

### Health, Safety and the Environment

SOC and SOBC received the ISO 14001 Environmental Management System certificates from the China National Accreditation Committee for Environmental System Certification Bodies in 2000, after obtaining the same certification in Hong Kong in 1999. The two companies were also awarded the Occupational Health and Safety Assessment Series (OHSAS) 18001 certification by the Hong Kong Quality Assurance Agency in November 2000.

To further enhance our occupational health, safety and environmental management, we have established the e-HSE system (electronic Health, Safety and Environment system) to speed up data processing and analysis. The system is linked to SOCAM.com to ensure that efforts in safety and environmental management are consolidated into all aspects of our operation.

We continued to conduct regular overseas visits to learn the latest techniques and practices used in other countries. The Safe Working Cycle, which involves all site staff in safety management and improves communication between sub-contractors and project team members, was introduced after our visit to Japan last year.

With our continuous efforts in process improvement, the accident rate for SOC and SOBC dropped to 39 per 1,000 workers in 2000, or just 26% of the industry average in Hong Kong.

### PROPERTY DEVELOPMENT

#### Private Sector Participation Scheme ("PSPS") Project

Construction of the PSPS project in Tseung Kwan O Town Lot No.62, Area 65A was completed and the certificate of compliance was granted in early April 2001. Named Bauhinia Garden, its residential units were offered for sale by the government in early 2001. The development was well received by the public, with an estimated 37,000 visitors visiting the

Bauhinia Garden in  
Tseung Kwan O



Rui Hong Xin Cheng is a quality residential development project located close to the Bund and the central business areas of Shanghai.



showflat during the two-week preview period. Over half of the applications for the three PSPS and Home Ownership Scheme projects on sale in the same batch were for Bauhinia Garden. All of its 3,200 units were sold out within weeks, creating a talking point in the currently lack-lustre property market. If a favourable environment returns for PSPS, further involvement of the Group in such types of developments should not be ruled out. As of June 2001, the commercial arcade has also been sold.

#### Rui Hong Xin Cheng

Rui Hong Xin Cheng is a quality residential development project located close to the Bund and the central business areas of Shanghai. Previously developed by Shui On Properties Ltd, a privately held business owned by the Group's Chairman, Rui Hong Xin Cheng was injected into the public company with a view to establishing for SOCAM a strong foothold in Shanghai as a major property developer. Backed by the recommendations of the independent directors and financial advisers, this project was accepted unanimously by minority shareholders at a special general meeting held on 13 June 2001. Already a prestigious domestic housing development attracting buyers from Shanghai's relatively young and well educated middle class, the entire project, when eventually completed, will produce a total gross floor area of approximately 1.15 million square metres of high-rise residential building space, and 250,000 square metres of retail and commercial space. The first phase of this development by the Group totals 237,000 square metres, of which approximately 160,000 square metres will be residential apartments. The rest is for commercial units and car parks situated above a subway station which will be operational in 2003.

Ken On operates six batching plants in Hong Kong



More than 80 percent of the completed units in the previous phase, currently developed by Shui On Properties Ltd, have already been sold at an average price of Rmb 6,700 per square metre. The current development cost is estimated to be below Rmb 6,000 per square metre. The 16,000 residential units to be built over the next 10 years in a rising Shanghai property market should therefore provide continuous growth for the Group in the future. The expected upward adjustment in property prices is buoyed by the robust economy in Shanghai, tax incentives available to home buyers and the rapidly developing mortgage market. The investment cost of Rmb 1.4 billion for the first phase will largely be financed by banking facilities and internal funds.

## CONSTRUCTION MATERIALS DIVISION

### Ready-mixed Concrete - Ken On

The continual downturn in the property and building sectors significantly eroded the profitability of the concrete division as total sales volume dropped by about 15 percent. Approximately 950,000 cubic metres were sold by Ken On in a much weaker concrete market in Hong Kong with total consumption industry-wide further shrinking to only 7 million cubic metres, from 9 million cubic metres in the previous year. A decrease in average selling price, together with the aforementioned reduction in sales volume, has the combined effect of substantially reducing Ken On's results by 49 percent as compared with the previous year.

Six batching plants were in operation, two of which, namely the Tung Chung Plant and Cheung Sha Wan Plant, are scheduled to be closed down upon the expiry of leases in late 2001 and early 2002 respectively. With reduced workload, efforts have been made in plant rationalization and elimination of excess capacity.

The two batching plants in Guangzhou continued to operate under stiff competition with small losses resulting from a 30 percent reduction in sales. The new plant in the south-eastern part of Guangzhou had begun supplying to the prestigious Mass Transit Railway contract though only a small contribution was generated. At 30 June 2001, the order book of Ken On stood at over 800,000 cubic metres which should allow a stable production level in the coming year.

### Quarrying Operations

Rock processing discontinued on Lamma Island following the expiry of quarrying rights in March 2000. Rehabilitation works of the Lamma quarry continue on schedule. With the production of the replacement quarries gradually coming on line, total production of the division amounted to 2.9 million tonnes and represented a reduction of 15 percent compared to last year. Ken On's usage accounted for approximately 80 percent of aggregates produced. Part of the quarrying activities was replaced by the new site formation contract in Guishan Island, Zhuhai where crushed rocks are by-products of the project. The setting up of crushing and loading facilities at Guishan is now at the final stage and full-scale production will commence around October. The quarry in Chik Wan, while also replacing the production in the Lamma quarry last year, is now preparing for a large marine rock contract recently secured for the reclamation of the Lamma Power Station of Hong Kong Electric. With the reduction in the number of quarries in Hong Kong and the commencement of infrastructure works on Disneyland and Container Terminal 9, prices of rock products are expected to hold firm and the quarrying division should make a gradual recovery in contribution in the foreseeable future.

### Cement Import and Distribution - Far East Cement

Amid the shrinking volume of the concrete sector and a depressed cement market in Asia in general, Far East Cement's trading volume for the year was reduced to approximately 330,000 tonnes, 74 percent of which was taken up by Ken On. Following the expiry of the quarrying rights in Lamma Island in March 2000, Far East Cement, the sub-tenant adjacent to the quarry, also ceased operation on 1 April 2001. This joint venture between Sumitomo Osaka Cement, the IMC Group and Shui On Building Materials had been most fruitful since its inception in 1980. Apart from being a vehicle



Chik Wan quarry in Zhuhai