

## 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 Hong Kong Financial Reporting Standards

In the current year, the Group has adopted for the first time the following Hong Kong Financial Reporting Standard ("HKFRS") issued by the Hong Kong Society of Accountants ("HKSA"), the term of HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAPs") and Interpretations approved by the HKSA:

### SSAP 12 (Revised) - Income Taxes

The principal effect of the adoption of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method under which a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2003 have been restated accordingly. As a result of this change in policy, the balance of the Group's retained profits at 1 April, 2002 has been decreased by HK\$2.4 million which is the cumulative effect of the change in policy on the results for periods prior to 1 April, 2002. The balance of the Group's properties revaluation reserve at 1 April, 2002 has been decreased by HK\$5.8 million, representing the deferred tax liability recognised in respect of the revaluation surplus on the Group's properties at that date. The effect of the change for the current year is a decrease in profit of HK\$0.6 million (2003: decrease in loss of HK\$2.8 million and increase in properties revaluation reserve of HK\$2.0 million).

### 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.

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.

### 3. Significant Accounting Policies - continued

#### **Negative goodwill** - continued

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.

##### *Development properties*

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

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

##### *Others*

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

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

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

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

### 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 and plant under construction, 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, other than plant under construction, 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

	Over the term of the lease
Leasehold land	
Buildings	2.5%
Plant and machinery	10 - 25%
Motor vehicles, equipment, furniture and other assets	20 - 33%

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

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

### 3. Significant Accounting Policies - continued

#### **Property, plant and equipment - continued**

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.

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

#### **Properties under development**

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

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

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

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

#### **Investments in subsidiaries**

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

#### **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.

### 3. Significant Accounting Policies - continued

#### **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 recorded at cost.

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

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

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

#### **Club debentures**

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

#### **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.

### 3. Significant Accounting Policies - continued

#### **Inventories**

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

#### **Properties held for sale**

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

#### **Construction contracts**

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date, 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. Amounts billed for work performed but not yet paid by the customers are included in the balance sheet under debtors, deposits and prepayments.

#### **Borrowing costs**

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

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

### 3. Significant Accounting Policies - continued

#### 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

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

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

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

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

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

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

### 3. Significant Accounting Policies - continued

#### 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.

#### 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

Segment information about these businesses is presented below.

2004	Construction and building maintenance HK\$ million	Sale of construction materials HK\$ million	Trading of building materials HK\$ million	Property development HK\$ million	Property investment and others HK\$ million	Eliminations HK\$ million	Consolidated HK\$ million
<b>TURNOVER</b>							
External sales	2,439.7	305.9	150.6	679.5	15.2	-	3,590.9
Inter-segment sales	-	125.4	7.7	-	0.3	(133.4)	-
<b>Group turnover</b>	<b>2,439.7</b>	<b>431.3</b>	<b>158.3</b>	<b>679.5</b>	<b>15.5</b>	<b>(133.4)</b>	<b>3,590.9</b>
Share of jointly controlled entities	48.7	676.4*	-	-	-	-	725.1
<b>Total</b>	<b>2,488.4</b>	<b>1,107.7</b>	<b>158.3</b>	<b>679.5</b>	<b>15.5</b>	<b>(133.4)</b>	<b>4,316.0</b>

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\$570.4 million) and Nanjing (HK\$73.5 million).

#### RESULTS

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

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

#### 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
<b>ASSETS</b>							
Segment assets	490.7	403.0	52.0	1,461.9	177.6	-	2,585.2
Amounts due from jointly controlled entities/associate	28.1	270.7	-	-	41.0	-	339.8
Interests in jointly controlled entities/associates	16.5	720.8	-	-	68.8	-	806.1
Inter-segment receivables	812.9	56.9	8.6	-	2,027.3	(2,905.7)	-
Unallocated assets							7.2
<b>Consolidated total assets</b>							<b>3,738.3</b>
<b>LIABILITIES</b>							
Segment liabilities	586.4	108.1	7.4	112.3	18.6	-	832.8
Amounts due to jointly controlled entities	10.0	4.4	-	-	5.0	-	19.4
Inter-segment payables	176.9	1,229.8	119.5	849.4	530.1	(2,905.7)	-
Unallocated liabilities							1,470.3
<b>Consolidated total liabilities</b>							<b>2,322.5</b>

#### OTHER INFORMATION

	Construction and building maintenance HK\$ million	Sale of construction materials HK\$ million	Trading of building materials HK\$ million	Property development HK\$ million	Property investment and others HK\$ million	Total HK\$ million
Capital expenditure	0.7	20.4	-	0.8	0.3	22.2
Depreciation and amortisation	1.0	35.8	2.9	0.3	2.0	42.0
Release of negative goodwill	-	(0.1)	-	-	-	(0.1)
Other non-cash expenses	-	0.4	-	-	-	0.4

#### 4. Business And Geographical Segments - continued

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 (Restated)
<b>TURNOVER</b>							
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
<b>Total</b>	<b>1,821.5</b>	<b>1,095.0</b>	<b>57.3</b>	<b>2.3</b>	<b>16.7</b>	<b>(154.7)</b>	<b>2,838.1</b>

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).

<b>RESULTS</b>							
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							0.1
Loss before minority interests							(44.5)

\*\* 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 letting of the investment property (HK\$7.1 million).

