Shaping up for Long Term Sustainable Growth

瑞 安 建 業 有 限 公 司
SHUI ON CONSTRUCTION AND MATERIALS LIMITED

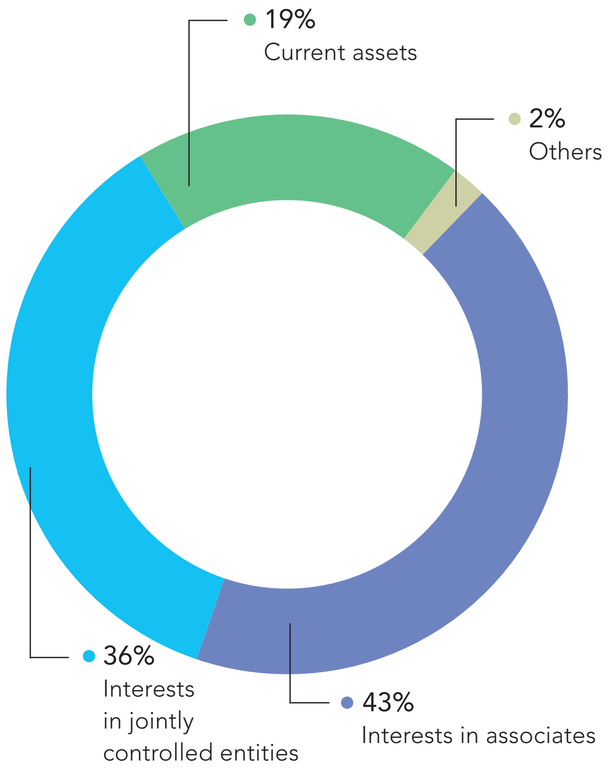
ANNUAL REPORT **2004 / 2005**

Contents

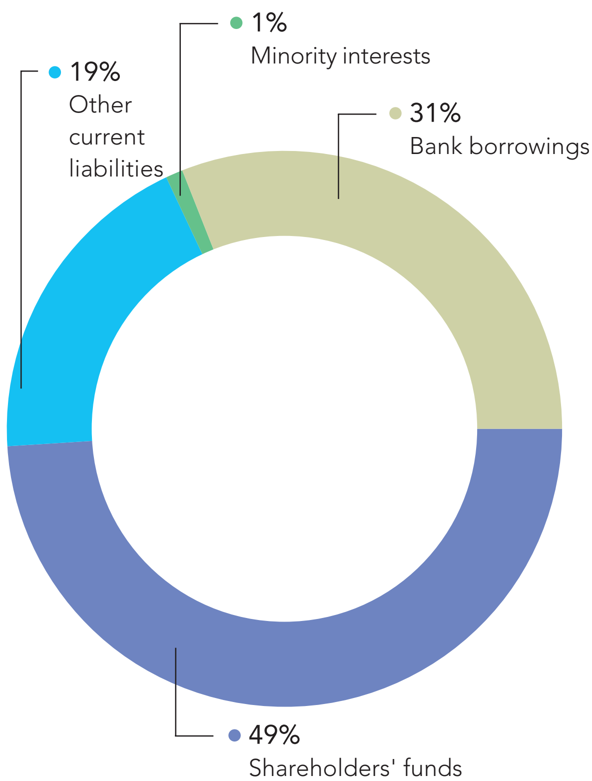
Financial Highlights

	2005 HK$ million	2004 HK$ million	% Change Over 2004
Turnover	2,232	3,591	(38%)
Profit before taxation	522	200	161%
Profit attributable to shareholders	483	148	226%
Earnings per share	HK$	HK$	
Basic	1.80	0.55	227%
Diluted	1.62	0.54	200%
Dividend per share	0.60	0.275	118%

ASSETS EMPLOYED as at 31 March 2005

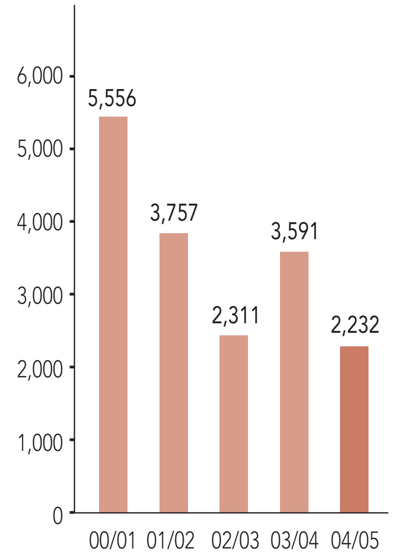


CAPITAL AND LIABILITIES as at 31 March, 2005



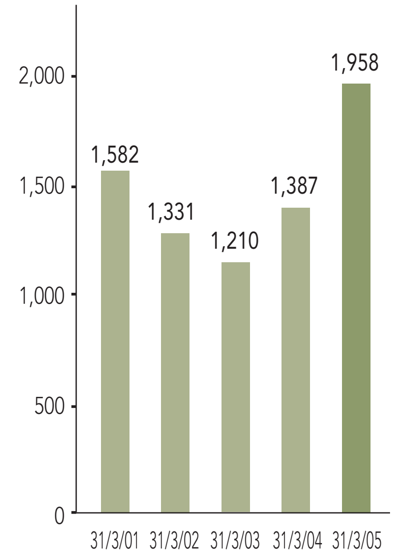
TURNOVER

HK$ million



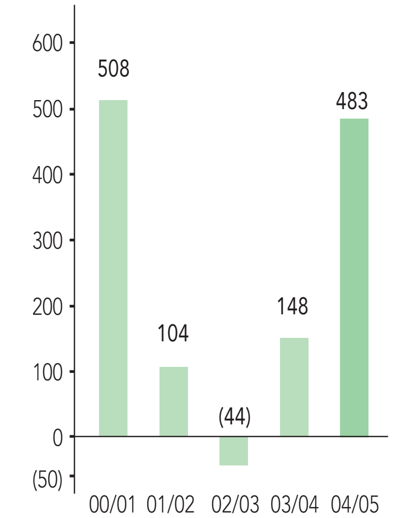
SHAREHOLDERS' FUNDS

HK$ million



PROFIT (LOSS) ATTRIBUTABLE TO SHAREHOLDERS

HK$ million



BOARD OF DIRECTORS

EXECUTIVE DIRECTORS
Lo Hong Sui, Vincent *(Chairman)*
Wong Ying Wai, Wilfred *(Vice-Chairman)*
Choi Yuk Keung, Lawrence *(Vice-Chairman)*
Wong Yuet Leung, Frankie *(Chief Executive Officer)*
Wong Fook Lam, Raymond
Lowe Hoh Wai Wan, Vivien

NON-EXECUTIVE DIRECTORS
Wong Hak Wood, Louis
Professor Enright, Michael John

INDEPENDENT NON-EXECUTIVE DIRECTORS
Griffiths, Anthony
Cheng Mo Chi, Moses
Professor Chan, K.C.

SECRETARY
Tam Ching Wah, Janice

AUDITORS
Deloitte Touche Tohmatsu

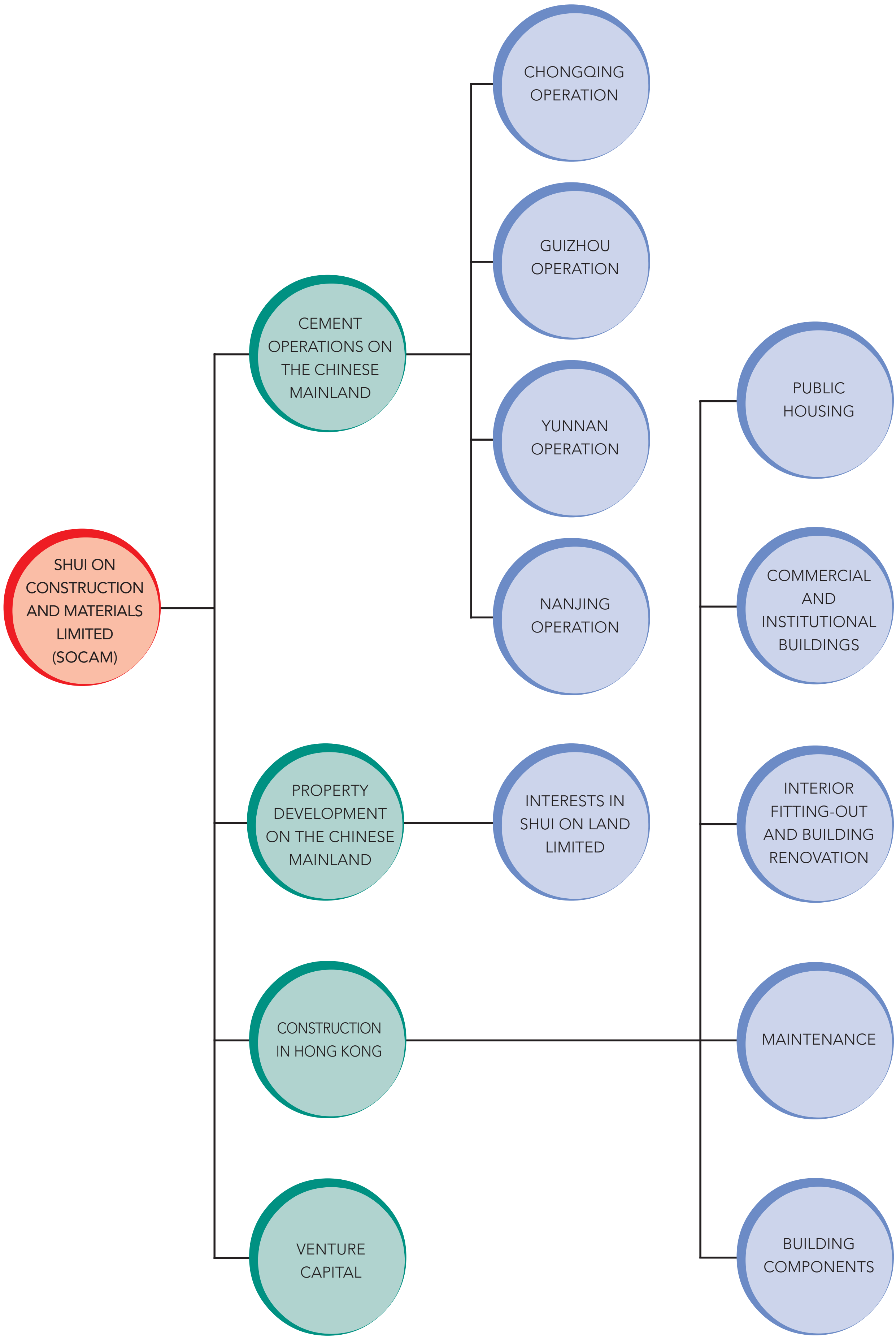
REGISTERED OFFICE
Clarendon House, 2 Church Street,
Hamilton HM 11, Bermuda

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,
28/F, BEA Harbour View Centre,
56 Gloucester Road, Wanchai, Hong Kong

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


SHUI ON CONSTRUCTION AND MATERIALS LIMITED (SOCAM)
CEMENT OPERATIONS ON THE CHINESE MAINLAND
CHONGQING OPERATION
GUIZHOU OPERATION
YUNNAN OPERATION
NANJING OPERATION
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CONSTRUCTION IN HONG KONG
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BUILDING COMPONENTS
VENTURE CAPITAL

Lo Hong Sui, Vincent
Chairman

The year under review saw a substantial increase in profits. An important strategic objective going forward is to secure a broad base of recurrent income through operations and investments with the strength to ride out economic cycles.

RESULTS

I am pleased to report that the Group's profit attributable to shareholders was HK$483 million, representing an increase of 226% over the previous financial year (2003/2004: HK$148 million). Earnings per share were HK$1.80, an increase of 227% over the previous year (2003/2004: HK$0.55). Turnover was HK$2,232 million, a decrease of 38% from the previous year (2003/2004: HK$3,591 million).

The Directors recommend the payment of a final dividend of HK$0.30 per share to shareholders whose names appear on the Register of Members of the Company on 19 August, 2005. This, together with the interim dividend of HK$0.30 per share, yields a total of HK$0.60 per share for the year.

BUSINESS REVIEW

A key feature of the year's performance was the investment in Shui On Land (SOL), established as the flagship property company of the Shui On Group (SOCAM's privately held parent company) in June 2004 for property development and investment on the Chinese Mainland. The injection of our Rui Hong Xin Cheng (Rainbow City) development into SOL generated a gain of HK$345.7 million during the year.

More importantly, as a significant minority shareholder of SOL, an entity that has a diversified real estate portfolio and a strong reputation on the Chinese Mainland, SOCAM now enjoys significant and diverse opportunities in the dynamic Mainland property market.

In April 2005, SOL acquired a 50-hectare plot in the city core of Wuhan, a major city in central China, taking its total land bank on the Chinese Mainland to approximately 8 million square metres of gross floor area. SOL's current portfolio also includes three projects in Shanghai (Rui Hong Xin Cheng, Taipingqiao Redevelopment Project and Chuangzhi Tiandi), Xihu Tiandi in Hangzhou and Chongqing Tiandi.

All these projects made good progress during the year. Rui Hong Xin Cheng saw strong sales from two blocks in Phase 2 in October 2004. Another two blocks in Phase 2 that were put up for sale in June 2005 also met with encouraging

The world-renowned Xintiandi in Shanghai has proven to be extremely popular

responses. At the Taipingqiao Redevelopment, occupancy at Shanghai Xintiandi was 98% in the North Block and 92% in the South Block while approximately 94% of the office space in Phase 1 of Corporate Avenue was let to corporate tenants at the end of March 2005. Construction commenced in April 2004 at Chuangzhi Tiandi, the innovative mixed-use scheme that aims to generate Silicon Valley-style technological entrepreneurship. Phase 1 of the Hub and Live/Work area is expected to be completed by end of 2005. Relocation for Chongqing Tiandi progressed well and construction of the first phase is expected to commence in the third quarter of 2005.

Our cement operations also made good progress in strengthening market penetration through acquisitions of new plants and investment in new production lines. In Chongqing, we completed construction of a new dry kiln at Diwei and proceeded with work on a plant for processing steel slag. In Guizhou, we acquired a large cement factory located at Shuicheng, a move that completed a cohesive network of plants around the provincial capital Guiyang. However, results were disappointing in Chongqing and Guizhou due to the adverse effect of the Central Government's austerity measures on demand and prices of cement as well as rising energy costs.

We are in the process of finalising the acquisition of 80% of several key cement plants in Yunnan with a combined capacity of 4.5 million tpa (tonnes per annum). Yunnan is a fast-growing province that is sustaining high prices for cement. Demand is set to grow rapidly in the face of the Go West programme and the government policy to foster closer links between China and ASEAN countries (Yunnan is adjacent to three of these countries). We have granted an option to Lafarge, a world leader in building materials, until 31 December, 2005 to acquire 50% of SOCAM's share in this Yunnan deal. It is the intention of the Group to explore wider cooperation with Lafarge on the Chinese Mainland, and discussions have been held to that end.

With our existing status as the largest cement producer in Chongqing and Guizhou, the Yunnan operations will further strengthen our leading position in southwest China. Upon completion of the deal, the Group will have a total

The Group completed construction of a new

1 million tonne per annum kiln at Diwei, Chongqing...

Phase 1 of Corporate Avenue, a multi-phase development of Grade A office buildings with integral commercial facilities, comprises Towers I and II

… and acquired a 1.4 million tonne per annum cement plant located at Shuicheng, Guizhou.

production capacity in excess of 15 million tpa of high grade cement in the region.

The Group's portfolio of venture capital investments had a very good year and is expected to continue yielding significant returns. Our investment in a third fund in July 2004 underlines our determination to continue to benefit from our present investment.

While government expenditure on public housing and other building projects in Hong Kong declined further, profitability of our construction activities remained satisfactory despite shrinking turnover.

There was further poor performance in our construction materials operations in Hong Kong and the Pearl River Delta, with little prospect of improvement. The Group recognised that this activity was no longer a core business, or one that could contribute to our long-term business expansion. We therefore disposed of most of our interests and also closed our materials trading operation.

CORPORATE GOVERNANCE

We regard effective corporate governance as a key component in the Group's sustained development. This entails the Board setting appropriate policies and overseeing their implementation both in the affairs of the Board and throughout the Group. We believe that robust corporate governance enhances practical management of the Group's affairs emphasising high standards of integrity and transparency of information provided unproductive bureaucracy is kept to a minimum. More information is given on pages 28 to 31.

The Group's cement operations made good progress in strengthening market penetration during the year through acquisitions of new plants and investment in new production lines

FUTURE OUTLOOK

Foreseeing compelling growth opportunities on the Chinese Mainland a few years ago, the Group decided to actively invest in Mainland cement and property businesses even though the core Hong Kong businesses at the time were generating healthy profits. Our strategy to transform the Group into a Mainland-oriented enterprise has been progressing well and will provide a strong and long-term platform for growth.

The year under review saw a substantial increase in profits. An important strategic objective going forward is to secure a broad base of recurrent income through operations and investments with the strength to ride out economic cycles.

Our investment in SOL will support that aim as the flagship property company holds prime office and retail properties for long-term rental income and has a pipeline of residential developments for sale in the coming years. We are confident that SOL, with its innovative approach to urban planning and a substantial – and growing – land bank on the Chinese Mainland, will achieve a steady income stream for the Group in future years. Moreover, we will explore co-investment opportunities with SOL in selected developments that can leverage SOCAM's long and successful construction expertise.

Although performance of the cement business on the Chinese Mainland has been temporarily affected by the Central Government's austerity measures, we strongly believe that long term prospects remain good. Demand for high grade cement in southwest China – our target market – will be boosted by urbanisation and infrastructure projects under the Go West policy when the effect of the austerity measures tapers off. In addition, the austerity programme is likely to force several inefficient and poorly funded competitors out of the market. We are committed to increasing production capacity and consolidating our market penetration and are confident that this business will generate a steady income stream for the Group in the long term.

Our confidence in the Mainland market extends to our venture capital interests, which we expect will continue to bring attractive returns for shareholders.

The continued economic growth in China will allow the Group to achieve long term, sustainable development

Long term prospects of the Group's cement business in southwest China remain good

Our venture capital interests

are expected to continue to bring attractive returns

While construction in Hong Kong is likely to remain flat in the near term, we believe the Group is well positioned to take advantage of the next market upturn. The sales and closures of our construction materials businesses, on the other hand, allow us to focus resources on the growth of core businesses.

With the investment in SOL, the progress of our cement interests as well as the success of our venture funds, the Group believes the process of building a strong foundation on the Mainland is now complete. The continued economic growth in China will allow the Group to achieve long term, sustainable development in the years to come.

ACKNOWLEDGEMENTS

SOCAM is successfully implementing an important transition as it builds large and sustainable operations on the Chinese Mainland. This in turn has called for hard work and flexibility from our staff. All our employees have demonstrated exemplary professionalism as the Group capitalises on opportunities on the Mainland while meeting the challenges of difficult market conditions in Hong Kong. On behalf of the Board, I would like to thank all staff members for their continuing commitment to the Group.

Lo Hong Sui, Vincent
CHAIRMAN
Hong Kong, July 2005

Phase 2 of Rui Hong Xin Cheng (Rainbow City)

Wong Yuet Leung, Frankie
Chief Executive Officer

With investments now directed to activities promising clear growth prospects, the Group is confident of achieving sustainable profit growth in the medium term.

BUSINESS REVIEW
PROPERTY DEVELOPMENT INTERESTS ON THE CHINESE MAINLAND – SHUI ON LAND ("SOL")

Our property operations on the Chinese Mainland made good progress during the year. In June 2004, we injected Rui Hong Xin Cheng (Rainbow City) into SOL - with SOL being formally incorporated at the same time. The Group took a US$130 million equity interest - equivalent to a holding of 30.2% in SOL - and agreed to subscribe for US$50 million preference shares. Further subscription of shares by shareholders is expected to bring SOCAM's shareholding in SOL to around 20% in early 2006. The injection of Rainbow City generated a gain on disposal of HK$345.7 million and a reserve of HK$231.1 million.

SOL is the flagship property company of the Shui On Group (SOCAM's privately held parent company), with consolidated interests as developer, owner and operator in premier real estate on the Chinese Mainland. SOCAM now owns a substantial holding in SOL, which is expected to provide impressive development profits and a steady rental income stream going forward.

SOL focuses on two key business segments. The first is City Core Development Projects, which are large-scale, mixed-use redevelopments consisting of office, residential, retail, entertainment, cultural and recreational facilities. The second segment is Integrated Residential Development Projects, which are master-planned high quality residential developments offering full amenities.

SOL's portfolio currently comprises six key developments, three of which are in Shanghai (Rui Hong Xin Cheng, Taipingqiao Project and Chuangzhi Tiandi) with Xihu Tiandi in Hangzhou, Chongqing Tiandi in Chongqing, and the latest project in Wuhan. Their combined gross floor area is approximately 8 million square metres.

RUI HONG XIN CHENG (RAINBOW CITY), SHANGHAI

This Integrated Residential Development is targeting the young, professional and upwardly mobile segment of the Shanghai market. Located on a 40-hectare site in Shanghai's Hongkou district, just 10 minutes by car from the Bund, Rainbow City will comprise approximately 70 blocks of high-rise, residential buildings with more than 10,000 quality residential units as well as office, retail and community facilities.

The sale of a batch of 270 residential units (blocks 10 and 11) from Phase 2 in October 2004 met with an overwhelming market response of more than 8,500 prospective buyers. All units were sold by ballot within

Rui Hong Xin Cheng Phase 2: the sale of a batch of 270 residential units in October 2004 met with an overwhelming market response

days at an average price of about RMB11,500 per square metre. Construction is continuing on schedule for the balance of the units at Phase 2, which comprises 13 residential blocks, a commercial centre, a club house and underground car parking. The completion certificate on blocks 9, 10, 11 and 12 was received in April 2005. Sales of 382 units in blocks 9 and 12 commenced in June 2005 and initial market response was good. Leasing of the commercial centre has also gone well, with contracts for over 99% of the rental space signed by March 2005.

The conceptual design for Lot 4 of Phase 3 with a total gross floor area of approximately 80,000 square metres received planning approval during the year.

TAIPINGQIAO PROJECT, SHANGHAI

This City Core Development Project encompasses 1.29 million square metres of commercial and residential developments in the heart of Shanghai. It includes the internationally acclaimed Shanghai Xintiandi entertainment area with restored historic houses that SOL is holding for long-term investment. Corporate Avenue is a multi-phase development of Grade A office buildings with Phase 1, comprising Towers I and II, already completed. The Lakeville luxury residential development is being built in several phases, the first of which was completed in 2003 with all units sold.

During the year, SOL made satisfactory progress with the Shanghai Xintiandi entertainment area finishing the year with a 98% occupancy rate for the North Block and 92% for the South Block. Approximately 94% of the office space in Phase 1 of Corporate Avenue was let to corporate tenants by the end of March 2005. Initial planning for Phase 2 of Corporate Avenue is underway. At Lakeville, Phase 2 comprising eight towers with a total of 645 units is expected to be completed in the first half of 2006.

CHUANGZHI TIANDI, SHANGHAI

Adjacent to numerous major universities and colleges in the Yangpu district of Shanghai, Chuangzhi Tiandi is intended to provide capabilities similar to those found in Silicon Valley in the United States. A Hub Area will feature office buildings, educational facilities and retail amenities, while a Live/Work area will combine offices, residential units and retail facilities. There will also be an area devoted to R&D. With a site area of approximately 84 hectares, this project is being positioned as a knowledge community via the promotion of technology, research, business incubation, learning and culture.

Construction of Phase 1 of the Hub (with a total constructed area of about 77,000 square metres) commenced in April 2004 and is on schedule for completion by December 2005. Construction of Phase 1 of the Live/Work component (with total leaseable and saleable gross floor area of approximately 86,000 square metres) commenced in April 2004 and is expected to be completed by September 2005.

XIHU TIANDI, HANGZHOU

Xihu Tiandi, a leisure and lifestyle development that preserves Hangzhou's rich natural and historical legacy, will have a total gross floor area of 58,000 square metres when fully completed. The first phase consists of ten buildings with a gross floor area of 5,300 metres in a 30,000-square-metre park and was launched in 2003.

