瑞安建業有限公司*

SHUI ON CONSTRUCTION AND MATERIALS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 983)

INTERIM RESULTS for the six months ended 30 June 2007

Financial Highlights

	Six months ended 30 June 2007	Six months ended 30 September 2006
Turnover	**HK$1,413 million**	HK$843 million
Profit before non-cash charges on convertible bonds issued	**HK$290 million**	HK$528 million
Profit attributable to equity holders of the Company	**HK$60 million**	HK$491 million
Basic earnings per share	**HK$0.21**	HK$1.78
Interim dividend per share	**HK$0.15**	HK$0.18

Business Review

- The Group injected cash and distressed property projects into China Central Properties, which was successfully listed on London's AIM Board, and recognised a total gain of HK$417 million, of which HK$73 million was deferred at the period end.

- The Group took a 22% equity interest in a joint venture with Shui On Land and Yida Group to participate in the development of Dalian Software Park Phase II, a US$2 billion large-scale, multi-faceted project comprising about 3.6 million square metres GFA.

- Lafarge Shui On Cement made steady progress and the successful acquisition of Shuangma Cement reinforces its leadership position in Sichuan Province. It had a total annual production capacity of 23 million tonnes at the end of June.

- With the rise in the share price of Shui On Land, the Group recognised, directly in reserves, a further HK$164 million increase in the fair value of its shareholding in this company.

- Construction operations in Hong Kong and Macau performed well with increased turnover and profit.

- Non-cash charges of HK$230 million in relation to the convertible bonds issued in 2006 were incurred largely due to the considerable rise in the Company's share price.

* *For identification purpose only*

RESULTS

The Board of Directors (the "Board") of Shui On Construction and Materials Limited (the "Company" or "SOCAM") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007 as follows:-

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June 2007 HK$ million (unaudited)	Six months ended 30 September 2006 HK$ million (unaudited)
Continuing operations			
Turnover			
The Company and its subsidiaries		**1,413**	843
Share of jointly controlled entities		**885**	660
		2,298	1,503
Group turnover	3	**1,413**	843
Other income		**42**	37
Changes in inventories of finished goods, work in progress, contract work in progress and properties held for sale		**55**	28
Raw materials and consumables used		**(219)**	(127)
Staff costs		**(164)**	(142)
Depreciation and amortisation expenses		**(4)**	(4)
Subcontracting, external labour costs and other expenses		**(1,127)**	(625)
Dividend income from available-for-sale investments		**45**	–
Fair value changes on investment properties		**17**	–
Fair value changes on financial assets at fair value through profit or loss		**–**	(16)
Fair value changes on derivative financial instruments		**2**	534
Convertible bonds issued			
– Fair value changes on embedded derivatives		**(182)**	(21)
– Imputed interest expense		**(48)**	(16)
Interest on bank loans and other borrowing costs		**(93)**	(88)
Impairment loss recognised in respect of interests in jointly controlled entities		–	(1)
Gain on disposal of interests in jointly controlled entities		**110**	–
Loss on deemed disposal of interest in an associate		**(21)**	–
Loss on partial disposal of interest in a subsidiary		–	(10)
Gain on deemed disposal of interest in an associate		–	79
Share of results of jointly controlled entities		**252**	40
Share of results of an associate		**(9)**	(8)
Profit before taxation		**69**	503
Taxation	4	**(6)**	(6)
Profit for the period from continuing operations		**63**	497
Discontinued operations			
Loss for the period from discontinued operations		**–**	(5)
Profit for the period		**63**	492

	Notes	Six months ended **30 June 2007** **HK$ million** **(unaudited)**	 30 September 2006 HK$ million (unaudited)
Attributable to:			
Equity holders of the Company		**60**	491
Minority interests		**3**	1
		63	492
Dividends	5		
Paid		**151**	69
Proposed		**47**	50
Earnings per share	6		
Basic		**HK$0.21**	HK$1.78
Diluted		**HK$0.21**	HK$1.51

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**30 June 2007 HK$ million (unaudited)**	31 December 2006 HK$ million (audited)
Non-current Assets			
Investment properties		**82**	63
Property, plant and equipment		**31**	30
Prepaid lease payments		**42**	41
Interests in jointly controlled entities		**3,081**	2,549
Available-for-sale investments		**5,234**	5,070
Interests in an associate		**1,752**	—
Investment in convertible bonds		**165**	—
Club memberships		**1**	1
Defined benefit assets		**90**	83
		10,478	7,837
Current Assets			
Inventories		**27**	22
Prepaid lease payments		**1**	1
Properties held for sale		**55**	55
Debtors, deposits and prepayments	7	**617**	812
Derivative financial instruments		**44**	9
Amounts due from customers for contract work		**172**	109
Amounts due from jointly controlled entities		**552**	1,205
Amounts due from related companies		**1**	1
Amounts due from an associate		**119**	—
Taxation recoverable		**2**	—
Held-for-trading investments		**43**	—
Pledged bank deposits	8	**80**	200
Bank balances, deposits and cash		**137**	65
		1,850	2,479
Non-current assets held for sale		**32**	31
		1,882	2,510

