瑞 安 建 業 有 限 公 司*

SHUI ON CONSTRUCTION AND MATERIALS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 983)

Announcement of results for the year ended 31 December 2007

Financial Highlights

	Year ended 31 December 2007	Nine months ended 31 December 2006
Turnover	**HK$2,811 million**	HK$1,680 million
Profit before non-cash charges on convertible bonds issued	**HK$1,107 million**	HK$671 million
Profit attributable to shareholders	**HK$702 million**	HK$602 million
Basic earnings per share	**HK$2.34**	HK$2.17
Interim dividend per share	**HK$0.15**	HK$0.18
Final dividend per share	**HK$0.65**	HK$0.52
	At 31 December 2007	At 31 December 2006
Total net assets	**HK$7,242 million**	HK$5,164 million
Net assets value per share	**HK$22.56**	HK$18.21

Business Review

In year 2007, Shui On Construction and Materials Limited (SOCAM) grew from strength to strength with notable achievements on all fronts:

- The injection of distressed property projects into China Central Properties upon its listing on London's AIM Board produced a total gain of HK$417 million to the Group over SOCAM's initial investment in the projects.

- China Central Properties expanded its property development portfolio rapidly to 887,500 square metres of GFA, spanning seven major cities in the Mainland.

- Building on its strengths in distressed asset development, SOCAM extended its reach to greenfield property development projects by entering into a joint venture for Dalian Tiandi • Software Hub, followed by joint venture projects in Shenyang and Chengdu after the year end.

- Lafarge Shui On Cement made a significant profit contribution on an increased sales volume and strong pricing, and expanded its annual production capacity to 24 million tonnes by year end. The successful completion of the acquisition of the Shenzhen-listed Shuangma Cement reinforces the joint venture's leadership position in Sichuan.

- The construction business reported growth in turnover and profit in Hong Kong and Macau and is poised to provide strong support to the property development operations in the Mainland.

- Venture capital investments yielded good results largely through IPO and other equity fund-raising activities of the investee companies.

- The disposal of a partial interest in Shui On Land for HK$1.8 billion generated a gain of HK$929 million and allowed the Company to expand its gearing capacity.

- The non-cash accounting charges of HK$405 million in relation to the convertible bonds issued in 2006 resulted from the considerable rise in the Company's share price.

* *For identification purposes only*

Prospects

Entering 2008, we see strong momentum across our businesses that will allow us to make the most of market conditions.

There are indications that economic growth will slow in China. Nonetheless, we are confident that with urban incomes rising rapidly, real estate will continue to experience solid growth. We also foresee little let-up in China's drive to improve its infrastructure. Likewise, the measures taken recently by the Central Government to restrain rapid expansion in the Chinese property market will help ensure its healthy development in the long term. All these bode well for SOCAM's property and cement businesses in the Chinese Mainland.

Since its listing 10 years ago, SOCAM has been successfully transformed from a Hong Kong-based construction and materials company into a Mainland-focused group with major interests in property and cement. We believe we will continue to benefit from China's rapid urbanisation and look forward to the opportunities that surely lie ahead.

RESULTS

The Board of Directors of Shui On Construction and Materials Limited (the "Company" or "SOCAM") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007 as follows:-

CONSOLIDATED INCOME STATEMENT

	Notes	**Year ended 31 December 2007** *HK$ million*	Nine months ended 31 December 2006 *HK$ million*
Turnover			
The Company and its subsidiaries		**2,810.5**	1,680.4
Share of jointly controlled entities/associates		**2,270.2**	1,606.2
		5,080.7	3,286.6
Group turnover	3	**2,810.5**	1,680.4
Other income		**60.6**	70.7
Changes in inventories of finished goods, work in progress, contract work in progress and properties held for sale		**76.2**	25.2
Raw materials and consumables used		**(423.0)**	(244.8)
Staff costs		**(315.1)**	(215.4)
Depreciation and amortisation expenses		**(7.8)**	(5.6)
Subcontracting, external labour costs and other expenses		**(2,243.6)**	(1,308.6)
Dividend income from available-for-sale investments		**71.1**	–
Fair value changes on investment properties		**25.2**	1.4
Fair value changes on financial assets at fair value through profit or loss		**–**	48.1
Fair value changes on embedded derivatives		**(15.5)**	621.4
Convertible bonds issued by the Company			
- Fair value changes on embedded derivatives		**(326.6)**	(28.1)
- Imputed interest expense		**(78.5)**	(40.5)
Interest on bank loans and other borrowing costs		**(208.6)**	(125.4)
Gain on disposal of available-for-sale investments		**928.7**	–
Impairment loss recognised in respect of interests in jointly controlled entities		**(85.8)**	–
Gain on disposals of interests in jointly controlled entities		**110.5**	–
(Loss) gain on deemed disposal of interest in an associate		**(21.5)**	119.1
Share of impairment loss of jointly controlled entities		**(34.4)**	(84.3)
Share of results of jointly controlled entities		**367.1**	83.5
Share of results of associates		**26.1**	48.8
Loss on disposal of partial interest in a subsidiary		**–**	(9.7)
Profit before taxation		**715.6**	636.2
Taxation	4	**(11.3)**	(7.7)
Profit for the year/period from continuing operations		**704.3**	628.5
Discontinued operations			
Loss for the period from discontinued operations		**–**	(6.1)
Profit for the year/period		**704.3**	622.4
Attributable to:			
Equity holders of the Company		**702.0**	602.1
Minority interests		**2.3**	20.3
		704.3	622.4
Dividends	5		
Paid or declared		**198.0**	120.3
Proposed		**209.1**	150.9
Earnings per share	6		
Basic		**HK$2.34**	HK$2.17
Diluted		**HK$2.29**	HK$0.06

