

Notes to the Financial Statements

For The Year Ended 31 March, 2003

1. General

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

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

2. Adoption of Statements of Standard Accounting Practice

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the adoption of these SSAPs has resulted in a change in the format of presentation of the consolidated cash flow statement and the inclusion of the consolidated statement of changes in equity. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

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

Foreign currency translation

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

Cash flow statements

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

Employee benefits

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

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

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

2. Adoption of Statements of Standard Accounting Practice - continued

Employee benefits - continued

ii) Post-employment benefits - defined benefit plan

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

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

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

3. Significant Accounting Policies

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties, certain land and buildings and investments in securities.

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

Basis of consolidation

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

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

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

Goodwill

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

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

3. Significant Accounting Policies - continued

Goodwill - continued

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

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

Negative goodwill

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

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

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

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

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

Revenue recognition

Construction contracts

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

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

Others

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

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

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

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

3. Significant Accounting Policies - continued

Investment properties

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

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

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

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

Property, plant and equipment

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

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

Land and buildings in Hong Kong and other regions of the People's Republic of China (the "PRC") held under medium-term leases

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

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

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

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

3. Significant Accounting Policies - continued

Property, plant and equipment - continued

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

Properties under development

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

Investments in subsidiaries

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

Interests in associates

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

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, less any identified impairment loss.

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

Interests in joint ventures

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

Jointly controlled entities

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

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

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

Investments in securities

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

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

3. Significant Accounting Policies - continued

Investments in securities - continued

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

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

Club debentures

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

Site establishment expenditure

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

Inventories

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

Properties held for sale

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

Construction contracts

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

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

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

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

3. Significant Accounting Policies - continued

Borrowing costs

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

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

Impairment

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

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

Taxation

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

Leases

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

Foreign currencies

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

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

3. Significant Accounting Policies - continued

Retirement benefits costs

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

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

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

4. Business and Geographical Segments

Business segments

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

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

4. Business and Geographical Segments - continued

Business segments - continued

Segment information about these businesses is presented below.

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

Inter-segment sales are charged at mutually agreed prices.

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

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

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

BALANCE SHEET

| | Construction and building maintenance HK\$ million | Sale of construction materials HK\$ million | Trading of building materials HK\$ million | Property development HK\$ million | Property investment and others HK\$ million | Eliminations HK\$ million | Consolidated HK\$ million |
|---|---|--|---|--------------------------------------|--|------------------------------|------------------------------|
| ASSETS | | | | | | | |
| Segment assets | 571.2 | 457.4 | 33.8 | 839.4 | 278.4 | - | 2,180.2 |
| Amounts due from jointly controlled entities/associates | 21.0 | 597.3 | - | - | 3.2 | - | 621.5 |
| Interests in jointly controlled entities/associates | 17.9 | 352.5 | - | - | 67.1 | - | 437.5 |
| Inter-segment receivables | 775.5 | 90.8 | 9.7 | - | 1,859.6 | (2,735.6) | - |
| Unallocated assets | | | | | | | 4.9 |
| Consolidated total assets | | | | | | | 3,244.1 |
| LIABILITIES | | | | | | | |
| Segment liabilities | 563.9 | 119.2 | 7.4 | 7.5 | 19.9 | - | 717.9 |
| Amounts due to jointly controlled entities | 15.3 | 0.7 | - | - | 7.0 | - | 23.0 |
| Inter-segment payables | 215.1 | 1,203.3 | 110.7 | 724.4 | 482.1 | (2,735.6) | - |
| Unallocated liabilities | | | | | | | 1,263.7 |
| Consolidated total liabilities | | | | | | | 2,004.6 |

OTHER INFORMATION

| | Construction and building maintenance HK\$ million | Sale of construction materials HK\$ million | Trading of building materials HK\$ million | Property development HK\$ million | Property investment and others HK\$ million | Total HK\$ million |
|----------------------------------|---|--|---|--------------------------------------|--|-----------------------|
| Capital expenditure | 1.2 | 25.5 | 1.1 | 0.7 | 0.8 | 29.3 |
| Negative goodwill | - | (0.8) | - | - | - | (0.8) |
| Depreciation and amortisation | 1.2 | 38.6 | 3.2 | 0.3 | 2.2 | 45.5 |
| Release of negative goodwill | - | (0.2) | - | - | - | (0.2) |
| Other non-cash (income) expenses | (0.1) | 0.2 | 0.6 | - | 42.9 | 43.6 |

