



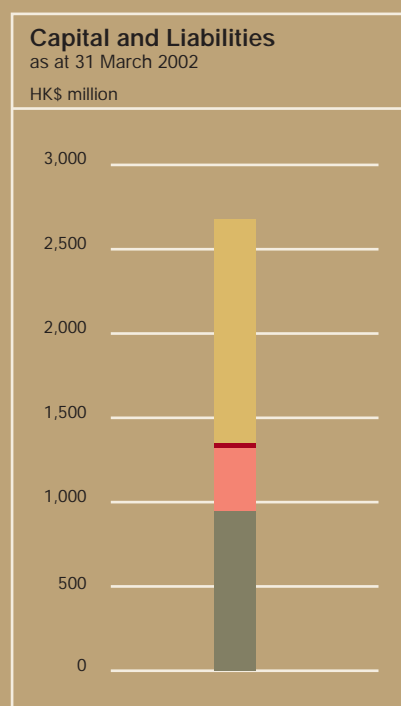
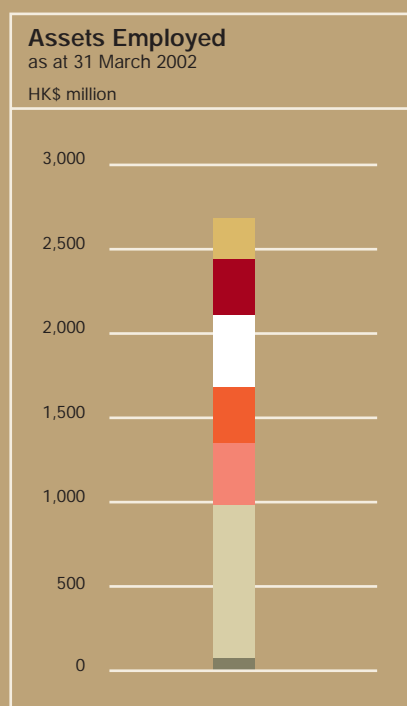
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FINANCIAL HIGHLIGHTS

	2002 HK\$ million	% Change Over 2001
Turnover	3,757	-32.4%
Profit from ordinary activities before taxation	122	-79.5%
Profit attributable to shareholders	104	-79.5%
<hr/>		
Earnings per share	HK\$	
Basic	0.39	-79.8%
Diluted	0.39	-79.8%
Dividend per share	0.30	-83.3%

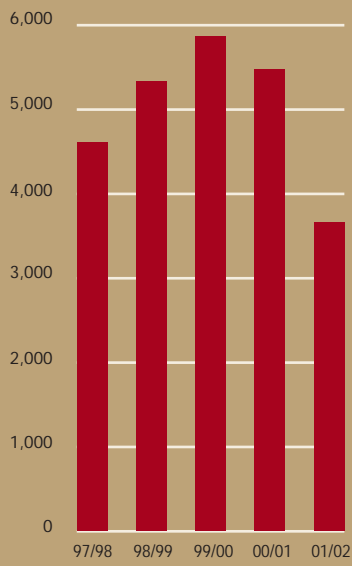


- Property, plant and equipment
- Interests in jointly controlled entities
- Amount due from jointly controlled entities
- Other investments and deferred expenditure
- Properties under development
- Other current assets
- Cash and bank balances

- Shareholders' funds
- Minority interests
- Bank borrowings
- Other current liabilities

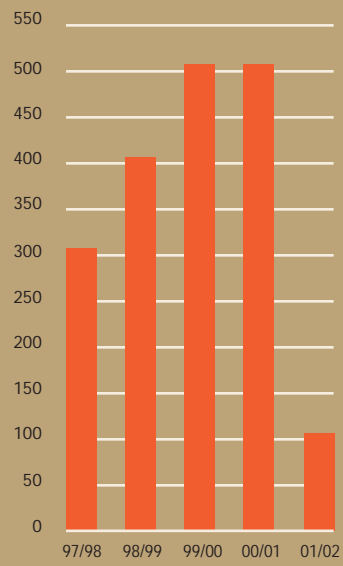
Turnover

HK\$ million



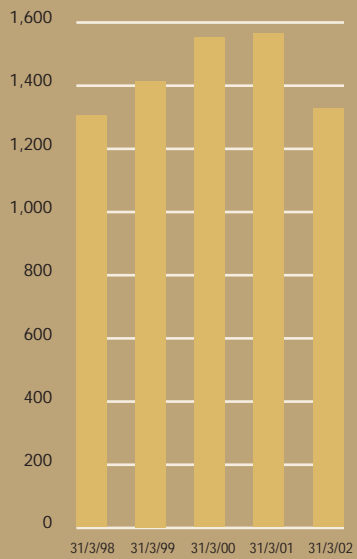
Profit Attributable to Shareholders

HK\$ million



Shareholders' Funds

HK\$ million



Board of Directors

Executive Directors

Lo Hong Sui, Vincent, *Chairman*

Wong Ying Wai, Wilfred, *Vice-chairman*

Wong Yuet Leung, Frankie, *Vice-chairman*

Choi Yuk Keung, Lawrence, *Managing Director*

Wong Hak Wood, Louis, *Deputy Managing Director*

Wong Fook Lam, Raymond

Lowe Hoh Wai Wan, Vivien

Non-executive Directors

Cheng Bing Chark, Henry

Griffiths, Anthony*

Professor Enright, Michael John*

* Independent Director

Secretary

Wong Wai Man, Antonio

Auditors

Deloitte Touche Tohmatsu

Solicitors

Robin Bridge & John Liu

Registered Office

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

Head Office And Principal Place Of Business

34th Floor, Shui On Centre, 6-8 Harbour Road, Hong Kong

Principal Share Registrars and Transfer Office

The Bank of Bermuda Limited, 6 Front Street,
Hamilton HM 11, Bermuda

Branch Share Registrars and Transfer Office

Standard Registrars Limited, 5th Floor, Wing On Centre,
111 Connaught Road Central, Hong Kong

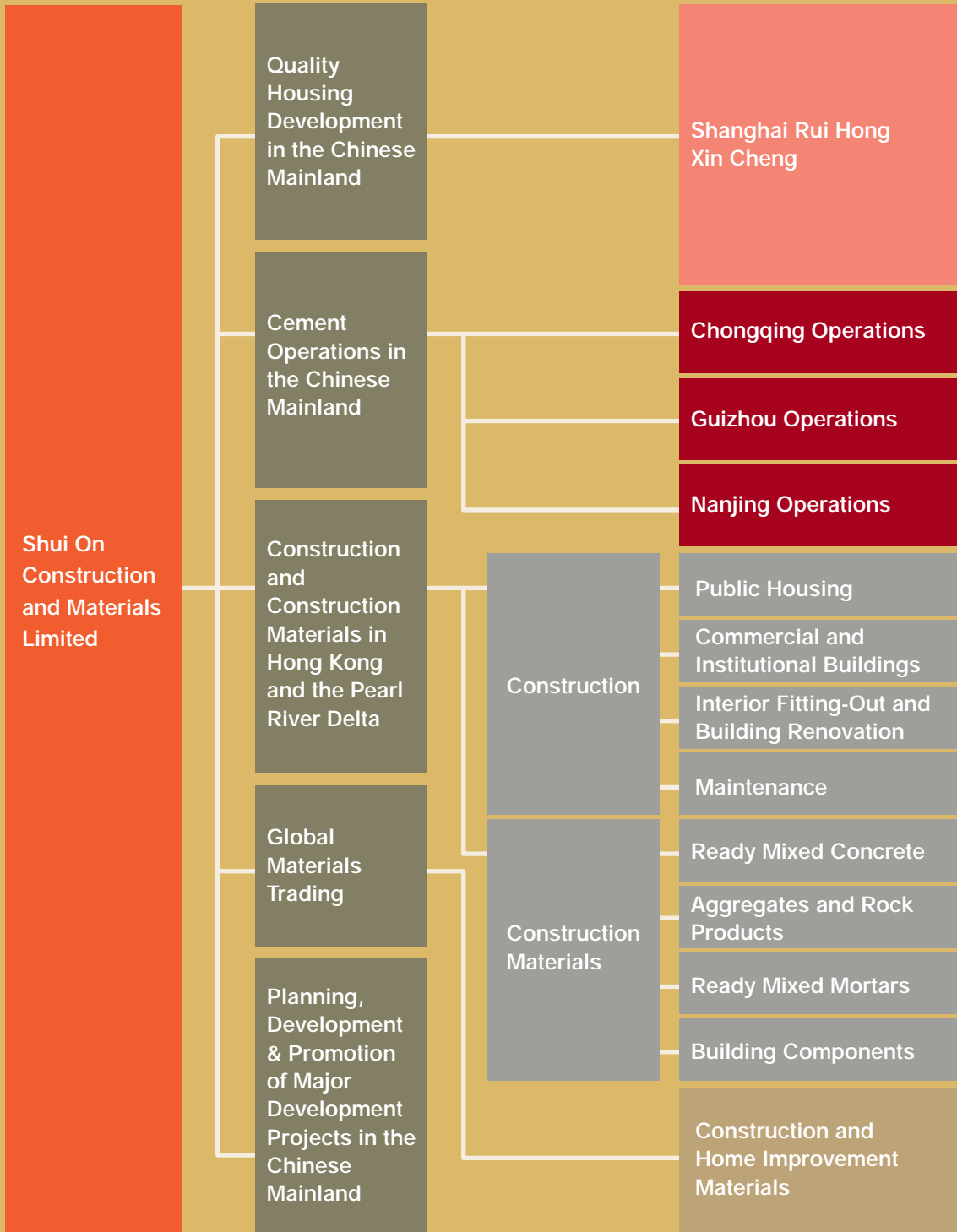
Principal Bankers

Bank of China

The Hongkong and Shanghai Banking Corporation Limited

Hang Seng Bank Limited

Standard Chartered Bank





"The year under review was a challenging one for SOCAM and for many Hong Kong companies. However, your Group has planned well in advance a number of growth businesses targeted at the huge potential the emerging markets in the Mainland are offering, and this strategic repositioning should ensure sustainable, long-term growth for your Group."

LO HONG SUI, VINCENT
CHAIRMAN

The Year under Review: Strategic Repositioning for Long-Term, Sustainable Growth

The 2001-2002 financial year was, for SOCAM, both a highly challenging and an extremely exciting one. Market conditions in Hong Kong remained difficult as the territory underwent painful restructuring. For SOCAM in particular, the government's abrupt changes in housing policy and the subsequent slowdown in public housing construction have put unprecedented strain on its traditional profit sources.

However, during the year SOCAM also made great strides in its strategic transformation from a Hong Kong-focused enterprise into a Mainland-oriented group. Its high-growth businesses in the Mainland, including quality housing development in Shanghai and cement production in Chongqing and Guizhou Province, made excellent progress in the year under review.

In Chongqing, the acquisition of 80 percent of Diwei Cement during the year made our joint venture, Chongqing TH Cement, the largest high-grade cement producer in the municipality. Chongqing TH Cement now has an annual capacity of 3.5 million tonnes, which accounts for more than 70 percent of the local high grade cement market. In Guizhou Province, the combined existing and planned capacity is expected to reach 1.5 million tonnes per annum by the end of the 2002-2003 financial year.

In mid-2001, recognizing the onset of an upturn in the residential property market in Shanghai, your Group took over from the privately held Shui On Properties Limited the development rights of Rui Hong Xin Cheng, a large-scale quality housing development for the fast-emerging Shanghai middle class. Construction works for the new phase, comprising 13 residential blocks, a commercial complex, an underground car park and a clubhouse with a gross building area of 235,273 square metres, commenced in April this year. Sale of part of this phase is expected to start in the third quarter of 2003.

Details of SOCAM's strategic advance and financial performance during the year are set out in the "Management Discussion and Analysis" on page 10.



SOCAM's cement operations in Chongqing and Guizhou have gained momentum and gross annual production capacity will reach approximately 6 million tonnes by the end of the 2002-2003 financial year

Results

Because of the adverse market conditions facing the construction and construction-related industries in Hong Kong, SOCAM suffered a significant drop in profits for the year ended 31 March 2002. Your Group's profit attributable to shareholders was HK\$104 million, a decrease of 79% over that of the 2000/2001 financial year, representing earnings per share of HK\$0.39, a drop of 80% over the previous year. Turnover amounted to HK\$3,757 million, down 32% from the year before.

Dividends

The Directors recommend the payment of a final dividend of HK\$0.15 per share to shareholders whose names appear on the Register of Members of the Company on 27 August, 2002. This, together with the interim dividend of HK\$0.15 per share already paid, yields a total of HK\$0.30 per share for the year.

Honours and Awards

As a key player in the construction industry in Hong Kong, SOCAM continued to make improvements in safety and environmental management and won many industry awards during the year. Among the major occupational safety awards won were the Safety Achievement Awards from the Hong Kong Construction Association, Safety Team Gold Award of the Construction Industry Safety Awards, as well as numerous gold awards at the Safe Working Cycle Forum and the Occupational Safety and Health Enhancement Forum 2001 organised by the Occupational Safety and Health Council. In environmental management, SOCAM won all three "Green Contractor" Gold Awards from the Architectural Services Department and a Certificate of Merit for "Green Construction Contractor" at the Hong Kong Eco-Business Awards 2001.



Murray House reconstructed by SOCAM won the "Special Architectural Award-Heritage" at the Hong Kong Institute of Architects Annual Awards 2001

In addition, the Victorian-era Murray House reconstructed by SOCAM at the Stanley waterfront won the "Special Architectural Award - Heritage" at the Hong Kong Institute of Architects Annual Awards 2001. This is a strong endorsement of our expertise in restoring historic buildings and should give your Group a significant advantage in this specialised area.

Your Group recognized that, in order to achieve long-term growth, people development would have to be given top priority at all times. Our efforts in this area were acknowledged by the Best Practice Management Group with the award of the "Best Practice Award 2001 for Value-Added Training".

Looking Ahead

Market conditions in Hong Kong are expected to remain difficult in the near future as restructuring of the local economy continues. However, with forward-planning, SOCAM is now well positioned to take advantage of the exciting business opportunities offered on the Chinese Mainland, particularly in this post-WTO era.

The Central Government's policy to modernize the central and western regions will continue to boost local demand for high grade cement. SOCAM, one of the first Hong Kong companies to invest in Chongqing and Guizhou, has already established a firm foothold and extensive networks in the area. As the largest high grade cement producer in Chongqing, it will now focus on consolidating and streamlining its operations, and on strengthening the



Rui Hong Xin Cheng provides residents with a green living environment and well-planned facilities

marketing and distribution networks. It will also continue to aggressively expand its cement operations in Guizhou through strategic acquisition of local plants with the potential for upgrades and increase in production capacity. With some operations already making a profit, our cement business should be making a significant contribution to SOCAM's performance in the near to medium term.

SOCAM is also well positioned to take advantage of the growth opportunities in the market of quality residential developments in Shanghai. As the Shanghai economy continues to enjoy double-digit growth, residential property prices are expected to rise with their sustained growth and increase in demand continuing for the foreseeable future. Rui Hong Xin Cheng, with a total buildable gross floor area of approximately 1.62 million square metres, will be put on the market in phases over the next decade. The flats, which are located right next to a planned subway station, come with quality finishes, contemporary design features and well-planned leisure facilities. The first phase, which was developed by the privately held Shui On Properties Limited, has been well received by the market, and the future phases should continue to be attractive to the rapidly emerging middle-class segment of the market.

In Hong Kong, SOCAM has enhanced its cost competitiveness through vigorous cost-reduction exercises at all levels. Operational cost for the 2002-2003 financial year has been lowered substantially.

In addition, SOCAM will continue to extend its scope of business and widen its source of contracts based on its experience and expertise. The inclusion of SOCAM in the Works Bureau's List of Approved Specialist Contractors for

Public Works under the category of "Repair and Restoration of Historical Buildings" gives it a definite advantage in tendering for future restoration projects. SOCAM is also further preparing its team of construction experts to take part in construction and property development projects in the vast markets of the Chinese Mainland.

We expect SOCAM's high-potential businesses to start making significant profit contributions in two to three years' time, and we are confident that SOCAM's successful strategic transformation into a Mainland-oriented enterprise, specializing in the property development, construction materials and construction sectors, will allow it to enjoy long-term, sustainable growth.

Acknowledgments

SOCAM's resilience and long-term development amid the current unfavourable market conditions are made possible by its dedicated and hardworking employees. I am particularly grateful to staff members for their overwhelming support of the company's cost-reduction drive last year, in which it reluctantly resorted to pay cuts and headcount reductions. With such spirit, I am confident SOCAM will move from strength to strength and I extend my heartfelt appreciation to all staff members for their strong commitment and contribution to the Group.

Lo Hong Sui, Vincent

Chairman

Hong Kong, July 2002

“In addition to developing high potential businesses in the Mainland, the Group has taken rigorous measures to enhance our competitiveness in Hong Kong.”