CONSOLIDATED BALANCE SHEET

	Note	31 December 2007 HK$ million	31 December 2006 HK$ million
Non-current Assets			
Investment properties		**92.9**	63.2
Property, plant and equipment		**24.5**	29.4
Prepaid lease payments		**42.6**	40.8
Interests in jointly controlled entities		**3,175.0**	2,548.9
Available-for-sale investments		**4,789.1**	5,070.0
Interests in associates		**1,836.9**	–
Investment in convertible bonds		**174.1**	–
Club memberships		**1.2**	1.2
Amounts due from a jointly controlled entity		**188.8**	–
Amounts due from associates		**490.6**	–
Defined benefit assets		**111.3**	83.0
		10,927.0	7,836.5
Current Assets			
Inventories		**11.3**	21.5
Prepaid lease payments		**0.9**	0.9
Properties held for sale		**53.5**	55.1
Debtors, deposits and prepayments	7	**589.5**	811.6
Derivative financial instruments			
- Embedded derivatives of convertible bonds issued by an associate		**16.2**	–
- Early redemption option of convertible bonds issued by the Company		**4.6**	8.6
Amounts due from customers for contract work		**161.9**	108.9
Amounts due from jointly controlled entities		**860.8**	1,204.7
Amounts due from associates		**129.8**	–
Amounts due from related companies		**1.9**	1.3
Taxation recoverable		**2.6**	0.4
Pledged bank deposits	8	**386.4**	200.5
Bank balances, deposits and cash		**153.3**	64.8
		2,372.7	2,478.3
Non-current assets held for sale		**-**	31.0
		2,372.7	2,509.3
Current Liabilities			
Creditors and accrued charges	9	**802.5**	864.6
Amounts due to customers for contract work		**85.0**	142.6
Amounts due to jointly controlled entities		**12.4**	156.1
Amounts due to associates		**294.8**	–
Amounts due to related companies		**0.4**	0.1
Loan from a related company		**100.0**	–
Taxation payable		**8.3**	10.7
Derivative financial instruments		**248.8**	175.3
Bank borrowings due within one year		**2,800.5**	2,394.8
		4,352.7	3,744.2
Net Current Liabilities		**(1,980.0)**	(1,234.9)
Total Assets Less Current Liabilities		**8,947.0**	6,601.6
Capital and Reserves			
Share capital		**320.9**	283.6
Reserves		**6,920.7**	4,880.3
Total equity attributable to equity holders of the Company		**7,241.6**	5,163.9
Minority interests		**53.7**	52.2
		7,295.3	5,216.1
Non-current Liabilities			
Bank borrowings		**1,259.0**	567.4
Convertible bonds		**392.0**	817.6
Deferred tax liabilities		**0.7**	0.5
		1,651.7	1,385.5
		8,947.0	6,601.6

Notes:

1. Change of Financial Year End Date

The consolidated financial statements presented for the current period cover the twelve-month period from 1 January 2007 to 31 December 2007. During the nine-month period ended 31 December 2006, the Company resolved to change its financial year end date from 31 March to 31 December in order to align financial reporting dates within the Group. The corresponding comparative amounts shown for the consolidated income statement, consolidated statement of recognised income and expense, consolidated cash flow statement and related notes, therefore, cover the nine-month period from 1 April 2006 to 31 December 2006 and may not be comparable with amounts shown for the current period.

2. Application of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group's financial year beginning on 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) — INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) — INT 8	Scope of HKFRS 2
HK(IFRIC) — INT 9	Reassessment of Embedded Derivatives
HK(IFRIC) — INT 10	Interim Financial Reporting and Impairment

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 respectively. Certain information presented in the prior period under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new standards or interpretations which have not been adopted early by the Group. So far it has been concluded that the adoption of them is unlikely to have a significant impact on the financial statements of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segment[1]
HK(IFRIC) — INT 11	HKFRS 2: Group and Treasury Share Transactions[3]
HK(IFRIC) — INT 12	Service Concession Arrangements[4]
HK(IFRIC) — INT 13	Customer Loyalty Programmes[5]
HK(IFRIC) — INT 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction[4]

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

3. Segmental information

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

Year ended 31 December 2007

	Construction and building maintenance	Cement operations: Through LSOC#	Cement operations: Other cement operations	Property development	Asset management and others	Total	Eliminations	Consolidated
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
TURNOVER								
External sales	2,733.1	–	–	–	77.4	2,810.5	–	2,810.5
Inter-segment sales	1.3	–	–	–	–	1.3	(1.3)	–
Group turnover	2,734.4	–	–	–	77.4	2,811.8	(1.3)	2,810.5
Share of jointly controlled entities	9.2	1,669.3	385.9	–	7.2	2,071.6	–	2,071.6
Share of associates	–	–	–	198.6	–	198.6	–	198.6
Total	2,743.6	1,669.3	385.9	198.6	84.6	5,082.0	(1.3)	5,080.7

