

Notes to the Financial Statements

For the year ended 31 March, 2005

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. Early Adoption of Hong Kong Financial Reporting Standards

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") which are effective for accounting periods beginning on or after 1 January, 2005, except for HKFRS 3 Business Combinations. HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1 January, 2005. The Group has not entered into any business combination for which the agreement date is on or after 1 January, 2005. Therefore, HKFRS 3 did not have any impact on the Group for the year ended 31 March, 2005.

The Group has adopted early the following HKFRSs in the preparation of the financial statements for the year ended 31 March, 2005.

Hong Kong Accounting Standard 40 ("HKAS 40")	Investment Property
Hong Kong Accounting Standard	Income Taxes — Recovery of
Interpretation 21 ("HKAS — Int 21")	Revaluated Non-Depreciable Assets

In prior years, 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.

Following the adoption of HKAS 40 and HKAS — Int 21 as set out in note 3, changes in fair value of investment properties are included in the consolidated income statement and deferred tax is provided on the basis that the carrying amounts of investment properties will be recovered through use.

As a result of the adoption of these accounting policies, the Group's profit for the year has been increased by HK\$93.1 million. The adoption of HKAS 40 and HKAS — Int 21 has had no material effect on the results for the prior accounting periods and accordingly, no prior period adjustment has been required.

The Group has already commenced an assessment of the impact of the other new HKFRSs which have not been adopted early by the Group. The Group is not yet in a position to state whether the remaining HKFRSs would have significant impact.

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.

3. Significant Accounting Policies - continued

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.

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.

3. Significant Accounting Policies - continued

Negative goodwill - continued

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.

Development properties

Income from properties developed for sale, where there are no pre-sales prior to completion of the development, is recognised on the execution of a binding sales agreement entered into subsequent to the completion of the development.

Income from properties under pre-sale arrangements prior to completion of the development is recognised on the execution of a binding sales agreement or when the relevant completion certificates are issued by the respective government authorities, whichever is the later. Payments received from the purchasers prior to this stage are recorded as customer's deposits received on sale of properties and presented as current liabilities.

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.

Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are stated at fair value based on professional valuations at the balance sheet date. Gains or losses arising from changes in the fair value of investment properties are recognised in the consolidated income statement.

3. Significant Accounting Policies - continued

Property, plant and equipment

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

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 PRC held under medium-term leases	Over the term of the lease
Leasehold land	
Buildings	2.5%
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.

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

Any increase arising on the revaluation of land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the 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.

Properties under development which are due for completion more than one year from the balance sheet date are shown as non-current assets.

Properties under development which are due for completion within one year from the balance sheet date and are intended to be held for the long term for their investment potential are shown as non-current assets.

Properties under development which are due for completion within one year from the balance sheet date and are intended to be held for sale are shown as current assets.

Investments in subsidiaries

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

3. Significant Accounting Policies - continued

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 the negative goodwill in so far as it has not already been released to income, 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 recorded at cost.

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

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

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

Club debentures

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

3. Significant Accounting Policies - continued

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 income statement by reference to the stage of completion of the contract activity at the balance sheet date on the same basis as the contract revenue recognised.

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. Amounts billed for work performed but not yet paid by the customers are included in the balance sheet under debtors, deposits and prepayments.

Borrowing costs

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

All other borrowing costs are recognised 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.

3. Significant Accounting Policies - continued

Impairment - continued

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

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

3. Significant Accounting Policies - continued

Foreign currencies - continued

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.

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, 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.

Notes to the Financial Statements

For the year ended 31 March, 2005

4. Business and Geographical Segments - continued

Business segments - continued

Segment information about these businesses is presented below.

2005	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	1,855.2	240.7	124.9	1.6	10.0	—	2,232.4
Inter-segment sales	1.6	19.0	—	—	0.2	(20.8)	—
Group turnover	1,856.8	259.7	124.9	1.6	10.2	(20.8)	2,232.4
Share of jointly controlled entities	40.3	800.4*	—	—	15.3	—	856.0
Total	1,897.1	1,060.1	124.9	1.6	25.5	(20.8)	3,088.4

Inter-segment sales are charged at mutually agreed prices.

* This includes the Group's effective share of turnover of jointly controlled entities in respect of the cement operations in Chongqing and Guizhou (HK\$668.3 million) and Nanjing (HK\$62.3 million).

RESULTS

Segment results	19.7	(93.7)	(18.7)	13.7	(25.8)	—	(104.8)
Interest income							7.9
Loss from operations							(96.9)
Finance costs							(16.4)
Gain on disposal of subsidiaries	—	25.9	—	345.7	—		371.6
Share of results of jointly controlled entities							
Cement operations in							
— Chongqing and Guizhou	—	1.3	—	—	—		1.3
— Nanjing	—	(43.1)	—	—	—		(43.1)
Venture capital investments	—	—	—	—	221.4		221.4
Others	(6.1)	(7.3)	—	—	—		(13.4)
							166.2
Share of results of associates							
— Property development in the PRC	—	—	—	97.0	—		97.0
Profit before taxation							521.5
Taxation							(35.7)
Profit before minority interests							485.8

Notes to the Financial Statements

For the year ended 31 March, 2005

4. Business and Geographical Segments - continued

Business segments - continued

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	484.1	272.3	23.7	1.0	80.9	—	862.0
Amounts due from jointly controlled entities	38.0	355.8	—	—	98.1	—	491.9
Interests in jointly controlled entities/associates	31.8	673.3	—	1,713.8	225.1	—	2,644.0
Inter-segment receivables	783.5	45.2	7.9	—	2,575.1	(3,411.7)	—
Unallocated assets							7.3
Consolidated total assets							4,005.2
LIABILITIES							
Segment liabilities	671.7	33.1	3.9	—	26.0	—	734.7
Amounts due to jointly controlled entities	6.4	13.0	—	—	4.7	—	24.1
Inter-segment payables	162.9	1,350.9	130.1	1,255.9	511.9	(3,411.7)	—
Unallocated liabilities							1,259.6
Consolidated total liabilities							2,018.4
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	1.1	4.7	0.4	—	1.2		7.4
Depreciation and amortisation	0.9	29.8	2.5	—	1.5		34.7
Release of negative goodwill	—	(0.2)	—	—	—		(0.2)
Other non-cash expenses	1.3	7.6	—	—	7.3		16.2

Notes to the Financial Statements

For the year ended 31 March, 2005

4. Business and Geographical Segments - continued

Business segments - continued

2004	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	2,439.7	305.9	150.6	679.5	15.2	—	3,590.9
Inter-segment sales	—	125.4	7.7	—	0.3	(133.4)	—
Group turnover	2,439.7	431.3	158.3	679.5	15.5	(133.4)	3,590.9
Share of jointly controlled entities	48.7	676.4*	—	—	—	—	725.1
Total	2,488.4	1,107.7	158.3	679.5	15.5	(133.4)	4,316.0

Inter-segment sales are charged at mutually agreed prices.

* This includes the Group's effective share of turnover of jointly controlled entities in respect of the cement operations in Chongqing and Guizhou (HK\$570.4 million) and Nanjing (HK\$73.5 million).

RESULTS

Segment results	5.7	(102.0)	(8.2)	211.5	60.4**	—	167.4
Interest income							8.7
Profit from operations							176.1
Finance costs							(10.3)
Share of results of jointly controlled entities							
Cement operations in							
— Chongqing and Guizhou	—	41.9	—	—	—		41.9
— Nanjing	—	(7.0)	—	—	—		(7.0)
Others	0.8	(3.2)	—	—	1.7		(0.7)
							34.2
Profit before taxation							200.0
Taxation							(49.4)
Profit before minority interests							150.6

** This comprises mainly profit on disposal of other investments (HK\$37.9 million), revaluation increase on an investment property (HK\$17.0 million) and profit from letting of the investment property (HK\$6.6 million).

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For the year ended 31 March, 2005

4. Business and Geographical Segments - continued

Business segments - continued

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	490.7	403.0	52.0	1,461.9	177.6	—	2,585.2
Amounts due from jointly controlled entities	28.1	270.7	—	—	41.0	—	339.8
Interests in jointly controlled entities/associates	16.5	720.8	—	—	68.8	—	806.1
Inter-segment receivables	812.9	56.9	8.6	—	2,027.3	(2,905.7)	—
Unallocated assets							7.2
Consolidated total assets							3,738.3
LIABILITIES							
Segment liabilities	586.4	108.1	7.4	112.3	18.6	—	832.8
Amounts due to jointly controlled entities	10.0	4.4	—	—	5.0	—	19.4
Inter-segment payables	176.9	1,229.8	119.5	849.4	530.1	(2,905.7)	—
Unallocated liabilities							1,470.3
Consolidated total liabilities							2,322.5
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	0.7	20.4	—	0.8	0.3		22.2
Depreciation and amortisation	1.0	35.8	2.9	0.3	2.0		42.0
Release of negative goodwill	—	(0.1)	—	—	—		(0.1)
Other non-cash expenses	—	0.4	—	—	—		0.4

Notes to the Financial Statements

For the year ended 31 March, 2005

4. Business and Geographical Segments - continued

Geographical segments

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

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

	Turnover by geographical markets		Contribution to (loss) profit from operations	
	2005 HK\$ million	2004 HK\$ million	2005 HK\$ million	2004 HK\$ million
Hong Kong	2,096.5	2,694.0	(76.9)	(20.1)
Other regions in the PRC	135.9	896.9	(27.9)	187.5
	2,232.4	3,590.9	(104.8)	167.4
Interest income			7.9	8.7
(Loss) profit from operations			(96.9)	176.1