CHOI YUK KEUNG, LAWRENCE
MANAGING DIRECTOR



CONSTRUCTION IN HONG KONG

Turnover for the Construction Division decreased for the second year running, declining by 18% from HK\$3,545.9 million last year to HK\$2,916.3 million. Pre-tax profit, however, dropped even more significantly to HK\$81.8 million, representing a 61% reduction over the previous year. This result was to be expected, given the warnings made by your directors on the rapidly deteriorating industry conditions in the past year. The completion of the Tseung Kwan O PSPS project in the previous financial year, the adverse effect of the abrupt change in housing policy, the capping of annual Home Ownership Scheme sales to a significantly lower number, and the substantial reduction in public housing construction have been reflected in both the tender margins and in the shrinking order book. Market conditions for the construction industry in Hong Kong are not expected to improve in the foreseeable future.

However, in the past year your Group has taken rigorous measures to alleviate the decline in profits. These include, among others, a substantial reduction in salary cost, which our loyal staff supported, and the shifting of our tendering emphasis from the dwindling public housing market to the relatively larger pool of government contracts offered by the Architectural Services Department (ASD). We are also engaging in other smaller but less competitive building sectors. Such efforts should assist your Group in weathering the depressed state of the construction sector in the coming two years.



Po Lam Road Housing Development Phase 5, Tseung Kwan O

Public Housing – Shui On Building Contractors (SOBC)

During the year, public housing works carried out for the Hong Kong Housing Authority (HKHA) amounted to approximately HK\$1,971.4 million, equivalent to 68% of the Division's turnover. Projects completed included Tin Shui Wai Area 106 Phase I and Lei Yue Mun Road Estate, totaling 3,500 units. The 3,200 residential units in the Private Sector Participation Scheme project in Tseung Kwan O were handed over on schedule.

Only two new contracts, totaling approximately HK\$1,300 million and comprising 4,700 units, were won from the HKHA. Nevertheless, our attempt to actively participate in various maintenance term contracts has resulted in three such contracts being secured.

SOBC is one of the five contractors selected for inclusion in the HKHA's Premier League. Under this arrangement, League members should enjoy better tendering opportunities in the design-and-build as well as in certain complex job categories. As yet, no such contract has been made available for tender. The HKHA also accepted the recommendations put forward by the Construction Industry Reform Committee in 2001 and adopted the policy of awarding contracts based not just on tender prices, but also on the past performance of contractors. In the future, SOBC, with its consistent record of quality work, should benefit from this new policy. To date, it has not benefited because competition has been extremely fierce, and recently, some tenders were made at such unrealistically low prices that we can see no way in which the successful tenders will generate profits.

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

Two contracts for the Public Health Laboratory Centre at Nam Cheong Street and the redevelopment of Castle Peak Hospital Phase II Stage 1 were completed for the Architectural Services Department. Our good performance

on the two previous Castle Peak Hospital projects has earned us a further assignment to develop Phase II Stage 2 of this hospital. With the completion of large scale public housing development projects in the past few years, a comprehensive programme for constructing ancillary and infrastructural facilities would be required, and there are signs that the long-awaited works to provide educational, recreational, health and other government facilities will come on stream in the near future. SOC has had some success in these areas, including winning recently a design-and-build contract for four schools. During the year, SOC has also been licensed by the ASD to carry out repair and renovation works to historical buildings. Competitive tenders were submitted in April and May 2002 on two major ASD projects, one of which, on the construction of Phase I C of the Science Park in Tai Po, was subsequently confirmed.

Health, Safety and the Environment

In 2001, SOCAM launched the "Polluter Pays" scheme which, with the support of site workers and sub-contractors, helped to improve the cleanliness of construction sites.

SOCAM continued to actively support activities organized by the Occupational Safety and Health Council and the Labour Department in promoting workplace safety. More than 20 Shui On staff members were appointed Occupational Safety Ambassadors to promote the culture of occupational safety and health.

Recognition received by SOCAM during the year included numerous gold awards at the Safe Working Cycle Forum and Occupational Safety and Health Enhancement Forum 2001,



Castle Peak Hospital Redevelopment Phase II Stage 1



Redevelopment
of Lei Yue Mun
Road Estate,
Kwun Tong

the Safety Achievement Awards from the Hong Kong Construction Association, as well as the Safety Team Gold Award of the Construction Industry Safety Awards.

Your Group strives to protect the environment by adopting sound environmental management measures in its daily operations. It is SOCAM's policy to conserve resources and reduce waste and pollution through strict control and continuous improvement. As a result, SOCAM won all three "Green Contractor" Gold Awards from the ASD. The site of Hong Ning Road Departmental Quarters also received the Certificate of Merit for "Green Construction Contractor" at the Hong Kong Eco-Business Awards 2001.

Regarding occupational safety, SOCAM maintained a very low accident rate with a further drop of 10% to 35/1000 recorded in 2001 as a result of the joint effort of management and site staff.

Renovation and Fitting-Out (Pat Davie)

With the depressed property and office markets, sizable renovation and fitting-out works became rare as property owners and corporations were mindful of cost cutting and existing tenants were often offered attractive rates in rental revision to extend leases. The total value of new contracts completed declined further from HK\$330 million last year to HK\$209 million. Pat Davie's expertise in educational institute

works helped add a number of important alteration and fitting-out projects to its portfolio, including contracts aggregating HK\$106 million from the City University of Hong Kong and the Hong Kong Polytechnic University. Decoration works for the Homantin Exhibition Centre were completed on time. In May 2002, a major renovation contract for the Mandarin Hotel commenced and its satisfactory completion should provide Pat Davie with further tendering opportunities in the luxury hotel sector. Pat Davie is actively exploring expansion in the fast growing Shanghai market, capitalizing on connections and experience accumulated as a result of the private group's substantial presence there.

Contracts on hand

Despite the adverse market environment, the gross and outstanding value of contracts on hand of the Construction Division as of 30 June 2002 amounted to HK\$7.2 billion and HK\$4.0 billion respectively and represented workload for approximately two years.

Private Sector Participation Scheme (PSPS) Project

The 3,200 units in this development were completely sold out in February 2001. Following the granting of the occupation permit in April 2001, the HK\$2.0 billion project loan was fully repaid in May 2001. The commercial arcade was also disposed of in June 2001, while approximately 290 car parking spaces are now held for sale.

Under the existing government policy, it is unlikely PSPS projects will be made available in the foreseeable future. SOCAM will, nevertheless, closely monitor the situation.



Model of the current phase of Rui Hong Xin Cheng: SOCAM will start pre-sale for the first batch of approximately 800 units in the third quarter of 2003

QUALITY HOUSING DEVELOPMENT IN THE CHINESE MAINLAND

Rui Hong Xin Cheng (RHXC)

RHXC is located in the Hongkou district of Shanghai – the city which has been the driving force of growth in the Yangtze Basin in the Chinese Mainland. This quality housing development, close to the Bund and the central business district, was transferred to SOCAM from the privately held Shui On Properties Limited with the unanimous approval by the minority shareholders at a special general meeting held in June 2001. The attractiveness of RHXC, situated on top of a metro station which is scheduled for opening at the end of 2003, will be further enhanced by the recent launch of a major 3.5-square-kilometre urban renewal plan for the nearby North Bund of Hongkou. Under SOCAM, the whole development will offer more than 14,000 residential units with a total gross floor area of approximately 1.15 million square metres. Together with 350,000 square metres of commercial arcade, offices and schools, the development will be completed in phases.

The development of the current phase of RHXC under SOCAM is progressing well. Designs for the 1,700 units in 13 residential blocks as well as the 30,000-square-metre

commercial area were approved by government authorities in April 2002. Piling work has commenced and construction of the superstructure will begin in around September 2002. A pre-sale for the first batch of approximately 800 units, targeted at the younger and educated middle-class buyers, will be launched in the third quarter of 2003. To seize the opportunities offered by a fast developing residential market in Shanghai, SOCAM is considering accelerating the project's pace of development by including an additional lot of land for development under the current phase. To secure anchor tenants for the commercial space, active negotiations are being held with renowned international retailers.

As the most economically vibrant city in the Chinese Mainland, Shanghai will rapidly develop into an international financial and commercial metropolis, with both the economy and the purchasing power of Shanghai residents expected to advance quickly. The property market is anticipated to improve and RHXC should provide a steady stream of income for SOCAM in the years to come.

CEMENT OPERATIONS IN THE CHINESE MAINLAND

Your Group's investment in the central and western provinces in the Mainland would benefit from the Central Government's 'Go West' policy. The injection of large funds from the Central government is designed to elevate the economies of these areas to a level closer to those of the affluent coastal cities. The favourable investment environment – and the resultant increase in the demand for high grade cement – prompted the Group to speed up its strategic acquisition of more cement plants. Our operations in Chongqing and Guizhou have gained momentum and gross annual production capacity will reach approximately 6 million tonnes by the end of the 2002-2003 financial year.



The two batching plants of Ken On in Guangzhou registered an 86% increase in output

Chongqing, the biggest city in the world with a population of over 30 million, will be developed into a leading industrial, commercial and economic centre in the western region. Our operations in Guizhou will continue to benefit from the construction of both extensive infrastructure projects and numerous hydro-electrical power plant and energy projects. The Central Government's directive to close down small, polluting and inefficient cement plants has gathered pace and our operations will benefit as the consumption of high grade cement increases. With your Group's presence firmly established in Chongqing and Guizhou, we have plans to become one of the top cement groups in the Mainland, with an annual production capacity of more than ten million tonnes.

Chongqing Operation

Following the acquisition of 80 percent of the Diwei Cement Group – the largest cement plant in Chongqing – TH Cement has successfully integrated production, sales and other functions with the original Hechuan operation and thus generated cost savings. The upgrading of an existing kiln has been completed and the Diwei plant alone now has the capacity of more than 2.5 million tonnes of annual production. The proven successful formula of making environmentally friendly fly-ash cement, and thus taking

advantage of government tax incentives, has also been applied to Diwei's production. Diwei's products now mostly cater to central Chongqing. With the Hechuan operation in the second year of one million tonnes of production, the marketing team will concentrate on building up market share in the central and northern parts of Sichuan.

In May 2002, TH Cement further advanced its position as the largest producer of high grade cement in Chongqing and the central and western region. A preliminary agreement was signed to acquire Qujiang Cement, a reputable factory with a capacity of one million tonnes located in the northern Sichuan area adjoining Chongqing. TH Cement now controls three of the four largest cement producers in and around Chongqing and has approximately 80 percent of the high grade cement market there. The construction of a number of grinding mills is in planning and their completion will extend the radius of sales, preparing the TH Group for rapid expansion to other important markets nearby.

Guizhou Operation

The Central Government continues to invest heavily in Guizhou, which, although one of the poorest provinces in the Mainland, is blessed with abundant coal and energy resources. Expenditure on infrastructure projects and power plants exceeded Rmb 50 billion in 2001, achieving a year-on-year growth rate among the highest of all Central and Western provinces.

An important foothold has been established in Zunyi, the second largest city in northern Guizhou, as well as Qiangdongnan and Qianxinan, respectively the south-eastern and south-western autonomous prefectures. Products in the

three existing plants in Zunyi and Qiandongnan have been selling well and demand has often exceeded supply. The construction of three dry-mix kilns is on schedule, two of which should be ready for trial run toward the end of 2002. This should increase our total capacity in Guizhou to around 1.5 million tonnes. Three grinding mills will also be established in the Zunyi and Qiandongnan area to enlarge the supply radius. On the development front, prospective acquisition targets in a number of strategic locations in the central and western parts of Guizhou are being considered. If successful, the acquisitions will enable your Group's operation to encompass most major cities in Guizhou Province.

Nanjing Operation

The Jiangnan Cement operation still incurred a loss as prices in the highly competitive markets around the coastal region did not show any improvement. However, less reliance was placed on exports to Australia and Ken On's operations in Hong Kong and Guangzhou. Management has also been examining ways to cut costs and enable the operation to

become more competitive, including accelerating efforts to gain a bigger market share in the local Nanjing market as there are now signs of increasing activity.

CONSTRUCTION MATERIALS IN HONG KONG AND THE PEARL RIVER DELTA

Ready-Mixed Concrete - Ken On

The total volume of concrete consumed in Hong Kong in 2001 declined to around 6.5 million cubic metres, the lowest level since 1995. There is no sign of recovery yet, in view of the depressed property market and the scaling down of the public housing programme. Further depressing production, the summer of 2001 was one of the wettest on record. Ken On managed to produce 860,000 cubic metres of ready-mixed concrete and mortars, which represented only 90 percent of the volume in the previous year. Coupled with the continuing downward adjustment of selling prices, Ken On's financial results showed a decrease of 50 percent from the previous year. To prepare for the worsening market, Ken On has eliminated excess capacity and embarked on a plant rationalization exercise. Following the closure of the Cheung Sha Wan site after the expiry of lease in April 2002, Ken On is now operating five batching plants. One more plant is scheduled to be closed in the second half of 2002 and, together with the reduction of some 30 concrete mixer trucks, Ken On is well prepared for a further downturn in business.

The two batching plants in Guangzhou registered an 86 percent increase in output to 470,000 cubic metres. The new plant in the south-eastern part of Guangzhou, in particular, had a busy schedule meeting the orders from the Mass



Yau Tong Estate Phase 5 has won numerous awards in site safety and environmental management



A rotary kiln of the cement plant in Kaili, Guizhou

Transit Railway and the Guangzhou Convention Centre. The loss making position in the past few years was reversed, but profit generated was small due to continued competitive pressure. To meet the demand for concrete in the fast developing southern region of Guangzhou, the company is close to finalizing its search for an appropriate site for a third batching plant.

At 30 June 2002, the outstanding order book of Ken On in Hong Kong was approximately 650,000 cubic metres, which should still allow for a relatively stable production in the year ahead.

Quarrying Operations

The rehabilitation of the Lamma Island quarry was completed and the site was returned to the government in December 2001. A major crushing plant and loaders have been established at Guishan Island, Zhuhai where crushed rocks, by-products of the site formation contract, fully replaced the Lamma Island production. Together with the two quarries in Chik Wan and Xinhui, total production of rocks and aggregates amounted to 3.5 million tonnes, roughly half of which was for Ken On's consumption. The market for marine armour rock became active during the year and a large part of the 850,000 tonnes produced was for the construction of the Lamma Power Station of Hong Kong Electric. Orders for

the reclamation of Disney World and Container Terminal 9 are currently being negotiated and a large production of marine rock is expected to continue in the current year.

MATERIALS TRADING

Cement Import and Distribution

Overall, Hong Kong's cement import market was at a low ebb as a direct result of the depressed concrete market. Following the cessation of Far East Cement, the wholly-owned Shui On Cement Company Limited was formed in our building materials trading division as a trader and distributor of cement from Sumitomo Osaka Cement and our Nanjing cement plant. During the year, 365,000 tonnes of cement was handled, of which 80 percent was for Ken On's various operations.

Asia Materials

Asia Materials' network of business centres in the Chinese Mainland was being established to enable it to reach the large domestic building materials market, and to source quality products for export from one of the world's largest production bases.

During the year, Asia Materials succeeded in securing exclusive agency rights for a number of quality products. It has also contracted with design houses and started developing branded lines, including furniture and lighting products, which will give better profit margins. While the U.S. and European markets remained its focus, Asia Materials' exports to new markets such as Japan and the Middle East are making headway. It has also been importing materials for manufacturers and construction projects in the Mainland with an eye on building a supply chain with key customers.

PROSPECTS

Although there are signs of a moderate economic recovery for the second half of 2002, Hong Kong is still suffering from high unemployment, deflation and a lack of investor and consumer confidence. Your Group's Hong Kong operations will remain under pressure, exacerbated by the scaled-down Home Ownership Scheme and public housing programme of the Housing Authority.

However, the entry of your Group into cement businesses in the central and western provinces of the Mainland and property development in Shanghai provides potential for substantial growth. Increasing contributions should be derived in two years' time to bridge the profit gap.

Although the overall economic sentiment is expected to remain pessimistic in Hong Kong over the next two years, your Board is confident that the transformation of its operations to one which is much more oriented to the Mainland should enable your Group to capture the vast opportunities there. In the not-too-distant future, your Group should emerge as a transformed Mainland oriented enterprise, with substantial and strong positions in the cement and property development sectors in the Mainland.

FINANCIAL REVIEW

Liquidity and Financing

As at 31 March, 2002, your Group's bank borrowings, net of bank balances, deposits and cash, amounted to HK\$301.5 million (2001: HK\$1,734.3 million).

Your Group's gearing ratio, which is expressed as a percentage of bank borrowings, net of bank balances,

deposits and cash, over total assets, decreased to 11% (2001: 34%) at 31 March, 2002, following the repayment of the project loan in May 2001 for the Private Sector Participation Scheme project at Tseung Kwan O Town Lot No. 62. Your Group has secured sufficient banking facilities to meet the funding needs for its working capital, commitments and investment opportunities in the coming year.