Chuangzhi Tiandi is intended to provide capabilities similar to those found in Silicon Valley in the United States

In March 2005, the US Green Building Council recognised Xihu Tiandi Phase 2 as LEED™-CS pre-certified at Platinum level. LEED™-CS stands for Leadership in Energy and Environmental Design Rating System for Core and Shell and Xihu Tiandi Phase 2 is the first project on the Chinese Mainland to achieve the highest level of performance in LEED™-CS green building rating.

CHONGQING TIANDI

Located in the Yuzhong District in Chongqing, this project has a riverfront spanning two kilometres. With an area of 125 hectares, it is the largest site available for master-planned development in the urban area and has a prospective gross floor area of about 2.6 million square metres. The project will be positioned as Chongqing's future "manufacturing service and support centre". On completion, it will include exhibition centres, merchandise marts, luxury hotels, intelligent office buildings as well as residential clusters and dining, shopping and entertainment facilities.

During the year, detailed designs progressed well and construction of the first stage of phase one, a predominantly residential development with a gross floor area of 107,000 square metres, is expected to commence in the third quarter of 2005.

NEW PROJECT, WUHAN

SOL acquired approximately 50 hectares of land in Wuhan in April 2005 after conducting thorough research in this major city in Central China for more than two years. Located in the riverfront area in the city core, it is a redevelopment project of mixed commercial and residential uses in the heart of the city. Similar to SOL's Taipingqiao development in Shanghai, the project will include an entertainment area like Shanghai Xintiandi with restored local traditional architecture, as well as residential, office, hotel and retail facilities. With a total gross floor area of approximately 1.5 million square metres, the project is scheduled for completion in phases within a period of ten years.

CEMENT OPERATIONS ON THE CHINESE MAINLAND

We have established a strong market presence in Chongqing and Guizhou, where we are the largest high-grade cement producer. Following the completion of our acquisition of several key cement plants in Yunnan later this year, we will be the leading cement producer in the linked markets of the Chongqing municipality and the provinces of Sichuan, Guizhou and Yunnan, constituting a valuable business triangle in southwest China.

Despite these advantages, our operations had a difficult year in the face of the austerity measures imposed by the Central Government in the second quarter of 2004. Investments in the cement industry were subjected to tight control, and major infrastructure works and investments in property projects were postponed or significantly curtailed. Sluggish demand meant that it was not possible to pass rising coal, electricity and transportation costs on to customers. Production and

Rui Hong Xin Cheng will comprise approximately 70 blocks of high-rise, residential buildings with more than 10,000 quality flats as well as retail and community facilities

sales were adversely affected, leading to poor results in Chongqing.

There are indications that China's Go West policy is protecting interior provinces from the full effects of the Central Government's austerity measures. In particular, the region is likely to enjoy further development of hydroelectric and coal power, especially in Chongqing and Guizhou - two key areas for the Group's cement operations - in the face of China's coal and electricity shortages. Development of coal reserves in Guizhou will in turn stimulate the build-up of transport infrastructure in the province. These developments will strengthen demand for high-grade cement and the Group remains committed to expanding its investment in this sector.

The Group is also expecting more limited competition in the medium term once the Central Government implements its intended restrictions on inefficient and outmoded cement plants, which cause severe environmental pollution and significant energy wastage. This situation, when it occurs, will provide ample opportunities for well-established enterprises such as SOCAM.

CHONGQING OPERATIONS

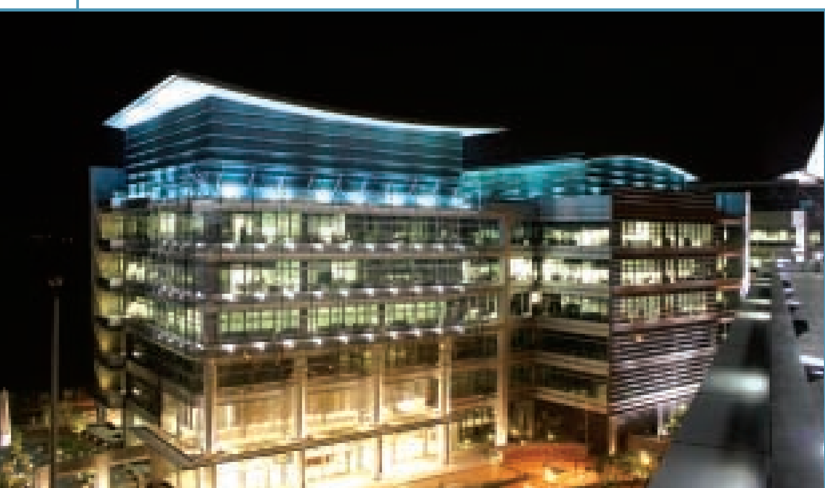
The TH Cement Group has some 70% of the high-grade cement market in Chongqing. Cement production remained at satisfactory levels, despite the proliferation of smaller players operating wet and vertical kilns and the dampening effect of the austerity drive on infrastructure projects.

Our Diwei plant remains the dominant facility in central Chongqing and recent significant infrastructure investment will ensure improved performance. During the year, the Group completed construction of a new dry kiln in Diwei with a capacity of 1 million tonnes per annum ("tpa"). The plant was commissioned in November 2004 giving Diwei a total capacity of 3.5 million tpa. Transportation costs have fallen following the completion of a bridge linking the Diwei factory to the limestone quarry on the opposite shore of the Yangtze River.

The Group is constructing a plant for processing 800,000 tonnes of steel slag supplied by Chongqing Steel Factory to be used as a blending material. Completion of this facility will significantly enhance the competitiveness of the Diwei plant.

There was significant competition from smaller plants throughout the year at Hechuan, Guangan and Fuling. Construction of a larger dry kiln of 1.2 million tpa in Hechuan slowed pending the recovery of the market in northern and central Sichuan. In particular, the Qujiang plant outside Chongqing recorded substantial losses with insufficient volumes accompanied by low cement prices in the face of rising coal, electricity and transport costs.

Meanwhile, the investments in Diwei and Hechuan, when completed, will consolidate the TH Cement Group's market leadership in Chongqing with a total capacity of around 8 million tpa. Looking ahead, the Group believes its operations in Chongqing will benefit from its location within the designated economic hub of southwest China



The Construction Division completed Buildings 7 and 8 at the Hong Kong Science Park during the year under the Go West policy. Chongqing is set to become a major industrial, commercial and financial centre and the Group is well positioned to benefit.

GUIZHOU OPERATIONS

Our overall strategy in Guizhou is to become a significant player in major markets. As is the case in Chongqing, the rising costs of coal, electricity and transport are major issues for our operations. However, we secured an improved supply of coal during the year and demand rose sufficiently to allow us to pass on some costs to customers. The Group had a satisfactory year overall with an enhanced market position set to improve future profitability. The austerity measures had only a moderate impact on our operations as infrastructure operations in this market are benefiting from the Go West policy.

In December 2004, the Group signed an agreement to acquire at preferential terms a cement factory at Shuicheng, one of the largest plants of its kind in Guizhou and with a new 700,000 tpa dry kiln and 700,000 tpa wet kilns. This move completed our strategy of creating a network of cement suppliers operating in a cohesive territory surrounding the provincial capital Guiyang. Our market coverage now comprises four plants in Zunyi in the north, Bijie and Changda in the northwest, Dingxiao in the southwest, Kaili in the southeast, and Shuicheng in the west.

Our four plants in Zunyi, Guizhou's second largest city, faced severe competition from numerous small cement plants, with conditions made more difficult due to the delay of some major infrastructure projects following the austerity measures and the heavy rainy season. Increasing energy and transportation costs further affected profit margins, which were significantly below expectations.

Performance at the plant in Bijie improved during the year while the plant in Changda operated profitably.

Operations in Qianxinan and Qiandongnan were satisfactory. At the date of this report, demand outstripped supply.

YUNNAN ACQUISITIONS

In June 2004, a framework agreement was signed with the Yunnan government to acquire 80% of a number of cement companies in Kunming, the provincial capital, and Kaiyuan. The two main cement companies concerned have an existing production capacity of 2.2 million tpa. A new 1.5 million tpa dry kiln in Kunming (completed in June 2005), together with a newly completed 800,000 tpa dry kiln in Kaiyuan will boost Yunnan's capacity to 4.5 million tpa. We require Central Government approval, which has been applied for and is being considered carefully as the resulting holding vehicle is a very unusual one on the Mainland.

The Dingxiao plant in Qianxinan, Guizhou performed satisfactorily during the year, with demand outstripping supply

The acquisitions in Yunnan will significantly extend the Group's cement investment portfolio in a region of China poised for dramatic growth. Yunnan is a fast-growing province that is sustaining high prices for cement. Its economic importance is also set to grow rapidly in the face of closer links between China and ASEAN countries. Cooperation with oil-rich ASEAN countries such as Vietnam will be a particular catalyst and there are already plans to develop Yunnan as a centre for oil-related projects. New infrastructure, such as the 1,500-km highway currently under construction that will connect Kunming with Bangkok, and the pan-Asian railway linking a number of major Asian countries, underlines the future importance of Kunming and indicates good long-term prospects for cement demand within a growing construction sector.

We have granted an option to Lafarge, a world leader in building materials, until 31 December, 2005 to acquire 50% of SOCAM's share in this Yunnan deal. It is the intention of the Group to explore wider cooperation with Lafarge on the Chinese Mainland, and discussions have been held to that end.

Following the acquisitions in Yunnan, SOCAM together with its joint venture partners is expected to have a total gross production capacity in excess of 15 million tpa of high grade cement in southwest China.

NANJING OPERATION

The cement market declined drastically due to the Central Government's austerity measures. At the beginning of 2005, it was decided to convert the Nanjing plant into a grinding mill and to reduce the size of the workforce by about 40%. This will ensure the long-term viability of our joint venture in this market once the austerity measures ease.

VENTURE CAPITAL

The Group has a portfolio of investments within the two Yangtze Ventures Funds (YVF), in which it is a 65.5% and 75.4% shareholder respectively, and On Capital China Tech Fund, in which it is a 92.8% shareholder. While On Capital is newly established, YVF made a positive contribution to results with a net gain of HK$221.4 million during the year. An outline of the principal investments made by these funds is as follows:

YANGTZE VENTURE FUNDS

Solomon Systech

This highly successful company is engaged in semiconductor and high voltage integrated circuit development. A sale of approximately two-thirds of the shareholding and the revaluation of the remaining stake in this company delivered an attributable profit of HK$195.5 million to the Group for the year. YVF continues to hold 73 million shares at a market value that is currently performing well above its IPO price. The Board of YVF intends to dispose of the remaining shares when market conditions are favourable.

China Infrastructure Group (CIG)

CIG invests in the development and management of port projects along the Yangtze River on the Chinese Mainland. Successful negotiation with the Mainland joint venture partner of the Zhapu port project resulted in an agreement to liquidate YVF's investment, generating a profit of HK$7.0 million to the Group.

The plants in Zunyi, Guizhou's second largest city, faced severe competition from numerous small cement plants during the year

CIG also holds 85% of a port in Wuhan and still intends to list this investment on Hong Kong's GEM Board at an appropriate time.

Other Investments

YVF also has holdings in: Walcom Group, a specialist in manufacturing animal feedstuff; Apexone Microelectronics, a manufacturer of integrated circuits; Advantek Biologics, a company engaged in the R&D, commercialisation and manufacture of biopharmaceutical products; Wuhan Huali Environment Protection Technology, a firm specialising in the R&D and production of environmentally friendly products, including products made of Plastarch Material (a new material developed and patented by the company); Beijing Hisunsray Information Technology, which develops and operates an exclusive Interactive Voice Response (IVR) platform for China Mobile; and Rongxing Industrial Development Co. Ltd, which is engaged in radio monitoring, measuring and testing, network planning and design, and system integration in China.

ON CAPITAL CHINA TECH FUND

Established in July 2004, this fund invests in China's TMT sector and will focus on consumer electronics, wireless technology, computer security, software and telecom infrastructure technologies. We are building synergy between this fund and SOL's Chuangzhi Tiandi development in Shanghai, with On Capital investing in technology businesses that would also be prospective tenants for Chuangzhi Tiandi.

Hisunsray

The fund made its inaugural investment in Beijing Hisunsray Information Technology in September 2004 and holds a 12% stake. Hisunsray develops and operates an exclusive Interactive Voice Response (IVR) platform for China Mobile. YVF also holds an interest in this company.

Union Genesis

On Capital holds 45% in this IC design specialist catering to the Digital TV, High Definition TV and Set Top Box market. Union Genesis is capitalising on China's move towards full digitalisation, and aims to supply decoder chips to a market where there are 320 million analog TV sets in use that are currently unable to decode digitally compressed TV signals.

CONSTRUCTION IN HONG KONG

Government spending on building works declined during the year from HK$16 billion in 2003/04 to HK$13.7 billion in 2004/05 despite the emergence of the overall economy from a prolonged downturn. The number of public housing and other public sector works put out for tender was small and the scope of each project also shrank. Against a background of fierce competition in Hong Kong, the typical value of bids was also lower although there was satisfactory demand for public housing maintenance works. In Macau, by contrast, there were significant opportunities for major Hong Kong-based contractors, technical staff and skilled workers in the face of the territory's growing gaming industry which is stimulating the economy as a whole.

The Group's cement production capacity in Guizhou exceeds 4 million tonnes per annum

As leading construction companies in Hong Kong, Shui On Building Contractors and Shui On Construction continued to win numerous safety and environmental management awards during the year. Most recently, the Group received two Safety Performance Awards, the Safety Management System Silver Award and Safety Promotion Silver Award at the Hong Kong Occupational Safety & Health Award programme in June 2005. Please also see our report on the Group's commitment to safety and environmental management on pages 24-27.

The division's total turnover was HK$1,855 million while contracts totalling HK$2.1 billion were won during the year.

As of 31 March, 2005, the gross and outstanding value of contracts on hand were approximately HK$4.3 billion and HK$2.5 billion respectively (31 March, 2004: HK$4.4 billion and HK$2.3 billion).

PUBLIC HOUSING – SHUI ON BUILDING CONTRACTORS (SOBC)

While the Hong Kong Housing Authority continues to maintain an annual production target of 20,000 units, it awarded just five contracts involving 9,145 flats during the year and SOBC was unfortunately not successful in any of these. SOBC completed residential projects at Lam Tin Estate phase 6 (720 flats) and Pak Tin Estate phases 3 & 6 (1,826 flats).

Maintenance works continue to be a brighter spot within the market, with reasonable contract prices and profit despite a highly competitive market. During the year, SOBC won four contracts worth HK$287 million. These comprised a Building Maintenance Term Contract for the KCRC's Transport Division, the District Term Contract for Tuen Mun East, the District Term Contract for Hong Kong West, and a Major Maintenance Works package at Tak Tin Estate. An additional nine minor contracts secured were worth HK$11 million.

OTHER GOVERNMENT AND INSTITUTIONAL BUILDINGS – SHUI ON CONSTRUCTION (SOC)

SOC was awarded four new contracts for works under the Architectural Services Department. On Hong Kong Island, SOC won a design and construction project for the headquarters of the Independent Commission Against Corruption in North Point at HK$685 million, along with a construction contract at Hon Wah School in Siu Sai Wan at HK$117 million. In Kowloon and the New Territories, we were awarded a beautification scheme on the Tsim Sha Tsui Promenade at HK$110 million as well as works for a rehabilitation block at Tuen Mun Hospital at HK$671 million.

SOC completed phase 2 (stage 2) of Castle Peak Hospital, while SOJV (a joint venture of SOC and SOBC) completed Buildings 7 and 8 at the Hong Kong Science Park during the year.

Profitability of our construction activities remained satisfactory despite shrinking turnover

RENOVATION AND FITTING-OUT – PAT DAVIE

Pat Davie was profitable during the year on the back of an improved economic climate that resulted in increased activity in the fitting-out market. Completion of major projects including Union Bank of Switzerland at the International Finance Centre, the Hong Kong Housing Society's Serenity Place and projects for Disneyland resulted in a substantial increase in turnover and profit from the previous year. With new projects in the pipeline, Pat Davie is confident it can continue this upward trend. Works valued at HK$230 million were secured during the year.

Macau's rapidly expanding tourism and gaming industry is bringing valuable business opportunities in fitting-out for hotels and casinos. Pat Davie (Macau) Ltd won major works for the Wynn Resort Project during the year and is currently in discussions with other major casino operators for future projects. Growth in Macau is set to provide a substantial contribution going forward.

Fitting-out operations in Shanghai were closed down due to the prevalence of low margins in a very competitive market.

CONSTRUCTION MATERIALS AND MATERIALS TRADING IN HONG KONG AND THE PEARL RIVER DELTA

READY-MIXED CONCRETE AND QUARRYING

With the continuing decline of concrete prices in Hong Kong, continued over-capacity of suppliers of ready-mixed concrete, and the likelihood of further deterioration in the future, the Group decided that the construction materials business in Hong Kong was no longer a core business. The Board therefore agreed to exit this business and sold its ready mixed concrete, mortar and cement trading operations in Hong Kong to Maxking Investments. The two concrete batching plants near Guangzhou were also disposed of in October 2004.

The Group also substantially reduced the scale of its quarrying operations, subcontracting its rights for the site formation contract at Guishan in Zhuhai to Maxking Investments and closing the quarry at Xinhui. The Chik Wan quarry in Zhuhai continues to operate.

The sale of the Group's construction materials business in Hong Kong and the Pearl River Delta generated a net gain of HK$25.9 million and was completed in March 2005.

ASIA MATERIALS

While the materials trading arm successfully completed procurement work for the Venetian Group's hotel/casino project in Macau, it was unable to secure further substantial contracts for the coming year. The Group concluded that operations were no longer viable and closed this business during the year.

PROSPECTS

With the significant investment in SOL and the further expansion of our cement investments - covering Chongqing, Sichuan, Guizhou and Yunnan in southwest China - SOCAM has strengthened its profile as a predominantly Mainland-oriented group.

Phase 1 of Xihu Tiandi in Hangzhou

SOL is building up a substantial land bank on the Chinese Mainland, with development rights for approximately 8 million square metres of gross floor area in major cities. The world-renowned Xintiandi in Shanghai has proven to be extremely popular. SOL also has a track record of success in residential sales at Rainbow City and Lakeville as well as corporate leasing to multinational groups at Corporate Avenue. These successes, supported by intended new developments in Shanghai and other key cities, will ensure a strong income stream for the Group going forward.

With strong sustained economic growth in China, the Mainland property market offers tremendous opportunities. SOL will continue to focus on large-scale premier urban redevelopment projects in key cities, while SOCAM will capitalise on its track record in mass-market housing and construction management by seeking appropriate opportunities in this field.

The growth of our cement business in southwest China will bring benefits in terms of increasing economies of scale and profitability in the medium term. Our acquisition of several key cement plants in Yunnan is a clear indication of the Group's determination to expand its cement interests over the long-term despite the short-term impact of the austerity measures. In pursuing expansion of its cement business, the Group is constantly reviewing the options available, which include the possibility of entering into some form of cooperation with other major cement producers. Given the current highly fragmented state of China's cement industry, with only some 30% of output being produced by the dry kiln method and the proliferation of small and inefficient plants, the Group sees the potential for long-term growth with steady earnings as China's cement industry modernises and restructures.

Our venture capital interests also reflect our strong strategic focus on the Chinese Mainland, with investments targeting a variety of high-growth sectors which the Group believes will bring attractive returns for shareholders. While a management company makes day-to-day decisions on the venture funds, the Group plays an active part in managing the portfolio and making investment decisions.

We do not foresee any significant recovery in the construction market in Hong Kong in the near future. However, having significantly trimmed the overhead of the construction division, the Group is well positioned to weather the current difficult market and has the ability to expand again once market conditions permit.

The Group has succeeded in reducing demands on its resources through termination of its loss-making construction materials business in Hong Kong and the Pearl River Delta as well as the materials trading operations. With investments now directed to activities promising clear growth prospects, the Group is confident of achieving sustainable profit growth in the medium term.

The growth of the Group's cement business in southwest China will bring benefits in terms of increasing economy of scale and profitability in the medium term

FINANCIAL REVIEW

LIQUIDITY AND FINANCING

As at 31 March, 2005, your Group's bank borrowings, net of bank balances, deposits and cash, amounted to HK$1,195.4 million (31 March, 2004: HK$779.7 million).

The Group's gearing ratio, calculated on the basis of net bank borrowings (i.e. total bank borrowings less bank balances, deposits and cash) over shareholders' equity, increased from 56% as at 31 March, 2004 to 61% as at 31 March, 2005.

TREASURY POLICIES

Bank borrowings are mainly denominated in Hong Kong dollars and have been arranged on a floating rate basis. Investments on the Chinese Mainland are partly financed by borrowings in Hong Kong dollars. Given that income from operations on the Chinese Mainland is denominated in Renminbi, the Group expects that fluctuation in the Renminbi exchange rate will have very little negative effect on the business performance and the financial status of the Group. Therefore no hedging against Renminbi exchange risk has been made.

EMPLOYEES

At 31 March, 2005, the number of employees of the Group was approximately 900 (1,290 as at 31 March, 2004) in Hong Kong and 11,340 (12,250 as at 31 March, 2004) in subsidiaries and jointly controlled entities on the Chinese Mainland. As the Group recognises human resources to be one of the major driving forces of profitability and business growth, employees' remuneration packages are maintained at competitive levels. Employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus systems. Other staff benefits include provident fund schemes, medical insurance, in-house training and subsidies for job related seminars, and programmes organised by professional bodies and educational institutes. Share options are granted annually by the Board of Directors to senior management staff members as appropriate. Likewise on the Chinese Mainland, staff benefits are commensurate with market levels, with an emphasis on provision of training and development programmes and resources.

Wong Yuet Leung, Frankie
CHIEF EXECUTIVE OFFICER
Hong Kong, July 2005

Phase 1 of Lakeville luxury residential development

As a responsible corporate citizen, SOCAM is committed to environmental management and workplace safety and continually integrates safety and environmental concerns into its corporate policies and everyday operations. As these issues are often closely related, we have developed an Integrated Health, Safety and Environment (HSE) Management System, maintained under our Total Quality Management System.

WORKPLACE SAFETY

Safety is held to be of the utmost importance at SOCAM. A "zero accident" rate is our ultimate goal and we continuously improve workplace safety by regularly reviewing our work procedures and methods, as well as by conducting frequent training and promotions to raise awareness among employees and workers of occupational health and safety issues. As a key player in Hong Kong's construction industry, SOCAM has always been a pioneer in adopting safety initiatives. Our past achievements include:

- Setting up our Safety Committee as early as 1979, well ahead of other Hong Kong building contractors (the committee was later expanded to cover environmental management)
- Commencing safety audits on all our construction sites in 1995 so as to provide benchmarks for continuous improvement in safety management (we did this long before any such contractual requirement or government legislation was introduced)
- Becoming Hong Kong's first construction company to obtain the Occupational Health and Safety Assessment Series (OHSAS) 18001 certification in 2001

Moreover, we have a well-defined system to assess and select subcontractors in terms of safety and environmental performance, and any subcontractor tendering for business must be fully aware of our requirements in these areas at the tender stage. The monthly safety performance of each subcontractor is also an important consideration in awarding tenders to the same supplier in the future.

Through the concerted efforts of our staff and subcontractors, our safety performance has improved consistently. The 2004 accident rate at SOCAM's construction sites was less than a quarter of the industry average in Hong Kong.

To further strengthen safety and environmental management, we started implementing 5S Housekeeping (Sort, Set in order, Shine, Standardize, Self motivate) at

The Group invests in creating a green environment in our cement plants since we believe that good working environments help boost morale, productivity and product quality our construction sites in 2001. Since then, we have won awards at the Good Housekeeping Campaign organized by the Occupational Safety and Health Council (OSHC) for four consecutive years.

Over the years, we have received numerous other site safety awards including the "Best Building Works Contractor" in the Site Safety Campaign organised by the Hong Kong Housing Authority, then our major client, for seven consecutive years. In the first Safety Award Scheme on Good Housekeeping for the Construction Industry, SOCAM was awarded Gold Awards in both the private-sector and public-sector building site categories in addition to a number of other awards.