4. Business and Geographical Segments - continued

Business segments - continued

| 2002 | Construction and building maintenance HK\$ million | Sale of construction materials HK\$ million | Trading of building materials HK\$ million | Property development HK\$ million | Property investment and others HK\$ million | Eliminations HK\$ million | Consolidated HK\$ million |
|--------------------------------------|---|--|---|--------------------------------------|--|------------------------------|------------------------------|
| TURNOVER | | | | | | | |
| External sales | 2,916.3 | 671.9 | 18.1 | 136.9 | 14.0 | - | 3,757.2 |
| Inter-segment sales | 1.4 | 310.1 | 2.1 | - | 5.2 | (318.8) | - |
| Group turnover | 2,917.7 | 982.0 | 20.2 | 136.9 | 19.2 | (318.8) | 3,757.2 |
| Share of jointly controlled entities | 55.2 | 237.6* | - | - | - | - | 292.8 |
| Total | 2,972.9 | 1,219.6 | 20.2 | 136.9 | 19.2 | (318.8) | 4,050.0 |

Inter-segment sales are charged at mutually agreed prices.

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

RESULTS

| | | | | | | | |
|---|------|--------|--------|-------|--------|--|--------|
| Segment results | 81.8 | 48.2 | (39.3) | (2.1) | 17.9** | | 106.5 |
| Interest income | | | | | | | 14.0 |
| Profit from operations | | | | | | | 120.5 |
| Finance costs | | | | | | | (3.1) |
| Share of results of jointly controlled entities | | | | | | | |
| • Cement operations in | | | | | | | |
| - Chongqing and Guizhou | | 16.1 | | | | | 16.1 |
| - Nanjing | | (12.1) | | | | | (12.1) |
| • Others | 0.5 | (0.8) | | | 1.3 | | 1.0 |
| | | | | | | | 5.0 |
| Profit before taxation | | | | | | | 122.4 |
| Taxation | | | | | | | (20.5) |
| Profit before minority interests | | | | | | | 101.9 |

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

BALANCE SHEET

| | Construction and building maintenance HK\$ million | Sale of construction materials HK\$ million | Trading of building materials HK\$ million | Property development HK\$ million | Property investment and others HK\$ million | Eliminations HK\$ million | Consolidated HK\$ million |
|---|---|--|---|--------------------------------------|--|------------------------------|------------------------------|
| ASSETS | | | | | | | |
| Segment assets | 654.4 | 604.8 | 15.3 | 443.6 | 344.6 | - | 2,062.7 |
| Amounts due from jointly controlled entities/associates | 16.3 | 391.1 | 8.1 | - | 3.2 | - | 418.7 |
| Interests in jointly controlled entities/associates | 18.2 | 251.4 | - | - | 68.3 | - | 337.9 |
| Inter-segment receivables | 980.3 | 76.4 | 46.0 | - | 1,173.0 | (2,275.7) | - |
| Unallocated assets | | | | | | | 6.6 |
| Consolidated total assets | | | | | | | 2,825.9 |
| LIABILITIES | | | | | | | |
| Segment liabilities | 911.6 | 133.0 | 4.3 | 3.7 | 15.9 | - | 1,068.5 |
| Amounts due to jointly controlled entities | 8.6 | 0.7 | 14.0 | - | 0.1 | - | 23.4 |
| Inter-segment payables | 203.4 | 1,010.9 | 80.5 | 436.9 | 544.0 | (2,275.7) | - |
| Unallocated liabilities | | | | | | | 376.0 |
| Consolidated total liabilities | | | | | | | 1,467.9 |

OTHER INFORMATION

| | Construction and building maintenance HK\$ million | Sale of construction materials HK\$ million | Trading of building materials HK\$ million | Property development HK\$ million | Property investment and others HK\$ million | Total HK\$ million |
|----------------------------------|---|--|---|--------------------------------------|--|-----------------------|
| Capital expenditure | 1.4 | 23.3 | 3.7 | 0.4 | 1.3 | 30.1 |
| Depreciation and amortisation | 1.9 | 53.4 | 4.6 | 0.1 | 2.8 | 62.8 |
| Other non-cash (income) expenses | (0.1) | 1.1 | - | - | (8.7) | (7.7) |