Treasury Policies

Your Group continues to adopt a conservative approach in financial risk management. Banking facilities have been arranged on both medium and short term bases which are geared to the funding needs. Hong Kong dollar bank borrowings were arranged on floating rate basis. Appropriate hedging products will be utilized, if necessary, to minimize interest rate exposure. Capital commitments in the Chinese Mainland are partly financed by borrowings from Hong Kong. Given that the exchange rate of Hong Kong dollar against Renminbi has been and will likely remain stable, and that income from operations in the Chinese Mainland are denominated in Renminbi, your Group expects that fluctuation in the Renminbi exchange rate will not pose a substantial negative effect on the business performance and the financial status of the Group. Therefore no hedging against Renminbi exchange risk has been made.

Contingent Liabilities and Pledge of Assets

At the balance sheet date, the Group had contingent liabilities not provided for in these financial statements, including performance bonds established and guarantees in lieu of utility deposits amounting to HK\$156.2 million and HK\$0.3 million (2001: HK\$171.1 million and HK\$0.8 million) respectively.

The reconstructed Murray House reflects SOCAM's expertise in restating historical buildings



At 31 March, 2002, the Company has given guarantees to banks in respect to general facilities granted to its subsidiaries and jointly controlled entities amounting to HK\$1,205.7 million and HK\$125.3 million (2001: HK\$3,729.4 million and HK\$161.1 million) respectively.

Employees

At 31 March, 2002, the number of salaried staff of the Group was approximately 1,200 in Hong Kong and 7,400 in subsidiaries and jointly controlled entities in the Chinese Mainland. As the Group recognizes human resources to be one of the major driving forces of profitability and business growth, employees' remuneration packages are maintained at competitive levels. Employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus systems. Other staff benefits include provident fund schemes, medical insurance, in-house training and subsidies for job related seminars, and

programmes 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 programmes and resources.

Choi Yuk Keung, Lawrence

Managing Director

Hong Kong, July 2002

› › Strategic
Expansion
in the Chinese
Mainland
for Long-term,
Sustainable
Growth

China is the market of choice for any ambitious Hong Kong company looking for long-term development and expansion. With its consistently high economic growth, vast markets, growing and increasingly affluent middle class, and anticipated surge in international trade and foreign investments post-WTO accession, China offers attractive opportunities to fast-track companies that have an in-depth understanding of local market conditions as well as the ability to deliver.

As a member of the Shui On Group, which has more than 17 years of experience and an extensive network in the Chinese Mainland, Shui On Construction and Materials Limited is well positioned to capitalize on opportunities in China and generate attractive returns for shareholders. SOCAM's strategy is to target high growth markets where we have a strong competitive advantage and stay focused on our core businesses – construction, construction materials and property development. Currently, SOCAM is vigorously expanding its business in quality housing developments in Shanghai as well as cement production and supply in Chongqing City and Guizhou Province.



SOCAM's strategy is to target high growth markets where it has a strong competitive advantage and stay focused on its core businesses — property development, construction materials and construction

Model of second phase of Rui Hong Xin Cheng currently being developed by SOCAM: Rui Hong Xin Cheng is a 40-hectare residential development located in the Hong Kou district in Pu Xi, close to the central business area of Shanghai. The first phase of this large-scale development, with 90% of the completed flats already sold, will continue to be developed by SOP while subsequent phases will be undertaken by SOCAM. In the second phase, SOCAM is investing around RMB 1.4 billion to develop 13 residential blocks, an underground car park, a shopping centre and a clubhouse, with a gross building area of 235,273 square metres. The shopping centre will be directly linked to a Metro station due for completion by the end of 2003. Total developable area in future phases amount to approximately 1.4 million square metres



Developing quality housing for Shanghai's fast-emerging middle class

Shanghai, with double digit growth throughout the 1990s and a per capita GDP that is four times higher than the national average, is set to become a premier financial centre in the world. The city's middle class has been growing rapidly and in turn powering a robust consumer market. With the abolition of state welfare housing, low interest rates and the government's tax incentives for home purchasers, the residential property market in Shanghai, home to 16.7 million people, has grown significantly in the past few years, particularly in the middle to high end sector.

SOCAM is in an advantageous position to expand into Shanghai's property market as the Shui On Group has established a solid reputation in this market through the activities of SOCAM's sister company Shui On Properties Limited (SOP), which is privately owned by SOCAM's chairman Mr Vincent H S Lo.

Recognizing the beginning of a sustainable boom in Shanghai's residential property market, SOCAM acquired at cost the development rights of Rui Hong Xin Cheng (RHXC), a large scale quality residential project previously developed by SOP, in May 2001. This strategic move not only allowed SOCAM to immediately establish a substantial foothold in the property market in Shanghai, but also paved the way for the Company to achieve its aim of becoming a leading developer of large scale development projects in the Chinese Mainland. RHXC will be developed in phases over the next decade.



In addition to quality finishes and contemporary design for each residential unit, Rui Hong Xin Cheng features well-planned leisure facilities and a green environment and is well received by Shanghai's fast-expanding middle class

In Guizhou, SOCAM has established cement operations in four strategic locations: Honghuagang and Xishui in Zunyi in the north, Xingyi in Qianxinan in the southwest, and Kaili in Qiandongnan in the southeast. Its production capacity, currently 700,000 tonnes per annum, will reach 1.5 million tonnes when new production facilities are completed by the end of the 2002-2003 financial year



Producing high grade cement to meet soaring demand in the western region



In Chongqing, the first rotary kiln constructed under SOCAM's joint venture, Chongqing TH Cement, commenced operation in early 1998. By 2000, its annual production capacity had increased from 160,000 tonnes to one million tonnes. The strategic acquisition of 80% of Diwei Cement in Chongqing in 2001 and Qujiang Cement in the northern Sichuan area adjoining Chongqing in 2002, further consolidated TH Cement's leadership in and around Chongqing. Its annual capacity now reaches 4.5 million tonnes, representing about 80% of the high grade cement market in the area

SOCAM started investing in high grade cement production facilities in Chongqing as early as 1995. With extensive experience in acquiring and reforming state-owned plants, strong marketing and technological know-how as well as an established reputation in the industry, SOCAM is now systematically and rapidly building a sizeable cement operation in the central and western region.

SOCAM's development strategy coincides with the Central Government's policy to modernize the central and western provinces. The Central Government is continuing to allocate substantial resources for major infrastructure and housing projects in the central and western regions, which will continue to fuel the demand for high grade cement.

By its nature, cement production is a localized business as the high costs associated with transporting the bulky product over long distances gives local producers a strong cost advantage over outside suppliers. To ensure healthy profitability, SOCAM's strategy is to establish leadership in the large markets, including Chongqing, China's fourth municipality directly under the Central Government and an important industrial centre, and Guizhou, the western province with the highest growth in fixed asset investment in 2001. It is vigorously acquiring operations that are leading suppliers in their respective local markets, and enhancing their productivity and profitability through introducing advanced technologies, professional management as well as establishing new production lines in accordance with market demand.

TH Cement's combined annual capacity in the central and western provinces will exceed five million tonnes by the end of the 2002-2003 financial year. It will continue to acquire and upgrade suitable cement operations in strategic locations throughout the region. Total production capacity is targeted to increase to more than 10 million tonnes per annum in 2005.

To strengthen and expedite personal development, experienced senior managers serve as mentors to junior management staff who exhibit high potential with an aim to coach and counsel them on personal and career development. The mentor also provides guidance on how to meet personal development goals, which have been drawn up based on carefully designed assessments of each individual's strengths and weaknesses



Developing talent to support rapid growth in the Mainland

SOCAM's aggressive development plans in the Chinese Mainland would not be possible without its dedicated and motivated staff.

The Company is committed to developing its people to take on challenges and business opportunities. Building on its time honoured emphasis of developing human resources,

SOCAM has formed a strong pool of talent, from both Hong Kong and the Mainland, for developing its businesses. With more than 30 experienced management staff relocated from Hong Kong to business operations in the Mainland, SOCAM's strategy is to attract, retain and develop local talent to take up leadership roles in the future.



- Rapid expansion requires adaptability and responsiveness to change. To ensure all staff work toward common goals amid fast paced development, annual conferences are conducted for senior executives and managers of each business division in order to help them keep abreast of corporate directions and strategies as well as to set growth plans. These plans will then be cascaded down to all levels of staff
- SOCAM emphasizes well-rounded development of its people. In addition to providing on-the-job training and organizing courses ranging from knowledge and skills training to personal development and team-building programmes, SOCAM also sponsors employees to participate in relevant external courses. Overseas visits are organized for managerial staff to help them gain international exposure and keep abreast of the latest technologies and practices in their respective industries
- To develop future Mainland managers, SOCAM has been running a Management Trainee Programme, which aims at training high calibre fresh graduates from prestigious universities in the Mainland to become future managers and possibly leaders of its business operations. This well structured career development programme provides on-the-job rotation placements, personal development and management courses, and postings in Hong Kong with SOCAM and other relevant organizations
- The recently introduced management cadet programme will identify outstanding and exceptional staff for fast-track development into leadership positions, not only to champion SOCAM's strategic business developments but also to ensure continued growth of the Group

Directors

Executive Directors



Lo Hong Sui, Vincent GBS JP

Aged 54, has been the chairman of the Company since 1997. He is also chairman and chief executive of the Shui On Group which he founded 31 years ago. He is the founding chairman and current president of the Business and Professionals Federation of Hong Kong, a member of The Ninth National Committee of Chinese People's Political Consultative Conference, the president of Shanghai – Hong Kong Council for the Promotion and Development of Yangtze, court member of the Hong Kong University of Science and Technology, a member of HK-US Business Council – HK Section, a director of The Real Estate Developers Association of Hong Kong, an advisor to Chinese Society of Macroeconomics, an advisor to Peking University China Center for Economic Research, a council member of the China Overseas Friendship Association, a director of Great Eagle Holdings Limited and a non-executive director of Hang Seng Bank Limited and New World China Land 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. In 2001, he was named Businessman of the Year by the DHL/SCMP Hong Kong Business Awards.

Wong Ying Wai, Wilfred

Aged 49, was appointed as the vice-chairman of the Company and Shui On Holdings Limited on 1 October 2001. He had been a non-executive director of the Company since 1997. On 6 September 2000, he was redesignated as executive director of the Company and also appointed as managing director of Shui On Holdings Limited and as vice chairman and president of Asia Materials Limited. He is a deputy to The Ninth National People's Congress, chairman of the Business and Professionals Federation of Hong Kong, members of both the Public Service Commission and Social Welfare Advisory Committee of the Government of Hong Kong Special Administrative Region, deputy chairman of the Court and Council of Hong Kong Baptist University and council member of the Hong Kong University of Science and Technology. He was educated at Harvard University, Oxford University, the University of Hong Kong and the Chinese University of Hong Kong.

Wong Yuet Leung, Frankie

Aged 53, has been the vice-chairman of the Company since 1997. He joined the Shui On Group in 1981 and has been managing director of Shui On Holdings Limited since 1991. Prior to joining the Shui On Group, he had many years of banking experience with several major international banks in Hong Kong. He graduated with a Bachelor of Science degree in Economics and a Master of Arts degree from the London School of Economics and Political Science and the University of Lancaster respectively.

Choi Yuk Keung, Lawrence

Aged 48, has been the managing director of the Company since 1997. He has also been an executive director of the Shui On Group since 1990. He was appointed managing director of the Shui On Group's construction division in 1991 and also that of the construction materials division in 1995. He joined the Shui On Group in 1973 and has over 25 years of experience in construction. He holds a Bachelor of Science degree in Engineering from the University of California, Berkeley.

Wong Hak Wood, Louis

Aged 51, has been an executive director of the Company since 1997 and was appointed as deputy managing director of the Company on 6 September 2000. He has also been a director of Shui On Building Contractors Limited and Shui On Construction Company Limited since 1993. He joined the Shui On Group in 1981. He is currently first vice president of the Hong Kong Construction Association and chairman of its Training, Health and Safety Committee, a member of the Provisional Construction Industry Co-ordination Board, a member of the Occupational Safety and Health Council, a member of the Construction Industry Training Authority and chairman of both its Board of Studies for the Construction Management Training Programme and Committee on Construction Training Courses, chairman of the Departmental Advisory Committee for the Department of Building and Construction of the City University of Hong Kong, and a member of the Advisory Committee of the Department of Civil Engineering of the University of Hong Kong. He has also served as a member of the Construction Advisory Board of the Works Bureau and chairman of its Safety Committee, a member of the Corruption Prevention Advisory Committee of Independent Commission Against Corruption and a representative of the Hong Kong Construction Association in the Construction Quality and Safety (QS) Sub-committee of the Construction Industry Review Committee. He holds a Bachelor of Science degree in Civil Engineering from the University of Manchester and is a Chartered Engineer, a Fellow of the Institution of Civil Engineers and a member of the Hong Kong Institution of Engineers.

Wong Fook Lam, Raymond

Aged 47, has been an executive director of the Company since 1997. He joined the Shui On Group in 1989 and has been an executive director of Shui On (Contractors) Limited since 1993. He is a Fellow of the Institute of Chartered Accountants in England and Wales and of the Hong Kong Society of Accountants, and an Associate of the Institute of Chartered Accountants of Australia.

Lowe Hoh Wai Wan, Vivien

Aged 53, has been an executive director of the Company since 1997. She joined the Shui On Group in 1980 and has been an executive director of Shui On (Contractors) Limited since 1993. She holds a Bachelor of Arts degree in Sociology from the State University of New York, a Master of Arts degree in Sociology from the University of Illinois, and a Doctor of Philosophy degree in Sociology from the University of Wisconsin. She is currently a member of the Labour Advisory Board Committee on Occupational Safety and Health.

Non-executive Directors



Cheng Bing Chark, Henry

Aged 51, has been a non-executive director of the Company since 1997. He has also been an executive director of the Shui On Group and managing director of the Shui On Group's properties division since 1994. He has joined the Shui On Group for over 18 years. He holds a Master of Arts degree from the University of Wisconsin.

Griffiths, Anthony

Aged 58, has been a non-executive director of the Company since 1997. He is the managing director of GML Consulting Limited. He is also the vice-chairman of the Hong Kong Coalition of Service Industries, a member of the Inland Revenue Department Users' Committee and a member of Audit Committee of the Hong Kong Housing Society. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a Fellow of the Institute of Management Consultants (Hong Kong Branch).

Professor Enright, Michael John

Aged 43, is a non-executive director of the Company. He is an expert on business strategy and international competition. He joined the faculty of the University of Hong Kong as the Sun Hung Kai Visiting Professor of Business Administration in 1996. He is also a director and member of the Advisory Board of The Competitiveness Institute. Professor Enright received his Bachelor's degree in Chemistry, Master's degree in Business Administration and Doctor of Philosophy degree in Business Economics from Harvard University. Before coming to Hong Kong, Professor Enright spent six years as a professor at the Harvard Business School.

Senior Management



Chan Cheu Hung, William

Aged 54, is an executive director of Shui On Building Materials Limited, Ken On Concrete Company Limited and Lamma Rock Products Limited. He has been working in the Shui On Group for over 18 years. He holds a Master's degree in Business Administration and is a Fellow of the Institute of Quarrying.

Leich, John

Aged 51, is an executive director of Ken On Concrete Company Limited, Shui On Rock Products Limited, Instant Mortars Limited and Shui On Cement Limited. He joined the Shui On Group in 1992 and has over 25 years of experience in the concrete and cement industries. He holds a Bachelor's degree in Civil Engineering from the University of Sydney and has completed studies for a Master's degree in Business Administration at the University of Technology, Sydney.

Lee Wing Kee, Stephen

Aged 49, is the executive director of Shui On Building Contractors Limited and Shui On Construction Company Limited. He has worked in the Shui On Group since 1985 and has over 25 years of experience in construction. He holds a Bachelor of Science degree in Civil Engineering and is a chartered civil engineer.

Leung Kam Woon, Barnabas

Aged 55, is the business development director of the construction materials division. He joined the Shui On Group in 1978 and is currently involved in the cement business in Chongqing. He holds Master's degrees in Management Science and in Engineering, both from the University of California, Berkeley and a Bachelor's degree in Engineering Science from the University of Portland. He is a Fellow of the Institute of Quarrying.

Law, John Rodney

Aged 56, is the director and general manager of Pat Davie Limited. He joined the Shui On Group in 1988 and has over 30 years of experience in the construction industry.

Li Chun Ki, Stephen

Aged 49, is the general manager – projects of Shui On Building Contractors Limited. He joined the Shui On Group in 1985 and has over 25 years of experience in construction. He holds a Bachelor of Applied Science degree in Civil Engineering and is a chartered civil engineer.