	Notes	30 June 2007 HK$ million (unaudited)	31 December 2006 HK$ million (audited)
Current Liabilities			
Creditors and accrued charges	9	**790**	865
Amounts due to customers for contract work		**149**	143
Amounts due to jointly controlled entities		**42**	156
Loan from a related company		**350**	—
Amounts due to an associate		**64**	—
Taxation payable		**6**	11
Derivative financial instruments		**295**	175
Bank borrowings due within one year		**3,043**	2,395
		4,739	3,745
Net Current Liabilities		**(2,857)**	(1,235)
Total Assets Less Current Liabilities		**7,621**	6,602
Capital and Reserves			
Share capital		**301**	284
Reserves		**5,291**	4,880
Total equity attributable to equity holders of the Company		**5,592**	5,164
Minority interests		**56**	52
Total Equity		**5,648**	5,216
Non-current Liabilities			
Bank borrowings		**1,309**	567
Convertible bonds		**663**	818
Deferred tax liabilities		**1**	1
		1,973	1,386
		7,621	6,602

Notes:

1. Change of Financial Year End Date

The Company changed the date of its financial year end from 31 March to 31 December during the nine-month period ended 31 December 2006 in order to align financial reporting dates within the Group. The condensed consolidated financial statements presented for the current period therefore cover six months from 1 January 2007 to 30 June 2007. The corresponding comparative amounts shown for the condensed consolidated financial statements and related notes cover six months from 1 April 2006 to 30 September 2006.

2. Application of Hong Kong Financial Reporting Standards

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group's financial period beginning 1 January 2007. The application of these new HKFRSs has had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new/revised standards or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new standards or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 23 (Revised)	Borrowing costs[1]
HKFRS 8	Operating segment[1]
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions[2]
HK(IFRIC)-Int 12	Service Concession Arrangements[3]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 March 2007
[3] Effective for annual periods beginning on or after 1 January 2008

3. **Business and geographical segments**

An analysis of the Group's turnover and results by business segments is as follows:

For the six months ended 30 June 2007

	Construction and building maintenance HK$ million	Cement operations Through LSOC # HK$ million	Cement operations Other cement operations HK$ million	Property development HK$ million	Property investment and others HK$ million	Total HK$ million	Eliminations HK$ million	Consolidated HK$ million
TURNOVER								
External sales	1,400	–	–	–	13	1,413	–	1,413
Inter-segment sales	1	–	–	–	–	1	(1)	–
Group turnover	1,401	–	–	–	13	1,414	(1)	1,413
Share of jointly controlled entities	5	708	169	–	3	885	–	885
Total	1,406	708	169	–	16	2,299	(1)	2,298

Inter-segment sales are charged at mutually agreed prices.

LSOC denotes Lafarge Shui On Cement Limited, a jointly controlled entity of the Group.

	Construction and building maintenance HK$ million	Cement operations Through LSOC # HK$ million	Cement operations Other cement operations HK$ million	Property development HK$ million	Property investment and others HK$ million	Total HK$ million	Eliminations HK$ million	Consolidated HK$ million
RESULTS								
Segment results	34	4	(3)	(6)	(41)	(12)		(12)
Interest income	1	–	3	–	3	7		7
Interest income from convertible bonds	–	–	–	1	–	1		1
Fair value changes on investment properties	–	–	–	–	17	17		17
Fair value changes on derivative financial instruments	–	–	–	2	–	2		2
Dividend income from available-for-sale investments	–	–	–	45	–	45		45
Convertible bonds issued								
– Fair value changes on embedded derivatives	–	–	–	–	(182)	(182)		(182)
– Imputed interest expense	–	–	–	–	(48)	(48)		(48)
Interest on bank loans and other borrowing costs	–	–	(5)	–	(88)	(93)		(93)
Gain on disposal of interests in jointly controlled entities	–	–	–	110	–	110		110
Loss on deemed disposal of interests in an associate	–	–	–	(21)	–	(21)		(21)
Share of results of jointly controlled entities								
Cement operations in								
–LSOC	–	40	–	–	–	40		40
–Guizhou	–	–	2	–	–	2		2
Venture capital investments	–	–	–	–	24	24		24
Distressed asset development	–	–	–	187	–	187		187
Others	(1)	–	–	–	–	(1)		(1)
						252		252
Share of results of an associate	–	–	–	(9)	–	(9)		(9)
Profit before taxation						69		69
Taxation						(6)		(6)
Profit for the period						63		63