Our analysis indicated that as the number of accidents caused by unsafe conditions had dropped significantly, most accidents in recent years were caused by unsafe acts of workers. We therefore set up a taskforce in April 2004 to observe and quantify unsafe acts at construction sites and interviewed workers exhibiting unsafe work behaviours. The taskforce study findings enabled us to introduce behaviour-based safety guidelines, which were communicated to workers through training and promotional activities, as well as other management measures. Workers' behaviours are now regularly assessed to ensure continued improvement in safety performance and to reinforce a safety culture among workers and staff alike.

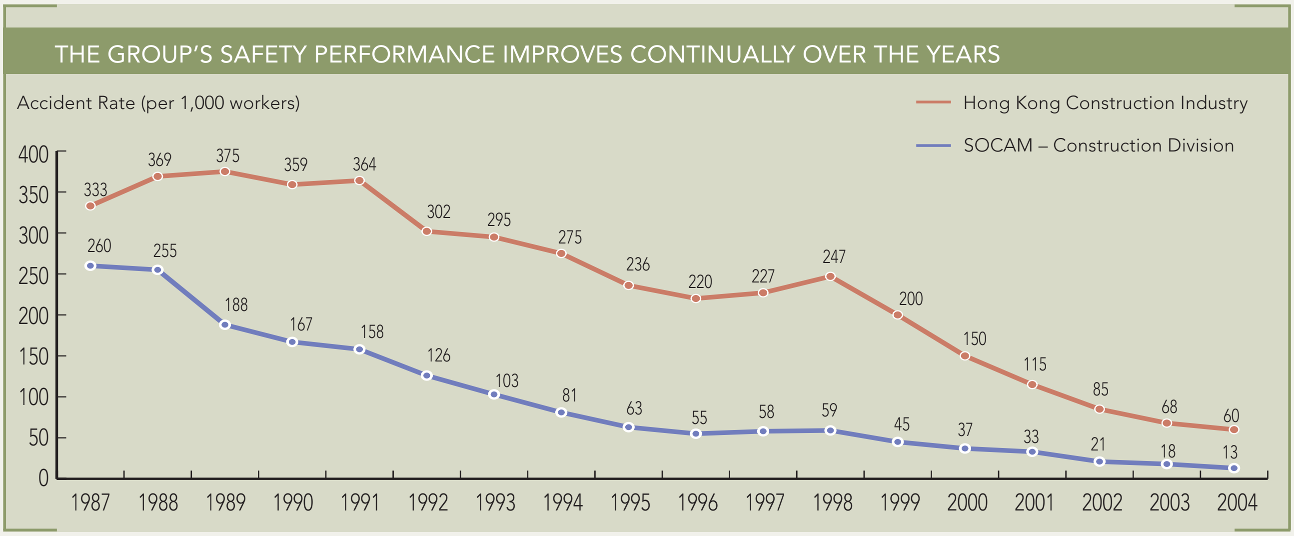
Our safety management system embraces all requirements of OHSAS 18001 and the 14 elements in local safety management regulations. In light of the findings from the recent taskforce study, we have added workers' behaviour as well as housekeeping to the system.

In 2004, our building division won:

- Gold and silver awards in all construction categories at the Construction Safety Forum and Award Presentation organised by the OSHC
- Silver and bronze awards in the Good Housekeeping Campaign organised by the OSHC
- Nine awards in the Construction Industry Safety Award Scheme organised by the Labour Department
- Nine awards in the Considerate Contractors Site Award Scheme organised by the Environment, Transport and Works Bureau
- Five awards in the Hong Kong Occupational Safety and Health Award Scheme organised by the OSHC
- Two "Most Proactive Safety Contractor Awards" from the Hong Kong Construction Association
- Best Worksite Award from CLP Power Hong Kong Limited

There is an equal emphasis on safety in our Mainland operations. In Guizhou, the number of accidents at our cement plants decreased by 30.65% in 2004 compared to the previous year, and our ultimate aim is to achieve a zero accident rate. With the aim of further improving its safety performance, each plant strives to attain continuous improvement in its health and safety management

Through the concerted efforts of our staff and subcontractors, our safety performance has improved consistently



documentation system, set clearly defined safety responsibilities at all levels and improve working environments.

In addition, the management of each plant aims to review safety measures and processes at least once every quarter, and plans to conduct training and promotions (such as "safety month") to increase awareness of workplace safety among employees as well as to launch internal awards to recognise and reward individuals and departments that demonstrate outstanding safety performance.

Some of the Group's plants have obtained ISO 18000 health and safety certification while others are in the process of applying for the certification.

ENVIRONMENTAL MANAGEMENT

SOCAM makes every effort to adopt environmentally sound practices in all its operations. As a major building contractor in Hong Kong, SOCAM continuously develops and introduces innovative techniques and measures in water treatment and recycling, air pollution control, environmental monitoring and other environmental areas.

Our construction companies, Shui On Construction (SOC) and Shui On Building Contractors (SOBC), obtained ISO 14001 certification for environmental management from the Hong Kong Quality Assurance Agency in 1999. They were also the first two companies in Hong Kong to be awarded ISO 14001 certification by the Chinese National Accreditation Committee for Environmental Management System Certification Bodies. Since Hong Kong's Architectural Services Department launched the "Green Contractor Award" in 2001 to promote environmental protection and conservation among contractors working on its projects, SOCAM has won the gold award two times and received the silver award in 2004.

More than 200,000 tonnes of fly ash were used as a blending material at the Group's plants in Chongqing in 2004

Our cement operations on the Chinese Mainland are adept at recycling industrial waste in their production as well as installing advanced equipment and applying operational measures to minimise pollution and conserve energy. Large quantities of otherwise valueless industrial by-products such as fly ash, phosphorus slag and coal gangue are used as blending materials. This not only helps to solve local environmental issues, but also lowers our material costs and brings tax rebates for our plants. Other environmental achievements at our cement operations in 2004 include:

- Achieving a decrease in electricity and coal consumption at the Kaili plant of 8% and 11% respectively year-on-year
- Using more than 45,000 tonnes of industrial by-products as blending materials at the Dingxiao plant
- Using more than 200,000 tonnes of fly ash as a blending material at the plants in Chongqing
- Pushing our water recycling rate at the Changda plant to 85%

Several of our cement plants on the Mainland have obtained ISO 14000 certification for environmental management while others are in the process of applying for this. In addition to continuously improving our environmental management systems, we also invest in creating a green environment in our cement plants through a range of initiatives designed to enhance the general working environment that include building gardens and minimising dust emissions.

THE THREE-TIER HEALTH, SAFETY & ENVIRONMENT (HSE) MANAGEMENT STRUCTURE OF SOC AND SOBC

THE HSE STEERING COMMITTEE AND HSE MANAGEMENT COMMITTEE ARE CHAIRED BY THE EXECUTIVE DIRECTOR AND THE GENERAL MANAGER RESPECTIVELY WHILE SITE HSE COMMITTEES ARE HEADED BY PROJECT MANAGERS, ENSURING EFFECTIVE COMMUNICATION AT ALL LEVELS.

Safety is held to be of the utmost importance at SOCAM

DISTINCTIVE ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Board is responsible for leading the Board of Directors in establishing and monitoring the implementation of strategies and plans to create value for shareholders.

The Chief Executive Officer (CEO) is responsible for managing the operation of the Group's businesses, proposing strategies to the Strategy Committee and the effective implementation of the strategies and policies adopted by the Board.

THE BOARD

At 31 March, 2005, the Board comprised 11 members — the Chairman and five other Executive Directors, two Non-executive Directors (NEDs), one of whom is a director of the parent company, and three Independent Non-executive Directors (INEDs). The INEDs are considered by the Board to be independent of management and free of any relationship that could materially interfere with the exercise of their independent judgement. The Board considers that each of the NEDs and INEDs brings his own relevant expertise to the Board and its deliberations.

The Board met regularly during the year as well as on an ad hoc basis, as required by business needs. The Board's primary purpose is to set and review the overall strategic development of the Group as a whole and oversee the achievement of the plans to enhance shareholder value. Everyday operational decisions are delegated to the Executive Directors. The Board met five times during the year and Directors' attendance is shown in the table on page 31. The NEDs and INEDs may take independent professional advice at the Company's expense in carrying out their functions. The Board has arranged for appropriate insurance cover for the Directors.

The Chairman has assessed the development needs of the Board as a whole, with a view to building its effectiveness as a team and assists in the development of individual skills, knowledge and expertise. Performance evaluations have been made for each member of the Board with Executive Directors' performance being evaluated by the Chairman and the CEO, the CEO's performance by the Chairman, NEDs and INEDs, the Chairman's performance by all Directors, NEDs' and INEDs' performance by the Chairman and the CEO. The Board encourages target-based performance and innovation to achieve the Group's strategies and plans.

The Company's Bye-laws require that one-third of the Directors, except the Chairman and the CEO, retire by rotation each year and that each Director, except the Chairman and the CEO, will seek re-election at the Annual General Meeting every three years. New Directors seek election by shareholders at the first Annual General Meeting after their appointment. Following their appointment, formal comprehensive and specific induction is offered to all INEDs.

The formal terms of reference for the main Board committees, approved by the Board and complying with the Hong Kong Code of Corporate Governance to assist in the discharge of its duties, are available from the CEO and can also be found on the Company's website at www.shuion.com. During the year, two additional committees were appointed - the Strategy Committee and the Executive Committee.

AUDIT COMMITTEE

The Audit Committee comprises Mr. Moses Cheng Mo Chi, Mr. Marvin Cheung Kin Tung, Professor Michael John Enright and Mr. Anthony Griffiths (who chairs the committee), all of whom are appointed by the Board. Mr. Marvin Cheung Kin Tung resigned on 4 July, 2005 for personal reasons and Professor K. C. Chan was appointed on the same date. The quorum is two members. Each member brings to the Committee his valuable experience in reviewing financial statements and evaluating significant control and financial issues of public companies. The Board expects the members to exercise independent judgement in conducting the business of the Committee.

The Committee meets regularly during the year and its agenda is linked to events in the Group's financial calendar. The agenda is mostly cyclical such that the Committee Chairman decides the agenda for the Committee. Each member may require reports on matters of interest in addition to regular items. Members' attendance at the four meetings held during the year is set out in the table on page 31. In addition to its routine work, the Committee gave considerable attention to four topics during the year: the correct accounting treatment of the disposal of the Group's interest in Rui Hong Xin Cheng (Rainbow City) in exchange for shares in Shui On Land Ltd; the procedures for the recording of debts and their collection in the Group's cement operations; the nature and impact of the Hong Kong Financial Reporting Standards on the presentation of the Group's financial statements; and the Company's policy on connected transactions.

The Committee invites the Group's executive responsible for finance and the head of the Group's Corporate Evaluation, responsible for internal audit, together with senior representatives of the external auditors to attend each meeting. The Chairman and CEO are invited to attend for specific issues when relevant as are other senior management.

The Committee is required to assist the Board to fulfil its responsibilities related to external financial reporting and associated announcements. During the year, the Committee reviewed the interim and final financial statements.

The Committee is also responsible for the development, implementation and monitoring of the Group's policy on external audit. The Committee reserves oversight responsibility for monitoring the independence, objectivity and compliance with ethical and regulatory requirements. The Committee recommends the appointment and reappointment of the Company's external auditors.

The Committee oversees the Group's corporate evaluation function, that includes the internal audit function, and its relationship with the external auditors. Specific attention is given to the internal audit plans and their performance as well as to risk identification and monitoring of management's handling of risks. The Committee approves the internal audit plans and gives instructions regarding areas that require specific attention or changes in priority. The reviews include the adequacy of staffing of the corporate evaluation function to conduct the internal audit plans. The Committee concluded that the staffing levels were insufficient to undertake additional work it required to be done in respect of the Group's cement operations and approved the outsourcing of two projects to PricewaterhouseCoopers and Ernst & Young.

REMUNERATION COMMITTEE

The Committee comprises the Chairman of the Board, Mr. Moses Cheng Mo Chi, Mr. Marvin Cheung Kin Tung, Professor Michael John Enright and Mr. Anthony Griffiths (who also chairs the Committee), all of whom are appointed by the Board. Mr. Marvin Cheung Kin Tung resigned on 4 July, 2005 for personal reasons and Professor K. C. Chan was appointed on the same date. The quorum is two members. Each member is sufficiently experienced and is appropriately skilled in the issues of determining Board pay in public companies. The Board expects the members to exercise independent judgement in conducting the business of the Committee.

The Committee met four times during the year and attendance is shown in the table on page 31. It considered the report it had commissioned from external consultants on directorate pay in Hong Kong public companies, reviewed the remuneration structure for the Board and senior management, reviewed the performance based awards of bonuses and share options and monitored the performance standard of those directors eligible to benefit from awards to be made later this year under the terms of the mega grant scheme.

STRATEGY COMMITTEE

The Committee is chaired by Mr. Vincent Lo Hong Sui. Mr. Wilfred Wong Ying Wai is the Vice - Chairman of the Committee. Membership of the Committee comprises all Executive Directors of the Company, the head of the finance and accounting function, a NED, Mr. Louis Wong Hak Wood and two other members who are not executives of the Company. The Company Secretary acts as secretary of the Committee. The Committee is responsible for (1) monitoring the macro business environment and market trends with respect to Company's current and potential businesses; (2) evaluating and setting business strategies to ensure the long-term competitiveness of the Company's core businesses; (3) formulating corporate strategies for enhancing the Company's long-term development; and (4) reviewing the implementation of strategies adopted. Strategies proposed would be submitted to the Board for approval. The terms of reference of the Committee were approved by the Board. All members of the Board, including the NEDs and INEDs are invited to attend the meetings. Minutes of meetings are sent to all Board members.

EXECUTIVE COMMITTEE

The Committee is chaired by Mr. Wilfred Wong Ying Wai. Membership of the Committee comprises all Executive Directors and a number of key executives of the Company. The Company Secretary acts as secretary of the Committee. The Committee is responsible for (1) planning and allocating resources, human, financial and otherwise, for the execution and implementation of the approved business plans and corporate development strategies; (2) keeping updated on market developments and discussing major issues arising from the execution of strategies; (3) reviewing and approving acquisitions and disposals of assets in the ordinary course of business with an investment cost / net book value of up to HK$25 million for any single transaction or a series of related transactions, other than notifiable transactions and connected transactions as defined by the Hong Kong Listing Rules; (4) reviewing the operating performance and financial position of the Group and its strategic business units; and (5) implementing the decisions taken by the Board. The terms of reference of the Committee were approved by the Board. All members of the Board, including the NEDs and INEDs are invited to attend the meetings. Minutes of meetings are sent to all Board members.

AD HOC COMMITTEES

Mr. Anthony Griffiths and Professor Michael John Enright were the members of the committee of Non-executive Directors who reviewed the terms of the proposed exchange of the Group's interest in Rui Hong Xin Cheng (Rainbow City) in exchange for shares in Shui On Land Ltd. They appointed BNP as their independent adviser and, after receiving their advice, concluded that the terms offered were not disadvantageous to minority shareholders.

MEETINGS ATTENDANCE

The following table shows the attendance of Directors at meetings of the Board and its committees during the year:

	Board	Audit Committee	Remuneration Committee	Strategy Committee	Executive Committee
Number of Meetings	(5)	(4)	(4)	(2)	(8)
Directors					
Vincent Lo Hong Sui	5	N/A	4	2	7
Wilfred Wong Ying Wai	5	N/A	N/A	2	8
Lawrence Choi Yuk Keung	5	N/A	N/A	2	7
Frankie Wong Yuet Leung	5	N/A	N/A	1	8
Raymond Wong Fook Lam	5	N/A	N/A	2	8
Vivien Lowe Hoh Wai Wan	5	N/A	N/A	1	8
Louis Wong Hak Wood	5	N/A	N/A	2	N/A
Anthony Griffiths	5	4	4	N/A	N/A
Michael John Enright	5	4	4	N/A	N/A
Marvin Cheung Kin Tung (note 1)	3	3	3	N/A	N/A
Moses Cheng Mo Chi (note 2)	2	1	2	N/A	N/A

Notes:

1. Mr. Marvin Cheung Kin Tung was appointed on 13 July, 2004 after which there were 3 meetings of the Board, 3 meetings of the Audit Committee and 3 meetings of the Remuneration Committee.

2. Mr. Moses Cheng Mo Chi was appointed on 30 September, 2004 after which there were 3 meetings of the Board, 3 meetings of the Audit Committee and 2 meetings of the Remuneration Committee.

3. Attendance of Directors invited to committee meetings of which they are not members is not recorded in this table.

CONFIRMATION OF INDEPENDENCE OF INEDS

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"). The Company considers all of the Independent Non-executive Directors are independent.

CONFIRMATION OF COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. The Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the period under review.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules throughout the year, except that the Non-executive Directors have not been appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Bye-laws of the Company.

The Committee comprises three Independent Non-executive Directors, namely Mr. Anthony Griffiths (chairman of the Committee), Mr. Marvin Cheung Kin Tung and Mr. Moses Cheng Mo Chi. Its other member is Professor Michael John Enright, a Non-executive Director. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of public companies.

The Committee met four times during the year to review the financial statements of the Group and to examine the effectiveness of systems of internal control as well as other major business or financial issues. Mr. Anthony Griffiths and Professor Michael John Enright attended all of the meetings. Mr. Marvin Cheung Kin Tung, who was appointed with effect from 13 July, 2004, attended each of the three meetings during his period of service. Mr. Moses Cheng Mo Chi attended one of the three meetings after his appointment with effect from 30 September, 2004. Other attendees of the meetings were the internal auditor and, by invitation, the Executive Director responsible for the financial function and representatives of the external auditors. The Company Secretary acts as the secretary to the Committee.

The Committee reviewed the results announcements, the interim and annual reports, connected party transactions and other items as specified in the Rules Governing the Listing of Securities an the Stock Exchange of Hong Kong Limited and other regulations. The Committee also carried out critical evaluation of selected business operations and their major accounting issues.

The Committee adopts an internal audit work plan each year, monitoring both the progress and the staffing, inclusive of development, of the department conducting internal audit. During the year, the Committee reviewed assignments completed in accordance with the work plan and examined the following key issues:

- The identification and management of the business risks of the major operations in both Hong Kong and the Chinese Mainland
- The effectiveness of key internal controls designated for revenue management and financial reporting systems of the cement operations on the Chinese Mainland
- The adequacy of the provision for doubtful debts included in the financial statements
- The changes in accounting policies and the financial impact of new accounting practices on the Group

In view of the rapid expansion of the Group in the Chinese Mainland, steps were taken to increase audit resources by appointing two professional accounting firms initially on a trial basis to undertake one assignment each to review the accounting and internal controls at specific cement plants. In the future, great emphasis will be placed on reviewing internal control systems and the management of business risks including changes made to enhance their effectiveness.

The Remuneration Committee is tasked to:

- Determine the policies for the remuneration of Executive Directors (and certain senior management) to be recommended to the Board that will assist in attracting, motivating and retaining suitably competent Executive Directors
- Review on behalf of the Board the remuneration package recommended by the Chairman or Chief Executive Officer for each Executive Director
- Develop and review the application of schemes to reward Executive Directors and certain senior management with bonuses based on performance for recommendation to the Board of the amounts to be paid to each Executive Director
- Review the proposals for the award of share options annually to Executive Directors based on performance and the policy of encouraging their participation in the equity of the Company for recommendation to the Board
- Recommend to the Board the structure of long-term incentive plans for Executive Directors and certain senior management and determine their application on the basis of achievement of long-term targets

The remuneration of Non-executive Directors is decided by the Board on recommendation by the Chairman of the Company.

Apart from the Chairman of the Company, the members of the Committee are Non-executive Directors: Mr. Moses Cheng Mo (since 30 September, 2004), Mr. Marvin Cheung Kin Tung (since 13 July, 2004), Professor Michael Enright and Mr. Anthony Griffiths. Mr. Anthony Griffiths has been the Chairman of the Committee since its formation in April 2002. The Board considers Messrs. Cheng, Cheung and Griffiths to be independent. The Company Secretary, Ms. Janice Tam Ching Wah, is the secretary of the Committee and the Executive Director responsible for human resources matters, Mrs. Vivien Lowe Hoh Wai Wan, attends meetings of the Committee by its invitation. The Committee met four times in the year and all members of the Committee attended all meetings for which they were eligible. Minutes of the Committee's meetings are distributed to all Directors.

The Committee appoints independent advisers when it considers it needs to do so.

During the year, the Committee commissioned an independent survey of the remuneration policies and packages of a number of companies listed on the Hong Kong Stock Exchange, the first of its kind in Hong Kong, in order to satisfy itself regarding the nature and level of the remuneration of the Company's Executive Directors. The companies surveyed were selected for their similarities of size or activity.

The Committee reviewed the existing remuneration structures and composition in the light of its mandate and the outcome of the survey, coming to these conclusions:

- The existing remuneration structure is appropriate and competitive
- The balance between short-term and long-term elements of remuneration is important and should be retained
- Salary levels will continue to be reviewed regularly against those in companies of a similar size or nature listed on the Hong Kong Stock Exchange and operating in China
- The total remuneration approach will continue to be applied with additional emphasis to be given to performance and taking into account the different responsibilities of each Executive Director
- Further longer term incentives need to be developed once the mega grant scheme comes to fruition later in 2005 and should be biased towards total shareholder return
- Share options grants will continue to be made based on individual performance

The Committee also reviewed the performance of the Executive Directors and senior management to whom the mega grant scheme (approved by shareholders in August 2002) applies and revisions to the objectives of the recipients where relevant to reflect changes in their responsibilities. The measures applicable to the revised objectives were also reviewed.

No service contract of any Director contains a notice period exceeding twelve months.

LO HONG SUI, VINCENT GBS JP

Aged 57, has been the chairman of the Company since 1997. He is chairman of the Shui On Group which he founded 34 years ago. He is also the chairman and chief executive officer of Shui On Land Limited, which he established in 2004. He is a member of The Tenth National Committee of Chinese People's Political Consultative Conference, the honorary life president of the Business and Professionals Federation of Hong Kong, the president of Shanghai - Hong Kong Council for the Promotion and Development of Yangtze, a vice chairman of All-China Federation of Industry and Commence, an economic adviser of the Chongqing Municipal Government, a vice chairman of the Chamber of International Commerce Shanghai, a member of the Greater Pearl River Delta Business Council, court member of the Hong Kong University of Science and Technology, an advisor to HK-Thailand Business Council, a director of The Real Estate Developers Association of Hong Kong, an advisor to the Chinese Society of Macroeconomics, an advisor to Peking University China Center for Economic Research, a council member of the China Overseas Friendship Association, a director of Great Eagle Holdings Limited, a non-executive director of Hang Seng Bank Limited, and an independent non-executive director of China Telecom Corporation Limited.

He was awarded the Gold Bauhinia Star in 1998 and appointed Justice of the Peace in 1999 by the Government of the Hong Kong Special Administrative Region. He was made an Honorary Citizen of Shanghai in 1999. He was named Businessman of the Year by the Hong Kong Business Awards in 2001 (sponsored by DHL and the South China Morning Post) and won the Director of the Year Award in the category of Listed Company Executive Directors from the Hong Kong Institute of Directors in 2002.

WONG YING WAI, WILFRED JP

Aged 52, is currently vice-chairman of the Company and Shui On Holdings Limited. He was appointed vice-chairman and chief operating officer of Shui On Land Limited in February 2004. He had been a non-executive director of the Company since 1997. In September 2000, he was re-designated as executive director of the Company and also appointed as managing director of Shui On Holdings Limited. He is a Deputy to The Tenth National People's Congress of the PRC, chairman of HKSAR Social Welfare Advisory Committee, board member of HKSAR Airport Authority, member of the Commission on Poverty, member of HKSAR Public Service Commission, trustee of the Business and Professionals Federation of Hong Kong, vice president of the Shanghai - Hong Kong Council for the Promotion and Development of Yangtze, chairman of Hong Kong International Film Festival Society Limited, deputy chairman of the Court and Council of the Hong Kong Baptist University 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.

