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Corporate Information

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

Wong Fook Lam, Raymond

Low Hoh Wai Wan, Vivien

Non-executive Directors

Cheng Bing Chark, Henry

Griffiths, Anthony*

Professor Enright, Michael John*

* Independent Director

Secretary

Tam Ching Wah, Janice

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

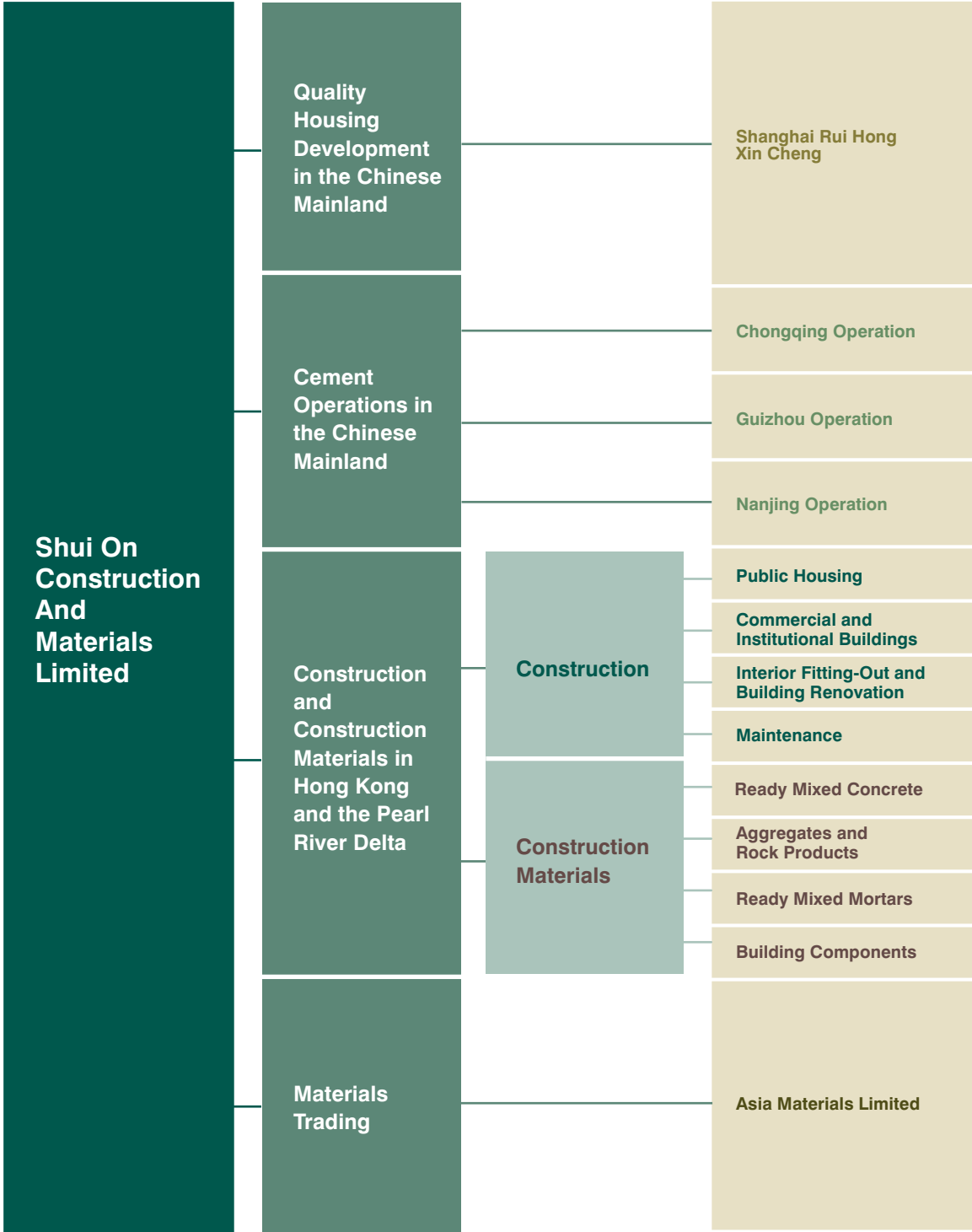
Branch Share Registrars and Transfer Office

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

Principal Bankers

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

Business Structure



Chairman's Statement



"The Hong Kong market was extremely difficult for SOCAM during the past year. However, our planned strategic expansion in the Chinese Mainland made good progress. Our cement and property development businesses targeted at the fast growing markets in the Mainland have started to reap positive results and should enable your Group to restore profitability in the 2003-2004 financial year, barring unforeseen circumstances. A strong foundation for our Mainland businesses has been laid for long-term, sustainable growth."

*Lo Hong Sui, Vincent
Chairman*

Challenges Abound, but Renewed Growth is at Hand

While your Group managed to make significant progress in its strategic developments in the Chinese Mainland, market conditions in Hong Kong remained difficult as the economy faced unprecedented challenges. SOCAM's traditional profit sources in the past years were seriously affected by the severe downturn in the local property and construction sectors and the drastic reduction in public sector building works, causing it to record a loss for the first time since its listing in 1997.

I believe, however, that the most difficult time for SOCAM is over. While the ongoing recession and the most recent changes in housing policy in Hong Kong will likely curb your Group's business in Hong Kong, SOCAM has reached some important milestones in the cement and property businesses in the Chinese Mainland, and is ready to capitalise on the vast business opportunities in those markets. Barring unforeseen circumstances, the Board is confident that your Group will return to profitability in the coming financial year.

During the year, cement operations in Guizhou and Chongqing started to provide a meaningful contribution to your Group. In addition, two newly-built production lines in

Guizhou commenced operation in December 2002. The recent acquisition of Qujiang Cement, a major cement operation in Sichuan Province, and two other medium sized factories in Chongqing further strengthened your Group's leading position in central and western China. With a total annual production capacity of around 7.5 million tonnes under its control, your Group ranks among the top three cement production groups nationwide.

Your Group's construction experience and expertise have been successfully applied to the development of Rui Hong Xin Cheng, a large-scale housing project in Shanghai, bringing about substantial cost savings. With the steady growth of the local property market, the pre-sale later this year of 816 units in the current phase should generate significant turnover and profit contributions to your Group.

Details of SOCAM's performance and development during the year are set out in the "Management Discussion and Analysis" on page 8.



The Xinpu plant, one of the two rotary kiln production lines which commenced operation in December 2002

Results

The Group's turnover amounted to HK\$2,311.3 million, down 38% from the previous financial year. The loss attributable to shareholders was HK\$47.1 million, representing a loss per share of HK\$0.18. The Directors did not recommend the payment of a final dividend.

Commitment to Quality and Excellence

As a key player in the construction industry in Hong Kong, SOCAM continued to take a leadership position and won many industry awards during the year. Occupational safety awards obtained included gold awards in the Safe Working Cycle Awards, Hong Kong Occupational Safety & Health Award Scheme and Construction Industry Safety Award Scheme, and a silver award in the Good Housekeeping Campaign. In environmental management, SOCAM's Lamma Quarry Rehabilitation project won a certificate of merit at the Outstanding Greening Award organised by the Leisure and Cultural Services Department.

Your Group also obtained the Excellent Estate Maintenance Services Bronze Award for District Term Contracts from the Housing Authority. The Ma Hang Village

Phase 3 project, which included the reconstruction of the Victorian-era Murray House, won a certificate of merit at Hong Kong's first Quality Building Awards. SOCAM's Electronic Tendering System was also awarded a certificate of merit at the IT Excellence Awards 2002 under the IT application category.

In addition, two project managers of Shui On Building Contractors Limited were awarded the Building Manager of the Year Bronze Awards by The Chartered Institute of Building (Hong Kong). Your Group believes that people development must be given top priority at all times in order to achieve long-term growth for the Group, and will continue to invest in nurturing talent to lead future development.

Your Group also believes that good corporate governance is essential to its long-term success. I was honoured to have received the Director of the Year - Listed Company Executive Director award from the Hong Kong Institute of Directors in November 2002. Your Board will continue to do its utmost to ensure shareholders' interests are promoted and safeguarded.



Shui On won the first Gold Award for Safety Management System (Construction) and four other awards in the Hong Kong Occupational Safety and Health Award Scheme

Looking Ahead

Market conditions in Hong Kong are expected to remain difficult in the near future and your Group will focus on maintaining competitiveness through further enhancing the cost effectiveness of its operations and maintaining a lean overhead. More importantly, thanks to successful strategic moves in the Chinese Mainland over the past few years, SOCAM is now in a strong position to profit from the exciting business opportunities there.

The award of the 2010 World Expo to Shanghai not only underlines the city's rising importance in the global economy, but will also boost the already buoyant property market, especially in the middle- to high-income segment. As the local economy continues to enjoy double-digit growth, residential property prices are expected to rise in line with growing demand in the foreseeable future. Rui Hong Xin Cheng, already an established name for quality housing in Shanghai, should become a steady and long-term source of revenue and profit for your Group when new phases of the development are progressively put on the market in future.

Modernisation in central and western China will continue to boost local demand for high grade cement. Already the leading producer in Chongqing and Guizhou, your Group is actively studying the feasibility of entering the cement markets in nearby provinces, where rapid development is also underway.

We expect SOCAM's Mainland businesses to start making significant profit contributions in the coming year, and we are confident that SOCAM's strategic transformation into a Mainland-oriented enterprise will allow it to enjoy long-term, sustainable growth.



The current phase of Rui Hong Xin Cheng – more than 800 units will be put on the market in the third quarter of 2003

Acknowledgments

With the dedication and hard work of our employees, SOCAM has achieved rapid expansion in the Chinese Mainland while maintaining competitiveness in Hong Kong. I am particularly grateful to staff members for their resilience in meeting new challenges on a daily basis and their continued support given to the Group's cost-reduction drive. Our people will remain the key determinant of our future success and I extend my heartfelt appreciation to all of them for their strong commitment and contribution to the Group.

Lo Hong Sui, Vincent

Chairman
Hong Kong, July 2003

Management Discussion and Analysis



"The Group's repositioning as a Mainland oriented enterprise progresses smoothly. Our leading position in the cement markets in Chongqing and Guizhou paves the way for further advances to nearby provinces. The first phase of our large-scale property development project in Shanghai will be launched for pre-sale later this year and should provide a significant and steady income stream for the Group."

*Choi Yuk Keung, Lawrence
Managing Director*

CONSTRUCTION IN HONG KONG

Turnover for the year continued to decrease materially to HK\$1,773 million, a reduction of 39% compared with HK\$2,916 million last year. This, together with declining operating margins, led to a pre-tax profit of only HK\$27 million for the construction division, representing a 67% decline from the previous year. The public housing programme, which used to provide abundant opportunities for construction and related industries, shrunk substantially following the suspension of the Home Ownership Scheme (HOS). Notwithstanding the continuation of the Government's policy towards public rental apartments, the glut of flats overbuilt in previous years meant opportunities even in this category were limited. Compared with the peak period a few years ago when more than 50 new public housing projects from the Hong Kong Housing Authority (HKHA) were available for tender each year, the current financial year saw no more than ten tenders, of which fewer than half were subsequently awarded.

Margins on successful tenders on non-housing government contracts, including those in the design and build category, as well as private sector works also remained extremely thin. In an increasing number of cases, certain contractors even put forward bids with negative margins, which your Group was unwilling to match.

In anticipation of the significant downturn in business, your Group expedited downsizing during the year and cut salaries with the support of our loyal and dedicated staff, with a view to evolving further into a lean and competitive organisation catering to a far smaller Hong Kong market but flexible enough to rapidly expand should a turnaround in the market materialise. Emphasis on tendering continued to be switched to works of the Architectural Services Department (ASD), which were more varied and often involved design and build capabilities. This shift, together with our attempt to gain market share in maintenance works, has met with some success.

Overall, however, recovery in the construction industry is not expected in the next two years given that the economy is still in a trough.

Public Housing – Shui On Building Contractors Limited (SOBC)

The amount of public housing works performed for the HKHA totalled HK\$1.0 billion, equivalent to only 51% of the turnover last year. Four contracts were completed, comprising 5,130 residential units, which included Po Lam Road Housing Development Phase 5, Yau Tong Estate Phases 3 and 5 and Tseung Kwan O Area 59 Phase 9.

Only four maintenance contracts worth a total of HK\$390 million were won due, as stated earlier, to contractors scrambling for a very limited portfolio of HKHA works with unrealistic tender prices.

The outlook in the coming year is slightly more promising as more than ten new HKHA contracts are in the pipeline. It is also possible that one or two pilot projects will be available for tendering by the six selected members of the Premier League of Contractors, of which SOBC is one.



Yau Tong Estate Phase 3 is one of the four public housing construction projects completed by SOCAM for the Housing Authority during the year

The Departmental Quarters at Hong Ning Road – the construction division continues to switch its focus to tendering for works of the Architectural Services Department



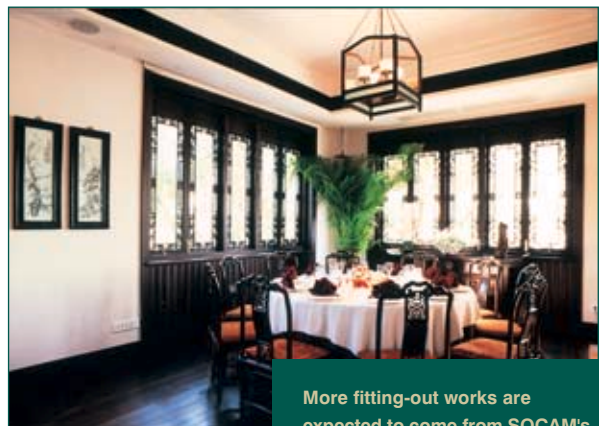
Other Government and Institutional Buildings – Shui On Construction Company Limited (SOC)

The Departmental Quarters project at Hong Ning Road was completed for the ASD. With a much more stringent assessment standard on technical abilities and past performance, SOC won three Government and institutional contracts even though its tender sums were not the lowest. These contracts were for the Welfare Complex at Lai King Headland, the Radiotherapy and other departments at Princess Margaret Hospital, and the Clinical Department Extension of the Prince of Wales Hospital. Together with the contracts for Buildings 7 and 8 of the Science Park and Housing Development at Shatin Area 2B Hin Wo Lane, total sums secured during the year reached HK\$1.4 billion, which was encouraging under the depressed market conditions. Spending in excess of HK\$15 billion is on the drawing board for more ASD projects for 2003/04, including a variety of educational, health, recreational and other facilities ancillary to the large number of public housing units completed in the past few years.

Renovation and Fitting-out – Pat Davie

In the sluggish economy, property owners, institutions and public organisations were hesitant to incur expenses on major renovation and fitting-out contracts. The total value of projects completed declined further to around HK\$170 million, compared with HK\$209 million the year before. The dismal occupancies of most luxurious hotels subsequent to the SARS outbreak in March look certain to abort a number of refurbishment plans of a few major hotels, which Pat Davie should have been well placed to compete for following the completion of a renovation contract for the Mandarin Oriental Hotel during the year. Exceptions are the Disneyland hotels for which Pat Davie has pre-qualified as a specialist contractor and which could translate into contracts of substantial value. Despite the trimmed budget allocated to educational institutions, a reasonable stream of work is still available, and Pat Davie's specialisation in this sector has produced a number of contracts. To cope with the shrinking market, Pat Davie has continued to downsize its workforce.

Contrary to the stagnant situation in Hong Kong, works provided by the substantial development projects of the privately held Shui On Properties Limited (SOP) in Shanghai and Hangzhou are increasing rapidly, providing an opportunity for meaningful turnover and contributions in the next few years.



More fitting-out works are expected to come from SOCAM's privately held sister company in the Chinese Mainland



The construction division received 14 gold, silver and bronze awards in the Safe Working Cycle Award Presentation

Contracts on Hand

At 30 June 2003, the gross and outstanding value of contracts on hand of the Construction Division amounted to approximately HK\$5.3 billion and HK\$3.6 billion respectively which, although at a level much lower than those of previous years, can still provide a steady workload for the division subsequent to the downsizing exercise already implemented.