For the six months ended 30 September 2006

	Continuing operations						Discontinued operations		
	Construction and building maintenance	Cement operations: Through LSOC	Cement operations: Other cement operations	Property development	Property investment and others	Total	Sale of construction materials	Eliminations	Consolidated
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
TURNOVER									
External sales	817	–	–	–	26	843	–	–	843
Inter-segment sales	1	–	–	–	2	3	–	(3)	–
Group turnover	818	–	–	–	28	846	–	(3)	843
Share of jointly controlled entities	60	436	141	–	23	660	–	–	660
Total	878	436	141	–	51	1,506	–	(3)	1,503

Inter-segment sales are charged at mutually agreed prices.

	Construction and building maintenance	Through LSOC	Other cement operations	Property development	Property investment and others	Total	Sale of construction materials	Eliminations	Consolidated
RESULTS									
Segment results	24	5	(11)	(13)	(38)	(33)	(5)		(38)
Interest income	1	1	3	–	8	13	–		13
Interest income from preference shares	–	–	–	14	–	14	–		14
Fair value changes on derivative financial instruments	–	–	–	534	–	534	–		534
Convertible bonds issued									
– Fair value changes on embedded derivatives	–	–	–	–	(21)	(21)	–		(21)
– Imputed interest expense	–	–	–	–	(16)	(16)	–		(16)
Interest on bank loans and other borrowing costs	–	–	(1)	–	(87)	(88)	–		(88)
Impairment loss recognised in respect of interests in jointly controlled entities	–	–	(1)	–	–	(1)	–		(1)
Loss on disposal of interest in a subsidiary	–	–	–	–	(10)	(10)	–		(10)
Gain on deemed disposal of interest in an associate (Note)	–	–	–	79	–	79	–		79
Share of results of jointly controlled entities									
Cement operations in									
–LSOC	–	2	–	–	–	2	–		2
–Guizhou	–	–	4	–	–	4	–		4
Venture capital investments	–	–	–	–	3	3	–		3
Distressed asset development	–	–	–	32	–	32	–		32
Others	–	–	(1)	–	–	(1)	–		(1)
						40	–		40
Share of results of an associate	–	–	–	(8)	–	(8)	–		(8)
Profit (loss) before taxation						503	(5)		498
Taxation						(6)	–		(6)
Profit (loss) for the period						497	(5)		492

Note: Gain on deemed disposal of interest in an associate arose from the issue of shares by the associate to an investor during that period.

The Group's operations are located in Hong Kong and other regions in the People's Republic of China (the "PRC").

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

	Six months ended	
	30 June 2007	30 September 2006
	HK$ million	HK$ million
Hong Kong	**1,077**	757
Other regions in the PRC	**336**	86
	1,413	843

4. Taxation

	Six months ended	
	30 June 2007	30 September 2006
	HK$ million	HK$ million
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	**3**	4
Income tax of other regions in the PRC	**3**	—
Deferred taxation	**—**	2
	6	6

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) on the estimated assessable profits for the period. Income tax outside Hong Kong is calculated at the rates prevailing in the respective jurisdictions.

5. Dividends

The Board recommended the payment of an interim dividend of HK$0.15 per share for the six months ended 30 June 2007 (for the six months ended 30 September 2006: HK$0.18 per share).

	Six months ended	
	30 June 2007	30 September 2006
	HK$ million	HK$ million
Dividends paid	**151**	69
Proposed interim dividend in respect of 2007 at HK$0.15 per share (2006: HK$0.18 per share)	**47**	50

On 15 June 2007, a dividend of HK$0.52 per share (for the year ended 31 March 2006: HK$0.25 per share) was paid to shareholders as the final dividend for the nine months ended 31 December 2006.

6. **Earnings per share**

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended	
	30 June 2007	30 September 2006
	HK$ million	HK$ million
Earnings:		
Earnings for the purposes of basic earnings per share	**60**	491
Effect of dilutive potential ordinary shares for convertible bonds issued:		
Imputed interest expense	–	16
Fair value changes on derivative financial instruments	–	21
Effect of dilutive potential ordinary shares of an associate:		
Interest income on convertible redeemable participating junior preference shares	–	(14)
Adjustment to the share of results of an associate based on dilution of its earnings per share	–	(4)
Earnings for the purposes of diluted earnings per share	**60**	510

Number of shares:		
	Million	Million
Weighted average number of ordinary shares for the purposes of basic earnings per share	**285**	276
Effect of dilutive potential ordinary shares:		
Convertible bonds	–	54
Share options	**4**	8
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**289**	338

The computation of diluted earnings per share for the six months ended 30 June 2007 does not assume the conversion of outstanding convertible bonds issued by the Company and an associate, since their conversion would result in an increase in earnings per share for the current period.