Kong Hon Ling, Frank

Aged 50, is the general manager of Guizhou T.H. Consulting Company Limited and is primarily responsible for the development of the cement business in Guizhou. He joined the Shui On Group in 1982 and has ample experience in quarrying and management of cement operations 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.

Wong Leung Bing, Tony

Aged 51, is the technical director of the construction materials division. He has worked in the Shui On Group for over 18 years. He has over 20 years of experience in the construction materials industry in Hong Kong. He holds a Bachelor's degree in Civil Engineering and a Master's degree in Concrete Technology both from the University of Dundee.

Chan Ngai Shing, David

Aged 47, is the deputy general manager – projects 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.

Waller, Jeremy John

Aged 51, is the senior vice president of Asia Materials Limited and is responsible for its overall business development strategy and market development. He joined the company in January 2002 and has over 23 years of experience in Pan-Asia and world trading of consumer durables and industrial products. He holds a Bachelor of Arts degree in Marketing and Engineering from the University of Huddersfield.

Wong Kam Lor, Dennis

Aged 46, is the vice president of Asia Materials Limited and is primarily responsible for its business development and operations in the Chinese Mainland. He joined the company in 2000 and has over 18 years of experience in corporate development, financial planning and accounting. He is a Fellow of the Hong Kong Society of Accountants and an Associate of the American Institute of Certified Public Accountants.

Cheng Hei Ming

Aged 41, is the general manager of the Rui Hong Xin Cheng property development project in Shanghai. He joined the Shui On Group in 1998 and has over 18 years of experience in financial management and property development. He holds a Master's degree in Management Science from the University of London and is a Fellow of the Association of Chartered Certified Accountants and an Associate of the Hong Kong Society of Accountants.

Li Chi Keung, Evans

Aged 41, is the Financial Controller of Asia Materials Limited. He joined the Shui On Group in 1991. He holds a Master's degree in Business Administration from the University of Leicester. He is a Fellow of the Association of Chartered Certified Accountants and an Associate of The Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Company Secretaries and the Hong Kong Society of Accountants.

Wong Wai Man, Antonio

Aged 39, is the company secretary of the Company and has been with the Shui On Group since 1991. He is a Fellow of the Association of Chartered Certified Accountants and the Hong Kong Society of Accountants.

The Directors present their annual report and the audited financial statements for the year ended 31 March, 2002.

Principal Activities

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in construction and contracting, renovation and fitting out, manufacturing and trading of construction and building materials, property development, property investment and investment holding.

Results and Appropriations

The results of the Group for the year ended 31 March, 2002 are set out in the consolidated income statement on page 42.

An interim dividend of HK\$0.15 per share amounting to HK\$39.7 million was paid to the shareholders during the year. The Directors now recommend the payment of a final dividend of HK\$0.15 per share to the shareholders on the register of members on 27 August, 2002, amounting to HK\$39.7 million.

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 25 to the financial statements.

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

Reserves

Movements during the year in the reserves of the Group and the Company are set out in note 26 to the financial statements.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 83.

Investment Property

The Group's investment property was revalued at 31 March, 2002, as set out in note 14 to the financial statements. The revaluation decrease amounting to HK\$3.0 million has been charged directly to the income statement.

Property, Plant and Equipment

With the exception of certain land and buildings of insignificant carrying values where the Directors are of the opinion that their carrying values approximate their fair values, all of the Group's leasehold land and buildings were revalued at 31 March, 2002. The revaluation increase amounting to HK\$1.4 million has been credited directly to the property, plant and equipment revaluation reserve.

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

Major Properties

Details of the major properties of the Group at 31 March, 2002 are set out on page 82.

Directors

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

Mr. Lo Hong Sui, Vincent

Mr. Wong Ying Wai, Wilfred

Mr. Wong Yuet Leung, Frankie

Mr. Choi Yuk Keung, Lawrence

Mr. Wong Hak Wood, Louis

Mr. Wong Fook Lam, Raymond

Mrs. Lowe Hoh Wai Wan, Vivien

* Mr. Cheng Bing Chark, Henry

* Mr. Griffiths, Anthony

* Professor Enright, Michael John

* Non-executive directors

Independent directors

In accordance with the Company's Bye-laws, Mr. Wong Fook Lam, Raymond and Mrs. Lowe Hoh Wai Wan, Vivien, shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

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

Directors' Interests in Shares

(i) Shares

As at 31 March, 2002, the interests of the Directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of Directors	Number of shares			
	Personal interests	Family interests	Corporate interests	Other interests
Mr. Lo Hong Sui, Vincent	-	-	-	169,846,000 (Note)
Mr. Wong Ying Wai, Wilfred	-	-	-	-
Mr. Wong Yuet Leung, Frankie	191,000	-	-	-
Mr. Choi Yuk Keung, Lawrence	679,000	-	-	-
Mr. Wong Hak Wood, Louis	520,000	-	-	-
Mr. Wong Fook Lam, Raymond	-	-	-	-
Mrs. Lowe Hoh Wai Wan, Vivien	60,000	-	-	-
Mr. Cheng Bing Chark, Henry	-	-	-	-
Mr. Griffiths, Anthony	-	-	-	-
Professor Enright, Michael John	-	-	-	-

Apart from the above, as at 31 March, 2002, there was no other interest recorded in the register required to be kept under Section 29 of the SDI Ordinance.

Note:

The 169,846,000 shares are held as to 166,148,000 shares and 3,698,000 shares by the ultimate holding company, Shui On Company Limited ("SOCL") and Shui On Finance Company Limited respectively, which is an indirect wholly-owned subsidiary of SOCL. SOCL is owned by the Bosrich Unit Trust. The units of the Bosrich Unit Trust are the property of a discretionary trust of which Mr. Lo Hong Sui, Vincent is a discretionary beneficiary. Accordingly, Mr. Lo Hong Sui, Vincent is deemed to be interested in such shares.

Directors' Interests in Shares - continued

(ii) Employee share option scheme

The Company adopted an employee share option scheme (the "Existing Option Scheme"), which became effective on 16 July, 1997, to attract, motivate and retain high calibre employees including any executive director or full time employee of the Company, or any of its subsidiaries (the "Eligible Participants"). The Existing Option Scheme remains in force until 15 July, 2007 unless otherwise terminated or amended.

The Board of Directors of the Company 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 of Hong Kong Limited (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 the Existing Option Scheme. Options granted are exercisable in stages within 5 years from the date of grant. As at 15 July, 2002, the total number of ordinary shares available for issue under the Existing Option Scheme is 11,010,000 shares, representing 4.2% of the shares of the Company in issue at that date.

Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in relation to share option schemes has been amended and came into effect on 1 September, 2001. Since then, the Company has discontinued to grant options under the Existing Option Scheme. The Directors of the Company consider that it is in the interests of the Company to terminate the Existing Option Scheme and to adopt a new share option scheme in compliance with the amended Listing Rules. An ordinary resolution will be proposed at the Company's forthcoming special general meeting to be held on 27 August, 2002 for the approval of the adoption of the new share option scheme and termination of the Existing Option Scheme.

Directors' Interests in Shares - continued

(ii) Employee share option scheme - continued

Pursuant to the Existing Option Scheme, share options were granted to certain executives of the Company. At 31 March, 2002, options to subscribe for 11,226,000 shares (2001: 8,762,000 shares) within the following exercisable periods were outstanding:

Name of categories and Eligible Participants	Date of grant	Subscription price per share	Number of options				At 31.3.2002	Period during which share options outstanding at 31.3.2002 are exercisable	Price of Company's shares at exercise date of options
			At 1.4.2001	Granted during the year	Exercised during the year	Cancelled during the year			
		HK\$	(Note a)					HK\$ (Note b)	
Directors									
Wong Yuet Leung, Frankie	25.7.1997	7.50	80,000	-	(80,000)	-	-	25.1.1998 to 24.7.2002	10.10
	15.7.1998	4.14	48,000	-	(24,000)	-	24,000	15.1.1999 to 14.7.2003	10.10
	7.7.1999	11.21	200,000	-	-	-	200,000	7.1.2000 to 6.7.2004	-
	4.7.2000	9.56	200,000	-	-	-	200,000	4.1.2001 to 3.7.2005	-
	17.7.2001	9.30	-	200,000	-	-	200,000	17.1.2002 to 16.7.2006	-
Choi Yuk Keung, Lawrence	25.7.1997	7.50	80,000	-	(80,000)	-	-	25.1.1998 to 24.7.2002	10.00
	15.7.1998	4.14	88,000	-	(44,000)	-	44,000	15.1.1999 to 14.7.2003	10.00
	7.7.1999	11.21	280,000	-	-	-	280,000	7.1.2000 to 6.7.2004	-
	4.7.2000	9.56	350,000	-	-	-	350,000	4.1.2001 to 3.7.2005	-
	17.7.2001	9.30	-	350,000	-	-	350,000	17.1.2002 to 16.7.2006	-
Wong Hak Wood, Louis	25.7.1997	7.50	112,000	-	(112,000)	-	-	25.1.1998 to 24.7.2002	10.05
	15.7.1998	4.14	60,000	-	(30,000)	-	30,000	15.1.1999 to 14.7.2003	10.05
	7.7.1999	11.21	250,000	-	-	-	250,000	7.1.2000 to 6.7.2004	-
	4.7.2000	9.56	280,000	-	-	-	280,000	4.1.2001 to 3.7.2005	-
	17.7.2001	9.30	-	280,000	-	-	280,000	17.1.2002 to 16.7.2006	-
Wong Fook Lam, Raymond	25.7.1997	7.50	56,000	-	(56,000)	-	-	25.1.1998 to 24.7.2002	10.05
	15.7.1998	4.14	48,000	-	(24,000)	-	24,000	15.1.1999 to 14.7.2003	10.05
	7.7.1999	11.21	150,000	-	-	-	150,000	7.1.2000 to 6.7.2004	-
	4.7.2000	9.56	160,000	-	-	-	160,000	4.1.2001 to 3.7.2005	-
	17.7.2001	9.30	-	160,000	-	-	160,000	17.1.2002 to 16.7.2006	-
Lowe Hoh Wai Wan, Vivien	25.7.1997	7.50	56,000	-	(56,000)	-	-	25.1.1998 to 24.7.2002	10.00
	15.7.1998	4.14	48,000	-	(24,000)	-	24,000	15.1.1999 to 14.7.2003	10.00
	7.7.1999	11.21	150,000	-	-	-	150,000	7.1.2000 to 6.7.2004	-
	4.7.2000	9.56	160,000	-	-	-	160,000	4.1.2001 to 3.7.2005	-
	17.7.2001	9.30	-	160,000	-	-	160,000	17.1.2002 to 16.7.2006	-
Sub-total			2,856,000	1,150,000	(530,000)	-	3,476,000		
Other employees (in aggregate)	25.7.1997	7.50	376,000	-	(218,000)	-	158,000	25.1.1998 to 24.7.2002	10.07
	15.7.1998	4.14	860,000	-	(336,000)	(4,000)	520,000	15.1.1999 to 14.7.2003	10.10
	7.7.1999	11.21	2,180,000	-	-	(20,000)	2,160,000	7.1.2000 to 6.7.2004	-
	4.7.2000	9.56	2,490,000	-	(78,000)	(20,000)	2,392,000	4.1.2001 to 3.7.2005	10.61
	17.7.2001	9.30	-	2,520,000	-	-	2,520,000	17.1.2002 to 16.7.2006	-
Sub-total			5,906,000	2,520,000	(632,000)	(44,000)	7,750,000		
			8,762,000	3,670,000	(1,162,000)	(44,000)	11,226,000		

Note:

- The closing price of the Company's shares preceding the date on which the options were granted was HK\$10.25.
- The price of the Company's shares as disclosed is the weighted average closing price of the Company's shares immediately before the dates on which the options were exercised during the year for each category of Eligible Participants.

The share options granted are not recognised in the financial statements until they are exercised. The Directors consider that it is not appropriate to disclose the value of options granted during the year, since any valuation of the above options would be subject to a number of assumptions that would be subjective and uncertain.

Apart from the aforesaid, during the year, none of the Directors or the chief executive of the Company or their spouses or children under the age of 18 were granted or had exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporations.

Substantial Shareholders' Interests in Shares

Other than the interests disclosed under the section headed "Directors' interests in shares", the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance disclosed that there was no person having an interest in 10% or more of the issued share capital of the Company as at 31 March, 2002.

Arrangement to Purchase Shares or Debentures

Other than as disclosed above, at no time during the year was the Company, its ultimate holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Connected Transactions

- a. 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.
- b. During the year, Pat Davie Limited ("PDL"), a 94%-owned subsidiary of the Group, performed decoration and renovation work for Shui On Investment Company Limited and Shui On Properties Limited, wholly-owned subsidiaries of SOCL. The aggregate amount charged by PDL for such work for the year was approximately HK\$0.6 million.
- c. During the year, the Company provided management information systems services to Shui On Investment Company Limited, Shui On Properties Management Limited, Shui On Properties Limited and Centre Top Limited, wholly-owned subsidiaries of SOCL. The services were charged at rates designed to recover the costs and expenses incurred by the Company on a reasonable basis. The aggregate amount charged by the Company for such services for the year was approximately HK\$0.7 million.
- d. The Group occupied an office in Shanghai, the People's Republic of China ("PRC"), which was owned by Shanghai Jiu Hai Rimmer Properties Co. Ltd., a subsidiary of SOCL. The rentals paid during the year amounted to HK\$0.5 million.
- e. The Group paid building management fees of HK\$1.0 million during the year to Shui On Properties Management Limited, a wholly-owned subsidiary of SOCL, in relation to the Group's properties held for sale in Tseung Kwan O.
- f. Pursuant to a relinquishment agreement entered into between Hollyfield Holdings Limited, a wholly-owned subsidiary of the Company, and Shanghai Ruichen Property Company Limited ("Shanghai Ruichen"), a subsidiary of SOCL, on 2 May, 2001 (as supplemented by an agreement dated 22 May, 2001 between these parties), Shanghai Ruichen has agreed, amongst others, to relinquish and surrender the development rights and title of a residential property development at Hongkou District of Shanghai to Shanghai Rui Hong Xin Cheng Company Limited ("Rui Hong"), a 99% indirectly owned subsidiary of the Company. In consideration of the above, Hollyfield Holdings Limited will procure Rui Hong to pay Shanghai Ruichen a sum of Rmb184.5 million (approximately HK\$172.4 million). Piling work of the Project has commenced and construction of the superstructure will begin in September 2002.

On 4 February, 2002, Rui Hong entered into a management agreement with Shanghai Ruichen in relation to the provision of project management, maintenance and sales and marketing services for a residential property development project which is held as to 100% by Shanghai Ruichen. Under the management agreement, Rui Hong received fees of Rmb1.0 million (approximately HK\$0.9 million) from Shanghai Ruichen for the year.

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

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.

Provident and Retirement Fund Schemes

Details of the Group's provident and retirement fund schemes are shown in note 31 to the financial statements.

Major Suppliers and Major Customers

The five largest suppliers of the Group accounted for approximately 12% of the total purchases of the Group in the year.

The five largest customers of the Group accounted for approximately 76% of the total turnover of the Group in the year with the largest customer accounting for approximately 53% of the turnover of the Group.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has a beneficial interest in the Group's five largest customers.

Donations

During the year, the Company and its subsidiaries made donations of HK\$0.1 million to charitable bodies and HK\$0.3 million to other communities.

Corporate Governance

(i) Audit Committee

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group in the course of its review of the annual financial statements and discussed audit, internal control and financial reporting matters.

(ii) Remuneration Committee

In April 2002, the Company set up a Remuneration Committee of the Board of Directors, which comprises the Chairman of the Company, Mr. Lo Hong Sui, Vincent and two independent non-executive directors, Mr. Griffiths, Anthony and Professor Enright, Michael John. The Committee meets at least twice every year and is responsible for reviewing the remuneration of each executive director of the Group.

