 2001

(32) PLEDGE OF ASSETS

At the balance sheet date, properties held for sale and sales proceeds of the PSPS project have been pledged as securities for a bank loan of HK\$2,022.6 million (2000: HK\$1,194.3 million), which was fully repaid on 2 May 2001.

(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\$171.1 million (2000: HK\$159.4 million);
- (b) guarantees in lieu of utility deposits amounting to approximately HK\$0.8 million (2000: HK\$1.7 million).

The Company has given guarantees to banks in respect of general facilities granted to its subsidiaries and jointly controlled entities at 31 March, 2001 amounting to approximately HK\$3,729.4 million and HK\$161.1 million (2000: HK\$3,793.0 million and HK\$Nil) respectively.

(34) POST BALANCE SHEET EVENT

On 27 April, 2001, Hollyfield Holdings Limited (Hollyfield), a wholly-owned subsidiary of the Company, entered into an agreement (Joint Venture Agreement) with Shanghai Zhong Hong (Group) Company Limited (Shanghai Party) for the establishment of a joint venture company (JV Company) in the PRC. JV Company will have a registered capital of Rmb467 million (approximately HK\$436 million) which will be contributed as 99 per cent. by Hollyfield and 1 per cent. by Shanghai Party. The investment cost is Rmb1,400 million (approximately HK\$1,308 million) being the estimated development cost for the first phase of the Project. It is expected that the excess of the investment cost over the registered capital will be largely financed by banking facilities and internal funds. The principal activities of JV Company will be the construction and development in phases of certain parcels of land (Project) totalling approximately 300,000 square metres for residential and ancillary commercial uses in the Hong Kou District in Shanghai, PRC, currently known as Rui Hong Xin Cheng and, producing upon completion of the entire Project a total gross floor area of approximately 1.35 million square metres.

It is currently contemplated that the JV Company will develop, for the first phase of the Project, a parcel of land measuring approximately 52,000 square metres and producing, upon completion, a total gross floor area of approximately 237,000 square metres, of which approximately 160,000 square metres will be for residential units and the rest for commercial units and car parks. The land is located on top of a metro station which is expected to be opened in the year 2003.

Shanghai Ruichen Property Company Limited (Connected Company) is a subsidiary of Shui On Company Limited, which is indirectly interested in approximately 64 per cent. of the Company, and is undertaking the development of site number 5 of Rui Hong Xin Cheng (not forming part of the Project). Pursuant to an agreement entered into between Hollyfield and the Connected Company on 2 May, 2001 (as supplemented by an agreement dated 22 May, 2001 between these parties) (Relinquishment Agreement), the Connected Company, which currently holds the development rights and title to the Project, has agreed to, amongst others:

- (i) relinquish and surrender the development rights and title to the Project; and
- (ii) use all reasonable endeavours to procure the relevant regulatory authorities in the PRC to grant in favour of JV Company the necessary development rights and title to the Project.

In consideration for the above, Hollyfield will procure JV Company to:

- (i) pay Connected Company a sum of Rmb184.5 million (approximately HK\$172.4 million) which has been calculated based on the costs of certain public infrastructure and site clearance works paid by the Connected Company in respect of the Project within 10 business days after the JV Company has received all the necessary new documents of title in favour of the JV Company; and

(34) POST BALANCE SHEET EVENT - continued

(ii) from time to time pay to Connected Company, in respect of each square metre of the residential units sold, a sum equal to 20 per cent. of the portion of achieved average selling price over and above Rmb7,500 per square metre (Base Price) and, in respect of each square metre of the commercial units leased, a sum equal to 20 per cent. of the portion of achieved average rental over and above US\$0.7 per square metre per day (Base Rental). In the event that the amount so calculated is equal to or less than zero, no amount shall be payable to Connected Company. In the event that if the aggregate of the site clearance cost and construction cost in respect of each phase of the Project exceeds the estimated cost of Rmb5,200 per square metre, then the Base Price and the Base Rental will also be adjusted according to the same percentage of increase.