Health, Safety and the Environment

In 2002, SOCAM further enhanced its safety record with its overall accident rate dropping to 21 per 1,000 workers, representing a substantial improvement of 36% compared with 2001. The overall accident rate for the construction industry in Hong Kong in 2002 was 85 per 1,000 workers.

The Group's outstanding safety performance was widely recognised by the industry. Management was invited to speak on managing subcontractors' safety performance at the International Safety and Health Expo 2003. The company was also honoured with the Gold Award for Safety Management System (Construction) in the Hong Kong Occupational Safety and Health Award organised by the Hong Kong Occupational Safety and Health Council and the Labour Department.

In addition, the construction division won a gold award in the Construction Industry Safety Award Scheme and a silver award in the Good Housekeeping Campaign. It received several gold, silver and bronze awards in the Safe Working Cycle Award Presentation. The Group also received two Considerate Contractor Awards from the Environment, Transport and Works Bureau.

To raise its health and safety management standards further, the Group established a Housekeeping Taskforce in November 2002 with the aim of having its construction sites achieve the same level of tidiness as a well-managed factory by 2004. The Taskforce compiled good housekeeping procedure and measures complete with an audit system, and organised a range of training and activities to promote good housekeeping among site staff and workers.

In environmental management, SOCAM implemented a comprehensive waste management system in all its construction sites, focusing on reducing the consumption of concrete and timber. It also supported the Wastewi\$e Scheme organised by the Environmental Protection Department.

An artist's impression of the current phase of Rui Hong Xin Cheng, which will include 30,000 square metres of commercial space and 13 residential blocks



QUALITY HOUSING DEVELOPMENT IN THE CHINESE MAINLAND

Rui Hong Xin Cheng (RHXC)

Shanghai gathered pace in its development as the leader of growth in the Yangtze Basin. RHXC, a quality housing project originally developed by the privately held SOP and transferred to your Group in June 2001 with unanimous approval from minority shareholders, is designed to capture the rising middle-income market composed of the young professional and managerial segments. It is close to the Bund and the central business district of Shanghai. On completion, the various phases will encompass more than 11,000 residential units with a gross floor area of approximately 1.2 million square metres, as well as around 300,000 square metres of retail and commercial space.

A total of 816 units of the current phase, which is situated on top of a subway station due for opening in 2004/05, will be launched for pre-sale in the third quarter this year. The superstructure of these seven blocks is complete and fitting-out works are in progress. Construction of another four blocks with 669 units commenced in April with completion scheduled by end of 2004. The remaining two blocks of this phase with 276 units are expected to be completed by June 2005.

The experienced construction management team in charge of the project, supported by the sourcing capability of the

Group's subsidiary, Asia Materials, has been able to substantially reduce the construction costs. At current selling prices, the residential units would yield a reasonable margin. Negotiations with a large retailer as an anchor tenant for over one third of the 30,000 square metres of commercial space in the current phase have reached an advanced stage. Rental income, together with the sale of residential units, should produce a significant and steady income stream for SOCAM in the coming years.

CEMENT OPERATIONS IN THE CHINESE MAINLAND

The Central and Western provinces in the Chinese Mainland continue to enjoy fast economic growth under the "Go West" policy, which has been in full steam for more than three years. The construction of extensive road systems, power plants and other infrastructural projects, together with substantial Central Government funding, have helped create buoyant economies. The cement industry, in which your Group has committed large investments, is among the industries benefiting most from these projects. With the accelerated acquisitions of strategic cement operations in Chongqing and the surrounding areas as well as in Guizhou, a total production capacity of around 7.5 million tonnes per annum (t.p.a.) has been amassed, which puts your Group among the top three producers in the Mainland. Expansion of existing operations alone, including the construction of new kilns



The Group is committed to improving the working conditions in all joint ventures with state-owned cement plants

and grinding mills, will add about 3.5 million t.p.a. to your Group's production capacity within the next two years.

Chongqing, the largest municipality in the world with a population of over 30 million, will further consolidate its position in the coming few years as the leading industrial and commercial centre in southwestern China. Meanwhile, Guizhou has consistently ranked as one of the provinces with the highest year-on-year growth in the allocation of development funds from the Central Government. Our leading position in these two areas paves the way for further advances to other provinces.

Comprehensive management methods were introduced in all new joint ventures with state-owned cement plants. In addition, local governments and our Mainland partners welcome our efforts in increasing production and sales through adding new kilns and the resultant increase in tax revenues; the upgrading of technology and environmental

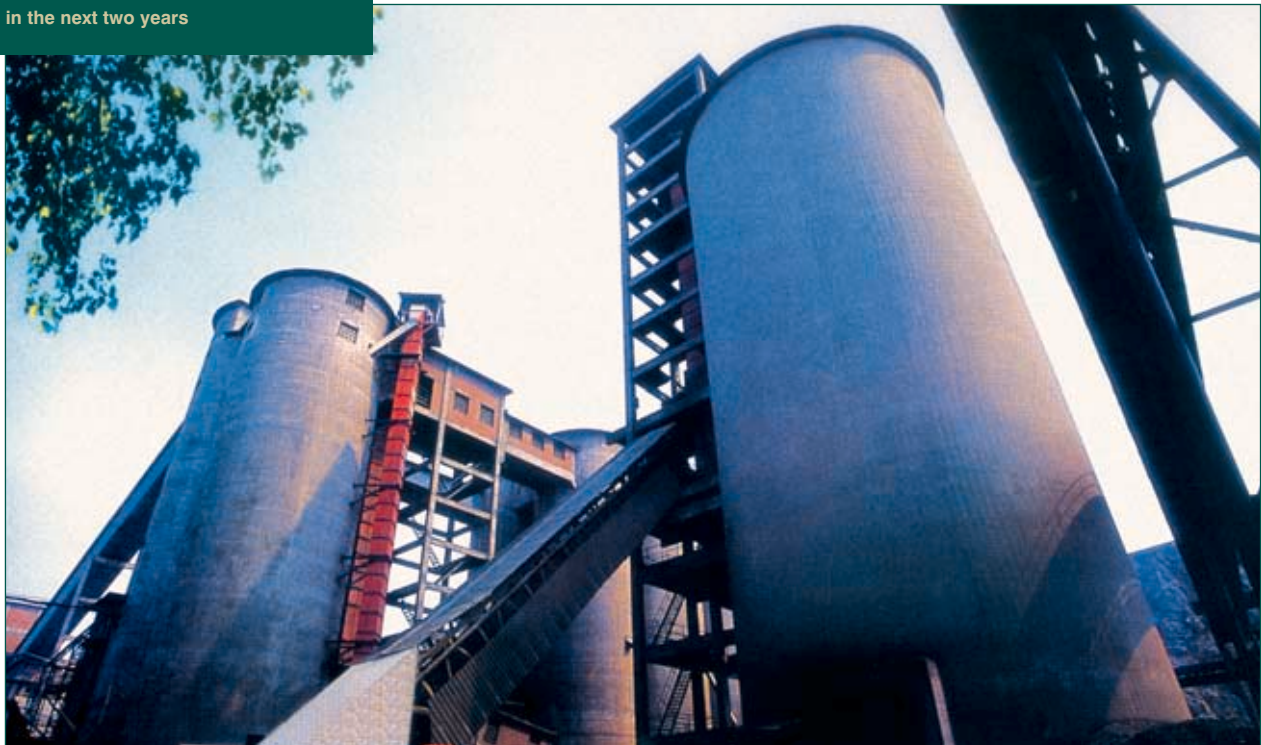
equipment; and the improvement of working conditions of the employees. The continuation of this approach will form part of our strategy to establish a chain of high quality cement plants in the Chinese Mainland.

Chongqing Operation

TH Cement now controls three of the five largest cement plants in Chongqing and Sichuan Province, with a combined capacity of approximately 5.6 million t.p.a. The two plants in Chongqing command in aggregate over 70% of the high grade cement market in and around this city.

Agreement has recently been reached with Chongqing Steel Corporation, a major state-owned enterprise in the municipality, to establish a joint venture for processing 800,000 tonnes of steel slag for blending with cement. This co-operation will result in lower production costs and further reinforce our competitiveness.

TH Cement plans to add two dry kilns in the next two years



Expansion plans for the next two years include the construction of two dry kilns, the addition of grinding mills and the sourcing of environmentally friendly additives.

The implementation of the above plans will add approximately 2.8 million t.p.a. to our capacity and will push the total capacity past the 8 million tonne mark in Chongqing and Sichuan.

Guizhou Operation

In Zunyi, the new 400,000 t.p.a. dry kiln commenced production in December 2002 and has since attained nearly full production. The encouraging sales and the upcoming infrastructural projects nearby have prompted management to explore the feasibility of adding more kilns of similar sizes in Zunyi.

The greenfield Dingxiao plant of 400,000 t.p.a. capacity in the south-western prefecture Qianxinan was also commissioned in December 2002. Awaiting the granting of a formal permit to sell high grade cement, this plant operates smoothly in the middle market sector and has quickly secured a loyal group of customers. In the south-eastern prefecture Qiandongnan, the addition of a new grinding mill will enlarge the sales radius to the border adjoining Chongqing.

We are in the process of concluding a joint venture agreement to operate the 700,000 t.p.a. Guiyang Cement, the success of which will give us an important foothold in the provincial city.

Our laboratory in Guangzhou has helped devise new and improved formulae of cement products and contributed to the reduction of costs in all plants. The training of local Guizhou staff in Hong Kong has boosted the morale and



SOCAM's cement plant in Qianxinan, Guizhou has the first and only rotary kiln in the autonomous prefecture.

competence of participants and the programme will continue as part of our effort to improve quality of staff and management.

Nanjing Operation

The loss sustained in the Jiangnan Cement operation was contained. Both the local and coastal markets remained very competitive despite increased economic activities. Quantities exported to Australia fluctuated and future focus will still be on cost cutting and the enlargement of market share in Nanjing.

CONSTRUCTION MATERIALS IN HONG KONG AND THE PEARL RIVER DELTA

Ready-mixed Concrete – Ken On

The entire Hong Kong concrete market amounted to around 6 to 6.5 million cubic metres in 2002, representing an approximately 20% decrease in the volume recorded for the previous year and a drastic reduction in excess of 40% compared with more than 11 million tonnes achieved in 1997. The continued fall in property prices, the decrease in construction projects as well as the worsening price war, due to new competitors and the untimely move of smaller producers to enlarge their market share, saw no sign of abatement. Average prices for standard-mix concrete were, in most part of the year, below the critical level of HK\$300 per cubic metre and inflicted losses on most producers. It is difficult to envisage that such low pricing can persist for a long period of time. Even with the competitive price of aggregates supplied internally and the lowered cement price from our Japanese supplier, Ken On incurred a loss for the first time since the last price war in the early 1990s.

Amid the adverse trading environment, Ken On continued with an extensive cost cutting exercise throughout the year, which included the sharing of facilities as well as the closing down of the Tung Chung and Cheung Sha Wan plants and the major facilities in Chai Wan. Operations were consolidated into the large and well-equipped Tsing Yi site, which can handle both cement and aggregate loading. Ken On's production in Hong Kong amounted to 550,000 cubic metres during the year.

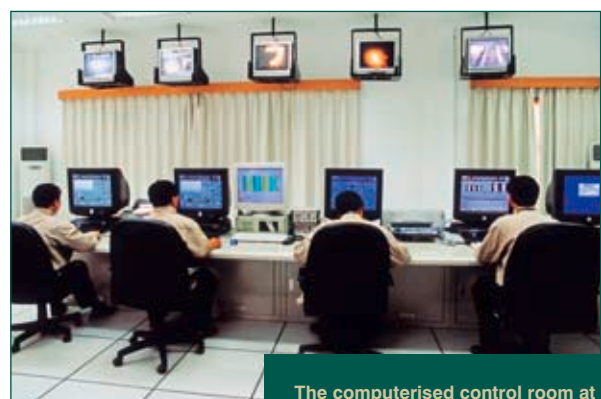
Production of 430,000 cubic metres in the two batching plants in Guangzhou was 9% down from the year before due to delays in a number of large projects. To enhance distribution, the plant in Nanhai district would be closed and orders redirected to the Guangzhou plant and the newly established Panyu operation.

At 30 June 2003, the order book of Ken On in Hong Kong stood at around 450,000 cubic metres which should allow a stable production in the year ahead.

Quarrying Operations

Of the 3 million tonnes of aggregate and other quarry products produced by the Group, approximately 60% were supplied to Ken On. The lack-lustre concrete market in Hong Kong also adversely affected the quarrying operation and production only reached 85% of that of the previous year.

The volume of crushed rocks produced, as by-product of the site formation contract in Guishan Island, Zhuhai, was below the level that could generate a reasonable contribution. In Chik Wan, the total amount of 660,000 tonnes processed represented only 40% of that of the previous year, due largely to Ken On's reduced demand and the completion of the Lamma Power Station contract and its demand for large armour rocks. The supply of other large rock products for the reclamation of Hong Kong Disneyland and Container Terminal 9 continued. The Xinhui quarry relied principally on local customers after the stopping of supply to Ken On's Guangzhou operations due to very low local prices in Guangzhou.



The computerised control room at SOCAM's cement plant in Xinpu

MATERIALS TRADING

Cement Import and Distribution

The trading and distribution of cement from Sumitomo Osaka Cement for Ken On's usage was in its second year of operation following the cessation of our 50% joint venture company Far East Cement. A total of only 300,000 tonnes of cement products was handled following the reduction of some 11% in the overall market size. The mode of import was changed to a combination of both cement and clinker due to the latter's overall cost advantage.

Asia Materials

The launch of Asia Materials' innovative home furniture product line under its brand "HELIOS" earlier this year has met with encouraging response from distributors in the U.S., Germany and Japan. Aggressive marketing and promotion activities are being carried out through its overseas sales network.

The new concrete batching plant and cement silo in Tsing Yi



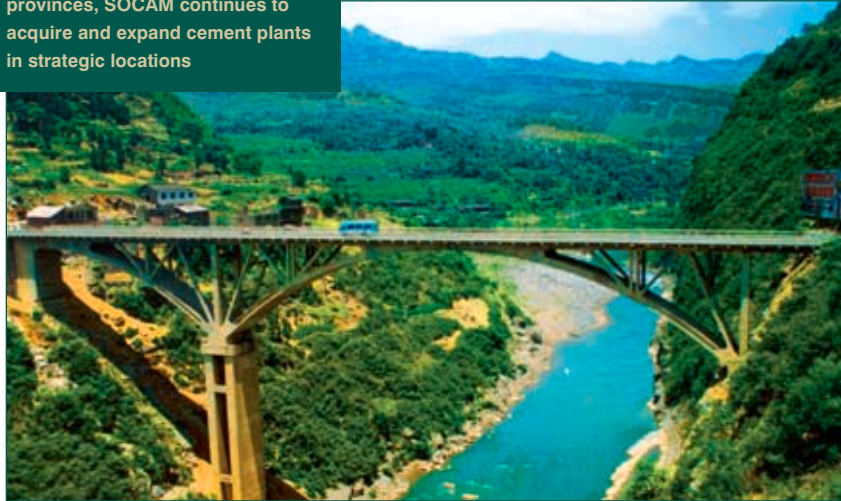
Asia Materials has capitalised on the growing demand for materials sourcing for property development projects in the Chinese Mainland and achieved significant business growth in this market segment during the year. It has lately been appointed materials sourcing agent for a new casino project in Macau. It has also been supplying materials to manufacturers with a view to building an effective supply chain serving key customers.

PROSPECTS

The already sluggish economy of Hong Kong was further stifled by the recent outbreak of SARS. The extent of the damage is not fully known. Despite the combined efforts of the government and the private sector to revive the economy, it might be some time before the downward spiralling of property prices, deflation and unemployment can be arrested. The revised housing policy of the HKHA to substantially cut public housing spending and to abolish the Home Ownership Scheme exacerbated the already bleak outlook for the construction industry and this major traditional source of revenue for SOCAM will continue to dwindle in the foreseeable future. To cope with the difficult times ahead, the building division will continue its effort to save costs and prepare for a much reduced workload in the coming two years.