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and site establishment expenditure 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	
	2005 HK\$ million	2004 HK\$ million	2005 HK\$ million	2004 HK\$ million
Hong Kong	988.8	1,071.1	7.4	14.4
Other regions in the PRC	3,016.4	2,667.2	—	7.8
	4,005.2	3,738.3	7.4	22.2

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5. Other Operating Income

Included in other operating income is as follows:

	2005 HK\$ million	2004 HK\$ million
Interest income	7.9	8.7
Dividends from investments in securities		
— listed	0.5	1.0
— unlisted	1.1	1.9
Dividends from convertible redeemable participating preference shares	8.7	—
Commitment fee for subscription of convertible redeemable participating junior preference shares	5.3	—
Gain on disposal of property, plant and equipment	—	2.4

6. (Loss) Profit from Operations

	2005 HK\$ million	2004 HK\$ million
(Loss) profit from operations has been arrived at after charging (crediting):		
Depreciation and amortisation:		
Property, plant and equipment	30.2	38.2
Site establishment expenditure	4.5	3.8
	34.7	42.0
Auditors' remuneration	2.2	2.2
Operating lease payments in respect of rented premises	25.1	30.6
Loss on disposal of property, plant and equipment	1.3	—
Impairment loss on property, plant and equipment	7.6	—
Write-off of site establishment expenditure	—	0.4
Staff costs (including directors' emoluments):		
Salaries and allowances	284.3	337.4
Retirement benefits cost	13.3	25.8
Less: Amount capitalised to property under development	—	(2.8)
	297.6	360.4
Release of negative goodwill (included in other expenses)	(0.2)	(0.1)
Gross rental revenue from an investment property and car park spaces	(5.4)	(14.2)
Less: Related outgoings	1.8	3.0
Net rental income	(3.6)	(11.2)

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7. Finance Costs

	2005 HK\$ million	2004 HK\$ million
Interest on bank loans and overdrafts and other loans wholly repayable within 5 years	16.4	18.4
Other borrowing costs	—	0.8
	16.4	19.2
Less: Amount capitalised to property under development	—	(8.9)
	16.4	10.3

8. Discontinuing Operations

(a) Asia Materials Limited (“AML”)

The Group decided on 16 December, 2004 to terminate the operation of AML. The closure process is expected to be completed in the third quarter of 2005. The loss resulting from the closure is estimated to be about HK\$4 million. The results of the operation were included under “Trading of building materials” in the segmental information as set out in note 4 above.

The results of AML for the year, which have been included in the consolidated financial statements, were as follows:

	2005 HK\$ million	2004 HK\$ million
Turnover	124.9	158.3
Other operating income	1.5	0.9
Changes in inventories of finished goods and work in progress	(2.7)	(0.2)
Raw materials and consumables used	(115.9)	(144.2)
Staff costs	(14.4)	(13.1)
Depreciation and amortisation expenses	(2.5)	(2.9)
Other operating expenses	(8.9)	(6.7)
Finance costs	(1.2)	(1.0)
Loss before taxation	(19.2)	(8.9)
Taxation	—	—
Loss after taxation	(19.2)	(8.9)

During the year, AML had HK\$15.9 million (2004: HK\$20.3 million) net operating cash outflows, received HK\$1.0 million (2004: HK\$0.5 million) in respect of investing activities, and paid HK\$6.3 million (2004: received HK\$25.9 million) in respect of financing activities.

The carrying amounts of the assets and liabilities of AML as at 31 March, 2005 are HK\$31.4 million and HK\$142.5 million respectively.

Notes to the Financial Statements

For the year ended 31 March, 2005

8. Discontinuing Operations - continued

(b) Xinhui Longkoushan Rock Products Limited ("Xinhui Ltd.")

Xinhui Ltd. held a licence for the quarry at Xinhui in the PRC which expired in June 2004. Management decided not to continue with the operation of the quarry after the expiration of the licence. The closure was completed in December 2004. The loss resulting from the closure was HK\$12.7 million. The results of the operation were included under "Sale of construction materials" in the segmental information as set out in note 4 above.

The results of Xinhui Ltd. for the year, which have been included in the consolidated financial statements, were as follows:

	2005 HK\$ million	2004 HK\$ million
Turnover	5.2	13.8
Changes in inventories of finished goods and work in progress	(3.6)	—
Raw materials and consumables used	(4.4)	(7.6)
Staff costs	(2.2)	(2.0)
Depreciation and amortisation expenses	(1.6)	(3.2)
Other operating expenses	(15.8)	(4.9)
Loss before taxation	(22.4)	(3.9)
Taxation	—	—
Loss after taxation	(22.4)	(3.9)

During the year, Xinhui Ltd. had HK\$7.8 million (2004: HK\$1.9 million) net operating cash outflows, received HK\$2.9 million (2004: nil) in respect of investing activities, and paid HK\$1.4 million (2004: received HK\$4.5 million) in respect of financing activities.

The carrying amounts of the assets and liabilities of Xinhui Ltd. as at 31 March, 2005 are HK\$2.0 million and HK\$24.6 million respectively.

9. Directors' Emoluments

	2005 HK\$ million	2004 HK\$ million
Fees		
Executive directors	0.1	0.1
Non-executive directors	0.2	—
Independent non-executive directors	0.4	0.1
Other emoluments		
Executive directors		
Salaries and allowances	13.0	9.5
Retirement benefits cost	1.1	0.9
Others	—	0.5
	14.8	11.1

Notes to the Financial Statements

For the year ended 31 March, 2005

9. Directors' Emoluments - continued

The emoluments of the directors were within the following bands:

Emolument bands	2005 Number of directors	2004 Number of directors
HK\$0 — HK\$1,000,000	7	6
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	1	1
HK\$3,000,001 — HK\$3,500,000	1	1
HK\$4,500,001 — HK\$5,000,000	1	—
	11	10

10. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, three (2004: three) are executive directors of the Company whose emoluments are included in the disclosures in note 9 above. The emoluments of the remaining two (2004: two) individuals in 2005 were as follows:

	2005 HK\$ million	2004 HK\$ million
Salaries and allowances	4.5	4.0
Retirement benefits cost	0.4	0.3
	4.9	4.3

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

Emolument bands	2005 Number of employees	2004 Number of employees
HK\$2,000,001 — HK\$2,500,000	1	1
HK\$2,500,001 — HK\$3,000,000	1	1
	2	2

Notes to the Financial Statements

For the year ended 31 March, 2005

11. Taxation

	2005 HK\$ million	2004 HK\$ million
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	3.5	0.3
Income tax of other regions in the PRC	0.3	46.2
	3.8	46.5
Deferred taxation	(2.6)	0.6
Taxation attributable to the Company and its subsidiaries	1.2	47.1
Share of taxation attributable to jointly controlled entities		
Hong Kong Profits Tax	—	0.2
Income tax of other regions in the PRC	2.6	2.1
	2.6	2.3
Share of taxation attributable to associates		
Income tax of other regions in the PRC	31.9	—
	35.7	49.4

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) on the estimated assessable profits for the year.

Profits tax outside Hong Kong is calculated at the rates prevailing in the respective jurisdictions.

Details of the deferred taxation are set out in note 30.

Notes to the Financial Statements

For the year ended 31 March, 2005

11. Taxation - continued

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

	2005 HK\$ million	2004 HK\$ million
Profit before taxation	521.5	200.0
Tax at Hong Kong Profits Tax rate of 17.5% (2004: 17.5%)	91.3	35.0
Effect of different tax rates of jointly controlled entities operating in other jurisdictions	(26.5)	2.3
Effect of share different tax rates of tax of associates operating in other jurisdictions	14.9	—
Effect of different tax rates on operations in other jurisdictions	(1.0)	(0.1)
Tax effect of expenses not deductible for tax purposes	3.2	9.3
Tax effect of income not taxable for tax purposes	(70.8)	(11.1)
Tax effect on tax losses not recognised	28.3	15.3
Tax effect on utilisation of tax losses previously not recognised	(3.8)	(0.2)
Others	0.1	(1.1)
Tax charge for the year	35.7	49.4

12. Dividends

	2005 HK\$ million	2004 HK\$ million
Dividends, paid		
Final dividend in respect of year 2003/2004: HK\$0.275 per share (2002/2003: nil)	73.7	—
Interim dividend in respect of year 2004/2005: HK\$0.3 per share (2003/2004: nil)	80.8	—
	154.5	—
Proposed final dividend in respect of year 2004/2005 at HK\$0.3 per share (2003/2004: HK\$0.275 per share)	80.8	73.7

The final dividend in respect of 2004/2005 of HK\$0.3 per share has been proposed by the directors and is subject to approval by shareholders at the annual general meeting.