4. Business and Geographical Segments - continued

Geographical segments

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

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

| | Turnover by geographical markets | | Contribution to (loss) profit from operations | |
|---|-------------------------------------|----------------------|--|----------------------|
| | 2003 HK\$ million | 2002 HK\$ million | 2003 HK\$ million | 2002 HK\$ million |
| Hong Kong | 2,166.8 | 3,640.8 | (68.1) | 121.5 |
| Other regions in the PRC | 144.5 | 116.4 | (11.2) | (15.0) |
| | <u>2,311.3</u> | <u>3,757.2</u> | (79.3) | 106.5 |
| Interest income | | | 10.0 | 14.0 |
| (Loss) profit from operations | | | (69.3) | 120.5 |
| Finance costs | | | (5.9) | (3.1) |
| Share of results of jointly controlled entities | | | 30.6 | 5.0 |
| (Loss) profit before taxation | | | <u>(44.6)</u> | <u>122.4</u> |

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

| | Carrying amount of segment assets | | Additions to property, plant and equipment and site establishment expenditure | |
|--------------------------|---|----------------------|---|----------------------|
| | 2003 HK\$ million | 2002 HK\$ million | 2003 HK\$ million | 2002 HK\$ million |
| Hong Kong | 1,281.4 | 1,549.1 | 21.0 | 8.6 |
| Other regions in the PRC | 1,962.7 | 1,276.8 | 8.3 | 21.5 |
| | <u>3,244.1</u> | <u>2,825.9</u> | 29.3 | 30.1 |

5. Other Operating Income

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

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

6. (Loss) Profit from Operations

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

7. Finance Costs

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

8. Directors' Emoluments

| | 2003 HK\$ million | 2002 HK\$ million |
|-------------------------------------|----------------------|----------------------|
| Fees | | |
| Executive directors | 0.1 | 0.1 |
| Non-executive directors | - | - |
| Independent non-executive directors | 0.1 | 0.1 |
| Other emoluments | | |
| Executive directors | | |
| Salaries and other benefits | 13.0 | 18.4 |
| Retirement benefits cost | 0.8 | 0.8 |
| | <u>14.0</u> | <u>19.4</u> |

The emoluments of the directors were within the following bands:

| Emolument bands | 2003 Number of directors | 2002 Number of directors |
|-------------------------------|--------------------------------|--------------------------------|
| HK\$0 - HK\$1,000,000 | 5 | 5 |
| HK\$1,500,001 - HK\$2,000,000 | 1 | - |
| HK\$2,000,001 - HK\$2,500,000 | 1 | 1 |
| HK\$2,500,001 - HK\$3,000,000 | 2 | - |
| HK\$3,000,001 - HK\$3,500,000 | - | 2 |
| HK\$4,000,001 - HK\$4,500,000 | - | 1 |
| HK\$4,500,001 - HK\$5,000,000 | 1 | - |
| HK\$6,000,001 - HK\$6,500,000 | - | 1 |
| | <u>10</u> | <u>10</u> |

9. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, four (2002: all) are executive directors of the Company whose emoluments are included in the disclosures in note 8 above. The emoluments of the remaining one individual in 2003 were as follows:

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

10. Taxation

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

Hong Kong Profits Tax is calculated at 16% (2002: 16%) on the estimated assessable profits for the year. Income tax of other regions in the PRC has been provided for based on the estimated assessable profits in accordance with the relevant tax laws applicable to the Group in the Chinese Mainland.

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

11. Dividends

| | 2003 HK\$ million | 2002 HK\$ million |
|---|----------------------|----------------------|
| Dividends, paid | | |
| Final dividend in respect of year 2001/2002 at HK\$0.15 per share on 264,514,000 shares (2000/2001: HK\$1.20 per share on 263,334,000 shares) | 39.7 | 316.0 |
| Additional final dividend for shares issued upon exercise of share options | - | 1.4 |
| Interim dividend in respect of year 2002/2003 : nil (2001/2002: HK\$0.15 per share on 264,496,000 shares) | - | 39.7 |
| | <hr/> 39.7 | <hr/> 357.1 |
| Proposed final dividend in respect of year 2002/2003 : nil (2001/2002: HK\$0.15 per share on 264,514,000 shares) | <hr/> - | <hr/> 39.7 |

12. (Loss) Earnings per Share

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

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

13. Investment Property

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

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

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

14. Property, Plant and Equipment

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

Notes:

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

14. Property, Plant and Equipment - continued

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

15. Property under Development

THE GROUP

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

16. Negative Goodwill

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

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

17. Investments in Subsidiaries

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

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

18. Interests in Jointly Controlled Entities

| | THE GROUP | |
|---------------------|----------------------|----------------------|
| | 2003 HK\$ million | 2002 HK\$ million |
| Share of net assets | 440.4 | 338.2 |
| Negative goodwill | (2.9) | (0.3) |
| | <u>437.5</u> | <u>337.9</u> |

Negative goodwill is recognised as income on a straight-line basis over 30 years. The amortisation of negative goodwill for the year is netted off in other operating expenses.

