



**1999/2000
INTERIM REPORT**

HIGHLIGHTS

- Turnover was HK\$2,713 million, up 32.9%.
- Profit attributable to shareholders was HK\$230 million, up 26.1%.
- Earnings per share were HK\$0.88, up 25.6%.
- Interim dividend per share was HK\$0.55, up 37.5%.
- The Construction Division achieved strong profit growth due to increased turnover and effective cost control.
- Construction works of the Private Sector Participation Scheme project in Tseung Kwan O was progressing ahead of schedule. Public sale of the housing units of this project is expected to be launched by the Housing Authority in the near future.
- The gross and outstanding values of construction contracts on hand at 31 October 1999 reached record levels of HK\$16.2 billion and HK\$10.5 billion respectively.
- Steady demand for concrete, aggregates and cement of the Construction Materials Division was maintained amid an increasingly competitive market environment with declining prices and volume.
- The second 300,000-tonne rotary kiln at the cement plant in Chongqing, when completed in December 1999, will lift the annual production capacity to one million tonnes.
- Continued healthy profit growth is anticipated for the second half of the year.

RESULTS

The Directors of Shui On Construction and Materials Limited are pleased to announce that the Group's unaudited consolidated net profit after taxation and minority interests for the six months ended 30 September 1999 amounted to HK\$230 million, representing an increase of 26.1% compared with the same period of 1998. Earnings per share were HK\$0.88, an increase of 25.6% over the corresponding period last year.

The Group's unaudited consolidated results for the six months ended 30 September 1999 with comparative figures for the corresponding period in 1998 are as follows:-

	Six months ended 30 September	
	1999 HK\$ million	1998 HK\$ million
Turnover	2,712.8	2,041.9
Operating profit	264.9	202.9
Share of results of jointly controlled entities	18.1	19.7
Profit before taxation	283.0	221.6
Taxation (Note 1)	(46.3)	(36.2)
Profit after taxation	236.7	185.4
Minority interests	(6.5)	(2.8)

Profit attributable to shareholders	230.2	182.6
	=====	=====
Interim dividend	144.0	104.0
	=====	=====
Earnings per share (Note 2)		
Basic / Diluted	HK\$0.88	HK\$0.70
Interim dividend per share	HK\$0.55	HK\$0.40

Notes:

1. Taxation

	Six months ended 30 September	1999	1998
	HK\$ million	HK\$ million	
The charge comprises:			
Company and subsidiaries			
Hong Kong profits tax	43.6	32.8	
Income tax of other regions in the People's Republic of China	0.1	-	
Jointly controlled entities			
Hong Kong profits tax	2.6	3.4	
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Total	46.3	36.2	
	=====	=====	

Hong Kong profits tax has been provided at the rate of 16% (1998: 16%) on the estimated assessable profits for the period.

2. Earnings per share

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

	Six months ended 30 September	1999	1998
	HK\$ million	HK\$ million	
Earnings for the purposes of basic and diluted earnings per share	230.2	182.6	
	=====	=====	
	million	million	
Weighted average number of ordinary shares for the purposes of basic earnings per share	260.9	260	
Effect of dilutive potential ordinary shares:			
Share options	1.8	0.2	
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Weighted average number of ordinary shares for the purposes of diluted earnings per share	262.7	260.2	
	=====	=====	

3. Comparative figures

Certain comparative figures have been re-classified to conform with current period's presentation.

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK\$0.55 (1998: HK\$0.40) per share to shareholders whose names appear on the Company's register of members on Wednesday, 1 December 1999. The interim dividend

will be paid on Wednesday, 8 December 1999.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 26 November 1999 to Wednesday, 1 December 1999, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the interim dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Standard Registrars Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on Thursday, 25 November 1999.

BUSINESS REVIEW

For the six months ended 30 September 1999, the Group's turnover was HK\$2,713 million which represents a 32.9% increase over the same period in 1998. Unaudited consolidated profit after taxation and minority interests was HK\$230 million, an increase of 26.1%.

Construction Division

The Un Chau Street Estate Phase 3 project has been handed over to the Housing Authority in July 1999. With the recent award of five contracts worth HK\$4.3 billion, Shui On Building Contractors is currently working on fourteen projects and will see an unprecedented level of activities in the following year.

Work on the super-structure of the Private Sector Participation Scheme project in Tseung Kwan O is progressing smoothly and is about two months ahead of schedule. Sample flats and other preparatory work are now in place for the public sale to be launched by the Housing Authority in the near future. This development will make strong profit contribution to the Group in the next two financial years.

Shui On Construction has been active in tendering for contracts of the Architectural Services Department. Following the completion of two government clinics, its order book has recently been replenished with three contracts totalling HK\$1.8 billion for the construction of another public clinic, a government laboratory as well as a design-and-build project for government staff quarters.

Contracts secured recently and those in progress increased the gross and outstanding workload of the Division at 31 October 1999 to record levels of approximately HK\$16.2 billion and HK\$10.5 billion respectively. With the current weak market conditions and a steady labour supply, together with our emphasis on cost control and innovative construction techniques, we expect healthy margins achieved in the past year to maintain.

Construction Materials Division

The recession continued to curtail building activities in the private property sector. This accounts for the continuous decline in concrete prices although the resultant decrease in Ken On Concrete's profitability has been off-set to a large extent by lower cement cost from our Japanese supplier. Ken On Concrete's order book is expected to return to over one million cubic metres following the conclusion of major supply contracts under negotiation. Lamma quarry lease will expire in the year 2001, plans are well underway to replace the supply of aggregates with our two quarries in the Pearl River Delta.

