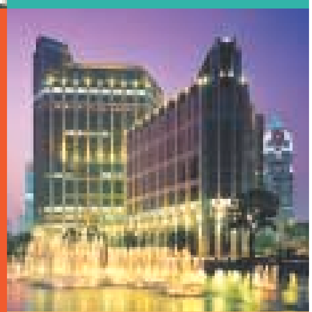
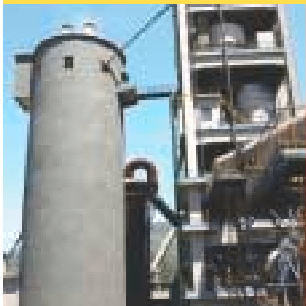
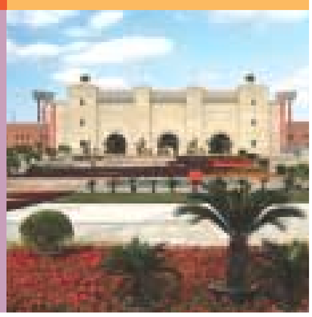
瑞安建業有限公司
SHUI ON CONSTRUCTION AND MATERIALS LIMITED





CREATING SHAREHOLDER VALUE





Annual Report 2005 / 2006

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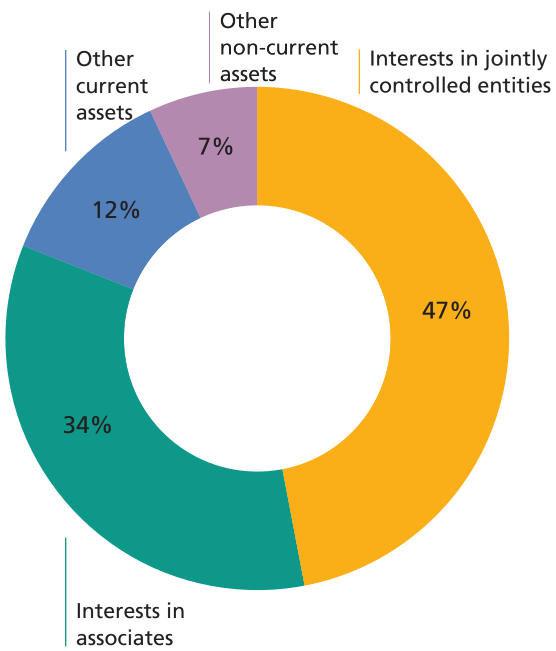
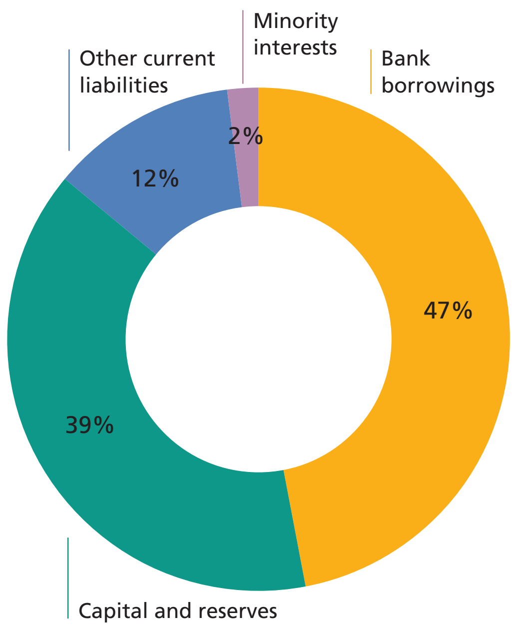
FINANCIAL HIGHLIGHTS

	2006 HK$ million	2005 HK$ million	% Change Over 2005
Turnover	**1,400.2**	1,882.9	(26%)
Profit before taxation	**364.2**	545.4	(33%)
Profit attributable to equity holders of the Company	**314.8**	481.9	(35%)
Earnings per share	**HK$**	HK$	
Basic	**1.16**	1.79	(35%)
Diluted	**0.69**	1.62	(57%)
Dividend per share	**0.37**	0.60	(38%)

ASSETS EMPLOYED as at 31 March 2006

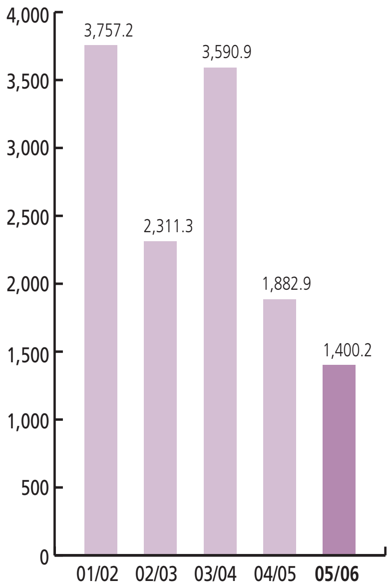


CAPITAL AND LIABILITIES as at 31 March 2006



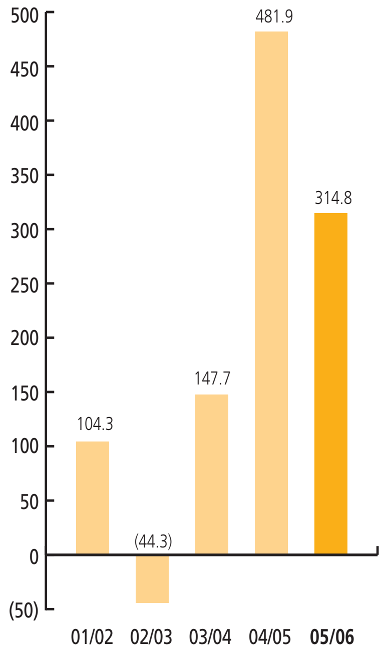
TURNOVER

(HK$ million)



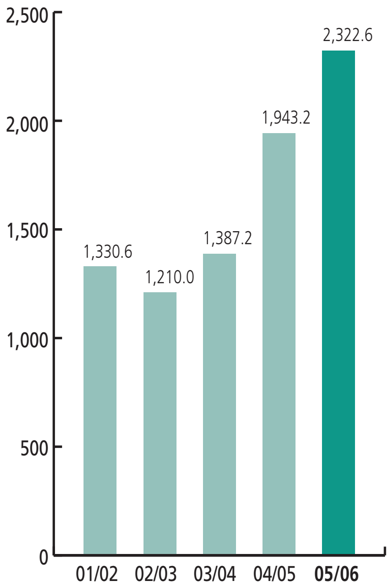
PROFIT (LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

(HK$ million)



EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

(HK$ million)



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Lo Hong Sui, Vincent *(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 Director

Professor Enright, Michael John

Independent Non-executive Directors

Griffiths, Anthony
Cheng Mo Chi, Moses
Professor Chan, K.C.

Audit Committee

Griffiths, Anthony *(Chairman)*
Cheng Mo Chi, Moses
Professor Chan, K.C.
Professor Enright, Michael John

Remuneration Committee

Griffiths, Anthony *(Chairman)*
Cheng Mo Chi, Moses
Professor Chan, K.C.
Professor Enright, Michael John
Lo Hong Sui, Vincent

Company Secretary

Chong Wai Sang, Edmond

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,
26th Floor, Tesbury Centre,
28 Queen's Road East, Wanchai, Hong Kong

Principal Bankers

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

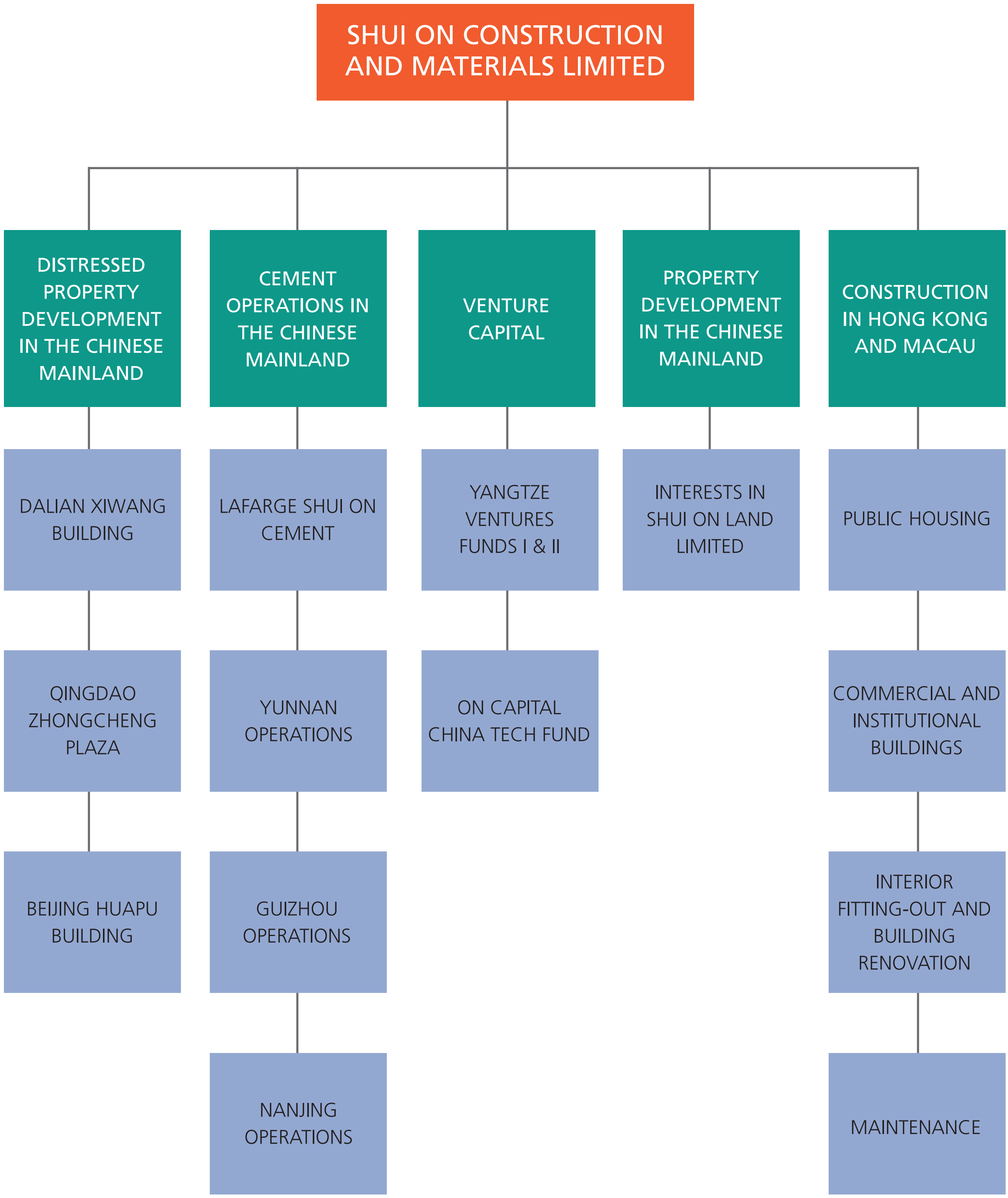
Stock Code

983

Website

www.shuion.com

BUSINESS STRUCTURE



LO HONG SUI, VINCENT
Chairman

We have made significant progress in our strategic objective of building a broader recurrent income base in the Chinese Mainland with the formation of Lafarge Shui On Cement Limited and the acquisition of distressed properties for development. We remain committed to further creating shareholder value.

With the formation of LSOC, our operations in China's cement industry were transformed and we have created a dominant business

CHAIRMAN'S STATEMENT

RESULTS

I am pleased to report that the Group's profit attributable to shareholders for the year ended 31 March 2006 was HK$315 million. This represents a decrease of 35% compared to the previous financial year (2004/2005: HK$482 million), which saw a HK$346 million one-off gain from the injection of Rui Hong Xin Cheng into Shui On Land. Earnings per share were HK$1.16, a decrease of 35% over the previous year (2004/2005: HK$1.79). Turnover was HK$1,400 million, a decrease of 26% on the previous year (2004/2005: HK$1,883 million).

The Directors recommend the payment of a final dividend of HK$0.25 per share to shareholders whose names appear on the Register of Members of the Company on 23 August 2006. This, together with the interim dividend of HK$0.12 per share, yields a total of HK$0.37 per share for the year.

BUSINESS REVIEW

The Group continued to devote energy and resources to strategic initiatives to creating shareholder value during the year. Through value appreciation in the projects of Shui On Land Limited, the formation and expansion of Lafarge Shui On Cement Limited and embarkation on distressed property development projects, we have made significant progress in our strategic objective of expanding and diversifying in the Chinese Mainland while securing a broader recurrent income base and building up the ability to ride out economic cycles. We will continue to examine opportunities for bringing significant new strength to the Group and remain committed to further creating shareholder value.

A strategic development during the year is the ground breaking activity for our Group in the distressed property development in the Chinese Mainland. SOCAM's involvement began in September 2005 when we announced an initiative to acquire with JP Morgan and other partners 100% of Xiwang Building, an unfinished Grade A office plaza in Dalian. This represented our first investment in distressed property development. Since September, we have extended our activity to Qingdao and Beijing. This is an exciting new core business for the Group in which we are leveraging SOCAM's strengths and expertise in construction, project management, and deal-structuring and financing, while working with knowledgeable and reputable international partners. We expect attractive returns from our portfolio of projects in terms of yield and capital value. We plan to secure recurrent income through long-term investment in commercial and office property and to achieve sales profit through the disposal of residential developments. Our objective is to become one of the leaders in distressed property investment in the Chinese Mainland.

Our operations in China's cement industry were transformed and their prospects favourably enhanced with our announcement in August 2005 of our joint venture with Lafarge, one of the world's largest and leading cement producers. Lafarge Shui On Cement (LSOC), as the joint venture is known, is one of China's leading cement businesses. We have each contributed operations in Sichuan and Chongqing while SOCAM has injected its three largest cement plants in Guizhou and Lafarge has added its operations in Beijing. SOCAM has also recently acquired three important plants in Yunnan that will be injected into the joint venture in time. LSOC announced in November its intended acquisition of Shuangma Investment Group. When approved by the Central Government, this acquisition will make LSOC the market leader in Sichuan, and bring its total cement production capacity in China - including the Yunnan plants - to 23.3 million tonnes per annum (tpa) by the end of 2006. Integration of our respective interests is progressing to plan. We have created a dominant business that I am confident will see sustained success.

The Group's portfolio of venture capital investments again brought significant returns. The investments of the two Yangtze Ventures Funds and On Capital China Tech Fund produced a total profit of HK$293 million.

Shui On Land (SOL), in which the Group holds partial interest, had a good year. SOL is now active in property development in Shanghai, and also in Hangzhou, Chongqing and Wuhan, with a total land bank in the Chinese Mainland of over 8.2 million square metres of buildable gross floor area including open areas and public facilities.

The respective values of SOL's projects continued to appreciate significantly. In Shanghai, Rui Hong Xin Cheng is an integrated residential development targeting the upper-middle class while Taipingqiao and Knowledge and Innovation Community (KIC) are city-core re-developments. In southwest China, the Chongqing Tiandi project is to support and service Chongqing's extensive manufacturing and service industries. The Wuhan Hankou Tiandi project will modernize a prominent site in a key city in central part of China. Finally, the Hangzhou Xihu Tiandi project has become a focal point for Hangzhou similar to Shanghai Xintiandi.

SOCAM's construction operations in Hong Kong and Macau performed well despite strong competition in Hong Kong, being active in both the public and private sectors. In Macau, Pat Davie gained further success, with the gaming industry sustaining strong demand for fitting-out works. In the Chinese Mainland, we secured a project management contract for a Shui On Group commercial property development in Guangzhou.

CORPORATE GOVERNANCE

The Group believes that sound corporate governance is integral to its success. Our Board leads corporate governance by setting appropriate policies and overseeing their implementation. We recognize that strong corporate governance enhances management of the Group's operations and that future prosperity is dependent upon, among other factors, the highest standards of integrity and transparency.

FUTURE OUTLOOK

We will continue to implement our strategy of investing in our core businesses in the Mainland as a means to ensuring that the Group's significant presence in the Chinese Mainland is successful. We will continue to focus on securing a broad base of recurrent income from both Hong Kong and the Chinese Mainland.

SOCAM and JP Morgan acquired a 100% interest in Beijing Huapu Building. Its construction work is expected to be completed in the third quarter of 2007

The up-market residential zone "Lakeville" in Taipingqiao redevelopment project comprises 8 lots. Pre-sale of the second lot "Lakeville Regency" which commenced in early 2006 has met with encouraging market response

We have resolved to make the development of distressed property assets in the Chinese Mainland our new core business and our objective is to become one of the leaders in this sector. We will retain quality office and retail projects for the long term, while disposing of residential developments that offer attractive returns over shorter time frames. We believe that undertaking such projects in major cities will bring attractive returns as well as significant growth potential for SOCAM. We will diligently identify suitable projects for acquisition while continuing to build up our strengths as a preferred partner and developer in the sector.

We are excited at the prospects for the cement industry in the Chinese Mainland. We believe strong, long-term demand will arise from the nation's continued economic growth and rapid modernization, and our strong base in the central and western region in particular will benefit from the colossal state investments under the "Go West" policy. On the supply side, our joint venture with Lafarge has the expertise and market knowledge to be robust in taking a leading market share while steadily growing its geographic base of operations.

Our venture capital interests with their distinct China focus underline our view that the Mainland will see vigorous long-term economic growth. Our diverse holdings in fast-growing and cutting-edge sectors provide the opportunity for strong gains through either an IPO or a profitable disposal.

While SOL's planned Initial Public Offering on the Hong Kong Stock Exchange was postponed due to the deterioration in the market in June, we are confident its established reputation as a visionary and innovative developer as well as its sizable land bank of premier sites will continue to be highly attractive to users and investors alike, hence the reflection of these factors in the value of SOCAM's shares.

Competition in Hong Kong's construction sector is still fierce and tender margins are likely to remain low. Institutional bodies will provide a reasonable number of jobs and the Hong Kong SAR Government is also expected to commence more new public building works. SOCAM will be able to compete effectively for such contracts and intends to continue to bid for suitable projects.

ACKNOWLEDGEMENTS

The business focus of our group is undergoing transformation and our operations continue to adapt to a range of new opportunities amid a competitive environment. Our management and staff once again demonstrated their ability to meet new challenges. Everybody within the Group has shown skill, determination and vigour and their continued efforts that will be key to our future success. On behalf of the Board, I would like to thank all staff members for their hard work and unwavering loyalty.

Since Messrs. Wilfred Wong and Louis Wong need to devote more time and attention to the businesses and affairs of Shui On Land, they have tendered their resignation from the Board on 1 June 2006. I would like to thank them for their dedicated service to the Company.

Lo Hong Sui, Vincent
CHAIRMAN

Hong Kong, July 2006

WONG YUET LEUNG, FRANKIE
Chief Executive Officer

During the year, the Group made important strategic moves in its ongoing expansion and diversification in the Chinese Mainland market.

The acquisition of Xiwang Building in Dalian with JP Morgan and other partners in September 2005 marked the Group's first investment in distressed property development

MANAGEMENT DISCUSSION AND ANALYSIS

Distressed Property Development in the Chinese Mainland

Distressed property development is a new core business for the Group. We are actively leveraging SOCAM's strong base in construction and fitting out, its project management capability, as well as the Group's Mainland expertise and experience in deal-making, financing and property development. Working with knowledgeable and reputable partners, SOCAM intends to acquire and develop distressed property assets in major cities throughout the Chinese Mainland. The Group expects this new core business will make significant profit contributions.

During the year, the Group began to acquire distressed property projects, working in joint venture with international partners. To date, we have invested in three unfinished projects — in Dalian, Qingdao and Beijing — and expect to expand our activities going forward.

Xiwang Building, Dalian

In September 2005, SOCAM announced it had joined forces with JP Morgan in leading a consortium to acquire 100% of Xiwang Building, an unfinished 38-storey Grade A office plaza with a total gross floor area (GFA) of 91,500 square metres in the centre of Dalian. SOCAM holds a 45% interest in this investment, which is set to be completed within 12 months.

Zhongcheng Plaza, Qingdao

In February 2006, SOCAM again led an investor consortium to acquire a 100% interest in Blocks A and C, Phase III of Zhongcheng Plaza in Qingdao. This project comprises an office tower and a mid-range residential block, each 28-storey high, and a three-storey retail podium with a total gross floor area of over 62,000 square metres. SOCAM holds 50% of this property.

Beijing Huapu Building, Beijing

In March 2006, SOCAM and JP Morgan through a 50-50 joint venture acquired a 100% interest in an unfinished commercial complex located in a prime commercial and business district in Beijing. With a total gross floor area of 124,560 square metres, Beijing Huapu Building is expected to be completed in the third quarter of 2007.

Cement Operations in the Chinese Mainland

The key development during the year was the formation of Lafarge Shui On Cement (LSOC), a partnership that merged the respective major cement operations in China of SOCAM and of Lafarge — one of the world's largest and leading cement producers. This move marked the successful implementation of the Group's strategy to build a strong position as one of the leading corporations in high-quality cement market in the Mainland. Lafarge owns 55% of the business while SOCAM owns the remaining 45%, with equal

LSOC is now the cement leader in southwest China, marking the successful implementation of the Group's strategy to build a strong position as one of the leading corporations in the high-quality cement market in the Mainland

representation on the company's Board, which is chaired by SOCAM Chairman Mr. Vincent H.S. Lo. This joint venture is the cement leader in southwest China.

The merger was formally established in November 2005. This operation has combined Lafarge's Mainland cement operations — in Sichuan, Chongqing and Beijing — with SOCAM's cement operations in Chongqing and Sichuan, and its three large plants with dry kilns in Guizhou. SOCAM's acquisition of an 80% interest in three major cement plants in Yunnan, which are to be injected into the joint venture, received approval from the Central Government during the year.

LSOC combines complementary strengths, including Lafarge's expertise in the cement industry, especially in improving the efficiency of acquired operations, and SOCAM's proven experience and reputation in the market in central and western regions of Mainland China. Since the announcement of the joint venture, good progress has been made in post-merger integration with a focus on capturing business synergies from the combined operations and a concerted effort to establish common operating and control systems and practices.

The joint venture is increasing its capacity still further with LSOC's announcement in November 2005 of the acquisition of Shuangma Investment Group in Sichuan for around HK$296 million. This acquisition will strengthen LSOC's position in Sichuan, consolidating its market leadership in the province. In particular, it will enhance the joint venture's presence in Chengdu, the provincial capital, where LSOC's Dujiangyan cement plant with an annual production capacity of 1.4 million tonnes per annum (tpa) is already in operation profitably.

The Group made further and significant investments in Mainland cement operations during the year. However, these cement operations as a whole have incurred losses in 2005 because of the difficult market conditions in Chongqing and that the synergy and benefits arising from the merger with Lafarge last November had yet to be realised. The Group believes that the cement operations in the Chinese Mainland will result in significant long-term return to the shareholders.

Chongqing

All of SOCAM's major cement operations in Chongqing were injected into the joint venture. Prior to the merger, TH Cement had a difficult period due to continuing overcapacity in the market and the upsurge in the cost of energy. LSOC's focus in Chongqing is to concentrate on the high-end market. It is targeting a significant share of the urban market

Demand for high quality cement will continue as the "Go West" Policy leads to tremendous investments in infrastructural projects

and developing new customer sectors, such as supplying rural needs. Construction of a new dry kiln in Hechuan with a capacity of 1.2 million tpa was completed in the first quarter of 2006.

Sichuan

There is sustained cement demand in Sichuan with a current annual growth rate of 7%. However, the commissioning of a new LSOC line with a capacity of 1.4 million tpa at Dujiangyan in September 2006, and a further line in the fourth quarter of 2006 by a competitor, is expected to resolve the current market shortage. During the year, due to market demand, the joint venture was able to increase its pricing in Sichuan focusing on high end products.

The Shuangma acquisition, when approved and completed, will give the joint venture two complementary positions in Sichuan: a cement plant in the north of the province near Mianyang, and a plant in the south near Yibin. Capacity in Sichuan is expected to reach 7 million tpa after the Shuangma acquisition is approved and after the completion of the second line at Dujiangyan.

Guizhou

SOCAM injected three dry kilns in Guizhou — namely Dingxiao, Xinpu and Shuicheng — into the LSOC joint venture. SOCAM continues to operate six smaller cement plants in Xishui, Zunyi, Kaili, Yuqing, Bijie and Changda and a grinding station in Hejiang, with a total production capacity of 1.5 million tpa.

Acquired by SOCAM during the year, Shuicheng is one of the largest plants of its kind in Guizhou with a new 750,000 tpa dry kiln and three wet kilns capable of producing 750,000 tpa. This plant has helped complete SOCAM's network of cement suppliers operating in a cohesive territory surrounding the provincial capital Guiyang.

Guizhou's infrastructure development is benefiting significantly from the Central Government's "Go West" policy. In particular, the Guizhou government is accelerating construction works in transport, water and electricity supply, which are expected to provide strong demand for cement. During 2005, total cement consumption in Guizhou rose by more than 9%. Our Guizhou operations sold a larger volume of cement and by mid 2005 saw firmer cement prices. SOCAM, together with LSOC, now enjoys a significant share of the high-grade cement market in Guizhou.

Completion of a new cement production line in September 2006 at LSOC's Dujiangyan plant will increase annual production capacity by 1.4 million tonnes per annum

Beijing

There is distinct overcapacity in Beijing as demand has reduced in the face of the government austerity measures introduced in 2004. This has exerted pressure on pricing. Demand is expected to remain flat in the face of a slowdown in real-estate development although there has been an increase in Olympics-driven infrastructure.

Nanjing

The Nanjing plant under SOCAM was converted into a grinding mill during the year and the workforce was reduced by 90%. The operation is becoming viable and continues to export cement to the Australian market.