<b>BALANCE SHEET</b>							
	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 (Restated)
<b>ASSETS</b>							
Segment assets	571.2	457.4	33.8	839.4	278.4	-	2,180.2
Amounts due from jointly controlled entities/associate	21.0	352.0	-	-	3.2	-	376.2
Interests in jointly controlled entities/associates	17.9	597.8	-	-	67.1	-	682.8
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
<b>LIABILITIES</b>							
Segment liabilities	563.7	117.8	7.4	7.5	19.9	-	716.3
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							1,268.7
Consolidated total liabilities							2,008.0

<b>OTHER INFORMATION</b>							
	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	-	(0.1)	-	-	-		(0.1)
Other non-cash expenses	-	2.6	0.6	-	42.9		46.1

#### 4. Business And Geographical Segments - continued

##### Geographical segments

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

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

	Turnover by geographical markets		Contribution to profit (loss) from operations	
	2004	2003	2004	2003
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Hong Kong	2,694.0	2,166.8	(20.1)	(68.1)
Other regions in the PRC	896.9	144.5	187.5	(11.2)
	<b>3,590.9</b>	<b>2,311.3</b>	<b>167.4</b>	<b>(79.3)</b>
Interest income			8.7	10.0
Profit (loss) from operations			<b>176.1</b>	<b>(69.3)</b>

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

	Carrying amount of segment assets		Additions to property, plant and equipment and site establishment expenditure	
	2004	2003	2004	2003
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Hong Kong	1,071.1	1,281.4	14.4	21.0
Other regions in the PRC	2,667.2	1,962.7	7.8	8.3
	<b>3,738.3</b>	<b>3,244.1</b>	<b>22.2</b>	<b>29.3</b>

## 5. Other Operating Income

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

	2004 HK\$ million	2003 HK\$ million
Interest income	8.7	10.0
Dividends received from investments in securities		
- listed	1.0	6.2
- unlisted	1.9	-
Gain on dissolution of a jointly controlled entity	-	2.5
Gain on disposal of property, plant and equipment	2.4	-

## 6. Profit (Loss) From Operations

	2004 HK\$ million	2003 HK\$ million
Profit (loss) from operations has been arrived at after charging (crediting):		
Depreciation and amortisation:		
Property, plant and equipment	38.2	42.1
Site establishment expenditure	3.8	3.4
	42.0	45.5
Less: Amount capitalised to property under development	-	(0.2)
	42.0	45.3
Auditors' remuneration	2.2	2.1
Operating lease payments in respect of rented premises	30.6	37.3
Loss on disposal of property, plant and equipment	-	0.9
Staff costs (including directors' emoluments):		
Salaries and allowances	337.4	354.3
Retirement benefits cost	25.8	19.1
Less: Amount capitalised to property under development	(2.8)	(9.2)
	360.4	364.2
Release of negative goodwill (included in other expenses)	(0.1)	(0.1)
Gross rental revenue from an investment property and car park spaces	(14.2)	(14.9)
Less: Related outgoings	3.0	2.1
Net rental income	(11.2)	(12.8)

## 7. Finance Costs

	2004 HK\$ million	2003 HK\$ million
Interest on bank loans and overdrafts and other loans		
wholly repayable within 5 years	18.4	18.7
Other borrowing costs	0.8	3.4
	19.2	22.1
Less: Amount capitalised to property under development (note 15)	(8.9)	(16.2)
	10.3	5.9

## 8. Director's Emoluments

	2004 HK\$ million	2003 HK\$ million
Fees		
Executive directors	0.1	0.1
Non-executive directors	-	-
Independent non-executive directors	0.1	0.1
Other emoluments		
Salaries and allowances	9.5	13.0
Retirement benefits cost	0.9	0.8
Others	0.5	-
	11.1	14.0

The emoluments of the directors were within the following bands:

	2004 Number of directors	2003 Number of directors
<b>Emolument bands</b>		
HK\$0 - HK\$1,000,000	6	5
HK\$1,500,001 - HK\$2,000,000	1	1
HK\$2,000,001 - HK\$2,500,000	1	1
HK\$2,500,001 - HK\$3,000,000	1	2
HK\$3,000,001 - HK\$3,500,000	1	-
HK\$4,500,001 - HK\$5,000,000	-	1
	10	10

## 9. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, three (2003: four) are executive directors of the Company whose emoluments are included in the disclosures in note 8 above. The emoluments of the remaining two (2003: one) individuals in 2004 were as follows:

	2004 HK\$ million	2003 HK\$ million
Salaries and allowances	4.0	2.1
Retirement benefits cost	0.3	0.1
	4.3	2.2

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

<b>Emolument bands</b>	2004 Number of employees	2003 Number of employees
HK\$2,000,001 - HK\$2,500,000	1	1
HK\$2,500,001 - HK\$3,000,000	1	-
	2	1

## 10. Taxation

	2004 HK\$ million	2003 HK\$ million (Restated)
The charge (credit) comprises:		
Current taxation		
Hong Kong Profits Tax	0.3	1.8
Income tax of other regions in the PRC	46.2	(0.3)
	46.5	1.5
Deferred taxation	0.6	(2.7)
Taxation attributable to the Company and its subsidiaries	47.1	(1.2)
Share of taxation attributable to jointly controlled entities		
Hong Kong Profits Tax	0.2	0.3
Income tax of other regions in the PRC	2.1	0.8
	2.3	1.1
	49.4	(0.1)

## 10. Taxation - continued

Hong Kong Profits Tax is calculated at 17.5% (2003: 16%) on the estimated assessable profits for the year. In March 2003, the Hong Kong Government announced an increase in the profits tax rate applicable to the operations in Hong Kong for the fiscal year 2003/2004. The effect of this increase has been reflected in the calculation of current and deferred tax balance at 31 March, 2004 and 31 March, 2003.

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

Details of the deferred taxation are set out in note 28.

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

	2004	2003
	HK\$ million	HK\$ million
Profit (loss) before taxation	200.0	(44.6)
Tax at Hong Kong Profits Tax rate of 17.5% (2003: 16%)	35.0	(7.1)
Tax effect of expenses not deductible for tax purpose	9.3	11.7
Tax effect of income not taxable for tax purpose	(11.1)	(5.2)
Tax effect on tax losses not recognised	15.3	12.8
Tax effect on utilisation of tax losses previously not recognised	(0.2)	(0.7)
Effect of share of tax of jointly controlled entities	2.3	1.1
Effect of change in tax rate	-	0.4
Effect of different tax rates of operations in other jurisdictions	(0.1)	(4.9)
Others	(1.1)	(8.2)
Tax charge (credit) for the year	49.4	(0.1)

## 11. Dividends

	2004	2003
	HK\$ million	HK\$ million
Dividends, paid		
Final dividend in respect of year 2002/2003: nil (2001/2002: HK\$0.15 per share on 264,514,000 shares)	-	39.7
Proposed final dividend in respect of year 2003/2004 at HK\$0.275 per share on 268,036,000 shares (2002/2003: nil)	73.7	-

The final dividend in respect of 2003/2004 of HK\$0.275 per share has been proposed by the directors and is subject to approval by shareholders at the annual general meeting.