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	Cement operations: Through LSOC#	Cement operations: Other cement operations	Property development	Asset management and others	Total	Eliminations	Consolidated
RESULTS								
Segment results	55.3	7.8	(18.9)	(4.3)	(112.6)	(72.7)		(72.7)
Interest income	3.6	–	8.5	0.1	5.9	18.1		18.1
Interest income from investment in convertible bonds	–	–	–	12.4	-	12.4		12.4
Fair value changes on investment properties	–	–	–	–	25.2	25.2		25.2
Fair value changes on embedded derivatives	–	–	–	(15.5)	–	(15.5)		(15.5)
Dividend income from available-for-sale investments	–	–	–	71.1	–	71.1		71.1
Convertible bonds issued by the Company								
- Fair value changes on embedded derivatives	–	–	–	–	(326.6)	(326.6)		(326.6)
- Imputed interest expense	–	–	–	–	(78.5)	(78.5)		(78.5)
Interest on bank loans and other borrowing costs	(0.7)	–	(10.1)	–	(197.8)	(208.6)		(208.6)
Impairment loss recognised in respect of interests in jointly controlled entities	–	–	(85.8)	–	–	(85.8)		(85.8)
Gain on disposal of available-for-sale investments	–	–	–	928.7	–	928.7		928.7
Gain on disposal of interests in jointly controlled entities	–	–	–	110.5	–	110.5		110.5
Loss on deemed disposal of interest in an associate	–	–	–	(21.5)	–	(21.5)		(21.5)
Share of results of jointly controlled entities								
Cement operations in								
- LSOC	–	86.6	–	–	–	86.6		86.6
- Guizhou	–	–	18.9	–	–	18.9		18.9
Venture capital investments	–	–	–	–	77.6	77.6		77.6
Distressed asset development	–	–	–	187.0	–	187.0		187.0
Others	(4.4)	–	(0.6)	1.8	0.2	(3.0)		(3.0)
						367.1		367.1
Share of impairment loss of jointly controlled entities	–	(34.4)	–	–	–	(34.4)		(34.4)
Share of results of associates	–	–	–	26.1	–	26.1		26.1
Profit (loss) before taxation	53.8	60.0	(88.0)	1,296.4	(606.6)	715.6		715.6
Taxation						(11.3)		(11.3)
Profit for the year						704.3		704.3

Nine months ended 31 December 2006

	Continuing operations						Discontinued operations				
		Cement operations									
	Construction and building maintenance	Through LSOC	Other cement operations	Property development	Asset management and others	Total	Sale of construction materials	Trading of building materials	Total	Eliminations	Consolidated
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
TURNOVER											
External sales	1,605.3	–	–	–	75.1	1,680.4	–	–	–	–	1,680.4
Inter-segment sales	1.4	–	–	–	–	1.4	–	–	–	(1.4)	–
Group turnover	1,606.7	–	–	–	75.1	1,681.8	–	–	–	(1.4)	1,680.4
Share of jointly controlled entities	66.6	1,169.7	352.4	–	17.5	1,606.2	–	–	–	–	1,606.2
Total	1,673.3	1,169.7	352.4	–	92.6	3,288.0	–	–	–	(1.4)	3,286.6

Inter-segment sales are charged at mutually agreed prices.

	Construction and building maintenance	Through LSOC	Other cement operations	Property development	Asset management and others	Total	Sale of construction materials	Trading of building materials	Total	Eliminations	Consolidated
RESULTS											
Segment results	36.5	8.9	(16.6)	(24.6)	6.5	10.7	(5.8)	(0.3)	(6.1)		4.6
Interest income	3.0	1.4	4.1	–	16.0	24.5	–	–	–		24.5
Interest income from preference shares	–	–	–	14.8	–	14.8	–	–	–		14.8
Fair value changes on investment properties	–	–	–	–	1.4	1.4	–	–	–		1.4
Fair value changes on embedded derivatives	–	–	–	621.4	–	621.4	–	–	–		621.4
Convertible bonds issued by the Company											
- Fair value changes on embedded derivatives	–	–	–	–	(28.1)	(28.1)	–	–	–		(28.1)
- Imputed interest expense	–	–	–	–	(40.5)	(40.5)	–	–	–		(40.5)
Interest on bank loans and other borrowing costs	(0.5)	–	(0.8)	–	(124.1)	(125.4)	–	–	–		(125.4)
Loss on disposal of interest in a subsidiary	–	–	–	–	(9.7)	(9.7)	–	–	–		(9.7)
Gain on deemed disposal of partial interest in an associate	–	–	–	119.1	–	119.1	–	–	–		119.1
Share of results of jointly controlled entities											
Cement operations in											
- LSOC	–	6.8	–	–	–	6.8	–	–	–		6.8
- Guizhou	–	–	24.2	–	–	24.2	–	–	–		24.2
Venture capital investments	–	–	–	–	51.7	51.7	–	–	–		51.7
Distressed asset development	–	–	–	2.5	–	2.5	–	–	–		2.5
Others	(2.6)	–	0.9	–	–	(1.7)	–	–	–		(1.7)
						83.5					83.5
Share of impairment loss of jointly controlled entities											
Cement operations in											
- LSOC	–	(77.8)	–	–	–	(77.8)	–	–	–		(77.8)
- Guizhou	–	–	(6.5)	–	–	(6.5)	–	–	–		(6.5)
						(84.3)					(84.3)
Share of results of associates	–	–	–	48.8	–	48.8	–	–	–		48.8
Profit (loss) before taxation	36.4	(60.7)	5.3	782.0	(126.8)	636.2	(5.8)	(0.3)	(6.1)		630.1
Taxation						(7.7)			–		(7.7)
Profit (loss) for the period						628.5			(6.1)		622.4