Venture Capital

The Group saw significant performance in its portfolio of investments in the two Yangtze Ventures Funds, in which it is a 65.5% and 75.4% shareholder respectively, and in the On Capital China Tech Fund, in which it is a 74% shareholder. Our venture capital funds made a total contribution during the year of HK$293 million. The principal investments made by these funds are as follows:

Yangtze Ventures Funds (YVF)

Solomon Systech

In December, we achieved our goal of a substantially profitable exit in this business engaged in semiconductor and high voltage integrated circuit development. YVF realized a profit of HK$18 million on the disposal of the remaining shareholding during the year which, together with earlier disposal profits, totalled HK$296 million compared to the initial HK$34 million outlay, over a three-and-a-half year period.

Han Sheng Tang Herbal Technologies

The Group made a new investment in Han Sheng Tang Herbal Technologies, acquiring a 25% interest. We see strong demand for this company's health supplement products in China's ageing but increasingly affluent population.

China Infrastructure Group (CIG)

CIG invests in the development and management of port projects along the Yangtze River. YVF made a one-time unrealized gain of HK$16 million upon the IPO of CIG Yangtze Ports (which holds a port in Wuhan) on Hong Kong's GEM Board in September 2005. YVF holds 18.99% of CIG Yangtze Ports following the listing.

Carling Technology

Carling Technology (Gushan) manufactures and sells biodiesel and other by-products using waste oils as raw materials. YVF's stake at the end of March 2006 was 8%. With oil prices holding firmly above US$70 per barrel, we expect Gushan to continue to perform well. During the year, a US-based private equity fund and another investor took a stake in Gushan at a substantial premium to our entry price.

Other Investments

YVF also has holdings in: Walcom Group, which manufactures animal feedstuff; Apexone Microelectronics, a manufacturer of integrated circuits; Advantek Biologics, a biopharmaceutical specialist; Wuhan Huali Environment Protection Technology, a firm specializing in the R&D and production of environmentally friendly packaging products; Beijing Hi Sunsray Information Technology, which develops and operates an exclusive

KIC aims to inspire innovation and entrepreneurship and create a "live, work and play" lifestyle to attract venture capitalists, entrepreneurs, technology companies and research institutions

The internationally acclaimed historic restoration zone Shanghai Xintiandi is an extremely popular landmark in Shanghai

Interactive Voice Response (IVR) platform for China Mobile; and Rongxing Industrial Development, which is engaged in radio monitoring, measuring and testing, network planning and design, and system integration in China.

On Capital China Tech Fund (On Capital)

Established in June 2004, this fund invests in China's TMT sector and became a subsidiary of the Group during the year. The portfolio of investments is developing steadily and performance has met management's expectations.

Hi Sunsray

With YVF already holding an interest in the IVR specialist Beijing Hi Sunsray Information Technology, On Capital also made its inaugural investment in the same company in 2004. On Capital currently holds a 12% stake. Hi Sunsray made steady profit in 2005.

Union Genesis

On Capital holds 37.5% of this IC design specialist catering to the Digital TV, High Definition TV and Set Top Box market. Union Genesis aims to supply decoder chips in the Mainland, where some 320 million analog TV sets will need hardware to decode digital TV signals.

Arasor

Arasor International Group supplies integrated optoelectronic and wireless solutions serving global systems vendors operating in the network transport, wireless and consumer display industries. On Capital holds 9% of the company.

Carling Technology (Gushan)

On Capital took a stake in Gushan in May 2005, complementing YVF's investment in the company in the same month. On Capital held 2% of Gushan at the end of March 2006.

Airway

Airway Communications International is using post-3G wireless communications technology to provide Wireless Broadband Access services to customers in China. Airway is participating in a rapidly growing segment of China's telecommunications market.

Bus Online

On Capital acquired an interest in this business during the year. Bus Online sells advertising timeslots on LCD TV screens installed on board public buses and is active in 22 major cities in Mainland China.

Property Development Interests in the Chinese Mainland under Shui On Land Limited (SOL)

Adjustments resulting from austerity measures were seen in some of the major Mainland cities during the year, although strong demand for quality residential units continued. Property operations in the Mainland continued to do well with SOL making a significant profit contribution. Its six major multi-phase projects are in various stages of development in Shanghai, Chongqing, Wuhan and Hangzhou, which together will have in total over 8.2 million square metres of GFA, open areas and other public facilities under SOL's land use rights certificates, land grant contracts and legally binding master agreements with district governments.

In February 2006, SOCAM led an investor consortium to acquire a 100% interest in Blocks A and C of Phase III of Zhongcheng Plaza

Shanghai Taipingqiao

This city-core development is expected to have a total GFA of approximately 1.1 million square metres on completion. This project includes a historic restoration zone (known as Shanghai Xintiandi) which was fully completed in 2002; a corporate headquarters zone (known as Corporate Avenue), for which one of the lots was completed in 2004; and an up-market residential zone, for which the first of eight lots (known as Lakeville) was completed in 2003 and pre-sales for a second lot (known as Lakeville Regency) which commenced in early 2006 met with an encouraging market response. For the year ended March 2006, Shanghai Xintiandi and Corporate Avenue recorded average occupancies of 91% and 97% respectively during the year.

Shanghai Rui Hong Xin Cheng

Also known as Rainbow City, this is an integrated residential development that is expected to comprise approximately 10,000 residential units and will have a total GFA of around 1.1 million square metres upon completion. On 31 March 2006, 1,485 units out of the planned 1,759 units in the current phase, one of the eight phases of the development, had been completed and approximately 89% of these completed units had been sold.

Shanghai Knowledge and Innovation Community

Also known as the Shanghai Chuangzhi Tiandi project, this city-core development project is expected to have a total GFA of approximately 539,000 square metres on projected completion in 2010. Close to major academic institutions, it aims to inspire innovation and entrepreneurship and create a "live, work and play" lifestyle to attract venture capitalists, entrepreneurs, technology companies and research institutions. Construction commenced in April 2004 and completion of Stage 1 (Live and Work area 1 and Hub Area 1) with a total GFA of about 139,000 square metres of residential, retail and office premises is expected in the latter half of 2006.

Chongqing Tiandi

This city-core development project is expected to have a total GFA of approximately 2.6 million square metres upon projected completion in 2014 and will be integrated with the central business district in the Yuzhong district in Chongqing. The project will include office buildings, an exhibition and merchandise centre and luxury hotels, a large residential area, and retail, entertainment and food and beverage properties. Construction of Chongqing Tiandi Phase 1A with a total GFA of slightly over 110,000 square metres commenced in the fourth quarter of 2005.

Wuhan Hankou Tiandi

On completion projected in 2014, this city-core development is expected to have a total GFA of approximately 1.4 million square metres and will comprise Grade A office buildings, retail and residential properties and hotels. Construction commenced in the first quarter of 2006 with the first phase of residential units expected to come to market in 2008.

The gaming and hospitality sectors in Macau and Hong Kong provide excellent opportunities for our fitting-out specialist, Pat Davie

Hangzhou Xihu Tiandi

Situated adjacent to Hangzhou's celebrated West Lake, this project is targeting a total GFA of approximately 52,000 square metres of mixed food and beverage, entertainment and retail properties. Phase 1, with a total GFA of approximately 6,000 square metres, has been operational since May 2003 and the entire project is expected to be completed in 2008.

Construction in Hong Kong, Macau and in the Chinese Mainland

The total market for construction work in Hong Kong was HK$43 billion in 2005, up from HK$39 billion the year before. However, only the private sector benefited from this growth as tenders issued in the public sector declined. The gaming and hospitality sectors in Macau provided excellent opportunities for our fitting-out specialist, Pat Davie. Our operations performed satisfactorily during the year, with our continuing focus on handling final accounts contributing to the improved result.

The division's total turnover for the year was HK$1,364 million, while contracts totalling HK$903 million were won.

On 31 March 2006, the gross and outstanding values of contracts on hand were approximately HK$3.7 billion and HK$2.2 billion respectively (31 March 2005: HK$4.3 billion and HK$2.5 billion).

Shui On Building Contractors (SOBC)

In the public housing sector, the Hong Kong Housing Authority (HKHA) continued to maintain an annual production target of 20,000 units. Although SOBC was unable to secure the few HKHA tenders that were available due to the extremely competitive market environment, SOBC won maintenance works during the period, including HKHA District Term Contracts worth a combined HK$112 million. SOBC also secured a HK$260 million building works contract from CLP Power Hong Kong.

Projects completed during the year include Shek Pai Wan Estate Phase 1 for the HKHA and other works for both the HKHA and CLP Power Hong Kong.

Shui On Construction (SOC)

SOC won a tender for Marymount School in the first half at HK$92 million

Projects completed by SOBC during the year include Shek Pai Wan Estate Phase I, which is a major project of HKHA and a design-and-construct project from the Architectural Services Department (ASD) worth HK$144 million. The Hong Kong Government is expected to substantially revive tenders for important public works which will include the Government Headquarters at Tamar, the largest of several suspended ASD projects. SOC will partner with Paul Y. Engineering to bid for this project with an estimated contract value in excess of HK$4 billion.

SOC also won a project management contract in Guangzhou in the Chinese Mainland for a 71,000-square-metre commercial property development owned by the Shui On Group (SOCAM's privately held parent company).

During the year, SOC completed a HK$323 million facility at Princess Margaret Hospital in Hong Kong for the ASD.

Pat Davie

In Hong Kong and Macau, there were major contributions from the contracts with Union Bank of Switzerland (UBS), Serenity Place and Macau Wynn Casino projects. During the year, works valued at HK$282 million were secured.

In the Chinese Mainland, Pat Davie is providing project management support for the Group's distressed property development projects.

PROSPECTS

The Group's leadership in the various consortia purchasing distressed properties for development provides a sound platform for building a new core business. The Group believes there are excellent prospects for identifying similar opportunities in the Mainland and SOCAM will continue to focus on prime locations in cities with high investment potential and active real-estate markets.

The major Yunnan cement plants in which SOCAM has an 80% interest were taken over in April 2006 and, in due course, will be injected into LSOC, at which point the joint venture's total production capacity will be increased to about 18.6 million tpa.

LSOC is awaiting approval of the Shuangma acquisition with the deal expected to be completed in the third quarter of 2006. This transaction will increase the cement production capacity of the joint venture in China to about 23.3 million tpa, reinforcing its position as the leader in southwest China and one of the leading cement producers in the Mainland. In all our cement operations, we see excellent long-term growth and revenues, especially in our joint venture with Lafarge, which we believe will play a leading role in the cement industry in China.

In April 2006, Yangtze Ventures Funds and On Capital together sold a 2.2% interest in Gushan to the same U.S. based private equity fund that took a stake in Gushan during the year. Looking ahead, our venture capital business also offers the prospects of favourable returns with possible listings and other fund raising initiatives planned for principal investments.

SOL has a successful track record in large-scale urban renewal projects in the Chinese Mainland. Developments which are expected to generate sales revenue in the coming year include Lot 114 (known as Lakeville Regency) of the Shanghai Taipingqiao project, the remaining portion of Phase 2 of the Shanghai Rui Hong Xin Cheng project, and the first "live-work" area at the Shanghai Knowledge and Innovation Community project.

SOC won a tender for Marymount School in 2005 at HK$92 million

The monetary value of the construction market in Hong Kong is likely to remain stable in 2006/07 although a bigger programme, including a number of design-and-build contracts, is expected from the Architectural Services Department. A contract for a new private school on Hong Kong Island with a value of HK$226 million, a Hong Kong Housing Authority contract for a public housing estate at Eastern Harbour Crossing Site Phase 4 with a value of HK$434 million, and two maintenance contracts totalling HK$175 million were secured after 31 March 2006. Our construction division will continue to compete for worthwhile projects. Pat Davie has secured HK$140 million worth of new jobs in Hong Kong and Macau after 31 March 2006 and will continue to focus on both Macau's fast-expanding hospitality sector and providing support to the Group's distressed property development projects in the Chinese Mainland.

FINANCIAL REVIEW

Results

The Group reported a profit of HK$315 million for the year ended 31 March 2006, a decrease of 35% compared to the previous financial year. The decrease in profit was mainly due to a one-off gain of HK$346 million realized during the previous financial year arising from the injection of Rui Hong Xin Cheng into SOL.

The Group's profit for the current financial year was also affected by the adoption of a number of new accounting standards. In particular, assets and liabilities of the Group and its jointly controlled entities and associates were carried at fair value. The Group expects that the changes in fair value of the assets and liabilities from year to year will have an impact on its financial results.

Liquidity and Financing

On 31 March 2006, the Group's borrowings, net of bank balances, deposits and cash, amounted to HK$2,730.3 million (31 March 2005: HK$1,195.4 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 61% on 31 March 2005 to 118% on 31 March 2006. It is not the intention of the Group to maintain this high level of gearing, and appropriate measures will be taken to reduce it in the future.

Treasury Policies

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

EMPLOYEES

On 31 March 2006, the number of employees in the Group was approximately 750 (2005: 900) in Hong Kong and Macau, and 11,340 (2005: 11,340) in subsidiaries and jointly controlled entities in the Chinese Mainland. Employee remuneration packages are maintained at competitive levels and employees are rewarded on a performance-related basis. Other staff benefits include provident fund schemes, medical insurance, in-house training and subsidies for job-related seminars, and programmes organized by professional bodies and educational institutes. Share options are granted annually by the Board of Directors to senior management staff members as appropriate. Likewise, in the Chinese Mainland, staff benefits are commensurate with market levels, with an emphasis on provision of training and development opportunities and resources. The Remuneration Committee of the Board has been developing a long-term, share-award, incentive scheme for key executives based on positive total shareholder return achieved for SOCAM shareholders over rolling three year periods which equal or exceed the total shareholder return of the Hang Seng Index for the same periods.

Wong Yuet Leung, Frankie
CHIEF EXECUTIVE OFFICER

Hong Kong, July 2006

Operating in both Hong Kong and the Chinese Mainland, SOCAM is committed to conducting itself in a socially responsible manner. We believe this not only balances the best interests of the communities in which we operate with the interests of our shareholders, but also serves as a hallmark of excellence. We urge all our staff to embrace corporate social responsibility.

A key objective of the Group in Safety and Health is to build a strong safety culture not just among its staff, but also subcontractors and workers

CORPORATE SOCIAL RESPONSIBILITY

CORPORATE GOVERNANCE

We see high standards of corporate governance as an integral part of responsible corporate citizenship. We believe strongly in integrity and fair play and seek to maintain rigorous corporate governance practices, including consistently applied systems and procedures, proper disclosure and transparent reporting, supported by effective functioning of the Board and Board Committees. A detailed corporate governance report is provided on pages 26 to 38.

We believe proper management control applied throughout the organization is a key facet of good corporate governance. In this respect, apart from management systems and procedures, the effectiveness of which we regularly audit through our Corporate Evaluation Team, we intend to build a culture of integrity among our staff. We maintain a strong awareness among all our staff of the need to practice good business ethics through regular training conducted in cooperation with Hong Kong's Independent Commission Against Corruption (ICAC). In addition, key codes of behaviour are highlighted in our Employee Handbook. During 2005 and 2006, in response to the current emphasis of the ICAC and the Hong Kong Stock Exchange, we also provided training on connected transactions to management staff in Hong Kong and the Mainland.

WORKPLACE SAFETY AND HEALTH

As a caring employer, SOCAM considers workplace safety and health to be of paramount importance. We strive to provide safe and healthy work environments as well as to ensure that employees and workers have the highest awareness of occupational safety and health, both for their own benefit and as a means to enhancing the efficiency of our operations.

We have long provided leadership in safety and health within Hong Kong's construction industry. For example, we set up our Safety Committee and also commenced safety audits ahead of other building contractors and long before there were contractual or statutory obligations to do so. In 2001, we became Hong Kong's first construction company to obtain the Occupational Health and Safety Assessment Series (OHSAS) 18001 certification. During the year under review, we obtained 5S certification from the Hong Kong Quality Assurance Agency for workplace housekeeping. Over the years we have won numerous gold awards from the Hong Kong Occupational Safety and Health Council (OSHC) and the Hong Kong Labour Department for our safety management system and practices, in campaigns such as the Construction Industry Safety Award Scheme, the Safe Working Cycle Forum and the Good Housekeeping Campaign. Our continued efforts to build a safety culture among our employees as well as our subcontractors are bearing fruit. An excellent measure of our achievement is that for the past 12 years, the Group's safety performance in terms of its accident rate among workers has

Our cement operations in the Mainland are making continuous improvements towards achieving the ultimate objective of zero accident

always remained at less than one-third of the overall construction industry in Hong Kong. In recent years, our accident rate has been as low as one-quarter of the industry average.

There is a similar focus on safety in our operations in the Mainland. In our own cement operations, for example, we have set the ultimate objective of achieving a zero accident rate and are making continuous improvements through a variety of initiatives. These include strengthening management documentation systems, setting clearly defined safety responsibilities at all levels, undertaking quarterly reviews of safety measures and processes, as well as providing safety training, running safety promotions, and making awards for outstanding safety performance. During 2005, the total number of accidents across the plants in Guizhou dropped by 42% compared to 2004. The strong track record and commitment to safety of our partner Lafarge is a key strength in our joint venture and we expect this to enhance our safety performance going forward. Together, we are determined to implement world-class safety standards.

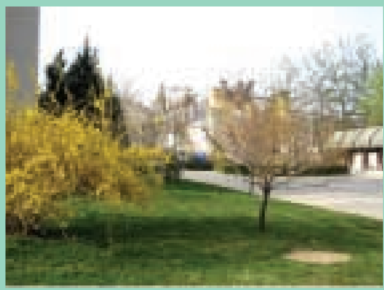
ENVIRONMENTAL MANAGEMENT

Recognising that it is engaged in industries that have the potential to create significant pollution and waste, and consume substantial amounts of energy, SOCAM strives to adopt environmentally sound practices in all its operations to contribute towards a sustainable environment for all.

The Group implements a range of measures in water treatment and recycling, air pollution control and environmental monitoring. In Hong Kong, Shui On Construction (SOC) and Shui On Building Contractors (SOBC) hold the latest ISO 14001:2004 certification for environmental management from the HKQAA. In 2000, they became the first two companies in Hong Kong to receive ISO 14001 certification from the China National Accreditation for Environmental Management System Certification Bodies. Over the years we have also received extensive recognition of our environmental performance. These include numerous awards in the Considerate Contractor Site Award Scheme organised by Hong Kong's Environment, Transport and Works Bureau, various Green Contractor Awards from the Architectural Services Department, and the Green Construction Contractor Merit Award in the Hong Kong Eco-Business Awards.

The Group's outstanding achievements in maintaining construction safety have earned itself numerous awards and recognitions

The Group strives to reduce pollution and waste, and minimise energy consumption in its operations to contribute towards a sustainable environment



In the Mainland, our cement operations have for years successfully recycled industrial waste and adopted measures to minimize pollution and conserve energy. We have been pioneers in using industrial by-products such as fly ash, phosphorous slag and coal gangue - which otherwise would have to be disposed of as solid waste - as blending materials for cement. The Group also continues to invest millions in dust collectors and other environmental equipment in its drive for continuous improvement. Notable achievements during 2005 include a 30% increase over 2004 in the volume of industrial waste used in cement production at our plants in Guizhou. We also made good progress in further reducing coal consumption per tonne of cement production by 3.6% in 2005, which in turn helped reduce emissions besides conserving fuel. Our partner Lafarge is an industry leader in environmental management and will provide further impetus to the newly formed joint venture towards contributing to a sustainable environment.

Shui On Construction and Shui On Building Contractors obtained HKQAA-5S certification from Hong Kong Quality Assurance Agency during the year

The Group runs a range of structured career development programmes and recruits fresh graduates from universities in Hong Kong and the Mainland

PEOPLE DEVELOPMENT

Recognising that people are the most important asset for an organization as well as for a community, we aim at all times to provide an environment where our people can excel, develop and grow. This in turn nurtures talents and helps develop upstanding citizens for the communities in which we operate, whether in Hong Kong or the Mainland.

The Group organises in-house training programmes in accordance with the company's business and management needs. The programmes range from new staff orientation, safety training and supervisory training, to team-building workshops, stress management workshops and management conferences. We provide external training sponsorships in the form of monetary and day-release support, with this also covering enrolment in degree or diploma courses, for staff who wish to enhance their knowledge and skills in their area of work. To facilitate career planning as well as succession planning, Management Development Reviews are conducted from time to time to allow for in-depth discussion of the development needs as well as potential career moves for each of our professional and management staff.

The Group runs a range of structured career development programmes and recruits fresh graduates from universities in Hong Kong and the Mainland. The Graduate Engineer Programme, for example, is a four-year programme that helps young engineering graduates to obtain chartership and take up management and professional positions through professional coaching and support, job rotation, site visits and internal seminars. Our Management Trainee Programme develops high-calibre university graduates for future leadership roles in the Group's operations in Chinese Mainland. Our Health, Safety and Environmental Officer Training Programme is a three-year scheme that develops trainees into fully competent and qualified professionals in the field. In addition, our Apprentice Training Scheme is a four-year programme that trains technical institute graduates to become construction project supervisors.

Apart from Company-initiated programmes, self-development is also strongly encouraged, and we have custom-designed the Shui On Competency Model to provide the framework for staff to develop leadership qualities valued by the Group.

COMMUNITY INVOLVEMENT

The Group has long been active in the community in terms of making charitable donations, supporting scholarships and sponsoring other worthy initiatives. Besides donating to the Community Chest and other causes, such as the Tsunami Relief Fund, our community involvement has a strong focus on education and the environment. For example, we have continued to support the Whole Person Education Foundation which, through initiatives such as seminars at

The Group is devoted to nurturing talents and helping to develop upstanding citizens for the communities in which we operate, whether in Hong Kong or the Mainland

The Charity Walk held by Shui On Seagull Club on 26 March, 2006 raised funds for the Senior Citizen Home Safety Association to provide one-stop services for the elderly living alone

secondary schools, helps young people in Hong Kong to build up character and resilience in the face of an increasingly competitive society. We regularly sponsor environmental and safety initiatives, such as the Project Clean Air, and have set up a permanent university scholarship fund for outstanding Environmental Studies students.

Apart from donating to charity and worthwhile causes, we take pride in our active involvement in developing management talent for the Mainland. We have been a steadfast supporter of the Executive Training Programme for the Western Region of China since its inauguration in 2002, taking in two or more "trainees" every year and providing them with on-the-job training in our operations in Hong Kong. Organized by the Business and Professionals Federation of Hong Kong, the programme provides a one-year internship at sponsoring companies for senior- and middle-level government officials. Since 1998, we have also supported Shanghai University's Shanghai Institute of Business and Management in organizing annual study tours to Hong Kong for participants in their management development programme. These tours include company visits as well as a joint seminar at Hong Kong University of Science and Technology alongside its MBA and executive programme students. Hong Kong students also benefit from this initiative through the opportunity to integrate with business professionals from the Mainland.

In addition to community involvement on the company level, we encourage our employees to be caring and contributing members of society. We initiated and continue to support the Shui On Seagull Club, our employee-run volunteer social service unit registered with the HKSAR Government. The Seagull Club has operated for more than 20 years and encourages staff to engage in volunteer services with a view to improving the welfare of the less fortunate in the community, focusing on the elderly, the handicapped and underprivileged children. The Seagull Club's annual Charity Walk has over the years raised millions of dollars for worthwhile community service organisations in Hong Kong.

Shui On Seagull Club's annual Charity Walk has raised millions of dollars for various social services organizations in Hong Kong

CORPORATE GOVERNANCE REPORT

The Board of Directors of the Company (the "Board") is pleased to present the Corporate Governance Report of the Company for the year ended 31 March 2006.

COMMITMENT TO CORPORATE GOVERNANCE

The Group is firmly committed to maintaining statutory and regulatory standards and regards effective corporate governance as a key component in the Group's sustained development. The Board sets appropriate policies and oversees their implementation both in the affairs of the Board and throughout the Group.

The Company has considered the Principles and complied with all the Code Provisions (except the Code Provisions A.4.1 and A.4.2) of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and has put in place corporate governance practices suitable and relevant to the Group. The details of the above deviations from the CG Code are provided below.

DISTINCTIVE ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

To ensure a balance of power and authority, the positions of the Chairman of the Board and Chief Executive Officer are held by Mr. Lo Hong Sui, Vincent and Mr. Wong Yuet Leung, Frankie respectively. Their respective responsibilities are clearly defined.

The Chairman is responsible for leading the Board in setting the overall strategy and making major development decisions of the Group and monitoring their implementation, to ensure value creation for shareholders. He takes part in cultivating cordial relationships with strategic associates of the Group and creating a favourable environment for the development of the Group's businesses. As leader of the Board, the Chairman also assesses the development needs of the Board as a whole with a view to building its effectiveness as a team and developing the knowledge and expertise of individual Board members and future leaders of the Group.

The Chief Executive Officer is responsible for leading the operations of the Group's businesses to achieve their business and financial targets, proposing strategies to the Board and ensuring the effective implementation of the strategies and policies adopted by the Board, including the building of a strong corporate culture within the Group.

THE BOARD

Responsibilities

The Group's corporate governance emphasizes a practical management of its affairs with high standard of integrity and transparency of information.

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs and overseeing the achievement of the plans to enhance shareholder value. All Directors are expected to take decisions objectively in the interests of the Company.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Non-executive Directors and Independent Non-executive Directors may take independent professional advice at the Company's expense in carrying out their functions, upon making request to the Board.

The Board reserves for its decision all major aspects of the Company, including: the approval and monitoring of all policy matters, overall strategies, resulting business plans (inclusive of annual budgets) and their implementation, internal control and risk management systems, material transactions (in particular those which may involve conflicts of interest), financial information, major capital expenditure, appointment of Directors and other significant financial and operational matters.