CHOI YUK KEUNG, LAWRENCE

Aged 51, has been the managing director of the Company from 1997 to 2004 and was appointed vice-chairman of the Company in July 2004. He has also been an executive director of the Shui On Group since 1990 and was appointed as director of Shui On Land Limited in May 2004. 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 is a member of the Standing Committee of The Ninth Guizhou Provincial Committee of Chinese People's Political Consultative Conference. He joined the Shui On Group in 1973 and has over 30 years of experience in construction. He holds a Bachelor of Science degree in Engineering from the University of California, Berkeley.

WONG YUET LEUNG, FRANKIE

Aged 56, is the chief executive officer of the Company and was the vice-chairman from 1997 to 2004. He joined the Shui On Group in 1981 and has been managing director of Shui On Holdings Limited since 1991. He was appointed as a director of Shui On Land Limited in May 2004. 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 in the United Kingdom respectively.

WONG FOOK LAM, RAYMOND

Aged 50, 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 Institute of Certified Public Accountants, and an Associate of the Institute of Chartered Accountants of Australia.

LOWE HOH WAI WAN, VIVIEN

Aged 56, 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.

WONG HAK WOOD, LOUIS

Aged 54, was re-designated from an executive director to a non-executive director in September 2004. Mr. Wong had been an executive director of the Company from 1997 to 2004 and was appointed the managing director of Shui On Properties Limited and executive director of Shui On Holdings Limited in November 2002. He was appointed as managing director - project management of Shui On Land Limited in May 2004. He joined the Shui On Group in 1981 and has been director of various major operations in the construction and construction materials divisions of the Group since 1993. 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 a director of the Real Estate Developers Association of Hong Kong, governing council member of Construction Industry Institute Hong Kong, a member of the Occupational Safety and Health Council, and a member of Chinese People's Political Consultative Conference Committee of Luwan District of Shanghai. He has also served as a member of the Construction Industry Training Authority, 1st vice president of the Hong Kong Construction Association, a member of the Construction Advisory Board of the Works Bureau, a member of the Provisional Construction Industry Co-ordination Board, chairman of the Departmental Advisory Committee for Department of Building and Construction of the City University of Hong Kong and a member of the Corruption Prevention Advisory Committee of Independent Commission Against Corruption.

PROFESSOR ENRIGHT, MICHAEL JOHN

Aged 46, was an independent non-executive director of the Company from 2000 to 2004 and was re-designated a non-executive director in September 2004. He is an expert on business strategy and international competition. He joined the faculty of the University of Hong Kong in 1996 where he is the Sun Hung Kai Professor of Business Administration and Director of the Asia-Pacific Competitiveness Programme at the Hong Kong Institute for Economics and Business Strategy. 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. He is also an independent non-executive director of Johnson Electric Holdings Limited and a director of Enright, Scott & Associates. He was also appointed as director of Shui On Land Limited in May 2004.

GRIFFITHS, ANTHONY

Aged 61, has been an independent non-executive director of the Company since 1997. He is also a non-executive director of Crystal International Limited and an independent non-executive director of Manulife Provident Trust Funds Company Limited. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a Fellow of the Institute of Management Consultants (Hong Kong Branch) and the Hong Kong Institute of Directors. He is the chairman of the Audit and Remuneration Committees of the Company.

CHENG MO CHI, MOSES

Aged 55, has been an independent non-executive director of the Company since September 2004. He is the senior partner of P.C. Woo & Co., a firm of solicitors and notaries in Hong Kong. Mr. Cheng was a member of the Legislative Council of Hong Kong between 1991 and 1995. He is the Founder Chairman of the Hong Kong Institute of Directors of which he is now the Honorary President and Chairman Emeritus. He also serves on the boards of various listed companies namely Beijing Capital International Airport Company Limited, China Mobile (Hong Kong) Limited, City Telecom (HK) Limited, Guangdong Investment Limited, Kader Holdings Company Limited, K. Wah Construction Materials Limited, Liu Chong Hing Investment Limited, China COSCO Holdings Company Limited and Tian An China Investments Company Limited. During the past three years, he was a director of Stockmartnet Holdings Ltd., COL Capital Limited, CIG Yangtze Ports PLC, Kingway Brewery Holdings Limited and Quality HealthCare Asia Limited, all of which are listed on The Stock Exchange of Hong Kong Limited.

PROFESSOR CHAN, K. C.

Aged 48, was appointed as independent non-executive director of the Company in July 2005. He was appointed Dean of Business and Management at Hong Kong University of Science and Technology (HKUST) in July 2002. He joined HKUST in 1993 as Reader and became Professor and Head of Finance in 1994. Before joining HKUST, Professor Chan was on the faculty of the Ohio State University in the US. Professor Chan received his bachelor's degree in Economics from Wesleyan University and both his M.B.A. and Ph.D. in Finance from the University of Chicago. He is best known for his research on the pricing of risky assets and the performance of equity trading strategies. His research interests also include market microstructure and regulatory issues dealing with the efficiency of financial markets. He is listed in Who's Who in Economics. Professor Chan is a member of the Economic and Employment Council established by the Financial Secretary of HKSAR, the Exchange Fund Advisory Committee, the Hang Seng Index Advisory Committee, and the Hong Kong Council for Academic Accreditation, and a director of the Hong Kong Securities Institute. He is president of the Asian Finance Association and member of the Maintenance Accreditation Committee of the Association to Advance Collegiate Schools of Business International in the US.

CHAN CHEU HUNG, WILLIAM

Aged 57, is an executive director of Shui On Building Materials Limited, Shui On Cement (Guizhou) Limited and Lamma Rock Products Limited. He has been working in the Shui On Group for over 20 years. He holds a Master's degree in Business Administration and is a Fellow of the Institute of Quarrying.

LEE WING KEE, STEPHEN

Aged 52, is the executive director of Shui On Building Contractors Limited and Shui On Construction Company Limited. He has been working in the Shui On Group since 1985 and has over 25 years of experience in construction. He is currently the vice-president of the Hong Kong Construction Association and chairman of its Building Committee. He holds a Bachelor of Science degree in Civil Engineering and is a chartered civil engineer.

LEICH, JOHN

Aged 54, is an executive director of Shui On Building Materials Limited and Lamma Rock Products Limited. He joined the Shui On Group in 1992 and has over 25 years of experience in the concrete, cement and quarrying 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. He is a member of the Institute of Quarrying.

LEUNG KAM WOON, BARNABAS

Aged 58, is the business development director of the construction materials division. He joined the Shui On Group in 1978 and is currently involved in the cement business in Chongqing. 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.

KONG HON LING, FRANK

Aged 53, is the general manager of Shui On Cement (Guizhou) Limited and is responsible for the development of the cement business in Guizhou. He joined the Shui On Group in 1982 and has ample experience in quarrying and management of cement operations on the Chinese Mainland. 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 54, is the technical director of the Group. He has worked in the Shui On Group for over 20 years. He has over 25 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.

CHAN NGAI SHING, DAVID

Aged 50, is the general manager of Shui On Building Contractors Limited. He joined the Shui On Group in 1989 and has over 20 years of experience in construction. He holds a Bachelor's degree in Civil Engineering and a Master's degree in Civil Engineering both from the University of McMaster and is a chartered civil engineer.

LI CHI KEUNG, EVANS

Aged 44, is the general manager - finance and accounts of the Company. 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 Institute of Certified Public Accountants.

TAM CHING WAH, WAH, JANICE

Aged 41, is the company secretary of the Company and has been with the Shui On Group since 1989. She holds a Bachelor's degree in Business and a Master of Science degree in Accountancy from The Hong Kong Polytechnic University. She is a Fellow of the Association of Chartered Certified Accountants, an associate of the Institute of Chartered Accountants in England and Wales and an Associate of the Hong Kong Institute of Certified Public Accountants.

The Directors present their annual report and the audited financial statements for the year ended 31 March, 2005.

Principal Activities

The Company is an investment holding company. The principal activities of its subsidiaries, associates and jointly controlled entities are set out in notes 39, 40 and 41 to the financial statements respectively.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 50.

The directors now recommend the payment of a final dividend of HK$0.3 per share to the shareholders on the register of members on 19 August, 2005, amounting to HK$80.8 million.

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 28 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 29 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 116.

Investment Property

The Group's investment property was disposed of to an independent third party in November 2004 as set out in note 14 to the financial statements.

Property, Plant and Equipment

With the exception of certain land and buildings of insignificant carrying values where 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, 2005 with a revaluation increase of HK$6.5 million, of which HK$3.0 million and HK$3.5 million have been credited directly to the consolidated income statement and properties revaluation reserve respectively.

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 15 to the financial statements.

Major Properties

Details of the major properties of the Group at 31 March, 2005 are set out on page 115.

Directors

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

Executive Directors:

Mr. Lo Hong Sui, Vincent
Mr. Wong Ying Wai, Wilfred
Mr. Choi Yuk Keung, Lawrence
Mr. Wong Yuet Leung, Frankie
Mr. Wong Fook Lam, Raymond
Mrs. Lowe Hoh Wai Wan, Vivien

Non-executive Directors:

Mr. Wong Hak Wood, Louis	(redesignated from an executive director on 30 September, 2004)
Professor Enright, Michael John	(redesignated from an independent non-executive director on 30 September, 2004)

Independent Non-executive Directors:

Mr. Griffiths, Anthony	
Mr. Cheung Kin Tung, Marvin	(appointed on 13 July, 2004 and resigned on 4 July, 2005)
Mr. Cheng Mo Chi, Moses	(appointed on 30 September, 2004)
Professor Chan, K.C.	(appointed on 4 July, 2005)

In accordance with the Company's Bye-laws, Mrs. Lowe Hoh Wai Wan, Vivien and Mr. Wong Hak Wood, Louis retire by rotation at the forthcoming annual general meeting and, being eligible, offers themselves for re-election.

Mr. Cheng Mo Chi, Moses and Professor Chan, K.C. were appointed by the Board during the year. In accordance with the Company's Bye-laws, both of them will retire 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

As at 31 March, 2005, the interests and short positions of the Directors and the Company's chief executives in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have taken under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered in the register required to be kept under section 352 of the SFO were as follows:

Interests in the shares

	Number of ordinary shares in the Company	
Name of Director	Personal interests	Other interests
Mr. Lo Hong Sui, Vincent	—	185,183,000
Mr. Wong Ying Wai, Wilfred	120,000	—
Mr. Choi Yuk Keung, Lawrence	602,000	—
Mr. Wong Hak Wood, Louis	228,000	—

Note:

The 185,183,000 shares are held as to 166,148,000 shares and 19,035,000 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.

Share Options

Particulars of the Company's share option schemes are set out in note 35 to the financial statements.

The grants of options on or after 27 August, 2002 were made pursuant to the New Scheme adopted on 27 August, 2002. The grants of options prior to 27 August, 2002 were made under the Old Scheme adopted on 20 January, 1997 and terminated on 27 August, 2002. All options granted previously under the Old Scheme continue to be valid and exercisable.

The following table discloses movements in the Company's share options during the year.

Name or categories of eligible participants	Date of grant	Subscription price per share HK$	Number of options: At 1.4.2004	Granted during the year (Note a)	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31.3.2005	Period during which options outstanding at 31.3.2005 are exercisable	Price of Company's shares at exercise date of options HK$ (Note b)
Directors										
Mr. Wong Ying Wai, Wilfred	27.8.2002	6.00	200,000	—	(120,000)	—	—	80,000	27.2.2003 to 26.8.2007	7.35
	27.8.2002	6.00	5,000,000	—	—	—	—	5,000,000*	27.8.2005 to 26.8.2010	—
Mr. Choi Yuk Keung, Lawrence	7.7.1999	11.21	280,000	—	—	—	(280,000)	—	7.1.2000 to 6.7.2004	—
	4.7.2000	9.56	70,000	—	—	—	—	70,000	4.1.2001 to 3.7.2005	—
	17.7.2001	9.30	140,000	—	—	—	—	140,000	17.1.2002 to 16.7.2006	—
	27.8.2002	6.00	168,000	—	—	—	—	168,000	27.2.2003 to 26.8.2007	—
	27.8.2002	6.00	5,000,000	—	—	—	—	5,000,000*	27.8.2005 to 26.8.2010	—
Mr. Wong Yuet Leung, Frankie	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	—
	17.7.2001	9.30	200,000	—	—	—	—	200,000	17.1.2002 to 16.7.2006	—
	27.8.2002	6.00	160,000	—	—	—	—	160,000	27.2.2003 to 26.8.2007	—
	27.8.2002	6.00	2,000,000	—	—	—	—	2,000,000*	27.8.2005 to 26.8.2010	—
Mr. Wong Fook Lam, Raymond	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	—
	17.7.2001	9.30	160,000	—	—	—	—	160,000	17.1.2002 to 16.7.2006	—
	27.8.2002	6.00	110,000	—	—	—	—	110,000	27.2.2003 to 26.8.2007	—
	27.8.2002	6.00	2,000,000	—	—	—	—	2,000,000*	27.8.2005 to 26.8.2010	—

Share Options - continued

Name or categories of eligible participants	Date of grant	Subscription price per share HK$	Number of options: At 1.4.2004	Granted during the year (Note a)	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31.3.2005	Period during which options outstanding at 31.3.2005 are exercisable	Price of Company's shares at exercise date of options HK$ (Note b)
Mrs. Lowe Hoh Wai Wan, Vivien	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	—
	17.7.2001	9.30	160,000	—	—	—	—	160,000	17.1.2002 to 16.7.2006	—
	27.8.2002	6.00	66,000	—	—	—	—	66,000	27.2.2003 to 26.8.2007	—
	27.8.2002	6.00	2,000,000	—	—	—	—	2,000,000*	27.8.2005 to 26.8.2010	—
Mr. Wong Hak Wood, Louis	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	—
	17.7.2001	9.30	280,000	—	—	—	—	280,000	17.1.2002 to 16.7.2006	—
	27.8.2002	6.00	132,000	—	(44,000)	—	—	88,000	27.2.2003 to 26.8.2007	10.85
	27.8.2002	6.00	2,000,000	—	—	—	—	2,000,000*	27.8.2005 to 26.8.2010	—
Sub-total			21,676,000	—	(164,000)	—	(1,030,000)	20,482,000		
Other employees (in aggregate)	7.7.1999	11.21	2,040,000	—	—	(100,000)	(1,940,000)	—	7.1.2000 to 6.7.2004	—
	4.7.2000	9.56	1,394,000	—	(316,000)	(90,000)	—	988,000	4.1.2001 to 3.7.2005	10.92
	17.7.2001	9.30	1,472,000	—	(230,000)	(118,000)	—	1,124,000	17.1.2002 to 16.7.2006	10.71
	27.8.2002	6.00	1,356,000	—	(366,000)	(132,000)	—	858,000	27.2.2003 to 26.8.2007	8.86
	27.8.2002	6.00	4,000,000	—	—	—	—	4,000,000*	27.8.2005 to 26.8.2010	—
	4.8.2003	5.80	714,000	—	(224,000)	(6,000)	—	484,000	4.2.2004 to 3.8.2008	8.86
	26.7.2004	7.25	—	1,030,000	(44,000)	—	—	986,000	26.1.2005 to 25.7.2009	10.10
Sub-total			10,976,000	1,030,000	(1,180,000)	(446,000)	(1,940,000)	8,440,000		
			32,652,000	1,030,000	(1,344,000)	(446,000)	(2,970,000)	28,922,000		

As at 18 July, 2005, 28,764,000 shares may be issued upon exercise of all outstanding options granted. This represents approximately 10.7% of the shares in issue.

* These options were granted under the mega grant as stipulated in the circular dated 30 July, 2002. As approved by the Remuneration Committee on 6 July, 2005 and the Board on 18 July, 2005, the number of options vest under the mega grant to (1) individual directors are: Mr. Wilfred Wong (3,500,000); Mr. Lawrence Choi (3,375,000); Mr. Frankie Wong (1,600,000); Mr. Louis Wong (1,000,000); Mr. Raymond Wong (1,300,000) and Mrs. Vivien Lowe (1,200,000) and (2) other employees in aggregate (2,300,000).

Share Options - continued

Notes:

a. The closing price of the Company's shares preceding the date on which the options were granted was HK$7.3.

b. The price of the Company's shares as disclosed is the weighted average closing price of the Company's shares immediately before the dates on which the options were exercised during the year for each category of eligible participants.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Apart from the aforesaid, during the year, none of the Directors or the chief executives of the Company or their associates had any interests or short position in any shares, underlying shares or debenture equity of the Company or any of its associated corporations as at 31 March, 2005.

Substantial Shareholders' Interests in Shares

Save as disclosed below, the Directors are not aware of any other person (other than a Director or chief executive of the Company or his/her respective associate(s)) who, as at 31 March, 2005, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Number of ordinary shares in the Company	Percentage of shareholding in the Company
Cheah Cheng Hye	13,912,000	5.17%

Of the 13,912,000 shares, 13,450,000 shares are held by Value Partners Limited which is controlled by Mr. Cheah Cheng Hye.

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

a. On 18 February, 2004, the Group entered into the Rainbow Sale and Purchase Agreement and the Subscription and Shareholder's Agreement (the "Agreements") for co-investment in Shui On Land Limited ("SOL") with the Company's ultimate holding company, SOCL. The Agreements involved the sale to SOL the entire issue share capital of Foresight Profits Limited ("Foresight") and the benefit of certain debt owed by Hollyfield (a wholly owned subsidiary of Foresight) to the Company, for an initial consideration (subject to adjustment) of US$130 million which will be satisfied by the allotment and issue of 130 million ordinary shares in SOL credited as fully paid to the Group. Foresight is the holding company of a 99% subsidiary, which develops the Rui Hong Xin Cheng project (also known as Rainbow City) in Shanghai. The Group is currently holding a 30.16% equity interest in SOL. An additional cash injection of US$50 million was also made for subscription of convertible, redeemable, participating junior preference shares in SOL. Details of the transactions are set out in a circular issued to the shareholders dated 23 March, 2004. The Agreements were approved by independent shareholders in a Special General Meeting on 15 April, 2004.

b. On 13 September, 2004, Shui On Construction Company Limited, a wholly owned subsidiary of the Company, entered into a joint venture agreement with Focus Top Limited, a wholly owned subsidiary of SOL, to form a joint venture, namely "Shui On Joint Venture", to undertake a project in relation to the design and construction of Independent Commission Against Corruption Headquarters Building at Java Road, North Point, Hong Kong. Details of the joint venture were set out in an announcement dated 14 September, 2004.

The directors, including the independent non-executive directors, confirm that the transactions have been entered into by the Company in the ordinary course of its business, on normal commercial terms, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

Remuneration Policy

The remuneration policy developed by the Group to reward its employees is based on their performance, qualifications and competence displayed.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, their individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 35 to the financial statements.

Provident and Retirement Fund Schemes

Details of the Group's provident and retirement fund schemes are shown in note 31 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 36% of the total turnover of the Group in the year with the largest customer, the Hong Kong Housing Authority, accounting for approximately 30% 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.

Donations

During the year, the Company and its subsidiaries made donations of HK$2.5 million to business associations and institutions related to the Group's activities.

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.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31 March, 2005.

Disclosure under Rule 13.21 and Rule 13.22 of the Listing Rules

(i) Financial assistance and guarantees to affiliated companies

Financial assistance and guarantees provided by the Group to its affiliated companies amounted to HK$1,353.5 million as at 31 March, 2005, details of which are as follows:

		Balance as at 31 March, 2005				
		Unsecured loans				
Affiliated companies	Effective percentage of interest	Interest free with no fixed repayment terms HK$ million	Interest bearing with no fixed repayment terms HK$ million (Note a)	Guarantees given HK$ million (Note b)	Convertible redeemable participating junior preference shares HK$ million	Total HK$ million
Brisfull Limited	50%	0.1	37.5	—	—	37.6
Guangzhou On Track Construction Precast Products Company Ltd.	40%	2.1	—	9.4	—	11.5
Guizhou Bijie Shui On Cement Co. Ltd.	79%	3.9	24.0	—	—	27.9
Guizhou Dingxiao Shui On Cement Co. Ltd.	89%	2.3	56.4	—	—	58.7
Guizhou Kaili Ken On Concrete Co. Ltd.	74%	3.1	1.9	—	—	5.0
Guizhou Kaili Shui On Cement Co. Ltd.	89%	13.3	20.0	—	—	33.3
Guizhou Xinpu Shui On Cement Co. Ltd.	79%	17.7	42.9	—	—	60.6
Guizhou Xishui Shui On Cement Co. Ltd.	89%	22.8	—	—	—	22.8
Guizhou Yuqing Shui On Cement Co. Ltd.	79%	0.1	—	—	—	0.1
Guizhou Zunyi Ken On Concrete Co. Ltd.	74%	1.3	2.8	—	—	4.1
Guizhou Zunyi Shui On Cement Co. Ltd.	79%	17.7	10.0	—	—	27.7
Lamma Yue Jie Company Limited	60%	12.8	—	—	—	12.8
Nanjing Jiangnan Cement Company Ltd.	60%	92.6	—	—	—	92.6
Shenzhen Lamma Yue Jie Concrete Products Co. Ltd.	60%	—	—	10.0	—	10.0
Shui On (Panyu) Stainless Steel & Aluminium Products Company Limited	50%	0.4	—	—	—	0.4
Sichuan Hejiang T.H. Cement Co. Ltd.	89%	0.7	10.7	—	—	11.4
Super Race Limited	50%	—	—	5.0	—	5.0
TH Industrial Management Limited	50%	293.6	—	300.0	—	593.6
The Yangtze Ventures II Limited	75%	75.4	—	—	—	75.4
Shui On Land Limited	30%	—	—	—	243.6	243.6
Shanghai Shiu On Construction Co. Ltd.	50%	19.4	—	—	—	19.4
		579.3	206.2	324.4	243.6	1,353.5

Disclosure under Rule 13.21 and Rule 13.22 of the Listing Rules - continued

(i) Financial assistance and guarantees to affiliated companies - continued

The proforma combined balance sheet of the above affiliated companies as at 31 March, 2005 is as follows:

	HK$ million
Non-current assets	12,685.7
Current assets	2,652.5
Current liabilities	(4,144.3)
Net current liabilities	(1,491.8)
Non-current liabilities	(5,371.6)
Minority interest	(1,069.0)
Shareholders' funds	4,753.3

Details of the above affiliated companies are set out in notes 40 and 41 to the financial statements.

Note:

a. Loans made by the Group to the following affiliated companies are charged at various interest rates.

Affiliated companies	Interest rate per annum
Brisfull Limited	Hong Kong prime rate
Guizhou Bijie Shui On Cement Co. Ltd.	Hong Kong interbank offered rate plus 2%
Guizhou Dingxiao Shui On Cement Co. Ltd.	Hong Kong interbank offered rate plus 2%
Guizhou Kaili Shui On Cement Co. Ltd.	Hong Kong interbank offered rate plus 2%
Guizhou Xinpu Shui On Cement Co. Ltd.	London interbank offered rate plus 2%
Guizhou Kaili Ken On Concrete Co. Ltd.	Hong Kong interbank offered rate plus 2%
Guizhou Zunyi Ken On Concrete Co. Ltd.	Hong Kong interbank offered rate plus 2%
Guizhou Zunyi Shui On Cement Co. Ltd.	Hong Kong interbank offered rate plus 2%
Sichuan Hejiang T.H. Cement Co. Ltd.	Hong Kong interbank offered rate plus 2%

b. The guarantees given by the Group to Guangzhou On Track Construction Precast Products Company Ltd., Shenzhen Lamma Yue Jie Concrete Products Co. Ltd., Super Race Limited and TH Industrial Management Limited were in favour of certain financial institutions for granting credit and loan facilities to these companies.

c. All affiliated companies are accounted for as jointly controlled entities or associates of the Group.

Disclosure under Rule 13.21 and Rule 13.22 of the Listing Rules - continued

(i) Financial assistance and guarantees to affiliated companies - continued

Loans to the aforesaid affiliated companies, funded by internal resources and bank borrowings, were made for the purposes of investment and/or working capital.

As at 31 March, 2005, the total exposure on capital commitments reported on by the affiliated companies amounted to approximately HK$1,035.2 million. Such affiliated companies reported no contingent liabilities as at 31 March, 2005.