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

	Year ended 31 December 2007			Nine months ended 31 December 2006		
	The Group	**Share of jointly controlled entities/ associates**	**Total**	The Group	Share of jointly controlled entities/ associates	Total
	HK$ million	***HK$ million***	***HK$ million***	*HK$ million*	*HK$ million*	*HK$ million*
Hong Kong	**1,995.9**	**9.2**	**2,005.1**	1,494.9	5.4	1,500.3
Other regions in the People's Republic of China (the "PRC")	**814.6**	**2,261.0**	**3,075.6**	185.5	1,600.8	1,786.3
	2,810.5	**2,270.2**	**5,080.7**	1,680.4	1,606.2	3,286.6

4. Taxation

	Year ended 31 December 2007	Nine months ended 31 December 2006
	HK$ million	*HK$ million*
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	**6.2**	5.4
Income tax of other regions in the PRC	**4.9**	0.8
	11.1	6.2
Deferred taxation	**0.2**	1.5
	11.3	7.7

5. Dividends

	Year ended 31 December 2007	Nine months ended 31 December 2006
	HK$ million	*HK$ million*
Paid:		
Final dividend in respect of the nine months ended 31 December 2006: HK$0.52 per share (year ended 31 March 2006: HK$0.25 per share)	**150.9**	69.2
Interim dividend in respect of the year ended 31 December 2007: HK$0.15 per share	**47.1**	–
Declared:		
Interim dividend in respect of the nine months ended 31 December 2006: HK$0.18 per share	**–**	51.1
	198.0	120.3
Proposed:		
Final dividend in respect of the year ended 31 December 2007: HK$0.65 per share (nine months ended 31 December 2006: HK$0.52 per share)	**209.1**	150.9

The final dividend in respect of the year ended 31 December 2007 of HK$0.65 per share has been proposed by the Directors and is subject to approval by shareholders at the annual general meeting.

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:

	Year ended 31 December 2007 *HK$ million*	Nine months ended 31 December 2006 *HK$ million*
Earnings:		
Earnings for the purposes of basic earnings per share	**702.0**	602.1
Effect of dilutive potential ordinary shares from convertible bonds issued by the Company:		
Imputed interest expense	**–**	40.5
Fair value changes on embedded derivatives	**–**	28.1
Effect of dilutive potential ordinary shares of an associate:		
Interest income on convertible bonds	**(12.4)**	–
Fair value changes on embedded derivatives of convertible bonds	**15.5**	–
Interest income on convertible redeemable participating junior preference shares	**–**	(14.8)
Fair value changes on convertible redeemable participating junior preference shares	**–**	(621.4)
Adjustment to the share of results of an associate based on dilution of its earnings per share	**(8.2)**	(12.8)
Earnings for the purposes of diluted earnings per share	**696.9**	21.7

Number of shares:	***Million***	*Million*
Weighted average number of ordinary shares for the purposes of basic earnings per share	**299.8**	277.6
Effect of dilutive potential ordinary shares:		
Convertible bonds issued by the Company	**–**	54.3
Share options	**4.5**	7.1
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**304.3**	339.0

Note: The computation of diluted earnings per share for the year ended 31 December 2007 does not assume the conversion of outstanding convertible bonds issued by the Company, since their conversion would result in increase in earnings per share for the current year.

7. Debtors, deposits and prepayments

The Group maintains a defined credit policy to assess the credit quality of each counterparty. The collection is closely monitored to minimise any credit risk associated with these trade debtors. The general credit term ranges from 30 to 90 days.

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

	31 December 2007 *HK$ million*	31 December 2006 *HK$ million*
Within 90 days	**267.4**	325.7
91 days to 180 days	**3.3**	12.0
181 days to 360 days	**2.0**	0.7
Over 360 days	**4.4**	5.0
	277.1	343.4

8. Pledged bank deposits

	Effective interest rate % per annum	**31 December 2007** *HK$ million*	31 December 2006 *HK$ million*
In relation to:			
Short term bank loan granted to the Group	4.48%	**86.4**	80.5
Standby documentary credit issued relating to a bank loan granted to an associate	3.50%	**300.0**	–
Standby documentary credit issued relating to a bank loan granted to a jointly controlled entity	5.14%	–	120.0
		386.4	200.5

9. Creditors and accrued charges

The aging analysis of creditors included in the Group's creditors and accrued charges is as follows:

	31 December 2007 *HK$ million*	31 December 2006 *HK$ million*
Within 30 days	**116.8**	246.0
31 days to 90 days	**55.0**	9.7
91 days to 180 days	**21.7**	2.6
Over 180 days	**10.8**	7.5
	204.3	265.8

DIVIDENDS

The Directors recommend the payment of a final dividend of HK$0.65 per share for the year ended 31 December 2007 (HK$0.52 per share for the nine months ended 31 December 2006). Subject to shareholders' approval at the forthcoming annual general meeting, the final dividend will be paid on 10 June 2008 to shareholders whose names appear on the Company's register of members on 29 May 2008.

CONTINGENT LIABILITIES

At 31 December 2007, performance bonds established amounting to approximately HK$130.6 million (31 December 2006: HK$232.8 million) have not been provided for in the consolidated financial statements.