All operational decisions are delegated to the Executive Directors led by the Chief Executive Officer. The day-to-day management, administration and operation of the Company are delegated to the management. The delegated functions and work tasks are periodically reviewed. The Board will give clear directions to the management as to their powers of management, and circumstances where management should report back. Approval has to be obtained from the Board prior to any decision being made or any commitments being entered into on behalf of the Company that are outside the limits of the operational authority delegated by the Board.

The management has an obligation to supply the Board and its committees adequate, complete and reliable information in a timely manner to enable them to make informed decisions. The Board and each Director have separate and independent access to the management. The Board has arranged for appropriate insurance cover for the Directors.

Composition

The Board currently comprises nine members — the Chairman and four other Executive Directors, one Non-executive Director and three Independent Non-executive Directors:

Executive Directors:

Mr. Lo Hong Sui, Vincent
(Chairman of the Board, chairman of Strategy Committee and member of Executive Committee and Remuneration Committee)

Mr. Choi Yuk Keung, Lawrence
(chairman of Executive Committee and member of Strategy Committee)

Mr. Wong Yuet Leung, Frankie
(Chief Executive Officer and member of Executive Committee and Strategy Committee)

Mr. Wong Fook Lam, Raymond
(member of Executive Committee and Strategy Committee)

Mrs. Lowe Hoh Wai Wan, Vivien
(member of Executive Committee and Strategy Committee)

Non-executive Director:

Professor Michael John Enright
(member of Audit Committee and Remuneration Committee)

Independent Non-executive Directors:

Mr. Anthony Griffiths
(chairman of Audit Committee and Remuneration Committee)

Mr. Cheng Mo Chi, Moses
(member of Audit Committee and Remuneration Committee)

Professor K.C. Chan
(member of Audit Committee and Remuneration Committee)

None of the members of the Board is related to one another.

During the year ended 31 March 2006, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each Independent Non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all Independent Non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

The Independent Non-executive Directors 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 judgment. The Board considers that each of the Non-executive Director and Independent Non-executive Directors brings his own relevant expertise to the Board and its deliberations.

The Board encourages target-based performance and innovation to achieve the Group's strategies and plans.

Appointment and Re-election of Directors

The Company has established formal, considered and transparent procedures for the appointment and succession planning of Directors.

Code Provision A.4.1 of the CG Code stipulates that Non-executive Directors should be appointed for a specific term, subject to re-election. The Non-executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at annual general meeting in accordance with the Bye-laws of the Company. Under Code Provision A.4.2, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Directors of the Company retire not strictly under Code Provision A.4.2, but in accordance with the Bye-laws which stipulate that one-third of the Directors of the Company, except the Chairman and the Chief Executive Officer, shall retire from office by rotation at each annual general meeting.

The Board considers that all Directors (save for the Chairman and the Chief Executive Officer) are subject to retirement and re-election on a periodic basis under the Bye-laws. The Board also considers that the continuity of leadership is important for the stability and growth of the Company and that both the Chairman and the Chief Executive Officer should not be subject to retirement or hold office for a limited term.

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of Independent Non-executive Directors.

The Board reviews from time to time its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company. Where vacancies on the Board exist, the Chairman will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. External recruitment agencies may be engaged to carry out the recruitment and selection process when necessary.

In accordance with the Company's Bye-laws, Mr. Choi Yuk Keung, Lawrence and Mr. Wong Fook Lam, Raymond shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting. The Board recommends the re-appointment of the Directors standing for re-election at the forthcoming annual general meeting of the Company. The Company's circular dated 28 July 2006 contains detailed information of the Directors standing for re-election.

Training and Continuing Development for 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.

Arrangements have been made to provide each new Director a comprehensive, formal and tailored induction on the first occasion of his/her appointment and continuing briefing and professional development when necessary.

Board Meetings

Number of Meetings and Directors' Attendance

The Board met regularly during the year as well as on an ad hoc basis, as required by business needs, which amounted to four times during the year ended 31 March 2006. Among these four meetings, the Board met twice to approve the final results for the year ended 31 March 2005 and interim results for the period ended 30 September 2005 respectively. The attendance of the Directors at the regular Board meetings is set out in the table on page 30.

Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance.

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep them apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the management whenever necessary.

The Company Secretary of the Company is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interest for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Bye-laws also contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings to approve transactions in which such Directors or any of their associates have a material interest.

BOARD COMMITTEES

The Board has set up four main Board Committees, namely, the Audit Committee, the Remuneration Committee, the Executive Committee and the Strategy Committee, for overseeing particular aspects of the Company's affairs. Each of these four Committees has been established with defined written terms of reference, approved by the Board, which set out the Committee's major duties. These terms of reference are available to shareholders upon request and can also be found on the Company's website at www.shuion.com.

The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Meeting Attendance

The individual attendance record of each Director at the meetings of the Board, Audit Committee, Remuneration Committee, Executive Committee and Strategy Committee during the year ended 31 March 2006 is set out below:

	Attendance/Number of Meetings during the year ended 31 March 2006				
Name of Directors	Regular Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Executive Committee Meetings	Strategy Committee Meetings
Mr. Lo Hong Sui, Vincent	4/4	N/A	3/3	10/10	4/4
Mr. Wong Ying Wai, Wilfred (Resigned on 1 June 2006)	4/4	N/A	N/A	9/10	4/4
Mr. Choi Yuk Keung, Lawrence	4/4	N/A	N/A	10/10	4/4
Mr. Wong Yuet Leung, Frankie	4/4	N/A	N/A	10/10	4/4
Mr. Wong Fook Lam, Raymond	4/4	N/A	N/A	10/10	4/4
Mrs. Lowe Hoh Wai Wan, Vivien	4/4	N/A	N/A	10/10	4/4
Mr. Wong Hak Wood, Louis (Resigned on 1 June 2006)	4/4	N/A	N/A	N/A	2/4
Professor Michael John Enright	4/4	5/5	2/3	N/A	N/A
Mr. Anthony Griffiths	3/4	5/5	3/3	N/A	N/A
Mr. Cheng Mo Chi, Moses	3/4	2/5	3/3	N/A	N/A
Professor K.C. Chan (Appointed on 4 July 2005)	4/4	1/4	2/3	N/A	N/A

1. Audit Committee

   Composition of the Committee

   Mr. Anthony Griffiths (Chairman of the Committee)

   Mr. Cheng Mo Chi, Moses

   Professor K.C. Chan

   Professor Michael John Enright

Except Professor Michael John Enright who is a Non-executive Director, all of the members are the Independent Non-executive Directors of the Company, with the Chairman having the appropriate professional qualifications as required under the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditors. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of public companies. The Board expects the Committee members to exercise independent judgment in conducting the business of the Committee.

Role and duties

Under the terms of reference of the Audit Committee, the principal responsibilities of the Audit Committee include review of the Group's financial statements and the effectiveness of internal control systems. The Audit Committee also oversees the engagement of external auditors and reviews their independence as well as the effectiveness of the audit process. The terms of reference of the Audit Committee, which include the specific duties as set out in the CG Code, is available on the Company's website.

Report on the work performed during the year ended 31 March 2006

The Audit Committee held five meetings during the year. The quorum was two members. Mr. Anthony Griffiths and Professor Michael Enright attended all of the meetings. Mr. Moses Cheng attended two of the meetings and Professor K. C. Chan attended one after his appointment with effect from 4 July 2005. Other attendees of the meetings were the head of the Group's Corporate Evaluation, responsible for internal audit, and, by invitation, the Executive Director and the general manager responsible for the finance and accounting function, together with senior representatives of the external auditors. The Company Secretary acts as the secretary to the Audit Committee.

The work performed by the Audit Committee for the financial year 2005/2006 included reviews of:

- the Group's audited financial statements and other related documents for the year ended 31 March 2005 and the annual results announcement, with a recommendation to the Board for approval;
- the Group's interim financial statements and other related documents for the six months ended 30 September 2005 and the interim results announcement, with a recommendation to the Board for approval;
- the internal control systems of different cement plants of the Group in the Chinese Mainland, as well as the management of the associated business risks;
- the renovation and fitting-out operations in Macau;
- the venture capital funds of the Group;
- the valuation of major assets, including contract receivables and payables, of the Group as at 30 September 2005;
- the changes in accounting policies and major accounting issues arising from the implementation of the new Hong Kong Financial Reporting Standards;

- the accounting treatments for the valuation of investment in Shui On Land Limited ("SOL") and the resultant gains on disposal of the interest in Rainbow City through the co-investment in SOL;
- the connected transactions reported by management in each quarter, including the implementation and compliance of the Company's policy on connected transactions;
- the adequacy of the provision for doubtful debts included in the financial statements at the end of each quarter;
- the report and management letter submitted by the external auditors, which summarized matters arising from their audit on the Group's financial statements for the year ended 31 March 2005;
- the fee proposals of the external auditors for the review of the interim financial statements for the six months ended 30 September 2005 and for the annual audit of the financial statements for the financial year ended 31 March 2006;
- the scope of work of the external auditors and their re-appointment; and
- the annual work programme of the Group's Corporate Evaluation as well as its staffing and resources planning.

2. Remuneration Committee

Composition of the Committee
Mr. Anthony Griffiths (Chairman of the Committee)
Mr. Cheng Mo Chi, Moses
Professor K.C. Chan
Professor Michael John Enright
Mr. Lo Hong Sui, Vincent

Except Mr. Lo Hong Sui, Vincent who is the Chairman of the Board and Professor Michael John Enright who is a Non-executive Director, all of the Committee members are the Independent Non-executive Directors of the Company. Each member is sufficiently experienced and is appropriately skilled in the issues of determining Board pay in public companies. The Board expects the Committee members to exercise independent judgment in conducting the business of the Committee.

Role and duties
Pursuant to the terms of reference of the Remuneration Committee, the main duties of the Remuneration Committee are:

(a) to make recommendation to the Board on the policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(b) to determine, review and approve the specific remuneration packages of all Executive Directors and senior management and make recommendations to the Board of the remuneration of Non-executive Directors, taking into account factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration; and

(c) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

The terms of reference of the Remuneration Committee, which include the specific duties as set out in the CG Code, is available on the Company's website.

Report on the work performed during the year ended 31 March 2006
The Committee met three times during the year under review. The Directors' attendance at the said three meetings held is set out in the table on page 30. Mrs. Lowe Hoh Wai Wan, Vivien, the Executive Director responsible for human resources matters, attends meetings of the Committee by invitation. The Company Secretary acts as the secretary to the Remuneration Committee.

Minutes of the Committee's meetings are distributed to all Directors.

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; and

- 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.

One of the key tasks for the Committee is to determine appropriate structures of total remuneration for the Chief Executive Officer and for the Executive Directors comprising salary, performance bonuses, pension scheme contributions, share option grants and long term incentives. In this work, developments in executive remuneration in Hong Kong, Mainland China and other parts of the world are reviewed and monitored with the assistance of remuneration consultants employed by the Remuneration Committee.

Taking into consideration the independent survey of the remuneration policies and packages it commissioned in 2004/2005, the Committee has reviewed the remuneration structures and composition of the Executive Directors of the Company, deciding:

- The existing remuneration structure is appropriate and competitive.

- The balance between short term and long term elements of remuneration is important and shall be retained.
- Salary levels will continue to be reviewed regularly against those in companies of a similar size or nature listed on The Stock Exchange of Hong Kong Limited and operating in China.
- Greater emphasis will be given to performance, taking into account the different responsibilities of each Executive Director, which will be rewarded by bonus payable for achievement of stretching targets.
- Long term incentives are important and should be based on total shareholder return.
- Share options will be granted relative to individual performance.

The Committee determined during the year that the salary and bonus elements of the remuneration of Executive Directors should normally have the following relationships in respect of the total of salary and bonus:

Remuneration Component	Chief Executive Officer	Executive Directors
Salary and allowances	Half	Five Eighths
Bonus for achievement of targets	Half	Three Eighths

In cases of exceptional performance, the bonus element would be increased relative to performance delivered by potentially up to twice the amount that might be given normally.

The bonus for the Chief Executive Officer is based 75% on the Company's performance and 25% on personal performance and for the Executive Directors the two elements are each 50%.

The Committee also determined the number of share options to vest for participants in the mega grant in respect of the Company's and individual performance for the three years to 26 August 2005 as follows:

Mr. Wong Ying Wai, Wilfred	3,500,000
Mr. Choi Yuk Keung, Lawrence	3,375,000
Mr. Wong Yuet Leung, Frankie	1,600,000
Mr. Wong Fook Lam, Raymond	1,300,000
Mrs. Lowe Hoh Wai Wan, Vivien	1,200,000
Mr. Wong Hak Wood, Louis	1,000,000

No other share options were granted to or vested in Directors during the year and no share options have been granted to Directors during the period of the mega grant scheme (27 August 2002 to 26 August 2005).

The remuneration of the Directors for the year was:

	Salary and Allowances HK$'000	Performance Bonus HK$'000	Pension Scheme Contributions HK$'000	Fees HK$'000	**2006 Total HK$'000**	2005 Total HK$'000
Chairman						
Mr. Lo Hong Sui, Vincent	—	—	—	10	**10**	10
Vice Chairmen						
Mr. Wong Ying Wai, Wilfred	—	—	—	10	**10**	496
Mr. Choi Yuk Keung, Lawrence	3,242	1,263	302	10	**4,817**	5,484
Chief Executive Officer						
Mr. Wong Yuet Leung, Frankie	3,745	1,500	320	10	**5,575**	2,961
Executive Directors						
Mr. Wong Fook Lam, Raymond	2,102	400	177	10	**2,689**	3,057
Mrs. Lowe Hoh Wai Wan, Vivien	1,742	350	149	10	**2,251**	2,147
Non-executive Directors						
Professor Michael John Enright	—	—	—	200	**200**	200
Mr. Wong Hak Wood, Louis	—	—	—	10	**10**	10
Independent Non-executive Directors						
Mr. Anthony Griffiths	—	—	—	200	**200**	200
Professor K. C. Chan	—	—	—	148	**148**	N/A
Mr. Cheng Mo Chi, Moses	—	—	—	200	**200**	100
Mr. Cheung Kin Tung, Marvin	—	—	—	52	**52**	144
Total	10,831	3,513	948	870	**16,162**	14,809

Mr. Cheung Kin Tung, Marvin resigned on 4 July 2005 and Professor K. C. Chan was appointed on the same day. Mr. Wong Ying Wai, Wilfred and Mr. Wong Hak Wood, Louis both resigned on 1 June 2006 in order to focus full time on the affairs of Shui On Land Limited.

The Remuneration Committee commenced work during the year on a new long term incentive scheme, which is based on making share awards to Executive Directors that will vest on the achievement over rolling three year periods of positive total shareholder return that equals or exceeds the total shareholder return of the Hang Seng Index during the same period. It is intended that shareholders will be invited to approve the detailed scheme at a special general meeting to be held on the same day as the forthcoming annual general meeting.

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

3. Executive Committee

Composition of the Committee

The members of the Executive Committee comprise all the Executive Directors of the Company and a number of key executives of the Company. Following the resignation of Mr. Wong Ying Wai, Wilfred as an Executive Director of the Company on 1 June 2006, Mr. Choi Yuk Keung, Lawrence has been appointed as the Chairman of the Committee in place of Mr. Wong Ying Wai, Wilfred.

Role and duties

The main duties of the Executive Committee are:

(a) to plan and allocate resources, human, financial and otherwise, for the execution and implementation of the approved business plans and corporate development strategies;

(b) to update on market developments and discuss major issues arising from the execution of strategies;

(c) to review and approve acquisitions and disposals of assets in the ordinary course of business with investment cost/net book value not exceeding HK$25 million for any single transaction or a series of related transactions, other than notifiable transactions and connected transactions as defined by the Listing Rules;

(d) to review the operating performance and financial position of the Company and its strategic business units on a monthly basis; and

(e) to implement the decisions taken by the Board.

Report on the work performed during the year ended 31 March 2006

During the year ended 31 March 2006, the Executive Committee held ten meetings at an interval of about one month. The Directors' attendance at the said ten meetings held is set out in the table on page 30. The work performed by the Executive Committee during the year ended 31 March 2006 covered the matters as set out in the Committee's terms of reference, including mainly the review of the Group's operating performance against the budget and the monitoring of the development and progress of various projects and joint ventures. New projects have been discussed and evaluated and research into the market situation re public works and the construction market has been conducted. The Executive Committee has also worked on the business plan and budget for the year 2006/2007 for the Board's approval.

Besides the members of the Executive Committee, the Non-executive Director, the Independent Non-executive Directors and other senior management (when relevant) are invited to attend the meetings. All minutes of the meetings of the Executive Committee were sent to the Board members.

4. Strategy Committee

Composition of the Committee

The members of the Strategy Committee, chaired by Mr. Lo Hong Sui, Vincent, comprise all the Executive Directors, the head of the finance and accounting function and other staff of the Group. Mr. Wong Ying Wai, Wilfred and Mr. Wong Hak Wood, Louis have ceased to be members of the Committee following their resignation as an Executive Director and a Non-executive Director of the Company respectively on 1 June 2006.

Role and duties

The main duties of the Strategy Committee are:

(a) to monitor the macro business environment and market trends with respect to the Company's current and potential business areas;

(b) to evaluate and propose the business strategies for ensuring the long-term competitiveness of the Company's core businesses;

(c) to formulate corporate strategies for enhancing the Company's long-term development; and

(d) to review the implementation of set strategies.

Report on the work performed during the year ended 31 March 2006

During the year ended 31 March 2006, the Strategy Committee held four meetings. The Directors' attendance at the said four meetings held is set out in the table on page 30. The work performed by the Strategy Committee during the year ended 31 March 2006 covered the matters as set out in the Committee's terms of reference, including mainly the recommendation of cement operations and property development as the Group's core businesses, the setting of the business strategies for these core businesses, the deployment of resources on these businesses and the evaluation/assessment of various proposed projects and development plans. Strategies proposed were submitted to the Board for approval.

Besides the members of the Executive Committee, the Non-executive Director, the Independent Non-executive Directors and other senior management (when relevant) are invited to attend the meetings.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its 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 year ended 31 March 2006.

The Company has also established written guidelines (the "Employees Written Guidelines") on no less exacting terms than the Model Code for dealings in the Company's securities by relevant employees who are likely to be in possession of unpublished price-sensitive information of the Company or the Company's securities. After making specific enquiry of the relevant employees of the Company, no incident of non-compliance with the Employees Written Guidelines was noted by the Company during the year ended 31 March 2006.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS AND AUDITORS' REMUNERATION

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2006.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Auditors' Report" on page 54.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The remuneration paid and payable to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 March 2006 amounted to HK$3.8 million and HK$14.6 million respectively. The costs incurred for the non-audit services represented professional fees of HK$13.1 million for the preparation of accountants' reports and due diligence reviews for the Group's major acquisitions and investment activities, as well as fees totalling HK$1.5 million for other professional services with respect to tax, accounting and review of interim accounts.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

Pursuant to the Bye-laws, shareholders of the Company holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to convene a special general meeting for the transaction of any specific issues of the Company. Besides, the Bye-laws contain the rights of shareholders and the procedures for demanding a poll voting on resolutions at shareholders' meetings. Details of such rights to demand a poll and the poll procedures are included in all circulars to shareholders and will be explained during the proceedings of shareholders' meetings. In case poll voting is conducted, the poll results will be published in newspapers on the business day following the shareholders' meeting and posted on the website of the Stock Exchange.

The general meetings of the Company provide a forum for communication between the shareholders and the Board. The Chairman of the Board as well as chairmen of all the Board Committees, or in their absence, other members of the respective Committees, are available to answer questions at the shareholders' meetings.

Any enquiries by shareholders requiring the Board's attention can be sent in writing to the Company Secretary at the Company's principal place of business in Hong Kong.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's development. Enquiries from investors are dealt with in an informative and timely manner.

As a channel to further promote effective communication, the Group maintains a website at www.shuion.com where the Company's announcements, business development and operations, financial information, corporate governance practices and other information are posted.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Lo Hong Sui, Vincent, GBS, JP

aged 58, has been the Chairman of the Company since 1997 and is a member of the Remuneration Committee of the Company. He is the chairman of the Shui On Group which he founded 35 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 court member of the Hong Kong University of Science and Technology, 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.

Choi Yuk Keung, Lawrence

aged 52, 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. He was a director of Shui On Land Limited from May 2004 to May 2006. 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 57, 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 the managing director of Shui On Holdings Limited since 1991. He was a director of Shui On Land Limited from May 2004 to May 2006. 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. He is one of the trustees of the Shui On Provident and Retirement Scheme.

Wong Fook Lam, Raymond

aged 51, is the Chief Financial Officer of the Company and has been an Executive Director 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. He is one of the trustees of the Shui On Provident and Retirement Scheme.

Lowe Hoh Wai Wan, Vivien

aged 57, has been an Executive Director of the Company since 1997. She joined the Shui On Group in 1980 and has been an executive director of Shui On (Contractors) Limited since 1993. She holds a Bachelor of Arts degree in Sociology from the State University of New York, a Master of Arts degree in Sociology from the University of Illinois, and a Doctor of Philosophy degree in Sociology from the University of Wisconsin. She is a member of the Occupational Deafness Compensation Board. She is one of the trustees of the Shui On Provident and Retirement Scheme.

Wong Ying Wai, Wilfred JP

aged 53, was formerly 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 an 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, a board member of HKSAR Airport Authority, a member of HKSAR Commission on Strategic Development, 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. He was educated at Harvard University, Oxford University, The University of Hong Kong and The Chinese University of Hong Kong.

Mr. Wong has resigned as a Director and Vice-Chairman of the Company with effect from 1 June 2006.

NON-EXECUTIVE DIRECTORS

Professor Enright, Michael John

aged 47, 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 a director of Shui On Land Limited from May 2004 to May 2006. He is a member of the Audit and Remuneration Committees of the Company.

Wong Hak Wood, Louis

aged 55, 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 is currently a member of the Chinese People's Political Consultative Conference Committee of Luwan District of Shanghai, vice president of the Shanghai Real Estate Trade Association, vice president of the Hong Kong Association for the Advancement of Real Estate and Construction Technology Ltd, a governing council member of the Construction Industry Institute of Hong Kong and a member of the Occupational Safety and Health Council in Hong Kong. He has also served as a member of the Construction Industry Training Authority, first vice president of the Hong Kong Construction Association, a director of the Real Estate Developers Association of Hong Kong, a member of the Construction Advisory Board in Hong Kong, chairman of the Departmental Advisory Committee for the Department of Building and Construction of the City University of Hong Kong, a member of the Provisional Construction Industry Co-ordination Board, a member of the Corruption Prevention Advisory Committee of the Independent Commission Against Corruption and honorary president of the Hong Kong Institution of Construction Engineers. He holds a Bachelor of Science Degree in Civil Engineering from the University of Manchester and is a Fellow of the Institution of Civil Engineers and a member of the Hong Kong Institution of Engineers.

Mr. Wong has resigned as a Director of the Company with effect from 1 June 2006.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Griffiths, Anthony

aged 62, 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, 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. He is also the chairman of trustees of the Shui On Provident and Retirement Scheme.

Cheng Mo Chi, Moses

aged 56, 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 Limited (formerly known as China Mobile (Hong Kong) Limited), City Telecom (HK) Limited, Guangdong Investment Limited, Kader Holdings Company Limited, Galaxy Entertainment Group Limited (formerly known as K. Wah Construction Materials Limited), Liu Chong Hing Investment Limited, China COSCO Holdings Company Limited, China Resources Enterprise, Limited, Hong Kong Exchanges and Clearing Limited and Tian An China Investments Company Limited. During the past three years, he was a director of Stockmartnet Holdings Ltd., COL Capital Limited, Pokfulam Development Company Limited, Kingway Brewery Holdings Limited and Quality HealthCare Asia Limited, all of which are listed on The Stock Exchange of Hong Kong Limited. He is a member of the Audit and Remuneration Committees of the Company.

Professor Chan, K. C., JP

aged 49, was appointed as an Independent Non-executive Director of the Company in July 2005. He is Dean of Business and Management at Hong Kong University of Science and Technology (HKUST). Before joining HKUST in 1994, he was on the faculty of the Ohio State University in the United States. He 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, and is listed in Who's Who in Economics. He is the chairman of Consumer Council, and a member of Exchange Fund Advisory Committee, Commission for Strategic Development, Hang Seng Index Advisory Committee, and council member of Association of Asia-Pacific Business Schools. He was appointed Justice of the Peace in 2006 by the Government of the HKSAR. He is a member of the Audit and Remuneration Committees of the Company.

SENIOR MANAGEMENT

Chan Cheu Hung, William

aged 58, is an executive director of Shui On Building Materials Limited, Guizhou Shui On Cement Development Management Co., Ltd. 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 53, is an 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.

Lau Ping Cheung, SBS

aged 55, worked for Shui On Construction Company Limited from 1982 to 1987 as senior contracts manager and re-joined the Company in October 2005 as director - property development. A chartered surveyor by profession, he was educated at the Hong Kong Polytechnic and holds a Master degree in Construction Project Management from The University of Hong Kong. He is a past president and a fellow of the Hong Kong Institute of Surveyor, past chairman and a fellow of the Royal Institution of Chartered Surveyors (Hong Kong branch), an authorized person under the Buildings Ordinance, a member of the Legislative Council from 2000 to 2004, a member of The Tenth Chinese People's Political Consultative Conference of Shanghai, a council member of both the China Overseas Friendship Association and Shanghai Overseas Friendship Association, and a council member of the City University of Hong Kong. Prior to re-joining the Company, he had over 30 years of experience in property development, construction and related consultancy both in Hong Kong and the Mainland.