## 12. Earnings (Loss) Per Share

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

	2004 HK\$ million	2003 HK\$ million
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share	147.7	(44.3)
	Million	Million
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	266.2	264.6
Effect of dilutive potential ordinary shares:		
Share options	5.0	0.2
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share	271.2	264.8

The adjustment to the comparative basic and diluted loss per share, arising from the change in accounting policy shown in note 2 above, is as follows:

	Basic HK\$	Diluted HK\$
Reconciliation of loss per share for the year 2002/03:		
Reported figures before adjustment	(0.18)	(0.18)
Adjustment on adoption of SSAP 12 (Revised)	0.01	0.01
Restated	(0.17)	(0.17)

## 13. Investment Property

	2004 HK\$ million	2003 HK\$ million
<b>THE GROUP</b>		
At the beginning of the year	123.0	137.0
Revaluation increase (decrease)	17.0	(14.0)
At the end of the year	140.0	123.0

The Group's investment property is located in Hong Kong and held under a medium-term lease. It was revalued at 31 March, 2004 by Chesterton Petty Ltd, independent professional valuers, on an open market value basis. The revaluation increase (decrease) has been credited (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	Plant under construction HK\$ million	Plant and machinery HK\$ million	Motor vehicles HK\$ million	Equipment, furniture and other assets HK\$ million	Total HK\$ million
<b>THE GROUP</b>							
<b>AT COST/VALUATION</b>							
At 1 April, 2003	50.0	5.9	4.1	428.5	38.4	52.8	579.7
Additions	-	-	2.0	11.5	1.9	1.3	16.7
Disposals	-	-	-	(113.8)	(3.9)	(3.9)	(121.6)
Transfer	-	-	(3.5)	3.3	0.2	-	-
Transfer to site establishment	-	-	(2.6)	-	-	-	(2.6)
At 31 March, 2004	50.0	5.9	-	329.5	36.6	50.2	472.2
Comprising:							
At valuation - 2004	50.0	-	-	-	-	-	50.0
At cost	-	5.9	-	329.5	36.6	50.2	422.2
	50.0	5.9	-	329.5	36.6	50.2	472.2
<b>ACCUMULATED DEPRECIATION</b>							
At 1 April, 2003	-	2.1	-	311.7	28.8	39.6	382.2
Charge for the year	1.1	0.3	-	28.5	2.9	5.4	38.2
Eliminated on disposals	-	-	-	(110.2)	(3.2)	(1.9)	(115.3)
Adjustment upon valuation	(1.1)	-	-	-	-	-	(1.1)
At 31 March, 2004	-	2.4	-	230.0	28.5	43.1	304.0
<b>NET BOOK VALUES</b>							
At 31 March, 2004	50.0	3.5	-	99.5	8.1	7.1	168.2
At 31 March, 2003	50.0	3.8	4.1	116.8	9.6	13.2	197.5

### Notes:

- (i) The land and buildings in Hong Kong held under medium-term leases have been revalued on 31 March, 2004 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 approximates its fair value.
- (ii) Had the revalued land and buildings in Hong Kong held under medium-term leases been restated at cost less accumulated depreciation, their net book values as at the balance sheet date would have been stated at HK\$29.7 million (2003: HK\$30.4 million).

#### 14. Property, Plant And Equipment - continued

	Motor vehicles HK\$ million	Equipment, furniture and other assets HK\$ million	Total HK\$ million
<b>THE COMPANY</b>			
AT COST			
At 1 April, 2003	1.7	9.6	11.3
Additions	0.1	0.1	0.2
At 31 March, 2004	1.8	9.7	11.5
ACCUMULATED DEPRECIATION			
At 1 April, 2003	1.3	8.3	9.6
Charge for the year	0.2	0.8	1.0
At 31 March, 2004	1.5	9.1	10.6
NET BOOK VALUES			
At 31 March, 2004	0.3	0.6	0.9
At 31 March, 2003	0.4	1.3	1.7

#### 15. Property Under Development

	Land costs HK\$ million	Development costs HK\$ million	Total HK\$ million
<b>THE GROUP</b>			
At 1 April, 2003	514.3	191.7	706.0
Additions	180.2	375.8	556.0
Less: Transfer to properties held for sale	(174.2)	(278.6)	(452.8)
At 31 March, 2004	520.3	288.9	809.2
Carrying amount analysed for reporting purposes as:			
Non-current			591.2
Current			218.0
			809.2

The property under development represents the property development project Rui Hong Xin Cheng (also known as the Rainbow City) situated in the Hongkou District, Shanghai, the PRC, held under a long term lease. Part of the amount was transferred to properties held for sale upon completion during the year. Included in property under development at 31 March, 2004 are borrowing costs and staff costs capitalised amounting to approximately HK\$28.1 million (2003: HK\$23.3 million) and HK\$17.1 million (2003: HK\$14.3 million) respectively. The effective interest rate for interest capitalised during the year was 1.55% per annum.

Details of the transaction relating to the disposal of the Group's interest in the property development project are set out in note 36(a).

## 16. Negative Goodwill

	THE GROUP HK\$ million
GROSS AMOUNT	
At 1 April, 2003 and 31 March, 2004	(0.8)
RELEASED TO INCOME	
At 1 April, 2003	0.1
Released during the year	0.1
At 31 March, 2004	0.2
CARRYING AMOUNT	
At 31 March, 2004	(0.6)
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	
	2004	2003
	HK\$ million	HK\$ million
Unlisted shares, at cost	291.7	291.7

Particulars of the principal subsidiaries are set out in note 37.