Notes to the Financial Statements

For the year ended 31 March, 2005

13. Earnings Per Share

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

	2005 HK\$ million	2004 HK\$ million
Earnings for the purposes of basic earnings per share	482.9	147.7
Effect of dilutive potential ordinary shares of an associate:		
Dividend income on convertible redeemable participating preference shares	(8.7)	—
Adjustment to the share of results of an associate based on dilution of its earnings per share	(27.6)	—
Earnings for the purposes of diluted earnings per share	446.6	147.7
	Million	Million
Weighted average number of ordinary shares for the purposes of basic earnings per share	268.5	266.2
Effect of dilutive potential ordinary shares:		
Share options	6.6	5.0
Weighted average number of ordinary shares for the purposes of diluted earnings per share	275.1	271.2

14. Investment Property

	2005 HK\$ million	2004 HK\$ million
THE GROUP		
At the beginning of the year	140.0	123.0
Revaluation increase	—	17.0
Disposal	(140.0)	—
At the end of the year	—	140.0

On 15 September, 2004, the Group entered into a sale and purchase agreement with an independent third party to dispose of the investment property. The transaction was completed in November 2004. A loss of HK\$6.5 million has been recognised in the consolidated income statement. Details of this transaction have been set out in a circular of the Company dated 24 September, 2004.

Notes to the Financial Statements

For the year ended 31 March, 2005

15. 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	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, 2004	50.0	5.9	329.5	36.6	50.2	472.2
Additions	—	—	3.3	2.0	1.5	6.8
Disposals	—	(0.6)	(128.2)	(8.8)	(14.7)	(152.3)
Disposal of subsidiaries	—	—	(118.1)	(13.3)	(7.9)	(139.3)
Revaluation increase	5.3	—	—	—	—	5.3
At 31 March, 2005	55.3	5.3	86.5	16.5	29.1	192.7
Comprising:						
At valuation — 2005	55.3	—	—	—	—	55.3
At cost	—	5.3	86.5	16.5	29.1	137.4
	55.3	5.3	86.5	16.5	29.1	192.7
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 April, 2004	—	2.4	230.0	28.5	43.1	304.0
Charge for the year	1.2	0.3	22.1	2.3	4.3	30.2
Impairment loss	—	—	6.6	0.9	0.1	7.6
Eliminated on disposals	—	(0.3)	(121.3)	(8.0)	(13.5)	(143.1)
Eliminated on disposal of subsidiaries	—	—	(58.6)	(11.5)	(6.3)	(76.4)
Adjustment upon valuation	(1.2)	—	—	—	—	(1.2)
At 31 March, 2005	—	2.4	78.8	12.2	27.7	121.1
NET BOOK VALUES						
At 31 March, 2005	55.3	2.9	7.7	4.3	1.4	71.6
At 31 March, 2004	50.0	3.5	99.5	8.1	7.1	168.2

Notes to the Financial Statements

For the year ended 31 March, 2005

15. Property, Plant and Equipment - continued

The directors have conducted a review of the Group's assets at 31 March, 2005 and determined that certain plant and machinery, motor vehicles and equipment were impaired, due to obsolescence. Accordingly, an impairment loss of HK\$7.6 million (2004: nil) has been recognised in the consolidated income statement.

Notes:

- (i) The land and buildings in Hong Kong held under medium-term leases have been revalued on 31 March, 2005 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 their carrying value is insignificant and the directors are of the opinion that their carrying value approximates 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\$28.9 million (2004: HK\$29.7 million).

	Motor vehicles HK\$ million	Equipment, furniture and other assets HK\$ million	Total HK\$ million
THE COMPANY			
AT COST			
At 1 April, 2004	1.8	9.7	11.5
Additions	1.2	0.1	1.3
Disposals	(0.1)	—	(0.1)
At 31 March, 2005	2.9	9.8	12.7
ACCUMULATED DEPRECIATION			
At 1 April, 2004	1.5	9.1	10.6
Charge for the year	0.3	0.4	0.7
Eliminated on disposals	(0.1)	—	(0.1)
At 31 March, 2005	1.7	9.5	11.2
NET BOOK VALUES			
At 31 March, 2005	1.2	0.3	1.5
At 31 March, 2004	0.3	0.6	0.9

Notes to the Financial Statements

For the year ended 31 March, 2005

16. Property under Development

	Land costs HK\$ million	Development costs HK\$ million	Total HK\$ million
THE GROUP			
At 1 April, 2004	520.3	288.9	809.2
Additions	—	43.6	43.6
Disposals	(520.3)	(332.5)	(852.8)
At 31 March, 2005	—	—	—

The property under development, which represented the property development project Rui Hong Xin Cheng (also known as the Rainbow City) situated in the Hongkou District, Shanghai, the PRC held under a long term lease, was disposed of during the year.

Details of the transaction relating to the disposal of the project are set out in note 36(a).

17. Negative Goodwill

	THE GROUP HK\$ million
GROSS AMOUNT	
At 1 April, 2004 and 31 March, 2005	(0.8)
RELEASED TO INCOME	
At 1 April, 2004	0.2
Released during the year	0.1
At 31 March, 2005	0.3
CARRYING AMOUNT	
At 31 March, 2005	(0.5)
At 31 March, 2004	(0.6)

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.

18. Interests in Subsidiaries

	THE COMPANY	
	2005 HK\$ million	2004 HK\$ million
Unlisted shares, at cost	291.7	291.7
Amount due from a subsidiary	1,602.0	—
	1,893.7	291.7

In the opinion of the directors, the amount due from a subsidiary is not repayable in the next twelve months from the balance sheet date and, accordingly, the amount is classified as non-current.

Particulars of the principal subsidiaries are set out in note 39.

Notes to the Financial Statements

For the year ended 31 March, 2005

19. Interests in Jointly Controlled Entities

	THE GROUP	
	2005 HK\$ million	2004 HK\$ million
Share of net assets	639.3	555.0
Negative goodwill	(2.7)	(2.8)
	636.6	552.2
Amounts due from jointly controlled entities	785.5	593.6
Less: Amounts due within one year shown under current assets (note a)	(491.9)	(339.7)
Amount due after one year (note b)	293.6	253.9
	930.2	806.1

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.

Notes:

- (a) The amounts are unsecured and have no fixed terms of repayment. Out of the total balance, a total of HK\$206.2 million (2004: HK\$169.8 million) bears interest at prevailing market rates. The remaining balance is interest free.
- (b) The amount due from a jointly controlled entity is unsecured, interest free and has no fixed terms of repayment. The Group will not demand repayment within 12 months from the balance sheet date. Accordingly, the amount is classified as non-current.

Particulars of the principal jointly controlled entities are set out in note 41.

The summary of aggregate financial information of the Group's significant jointly controlled entities engaged in the manufacture and sale of cement in Chongqing, Guizhou and Nanjing, based on the adjusted financial statements prepared under the accounting principles generally accepted in Hong Kong for the years ended 31 December, 2004 and 31 December, 2003, is as follows:

	2004 HK\$ million	2003 HK\$ million
Results for the year ended 31 December		
Turnover	1,400.7	1,242.1
(Loss) profit before taxation	(3.5)	54.0
(Loss) profit before taxation attributable to the Group	(41.8)	33.8

Notes to the Financial Statements

For the year ended 31 March, 2005

19. Interests in Jointly Controlled Entities - continued

	2004 HK\$ million	2003 HK\$ million
Financial positions as at 31 December		
Non-current assets	2,747.2	2,182.5
Current assets	902.7	867.5
Current liabilities	(1,369.9)	(1,278.9)
Non-current liabilities	(1,541.0)	(1,086.3)
Minority interests	(171.1)	(155.0)
Net assets	567.9	529.8
Net assets attributable to the Group	412.8	405.9

The summary of aggregate financial information of the Group's significant jointly controlled entities engaged in venture capital investments, based on the adjusted financial statements prepared under the accounting principles generally accepted in Hong Kong for the years ended 31 December, 2004 and 31 December, 2003, is as follows:

	2004 HK\$ million	2003 HK\$ million
Results for the year ended 31 December		
Turnover	15.3	4.8
Profit before taxation	337.0	2.6
Profit before taxation attributable to the Group	221.4	1.6
Financial positions as at 31 December		
Non-current assets	308.7	123.1
Current assets	104.1	32.6
Current liabilities	(8.2)	(0.8)
Non-current liabilities	(100.0)	(50.0)
Net assets	304.6	104.9
Net assets attributable to the Group	208.9	68.7

20. Interests In Associates

	THE GROUP	
	2005 HK\$ million	2004 HK\$ million
Share of net assets	1,470.2	—
Convertible redeemable participating junior preference shares ("Junior Preference Shares")	243.6	—
	1,713.8	—

The principal terms of the Junior Preference Shares issued by Shui On Land Limited ("SOL") include the following:

Conversion**(i) Mandatory conversion:**

SOL may, having given notice to the Group pursuant to the provisions of SOL's Articles of Association, require that all of the Junior Preference Shares be converted into ordinary shares, provided that (a) the conversion date shall be at least 18 months after 31 May, 2004; and (b) the conversion shall be effective only upon, but not before, the date on which the securities of SOL are first listed on a stock exchange in connection with the Qualifying IPO (as defined in SOL's Articles of Association), or such earlier date as may be approved by the holders then outstanding, whereupon all the Junior Preference Shares shall automatically be converted without any further act by SOL or the members of SOL into such number of fully paid ordinary shares as determined in accordance with the then effective conversion rate.