Lai Shu Shum, Alfred

aged 46, is the chief financial officer of Lafarge Shui On Cement Limited, the joint venture between the Company and Lafarge S.A.. He joined the Shui On Group in February 2006 and has substantial China as well as international exposure. He holds a Bachelor of Science degree in Economics from the University of London and a Master's degree in Business Administration from Heriot-Watt University. He is a Fellow of the Association of Chartered Certified Accountants and an Associate of the Institute of Chartered Accountants in Australia and the Hong Kong Institute of Certified Public Accountants.

Leung Kam Woon, Barnabas

aged 59, is the business development director of the construction materials division. He joined the Shui On Group in 1978 and is currently involved in the Lafarge Shui On 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 54, is the general manager of the construction materials division and is currently involved in the joint-venture cement business in Yunnan. He joined the Shui On Group in 1982 and has ample experience in quarrying and management of cement operations in 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.

Lee Chi Keung, Lawrence

aged 55, is the general manager - finance and accounts of the cement business in Chongqing. He joined the Shui On Group in 2005 and has many years of banking and corporate finance experience in Hong Kong and in the Chinese Mainland. He holds a Bachelor of Social Sciences degree in Economics / Statistics from The University of Hong Kong and a Master's degree in Business Administration from Sichuan United University.

Ng Yat Hon, Gilbert

aged 45, is the general manager of Pat Davie Limited. He joined the Shui On Group in 1996 and has over 20 years of experience in construction. He holds a Bachelor's degree in Civil Engineering from University of Manchester and a Master's degree in Project Management from University of New South Wales and is a chartered civil engineer.

Chan Ngai Shing, David

aged 51, 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. He is a member of the Hong Kong Institute of Real Estate Administration. He is currently a council member of the Hong Kong Construction Association.

Li Chi Keung, Evans

aged 45, 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.

Chong Wai Sang, Edmond

aged 41, is the company secretary of the Company and joined the Shui On Group since 2005. He is a qualified lawyer and a member of CPA Australia.

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 March 2006.

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 43, 44 and 45 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 55.

The Directors now recommend the payment of a final dividend of HK$0.25 per share to the shareholders on the register of members on 23 August 2006, amounting to HK$69.1 million.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 30 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 are set out in note 31 to the financial statements.

Under the Companies Act 1981 of Bermuda (as amended), in addition to retained profits, contributed surplus is also distributable to the shareholders of the Company. However, the 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.

As at 31 March 2006, the Company's reserves, including the contributed surplus, available for distribution to shareholders amounted to HK$631.9 million (2005: HK$877.7 million).

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 134.

INVESTMENT PROPERTIES

The Group's investment properties were revalued at 31 March 2006, as set out in note 15 to the financial statements. The decrease in fair value amounting to HK$0.3 million has been charged to the consolidated income statement.

PROPERTY, PLANT AND EQUIPMENT

Details of additions to and other movements during the year in the property, plant and equipment of the Group are set out in note 16 to the financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group at 31 March 2006 are set out on page 133.

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	(resigned on 1 June 2006)
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	(resigned on 1 June 2006)
Professor Enright, Michael John	

Independent Non-executive Directors:

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

In accordance with the Company's Bye-laws, Mr. Choi Yuk Keung, Lawrence and Mr. Wong Fook Lam, Raymond retire by rotation at the forthcoming annual general meeting and, being eligible, offers 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 and Independent 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 2006, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (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) and the Model Code for Securities Transactions by Directors of Listed Companies or 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	—	183,183,000 (Note)
Mr. Wong Ying Wai, Wilfred (resigned on 1 June 2006)	620,000	—
Mr. Choi Yuk Keung, Lawrence	600,000	—
Mr. Wong Hak Wood, Louis (resigned on 1 June 2006)	1,228,000	—
Mrs. Lowe Hoh Wai Wan, Vivien	190,000	—

Note: The 183,183,000 shares are held as to 166,148,000 shares and 17,035,000 shares respectively by the ultimate holding company, Shui On Company Limited ("SOCL") and Shui On Finance Company Limited, 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.

Save as disclosed above and the section headed "Share Options" below, none of the Directors and chief executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as at 31 March 2006.

SHARE OPTIONS

Particulars of the Company's share option schemes are set out in note 36 to the financial statements.

The grants of options on or after 27 August 2002 were made pursuant to the share option scheme of the Company adopted on 27 August 2002. The grants of options prior to 27 August 2002 were made under the share option scheme of the Company ("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.

SHARE OPTIONS - continued

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 1.4.2005	Granted during the year (Note a)	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31.3.2006	Period during which options outstanding at 31.3.2006 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	80,000	—	—	—	—	80,000	27.2.2003 to 26.8.2007	—
(resigned on 1 June 2006)	27.8.2002	6.00	5,000,000	—	—	—	(1,500,000)	3,500,000	27.8.2005 to 26.8.2010	—
Mr. Choi Yuk Keung, Lawrence	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	—	(1,200,000)	—	(1,625,000)	2,175,000	27.8.2005 to 26.8.2010	9.25
Mr. Wong Yuet Leung, Frankie	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	—	—	—	(400,000)	1,600,000	27.8.2005 to 26.8.2010	—
Mr. Wong Fook Lam, Raymond	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	—	—	—	(700,000)	1,300,000	27.8.2005 to 26.8.2010	—
Mrs. Lowe Hoh Wai Wan, Vivien	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	—	(300,000)	—	(800,000)	900,000	27.8.2005 to 26.8.2010	9.45
Mr. Wong Hak Wood, Louis	4.7.2000	9.56	280,000	—	—	—	(280,000)	—	4.1.2001 to 3.7.2005	—
(resigned on 1 June 2006)	17.7.2001	9.30	280,000	—	—	—	—	280,000	17.1.2002 to 16.7.2006	—
	27.8.2002	6.00	88,000	—	—	—	—	88,000	27.2.2003 to 26.8.2007	
	27.8.2002	6.00	2,000,000	—	—	—	(1,000,000)	1,000,000	27.8.2005 to 26.8.2010	—
Sub-total			20,482,000	—	(1,500,000)	—	(6,895,000)	12,087,000		
Other employees										
(in aggregate)	4.7.2000	9.56	988,000	—	(6,000)	(26,000)	(956,000)	—	4.1.2001 to 3.7.2005	9.15
	17.7.2001	9.30	1,124,000	—	(988,000)	(40,000)	—	96,000	17.1.2002 to 16.7.2006	14.22
	27.8.2002	6.00	858,000	—	(432,000)	(44,000)	—	382,000	27.2.2003 to 26.8.2007	11.99
	27.8.2002	6.00	4,000,000	—	(1,690,000)	(1,700,000)	—	610,000	27.8.2005 to 26.8.2010	11.15
	4.8.2003	5.80	484,000	—	(154,000)	(16,000)	—	314,000	4.2.2004 to 3.8.2008	10.28
	26.7.2004	7.25	986,000	—	(334,000)	(20,000)	—	632,000	26.1.2005 to 25.7.2009	11.73
	29.7.2005	9.30	—	1,154,000	(148,000)	(20,000)	—	986,000	29.1.2006 to 28.7.2010	16.62
Sub- total			8,440,000	1,154,000	(3,752,000)	(1,866,000)	(956,000)	3,020,000		
			28,922,000	1,154,000	(5,252,000)	(1,866,000)	(7,851,000)	15,107,000		

As at 17 July 2006, 13,309,000 shares may be issued upon exercise of all outstanding options granted. This represents approximately 4.81% of the shares in issue.

Notes:

a. The closing price of the Company's shares preceding the date on which the options were granted was HK$9.25.

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.

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 2006, 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:

Interests in the shares

Name	Number of ordinary shares in the Company	Percentage of shareholding in the Company
Cheah Cheng Hye	16,144,000 (Note a)	5.88%
John Zwaanstra & Michael William Moore	13,799,000 (Note b)	5.02%

Notes:

a. These shares are held by Value Partners Limited which is controlled by Mr. Cheah Cheng Hye.

b. These shares are held by Penta Investment Advisers Limited which is jointly controlled by Mr. John Zwaanstra and Mr. Michael William Moore.

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.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 March 2006 with the Code of Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") save as disclosed below.

Code Provision A.4.1 of the CG Code stipulates that Non-executive Directors and Independent Non-executive Directors should be appointed for a specific term, subject to re-election. The Non-executive Director and Independent Non-executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at annual general meeting in accordance with the Bye-laws of the Company. Under Code Provision A.4.2, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Directors of the Company retire not strictly under Code Provision A.4.2, but in accordance with the Bye-laws which stipulate that one-third of the Directors of the Company, except the Chairman and the Chief Executive Officer, shall retire from office by rotation at each annual general meeting.

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 code of conduct regarding Directors' securities transactions. The Directors confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the year.

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 Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

CONNECTED TRANSACTIONS

a. On 2 September 2005, Shui On Construction Company Limited ("SOC"), a wholly owned subsidiary of the Company, entered into an agreement with Focus Well Limited ("Focus Well"), a wholly owned subsidiary of the Company's ultimate holding company, SOCL, pursuant to which SOC would provide project management services to Focus Well in respect of the development, construction and refurbishment of a commercial complex in Guangzhou, the PRC. The fee for the project management services is equal to 5% of the total construction costs, design and consultancy fees for the project, which amounts to approximately RMB15 million (about HK$14.4 million). Details of the transaction are set out in an announcement of the Company dated 5 September 2005.

b. On 2 November 2005, Panyu Dynamic Mark Steel & Aluminium Engineering Company Limited, a non-wholly owned subsidiary of the Company, entered into a sub-contract with Shui On (Panyu) Stainless Steel & Aluminium Products Company Limited ("Shui On Panyu"), a company in which the Company has 50% interest and Guangzhou Panyu Guanglu Industrial Company Limited ("Panyu Guanglu") has a 45% interest. Panyu Guanglu is a company in which Mr. Li Qiao Zi, a director of certain subsidiaries of the Company, has more than a 50% interest. Under the sub-contract, Shui On Panyu was commissioned to manufacture and install 152 prefabricated shop units at designated underground stations in Guangzhou, the PRC, for a total consideration of approximately RMB5.3 million (about HK$5.1 million). Details of the transaction are set out in an announcement of the Company dated 20 January 2006.

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 of 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, individual performance and comparable market statistics.

The Company has adopted share option schemes as an incentive to Directors and eligible employees, details of the schemes are set out in note 36 to the financial statements.

PROVIDENT AND RETIREMENT FUND SCHEMES

Details of the Group's provident and retirement fund schemes are shown in note 33 to the financial statements.

MAJOR SUPPLIERS AND MAJOR CUSTOMERS

The five largest suppliers of the Group accounted for less than 25% of the total purchases of the Group in the year.

The five largest customers of the Group accounted for approximately 68% 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 and five largest suppliers.

DONATIONS

During the year, the Company and its subsidiaries made donations of HK$3.5 million to business associations and institutions.

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 2006.

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$901.4 million as at 31 March 2006, details of which are as follows:

		Balance as at 31 March 2006				
		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
Biella Enterprises Limited	20%	0.1	—	—	—	0.1
Brisfull Limited	50%	0.2	41.8	—	—	42.0
Chongqing Foreign Investment Consultation and Service Co. Ltd.	30%	1.3	—	—	—	1.3
Coral Waters (Barbados) SRL	50%	15.0	—	—	—	15.0
Guangzhou On Track Construction Precast Products Co. Ltd.	40%	1.7	—	—	—	1.7
Guizhou Bijie Shui On Cement Co. Ltd.	80%	6.1	30.0	—	—	36.1
Guizhou Changda Shui On Cement Co. Ltd.	51%	0.5	—	—	—	0.5
Guizhou Kaili Ken On Concrete Co. Ltd.	75%	3.3	1.9	—	—	5.2
Guizhou Kaili Shui On Cement Co. Ltd.	90%	20.0	20.0	—	—	40.0
Guizhou Shuicheng Shui On Cement Co. Ltd.	31.5%	0.1	—	—	—	0.1
Guizhou Xinpu Shui On Cement Co. Ltd.	36%	0.7	—	—	—	0.7
Guizhou Xishui Shui On Cement Co. Ltd.	90%	28.6	—	—	—	28.6
Guizhou Zunyi Ken On Concrete Co. Ltd.	75%	2.4	2.8	—	—	5.2
Guizhou Zunyi Shui On Cement Co. Ltd.	80%	39.1	10.0	—	—	49.1
Lafarge Shui On Cement Limited	45%	19.7	—	—	—	19.7
Lamma Yue Jie Co. Ltd.	60%	16.9	—	—	—	16.9
Mountain Breeze (Barbados) SRL	50%	0.2	—	—	—	0.2
Mountain Mist (Barbados) SRL	45%	1.6	—	—	—	1.6
Nanjing Jiangnan Cement Company Limited	60%	119.7	—	—	—	119.7
Shanghai Shui On Construction Co. Ltd.	50%	28.9	—	—	—	28.9
Shui On Land Limited	30.99%	—	—	—	389.8	389.8
Shui On (Panyu) Stainless Steel & Aluminium Products Company Limited	50%	0.9	—	—	—	0.9

DISCLOSURE UNDER RULE 13.21 AND RULE 13.22 OF THE LISTING RULES - continued

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

		Balance as at 31 March 2006				
		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
Sichuan Hejiang Shui On Cement Co. Ltd.	90%	1.4	15.9	—	—	17.3
Sommerset Investments Limited	45%	0.7	—	—	—	0.7
Super Race Limited	50%	—	—	5.0	—	5.0
The Yangtze Ventures II Limited	75.4%	75.4	—	—	—	75.4
		384.5	122.4	5.0	389.8	901.7

The proforma combined balance sheet of the above affiliated companies as at 31 March 2006 is as follows:

	HK$ million
Non-current assets	18,624.5
Current assets	11,431.2
Current liabilities	(8,124.7)
Net current assets	3,306.5
Non-current liabilities	(9,303.9)
Minority interests	(482.5)
Net assets	12,144.6

Details of the above affiliated companies are set out in notes 44 and 45 to the financial statements.

DISCLOSURE UNDER RULE 13.21 AND RULE 13.22 OF THE LISTING RULES - continued

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

Notes:

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

Affiliated companies	**Interest rate per annum**
Brisfull Ltd.	Fixed at 2.5%
Guizhou Bijie Shui On Cement Co. Ltd.	HIBOR + 2%
Guizhou Kaili Ken On Concrete Co. Ltd.	HIBOR + 2%
Guizhou Kaili Shui On Cement Co. Ltd.	HIBOR + 2%
Guizhou Zunyi Ken On Concrete Co. Ltd.	HIBOR + 2%
Guizhou Zunyi Shui On Cement Co. Ltd.	HIBOR + 2%
Sichuan Hejiang Shui On Cement Co. Ltd.	HIBOR + 2%

b. The guarantee given by the Group to Super Race Limited was in favour of a financial institution for granting credit facility to this company.

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

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

As at 31 March 2006, the total exposure on capital commitments reported by the affiliated companies amounted to approximately HK$1,608.7 million. The contingent liabilities of the affiliated companies as at 31 March 2006 are set out in note 20 to the financial statements.

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

The Company was granted the following banking facilities:

a. a 3-year revolving loan of HK$150 million in April 2004;

b. two 3-year revolving loans, each amounting to HK$200 million and totalling HK$400 million, in October 2004;

c. a 2-year revolving loan of HK$200 million in January 2005; and

d. a 3-year term loan of HK$200 million in February 2005.

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% 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

17 July 2006

AUDITORS' REPORT

Deloitte.
德勤

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

We have audited the consolidated financial statements of Shui On Construction and Materials Limited (the "Company") and its subsidiaries (the "Group") on pages 55 to 132 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 consolidated financial statements which give a true and fair view. In preparing consolidated 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 consolidated 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 Hong Kong Standards on Auditing 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 consolidated financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the circumstances of 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 consolidated financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2006 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
17 July 2006

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2006

	Notes	2006 HK$ million	2005 HK$ million (restated)
Continuing operations			
Turnover			
The Company and its subsidiaries		1,400.2	1,882.9
Share of jointly controlled entities		989.2	823.8
		2,389.4	2,706.7
Group turnover	6	1,400.2	1,882.9
Other income	7	59.4	22.5
Changes in inventories of finished goods, work in progress, contract work in progress and properties held for sale		64.9	(125.7)
Raw materials and consumables used		(210.7)	(260.4)
Staff costs		(240.3)	(244.7)
Depreciation and amortisation expenses		(9.7)	(13.0)
Subcontracting, external labour costs and other expenses		(1,037.6)	(1,275.3)
Decrease in fair value of investment properties		(0.3)	—
Loss on disposal of investment property		—	(6.5)
Net increase (decrease) in fair value of financial assets at fair value through profit or loss/investments in securities		139.2	(0.8)
Finance costs	8	(93.5)	(15.2)
Impairment loss recognised in respect of goodwill arising on acquisition of subsidiaries		(26.2)	—
Impairment loss recognised in respect of interests in jointly controlled entities		(73.7)	—
Change in fair value of net assets contributed to a jointly controlled entity		38.7	—
Gain on disposal of subsidiaries		—	345.7
Loss on deemed disposal of an associate		(10.3)	—
Share of results of jointly controlled entities		154.2	170.8
Share of results of associates	20(a)	209.9	65.1
Profit before taxation		364.2	545.4
Taxation	9	(7.6)	(1.2)
Profit for the year from continuing operations		356.6	544.2
Discontinued operations			
Loss for the year from discontinued operations	11	(5.2)	(59.6)
Profit for the year	12	351.4	484.6
Attributable to:			
Equity holders of the Company		314.8	481.9
Minority interests		36.6	2.7
		351.4	484.6
Dividends	13		
Paid		113.7	154.5
Proposed		69.1	80.8
Earnings per share	14		
From continuing and discontinued operations			
Basic		HK$1.16	HK$1.79
Diluted		HK$0.69	HK$1.62
From continuing operations			
Basic		HK$1.18	HK$2.01
Diluted		HK$0.71	HK$1.84

CONSOLIDATED BALANCE SHEET
As at 31 March 2006

	Notes	2006 HK$ million	2005 HK$ million (restated)
Non-current Assets			
Investment properties	15	58.5	—
Property, plant and equipment	16	28.5	25.4
Prepaid lease payments	17	53.9	17.4
Negative goodwill	18	—	(0.5)
Interests in jointly controlled entities	19	2,272.4	636.6
Interests in associates	20	1,643.6	1,713.8
Convertible redeemable participating junior preference shares	20	300.0	—
Club memberships		1.2	1.2
Financial assets at fair value through profit or loss	21	223.4	—
Investments in securities	21	—	12.4
Amounts due from jointly controlled entities	22	—	293.6
Deferred tax assets	32	1.0	0.8
Defined benefit assets	33	65.8	18.8
		4,648.3	2,719.5
Current Assets			
Inventories	23	17.2	13.5
Prepaid lease payments	17	1.2	0.4
Properties held for sale		55.3	55.5
Debtors, deposits and prepayments	24	474.1	566.1
Derivative financial instruments	20	89.8	—
Amounts due from customers for contract work	23	71.5	73.9
Amounts due from jointly controlled entities	22	506.6	491.9
Amounts due from associates	25	0.3	0.1
Amounts due from related companies	26	3.1	0.5
Taxation recoverable		0.4	7.3
Bank balances, deposits and cash	24	83.0	58.4
		1,302.5	1,267.6
Non-current assets held for sale	27	31.7	—
		1,334.2	1,267.6

	Notes	**2006** HK$ million	2005 HK$ million (restated)
Current Liabilities			
Creditors and accrued charges	28	539.1	540.2
Amounts due to customers for contract work	23	127.7	194.5
Amounts due to jointly controlled entities	22	75.3	24.1
Amounts due to associates	25	0.2	—
Amounts due to related companies	26	0.1	—
Taxation payable		5.7	2.2
Bank borrowings due within one year	29	1,294.3	253.8
		2,042.4	1,014.8
Net Current (Liabilities) Assets		(708.2)	252.8
Total Assets Less Current Liabilities		3,940.1	2,972.3
Capital and Reserves			
Share capital	30	274.6	269.4
Reserves	31	2,048.0	1,673.8
Total equity attributable to equity holders of the Company		2,322.6	1,943.2
Minority interests		98.5	29.1
		2,421.1	1,972.3
Non-current Liability			
Bank borrowings	29	1,519.0	1,000.0
		3,940.1	2,972.3

The consolidated financial statements on pages 55 to 132 were approved and authorised for issue by the Board of Directors on 17 July 2006 and are signed on its behalf by:

Wong Yuet Leung, Frankie	**Wong Fook Lam, Raymond**
Chief Executive Officer	Executive Director

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 31 March 2006

	2006 HK$ million	2005 HK$ million (restated)
Exchange differences arising in translation of financial statements of operations outside Hong Kong	36.5	(2.1)
Recognition of actuarial gain	36.1	28.4
Share of reserves of an associate	9.0	—
Net income recognised directly in equity	81.6	26.3
Profit for the year	351.4	484.6
Total recognised income and expense for the year	433.0	510.9
Attributable to:		
Equity holders of the Company	396.4	508.2
Minority interests	36.6	2.7
	433.0	510.9
Effect of changes in accounting policies (note 2)		
Attributable to equity holders of the Company		
Decrease in properties revaluation reserve at the beginning of the year	(21.1)	(18.7)
Decrease in negative goodwill at the beginning of the year	(0.5)	—
Increase (decrease) in retained profits at the beginning of the year	108.8	(21.2)
Increase in share option reserve at the beginning of the year	1.1	0.1
Increase in actuarial gain and loss at the beginning of the year	28.4	—
	116.7	(39.8)
Attributable to minority interests	29.1	28.6
	145.8	(11.2)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2006

	2006 HK$ million	2005 HK$ million (restated)
OPERATING ACTIVITIES		
Profit before taxation	364.2	545.4
Adjustments for:		
Loss for the year from discontinued operations	(5.2)	(59.6)
Impairment loss recognised in respect of goodwill arising on acquisition of subsidiaries	26.2	—
Impairment loss recognised in respect of interests in jointly controlled entities	73.7	—
Change in fair value of net assets contributed to a jointly controlled entity	(38.7)	—
Gain on disposal of subsidiaries	—	(345.7)
Gain on disposal of discontinued operations	—	(25.9)
Loss on deemed disposal of an associate	10.3	—
Share of results of jointly controlled entities	(154.2)	(163.6)
Share of results of associates	(209.9)	(65.1)
Interest income	(29.4)	(7.9)
Finance costs	93.7	16.4
Interest from convertible redeemable participating junior preference shares	(20.1)	(14.0)
Dividends from unlisted investments	—	(1.1)
Dividends from listed investments	(0.6)	(0.5)
Loss on disposal of investment property	—	6.5
Decrease in fair value of investment properties	0.3	—
Net (increase) decrease in fair value of financial assets at fair value through profit or loss/ investments in securities	(139.2)	0.8
Depreciation of property, plant and equipment	8.9	29.3
Amortisation of site establishment expenditure	—	4.5
Amortisation of prepaid lease payments	0.8	0.3
Loss on disposal of property, plant and equipment	0.6	1.3
Impairment loss on property, plant and equipment	0.5	7.6
Impairment loss on other receivables	9.6	—
Release of negative goodwill	—	(0.2)
Share-based payment expense	1.8	1.0
Increase in defined benefit assets	(10.9)	(15.6)
Operating cash flows before movements in working capital	(17.6)	(86.1)

	2006 HK$ million	2005 HK$ million (restated)
Operating cash flows before movements in working capital	(17.6)	(86.1)
Decrease in inventories	—	24.6
Decrease in properties held for sale	0.2	1.6
Decrease in debtors, deposits and prepayments	121.4	93.6
Decrease in amounts due from customers for contract work	2.4	24.5
Increase in amounts due from related companies	(2.6)	(0.3)
Increase in amounts due from associates	(0.2)	—
Increase in amounts due from jointly controlled entities	(6.9)	(152.2)
Increase (decrease) in creditors and accrued charges	1.5	(43.4)
(Decrease) increase in amounts due to customers for contract work	(66.8)	94.8
(Decrease) increase in amounts due to jointly controlled entities	(1.9)	4.7
Increase in amounts due to associates	0.2	—
Increase (decrease) in amounts due to related companies	0.1	(0.1)
Cash from (used in) operations	29.8	(38.3)
Hong Kong Profits Tax paid	(5.4)	(1.8)
Hong Kong Profits Tax refunded	8.0	—
NET CASH FROM (USED IN) OPERATING ACTIVITIES	32.4	(40.1)
INVESTING ACTIVITIES		
Investments in jointly controlled entities	(459.2)	(50.3)
Advances to jointly controlled entities	(293.0)	(26.9)
Contribution to a jointly controlled entity (note 38)	(240.3)	—
Investment in convertible redeemable participating junior preference shares	(146.2)	(243.6)
Purchases of investment securities	(66.5)	(0.4)
Acquisition of subsidiaries (notes 37(a) and 37(b))	(47.8)	—
Purchases of property, plant and equipment	(6.9)	(6.8)
Dividends received from jointly controlled entities	106.7	129.6
Interest received from convertible redeemable participating junior preference shares	23.5	14.0
Proceeds on sales of investment securities	12.4	—
Interest received	8.7	7.9
Proceeds on sales of property, plant and equipment	3.4	7.9
Dividends received from listed investments	0.6	0.5
Net cash outflow arising from disposal of subsidiaries	—	(478.4)
Deposits paid for acquisition of a jointly controlled entity	—	(75.5)
Additions to property under development	—	(43.6)
Site establishment costs expended	—	(0.6)
Decrease in pledged bank deposit	—	527.8
Proceeds on sales of an investment property	—	133.5
Amount repaid from an associate	—	130.0
Dividends received from unlisted investments	—	1.1
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(1,104.6)	26.2

	2006 HK$ million	2005 HK$ million (restated)
FINANCING ACTIVITIES		
New bank loans raised	1,883.1	223.4
Net proceeds received on issue of shares	35.6	10.0
Repayments of bank loans	(624.3)	(102.9)
Interest paid	(89.0)	(16.4)
Other borrowing costs paid	(4.7)	—
Capital contribution from minority shareholders	10.7	5.4
Dividends paid	(113.7)	(154.5)
Dividends paid to minority shareholders	(1.4)	(1.5)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	1,096.3	(36.5)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	24.1	(50.4)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	58.3	110.1
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	0.6	(1.4)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	83.0	58.3
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances, deposits and cash	83.0	58.4
Bank overdrafts	—	(0.1)
	83.0	58.3

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

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 address of the registered office and principal place of business of the Company are disclosed in Corporate Information in the annual report.