(ii) Banking facilities with covenants relating to specific performance of the controlling shareholder

In April 2004 and October 2004, the Company was granted two 3-year bank loans of HK$150 million and HK$200 million respectively. These loans require SOCL and/or Mr. Lo Hong Sui, Vincent, who is a discretionary beneficiary of a discretionary trust which holds SOCL, to retain an equity interest of not less than 50 per cent. in the Company throughout the tenure of the related loan agreements. Breach of such obligation will cause a default in respect of these loans.

Two existing bank loans of HK$200 million each which require SOCL and/or Mr. Lo Hong Sui, Vincent to retain an equity interest of not less than 50 per cent. in the Company throughout the tenure of the related loan agreements were renewed in October 2004 with the final maturity date extended for a further period of one year and three years respectively. Breach of such obligation will cause a default in respect of these loans.

In February 2005, two other existing bank loans of HK$200 million each were renewed with the final maturity date extended to February 2008 and January 2007 respectively. The loans require SOCL and/or Mr. Lo Hong Sui, Vincent to retain an equity interest of not less than 50 per cent. in the Company throughout the tenure of the related loan agreements. Breach of such obligation will cause a default in respect of these loans.

Auditors

A resolution will be submitted to the forthcoming 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
18 July, 2005

Deloitte.
德勤

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

We have audited the financial statements on pages 50 to 114 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 financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public 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 circumstances of the Company and the Group, 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, 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
18 July, 2005

Consolidated Income Statement

For the year ended 31 March, 2005

	Notes	2005 HK$ million	2004 HK$ million
Turnover			
The Company and its subsidiaries		**2,232.4**	**3,590.9**
Share of jointly controlled entities		856.0	725.1
		3,088.4	4,316.0
Group turnover	4	**2,232.4**	**3,590.9**
Other operating income	5	32.0	25.4
Changes in inventories of finished goods, work in progress, contract work in progress, properties held for sale and property under development		(133.7)	(31.4)
Raw materials and consumables used		(460.3)	(563.7)
Staff costs		(297.6)	(360.4)
Depreciation and amortisation expenses		(34.7)	(42.0)
Subcontracting, external labour costs and other operating expenses		(1,430.7)	(2,501.0)
Revaluation increase on investment property		—	17.0
Revaluation increase on land and buildings		3.0	0.5
Net realised gain on disposal of other investments		—	37.9
Loss on disposal of investment property		(6.5)	—
Net unrealised holding (loss) gain on other investments		(0.8)	2.9
(Loss) profit from operations	6	(96.9)	176.1
Finance costs	7	(16.4)	(10.3)
Gain on disposal of subsidiaries		371.6	—
Share of results of jointly controlled entities		166.2	34.2
Share of results of associates		97.0	—
Profit before taxation		521.5	200.0
Taxation	11	(35.7)	(49.4)
Profit before minority interests		485.8	150.6
Minority interests		(2.9)	(2.9)
Profit attributable to shareholders		482.9	147.7
Dividends	12		
Paid		154.5	—
Proposed		80.8	73.7
Earnings per share	13		
Basic		HK$1.80	HK$0.55
Diluted		HK$1.62	HK$0.54

Balance Sheets

As at 31 March, 2005

	Notes	THE GROUP 2005 HK$ million	THE GROUP 2004 HK$ million	THE COMPANY 2005 HK$ million	THE COMPANY 2004 HK$ million
Non-Current Assets					
Investment property	14	—	140.0	—	—
Property, plant and equipment	15	71.6	168.2	1.5	0.9
Property under development	16	—	591.2	—	—
Negative goodwill	17	(0.5)	(0.6)	—	—
Interests in subsidiaries	18	—	—	1,893.7	291.7
Interests in jointly controlled entities	19	930.2	806.1	—	—
Interests in associates	20	1,713.8	—	—	—
Investments in securities	21	12.4	25.6	—	—
Club debenture	22	1.2	1.2	1.2	1.2
Site establishment expenditure	23	—	17.8	—	—
Defined benefit assets	31	9.3	—	1.4	—
		2,738.0	1,749.5	1,897.8	293.8
Current Assets					
Inventories	24	13.5	44.1	—	—
Properties held for sale		55.5	58.0	—	—
Property under development	16	—	218.0	—	—
Debtors, deposits and prepayments	25	566.1	584.3	5.3	4.0
Amounts due from customers for contract work	24	73.9	98.4	—	—
Amounts due from subsidiaries		—	—	1,472.5	2,243.4
Amounts due from related companies		0.5	0.2	0.5	0.2
Amount due from an associate		0.1	0.1	—	—
Amounts due from jointly controlled entities	19	491.9	339.7	3.2	3.2
Taxation recoverable		7.3	7.2	—	—
Pledged bank deposit		—	527.8	—	—
Bank balances, deposits and cash		58.4	111.0	2.7	1.6
		1,267.2	1,988.8	1,484.2	2,252.4
Current Liabilities					
Creditors and accrued charges	26	540.2	728.9	22.4	13.8
Amounts due to customers for contract work	24	194.5	99.7	—	—
Amounts due to subsidiaries		—	—	503.0	538.8
Amounts due to jointly controlled entities		24.1	19.4	4.7	5.0
Amounts due to related companies		—	0.1	—	0.1
Taxation payable		2.2	46.2	—	—
Bank borrowings, due within one year	27	55.8	932.5	30.0	860.0
		816.8	1,826.8	560.1	1,417.7
Net Current Assets		450.4	162.0	924.1	834.7
Total Assets Less Current Liabilities		3,188.4	1,911.5	2,821.9	1,128.5

		THE GROUP		THE COMPANY	
		2005	2004	2005	2004
	Notes	HK$ million	HK$ million	HK$ million	HK$ million
Capital and Reserves					
Share capital	28	269.4	268.0	269.4	268.0
Reserves	29	1,688.1	1,119.2	1,425.5	679.3
		1,957.5	1,387.2	1,694.9	947.3
Minority Interests		29.3	28.6	—	—
Non-Current Liabilities					
Bank borrowings	27	1,198.0	486.0	1,127.0	180.0
Deferred tax liabilities	30	3.6	5.6	—	—
Defined benefit liabilities	31	—	4.1	—	1.2
		1,201.6	495.7	1,127.0	181.2
		3,188.4	1,911.5	2,821.9	1,128.5

The financial statements on pages 50 to 114 were approved and authorised for issue by the Board of Directors on 18 July, 2005 and are signed on its behalf by:

Wong Yuet Leung, Frankie
CHIEF EXECUTIVE OFFICER

Wong Fook Lam, Raymond
EXECUTIVE DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 March, 2005

	2005 HK$ million	2004 HK$ million
At the beginning of the year	1,387.2	1,210.0
Revaluation increase on land and buildings	3.5	0.6
Deferred tax liability arising on revaluation of properties	(0.6)	—
Reserve arising on acquisition of an associate (see note 29(b))	231.1	—
Exchange differences arising on translation of financial statements of operations outside Hong Kong	(2.1)	1.9
Net profit not recognised in the consolidated income statement	231.9	2.5
Profit attributable to shareholders	482.9	147.7
Dividends paid	(154.5)	—
Shares issued at premium upon exercise of share options	10.0	27.0
At the end of the year	1,957.5	1,387.2

Consolidated Cash Flow Statement

For the year ended 31 March, 2005

	2005 HK$ million	2004 HK$ million
OPERATING ACTIVITIES		
(Loss) profit from operations	(96.9)	176.1
Adjustments for:		
Interest income	(7.9)	(8.7)
Commitment fee for subscription of convertible redeemable participating junior preference shares	(5.3)	—
Dividends from convertible redeemable participating junior preference shares	(8.7)	—
Dividends from unlisted investments	(1.1)	(1.9)
Dividends from listed investments	(0.5)	(1.0)
Loss on disposal of investment property	6.5	—
Revaluation increase on investment property	—	(17.0)
Revaluation increase on land and buildings	(3.0)	(0.5)
Net unrealised holding loss (gain) on other investments	0.8	(2.9)
Depreciation on property, plant and equipment	30.2	38.2
Amortisation of site establishment expenditure	4.5	3.8
Loss (gain) on disposal of property, plant and equipment	1.3	(2.4)
Write-off of site establishment expenditure	—	0.4
Impairment loss on property, plant and equipment	7.6	—
Net realised gain on disposal of other investments	—	(37.9)
Release of negative goodwill	(0.2)	(0.1)
Decrease in defined benefit liabilities	(13.4)	(1.0)
Operating cash flows before movements in working capital	(86.1)	145.1
Decrease (increase) in inventories	24.6	(4.4)
Decrease (increase) in properties held for sale	1.6	(1.9)
Decrease in property under development	—	452.8
Decrease in debtors, deposits and prepayments	93.6	12.5
Decrease in amounts due from customers for contract work	24.5	122.8
(Increase) decrease in amounts due from related companies	(0.3)	0.2
Decrease in amount due from an associate	—	0.5
(Increase) decrease in amounts due from jointly controlled entities	(152.2)	35.9
(Decrease) increase in creditors and accrued charges	(43.4)	98.9
Increase in amounts due to customers for contract work	94.8	18.6
Increase (decrease) in amounts due to jointly controlled entities	4.7	(3.6)
Decrease in amounts due to related companies	(0.1)	—
Cash (used in) from operations	(38.3)	877.4
Hong Kong Profits Tax paid	(1.8)	(2.9)
Hong Kong Profits Tax refunded	—	0.2
Income tax of other regions in the People's Republic of China (the "PRC") refunded	—	0.1
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(40.1)	874.8
INVESTING ACTIVITIES		
Net cash outflow arising from disposal of subsidiaries	(478.4)	—
Investment in convertible redeemable participating junior preference shares	(243.6)	—
Deposits paid for investment	(75.5)	—
Additions to property under development	(43.6)	(547.1)
Investments in jointly controlled entities	(50.3)	(112.4)
Advance to jointly controlled entities	(26.9)	(8.6)
Purchase of property, plant and equipment	(6.8)	(16.7)
Site establishment costs expended	(0.6)	(5.5)
Purchases of investment securities	(0.4)	—
Decrease (increase) in pledged bank deposit	527.8	(527.8)
Proceeds on sales of investment property	133.5	—
Amount repaid from an associate	130.0	—
Dividends received from jointly controlled entities	129.6	29.7
Dividends received from convertible redeemable participating junior preference shares	8.7	—
Interest received	7.9	8.7
Proceeds from sale of property, plant and equipment	7.9	8.7
Commitment fee received for subscription of convertible redeemable participating junior preference shares	5.3	—
Dividends received from unlisted investments	1.1	1.9
Dividends received from listed investments	0.5	1.0
Proceeds on disposal of investments in securities	—	150.8
NET CASH (USED IN) FROM INVESTING ACTIVITIES	26.2	(1,017.3)

	2005 HK$ million	2004 HK$ million
FINANCING ACTIVITIES		
New bank loans raised	223.4	293.8
Net proceeds received on issue of shares	10.0	27.0
Repayments of bank loans	(102.9)	(122.7)
Interest paid	(16.4)	(18.4)
Other borrowing costs paid	—	(0.8)
Net cash inflow (outflow) from minority interests	5.4	(0.4)
Dividends paid	(154.5)	—
Dividends paid to minority shareholders	(1.5)	—
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(36.5)	178.5
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(50.4)	36.0
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	110.1	72.3
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(1.4)	1.8
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	58.3	110.1
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances, deposits and cash	58.4	111.0
Bank overdrafts	(0.1)	(0.9)
	58.3	110.1

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 ("SOCL"), 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. Early Adoption of Hong Kong Financial Reporting Standards

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") which are effective for accounting periods beginning on or after 1 January, 2005, except for HKFRS 3 Business Combinations. HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1 January, 2005. The Group has not entered into any business combination for which the agreement date is on or after 1 January, 2005. Therefore, HKFRS 3 did not have any impact on the Group for the year ended 31 March, 2005.

The Group has adopted early the following HKFRSs in the preparation of the financial statements for the year ended 31 March, 2005.

Hong Kong Accounting Standard 40 ("HKAS 40")	Investment Property
Hong Kong Accounting Standard Interpretation 21 ("HKAS — Int 21")	Income Taxes — Recovery of Revaluated Non-Depreciable Assets

In prior years, 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 consolidated income statement. Where a decrease has previously been charged to the consolidated income statement and a revaluation increase subsequently arises, this increase is credited to the consolidated income statement to the extent of the decrease previously charged.

Following the adoption of HKAS 40 and HKAS — Int 21 as set out in note 3, changes in fair value of investment properties are included in the consolidated income statement and deferred tax is provided on the basis that the carrying amounts of investment properties will be recovered through use.

As a result of the adoption of these accounting policies, the Group's profit for the year has been increased by HK$93.1 million. The adoption of HKAS 40 and HKAS — Int 21 has had no material effect on the results for the prior accounting periods and accordingly, no prior period adjustment has been required.

The Group has already commenced an assessment of the impact of the other new HKFRSs which have not been adopted early by the Group. The Group is not yet in a position to state whether the remaining HKFRSs would have significant impact.

3. 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.

3. Significant Accounting Policies - continued

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

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

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

All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill arising on acquisitions prior to 1 April, 2001 continues to be held in reserves, and will be charged to the consolidated income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions on or after 1 April, 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On the disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of unamortised goodwill/goodwill previously eliminated against reserves is included in the determination of the profit or loss on disposal.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions prior to 1 April, 2001 continues to be held in reserves and will be credited to the consolidated income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity.

Negative goodwill arising on acquisitions on or after 1 April, 2001 is presented as a deduction from assets and will be released to the consolidated income statement based on an analysis of the circumstances from which the balance resulted.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the acquired identifiable depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

3. Significant Accounting Policies - continued

Negative goodwill - continued

Negative goodwill arising on the acquisition of an associate or a jointly controlled entity is deducted from the carrying value of that associate or jointly controlled entity. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

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 is probable will be recoverable.

Development properties

Income from properties developed for sale, where there are no pre-sales prior to completion of the development, is recognised on the execution of a binding sales agreement entered into subsequent to the completion of the development.

Income from properties under pre-sale arrangements prior to completion of the development is recognised on the execution of a binding sales agreement or when the relevant completion certificates are issued by the respective government authorities, whichever is the later. Payments received from the purchasers prior to this stage are recorded as customer's deposits received on sale of properties and presented as current liabilities.

Others

Interest income is accrued on a time proportion 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 Group's right to receive the relevant payment has been established.

Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are stated at fair value based on professional valuations at the balance sheet date. Gains or losses arising from changes in the fair value of investment properties are recognised in the consolidated income statement.

3. Significant Accounting Policies - continued

Property, plant and equipment

Property, plant and equipment, other than certain land and buildings in Hong Kong with significant carrying values, are stated at cost less accumulated depreciation and impairment losses.

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 residual value, if applicable:

Land and buildings in Hong Kong and other regions of the PRC held under medium-term leases	
Leasehold land	Over the term of the lease
Buildings	2.5%
Plant and machinery	10 — 25%
Motor vehicles, equipment, furniture and other assets	20 — 33%

No depreciation is provided on plant under construction until the assets are completed and put into operation.

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 consolidated income statement.

All 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 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 consolidated 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.

Properties under development

Properties under development are stated at cost less any identified impairment loss.

Properties under development which are due for completion more than one year from the balance sheet date are shown as non-current assets.

Properties under development which are due for completion within one year from the balance sheet date and are intended to be held for the long term for their investment potential are shown as non-current assets.

Properties under development which are due for completion within one year from the balance sheet date and are intended to be held for sale are shown as current assets.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any impairment loss.

3. Significant Accounting Policies - continued

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 for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, less any identified impairment loss.

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.

Interests in 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 less the negative goodwill in so far as it has not already been released to income, less any identified impairment loss. 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.

Investments in securities

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

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.

3. Significant Accounting Policies - continued

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 based on the quarrying capacity or over the duration of the relevant site leases.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost 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 necessary to make the sale.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure incurred and, where appropriate, financial expenses capitalised. Net realisable value is determined by management based on prevailing market conditions.

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 on the same basis as the contract revenue recognised.

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.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts billed for work performed but not yet paid by the customers are included in the balance sheet under debtors, deposits and prepayments.

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.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the impairment loss is treated as a revaluation decrease under that other accounting standard.

3. Significant Accounting Policies - continued

Impairment - continued

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other accounting standard.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Leases

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease.

Foreign currencies

Transactions in foreign currencies are translated at the rates 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.

3. Significant Accounting Policies - continued

Foreign currencies - continued

On consolidation, the assets and liabilities of operations outside Hong Kong are translated into Hong Kong dollars at exchange rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. All exchange differences arising on consolidation are classified as equity and transferred to the translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") are charged as an expense as they fall due.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the Group's pension obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets.

4. Business and Geographical Segments

Business segments

For management reporting purposes, the Group is currently organised into five operating divisions — construction and building maintenance, sale of construction materials, trading of building materials, property development and property investment and others. These divisions are the basis on which the Group reports its primary segment information.

Turnover represents the revenue arising on construction contracts and building maintenance, amounts received and receivable for goods sold by the Group to third party customers, less returns and allowances, revenue from property development projects, and rental and leasing income for the year.

4. Business and Geographical Segments - continued

Business segments - continued

Segment information about these businesses is presented below.

2005	Construction and building maintenance HK$ million	Sale of construction materials HK$ million	Trading of building materials HK$ million	Property development HK$ million	Property investment and others HK$ million	Eliminations HK$ million	Consolidated HK$ million
TURNOVER							
External sales	1,855.2	240.7	124.9	1.6	10.0	—	2,232.4
Inter-segment sales	1.6	19.0	—	—	0.2	(20.8)	—
Group turnover	**1,856.8**	**259.7**	**124.9**	**1.6**	**10.2**	**(20.8)**	**2,232.4**
Share of jointly controlled entities	40.3	800.4*	—	—	15.3	—	856.0
Total	1,897.1	1,060.1	124.9	1.6	25.5	(20.8)	3,088.4

Inter-segment sales are charged at mutually agreed prices.

* This includes the Group's effective share of turnover of jointly controlled entities in respect of the cement operations in Chongqing and Guizhou (HK$668.3 million) and Nanjing (HK$62.3 million).

	Construction and building maintenance HK$ million	Sale of construction materials HK$ million	Trading of building materials HK$ million	Property development HK$ million	Property investment and others HK$ million	Eliminations HK$ million	Consolidated HK$ million
RESULTS							
Segment results	19.7	(93.7)	(18.7)	13.7	(25.8)		(104.8)
Interest income							7.9
Loss from operations							(96.9)
Finance costs							(16.4)
Gain on disposal of subsidiaries	—	25.9	—	345.7	—		371.6
Share of results of jointly controlled entities							
Cement operations in							
— Chongqing and Guizhou	—	1.3	—	—	—		1.3
— Nanjing	—	(43.1)	—	—	—		(43.1)
Venture capital investments	—	—	—	—	221.4		221.4
Others	(6.1)	(7.3)	—	—	—		(13.4)
							166.2
Share of results of associates — Property development in the PRC	—	—	—	97.0	—		97.0
Profit before taxation							521.5
Taxation							(35.7)
Profit before minority interests							485.8

4. Business and Geographical Segments - continued

Business segments - continued

BALANCE SHEET

	Construction and building maintenance HK$ million	Sale of construction materials HK$ million	Trading of building materials HK$ million	Property development HK$ million	Property investment and others HK$ million	Eliminations HK$ million	Consolidated HK$ million
ASSETS							
Segment assets	484.1	272.3	23.7	1.0	80.9	—	862.0
Amounts due from jointly controlled entities	38.0	355.8	—	—	98.1	—	491.9
Interests in jointly controlled entities/associates	31.8	673.3	—	1,713.8	225.1	—	2,644.0
Inter-segment receivables	783.5	45.2	7.9	—	2,575.1	(3,411.7)	—
Unallocated assets							7.3
Consolidated total assets							4,005.2
LIABILITIES							
Segment liabilities	671.7	33.1	3.9	—	26.0	—	734.7
Amounts due to jointly controlled entities	6.4	13.0	—	—	4.7	—	24.1
Inter-segment payables	162.9	1,350.9	130.1	1,255.9	511.9	(3,411.7)	—
Unallocated liabilities							1,259.6
Consolidated total liabilities							2,018.4

OTHER INFORMATION

	Construction and building maintenance HK$ million	Sale of construction materials HK$ million	Trading of building materials HK$ million	Property development HK$ million	Property investment and others HK$ million	Total HK$ million
Capital expenditure	1.1	4.7	0.4	—	1.2	7.4
Depreciation and amortisation	0.9	29.8	2.5	—	1.5	34.7
Release of negative goodwill	—	(0.2)	—	—	—	(0.2)
Other non-cash expenses	1.3	7.6	—	—	7.3	16.2

4. Business and Geographical Segments - continued

Business segments - continued

2004	Construction and building maintenance HK$ million	Sale of construction materials HK$ million	Trading of building materials HK$ million	Property development HK$ million	Property investment and others HK$ million	Eliminations HK$ million	Consolidated HK$ million
TURNOVER							
External sales	2,439.7	305.9	150.6	679.5	15.2	—	3,590.9
Inter-segment sales	—	125.4	7.7	—	0.3	(133.4)	—
Group turnover	**2,439.7**	**431.3**	**158.3**	**679.5**	**15.5**	**(133.4)**	**3,590.9**
Share of jointly controlled entities	48.7	676.4*	—	—	—	—	725.1
Total	2,488.4	1,107.7	158.3	679.5	15.5	(133.4)	4,316.0

Inter-segment sales are charged at mutually agreed prices.

* This includes the Group's effective share of turnover of jointly controlled entities in respect of the cement operations in Chongqing and Guizhou (HK$570.4 million) and Nanjing (HK$73.5 million).

	Construction and building maintenance HK$ million	Sale of construction materials HK$ million	Trading of building materials HK$ million	Property development HK$ million	Property investment and others HK$ million	Eliminations HK$ million	Consolidated HK$ million
RESULTS							
Segment results	5.7	(102.0)	(8.2)	211.5	60.4**		167.4
Interest income							8.7
Profit from operations							176.1
Finance costs							(10.3)
Share of results of jointly controlled entities							
Cement operations in							
— Chongqing and Guizhou	—	41.9	—	—	—		41.9
— Nanjing	—	(7.0)	—	—	—		(7.0)
Others	0.8	(3.2)	—	—	1.7		(0.7)
							34.2
Profit before taxation							200.0
Taxation							(49.4)
Profit before minority interests							150.6

** This comprises mainly profit on disposal of other investments (HK$37.9 million), revaluation increase on an investment property (HK$17.0 million) and profit from letting of the investment property (HK$6.6 million).

4. Business and Geographical Segments - continued

Business segments - continued

BALANCE SHEET

	Construction and building maintenance HK$ million	Sale of construction materials HK$ million	Trading of building materials HK$ million	Property development HK$ million	Property investment and others HK$ million	Eliminations HK$ million	Consolidated HK$ million
ASSETS							
Segment assets	490.7	403.0	52.0	1,461.9	177.6	—	2,585.2
Amounts due from jointly controlled entities	28.1	270.7	—	—	41.0	—	339.8
Interests in jointly controlled entities/associates	16.5	720.8	—	—	68.8	—	806.1
Inter-segment receivables	812.9	56.9	8.6	—	2,027.3	(2,905.7)	—
Unallocated assets							7.2
Consolidated total assets							3,738.3
LIABILITIES							
Segment liabilities	586.4	108.1	7.4	112.3	18.6	—	832.8
Amounts due to jointly controlled entities	10.0	4.4	—	—	5.0	—	19.4
Inter-segment payables	176.9	1,229.8	119.5	849.4	530.1	(2,905.7)	—
Unallocated liabilities							1,470.3
Consolidated total liabilities							2,322.5

OTHER INFORMATION

	Construction and building maintenance HK$ million	Sale of construction materials HK$ million	Trading of building materials HK$ million	Property development HK$ million	Property investment and others HK$ million	Total HK$ million
Capital expenditure	0.7	20.4	—	0.8	0.3	22.2
Depreciation and amortisation	1.0	35.8	2.9	0.3	2.0	42.0
Release of negative goodwill	—	(0.1)	—	—	—	(0.1)
Other non-cash expenses	—	0.4	—	—	—	0.4

4. Business and Geographical Segments - continued

Geographical segments

The Group's operations are located in Hong Kong and other regions in the PRC.