(iii) Code of Best Practice

The Company has complied throughout the year ended 31 March, 2002 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Company's Bye-laws.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Disclosure under Practice Note 19 to the Listing Rules ("PN 19")

(i) Financial assistance and guarantees to affiliated companies

Financial assistance and guarantees provided by the Group to its affiliated companies amounted to HK\$554.2 million as at 31 March, 2002, details of which are as follows:

Affiliated companies	Effective percentage of interest	Balance as at 31 March, 2002				Total HK\$ million
		Unsecured loan		Guarantee given HK\$ million (Note b)		
		Interest free with no fixed repayment terms HK\$ million	Interest bearing with no fixed repayment terms HK\$ million (Note a)			
City Engineering Limited	50%	0.2	-	-	0.2	
Shui On (Panyu) Stainless Steel & Aluminium Products Company Limited	50%	0.4	-	-	0.4	
Super Race Limited	50%	-	-	0.5	0.5	
Brisfull Limited	50%	0.2	26.6	-	26.8	
Lamma Yue Jie Company Limited (Note c)	60%	3.1	-	-	3.1	
Nanjing Jiangnan Cement Company Limited (Note c)	60%	84.9	-	-	84.9	
Guizhou Zunyi T.H. Cement Co. Ltd. (Note c)	79%	-	72.1	-	72.1	
Guizhou Kaili T.H. Cement Co. Ltd. (Note c)	89%	-	19.8	-	19.8	
Guizhou Dingxiao T.H. Cement Co. Ltd. (Note c)	89%	-	23.5	-	23.5	
Guizhou Xishui T.H. Cement Co. Ltd. (Note c)	89%	7.6	-	-	7.6	
TH Industrial Management Limited	50%	184.8	5.7	124.8	315.3	
		281.2	147.7	125.3	554.2	

Note:

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

Affiliated companies	Interest rate per annum
Brisfull Limited	Hong Kong prime rate
Guizhou Zunyi T.H. Cement Co. Ltd.	London interbank offered rate plus 2%
Guizhou Kaili T.H. Cement Co. Ltd.	Hong Kong interbank offered rate plus 2%
Guizhou Dingxiao T.H. Cement Co. Ltd.	Hong Kong interbank offered rate plus 2%
TH Industrial Management Limited	6.7%

Disclosure under Practice Note 19 to the Listing Rules ("PN 19") - continued

- b. The guarantees given by the Group to Super Race Limited and TH Industrial Management Limited were in favour of certain financial institutions for granting credit and loan facilities to these two companies.
- c. These companies are treated as jointly controlled entities of the Group.

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

Additionally, the Company is required under paragraph 3.10 of PN19 to include in its annual report a proforma combined balance sheet of the affiliated companies which should include significant balance sheet classifications and state the attributable interest of the Company in the affiliated companies. By reason of the accounting year-end dates of certain of these affiliated companies being not co-terminous with that of the Company, the Company is of the opinion that it is misleading and not practical to show the proforma combined balance sheet as at 31 March, 2002. Pursuant to PN19, the Company had made an application to the Stock Exchange of Hong Kong Limited and obtained a waiver of such disclosure by providing the following statement as an alternative:

As at 31 March, 2002, the total exposure on the combined indebtedness (including amounts owing to the Group) and capital commitments reported on by the affiliated companies amounted to approximately HK\$1,161.5 million and HK\$137.2 million respectively. Such affiliated companies reported no contingent liabilities as at 31 March, 2002.

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

The Company has been granted three 3-year term and revolving loan facilities, each amounting to HK\$200 million and totalling HK\$600 million, in September 2001 and a 3-year term loan facility of HK\$200 million in January 2002, which require SOCL, and the Chairman of the Group, Mr. Lo Hong Sui, Vincent and his associates (as defined in the Listing Rules) to retain controlling interests of not less than 50% in the Company throughout the tenure of the loan agreements. Breach of this obligation will create a default in respect of these loan facilities.

Auditors

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Lo Hong Sui, Vincent

Chairman

Hong Kong, 15 July, 2002

德勤 · 關黃陳方會計師行

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

**Deloitte
Touche
Tohmatsu**

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

We have audited the financial statements on pages 42 to 81 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

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

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

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March, 2002 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, 15 July, 2002

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH, 2002

	NOTES	2002 HK\$ million	2001 HK\$ million
Turnover	4	3,757.2	5,556.1
Other operating income	5	50.8	77.6
Changes in inventories of finished goods, work in progress, contract work in progress and properties held for sale		(58.3)	(341.6)
Raw materials and consumables used		(645.7)	(745.3)
Staff costs		(513.7)	(552.5)
Depreciation and amortisation expenses		(62.8)	(70.4)
Subcontracting, external labour costs and other operating expenses		(2,407.0)	(3,355.5)
Profit from operations	6	120.5	568.4
Finance costs	7	(3.1)	(1.1)
Share of results of jointly controlled entities		5.0	30.8
Profit from ordinary activities before taxation		122.4	598.1
Taxation	10	(20.5)	(80.7)
Profit before minority interests		101.9	517.4
Minority interests		2.4	(9.1)
Profit attributable to shareholders	11	104.3	508.3
Dividends	12		
Paid		357.1	487.1
Proposed		39.7	316.0
Earnings per share	13		
Basic		HK\$0.39	HK\$1.93
Diluted		HK\$0.39	HK\$1.93

BALANCE SHEETS

AS AT 31 MARCH, 2002

	NOTES	THE GROUP		THE COMPANY	
		2002 HK\$ million	2001 HK\$ million	2002 HK\$ million	2001 HK\$ million
Non-Current Assets					
Investment property	14	137.0	140.0	-	-
Property, plant and equipment	15	238.2	270.5	2.7	3.5
Property under development	16	367.2	-	-	-
Investments in subsidiaries	17	-	-	291.7	291.7
Interests in jointly controlled entities	18	337.9	159.4	-	-
Investments in securities	19	179.0	186.1	-	-
Club debenture	20	1.2	1.2	1.2	1.2
Site establishment expenditure	21	16.9	19.8	-	-
		<u>1,277.4</u>	<u>777.0</u>	<u>295.6</u>	<u>296.4</u>
Current Assets					
Inventories	22	33.0	42.9	-	-
Properties held for sale		57.1	191.8	-	-
Debtors, deposits and prepayments	23	692.4	3,456.2	3.4	2.6
Amounts due from customers for contract work	22	266.0	209.6	-	-
Amounts due from subsidiaries		-	-	1,407.7	890.9
Amounts due from related companies		0.2	0.2	0.2	0.2
Amounts due from associates		0.1	0.1	-	-
Amounts due from jointly controlled entities		418.6	192.7	3.2	4.3
Tax recoverable		6.6	-	-	-
Bank balances, deposits and cash		74.5	293.0	5.6	2.1
		<u>1,548.5</u>	<u>4,386.5</u>	<u>1,420.1</u>	<u>900.1</u>
Current Liabilities					
Creditors and accrued charges	24	918.5	1,217.5	12.6	6.4
Amounts due to customers for contract work	22	147.6	173.9	-	-
Amounts due to subsidiaries		-	-	367.5	304.4
Amounts due to jointly controlled entities		23.4	40.1	0.1	-
Amounts due to related companies		0.9	-	-	-
Provision for taxation		-	91.1	-	-
Bank borrowings, due within one year	27	16.0	2,027.3	-	-
		<u>1,106.4</u>	<u>3,549.9</u>	<u>380.2</u>	<u>310.8</u>
Net Current Assets		<u>442.1</u>	<u>836.6</u>	<u>1,039.9</u>	<u>589.3</u>
		<u>1,719.5</u>	<u>1,613.6</u>	<u>1,335.5</u>	<u>885.7</u>

	NOTES	THE GROUP		THE COMPANY	
		2002 HK\$ million	2001 HK\$ million	2002 HK\$ million	2001 HK\$ million
Capital and Reserves					
Share capital	25	264.5	263.3	264.5	263.3
Reserves	26	1,066.1	1,318.8	711.0	622.4
		<u>1,330.6</u>	<u>1,582.1</u>	<u>975.5</u>	<u>885.7</u>
Minority Interests					
		<u>27.4</u>	<u>28.0</u>	-	-
Non-Current Liabilities					
Bank borrowings	27	360.0	-	360.0	-
Deferred taxation	28	1.5	3.5	-	-
		<u>361.5</u>	<u>3.5</u>	<u>360.0</u>	-
		<u>1,719.5</u>	<u>1,613.6</u>	<u>1,335.5</u>	<u>885.7</u>

The financial statements on pages 42 to 81 were approved and authorised for issue by the Board of Directors on 15 July, 2002 and are signed on its behalf by:

Choi Yuk Keung, Lawrence
Managing Director

Wong Fook Lam, Raymond
Executive Director



CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 MARCH, 2002

	2002 HK\$ million	2001 HK\$ million
Revaluation increase on land and buildings	1.4	1.4
Exchange differences arising on translation of overseas operations	(6.0)	(0.4)
Net (losses) gains not recognised in the income statement	(4.6)	1.0
Profit attributable to shareholders	104.3	508.3
Total recognised gains	99.7	509.3
Goodwill arising from acquisition of additional interests in jointly controlled entities and a subsidiary	-	(0.9)
	99.7	508.4
Prior period adjustments arising from the effect of changes in accounting policies (see note 2)		
Increase in retained profit at 1 April, 2000		327.9



CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH, 2002

	NOTES	2002 HK\$ million	2001 HK\$ million
NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES*	29	2,446.4	(503.3)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		15.5	34.4
Interest paid		(16.1)	(127.8)
Dividends received from unlisted investments		0.6	0.3
Dividends received from listed investments		5.8	3.0
Dividends received from a jointly controlled entity		1.0	57.0
Dividends paid to minority shareholders		(0.6)	(5.3)
Dividends paid		(357.1)	(487.1)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(350.9)	(525.5)
TAXATION			
Hong Kong Profits Tax paid		(116.8)	(58.5)
Income tax of other regions in the PRC paid		(1.7)	(0.1)
TAX PAID		(118.5)	(58.6)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(27.6)	(75.8)
Additions to property under development		(361.9)	-
Purchase of investments in securities		-	(170.6)
Purchase of club debenture		-	(1.2)
Proceeds from sale of property, plant and equipment		2.8	0.5
Investments in jointly controlled entities		(183.9)	(75.6)
Site establishment costs expended		(2.5)	(17.3)
Proceeds on disposal of investments in securities		18.8	1.9
Proceeds on disposal of a jointly controlled entity		6.4	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(547.9)	(338.1)
NET CASH INFLOW (OUTFLOW) BEFORE FINANCING CARRIED FORWARD		1,429.1	(1,425.5)

	NOTES	2002 HK\$ million	2001 HK\$ million
NET CASH INFLOW (OUTFLOW) BEFORE FINANCING BROUGHT FORWARD		1,429.1	(1,425.5)
FINANCING	30		
Net proceeds received on issue of shares		7.3	5.6
Repayments of secured and unsecured bank loans		(2,027.3)	-
New secured and unsecured bank loans raised		360.0	833.0
Net cash inflow from minority interests		2.4	0.5
NET CASH (OUTFLOW) INFLOW FROM FINANCING		(1,657.6)	839.1
DECREASE IN CASH AND CASH EQUIVALENTS		(228.5)	(586.4)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		293.0	879.6
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(6.0)	(0.2)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		58.5	293.0
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances, deposits and cash		74.5	293.0
Bank overdraft		(16.0)	-
		58.5	293.0

- * Included in net cash inflow from operating activities for the year is a net inflow of HK\$2,501.7 million relating to the proceeds from sale of residential units and other properties of the PSPS project, part of which was utilised for the full repayment of the PSPS project loan of HK\$2,022.6 million.

1. General

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Directors consider that its ultimate holding company is Shui On Company Limited ("SOCL"), a private limited liability company incorporated in the British Virgin Islands.

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in construction and contracting, renovation and fitting out, manufacturing and trading of construction and building materials, property development, property investment and investment holding.

2. Adoption of Statements of Standard Accounting Practice/Changes in Accounting Policies

In the current year, the Group has adopted a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants for the first time. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts and disclosures for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group's accounting policies that have affected the amounts reported for the current or prior periods.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) *Events after the Balance Sheet Date*, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment of an increase in the Group's retained profits by HK\$327.9 million and HK\$316.0 million as at 1 April, 2000 and 1 April, 2001 respectively.

Leases

The adoption of SSAP 14 (Revised) *Leases* has not resulted in any significant changes to the accounting treatment adopted for leases and accordingly no prior period adjustment has been required. Disclosure for the Group's leasing arrangements has been modified so as to comply with the new requirements of SSAP 14 (Revised). Comparative amounts and disclosures have been restated to achieve a consistent presentation.

Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 *Segment Reporting*. Segment disclosures for the year ended 31 March, 2001 have been amended so that they are presented on a consistent basis.

Goodwill

In the current year, the Group has adopted SSAP 30 *Business Combinations* and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1 April, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1 April, 2001 will be credited to income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity.

Goodwill arising on acquisitions on or after 1 April, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions on or after 1 April, 2001 is presented as a deduction from assets and will be released to the income statement based on an analysis of the circumstances from which the balance resulted.

3. Significant Accounting Policies

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties, certain land and buildings and investments in securities, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

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

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

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Goodwill

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

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

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

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

Negative goodwill

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

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

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

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

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

3. Significant Accounting Policies - continued

Revenue recognition

Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue is recognised on the percentage of completion method, measured by reference to the value of work carried out during the period. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

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

Private Sector Participation Scheme ("PSPS") Projects

Revenue from property development projects undertaken by the Group which are known as PSPS projects is recognised, when the outcome of the projects can be estimated reliably, over the development period on the basis of development costs incurred to date as a proportion of the estimated total development costs.

Others

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable.

Sales of goods are recognised when goods are delivered and title has passed.

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

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

Leases

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

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. They are valued at intervals of not more than three years by independent professional valuers. In each of the intervening years, valuations are undertaken by professionally qualified executives of the Group. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

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

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

3. Significant Accounting Policies - continued

Property, plant and equipment

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

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation is provided to write off the cost or valuation of property, plant and equipment over their estimated useful lives on a straight-line basis at the following rates per annum and after taking into account their estimated residue value, if applicable.

Land and buildings in Hong Kong and other regions of the People's

Republic of China ("PRC") held under medium-term leases

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

Certain land and buildings in Hong Kong are stated in the balance sheet at their revalued amounts, being the fair values on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any increase arising on the revaluation of land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Investments in subsidiaries

A subsidiary is an enterprise controlled by the Company.

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

Interests in associates

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

The consolidated income statement includes the Group's share of the post-acquisition results of its associates based on their latest audited financial statements prepared up to 31 March or to a date not exceeding six months prior to 31 March. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, less any identified impairment loss.

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

3. Significant Accounting Policies - continued

Interests in joint ventures

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

Jointly controlled entities

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

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities less any identified impairment loss. The Group's share of the post-acquisition results of jointly controlled entities is included in the consolidated income statement.

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

Other joint venture arrangements

Investments made by means of joint venture structures which do not result in the Group having joint control with other venturers are accounted for as subsidiaries (where the Group controls the board of directors or equivalent governing body), associates (where the Group is in a position to exercise significant influence) or investments in securities (where the Group exercises neither control nor significant influence).

Investments in securities

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

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

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

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

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

Club debentures

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

Inventories

Inventories are stated at the lower of cost and net realisable value.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

3. Significant Accounting Policies - continued

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the value of work carried out during the year.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Properties under development

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

Site establishment expenditure

Site establishment expenditure for quarrying rights or leased sites is stated at cost less amortisation. Amortisation is provided to write off the cost of site establishment expenditure based on the quarrying capacity or over the duration of the relevant site leases.

Impairment

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

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

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

3. Significant Accounting Policies - continued

Foreign currencies

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

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Retirement benefits costs

Payments to defined contribution retirement benefits schemes are charged as an expense as they fall due. Payments made to retirement benefits schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefits scheme.

4. Business and Geographical Segments

Business segments

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

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

4. Business and Geographical Segments - continued

Segment information about these businesses is presented below:

2002	Construction and building maintenance HK\$ million	Sale of construction materials HK\$ million	Trading of building materials HK\$ million	Property development HK\$ million	Property investment and others HK\$ million	Eliminations HK\$ million	Consolidated HK\$ million
TURNOVER							
External sales	2,916.3	671.9	18.1	136.9	14.0	-	3,757.2
Inter-segment sales	1.4	310.1	2.1	-	61.0	(374.6)	-
Total	2,917.7	982.0	20.2	136.9	75.0	(374.6)	3,757.2
Inter-segment sales are charged at mutually agreed prices.							
RESULT							
Segment results	81.8	48.2	(39.3)	(2.1)	17.9		106.5
Interest income							14.0
Profit from operations							120.5
Finance costs							(3.1)
Share of results of jointly controlled entities	0.5	3.2			1.3		5.0
Profit before taxation							122.4
Taxation							(20.5)
Profit after taxation							101.9
BALANCE SHEET							
	Construction and building maintenance HK\$ million	Sale of construction materials HK\$ million	Trading of building materials HK\$ million	Property development HK\$ million	Property investment and others HK\$ million	Eliminations HK\$ million	Consolidated HK\$ million
ASSETS							
Segment assets	677.9	995.1	23.4	443.6	348.0	-	2,488.0
Interests in jointly controlled entities/associates	18.2	251.4	-	-	68.3	-	337.9
Inter-segment receivables	980.3	76.4	46.0	-	1,173.0	(2,275.7)	-
Consolidated total assets							2,825.9
LIABILITIES							
Segment liabilities	934.2	135.6	18.3	3.7	376.1	-	1,467.9
Inter-segment payables	203.4	1,010.9	80.5	436.9	544.0	(2,275.7)	-
Consolidated total liabilities							1,467.9
OTHER INFORMATION							
	Construction and building maintenance HK\$ million	Sale of construction materials HK\$ million	Trading of building materials HK\$ million	Property development HK\$ million	Property investment and others HK\$ million		Total HK\$ million
Capital expenditure	1.4	20.8	3.7	0.4	1.3		27.6
Depreciation and amortisation	1.9	53.4	4.6	0.1	2.8		62.8
Other non-cash (income) expenses	(0.1)	1.2	-	-	-		1.1

4. Business and Geographical Segments - continued

2001	Construction and building maintenance	Sale of construction materials	Trading of building materials	Property development	Property investment and others	Eliminations	Consolidated
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
TURNOVER							
External sales	3,545.9	666.9	3.8	1,325.3	14.2	-	5,556.1
Inter-segment sales	514.6	177.5	1.4	-	48.0	(741.5)	-
Total	<u>4,060.5</u>	<u>844.4</u>	<u>5.2</u>	<u>1,325.3</u>	<u>62.2</u>	<u>(741.5)</u>	<u>5,556.1</u>

Inter-segment sales are charged at mutually agreed prices.