The principal activity of the Company is investment holding. Its subsidiaries, jointly controlled entities and associates are principally engaged in construction and contracting, renovation and fitting out, manufacturing and sales of cement, property development, property investment and investment holding.

The financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations ("INTs") (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1 January 2005 except for HKAS 40 "Investment Property" and HK(SIC)-Int 21 "Income Taxes — Recovery of Revalued Non-Depreciable Assets" which the Group has elected for early application for the year ended 31 March 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of recognised income and expense. In particular, the presentation of minority interests and share of tax of associates and jointly controlled entities has been changed. In addition, the loans with agreements to refinance on a long term basis completed after the balance sheet date and before the financial statements authorised for issue have been classified as current liabilities. The changes in presentation have been applied retrospectively.

The application of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and/or prior accounting years are prepared and presented.

The Group has early applied HKAS 19 (Amendment) "Actuarial Gains and Losses, Group Plans and Disclosures" in the preparation of the consolidated financial statements for the year ended 31 March 2006. Following the adoption of HKAS 19 (Amendment), actuarial gains and losses generated during the year have been recognised in the statement of recognised income and expense. In prior years, actuarial gains and losses which exceeded 10 per cent of the greater of the present value of the Group's pension obligations and the fair value of plan assets were amortised over the expected remaining service period of the participating employees. The Group is required to apply HKAS 19 (Amendment) retrospectively. Accordingly, comparative figures have been restated (see note 2A for the financial impact).

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES - continued

Business Combinations

In the current year, the Group has applied the transitional provisions of HKFRS 3 "Business Combinations" to goodwill acquired in business combinations for which the agreement date was before 1 January 2005. The principal effects of the application of transitional provisions of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions prior to 1 April 2001 was held in reserves, and goodwill arising on acquisitions after 1 April 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves continues to be held in reserves and will be transferred to the retained profits of the Group at the time when the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired. Goodwill arising on acquisition after 1 April 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition.

In the current year, the Group has also applied HKAS 21 "The Effects of Changes in Foreign Exchange Rates" which requires goodwill to be treated as assets and liabilities of the foreign operation and translated at the closing rate at each balance sheet date. Previously, goodwill arising on acquisitions of foreign operations was reported at historical rates at each balance sheet date. In accordance with the relevant transitional provisions in HKAS 21, goodwill arising on acquisitions prior to 1 April 2005 is treated as a non-monetary foreign currency item of the Group. Therefore, no prior period adjustment has been made.

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately as profit or loss in the year in which the acquisition takes place. In previous years, negative goodwill arising on acquisitions prior to 1 April 2001 was held in reserves, and negative goodwill arising on acquisitions after 1 April 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognised all negative goodwill on 1 April 2005 (of which HK$2.7 million was previously recorded in interests in jointly controlled entities, HK$88.1 million and HK$41.9 million were previously recorded by jointly controlled entities and associates respectively and HK$0.5 million was previously presented as a deduction from assets), with a corresponding increase to the Group's retained profits.

Share-based Payment

In the current year, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Group, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 April 2005. In relation to share options granted before 1 April 2005, the Group has not applied HKFRS 2 to share options granted on or before 7 November 2002 and share options that were granted after 7 November 2002 and had vested before 1 April 2005 in accordance with the relevant transitional provisions. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 April 2005. Comparative figures have been restated (see note 2A for the financial impact).

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES - continued

Financial Instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for accounting periods beginning on or after 1 April 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for the current and prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 March 2005, the Group classified and measured its investments in debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24") "Accounting for Investment in Securities". Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" were carried at cost less impairment losses (if any) while "other investments" were measured at fair value, with unrealised gains or losses included as profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1 April 2005 onwards, the Group classifies and measures its investments in debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held- to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in the income statement and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On 1 April 2005, the Group classified and measured its investments in debt and equity securities in accordance with the requirements of HKAS 39. The carrying amount of investment in securities at 1 April 2005 has been designated as financial assets at fair value through profit or loss. There was no material effect on the Group's retained profits.

Financial assets and financial liabilities other than debt and equity securities

From 1 April 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. An adjustment to the previous carrying amounts of assets of HK$3.0 million and liability of HK$0.8 million on 1 April 2005 has been made to the Group's retained profits.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES - continued

Financial Instruments - continued

Investment in convertible redeemable participating junior preference shares

In prior year, investment in convertible redeemable participating junior preference shares issued by an associate was included in interests in associates and stated at cost less impairment.

From 1 April 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the non-derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise.

The Group has applied the relevant transitional provisions in HKAS 39. For derivatives that do not meet the requirements of hedge accounting in accordance with HKAS 39, the Group has, from 1 April 2005 onwards, deemed such derivatives as held for trading. On 1 April 2005, the Group classified and measured the conversion options embedded in the convertible redeemable participating junior preference shares as separable derivative financial instruments in accordance with the requirements of HKAS 39. The fair value of the conversion options on initial recognition of HK$48.4 million has been reclassified from convertible redeemable participating junior preference shares and the conversion options were subsequently measured at cost less impairment as the conversion options are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured. The loan portion of the convertible redeemable participating junior preference shares was stated at amortised cost using the effective interest method, less any impairment loss.

Owner-occupied Leasehold Interest in Land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using either the cost model or the revaluation model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. The Group has resolved to state the buildings at cost and amortised over the lease term on a straight-line basis and reversed the amount held in the properties revaluation reserve and corresponding deferred taxation accordingly. This change in accounting policy has been applied retrospectively (see note 2A for the financial impact).

2A SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

(i) The effects of the changes in accounting policies on the results for the year ended 31 March 2006 are as follows:

	Effects of adopting					
	HKAS 1 HK$ million	HKAS 17 HK$ million	HKAS 19 (Amendment) HK$ million	HKFRS 2 HK$ million	HKFRS 3 HK$ million	Total HK$ million
(Decrease) increase in profit for the year:						
Staff costs	—	—	—	(1.8)	—	(1.8)
Depreciation and amortisation expenses	—	(0.8)	—	—	—	(0.8)
Subcontracting, external labour costs and other expenses	—	—	—	—	(0.1)	(0.1)
Share of results of jointly controlled entities	(4.1)	—	—	—	(0.1)	(4.2)
Share of results of associates	(82.8)	—	—	—	—	(82.8)
Profit before taxation	(86.9)	(0.8)	—	(1.8)	(0.2)	(89.7)
Taxation	86.9	—	—	—	—	86.9
Profit for the year	—	(0.8)	—	(1.8)	(0.2)	(2.8)
Attributable to:						
Equity holders of the Company	—	(0.8)	—	(1.8)	(0.2)	(2.8)
Minority interests	—	—	—	—	—	—
	—	(0.8)	—	(1.8)	(0.2)	(2.8)

(ii) The effects of the changes in accounting policies on the results for the year ended 31 March 2005 are as follows:

	Effects of adopting				
	HKAS 1 HK$ million	HKAS 17 HK$ million	HKAS 19 (Amendment) HK$ million	HKFRS 2 HK$ million	Total HK$ million
Increase (decrease) in profit for the year:					
Staff costs	—	—	2.2	(1.0)	1.2
Depreciation and amortisation expenses	—	0.6	—	—	0.6
Revaluation increase on land and buildings	—	(3.0)	—	—	(3.0)
Share of results of jointly controlled entities	(2.6)	—	—	—	(2.6)
Share of results of associates	(31.9)	—	—	—	(31.9)
Profit before taxation	(34.5)	(2.4)	2.2	(1.0)	(35.7)
Taxation	34.5	—	—	—	34.5
Profit for the year	—	(2.4)	2.2	(1.0)	(1.2)
Attributable to:					
Equity holders of the Company	—	(2.4)	2.4	(1.0)	(1.0)
Minority interests	—	—	(0.2)	—	(0.2)
	—	(2.4)	2.2	(1.0)	(1.2)

2A SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES - continued

(iii) The cumulative effects of the changes in the accounting policies on the consolidated balance sheet as at 31 March 2005 and 1 April 2005 are summarised below:

Consolidated balance sheet items

	As at 31 March 2005 (originally stated) HK$ million	HKAS 1 Adjustments HK$ million	HKAS 17 Adjustments HK$ million	HKAS 19 (Amendment) Adjustments HK$ million	HKFRS 2 Adjustments HK$ million	As at 31 March 2005 (restated) HK$ million	HKAS 39 Adjustments HK$ million	HKFRS 3 Adjustments HK$ million	As at 1 April 2005 (restated) HK$ million
Property, plant and equipment	71.6	—	(46.2)	—	—	25.4	—	—	25.4
Prepaid lease payments	—	—	17.8	—	—	17.8	—	—	17.8
Negative goodwill	(0.5)	—	—	—	—	(0.5)	—	0.5	—
Interests in jointly controlled entities	636.6	—	—	—	—	636.6	—	90.8	727.4
Amounts due from jointly controlled entities	293.6	—	—	—	—	293.6	(0.2)	—	293.4
Interests in associates	1,713.8	—	—	—	—	1,713.8	(243.6)	41.9	1,512.1
Convertible redeemable participating junior preference shares	—	—	—	—	—	—	192.4	—	192.4
Investments in securities	12.4	—	—	—	—	12.4	(12.4)	—	—
Financial assets at fair value through profit or loss	—	—	—	—	—	—	12.4	—	12.4
Defined benefit assets	9.3	—	—	9.5	—	18.8	—	—	18.8
Derivative financial instruments	—	—	—	—	—	—	48.4	—	48.4
Creditors and accrued charges	(540.2)	—	—	—	—	(540.2)	0.8	—	(539.4)
Bank borrowings — current	(55.8)	(198.0)	—	—	—	(253.8)	—	—	(253.8)
Bank borrowings — non-current	(1,198.0)	198.0	—	—	—	(1,000.0)	—	—	(1,000.0)
Deferred tax (liabilities) assets	(3.6)	—	4.4	—	—	0.8	—	—	0.8
Total effects on assets and liabilities	939.2	—	(24.0)	9.5	—	924.7	(2.2)	133.2	1,055.7
Properties revaluation reserve	21.1	—	(21.1)	—	—	—	—	—	—
Negative goodwill	0.5	—	—	—	—	0.5	—	(0.5)	—
Retained profits	673.9	—	(2.9)	(18.7)	(1.1)	651.2	(2.2)	133.7	782.7
Share option reserve	—	—	—	—	1.1	1.1	—	—	1.1
Actuarial gain and loss	—	—	—	28.4	—	28.4	—	—	28.4
Minority interests	—	29.3	—	(0.2)	—	29.1	—	—	29.1
Total effects on equity	695.5	29.3	(24.0)	9.5	—	710.3	(2.2)	133.2	841.3
Minority interests	29.3	(29.3)	—	—	—	—	—	—	—

2A SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES - continued

(iv) The financial effects of the application of the new HKFRSs to the Group's equity on 1 April 2004 are summarised below:

	As originally stated HK$ million	Adjustments HK$ million	As restated HK$ million
Properties revaluation reserve	18.7	(18.7)	—
Retained profits	345.3	(21.2)	324.1
Share option reserve — recognition of equity-settled share-based payment expense	—	0.1	0.1
Minority interests	—	28.6	28.6
Total effects on equity	364.0	(11.2)	352.8

2B POTENTIAL IMPACT ARISING ON THE NEW OR REVISED ACCOUNTING STANDARDS NOT YET EFFECTIVE

The Group has not applied early the following new or revised standards, amendments and interpretations that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new or revised standards, amendments and interpretations which have not been applied early by the Group. Except for the impact of HKAS 39 & HKFRS 4 (Amendments) "Financial guarantee contracts", which requires recognition of financial guarantee at fair value on initial recognition, the Group anticipates that the applications of these new or revised standards, amendments and interpretations would not have significant impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures [1]
HKAS 21 (Amendment)	Net investment in a foreign operation [2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions [2]
HKAS 39 (Amendment)	The fair value option [2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts [2]
HKFRS 6	Exploration for and evaluation of mineral resources [2]
HKFRS 7	Financial instruments: Disclosures [1]
HK(IFRIC) — INT 4	Determining whether an arrangement contains a lease [2]
HK(IFRIC) — INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds [2]
HK(IFRIC) — INT 6	Liabilities arising from participating in a specific market — waste electrical and electronic equipment [3]
HK(IFRIC) — INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [4]
HK(IFRIC) — INT 8	Scope of HKFRS 2 [5]
HK(IFRIC) — INT 9	Reassessment of embedded derivatives [6]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2006.
[3] Effective for annual periods beginning on or after 1 December 2005.
[4] Effective for annual periods beginning on or after 1 March 2006.
[5] Effective for annual periods beginning on or after 1 May 2006.
[6] Effective for annual periods beginning on or after 1 June 2006.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Goodwill

Goodwill arising on acquisitions prior to 1 January 2005

Goodwill arising on acquisition of a subsidiary for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary, associate or jointly controlled entity at the date of acquisition.

For previously capitalised goodwill arising on acquisition after 1 April 2001, the Group has discontinued amortising such goodwill from 1 April 2005 onwards and such goodwill will be tested for impairment at least annually, and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired (the accounting policy below).

Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of a subsidiary or a jointly controlled entity for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary or jointly controlled entity at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet. Capitalised goodwill arising on an acquisition of a jointly controlled entity (which is accounted for using the equity method) is included in the cost of the investment of the relevant jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Goodwill - continued

Goodwill arising on acquisitions on or after 1 January 2005 - continued

For the purposes of impairment testing, goodwill arising from an acquisition of a subsidiary is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

For goodwill arising on acquisition of a jointly controlled entity, the goodwill included in the carrying amount of interests in a jointly controlled entity is not separately tested for impairment. Instead, the entire carrying amount of the interests in a jointly controlled entity is tested for impairment by comparing the Group's share of the present value of the estimated future cash flows expected to be generated by the jointly controlled entity with its carrying amount. Any impairment loss identified is recognised and is allocated first to goodwill.

On subsequent disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("Discount on acquisition")

A discount on acquisition arising on an acquisition of a subsidiary, an associate or a jointly controlled entity for which an agreement date is on or after 1 January 2005 represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss. A discount on acquisition arising on an acquisition of an associate or a jointly controlled entity (which is accounted for using the equity method) is included as income in the determination of the investor's share of results of the associate or jointly controlled entity in the period in which the investment is acquired.

As explained in note 2 above, all negative goodwill as at 1 April 2005 has been derecognised with a corresponding adjustment to the Group's retained profits.

Investments in associates

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Joint ventures

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if the carrying amount will be recovered principally through a sale transaction and not through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' (or disposal groups') previous carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of properties

Revenue from sale of properties in the ordinary course of business is recognised when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Payments received from purchasers prior to this stage are recorded as sales deposits under current liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

Others

Interest income from a financial asset is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

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

Investment properties

Investment property including land under operating lease arrangements, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included as profit or loss for the period in which they arise.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included as profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation, amortisation and impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment other than properties under development over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Club memberships

On initial recognition, club memberships are included at cost. After initial recognition, club memberships with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses below).

3. SIGNIFICANT ACCOUNTING POLICIES - continued

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.

Prepaid lease payments on land use rights

Prepaid lease payments on land use rights are stated at cost less subsequent accumulated amortisation and any accumulated impairment losses. The costs of prepaid lease payments on land use rights are amortised on a straight-line basis over the shorter of the relevant land use right or the operation period of the relevant company.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost comprises property interest in leasehold land and development costs including attributable borrowing costs and charges capitalised during the development period that have been incurred in bringing the properties held for sale to their present location and condition. Net realisable value represents the estimated selling price less all anticipated costs of completion and costs to be incurred in marketing, selling and distribution.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses 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 received before the related work is performed are included in the balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer 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 in profit and loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment of assets excluding goodwill and intangible assets with indefinite useful life

At each balance sheet date, the Group reviews the carrying amounts of its 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 in the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately as profit or loss.

Impairment of intangible assets with indefinite useful life

Intangible assets with indefinite useful lives are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. 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. An impairment loss is recognised as an expense immediately.

When 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.

Taxation

Taxation 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 consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes consolidated income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated 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 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 from 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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation - continued

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 as profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Where the Group is the lessee, rental expense under operating leases is charged as profit or loss on a straight-line basis over the relevant lease term. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised as profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included as profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised as profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 April 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

As mentioned in note 2, goodwill and fair value adjustments arising on acquisitions of foreign operations prior to 1 April 2005 are treated as non-monetary foreign currency items of the acquirer and reported using the historical exchange rate prevailing at the date of the acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Retirement benefits costs

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

For the defined benefit retirement plan, 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 arising from the defined benefit retirement plan are recognised in full in the year in which they occur in the statement of recognised income and expense.

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 benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets and financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately as profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including debtors, amounts due from jointly controlled entities, associates and related companies, convertible redeemable participating junior preference shares, bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment loss. An impairment loss is recognised as profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Embedded derivatives and derivatives

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at fair value through profit or loss.

In all other circumstances, derivatives embedded are not separated and are accounted for together with the host contracts in accordance with appropriate standards. Where the Group needs to separate an embedded derivative but is unable to determine reliably the fair value of an embedded derivative on the basis that the embedded derivative is based on unquoted equity instrument, the fair value of the embedded derivative is the difference between the fair value of the hybrid instrument and the fair value of the host contract determined as at the date of initial recognition.

Derivatives (including embedded derivatives which are separated from non-derivatives host contracts) that do not qualify for hedge accounting are deemed as financial assets/ financial liabilities held for trading and are measured at fair value except for derivative instruments which are linked to and must be settled by delivery of unquoted equity instruments whose fair value cannot be reliably measured and such derivative instruments are stated at cost less impairment, if applicable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank deposits with maturity of three months or less.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Bank borrowings are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial liabilities and equity - continued

Other financial liabilities

Other financial liabilities including creditors, amounts due to jointly controlled entities, associates and related companies are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, the Group has made the following judgements that have significant effect on the amounts recognised in the financial statements.

The Group makes estimates and assumptions concerning the future in preparing accounting estimates. The resulting accounting estimates may not equal to the actual results. The key estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as below.

Income taxes

As at 31 March 2006 and 2005, a deferred tax asset of HK$1.4 million and HK$2.0 million respectively in relation to unused tax losses has been recognised as set out in note 32. No deferred tax asset has been recognised in respect of tax losses of HK$260.8 million and HK$204.5 million as at 31 March 2006 and 2005 respectively due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less or more than expected, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in the income statement for the period in which such a reversal or further recognition takes place.

Depreciation

The Group's carrying values of property, plant and equipment as at 31 March 2006 were approximately HK$28.5 million (2005: HK$25.4 million). The Group depreciates the property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value. The estimated useful life of the property, plant and equipment reflects the Directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

Fair value estimation

The fair value of financial assets at fair value through profit or loss is estimated by reference to the prices recently paid for similar assets or on the basis of valuations carried out by independent valuers. Such valuation was based on assumptions which are subject to uncertainty.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include financial assets at fair value through profit or loss, borrowings, debtors, amounts due from jointly controlled entities, bank balances, deposits and cash and creditors. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Market risk

(i) Foreign currency risk

Most of the Group's assets and liabilities are denominated in Hong Kong dollars and Renminbi. The Group does not expect any significant exposure to foreign exchange fluctuations.

(ii) Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows of the financial instruments will fluctuate because of changes in market interest rates. The Group's cash flow interest rate risk relates primarily to the Group's borrowing obligations at floating rate. The Group's treasury policy is in place to monitor and manage its exposure to fluctuation in interest rates. The Group currently does not have interest rate hedging policy.

(iii) Equity price risk

The Group is exposed to equity security price risk through its investment in financial assets at fair value through profit or loss. The Group manages its equity security price risk by closely monitoring the performance of the investee companies.

(b) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparts are banks with high credit-ratings assigned by international credit-rating agencies.

With respect to credit risk arising from amounts due from jointly controlled entities, the Group's exposure to credit risk arising from default of the counterparty is limited as the counterparty has good reputation and the Group does not expect to incur a significant loss for uncollected amounts due from these jointly controlled entities.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of bank and other borrowings. As at 31 March 2006, the Group's net current liabilities were HK$708.2 million. In the opinion of the Directors of the Company, most of the borrowings that mature within one year can be renewed on the strength of the Group's earnings and asset base and the Group expects to have adequate sources of funding to finance its operations.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

The Group was involved in the trading of building materials and sale of construction materials, which were discontinued in 2004/2005 (note 11).

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.

Segment information about these businesses is presented below:

2006

	Continuing operations					Discontinued operations				
	Construction and building maintenance HK$ million	Cement operations HK$ million	Property development HK$ million	Property investment and others HK$ million	Total HK$ million	Sale of construction materials HK$ million	Trading of building materials HK$ million	Total HK$ million	Eliminations HK$ million	Consolidated HK$ million
TURNOVER										
External sales	1,364.1	23.0	—	13.1	1,400.2	—	3.7	3.7	—	1,403.9
Inter-segment sales	0.6	—	—	22.6	23.2	—	—	—	(23.2)	—
Group turnover	1,364.7	23.0	—	35.7	1,423.4	—	3.7	3.7	(23.2)	1,403.9
Share of jointly controlled entities	97.9	885.6*	—	5.7	989.2	2.7	—	2.7	—	991.9
Total	1,462.6	908.6	—	41.4	2,412.6	2.7	3.7	6.4	(23.2)	2,395.8

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 (HK$307.2 million), Guizhou (HK$402.3 million), Nanjing (HK$12.6 million) and that of Lafarge Shui On Cement Limited ("LSOC") (HK$130.6 million). For details of LSOC, please refer to note 38.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

Business segments - continued

2006

	Continuing operations					Discontinued operations			
	Construction and building maintenance HK$ million	Cement operations HK$ million	Property development HK$ million	Property investment and others HK$ million	Total HK$ million	Sale of construction materials HK$ million	Trading of building materials HK$ million	Total HK$ million	Consolidated HK$ million
RESULTS									
Segment results	54.6	(50.5)	(0.1)	111.7	115.7	(9.3)	3.6	(5.7)	110.0
Interest income	—	—	—	—	29.3	—	—	0.1	29.4
Interest income from preference shares	—	—	20.1	—	20.1	—	—	—	20.1
Finance costs	—	—	—	—	(93.5)	—	—	(0.2)	(93.7)
Impairment loss recognised in respect of goodwill arising on acquisition of subsidiaries	—	(26.2)	—	—	(26.2)	—	—	—	(26.2)
Impairment loss recognised in respect of interests in jointly controlled entities	(2.1)	(71.6)	—	—	(73.7)	—	—	—	(73.7)
Change in fair value of net assets contributed to a jointly controlled entity	—	38.7	—	—	38.7	—	—	—	38.7
Loss on deemed disposal of an associate	—	—	(10.3)	—	(10.3)	—	—	—	(10.3)
Share of results of jointly controlled entities									
Cement operations in									
— Chongqing	—	(93.2)	—	—	(93.2)	—	—	—	(93.2)
— Guizhou	—	33.5	—	—	33.5	—	—	—	33.5
— Nanjing	—	(8.0)	—	—	(8.0)	—	—	—	(8.0)
— LSOC	—	(17.6)	—	—	(17.6)	—	—	—	(17.6)
Venture capital investments	—	—	—	193.5	193.5	—	—	—	193.5
Distressed asset development	—	—	—	55.0	55.0	—	—	—	55.0
Others	(9.3)	0.3	—	—	(9.0)	0.6	—	0.6	(8.4)
					154.2			0.6	154.8
Share of results of associates									
— Property development in the PRC	—	—	209.9	—	209.9	—	—	—	209.9
Profit (loss) before taxation					364.2			(5.2)	359.0
Taxation					(7.6)			—	(7.6)
Profit (loss) for the year					356.6			(5.2)	351.4

6. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

Business segments - continued

2006

Balance Sheet

	Continuing operations				Discontinued operations			
	Construction and building maintenance HK$ million	Cement operations HK$ million	Property development HK$ million	Property investment and others HK$ million	Sale of construction materials HK$ million	Trading of building materials HK$ million	Eliminations HK$ million	Consolidated HK$ million
ASSETS								
Segment assets	419.1	306.2	9.2	320.3	35.8	12.0	—	1,102.6
Amounts due from jointly controlled entities/associates	51.3	342.6	15.0	98.0	—	—	—	506.9
Interests in jointly controlled entities/associates	16.5	1,859.9	1,643.6	396.0	—	—	—	3,916.0
Convertible redeemable participating junior preference shares	—	—	300.0	—	—	—	—	300.0
Derivative financial instruments	—	—	89.8	—	—	—	—	89.8
Inter-segment receivables	907.0	124.7	—	4,120.4	—	7.8	(5,159.9)	—
Unallocated assets								67.2
Consolidated total assets								5,982.5
LIABILITIES								
Segment liabilities	621.5	17.5	—	25.7	0.4	1.8	—	666.9
Amounts due to jointly controlled entities/associates	0.8	71.1	—	3.6	—	—	—	75.5
Inter-segment payables	152.8	2,301.6	1,867.1	624.3	88.5	125.6	(5,159.9)	—
Unallocated liabilities								2,819.0
Consolidated total liabilities								3,561.4

Other Information

	Continuing operations				Discontinued operations		
	Construction and building maintenance HK$ million	Cement operations HK$ million	Property development HK$ million	Property investment and others HK$ million	Sale of construction materials HK$ million	Trading of building materials HK$ million	Consolidated HK$ million
Capital expenditure	3.4	95.5	—	0.9	7.0	—	106.8
Depreciation and amortisation expenses	1.4	7.5	—	0.8	—	—	9.7
Share-based payment expense	—	—	—	1.8	—	—	1.8
Decrease in fair value of investment properties	—	0.3	—	—	—	—	0.3
Impairment of goodwill	—	26.2	—	—	—	—	26.2
Loss on disposal of property, plant and equipment	—	—	—	0.6	—	—	0.6
Impairment loss on property, plant and equipment	—	0.9	—	—	—	—	0.9
Impairment loss on other receivables	—	9.6	—	—	—	—	9.6

6. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

Business segments - continued

2005 (restated)

	Continuing operations					Discontinued operations				
	Construction and building maintenance HK$ million	Cement operations HK$ million	Property development HK$ million	Property investment and others HK$ million	Total HK$ million	Sale of construction materials HK$ million	Trading of building materials HK$ million	Total HK$ million	Eliminations HK$ million	Consolidated HK$ million
TURNOVER										
External sales	1,855.2	9.1	1.6	17.0	1,882.9	224.6	124.9	349.5	—	2,232.4
Inter-segment sales	1.6	—	—	0.4	2.0	18.8	—	18.8	(20.8)	—
Group turnover	1,856.8	9.1	1.6	17.4	1,884.9	243.4	124.9	368.3	(20.8)	2,232.4
Share of jointly controlled entities	40.3	768.2*	—	15.3	823.8	32.2	—	32.2	—	856.0
Total	1,897.1	777.3	1.6	32.7	2,708.7	275.6	124.9	400.5	(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 (HK$375.4 million), Guizhou (HK$292.9 million) and Nanjing (HK$62.3 million).