In contrast to the difficult position of our Hong Kong businesses, the Group's repositioning as a Mainland oriented entity progressed smoothly and is on target. The extensive measures taken by the Central and local governments to stop the large scale spreading of SARS prevented a would-be pandemic on the Mainland. Infrastructural investment in both Chongqing and Guizhou has hardly slowed down. The "Go West" policy, with full support from the Central Government, will not only provide

To capitalise on the infrastructure boom in the central and western provinces, SOCAM continues to acquire and expand cement plants in strategic locations



immediate opportunities for your Group's cement operations, but will also have a long lasting effect on the demand for cement products as a result of the uplifted economies in these developing areas. We will accelerate the expansion of our investment to nearby provinces in the coming two years to capture the rapid growth in the region and significant profit contributions should be forthcoming in the near future.

Shanghai imposed strict precautions against SARS and avoided the worst of the crisis. Sentiment to acquire properties does not appear to have been dampened. The coming pre-sale of Rui Hong Xin Cheng in the third quarter should mark the beginning of a continuous stream of turnover and profit contribution to your Group. We are also actively exploring opportunities in other Mainland cities where our expertise in property development and construction will give us a competitive edge.

With the encouraging development of our businesses in the Chinese Mainland, the Directors of the Group are confident that, barring unforeseen circumstances, profitability will return in the coming year.

Choi Yuk Keung, Lawrence

Managing Director
Hong Kong, July 2003

A Pioneer and Leader in Western China



Shui On's strategy is to enter a market at the point at which growth is about to accelerate and make acquisitions that are beneficial to the development of both the Group and the local economy.

SOCAM's cement operations in Guizhou, Chongqing and Sichuan

Shui On was among the first Hong Kong companies to invest in Western China, entering the cement market in Chongqing in 1995. Since then, SOCAM has established leadership in the high grade cement industry in Chongqing and Guizhou Province through acquiring, restructuring and upgrading state-owned enterprises (SOEs) in strategic locations. The combined annual production capacity now exceeds 7.5 million tonnes, making SOCAM the largest cement producer in the region.

Shui On's strategy is to enter a market at the point at which growth is about to accelerate and make acquisitions that are beneficial to the development of both the Group and the local economy. This is why we focus on modernising SOEs and adding new production lines to make full use of the entire workforce; why we invest in improving the environment and minimising pollution; and why we strive to professionalise the management and nurture talent locally. This approach not only helps to win local government support, which is a prerequisite for success on the Mainland, but the mutual trust thus developed will also create new business opportunities in the future.

The Central Government's "Go West" policy will continue to fund major infrastructure projects in the region, which in turn will boost the demand for high grade cement. Expansion of our existing operations alone will add another 3.5 million tonnes to the Group's annual capacity within the next two years. Our leadership in Chongqing and Guizhou will enable us to expand quickly into nearby provinces that are also undergoing rapid development.



Figures indicate annual production capacity in million tonnes
 * In the process of concluding this joint venture agreement



When TH Cement entered the Chongqing market in 1995, it acquired a small 160,000-tonne operation in Hechuan with the intention of adding modern production lines and gaining market share. Two new rotary kilns were commissioned in 1997 and 1999 respectively, quickly increasing annual production to over one million tonnes. A new one-million-tonne-per-annum dry kiln will be added within two years. Likewise, TH Cement will double the production capacity of Diwei Cement – acquired in mid 2001 – by the end of 2004.

Bringing in Advanced Technologies

Massive infrastructure projects are underway in the western region. More than 70% of cement produced in the region, however, is low grade cement that is not suitable for these projects. And the mountainous terrain means that it is not cost effective to import high grade cement from outside.

To capture the fast-growing market for high grade cement, SOCAM selectively acquires strategically located state-owned plants which already offer products of reasonable quality and then invests in new equipment to further enhance quality, production capacity and cost effectiveness. This has proven to be a successful formula for winning and expanding market share rapidly in both Chongqing and Guizhou and will be a key part of our strategy to build a sizeable cement production group in the Chinese Mainland.



SOCAM started construction of a new production line in Zunyi, the second largest city in Guizhou, in May 2001 after acquiring the state-owned Zunyi Cement Plant. The new line, with annual capacity of 400,000 tonnes, is the first energy-saving rotary kiln in the province that applies precalciner technology. In the same period, a dry-process rotary kiln also with capacity of 400,000 tonnes per annum was built in Qianxinan and is the first and only rotary kiln in the autonomous prefecture. Completed in December 2002, these two new production lines successfully obtained ISO 9001 certification soon after production commenced. All of SOCAM's rotary kiln cement operations have obtained ISO9001 or ISO9002 certification.

New and improved product formulae devised by SOCAM's laboratory in Guangzhou enable us to improve quality and lower costs at the same time.

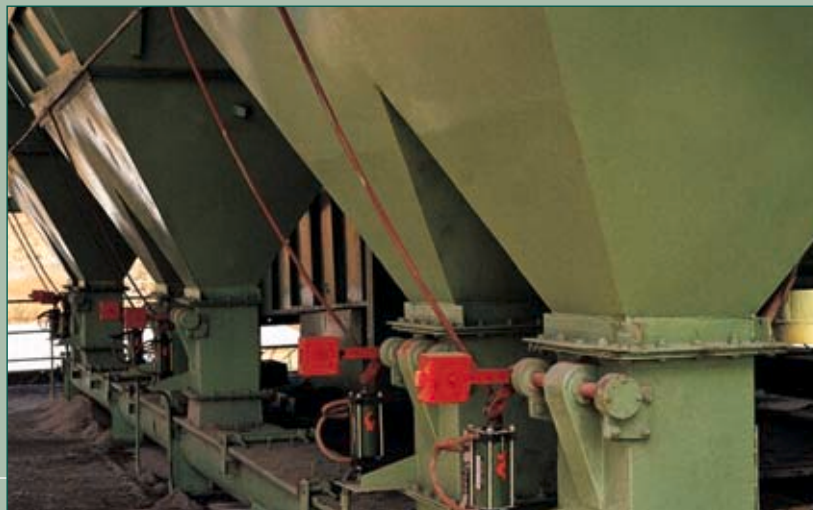
Shui On believes a good working environment helps boost morale, productivity and product quality. Old and new plants alike are covered in green.



Improving the Environment

The Government's strategy to replace small, inefficient and polluting cement plants provides another incentive for SOCAM to invest in the cement industry in the western region. In addition to introducing advanced equipment to minimise pollution, SOCAM also uses large quantities of previously valueless industrial by-products as low-cost blending materials and creates a green environment in the production plants.

In early 1998, Chongqing TH Cement set up a cement grinding mill next to a local power station to make use of fly ash (previously industrial waste) from the power station as a low-cost blending material, thus becoming the first producer of the environmentally friendly fly-ash cement in Chongqing. TH Cement has also entered into an agreement with Chongqing Steel Corporation to set up a joint-venture plant to process 800,000 tonnes of steel slag (a useless by-product in the past) from the steel mill for blending with cement. The slag grinding plant will be one of the largest of its kind in China.



To minimise dust emission - traditionally a major source of pollution in a cement plant - SOCAM invests in advanced equipment including electric dust collectors. The new rotary kiln production lines in Xinpu and Dingxiao, for example, reduce dust emission by more than 99.5%. Water treatment and recycling systems are also installed to allow most wastewater to be reused.

Building a Professional Team

Rapid expansion must be supported by a competent workforce. While some experienced managers are relocated from Hong Kong to the Mainland operations, SOCAM's strategy is to attract, retain and develop local talent to take up management and leadership roles in the future. Conferences and training are conducted regularly to ensure staff from all operations share Shui On's corporate culture and are well acquainted with modern management concepts and tools.

- After acquiring a new operation, orientation is organised for staff of all levels to introduce Shui On's organisation, corporate values and management philosophy, as well as to build a sense of belonging and pride as a member of the Group.
- Management conferences are conducted twice a year for senior executives and managers from all plants in Guizhou to inculcate Shui On's culture of excellence and professional management, to help them keep abreast of corporate directions and strategies and to set development plans.
- SOCAM runs a Management Trainee Programme which aims at developing high calibre Mainland fresh graduates to become future managers and leaders. This well structured career development programme provides job rotation, personal development and management training courses as well as postings in the Hong Kong headquarters.
- Selected management staff are sent to Shui On's offices in Hong Kong to undergo training for several months to a year so as to better orient them to the Group's management systems and approach as well as our corporate culture.
- Modern management tools such as business planning, performance planning and TQM are introduced and implemented, and training programmes on personal and management skills are organised.

Rapid expansion must be supported by a competent workforce.

Yang Ding

Manager – Cement Projects,
Guizhou Shui On Cement
Development Management Co. Ltd
(joined Shui On in 1998
as management trainee)

"As the Group expands rapidly on the Mainland, I have the opportunity to take up different responsibilities in various operations. These are all invaluable learning experiences."



Ling Li

Management Trainee
(joined Shui On in 2001)

"The Group's effective training and development system caters for each individual's needs. The wide variety of courses together with job rotation has allowed me to attain tremendous personal development. I am proud to be a member of Shui On!"

Tian Zirong

Assistant Human Resources Manager,
Guizhou Xishui Shui On Cement Co. Ltd
(joined Shui On in 2001)

"At Shui On, I have received well-rounded training and the three-month programme in Hong Kong was especially valuable. The advanced management skills I have learned allow me to make greater contribution to my homeland."

Directors and Senior Management

Directors

Executive Directors

Lo Hong Sui, Vincent GBS JP

Aged 55, has been the chairman of the Company since 1997. He is also chairman and chief executive of the Shui On Group which he founded 32 years ago. He is a member of The Tenth National Committee of Chinese People's Political Consultative Conference, the founding chairman and current president of the Business and Professionals Federation of Hong Kong, the president of Shanghai – Hong Kong Council for the Promotion and Development of Yangtze, a vice chairman of All-China Federation of Industry and Commerce, a vice chairman of the Chamber of International Commerce Shanghai, court member of the Hong Kong University of Science and Technology, a member of HK US Business Council – HK Section, an advisor to HK – Thailand Business Council, a director of The Real Estate Developers Association of Hong Kong, an adviser 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, a non-executive director of Hang Seng Bank Limited and New World China Land Limited, and an independent non-executive director of China Telecom Corporation Limited.

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

Wong Ying Wai, Wilfred JP

Aged 50, is currently vice-chairman of the Company and Shui On Holdings Limited. He had been a non-executive director of the Company since 1997. In September 2000, he was re-designated as executive director of the Company and also appointed as managing director of Shui On Holdings Limited. He is a Deputy to The Tenth National People's Congress, chairman of HKSAR Social Welfare Advisory Committee, member of HKSAR Public Service Commission, trustee of the Business and Professionals Federation of Hong Kong, vice president of the Shanghai – Hong Kong Council for the Promotion and Development of Yangtze, 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 54, 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 49, 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 is a member of the Standing Committee of the Ninth Guizhou Provincial Committee of the Chinese People's Political Consultative Conference. 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 52, has been an executive director of the Company since 1997 and was appointed the managing director of Shui On Properties Limited and executive director of Shui On Holdings Limited in November 2002. He joined the Shui On Group in 1981 and has been directors of various major operations in the construction and construction materials divisions of the Group since 1993. He holds a Bachelor of Science degree in Civil Engineering from the University of Manchester and is a Chartered Engineer, a Fellow of the Institution of Civil Engineers and a member of the Hong Kong Institution of Engineers. He is currently a council member of the Hong Kong Construction Association, honorary president of the Hong Kong Institution of Construction Engineers, 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 its committee on Construction Training Courses, chairman of the Departmental Advisory Committee for Department of Building and Construction of the City University of Hong Kong, a member of the Advisory Committee of the Department of Civil Engineering of the University of Hong Kong. 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 1st vice president of the Hong Kong Construction Association.

**Wong Fook Lam,
Raymond**

Aged 48, 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 54, 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 52, has been a non-executive director of the Company since 1997. He was also an executive director of the Shui On Group and managing director of the Shui On Group's properties division from 1994 to 2002. He holds a Master of Arts degree from the University of Wisconsin.

Griffiths, Anthony

Aged 59, has been a non-executive director of the Company since 1997. He is also a non-executive director of Crystal International Limited and GML Consulting Limited and the independent non-executive director of Manulife Provident Trust Funds Company Limited. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a Fellow of the Institute of Management Consultants (Hong Kong Branch) and the Hong Kong Institute of Directors. He is the Chairman of the Audit and Remuneration Committees of the Company.

**Professor Enright,
Michael John**

Aged 44, 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 in 1996 where he is the Sun Hung Kai Professor of Business Administration. 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 55, 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 20 years. He holds a Master's degree in Business Administration and is a Fellow of the Institute of Quarrying.

Leich, John

Aged 52, is an executive director of Ken On Concrete Company Limited, Lamma Rock Products Limited, Instant Mortars Limited and Shui On Cement Limited. He joined the Shui On Group in 1992 and has over 25 years of experience in the concrete and cement industries. He holds a Bachelor's degree in Civil Engineering from the University of Sydney and has completed studies for a Master's degree in Business Administration at the University of Technology, Sydney.

Lee Wing Kee, Stephen

Aged 50, is the executive director of Shui On Building Contractors Limited and Shui On Construction Company Limited. He has been working in the Shui On Group since 1985 and has over 25 years of experience in construction. He is currently the deputy honorary treasurer of the Hong Kong Construction Association and the 1st vice chairman of its Building Committee. He holds a Bachelor of Science degree in Civil Engineering and is a chartered civil engineer.

Leung Kam Woon, Barnabas

Aged 56, 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 57, 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 50, is the general manager – projects of Shui On Building Contractors Limited and Shui On Construction Company 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 51, is the general manager of Shui On Cement (Guizhou) Limited and is responsible for the management and 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 52, is the technical director of the construction materials division. He has worked in the Shui On Group for over 20 years. He has over 23 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 48 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.

**Wong Kam Lor,
Dennis**

Aged 47, is the vice president of Asia Materials Limited and is primarily responsible for the company's business development and operations in the Chinese Mainland. He joined the Company in 2000 and has over 20 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.

Li Chi Keung, Evans

Aged 42, 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.

Li Kai Man, Maximus

Aged 45, is the general manager – Chongqing of Shui On Building Materials Limited. He is responsible for coordinating the Company's cement interests in Chongqing as well as developing the company's real estate business there. He joined the Shui On Group in 2002. He holds a Bachelor's degree in Social Science from the University of Hong Kong.

**Lee Chun Kong,
Freddy**

Aged 41, is the general manager – projects & procurement of the Rui Hong Xin Cheng property development project in Shanghai. He joined the Shui On Group in 1986. He holds a Master's degree in Construction Management from the City University of Hong Kong and is an Associate of the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Surveyors.

**Tam Ching Wah,
Janice**

Aged 39, is the company secretary of the Company and has been with the Shui On Group since 1989. She holds a Bachelor's degree in Business and a Master of Science degree in Accountancy from The Hong Kong Polytechnic University. She is a Fellow of the Association of Chartered Certified Accountants and an Associate of the Hong Kong Society of Accountants.

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 March, 2003.

Principal Activities

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 36 to the financial statements.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 40.

The directors do not recommend the payment of a dividend.

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 26 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 27 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 87.

Investment Property

The Group's investment property was revalued at 31 March, 2003, as set out in note 13 to the financial statements. The revaluation decrease amounting to HK\$14.0 million has been charged directly to the consolidated 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, 2003 with a revaluation decrease of HK\$17.5 million, of which HK\$15.2 million and HK\$2.3 million have been charged directly to the property, plant and equipment revaluation reserve and consolidated income statement respectively.

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

Major Properties

Details of the major properties of the Group at 31 March, 2003 are set out on page 86.

Pledge of Assets

In August 2002, a subsidiary of the Company was granted certain syndicated bank loan facilities which are secured by the Group's interest in the property under development with carrying value of HK\$706.0 million as at 31 March, 2003.