(ii) Optional conversion:

- (a) at the option of the Group, at any time after the date of their allotment and without the payment of any additional consideration thereof, into such number of ordinary shares as determined in accordance with the then effective conversion rate credited as fully paid; and
- (b) at the option of SOL pursuant to the Sale and Purchase Agreement and the Subscription and Shareholders' Agreement both dated 18 February, 2004 (the "Agreements"), at any time after the date falling 60 days from the date of issue of a capital call by SOL, if the Group shall continue to be in default of its obligation to subscribe for further Junior Preference Shares under such capital call and the Junior Preference Shares to be subscribed by the Group shall not have been subscribed by other members of SOL, into such number of ordinary shares as determined in accordance with the then effective conversion rate credited as fully paid.

(iii) Conversion price:

The Junior Preference Shares are convertible into ordinary shares at an initial conversion price of US\$1.07. The conversion price is subject to adjustments in accordance with SOL's Articles of Association.

Redemption

- (i) the Group may, at any time prior to 31 May, 2009, by notice in writing require SOL to redeem all or some of its shares, in multiples of not less than 100,000 shares, on 31 May, 2010;
- (ii) if an Event of Default (as defined in the Agreements) has been declared in accordance with the Agreements, the holders of at least 70% of the then outstanding Junior Preference Shares may, by a written notice, require SOL to redeem all or part of their shares within 6 months from the date of the written notice; and

Notes to the Financial Statements

For the year ended 31 March, 2005

20. Interests in Associates - continued

Redemption - continued

- (iii) subject to points (i) and (ii) above for redemption and the mandatory conversion, SOL shall redeem all of the then outstanding Junior Preference Shares on 31 May, 2011.

The redemption price payable by SOL shall be a sum equal to any arrears or accruals of cash dividends payable in respect of the Junior Preference Shares calculated up to the relevant redemption date, plus the issue price paid on the preference shares, plus a premium equal to the amount derived by dividing the Equity Participation (as defined in SOL's Articles of Association) by the total number of preference shares issued up to the relevant redemption date.

Dividend

The Junior Preference Shares confer on the Group the entitlement to a fixed cumulative preferential cash dividend at the rate of 7% per annum of the issue price commencing from the date of issue of the Junior Preference Shares, payable semi-annually and in priority to the dividend in respect of the ordinary shares.

Particulars of the principal associate are set out in note 40.

A summary of the financial information of the Group's significant associate engaged in property development in the PRC, is as follows:

Results for the year ended 31 December

	2004 HK\$ million	2003 HK\$ million
Turnover	980.1	—
Profit before taxation	1,658.1	—
Profit before taxation attributable to the Group	97.0	—

Financial positions as at 31 December

	2004 HK\$ million	2003 HK\$ million
Non-current assets	9,929.4	—
Current assets	1,627.9	—
Current liabilities	(2,867.3)	—
Non-current liabilities		
— Convertible redeemable participating preference shares	(1,644.5)	—
— Others	(2,223.7)	—
Minority interests	(558.8)	—
Net assets	4,263.0	—
Net assets attributable to the Group (note)	1,470.2	—

20. Interests in Associates - continued

Dividend - continued

The above information is derived from the audited financial statements of SOL for the year ended 31 December, 2004 which have been prepared using International Accounting Standards issued by the International Accounting Standards Board.

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

SOL had the following significant contingent liabilities at 31 December, 2004:

- (i) Pursuant to an agreement entered into with the district government (the "Hongkou Government") and the Education Authority of the Hongkou District, Shanghai, the PRC on 31 July, 2002, guarantees of no more than approximately HK\$303.0 million (equivalent to RMB324 million) would be granted by SOL to support bank borrowings arranged in the name of a company to be nominated by the Hongkou Government, as part of the financial arrangement for the site clearance work in relation to the development of a parcel of land. As at 31 December, 2004, no amount has been drawn down under this arrangement.
- (ii) Shanghai Rui Hong Xin Cheng Co., Ltd., a subsidiary of SOL, has given guarantees amounting to approximately HK\$147.9 million (equivalent to RMB156.8 million) to banks in respect of mortgage facilities granted to the buyers of its residential properties.
- (iii) No provision for land appreciation tax ("LAT") has been made in the financial statements of Shanghai Lakeville, a subsidiary of SOL, as in the opinion of the directors of SOL, Shanghai Lakeville's share of the development costs for tax purposes amounting to approximately HK\$127.4 million (equivalent to RMB135 million) in connection with a man-made lake and the underground carpark in the Taipingqiao area in Shanghai (the "Development Costs") can be utilised for the purpose of reducing the taxable income and the liability to LAT of Shanghai Lakeville. The Development Costs were originally paid by Shanghai Shui On Property Development Management Co., Ltd., a related company of Shanghai Lakeville, and recharged to Shanghai Lakeville. Should the relevant PRC tax authorities disapprove of the utilisation of the Development Costs in determining the amount of LAT, the estimated charge for LAT to Shanghai Lakeville would be approximately HK\$33.0 million (equivalent to RMB35.0 million). Pursuant to the Taipingqiao Sale and Purchase Agreement for the reorganisation of SOL, an indemnity was granted by Shui On Investment Company Limited, a wholly owned subsidiary of SOCL, to SOL in respect of the amount of potential charge for LAT.

21. Investments in Securities

	THE GROUP	
	2005 HK\$ million	2004 HK\$ million
Other investments, at fair value:		
Equity securities		
— unlisted overseas	—	12.8
— listed in Hong Kong	12.4	12.8
	12.4	25.6
Market value of listed securities	12.4	12.8

Notes to the Financial Statements

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22. Club Debenture

	THE GROUP AND THE COMPANY	
	2005 HK\$ million	2004 HK\$ million
Unlisted membership debenture in a recreational club, at cost	1.2	1.2

23. Site Establishment Expenditure

	THE GROUP	
	2005 HK\$ million	2004 HK\$ million
At the beginning of the year	17.8	13.9
Additions	0.6	5.5
Decrease upon disposals of subsidiaries	(13.9)	—
Transfer from property, plant and equipment	—	2.6
Written off during the year	—	(0.4)
Amortisation for the year	(4.5)	(3.8)
At the end of the year	—	17.8

24. Inventories and Contracts in Progress

	THE GROUP	
	2005 HK\$ million	2004 HK\$ million
Inventories		
Raw materials	1.8	4.6
Work-in-progress	0.9	12.7
Finished goods	6.8	13.4
Spare parts	4.0	13.4
	13.5	44.1

Inventories of HK\$3.9 million (2004: HK\$4.2 million) are carried at net realisable value.

Notes to the Financial Statements

For the year ended 31 March, 2005

24. Inventories and Contracts in Progress - continued

	THE GROUP	
	2005 HK\$ million	2004 HK\$ million
Contracts in progress		
Costs incurred to date	4,360.3	3,296.8
Recognised profits less recognised losses	64.2	26.3
	4,424.5	3,323.1
Less: Progress billings	(4,545.1)	(3,324.4)
Net contract work	(120.6)	(1.3)
Represented by:		
Amounts due from customers for contract work	73.9	98.4
Amounts due to customers for contract work	(194.5)	(99.7)
	(120.6)	(1.3)

25. Debtors, Deposits and Prepayments

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

	THE GROUP	
	2005 HK\$ million	2004 HK\$ million
Debtors (net of allowance for bad and doubtful debts) aged analysis:		
Within 90 days	174.8	300.3
91 days to 180 days	8.2	16.2
181 days to 360 days	9.0	12.4
Over 360 days	11.3	19.9
	203.3	348.8
Retentions receivable	100.4	99.4
Prepayments, deposits and other receivables	262.4	136.1
	566.1	584.3

Notes to the Financial Statements

For the year ended 31 March, 2005

26. Creditors and Accrued Charges

	THE GROUP	
	2005 HK\$ million	2004 HK\$ million
Creditors aged analysis:		
Within 30 days	67.1	97.1
31 days to 90 days	16.3	23.0
91 days to 180 days	2.2	7.6
Over 180 days	2.0	11.0
	87.6	138.7
Retentions payable	111.2	124.0
Accruals and other payables	341.4	466.2
	540.2	728.9

27. Bank Borrowings

	THE GROUP		THE COMPANY	
	2005 HK\$ million	2004 HK\$ million	2005 HK\$ million	2004 HK\$ million
Secured bank loan (note 34)	—	284.4	—	—
Unsecured bank loans and bank overdrafts	1,253.8	1,134.1	1,157.0	1,040.0
	1,253.8	1,418.5	1,157.0	1,040.0
Less: Amounts due within one year	(55.8)	(932.5)	(30.0)	(860.0)
	1,198.0	486.0	1,127.0	180.0
The borrowings are repayable as follows:				
Within one year	55.8	932.5	30.0	860.0
More than one year but not exceeding two years	888.0	400.7	817.0	180.0
More than two years but not exceeding five years	310.0	85.3	310.0	—
	1,253.8	1,418.5	1,157.0	1,040.0

Notes to the Financial Statements

For the year ended 31 March, 2005

28. Share Capital

	2005 HK\$ million	2004 HK\$ million
Authorised		
400,000,000 shares of HK\$1 each	400.0	400.0
Issued and fully paid		
At the beginning of the year	268.0	264.7
Exercise of share options	1.4	3.3
At the end of the year	269.4	268.0