	Construction and building maintenance	Cement operations	Property development	Property investment and others	Total	Sale of construction materials	Trading of building materials	Total	Eliminations	Consolidated
RESULTS										
Segment results	10.1	(26.9)	(0.3)	(24.8)	(41.9)	(59.6)	(18.5)	(78.1)		(120.0)
Interest income	—	—	—	—	6.9	—	—	1.0		7.9
Interest income from preference shares	—	—	14.0	—	14.0	—	—	—		14.0
Finance costs	—	—	—	—	(15.2)	—	—	(1.2)		(16.4)
Gain on disposal of subsidiaries	—	—	345.7	—	345.7	25.9	—	25.9		371.6
Share of results of jointly controlled entities										
Cement operations in										
— Chongqing	—	(17.4)	—	—	(17.4)	—	—	—		(17.4)
— Guizhou	—	16.1	—	—	16.1	—	—	—		16.1
— Nanjing	—	(43.1)	—	—	(43.1)	—	—	—		(43.1)
Venture capital investments	—	—	—	221.4	221.4	—	—	—		221.4
Others	(6.1)	(0.1)	—	—	(6.2)	(7.2)	—	(7.2)		(13.4)
					170.8			(7.2)		163.6
Share of results of associates — Property development in the PRC	—	—	65.1	—	65.1	—	—	—		65.1
Profit (loss) before taxation					545.4			(59.6)		485.8
Taxation					(1.2)			—		(1.2)
Profit (loss) for the year					544.2			(59.6)		484.6

6. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

Business segments - continued

2005 (restated)

Balance Sheet

	Continuing operations				Discontinued operations			
	Construction and building maintenance HK$ million	Cement operations HK$ million	Property development HK$ million	Property investment and others HK$ million	Sale of construction materials HK$ million	Trading of building materials HK$ million	Eliminations HK$ million	Consolidated HK$ million
ASSETS								
Segment assets	456.9	232.6	1.0	70.0	40.1	23.6	—	824.2
Amounts due from jointly controlled entities	38.0	355.6	293.6	98.2	0.2	—	—	785.6
Interests in jointly controlled entities/associates	31.8	673.3	1,420.2	225.1	—	—	—	2,350.4
Inter-segment receivables	783.6	134.5	—	2,575.1	—	7.8	(3,501.0)	—
Unallocated assets								26.9
Consolidated total assets								3,987.1
LIABILITIES								
Segment liabilities	671.7	31.0	—	26.0	2.1	3.9	—	734.7
Amounts due to jointly controlled entities	6.4	13.0	—	4.7	—	—	—	24.1
Inter-segment payables	162.9	1,350.9	1,255.9	511.9	89.3	130.1	(3,501.0)	—
Unallocated liabilities								1,256.0
Consolidated total liabilities								2,014.8

Other Information

	Continuing operations				Discontinued operations		
	Construction and building maintenance HK$ million	Cement operations HK$ million	Property development HK$ million	Property investment and others HK$ million	Sale of construction materials HK$ million	Trading of building materials HK$ million	Consolidated HK$ million
Capital expenditure	1.1	0.8	—	1.2	3.9	0.4	7.4
Depreciation and amortisation expenses	0.2	11.2	—	1.6	18.6	2.5	34.1
Release of negative goodwill	—	(0.2)	—	—	—	—	(0.2)
Other non-cash expenses	1.3	7.6	—	7.3	—	—	16.2

Geographical segments

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

An analysis of the Group's turnover by geographical markets, irrespective of the origin of the goods/services, is as follows:

	Continuing operations		Discontinued operations		Consolidated	
	2006 HK$ million	2005 HK$ million (restated)	2006 HK$ million	2005 HK$ million (restated)	2006 HK$ million	2005 HK$ million (restated)
Hong Kong	1,372.4	1,877.3	3.7	219.2	1,376.1	2,096.5
Other regions in the PRC	27.8	5.6	—	130.3	27.8	135.9
	1,400.2	1,882.9	3.7	349.5	1,403.9	2,232.4

6. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

Geographical segments - continued

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

	Carrying amount of segment assets		Carrying amount of total assets		Additions to investment properties, property, plant and equipment and site establishment expenditure	
	2006 HK$ million	2005 HK$ million (restated)	**2006** HK$ million	2005 HK$ million (restated)	**2006** HK$ million	2005 HK$ million (restated)
Hong Kong	**964.7**	779.2	**1,184.8**	970.7	**4.3**	7.4
Other regions in the PRC	**203.7**	63.8	**4,797.7**	3,016.4	**102.5**	—
	1,168.4	843.0	**5,982.5**	3,987.1	**106.8**	7.4

7. OTHER INCOME

	Continuing operations		Discontinued operations		Consolidated	
	2006 HK$ million	2005 HK$ million (restated)	**2006** HK$ million	2005 HK$ million (restated)	**2006** HK$ million	2005 HK$ million (restated)
Included in other income are as follows:						
Interest income	**29.3**	6.9	**0.1**	1.0	**29.4**	7.9
Interest income from convertible redeemable participating junior preference shares	**20.1**	14.0	**—**	—	**20.1**	14.0
Dividends from investments in securities						
— listed	**0.6**	0.5	**—**	—	**0.6**	0.5
— unlisted	**—**	1.1	**—**	—	**—**	1.1

8. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2006 HK$ million	2005 HK$ million (restated)	**2006** HK$ million	2005 HK$ million (restated)	**2006** HK$ million	2005 HK$ million (restated)
Interest on bank loans and overdrafts and other loans wholly repayable within 5 years	**88.8**	15.2	**0.2**	1.2	**89.0**	16.4
Other borrowing costs	**4.7**	—	**—**	—	**4.7**	—
	93.5	15.2	**0.2**	1.2	**93.7**	16.4

9. TAXATION

	Continuing operations 2006 HK$ million	Continuing operations 2005 HK$ million (restated)
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	7.8	3.5
Income tax of other regions in the PRC	—	0.3
	7.8	3.8
Deferred taxation	(0.2)	(2.6)
	7.6	1.2

Hong Kong Profits Tax is calculated at 17.5% (2005: 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 32.

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

	2006 HK$ million	2005 HK$ million (restated)
Profit before taxation		
Continuing operations	364.2	545.4
Discontinued operations	(5.2)	(59.6)
	359.0	485.8
Tax at Hong Kong Profits Tax rate of 17.5% (2005: 17.5%)	62.8	85.0
Effect of share of results of jointly controlled entities	(27.0)	(28.6)
Effect of share of results of associates	(36.7)	(11.4)
Effect of different tax rates on operations in other jurisdictions	(0.3)	(1.0)
Tax effect of expenses not deductible for tax purposes	39.2	3.2
Tax effect of income not taxable for tax purposes	(39.4)	(70.7)
Tax effect on tax losses not recognised	11.4	28.4
Tax effect on utilisation of tax losses previously not recognised	(1.6)	(3.8)
Others	(0.8)	0.1
Tax charge for the year	7.6	1.2

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Directors

The emoluments paid or payable to each of the twelve (2005: eleven) Directors were as follows:

Name of Director	Notes	Fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments HK$'000	Retirement benefit scheme contributions HK$'000	2006 Total HK$'000	2005 Total HK$'000
Lo Hong Sui, Vincent		10	—	—	—	10	10
Wong Ying Wai, Wilfred		10	—	—	—	10	496
Choi Yuk Keung, Lawrence		10	3,242	1,263	302	4,817	5,484
Wong Yuet Leung, Frankie		10	3,745	1,500	320	5,575	2,961
Wong Fook Lam, Raymond		10	2,102	400	177	2,689	3,057
Lowe Hoh Wai Wan, Vivien		10	1,742	350	149	2,251	2,147
Wong Hak Wood, Louis	(a)	10	—	—	—	10	10
Enright, Michael John	(a)	200	—	—	—	200	200
Griffiths, Anthony	(b)	200	—	—	—	200	200
Cheung Kin Tung, Marvin	(b) & (c)	52	—	—	—	52	144
Cheng Mo Chi, Moses	(b)	200	—	—	—	200	100
Chan, K. C.	(b) & (d)	148	—	—	—	148	—
Total		870	10,831	3,513	948	16,162	14,809

Notes:

(a) Non-executive directors.

(b) Independent non-executive directors.

(c) Mr. Cheung Kin Tung, Marvin resigned as independent non-executive director on 4 July 2005.

(d) Professor Chan, K. C. was appointed as independent non-executive director on 4 July 2005.

Of the five individuals with the highest emoluments in the Group, four (2005: three) are executive directors of the Company whose emoluments are set out above. The emolument of the remaining one (2005: two) individual was as follows:

	2006 **HK$ million**	2005 HK$ million
Salaries, performance related incentive payments and allowances	2.4	4.5
Retirement benefits cost	0.1	0.4
	2.5	4.9

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

	2006 **Number of employees**	2005 Number of employees
Emolument bands		
HK$2,000,001 — HK$2,500,000	—	1
HK$2,500,001 — HK$3,000,000	1	1
	1	2

11. DISCONTINUED OPERATIONS

The Group had ceased its construction materials and materials trading operations in Hong Kong and the Pearl River Delta during the financial year 2004/2005. The loss for the year from the discontinued operations is analysed as follows:

	2006 HK$ million	2005 HK$ million (restated)
Loss of discontinued operations for the year	**(5.2)**	(85.5)
Gain on disposal of discontinued operations	**—**	25.9
	(5.2)	(59.6)

The results of the discontinued operations which have been included in the consolidated financial statements were as follows:

	2006 HK$ million	2005 HK$ million
Turnover		
— External sales	**3.7**	349.5
— Inter-segment sales	**—**	18.8
Other income	**0.5**	9.5
Changes in inventories of finished goods, work in progress, contract work in progress and properties held for sale	**—**	(8.0)
Raw materials and consumables used	**—**	(218.7)
Staff costs	**—**	(51.7)
Depreciation and amortisation expenses	**—**	(21.1)
Subcontracting, external labour costs and other expenses	**(9.8)**	(155.4)
Finance costs	**(0.2)**	(1.2)
Share of results of jointly controlled entities	**0.6**	(7.2)
Loss before taxation	**(5.2)**	(85.5)
Taxation	**—**	—
Loss after taxation	**(5.2)**	(85.5)

During the year ended 31 March 2006, the discontinued operations had HK$19.4 million net operating cash inflows (2005: HK$66.9 million net operating cash outflows), received nil (2005: HK$26.0 million) in respect of investing activities, and paid HK$25.3 million (2005: received HK$33.9 million) in respect of financing activities.

The carrying amounts of the assets and liabilities of the discontinued operations as at 31 March 2006 are HK$55.6 million (2005: HK$71.7 million) and HK$216.3 million (2005: HK$225.4 million) respectively.

12. PROFIT FOR THE YEAR

	Continuing operations		Discontinued operations		Consolidated	
	2006 HK$ million	2005 HK$ million (restated)	**2006** HK$ million	2005 HK$ million (restated)	**2006** HK$ million	2005 HK$ million (restated)
Profit for the year has been arrived at after charging (crediting):						
Depreciation and amortisation:						
Prepaid lease payments	**0.8**	0.3	**—**	—	**0.8**	0.3
Property, plant and equipment	**8.9**	12.7	**—**	16.6	**8.9**	29.3
Site establishment expenditure	**—**	—	**—**	4.5	**—**	4.5
	9.7	13.0	**—**	21.1	**9.7**	34.1
Auditors' remuneration	**3.8**	2.0	**—**	0.2	**3.8**	2.2
Operating lease payments in respect of rented premises	**5.8**	8.5	**—**	16.6	**5.8**	25.1
Loss on disposal of property, plant and equipment	**0.6**	0.5	**—**	0.8	**0.6**	1.3
Impairment loss on property, plant and equipment (included in subcontracting, external labour costs and other expenses)	**0.5**	7.6	**—**	—	**0.5**	7.6
Impairment loss on other receivables (included in subcontracting, external labour costs and other expenses)	**7.0**	—	**2.6**	—	**9.6**	—
Staff costs (including directors' emoluments):						
Salaries and allowances	**232.1**	234.5	**—**	49.8	**232.1**	284.3
Retirement benefits cost	**6.4**	9.2	**—**	1.9	**6.4**	11.1
Share-based payment expense	**1.8**	1.0	**—**	—	**1.8**	1.0
	240.3	244.7	**—**	51.7	**240.3**	296.4
Release of negative goodwill (included in subcontracting, external labour costs and other expenses)	**—**	(0.2)	**—**	—	**—**	(0.2)
Gross rental revenue from an investment property and car park spaces	**(1.9)**	(5.4)	**—**	—	**(1.9)**	(5.4)
Less: Direct expenses from investment properties that generated rental income	**0.4**	1.8	**—**	—	**0.4**	1.8
Net rental income	**(1.5)**	(3.6)	**—**	—	**(1.5)**	(3.6)
Share of tax of jointly controlled entities (included in share of results of jointly controlled entities)	**4.1**	2.6	**—**	—	**4.1**	2.6
Share of tax of associates (included in share of results of associates)	**82.8**	31.9	**—**	—	**82.8**	31.9

13. DIVIDENDS

	2006 HK$ million	2005 HK$ million
Dividends, paid		
Final dividend in respect of year 2004/2005: HK$0.30 per share (2003/2004: HK$0.275)	**80.8**	73.7
Interim dividend in respect of year 2005/2006: HK$0.12 per share (2004/2005: HK$0.30)	**32.9**	80.8
	113.7	154.5
Proposed final dividend in respect of year 2005/2006 at HK$0.25 per share (2004/2005: HK$0.30 per share)	**69.1**	80.8

The final dividend in respect of 2005/2006 of HK$0.25 per share has been proposed by the Directors and is subject to approval by shareholders at the annual general meeting.

14. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2006 HK$ million	2005 HK$ million (restated)
Earnings:		
Earnings for the purposes of basic earnings per share	**314.8**	481.9
Effect of dilutive potential ordinary shares of an associate:		
Interest income on convertible redeemable participating junior preference shares	**(20.1)**	(8.7)
Adjustment to the share of results of an associate based on dilution of its earnings per share	**(101.0)**	(27.6)
Earnings for the purposes of diluted earnings per share	**193.7**	445.6
Number of shares:		
	Million	Million
Weighted average number of ordinary shares for the purposes of basic earnings per share	**271.3**	268.5
Effect of dilutive potential ordinary shares:		
Share options	**7.7**	6.6
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**279.0**	275.1

14. EARNINGS PER SHARE - continued

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

Earnings figures are calculated as follows:

	2006 HK$ million	2005 HK$ million (restated)
Profit for the year attributable to equity holders of the Company	314.8	481.9
Less: Loss for the year from discontinued operations	(5.2)	(59.6)
Earnings for the purposes of basic earnings per share from continuing operations	320.0	541.5
Effect of dilutive potential ordinary shares of an associate:		
Interest income on convertible redeemable participating junior preference shares	(20.1)	(8.7)
Adjustment to the share of results of an associate based on dilution of its earnings per share	(101.0)	(27.6)
Earnings for the purposes of diluted earnings per share from continuing operations	198.9	505.2

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

For the year ended 31 March 2006, the basic loss per share for the discontinued operations is HK$0.02 per share (2005: HK$0.22 per share) and the diluted loss per share for the discontinued operations is HK$0.02 per share (2005: HK$0.22 per share), based on the loss for the year from the discontinued operations of HK$5.2 million (2005: HK$59.6 million) and the denominators detailed above for both basic and diluted earnings per share.

Impact of changes in accounting policies

Changes in Group's accounting policies during the year are described in details in note 2. To the extent that changes have had an impact on results reported for 2005 and 2006, they have had an impact on the amounts reported for earnings per share. The following table summarises that impact on both basic and diluted earnings per share:

From continuing and discontinued operations

	Impact on basic earnings per share		Impact on diluted earnings per share	
	2006 HK cents	2005 HK cents	**2006** HK cents	2005 HK cents
Figures before changes in accounting policies	117	180	70	163
Effect on changes in accounting policies	(1)	(1)	(1)	(1)
Figures after changes in accounting policies	116	179	69	162

14. EARNINGS PER SHARE - continued

From continuing operations

	Impact on basic earnings per share		Impact on diluted earnings per share	
	2006	2005	**2006**	2005
	HK cents	HK cents	**HK cents**	HK cents
Figures before changes in accounting policies	**119**	202	**72**	185
Effect on changes in accounting policies	**(1)**	(1)	**(1)**	(1)
Figures after changes in accounting policies	**118**	201	**71**	184

15. INVESTMENT PROPERTIES

	2006	2005
	HK$ million	HK$ million
AT FAIR VALUE		
At the beginning of the year	**—**	140.0
Acquisition of subsidiaries	**58.8**	—
Disposal	**—**	(140.0)
Decrease in fair value recognised	**(0.3)**	—
At the end of the year	**58.5**	—

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties.

The carrying value of the investment properties as at 31 March 2006 represents properties situated in the PRC under medium-term leases.

The fair value has been arrived at based on a valuation carried out by Chongqing Tong Cheng Real Estate Appraisal Co., Ltd, an independent valuer not connected with the Group. The valuation was arrived at by reference to recent market prices for similar properties.

16. PROPERTY, PLANT AND EQUIPMENT

	Properties in Kong Kong held under medium-term leases HK$ million	Properties 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
AT COST						
At 1 April 2004						
— as originally stated	50.0	5.9	329.5	36.6	50.2	472.2
— effect of changes in accounting policies (note 2)	(37.8)	—	—	—	—	(37.8)
— as restated	12.2	5.9	329.5	36.6	50.2	434.4
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)
At 31 March 2005 as restated	12.2	5.3	86.5	16.5	29.1	149.6
Exchange adjustments	—	0.1	0.1	—	0.1	0.3
Additions	—	—	8.4	1.1	4.4	13.9
Acquisition of subsidiaries (note)	—	2.2	28.5	1.9	1.5	34.1
Disposals	—	—	(35.6)	(4.8)	(1.1)	(41.5)
Reclassified to non-current assets held for sale	—	—	(31.7)	—	—	(31.7)
At 31 March 2006	12.2	7.6	56.2	14.7	34.0	124.7
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 April 2004						
— as originally stated	—	2.4	230.0	28.5	43.1	304.0
— effect of changes in accounting policies (note 2)	2.8	—	—	—	—	2.8
— as restated	2.8	2.4	230.0	28.5	43.1	306.8
Charge for the year	0.3	0.3	22.1	2.3	4.3	29.3
Impairment loss recognised in consolidated income statement	—	—	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)
At 31 March 2005 as restated	3.1	2.4	78.8	12.2	27.7	124.2
Exchange adjustments	—	—	0.1	—	—	0.1
Charge for the year	0.3	0.5	5.1	1.4	1.6	8.9
Impairment loss recognised in consolidated income statement	—	—	0.5	—	—	0.5
Eliminated on disposals	—	—	(34.4)	(2.3)	(0.8)	(37.5)
At 31 March 2006	3.4	2.9	50.1	11.3	28.5	96.2
CARRYING VALUES						
At 31 March 2006	8.8	4.7	6.1	3.4	5.5	28.5
At 31 March 2005						
— as restated	9.1	2.9	7.7	4.3	1.4	25.4

Note:

As mentioned in note 37(a), property, plant and equipment with fair value of HK$1,655.3 million was acquired through the acquisition of subsidiaries. Out of the balance, HK$1,621.2 million was contributed to a jointly controlled entity as mentioned in note 38 and the remaining HK$34.1 million has been retained by the Group.

16. PROPERTY, PLANT AND EQUIPMENT - continued

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

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

In addition, following the adoption of HKAS 16 "Property, Plant and Equipment", which is effective for the current accounting period, the Group has reviewed the residual values used for the purposes of depreciation calculations in the light of the amended definition of residual value in the standard. The review did not highlight any requirement for an adjustment to the residual values used in the current or prior periods. In line with the new requirements, these residual values will be reviewed at each financial year end and if expectations differ from previous estimates, the change shall be accounted for as a change in accounting estimate in accordance with HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

17. PREPAID LEASE PAYMENTS

	2006 **HK$ million**	2005 HK$ million (restated)
Leasehold land under medium-term lease:		
In Hong Kong	17.4	17.8
Outside Hong Kong	37.7	—
	55.1	17.8
Analysed for reporting purposes as:		
Non-current	53.9	17.4
Current	1.2	0.4
	55.1	17.8

Amortisation of prepaid lease payments amounting to HK$0.8 million (2005: HK$0.3 million) was charged to the consolidated income statement.

18. NEGATIVE GOODWILL

	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)
Derecognised upon application of HKFRS 3	0.5
At 1 April 2005 and 31 March 2006	—

In prior years, the negative goodwill was released to income on a straight-line basis over 6 years, the remaining weighted average life of the depreciable assets acquired. As explained in note 2, all negative goodwill arising on acquisitions prior to 1 April 2005 was derecognised as a result of the application of HKFRS 3.

19. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2006 **HK$ million**	2005 HK$ million (restated)
Cost of unlisted investments in jointly controlled entities, net of impairment	**1,967.4**	540.7
Share of post-acquisition profits and reserves	**183.2**	98.6
Goodwill (note (a))	**121.8**	—
Negative goodwill (note (b))	**—**	(2.7)
	2,272.4	636.6

Notes:

(a) The goodwill was arising on the contribution to a jointly controlled entity, LSOC, during the year (see note 38). The recoverable amounts of the cash-generating units ("CGUs") attributable to LSOC in cement operations are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and expected changes to selling prices and direct costs during the period. Management estimates discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

19. INTERESTS IN JOINTLY CONTROLLED ENTITIES - continued

Notes: - continued

(b) In prior years, negative goodwill was released to income on a straight-line basis of 30 years, representing the remaining weighted average useful life of the depreciable assets acquired. Upon the application of HKFRS 3 (see note 2), all negative goodwill was derecognised on 1 April 2005. The movement of negative goodwill is set out below.

	HK$ million
COST	
At 1 April 2004 and 31 March 2005	(3.0)
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	(2.7)
Derecognised upon application of HKFRS 3	2.7
At 1 April 2005	—

Particulars of the principal jointly controlled entities are set out in note 45.