At 31 December 2007, the Group has placed a deposit of HK$300 million at a bank to secure a standby documentary credit of the same amount, issued to secure a bank loan granted to an associate. At 31 December 2006, the Group placed a deposit of HK$120 million to a bank to secure a standby documentary credit of the same amount, issued to secure a bank loan granted to a jointly controlled entity.

In the opinion of the Directors of the Company, the fair values of the financial guarantee contracts of the Group are 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 consolidated balance sheet.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 26 May 2008 to Thursday, 29 May 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on Friday, 23 May 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

During the financial year 2007, the Group forged ahead with a range of initiatives to build its business portfolio and strengthen its competitive position in the Chinese Mainland market.

BUSINESS REVIEW

PROPERTY

Distressed Property Development

During the year, SOCAM established a new company, China Central Properties Limited (CCP), for its distressed property development business in China, injecting its initial five projects in Beijing, Dalian, Qingdao and Chengdu into CCP in exchange for approximately £57 million in shares upon CCP's admission to the London Stock Exchange's AIM Board (AIM) on 13 June 2007. We were able to recognise a total gain of approximately HK$417 million on these investments, of which approximately HK$69 million was deferred until the future disposal of the injected projects.

CCP issued and placed new shares, including over-allotment of shares, for approximately £180 million and simultaneously issued five-year convertible bonds in the value of US$200 million, raising net proceeds of approximately HK$4.2 billion. In addition to the asset injection, SOCAM subscribed for approximately £63 million in CCP shares under the placement and US$25 million in convertible bonds of CCP for a total investment cost of approximately HK$1.2 billion. At 31 December 2007, SOCAM held approximately 40.4% of the issued share capital of CCP.

CCP focuses primarily on the acquisition and development of medium- to large-scale, partially completed property projects in prime locations in major and secondary cities in the Chinese Mainland, which have become available largely as a result of their owners' financial constraints. Once acquired, the projects are completed and upgraded and, upon completion, will either be sold or leased.

CCP's admission to AIM was well timed and provided the necessary financial resources to capture the significant investment opportunities in such partially-completed properties in China. CCP acquired seven projects over the six-and-a-half months that elapsed between listing and the end of the reporting period. At year end, CCP was involved in twelve property projects spanning the seven major cities of Beijing, Chengdu, Chongqing, Dalian, Guangzhou, Qingdao and Shenyang, with an aggregate, existing and planned gross floor area (GFA) of approximately 887,500 square metres. This represents more than double the 424,000 square metres GFA of the initial portfolio of projects injected into the company at the outset.

The property portfolio of CCP at 31 December 2007 is summarised in the following tables:

Initial portfolio injected into CCP				
Project	***Location***	***Approximate GFA*** *(square metres)*	***Property type***	***CCP's interest***
Huapu Centre (Phase I)	Beijing	127,500	Office and commercial	100%
Shengyuan Centre	Beijing	43,000	Office	100%
Central Point	Chengdu	120,000	Composite	100%
Xiwang Building	Dalian	89,000	Office and commercial	100%
Central International Plaza (Blocks A and C)	Qingdao	26,000*	Composite	100%

** Yet-to-be-sold GFA*

New acquisitions up to 31 December 2007				
Project	***Location***	***Approximate GFA*** *(square metres)*	***Property type***	***CCP's interest***
Fengqiao Villas	Beijing	51,000	Residential	100%
Ruiqi Building	Chongqing	86,000	Residential and commercial	100%
Haomen Apartment	Chongqing	10,000	Residential and commercial	100%
Nanyang Building	Chongqing	32,000	Residential and commercial	100%
Qianxinian Building	Chongqing	33,000	Office and commercial	100%
Chuangyi Centre	Guangzhou	100,000	Residential and commercial	100%
Central Plaza (Phase I)	Shenyang	170,000	Composite	70%
	Total GFA	887,500		

Beijing

Huapu Centre (Phase I)

The site works of this Grade-A commercial complex were substantially completed on schedule in December. Located in Beijing's prime Dongcheng District, it consists of two office towers, each 24-storey high on a nine-storey podium, offering mixed office and retail space. In February 2008, CCP disposed of its entire interest in this property to a foreign purchaser and will record a gain on disposal of approximately HK$330 million, before transaction costs, in 2008.

Shengyuan Centre

This Grade-A office development is located in the Lufthansa area in Beijing, consisting of a nine-storey tower and an 18-storey tower. Construction and upgrading works were substantially completed in December according to schedule, while government approval for an increase in the plot ratio of the lower block is being sought. Negotiations are underway with a number of interested buyers for the sale of this project.

Fengqiao Villas

CCP acquired 90 of the 187 residences at this development during the year with a total GFA of 51,000 square metres. Located in the Shunyi District in Beijing, Fengqiao Villas is a luxury residential development of western-style villas with a low plot ratio. CCP will continue to acquire the remaining villas in this development. Design and upgrading works were underway by year end. This project is set for completion by the end of 2009. Further five residences were acquired subsequent to the year end.

Chengdu

Central Point (formerly known as Huitong Building)

Located on Ren Min Road South, the new central business district of Chengdu, Central Point is a mixed-use project that will provide a total GFA of approximately 120,000 square metres. It comprises two phases which are to be developed into a twin-tower complex above a linkbridge connected four-storey podium, providing a total saleable area of 91,000 square metres in serviced apartments, office and retail space. In Phase I, upgrading works of the 35-storey tower and the podium have commenced and completion is expected in the second half of 2008. Phase II comprising the development of a 32-storey tower over a podium on the adjacent land lot is scheduled for completion in 2010.