7. Debtors, deposits and prepayments

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

Included in debtors, deposits and prepayments are debtors with an aged analysis at the balance sheet date as follows:

	30 June 2007	31 December 2006
	HK$ million	HK$ million
Within 90 days	**250**	326
91 days to 180 days	**1**	12
181 days to 360 days	**—**	1
Over 360 days	**5**	5
	256	344

8. Pledged bank deposits

	30 June 2007	31 December 2006
	HK$ million	HK$ million
In relation to:		
Short term bank loan granted to the Group	**80**	80
Standby letter of credit issued relating to a bank loan granted to a jointly controlled entity	**—**	120
	80	200

9. Creditors and accrued charges

The aged analysis of creditors of HK$96 million (31 December 2006: HK$266 million) which are included in the Group's creditors and accrued charges is as follows:

	30 June 2007	31 December 2006
	HK$ million	HK$ million
Within 30 days	**79**	246
31 days to 90 days	**7**	10
91 days to 180 days	**3**	3
Over 180 days	**7**	7
	96	266

CONTINGENT LIABILITIES

At 30 June 2007, performance bonds established amounting to approximately HK$219 million (31 December 2006: HK$233 million) have not been provided for in the condensed consolidated financial statements.

At 30 June 2007, the Company has given a corporate guarantee in favour of a bank with respect to a RMB730 million (about HK$749 million) bank loan granted to a subsidiary of an associate. In the opinion of the Directors of the Company, the fair value of the corporate guarantee is insignificant at initial recognition and the Directors consider that the possibility of the default of the parties involved is remote, accordingly, no value has been recognised in the condensed consolidated financial statements.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK$0.15 per share (2006: HK$0.18 per share) to shareholders whose names appear on the Company's register of members on Wednesday, 10 October 2007. The interim dividend will be paid on Thursday, 18 October 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 8 October 2007 to Wednesday, 10 October 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 5 October 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Following the change of financial year end date from 31 March to 31 December in 2006, this interim results announcement covers the period from 1 January 2007 to 30 June 2007.

Interim Results

The Group's turnover for the six months ended 30 June 2007 was HK$1.4 billion, an increase of 67.6% compared with that for the previous interim reporting period, which ran from 1 April 2006 to 30 September 2006 — prior to the Group's change of its financial year end date. Unaudited consolidated profit after taxation and minority interests was HK$60 million, compared with a profit of HK$491 million in the interim period last year. The decrease in profit can be clearly seen from comparison with the last interim period, which saw HK$534 million profit from the valuation of the preference shares in Shui On Land (SOL) held by the Group at fair value as a result of the initial public offering of SOL in Hong Kong. The results of the current interim period have been adversely affected by the Group having to recognise non-cash charges of HK$230 million in relation to the convertible bonds issued by the Company in 2006, largely due to the considerable rise in the Company's share price.

Throughout the first half of the year, the Group continued to invest in its core businesses in the Mainland within its broader strategy of securing a wider base of recurrent income from this market and from Hong Kong.

Business Review

Distressed Property Development

A major event for SOCAM during the period was the Group's injection of its 5 distressed asset development projects in Beijing, Dalian, Qingdao and Chengdu into a newly created holding company, China Central Properties (CCP), in exchange for CCP shares upon their admission to the London Stock Exchange's AIM Board (AIM) on 13 June 2007. The Group recognised from this asset injection a total gain of HK$417 million compared with its initial investment costs, of which HK$73 million was deferred at the period end.

Upon admission to AIM, CCP placed new shares for approximately £179.6 million and issued US$200 million five-year convertible bonds, raising a total of approximately HK$4.2 billion, net of expenses. In addition to the asset injection, SOCAM subscribed for approximately £63 million shares and US$25 million convertible bonds in CCP. At 30 June 2007, SOCAM held approximately 40.2% of the ordinary shares in CCP.

CCP is mandated to invest in partially completed property projects in the Chinese Mainland, focusing on medium to large projects in major and secondary cities, where such projects become available as a result of their owners' financial constraints. Once acquired, the projects are upgraded and, upon completion, will either be sold or leased. The Group believes this is the right time to capitalise on the exciting opportunities in the China market for partially completed properties, and the AIM admission will provide CCP with the financial resources to capture significant growth opportunities arising in this market niche.

