



Lo Hong Sui,  
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Chairman

## Results

I am pleased to report that Shui On Construction and Materials Limited (SOCAM) has achieved healthy profitability for the year ended 31 March 2001. The Group's profit attributable to shareholders rose to HK\$508 million, an increase of 1% over that of the 1999/2000 financial year, representing earnings per share of HK\$1.93, an increase of 0.5% over the previous year. Turnover amounted to HK\$5,556 million, down 7% from the year before.

## Dividends

The Directors recommend the payment of a final dividend of HK\$1.2 per share to shareholders whose names appear on the Register of Members of the Company on 21 August 2001. This, together with the interim dividend of HK\$0.6 per share already paid, yields a total of HK\$1.8 per share for the year.

## Business Review

With effective cost control, SOCAM's operations maintained healthy profitability in the year under review despite unfavourable conditions in the construction and construction related industries in Hong Kong.

The number of construction projects available for tendering from the Hong Kong Housing Authority (HKHA) declined, resulting in increased competition and slimmer margins. Nevertheless, SOCAM's construction division managed to lower costs and improve profit margins steadily through the adoption of innovative techniques and technologies as well as improvements in environmental protection and safety management.

SOCAM.com was launched in December 2000 to enhance the Group's operational processes such as tendering, procurement and project management. All tenders for the supply of goods and subcontracting of works for our construction projects were put on the web for bidding by registered members. By June 2001, our unique web-based Electronic Project Management System had been implemented in seven of our construction projects. Significant savings will be achieved when these applications are fully integrated into our operations, further improving our competitiveness in the market.





Shui On Construction Company Limited (SOC) and Shui On Building Contractors Limited (SOBC) scored two “firsts” during the year. They were the first companies in Hong Kong awarded ISO 14001 certification for environmental management system by the China National Accreditation Committee for Environmental System Certification Bodies, as well as the Occupational Health and Safety Assessment Series (OHSAS) 18001 certification by the Hong Kong Quality Assurance Agency.

During the year, SOCAM continued to win numerous prestigious industry awards in safety and health, including:

- Nine awards under the Good Housekeeping Plan, organized by the Occupational Safety and Health Council
- Three Best Building Works Site Awards and five Best Safety Team Awards from the Labour Department
- Two Considerate Contractor Site Awards from the Works Bureau
- Two Low Accident Achievement Target Awards by the Hong Kong Construction Association

Our high standards and strong capabilities have enabled us to enter the HKHA's Premier League and become one of the Authority's strategic partners in pursuit of construction excellence. Our achievements also put us in a strong position in other areas of the public sector and we will strive to secure more construction projects from the Architectural Services Department and major institutions in Hong Kong.

As the HKHA puts greater emphasis on building maintenance, we have set up a joint venture company to tap further into this growing market. In March 2001, the HKHA awarded us the status of Quality Maintenance Contractor, which is not only a strong endorsement of our efforts in fostering a quality and customer service culture in the maintenance industry, but also gives us more tendering opportunities in future HKHA maintenance contracts.

In line with our long-term commitment to development and growth, SOCAM launched AsiaMaterials.com — a B2B trading portal that offers one-stop services for buyers and suppliers in the building and home improvement materials

industries — to capture the vast opportunities in the information age. The online trading platform is complemented by a global network of product specialists at our off-line AsiaMaterials Business Centres (ABCs) to provide total solutions to customers. AsiaMaterials.com has set up six ABCs in the Chinese Mainland and more will be opened in the United States, Europe, the Asia Pacific region as well as the Chinese Mainland to further strengthen our global network.

The Hong Kong market for our Construction Materials Division continued to decline with falling margins and volume, but recently, the deterioration in the trading environment has slowed down. Competition, however, remains fierce.

On the other hand, there was an increasing demand for high quality construction materials in the central and western regions of the Chinese Mainland. The TH Cement joint venture is already a major supplier of high quality cement in Chongqing, China's fourth direct municipality and soon to become the economic and financial centre of Southwest China. In a move to further expand our cement operation, SOCAM has established a joint venture with a cement plant with annual production capacity of 300,000 tonnes in Zunyi City of Guizhou Province, which is located in the south-western part of the Mainland near Chongqing. Both Chongqing and Guizhou are of strategic importance in the Central Government's plan to open up and develop the central and western regions.

## Outlook

After carefully reviewing the many business opportunities available to SOCAM, we have set our long-term development plans focusing on five major growth areas. Excellent progress has already been made.

### Quality Housing Development in the Mainland

As the Hong Kong market will likely remain difficult in the near term, we will expand into fast-growing markets in the Chinese Mainland. The enthusiastic response from home purchasers for Bauhinia Garden, our Private Sector Participation Scheme (PSPS) project in Tseung Kwan O in Hong Kong, provides a strong testimony to SOCAM's capability as a property developer. In the coming years, we will systematically expand into the quality housing development market in key Mainland cities, our first major undertaking being Rui Hong Xin Cheng (RHXC), a large-scale domestic residential development project in Shanghai. The proposed investment in RHXC was passed unanimously at a Special General Meeting on 13 June, 2001.

Rui Hong Xin Cheng in Shanghai will offer more than 16,000 residential units over the next 10 years.