Chongqing
Ruiqi Building
In July, CCP purchased at an auction the Ruiqi Building, a partially completed mixed-use project in the central business district of Chongqing, for approximately RMB414 million. Comprising a 24-storey residential tower, a nine-level commercial/retail podium and two levels of retail space with a total GFA of approximately 86,000 square metres, the building is set for completion in 2009.

Haomen Apartment, Nanyang Building and Qianxinian Building
CCP acquired a group of three partially-completed projects at prime locations in Chongqing in December for a total consideration of RMB270 million. The total GFA of these projects is approximately 75,000 square metres. Haomen Apartment will be demolished and re-developed into a Ginza-type commercial centre while housing a variety of entertainment and F&B outlets, and government approval for this change of use is being sought. Nanyang Building will be redeveloped into a luxury apartment tower above a retail podium with basement car park. Qianxinian Building will be built into a mixed-use development, comprising an office tower, a retail podium and a basement car park. The re-development of Haomen Apartment and Qianxinian Building is expected to be completed in 2009, while Nanyang Building is targeted for completion in early 2010.

Dalian
Xiwang Building
The completion certificate of this 40-storey Grade-A office tower in the city centre of Dalian was obtained in February. Leasing of the office space was relatively slow, with around 34% of the total rentable area of approximately 67,000 square metres GFA taken up at the year end. CCP intends to sell this property en-bloc in 2008.

Guangzhou
Chuangyi Centre
In November 2007, CCP entered into an acquisition agreement to acquire the partially-completed project of Guangzhou Chuangyi Centre, which is a residential and retail development, for RMB810 million. Located in a well-established residential and commercial area of Tianhe in Guangzhou, this development will comprise five residential towers, and a three-level basement, with a total GFA of approximately 100,000 square metres. The project is expected to be completed in 2010.

Qingdao
Central International Plaza (Blocks A and C)
The upgrading works for this mixed office, retail and residential development of approximately 62,000 square metres GFA were completed at the year end. By year end, some 85% of the office space, 71% of the retail area and 41% of the residential units had been sold. CCP expects to dispose of all the remaining premises of this development in 2008.

Shenyang
Central Plaza (Phase I)
CCP together with a financial investor formed a 70-30 joint venture and acquired a plot of vacant land in Shenyang in July at an auction price of RMB150 million. This project, named Central Plaza, will comprise a four-level retail podium, three residential towers, a hotel/serviced apartment tower as well as an office block upon completion, providing a total GFA of approximately 243,000 square metres under the existing plot ratio. The development will be one of the highest quality contemporary multi-use complexes in Shenyang and is expected to be completed in 2011, to coincide with the opening of the No. 2 Metro Line. Application for a higher plot ratio on this project has been submitted to the relevant government authorities and approval is pending.

As CCP commenced business in mid June and there were no major divestments during the rest of the year, CCP's profit contribution to SOCAM was minimal for the year.

New acquisitions after year end
CCP and SOCAM joined forces to make further acquisitions. Together with a financial investor, CCP and SOCAM formed a 20-40-40 joint venture and acquired a piece of land in Shenyang in January 2008. Additionally, SOCAM and CCP teamed up in forming a 50-50 joint venture, which acquired a piece of land in Chengdu. These two projects are greenfield developments which the Company believes will complement CCP's principally distressed asset portfolio while broadening the Group's experience into this additional form of property development.

SOCAM Asset Management

Following the admission to AIM, CCP appointed SOCAM Asset Management Limited (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, acquisition and disposal of assets, at an agreed base fee and performance fee. The aim of this arrangement is to provide the Group with a stable, recurrent income stream and performance-linked incentive payments. SAM has assembled an investment and project management team with many years of experience in the China property market and will be able to leverage SOCAM's construction, property development and financial structuring expertise to strengthen its competitiveness.

The asset portfolio managed by SAM has expanded rapidly since the listing of CCP and therefore saw a healthy growth in fee income from CCP during its first year of operation.

Greenfield Development Projects

Having built up a strong base in acquiring and developing properties under the distressed property development business model, SOCAM participated in the Dalian Tiandi • Software Hub joint venture, a massive greenfield project. After re-examining our capabilities and confirming our strategy for growth, we made further investments in greenfield projects in the Mainland subsequent to the year end in Shenyang and Chengdu in partnership with CCP.

Dalian Tiandi • Software Hub (formerly known as Dalian Software Park Phase II)

In May, SOCAM successfully entered into an agreement with Shui On Land Limited (SOL) and Yida Group, an experienced developer in Northern China, to form a joint venture for the development of Dalian Tiandi • Software Hub. The formation of the joint venture was unanimously approved by the Company's independent shareholders in June. With the inauguration having taken place in September, this large-scale, multi-faceted project focusing on the global software industry will provide a total "live-work-play" environment. Comprising approximately 3.6 million square metres GFA, this hub will bring together businesses, IT and software development centres, commercial and residential properties, as well as educational and research facilities, outdoor recreational and other public amenities. According to the current development plan, this US$3-4 billion project will be constructed in ten phases, with completion expected in 2017.