## 18. Interests In Jointly Controlled Entities

	THE GROUP	
	2004	2003
	HK\$ million	HK\$ million
Share of net assets	555.0	440.4
Negative goodwill	(2.8)	(2.9)
	552.2	437.5
Amount due from a jointly controlled entity	253.9	245.3
	806.1	682.8

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.

The amount due from a jointly controlled entity was unsecured, interest free and has no fixed terms of repayment. The Group will not demand for repayment within 12 months from the balance sheet date. Accordingly, the amount was classified as non-current.

Particulars of the principal jointly controlled entities are set out in note 39.

## 18. Interests In Jointly Controlled Entities - continued

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 years ended 31 December, 2003 and 2002, are as follows:

	2003 HK\$ million	2002 HK\$ million
Results for the year ended 31 December		
Turnover	1,242.1	939.0
Profit before taxation	54.0	52.1
Profit before taxation attributable to the Group	33.8	34.1
Financial positions as at 31 December		
Non-current assets	2,182.5	1,514.3
Current assets	867.5	917.6
Current liabilities	(1,278.9)	(996.8)
Non-current liabilities	(1,086.3)	(843.5)
Minority interests	(155.0)	(145.3)
Net assets	529.8	446.3
Net assets attributable to the Group	405.9	349.1

## 19. Investments In Securities

	THE GROUP	
	2004 HK\$ million	2003 HK\$ million
Other investments, at fair value:		
equity securities		
- unlisted overseas	12.8	15.3
- listed in Hong Kong	12.8	120.3
	25.6	135.6
Market value of listed securities	12.8	120.3

## 20. Club Debenture

	THE GROUP AND THE COMPANY	
	2004	2003
	HK\$ million	HK\$ million
Unlisted membership debenture in a recreational club, at cost	1.2	1.2

## 21. Site Establishment Expenditure

	THE GROUP	
	2004	2003
	HK\$ million	HK\$ million
At the beginning of the year	13.9	16.9
Additions	5.5	0.4
Transfer from property, plant and equipment	2.6	-
Written off during the year	(0.4)	-
Amortisation for the year	(3.8)	(3.4)
At the end of the year	17.8	13.9

## 22. Inventories And Contracts In Progress

	THE GROUP	
	2004	2003
	HK\$ million	HK\$ million
Inventories		
Raw materials	4.6	5.6
Work-in-progress	12.7	9.0
Finished goods	13.4	12.2
Spare parts	13.4	12.9
	44.1	39.7

Included above are raw materials of HK\$4.2 million (2003: HK\$2.3 million) which are carried at net realisable value.

## 22. Inventories And Contracts In Progress - continued

	THE GROUP	
	2004	2003
	HK\$ million	HK\$ million
Contracts in progress		
Costs incurred to date	3,296.8	6,013.7
Recognised profits less recognised losses	26.3	261.1
	3,323.1	6,274.8
Less: Progress billings	(3,324.4)	(6,134.7)
Net contract work	(1.3)	140.1
Represented by:		
Amounts due from customers for contract work	98.4	221.2
Amounts due to customers for contract work	(99.7)	(81.1)
	(1.3)	140.1

## 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	
	2004	2003
	HK\$ million	HK\$ million
Debtors (net of allowance for bad and doubtful debts) aged analysis:		
Within 90 days	300.3	235.5
91 days to 180 days	16.2	19.1
181 days to 360 days	12.4	18.0
Over 360 days	19.9	4.7
	348.8	277.3
Retentions receivable	99.4	124.7
Prepayments, deposits and other receivables	136.1	194.8
	584.3	596.8

## 24. Creditors And Accrued Charges

	THE GROUP	
	2004 HK\$ million	2003 HK\$ million
Creditors aged analysis:		
Within 30 days	97.1	93.0
31 days to 90 days	23.0	38.4
91 days to 180 days	7.6	7.4
Over 180 days	11.0	5.7
	138.7	144.5
Retentions payable	124.0	136.5
Accruals and other payables	466.2	349.0
	728.9	630.0

## 25. Bank Borrowings

	THE GROUP		THE COMPANY	
	2004 HK\$ million	2003 HK\$ million	2004 HK\$ million	2003 HK\$ million
Secured bank loan (note 32)	284.4	107.3	-	-
Unsecured bank loans and bank overdrafts	1,134.1	1,156.4	1,040.0	1,061.0
	1,418.5	1,263.7	1,040.0	1,061.0
Less: Amounts due within one year	(932.5)	(68.9)	(860.0)	-
	486.0	1,194.8	180.0	1,061.0

The borrowings are repayable as follows:

Within one year	932.5	68.9	860.0	-
More than one year but not exceeding two years	400.7	1,096.8	180.0	1,061.0
More than two years but not exceeding five years	85.3	98.0	-	-
	1,418.5	1,263.7	1,040.0	1,061.0

## 26. Share Capital

	2004 HK\$ million	2003 HK\$ million
<b>Authorised</b>		
400,000,000 shares of HK\$1 each	400.0	400.0
<b>Issued and fully paid</b>		
At the beginning of the year	264.7	264.5
Exercise of share options	3.3	0.2
At the end of the year	268.0	264.7