Analysis of the Group's turnover and contribution by geographical markets, irrespective of the origin of the goods/services, is as follows:

	Turnover by geographical markets		Contribution to (loss) profit from operations	
	2005 HK$ million	2004 HK$ million	2005 HK$ million	2004 HK$ million
Hong Kong	2,096.5	2,694.0	(76.9)	(20.1)
Other regions in the PRC	135.9	896.9	(27.9)	187.5
	2,232.4	3,590.9	(104.8)	167.4
Interest income			7.9	8.7
(Loss) profit from operations			(96.9)	176.1

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and site establishment expenditure analysed by the geographical areas in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and site establishment expenditure	
	2005 HK$ million	2004 HK$ million	2005 HK$ million	2004 HK$ million
Hong Kong	988.8	1,071.1	7.4	14.4
Other regions in the PRC	3,016.4	2,667.2	—	7.8
	4,005.2	3,738.3	7.4	22.2

5. Other Operating Income

Included in other operating income is as follows:

	2005 HK$ million	2004 HK$ million
Interest income	7.9	8.7
Dividends from investments in securities		
— listed	0.5	1.0
— unlisted	1.1	1.9
Dividends from convertible redeemable participating preference shares	8.7	—
Commitment fee for subscription of convertible redeemable participating junior preference shares	5.3	—
Gain on disposal of property, plant and equipment	—	2.4

6. (Loss) Profit from Operations

	2005 HK$ million	2004 HK$ million
(Loss) profit from operations has been arrived at after charging (crediting):		
Depreciation and amortisation:		
Property, plant and equipment	30.2	38.2
Site establishment expenditure	4.5	3.8
	34.7	42.0
Auditors' remuneration	2.2	2.2
Operating lease payments in respect of rented premises	25.1	30.6
Loss on disposal of property, plant and equipment	1.3	—
Impairment loss on property, plant and equipment	7.6	—
Write-off of site establishment expenditure	—	0.4
Staff costs (including directors' emoluments):		
Salaries and allowances	284.3	337.4
Retirement benefits cost	13.3	25.8
Less: Amount capitalised to property under development	—	(2.8)
	297.6	360.4
Release of negative goodwill (included in other expenses)	(0.2)	(0.1)
Gross rental revenue from an investment property and car park spaces	(5.4)	(14.2)
Less: Related outgoings	1.8	3.0
Net rental income	(3.6)	(11.2)

7. Finance Costs

	2005 HK$ million	2004 HK$ million
Interest on bank loans and overdrafts and other loans wholly repayable within 5 years	16.4	18.4
Other borrowing costs	—	0.8
	16.4	19.2
Less: Amount capitalised to property under development	—	(8.9)
	16.4	10.3

8. Discontinuing Operations

(a) Asia Materials Limited ("AML")

The Group decided on 16 December, 2004 to terminate the operation of AML. The closure process is expected to be completed in the third quarter of 2005. The loss resulting from the closure is estimated to be about HK$4 million. The results of the operation were included under "Trading of building materials" in the segmental information as set out in note 4 above.

The results of AML for the year, which have been included in the consolidated financial statements, were as follows:

	2005 HK$ million	2004 HK$ million
Turnover	124.9	158.3
Other operating income	1.5	0.9
Changes in inventories of finished goods and work in progress	(2.7)	(0.2)
Raw materials and consumables used	(115.9)	(144.2)
Staff costs	(14.4)	(13.1)
Depreciation and amortisation expenses	(2.5)	(2.9)
Other operating expenses	(8.9)	(6.7)
Finance costs	(1.2)	(1.0)
Loss before taxation	(19.2)	(8.9)
Taxation	—	—
Loss after taxation	(19.2)	(8.9)

During the year, AML had HK$15.9 million (2004: HK$20.3 million) net operating cash outflows, received HK$1.0 million (2004: HK$0.5 million) in respect of investing activities, and paid HK$6.3 million (2004: received HK$25.9 million) in respect of financing activities.

The carrying amounts of the assets and liabilities of AML as at 31 March, 2005 are HK$31.4 million and HK$142.5 million respectively.

8. Discontinuing Operations - continued

(b) Xinhui Longkoushan Rock Products Limited ("Xinhui Ltd.")

Xinhui Ltd. held a licence for the quarry at Xinhui in the PRC which expired in June 2004. Management decided not to continue with the operation of the quarry after the expiration of the licence. The closure was completed in December 2004. The loss resulting from the closure was HK$12.7 million. The results of the operation were included under "Sale of construction materials" in the segmental information as set out in note 4 above.

The results of Xinhui Ltd. for the year, which have been included in the consolidated financial statements, were as follows:

	2005 HK$ million	2004 HK$ million
Turnover	5.2	13.8
Changes in inventories of finished goods and work in progress	(3.6)	—
Raw materials and consumables used	(4.4)	(7.6)
Staff costs	(2.2)	(2.0)
Depreciation and amortisation expenses	(1.6)	(3.2)
Other operating expenses	(15.8)	(4.9)
Loss before taxation	(22.4)	(3.9)
Taxation	—	—
Loss after taxation	(22.4)	(3.9)

During the year, Xinhui Ltd. had HK$7.8 million (2004: HK$1.9 million) net operating cash outflows, received HK$2.9 million (2004: nil) in respect of investing activities, and paid HK$1.4 million (2004: received HK$4.5 million) in respect of financing activities.

The carrying amounts of the assets and liabilities of Xinhui Ltd. as at 31 March, 2005 are HK$2.0 million and HK$24.6 million respectively.

9. Directors' Emoluments

	2005 HK$ million	2004 HK$ million
Fees		
Executive directors	0.1	0.1
Non-executive directors	0.2	—
Independent non-executive directors	0.4	0.1
Other emoluments		
Executive directors		
Salaries and allowances	13.0	9.5
Retirement benefits cost	1.1	0.9
Others	—	0.5
	14.8	11.1

9. Directors' Emoluments - continued

The emoluments of the directors were within the following bands:

Emolument bands	2005 Number of directors	2004 Number of directors
HK$0 — HK$1,000,000	7	6
HK$1,500,001 — HK$2,000,000	—	1
HK$2,000,001 — HK$2,500,000	1	1
HK$2,500,001 — HK$3,000,000	1	1
HK$3,000,001 — HK$3,500,000	1	1
HK$4,500,001 — HK$5,000,000	1	—
	11	10

10. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, three (2004: three) are executive directors of the Company whose emoluments are included in the disclosures in note 9 above. The emoluments of the remaining two (2004: two) individuals in 2005 were as follows:

	2005 HK$ million	2004 HK$ million
Salaries and allowances	4.5	4.0
Retirement benefits cost	0.4	0.3
	4.9	4.3

The emoluments of the highest paid employees were within the following bands:

Emolument bands	2005 Number of employees	2004 Number of employees
HK$2,000,001 — HK$2,500,000	1	1
HK$2,500,001 — HK$3,000,000	1	1
	2	2

11. Taxation

	2005 HK$ million	2004 HK$ million
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	3.5	0.3
Income tax of other regions in the PRC	0.3	46.2
	3.8	46.5
Deferred taxation	(2.6)	0.6
Taxation attributable to the Company and its subsidiaries	1.2	47.1
Share of taxation attributable to jointly controlled entities		
Hong Kong Profits Tax	—	0.2
Income tax of other regions in the PRC	2.6	2.1
	2.6	2.3
Share of taxation attributable to associates		
Income tax of other regions in the PRC	31.9	—
	35.7	49.4

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) on the estimated assessable profits for the year.

Profits tax outside Hong Kong is calculated at the rates prevailing in the respective jurisdictions.

Details of the deferred taxation are set out in note 30.

11. Taxation - continued

The tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2005 HK$ million	2004 HK$ million
Profit before taxation	521.5	200.0
Tax at Hong Kong Profits Tax rate of 17.5% (2004: 17.5%)	91.3	35.0
Effect of different tax rates of jointly controlled entities operating in other jurisdictions	(26.5)	2.3
Effect of share different tax rates of tax of associates operating in other jurisdictions	14.9	—
Effect of different tax rates on operations in other jurisdictions	(1.0)	(0.1)
Tax effect of expenses not deductible for tax purposes	3.2	9.3
Tax effect of income not taxable for tax purposes	(70.8)	(11.1)
Tax effect on tax losses not recognised	28.3	15.3
Tax effect on utilisation of tax losses previously not recognised	(3.8)	(0.2)
Others	0.1	(1.1)
Tax charge for the year	35.7	49.4

12. Dividends

	2005 HK$ million	2004 HK$ million
Dividends, paid		
Final dividend in respect of year 2003/2004: HK$0.275 per share (2002/2003: nil)	73.7	—
Interim dividend in respect of year 2004/2005: HK$0.3 per share (2003/2004: nil)	80.8	—
	154.5	—
Proposed final dividend in respect of year 2004/2005 at HK$0.3 per share (2003/2004: HK$0.275 per share)	80.8	73.7

The final dividend in respect of 2004/2005 of HK$0.3 per share has been proposed by the directors and is subject to approval by shareholders at the annual general meeting.

13. Earnings Per Share

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

	2005 HK$ million	2004 HK$ million
Earnings for the purposes of basic earnings per share	482.9	147.7
Effect of dilutive potential ordinary shares of an associate:		
Dividend income on convertible redeemable participating preference shares	(8.7)	—
Adjustment to the share of results of an associate based on dilution of its earnings per share	(27.6)	—
Earnings for the purposes of diluted earnings per share	446.6	147.7

	Million	Million
Weighted average number of ordinary shares for the purposes of basic earnings per share	268.5	266.2
Effect of dilutive potential ordinary shares:		
Share options	6.6	5.0
Weighted average number of ordinary shares for the purposes of diluted earnings per share	275.1	271.2

14. Investment Property

	2005 HK$ million	2004 HK$ million
THE GROUP		
At the beginning of the year	140.0	123.0
Revaluation increase	—	17.0
Disposal	(140.0)	—
At the end of the year	—	140.0

On 15 September, 2004, the Group entered into a sale and purchase agreement with an independent third party to dispose of the investment property. The transaction was completed in November 2004. A loss of HK$6.5 million has been recognised in the consolidated income statement. Details of this transaction have been set out in a circular of the Company dated 24 September, 2004.

15. Property, Plant and Equipment

	Land and buildings in Hong Kong held under medium-term leases HK$ million	Land and buildings in other regions of the PRC held under medium-term leases HK$ million	Plant and machinery HK$ million	Motor vehicles HK$ million	Equipment, furniture and other assets HK$ million	Total HK$ million
THE GROUP						
AT COST/VALUATION						
At 1 April, 2004	50.0	5.9	329.5	36.6	50.2	472.2
Additions	—	—	3.3	2.0	1.5	6.8
Disposals	—	(0.6)	(128.2)	(8.8)	(14.7)	(152.3)
Disposal of subsidiaries	—	—	(118.1)	(13.3)	(7.9)	(139.3)
Revaluation increase	5.3	—	—	—	—	5.3
At 31 March, 2005	55.3	5.3	86.5	16.5	29.1	192.7
Comprising:						
At valuation — 2005	55.3	—	—	—	—	55.3
At cost	—	5.3	86.5	16.5	29.1	137.4
	55.3	5.3	86.5	16.5	29.1	192.7
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 April, 2004	—	2.4	230.0	28.5	43.1	304.0
Charge for the year	1.2	0.3	22.1	2.3	4.3	30.2
Impairment loss	—	—	6.6	0.9	0.1	7.6
Eliminated on disposals	—	(0.3)	(121.3)	(8.0)	(13.5)	(143.1)
Eliminated on disposal of subsidiaries	—	—	(58.6)	(11.5)	(6.3)	(76.4)
Adjustment upon valuation	(1.2)	—	—	—	—	(1.2)
At 31 March, 2005	—	2.4	78.8	12.2	27.7	121.1
NET BOOK VALUES						
At 31 March, 2005	55.3	2.9	7.7	4.3	1.4	71.6
At 31 March, 2004	50.0	3.5	99.5	8.1	7.1	168.2

15. Property, Plant and Equipment - continued

The directors have conducted a review of the Group's assets at 31 March, 2005 and determined that certain plant and machinery, motor vehicles and equipment were impaired, due to obsolescence. Accordingly, an impairment loss of HK$7.6 million (2004: nil) has been recognised in the consolidated income statement.

Notes:

(i) The land and buildings in Hong Kong held under medium-term leases have been revalued on 31 March, 2005 by Albert So Surveyors Ltd., 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 leases as their carrying value is insignificant and the directors are of the opinion that their carrying value approximates its fair value.

(ii) Had the revalued land and buildings in Hong Kong held under medium-term leases been restated at cost less accumulated depreciation, their net book values as at the balance sheet date would have been stated at HK$28.9 million (2004: HK$29.7 million).

	Motor vehicles HK$ million	Equipment, furniture and other assets HK$ million	Total HK$ million
THE COMPANY			
AT COST			
At 1 April, 2004	1.8	9.7	11.5
Additions	1.2	0.1	1.3
Disposals	(0.1)	—	(0.1)
At 31 March, 2005	2.9	9.8	12.7
ACCUMULATED DEPRECIATION			
At 1 April, 2004	1.5	9.1	10.6
Charge for the year	0.3	0.4	0.7
Eliminated on disposals	(0.1)	—	(0.1)
At 31 March, 2005	1.7	9.5	11.2
NET BOOK VALUES			
At 31 March, 2005	1.2	0.3	1.5
At 31 March, 2004	0.3	0.6	0.9

16. Property under Development

	Land costs HK$ million	Development costs HK$ million	Total HK$ million
THE GROUP			
At 1 April, 2004	520.3	288.9	809.2
Additions	—	43.6	43.6
Disposals	(520.3)	(332.5)	(852.8)
At 31 March, 2005	—	—	—

The property under development, which represented the property development project Rui Hong Xin Cheng (also known as the Rainbow City) situated in the Hongkou District, Shanghai, the PRC held under a long term lease, was disposed of during the year.

Details of the transaction relating to the disposal of the project are set out in note 36(a).

17. Negative Goodwill

	THE GROUP HK$ million
GROSS AMOUNT	
At 1 April, 2004 and 31 March, 2005	(0.8)
RELEASED TO INCOME	
At 1 April, 2004	0.2
Released during the year	0.1
At 31 March, 2005	0.3
CARRYING AMOUNT	
At 31 March, 2005	(0.5)
At 31 March, 2004	(0.6)

The negative goodwill is released to income on a straight-line basis over 6 years, the remaining weighted average life of the depreciable assets acquired.

18. Interests in Subsidiaries

	THE COMPANY 2005 HK$ million	THE COMPANY 2004 HK$ million
Unlisted shares, at cost	291.7	291.7
Amount due from a subsidiary	1,602.0	—
	1,893.7	291.7

In the opinion of the directors, the amount due from a subsidiary is not repayable in the next twelve months from the balance sheet date and, accordingly, the amount is classified as non-current.

Particulars of the principal subsidiaries are set out in note 39.

19. Interests in Jointly Controlled Entities

	THE GROUP 2005 HK$ million	2004 HK$ million
Share of net assets	639.3	555.0
Negative goodwill	(2.7)	(2.8)
	636.6	552.2
Amounts due from jointly controlled entities	785.5	593.6
Less: Amounts due within one year shown under current assets (note a)	(491.9)	(339.7)
Amount due after one year (note b)	293.6	253.9
	930.2	806.1

Negative goodwill is recognised as income on a straight-line basis over 30 years. The amortisation of negative goodwill for the year is netted off in other operating expenses.

Notes:

(a) The amounts are unsecured and have no fixed terms of repayment. Out of the total balance, a total of HK$206.2 million (2004: HK$169.8 million) bears interest at prevailing market rates. The remaining balance is interest free.

(b) The amount due from a jointly controlled entity is unsecured, interest free and has no fixed terms of repayment. The Group will not demand repayment within 12 months from the balance sheet date. Accordingly, the amount is classified as non-current.

Particulars of the principal jointly controlled entities are set out in note 41.

The summary of aggregate financial information of the Group's significant jointly controlled entities engaged in the manufacture and sale of cement in Chongqing, Guizhou and Nanjing, based on the adjusted financial statements prepared under the accounting principles generally accepted in Hong Kong for the years ended 31 December, 2004 and 31 December, 2003, is as follows:

	2004 HK$ million	2003 HK$ million
Results for the year ended 31 December		
Turnover	1,400.7	1,242.1
(Loss) profit before taxation	(3.5)	54.0
(Loss) profit before taxation attributable to the Group	(41.8)	33.8

19. Interests in Jointly Controlled Entities - continued

	2004 HK$ million	2003 HK$ million
Financial positions as at 31 December		
Non-current assets	2,747.2	2,182.5
Current assets	902.7	867.5
Current liabilities	(1,369.9)	(1,278.9)
Non-current liabilities	(1,541.0)	(1,086.3)
Minority interests	(171.1)	(155.0)
Net assets	567.9	529.8
Net assets attributable to the Group	412.8	405.9

The summary of aggregate financial information of the Group's significant jointly controlled entities engaged in venture capital investments, based on the adjusted financial statements prepared under the accounting principles generally accepted in Hong Kong for the years ended 31 December, 2004 and 31 December, 2003, is as follows:

	2004 HK$ million	2003 HK$ million
Results for the year ended 31 December		
Turnover	15.3	4.8
Profit before taxation	337.0	2.6
Profit before taxation attributable to the Group	221.4	1.6
Financial positions as at 31 December		
Non-current assets	308.7	123.1
Current assets	104.1	32.6
Current liabilities	(8.2)	(0.8)
Non-current liabilities	(100.0)	(50.0)
Net assets	304.6	104.9
Net assets attributable to the Group	208.9	68.7

20. Interests In Associates

	THE GROUP	
	2005 HK$ million	2004 HK$ million
Share of net assets	1,470.2	—
Convertible redeemable participating junior preference shares ("Junior Preference Shares")	243.6	—
	1,713.8	—

The principal terms of the Junior Preference Shares issued by Shui On Land Limited ("SOL") include the following:

Conversion

(i) ***Mandatory conversion:***

SOL may, having given notice to the Group pursuant to the provisions of SOL's Articles of Association, require that all of the Junior Preference Shares be converted into ordinary shares, provided that (a) the conversion date shall be at least 18 months after 31 May, 2004; and (b) the conversion shall be effective only upon, but not before, the date on which the securities of SOL are first listed on a stock exchange in connection with the Qualifying IPO (as defined in SOL's Articles of Association), or such earlier date as may be approved by the holders then outstanding, whereupon all the Junior Preference Shares shall automatically be converted without any further act by SOL or the members of SOL into such number of fully paid ordinary shares as determined in accordance with the then effective conversion rate.

(ii) ***Optional conversion:***

(a) at the option of the Group, at any time after the date of their allotment and without the payment of any additional consideration thereof, into such number of ordinary shares as determined in accordance with the then effective conversion rate credited as fully paid; and

(b) at the option of SOL pursuant to the Sale and Purchase Agreement and the Subscription and Shareholders' Agreement both dated 18 February, 2004 (the "Agreements"), at any time after the date falling 60 days from the date of issue of a capital call by SOL, if the Group shall continue to be in default of its obligation to subscribe for further Junior Preference Shares under such capital call and the Junior Preference Shares to be subscribed by the Group shall not have been subscribed by other members of SOL, into such number of ordinary shares as determined in accordance with the then effective conversion rate credited as fully paid.

(iii) ***Conversion price:***

The Junior Preference Shares are convertible into ordinary shares at an initial conversion price of US$1.07. The conversion price is subject to adjustments in accordance with SOL's Articles of Association.

Redemption

(i) the Group may, at any time prior to 31 May, 2009, by notice in writing require SOL to redeem all or some of its shares, in multiples of not less than 100,000 shares, on 31 May, 2010;

(ii) if an Event of Default (as defined in the Agreements) has been declared in accordance with the Agreements, the holders of at least 70% of the then outstanding Junior Preference Shares may, by a written notice, require SOL to redeem all or part of their shares within 6 months from the date of the written notice; and

20. Interests in Associates - continued

Redemption - continued

(iii) subject to points (i) and (ii) above for redemption and the mandatory conversion, SOL shall redeem all of the then outstanding Junior Preference Shares on 31 May, 2011.

The redemption price payable by SOL shall be a sum equal to any arrears or accruals of cash dividends payable in respect of the Junior Preference Shares calculated up to the relevant redemption date, plus the issue price paid on the preference shares, plus a premium equal to the amount derived by dividing the Equity Participation (as defined in SOL's Articles of Association) by the total number of preference shares issued up to the relevant redemption date.

Dividend

The Junior Preference Shares confer on the Group the entitlement to a fixed cumulative preferential cash dividend at the rate of 7% per annum of the issue price commencing from the date of issue of the Junior Preference Shares, payable semi-annually and in priority to the dividend in respect of the ordinary shares.

Particulars of the principal associate are set out in note 40.

A summary of the financial information of the Group's significant associate engaged in property development in the PRC, is as follows:

Results for the year ended 31 December

	2004 HK$ million	2003 HK$ million
Turnover	980.1	—
Profit before taxation	1,658.1	—
Profit before taxation attributable to the Group	97.0	—

Financial positions as at 31 December

	2004 HK$ million	2003 HK$ million
Non-current assets	9,929.4	—
Current assets	1,627.9	—
Current liabilities	(2,867.3)	—
Non-current liabilities		
— Convertible redeemable participating preference shares	(1,644.5)	—
— Others	(2,223.7)	—
Minority interests	(558.8)	—
Net assets	4,263.0	—
Net assets attributable to the Group (note)	1,470.2	—

20. Interests in Associates - continued

Dividend - continued

The above information is derived from the audited financial statements of SOL for the year ended 31 December, 2004 which have been prepared using International Accounting Standards issued by the International Accounting Standards Board.

Note: Adjustments to the audited financial statements of SOL have been made in order to conform with the Group's accounting policies.

SOL had the following significant contingent liabilities at 31 December, 2004:

(i) Pursuant to an agreement entered into with the district government (the "Hongkou Government") and the Education Authority of the Hongkou District, Shanghai, the PRC on 31 July, 2002, guarantees of no more than approximately HK$303.0 million (equivalent to RMB324 million) would be granted by SOL to support bank borrowings arranged in the name of a company to be nominated by the Hongkou Government, as part of the financial arrangement for the site clearance work in relation to the development of a parcel of land. As at 31 December, 2004, no amount has been drawn down under this arrangement.

(ii) Shanghai Rui Hong Xin Cheng Co., Ltd., a subsidiary of SOL, has given guarantees amounting to approximately HK$147.9 million (equivalent to RMB156.8 million) to banks in respect of mortgage facilities granted to the buyers of its residential properties.

(iii) No provision for land appreciation tax ("LAT") has been made in the financial statements of Shanghai Lakeville, a subsidiary of SOL, as in the opinion of the directors of SOL, Shanghai Lakeville's share of the development costs for tax purposes amounting to approximately HK$127.4 million (equivalent to RMB135 million) in connection with a man-made lake and the underground carpark in the Taipingqiao area in Shanghai (the "Development Costs") can be utilised for the purpose of reducing the taxable income and the liability to LAT of Shanghai Lakeville. The Development Costs were originally paid by Shanghai Shui On Property Development Management Co., Ltd., a related company of Shanghai Lakeville, and recharged to Shanghai Lakeville. Should the relevant PRC tax authorities disapprove of the utilisation of the Development Costs in determining the amount of LAT, the estimated charge for LAT to Shanghai Lakeville would be approximately HK$33.0 million (equivalent to RMB35.0 million). Pursuant to the Taipingqiao Sale and Purchase Agreement for the reorganisation of SOL, an indemnity was granted by Shui On Investment Company Limited, a wholly owned subsidiary of SOCL, to SOL in respect of the amount of potential charge for LAT.