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 experience, while SOL will be responsible for master planning and overall design of the development. SOCAM has invested approximately HK$508 million in return for its 22% effective equity interest. In March 2008, SOCAM injected further cash of HK$218 million into the joint venture for the development of this project.

Shenyang Central Plaza (Phase II)

SOCAM formed a joint venture with CCP and a financial investor, and acquired a piece of land in Shenyang via auction for approximately RMB917 million in January 2008. The land is located within the Golden Corridor in Huanggu District, which is expected to become the commercial backbone of Shenyang pursuant to a development plan of the Shenyang Municipal Government. The project has a planned, developable area for mixed uses of approximately 660,000 square metres and is adjacent to CCP's Central Plaza development, which allows SOCAM to better develop this project through a close collaboration with CCP. Completion of this project is expected in 2012.

SOCAM and CCP each have a 40% interest in the joint venture and each will invest approximately HK$466 million in this project.

Chengdu Orient Home

In February 2008, SOCAM entered into a 50-50 joint venture with CCP that acquired a piece of land in Jinniu District, Chengdu with a total area of approximately 57,000 square metres.

This project will be converted into a residential and commercial development of approximately 356,000 square metres GFA, with completion set for 2011. SOCAM and CCP will each inject approximately RMB394 million into the joint venture to fund the acquisition and the development of this project.

Investment in Shui On Land (SOL)

Following SOL's IPO in October 2006, the Group held a 17.84% equity interest in SOL with a market value of over HK$5 billion at the end of that year. Since the Group's investment portfolio was somewhat concentrated in the SOL shares and the investment itself is passive yielding only dividend returns, SOCAM proceeded with plans to re-balance the Group's asset allocation through disposal of part of its shareholding in SOL to generate funds that could be invested in actively-managed opportunities that should yield significantly higher returns. In August, 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. This selling price carried a premium of approximately 3.8% over the closing price of HK$7.87 on the date of signing the sale and purchase agreement. The Group recognised in its consolidated income statement a net gain on disposal of approximately HK$929 million, including the realisation of the approximately HK$825 million gain previously recognised in the reserves. The net proceeds of approximately HK$1.77 billion received from the disposal have been used by the Group as its working capital and to reduce its gearing. This has strengthened the Group's financial position for future expansion.

At 31 December 2007, the value of the Group's 12.57% shareholding in SOL, based on SOL's closing price of HK$9.10 per share, was approximately HK$4.8 billion. As compared with SOL's closing price of HK$6.79 per share at 31 December 2006, the increase in the value of the Group's 12.57% shareholding in SOL for the year amounted to approximately HK$1.2 billion, and was booked as a direct addition to reserves. This has led to a considerable increase in the net asset value of the Group and reduced the Group's gearing markedly.

SOL continued to increase its landbank in strategic locations for sustained growth. In May, it formed a joint venture with SOCAM and Yida Group for the development of Dalian Tiandi • Software Hub. It has a 48% effective equity interest in this joint venture. Also in November, SOL successfully bid for the land development rights in Foshan, Guangdong at a price of approximately RMB7.5 billion. This is a large-scale city core redevelopment project with a comprehensive, mixed-use community comprising approximately 1.5 million square metres GFA of residential, office, retail, hotel, cultural facilities and a "Foshan Tiandi".

SOL also accelerated growth through strategic partnerships. In June, it brought in the Trophy Fund and transferred a 25% interest in Wuhan Tiandi and a 49% interest in Lot 116 of the Shanghai Taipingqiao project to the fund for a total consideration of approximately RMB1.6 billion.

SOL's total landbank, including Dalian Tiandi • Software Hub and the Foshan project, has increased significantly to approximately 13.1 million square metres of GFA. SOL is now active in six cities, namely Shanghai, Chongqing, Wuhan, Hangzhou, Dalian and Foshan.

To further strengthen its financial position, in March 2008, the Group signed an agreement for the disposal of a further 130.2 million shares, representing approximately 3.11% of the issued shares of SOL, to Shui On Investment for HK$1.0 billion in cash, subject to independent shareholders' approval at a general meeting scheduled for 23 April 2008. The selling price of HK$7.68 per share gave a premium of approximately 3.1% over the closing price of HK$7.45 on the date of the sale and purchase agreement. The Group will use the sale proceeds to fund the future growth and development of its businesses. The Group will record a net gain on disposal of approximately HK$497 million, including the realisation of gain previously taken up in the reserves, in its consolidated income statement for the year ending 31 December 2008.

CEMENT

Lafarge Shui On Cement (LSOC)

LSOC performed well and contributed an operating profit of HK$86 million to SOCAM for the year on an increased sales volume and strong pricing. It sold 17.7 million tonnes of cement and achieved average selling price of RMB256 per tonne during the year. At the year end, LSOC's total production capacity reached 24 million tonnes per annum (tpa).

Beijing
The year began with reduced demand for cement in the face of slowing growth in construction works. Demand only picked up in the final quarter as construction projects strove to achieve their year-end targets. As a result, the Beijing operation completed the year with results falling short of plan.

Chongqing
The year closed with strong demand for cement and supply shortage, allowing producers to maintain robust pricing. Performance of all LSOC plants in Chongqing improved considerably, with profits exceeding plan, and the joint venture maintained its market leadership. LSOC signed a number of significant contracts with major customers and is committed to increasing its market share by maintaining the most competitively priced product and selectively entering new local markets.