## 27. Reserves

	Properties revaluation reserve HK\$ million	Share premium account HK\$ million	Translation reserve HK\$ million	Contributed surplus HK\$ million	Goodwill HK\$ million	Negative goodwill HK\$ million	Retained profits HK\$ million	Reserve funds HK\$ million	Total HK\$ million
<b>THE GROUP</b>									
At 1 April, 2002									
- as originally stated	37.0	532.3	(6.7)	197.6	(2.7)	0.5	282.9	0.8	1,041.7
- adjustment on adoption of SSAP 12 (Revised) (note 2)	(5.8)	-	-	-	-	-	(2.4)	-	(8.2)
- as restated	31.2	532.3	(6.7)	197.6	(2.7)	0.5	280.5	0.8	1,033.5
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	-	-	-	-	-	-	(44.3)	-	(44.3)
Dividends	-	-	-	-	-	-	(39.7)	-	(39.7)
Transfer	(0.8)	-	-	-	-	-	0.8	-	-
Revaluation decrease in the year	(13.8)	-	-	-	-	-	-	-	(13.8)
Reversal of deferred tax liability arising on revaluation of properties (note 2)	2.0	-	-	-	-	-	-	-	2.0
Transfer to reserve funds	-	-	-	-	-	-	(0.1)	0.1	-
At 31 March, 2003	18.6	533.0	0.2	197.6	(2.7)	0.5	197.2	0.9	945.3
Exchange differences arising on translation of financial statements of operations outside Hong Kong	-	-	1.9	-	-	-	-	-	1.9
Premium on issue of shares	-	23.7	-	-	-	-	-	-	23.7
Profit for the year	-	-	-	-	-	-	147.7	-	147.7
Transfer	(0.5)	-	-	-	-	-	0.5	-	-
Revaluation increase in the year	0.6	-	-	-	-	-	-	-	0.6
Transfer to reserve funds	-	-	-	-	-	-	(0.1)	0.1	-
At 31 March, 2004	18.7	556.7	2.1	197.6	(2.7)	0.5	345.3	1.0	1,119.2
<b>THE COMPANY</b>									
At 1 April, 2002	-	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
Premium on issue of shares	-	23.7	-	-	-	-	-	-	23.7
Loss for the year	-	-	-	-	-	-	(34.8)	-	(34.8)
At 31 March, 2004	-	556.7	-	88.9	-	-	33.7	-	679.3

## 27. Reserves - continued

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

	Translation reserve HK\$ million	Goodwill HK\$ million	Negative goodwill HK\$ million	Retained profits HK\$ million	Total HK\$ million
At 1 April, 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
Profit for the year	-	-	-	31.9	31.9
Dividends	-	-	-	(29.7)	(29.7)
Addition of negative goodwill	-	-	2.5	-	2.5
Share of reserve	0.2	-	-	-	0.2
At 31 March, 2004	-	(2.0)	2.8	30.2	31.0

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

The contributed surplus of the Company arose when the Company issued shares in exchange for the equity in subsidiaries and associates pursuant to the group restructuring in January 1997.

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

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

As at the balance sheet date, the Company's reserves, including the contributed surplus, available for distribution to shareholders amounted to HK\$122.6 million (2003: HK\$157.4 million).

## 28. Deferred Taxation

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

	Accelerated tax depreciation HK\$ million	Revaluation of properties HK\$ million	Tax losses HK\$ million	Other temporary differences HK\$ million	Total HK\$ million
<b>THE GROUP</b>					
At 1 April, 2002					
- as originally stated	(3.0)	-	0.5	1.0	(1.5)
- adjustment on adoption of SSAP 12 (Revised)	(9.2)	(5.8)	6.4	0.4	(8.2)
- as restated	(12.2)	(5.8)	6.9	1.4	(9.7)
Credit (charge) to consolidated					
income statement for the year	4.3	-	(0.7)	(0.5)	3.1
Credit to equity for the year	-	2.5	-	-	2.5
Effect of change in tax rate					
- (Charge) credit to consolidated					
income statement	(1.1)	-	0.6	0.1	(0.4)
- Charge to equity	-	(0.5)	-	-	(0.5)
At 31 March, 2003	(9.0)	(3.8)	6.8	1.0	(5.0)
(Charge) credit to consolidated					
income statement for the year	(1.3)	-	0.2	0.5	(0.6)
At 31 March, 2004	(10.3)	(3.8)	7.0	1.5	(5.6)

For the purposes of balance sheet presentation certain deferred tax assets and liabilities have been offset in accordance with the conditions set out in SSAP 12 (Revised).

At 31 March, 2004, the Group has unused tax losses of HK\$214.8 million (2003: HK\$140.8 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to HK\$39.9 million (2003: HK\$38.5 million). No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK\$174.9 million (2003: HK\$102.3 million) due to the unpredictability of future profit streams.

## 29. Provident Fund Scheme And Defined Benefit Plan

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

### Mandatory Provident Fund Scheme

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

The Group's contributions to the MPF Scheme charged to the consolidated income statement as staff cost during the year ended 31 March, 2004 amounted to HK\$5.3 million (2003: HK\$4.6 million). The amount of employer's voluntary contributions to MPF schemes forfeited for the year ended 31 March, 2004 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 12.5% (2003: 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 before 1 September, 2003 and 1% per annum in respect of contributions made on or after 1 September, 2003 or 1.8 times the final salary times the 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, 2004 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.

## 29. Provident Fund Scheme And Defined Benefit Plan - continued

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

	2004	2003
Discount rate	4.0%	4.5%
Expected rate of salary increase	Nil for the next three years commencing from 1 April, 2004 and 3% thereafter	Nil for the next four years commencing from 1 April, 2003 and 3% thereafter

The expected rate of return on plan asset for the year ended 31 March, 2004 is 5.5% per annum (2003: 5.5%).

The actuarial valuation showed that the fair value of the plan assets attributable to the Group was HK\$293.7 million at 31 March, 2004 (2003: HK\$226.4 million), representing 92% (2003: 72%) of the benefits that had accrued to members. The shortfall of the plan assets of HK\$26.2 million (2003: HK\$88.4 million) is to be cleared over the estimated remaining service period of the current membership of 15 years (2003: 10 years).