Notes to the Financial Statements

For the year ended 31 March, 2005

29. Reserves

	Properties revaluation reserve HK\$ million	Share premium account HK\$ million	Translation reserve HK\$ million	Contributed surplus HK\$ million (Note a)	Goodwill HK\$ million	Negative goodwill HK\$ million	Retained profits HK\$ million	Reserve funds HK\$ million	Other reserve HK\$ million (Note b)	Total HK\$ million
THE GROUP										
At 1 April, 2003	18.6	533.0	0.2	197.6	(2.7)	0.5	197.2	0.9	—	945.3
Exchange differences arising on translation of financial statements of operations outside										
Hong Kong	—	—	1.9	—	—	—	—	—	—	1.9
Premium on issue of shares	—	23.7	—	—	—	—	—	—	—	23.7
Profit for the year	—	—	—	—	—	—	147.7	—	—	147.7
Transfer	(0.5)	—	—	—	—	—	0.5	—	—	—
Revaluation increase in the year	0.6	—	—	—	—	—	—	—	—	0.6
Transfer to reserve funds	—	—	—	—	—	—	(0.1)	0.1	—	—
At 31 March, 2004	18.7	556.7	2.1	197.6	(2.7)	0.5	345.3	1.0	—	1,119.2
Exchange differences arising on translation of financial statements of operations outside										
Hong Kong	—	—	(2.1)	—	—	—	—	—	—	(2.1)
Premium on issue of shares	—	8.6	—	—	—	—	—	—	—	8.6
Profit for the year	—	—	—	—	—	—	482.9	—	—	482.9
Dividends paid	—	—	—	—	—	—	(154.5)	—	—	(154.5)
Transfer	(0.5)	—	—	—	—	—	0.5	—	—	—
Revaluation increase in the year	3.5	—	—	—	—	—	—	—	—	3.5
Deferred tax liability arising on revaluation of properties	(0.6)	—	—	—	—	—	—	—	—	(0.6)
Transfer to reserve funds	—	—	—	—	—	—	(0.3)	0.3	—	—
Reserve arising on acquisition of an associate	—	—	—	—	—	—	—	—	231.1	231.1
At 31 March, 2005	21.1	565.3	—	197.6	(2.7)	0.5	673.9	1.3	231.1	1,688.1
THE COMPANY										
At 1 April, 2003	—	533.0	—	88.9	—	—	68.5	—	—	690.4
Premium on issue of shares	—	23.7	—	—	—	—	—	—	—	23.7
Loss for the year	—	—	—	—	—	—	(34.8)	—	—	(34.8)
At 31 March, 2004	—	556.7	—	88.9	—	—	33.7	—	—	679.3
Premium on issue of shares	—	8.6	—	—	—	—	—	—	—	8.6
Profit for the year	—	—	—	—	—	—	661.0	—	—	661.0
Dividends paid	—	—	—	—	—	—	(154.5)	—	—	(154.5)
Reserve arising on acquisition of an associate	—	—	—	—	—	—	—	—	231.1	231.1
At 31 March, 2005	—	565.3	—	88.9	—	—	540.2	—	231.1	1,425.5

Notes to the Financial Statements

For the year ended 31 March, 2005

29. Reserves - continued

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

	Translation reserve HK\$ million	Goodwill HK\$ million	Negative goodwill HK\$ million	Retained profits HK\$ million	Total HK\$ million
At 1 April, 2003	(0.2)	(2.0)	0.3	28.0	26.1
Profit for the year	—	—	—	31.9	31.9
Dividends	—	—	—	(29.7)	(29.7)
Addition of negative goodwill	—	—	2.5	—	2.5
Share of reserve	0.2	—	—	—	0.2
At 31 March, 2004	—	(2.0)	2.8	30.2	31.0
Profit for the year	—	—	—	163.6	163.6
Dividends	—	—	—	(129.6)	(129.6)
At 31 March, 2005	—	(2.0)	2.8	64.2	65.0

The retained profits of the Group include share of post-acquisition profit of associates of HK\$65.1 million.

Notes:

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

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.

In addition to retained profits, under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also distributable to the shareholders of the Company. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
 - (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.
- (b) Other reserve of the Group arose when the Group entered into agreements with its ultimate holding company, SOCL, to co-invest in SOL. Further details are set out in note 36(a).
- (c) As at the balance sheet date, the Company's reserves, including the contributed surplus, available for distribution to shareholders amounted to HK\$860.2 million (2004: HK\$122.6 million).

Notes to the Financial Statements

For the year ended 31 March, 2005

30. Deferred Taxation

The following are the major deferred tax (liabilities) assets recognised by the Group and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation HK\$ million	Revaluation of properties HK\$ million	Tax losses HK\$ million	Other temporary differences HK\$ million	Total HK\$ million
THE GROUP					
At 1 April, 2003	(9.0)	(3.8)	6.8	1.0	(5.0)
Credit (charge) to consolidated income statement for the year	(1.3)	—	0.2	0.5	(0.6)
At 31 March, 2004	(10.3)	(3.8)	7.0	1.5	(5.6)
Charge to property revaluation reserve	—	(0.6)	—	—	(0.6)
Credit (charge) to consolidated income statement for the year	7.5	—	(4.8)	(0.1)	2.6
Disposal of subsidiaries	1.0	—	(0.2)	(0.8)	—
At 31 March, 2005	(1.8)	(4.4)	2.0	0.6	(3.6)

For the purposes of balance sheet presentation certain deferred tax assets and liabilities have been offset in accordance with the conditions set out in Statement of Standard Accounting Practice No. 12 (Revised).

At 31 March, 2005, the Group has unused tax losses of HK\$215.9 million (2004: HK\$214.8 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to HK\$11.4 million (2004: HK\$39.9 million). No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK\$204.5 million (2004: HK\$174.9 million) due to the unpredictability of future profit streams.

31. Provident Fund Scheme and Defined Benefit Plan

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

Mandatory Provident Fund Scheme

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

The Group's contributions to the MPF Scheme charged to the consolidated income statement as staff cost during the year ended 31 March, 2005 amounted to HK\$3.7 million (2004: HK\$5.3 million). The amount of employer's voluntary contributions to MPF schemes forfeited for the years ended 31 March, 2005 and 31 March, 2004 was immaterial and was used to reduce the existing level of contributions.

Notes to the Financial Statements

For the year ended 31 March, 2005

31. Provident Fund Scheme and Defined Benefit Plan - continued

Defined Benefit Plan

Contributions to the Plan are made by the members at 5% of their salaries and by the Group at rates which are based on recommendations made by the actuary of the Plan. The current employer contribution rate is 7.5% (2004: 12.5%) 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 before 1 September, 2003 and 1% per annum in respect of contributions made on or after 1 September, 2003 or 1.8 times the final salary times the years of employment with the Group on the attainment of the retirement age of 60. For members who joined the Plan before 1997, the retirement age is 60 for male members and 55 for female members. No other post-retirement benefits are provided.

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligation were carried out at 31 March, 2005 by Ms. Elaine Hwang of Watson Wyatt Hong Kong Limited, who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations and the related current service cost were measured using the Projected Unit Credit Method.

The principal actuarial assumptions as at the balance sheet dates used are as follows:

	2005	2004
Discount rate	4.5%	4.0%
Expected rate of salary increase	1% p.a. for the next two years commencing from 1 April, 2005 and 2% p.a. thereafter	Nil for the next three years commencing from 1 April, 2004 and 3% thereafter

The expected rate of return on plan assets for the year ended 31 March, 2005 is 6.5% per annum (2004: 5.5%).

The actuarial valuation showed that the fair value of the plan assets attributable to the Group was HK\$293.9 million at 31 March, 2005 (2004: HK\$293.7 million), representing 107% (2004: 92%) of the benefits that had accrued to members. The surplus of the plan assets of HK\$18.8 million (2004: shortfall of HK\$25.2 million) is to be cleared over the estimated remaining service period of the current membership of 14 years (2004: 15 years).

Amounts recognised in the consolidated income statement for the year in respect of the defined benefit plan are as follows:

	2005 HK\$ million	2004 HK\$ million
Current service cost	14.5	14.0
Interest cost	12.1	12.9
Expected return on plan assets	(19.2)	(11.6)
Net actuarial losses recognised in current year	—	5.2
Loss on curtailment settlement	2.2	—
Net amount charged to consolidated income statement as staff costs	9.6	20.5

Notes to the Financial Statements

For the year ended 31 March, 2005

31. Provident Fund Scheme and Defined Benefit Plan - continued

Defined Benefit Plan - continued

The actual return on plan assets allocated to the Group for the year ended 31 March, 2005 was a gain of HK\$24.5 million (2004: HK\$57.0 million).

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

	THE GROUP		THE COMPANY	
	2005 HK\$ million	2004 HK\$ million	2005 HK\$ million	2004 HK\$ million
Present value of defined benefit obligations	275.1	318.9	46.4	44.0
Unrecognised actuarial gains (losses)	9.5	(21.1)	1.7	(2.6)
Fair value of plan assets	(293.9)	(293.7)	(49.5)	(40.2)
Defined benefit (asset) liability included in the balance sheet	(9.3)	4.1	(1.4)	1.2

Included within the fair value of plan assets is HK\$3.1 million (2004: HK\$8.8 million) in respect of the equity shares of the Company.