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

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

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

19. Investments in Securities

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

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

20. Club Debenture

| | THE GROUP | | THE COMPANY | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 2003 HK\$ million | 2002 HK\$ million | 2003 HK\$ million | 2002 HK\$ million |
| Unlisted membership debenture in a recreational club, at cost | 1.2 | 1.2 | 1.2 | 1.2 |

21. Site Establishment Expenditure

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

22. Inventories and Contracts in Progress

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

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

22. Inventories and Contracts in Progress - continued

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

23. Debtors, Deposits and Prepayments

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

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

24. Creditors and Accrued Charges

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

25. Bank Borrowings

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

26. Share Capital

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

27. Reserves

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

27. Reserves - continued

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

| | Translation reserve | Goodwill | Negative goodwill | Retained profits | Total |
|---|------------------------|--------------|----------------------|---------------------|--------------|
| | HK\$ million | HK\$ million | HK\$ million | HK\$ million | HK\$ million |
| At 1 April, 2001 | (0.2) | (2.0) | 1.7 | (0.3) | (0.8) |
| Released upon disposal of a jointly controlled entity | - | - | (1.4) | - | (1.4) |
| Profit for the year | - | - | - | 3.3 | 3.3 |
| Dividends | - | - | - | (1.0) | (1.0) |
| At 31 March, 2002 | (0.2) | (2.0) | 0.3 | 2.0 | 0.1 |
| Released upon dissolution of a jointly controlled entity | - | - | - | (2.5) | (2.5) |
| Profit for the year | - | - | - | 29.5 | 29.5 |
| Dividends | - | - | - | (1.0) | (1.0) |
| At 31 March, 2003 | (0.2) | (2.0) | 0.3 | 28.0 | 26.1 |

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

The contributed surplus of the Company arose when the Company issued shares in exchange for the equity in subsidiaries and associates pursuant to the group restructuring in January 1997. Under the Companies Act of 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders of the Company. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

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

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

28. Deferred Taxation

| | THE GROUP | |
|--|----------------------|----------------------|
| | 2003 HK\$ million | 2002 HK\$ million |
| At the beginning of the year | 1.5 | 3.5 |
| Charge (credit) for the year (Note 10) | 0.1 | (2.0) |
| At the end of the year | <u>1.6</u> | <u>1.5</u> |

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

| | THE GROUP | | | | THE COMPANY | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | Provided | | Unprovided | | Provided | | Unprovided | |
| | 2003 HK\$ million | 2002 HK\$ million |
| Tax effect of timing differences attributable to: | | | | | | | | |
| Excess of tax allowances over depreciation | 3.4 | 3.0 | 5.5 | 9.7 | - | - | 0.1 | 0.3 |
| Tax losses | (1.8) | (0.5) | (14.7) | (11.1) | - | - | (0.6) | (0.8) |
| Other timing differences | - | (1.0) | (0.6) | - | - | - | - | - |
| | <u>1.6</u> | <u>1.5</u> | <u>(9.8)</u> | <u>(1.4)</u> | <u>-</u> | <u>-</u> | <u>(0.5)</u> | <u>(0.5)</u> |

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

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

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

29. Provident and Retirement Fund Schemes

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

Mandatory Provident Fund Scheme

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

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

Defined Benefit Plan

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

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

The principal actuarial assumptions used are as follows:

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

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

29. Provident and Retirement Fund Schemes - continued

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

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

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

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

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

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

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

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

30. Lease Arrangements

As lessor

Property rental income in respect of the investment property and car park spaces earned during the year was HK\$14.9 million (2002: HK\$15.7 million). The investment property held has committed tenants for the next one to two years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments which fall due as follows:

| | THE GROUP | |
|--|----------------------|----------------------|
| | 2003 HK\$ million | 2002 HK\$ million |
| Within one year | 7.9 | 6.2 |
| In the second to fifth years inclusive | 5.9 | 2.2 |
| | <u>13.8</u> | <u>8.4</u> |