Moreover, in the event that any commercial unit of any particular phase is sold together with a subsisting tenancy, the rental payable under such subsisting tenancy shall be compared with the Base Rental and in the event of there being any excess over the Base Rental, an independent financial adviser shall be appointed to prepare a valuation in order to apportion the sale proceeds of such commercial unit between the JV Company and the Connected Company so as to reflect the sharing of the excess rental income in the ratio of 80:20 between the JV Company and the Connected Company.

In the event that any commercial unit is sold, with no subsisting tenancy, an independent financial adviser shall be appointed to evaluate the potential rental of such commercial unit. If the rental as evaluated shall exceed the Base Rental, the independent financial adviser shall prepare a valuation to determine how the sale proceeds of such commercial unit shall be apportioned between the JV Company and the Connected Company in order to reflect the sharing of the excess rental income in the ratio of 80:20 between the JV Company and the Connected Company.

Under the Listing Rules, the Joint Venture Agreement constitutes a discloseable transaction, while the Relinquishment Agreement constitutes a connected transaction for the Company and is subject to the approval of the Independent Shareholders on a special general meeting held on 13 June, 2001. An Independent Board had been formed to consider the terms of the Relinquishment Agreement and to make the appropriate recommendation to the Independent Shareholders. An independent financial adviser was appointed to advise the Independent Board.

A circular containing details of the Joint Venture Agreement and the Relinquishment Agreement, a letter of recommendation from the Independent Board and a letter of advice to the Independent Board from the independent financial adviser as to whether the terms of the Relinquishment Agreement are fair and reasonable so far as the Independent Shareholders are concerned was despatched to Shareholders on 23 May, 2001.

An ordinary resolution proposed to approve the Relinquishment Agreement was unanimously passed at the Special General Meeting on 13 June, 2001, during which Shui On Company Limited and its associates (as defined in the Listing Rules) had abstained from voting.

(35) RELATED PARTY TRANSACTIONS

(a) During the year, the Group had the following significant transactions with its ultimate holding company Shui On Company Limited (SOCL) and its subsidiaries and associates other than those of the Group (SOCL Group). These transactions were carried out on terms meant to reimburse costs and expenses incurred, on terms similar to those applicable to transactions with unrelated parties or as mutually agreed between the parties.

Nature of transactions	2001 HK\$ million	2000 HK\$ million
Income received from SOCL Group:		
Decoration work	-	5.4
Management and information system services	0.7	1.1
Balance as at 31 March		
Amounts due to SOCL Group	-	0.2
Amounts due from SOCL Group	0.2	0.4

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(35) RELATED PARTY TRANSACTIONS - continued

(b) During the year, the Group had the following significant transactions with jointly controlled entities of the Group on terms meant to reimburse costs and expenses incurred, on terms similar to those applicable to transactions with unrelated parties or as mutually agreed between the parties.

Nature of transactions	2001 HK\$ million	2000 HK\$ million
Income received:		
Interest income	4.1	4.4
Management fee	2.1	2.1
Cost and expenses paid:		
Construction/subcontracting work	149.7	158.8
Supply of construction materials	153.4	224.1
Balance as at 31 March		
Amounts due to jointly controlled entities	40.1	61.2
Amounts due from jointly controlled entities	192.7	122.8
Interest receivable	1.3	1.3

(c) During the year, the Group received a contribution from a jointly controlled entity for the costs of rehabilitation of a project amounting to HK\$8.3 million (2000: HK\$8.3 million). The outstanding balance of this contribution receivable was HK\$8.3 million (2000: HK\$16.7 million) 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\$0.1 million (2000: Nil).

(f) During the year, the Group has paid rental deposits to SOCL group amounted to HK\$0.1 million (2000: Nil).