Following the admission to AIM, CCP appointed SOCAM Asset Management (SAM), a wholly-owned subsidiary of SOCAM, as its investment manager, to undertake the management of CCP's property projects and any future investments, including the negotiation and acquisition of potential assets, at an agreed base fee and performance fee. This will provide the Group with a stable, recurrent income stream and performance-linked incentive income. SAM has assembled an investment and project management team which has many years of experience in the China property market and SAM will further leverage on SOCAM's construction, property development and financial structuring expertise to strengthen its competitiveness.

In Beijing, the two properties made good progress. Site works were on schedule at Phase 1 of Huapu Centre, a Grade-A commercial complex, with completion of the building targeted for October this year. Marketing of the office and retail space has commenced with the aim of leasing 80% of the office space prior to the 2008 Olympic Games. At Beijing Shengyuan Centre, a Grade-A office development, mechanical and electrical engineering work progressed well and completion of the development is expected in December 2007. In June, CCP expanded its portfolio by acquiring, at auction, 76 residences at the Beijing Fengqiao Villas development for RMB306 million and intends to acquire the remaining villas on this site.

In Dalian, the completion certificate of Xiwang Building, a Grade-A office tower, was obtained in February. Leasing was relatively slow, with around 28% of the total rentable floor space of 66,746 square metres taken by the end of the period under review.

In Chengdu, upgrading and construction work for Huitong Building — a mixed-use project comprising an international hotel, Grade-A offices, and high-end retail outlets — was about to commence, with completion of the entire Phase I targeted for mid 2008. Sales and leasing are due to commence in the third quarter of 2007.

In Qingdao, construction of the mixed office, retail and residential project Central International Plaza made good progress during the period with costs in line with budget. The entire building is expected to be completed in September 2007. By the end of the first half year, around 62% of the office space had been sold along with some 78% of the retail area and 41% of the residential space.

Subsequent to the period under review, CCP made further investments. In July, CCP purchased Ruiqi Building at auction for RMB413.7 million. This partially completed, mixed-use project in the central business district of Chongqing has 86,000 square metres gross floor area (GFA) and comprises a 24-storey residential tower and a nine-level commercial podium. Completion of this project is expected before the end of 2008. CCP also acquired Central Plaza in Shenyang via auction for RMB187.0 million. Relocation and foundation works at this 243,000-square-metre GFA project have been completed. Central Plaza will be developed into a high quality, multi-use complex and, when completed in around 2010, will comprise a four-level retail podium, three residential towers, a hotel/serviced apartment tower as well as an office block. In August, 10 more villas at Beijing Fengqiao were acquired through auction at a cost of about RMB40.5 million.

By the end of August, CCP had a property portfolio of 8 projects in six major cities with a total GFA in excess of 800,000 square metres.

Dalian Software Park Phase II Development Project

In May, SOCAM successfully entered into an agreement with SOL and Yida Group, an experienced developer in Northern China, to form a joint venture for the development of Dalian Software Park Phase II. The formation of the joint venture was unanimously approved by the Company's independent shareholders voting in June. Dalian's economy is growing rapidly. This large-scale, multi-faceted project, comprising approximately 3.6 million square metres, aims to serve businesses and industries relating to information technology outsourcing and business process outsourcing that are growing rapidly in Dalian. The project includes residential property, estates serving the needs of the software industry, commercial and retail properties together with educational and research facilities, outdoor recreation and environmental facilities and other public amenities. According to the current development plan, this US$2 billion project will be constructed in six phases over an 8-10 year period.

The joint venture combines the strength, expertise and experience of the partners concerned and is poised to create substantial synergies. The project draws on SOCAM's expertise in project management and quality assurance as well as sales and marketing while SOL will be responsible for master planning and overall design of the development. SOCAM has invested approximately HK$507.7 million for its 22% effective equity interest and SAM will provide management services to this project.

Cement

Lafarge Shui On Cement (LSOC)

The operations in the LSOC joint venture performed well and at a profit due to increased sales volumes and pricing. It sold 7.8 million tonnes of cement in the first half of this year. In Sichuan, there was strong demand with tighter supply and higher prices, especially from April onwards. The second line in Dujiangyan, commissioned in October 2006, effectively doubled the production capacity of the Dujiangyan plant and brought a substantial improvement in results for the first half. In May, LSOC obtained the final approval from the China Securities Regulatory Commission in respect of the acquisition of the Shuangma plants. This increased the joint venture's capacity in Sichuan to 7 million tonnes per annum, reinforcing LSOC's leadership position in the province.