The summarised financial information in respect of the Group's jointly controlled entities for the years ended 31 December 2005 and 31 December 2004 is as follows:

	2005 **HK$ million**	2004 HK$ million
Current assets	**1,531.4**	789.5
Non-current assets	**3,196.3**	1,839.1
Current liabilities	**(1,653.3)**	(964.4)
Non-current liabilities	**(539.5)**	(939.3)
Minority interests	**(389.9)**	(85.6)
Income	**1,429.0**	1,217.8
Expenses	**(1,279.8)**	(1,054.2)

19. INTERESTS IN JOINTLY CONTROLLED ENTITIES - continued

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, Nanjing and LSOC based on the adjusted financial statements prepared under the accounting principles generally accepted in Hong Kong for the years ended 31 December 2005 and 31 December 2004, is as follows:

	2005 **HK$ million**	2004 HK$ million
Results for the year ended 31 December		
Turnover	**1,442.7**	1,400.7
Loss before taxation	**(200.4)**	(3.5)
Loss before taxation attributable to the Group	**(81.2)**	(41.8)

	2005 **HK$ million**	2004 HK$ million
Financial positions as at 31 December		
Non-current assets	**5,926.6**	2,747.2
Current assets	**2,388.1**	902.7
Current liabilities	**(2,940.8)**	(1,369.9)
Non-current liabilities	**(1.9)**	(1,541.0)
Minority interests	**—**	(171.1)
Net assets	**5,372.0**	567.9
Net assets attributable to the Group	**1,865.0**	412.8

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 2005 and 31 December 2004, is as follows:

	2005 **HK$ million**	2004 HK$ million
Results for the year ended 31 December		
Turnover	**8.8**	15.3
Profit before taxation	**273.4**	337.0
Profit before taxation attributable to the Group	**193.5**	221.4

19. INTERESTS IN JOINTLY CONTROLLED ENTITIES - continued

	2005 HK$ million	2004 HK$ million
Financial positions as at 31 December		
Non-current assets	**636.4**	308.7
Current assets	**19.4**	104.1
Current liabilities	**(69.0)**	(8.2)
Non-current liabilities	**(100.0)**	(100.0)
Minority interests	**(70.0)**	—
Net assets	**416.8**	304.6
Net assets attributable to the Group	**288.4**	208.9

The Group has discontinued recognition of its share of loss of a jointly controlled entity. The amounts of unrecognised share of losses of the jointly controlled entity, both for the year and cumulatively, are as follows:

	2006 HK$ million	2005 HK$ million
Unrecognised share of losses of the jointly controlled entity for the year	**5.6**	—
Accumulated unrecognised share of losses of the jointly controlled entity	**5.6**	—

20. INTERESTS IN ASSOCIATES

	2006 HK$ million	2005 HK$ million (restated)
Interests in associates		
Cost of unlisted investments in associates	**1,405.1**	1,405.1
Share of post-acquisition profits and reserves (note (a))	**238.5**	65.1
Convertible redeemable participating junior preference shares	**—**	243.6
	1,643.6	1,713.8
Convertible redeemable participating junior preference shares ("Junior Preference Shares") (note (b))	**300.0**	—
Derivative financial instruments (note (c))	**89.8**	—
	2,033.4	1,713.8
Classified as:		
Interests in associates	**1,643.6**	1,713.8
Junior Preference Shares (note (b))	**300.0**	—
Derivative financial instruments (note (c))	**89.8**	—
	2,033.4	1,713.8

20. INTERESTS IN ASSOCIATES - continued

Notes:

(a) Included in share of results of associates is discount on acquisition of Shui On Land Limited ("SOL") of HK$87.7 million (2005: nil). The discount on acquisition is due to the allotment of 8,800,000 ordinary shares to the Group by SOL in satisfaction of the Group's entitlement to receive performance-based consideration during the year.

(b) The loan portion of Junior Preference Shares was stated at amortised cost and the effective interest rate for the loan portion was estimated to be approximately 12% per annum. At 31 March 2006, the carrying amount approximates to the fair value.

(c) The conversion options of Junior Preference Shares and the early redemption option were recorded as derivative financial instruments in the balance sheet. The Group engaged independent valuers to assess the fair value of the conversion options and the early redemption option. The valuers concluded that the fair value of the early redemption option, which was valued based on Dividend Adjusted Black-Scholes Option Pricing Model, was negligible and the fair value of the conversion options relied extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which could be quantified or ascertained. Accordingly, the fair value of the conversion options is considered to be not reliably measurable and is stated at cost less impairment.

The principal terms of the Junior Preference Shares issued by 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.

20. INTERESTS IN ASSOCIATES - continued

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

(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 44.

A summary of the financial information of the Group's associates is as follows:

Results for the year ended 31 December

	2005 **HK$ million**	2004 HK$ million
Turnover	**978.7**	980.1
Profit for the year	**317.0**	215.9
Profit for the year attributable to the Group	**122.2**	65.1

Financial positions as at 31 December

	2005 **HK$ million**	2004 HK$ million
Total assets	**20,374.2**	11,557.3
Total liabilities	**(13,873.8)**	(6,735.5)
Net assets	**6,500.4**	4,821.8
Net assets attributable to the Group (note)	**1,643.6**	1,470.2

20. INTERESTS IN ASSOCIATES - continued

The above information is derived from the audited financial statements of SOL for the year ended 31 December 2005 which have been prepared using International Financial Reporting Standards issued by the International Accounting Standards Board.

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

SOL had the following significant contingent liabilities at 31 December 2005:

(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$311.5 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 2005, 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$15.8 million (equivalent to RMB16.4 million) to banks in respect of mortgage facilities granted to the buyers of its residential properties.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/INVESTMENTS IN SECURITIES

	2006 **HK$ million**	2005 HK$ million
Investments in securities		
Equity securities (at fair value):		
Listed — Hong Kong	—	12.4
Unlisted	223.4	—
	223.4	12.4
Classified as:		
Investments in securities	—	12.4
Financial assets at fair value through profit or loss	223.4	—
	223.4	12.4

Investments in equity securities offer the Group the opportunity for return through dividend income and fair value gains. The fair value of listed securities is based on bid prices quoted in relevant exchange markets. The fair values of the unlisted securities at 31 March 2006 have been arrived at by reference to the prices recently paid for similar assets or on the basis of valuations carried out by American Appraisal China Limited, independent qualified professional valuers not connected with the Group. On the assumption that no major change in existing economic business environments in which the appraised investments operate, the valuation was arrived at market approach by applying of different value measures or market multiple of the comparable companies, with adjustments made to reflect condition of the appraised investments relative to market comparable.

Fair value changes on financial assets at fair value through profit or loss amounting to HK$139.2 million were credited to the consolidated income statement for the year ended 31 March 2006.

22. AMOUNTS DUE FROM (TO) JOINTLY CONTROLLED ENTITIES

	2006 **HK$ million**	2005 HK$ million
Amounts due from jointly controlled entities:		
Non-current (note (a))	—	293.6
Current (note (b))	506.6	491.9
	506.6	785.5
Amounts due to jointly controlled entities:		
Current (note (c))	75.3	24.1

Notes:

(a) The non-current portion as at 31 March 2005 was unsecured and interest-free. The Group will not demand repayment of the non-current portion within the next twelve months from the balance sheet date and accordingly, the amounts are shown as non-current.

(b) The current portion is unsecured and repayable within one year. Out of the total balance, a total of HK$122.4 million (2005: HK$206.2 million) bears interest at prevailing market rates. The remaining balance is interest-free.

(c) The current portion is unsecured, interest-free and repayable on demand.

The Directors consider that the fair values of amounts due from (to) jointly controlled entities at 31 March 2006 approximate to the corresponding carrying amounts.

23. INVENTORIES AND CONTRACTS IN PROGRESS

	2006 HK$ million	2005 HK$ million
Inventories		
Raw materials	5.3	1.8
Work-in-progress	5.5	0.9
Finished goods	3.2	6.8
Spare parts	3.2	4.0
	17.2	13.5

	2006 HK$ million	2005 HK$ million
Contracts in progress		
Costs incurred to date	3,201.7	4,360.3
Recognised profits less recognised losses	96.1	64.2
	3,297.8	4,424.5
Less: Progress billings	(3,354.0)	(4,545.1)
Net contract work	(56.2)	(120.6)
Represented by:		
Amounts due from customers for contract work	71.5	73.9
Amounts due to customers for contract work	(127.7)	(194.5)
	(56.2)	(120.6)

24. OTHER FINANCIAL ASSETS

Debtors, deposits and prepayments

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

Included in debtors, deposits and prepayments are debtors with an aged analysis at the balance sheet date as follows:

	2006 **HK$ million**	2005 HK$ million
Debtors aged analysis:		
Within 90 days	143.2	174.8
91 days to 180 days	1.9	8.2
181 days to 360 days	0.6	9.0
Over 360 days	10.1	11.3
	155.8	203.3
Retentions receivable	102.0	100.4
Prepayments, deposits and other receivables	216.3	262.4
	474.1	566.1
Retentions receivable is analysed as follows:		
Due within one year	74.5	49.7
Due more than one year	27.5	50.7
	102.0	100.4

The fair value of the Group's debtors and retentions receivable at 31 March 2006 approximates to the corresponding carrying amount.

Bank balances, deposits and cash

Bank balances, deposits and cash comprise cash held by the Group and deposits with maturity of three months or less held with banks not restricted as to use. The carrying amount of the Group's bank balances, deposits and cash approximates to its fair value.

25. AMOUNTS DUE FROM (TO) ASSOCIATES

	2006 **HK$ million**	2005 HK$ million
Amounts due from associates:		
Current	0.3	0.1
Amounts due to associates:		
Current	0.2	—

The balances are unsecured, interest-free and repayable within one year.

The Directors consider that the fair value of the amounts at 31 March 2006 approximates to the corresponding carrying amount.

26. AMOUNTS DUE FROM (TO) RELATED COMPANIES

	2006 **HK$ million**	2005 HK$ million
Amounts due from related companies:		
Current	3.1	0.5
Amounts due to related companies:		
Current	0.1	—

The related companies are subsidiaries of SOCL.

The balances are unsecured, interest-free and repayable within one year.

The Directors consider that the fair value of the amounts at 31 March 2006 approximates to the corresponding carrying amount.

27. NON-CURRENT ASSETS HELD FOR SALE

	2006 **HK$ million**	2005 HK$ million
Property, plant and equipment	31.7	—

The proceeds on disposal of the above assets are expected to exceed the carrying amount of the relevant assets and, accordingly, no impairment loss has been recognised.

28. CREDITORS AND ACCRUED CHARGES

The aged analysis of creditors of HK$71.0 million (2005: HK$87.6 million) which are included in the Group's creditors and accrued charges is as follows:

	2006 **HK$ million**	2005 HK$ million
Creditors aged analysis:		
Within 30 days	55.5	67.1
31 days to 90 days	5.7	16.3
91 days to 180 days	1.7	2.2
Over 180 days	8.1	2.0
	71.0	87.6
Retentions payable	94.2	111.2
Accruals and other payables	373.9	341.4
	539.1	540.2

The fair value of the Group's creditors, retentions payable and other payables at 31 March 2006 approximates to the corresponding carrying amount.

29. BANK BORROWINGS

	2006 HK$ million	2005 HK$ million (restated)
Unsecured bank loans and bank overdrafts	**2,813.3**	1,253.8
Less: Amounts due within 12 months	**(1,294.3)**	(253.8)
Amounts due for settlement after 12 months	**1,519.0**	1,000.0
The floating-rate borrowings are repayable as follows:		
Within one year	**1,294.3**	253.8
More than one year but not exceeding two years	**1,319.0**	690.0
More than two years but not exceeding five years	**200.0**	310.0
	2,813.3	1,253.8

The Directors consider that the current interest rates represent prevailing market rates and therefore, the fair values of the bank borrowings at 31 March 2006 estimated by discounting their future cash flows at the prevailing market borrowing rates approximate to the corresponding carrying amounts.

The average effective interest rates of the bank borrowings range from 4.08% to 5.86% (2005: 1.10% to 5.69%) per annum.

All the Group's bank borrowings are denominated in the functional currencies of the relevant group entities.

30. SHARE CAPITAL

	Number of shares			
	2006	2005	**2006** HK$ million	2005 HK$ million
Authorised				
Ordinary shares of HK$1 each				
At the beginning of the year	**400,000,000**	400,000,000	**400.0**	400.0
Increase during the year	**600,000,000**	—	**600.0**	—
At the end of the year	**1,000,000,000**	400,000,000	**1,000.0**	400.0
Issued and fully paid				
At the beginning of the year	**269,380,000**	268,036,000	**269.4**	268.0
Exercise of share options	**5,252,000**	1,344,000	**5.2**	1.4
At the end of the year	**274,632,000**	269,380,000	**274.6**	269.4

By an ordinary resolution passed at a special general meeting of the Company on 1 November 2005, the authorised share capital of the Company was increased from HK$400,000,000 to HK$1,000,000,000 by the creation of 600,000,000 new shares of HK$1 each.

All the new shares issued during the year rank pari passu in all respects with the existing shares.

31. RESERVES

	Attributable to equity holders of the Company													
	Properties revaluation reserve HK$ million	Share premium account HK$ million	Translation reserve HK$ million	Contributed surplus (Note a) HK$ million	Goodwill HK$ million	Negative goodwill HK$ million	Retained profits HK$ million	Reserve funds HK$ million	Share option reserve HK$ million	Actuarial gain and loss HK$ million	Other reserve (Note b) HK$ million	Total HK$ million	Minority interests HK$ million	Total equity HK$ million
At 1 April 2004														
— as originally stated	18.7	556.7	2.1	197.6	(2.7)	0.5	345.3	1.0	—	—	—	1,119.2	—	1,119.2
— effect of changes in accounting policies (note 2)	(18.7)	—	—	—	—	—	(21.2)	—	0.1	—	—	(39.8)	28.6	(11.2)
— as restated	—	556.7	2.1	197.6	(2.7)	0.5	324.1	1.0	0.1	—	—	1,079.4	28.6	1,108.0
Exchange differences arising on translation of financial statements of operations outside Hong Kong	—	—	(2.1)	—	—	—	—	—	—	—	—	(2.1)	—	(2.1)
Recognition of actuarial gain	—	—	—	—	—	—	—	—	—	28.4	—	28.4	—	28.4
Net income recognised directly in equity	—	—	(2.1)	—	—	—	—	—	—	28.4	—	26.3	—	26.3
Profit for the year	—	—	—	—	—	—	481.9	—	—	—	—	481.9	2.7	484.6
Total recognised income and expense for the year	—	—	(2.1)	—	—	—	481.9	—	—	28.4	—	508.2	2.7	510.9
Acquisition of an associate	—	—	—	—	—	—	—	—	—	—	231.1	231.1	—	231.1
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	(6.1)	(6.1)
Premium on issue of shares	—	8.6	—	—	—	—	—	—	—	—	—	8.6	—	8.6
Recognition of share-based payment expense	—	—	—	—	—	—	—	—	1.0	—	—	1.0	—	1.0
Dividends paid	—	—	—	—	—	—	(154.5)	—	—	—	—	(154.5)	(1.5)	(156.0)
Capital contribution from minority shareholders	—	—	—	—	—	—	—	—	—	—	—	—	5.4	5.4
Transfer to reserve funds	—	—	—	—	—	—	(0.3)	0.3	—	—	—	—	—	—
At 31 March 2005	—	565.3	—	197.6	(2.7)	0.5	651.2	1.3	1.1	28.4	231.1	1,673.8	29.1	1,702.9
— effect of changes in accounting policies (note 2)	—	—	—	—	—	(0.5)	131.5	—	—	—	—	131.0	—	131.0
— as restated	—	565.3	—	197.6	(2.7)	—	782.7	1.3	1.1	28.4	231.1	1,804.8	29.1	1,833.9
Exchange differences arising on translation of financial statements of operations outside Hong Kong	—	—	36.5	—	—	—	—	—	—	—	—	36.5	—	36.5
Recognition of actuarial gain	—	—	—	—	—	—	—	—	—	36.1	—	36.1	—	36.1
Share of reserves of an associate	—	—	9.0	—	—	—	—	—	—	—	—	9.0	—	9.0
Net income recognised directly in equity	—	—	45.5	—	—	—	—	—	—	36.1	—	81.6	—	81.6
Profit for the year	—	—	—	—	—	—	314.8	—	—	—	—	314.8	36.6	351.4
Total recognised income and expense for the year	—	—	45.5	—	—	—	314.8	—	—	36.1	—	396.4	36.6	433.0
Acquisition of subsidiaries (note 37(a))	—	—	—	—	—	—	—	—	—	—	23.8	23.8	147.6	171.4
Acquisition of subsidiaries (note 37(b))	—	—	—	—	—	—	—	—	—	—	—	—	10.8	10.8
Assets contribution to LSOC (note 38)	—	—	—	—	—	—	—	—	—	—	—	—	(134.9)	(134.9)
Premium on issue of shares	—	30.4	—	—	—	—	—	—	—	—	—	30.4	—	30.4
Recognition of share-based payment expense	—	—	—	—	—	—	—	—	1.8	—	—	1.8	—	1.8
Transfer upon exercise of share options	—	1.0	—	—	—	—	—	—	(1.0)	—	—	—	—	—
Dividends paid	—	—	—	—	—	—	(113.7)	—	—	—	—	(113.7)	(1.4)	(115.1)
Capital contribution from minority shareholders	—	—	—	—	—	—	—	—	—	—	—	—	10.7	10.7
Share of reserves of an associate	—	—	—	—	—	—	(5.3)	—	—	—	(90.2)	(95.5)	—	(95.5)
At 31 March 2006	—	596.7	45.5	197.6	(2.7)	—	978.5	1.3	1.9	64.5	164.7	2,048.0	98.5	2,146.5

31. RESERVES - continued

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.

(b) Other reserve of the Group included an amount of HK$231.1 million which arose when the Group entered into agreements with SOCL to co-invest in SOL.

32. 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
At 1 April 2004					
— as originally stated	(10.3)	(3.8)	7.0	1.5	(5.6)
— effect of changes in accounting policies (note 2)	—	3.8	—	—	3.8
— as restated	(10.3)	—	7.0	1.5	(1.8)
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)	—	2.0	0.6	0.8
Credit (charge) to consolidated income statement for the year	0.8	—	(0.6)	—	0.2
At 31 March 2006	(1.0)	—	1.4	0.6	1.0

For the purposes of balance sheet presentation certain deferred tax assets and liabilities have been offset.

At 31 March 2006, the Group has unused tax losses of HK$268.7 million (2005: HK$215.9 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to HK$7.9 million (2005: HK$11.4 million). No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$260.8 million (2005: HK$204.5 million) due to the unpredictability of future profit streams.

33. 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.

33. PROVIDENT FUND SCHEME AND DEFINED BENEFIT PLAN - continued

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 2006 amounted to HK$2.8 million (2005: HK$3.7 million). The amount of employer's voluntary contributions to MPF schemes forfeited for the years ended 31 March 2006 and 31 March 2005 was immaterial and was used to reduce the existing level of contributions.

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 8% 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 scheduled contribution plus the member's contribution (both contributions being calculated on the basic salary of the member) 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 2006 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:

	2006	2005
Discount rate	**4.5%**	4.5%
Expected rate of salary increase	**2% p.a. for next three years commencing from 1 April 2006 and 3% p.a. thereafter**	1% p.a. for the next two years commencing from 1 April 2005 and 2% p.a. thereafter

The expected rate of return on plan assets for the year ended 31 March 2006 is 6.5% (2005: 6.5%) per annum.

Upon the early adoption of HKAS 19 (Amendment) (see note 2), actuarial gains and losses are recognised in full in the year in which they occur in the statement of recognised income and expense.

33. PROVIDENT FUND SCHEME AND DEFINED BENEFIT PLAN - continued

Defined Benefit Plan - continued

Amounts recognised in the consolidated income statement for the year in respect of the Plan are as follows:

	2006 **HK$ million**	2005 HK$ million (restated)
Current service cost	**11.1**	14.5
Interest cost	**12.1**	12.1
Expected return on plan assets	**(19.6)**	(19.2)
Net amount charged to consolidated income statement as staff costs	**3.6**	7.4

The amount included in the consolidated balance sheet arising from the Group's obligations in respect of the Plan is as follows:

	2006 **HK$ million**	2005 HK$ million (restated)
Present value of funded obligations	**261.2**	275.1
Fair value of plan assets	**(327.0)**	(293.9)
Defined benefit asset included in the consolidated balance sheet	**(65.8)**	(18.8)

There are nil equity shares of the Company (2005: HK$3.1 million) included within the fair value of plan assets.

Movements of the defined benefit (assets) liabilities in the consolidated balance sheets are as follows:

	2006 **HK$ million**	2005 HK$ million (restated)
At the beginning of the year		
— as previously stated	**(9.3)**	4.1
— effect of changes in accounting policies (note 2)	**(9.5)**	21.1
— as restated	**(18.8)**	25.2
Net amount charged to consolidated income statement as staff costs	**3.6**	7.4
Actuarial gain recognised in consolidated statement of recognised income and expense during the year	**(36.1)**	(28.4)
Employers' contributions	**(14.5)**	(23.0)
At the end of the year	**(65.8)**	(18.8)

33. PROVIDENT FUND SCHEME AND DEFINED BENEFIT PLAN - continued

Defined Benefit Plan - continued

Additional disclosure in respect of the Plan is as follows:

	2006 **HK$ million**	2005 HK$ million (restated)
Experience adjustment on plan liabilities	**(1.0)**	2.0
Experience adjustment on plan assets	**44.4**	5.3

As at 31 March 2006, the major categories of plan assets as a percentage of total plan assets are as follows:

Equities	68.6%
Hedge funds	13.7%
Bonds	17.0%
Cash	0.7%
	100%

34. LEASE ARRANGEMENTS

As lessor

Property rental income in respect of the investment property and car park spaces earned during the year was HK$1.9 million (2005: HK$5.4 million).

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

	2006 **HK$ million**	2005 HK$ million
Within one year	**0.6**	—

As lessee

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

	2006 **HK$ million**	2005 HK$ million
Within one year	**2.7**	1.9
In the second to fifth years inclusive	**2.3**	1.7
	5.0	3.6

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

35. CAPITAL COMMITMENTS

(a) As at 31 March 2006, the Group's share of the capital commitments of its jointly controlled entities and an associate are as follows:

	2006 **HK$ million**	2005 HK$ million
Authorised but not contracted for	—	44.1
Contracted but not provided for	**1,608.7**	1,035.2

(b) As at 31 March 2006, the Group had commitments in respect of the acquisition of property, plant and equipment and certain investments contracted but not provided for in the financial statements amounting to approximately HK$1.1 million (2005: HK$0.3 million) and HK$17.3 million (2005: nil) respectively.

(c) On 15 February 2006, Coral Waters (Barbados) SRL ("Coral Waters"), which is owned as to 50% indirectly by the Company and as to 50% by other investors, entered into an agreement with the vendors to acquire all the issued share capital of 青島中成銀儲實業發展有限公司 (Qingdao Zhongcheng Yinchu Development Co., Ltd., "Zhongcheng Yinchu"), which was registered in the PRC and owns Blocks A and C, phase III of Zhongcheng Plaza, an unfinished property in Qingdao, the PRC for a consideration of approximately RMB350 million (about HK$337 million). Details of the transaction subsequent to balance sheet date are set out in note 42(a).

(d) On 7 March 2006, Mountain Breeze (Barbados) SRL ("Mountain Breeze"), which is owned by a 50-50 joint venture company established by Jumbo China Investments Limited, an indirect wholly-owned subsidiary of the Company, and an institutional investor ("Investor"), entered into a framework agreement with the vendors to acquire an unfinished commercial development named Huapu Building in Dongcheng District, Beijing, the PRC for a consideration of approximately RMB1.11 billion (about HK$1.07 billion) (subject to adjustments). Details of the transaction subsequent to balance sheet date are set out in note 42(b).

(e) As disclosed in the circular of the Company dated 6 April 2005, a wholly-owned 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 an 80% share of this joint venture which will have a registered capital of RMB1,000 million (about HK$962 million). A deposit of RMB80 million (about HK$77 million) was paid upon signing of the framework agreement. Following the granting of approval of relevant authorities in the Central Government in relation to the establishment of this joint venture, the Group's further contribution to the capital of this joint venture will amount to RMB720 million (about HK$692 million), being 80% of the Group's share of capital less the deposit paid of RMB80 million (about HK$77 million). The deposit is fully refundable within 10 business days if the establishment of the joint venture cannot be achieved. The Company entered into the Contribution Agreement and the Joint Venture Agreement with, among others, Financiere Lafarge, a wholly-owned subsidiary of Lafarge S.A., whereby the Company undertakes to transfer the Group's interest in this joint venture to LSOC, a jointly controlled entity of the Group.

36. SHARE-BASED PAYMENT

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.

36. SHARE-BASED PAYMENT - 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.

36. SHARE-BASED PAYMENT - 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 April 2005	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 March 2006	Period during which share options outstanding at 31 March 2006 are exercisable	Price of Company's shares at exercise date of options HK$ (Note)
Old Scheme									
4 July 2000	9.56	1,858,000	–	(6,000)	(26,000)	(1,826,000)	–	4 January 2001 to 3 July 2005	9.15
17 July 2001	9.30	2,064,000		(988,000)	(40,000)	–	**1,036,000**	17 January 2002 to 16 July 2006	14.22
New Scheme									
27 August 2002	6.00	1,530,000	–	(432,000)	(44,000)	–	**1,054,000**	27 February 2003 to 26 August 2007	11.99
27 August 2002	6.00	22,000,000	–	(3,190,000)	(1,700,000)	(6,025,000)	**11,085,000**	27 August 2005 to 26 August 2010	10.27
4 August 2003	5.80	484,000	–	(154,000)	(16,000)	–	**314,000**	4 February 2004 to 3 August 2008	10.28
26 July 2004	7.25	986,000	–	(334,000)	(20,000)	–	**632,000**	26 January 2005 to 25 July 2009	11.73
29 July 2005	9.30	–	1,154,000	(148,000)	(20,000)	–	**986,000**	29 January 2006 to 28 July 2010	16.62
		28,922,000	1,154,000	(5,252,000)	(1,866,000)	(7,851,000)	**15,107,000**		

Date of grant	Subscription price per share HK$	Number of options: At 1 April 2004	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 March 2005	Period during which share options outstanding at 31 March 2005 are exercisable	Price of Company's shares at exercise date of options HK$ (Note)
Old Scheme									
7 July 1999	11.21	3,070,000	–	–	(100,000)	(2,970,000)	–	7 January 2000 to 6 July 2004	–
4 July 2000	9.56	2,264,000	–	(316,000)	(90,000)	–	1,858,000	4 January 2001 to 3 July 2005	10.92
17 July 2001	9.30	2,412,000	–	(230,000)	(118,000)	–	2,064,000	17 January 2002 to 16 July 2006	10.71
New Scheme									
27 August 2002	6.00	2,192,000	–	(530,000)	(132,000)	–	1,530,000	27 February 2003 to 26 August 2007	8.68
27 August 2002	6.00	22,000,000	–	–	–	–	22,000,000	27 August 2005 to 26 August 2010	–
4 August 2003	5.80	714,000	–	(224,000)	(6,000)	–	484,000	4 February 2004 to 3 August 2008	8.86
26 July 2004	7.25	–	1,030,000	(44,000)	–	–	986,000	26 January 2005 to 25 July 2009	10.10
		32,652,000	1,030,000	(1,344,000)	(446,000)	(2,970,000)	28,922,000		

The vesting periods of the share option are set out as follows:

20%: 6 months after the date of grant
20%: 1st anniversary after the date of grant
20%: 2nd anniversary after the date of grant
20%: 3rd anniversary after the date of grant
20%: 4th anniversary after the date of grant

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.