21. Investments in Securities

	THE GROUP	
	2005 HK$ million	2004 HK$ million
Other investments, at fair value:		
Equity securities		
— unlisted overseas	—	12.8
— listed in Hong Kong	12.4	12.8
	12.4	25.6
Market value of listed securities	12.4	12.8

22. Club Debenture

	THE GROUP AND THE COMPANY	
	2005	2004
	HK$ million	HK$ million
Unlisted membership debenture in a recreational club, at cost	1.2	1.2

23. Site Establishment Expenditure

	THE GROUP	
	2005	2004
	HK$ million	HK$ million
At the beginning of the year	17.8	13.9
Additions	0.6	5.5
Decrease upon disposals of subsidiaries	(13.9)	—
Transfer from property, plant and equipment	—	2.6
Written off during the year	—	(0.4)
Amortisation for the year	(4.5)	(3.8)
At the end of the year	—	17.8

24. Inventories and Contracts in Progress

	THE GROUP	
	2005	2004
	HK$ million	HK$ million
Inventories		
Raw materials	1.8	4.6
Work-in-progress	0.9	12.7
Finished goods	6.8	13.4
Spare parts	4.0	13.4
	13.5	44.1

Inventories of HK$3.9 million (2004: HK$4.2 million) are carried at net realisable value.

24. Inventories and Contracts in Progress - continued

	THE GROUP 2005 HK$ million	THE GROUP 2004 HK$ million
Contracts in progress		
Costs incurred to date	4,360.3	3,296.8
Recognised profits less recognised losses	64.2	26.3
	4,424.5	3,323.1
Less: Progress billings	(4,545.1)	(3,324.4)
Net contract work	(120.6)	(1.3)
Represented by:		
Amounts due from customers for contract work	73.9	98.4
Amounts due to customers for contract work	(194.5)	(99.7)
	(120.6)	(1.3)

25. Debtors, Deposits and Prepayments

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

	THE GROUP 2005 HK$ million	THE GROUP 2004 HK$ million
Debtors (net of allowance for bad and doubtful debts) aged analysis:		
Within 90 days	174.8	300.3
91 days to 180 days	8.2	16.2
181 days to 360 days	9.0	12.4
Over 360 days	11.3	19.9
	203.3	348.8
Retentions receivable	100.4	99.4
Prepayments, deposits and other receivables	262.4	136.1
	566.1	584.3

26. Creditors and Accrued Charges

	THE GROUP 2005 HK$ million	THE GROUP 2004 HK$ million
Creditors aged analysis:		
Within 30 days	67.1	97.1
31 days to 90 days	16.3	23.0
91 days to 180 days	2.2	7.6
Over 180 days	2.0	11.0
	87.6	138.7
Retentions payable	111.2	124.0
Accruals and other payables	341.4	466.2
	540.2	728.9

27. Bank Borrowings

	THE GROUP 2005 HK$ million	THE GROUP 2004 HK$ million	THE COMPANY 2005 HK$ million	THE COMPANY 2004 HK$ million
Secured bank loan (note 34)	—	284.4	—	—
Unsecured bank loans and bank overdrafts	1,253.8	1,134.1	1,157.0	1,040.0
	1,253.8	1,418.5	1,157.0	1,040.0
Less: Amounts due within one year	(55.8)	(932.5)	(30.0)	(860.0)
	1,198.0	486.0	1,127.0	180.0
The borrowings are repayable as follows:				
Within one year	55.8	932.5	30.0	860.0
More than one year but not exceeding two years	888.0	400.7	817.0	180.0
More than two years but not exceeding five years	310.0	85.3	310.0	—
	1,253.8	1,418.5	1,157.0	1,040.0

28. Share Capital

	2005 HK$ million	2004 HK$ million
Authorised		
400,000,000 shares of HK$1 each	400.0	400.0
Issued and fully paid		
At the beginning of the year	268.0	264.7
Exercise of share options	1.4	3.3
At the end of the year	269.4	268.0

29. Reserves

	Properties revaluation reserve HK$ million	Share premium account HK$ million	Translation reserve HK$ million	Contributed surplus HK$ million (Note a)	Goodwill HK$ million	Negative goodwill HK$ million	Retained profits HK$ million	Reserve funds HK$ million	Other reserve HK$ million (Note b)	Total HK$ million
THE GROUP										
At 1 April, 2003	18.6	533.0	0.2	197.6	(2.7)	0.5	197.2	0.9	—	945.3
Exchange differences arising on translation of financial statements of operations outside Hong Kong	—	—	1.9	—	—	—	—	—	—	1.9
Premium on issue of shares	—	23.7	—	—	—	—	—	—	—	23.7
Profit for the year	—	—	—	—	—	—	147.7	—	—	147.7
Transfer	(0.5)	—	—	—	—	—	0.5	—	—	—
Revaluation increase in the year	0.6	—	—	—	—	—	—	—	—	0.6
Transfer to reserve funds	—	—	—	—	—	—	(0.1)	0.1	—	—
At 31 March, 2004	18.7	556.7	2.1	197.6	(2.7)	0.5	345.3	1.0	—	1,119.2
Exchange differences arising on translation of financial statements of operations outside Hong Kong	—	—	(2.1)	—	—	—	—	—	—	(2.1)
Premium on issue of shares	—	8.6	—	—	—	—	—	—	—	8.6
Profit for the year	—	—	—	—	—	—	482.9	—	—	482.9
Dividends paid	—	—	—	—	—	—	(154.5)	—	—	(154.5)
Transfer	(0.5)	—	—	—	—	—	0.5	—	—	—
Revaluation increase in the year	3.5	—	—	—	—	—	—	—	—	3.5
Deferred tax liability arising on revaluation of properties	(0.6)	—	—	—	—	—	—	—	—	(0.6)
Transfer to reserve funds	—	—	—	—	—	—	(0.3)	0.3	—	—
Reserve arising on acquisition of an associate	—	—	—	—	—	—	—	—	231.1	231.1
At 31 March, 2005	21.1	565.3	—	197.6	(2.7)	0.5	673.9	1.3	231.1	1,688.1
THE COMPANY										
At 1 April, 2003	—	533.0	—	88.9	—	—	68.5	—	—	690.4
Premium on issue of shares	—	23.7	—	—	—	—	—	—	—	23.7
Loss for the year	—	—	—	—	—	—	(34.8)	—	—	(34.8)
At 31 March, 2004	—	556.7	—	88.9	—	—	33.7	—	—	679.3
Premium on issue of shares	—	8.6	—	—	—	—	—	—	—	8.6
Profit for the year	—	—	—	—	—	—	661.0	—	—	661.0
Dividends paid	—	—	—	—	—	—	(154.5)	—	—	(154.5)
Reserve arising on acquisition of an associate	—	—	—	—	—	—	—	—	231.1	231.1
At 31 March, 2005	—	565.3	—	88.9	—	—	540.2	—	231.1	1,425.5

29. Reserves - continued

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

	Translation reserve HK$ million	Goodwill HK$ million	Negative goodwill HK$ million	Retained profits HK$ million	Total HK$ million
At 1 April, 2003	(0.2)	(2.0)	0.3	28.0	26.1
Profit for the year	—	—	—	31.9	31.9
Dividends	—	—	—	(29.7)	(29.7)
Addition of negative goodwill	—	—	2.5	—	2.5
Share of reserve	0.2	—	—	—	0.2
At 31 March, 2004	—	(2.0)	2.8	30.2	31.0
Profit for the year	—	—	—	163.6	163.6
Dividends	—	—	—	(129.6)	(129.6)
At 31 March, 2005	—	(2.0)	2.8	64.2	65.0

The retained profits of the Group include share of post-acquisition profit of associates of HK$65.1 million.

Notes:

(a) 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.

The 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.

In addition to retained profits, under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also distributable to the shareholders of the Company. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(b) Other reserve of the Group arose when the Group entered into agreements with its ultimate holding company, SOCL, to co-invest in SOL. Further details are set out in note 36(a).

(c) As at the balance sheet date, the Company's reserves, including the contributed surplus, available for distribution to shareholders amounted to HK$860.2 million (2004: HK$122.6 million).

30. Deferred Taxation

The following are the major deferred tax (liabilities) assets recognised by the Group and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation HK$ million	Revaluation of properties HK$ million	Tax losses HK$ million	Other temporary differences HK$ million	Total HK$ million
THE GROUP					
At 1 April, 2003	(9.0)	(3.8)	6.8	1.0	(5.0)
Credit (charge) to consolidated income statement for the year	(1.3)	—	0.2	0.5	(0.6)
At 31 March, 2004	(10.3)	(3.8)	7.0	1.5	(5.6)
Charge to property revaluation reserve	—	(0.6)	—	—	(0.6)
Credit (charge) to consolidated income statement for the year	7.5	—	(4.8)	(0.1)	2.6
Disposal of subsidiaries	1.0	—	(0.2)	(0.8)	—
At 31 March, 2005	(1.8)	(4.4)	2.0	0.6	(3.6)

For the purposes of balance sheet presentation certain deferred tax assets and liabilities have been offset in accordance with the conditions set out in Statement of Standard Accounting Practice No. 12 (Revised).

At 31 March, 2005, the Group has unused tax losses of HK$215.9 million (2004: HK$214.8 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to HK$11.4 million (2004: HK$39.9 million). No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$204.5 million (2004: HK$174.9 million) due to the unpredictability of future profit streams.

31. Provident Fund Scheme and Defined Benefit Plan

The Group participates in both a defined benefit plan (the "Plan") which is registered under the Occupational Retirement Schemes Ordinance and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of the Group and are invested in securities and funds under the control of trustees. Employees who were members of the Plan prior to the establishment of MPF Scheme were offered a choice of staying within the Plan or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December, 2000 are required to join the MPF Scheme.

Mandatory Provident Fund Scheme

For members of the MPF Scheme, contributions are made by the employees at 5% of relevant income and by the Group at rates ranging from 5% to 10% of the employees' salaries, depending on the employees' length of service with the Group.

The Group's contributions to the MPF Scheme charged to the consolidated income statement as staff cost during the year ended 31 March, 2005 amounted to HK$3.7 million (2004: HK$5.3 million). The amount of employer's voluntary contributions to MPF schemes forfeited for the years ended 31 March, 2005 and 31 March, 2004 was immaterial and was used to reduce the existing level of contributions.

31. Provident Fund Scheme and Defined Benefit Plan - continued

Defined Benefit Plan

Contributions to the Plan are made by the members at 5% of their salaries and by the Group at rates which are based on recommendations made by the actuary of the Plan. The current employer contribution rate is 7.5% (2004: 12.5%) of the members' salaries. Under the Plan, a member is entitled to retirement benefits which comprise the sum of any benefits transferred from another scheme and the greater of the sum of employer's basic contribution plus the member's basic contribution accumulated with interest at a rate of no less than 6% per annum before 1 September, 2003 and 1% per annum in respect of contributions made on or after 1 September, 2003 or 1.8 times the final salary times the years of employment with the Group on the attainment of the retirement age of 60. For members who joined the Plan before 1997, the retirement age is 60 for male members and 55 for female members. No other post-retirement benefits are provided.

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligation were carried out at 31 March, 2005 by Ms. Elaine Hwang of Watson Wyatt Hong Kong Limited, who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations and the related current service cost were measured using the Projected Unit Credit Method.

The principal actuarial assumptions as at the balance sheet dates used are as follows:

	2005	2004
Discount rate	4.5%	4.0%
Expected rate of salary increase	1% p.a. for the next two years commencing from 1 April, 2005 and 2% p.a. thereafter	Nil for the next three years commencing from 1 April, 2004 and 3% thereafter

The expected rate of return on plan assets for the year ended 31 March, 2005 is 6.5% per annum (2004: 5.5%).

The actuarial valuation showed that the fair value of the plan assets attributable to the Group was HK$293.9 million at 31 March, 2005 (2004: HK$293.7 million), representing 107% (2004: 92%) of the benefits that had accrued to members. The surplus of the plan assets of HK$18.8 million (2004: shortfall of HK$25.2 million) is to be cleared over the estimated remaining service period of the current membership of 14 years (2004: 15 years).

Amounts recognised in the consolidated income statement for the year in respect of the defined benefit plan are as follows:

	2005 HK$ million	2004 HK$ million
Current service cost	14.5	14.0
Interest cost	12.1	12.9
Expected return on plan assets	(19.2)	(11.6)
Net actuarial losses recognised in current year	—	5.2
Loss on curtailment settlement	2.2	—
Net amount charged to consolidated income statement as staff costs	9.6	20.5

31. Provident Fund Scheme and Defined Benefit Plan - continued

Defined Benefit Plan - continued

The actual return on plan assets allocated to the Group for the year ended 31 March, 2005 was a gain of HK$24.5 million (2004: HK$57.0 million).

The amounts included in the balance sheets arising from the Group's and the Company's obligations in respect of the Plan are as follows:

	THE GROUP		THE COMPANY	
	2005 HK$ million	2004 HK$ million	2005 HK$ million	2004 HK$ million
Present value of defined benefit obligations	275.1	318.9	46.4	44.0
Unrecognised actuarial gains (losses)	9.5	(21.1)	1.7	(2.6)
Fair value of plan assets	(293.9)	(293.7)	(49.5)	(40.2)
Defined benefit (asset) liability included in the balance sheet	(9.3)	4.1	(1.4)	1.2

Included within the fair value of plan assets is HK$3.1 million (2004: HK$8.8 million) in respect of the equity shares of the Company.

Movements of the defined benefit (asset) liability in the balance sheets are as follows:

	THE GROUP		THE COMPANY	
	2005 HK$ million	2004 HK$ million	2005 HK$ million	2004 HK$ million
At the beginning of the year	4.1	5.1	1.2	1.0
Net amounts charged to income statement	9.6	20.5	0.1	2.6
Employers' contributions	(23.0)	(21.5)	(2.7)	(2.4)
At the end of the year	(9.3)	4.1	(1.4)	1.2

32. Lease Arrangements

As lessor

Property rental income in respect of the investment property and car park spaces earned during the year was HK$5.4 million (2004: HK$14.2 million).

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments which fall due as follows:

	THE GROUP	
	2005 HK$ million	2004 HK$ million
Within one year	—	6.0
In the second to fifth years inclusive	—	2.1
	—	8.1

As lessee

At the balance sheet date, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP		THE COMPANY	
	2005 HK$ million	2004 HK$ million	2005 HK$ million	2004 HK$ million
Within one year	1.9	12.3	1.0	4.0
In the second to fifth years inclusive	1.7	6.8	1.4	0.3
	3.6	19.1	2.4	4.3

Operating lease payments represent rentals payable by the Group and the Company for certain of its office properties. Leases are negotiated for lease terms ranging from one to ten years.

33. Capital Commitments

(a) As at 31 March, 2004, the Group had commitments in respect of the development costs of property under development contracted but not provided for in the financial statements amounting to approximately HK$576.6 million and authorised but not contracted for amounting to approximately HK$85.3 million. There were no such commitments as at 31 March, 2005.

(b) As at 31 March, 2005, the Group's share of the capital commitments of its jointly controlled entities and an associate are as follows:

	2005 HK$ million	2004 HK$ million
Authorised but not contracted for	44.1	51.6
Contracted but not provided for	1,035.2	7.8

(c) As at 31 March, 2005, the Group had commitments in respect of the subscription of convertible redeemable participating preference shares to be issued by SOL amounting to US$18.8 million, equivalent to approximately HK$146.6 million (2004: US$50 million, equivalent to approximately HK$390 million).

(d) As at 31 March, 2004, the Group had commitments in respect of the acquisition of property, plant and equipment contracted but not provided for in the financial statements amounting to approximately HK$0.3 million. There were no such commitments as at 31 March, 2005.

(e) As disclosed in the announcements made by the Company on 25 June, 2004, 11 August, 2004 and 2 March, 2005, a subsidiary of the Group entered into a framework agreement on 18 June, 2004, a sale and purchase agreement on 11 August, 2004 and new agreements on 1 February, 2005 and 28 February, 2005 to invest in a sino-foreign joint venture which will be formed to acquire equity interests in a number of cement plants in Yunnan Province, the PRC.

The Group will hold 80% share of this joint venture which will have a registered capital of Rmb1,000 million (about HK$943 million). A deposit of Rmb80 million (about HK$76 million) was paid upon signing of the framework agreement. Application is being made to relevant authorities in the Central Government in relation to the establishment of this joint venture. Upon approval being granted, the Group's further contribution to the capital of this joint venture will amount to Rmb720 million (about HK$679 million), being 80% of the Group's share of capital less the deposit paid of Rmb80 million (about HK$76 million). The deposit is fully refundable within 10 business days if the establishment of the joint venture cannot be achieved. An option has been granted to Lafarge S.A. to acquire 50% of the Group's interest in this joint venture, which will expire on 31 December, 2005.

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

34. Pledge of Assets

At 31 March, 2004, the Group's interest in property under development with a total carrying value of approximately HK$809.2 million and bank deposits of HK$527.8 million were pledged to secure certain syndicated bank loan facilities granted to a subsidiary of the Company. All these pledged assets were disposed of to SOL during the year as set out in note 36(a).

35. Share Option Scheme

Following the amendments of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange on 1 September, 2001, the Employee Share Option Scheme of the Company adopted on 20 January, 1997 (the "Old Scheme") has been terminated and replaced by a new share option scheme on 27 August, 2002 (the "New Scheme"). Since then, no further option can be granted under the Old Scheme, but all options granted prior to such termination shall continue to be valid and exercisable.

Under the Old Scheme, the Board of Directors may offer the eligible participants 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 quoted 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. The maximum entitlement of each eligible participant shall not exceed 25% of the aggregate number of ordinary shares in respect of options that may be granted under existing option schemes. Options granted are exercisable in stages within 5 years from the date of grant.

On 27 August, 2002, the Company has adopted the New Scheme which shall continue in force until the 10th anniversary of such date. The principal terms of the New Scheme are summarised as below:

1. Purpose
   (a) The New Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions which the eligible participants have made or may make to the Group.

   (b) The New Scheme will provide the eligible participants an opportunity to have a personal stake in the Company with a view to achieving the following objectives:

      (i) motivate the eligible participants to utilise their performance and efficiency for the benefit of the Group; and

      (ii) attract and retain or otherwise maintain on-going relationship with the eligible participants whose contributions are or will be beneficial to the long term growth of the Group.

2. Eligible participants
   (a) The Board may at its discretion invite anyone belonging to any of the following classes of persons to take up options to subscribe for shares of the Company, subject to such conditions as the Board may think fit: any director (whether executive or non-executive or independent non-executive), employee (whether full time or part time), officer, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any invested entity and for the purpose of the New Scheme, the options may be granted to any corporation wholly-owned by any person mentioned in this paragraph.

   (b) The eligibility of any of the above persons to the grant of any option shall be determined by the Board from time to time on the basis of his contribution to the development and growth of the Group. The Company shall be entitled to cancel any option granted to a grantee but not exercised if such grantee fails to meet the eligibility criteria determined by the Board after an option is granted but before it is exercised.

35. Share Option Scheme - continued

3. Total number of shares available for issue under the New Scheme

(a) 10% limit

Subject to the following paragraphs, the total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the shares in issue as at the date of approval of the New Scheme (excluding options which have lapsed) (the "Scheme Mandate Limit").

The Company may, from time to time, refresh the Scheme Mandate Limit by obtaining the approval of the shareholders in general meeting. The Company may also seek separate approval of the shareholders in general meeting for granting options beyond the Scheme Mandate Limit or the refreshed limit, provided the options in excess of such limit are granted only to eligible participants specifically identified by the Company before such approval is sought.

(b) 30% limit

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option scheme of the Company must not exceed 30% of the shares in issue from time to time.

4. Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12 month period must not exceed 1% of the shares in issue. Where any further grant of options to a grantee would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by the shareholders in general meeting with such grantee and his associates abstaining from voting.

5. Performance target

The New Scheme allows the Board, when offering the grant of any option, to impose any condition including any performance target which must be met before the option shall vest and become exercisable.

6. Minimum period for which an option must be held

The Board may at its discretion when offering the grant of any option impose any minimum period for which an option must be held.

7. Price of shares

The exercise price shall be determined by the Board but shall be at least the highest of: (a) the closing price of a share as stated in the daily quotations sheet of the Stock Exchange on the date of grant; and (b) the average closing price of the shares as shown on the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

8. Amount payable upon acceptance of option

HK$1.00 is payable by each eligible participant to the Company on acceptance of an offer of an option, which shall be paid within 28 days from the date of the offer.

35. Share Option Scheme - continued

The following tables disclose details of the Company's share options held by employees (including directors) and movements in such holdings during the year.

Date of grant	Subscription price per share HK$	Number of options At 1.4.2004	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31.3.2005	Period during which share options outstanding at 31.3.2005 are exercisable	Price of Company's shares at exercise date of options HK$ (Note)
Old Scheme									
7.7.1999	11.21	3,070,000	—	—	(100,000)	(2,970,000)	—	7.1.2000 to 6.7.2004	—
4.7.2000	9.56	2,264,000	—	(316,000)	(90,000)	—	1,858,000	4.1.2001 to 3.7.2005	10.92
17.7.2001	9.30	2,412,000	—	(230,000)	(118,000)	—	2,064,000	17.1.2002 to 16.7.2006	10.71
New Scheme									
27.8.2002	6.00	2,192,000	—	(530,000)	(132,000)	—	1,530,000	27.2.2003 to 26.8.2007	8.68
27.8.2002	6.00	22,000,000	—	—	—	—	22,000,000	27.8.2005 to 26.8.2010	—
4.8.2003	5.80	714,000	—	(224,000)	(6,000)	—	484,000	4.2.2004 to 3.8.2008	8.86
26.7.2004	7.25	—	1,030,000	(44,000)	—	—	986,000	26.1.2005 to 25.7.2009	10.10
		32,652,000	1,030,000	(1,344,000)	(446,000)	(2,970,000)	28,922,000		

Date of grant	Subscription price per share HK$	Number of options At 1.4.2003	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31.3.2004	Period during which share options outstanding at 31.3.2004 are exercisable	Price of Company's shares at exercise date of options HK$ (Note)
Old Scheme									
15.7.1998	4.14	432,000	—	(160,000)	(6,000)	(266,000)	—	15.1.1999 to 14.7.2003	4.82
7.7.1999	11.21	3,120,000	—	—	(50,000)	—	3,070,000	7.1.2000 to 6.7.2004	—
4.7.2000	9.56	3,452,000	—	(1,108,000)	(80,000)	—	2,264,000	4.1.2001 to 3.7.2005	11.39
17.7.2001	9.30	3,560,000	—	(1,048,000)	(100,000)	—	2,412,000	17.1.2002 to 16.7.2006	11.39
New Scheme									
27.8.2002	6.00	3,230,000	—	(938,000)	(100,000)	—	2,192,000	27.2.2003 to 26.8.2007	11.06
27.8.2002	6.00	22,000,000	—	—	—	—	22,000,000	27.8.2005 to 26.8.2010	—
4.8.2003	5.80	—	780,000	(66,000)	—	—	714,000	4.2.2004 to 3.8.2008	9.10
		35,794,000	780,000	(3,320,000)	(336,000)	(266,000)	32,652,000		

35. Share Option Scheme - continued

Note: The price of the Company's shares as disclosed is the weighted average closing price of the Company's shares immediately before the dates on which the options were exercised during the year for each category of eligible participants.

Total consideration received during the year from employees, including directors, for taking up the options granted was HK$41 (2004: HK$31).

The financial impact of share options granted is not recorded in the financial statements until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

36. Disposal of Subsidiaries

(a) Rui Hong Xin Cheng ("Rainbow City")

On 18 February, 2004, the Group entered into agreements for co-investment in SOL with the parent company, SOCL. The agreements involved the injection of a property development project Rui Hong Xin Cheng (also known as Rainbow City), held by Shanghai Rui Hong Xin Cheng Company Limited, a 99% subsidiary of the Group into SOL in return for a 30.16 % equity interest in SOL. A gain of HK$345.7 million arose on the disposal of Rainbow City and has been recognised in the consolidated income statement.

Details of these transactions were set out in a circular of the Company dated 23 March, 2004.

The completion of this transaction took effect on 31 May, 2004 (the "Completion Date"). In addition, there is provision in the agreements that on injection of an amount of US$50 million by New Rainbow Investments Limited, a wholly owned subsidiary of the Group, 50 million Junior Preference Shares in SOL will be allotted to the Group. Since the Completion Date and up to 31 March, 2005, a total of US$31.2 million of cash has been injected for this purpose.