RESULT

Segment results	210.0	80.6	(21.0)	248.1	17.4		535.1
Interest income							33.3
Profit from operations							568.4
Finance costs							(1.1)
Share of results of jointly controlled entities	13.7	15.5			1.6		30.8
Profit before taxation							598.1
Taxation							(80.7)
Profit after taxation							<u>517.4</u>

BALANCE SHEET

	Construction and building maintenance	Sale of construction materials	Trading of building materials	Property development	Property investment and others	Eliminations	Consolidated
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
ASSETS							
Segment assets	1,063.8	833.6	27.3	2,731.5	347.9	-	5,004.1
Interests in jointly controlled entities/associates	18.8	65.8	-	-	74.8	-	159.4
Inter-segment receivables	923.7	118.0	10.1	61.4	651.2	(1,764.4)	-
Consolidated total assets							<u>5,163.5</u>
LIABILITIES							
Segment liabilities	1,203.0	185.9	5.4	2,147.3	11.8		3,553.4
Inter-segment payables	310.0	678.9	45.2	248.4	481.9	(1,764.4)	-
Consolidated total liabilities							<u>3,553.4</u>

OTHER INFORMATION

	Construction and building maintenance	Sale of construction materials	Trading of building materials	Property development	Property investment and others	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Capital expenditure	0.6	57.9	12.1	-	5.2	75.8
Depreciation and amortisation	2.2	65.3	0.8	-	2.1	70.4
Other non-cash expenses	-	0.3	-	-	-	0.3

4. Business and Geographical Segments - continued

Geographical segments

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

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

	Turnover by geographical markets		Contribution to profit from operations	
	2002 HK\$ million	2001 HK\$ million	2002 HK\$ million	2001 HK\$ million
Hong Kong	3,640.8	5,470.6	121.5	524.1
Other regions in the PRC	116.4	85.5	(15.0)	11.0
	<u>3,757.2</u>	<u>5,556.1</u>	106.5	535.1
Interest income			14.0	33.3
Profit from operations			<u>120.5</u>	<u>568.4</u>

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2002 HK\$ million	2001 HK\$ million	2002 HK\$ million	2001 HK\$ million
Hong Kong	1,549.1	4,662.6	6.1	64.0
Other regions in the PRC	1,276.8	500.9	21.5	11.8
	<u>2,825.9</u>	<u>5,163.5</u>	27.6	75.8

5. Other Operating Income

Included in other operating income is net investment income as follows:

	2002 HK\$ million	2001 HK\$ million
Interest income	14.0	33.3
Net unrealised holding gain (loss) on other investments	9.7	(1.3)
Dividends received from investments in securities		
- listed	5.8	3.0
- unlisted	0.6	0.3
Net realised gain (loss) on disposal of other investments - listed	2.0	(0.2)
Gain on disposal of a jointly controlled entity	0.1	-
Revaluation (decrease) increase of an investment property	<u>(3.0)</u>	<u>10.0</u>

6. Profit from Operations

	2002 HK\$ million	2001 HK\$ million
Profit from operations has been arrived at after charging (crediting):		
Depreciation and amortisation		
Owned assets	57.4	59.8
Site establishment expenditure	5.4	10.6
	<u>62.8</u>	<u>70.4</u>
Less: Amount capitalised to construction jobs	(1.1)	(1.1)
	<u>61.7</u>	<u>69.3</u>
Auditors' remuneration	2.1	2.3
Operating lease payments in respect of rented premises	35.1	33.7
Loss on disposal of property, plant and equipment	1.1	0.3
Staff costs	518.8	552.5
Less: Amount capitalised to property under development	(5.1)	-
	<u>513.7</u>	<u>552.5</u>
Gross rental revenue from an investment property and car park spaces	(15.7)	(13.6)
Less: Outgoings	3.7	3.7
Net rental income	<u>(12.0)</u>	<u>(9.9)</u>

7. Finance Costs

Interest on bank loans and overdrafts and other loans wholly repayable within 5 years	6.4	132.5
Other borrowing costs	3.8	-
	<u>10.2</u>	<u>132.5</u>
Less:		
Amount capitalised to property under development (Note 16)	(7.1)	-
Amount capitalised to properties under development for sale	-	(131.4)
	<u>3.1</u>	<u>1.1</u>

8. Directors' Emoluments

	2002 HK\$ million	2001 HK\$ million
Fees		
Executive directors	0.1	0.1
Non-executive directors	-	-
Independent non-executive directors	0.1	0.1
Other emoluments		
Executive directors		
Salaries and other benefits	18.4	16.1
Provident fund contributions	0.8	0.7
	<u>19.4</u>	<u>17.0</u>

The emoluments of the directors were within the following bands:

Emolument bands	2002 Number of directors	2001 Number of directors
HK\$0 - HK\$1,000,000	5	5
HK\$1,000,001 - HK\$1,500,000	-	1
HK\$2,000,001 - HK\$2,500,000	1	-
HK\$2,500,001 - HK\$3,000,000	-	1
HK\$3,000,001 - HK\$3,500,000	2	1
HK\$4,000,001 - HK\$4,500,000	1	1
HK\$5,500,001 - HK\$6,000,000	-	1
HK\$6,000,001 - HK\$6,500,000	1	-
	<u>10</u>	<u>10</u>

9. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, all (2001: four) are executive directors of the Company whose emoluments are included in the disclosures in note 8 above. The emoluments of the remaining one individual in 2001 were as follows:

	2002 HK\$ million	2001 HK\$ million
Salaries and other emoluments	-	2.4
Provident fund contributions	-	0.1
	<u>-</u>	<u>2.5</u>

10. Taxation

	2002 HK\$ million	2001 HK\$ million
The charge (credit) comprises:		
Company and subsidiaries		
Hong Kong Profits Tax	20.4	76.6
Income tax of other regions in the PRC	0.4	0.2
Deferred taxation	(2.0)	(2.6)
Jointly controlled entities		
Hong Kong Profits Tax	0.2	6.6
Income tax of other regions in the PRC	1.5	0.7
Deferred taxation	-	(0.8)
	20.5	80.7

Hong Kong Profits Tax is calculated at 16% (2001: 16%) on the estimated assessable profits for the year. Income tax of other regions in the PRC has been provided for based on the estimated assessable profits in accordance with the relevant tax laws applicable to the Group in the Chinese Mainland.

Details of the potential deferred tax charge provided and not provided for the year are set out in note 28.

11. Profit Attributable to Shareholders

Of the Group's profit attributable to shareholders for the year of HK\$104.3 million (2001: HK\$508.3 million), a profit of HK\$439.6 million (2001: HK\$491.6 million) has been dealt with in the financial statements of the Company.

12. Dividends

	2002 HK\$ million	2001 HK\$ million
Dividends, paid		
Final dividend in respect of year 2000/2001 at HK\$1.20 per share on 263,334,000 shares (1999/2000: HK\$1.25 per share on 262,302,000 shares)		
	316.0	327.9
Additional final dividend for shares issued pursuant to exercise of share options		
	1.4	1.2
Interim dividend in respect of year 2001/2002 at HK\$0.15 per share on 264,496,000 shares (2000/2001: HK\$0.60 per share on 263,334,000 shares)		
	39.7	158.0
	357.1	487.1
Proposed final dividend in respect of year 2001/2002 at HK\$0.15 per share on 264,514,000 shares (2000/2001: HK\$1.20 per share on 263,334,000 shares)		
	39.7	316.0

The final dividend of HK\$0.15 (2001: HK\$1.20) per share has been proposed by the directors and is subject to approval by shareholders in annual general meeting.

13. Earnings Per Share

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

	2002 HK\$ million	2001 HK\$ million
Earnings for the purposes of basic and diluted earnings per share	104.3	508.3
	Million	Million
Weighted average number of ordinary shares for the purposes of basic earnings per share	264.1	263.0
Effect of dilutive potential ordinary shares:		
Share options	0.5	1.0
Weighted average number of ordinary shares for the purposes of diluted earnings per share	264.6	264.0

14. Investment Property

	2002 HK\$ million	2001 HK\$ million
THE GROUP		
At 1 April	140.0	130.0
Revaluation (decrease) increase	(3.0)	10.0
At 31 March	137.0	140.0

The Group's investment property is held in Hong Kong under a medium-term lease. It was revalued at 31 March, 2002 by Chesterton Petty Ltd, independent professional valuers, on an open market value basis. The revaluation decrease or increase has been charged or credited to the income statement respectively.

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

15. Property, Plant and Equipment

	Land and buildings in other regions of the PRC held under medium-term leases HK\$ million	Land and buildings in Hong Kong held under medium-term leases HK\$ million	Land and buildings in Hong Kong held under short-term lease HK\$ million	Plant and machinery HK\$ million	Motor vehicles HK\$ million	Equipment, furniture and other assets HK\$ million	Total HK\$ million
THE GROUP							
AT COST/VALUATION							
At 1 April, 2001	5.8	67.5	25.7	493.2	41.6	51.5	685.3
Additions	-	-	-	19.7	3.3	4.6	27.6
Disposals	-	-	-	(19.5)	(5.7)	(2.9)	(28.1)
At 31 March, 2002	5.8	67.5	25.7	493.4	39.2	53.2	684.8
ACCUMULATED DEPRECIATION							
At 1 April, 2001	1.4	-	25.7	329.4	29.8	28.5	414.8
Charge for the year	0.3	1.4	-	43.4	4.0	8.3	57.4
Eliminated on disposals	-	-	-	(16.8)	(5.3)	(2.1)	(24.2)
Adjustment upon valuation	-	(1.4)	-	-	-	-	(1.4)
At 31 March, 2002	1.7	-	25.7	356.0	28.5	34.7	446.6
NET BOOK VALUE							
At 31 March, 2002	4.1	67.5	-	137.4	10.7	18.5	238.2
At 31 March, 2001	4.4	67.5	-	163.8	11.8	23.0	270.5
Cost or valuation comprising:							
At valuation - 2002	-	67.5	-	-	-	-	67.5
At cost	5.8	-	25.7	493.4	39.2	53.2	617.3
	5.8	67.5	25.7	493.4	39.2	53.2	684.8

Notes:

- (i) The land and buildings in Hong Kong under medium-term leases have been revalued on 31 March, 2002 by an employee of a related company, Mr. Yeung Man Kai, Gary, Chartered Surveyor, on an open market value basis. No separate valuation was undertaken for land and buildings in other regions of the PRC under medium-term leases and those in Hong Kong under short-term leases as their carrying values are insignificant and the directors are of the opinion that their carrying values approximate their fair value.
- (ii) A medium-term lease is defined as a lease having not more than 50 years and not less than 20 years to run. A short-term lease is defined as a lease having less than 20 years to run.
- (iii) If the revalued land and buildings in Hong Kong under medium-term leases were carried at cost less accumulated depreciation, their net book value as at the balance sheet date would be HK\$31.2 million (2001: HK\$32.0 million).

15. Property, Plant and Equipment - continued

	Motor vehicles HK\$ million	Equipment, furniture and other assets HK\$ million	Total HK\$ million
THE COMPANY			
AT COST			
At 1 April, 2001	1.5	8.6	10.1
Additions	0.3	0.8	1.1
At 31 March, 2002	1.8	9.4	11.2
ACCUMULATED DEPRECIATION			
At 1 April, 2001	1.0	5.6	6.6
Charge for the year	0.2	1.7	1.9
At 31 March, 2002	1.2	7.3	8.5
NET BOOK VALUE			
At 31 March, 2002	0.6	2.1	2.7
At 31 March, 2001	0.5	3.0	3.5

16. Property under Development

The property under development represents a property situated in Shanghai, PRC, held under a long term lease. Included in property under development are borrowing costs and staff costs capitalised amounting to approximately HK\$7.1 million and HK\$5.1 million respectively. The effective interest rate capitalised during the year was Hong Kong interbank offered rate plus 0.8%.

17. Investments in Subsidiaries

	THE COMPANY	
	2002 HK\$ million	2001 HK\$ million
Unlisted shares, at cost	291.7	291.7

Details of the principal subsidiaries are set out in note 37 to these financial statements.

18. Interests in Jointly Controlled Entities

	THE GROUP	
	2002 HK\$ million	2001 HK\$ million
Share of net assets	338.2	159.4
Negative goodwill	(0.3)	-
	<u>337.9</u>	<u>159.4</u>

Negative goodwill is recognised as income on a straight-line basis over 30 years.

The amortisation of negative goodwill for the year is netted off in other operating expenses.

Details of the jointly controlled entities are set out in note 39 to these financial statements.

19. Investments in Securities

Other investments, at fair value:

equity securities		
- unlisted	18.8	18.9
- listed	160.2	167.2
	<u>179.0</u>	<u>186.1</u>
Listed:		
- Hong Kong	160.2	167.2
Unlisted:		
- Overseas	18.8	18.9
	<u>179.0</u>	<u>186.1</u>
Market value of listed securities	<u>160.2</u>	<u>167.2</u>

20. Club Debenture

	THE GROUP		THE COMPANY	
	2002 HK\$ million	2001 HK\$ million	2002 HK\$ million	2001 HK\$ million
Unlisted membership debenture in a recreational club, at cost	1.2	1.2	1.2	1.2

21. Site Establishment Expenditure

	THE GROUP	
	2002 HK\$ million	2001 HK\$ million
Balance brought forward	19.8	13.1
Additions	2.5	17.3
Amortisation for the year	(5.4)	(10.6)
Balance carried forward	<u>16.9</u>	<u>19.8</u>

22. Inventories and Contracts in Progress

	THE GROUP	
	2002 HK\$ million	2001 HK\$ million
Inventories		
Raw materials	10.4	13.9
Work-in-progress	4.1	10.2
Finished goods	7.8	8.0
Spare parts	10.7	10.8
	<u>33.0</u>	<u>42.9</u>

Inventories above are carried at cost.

Contracts in progress

Contract costs incurred	5,681.1	6,229.8
Recognised profits less recognised losses	306.5	342.5
	<u>5,987.6</u>	<u>6,572.3</u>
Progress billings	(5,869.2)	(6,536.6)
Net contract work	<u>118.4</u>	<u>35.7</u>
Represented by:		
Amounts due from customers for contract work	266.0	209.6
Amounts due to customers for contract work	(147.6)	(173.9)
	<u>118.4</u>	<u>35.7</u>

23. Debtors, Deposits and Prepayments

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

Debtors (net of provisions for bad and doubtful debts) aged analysis:

Within 90 days	324.0	3,043.6*
91 days to 180 days	13.3	12.8
181 days to 360 days	9.9	7.7
Over 360 days	4.5	3.2
	<u>351.7</u>	<u>3,067.3</u>
Retentions receivable	149.2	170.0
Prepayments, deposits and other receivables	191.5	218.9
	<u>692.4</u>	<u>3,456.2</u>

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

24. Creditors and Accrued Charges

	THE GROUP	
	2002 HK\$ million	2001 HK\$ million
Creditors aged analysis:		
Within 30 days	169.2	248.8
31 days to 90 days	44.8	72.0
91 days to 180 days	10.2	38.9
Over 180 days	8.4	7.8
	<hr/>	<hr/>
	232.6	367.5
Retentions payable	194.9	222.9
Accruals and other payables	491.0	627.1
	<hr/>	<hr/>
	918.5	1,217.5

25. Share Capital

(a) Authorised:		
400,000,000 shares of HK\$1 each	400.0	400.0
	<hr/>	<hr/>
(b) Issued and fully paid:		
Balance brought forward	263.3	262.4
Exercise of share options	1.2	0.9
	<hr/>	<hr/>
Balance carried forward	264.5	263.3

Employee share option scheme

The Company adopted an employee share option scheme which became effective on 16 July, 1997. Options to subscribe for 3,670,000 shares of the Company have been granted to certain executives during the year. The grantees are entitled to exercise their options at a subscription price of HK\$9.30 per share. At 31 March, 2002, there were 11,226,000 options outstanding which are exercisable in stages within 5 years after the date of grant.