Yunnan saw strong demand for cement, although increased supply created a more competitive environment with noticeable pressure on pricing and volume for LSOC's operation. In Chongqing, performance continued to improve when general market conditions allowed an increase in price. In addition, the steel slag plant also started to make a positive contribution. In Guizhou, increased competition for high-grade cement and rising fuel and coal costs undercut the performance of the three dry kilns in Dingxiao, Xinpu and Shuicheng. Reduced demand for cement in Beijing reflected slower growth in construction works than in previous years.

At end of June, LSOC's total production capacity was 23 million tonnes per annum.

The joint venture is seeking to further strengthen its market leadership, increase market share, and implement the successful Lafarge operation management system at all plants. All these measures will help the joint venture lay a solid foundation for future growth. It also plans to build two dry kilns each with a capacity of 5,000 tonnes per day (tpd) in Chongqing, and two dry kilns each with a capacity of 2,500 tpd in Guizhou.

Guizhou Cement

The six cement plants in Guizhou retained by SOCAM produced steady profits on a total sales volume of approximately 740,000 tonnes for the first half of this year. Cement production, sales and prices were all higher than that for the same period last year. SOCAM continued to implement strategic measures, including cost-saving programmes and technical improvements, to maximise operational efficiency and to cope with rising coal and fuel costs.

In August, the Group entered into an agreement with the Kaili Government for the construction of a new dry kiln with a production capacity of 2,500 tpd in Kaili to meet the increasing demand for cement in Guizhou Province and phase out the current wet line. Completion of this new production line is targeted for the end of 2008.

Venture Capital

The portfolio of venture capital investments enjoyed steady performance. During the period, the Group was a 65.5% and 75.4% shareholder respectively in the two Yangtze Ventures Funds. The Group was also a 66.8% shareholder in On Capital China Fund (formerly known as On Capital China Tech Fund).

Yangtze Ventures Funds (YVF)

The two Yangtze Venture Funds were fully invested throughout the period. AIM-listed Walcom Group, which manufactures animal feedstuff, saw improved profit margins due to increasing demand for its products. Wuhan Huali Environmental Protection Technology achieved key European environmental certification during the period for its environmentally friendly, packaging products. Sales to foreign customers for product testing progressed well and are expected to pave the way for future volume sales.

CIG specializes in port development, operation and management along the Yangtze River. Turnover and throughput at CIG Yangtze Ports (a subsidiary of CIG listed on the Hong Kong Growth Enterprise Market Board and holding a port in Wuhan) continued to improve during the period and the share price of CIG Yangtze Ports rose substantially to HK$0.98 at the end of June, after the placing of 20% new shares with Value Partners at a price of HK$0.59 per share in June.

YVF retained a 6.24% interest during the period in Carling Technology (Gushan), which manufactures and sells biodiesel and related products. Plans to list this business in 2007 are on track. AIM-listed Cosmedia, a provider of TV entertainment programmes in China, expanded its coverage to 12 million households during the first half of the year.

On Capital China Fund (On Capital)

Established in 2004, and with a variety of technology-related investments, On Capital's performance was satisfactory.

Listed in Australia, Arasor, an optoelectronics and wireless solutions provider, is rapidly expanding operations within its major growth markets such as China and India. SOCAM is implementing an exit plan for its holding of 27.7 million shares in Hi Sun Technology (China) Limited—listed on the Main Board of the Hong Kong Stock Exchange — and about 36% of the shares were profitably sold during the first half year at an average price of HK$2.51 per share.

During the period, On Capital invested US$2.91 million in IGO Home Shopping, a TV home shopping business with initial coverage in Hangzhou. The Fund was fully invested at the end of the period.

Property Development Investment－SOL

In May, SOL formed a joint venture with SOCAM and Yida Group for the development of Dalian Software Park Phase II. It has a 48% effective equity interest in this joint venture.

SOL continues to implement its plan to form strategic partnerships with appropriate investors to sell parts of its interest in selected projects and/or co-develop selected projects. In June, it entered into sale and purchase agreements to dispose of 25% and 49% of its interest in the property development projects in Wuhan Tiandi, Wuhan and in Lot 116 of Taipingqiao, Shanghai for approximately RMB1,245 million and RMB364 million respectively. These will accelerate the development schedules of SOL and allow it to undertake more new projects.