(36) 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
Asia Materials Holdings Limited [#]	100%	1,000,000 shares of US\$1 each	Investment holding
Asia Trend Development Limited	100%	2 ordinary shares of HK\$1 each	Investment in securities
Casa Growth Limited*	100%	1 share of US\$1	Investment holding
Goldcrest Development 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			
AsiaMaterials.com Limited	100%	2 ordinary shares of HK\$1 each	Trading
Asia Materials Trading Company Limited	100%	2 ordinary shares of HK\$1 each	Trading
AsiaMaterials Technologies Limited	85%	3,000,000 ordinary shares of HK\$1 each	Investment holding
Asia Materials Limited*	100%	1 share of US\$1	Investment holding
Asia Materials International Limited*	100%	1 share of US\$1	Investment holding
Asia Materials Trading Corporation [△]	100%	1,000 shares of US\$0.01 each	Trading
Asia No.1 Material Supply Limited	100%	100 ordinary shares of HK\$100 each	Holding of a quarry right
		1,000 non-voting deferred shares of HK\$100 each	
Billion Centre Company Limited	100%	100 ordinary shares of HK\$1 each	Holding of a land lease
		2 non-voting deferred shares of HK\$1 each	
Billion Century Limited	100%	2 ordinary shares of HK\$1 each	Investment in securities

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(36) 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
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
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 HK\$2,100,000	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	Investment holding
Landstar Development Limited	100%	2 ordinary shares of HK\$1 each	Investment holding
Pacific Extend Limited	67%	10,000 ordinary shares of HK\$1 each	Maintenance contractor

(36) 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
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	94%	9,400,100 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	94%	1,000,000 ordinary shares of HK\$1 each	Renovation work
Pat Davie (China) Limited	94%	2 ordinary shares of HK\$1 each	Investment holding
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%	117,000,100 ordinary shares of HK\$1 each 33,000,100 non-voting deferred shares of HK\$1 each 50,000 non-voting deferred shares of HK\$1,000 each	Building construction and maintenance
Shui On Building Materials Limited	100%	100 ordinary shares of HK\$1 each 1,000,000 non-voting deferred shares of HK\$1 each	Investment holding and sale of construction materials
Shui On Construction Company Limited	100%	100 ordinary shares of HK\$1 each 69,000,000 non-voting deferred shares of HK\$1 each 1,030,000 non-voting deferred shares of HK\$100 each	Building construction
Shui On 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
Shui On Rock Products Limited	100%	2 ordinary shares of HK\$1 each	Site formation
SOCAM.com Limited	100%	2 ordinary shares of HK\$1 each	Provision of on-line services for internal procurement and project management
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

Incorporated in the Cayman Islands

△ Incorporated in the United States of America

For the year ended 31 March 2001

(37) PARTICULARS OF PRINCIPAL ASSOCIATES

The Directors are of the opinion that a complete list of the particulars of all associates will be of excessive length and therefore the following list contains only the particulars of principal associates of the Group. All the companies listed below were incorporated and are operating in Hong Kong.

Indirect associates	Effective percentage of issued capital held by the Group	Issued and paid-up share capital	Principal activities
Happy Way Resources Limited	20%	5 ordinary shares of HK\$1 each	Holding of a land lease
Sawdrill Limited	50%	2 ordinary shares of HK\$1 each	Holding of a land lease

(38) PARTICULARS OF JOINTLY CONTROLLED ENTITIES

As at 31 March, 2001, 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	Notes
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	
Chongqing T.H. Cement Co. Ltd.**	40%	Registered and paid up capital Rmb50,000,000	Manufacture and sale of cement	1 and 3
Chongqing T.H. Special Cement Co. Ltd.**	40%	Registered and paid up capital Rmb160,000,000	Manufacture and sale of cement	1 and 3
Chongqing T.H. White Cement Co. Ltd.**	30%	Registered and paid up capital US\$1,506,000	Manufacture and sale of cement	1 and 3
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	
Shui On Sumicem Consulting Limited	50%	2 ordinary shares of HK\$1 each	Trading of cement	1
Zun Yi T.H. Cement Co. Ltd.**	30%	Registered and paid up capital Rmb40,000,000	Manufacture and sale of cement	1 and 3
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	1,2 and 3

(38) PARTICULARS OF JOINTLY CONTROLLED ENTITIES - continued

Indirect jointly controlled entities	Effective percentage of issued capital held by the Group	Issued and paid-up share capital/ registered capital	Principal activities	Notes
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	3
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	1 and 3
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	3
The Yangtze Ventures Limited***	65.5%	1,000 ordinary shares of HK\$0.1 each	Investment fund	1 and 3
重慶市合陽建設開發有限公司 **	25%	Registered and paid up capital Rmb26,667,000	Development of a toll-bridge	1 and 3