Details of the employee share option scheme are set out in Report of the Directors on page 35.

26. Reserves

	Property, plant and equipment revaluation reserve	Share premium account	Translation reserve	Contributed surplus	Goodwill	Negative goodwill	Retained profits	Reserve funds	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
THE GROUP									
At 1 April, 2000									
- as originally stated	35.7	521.5	(0.3)	197.6	(0.4)	0.5	210.3	-	964.9
- prior period adjustments (see note 2)	-	-	-	-	-	-	327.9	-	327.9
- as restated	35.7	521.5	(0.3)	197.6	(0.4)	0.5	538.2	-	1,292.8
Goodwill arising from acquisition of jointly controlled entities and additional interest in a subsidiary									
	-	-	-	-	(2.3)	1.4	-	-	(0.9)
Premium from shares issued	-	4.7	-	-	-	-	-	-	4.7
Profit for the year	-	-	-	-	-	-	508.3	-	508.3
Dividends	-	-	-	-	-	-	(487.1)	-	(487.1)
Depreciation	(0.8)	-	-	-	-	-	0.8	-	-
Exchange adjustments	-	-	(0.4)	-	-	-	-	-	(0.4)
Revaluation increase in the year	1.4	-	-	-	-	-	-	-	1.4
Transfer to reserve funds (note a)	-	-	-	-	-	-	(0.4)	0.4	-
At 31 March, 2001	36.3	526.2	(0.7)	197.6	(2.7)	1.9	559.8	0.4	1,318.8
Goodwill release upon disposal a jointly controlled entity									
	-	-	-	-	-	(1.4)	-	-	(1.4)
Premium from shares issued	-	6.1	-	-	-	-	-	-	6.1
Profit for the year	-	-	-	-	-	-	104.3	-	104.3
Dividends	-	-	-	-	-	-	(357.1)	-	(357.1)
Depreciation	(0.7)	-	-	-	-	-	0.7	-	-
Exchange adjustments	-	-	(6.0)	-	-	-	-	-	(6.0)
Revaluation increase in the year	1.4	-	-	-	-	-	-	-	1.4
Transfer to reserve funds (note a)	-	-	-	-	-	-	(0.4)	0.4	-
At 31 March, 2002	37.0	532.3	(6.7)	197.6	(2.7)	0.5	307.3	0.8	1,066.1
THE COMPANY									
At 1 April, 2000									
- as originally stated	-	521.5	-	88.9	-	-	2.8	-	613.2
- prior period adjustments (note b)	-	-	-	-	-	-	-	-	-
- as restated	-	521.5	-	88.9	-	-	2.8	-	613.2
Premium from shares issued	-	4.7	-	-	-	-	-	-	4.7
Profit for the year	-	-	-	-	-	-	491.6	-	491.6
Dividends	-	-	-	-	-	-	(487.1)	-	(487.1)
At 31 March, 2001	-	526.2	-	88.9	-	-	7.3	-	622.4
Premium from shares issued	-	6.1	-	-	-	-	-	-	6.1
Profit for the year	-	-	-	-	-	-	439.6	-	439.6
Dividends	-	-	-	-	-	-	(357.1)	-	(357.1)
At 31 March, 2002	-	532.3	-	88.9	-	-	89.8	-	711.0

Note:

- (a) According to the relevant PRC rules and regulations applicable to foreign-owned enterprises, certain subsidiaries of the group are required to transfer at least 10% of their retained profits, as determined under PRC Accounting Regulations, to reserve funds.
- (b) A final dividend of HK\$327.9 million proposed by the Company was equal to that receivable from its subsidiaries, which resulted in zero effect on the prior year adjustment for the Company.

26. Reserves - continued

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

	Translation reserve	Goodwill	Negative goodwill	Retained profits	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
At 1 April, 2000	-	-	0.3	32.4	32.7
Goodwill arising from acquisition	-	(2.0)	1.4	-	(0.6)
Profit for the year	-	-	-	24.3	24.3
Dividends	-	-	-	(57.0)	(57.0)
Exchange adjustments	(0.2)	-	-	-	(0.2)
At 31 March, 2001	(0.2)	(2.0)	1.7	(0.3)	(0.8)
Release upon disposal of a jointly controlled entity	-	-	(1.4)	-	(1.4)
Profit for the year	-	-	-	3.3	3.3
Dividends	-	-	-	(1.0)	(1.0)
At 31 March, 2002	(0.2)	(2.0)	0.3	2.0	0.1

The contributed surplus of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1997.

The contributed surplus of the Company arose when the Company issued shares in exchange for the equity in subsidiaries and associates pursuant to the group restructuring in January 1997. Under the Companies Act of 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders of the Company.

As at the balance sheet date, the Company's reserves, including the contributed surplus, available for distribution to shareholders amounted to HK\$178.7 million (2001: HK\$96.2 million).

27. Bank Borrowings

	THE GROUP		THE COMPANY	
	2002 HK\$ million	2001 HK\$ million	2002 HK\$ million	2001 HK\$ million
Secured bank loan	-	2,022.6	-	-
Unsecured bank loans and bank overdrafts	376.0	4.7	360.0	-
Less: Amounts due within one year	(16.0)	(2,027.3)	-	-
	360.0	-	360.0	-
The borrowings are repayable as follows:				
Within one year	16.0	2,027.3	-	-
More than two years but not exceeding five years	360.0	-	360.0	-
	376.0	2,027.3	360.0	-

28. Deferred Taxation

	THE GROUP	
	2002 HK\$ million	2001 HK\$ million
At 1 April	3.5	6.1
Credit for the year (note 10)	(2.0)	(2.6)
At 31 March	<u>1.5</u>	<u>3.5</u>

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

	THE GROUP				THE COMPANY			
	Provided		Unprovided		Provided		Unprovided	
	2002 HK\$ million	2001 HK\$ million	2002 HK\$ million	2001 HK\$ million	2002 HK\$ million	2001 HK\$ million	2002 HK\$ million	2001 HK\$ million
Tax effect of timing differences arising from:								
Excess of tax allowances over depreciation	3.0	4.7	9.7	7.1	-	-	0.3	0.5
Other timing differences	(1.0)	(0.6)	-	-	-	-	-	-
Tax effect of taxation losses	(0.5)	(0.6)	(11.1)	(8.4)	-	-	(0.8)	(2.1)
	<u>1.5</u>	<u>3.5</u>	<u>(1.4)</u>	<u>(1.3)</u>	<u>-</u>	<u>-</u>	<u>(0.5)</u>	<u>(1.6)</u>

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

	THE GROUP		THE COMPANY	
	2002 HK\$ million	2001 HK\$ million	2002 HK\$ million	2001 HK\$ million
Tax effect of timing differences because of:				
Excess (shortfall) of tax allowances over depreciation	2.6	(2.0)	(0.2)	-
Tax effect of taxation losses	(2.7)	1.3	1.3	-
	<u>(0.1)</u>	<u>(0.7)</u>	<u>1.1</u>	<u>-</u>

29. Reconciliation of Profit from Ordinary Activities before Taxation to Net Cash Inflow (Outflow) from Operating Activities

	2002 HK\$ million	2001 HK\$ million
Profit from ordinary activities before taxation	122.4	598.1
Share of results of jointly controlled entities	(5.0)	(30.8)
Interest income	(14.0)	(33.3)
Interest expense	1.1	132.5
Dividends from unlisted investments	(0.6)	(0.3)
Dividends from listed investments	(5.8)	(3.0)
Revaluation decrease (increase) on investment property	3.0	(10.0)
Net unrealised holding (gain) loss on other investments	(9.7)	1.3
Amortisation of site establishment expenditure	5.4	10.6
Depreciation on property, plant and equipment	57.4	58.7
Loss on disposal of property, plant and equipment	1.1	0.3
Gain on disposal of a jointly controlled entity	(0.1)	-
Gain on disposal of listed investments	(2.0)	(0.2)
Decrease in properties under development for sale	-	1,656.1
Decrease (increase) in properties held for sale	134.7	(191.8)
Increase in amounts due from customers for contract work	(56.4)	(8.2)
Decrease in amounts due to customers for contract work	(26.3)	(56.1)
Decrease (increase) in debtors, deposits and prepayments	2,762.3	(2,603.4)
Decrease (increase) in inventories	9.9	(0.2)
(Decrease) increase in creditors and accrued charges	(289.3)	67.5
Increase (decrease) in amounts due to related companies	0.9	(0.2)
Increase in amounts due from associates	-	(0.1)
Increase in amounts due from jointly controlled entities	(225.9)	(69.9)
Decrease in amounts due to jointly controlled entities	(16.7)	(21.1)
Decrease in amounts due from related companies	-	0.2
Net cash inflow (outflow) from operating activities	<u>2,446.4</u>	<u>(503.3)</u>

30. Analysis of Changes in Financing during the Year

	Share capital and share premium HK\$ million	Unsecured bank loans HK\$ million	Secured bank loans HK\$ million	Minority interests HK\$ million
At 1 April, 2000	783.9	-	1,194.3	23.4
Exercise of share options	5.6	-	-	-
Minority share of profit for the year	-	-	-	9.1
Decrease in pre-acquisition reserve	-	-	-	0.3
Increase in minority interests	-	-	-	0.5
Dividends paid to minority shareholders	-	-	-	(5.3)
Bank loan raised	-	4.7	828.3	-
At 31 March, 2001	789.5	4.7	2,022.6	28.0
Exercise of share options	7.3	-	-	-
Minority share of loss for the year	-	-	-	(2.4)
Increase in minority interests	-	-	-	2.4
Dividends paid to minority shareholders	-	-	-	(0.6)
Repayments during the year	-	(4.7)	(2,022.6)	-
Bank loans raised	-	360.0	-	-
At 31 March, 2002	796.8	360.0	-	27.4

31. Provident and Retirement Fund Schemes

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

The latest actuarial valuation of the ORSO Scheme was carried out at 31 August, 2000 by Watson Wyatt Hong Kong Limited, an independent firm of actuaries and consultants, using the attained age method. The actuarial assumptions include investment yield on the assets, rate of salary escalation, withdrawal rates and mortality rates. The latest actuarial valuation showed that the assets of the ORSO Scheme had a funding level that exceeded the total past service liability at that date. However, due to the estimated decrease in the value of the ORSO Scheme assets following the Asian financial turmoil in 1998, the Group had made an additional contribution of HK\$7.3 million in 2001 to the ORSO Scheme towards meeting the deficiency in the ORSO Scheme asset resulting therefrom. No further contribution had been made during the year as the management considers that the ORSO Scheme assets is sufficient to meet its service liability.

31. Provident and Retirement Fund Schemes - continued

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

The Group's total contribution to the ORSO Scheme and MPF Scheme charged to the income statement during the year ended 31 March, 2002 amounted to HK\$26.6 million (2001: HK\$31.1 million). The amount of employers' voluntary contributions to MPF schemes forfeited for the year ended 31 March, 2002 were immaterial and had been used to reduce the existing level of contributions.

32. Lease Arrangements

As lessor

Property rental income in respect of the investment property and car park spaces earned during the year was HK\$15.7 million (2001: HK\$13.6 million). The investment property held has committed tenants for the next one to two years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2002 HK\$ million	2001 HK\$ million
Within one year	6.2	8.2
In the second to fifth years inclusive	2.2	3.9
	<u>8.4</u>	<u>12.1</u>

As lessee

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

	THE GROUP		THE COMPANY	
	2002 HK\$ million	2001 HK\$ million	2002 HK\$ million	2001 HK\$ million
Within one year	10.4	11.6	0.3	3.4
In the second to fifth years inclusive	4.9	13.7	-	0.3
Over five years	0.5	2.2	-	-
	<u>15.8</u>	<u>27.5</u>	<u>0.3</u>	<u>3.7</u>

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

33. Capital Commitments

- (a) As at 31 March, 2002, the Group had commitments in respect of the development costs of property under development contracted but not provided for in the accounts amounting to approximately HK\$225.0 million (2001: Nil).
- (b) As at 31 March, 2002, the Group had commitments to fund its jointly controlled entities contracted but not provided for in the accounts amounting to approximately HK\$89.1 million (2001: Nil).
- (c) As at 31 March, 2002, the Group's share of the capital commitments of its jointly controlled entities are as follows:

	2002 HK\$ million	2001 HK\$ million
Contracted but not provided for	137.2	6.5
Authorised but not contracted for	115.8	4.8

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

34. Pledge of Assets

The pledge of properties held for sale and sales proceeds of the PSPS project as securities for a bank loan of HK\$2,022.6 million as at 31 March, 2001 were released after the bank loan was fully repaid on 2 May, 2001.

35. Contingent Liabilities

At the balance sheet date, the Group had contingent liabilities not provided for in these financial statements as follows:

- (a) performance bonds established amounting to approximately HK\$156.2 million (2001: HK\$171.1 million);
- (b) guarantees in lieu of utility deposits amounting to approximately HK\$0.3 million (2001: HK\$0.8 million).

The Company has given guarantees to banks in respect of general facilities granted to its subsidiaries and jointly controlled entities at 31 March, 2002 amounting to approximately HK\$1,205.7 million and HK\$125.3 million (2001: HK\$3,729.4 million and HK\$161.1 million) respectively.

36. Related Party Transactions

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

Nature of transactions	2002 HK\$ million	2001 HK\$ million
Income received:		
Decoration work	0.6	-
Management and information system services	0.7	0.7
Project management services	0.9	-
Cost and expenses paid:		
Rental expenses	0.5	-
Building management fee	1.0	-
Balance as at 31 March		
Amounts due to SOCL Group	0.9	-
Amounts due from SOCL Group	0.2	0.2

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

Nature of transactions	2002 HK\$ million	2001 HK\$ million
Income received:		
Interest income	2.7	4.1
Management fee	1.4	2.1
Sales of construction materials	0.4	-
Cost and expenses paid:		
Construction/subcontracting work	87.1	149.7
Supply of construction materials	41.5	153.4
Balance as at 31 March		
Amounts due to jointly controlled entities	23.4	40.1
Amounts due from jointly controlled entities*	418.6	192.7
Interest receivable	0.7	1.3

- * Included in the amounts due from jointly controlled entities, approximately HK\$147.7 million (2001: HK\$17.9 million) are interest bearing with no fixed repayment terms.

36. Related Party Transactions - continued

- (c) During the year, the Group received a contribution from a jointly controlled entity for the costs of rehabilitation of a project amounting to HK\$8.3 million (2001: HK\$8.3 million). The outstanding balance of this contribution receivable was Nil (2001: HK\$8.3 million) as at the balance sheet date.
- (d) The Group is licensed by Shui On Holdings Limited, a wholly-owned subsidiary of SOCL, to use the trademark, trade name "Shui On", "瑞安" and/or the Seagull devices on a non-exclusive, royalty-free basis for an unlimited period of time.
- (e) At the balance sheet date, the Group had amounts due from associates amounting to HK\$0.1 million (2001: HK\$0.1 million), interest free and repayable on demand.
- (f) During the year, the Group has paid rental deposits to SOCL Group amounting to HK\$0.1 million (2001: HK\$0.1 million).
- (g) Pursuant to a relinquishment agreement entered into between Hollyfield Holdings Limited, a wholly-owned subsidiary of the Company, and Shanghai Ruichen Property Company Limited ("Shanghai Ruichen"), a subsidiary of SOCL, on 2 May, 2001 (as supplemented by an agreement dated 22 May, 2001 between these parties), Shanghai Ruichen has agreed to, amongst others, to relinquish and surrender the development rights and title of a residential property development at Hongkou District of Shanghai to Shanghai Rui Hong Xin Cheng Company Limited ("Rui Hong"), a 99% indirectly owned subsidiary of the Company. In consideration of the above, Hollyfield Holdings Limited will procure Rui Hong to pay Shanghai Ruichen a sum of Rmb184.5 million (approximately HK\$172.4 million).

37. Particulars of Principal Subsidiaries

The Directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the following list contains only the particulars of subsidiaries which principally affect the results or assets of the Group. All the companies listed below were incorporated and are operating in Hong Kong except otherwise indicated.