The value of the Group's 17.84% shareholding in SOL at 30 June 2007, based on SOL's closing price of HK$7.01 per share, was approximately HK$5.23 billion as compared with HK$5.07 billion at 31 December 2006. The Group recognised this HK$164 million increase in the fair value of its shareholding in SOL directly in reserves. In August, after obtaining unanimous approval of the Company's independent shareholders voting, the Group disposed of approximately 220.4 million shares－equivalent to approximately 5.27% of the issued share capital of SOL － to Shui On Investment Company Limited (the private group) for HK$1.8 billion, at a price of HK$8.1664 per share, which represented a premium of 3.8% over the closing price of HK$7.87 on the date of signing the sale and purchase agreement, and recognised in the income statement a gain on disposal, net of transaction costs, of approximately HK$930 million, including the realisation of approximately HK$824 million gain previously included in the reserves. The proceeds received from the disposal have been used by the Group for working capital and bank borrowings repayments. This has strengthened the Group's financial position for expanding its other core businesses and investments.

Construction in Hong Kong, Macau and the Chinese Mainland

The division's total turnover for the first half year was HK$1,400 million, while contracts totalling HK$1,849 million were won. Despite cost pressures reflecting keen demand for materials, labour and specialist technical staff, both Shui On Building Contractors and Shui On Construction saw steady business in the first half year, with turnover and profit ahead of plan.

At 30 June 2007, the gross and outstanding values of contracts on hand were approximately HK$5.5 billion and HK$3.6 billion respectively (30 September 2006: approximately HK$4.7 billion and HK$3.2 billion respectively).

Shui On Building Contractors (SOBC)

SOBC secured a maintenance contract, worth approximately HK$105 million, from the Hong Kong Housing Authority, which means the Group continues to hold the maximum number of Housing Authority maintenance contracts allowed for any single contractor. SOBC also won a further maintenance contract, worth approximately HK$270 million, from the Architectural Services Department. Six new Hong Kong Housing Authority tenders are expected to be released in the second half year for which SOBC will compete vigorously.

Shui On Construction (SOC)

In the first half year, SOC was awarded a major design-and-build project by the Architectural Services Department, valued at approximately HK$1.1 billion, to build the Customs Headquarters Building for the Hong Kong Customs and Excise Department.

During the period, SOC completed the Independent Commission Against Corruption Headquarters Building, as well as a Rehabilitation Block at Tuen Mun Hospital and the extension facilities at Prince of Wales Hospital.

Pat Davie

In Hong Kong, Pat Davie continued to secure projects from the commercial sector. Major projects completed or in progress during the first half year included office fit-out jobs for Hang Seng Bank, the Hong Kong Airport Authority and UBS AG Bank. In Macau, Pat Davie maintained its strong track record in the gaming and hospitality sectors and won further projects from Venetian, Wynn and MGM. Turnover in Macau, which amounted to HK$220 million, accounted for 70% of the total turnover of this company.

Pat Davie continued to provide close support to CCP's distressed property development projects in Dalian and Qingdao, and expects to undertake project management and fit-out work for the projects in Beijing and Chengdu.

Prospects

The acquisition and development of distressed property in the Chinese Mainland is now a core SOCAM business. With continuing robust, economic growth in the Chinese Mainland, the Group is confident that its interest in CCP — the vehicle for its distressed property development activity — will deliver attractive returns and value growth. The Group expects CCP to achieve its target portfolio of a GFA of 1,000,000 square metres under development by the end of 2007. This would represent more than double the GFA of 425,000 square metres that accrued from the initial five projects injected into the company at the outset. SAM will also stand to benefit from the rapidly expanding property portfolio of CCP under its management, generating a new source of recurrent income for the Group.

The Group will continue its strategy of building a strong position as one of the leading corporations in the Mainland's high-quality cement market through the LSOC joint venture. Already Southwest China's leading cement producer, LSOC has the vision to be one of the top cement suppliers in the Chinese Mainland adhering to world-class standards for safety, environmental protection and accountability. Production capacity at the end of 2007 is estimated at 24 million tonnes per annum. LSOC has embarked on an aggressive capacity-expansion programme for the next few years.

Listings and other fund-raising initiatives are expected to bring improved returns from our venture capital investments.

As a leading Mainland property developer, SOL is playing an important role in developing seven projects in five major cities — Shanghai, Hangzhou, Chongqing, Wuhan and Dalian. Currently, it has a land bank of approximately 12 million square metres of GFA (including Dalian Software Park Phase II) in the Chinese Mainland. SOCAM's joint venture with SOL on the Dalian Software Park Phase II Development is also well-placed to bring attractive, long-term returns, combining the respective strengths of the two sister companies.

On the construction front, the Group remains well positioned to win competitive tenders in Hong Kong, while in Macau, the growing gaming and hospitality sectors will continue to deliver promising growth opportunities for Pat Davie in the medium term.