Directors

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

Executive Directors:

Mr. Lo Hong Sui, Vincent
Mr. Wong Ying Wai, Wilfred
Mr. 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

Non-executive Director:

Mr. Cheng Bing Chark, Henry

Independent non-executive Directors:

Mr. Griffiths, Anthony
Professor Enright, Michael John

In accordance with the Company's Bye-laws, Mr. Griffiths, Anthony and Mr. Cheng Bing Chark, Henry, shall retire by rotation at the forthcoming annual general meeting. Mr. Griffiths, Anthony, being eligible, offers himself for re-election.

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

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

Directors' Interests in Shares

As at 31 March, 2003, 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	Other interests
Mr. Lo Hong Sui, Vincent	-	182,989,000 (Note)
Mr. Wong Ying Wai, Wilfred	-	-
Mr. Wong Yuet Leung, Frankie	-	-
Mr. Choi Yuk Keung, Lawrence	-	-
Mr. Wong Hak Wood, Louis	520,000	-
Mr. Wong Fook Lam, Raymond	-	-
Mrs. Lowe Hoh Wai Wan, Vivien	40,000	-
Mr. Cheng Bing Chark, Henry	-	-
Mr. Griffiths, Anthony	-	-
Professor Enright, Michael John	-	-

Apart from the above, as at 31 March, 2003, there was no other interest recorded in the register required to be kept under Section 29 of the SDI Ordinance.

Note:

The 182,989,000 shares are held as to 166,148,000 shares and 16,841,000 shares by the ultimate holding company, Shui On Company Limited ("SOCL") and Shui On Finance Company Limited respectively, which is an indirect wholly-owned subsidiary of SOCL. SOCL is owned by the Bosrich Unit Trust. The units of the Bosrich Unit Trust are the property of a discretionary trust of which Mr. Lo Hong Sui, Vincent is a discretionary beneficiary. Accordingly, Mr. Lo Hong Sui, Vincent is deemed to be interested in such shares.

Share Options

Particulars of the Company's share option schemes are set out in note 33 to the financial statements.

Grant of options on 27 August, 2002 was made pursuant to the New Scheme adopted on the same date. Grants of options prior to 27 August, 2002 were made under the Old Scheme adopted on 20 January, 1997 and terminated on 27 August, 2002. All options granted previously under the Old Scheme continue to be valid and exercisable.

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

Name or categories of eligible participants	Date of grant	Subscription price per share	Number of options					Period during which share options outstanding at 31.3.2003 are exercisable	Price of Company's shares at exercise date of options	
			At 1.4.2002	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year			At 31.3.2003
		HK\$		(Note a)				HK\$	(Note b)	
Directors										
Wong Ying Wai, Wilfred	27.8.2002	6.00	-	200,000	-	-	-	200,000	27.2.2003 to 26.8.2007	-
	27.8.2002	6.00	-	5,000,000*	-	-	-	5,000,000	27.8.2005 to 26.8.2010	-
Wong Yuet Leung, Frankie	15.7.1998	4.14	24,000	-	(24,000)	-	-	-	15.1.1999 to 14.7.2003	6.00
	7.7.1999	11.21	200,000	-	-	-	-	200,000	7.1.2000 to 6.7.2004	-
	4.7.2000	9.56	200,000	-	-	-	-	200,000	4.1.2001 to 3.7.2005	-
	17.7.2001	9.30	200,000	-	-	-	-	200,000	17.1.2002 to 16.7.2006	-
	27.8.2002	6.00	-	160,000	-	-	-	160,000	27.2.2003 to 26.8.2007	-
	27.8.2002	6.00	-	2,000,000*	-	-	-	2,000,000	27.8.2005 to 26.8.2010	-
Choi Yuk Keung, Lawrence	15.7.1998	4.14	44,000	-	-	-	-	44,000	15.1.1999 to 14.7.2003	-
	7.7.1999	11.21	280,000	-	-	-	-	280,000	7.1.2000 to 6.7.2004	-
	4.7.2000	9.56	350,000	-	-	-	-	350,000	4.1.2001 to 3.7.2005	-
	17.7.2001	9.30	350,000	-	-	-	-	350,000	17.1.2002 to 16.7.2006	-
	27.8.2002	6.00	-	280,000	-	-	-	280,000	27.2.2003 to 26.8.2007	-
	27.8.2002	6.00	-	5,000,000*	-	-	-	5,000,000	27.8.2005 to 26.8.2010	-
Wong Hak Wood, Louis	15.7.1998	4.14	30,000	-	-	-	-	30,000	15.1.1999 to 14.7.2003	-
	7.7.1999	11.21	250,000	-	-	-	-	250,000	7.1.2000 to 6.7.2004	-
	4.7.2000	9.56	280,000	-	-	-	-	280,000	4.1.2001 to 3.7.2005	-
	17.7.2001	9.30	280,000	-	-	-	-	280,000	17.1.2002 to 16.7.2006	-
	27.8.2002	6.00	-	220,000	-	-	-	220,000	27.2.2003 to 26.8.2007	-
	27.8.2002	6.00	-	2,000,000*	-	-	-	2,000,000	27.8.2005 to 26.8.2010	-
Wong Fook Lam, Raymond	15.7.1998	4.14	24,000	-	-	-	-	24,000	15.1.1999 to 14.7.2003	-
	7.7.1999	11.21	150,000	-	-	-	-	150,000	7.1.2000 to 6.7.2004	-
	4.7.2000	9.56	160,000	-	-	-	-	160,000	4.1.2001 to 3.7.2005	-
	17.7.2001	9.30	160,000	-	-	-	-	160,000	17.1.2002 to 16.7.2006	-
	27.8.2002	6.00	-	110,000	-	-	-	110,000	27.2.2003 to 26.8.2007	-
	27.8.2002	6.00	-	2,000,000*	-	-	-	2,000,000	27.8.2005 to 26.8.2010	-
Lowe Hoh Wai Wan, Vivien	15.7.1998	4.14	24,000	-	-	-	-	24,000	15.1.1999 to 14.7.2003	-
	7.7.1999	11.21	150,000	-	-	-	-	150,000	7.1.2000 to 6.7.2004	-
	4.7.2000	9.56	160,000	-	-	-	-	160,000	4.1.2001 to 3.7.2005	-
	17.7.2001	9.30	160,000	-	-	-	-	160,000	17.1.2002 to 16.7.2006	-
	27.8.2002	6.00	-	110,000	-	-	-	110,000	27.2.2003 to 26.8.2007	-
	27.8.2002	6.00	-	2,000,000*	-	-	-	2,000,000	27.8.2005 to 26.8.2010	-
Sub-total			3,476,000	19,080,000	(24,000)	-	-	22,532,000		
Other employees	25.7.1997	7.50	158,000	-	-	-	(158,000)	-	25.1.1998 to 24.7.2002	-
(in aggregate)	15.7.1998	4.14	520,000	-	(196,000)	(14,000)	-	310,000	15.1.1999 to 14.7.2003	6.10
	7.7.1999	11.21	2,160,000	-	-	(70,000)	-	2,090,000	7.1.2000 to 6.7.2004	-
	4.7.2000	9.56	2,392,000	-	-	(90,000)	-	2,302,000	4.1.2001 to 3.7.2005	-
	17.7.2001	9.30	2,520,000	-	-	(110,000)	-	2,410,000	17.1.2002 to 16.7.2006	-
	27.8.2002	6.00	-	2,160,000	-	(10,000)	-	2,150,000	27.2.2003 to 26.8.2007	-
	27.8.2002	6.00	-	4,000,000*	-	-	-	4,000,000	27.8.2005 to 26.8.2010	-
Sub-total			7,750,000	6,160,000	(196,000)	(294,000)	(158,000)	13,262,000		
			11,226,000	25,240,000	(220,000)	(294,000)	(158,000)	35,794,000		

As at 21 July, 2003, 35,032,000 shares may be issued upon exercise of all outstanding options granted. This represents approximately 13.2% of the shares in issue.

* These options were granted under the mega grant as stipulated in the Circular dated 30 July, 2002. Certain financial and performance targets must be achieved before the options granted will vest and be exercisable.

Notes:

- The closing price of the Company's shares preceding the date on which the options were granted was HK\$6.00.
- 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.

Share Options - continued

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, 2003.

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, 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\$0.5 million.
- (c) 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\$0.6 million.
- (d) The Group paid building management fees of HK\$0.1 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.
- (e) 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, Rui Hong had paid Shanghai Ruichen a sum of Rmb184.5 million (approximately HK\$172.4 million) during the year. Construction of the superstructure for the project began in July 2002.

Connected Transactions - continued

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 100% held by Shanghai Ruichen. Under the management agreement, Rui Hong received fees of HK\$15.5 million from Shanghai Ruichen during 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 29 to the financial statements.

Major Suppliers and Major Customers

The five largest suppliers of the Group accounted for less than 30% of the total purchases of the Group in the year.

The five largest customers of the Group accounted for approximately 53% of the total turnover of the Group in the year with the largest customer, the Hong Kong Housing Authority, accounting for approximately 44% of the turnover of the Group.

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

Donations

During the year, the Company and its subsidiaries made donations of HK\$1.5 million to business associations and institutions related to the Group's activities.

Corporate Governance

(i) Audit Committee

The Audit Committee comprises two independent non-executive directors, Mr. Griffiths, Anthony and Professor Enright, Michael John, and convenes at least four meetings every year. The 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 met twice during the year and has reviewed the share option grants and bonus payment.

Corporate Governance - continued

(iii) Code of Best Practice

The Company has complied throughout the year ended 31 March, 2003 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (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\$791.1 million as at 31 March, 2003, details of which are as follows:

Affiliated companies	Effective percentage of interest	Balance as at 31 March, 2003				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)			
Allied Well Investment Limited	50%	8.3	-	-	8.3	
Brisfull Limited	50%	-	25.8	-	25.8	
Guizhou Dingxiao Shui On Cement Co. Ltd.	89%	1.0	71.4	-	72.4	
Guizhou Kaili Shui On Cement Co. Ltd.	89%	0.9	20.0	-	20.9	
Guizhou Xinpu Shui On Cement Co. Ltd.	79%	1.4	67.9	-	69.3	
Guizhou Xishui Shui On Cement Co. Ltd.	89%	8.0	-	-	8.0	
Guizhou Zunyi Shui On Cement Co. Ltd.	79%	3.4	72.8	-	76.2	
Lamma Yue Jie Company Limited	60%	4.4	-	-	4.4	
Nanjing Jiangnan Cement Company Ltd.	60%	83.7	-	-	83.7	
Sawdrill Limited (Note c)	50%	0.5	-	-	0.5	
Shenzhen Lamma Yue Jie Concrete Products Co. Ltd.	60%	-	-	10.0	10.0	
Shui On (Panyu) Stainless Steel & Aluminium Products Company Limited	50%	0.5	-	-	0.5	
Sichuan Hejiang T.H. Cement Co. Ltd.	89%	0.1	10.7	-	10.8	
Super Race Limited	50%	-	-	5.0	5.0	
TH Industrial Management Limited (Note d)	50%	245.3	-	150.0	395.3	
		357.5	268.6	165.0	791.1	

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

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

Notes:

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

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

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

(c) Except Sawdrill Limited being treated as an associate, all other affiliated companies are accounted for 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 not being co-terminus 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, 2003. 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, 2003, 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\$1,466.0 million and HK\$61.0 million respectively. Such affiliated companies reported no contingent liabilities as at 31 March, 2003.

(d) Subsequent to the year end date, an additional guarantee of HK\$150.0 million was given by the Company in favour of a financial institution for granting revolving loan facilities of HK\$150.0 million to TH Industrial Management Limited.

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

(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\$200.0 million and totalling HK\$600.0 million, in September 2001 and a 3-year term loan facility of HK\$200.0 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, 21 July, 2003

Auditors' Report

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 40 to 85 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 circumstances of the Company and the Group, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March, 2003 and of the loss 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, 21 July, 2003

Consolidated Income Statement

For The Year Ended 31 March, 2003

	NOTES	2003 HK\$ million	2002 HK\$ million
Turnover			
The Company and its subsidiaries		2,311.3	3,757.2
Share of jointly controlled entities		526.8	292.8
		<u>2,838.1</u>	<u>4,050.0</u>
Group turnover	4	2,311.3	3,757.2
Other operating income	5	29.4	53.8
Changes in inventories of finished goods, work in progress, contract work in progress and properties held for sale		30.0	(58.3)
Raw materials and consumables used		(483.9)	(645.7)
Staff costs		(364.2)	(513.7)
Depreciation and amortisation expenses		(45.3)	(62.8)
Subcontracting, external labour costs and other operating expenses		(1,530.3)	(2,407.0)
Revaluation decrease on investment property		(14.0)	(3.0)
Revaluation decrease on land and buildings		(2.3)	-
(Loss) profit from operations	6	(69.3)	120.5
Finance costs	7	(5.9)	(3.1)
Share of results of jointly controlled entities		30.6	5.0
(Loss) profit before taxation		(44.6)	122.4
Taxation	10	(2.7)	(20.5)
(Loss) profit before minority interests		(47.3)	101.9
Minority interests		0.2	2.4
(Loss) profit attributable to shareholders		<u>(47.1)</u>	<u>104.3</u>
Dividends			
Paid	11	39.7	357.1
Proposed		-	39.7
(Loss) earnings per share	12		
Basic		<u>HK\$(0.18)</u>	<u>HK\$0.39</u>
Diluted		<u>HK\$(0.18)</u>	<u>HK\$0.39</u>

Balance Sheets

As At 31 March, 2003

	NOTES	THE GROUP		THE COMPANY	
		2003 HK\$ million	2002 HK\$ million	2003 HK\$ million	2002 HK\$ million
Non-Current Assets					
Investment property	13	123.0	137.0	-	-
Property, plant and equipment	14	197.5	238.2	1.7	2.7
Property under development	15	706.0	367.2	-	-
Negative goodwill	16	(0.7)	-	-	-
Investments in subsidiaries	17	-	-	291.7	291.7
Interests in jointly controlled entities	18	437.5	337.9	-	-
Investments in securities	19	135.6	179.0	-	-
Club debenture	20	1.2	1.2	1.2	1.2
Site establishment expenditure	21	13.9	16.9	-	-
		<u>1,614.0</u>	<u>1,277.4</u>	<u>294.6</u>	<u>295.6</u>
Current Assets					
Inventories	22	39.7	33.0	-	-
Properties held for sale		56.1	57.1	-	-
Debtors, deposits and prepayments	23	596.8	692.4	4.8	3.4
Amounts due from customers for contract work	22	221.2	266.0	-	-
Amounts due from subsidiaries		-	-	2,071.0	1,407.7
Amounts due from related companies		0.4	0.2	0.4	0.2
Amounts due from associates		0.6	0.1	-	-
Amounts due from jointly controlled entities		620.9	418.6	3.2	3.2
Tax recoverable		4.9	6.6	-	-
Bank balances, deposits and cash		89.5	74.5	0.4	5.6
		<u>1,630.1</u>	<u>1,548.5</u>	<u>2,079.8</u>	<u>1,420.1</u>
Current Liabilities					
Creditors and accrued charges	24	630.0	918.5	15.5	12.6
Amounts due to customers for contract work	22	81.1	147.6	-	-
Amounts due to subsidiaries		-	-	334.8	367.5
Amounts due to jointly controlled entities		23.0	23.4	7.0	0.1
Amounts due to related companies		0.1	0.9	-	-
Bank borrowings, due within one year	25	68.9	16.0	-	-
		<u>803.1</u>	<u>1,106.4</u>	<u>357.3</u>	<u>380.2</u>
Net Current Assets		<u>827.0</u>	<u>442.1</u>	<u>1,722.5</u>	<u>1,039.9</u>
		<u>2,441.0</u>	<u>1,719.5</u>	<u>2,017.1</u>	<u>1,335.5</u>

	NOTES	THE GROUP		THE COMPANY	
		2003 HK\$ million	2002 HK\$ million	2003 HK\$ million	2002 HK\$ million
Capital and Reserves					
Share capital	26	264.7	264.5	264.7	264.5
Reserves	27	948.7	1,066.1	690.4	711.0
		<u>1,213.4</u>	<u>1,330.6</u>	<u>955.1</u>	<u>975.5</u>
Minority Interests		<u>26.1</u>	<u>27.4</u>	-	-
Non-Current Liabilities					
Bank borrowings	25	1,194.8	360.0	1,061.0	360.0
Deferred taxation	28	1.6	1.5	-	-
Defined benefit liabilities	29	5.1	-	1.0	-
		<u>1,201.5</u>	<u>361.5</u>	<u>1,062.0</u>	<u>360.0</u>
		<u>2,441.0</u>	<u>1,719.5</u>	<u>2,017.1</u>	<u>1,335.5</u>