* Incorporated in the Bahamas

** Registered and operated in other regions of the PRC

*** Incorporated in the Cayman Islands

Notes :

1. Companies not audited by Deloitte Touche Tohmatsu
2. The Group is under a contractual arrangement to jointly control Nanjing Jiangnan Cement Company Limited with a PRC partner. Accordingly, the Directors consider it is a jointly controlled entity.
3. The results of these jointly controlled entities are accounted for by the Group based on their financial statements made up to 31 December, 2000.

In previous years, 12-month results of Far East Cement Company Limited with its financial year ended on 31 December each year was accounted for in the Group's financial statements. In the current year, the results of Far East Cement Company Limited are accounted for by the Group based on their financial statements for the period from 1 January, 2000 to 31 March, 2001 as the company ceased business on 31 March, 2001.

Particulars Of Properties



Properties held by the Group as at 31 March, 2001 are as follows:

Location	Use	Approx. floor area (Sq. metres)	Lease Term	Group's interest
(A) Properties Held As Property, Plant And Equipment				
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	Medium	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	Medium	100%
(B) Investment property				
Kwun Tong Inland Lot No. 43 54-56 Tsun Yip Street Kwun Tong, Kowloon	Industrial/godown	19,723	Medium	100%
(C) Properties held for sale				
Tseung Kwan O Town, Lot No. 62, Area 65A, Bauhinia Garden, 11 Tong Chun Street, Tseung Kwan O, Sai Kung, New Territories	Commercial Carparking	2,214 4,113	Medium	100%

Group Financial Summary



(1) RESULTS

The pro forma combined results of the Group for the year ended 31 March, 1997 have been prepared on a merger basis as if the existing group structure had been in existence throughout that year.

	For the year ended 31 March,				
	(Pro forma combined) 1997 HK\$ million	(Audited) 1998 HK\$ million	(Audited) 1999 HK\$ million	(Audited) 2000 HK\$ million	(Audited) 2001 HK\$ million
	4,984.2	4,731.9	5,376.0	5,985.2	5,556.1
Turnover					
Operating profit before taxation	242.5	332.9	443.9	576.6	567.3
Share of results of associates/jointly controlled entities	24.8	29.4	39.6	35.2	30.8
Profit from ordinary activities before taxation	267.3	362.3	483.5	611.8	598.1
Taxation	(43.9)	(50.0)	(74.4)	(102.1)	(80.7)
Profit before minority interests	223.4	312.3	409.1	509.7	517.4
Minority interests	-	0.8	(0.8)	(6.6)	(9.1)
Profit attributable to shareholders	223.4	313.1	408.3	503.1	508.3

(2) ASSETS AND LIABILITIES	As at 31 March,				
	1997 HK\$ million	1998 HK\$ million	1999 HK\$ million	2000 HK\$ million	2001 HK\$ million
Total assets	2,105.0	2,344.8	3,291.6	4,288.6	5,163.5
Total liabilities	(966.4)	(1,191.1)	(2,092.5)	(3,037.9)	(3,869.4)
Minority interests	(9.7)	(16.8)	(17.8)	(23.4)	(28.0)
Shareholders' funds	1,128.9	1,136.9	1,181.3	1,227.3	1,266.1

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 the Drawing Room, Grand Hyatt, 1 Harbour Road, Hong Kong on Tuesday, 21 August 2001 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 2001.
2. To declare a final dividend.
3. To elect Directors and fix their remuneration.
4. To re-appoint Auditors and authorise the Directors to fix their remuneration.
5. To consider as special business and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions:

Ordinary Resolutions

(I) THAT:

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

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

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

(II) THAT:

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

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

By Order of the Board
Wong Wai Man, Antonio
 Company Secretary

Hong Kong, 3 July 2001

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 fixed for holding the meeting.
- (3) The register of members of the Company will be closed from Tuesday, 14 August 2001 to Tuesday, 21 August 2001, 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 2000/2001 Annual Report.