Liquidity and financing

At 30 June 2007, the Group's borrowings, including bank borrowings and outstanding convertible bonds but net of bank balances, deposits and cash, amounted to approximately HK$4,798 million (31 December 2006: HK$3,515 million).

The Group's gearing ratio, calculated on the basis of net borrowings over shareholders' equity, increased from 68% at 31 December 2006 to 86% at 30 June 2007, largely due to the cash subscription of shares and convertible bonds in CCP.

In August, the Group disposed of about 220.4 million shares in SOL, representing around 5.27% of the issued share capital of SOL, to the Shui On private group for approximately HK$1.8 billion in cash. As a result, the borrowings of the Group have markedly decreased, freeing up considerable gearing capacity for the Group's future investments.

In addition, the progressive conversion of the convertible bonds issued by the Company has lowered the Group's gearing and strengthened its equity base. At the end of August, convertible bonds of approximately HK$406 million, out of a total of HK$930 million, had been converted into about 23.7 million ordinary shares of the Company. The Group's gearing ratio was approximately 59% at 31 August 2007.

Treasury Policies

Bank borrowings are mainly denominated in Hong Kong dollars and have been arranged on a floating rate basis. The convertible bonds are denominated in Hong Kong dollars and are zero coupon. Investments in the Chinese Mainland are partly financed by borrowings in Hong Kong dollars. Given that income from operations in the Chinese Mainland is denominated in Renminbi, the Group expects that fluctuation in the Renminbi exchange rate will have very little negative effect on the business performance and the financial status of the Group. Therefore no hedging against Renminbi exchange risk has been effected.

REWARD OF EMPLOYEES

At 30 June 2007, the number of employees of the Group was approximately 830 (30 September 2006: 820) in Hong Kong and Macau and 13,200 (30 September 2006: 15,500) in subsidiaries and jointly controlled entities in the Chinese Mainland. Employee remuneration packages are maintained at competitive levels and employees are rewarded on a performance-related basis. Other staff benefits include provident fund schemes, medical insurance, in-house training and subsidies for job-related seminars, and programmes organised by professional bodies and educational institutes. Share options are granted annually by the Board of Directors to senior management staff members as appropriate. Likewise, in the Chinese Mainland, staff benefits are commensurate with market levels, with an emphasis on provision of training and development opportunities.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2007.

CODE ON CORPORATE GOVERNANCE PRACTICES

Save as disclosed below, the Company has complied with the Code on Corporate Governance Practices ("CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the period.

Code Provision A.4.1 of the CG Code stipulates that Non-executive Directors should be appointed for a specific term, subject to re-election. The Non-executive Directors of the Company are not appointed for a specific term, but are subject to retirement by rotation and re-election at annual general meetings in accordance with the Bye-laws of the Company. Under Code Provision A.4.2, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Directors of the Company retire not strictly under Code Provision A.4.2, but in accordance with the Bye-laws of the Company which stipulates that one-third of the Directors of the Company, except the Chairman and the Chief Executive Officer, shall retire from office by rotation at each annual general meeting.

The Board considers that all Directors (save for the Chairman and the Chief Executive Officer) are subject to retirement and re-election on a periodic basis under the Bye-laws. The Board also considers that the continuity of leadership is important for the stability and growth of the Company and that both the Chairman and the Chief Executive Officer should not be subject to retirement or hold office for a limited term.

AUDIT COMMITTEE

The Audit Committee comprises the three Independent Non-executive Directors and the Non-executive Director. The Audit Committee has reviewed the Group's unaudited consolidated interim financial statements for the six months ended 30 June 2007, including the accounting principles and practices adopted by the Group, and has also considered selected auditing, internal control, and financial reporting matters of the Group, in conjunction with the Company's external auditor.

REMUNERATION COMMITTEE

The Remuneration Committee comprises the three Independent Non-executive Directors, the Non-executive Director and the Chairman of the Board. The Remuneration Committee has reviewed the remuneration packages of the Executive Directors as well as the annual bonus and share option grant recommendations for executives and management staff.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. The Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the period under review.

By order of the Board
Lo Hong Sui, Vincent
Chairman

Hong Kong, 13 September 2007

At the date of this announcement, the Executive Directors of the Company are Mr. Lo Hong Sui, Vincent, Mr. Choi Yuk Keung, Lawrence, Mr. Wong Yuet Leung, Frankie and Mrs. Lowe Hoh Wai Wan, Vivien; the Non-executive Director of the Company is Professor Michael John Enright; and the Independent Non-executive Directors of the Company are Mr. Anthony Griffiths, Mr. Cheng Mo Chi, Moses and Mr. Gerrit Jan de Nys.

Website: www.shuion.com