The financial statements on pages 40 to 85 were approved and authorised for issue by the Board of Directors on 21 July, 2003 and are signed on its behalf by:

Choi Yuk Keung, Lawrence
Managing Director

Wong Fook Lam, Raymond
Executive Director

Consolidated Statement of Changes in Equity

For The Year Ended 31 March, 2003

	2003 HK\$ million	2002 HK\$ million
At the beginning of the year		
- as originally stated	1,330.6	1,582.1
- prior period adjustments resulting from the adoption of SSAP 34 (Note 2)	(24.4)	-
- as restated	1,306.2	1,582.1
Revaluation (decrease) increase on land and buildings	(13.8)	1.4
Exchange differences arising on translation of overseas operations	6.9	(6.0)
Net losses not recognised in the consolidated income statement	(6.9)	(4.6)
(Loss) profit attributable to shareholders	(47.1)	104.3
Negative goodwill released upon disposal of a jointly controlled entity	-	(1.4)
Dividends paid	(39.7)	(357.1)
Shares issued at premium upon exercise of share options	0.9	7.3
At the end of the year	1,213.4	1,330.6

Consolidated Cash Flow Statement

For The Year Ended 31 March, 2003

	2003 HK\$ million	2002 HK\$ million
OPERATING ACTIVITIES		
(Loss) profit from operations	(69.3)	120.5
Adjustments for:		
Interest income	(10.0)	(14.0)
Dividends from unlisted investments	-	(0.6)
Dividends from listed investments	(6.2)	(5.8)
Revaluation decrease on investment property	14.0	3.0
Revaluation decrease on property, plant and equipment	2.3	-
Net unrealised holding loss (gain) on other investments	28.8	(9.7)
Depreciation on property, plant and equipment	41.9	57.4
Amortisation of site establishment expenditure	3.4	5.4
Loss on disposal of property, plant and equipment	0.9	1.1
Gain on dissolution/disposal of a jointly controlled entity	(2.5)	(0.1)
Loss (gain) on disposal of listed investments	0.1	(2.0)
Release of negative goodwill	(0.2)	-
Decrease in defined benefit liabilities	(3.4)	-
Operating cash flows before movements in working capital	(0.2)	155.2
(Increase) decrease in inventories	(6.7)	9.9
Decrease in properties held for sale	1.0	134.7
Decrease in debtors, deposits and prepayments	95.6	2,762.3
Decrease (increase) in amounts due from customers for contract work	44.8	(56.4)
Increase in amounts due from related companies	(0.2)	-
Increase in amount due from associates	(0.5)	-
Increase in amounts due from jointly controlled entities	(202.3)	(225.9)
Decrease in creditors and accrued charges	(304.4)	(289.3)
Decrease in amounts due to customers for contract work	(66.5)	(26.3)
Decrease in amounts due to jointly controlled entities	(0.4)	(16.7)
(Decrease) increase in amounts due to related companies	(0.8)	0.9
Cash (used in) generated from operations	(440.6)	2,448.4
Hong Kong Profits Tax paid	(0.1)	(116.8)
Income tax of other regions in the PRC refunded (paid)	0.3	(1.7)
Interest paid	(19.1)	(14.3)
Other borrowing costs	(3.4)	(3.8)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(462.9)	2,311.8

	2003 HK\$ million	2002 HK\$ million
INVESTING ACTIVITIES		
Interest received	10.0	15.5
Dividends received from unlisted investments	-	0.6
Dividends received from listed investments	6.2	5.8
Dividends received from a jointly controlled entity	1.0	1.0
Capital distribution from dissolution of a jointly controlled entity	15.3	-
Purchase of property, plant and equipment	(28.9)	(27.6)
Additions to property under development	(322.4)	(361.9)
Purchase of investments in securities	(19.5)	-
Proceeds from sale of property, plant and equipment	11.0	2.8
Investments in jointly controlled entities	(83.8)	(183.9)
Site establishment costs expended	(0.4)	(2.5)
Proceeds on disposal of investments in securities	34.0	18.8
Proceeds on disposal of a jointly controlled entity	-	6.4
NET CASH USED IN INVESTING ACTIVITIES	(377.5)	(525.0)
FINANCING ACTIVITIES		
New secured and unsecured bank loans raised	886.5	360.0
Net proceeds received on issue of shares	0.9	7.3
Repayments of secured and unsecured bank loans	-	(2,027.3)
Dividends paid	(39.7)	(357.1)
Net cash inflow from minority interests	1.3	2.4
Dividends paid to minority shareholders	(1.1)	(0.6)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	847.9	(2,015.3)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7.5	(228.5)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	58.5	293.0
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	6.3	(6.0)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	72.3	58.5
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances, deposits and cash	89.5	74.5
Bank overdrafts	(17.2)	(16.0)
	72.3	58.5

Notes to the Financial Statements

For The Year Ended 31 March, 2003

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

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. 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 adoption of these SSAPs has resulted in a change in the format of presentation of the consolidated cash flow statement and the inclusion of the consolidated statement of changes in equity. Comparative amounts 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.

Foreign currency translation

The revisions to SSAP 11 "Foreign currency translation" have eliminated the choice of translating the income statement of subsidiaries operating outside Hong Kong at the closing rate for the period, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Cash flow statements

In the current year, the Group has adopted SSAP 15 (Revised) "Cash flow statements". Under SSAP 15 (Revised), cash flows are classified under three headings - operating, investing and financing activities, rather than the previous five headings. Interest paid, interest and dividends received and dividends paid, which were previously presented under a separate heading, are classified as operating, investing and financing cash flows respectively. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

Employee benefits

In the current period, the Group has adopted SSAP 34 "Employee benefits", which introduces measurement rules for employee benefits, including retirement benefit plans.

i) Short-term employee benefits - accrued liabilities on unused annual leave

Prior to the issue of SSAP 34, the Group did not provide for liabilities in respect of vested annual leave of its staff. SSAP 34 requires that obligations in respect of these entitlements should be accrued as soon as services are rendered. This change in accounting policy has resulted in a prior period adjustment of a decrease in the Group's retained profits by HK\$15.9 million as at 1 April, 2002. No restatement of comparative information has been made as the directors consider that it is impracticable to quantify the amount.

2. Adoption of Statements of Standard Accounting Practice - continued

Employee benefits - continued

ii) Post-employment benefits - defined benefit plan

The principal effect of the implementation of SSAP 34 is in connection with the recognition of costs for the Group's defined benefit retirement plan. In prior years, the cost of providing retirement benefits under this plan was determined using the attained age method, with actuarial valuations carried out every three years. Actuarial gains and losses and past service cost were spread systematically over the expected remaining working lives of existing employees.

Under SSAP 34, the cost of providing retirement benefits under the Group's defined benefit retirement plan is determined using the projected unit credit method, with actuarial valuations being carried out annually. Actuarial gains and losses which exceed 10% of the greater of the present value of the Group's pension obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the employees participating in the plan. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

As a result of the changes described above, the Group has determined the transitional liability for its defined benefit retirement plan as at 1 April, 2002 of HK\$8.5 million arising from this change in accounting policy. This amount has been adjusted immediately to the opening balance of retained profits at 1 April, 2002. Comparatives have not been restated as the directors consider that it is impracticable to quantify the amount.

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.

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

Basis of consolidation

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

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

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

Goodwill

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

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

3. Significant Accounting Policies - continued

Goodwill - continued

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

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

Negative goodwill

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

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

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

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

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

Revenue recognition

Construction contracts

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

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

Others

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

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

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

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

3. Significant Accounting Policies - continued

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

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

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

Property, plant and equipment

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

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

Land and buildings in Hong Kong and other regions of the People's Republic of China (the "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%

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

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

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.

3. Significant Accounting Policies - continued

Property, plant and equipment - continued

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

Properties under development

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

Investments in subsidiaries

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

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

Interests in joint ventures

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

Jointly controlled entities

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

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

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

Investments in securities

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

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

3. Significant Accounting Policies - continued

Investments in securities - continued

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.

Site establishment expenditure

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Properties held for sale

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

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the consolidated 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.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work.

3. Significant Accounting Policies - continued

Borrowing costs

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

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

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 the resulting 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.

Leases

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

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

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

3. Significant Accounting Policies - continued

Retirement benefits costs

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

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

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

4. Business and Geographical Segments

Business segments

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

Turnover represents the revenue arising on construction contracts and building maintenance, 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

Business segments - continued

Segment information about these businesses is presented below.

2003	Construction and building maintenance HK\$ million	Sale of construction materials HK\$ million	Trading of building materials HK\$ million	Property development HK\$ million	Property investment and others HK\$ million	Eliminations HK\$ million	Consolidated HK\$ million
TURNOVER							
External sales	1,773.2	466.1	53.4	2.3	16.3	-	2,311.3
Inter-segment sales	-	150.4	3.9	-	0.4	(154.7)	-
Group turnover	1,773.2	616.5	57.3	2.3	16.7	(154.7)	2,311.3
Share of jointly controlled entities	48.3	478.5*	-	-	-	-	526.8
Total	1,821.5	1,095.0	57.3	2.3	16.7	(154.7)	2,838.1

Inter-segment sales are charged at mutually agreed prices.

* This represents mainly the Group's effective share of turnover of jointly controlled entities in respect of the cement operations in Chongqing and Guizhou (HK\$389.5 million) and Nanjing (HK\$73.2 million).

RESULTS							
Segment results	27.0	(42.5)	(30.3)	(1.7)	(31.8)**		(79.3)
Interest income							10.0
Loss from operations							(69.3)
Finance costs							(5.9)
Share of results of jointly controlled entities							
• Cement operations in							
- Chongqing and Guizhou		42.4					42.4
- Nanjing		(8.3)					(8.3)
• Others	1.1	(3.4)			(1.2)		(3.5)
							30.6
Loss before taxation							(44.6)
Taxation							(2.7)
Loss before minority interests							(47.3)

** This comprises mainly unrealised holding loss of listed securities (HK\$24.6 million), revaluation decrease on an investment property (HK\$14.0 million) and profit from renting of the investment property (HK\$7.1 million).

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	571.2	457.4	33.8	839.4	278.4	-	2,180.2
Amounts due from jointly controlled entities/associates	21.0	597.3	-	-	3.2	-	621.5
Interests in jointly controlled entities/associates	17.9	352.5	-	-	67.1	-	437.5
Inter-segment receivables	775.5	90.8	9.7	-	1,859.6	(2,735.6)	-
Unallocated assets							4.9
Consolidated total assets							3,244.1
LIABILITIES							
Segment liabilities	563.9	119.2	7.4	7.5	19.9	-	717.9
Amounts due to jointly controlled entities	15.3	0.7	-	-	7.0	-	23.0
Inter-segment payables	215.1	1,203.3	110.7	724.4	482.1	(2,735.6)	-
Unallocated liabilities							1,263.7
Consolidated total liabilities							2,004.6

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	1.2	25.5	1.1	0.7	0.8	29.3
Negative goodwill	-	(0.8)	-	-	-	(0.8)
Depreciation and amortisation	1.2	38.6	3.2	0.3	2.2	45.5
Release of negative goodwill	-	(0.2)	-	-	-	(0.2)
Other non-cash (income) expenses	(0.1)	0.2	0.6	-	42.9	43.6

4. Business and Geographical Segments - continued

Business segments - continued

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	-	5.2	(318.8)	-
Group turnover	2,917.7	982.0	20.2	136.9	19.2	(318.8)	3,757.2
Share of jointly controlled entities	55.2	237.6*	-	-	-	-	292.8
Total	2,972.9	1,219.6	20.2	136.9	19.2	(318.8)	4,050.0

Inter-segment sales are charged at mutually agreed prices.

* This represents mainly the Group's effective share of turnover of jointly controlled entities in respect of the cement operations in Chongqing and Guizhou (HK\$165.5 million) and Nanjing (HK\$70.0 million).

RESULTS

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							
• Cement operations in							
- Chongqing and Guizhou		16.1					16.1
- Nanjing		(12.1)					(12.1)
• Others	0.5	(0.8)			1.3		1.0
							5.0
Profit before taxation							122.4
Taxation							(20.5)
Profit before minority interests							101.9

** This comprises mainly unrealised holding gain on other investments (HK\$9.7 million), dividends received from investment in listed securities (HK\$5.8 million), revaluation decrease on an investment property (HK\$3.0 million) and profit from renting of the investment property (HK\$6.6 million).

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	654.4	604.8	15.3	443.6	344.6	-	2,062.7
Amounts due from jointly controlled entities/associates	16.3	391.1	8.1	-	3.2	-	418.7
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)	-
Unallocated assets							6.6
Consolidated total assets							2,825.9
LIABILITIES							
Segment liabilities	911.6	133.0	4.3	3.7	15.9	-	1,068.5
Amounts due to jointly controlled entities	8.6	0.7	14.0	-	0.1	-	23.4
Inter-segment payables	203.4	1,010.9	80.5	436.9	544.0	(2,275.7)	-
Unallocated liabilities							376.0
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	23.3	3.7	0.4	1.3	30.1
Depreciation and amortisation	1.9	53.4	4.6	0.1	2.8	62.8
Other non-cash (income) expenses	(0.1)	1.1	-	-	(8.7)	(7.7)

4. Business and Geographical Segments - continued

Geographical segments

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

Analyses 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 (loss) profit from operations	
	2003 HK\$ million	2002 HK\$ million	2003 HK\$ million	2002 HK\$ million
Hong Kong	2,166.8	3,640.8	(68.1)	121.5
Other regions in the PRC	144.5	116.4	(11.2)	(15.0)
	<u>2,311.3</u>	<u>3,757.2</u>	(79.3)	106.5
Interest income			10.0	14.0
(Loss) profit from operations			(69.3)	120.5
Finance costs			(5.9)	(3.1)
Share of results of jointly controlled entities			30.6	5.0
(Loss) profit before taxation			<u>(44.6)</u>	<u>122.4</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 and site establishment expenditure	
	2003 HK\$ million	2002 HK\$ million	2003 HK\$ million	2002 HK\$ million
Hong Kong	1,281.4	1,549.1	21.0	8.6
Other regions in the PRC	1,962.7	1,276.8	8.3	21.5
	<u>3,244.1</u>	<u>2,825.9</u>	29.3	30.1

5. Other Operating Income

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

	2003 HK\$ million	2002 HK\$ million
Interest income	10.0	14.0
Dividends received from investments in securities		
- listed	6.2	5.8
- unlisted	-	0.6
Gain on dissolution/disposal of a jointly controlled entity	2.5	0.1
Net realised (loss) gain on disposal of other investments		
- listed	(0.1)	2.0
Net unrealised holding gain on other investments	-	<u>9.7</u>

6. (Loss) Profit from Operations

	2003 HK\$ million	2002 HK\$ million
(Loss) profit from operations has been arrived at after charging (crediting):		
Depreciation and amortisation		
Owned assets	42.1	57.4
Site establishment expenditure	3.4	5.4
	<u>45.5</u>	<u>62.8</u>
Less: Amount capitalised to property under development	(0.2)	-
	<u>45.3</u>	<u>62.8</u>
Auditors' remuneration	2.1	2.1
Operating lease payments in respect of rented premises	37.3	35.1
Loss on disposal of property, plant and equipment	0.9	1.1
Net unrealised holding loss on other investments	28.8	-
Staff costs:		
Salaries and allowances (including directors' emoluments)	354.3	492.2
Retirement benefits cost	19.1	26.6
Less: Amount capitalised to property under development	(9.2)	(5.1)
	<u>364.2</u>	<u>513.7</u>
Release of negative goodwill (included in other expenses):		
- subsidiary	(0.1)	-
- jointly controlled entities	(0.1)	-
	<u>(0.2)</u>	<u>-</u>
Gross rental revenue from an investment property and car park spaces	(14.9)	(15.7)
Less: Related outgoings	2.1	3.7
Net rental income	<u>(12.8)</u>	<u>(12.0)</u>

7. Finance Costs

	2003 HK\$ million	2002 HK\$ million
Interest on bank loans and overdrafts and other loans wholly repayable within 5 years	18.7	6.4
Other borrowing costs	3.4	3.8
	<u>22.1</u>	<u>10.2</u>
Less: Amount capitalised to property under development (Note 15)	(16.2)	(7.1)
	<u>5.9</u>	<u>3.1</u>

8. Directors' Emoluments

	2003 HK\$ million	2002 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	13.0	18.4
Retirement benefits cost	0.8	0.8
	<u>14.0</u>	<u>19.4</u>

The emoluments of the directors were within the following bands:

Emolument bands	2003 Number of directors	2002 Number of directors
HK\$0 - HK\$1,000,000	5	5
HK\$1,500,001 - HK\$2,000,000	1	-
HK\$2,000,001 - HK\$2,500,000	1	1
HK\$2,500,001 - HK\$3,000,000	2	-
HK\$3,000,001 - HK\$3,500,000	-	2
HK\$4,000,001 - HK\$4,500,000	-	1
HK\$4,500,001 - HK\$5,000,000	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, four (2002: all) 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 2003 were as follows:

	2003 HK\$ million	2002 HK\$ million
Salaries and other emoluments	2.1	-
Retirement benefits cost	0.1	-
	<u>2.2</u>	<u>-</u>

10. Taxation

	2003 HK\$ million	2002 HK\$ million
The charge (credit) comprises:		
Current taxation		
Hong Kong Profits Tax	1.8	20.4
Income tax of other regions in the PRC	(0.3)	0.4
	<hr/> 1.5	<hr/> 20.8
Deferred taxation	0.1	(2.0)
Share of taxation attributable to jointly controlled entities		
Hong Kong Profits Tax	0.3	0.2
Income tax of other regions in the PRC	0.8	1.5
	<hr/> 1.1	<hr/> 1.7
	<hr/> 2.7	<hr/> 20.5

Hong Kong Profits Tax is calculated at 16% (2002: 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 (credit) provided and not provided for the year are set out in note 28.