Direct subsidiaries	Proportion of nominal value of ordinary shares/registered capital held by the Company directly or indirectly	Issued and paid-up share capital/ registered capital	Principal activities
Asia Materials Holdings Limited [#]	100%	1,000,000 shares of US\$1 each	Investment holding
Asia Trend Development Limited	100%	2 ordinary shares of HK\$1 each	Investment in securities
Casa Growth Limited*	100%	1 share of US\$1	Investment holding
Goldcrest Development Limited*	100%	1 share of US\$1	Investment holding
Jesca Limited	100%	2 ordinary shares of HK\$1 each	Investment holding
Kroner Investments Limited*	100%	1 share of US\$1	Investment holding
Shui On Contractors Limited*	100%	1 share of US\$1	Investment holding
Shui On Corporate Services Limited	100%	2 ordinary shares of HK\$1 each	Provision of secretarial services
Shui On Materials Limited*	100%	1 share of US\$1	Investment holding
Total Trend Investments Limited*	100%	1 share of US\$1	Investment holding

37. Particulars of Principal Subsidiaries - continued

Indirect subsidiaries	Proportion of nominal value of ordinary shares/registered capital held by the Company directly or indirectly	Issued and paid-up share capital/ registered capital	Principal activities
AsiaMaterials.com Limited	100%	2 ordinary shares of HK\$1 each	Trading
Asia Materials Trading Company Limited	100%	2 ordinary shares of HK\$1 each	Trading
AsiaMaterials Technologies Limited	100%	3,000,000 ordinary shares of HK\$1 each	Investment holding
Asia Materials Limited*	100%	1 share of US\$1	Investment holding
Asia Materials International Limited*	100%	1 share of US\$1	Investment holding
Asia Materials Trading Corporation [§]	100%	1,000 shares of US\$0.01 each	Trading
Asia No.1 Material Supply Limited	100%	100 ordinary shares of HK\$100 each 1,000 non-voting deferred shares of HK\$100 each	Holding of a quarry right
Billion Centre Company Limited	100%	100 ordinary shares of HK\$1 each 2 non-voting deferred shares of HK\$1 each	Holding of a land lease
Billion Century Limited	100%	2 ordinary shares of HK\$1 each	Investment in securities
Dynamic Mark Limited	80%	100 ordinary shares of HK\$1 each 3,000,000 non-voting deferred shares of HK\$1 each	Supply of metal gates
Eventful Time Investments Limited*	100%	1 share of US\$1	Investment holding
First Direction Limited	100%	100 ordinary shares of HK\$1 each 2 non-voting deferred shares of HK\$1 each	Property holding
Great Market Limited	100%	100 ordinary shares of HK\$1 each 5 non-voting deferred shares of HK\$1 each	Investment holding
Guangdong Kenon Concrete Co., Ltd. [†]	100%	Registered and paid up capital HK\$10,500,000	Supply of ready-mixed concrete
Guangzhou Ken On Concrete Co., Ltd. [†]	100%	Registered and paid up capital HK\$18,393,943	Supply of ready-mixed concrete
Guangdong Lamma Concrete Products Limited [†]	42%	Registered and paid up capital Rmb5,000,000	Manufacture of precast concrete facade
Guang Rui Construction Materials (Panyu) Ltd. [†]	70%	Registered and paid up capital HK\$2,100,000	Manufacture of panel walls

37. Particulars of Principal Subsidiaries - continued

Indirect subsidiaries	Proportion of nominal value of ordinary shares/registered capital held by the Company directly or indirectly	Issued and paid-up share capital/ registered capital	Principal activities
Hollyfield Holdings Limited [†]	100%	2 ordinary shares of US\$1 each	Investment holding
Instant Mortars Limited	100%	2 ordinary shares of HK\$1 each	Supply of ready-mixed mortars
Jade City International Limited	100%	2 ordinary shares of HK\$1 each	Property holding
Ken On Concrete Company Limited	100%	11,000,000 ordinary shares of HK\$1 each	Supply of ready-mixed concrete
Kinew Company Limited	66.7%	3 ordinary shares of HK\$1 each	Holding of a land lease
Kotemax Limited	100%	2 ordinary shares of HK\$1 each	Property holding
Lamma Concrete Products Limited	60%	10 ordinary shares of HK\$1 each	Investment holding
Lamma Rock Products Limited	100%	100 ordinary shares of HK\$10 each 3,500,000 non-voting deferred shares of HK\$10 each	Investment holding
Landstar Development Limited	100%	2 ordinary shares of HK\$1 each	Investment holding
Middleton Investments Limited [†] (Note 1)	99%	2 ordinary shares of US\$1 each	Investment holding
Pacific Extend Limited	67%	10,000 ordinary shares of HK\$1 each	Maintenance contractor
Panyu Dynamic Mark Steel & Aluminium Engineering Co. Ltd. [†]	64%	Registered and paid up capital HK\$4,000,000	Steel fabrication
Panyu Shui Fai Metal Works Engineering Company Limited [†]	55%	Registered and paid up capital HK\$9,000,000	Manufacture of wallform and other metal works
Pat Davie Limited	94%	9,400,100 ordinary shares of HK\$1 each 100,000 non-voting deferred shares of HK\$10 each	Interior decoration, fitting out, design and contracting
P.D. (Contractors) Limited	94%	1,000,000 ordinary shares of HK\$1 each	Renovation work
Pat Davie (China) Limited	94%	2 ordinary shares of HK\$1 each	Investment holding
Project Way Limited	100%	2 ordinary shares of HK\$1 each	Investment holding
Shanghai Rui Hong Xin Cheng Co. Ltd. [†]	99%	Registered capital Rmb467,000,000 Paid up capital Rmb380,476,000	Property development
Shui Fai Metal Works Engineering Company Limited	55%	10,000 ordinary shares of HK\$1 each	Sales and installation of wallform and other metal works

37. Particulars of Principal Subsidiaries - continued

Indirect subsidiaries	Proportion of nominal value of ordinary shares/registered capital held by the Company directly or indirectly	Issued and paid-up share capital/ registered capital	Principal activities
Shui On Building Contractors Limited	100%	117,000,100 ordinary shares of HK\$1 each 33,000,100 non-voting deferred shares of HK\$1 each 50,000 non-voting deferred shares of HK\$1,000 each	Building construction and maintenance
Shui On Building Materials Limited	100%	100 ordinary shares of HK\$1 each 1,000,000 non-voting deferred shares of HK\$1 each	Investment holding and sale of construction materials
Shui On Construction Company Limited	100%	100 ordinary shares of HK\$1 each 69,000,000 non-voting deferred shares of HK\$1 each 1,030,000 non-voting deferred shares of HK\$100 each	Building construction
Shui On Granpex Limited	100%	2 ordinary shares of HK\$1 each	Investment holding
Shui On Graceton Limited	100%	2 ordinary shares of HK\$1 each	Investment holding
Shui On Plant & Equipment Services Limited	100%	1,611,000 ordinary shares of HK\$1 each 45,389,000 non-voting deferred shares of HK\$1 each	Owning and leasing of plant and machinery and structural steel construction work
Shui On Rock Products Limited	100%	2 ordinary shares of HK\$1 each	Site formation
SOCAM.com Limited	100%	2 ordinary shares of HK\$1 each	Provision of on-line services for internal procurement and project management
Sommerset Investments Limited [†] (Note 1)	99%	2 ordinary shares of US\$1 each	Investment holding

37. Particulars of Principal Subsidiaries - continued

Indirect subsidiaries	Proportion of nominal value of ordinary shares/registered capital held by the Company directly or indirectly	Issued and paid-up share capital/ registered capital	Principal activities
Tinsley Holdings Limited [†] (Note 1)	99%	2 ordinary shares of US\$1 each	Investment holding
T.H. Cement (Guizhou) Company Limited* (Note 1)	99%	100 shares of US\$1 each	Investment holding
Xinhui Longkoushan Rock Products Limited [†]	100%	Registered and paid up capital US\$1,785,700	Quarrying
Winway Holdings Limited [‡] (Note 1)	99%	2 ordinary shares of US\$1 each	Investment holding

* Incorporated in the British Virgin Islands

† Registered and operated in other regions of the PRC

‡ Incorporated in Mauritius

Incorporated in the Cayman Islands

§ Incorporated in the United States of America

Note 1: Companies not audited by Deloitte Touche Tohmatsu.

38. Particulars of Principal Associates

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

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

39. Particulars of Jointly Controlled Entities

As at 31 March, 2002, the Group had interests in the following jointly controlled entities which were incorporated and are operating in Hong Kong except otherwise indicated:

Indirect jointly controlled entities	Effective percentage of issued capital held by the Group	Issued and paid-up share capital/ registered capital	Principal activities	Notes
Biella Enterprises Limited	20%	5 ordinary shares of HK\$1 each	Holding of a land lease	
Brisfull Limited	50%	5,000,000 ordinary shares of HK\$1 each	Sale and installation of aluminium window products	
Chongqing T.H. Cement Co. Ltd. [†]	40%	Registered and paid up capital Rmb50,000,000	Manufacture and sale of cement	1 and 3
Chongqing T.H. Diwei Cement Co. Ltd. [†]	40%	Registered and paid up capital Rmb61,680,000	Manufacture and sale of cement	1 and 3
Chongqing T.H. Special Cement Co. Ltd. [†]	40%	Registered and paid up capital Rmb160,000,000	Manufacture and sale of cement	1 and 3
Chongqing T.H. White Cement Co. Ltd. [†]	30%	Registered and paid up capital US\$1,506,000	Manufacture and sale of cement	1 and 3
City Engineering Limited	50%	10,000 ordinary shares of HK\$1 each	Installation of mould work	
Guizhou Dingxiao T.H. Cement Company Ltd. [†]	89%	Registered and paid up capital Rmb41,000,000	Manufacture and sale of cement	1, 2 and 3
Guizhou Kaili T.H. Cement Company Ltd. [†]	89%	Registered and paid up capital Rmb60,000,000	Manufacture and sale of cement	1, 2 and 3
Guizhou Xishui T.H. Cement Company Ltd. [†]	89%	Registered and paid up capital Rmb16,000,000	Manufacture and sale of cement	1, 2 and 3
Guizhou Zunyi T.H. Cement Company Ltd. ^{†¶}	79%	Registered and paid up capital Rmb92,000,000	Manufacture and sale of cement	1, 2 and 3
Shui On Sumicem Consulting Limited	50%	100,000 ordinary shares of HK\$1 each	Consultancy services	
Kaiping Biaofu Metal Products Limited [†]	50%	Registered and paid up capital US\$800,000	Manufacture of aluminium window products	
Lamma Yue Jie Company Limited	60%	10,000 ordinary shares of HK\$1 each	Trading of construction materials	

39. Particulars of Jointly Controlled Entities - continued

Indirect jointly controlled entities	Effective percentage of issued capital held by the Group	Issued and paid-up share capital/ registered capital	Principal activities	Notes
Nanjing Jiangnan Cement Company Ltd. [†]	60%	Registered and paid up capital Rmb120,000,000	Manufacture and trading of cement	1, 2 and 3
Shenzhen Lamma Yue Jie Company Ltd. [†]	60%	Registered capital Rmb5,000,000 Paid up capital Rmb3,000,000	Manufacture of precast concrete facade	
Shui On (Panyu) Stainless Steel & Aluminium Products Company Limited [†]	50%	Registered and paid up capital HK\$2,000,000	Manufacture and trading of stainless steel and aluminium products	3
Super Race Limited	50%	420,000 ordinary shares HK\$1 each	Supply of sink units and cooking benches	
TH Industrial Management Limited [*]	50%	2,740 ordinary shares of US\$1 each	Investment holding	1 and 3
鶴山超合預制件有限公司 [†]	50%	Registered and paid up capital US\$284,600	Manufacture of sink units and cooking benches	3
The Yangtze Ventures Limited [‡]	65.5%	1,000 ordinary shares of HK\$0.1 each	Investment fund	1 and 3

* Incorporated in the Bahamas

† Registered and operated in other regions of the PRC

‡ Incorporated in the Cayman Islands

¶ The Group's effective shareholding in Guizhou Zunyi T.H. Cement Company Ltd. ("Guizhou Zunyi") is 79%, but the Group is entitled to a share of 59% of Guizhou Zunyi's profit for the period up to 31 December, 2001.

Notes:

1. Companies not audited by Deloitte Touche Tohmatsu
2. The Group is under contractual arrangements to jointly control these entities with PRC partners. Accordingly, the Directors consider they are jointly controlled entities.
3. The results of these jointly controlled entities are accounted for by the Group based on their financial statements made up to 31 December, 2001.

➤ PARTICULARS OF PROPERTIES

Properties held by the Group as at 31 March, 2002 are as follows:

Location	Use	Approx. floor area (Sq. metres)	Lease term	Group's interest
(A) PROPERTIES HELD AS PROPERTY,				
PLANT AND EQUIPMENT				
Section A of Lot No.609, Lot Nos. 610 and 611, Section F of Lot No. 612 in Demarcation District No.85, Fanling, New Territories	Workshop and storage	2,599	Medium	100%
Section B and the Remaining Portion of Lot No.1477 in Demarcation District No.77, Ping Che, Fanling, New Territories	Workshop and storage	1,796	Medium	100%
(B) INVESTMENT PROPERTY				
Kwun Tong Inland Lot No.43 54 - 56 Tsun Yip Street Kwun Tong, Kowloon	Industrial/ godown	19,723	Medium	100%
(C) PROPERTY 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	3,600	Medium	100%
(D) PROPERTY UNDER DEVELOPMENT				
Land no. 149/1 Xin Gang Road, Hong Kou District Shanghai, PRC	Residential Commercial Carparking Club house	186,002 29,925 17,643 3,700	Long	99%

1. RESULTS

	For the year ended 31 March,				
	1998	1999	2000	2001	2002
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Turnover	4,731.9	5,376.0	5,985.2	5,556.1	3,757.2
Operating profit before taxation	332.9	443.9	576.6	567.3	117.4
Share of results of associates/jointly controlled entities	29.4	39.6	35.2	30.8	5.0
Profit from ordinary activities before taxation	362.3	483.5	611.8	598.1	122.4
Taxation	(50.0)	(74.4)	(102.1)	(80.7)	(20.5)
Profit before minority interests	312.3	409.1	509.7	517.4	101.9
Minority interests	0.8	(0.8)	(6.6)	(9.1)	2.4
Profit attributable to shareholders	313.1	408.3	503.1	508.3	104.3

2. ASSETS AND LIABILITIES

	As at 31 March,				
	1998	1999	2000	2001	2002
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Total assets	2,344.8	3,291.6	4,288.6	5,163.5	2,825.9
Total liabilities	(1,009.1)	(1,832.5)	(2,710.0)	(3,553.4)	(1,467.9)
Minority interests	(16.8)	(17.8)	(23.4)	(28.0)	(27.4)
Shareholders' funds	1,318.9	1,441.3	1,555.2	1,582.1	1,330.6

Note:

The total liabilities of prior years have been restated in order to comply with SSAP9 (Revised) *Events after the Balance Sheet Date* issued by the Hong Kong Society of Accountants.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the shareholders of Shui On Construction and Materials Limited ("the Company") will be held at the Salon 1-3, Marriott Function Room, 3/F, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Tuesday, 27 August 2002 at 3:00 p.m. for the following purposes:-

1. To receive and consider the audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31 March 2002.
2. To declare a final dividend.
3. To elect Directors and fix their remuneration.
4. To re-appoint Auditors and authorise the Directors to fix their remuneration.
5. To consider as special business and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions:

Ordinary Resolutions

- (I) "THAT:
- (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$1.00 each in the capital of the Company and to make or grant offers, agreements or options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such powers either during or after the Relevant Period be and is hereby generally and unconditionally approved;
 - (b) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted and issued by the Directors pursuant to this Resolution, otherwise than pursuant to (i) a rights issue; (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to the employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (iii) any scrip dividend pursuant to the Bye-laws of the Company from time to time, shall not exceed twenty per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution, and the said approval shall be limited accordingly; and
 - (c) for the purposes of this Resolution:
"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; or
 - (iii) the date on which the authority set out in this Resolution is revoked or varied by ordinary resolution of the shareholders in general meeting of the Company."
- (II) "THAT:
- (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK\$1.00 each in the capital of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time be and is hereby generally and unconditionally approved;
 - (b) the aggregate nominal amount of the shares of the Company to be repurchased pursuant to the approval in paragraph (a) above shall not exceed ten per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution and the said approval shall be limited accordingly; and
 - (c) the expression "Relevant Period" shall for the purposes of this Resolution have the same meaning as assigned to it under Ordinary Resolution I set out in the notice convening this meeting."
- (III) "THAT the general mandate granted to the Directors to allot, issue and deal with additional shares of the Company pursuant to Ordinary Resolution I set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution II set out in the notice convening this meeting, provided that such amount shall not exceed ten per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution."

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

Hong Kong, 15 July 2002

Notes:-

- (1) Any member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.
- (2) To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the head office of the Company at 34th Floor, Shui On Centre, 6-8 Harbour Road, Hong Kong not less than 48 hours before the time fixed for holding the meeting.
- (3) The register of members of the Company will be closed from Tuesday, 20 August 2002 to Tuesday, 27 August 2002, both days inclusive, during which period no transfer of shares will be effected.
- (4) Concerning Ordinary Resolution I above, approval is being sought from the members as a general mandate in compliance with the Rules Governing the Listing of Securities on the Stock Exchange. The Directors, however, have no immediate plans to issue any new shares of the Company.
- (5) An explanatory statement containing further details regarding Ordinary Resolution II above will be sent to members together with the 2001/2002 Annual Report.