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

	2004 HK\$ million	2003 HK\$ million
Current service cost	14.0	13.0
Interest cost	12.9	16.0
Expected return on plan assets	(11.6)	(14.5)
Net actuarial losses recognised in current year	5.2	-
Net amount charged to consolidated income statement as staff costs	20.5	14.5

The actual return on plan assets allocated to the Group for the year ended 31 March, 2004 was a gain of HK\$57.0 million (2003: loss of HK\$33.0 million).

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

	THE GROUP		THE COMPANY	
	2004 HK\$ million	2003 HK\$ million	2004 HK\$ million	2003 HK\$ million
Present value of defined benefit obligations	318.9	314.8	44.0	44.6
Unrecognised actuarial losses	(21.1)	(83.3)	(2.6)	(11.5)
Fair value of plan assets	(293.7)	(226.4)	(40.2)	(32.1)
Defined benefit liability included in the balance sheet	4.1	5.1	1.2	1.0

Included within the fair value of plan assets is HK\$8.8 million (2003: HK\$5.6 million) in respect of the equity shares of the Company.

## 29. Provident Fund Scheme And Defined Benefit Plan - continued

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

	THE GROUP		THE COMPANY	
	2004 HK\$ million	2003 HK\$ million	2004 HK\$ million	2003 HK\$ million
At the beginning of the year	5.1	8.5	1.0	1.3
Amounts charged to income statement	20.5	14.5	2.6	1.6
Employers' contributions	(21.5)	(17.9)	(2.4)	(1.9)
At the end of the year	4.1	5.1	1.2	1.0

## 30. Lease Arrangements

### As lessor

Property rental income in respect of the investment property and car park spaces earned during the year was HK\$14.2 million (2003: HK\$14.9 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	
	2004 HK\$ million	2003 HK\$ million
Within one year	6.0	7.9
In the second to fifth years inclusive	2.1	5.9
	8.1	13.8

### 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	
	2004 HK\$ million	2003 HK\$ million	2004 HK\$ million	2003 HK\$ million
Within one year	12.3	13.3	4.0	4.2
In the second to fifth years inclusive	6.8	9.9	0.3	4.6
Over five years	-	0.1	-	-
	19.1	23.3	4.3	8.8

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 with options to terminate the lease with six months notice in advance.

### 31. Capital Commitments

- (a) As at 31 March, 2004, the Group had commitments in respect of the development costs of property under development contracted but not provided for in the financial statements amounting to approximately HK\$576.6 million (2003: HK\$621.7 million) and authorised but not contracted for amounting to approximately HK\$85.3 million (2003: nil).
- (b) As at 31 March, 2004, the Group's share of the capital commitments of its jointly controlled entities are as follows:

	2004 HK\$ million	2003 HK\$ million
Authorised but not contracted for	51.6	117.2
Contracted but not provided for	7.8	61.0

- (c) On 18 February, 2004, the Group entered into an agreement with Shui On Land Limited, a subsidiary of SOCL, to subscribe for convertible redeemable preference shares to be issued by Shui On Land Limited for consideration up to an amount of US\$50 million.
- (d) As at 31 March, 2004, the Group had commitments in respect of the acquisition of property, plant and equipment contracted but not provided for in the financial statements amounting to approximately HK\$0.3 million (2003: HK\$1.4 million).

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

### 32. Pledge Of Assets

At 31 March, 2004, the Group's interest in property under development with a total carrying value of approximately HK\$809.2 million (2003: HK\$706.0 million) and bank deposits of HK\$527.8 million (2003: nil) were pledged to secure certain syndicated bank loan facilities granted to a subsidiary of the Company.

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

#### 2. Eligible participants

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

### **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.

### 33. Share Option Scheme - continued

#### 7. Price of shares

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

#### 8. Amount payable upon acceptance of option

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

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

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

Date of grant	Subscription price per share HK\$	Number of options					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)
		At 1.4.2002	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year			
<b>Old Scheme</b>									
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	-
<b>New Scheme</b>									
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	-
		<u>11,226,000</u>	<u>25,240,000</u>	<u>(220,000)</u>	<u>(294,000)</u>	<u>(158,000)</u>	<u>35,794,000</u>		

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\$31 (2003: HK\$94).

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\$164.4 million (2003: HK\$143.4 million);
- (b) Shanghai Rui Hong Xin Cheng Co. Ltd., a subsidiary of the Group, has given guarantees to banks in respect of mortgage facilities granted to the buyers of its residential properties of approximately HK\$299.4 million.

The Company has given guarantees to banks in respect of general facilities granted to its subsidiaries and jointly controlled entities for general facilities. The extent of such facilities utilised by the subsidiaries and jointly controlled entities at 31 March, 2004 amounted to approximately HK\$551.8 million (2003: HK\$367.4 million) and HK\$307.8 million (2003: HK\$159.0 million).

Pursuant to an agreement entered into with the district government (the "Hongkou Government") and the Education Authority of the Hongkou District, Shanghai, the PRC on 31 July, 2002, guarantees of no more than HK\$303 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, 2004 and 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	2004 HK\$ million	2003 HK\$ million
Income received:		
Management and information system services	0.4	0.5
Project management services	4.1	11.8
Sales and marketing services	1.4	3.7
Cost and expenses paid:		
Rental expenses	0.9	0.6
Building management fee	0.1	0.1
Balance as at 31 March		
Amounts due from SOCL Group	0.2	0.4
Amounts due to SOCL Group	0.1	0.1

### 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	2004 HK\$ million	2003 HK\$ million
Income received:		
Interest income	5.4	7.6
Management fee	-	0.8
Rental income	0.2	-
Sales of construction materials	2.4	0.2
Capital distribution from dissolution of a jointly controlled entity	-	15.3
Dividend income	29.7	1.0
Cost and expenses paid:		
Construction/subcontracting work	71.4	82.2
Supply of construction materials	20.8	13.0
Management and information system services	-	0.3
Consultancy fee	0.4	-
Sales proceeds from disposal of property, plant and equipment	0.9	-
Balances as at 31 March		
Amounts due from jointly controlled entities*	593.6	620.9
Amounts due to jointly controlled entities	19.4	23.0

\* Included in the amounts due from jointly controlled entities are amounts of approximately HK\$169.8 million (2003: HK\$268.6 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) Pursuant to a relinquishment agreement (the "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, among 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% owned subsidiary of Hollyfield Holdings Limited. In consideration of the above, Rui Hong had paid Shanghai Ruichen a sum of RMB184.5 million (approximately HK\$172.4 million).
- (e) Details of a related party transaction entered into on 18 February, 2004 are set out in note 36(a).