11. Dividends

	2003 HK\$ million	2002 HK\$ million
Dividends, paid		
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
Additional final dividend for shares issued upon exercise of share options	-	1.4
Interim dividend in respect of year 2002/2003 : nil (2001/2002: HK\$0.15 per share on 264,496,000 shares)	-	39.7
	<hr/> 39.7	<hr/> 357.1
Proposed final dividend in respect of year 2002/2003 : nil (2001/2002: HK\$0.15 per share on 264,514,000 shares)	<hr/> -	<hr/> 39.7

12. (Loss) Earnings per Share

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

	2003 HK\$ million	2002 HK\$ million
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share	(47.1)	104.3
	Million	Million
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	264.6	264.1
Effect of dilutive potential ordinary shares:		
Share options	0.2	0.5
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	264.8	264.6

13. Investment Property

	2003 HK\$ million	2002 HK\$ million
THE GROUP		
At the beginning of the year	137.0	140.0
Revaluation decrease	(14.0)	(3.0)
At the end of the year	123.0	137.0

The Group's investment property is held in Hong Kong under a medium-term lease. It was revalued at 31 March, 2003 by Chesterton Petty Ltd, independent professional valuers, on an open market value basis. The revaluation decrease has been charged to the consolidated income statement.

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

14. Property, Plant and Equipment

	Land and buildings in Hong Kong held under medium-term leases HK\$ million	Land and buildings in other regions of the PRC held under medium-term leases HK\$ million	Land and buildings in Hong Kong held under short-term lease HK\$ million	Plant under construction 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, 2002	67.5	5.8	25.7	-	493.4	39.2	53.2	684.8
Exchange realignments	-	0.1	-	-	0.6	0.2	-	0.9
Additions	-	-	-	4.1	19.2	3.1	2.5	28.9
Disposals	-	-	(25.7)	-	(84.3)	(4.1)	(3.3)	(117.4)
Transfer	-	-	-	-	(0.4)	-	0.4	-
Revaluation decrease	(17.5)	-	-	-	-	-	-	(17.5)
At 31 March, 2003	50.0	5.9	-	4.1	428.5	38.4	52.8	579.7
ACCUMULATED DEPRECIATION								
At 1 April, 2002	-	1.7	25.7	-	356.0	28.5	34.7	446.6
Exchange realignments	-	-	-	-	0.3	0.1	-	0.4
Charge for the year	1.4	0.4	-	-	30.6	3.3	6.4	42.1
Eliminated on disposals	-	-	(25.7)	-	(74.8)	(3.1)	(1.9)	(105.5)
Adjustment upon valuation	(1.4)	-	-	-	-	-	-	(1.4)
Transfer	-	-	-	-	(0.4)	-	0.4	-
At 31 March, 2003	-	2.1	-	-	311.7	28.8	39.6	382.2
NET BOOK VALUES								
At 31 March, 2003	50.0	3.8	-	4.1	116.8	9.6	13.2	197.5
At 31 March, 2002	67.5	4.1	-	-	137.4	10.7	18.5	238.2
Cost or valuation comprising:								
At valuation - 2003	50.0	-	-	-	-	-	-	50.0
At cost	-	5.9	-	4.1	428.5	38.4	52.8	529.7
	50.0	5.9	-	4.1	428.5	38.4	52.8	579.7

Notes:

- (i) The land and buildings in Hong Kong held under medium-term leases have been revalued on 31 March, 2003 by Albert So Surveyors Ltd., independent professional valuers, on an open market value basis. No separate valuation was undertaken for land and buildings in other regions of the PRC under medium-term leases as its carrying value is insignificant and the directors are of the opinion that its carrying value approximate its fair value.
- (ii) Had the revalued land and buildings in Hong Kong held under medium-term leases been restated at cost less accumulated depreciation, their net book values as at the balance sheet date would have been stated at HK\$30.4 million (2002: HK\$31.2 million).

14. Property, Plant and Equipment - continued

	Motor vehicles HK\$ million	Equipment, furniture and other assets HK\$ million	Total HK\$ million
THE COMPANY			
AT COST			
At 1 April, 2002	1.8	9.4	11.2
Additions	-	0.2	0.2
Disposals	(0.1)	-	(0.1)
At 31 March, 2003	1.7	9.6	11.3
ACCUMULATED DEPRECIATION			
At 1 April, 2002	1.2	7.3	8.5
Charge for the year	0.2	1.0	1.2
Eliminated on disposals	(0.1)	-	(0.1)
At 31 March, 2003	1.3	8.3	9.6
NET BOOK VALUES			
At 31 March, 2003	0.4	1.3	1.7
At 31 March, 2002	0.6	2.1	2.7

15. Property under Development

THE GROUP

The property under development represents a property situated in Shanghai, the PRC, held under a long term lease. Included in property under development are borrowing costs and staff costs capitalised amounting to approximately HK\$23.3 million (2002: HK\$7.1 million) and HK\$14.3 million (2002: HK\$5.1 million) respectively. The effective interest rate for interest capitalised for the project was approximately 2.5% per annum.

16. Negative Goodwill

	THE GROUP HK\$ million
Gross amount arising on acquisition of additional interest in a subsidiary during the year	(0.8)
Released to income in the year	0.1
Carrying amount at 31 March, 2003	(0.7)

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

17. Investments in Subsidiaries

	THE COMPANY	
	2003	2002
	HK\$ million	HK\$ million
Unlisted shares, at cost	291.7	291.7

Particulars of the principal subsidiaries are set out in note 36.

18. Interests in Jointly Controlled Entities

	THE GROUP	
	2003	2002
	HK\$ million	HK\$ million
Share of net assets	440.4	338.2
Negative goodwill	(2.9)	(0.3)
	437.5	337.9

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.

Particulars of the jointly controlled entities are set out in note 38.

The summary of aggregate financial information of the Group's significant jointly controlled entities engaged in manufacture and sale of cement in Chongqing, Guizhou and Nanjing, based on the adjusted financial statements prepared under the accounting principles generally accepted in Hong Kong for the year ended 31 December, 2002 and 2001, are as follows:

	2002	2001
	HK\$ million	HK\$ million
Results for the year ended 31 December:		
Turnover	939.0	484.1
Profit before taxation	52.1	8.7
Profit before taxation attributable to the Group	34.1	4.0
Financial positions as at 31 December:		
Non-current assets	1,514.3	1,169.0
Current assets	917.6	585.2
Current liabilities	(996.8)	(754.5)
Non-current liabilities	(843.5)	(573.7)
Minority interests	(145.3)	(140.9)
Net assets	446.3	285.1
Net assets attributable to the Group	349.1	219.8

19. Investments in Securities

	THE GROUP	
	2003 HK\$ million	2002 HK\$ million
Other investments, at fair value:		
equity securities		
- unlisted overseas	15.3	18.8
- listed in Hong Kong	120.3	160.2
	<u>135.6</u>	<u>179.0</u>
Market value of listed securities	<u>120.3</u>	<u>160.2</u>

There has been no purchase or disposal of equity securities listed in Hong Kong since 31 March, 2003 to the date of this report. As at 21 July, 2003, the market value of equity securities listed in Hong Kong amounted to HK\$125.7 million.

20. Club Debenture

	THE GROUP		THE COMPANY	
	2003 HK\$ million	2002 HK\$ million	2003 HK\$ million	2002 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	
	2003 HK\$ million	2002 HK\$ million
At the beginning of the year	16.9	19.8
Additions	0.4	2.5
Amortisation for the year	(3.4)	(5.4)
At the end of the year	<u>13.9</u>	<u>16.9</u>

22. Inventories and Contracts in Progress

	THE GROUP	
	2003 HK\$ million	2002 HK\$ million
Inventories		
Raw materials	5.6	10.4
Work-in-progress	9.0	4.1
Finished goods	12.2	7.8
Spare parts	12.9	10.7
	<u>39.7</u>	<u>33.0</u>

Included above are raw materials of HK\$2.3 million (2002: nil) which are carried at net realisable value.

22. Inventories and Contracts in Progress - continued

	THE GROUP	
	2003 HK\$ million	2002 HK\$ million
Contracts in progress		
Costs incurred to date	6,013.7	5,681.1
Recognised profits less recognised losses	261.1	306.5
	<u>6,274.8</u>	<u>5,987.6</u>
Less: Progress billings	(6,134.7)	(5,869.2)
Net contract work	<u>140.1</u>	<u>118.4</u>
Represented by:		
Amounts due from customers for contract work	221.2	266.0
Amounts due to customers for contract work	(81.1)	(147.6)
	<u>140.1</u>	<u>118.4</u>

23. Debtors, Deposits and Prepayments

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

	THE GROUP	
	2003 HK\$ million	2002 HK\$ million
Debtors (net of provisions for bad and doubtful debts) aged analysis:		
Within 90 days	235.5	324.0
91 days to 180 days	19.1	13.3
181 days to 360 days	18.0	9.9
Over 360 days	4.7	4.5
	<u>277.3</u>	<u>351.7</u>
Retentions receivable	124.7	149.2
Prepayments, deposits and other receivables	194.8	191.5
	<u>596.8</u>	<u>692.4</u>

24. Creditors and Accrued Charges

	THE GROUP	
	2003 HK\$ million	2002 HK\$ million
Creditors aged analysis:		
Within 30 days	93.0	169.2
31 days to 90 days	38.4	44.8
91 days to 180 days	7.4	10.2
Over 180 days	5.7	8.4
	<u>144.5</u>	<u>232.6</u>
Retentions payable	136.5	194.9
Accruals and other payables	349.0	491.0
	<u>630.0</u>	<u>918.5</u>

25. Bank Borrowings

	THE GROUP		THE COMPANY	
	2003 HK\$ million	2002 HK\$ million	2003 HK\$ million	2002 HK\$ million
Secured bank loan (Note 32)	107.3	-	-	-
Unsecured bank loans and bank overdrafts	1,156.4	376.0	1,061.0	360.0
	<u>1,263.7</u>	<u>376.0</u>	<u>1,061.0</u>	<u>360.0</u>
Less: Amounts due within one year	(68.9)	(16.0)	-	-
	<u>1,194.8</u>	<u>360.0</u>	<u>1,061.0</u>	<u>360.0</u>
The borrowings are repayable as follows:				
Within one year	68.9	16.0	-	-
More than one year but not exceeding two years	1,096.8	-	1,061.0	-
More than two years but not exceeding five years	98.0	360.0	-	360.0
	<u>1,263.7</u>	<u>376.0</u>	<u>1,061.0</u>	<u>360.0</u>

26. Share Capital

	2003	2002
	HK\$ million	HK\$ million
(a) Authorised:		
400,000,000 shares of HK\$1 each	<u>400.0</u>	<u>400.0</u>
(b) Issued and fully paid:		
At the beginning of the year	264.5	263.3
Exercise of share options	0.2	1.2
At the end of the year	<u>264.7</u>	<u>264.5</u>

27. 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, 2001	36.3	526.2	(0.7)	197.6	(2.7)	1.9	559.8	0.4	1,318.8
Exchange differences arising on translation of financial statements of operations outside Hong Kong	-	-	(6.0)	-	-	-	-	-	(6.0)
Released upon disposal of a jointly controlled entity	-	-	-	-	-	(1.4)	-	-	(1.4)
Premium on issue of shares	-	6.1	-	-	-	-	-	-	6.1
Profit for the year	-	-	-	-	-	-	104.3	-	104.3
Dividends	-	-	-	-	-	-	(357.1)	-	(357.1)
Transfer	(0.7)	-	-	-	-	-	0.7	-	-
Revaluation increase in the year	1.4	-	-	-	-	-	-	-	1.4
Transfer to reserve funds	-	-	-	-	-	-	(0.4)	0.4	-
At 31 March, 2002									
- as originally stated	37.0	532.3	(6.7)	197.6	(2.7)	0.5	307.3	0.8	1,066.1
- prior period adjustments resulting from the adoption of SSAP 34 (note 2)	-	-	-	-	-	-	(24.4)	-	(24.4)
- as restated	37.0	532.3	(6.7)	197.6	(2.7)	0.5	282.9	0.8	1,041.7
Exchange differences arising on translation of financial statements of operations outside Hong Kong	-	-	6.9	-	-	-	-	-	6.9
Premium on issue of shares	-	0.7	-	-	-	-	-	-	0.7
Loss for the year	-	-	-	-	-	-	(47.1)	-	(47.1)
Dividends	-	-	-	-	-	-	(39.7)	-	(39.7)
Transfer	(0.8)	-	-	-	-	-	0.8	-	-
Revaluation decrease in the year	(13.8)	-	-	-	-	-	-	-	(13.8)
Transfer to reserve funds	-	-	-	-	-	-	(0.1)	0.1	-
At 31 March, 2003	22.4	533.0	0.2	197.6	(2.7)	0.5	196.8	0.9	948.7
THE COMPANY									
At 1 April, 2001	-	526.2	-	88.9	-	-	7.3	-	622.4
Premium on issue of shares	-	6.1	-	-	-	-	-	-	6.1
Profit for the year	-	-	-	-	-	-	439.6	-	439.6
Dividends	-	-	-	-	-	-	(357.1)	-	(357.1)
At 31 March, 2002									
- as originally stated	-	532.3	-	88.9	-	-	89.8	-	711.0
- prior period adjustments resulting from the adoption of SSAP 34	-	-	-	-	-	-	(3.0)	-	(3.0)
- as restated	-	532.3	-	88.9	-	-	86.8	-	708.0
Premium on issue of shares	-	0.7	-	-	-	-	-	-	0.7
Profit for the year	-	-	-	-	-	-	21.4	-	21.4
Dividends	-	-	-	-	-	-	(39.7)	-	(39.7)
At 31 March, 2003	-	533.0	-	88.9	-	-	68.5	-	690.4

27. 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, 2001	(0.2)	(2.0)	1.7	(0.3)	(0.8)
Released 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
Released upon dissolution of a jointly controlled entity	-	-	-	(2.5)	(2.5)
Profit for the year	-	-	-	29.5	29.5
Dividends	-	-	-	(1.0)	(1.0)
At 31 March, 2003	(0.2)	(2.0)	0.3	28.0	26.1

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. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

As at the balance sheet date, the Company's reserves, including the contributed surplus, available for distribution to shareholders amounted to HK\$157.4 million (2002: HK\$178.7 million).