As lessee

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

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

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

31. Capital Commitments

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

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

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

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

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

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

32. Pledge of Assets

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

33. Share Option Scheme

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

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

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

1. Purpose

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

2. Eligible participants

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

33. Share Option Scheme - continued

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

(a) 10% limit

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

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

(b) 30% limit

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

4. Maximum entitlement of each participant

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

5. Performance target

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

6. Minimum period for which an option must be held

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

7. Price of shares

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

33. Share Option Scheme - continued

8. Amount payable upon acceptance of option

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

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

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

| Date of grant | Subscription price per share | At 1.4.2001 | Granted during the year | Exercised during the year | Cancelled during the year | Lapsed during the year | At 31.3.2002 | Period during which share options outstanding at 31.3.2002 are exercisable | Price of Company's shares at exercise date of options |
|---------------|------------------------------|-------------|-------------------------|---------------------------|---------------------------|------------------------|--------------|--|---|
| HK\$ (Note) | | | | | | | | | |
| Old Scheme | | | | | | | | | |
| 25.7.1997 | 7.50 | 760,000 | - | (602,000) | - | - | 158,000 | 25.1.1998 to 24.7.2002 | 10.05 |
| 15.7.1998 | 4.14 | 1,152,000 | - | (482,000) | (4,000) | - | 666,000 | 15.1.1999 to 14.7.2003 | 10.08 |
| 7.7.1999 | 11.21 | 3,210,000 | - | - | (20,000) | - | 3,190,000 | 7.1.2000 to 6.7.2004 | - |
| 4.7.2000 | 9.56 | 3,640,000 | - | (78,000) | (20,000) | - | 3,542,000 | 4.1.2001 to 3.7.2005 | 10.61 |
| 17.7.2001 | 9.30 | - | 3,670,000 | - | - | - | 3,670,000 | 17.1.2002 to 16.7.2006 | - |
| | | 8,762,000 | 3,670,000 | (1,162,000) | (44,000) | - | 11,226,000 | | |

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

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

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

34. Contingent Liabilities

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

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

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

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

35. Related Party Transactions

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

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

35. Related Party Transactions - continued

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

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

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

- (c) The Group is licensed by Shui On Holdings Limited, a wholly-owned subsidiary of SOCL, to use the trademark, trade name "Shui On", "瑞安" and/or the Seagull devices on a non-exclusive, royalty-free basis for an unlimited period of time.
- (d) At the balance sheet date, the Group had amounts due from associates amounting to HK\$0.6 million (2002: HK\$0.1 million), which are interest free and repayable on demand.
- (e) During the year, the Group paid rental deposits to SOCL Group amounting to HK\$0.2 million (2002: HK\$0.1 million).
- (f) Pursuant to a relinquishment agreement entered into between Hollyfield Holdings Limited, a wholly-owned subsidiary of the Company, and Shanghai Ruichen Property Company Limited ("Shanghai Ruichen"), a subsidiary of SOCL, on 2 May, 2001 (as supplemented by an agreement dated 22 May, 2001 between these parties), Shanghai Ruichen agreed, amongst others, to relinquish and surrender the development rights and title of a residential property development at Hongkou District of Shanghai to Shanghai Rui Hong Xin Cheng Company Limited ("Rui Hong"), a 99% indirectly owned subsidiary of the Company. In consideration of the above, Rui Hong had paid Shanghai Ruichen a sum of RMB184.5 million (approximately HK\$172.4 million) during the year.

36. Particulars of Principal Subsidiaries

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

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

36. Particulars of Principal Subsidiaries - continued

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

36. Particulars of Principal Subsidiaries - continued

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

36. Particulars of Principal Subsidiaries - continued

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

36. Particulars of Principal Subsidiaries - continued

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

Notes:

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

* Incorporated in the British Virgin Islands

† Registered and operated in other regions of the PRC

‡ Incorporated in Mauritius

Incorporated in the Cayman Islands

§ Wholly foreign owned enterprises

@ Equity joint venture

& Cooperative joint venture

37. Particulars of Principal Associates

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

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

38. Particulars of Jointly Controlled Entities

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

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

38. Particulars of Jointly Controlled Entities - continued

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

38. Particulars of Jointly Controlled Entities - continued

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

* Incorporated in the Bahamas

† Registered and operated in other regions of the PRC

‡ Incorporated in the Cayman Islands

¶ Equity joint venture

Notes:

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