### 36. Post Balance Sheet Events

- (a) On 18 February, 2004, the Group entered into the Rainbow Sale and Purchase Agreement and the Subscription and Shareholders' Agreement (the "Agreements") for co-investment in Shui On Land Limited ("SOL") with the Company's ultimate holding company, SOCL. The Agreements involved the sale to SOL the entire issue share capital of Foresight Profits Limited ("Foresight") and the benefit of the debt owed by Hollyfield (a wholly owned subsidiary of Foresight) to the Company, for an initial consideration (subject to adjustment) of US\$130 million which will be satisfied by the allotment and issue of 130 million ordinary shares in SOL credited as fully paid to the Group. Foresight is the holding company of Hollyfield and Rui Hong, which develops the Rui Hong Xin Cheng project (also known as Rainbow City) in Shanghai. Together with an additional cash injection of up to US\$50 million to be made by the Group of which US\$25 million was paid on 31 May, 2004 for the subscription of the preference convertible shares, the Group shall hold more than 20% interest in SOL upon completion of the Agreements. Details of the transactions are set out in a circular issued to the shareholders dated 23 March, 2004. The Agreements were approved by independent shareholders in a Special General Meeting on 15 April, 2004.

In connection with the above, an agreement was entered into by Shanghai Ruichen and Hollyfield on 29 April, 2004 to terminate the Relinquishment Agreement (as set out in note 35(d)) which provided for, among others, revenue sharing arrangements between Shanghai Ruichen and Hollyfield relating to the sale and lease of the development in Rainbow City as disclosed in the Company's announcement dated 2 May, 2001.

Another agreement was entered into by Shanghai Ruichen and Rui Hong on 29 April, 2004 to terminate the management agreement dated 4 February, 2002 which provided for, among others, the reimbursement to the Group by Shanghai Ruichen for staff costs related to works performed for the benefit of Shanghai Ruichen as disclosed in the Company's announcement dated 4 February, 2002, since the Group would no longer be required to perform any work for Shanghai Ruichen.

- (b) On 18 June, 2004, Prime Allied Enterprises Limited ("Prime Allied", a wholly-owned subsidiary of the Company) entered into a conditional joint operation agreement with Yunnan National Assets Operation Co. Ltd. ("YNAOL"), a PRC state-owned company, in relation to the proposed co-investment in Yunnan State-owned Cement Company Limited ("Yunnan Cement"), a wholly-owned subsidiary of YNAOL, after its reorganisation. Upon completion of the reorganisation, Prime Allied and YNAOL will enter into a formal sale and purchase agreement whereby Prime Allied will acquire 80% equity interest in Yunnan Cement. Application will then be made to the relevant PRC regulatory authorities to transform Yunnan Cement into a Sino-foreign joint venture company, Yunnan Shui On Cement Company Limited ("Yunnan JV").

According to the preliminary valuation by an independent firm of PRC valuers, the total net asset value of Yunnan Cement is valued at RMB691 million. The consideration is approximately RMB409 million, which represents 80% of the total net asset value of Yunnan Cement after deducting the account payable granted by YNAOL to Yunnan Cement of an amount of RMB180 million. A deposit of RMB80 million is payable by Prime Allied within 10 business days upon the signing of the conditional joint operation agreement, and the remaining amount of the consideration of RMB329 million will be settled within 10 business days upon the date of entering into the sale and purchase agreement.

On 18 June 2004, the Company and Lafarge S. A. ("Lafarge") entered into an agreement whereby (i) the Company has granted to Lafarge an option to purchase 50% of the interest held or to be held by the Company in Yunnan Cement or Yunnan JV (as appropriate); and (ii) Lafarge has agreed to provide certain free technical assistance to the Group (or Yunnan JV on behalf of the Group).

The option may be exercised at the discretion of Lafarge within an exercise period of nine months starting from the date of the conditional joint operation agreement. The exercise price will be at 5% premium over the price paid by the Company for its equity stake in Yunnan Cement or Yunnan JV (as appropriate), calculated by reference to the number of days elapsed since the start of the exercise period up to the exercise date, over the total number of days during this nine-month period.

### 37. 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	
<b>Construction and building maintenance business</b>				
P.D. (Contractors) Limited	1,000,000 ordinary shares of HK\$1 each	-	94%	Renovation work
Pacific Extend Limited	10,000 ordinary shares of HK\$1 each	-	67%	Maintenance contractor
Pat Davie Limited	9,400,100 ordinary shares of HK\$1 each	-	94%	Interior decoration, fitting out, design and contracting
	100,000 non-voting deferred shares of HK\$10 each			
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

### 37. 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	
<b>Sale of construction materials business</b>				
Asia No.1 Material Supply Limited	100 ordinary shares of HK\$100 each 1,000 non-voting deferred shares of HK\$100 each	-	100%	Holding of a quarry right
Billion Centre Company Limited	100 ordinary shares of HK\$1 each 2 non-voting deferred shares of HK\$1 each	-	100%	Holding of a land lease
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 Kenon 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
Kenon 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
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