28. Deferred Taxation

	THE GROUP	
	2003 HK\$ million	2002 HK\$ million
At the beginning of the year	1.5	3.5
Charge (credit) for the year (Note 10)	0.1	(2.0)
At the end of the year	<u>1.6</u>	<u>1.5</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	
	2003 HK\$ million	2002 HK\$ million	2003 HK\$ million	2002 HK\$ million	2003 HK\$ million	2002 HK\$ million	2003 HK\$ million	2002 HK\$ million
Tax effect of timing differences attributable to:								
Excess of tax allowances over depreciation	3.4	3.0	5.5	9.7	-	-	0.1	0.3
Tax losses	(1.8)	(0.5)	(14.7)	(11.1)	-	-	(0.6)	(0.8)
Other timing differences	-	(1.0)	(0.6)	-	-	-	-	-
	<u>1.6</u>	<u>1.5</u>	<u>(9.8)</u>	<u>(1.4)</u>	<u>-</u>	<u>-</u>	<u>(0.5)</u>	<u>(0.5)</u>

Deferred tax assets have not been recognised in the financial statements as it is not certain that the deferred tax assets will crystallise in the foreseeable future.

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

	THE GROUP		THE COMPANY	
	2003 HK\$ million	2002 HK\$ million	2003 HK\$ million	2002 HK\$ million
Tax effect of timing differences attributable to:				
(Shortfall) excess of tax allowances over depreciation	(4.2)	2.6	(0.2)	(0.2)
Tax losses	(3.6)	(2.7)	0.2	1.3
Other timing differences	(0.6)	-	-	-
	<u>(8.4)</u>	<u>(0.1)</u>	<u>-</u>	<u>1.1</u>

29. Provident and Retirement Fund Schemes

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

Mandatory Provident Fund Scheme

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

The Group's contributions to the MPF Scheme charged to the income statement as staff cost during the year ended 31 March, 2003 amounted to HK\$4.6 million (2002: HK\$5.9 million). The amount of employer's voluntary contributions to MPF schemes forfeited for the year ended 31 March, 2003 were immaterial and had been used to reduce the existing level of contributions.

Defined Benefit Plan

Contributions to the Plan are made by the members at 5% of their salaries and by the Group which are based on recommendations made by the actuary of the Plan. The current employer contribution rate is 7.4% of the members' salaries. Under the Plan, a member is entitled to retirement benefits which comprise the sum of any benefits transferred from another scheme and the greater of the sum of employer's basic contribution plus the member's basic contribution accumulated with interest at a rate of no less than 6% per annum or 1.8 times the final salary times the length of employment with the Group on the attainment of the retirement age of 60. For members who joined the Plan before 1997, the retirement age is 60 for male members and 55 for female members. No other post-retirement benefits are provided.

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligation were carried out at 31 March, 2003 by Ms. Elaine Hwang of Watson Wyatt Hong Kong Limited, who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations and the related current service cost were measured using the projected unit credit method.

The principal actuarial assumptions used are as follows:

Discount rate at 1 April, 2002	6.25%
Discount rate at 31 March, 2003	4.5%
Expected return on plan assets	5.5%
Expected rate of salary increase	Nil for the next four years commencing from 1 April, 2003 and 3% thereafter

The actuarial valuation showed that the fair value of the plan assets attributable to the Group was HK\$226.4 million at 31 March, 2003 representing 72% of the benefits that had accrued to members. The shortfall of the plan assets of HK\$88.4 million is to be cleared over the estimated remaining service period of the current membership of 10 years.

29. Provident and Retirement Fund Schemes - continued

Amounts recognised in the consolidated income statement for the year ended 31 March, 2003 in respect of the defined benefit plan are as follows:

	2003 HK\$ million
Current service cost	13.0
Interest cost	16.0
Expected return on plan assets	(14.5)
Net amount charged to consolidated income statement as staff costs	<u>14.5</u>

The actual return on plan assets allocated to the Group for the year ended 31 March, 2003 was a loss of HK\$33.0 million.

The amounts included in the balance sheets at 31 March, 2003 arising from the Group's and the Company's obligations in respect of the Plan are as follows:

	THE GROUP HK\$ million	THE COMPANY HK\$ million
Present value of defined benefit obligations	314.8	44.6
Unrecognised actuarial losses	(83.3)	(11.5)
Fair value of plan assets	(226.4)	(32.1)
Defined benefit liability included in the balance sheet	<u>5.1</u>	<u>1.0</u>

Included within the fair value of plan assets is HK\$5.6 million in respect of the equity shares of the Company.

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

	THE GROUP HK\$ million	THE COMPANY HK\$ million
At the beginning of the year	8.5	1.3
Amounts charged to income statement	14.5	1.6
Employers' contributions	(17.9)	(1.9)
At the end of the year	<u>5.1</u>	<u>1.0</u>

30. Lease Arrangements

As lessor

Property rental income in respect of the investment property and car park spaces earned during the year was HK\$14.9 million (2002: HK\$15.7 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 which fall due as follows:

	THE GROUP	
	2003 HK\$ million	2002 HK\$ million
Within one year	7.9	6.2
In the second to fifth years inclusive	5.9	2.2
	<u>13.8</u>	<u>8.4</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	
	2003 HK\$ million	2002 HK\$ million	2003 HK\$ million	2002 HK\$ million
Within one year	13.3	10.4	4.2	0.3
In the second to fifth years inclusive	9.9	4.9	4.6	-
Over five years	0.1	0.5	-	-
	<u>23.3</u>	<u>15.8</u>	<u>8.8</u>	<u>0.3</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.

31. Capital Commitments

(a) As at 31 March, 2003, the Group had commitments in respect of the development costs of property under development contracted but not provided for in the financial statements amounting to approximately HK\$621.7 million (2002: HK\$225.0 million).

(b) As at 31 March, 2003, the Group had no commitments to fund its jointly controlled entities contracted but not provided for in the financial statements (2002: HK\$89.1 million).

(c) As at 31 March, 2003, the Group's share of the capital commitments of its jointly controlled entities are as follows:

	2003 HK\$ million	2002 HK\$ million
Contracted but not provided for	<u>61.0</u>	<u>137.2</u>
Authorised but not contracted for	<u>117.2</u>	<u>115.8</u>

(d) As at 31 March, 2003, the Group had commitments in respect of the acquisition of property, plant and equipment contracted but not provided for in the financial statements amounting to approximately HK\$1.4 million (2002: Nil).

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

32. Pledge of Assets

In August 2002, a subsidiary of the Company was granted certain syndicated bank loan facilities which are secured by the Group's interest in the property under development with carrying value of HK\$706.0 million as at 31 March, 2003.

33. Share Option Scheme

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

Under the Old Scheme, the Board of Directors may offer the eligible participants options to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares and 90% of the average of the closing prices of the shares quoted on the Stock Exchange on the five trading days immediately after the preliminary announcement of the Group's annual results, subject to a maximum of 10% of the issued share capital of the Company from time to time. Consideration paid for each grant is HK\$1. The maximum entitlement of each eligible participant shall not exceed 25% of the aggregate number of ordinary shares in respect of options that may be granted under existing option schemes. Options granted are exercisable in stages within 5 years from the date of grant.

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

1. Purpose

- (a) The New Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions which the eligible participants have made or may make to the Group.
- (b) The New Scheme will provide the eligible participants an opportunity to have a personal stake in the Company with a view to achieving the following objectives:
 - (i) motivate the eligible participants to utilise their performance and efficiency for the benefit of the Group; and
 - (ii) attract and retain or otherwise maintain on-going relationship with the eligible participants whose contributions are or will be beneficial to the long term growth of the Group.

2. Eligible participants

- (a) The Board may at its discretion invite anyone belonging to any of the following classes of persons to take up options to subscribe for shares of the Company, subject to such conditions as the Board may think fit: any director (whether executive or non-executive or independent non-executive), employee (whether full time or part time), officer, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any invested entity and for the purpose of the New Scheme, the options may be granted to any corporation wholly-owned by any person mentioned in this paragraph.
- (b) The eligibility of any of the above persons to the grant of any option shall be determined by the Board from time to time on the basis of his contribution to the development and growth of the Group. The Company shall be entitled to cancel any option granted to a grantee but not exercised if such grantee fails to meet the eligibility criteria determined by the Board after an option is granted but before it is exercised.

33. Share Option Scheme - continued

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

(a) 10% limit

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

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

(b) 30% limit

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

4. Maximum entitlement of each participant

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

5. Performance target

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

6. Minimum period for which an option must be held

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

7. Price of shares

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

33. Share Option Scheme - continued

8. Amount payable upon acceptance of option

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

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

Date of grant	Subscription price per share	At 1.4.2002	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31.3.2003	Period during which share options outstanding at 31.3.2003 are exercisable	Price of Company's shares at exercise date of options
HK\$ (Note)									
Old Scheme									
25.7.1997	7.50	158,000	-	-	-	(158,000)	-	25.1.1998 to 24.7.2002	-
15.7.1998	4.14	666,000	-	(220,000)	(14,000)	-	432,000	15.1.1999 to 14.7.2003	6.03
7.7.1999	11.21	3,190,000	-	-	(70,000)	-	3,120,000	7.1.2000 to 6.7.2004	-
4.7.2000	9.56	3,542,000	-	-	(90,000)	-	3,452,000	4.1.2001 to 3.7.2005	-
17.7.2001	9.30	3,670,000	-	-	(110,000)	-	3,560,000	17.1.2002 to 16.7.2006	-
New Scheme									
27.8.2002	6.00	-	3,240,000	-	(10,000)	-	3,230,000	27.2.2003 to 26.8.2007	-
27.8.2002	6.00	-	22,000,000	-	-	-	22,000,000	27.8.2005 to 26.8.2010	-
		11,226,000	25,240,000	(220,000)	(294,000)	(158,000)	35,794,000		

Date of grant	Subscription price per share	At 1.4.2001	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	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
HK\$ (Note)									
Old Scheme									
25.7.1997	7.50	760,000	-	(602,000)	-	-	158,000	25.1.1998 to 24.7.2002	10.05
15.7.1998	4.14	1,152,000	-	(482,000)	(4,000)	-	666,000	15.1.1999 to 14.7.2003	10.08
7.7.1999	11.21	3,210,000	-	-	(20,000)	-	3,190,000	7.1.2000 to 6.7.2004	-
4.7.2000	9.56	3,640,000	-	(78,000)	(20,000)	-	3,542,000	4.1.2001 to 3.7.2005	10.61
17.7.2001	9.30	-	3,670,000	-	-	-	3,670,000	17.1.2002 to 16.7.2006	-
		8,762,000	3,670,000	(1,162,000)	(44,000)	-	11,226,000		

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

Total consideration received during the year from employees, including directors, for taking up the options granted was HK\$94 (2002: HK\$87).

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

34. Contingent Liabilities

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

- (a) performance bonds established amounting to approximately HK\$143.4 million (2002: HK\$156.2 million);
- (b) guarantees in lieu of utility deposits amounting to approximately HK\$0.3 million (2002: HK\$0.3 million).

The Company has given guarantees to banks in respect of general facilities granted to its subsidiaries and jointly controlled entities at 31 March, 2003 for general facilities amounting to approximately HK\$1,755.7 million (2002: HK\$1,205.7 million) and HK\$165.0 million (2002: HK\$125.3 million) respectively. The extent of such facilities utilised by the subsidiaries and jointly controlled entities at 31 March, 2003 amounted to approximately HK\$367.4 million (2002: HK\$374.8 million) and HK\$159.0 million (2002: HK\$125.2 million) respectively.

Pursuant to an agreement entered into with the Government ("the Hongkou Government") and the Education Authority of the Hongkou District, Shanghai, the PRC on 31 July, 2002, guarantees of no more than Rmb324 million will be granted by the Group to support bank borrowings arranged in the name of a company nominated by the Hongkou Government, as part of the financial arrangement for the site clearance work in relation to the development of a parcel of land. As at 31 March, 2003, no amount has been drawn down under this arrangement.

35. Related Party Transactions

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

Nature of transactions	2003 HK\$ million	2002 HK\$ million
Income received:		
Decoration work	-	0.6
Management and information system services	0.5	0.7
Project management services	11.8	0.9
Sales and marketing services	3.7	-
Cost and expenses paid:		
Rental expenses	0.6	0.5
Building management fee	0.1	1.0
Balance as at 31 March		
Amounts due to SOCL Group	0.1	0.9
Amounts due from SOCL Group	0.4	0.2

35. Related Party Transactions - continued

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

Nature of transactions	2003 HK\$ million	2002 HK\$ million
Income received:		
Interest income	7.6	2.7
Management fee	0.8	1.4
Sales of construction materials	0.2	0.4
Capital distribution from dissolution of a jointly controlled entity	15.3	-
Dividend income	1.0	1.0
Cost and expenses paid:		
Construction/subcontracting work	82.2	87.1
Supply of construction materials	13.0	41.5
Management and information system services	0.3	-
Balances as at 31 March		
Amounts due to jointly controlled entities	23.0	23.4
Amounts due from jointly controlled entities*	620.9	418.6
Interest receivable	-	0.7

* Included in the amounts due from jointly controlled entities are amounts of approximately HK\$268.6 million (2002: HK\$147.7 million), which are interest bearing and with no fixed repayment terms.

- (c) 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.
- (d) At the balance sheet date, the Group had amounts due from associates amounting to HK\$0.6 million (2002: HK\$0.1 million), which are interest free and repayable on demand.
- (e) During the year, the Group paid rental deposits to SOCL Group amounting to HK\$0.2 million (2002: HK\$0.1 million).
- (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 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, Rui Hong had paid Shanghai Ruichen a sum of RMB184.5 million (approximately HK\$172.4 million) during the year.