36. Disposal of Subsidiaries - continued

(a) Rui Hong Xin Cheng ("Rainbow City") - continued

The net assets of Rainbow City at the date of disposal were as follows:

	HK$ million
Property, plant and equipment	1.2
Property under development	852.8
Properties held for sale	0.9
Debtors, deposits and prepayments	24.4
Bank balances, deposits and cash	534.2
Accounts payable and accrued charges	(146.0)
Taxation payable	(46.1)
Bank loans	(284.4)
Minority interests	(6.1)
Net assets disposed of	930.9
Costs incurred in connection with the disposal	27.4
Gain on disposal	345.7
Other reserve arising on transaction (see note 29(b))	231.1
Total consideration	1,535.1
Satisfied by:	
Share of net assets of an associate	1,405.1
Amount due from SOL	130.0
	1,535.1
Net cash outflow arising on disposal:	
Bank balances, deposits and cash disposed of	(534.2)
Costs incurred in connection with the disposal	(27.4)
	(561.6)

The subsidiary disposed of during the year contributed HK$1.6 million (2004: HK$679.0 million) to the Group's turnover and incurred a loss of HK$0.2 million (2004: contributed a profit of HK$169.3 million) included in the Group's loss from operations.

36. Disposal of Subsidiaries - continued

(b) Concrete operations in the Guangdong province

The Group entered into a sale and purchase agreement on 15 October, 2004 with an independent third party to dispose of the concrete operations in the Guangdong province of the PRC at a consideration of HK$4.7 million. The operation was handed over to the purchaser in November 2004. The loss on disposal of the concrete operations, which amounted to HK$15.4 million, has been recognised in the consolidated income statement.

The results of the concrete operations were included under "Sale of construction materials" in the segmental information set out in note 4 above.

The net assets of the concrete operations at the date of disposal were as follows:

	HK$ million
Property, plant and equipment	15.4
Site establishment expenditure	2.7
Net assets disposed of	18.1
Costs incurred in connection with the disposal	2.0
Total cost of disposal	20.1
Loss on disposal	(15.4)
Total consideration	4.7
Satisfied by:	
Cash	4.7
Net cash inflow arising on disposal:	
Cash consideration	4.7
Costs incurred in connection with the disposal	(2.0)
	2.7

The subsidiary disposed of during the year contributed HK$25.5 million (2004: HK$70.6 million) to the Group's turnover and incurred a loss of HK$5.1 million (2004: HK$7.9 million) included in the Group's loss from operations.

36. Disposal of Subsidiaries - continued

(c) Construction materials operations in Hong Kong

On 31 December, 2004, the Group entered into a sale and purchase agreement with an independent third party to dispose of the subsidiaries engaged in the production and distribution of ready mixed concrete and instant mortars and the distribution and sale of cement in Hong Kong for a consideration of HK$95 million. In addition, the Group also subcontracted the rights for the site formation work being carried out at Guishan Island, Zhuhai, the PRC, where aggregates are excavated to the purchaser, allowing it to continue to use the equipment previously used by the Group, for a term of 15 years. The consideration is HK$15 million. Details of these transactions were set out in a circular of the Company dated 26 January, 2005.

The operation was handed over to the purchaser in February 2005. A gain of HK$41.3 million arose on the disposal of the construction materials operations that has been recognised in the consolidated income statement.

The results of the construction materials operations were included under "Sale of construction materials" in the segmental information set out in note 4 above.

The net assets of the concrete operations at the date of disposal were as follows:

	HK$ million
Property, plant and equipment	46.3
Site establishment expenditure	11.2
Inventories	6.0
Net assets disposed of	63.5
Costs incurred in connection with the disposal	14.5
Total cost of disposal	78.0
Gain on disposal	41.3
Total consideration	119.3
Satisfied by:	
Cash consideration	95.0
Consideration receivable	24.3
	119.3
Net cash inflow arising on disposal:	
Cash consideration	95.0
Costs incurred in connection with the disposal	(14.5)
	80.5

The subsidiaries disposed of during the year contributed HK$195.4 million (2004: HK$189.5 million) to the Group's turnover and incurred a loss of HK$30.3 million (2004: HK$48.9 million) included in the Group's loss from operations.

37. Contingent Liabilities

The Group had contingent liabilities not provided for in the financial statements as follows:

(a) At 31 March 2005, performance bonds established amounting to approximately HK$162.5 million (2004: HK$164.4 million).

(b) At 31 March, 2004, Shanghai Rui Hong Xin Cheng Co. Ltd., a subsidiary of the Group, had given guarantees to banks in respect of mortgage facilities granted to the buyers of its residential properties of approximately HK$299.4 million.

The Company has given guarantees to banks in respect of general facilities granted to its subsidiaries and jointly controlled entities for general facilities. The extent of such facilities utilised by the subsidiaries and jointly controlled entities at 31 March, 2005 amounted to approximately HK$271.4 million (2004: HK$551.8 million) and HK$317.2 million (2004: HK$307.8 million).

Pursuant to an agreement entered into with the Hongkou Government and the Education Authority of the Hongkou District, Shanghai, the PRC on 31 July, 2002, guarantees of no more than HK$303.0 million (equivalent to RMB324 million) would be granted by the Group to support bank borrowings arranged in the name of a company to be nominated by the Hongkou Government, as part of the financial arrangement for the site clearance work in relation to the development of a parcel of land. As at 31 March, 2004, no amount was drawn down under this arrangement. The subsidiary which granted the guarantee was disposed of during the year.

38. Related Party Transactions

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

Nature of transactions	2005 HK$ million	2004 HK$ million
Income received:		
Management and information system services	0.4	0.4
Project management services	—	4.1
Sales and marketing services	—	1.4
Procurement agency services	2.1	—
Cost and expenses paid:		
Rental expenses	0.5	0.9
Building management fee	0.1	0.1
Balance as at 31 March		
Amounts due from SOCL Group	0.5	0.2
Amounts due to SOCL Group	—	0.1

38. Related Party Transactions - continued

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

Nature of transactions	2005 HK$ million	2004 HK$ million
Income received:		
Interest income	5.2	5.4
Rental income	0.2	0.2
Sales of construction materials	2.6	2.4
Cost and expenses paid:		
Construction/subcontracting work	37.9	71.4
Supply of construction materials	14.8	20.8
Management and information system services	0.1	—
Consultancy fee	0.4	0.4
Sales proceeds from disposal of property, plant and equipment	—	0.9
Balances as at 31 March		
Amounts due from jointly controlled entities	785.5*	593.6
Amounts due to jointly controlled entities	24.1	19.4

* Included in the amounts due from jointly controlled entities are amounts of approximately HK$206.2 million (2004: HK$169.8 million), which are interest bearing and with no fixed repayment terms.

(c) During the year, the Group entered into agreements with SOCL for co-investment in SOL. Details of which are set out in note 36(a).

(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) During the year, the Group received dividend income amounting to HK$129.6 million (2004: HK$29.7 million) from certain joint controlled entities.

39. 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 as otherwise indicated.

Name of subsidiary	Issued and fully paid share capital/ registered capital	Percentage of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
Construction and building maintenance business				
Dynamic Mark Limited	100 ordinary shares of HK$1 each 3,000,000 non-voting deferred shares of HK$1 each	—	80%	Supply of metal gates
P.D. (Contractors) Limited	1,000,000 ordinary shares of HK$1 each	—	94%	Renovation work
Pacific Extend Limited	10,000 ordinary shares of HK$1 each 6,000 special shares of HK$1 each	—	67%	Maintenance contractor
Pat Davie Limited	9,400,100 ordinary shares of HK$1 each 100,000 non-voting deferred shares of HK$10 each	—	94%	Interior decoration, fitting out, design and contracting
Pat Davie (Macau) Limited###	1,000,000 ordinary shares of MOP1 each	—	100%	Interior decoration, fitting out, design and contracting
Panyu Dynamic Mark Steel & Aluminium Engineering Co. Ltd. **@	Registered and paid up capital HK$4,000,000	—	64%	Steel fabrication
Panyu Shui Fai Metal Works Engineering Company Limited **@	Registered and paid up capital HK$9,000,000	—	55%	Manufacture of wallform and other metal works

39. Particulars of Principal Subsidiaries - continued

Name of subsidiary	Issued and fully paid share capital/ registered capital	Percentage of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
Construction and building maintenance business - continued				
Shui Fai Metal Works Engineering Company Limited	10,000 ordinary shares of HK$1 each	—	55%	Sales and installation of wallform and other metal works
Shui On Building Contractors Limited	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	—	100%	Building construction and maintenance
Shui On Construction Company Limited	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	—	100%	Building construction
Shui On Contractors Limited *	1 share of US$1	100%	—	Investment holding
Shui On Granpex Limited	2 ordinary shares of HK$1 each	—	100%	Investment holding
Shui On Graceton Limited	2 ordinary shares of HK$1 each	—	100%	Investment holding
Shui On Plant & Equipment Services Limited	1,611,000 ordinary shares of HK$1 each 45,389,000 non-voting deferred shares of HK$1 each	—	100%	Owning and leasing of plant and machinery and structural steel construction work
SOCAM.com Limited	2 ordinary shares of HK$1 each	—	100%	Provision of on-line services for internal procurement and project management

39. Particulars of Principal Subsidiaries - continued

Name of subsidiary	Issued and fully paid share capital/ registered capital	Percentage of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
Sale of construction materials business				
Asia No.1 Material Supply Limited	100 ordinary shares of HK$100 each 1,000 non-voting deferred shares of HK$100 each	—	100%	Holding of a quarry right
Billion Centre Company Limited	100 ordinary shares of HK$1 each 2 non-voting deferred shares of HK$1 each	—	100%	Holding of a land lease
First Direction Limited	100 ordinary shares of HK$1 each 2 non-voting deferred shares of HK$1 each	—	100%	Property holding
Great Market Limited	100 ordinary shares of HK$1 each 5 non-voting deferred shares of HK$1 each	—	100%	Investment holding
Guangdong Lamma Concrete Products Limited **@	Registered and paid up capital RMB5,000,000	—	60%	Manufacture of precast concrete facade
Lamma Concrete Products Limited	10 ordinary shares of HK$1 each	—	60%	Investment holding
Lamma Rock Products Limited	100 ordinary shares of HK$10 each 3,500,000 non-voting deferred shares of HK$10 each	—	100%	Investment holding
Project Way Limited	2 ordinary shares of HK$1 each	—	100%	Investment holding
Shui On Building Materials Limited	100 ordinary shares of HK$1 each 1,000,000 non-voting deferred shares of HK$1 each	—	100%	Investment holding and sale of construction materials

39. Particulars of Principal Subsidiaries - continued

Name of subsidiary	Issued and fully paid share capital/ registered capital	Percentage of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
Sale of construction materials business - continued				
Shui On Cement (Guizhou) Limited *	100,000 shares of US$1 each	—	99%	Investment holding
Shui On Materials Limited *	1 share of US$1	100%	—	Investment holding
Shui On Rock Products Limited	2 ordinary shares of HK$1 each	—	100%	Site formation
Xinhui Longkoushan Rock Products Limited **+	Registered and paid up capital US$1,785,700	—	100%	Quarrying
Guizhou Shui On Cement Development Management Co., Ltd.**+	Registered and paid up capital US$420,000	—	99%	Provision of consultancy services
Middleton Investments Limited ***	2 ordinary shares of US$1 each	—	99%	Investment holding
Prime Allied Enterprises Limited ***	2 ordinary shares of US$1 each	—	100%	Investment holding
Sommerset Investments Limited ***	2 ordinary shares of US$1 each	—	99%	Investment holding
Tinsley Holdings Limited ***	2 ordinary shares of US$1 each	—	99%	Investment holding
Top Bright Investment Limited ***	2 ordinary shares of US$1 each	—	99%	Investment holding
Winway Holdings Limited ***	2 ordinary shares of US$1 each	—	99%	Investment holding
Far East Cement Pty Limited ##	1 share of AUD1	—	100%	Trading of cement
Trading of building materials business				
Asia Materials Limited	2 ordinary shares of HK$1 each	—	100%	Trading

39. Particulars of Principal Subsidiaries - continued

Name of subsidiary	Issued and fully paid share capital/ registered capital	Percentage of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
Trading of building materials business - continued				
Asia Materials International Trading (Shenzhen) Co., Ltd. **+	Registered and paid up capital HK$1,000,000	—	100%	Trading
Asia Materials Holdings Limited #	1,000,000 shares of US$1 each	100%	—	Investment holding
Asia Materials Technologies (Beijing) Co., Ltd. **+	Registered and paid up capital US$150,000	—	100%	Trading
Asia Materials Technologies (Hangzhou) Co., Ltd. **+	Registered and paid up capital US$200,000	—	100%	Trading
Asia Materials Technologies (Shenzhen) Co., Ltd. **+	Registered and paid up capital HK$3,000,000	—	100%	Provision of technology services
Asia Materials Trading (Shanghai) Co., Ltd. **+	Registered and paid up capital US$200,000	—	100%	Trading
Property development business				
Jade City International Limited	2 ordinary shares of HK$1 each	—	100%	Property holding
New Rainbow Investments Limited*	Registered and paid up capital US$1	100%	—	Investment holding
Property investment and others business				
Asia Trend Development Limited	2 ordinary shares of HK$1 each	100%	—	Investment in securities
Billion Century Limited	2 ordinary shares of HK$1 each	—	100%	Investment in securities
Kotemax Limited	2 ordinary shares of HK$1 each	—	100%	Property holding
Kroner Investments Limited *	1 share of US$1	100%	—	Investment holding

39. Particulars of Principal Subsidiaries - continued

Name of subsidiary	Issued and fully paid share capital/ registered capital	Percentage of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
Property investment and others business - continued				
Landstar Development Limited	2 ordinary shares of HK$1 each	—	100%	Investment holding
Peak Fortune Assets Limited*	1 share of US$1	100%	—	Investment holding
Shui On Corporate Services Limited	2 ordinary shares of HK$1 each	100%	—	Provision of secretarial services
Smartway Investment Limited***	2 ordinary shares of US$1 each	—	99%	Investment holding

* Incorporated in the British Virgin Islands

** Registered and operated in other regions of the PRC

*** Incorporated in Mauritius

Incorporated in the Cayman Islands

Incorporated in Australia

Incorporated in Macau, Special Administrative Region of the PRC

\+ Wholly foreign owned enterprises

@ Equity joint venture

None of the subsidiaries had any debt securities subsisting at 31 March, 2005 or at any time during the year.

40. Particulars of Principal Associate

Name of associate	Issued and fully paid share capital	Percentage of issued capital held by the Company **Indirectly**	Principal activities
Shui On Land Limited #	431,000,000 ordinary shares of US$0.01 each 220,000,000 junior preference shares of US$0.01 each 180,000,000 senior preference shares of US$0.01 each	30.16%	Property development

\# Incorporated in the Cayman Islands

41. Particulars of Principal Jointly Controlled Entities

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

Indirect jointly controlled entities	Issued and paid-up share capital/ registered capital	Effective percentage of issued/ registered capital held by the Group	Principal activities	Notes
Construction and building maintenance business				
Brisfull Limited	5,000,000 ordinary shares of HK$1 each	50%	Sale and installation of aluminium window products	
City Engineering Limited	10,000 ordinary shares of HK$1 each	50%	Installation of mould work	
Super Race Limited	420,000 ordinary shares HK$1 each	50%	Supply of sink units and cooking benches	
Kaiping Biaofu Metal Products Company Limited **#	Registered and paid up capital US$800,000	50%	Manufacture of aluminium window products	

41. Particulars of Principal Jointly Controlled Entities - continued

Indirect jointly controlled entities	Issued and paid-up share capital/ registered capital	Effective percentage of issued/ registered capital held by the Group	Principal activities	Notes
Construction and building maintenance business - continued				
鶴山超合預制件有限公司 ***#	Registered and paid up capital US$284,600	50%	Manufacture of sink units and cooking benches	1
Shanghai Shui On Construction Co. Ltd. ***#	Registered and paid up capital RMB50,000,000	50%	Buildings construction and maintenance	1 and 2
Beijing Shui On Joint Venture Construction Co. Ltd. ***#	Registered and paid up capital RMB50,000,000	50%	Buildings construction and maintenance	1 and 2
Sale of construction materials business				
Chongqing Foreign Investment Consultation and Services Co. Ltd. ***#	Registered and paid up capital RMB800,000	15%	Provision of investment consultation	2
Chongqing New Building Materials Co. Ltd. ***#	Registered and paid up capital RMB41,500,000	37.5%	Manufacture and sale of cement	2
Chongqing T.H. Diwei Cement Co. Ltd. ***#	Registered and paid up capital RMB61,680,000	40%	Manufacture and sale of cement	2
Chongqing T.H. Fuling Cement Co. Ltd. ***#	Registered and paid up capital RMB44,000,000	50%	Manufacture and sale of cement	2
Chongqing T.H. Holding Management Co. Ltd. ***#	Registered and paid up capital RMB41,500,000	50%	Exploration and management of investment projects	2
Chongqing T.H. Logistics Co. Ltd. ***#	Registered and paid up capital RMB500,000	40%	Provision of transportation and logistics services	2
Chongqing T.H. Packaging Co. Ltd. ***#	Registered and paid up capital RMB2,890,000	40%	Manufacture and sale of knitted bags	2
Chongqing T.H. Desheng Engineering Co. Ltd. ***#	Registered and paid up capital RMB10,000,000	30%	Trading of construction materials equipment	2

41. Particulars of Principal Jointly Controlled Entities - continued

Indirect jointly controlled entities	Issued and paid-up share capital/ registered capital	Effective percentage of issued/ registered capital held by the Group	Principal activities	Notes
Sale of construction materials business - continued				
Chongqing T.H. Special Cement Co. Ltd. ***#	Registered and paid up capital RMB160,000,000	40%	Manufacture and sale of cement	2
重慶騰輝石材開發有限責任公司 ***#	Registered and paid up capital RMB10,000,000	27.5%	Manufacture and sale of building materials	2
Guang On T.H. Cement Co. Ltd. ***#	Registered and paid up capital RMB110,000,000	50%	Manufacture and sale of cement	2
Chongqing T.H. White Cement Co. Ltd. ***#	Registered and paid up capital US$1,506,000	30%	Manufacture and sale of cement	2
Suining T.H. Cement Co. Ltd. ***#	Registered and paid up capital RMB15,000,000	45%	Manufacture and sale of cement	2
TH Industrial Management Limited *	2,740 ordinary shares of US$1 each	50%	Investment holding	2
Guizhou Bijie Shui On Cement Co. Ltd. ***#	Registered and paid up capital RMB48,000,000	79%	Manufacture and sale of cement	1 and 2
Guizhou Changda Shui On Cement Co. Ltd. ***#	Registered and paid up capital RMB106,000,000	50.5%	Manufacture and sale of cement	1 and 2
Guizhou Dingxiao Shui On Cement Co. Ltd. ***#	Registered and paid up capital RMB56,000,000	89%	Manufacture and sale of cement	1 and 2
Guizhou Kaili Ken On Concrete Co. Ltd. ***#	Registered and paid up capital RMB10,000,000	74%	Supply of ready mixed concrete	1 and 2
Guizhou Kaili Shui On Cement Co. Ltd. ***#	Registered and paid up capital RMB60,000,000	89%	Manufacture and sale of cement	1 and 2
Guizhou Xinpu Shui On Cement Co. Ltd. ***#	Registered and paid up capital RMB60,000,000	79%	Manufacture and sale of cement	1 and 2
Guizhou Xishui Shui On Cement Co. Ltd. ***#	Registered and paid up capital RMB42,800,000	89%	Manufacture and sale of cement	1 and 2
Guizhou Zunyi Ken On Concrete Co. Ltd. ***#	Registered and paid up capital RMB12,000,000	74%	Supply of ready mixed concrete	1 and 2

41. Particulars of Principal Jointly Controlled Entities - continued

Indirect jointly controlled entities	Issued and paid-up share capital/ registered capital	Effective percentage of issued/ registered capital held by the Group	Principal activities	Notes
Sale of construction materials business - continued				
Guizhou Yuqing Shui On Cement Co. Ltd. ***#	Registered and paid up capital RMB12,500,000	79%	Manufacture and sale of cement	1 and 2
Guizhou Zunyi Shui On Cement Co. Ltd. ***#	Registered and paid up capital RMB92,000,000	79%	Manufacture and sale of cement	1 and 2
Sichuan Hejiang T. H. Cement Co. Ltd. ***#	Registered and paid up capital RMB12,500,000	89%	Plant under construction	1 and 2
Nanchong T.H. Cement Co. Ltd. ***#	Registered and paid up capital RMB15,000,000	50%	Manufacture and sale of cement	2
Lamma Yue Jie Company Limited	10,000 ordinary shares of HK$1 each	60%	Trading of construction materials	
Nanjing Jiangnan Cement Company Ltd. ***#	Registered and paid up capital RMB120,000,000	60%	Manufacture and trading of cement	1 and 2
Shenzhen Lamma Yue Jie Concrete Products Co. Ltd. ***#	Registered capital RMB5,000,000 Paid up capital RMB3,000,000	60%	Manufacture of precast concrete facade	1
Shui On (Panyu) Stainless Steel & Aluminium Products Company Limited ***#	Registered and paid up capital HK$2,000,000	50%	Manufacture and trading of stainless steel and aluminium products	2
Shui On Sumicem Consulting Limited	100,000 ordinary shares of HK$1 each	50%	Consultancy services	
Other business				
The Yangtze Ventures Limited ***	1,000 ordinary shares of HK$0.1 each	65.5%	Venture capital investments	2

41. Particulars of Principal Jointly Controlled Entities - continued

Indirect jointly controlled entities	Issued and paid-up share capital/ registered capital	Effective percentage of issued/ registered capital held by the Group	Principal activities	Notes
Other business - continued				
The Yangtze Ventures II Limited ***	1,000 ordinary shares of HK$0.1 each	75.4%	Venture capital investments	2
On Capital China Tech Fund ***	4,156 participating shares of US$1,000 each	92.8%	Venture capital investments	2

* Incorporated in the Bahamas

** Registered and operated in other regions of the PRC

*** Incorporated in the Cayman Islands

\# Equity joint venture

Notes:

1. The Group is under contractual arrangements to jointly control these entities with PRC partners. Accordingly, the Directors consider they are jointly controlled entities.

2. The results of these jointly controlled entities are accounted for by the Group based on their financial statements made up to 31 December, 2004.

Properties held by the Group as at 31 March, 2005 are as follows:

	Location	Use	Approx. floor area (Sq. metres)	Lease term	Group's interest	Stage of completion	Anticipated completion
(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%	N/A	N/A
	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%	N/A	N/A
(B)	**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	Carparking	3,538	Medium	100%	N/A	N/A

1. Results

	For the year ended 31 March,				
	2001	2002	2003	2004	2005
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Turnover	5,556.1	3,757.2	2,311.3	3,590.9	2,232.4
Profit (loss) from operations	568.4	120.5	(69.3)	176.1	(96.9)
Finance costs	(1.1)	(3.1)	(5.9)	(10.3)	(16.4)
Gain on disposal of subsidiaries	—	—	—	—	371.6
Share of results of associates/jointly controlled entities	30.8	5.0	30.6	34.2	263.2
Profit (loss) before taxation	598.1	122.4	(44.6)	200.0	521.5
Taxation	(80.7)	(20.5)	0.1	(49.4)	(35.7)
Profit (loss) before minority interests	517.4	101.9	(44.5)	150.6	485.8
Minority interests	(9.1)	2.4	0.2	(2.9)	(2.9)
Profit (loss) attributable to shareholders	508.3	104.3	(44.3)	147.7	482.9

2. Assets and Liabilities

	As at 31 March,				
	2001	2002	2003	2004	2005
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Total assets	5,163.5	2,825.9	3,244.1	3,738.3	4,005.2
Total liabilities	(3,553.4)	(1,467.9)	(2,008.0)	(2,322.5)	(2,018.4)
Minority interests	(28.0)	(27.4)	(26.1)	(28.6)	(29.3)
Shareholders' funds	1,582.1	1,330.6	1,210.0	1,387.2	1,957.5