### 37. 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	
<b>Sale of construction materials business</b>				
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 *	100,000 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	-	100%	Quarrying
<b>Trading of building materials business</b>				
Asia Materials Limited	2 ordinary shares of HK\$1 each	-	100%	Trading
Asia Materials International Trading (Shenzhen) Co., Ltd. **+	Registered and paid up capital HK\$1,000,000	-	100%	Trading
Asia Materials Holdings Limited #	1,000,000 shares of US\$1 each	100%	-	Investment holding
Asia Materials Technologies (Beijing) Co., Ltd. **+	Registered and paid up capital US\$150,000	-	100%	Trading
Asia Materials Technologies (Hangzhou) Co., Ltd. **+	Registered and paid up capital US\$200,000	-	100%	Trading
Asia Materials Technologies (Shenzhen) Co., Ltd. **+	Registered and paid up capital HK\$3,000,000	-	100%	Provision of technology services
Asia Materials Trading (Shanghai) Co., Ltd. **+	Registered and paid up capital US\$200,000	-	100%	Trading
<b>Property development business</b>				
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
New Rainbow Investments Co. Ltd.	Registered and paid up capital US\$1	100%	-	Investment holding

### 37. 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	
<b>Property investment and others business - continued</b>				
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 Cement Development Management Co. Ltd.	Registered and paid up capital US\$420,000	-	99%	Provision of consultancy services
Middleton Investments Limited ***	2 ordinary shares of US\$1 each	-	99%	Investment holding
Shui On Corporate Services Limited	2 ordinary shares of HK\$1 each	100%	-	Provision of secretarial services
Shui On Grangep 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 Investment Limited***	2 ordinary shares of US\$1 each	-	99%	Investment holding
Winway Holdings Limited ***	2 ordinary shares of US\$1 each	-	99%	Investment holding

None of the subsidiaries had any debt securities subsisting at 31 March, 2004 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

### 38. Particulars of Associate

The Group has no significant associate.

### 39. Particulars of Principal Jointly Controlled Entities

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

Indirect jointly controlled entities	Issued and paid-up share capital/ registered capital	Effective percentage of issued capital held by the Group	Principal activities	Notes
<b>Construction and building maintenance business</b>				
Brisfull Limited	5,000,000 ordinary shares of HK\$1 each	50%	Sale and installation of aluminium window products	
City Engineering Limited	10,000 ordinary shares of HK\$1 each	50%	Installation of mould work	
Super Race Limited	420,000 ordinary shares HK\$1 each	50%	Supply of sink units and cooking benches	
Kaiping Biaofu Metal Products Company Limited **#	Registered and paid up capital US\$800,000	50%	Manufacture of aluminium window products	
鶴山超合預制件有限公司 **#	Registered and paid up capital US\$284,600	50%	Manufacture of sink units and cooking benches	1
<b>Sale of construction materials business</b>				
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
Guang On T.H. Cement Co. Ltd. **#	Registered and paid up capital RMB110,000,000	50%	Manufacture and sale of cement	2
Chongqing T.H. White Cement Co. Ltd. **#	Registered and paid up capital US\$1,506,000	30%	Manufacture and sale of cement	2
Guizhou Bijie Shui On Cement Co. Ltd. **#	Registered and paid up capital RMB48,000,000	79%	Manufacture and sale of cement	1 and 2
Guizhou Changda Shui On Cement Co. Ltd. **#	Registered and paid up capital RMB106,000,000	50.5%	Manufacture and sale of cement	1 and 2
Guizhou Dingxiao Shui On Cement Co. Ltd. **#	Registered and paid up capital RMB56,000,000	89%	Manufacture and sale of cement	1 and 2

### 39. Particulars Of Principal 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
<b>Sale of construction materials business - continued</b>				
Guizhou Kaili Ken On Concrete Co. Ltd. **#	Registered and paid up capital RMB10,000,000	74%	Supply of ready mixed concrete	1 and 2
Guizhou Kaili Shui On Cement Co. Ltd. **#	Registered and paid up capital RMB60,000,000	89%	Manufacture and sale of cement	1 and 2
Guizhou Xipu Shui On Cement Co. Ltd. **#	Registered and paid up capital RMB60,000,000	79%	Manufacture and sale of cement	1 and 2
Guizhou Xishui Shui On Cement Co. Ltd.	Registered and paid up capital RMB42,800,000	89%	Manufacture and sale of cement	1 and 2
Guizhou Zunyi Ken On Concrete Co. Ltd. **#	Registered and paid up capital RMB12,000,000	74%	Supply of ready mixed concrete	1 and 2
Guizhou Yuqing Shui On Cement Ltd. (formerly known as 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. **#	Registered and paid up capital RMB92,000,000	79%	Manufacture and sale of cement	1, 2 and 3
Lamma Yue Jie Company Limited	10,000 ordinary shares of HK\$1 each	60%	Trading of construction materials	
Nanjing Jiangnan Cement Company Ltd. **#	Registered and paid up capital RMB120,000,000	60%	Manufacture and trading of cement	1 and 2
Shenzhen Lamma Yue Jie Concrete Products Co. Ltd. **#	Registered capital RMB5,000,000 Paid up capital RMB3,000,000	60%	Manufacture of precast concrete facade	1
Shui On (Panyu) Stainless Steel & Aluminium Products Company Limited **#	Registered and paid up capital HK\$2,000,000	50%	Manufacture and trading of stainless steel and aluminium products	2
Shui On Sumicem Consulting Limited	100,000 ordinary shares of HK\$1 each	50%	Consultancy services	
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
<b>Other business</b>				
The Yangtze Ventures Limited ***	1,000 ordinary shares of HK\$0.1 each	65.5%	Investment fund	2
The Yangtze Ventures II Limited ***	1,000 ordinary shares of HK\$0.1 each	75.4%	Investment fund	2

\* Incorporated in the Bahamas

\*\* Registered and operated in other regions of the PRC

\*\*\* Incorporated in the Cayman Islands

# Equity joint venture

### **39. Particulars Of Principal Jointly Controlled Entities - continued**

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, 2003.
3. The Group's effective shareholding in Guizhou Zunyi Shui On Cement Co. Ltd. ("Guizhou Zunyi") is 79%, but the Group was entitled to a share of 59% of Guizhou Zunyi's profit for the period up to 31 December, 2003.