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

	THE GROUP		THE COMPANY	
	2005 HK\$ million	2004 HK\$ million	2005 HK\$ million	2004 HK\$ million
At the beginning of the year	4.1	5.1	1.2	1.0
Net amounts charged to income statement	9.6	20.5	0.1	2.6
Employers' contributions	(23.0)	(21.5)	(2.7)	(2.4)
At the end of the year	(9.3)	4.1	(1.4)	1.2

Notes to the Financial Statements

For the year ended 31 March, 2005

32. Lease Arrangements

As lessor

Property rental income in respect of the investment property and car park spaces earned during the year was HK\$5.4 million (2004: HK\$14.2 million).

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	
	2005 HK\$ million	2004 HK\$ million
Within one year	—	6.0
In the second to fifth years inclusive	—	2.1
	—	8.1

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	
	2005 HK\$ million	2004 HK\$ million	2005 HK\$ million	2004 HK\$ million
Within one year	1.9	12.3	1.0	4.0
In the second to fifth years inclusive	1.7	6.8	1.4	0.3
	3.6	19.1	2.4	4.3

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.

Notes to the Financial Statements

For the year ended 31 March, 2005

33. Capital Commitments

- (a) As at 31 March, 2004, 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\$576.6 million and authorised but not contracted for amounting to approximately HK\$85.3 million. There were no such commitments as at 31 March, 2005.
- (b) As at 31 March, 2005, the Group's share of the capital commitments of its jointly controlled entities and an associate are as follows:

	2005 HK\$ million	2004 HK\$ million
Authorised but not contracted for	44.1	51.6
Contracted but not provided for	1,035.2	7.8

- (c) As at 31 March, 2005, the Group had commitments in respect of the subscription of convertible redeemable participating preference shares to be issued by SOL amounting to US\$18.8 million, equivalent to approximately HK\$146.6 million (2004: US\$50 million, equivalent to approximately HK\$390 million).
- (d) As at 31 March, 2004, 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\$0.3 million. There were no such commitments as at 31 March, 2005.
- (e) As disclosed in the announcements made by the Company on 25 June, 2004, 11 August, 2004 and 2 March, 2005, a subsidiary of the Group entered into a framework agreement on 18 June, 2004, a sale and purchase agreement on 11 August, 2004 and new agreements on 1 February, 2005 and 28 February, 2005 to invest in a sino-foreign joint venture which will be formed to acquire equity interests in a number of cement plants in Yunnan Province, the PRC.

The Group will hold 80% share of this joint venture which will have a registered capital of Rmb1,000 million (about HK\$943 million). A deposit of Rmb80 million (about HK\$76 million) was paid upon signing of the framework agreement. Application is being made to relevant authorities in the Central Government in relation to the establishment of this joint venture. Upon approval being granted, the Group's further contribution to the capital of this joint venture will amount to Rmb720 million (about HK\$679 million), being 80% of the Group's share of capital less the deposit paid of Rmb80 million (about HK\$76 million). The deposit is fully refundable within 10 business days if the establishment of the joint venture cannot be achieved. An option has been granted to Lafarge S.A. to acquire 50% of the Group's interest in this joint venture, which will expire on 31 December, 2005.

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

34. Pledge of Assets

At 31 March, 2004, the Group's interest in property under development with a total carrying value of approximately HK\$809.2 million and bank deposits of HK\$527.8 million were pledged to secure certain syndicated bank loan facilities granted to a subsidiary of the Company. All these pledged assets were disposed of to SOL during the year as set out in note 36(a).

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

2. Eligible participants

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

35. 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.

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.

Notes to the Financial Statements

For the year ended 31 March, 2005

35. Share Option Scheme - continued

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

Date of grant	Subscription price per share HK\$	Number of options					At 31.3.2005	Period during which share options are exercisable	Price of Company's shares at exercise date of options HK\$ (Note)
		At 1.4.2004	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year			
Old Scheme									
7.7.1999	11.21	3,070,000	—	—	(100,000)	(2,970,000)	—	7.1.2000 to 6.7.2004	—
4.7.2000	9.56	2,264,000	—	(316,000)	(90,000)	—	1,858,000	4.1.2001 to 3.7.2005	10.92
17.7.2001	9.30	2,412,000	—	(230,000)	(118,000)	—	2,064,000	17.1.2002 to 16.7.2006	10.71
New Scheme									
27.8.2002	6.00	2,192,000	—	(530,000)	(132,000)	—	1,530,000	27.2.2003 to 26.8.2007	8.68
27.8.2002	6.00	22,000,000	—	—	—	—	22,000,000	27.8.2005 to 26.8.2010	—
4.8.2003	5.80	714,000	—	(224,000)	(6,000)	—	484,000	4.2.2004 to 3.8.2008	8.86
26.7.2004	7.25	—	1,030,000	(44,000)	—	—	986,000	26.1.2005 to 25.7.2009	10.10
		32,652,000	1,030,000	(1,344,000)	(446,000)	(2,970,000)	28,922,000		

Date of grant	Subscription price per share HK\$	Number of options					At 31.3.2004	Period during which share options are exercisable	Price of Company's shares at exercise date of options HK\$ (Note)
		At 1.4.2003	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year			
Old Scheme									
15.7.1998	4.14	432,000	—	(160,000)	(6,000)	(266,000)	—	15.1.1999 to 14.7.2003	4.82
7.7.1999	11.21	3,120,000	—	—	(50,000)	—	3,070,000	7.1.2000 to 6.7.2004	—
4.7.2000	9.56	3,452,000	—	(1,108,000)	(80,000)	—	2,264,000	4.1.2001 to 3.7.2005	11.39
17.7.2001	9.30	3,560,000	—	(1,048,000)	(100,000)	—	2,412,000	17.1.2002 to 16.7.2006	11.39
New Scheme									
27.8.2002	6.00	3,230,000	—	(938,000)	(100,000)	—	2,192,000	27.2.2003 to 26.8.2007	11.06
27.8.2002	6.00	22,000,000	—	—	—	—	22,000,000	27.8.2005 to 26.8.2010	—
4.8.2003	5.80	—	780,000	(66,000)	—	—	714,000	4.2.2004 to 3.8.2008	9.10
		35,794,000	780,000	(3,320,000)	(336,000)	(266,000)	32,652,000		

35. Share Option Scheme - continued

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\$41 (2004: HK\$31).

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.

36. Disposal of Subsidiaries

(a) Rui Hong Xin Cheng ("Rainbow City")

On 18 February, 2004, the Group entered into agreements for co-investment in SOL with the parent company, SOCL. The agreements involved the injection of a property development project Rui Hong Xin Cheng (also known as Rainbow City), held by Shanghai Rui Hong Xin Cheng Company Limited, a 99% subsidiary of the Group into SOL in return for a 30.16 % equity interest in SOL. A gain of HK\$345.7 million arose on the disposal of Rainbow City and has been recognised in the consolidated income statement.

Details of these transactions were set out in a circular of the Company dated 23 March, 2004.

The completion of this transaction took effect on 31 May, 2004 (the "Completion Date"). In addition, there is provision in the agreements that on injection of an amount of US\$50 million by New Rainbow Investments Limited, a wholly owned subsidiary of the Group, 50 million Junior Preference Shares in SOL will be allotted to the Group. Since the Completion Date and up to 31 March, 2005, a total of US\$31.2 million of cash has been injected for this purpose.

Notes to the Financial Statements

For the year ended 31 March, 2005

36. Disposal of Subsidiaries - continued

(a) Rui Hong Xin Cheng ("Rainbow City") - continued

The net assets of Rainbow City at the date of disposal were as follows:

	HK\$ million
Property, plant and equipment	1.2
Property under development	852.8
Properties held for sale	0.9
Debtors, deposits and prepayments	24.4
Bank balances, deposits and cash	534.2
Accounts payable and accrued charges	(146.0)
Taxation payable	(46.1)
Bank loans	(284.4)
Minority interests	(6.1)
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Net assets disposed of	930.9
Costs incurred in connection with the disposal	27.4
Gain on disposal	345.7
Other reserve arising on transaction (see note 29(b))	231.1
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Total consideration	1,535.1
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Satisfied by:	
Share of net assets of an associate	1,405.1
Amount due from SOL	130.0
<hr/>	
	1,535.1
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Net cash outflow arising on disposal:	
Bank balances, deposits and cash disposed of	(534.2)
Costs incurred in connection with the disposal	(27.4)
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	(561.6)
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The subsidiary disposed of during the year contributed HK\$1.6 million (2004: HK\$679.0 million) to the Group's turnover and incurred a loss of HK\$0.2 million (2004: contributed a profit of HK\$169.3 million) included in the Group's loss from operations.

Notes to the Financial Statements

For the year ended 31 March, 2005

36. Disposal of Subsidiaries - continued

(b) Concrete operations in the Guangdong province

The Group entered into a sale and purchase agreement on 15 October, 2004 with an independent third party to dispose of the concrete operations in the Guangdong province of the PRC at a consideration of HK\$4.7 million. The operation was handed over to the purchaser in November 2004. The loss on disposal of the concrete operations, which amounted to HK\$15.4 million, has been recognised in the consolidated income statement.

The results of the concrete operations were included under "Sale of construction materials" in the segmental information set out in note 4 above.