36. Particulars of Principal Subsidiaries

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

Name of subsidiary	Issued and fully paid share capital/ registered capital	Percentage of issued/ registered capital held by the Company		Principal activities
		Directly	Indirectly	
Construction and building maintenance business				
Pacific Extend Limited	10,000 ordinary shares of HK\$1 each	-	67%	Maintenance contractor
P.D. (Contractors) Limited	1,000,000 ordinary shares of HK\$1 each	-	94%	Renovation work
Pat Davie Limited	9,400,100 ordinary shares of HK\$1 each 100,000 non-voting deferred shares of HK\$10 each	-	94%	Interior decoration, fitting out, design and contracting
Pat Davie (China) Limited	2 ordinary shares of HK\$1 each	-	94%	Investment holding
Shui On Building Contractors Limited	117,000,100 ordinary shares of HK\$1 each 33,000,100 non-voting deferred shares of HK\$1 each 50,000 non-voting deferred shares of HK\$1,000 each	-	100%	Building construction and maintenance
Shui On Construction Company Limited	100 ordinary shares of HK\$1 each 69,000,000 non-voting deferred shares of HK\$1 each 1,030,000 non-voting deferred shares of HK\$100 each	-	100%	Building construction
Shui On Contractors Limited*	1 share of US\$1	100%	-	Investment holding
Sale of construction materials business				
Asia No.1 Material Supply Limited	100 ordinary shares of HK\$100 each 1,000 non-voting deferred shares of HK\$100 each	-	100%	Holding of a quarry right

36. Particulars of Principal Subsidiaries - continued

Name of subsidiary	Issued and fully paid share capital/ registered capital	Percentage of issued/ registered capital held by the Company		Principal activities
		Directly	Indirectly	
Sale of construction materials business - continued				
Billion Centre Company Limited	100 ordinary shares of HK\$1 each 2 non-voting deferred shares of HK\$1 each	-	100%	Holding of a land lease
Dynamic Mark Limited	100 ordinary shares of HK\$1 each 3,000,000 non-voting deferred shares of HK\$1 each	-	80%	Supply of metal gates
First Direction Limited	100 ordinary shares of HK\$1 each 2 non-voting deferred shares of HK\$1 each	-	100%	Property holding
Great Market Limited	100 ordinary shares of HK\$1 each 5 non-voting deferred shares of HK\$1 each	-	100%	Investment holding
Guangdong Ken On Concrete Co., Ltd. ^{†&}	Registered and paid up capital HK\$10,500,000	-	100%	Supply of ready-mixed concrete
Guangzhou Ken On Concrete Co., Ltd. ^{†&}	Registered and paid up capital HK\$18,393,943	-	100%	Supply of ready- mixed concrete
Guangdong Lamma Concrete Products Limited ^{†§}	Registered and paid up capital Rmb5,000,000	-	60%	Manufacture of precast concrete facade
Guang Rui Construction Materials (Panyu) Ltd. ^{†@}	Registered and paid up capital HK\$2,100,000	-	70%	Manufacture of panel walls
Instant Mortars Limited	2 ordinary shares of HK\$1 each	-	100%	Supply of ready- mixed mortars
Ken On Concrete Company Limited	11,000,000 ordinary shares of HK\$1 each	-	100%	Supply of ready-mixed concrete
Lamma Concrete Products Limited	10 ordinary shares of HK\$1 each	-	60%	Investment holding
Lamma Rock Products Limited	100 ordinary shares of HK\$10 each 3,500,000 non-voting deferred shares of HK\$10 each	-	100%	Investment holding
Panyu Dynamic Mark Steel & Aluminium Engineering Co. Ltd. ^{†@}	Registered and paid up capital HK\$4,000,000	-	64%	Steel fabrication

36. Particulars of Principal Subsidiaries - continued

Name of subsidiary	Issued and fully paid share capital/ registered capital	Percentage of issued/ registered capital held by the Company		Principal activities
		Directly	Indirectly	
Sale of construction materials business - continued				
Panyu Shui Fai Metal Works Engineering Company Limited ^{†@}	Registered and paid up capital HK\$9,000,000	-	55%	Manufacture of wallform and other metal works
Project Way Limited	2 ordinary shares of HK\$1 each	-	100%	Investment holding
Shui Fai Metal Works Engineering Company Limited	10,000 ordinary shares of HK\$1 each	-	55%	Sales and installation of wallform and other metal works
Shui On Building Materials Limited	100 ordinary shares of HK\$1 each 1,000,000 non-voting deferred shares of HK\$1 each	-	100%	Investment holding and sale of construction materials
Shui On Cement (Guizhou) Limited (formerly known as T.H. Cement (Guizhou) Company Limited)*	100 shares of US\$1 each	-	99%	Investment holding
Shui On Materials Limited*	1 share of US\$1	100%	-	Investment holding
Shui On Plant & Equipment Services Limited	1,611,000 ordinary shares of HK\$1 each 45,389,000 non-voting deferred shares of HK\$1 each	-	100%	Owning and leasing of plant and machinery and structural steel construction work
Shui On Rock Products Limited	2 ordinary shares of HK\$1 each	-	100%	Site formation
Silver Limited	2 ordinary shares of HK\$1 each	-	100%	Holding of a land lease
Xinhui Longkoushan Rock Products Limited ^{†@}	Registered and paid up capital US\$1,785,700	-	55%	Quarrying
Trading of building materials business				
Asia Materials Limited (formerly known as AsiaMaterials.com Limited)	2 ordinary shares of HK\$1 each	-	100%	Trading
AsiaMaterials International Trading (Shenzhen) Co., Ltd. ^{†§}	Registered and paid up capital HK\$1,000,000	-	100%	Trading
Asia Materials Holdings Limited [#]	1,000,000 shares of US\$1 each	100%	-	Investment holding

36. Particulars of Principal Subsidiaries - continued

Name of subsidiary	Issued and fully paid share capital/ registered capital	Percentage of issued/ registered capital held by the Company		Principal activities
		Directly	Indirectly	
Trading of building materials business - continued				
AsiaMaterials Technologies (Beijing) Co., Ltd. ^{†§}	Registered and paid up capital US\$150,000	-	100%	Trading
AsiaMaterials Technologies (Hangzhou) Co., Ltd. ^{†§}	Registered and paid up capital US\$200,000	-	100%	Trading
AsiaMaterials Technologies (Shenzhen) Co., Ltd. ^{†§}	Registered and paid up capital HK\$3,000,000	-	100%	Provision of technology services
AsiaMaterials Trading (Shanghai) Co., Ltd. ^{†§}	Registered and paid up capital US\$200,000	-	100%	Trading
Property development business				
Hollyfield Holdings Limited [†]	2 ordinary shares of US\$1 each	-	100%	Investment holding
Jade City International Limited	2 ordinary shares of HK\$1 each	-	100%	Property holding
Shanghai Rui Hong Xin Cheng Co. Ltd. ^{†@}	Registered and paid up capital Rmb467,000,000	-	99%	Property development
Property investment and others business				
Asia Trend Development Limited	2 ordinary shares of HK\$1 each	100%	-	Investment in securities
Billion Century Limited	2 ordinary shares of HK\$1 each	-	100%	Investment in securities
Casa Growth Limited*	1 share of US\$1	100%	-	Investment holding
Eventful Time Investments Limited*	1 share of US\$1	-	100%	Investment holding
Goldcrest Development Limited*	1 share of US\$1	100%	-	Investment holding
Jesca Limited	2 ordinary shares of HK\$1 each	100%	-	Investment holding
Kotemax Limited	2 ordinary shares of HK\$1 each	-	100%	Property holding
Kroner Investments Limited*	1 share of US\$1	100%	-	Investment holding
Landstar Development Limited	2 ordinary shares of HK\$1 each	-	100%	Investment holding
Guizhou Shui On Consulting Co., Ltd. ^{†§}	Registered and paid up capital US\$420,000	-	99%	Provision of consultancy services
Middleton Investments Limited [†]	2 ordinary shares of US\$1 each	-	99%	Investment holding

36. Particulars of Principal Subsidiaries - continued

Name of subsidiary	Issued and fully paid share capital/ registered capital	Percentage of issued/ registered capital held by the Company		Principal activities
		Directly	Indirectly	
Property investment and others business - continued				
Shui On Corporate Services Limited	2 ordinary shares of HK\$1 each	100%	-	Provision of secretarial services
Shui On Granpex Limited	2 ordinary shares of HK\$1 each	-	100%	Investment holding
Shui On Graceton Limited	2 ordinary shares of HK\$1 each	-	100%	Investment holding
Smartway Investment Limited [‡]	2 ordinary shares of US\$1 each	-	99%	Investment holding
SOCAM.com Limited	2 ordinary shares of HK\$1 each	-	100%	Provision of on-line services for internal procurement and project management
Sommerset Investments Limited [‡]	2 ordinary shares of US\$1 each	-	99%	Investment holding
Tinsley Holdings Limited [‡]	2 ordinary shares of US\$1 each	-	99%	Investment holding
Total Trend Investments Limited*	1 share of US\$1	100%	-	Investment holding
Top Bright Investments Limited [‡]	2 ordinary shares of US\$1 each	-	99%	Investment holding
Winway Holdings Limited [‡]	2 ordinary shares of US\$1 each	-	99%	Investment holding

Notes:

All these subsidiaries have no debt securities subsisting at the end of the year or at any time during the year.

* Incorporated in the British Virgin Islands

† Registered and operated in other regions of the PRC

‡ Incorporated in Mauritius

Incorporated in the Cayman Islands

§ Wholly foreign owned enterprises

@ Equity joint venture

& Cooperative joint venture

37. Particulars of Principal Associates

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

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

38. Particulars of Jointly Controlled Entities

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

Indirect jointly controlled entities	Issued and paid-up share capital/ registered capital	Effective percentage of issued capital held by the Group	Principal activities	Notes
Construction and building maintenance business				
Brisfull Limited	5,000,000 ordinary shares of HK\$1 each	50%	Sale and installation of aluminium window products	
City Engineering Limited	10,000 ordinary shares of HK\$1 each	50%	Installation of mould work	
Super Race Limited	420,000 ordinary shares of HK\$1 each	50%	Supply of sink units and cooking benches	
Sale of construction materials business				
Biella Enterprises Limited	5 ordinary shares of HK\$1 each	20%	Holding of a land lease	
Chongqing T.H. Cement Co. Ltd. ^{††}	Registered and paid up capital Rmb50,000,000	40%	Manufacture and sale of cement	2
Chongqing T.H. Diwei Cement Co. Ltd. ^{††}	Registered and paid up capital Rmb61,680,000	40%	Manufacture and sale of cement	2
Chongqing T.H. Special Cement Co. Ltd. ^{††}	Registered and paid up capital Rmb160,000,000	40%	Manufacture and sale of cement	2

38. Particulars of Jointly Controlled Entities - continued

Indirect jointly controlled entities	Issued and paid-up share capital/ registered capital	Effective percentage of issued capital held by the Group	Principal activities	Notes
Sale of construction materials business - continued				
Chongqing T.H. White Cement Co. Ltd. ^{†¶}	Registered and paid up capital US\$1,506,000	30%	Manufacture and sale of cement	2
Guizhou Dingxiao Shui On Cement Co. Ltd. (formerly known as Guizhou Dingxiao T.H. Cement Company Ltd.) ^{†¶}	Registered and paid up capital Rmb56,000,000	89%	Manufacture and sale of cement	1 and 2
Guizhou Kaili Shui On Cement Co. Ltd. (formerly known as Guizhou Kaili T.H. Cement Company Ltd.) ^{†¶}	Registered and paid up capital Rmb60,000,000	89%	Manufacture and sale of cement	1 and 2
Guizhou Xinpu Shui On Cement Co. Ltd. ^{†¶}	Registered and paid up capital Rmb60,000,000	79%	Manufacture and sale of cement	1 and 2
Guizhou Xishui Shui On Cement Co. Ltd. (formerly known as Guizhou Xishui T.H. Cement Company Ltd.) ^{†¶}	Registered capital Rmb42,800,000 paid up capital Rmb40,120,000	89%	Manufacture and sale of cement	1 and 2
Guizhou Yuqing T. H. Cement Co. Ltd. ^{†¶}	Registered and paid up capital Rmb12,500,000	79%	Manufacture and sale of cement	1 and 2
Guizhou Zunyi Shui On Cement Co. Ltd. (formerly known as Guizhou Zunyi T.H. Cement Company Ltd.) ^{†¶}	Registered and paid up capital Rmb92,000,000	79%	Manufacture and sale of cement	1 and 2
Lamma Yue Jie Company Limited	10,000 ordinary shares of HK\$1 each	60%	Trading of construction materials	
Nanjing Jiangnan Cement Company Ltd. ^{†¶}	Registered and paid up capital Rmb120,000,000	60%	Manufacture and trading of cement	1 and 2
Shenzhen Lamma Yue Jie Concrete Products Co. Ltd. ^{†¶}	Registered capital Rmb5,000,000 Paid up capital Rmb3,000,000	60%	Manufacture of precast concrete facade	1
Shui On (Panyu) Stainless Steel & Aluminium Products Company Limited ^{†¶}	Registered and paid up capital HK\$2,000,000	50%	Manufacture and trading of stainless steel and aluminium products	1 and 2

38. Particulars of Jointly Controlled Entities - continued

Indirect jointly controlled entities	Issued and paid-up share capital/ registered capital	Effective percentage of issued capital held by the Group	Principal activities	Notes
Sale of construction materials business - continued				
Shui On Sumicem Consulting Limited	100,000 ordinary shares of HK\$1 each	50%	Consultancy services	
Sichuan Hejiang T. H. Cement Co. Ltd. ^{†¶}	Registered and paid up capital Rmb12,500,000	89%	Plant under construction	1 and 2
TH Industrial Management Limited*	2,740 ordinary shares of US\$1 each	50%	Investment holding	2
Other business				
The Yangtze Ventures Limited [‡]	1,000 ordinary shares of HK\$0.1 each	65.5%	Investment fund	2

* Incorporated in the Bahamas

† Registered and operated in other regions of the PRC

‡ Incorporated in the Cayman Islands

¶ Equity joint venture

Notes:

1. The Group is under contractual arrangements to jointly control these entities with PRC partners. Accordingly, the Directors consider they are jointly controlled entities.
2. The results of these jointly controlled entities are accounted for by the Group based on their financial statements made up to 31 December, 2002.

Particulars of Properties

Properties held by the Group as at 31 March, 2003 are as follows:

Location	Use	Approx. floor area (Sq. metres)	Lease term	Group's interest	Stage of completion	Anticipated completion
(A) PROPERTIES HELD AS PROPERTY,						
PLANT AND EQUIPMENT						
Section A of Lot No.609, Lot Nos. 610 and 611, Section F of Lot No. 612 in Demarcation District No.85, Fanling, New Territories	Workshop and storage	2,599	Medium	100%	N/A	N/A
Section B and the Remaining Portion of Lot No.1477 in Demarcation District No.77, Ping Che, Fanling, New Territories	Workshop and storage	1,796	Medium	100%	N/A	N/A
(B) INVESTMENT PROPERTY						
Kwun Tong Inland Lot No.43 54 - 56 Tsun Yip Street Kwun Tong, Kowloon	Industrial/ godown	19,723	Medium	100%	N/A	N/A
(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	3,538	Medium	100%	N/A	N/A
(D) PROPERTY UNDER DEVELOPMENT						
Land No. 149/1, Xin Gang Road, Hong Kou District Shanghai, PRC	Residential Commercial Carparking Club house	187,195 32,216 17,608 2,901	Long	99%	Super- structure in progress	Stage I - March 2004

Group Financial Summary

1. RESULTS

	For the year ended 31 March,				
	1999 HK\$ million	2000 HK\$ million	2001 HK\$ million	2002 HK\$ million	2003 HK\$ million
Turnover	5,376.0	5,985.2	5,556.1	3,757.2	2,311.3
Operating profit (loss)					
before taxation	443.9	576.6	567.3	117.4	(75.2)
Share of results of associates/jointly controlled entities	39.6	35.2	30.8	5.0	30.6
Profit (loss) from ordinary activities before taxation	483.5	611.8	598.1	122.4	(44.6)
Taxation	(74.4)	(102.1)	(80.7)	(20.5)	(2.7)
Profit (loss) before minority interests	409.1	509.7	517.4	101.9	(47.3)
Minority interests	(0.8)	(6.6)	(9.1)	2.4	0.2
Profit (loss) attributable to shareholders	408.3	503.1	508.3	104.3	(47.1)

2. ASSETS AND LIABILITIES

	As at 31 March,				
	1999 HK\$ million	2000 HK\$ million	2001 HK\$ million	2002 HK\$ million	2003 HK\$ million
Total assets	3,291.6	4,288.6	5,163.5	2,825.9	3,244.1
Total liabilities	(1,832.5)	(2,710.0)	(3,553.4)	(1,467.9)	(2,004.6)
Minority interests	(17.8)	(23.4)	(28.0)	(27.4)	(26.1)
Shareholders' funds	1,441.3	1,555.2	1,582.1	1,330.6	1,213.4

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 II and III, Grand Hyatt, 1 Harbour Road, Hong Kong, on Tuesday, 2 September 2003 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 2003.
2. To elect Directors and fix their remuneration.
3. To re-appoint Auditors and authorise the Directors to fix their remuneration.
4. 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."
- (IV) "THAT pursuant to Clause 6.2 of the share option scheme ("Scheme") adopted by the Company on 27 August 2002, approval be and is hereby generally and unconditionally granted for "refreshing" the 10% limit under the Scheme provided that (i) the total number of shares of HK\$1.00 each in the capital of the Company which may be issued upon the exercise of all options to be granted under the Scheme and any other share option schemes of the Company under the limit as "refreshed" hereby shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution and (ii) options previously granted under the Scheme and any other share option schemes of the Company (including options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Scheme or any other share option schemes of the Company) shall not be counted for the purpose of calculating the 10% limit as "refreshed" hereby."

By Order of the Board
Tam Ching Wah, Janice
Company Secretary

Hong Kong, 21 July 2003

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, 26 August 2003 to Tuesday, 2 September 2003, 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 and a Circular containing further details regarding Ordinary Resolution IV above will be sent to members together with the 2002/2003 Annual Report.