The construction of the second 300,000-tonne new rotary kiln at the cement joint venture in Chongqing is near completion, trial production will commence in December 1999 and total production capacity will be lifted to approximately one million tonnes per annum. About 100,000 tonnes per annum of cement produced by our Nanjing joint venture is earmarked to be used for our southern China concrete operations. This will improve the performance of this joint venture.

PROSPECTS

It has been reiterated by the government that the long-term target of providing 85,000 residential units a year

will remain unchanged. The plan to reduce apartments available for sale under the Government Home Ownership Scheme will only take effect around 2004. It is expected, however, that government will increase the production and supply of public rental units. An ambitious plan has also been disclosed in the policy speech of the Chief Executive of the Hong Kong Special Administrative Region in October that rebuilding of the ageing urban area will be expedited to twenty years from the previously estimated thirty years. The Housing Society, a major client of our Construction Division, is expected to be closely involved in such work.

These massive developments, together with the projects of KCRC's West Rail, MTRC's Junk Bay extension and other substantial government spending on large-scale infrastructure in the next few years should not only provide our Construction Division with a continuous stream of work but also accelerate the recovery in the construction materials sector.

The continued growth of the Mainland economy, with the planned investment in urban and city development, particularly in the central and western provinces, should further increase the demand of high-grade cement, and will provide good potential for rapid expansion of our cement business in Chongqing.

Barring unforeseen circumstances, the Group expects to achieve continued healthy profit growth in the second half of the current financial year.

DIRECTORS' INTERESTS IN SHARES

As at 30 September 1999, the interests of the Directors in the share capital of the Company and its associated corporations as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of Director	Number of ordinary shares	
	Personal interests	Other interests
Lo Hong Sui, Vincent	-	166,148,000 (Note)
Wong Yuet Leung, Frankie	583,000	-
Choi Yuk Keung, Lawrence	1,913,000	-
Wong Fook Lam, Raymond	48,000	-
Wong Hak Wood, Louis	660,000	-
Lowe Hoh Wai Wan, Vivien	168,000	-

Save as disclosed above, as at 30 September 1999, there was no other interest recorded in the register required to be kept under Section 29 of the SDI Ordinance.

Note: The 166,148,000 shares in the capital of the Company are held by Shui On Company Limited which is owned by The Bosrich Unit Trust. The units of the unit trust are the property of a discretionary trust of which Mr Lo Hong Sui, Vincent is a discretionary beneficiary. Accordingly, Mr Lo Hong Sui, Vincent is deemed to be interested in such shares.

As at 30 September 1999, the Directors had personal interests in share options granted under the Company's employee share option scheme as follows:

Name of Director	Number of shares to be subscribed under share options	Date granted	Period during which share options are exercisable	Subscription price per share (HK\$)
Wong Yuet Leung, Frankie	400,000	25 July 1997	25 January 1998 - 24 July 2002	7.50
	120,000	15 July 1998	15 January 1999 - 14 July 2003	4.14
	200,000	7 July 1999	7 January 2000 - 6 July 2004	11.21
Choi Yuk Keung, Lawrence	160,000	25 July 1997	25 July 2000 - 24 July 2002	7.50
	132,000	15 July 1998	15 July 2000 - 14 July 2003	4.14
	280,000	7 July 1999	7 January 2000 - 6 July 2004	11.21
Wong Fook Lam, Raymond	280,000	25 July 1997	25 January 1998 - 24 July 2002	7.50
	72,000	15 July 1998	15 July 2000 - 14 July 2003	4.14
	150,000	7 July 1999	7 January 2000 - 6 July 2004	11.21

Wong Hak Wood, Louis	168,000 90,000 250,000	25 July 1997 15 July 1998 7 July 1999	25 July 1999 15 July 2000 7 January 2000	- - -	24 July 2002 14 July 2003 6 July 2004	7.50 4.14 11.21
Lowe Hoh Wai Wan, Vivien	80,000 72,000 150,000	25 July 1997 15 July 1998 7 July 1999	25 July 2000 15 July 2000 7 January 2000	- - -	24 July 2002 14 July 2003 6 July 2004	7.50 4.14 11.21

Consideration paid for each grant was HK\$1.00.

During the six months ended 30 September 1999, the following Directors had exercised share options to subscribe for shares of the Company:

Name of Director	Number of shares subscribed under share options	Subscription price per share (HK\$)
Choi Yuk Keung, Lawrence	240,000 88,000	7.50 4.14
Wong Fook Lam, Raymond	48,000	4.14
Wong Hak Wood, Louis	112,000 60,000	7.50 4.14
Lowe Hoh Wai Wan, Vivien	120,000 48,000	7.50 4.14

Apart from the above, during the six months ended 30 September 1999, none of the Directors or the chief executive of the Company or their spouses or children under the age of 18 were granted or had exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed under the section headed "Directors' Interests in Shares", the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance disclosed that there is no person having an interest in ten per cent. or more of the issued share capital of the Company as at 30 September 1999.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30 September 1999.

YEAR 2000 COMPLIANCE

Systems upgrade and modification work of the Group's Year 2000 compliance project has been completed. It is anticipated that the Year 2000 issue will not cause any significant operational problems to the Group. Moreover, contingency plans have been formulated to deal with any unforeseen problems that may possibly arise during the millennium crossover.

The total cost of the compliance project is approximately HK\$3.8 million, mainly for replacement of computer hardware and system software with upgraded versions and most of which have been capitalised in the accounts. Any further cost to be incurred in relation to contingency planning is expected to be immaterial.

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not at any time during the six months ended 30 September 1999, in compliance with the Code of Best Practice, as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of

Hong Kong Limited, except that non-executive directors are not appointed for a specific term but are subject to retirement by rotation in annual general meetings in accordance with the Company's Bye-laws.

Lo Hong Sui, Vincent
Chairman

Hong Kong, November 1999

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