The net assets of the concrete operations at the date of disposal were as follows:

	HK\$ million
Property, plant and equipment	15.4
Site establishment expenditure	2.7
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Net assets disposed of	18.1
Costs incurred in connection with the disposal	2.0
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Total cost of disposal	20.1
Loss on disposal	(15.4)
<hr/>	
Total consideration	4.7
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Satisfied by:	
Cash	4.7
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Net cash inflow arising on disposal:	
Cash consideration	4.7
Costs incurred in connection with the disposal	(2.0)
<hr/>	
	2.7
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The subsidiary disposed of during the year contributed HK\$25.5 million (2004: HK\$70.6 million) to the Group's turnover and incurred a loss of HK\$5.1 million (2004: HK\$7.9 million) included in the Group's loss from operations.

36. Disposal of Subsidiaries - continued

(c) Construction materials operations in Hong Kong

On 31 December, 2004, the Group entered into a sale and purchase agreement with an independent third party to dispose of the subsidiaries engaged in the production and distribution of ready mixed concrete and instant mortars and the distribution and sale of cement in Hong Kong for a consideration of HK\$95 million. In addition, the Group also subcontracted the rights for the site formation work being carried out at Guishan Island, Zhuhai, the PRC, where aggregates are excavated to the purchaser, allowing it to continue to use the equipment previously used by the Group, for a term of 15 years. The consideration is HK\$15 million. Details of these transactions were set out in a circular of the Company dated 26 January, 2005.

The operation was handed over to the purchaser in February 2005. A gain of HK\$41.3 million arose on the disposal of the construction materials operations that has been recognised in the consolidated income statement.

The results of the construction materials operations were included under "Sale of construction materials" in the segmental information set out in note 4 above.

The net assets of the concrete operations at the date of disposal were as follows:

	HK\$ million
Property, plant and equipment	46.3
Site establishment expenditure	11.2
Inventories	6.0
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Net assets disposed of	63.5
Costs incurred in connection with the disposal	14.5
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Total cost of disposal	78.0
Gain on disposal	41.3
<hr/>	
Total consideration	119.3
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Satisfied by:	
Cash consideration	95.0
Consideration receivable	24.3
<hr/>	
	119.3
<hr/>	
Net cash inflow arising on disposal:	
Cash consideration	95.0
Costs incurred in connection with the disposal	(14.5)
<hr/>	
	80.5
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The subsidiaries disposed of during the year contributed HK\$195.4 million (2004: HK\$189.5 million) to the Group's turnover and incurred a loss of HK\$30.3 million (2004: HK\$48.9 million) included in the Group's loss from operations.

Notes to the Financial Statements

For the year ended 31 March, 2005

37. Contingent Liabilities

The Group had contingent liabilities not provided for in the financial statements as follows:

- (a) At 31 March 2005, performance bonds established amounting to approximately HK\$162.5 million (2004: HK\$164.4 million).
- (b) At 31 March, 2004, Shanghai Rui Hong Xin Cheng Co. Ltd., a subsidiary of the Group, had given guarantees to banks in respect of mortgage facilities granted to the buyers of its residential properties of approximately HK\$299.4 million.

The Company has given guarantees to banks in respect of general facilities granted to its subsidiaries and jointly controlled entities for general facilities. The extent of such facilities utilised by the subsidiaries and jointly controlled entities at 31 March, 2005 amounted to approximately HK\$271.4 million (2004: HK\$551.8 million) and HK\$317.2 million (2004: HK\$307.8 million).

Pursuant to an agreement entered into with the Hongkou Government and the Education Authority of the Hongkou District, Shanghai, the PRC on 31 July, 2002, guarantees of no more than HK\$303.0 million (equivalent to RMB324 million) would be granted by the Group to support bank borrowings arranged in the name of a company to be nominated by the Hongkou Government, as part of the financial arrangement for the site clearance work in relation to the development of a parcel of land. As at 31 March, 2004, no amount was drawn down under this arrangement. The subsidiary which granted the guarantee was disposed of during the year.

38. 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	2005 HK\$ million	2004 HK\$ million
Income received:		
Management and information system services	0.4	0.4
Project management services	—	4.1
Sales and marketing services	—	1.4
Procurement agency services	2.1	—
Cost and expenses paid:		
Rental expenses	0.5	0.9
Building management fee	0.1	0.1
Balance as at 31 March		
Amounts due from SOCL Group	0.5	0.2
Amounts due to SOCL Group	—	0.1

Notes to the Financial Statements

For the year ended 31 March, 2005

38. 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	2005 HK\$ million	2004 HK\$ million
Income received:		
Interest income	5.2	5.4
Rental income	0.2	0.2
Sales of construction materials	2.6	2.4
Cost and expenses paid:		
Construction/subcontracting work	37.9	71.4
Supply of construction materials	14.8	20.8
Management and information system services	0.1	—
Consultancy fee	0.4	0.4
Sales proceeds from disposal of property, plant and equipment	—	0.9
Balances as at 31 March		
Amounts due from jointly controlled entities	785.5*	593.6
Amounts due to jointly controlled entities	24.1	19.4

* Included in the amounts due from jointly controlled entities are amounts of approximately HK\$206.2 million (2004: HK\$169.8 million), which are interest bearing and with no fixed repayment terms.

- (c) During the year, the Group entered into agreements with SOCL for co-investment in SOL. Details of which are set out in note 36(a).
- (d) The Group is licensed by Shui On Holdings Limited, a wholly-owned subsidiary of SOCL, to use the trademark, trade name "Shui On", "瑞安" and/or the Seagull devices on a non-exclusive, royalty-free basis for an unlimited period of time.
- (e) During the year, the Group received dividend income amounting to HK\$129.6 million (2004: HK\$29.7 million) from certain joint controlled entities.

Notes to the Financial Statements

For the year ended 31 March, 2005

39. 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				
Dynamic Mark Limited	100 ordinary shares of HK\$1 each 3,000,000 non-voting deferred shares of HK\$1 each	—	80%	Supply of metal gates
P.D. (Contractors) Limited	1,000,000 ordinary shares of HK\$1 each	—	94%	Renovation work
Pacific Extend Limited	10,000 ordinary shares of HK\$1 each 6,000 special shares of HK\$1 each	—	67%	Maintenance contractor
Pat Davie Limited	9,400,100 ordinary shares of HK\$1 each 100,000 non-voting deferred shares of HK\$10 each	—	94%	Interior decoration, fitting out, design and contracting
Pat Davie (Macau) Limited ^{###}	1,000,000 ordinary shares of MOP1 each	—	100%	Interior decoration, fitting out, design and contracting
Panyu Dynamic Mark Steel & Aluminium Engineering Co. Ltd. ^{**@}	Registered and paid up capital HK\$4,000,000	—	64%	Steel fabrication
Panyu Shui Fai Metal Works Engineering Company Limited ^{**@}	Registered and paid up capital HK\$9,000,000	—	55%	Manufacture of wallform and other metal works

Notes to the Financial Statements

For the year ended 31 March, 2005

39. 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	
Construction and building maintenance business - continued				
Shui Fai Metal Works Engineering Company Limited	10,000 ordinary shares of HK\$1 each	—	55%	Sales and installation of wallform and other metal works
Shui On Building Contractors Limited	117,000,100 ordinary shares of HK\$1 each 33,000,100 non-voting deferred shares of HK\$1 each 50,000 non-voting deferred shares of HK\$1,000 each	—	100%	Building construction and maintenance
Shui On Construction Company Limited	100 ordinary shares of HK\$1 each 69,000,000 non-voting deferred shares of HK\$1 each 1,030,000 non-voting deferred shares of HK\$100 each	—	100%	Building construction
Shui On Contractors Limited *	1 share of US\$1	100%	—	Investment holding
Shui On Granpex Limited	2 ordinary shares of HK\$1 each	—	100%	Investment holding
Shui On Graceton Limited	2 ordinary shares of HK\$1 each	—	100%	Investment holding
Shui On Plant & Equipment Services Limited	1,611,000 ordinary shares of HK\$1 each 45,389,000 non-voting deferred shares of HK\$1 each	—	100%	Owning and leasing of plant and machinery and structural steel construction work
SOCAM.com Limited	2 ordinary shares of HK\$1 each	—	100%	Provision of on-line services for internal procurement and project management

Notes to the Financial Statements

For the year ended 31 March, 2005

39. 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				
Asia No.1 Material Supply Limited	100 ordinary shares of HK\$100 each 1,000 non-voting deferred shares of HK\$100 each	—	100%	Holding of a quarry right
Billion Centre Company Limited	100 ordinary shares of HK\$1 each 2 non-voting deferred shares of HK\$1 each	—	100%	Holding of a land lease
First Direction Limited	100 ordinary shares of HK\$1 each 2 non-voting deferred shares of HK\$1 each	—	100%	Property holding
Great Market Limited	100 ordinary shares of HK\$1 each 5 non-voting deferred shares of HK\$1 each	—	100%	Investment holding
Guangdong Lamma Concrete Products Limited ^{**@}	Registered and paid up capital RMB5,000,000	—	60%	Manufacture of precast concrete facade
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
Project Way Limited	2 ordinary shares of HK\$1 each	—	100%	Investment holding
Shui On Building Materials Limited	100 ordinary shares of HK\$1 each 1,000,000 non-voting deferred shares of HK\$1 each	—	100%	Investment holding and sale of construction materials