36. SHARE-BASED PAYMENT - continued

In prior years, the financial impact of share options granted was not recorded in the financial statements until such time as the options are exercised, and no charge was 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 were 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. Upon the application of HKFRS 2 (see note 2), the fair value of share options granted to Directors and employees of the Group, determined at the date of grant of the shares options, is expensed over the vesting period.

The fair values were calculated using the Binominal Model. The inputs into the model were as follows:

Date of grant	4 August 2003	26 July 2004	29 July 2005
Average fair value	HK$1.3274	HK$1.7923	HK$2.2705
Share price on the date of grant	HK$5.70	HK$7.30	HK$9.30
Exercise price	HK$5.80	HK$7.25	HK$9.30
Expected volatility	40% p.a.	40% p.a.	40% p.a.
Average expected life	3.84 years	3.82 years	3.81 years
Average risk-free rate	2.86% p.a.	3.25% p.a.	3.53% p.a.
Expected dividend yield	5% p.a.	5% p.a.	5% p.a.
Rate of leaving service	2% p.a.	2% p.a.	2% p.a.

Expected volatility was determined by using the historical volatility of the Company's share price during the period from February 1997 to October 2005. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

Total consideration received during the year from employees, including directors, for taking up the options granted was HK$51 (2005: HK$41).

37. ACQUISITION OF SUBSIDIARIES

(a) On 11 August 2005, Shui On Building Materials Limited ("SOBM"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with Olympio Corporation ("Olympio"), whereby SOBM acquired from Olympio its 50% interest in TH Industrial Management Limited ("THIML"), a jointly controlled entity of the Group as well as the holding company of the Group's cement business in Sichuan and Chongqing in which the Group held the other 50% interest, and the benefit of the balance of THIML's indebtedness to Olympio for a consideration of RMB270.0 million (about HK$259.3 million). Completion of the acquisition took place on 4 November 2005 and THIML has become an indirect wholly-owned subsidiary of the Company.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's carrying amount before combination HK$ million	**Fair value adjustments** HK$ million	**Fair value** HK$ million
Property, plant and equipment	1,736.1	(80.8)	1,655.3
Goodwill	3.1	(3.1)	—
Investment properties	51.7	7.1	58.8
Prepaid lease payments	467.4	(27.4)	440.0
Long term receivables	21.8	—	21.8
Interests in jointly controlled entities	8.4	—	8.4
Amounts due from jointly controlled entities	1.5	—	1.5
Inventories	134.6	3.5	138.1
Debtors, deposits and prepayments	266.6	—	266.6
Bank balances, deposits and cash	199.4	—	199.4
Amounts due to related companies	(714.7)	—	(714.7)
Creditors and accrued charges	(571.2)	(3.9)	(575.1)
Long term payables	(9.6)	9.6	—
Bank borrowings	(1,296.8)	—	(1,296.8)
Deferred tax liabilities	(68.4)	(16.2)	(84.6)
Minority interests	(144.8)	(2.8)	(147.6)
Total net assets (liabilities) of subsidiaries to be acquired	85.1	(114.0)	(28.9)
Transferred from interests in jointly controlled entities			(14.5)
Goodwill			26.2
Total consideration			11.7
Total consideration satisfied by:			
Cash consideration paid			259.3
Net-off with amount due to Olympio			(247.6)
			11.7
Net cash outflow arising on acquisition:			
Cash consideration paid			(259.3)
Cash and cash equivalents acquired			199.4
			(59.9)
50% loss on fair value adjustments			(57.0)
50% unrealised fair value gain			(23.8)
Impairment loss in jointly controlled entities			(80.8)
Impairment loss on goodwill			(26.2)

37. ACQUISITION OF SUBSIDIARIES - continued

(a) continued

The Group recognised an impairment loss of HK$26.2 million in relation to the goodwill arising on acquisition from Olympio its 50% interest in THIML with reference to the fair value of the underlying assets and liabilities agreed with Financiere Lafarge for the formation of a jointly controlled entity with the Group and the future profitability of the cement operations in Chongqing Province and considered that the goodwill is fully impaired.

As explained in note 38, the Company subsequently contributed certain of its acquired businesses into LSOC for a 45% stake and continued to operate the retained businesses on its own. If the acquisition of the retained businesses had been completed on 1 April 2005, total revenue for the year would have been HK$1,406.3 million, and profit for the year would have been HK$333.2 million. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2005, nor is it intended to be a projection of future results.

The retained businesses contributed revenue of HK$12.3 million and loss of HK$36.4 million to the Group's profit before taxation for the period between the date of acquisition and the balance sheet date.

(b) In April 2006, Peak Fortune Assets Limited, an indirect wholly-owned subsidiary of the Company, acquired the entire equity interest of Patcher Development Limited ("Patcher") in On Capital China Tech Fund ("On Capital") for a consideration of HK$4.8 million. Following completion of the acquisition, On Capital has become an indirect subsidiary of the Company.

The net assets acquired in the transaction are as follows:

	Acquiree's carrying amount before acquisition HK$ million	Fair value adjustments HK$ million	Fair value HK$ million
Financial assets at fair value through profit or loss	17.7	—	17.7
Debtors, deposits and prepayments	24.4	—	24.4
Bank balances, deposits and cash	16.9	—	16.9
Creditors and accrued charges	(1.2)	—	(1.2)
Minority interests	(10.8)	—	(10.8)
Total net assets of subsidiary to be acquired	47.0	—	47.0
Transferred from interests in jointly controlled entity			(45.2)
Net-off with amount due to Patcher			3.0
Total consideration			4.8
Total consideration satisfied by:			
Cash			4.8
Net cash inflow arising on acquisition:			
Cash consideration paid			(4.8)
Cash and cash equivalents acquired			16.9
			12.1

On Capital did not contribute revenue but has contributed profit of HK$136.8 million to the Group's profit before taxation for the period between the date of acquisition and the balance sheet date.

38. CONTRIBUTION TO A JOINTLY CONTROLLED ENTITY

On 11 August 2005, the Company entered into strategic alliance with Financiere Lafarge with the execution of the contribution agreement and joint venture agreement, whereby the Group contributed its dry kiln operations in Chongqing, Sichuan and Guizhou into LSOC for a 45% stake and Financiere Lafarge contributed its cement business in the PRC to LSOC for a 55% stake.

The merger was completed on 9 November 2005, and this constitutes contribution of certain subsidiaries of the Group to LSOC, which has become a jointly controlled entity of the Group.

	HK$ million
NET ASSETS CONTRIBUTED TO LSOC	
Property, plant and equipment	1,621.2
Prepaid lease payments	401.9
Long term receivables	21.8
Interests in jointly controlled entities	266.4
Amounts due from jointly controlled entities	119.0
Amounts due from related companies	53.9
Inventories	134.4
Debtors, deposits and prepayments	257.3
Bank balances, deposits and cash	170.7
Creditors and accrued charges	(570.9)
Amount due to a related company	(0.8)
Bank borrowings	(996.0)
Deferred tax liabilities	(84.6)
Minority interests	(134.9)
Exchange gain realised	(11.8)
	1,247.6
Cash contribution	39.8
Cost incurred in connection with the formation of LSOC	29.8
Total consideration before fair value adjustments	1,317.2
Fair value adjustments on interests in jointly controlled entities, net of deferred tax	70.4
Total consideration after fair value adjustments	1,387.6
Satisfied by:	
Share of net assets of LSOC	1,265.8
Goodwill	121.8
Total consideration	1,387.6
Net cash outflow arising on contribution:	
Bank balances, deposits and cash contributed to LSOC	(170.7)
Cash contribution	(39.8)
Costs incurred in connection with the contribution	(29.8)
	(240.3)
Fair value adjustments	70.4
Less: unrealised gain	(31.7)
Realised gain on fair value of asset contributed to LSOC	38.7

39. DISPOSAL OF SUBSIDIARIES

(a) On 18 February 2004, the Group entered into agreements for co-investment in SOL with 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 Co., Ltd., 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 for the year ended 31 March 2005.

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 ("New Rainbow"), 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 2006, a total of US$50 million of cash has been injected for this purpose.

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
Creditors and accrued charges	(146.0)
Taxation payable	(46.1)
Bank borrowings	(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 31(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)

For the year ended 31 March 2005, the subsidiary disposed of contributed HK$1.6 million to the Group's turnover and loss of HK$0.2 million to the Group's profit before taxation.

39. DISPOSAL OF SUBSIDIARIES - continued

(b) 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 for the year ended 31 March 2005.

The results of the concrete operations were included in note 11.

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

For the year ended 31 March 2005, the subsidiary disposed of contributed HK$25.5 million to the Group's turnover and incurred a loss of HK$5.1 million included in the Group's loss from discontinued operations.

(c) 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.

39. DISPOSAL OF SUBSIDIARIES - continued

(c) continued

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 in note 11.

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

For the year ended 31 March 2005, the subsidiaries disposed of contributed HK$195.4 million to the Group's turnover and incurred a loss of HK$30.3 million included in the Group's loss from discontinued operations.

40. CONTINGENT LIABILITIES

As at 31 March 2006, performance bonds established amounting to approximately HK$175.9 million (2005: HK$162.5 million) have not been provided for in the financial statements.

The Group has given guarantees to banks in respect of general facilities granted to its jointly controlled entities for general facilities. The extent of such facilities utilised by the jointly controlled entities at 31 March 2006 was nil (2005: HK$317.2 million).

41. 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 Private Group").

	2006 **HK$ million**	2005 HK$ million
Nature of transactions		
Income received:		
Management and information system services	**0.4**	0.4
Project management services	**4.6**	—
Procurement agency services	**—**	2.1
Cost and expenses paid:		
Rental expenses	**0.1**	0.5
Building management fee	**0.1**	0.1
Balance as at 31 March		
Amounts due from SOCL Private Group	**3.1**	0.5
Amounts due to SOCL Private Group	**0.1**	—

(b) During the year, the Group had the following transactions with jointly controlled entities.

	2006 **HK$ million**	2005 HK$ million
Nature of transactions		
Income received:		
Interest income	**21.0**	5.2
Management fee	**4.8**	—
Rental income	**1.2**	0.2
Sales of construction materials	**—**	2.6
Construction/subcontracting work	**8.6**	—
Cost and expenses paid:		
Construction/subcontracting work	**14.0**	37.9
Supply of construction materials	**2.2**	14.8
Management and information system services	**—**	0.1
Consultancy fee	**—**	0.4
Balances as at 31 March		
Amounts due from jointly controlled entities	**506.6***	785.5*
Amounts due to jointly controlled entities	**75.3**	24.1

* Included in the amounts due from jointly controlled entities are amounts of approximately HK$122.4 million (2005: HK$206.2 million), which are interest bearing and with no fixed repayment terms.

41. RELATED PARTY TRANSACTIONS - continued

(c) On 18 February 2004, the Group entered into agreements for co-investment in SOL with SOCL. Apart from the injection of a property development project of the Group into SOL, New Rainbow, a wholly-owned subsidiary of the Group, also subscribed 50 million Junior Preference Shares in SOL. During the year, New Rainbow injected a total of USD18.8 million (equivalent to HK$146.2 million) (2005: HK$243.6 million) into SOL for this purpose.

(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$106.7 million (2005: HK$129.6 million) from certain jointly controlled entities.

(f) During the year, the Group received interest in respect of convertible redeemable participating junior preference shares from an associate amounting to HK$20.1 million (2005: HK$14.0 million).

(g) The remuneration of Directors and other members of key management during the year was as follows:

	2006 **HK$ million**	2005 HK$ million
Fees	**0.9**	0.7
Salaries and other benefits	**17.8**	15.4
Performance related incentive payments	**4.4**	3.8
Retirement benefit scheme contributions	**1.4**	1.7
Share-based payments	**0.2**	0.1
	24.7	21.7

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

42. POST BALANCE SHEET EVENTS

(a) The acquisition of all the registered capital of Zhongcheng Yinchu by Coral Waters, a jointly controlled entity of the Group was completed on 12 May 2006.

Zhongcheng Yinchu has obtained a bank loan in the amount of RMB350 million (about HK$337 million) to finance the acquisition and construction of Zhongcheng Plaza. The shareholders of Coral Waters have provided the bank with a completion guarantee, on a several basis and in accordance with their respective shareholding in Coral Waters, whereby they would guarantee Zhongcheng Yinchu's obligations to complete the construction works of Zhongcheng Plaza.

(b) On 24 April 2006, 北京中天宏業房地產咨詢有限責任公司 (Beijing Zhongtian Hongye Real Estate Consulting Company, Limited, "Zhongtian Hongye"), a wholly-foreign owned enterprise in the PRC which is owned as to 100% by Mountain Breeze, was incorporated. Zhongtian Hongye entered into an agreement with the vendor on 2 June 2006 to acquire Huapu Building for a consideration of approximately RMB1.11 billion (about HK$1.07 billion) (subject to adjustments).

Zhongtian Hongye has obtained financing from a bank in the amount of RMB730 million (about HK$702 million) for the acquisition and construction of Huapu Building. On 2 June 2006, the Company and Zhongtian Hongye entered into a completion guarantee in favour of the bank whereby the Company would guarantee Zhongtian Hongye's obligation to complete the construction works of Huapu Building, and on the same day, the Company and the Investor entered into a back-to-back guarantee agreement, pursuant to which the Company would be indemnified by the Investor on a fully back to back basis for 50% of payments (if any) made by the Company under the said completion guarantee. Details of the transactions are set out in a circular of the Company dated 5 July 2006 issued to shareholders.

43. 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 as at 31 March 2006 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	—	98.34%	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	—	98.34%	Interior decoration, fitting out, design and contracting
Pat Davie (Macau) Limited##	1,000,000 ordinary shares of MOP1 each	—	98.34%	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
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

43. 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 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
Cement operations				
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
Glorycrest Holdings Limited *	1 share of US$1	—	100%	Investment 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

43. 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
Cement operations - continued				
Lamma Concrete Products Limited	10 ordinary shares of HK$1 each	—	60%	Investment holding
Prime Allied Enterprises Limited ***	2 ordinary shares of US$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
Shui On Cement (Guizhou) Limited *	100,000 shares of US$1 each	—	100%	Investment holding
Shui On Materials Limited *	1 share of US$1	100%	—	Investment holding
TH Industrial Management Limited #	2,740 ordinary shares of US$1 each	—	100%	Investment holding
TH Industry I Limited #	100 ordinary shares of US$1 each	—	100%	Investment holding
Chongqing T.H. Desheng Engineering Co. Ltd. **@	Registered and paid up capital RMB10,000,000	—	60%	Trading of construction materials equipment
Chongqing T.H. Holding Management Co. Ltd. **	Registered and paid up capital RMB41,500,000	—	100%	Investment holding
Chongqing T.H. White Cement Co. Ltd. **@	Registered and paid up capital US$1,506,000	—	60%	Manufacture and sale of cement
重慶騰輝石材開發有限責任公司 **@	Registered and paid up capital RMB10,000,000	—	55%	Manufacture and sale of building materials
Guizhou Shui On Cement Development Management Co., Ltd.**+	Registered and paid up capital US$420,000	—	100%	Provision of consultancy services
Middleton Investments Limited ***	2 ordinary shares of US$1 each	—	100%	Investment holding
Smartway Investment Limited ***	2 ordinary shares of US$1 each	—	100%	Investment holding
Tinsley Holdings Limited ***	2 ordinary shares of US$1 each	—	100%	Investment holding
Top Bright Investments Limited***	2 ordinary shares of US$1 each	—	100%	Investment holding
Winway Holdings Limited ***	2 ordinary shares of US$1 each	—	100%	Investment holding

43. 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 development business				
Jade City International Limited	2 ordinary shares of HK$1 each	—	100%	Property holding
New Rainbow Investments Limited*	1 share of US$1	100%	—	Investment holding
Property investment and other 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
Fortune Up Investments Limited *	1 share of US$1	100%	—	Investment holding
Grand More Management Limited *	1 share of US$1	100%	—	Investment holding
Jumbo China Investments Limited *	1 share of US$1	100%	—	Investment holding
Keygrow Investments Limited *	1 share of US$1	100%	—	Investment holding
Kroner Investments Limited *	1 share of US$1	100%	—	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
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
Rise Huge International Limited *	1 share of US$1	100%	—	Investment holding
Shine Honest Investments Limited *	1 share of US$1	100%	—	Investment holding
On Capital China Tech Fund ###	4,156 participating shares of US$1,000 each	—	74%	Venture capital investments

* Incorporated in the British Virgin Islands
** Registered and operated in other regions of the PRC
*** Incorporated in Mauritius
# Incorporated in the Bahamas
Incorporated in Macau, Special Administrative Region of the PRC
Incorporated in the Cayman Islands
+ Wholly foreign owned enterprises
@ Equity joint venture

None of the subsidiaries had any debt securities subsisting at 31 March 2006 or at any time during the year.

44. 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 #	447,915,547 ordinary shares of US$0.01 each 220,000,000 convertible redeemable participating junior preference shares of US$0.01 each 170,000,000 convertible redeemable participating senior preference shares of US$0.01 each	30.99%	Property development

\# Incorporated in the Cayman Islands

45. 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 as at 31 March 2006. 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	
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

45. 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				
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
Cement operations				
Beijing Chinefarge Cement Co. Ltd. **@	Registered and paid up capital RMB315,000,000	29.25%	Manufacture and sale of cement	2
Beijing Shunfa Lafarge Cement Co. Ltd. **@	Registered and paid up capital RMB150,000,000	31.5%	Manufacture and sale of cement	2
Beijing Yicheng Lafarge Concrete Co. Ltd. **@	Registered and paid up capital RMB30,340,000	34.52%	Supply of ready mixed concrete	2
Chongqing Foreign Investment Consultation and Service Co. Ltd. **	Registered and paid up capital RMB800,000	30%	Provision of investment consultation	2
Chongqing New Building Materials Co. Ltd. **@	Registered and paid up capital RMB41,500,000	33.75%	Manufacture and sale of cement	2
Chongqing T.H. Diwei Cement Co. Ltd. **@	Registered and paid up capital RMB61,680,000	36%	Manufacture and sale of cement	2
Chongqing T.H. Fuling Cement Co. Ltd. **@	Registered and paid up capital RMB44,000,000	45%	Manufacture and sale of cement	2
Chongqing T.H. Logistics Co. Ltd. **@	Registered and paid up capital RMB500,000	36%	Provision of transportation and logistics services	2
Chongqing T.H. Packaging Co. Ltd. **@	Registered and paid up capital RMB2,890,000	36%	Manufacture and sale of knitted bags	2
Chongqing T.H. Special Cement Co. Ltd. **@	Registered and paid up capital RMB160,000,000	36%	Manufacture and sale of cement	2
Chongqing T.H. Concrete Co. Ltd.**@	Registered and paid up capital RMB17,500,000	22.5%	Supply of ready mixed concrete	2
Guangan T.H. Cement Co. Ltd. **@	Registered and paid up capital RMB110,000,000	45%	Manufacture and sale of cement	2
Guizhou Bijie Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB48,000,000	80%	Manufacture and sale of cement	1 and 2
Guizhou Cengong Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB52,000,000	98%	Manufacture and sale of cement	1 and 2

45. 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
Cement operations - continued				
Guizhou Changda Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB106,000,000	51%	Manufacture and sale of cement	1 and 2
Guizhou Dingxiao Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB56,000,000	40.5%	Manufacture and sale of cement	2
Guizhou Kaili Ken On Concrete Co. Ltd. **@	Registered and paid up capital RMB10,000,000	75%	Supply of ready mixed concrete	1 and 2
Guizhou Kaili Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB60,000,000	90%	Manufacture and sale of cement	1 and 2
Guizhou Shuicheng Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB200,000,000	31.5%	Manufacture and sale of cement	2
Guizhou Xinpu Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB60,000,000	36%	Manufacture and sale of cement	2
Guizhou Xishui Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB42,800,000	90%	Manufacture and sale of cement	1 and 2
Guizhou Yuqing Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB12,500,000	80%	Manufacture and sale of cement	1 and 2
Guizhou Zunyi Ken On Concrete Co. Ltd. **@	Registered and paid up capital RMB12,000,000	75%	Supply of ready mixed concrete	1 and 2
Guizhou Zunyi Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB92,000,000	80%	Manufacture and sale of cement	1 and 2
Sichuan Hejiang Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB18,750,000	90%	Manufacture and sale of cement	1 and 2
Lafarge Chongqing Cement Co. Ltd. **@	Registered and paid up capital RMB340,000,000	31.77%	Manufacture and sale of cement	2
Lafarge Dujiangyan Cement Co. Ltd. **@	Registered and paid up capital RMB856,840,000	33.75%	Manufacture and sale of cement	2
Nanchong T.H. Cement Co. Ltd. **@	Registered and paid up capital RMB15,000,000	45%	Manufacture and sale of cement	2
Suining T.H. Cement Co. Ltd. **@	Registered and paid up capital RMB15,000,000	40.5%	Manufacture and sale of cement	2
Lafarge China Offshore Holding Co. *	16,518,148 shares of US$0.01 each	45%	Investment holding	2
Lafarge Shui On (Beijing) Technical Services Co. Ltd.	Registered and paid up capital US$8,000,000	45%	Investment holding	2
Lafarge Shui On Cement Limited	1,110,051 ordinary shares of HK$1 each	45%	Investment holding	2
Nanjing Jiangnan Cement Company Ltd. **@	Registered and paid up capital RMB120,000,000	60%	Manufacture and trading of cement	1 and 2

45. 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
Cement operations - continued				
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
Sommerset Investments Limited **	1 share of US$43,153,120	45%	Investment holding	2
TH Industry II Limited #	2,000 ordinary shares of US$1 each	45%	Investment holding	2
Property investment and other business				
Coral Waters (Barbados) SRL ##	1,000 Class A quotas of US$1 each	50%	Investment holding	2
Mountain Breeze (Barbados) SRL ##	2 Class A quotas of US$1 each	50%	Investment holding	2
Mountain Mist (Barbados) SRL ##	14,250,000 Class A quotas of US$1 each 750,000 Class B quotas of US$1 each	45%	Investment holding	2
Dalian Xiwang Building Co., Ltd. **	Registered and paid up capital US$40,000,000	45%	Property development	2
The Yangtze Ventures Limited ###	1,000 ordinary shares of HK$0.1 each	65.5%	Venture capital investments	2
The Yangtze Ventures II Limited ###	1,000 ordinary shares of HK$0.1 each	75.4%	Venture capital investments	2

* Incorporated in the British Virgin Islands
** Registered and operated in other regions of the PRC
*** Incorporated in Mauritius
\# Incorporated in the Bahamas
\## Incorporated in Barbados
\### 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 2005.

PARTICULARS OF PROPERTIES

Properties held by the Group as at 31 March 2006 are as follows:

	Location	Use	Approx. floor area *(Sq. metres)*	Lease term	Group's interest	Stage of completion	Anticipated completion
(A)	INVESTMENT PROPERTY						
	18 Dan Long Lu, Economic-technological Development Zone, Chongqing, the PRC	Office	13,507	Medium	100%	N/A	N/A
(B)	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
(C)	PROPERTIES HELD FOR SALE						
	Tseung Kwan O Town Lot No. 62, Area 65A Bauhinia Garden 11 Tong Chun Street Tseung Kwan O Sai Kung New Territories	Carparking	3,488	Medium	100%	N/A	N/A

GROUP FINANCIAL SUMMARY

1. RESULTS

	For the year ended 31 March				
	2002 HK$ million	2003 HK$ million	2004 HK$ million	2005 HK$ million (restated)	**2006** **HK$ million**
Turnover	3,757.2	2,311.3	3,590.9	1,882.9	**1,400.2**
Profit (loss) before taxation	122.4	(44.6)	200.0	545.4	**364.2**
Taxation	(20.5)	0.1	(49.4)	(1.2)	**(7.6)**
Profit (loss) from continuing operations	101.9	(44.5)	150.6	544.2	**356.6**
Loss from discontinued operations	—	—	—	(59.6)	**(5.2)**
Profit (loss) for the year	101.9	(44.5)	150.6	484.6	**351.4**
Attributable to:					
Equity holders of the Company	104.3	(44.3)	147.7	481.9	**314.8**
Minority interests	(2.4)	(0.2)	2.9	2.7	**36.6**
	101.9	(44.5)	150.6	484.6	**351.4**

2. ASSETS AND LIABILITIES

	As at 31 March				
	2002 HK$ million	2003 HK$ million	2004 HK$ million	2005 HK$ million (restated)	**2006** **HK$ million**
Total assets	2,825.9	3,244.1	3,738.3	3,987.1	**5,982.5**
Total liabilities	(1,467.9)	(2,008.0)	(2,322.5)	(2,014.8)	**(3,561.4)**
	1,358.0	1,236.1	1,415.8	1,972.3	**2,421.1**
Equity attributable to equity holders of the Company	1,330.6	1,210.0	1,387.2	1,943.2	**2,322.6**
Minority interests	27.4	26.1	28.6	29.1	**98.5**
	1,358.0	1,236.1	1,415.8	1,972.3	**2,421.1**

Note: Figures for 2004 and prior years have not been restated as it would involve delay and expenses out of proportion to the benefit to shareholders.