Notes to the Financial Statements

For the year ended 31 March, 2005

39. 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				
Shui On Cement (Guizhou) Limited *	100,000 shares of US\$1 each	—	99%	Investment holding
Shui On Materials Limited *	1 share of US\$1	100%	—	Investment holding
Shui On Rock Products Limited	2 ordinary shares of HK\$1 each	—	100%	Site formation
Xinhui Longkoushan Rock Products Limited ***	Registered and paid up capital US\$1,785,700	—	100%	Quarrying
Guizhou Shui On Cement Development Management 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
Prime Allied Enterprises Limited ***	2 ordinary shares of US\$1 each	—	100%	Investment holding
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
Top Bright Investment Limited ***	2 ordinary shares of US\$1 each	—	99%	Investment holding
Winway Holdings Limited ***	2 ordinary shares of US\$1 each	—	99%	Investment holding
Far East Cement Pty Limited ##	1 share of AUD1	—	100%	Trading of cement
Trading of building materials business				
Asia Materials Limited	2 ordinary shares of HK\$1 each	—	100%	Trading

Notes to the Financial Statements

For the year ended 31 March, 2005

39. 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				
Asia Materials 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
Asia Materials Technologies (Beijing) Co., Ltd. ***	Registered and paid up capital US\$150,000	—	100%	Trading
Asia Materials Technologies (Hangzhou) Co., Ltd. ***	Registered and paid up capital US\$200,000	—	100%	Trading
Asia Materials Technologies (Shenzhen) Co., Ltd. ***	Registered and paid up capital HK\$3,000,000	—	100%	Provision of technology services
Asia Materials Trading (Shanghai) Co., Ltd. ***	Registered and paid up capital US\$200,000	—	100%	Trading
Property development business				
Jade City International Limited	2 ordinary shares of HK\$1 each	—	100%	Property holding
New Rainbow Investments Limited*	Registered and paid up capital US\$1	100%	—	Investment holding
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
Kotemax Limited	2 ordinary shares of HK\$1 each	—	100%	Property holding
Kroner Investments Limited *	1 share of US\$1	100%	—	Investment holding

Notes to the Financial Statements

For the year ended 31 March, 2005

39. 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				
Landstar Development Limited	2 ordinary shares of HK\$1 each	—	100%	Investment holding
Peak Fortune Assets Limited*	1 share of US\$1	100%	—	Investment holding
Shui On Corporate Services Limited	2 ordinary shares of HK\$1 each	100%	—	Provision of secretarial services
Smartway Investment Limited***	2 ordinary shares of US\$1 each	—	99%	Investment holding

* Incorporated in the British Virgin Islands

** Registered and operated in other regions of the PRC

*** Incorporated in Mauritius

Incorporated in the Cayman Islands

Incorporated in Australia

Incorporated in Macau, Special Administrative Region of the PRC

+ Wholly foreign owned enterprises

@ Equity joint venture

None of the subsidiaries had any debt securities subsisting at 31 March, 2005 or at any time during the year.

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For the year ended 31 March, 2005

40. Particulars of Principal Associate

Name of associate	Issued and fully paid share capital	Percentage of issued capital held by the Company Indirectly	Principal activities
Shui On Land Limited #	431,000,000 ordinary shares of US\$0.01 each 220,000,000 junior preference shares of US\$0.01 each 180,000,000 senior preference shares of US\$0.01 each	30.16%	Property development

Incorporated in the Cayman Islands

41. Particulars of Principal Jointly Controlled Entities

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

Indirect jointly controlled entities	Issued and paid-up share capital/ registered capital	Effective percentage of issued/ registered capital held by the Group	Principal activities	Notes
Construction and building maintenance business				
Brisfull Limited	5,000,000 ordinary shares of HK\$1 each	50%	Sale and installation of aluminium window products	
City Engineering Limited	10,000 ordinary shares of HK\$1 each	50%	Installation of mould work	
Super Race Limited	420,000 ordinary shares HK\$1 each	50%	Supply of sink units and cooking benches	
Kaiping Biaofu Metal Products Company Limited ***	Registered and paid up capital US\$800,000	50%	Manufacture of aluminium window products	

Notes to the Financial Statements

For the year ended 31 March, 2005

41. Particulars of Principal Jointly Controlled Entities - continued

Indirect jointly controlled entities	Issued and paid-up share capital/ registered capital	Effective percentage of issued/ registered capital held by the Group	Principal activities	Notes
Construction and building maintenance business - continued				
鶴山超合預制件有限公司 **#	Registered and paid up capital US\$284,600	50%	Manufacture of sink units and cooking benches	1
Shanghai Shui On Construction Co. Ltd. **#	Registered and paid up capital RMB50,000,000	50%	Buildings construction and maintenance	1 and 2
Beijing Shui On Joint Venture Construction Co. Ltd. **#	Registered and paid up capital RMB50,000,000	50%	Buildings construction and maintenance	1 and 2
Sale of construction materials business				
Chongqing Foreign Investment Consultation and Services Co. Ltd. **#	Registered and paid up capital RMB800,000	15%	Provision of investment consultation	2
Chongqing New Building Materials Co. Ltd. **#	Registered and paid up capital RMB41,500,000	37.5%	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. Fuling Cement Co. Ltd. **#	Registered and paid up capital RMB44,000,000	50%	Manufacture and sale of cement	2
Chongqing T.H. Holding Management Co. Ltd. **#	Registered and paid up capital RMB41,500,000	50%	Exploration and management of investment projects	2
Chongqing T.H. Logistics Co. Ltd. **#	Registered and paid up capital RMB500,000	40%	Provision of transportation and logistics services	2
Chongqing T.H. Packaging Co. Ltd. **#	Registered and paid up capital RMB2,890,000	40%	Manufacture and sale of knitted bags	2
Chongqing T.H. Desheng Engineering Co. Ltd. **#	Registered and paid up capital RMB10,000,000	30%	Trading of construction materials equipment	2

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For the year ended 31 March, 2005

41. Particulars of Principal Jointly Controlled Entities - continued

Indirect jointly controlled entities	Issued and paid-up share capital/ registered capital	Effective percentage of issued/ registered capital held by the Group	Principal activities	Notes
Sale of construction materials business - continued				
Chongqing T.H. Special Cement Co. Ltd. **#	Registered and paid up capital RMB160,000,000	40%	Manufacture and sale of cement	2
重慶騰輝石材開發 有限責任公司 **#	Registered and paid up capital RMB10,000,000	27.5%	Manufacture and sale of building materials	2
Guang On T.H. Cement Co. Ltd. **#	Registered and paid up capital RMB110,000,000	50%	Manufacture and sale of cement	2
Chongqing T.H. White Cement Co. Ltd. **#	Registered and paid up capital US\$1,506,000	30%	Manufacture and sale of cement	2
Suining T.H. Cement Co. Ltd. **#	Registered and paid up capital RMB15,000,000	45%	Manufacture and sale of cement	2
TH Industrial Management Limited *	2,740 ordinary shares of US\$1 each	50%	Investment holding	2
Guizhou Bijie Shui On Cement Co. Ltd. **#	Registered and paid up capital RMB48,000,000	79%	Manufacture and sale of cement	1 and 2
Guizhou Changda Shui On Cement Co. Ltd. **#	Registered and paid up capital RMB106,000,000	50.5%	Manufacture and sale of cement	1 and 2
Guizhou Dingxiao Shui On Cement Co. Ltd. **#	Registered and paid up capital RMB56,000,000	89%	Manufacture and sale of cement	1 and 2
Guizhou Kaili Ken On Concrete Co. Ltd. **#	Registered and paid up capital RMB10,000,000	74%	Supply of ready mixed concrete	1 and 2
Guizhou Kaili Shui On Cement Co. 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. **#	Registered and paid up capital RMB42,800,000	89%	Manufacture and sale of cement	1 and 2
Guizhou Zunyi Ken On Concrete Co. Ltd. **#	Registered and paid up capital RMB12,000,000	74%	Supply of ready mixed concrete	1 and 2

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For the year ended 31 March, 2005

41. Particulars of Principal Jointly Controlled Entities - continued

Indirect jointly controlled entities	Issued and paid-up share capital/ registered capital	Effective percentage of issued/ registered capital held by the Group	Principal activities	Notes
Sale of construction materials business - continued				
Guizhou Yuqing Shui On 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. **#	Registered and paid up capital RMB92,000,000	79%	Manufacture and sale of cement	1 and 2
Sichuan Hejiang T. H. Cement Co. Ltd. **#	Registered and paid up capital RMB12,500,000	89%	Plant under construction	1 and 2
Nanchong T.H. Cement Co. Ltd. **#	Registered and paid up capital RMB15,000,000	50%	Manufacture and sale of cement	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	2
Shui On Sumicem Consulting Limited	100,000 ordinary shares of HK\$1 each	50%	Consultancy services	
Other business				
The Yangtze Ventures Limited ***	1,000 ordinary shares of HK\$0.1 each	65.5%	Venture capital investments	2

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For the year ended 31 March, 2005

41. Particulars of Principal Jointly Controlled Entities - continued

Indirect jointly controlled entities	Issued and paid-up share capital/ registered capital	Effective percentage of issued/ registered capital held by the Group	Principal activities	Notes
Other business - continued				
The Yangtze Ventures II Limited ***	1,000 ordinary shares of HK\$0.1 each	75.4%	Venture capital investments	2
On Capital China Tech Fund ***	4,156 participating shares of US\$1,000 each	92.8%	Venture capital investments	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, 2004.