Guizhou
The three dry kilns in Dingxiao, Xinpu and Shuicheng performed well. The operations were aided by good demand for high-grade cement, reflecting the strong local economy and investment in infrastructure under China's 'Go West' policy, but their performance was undercut by increased competition and rising coal and fuel costs, resulting in a profit shortfall.

Sichuan
The market experienced sustained strong demand, with tighter supply and higher prices, especially from April onwards. The 1.4 million tpa second dry line at Dujiangyan, commissioned in October 2006, effectively doubled the production capacity of the Dujiangyan plant and made a substantial profit contribution to LSOC for the year. LSOC also received in May the go-ahead from the China Securities Regulatory Commission to complete the acquisition of a majority interest in Sichuan Shuangma Cement, a Shenzhen-listed cement company. By increasing the joint venture's overall capacity in Sichuan to 6 million tpa, this reinforces LSOC's leadership position in the province.

In October, the Chengdu municipal government stepped up its campaign to close all vertical shaft kilns, and this led to an increase in cement prices to levels not seen in the past five years. Prices are expected to remain firm, supported by strong demand, despite remote producers from Chongqing having entered the Chengdu market.

Yunnan

Yunnan saw strong demand for cement, but the more competitive environment exerted noticeable pressure on LSOC's operation. As a consequence, selling prices declined and the joint venture's Yunnan operation suffered a loss. However, from November, boosted by an increase in demand – especially in the central regions as supplies of diesel and coal tightened, reducing the sale of cement from outskirt competitors – there was an improvement in both sales volume and price.

The three new dry lines of 2,500, 2,500 and 2,000 tonnes per day (tpd) capacity respectively in Lijiang, Sanjiang and Honghe will become operational in the first half of 2008, and this will strengthen LSOC's market position in Yunnan. In November, SOCAM and LSOC entered into a strategic co-operation agreement with the Yunnan provincial government, whereby LSOC will increase its production capacity in this province by 10 million tonnes by the year 2010.

LSOC is determined to be one of the top cement producers in China. Faced with robust demand for high-grade cement and accelerating industry consolidation in the coming years, LSOC has embarked upon an aggressive programme to expand its production capacity and increase market share in South West China. It plans to build two dry kilns each with a capacity of 5,000 tpd in Diwei and Yongchuan, Chongqing; a dry kiln with a capacity of 5,000 tpd in Dujiangyan, Sichuan; and two dry kilns with respective capacities of 5,000 tpd and 2,500 tpd in Sancha and Dingxiao, Guizhou, involving an estimated total capital expenditure of approximately RMB5 billion by the end of 2010. In addition, a number of new projects in Sichuan, Chongqing, Yunnan and Guizhou are now on LSOC's drawing board, with feasibility studies in progress. LSOC is targeting an increase in production capacity in China to 50 million tpd by year 2012.

Guizhou Cement

Cement production and sales at the six cement plants in Guizhou retained by SOCAM – in Xishui, Zunyi, Kaili, Yuqing, Bijie and Changda – were steady. These operations made a satisfactory profit contribution on a total sales volume of 1.5 million tonnes during the year. Cement production, sales and prices were all higher than in the previous year. SOCAM continued to implement strategic measures such as cost-saving programmes and technical improvements to maximise operational efficiency and to cope with rising coal and fuel costs.

The construction of a 2,500 tpa new dry kiln in Changda progressed well and commissioning is scheduled for the second quarter of 2008. 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 the Guizhou Province and phase out the current wet line. Completion of this new production line is targeted at end of 2008.

Nanjing Cement

This grinding plant in Nanjing sustained a small loss during the year, though its local sales were augmented by exports to Australia. This operation remains insignificant in the cement business of SOCAM.

CONSTRUCTION

The Group's construction businesses performed well during the year. The division's total turnover for the year was HK$2,733 million (nine months ended 31 December 2006: HK$1,605 million), while new contracts totalling HK$2,830 million (nine months ended 31 December 2006: HK$2,130 million) were won. In Hong Kong, property market sentiment improved significantly in 2007 in line with strong GDP growth. The fitting-out business continued to benefit from the booming gaming and hospitality sectors in Macau. While keen demand for materials, labour and specialist technical professionals continued to push up construction costs, the division saw steady business during the year, with increased turnover and profits.

At 31 December 2007, the gross and outstanding values of contracts on hand were approximately HK$5.7 billion and HK$3.5 billion respectively (31 December 2006: HK$5.3 billion and HK$3.1 billion respectively).

Shui On Building Contractors (SOBC)

SOBC secured two District Term Maintenance Contracts in the Tuen Mun East and Hong Kong West areas worth a total of approximately HK$240 million from the Hong Kong Housing Authority (HKHA), which means the Group continues to hold the maximum number of HKHA maintenance contracts allowed for any single contractor. SOBC was also awarded a HK$126 million reinstatement works contract from the HKHA for Tin Shui Wai Area 31 Phase 1 and a further maintenance contract worth approximately HK$270 million from the Architectural Services Department (ASD) for government land and buildings in Central, the Peak and Mid-Levels.

In the second half of the year, SOBC tendered for six new HKHA projects and was awarded three subsequent to year end. These consist of a HK$399 million public rental housing development in Kwai Chung, a HK$763 million project for the construction of Eastern Harbour Crossing Site Phases 5 & 6 in Yau Tong, and a HK$476 million project for the construction of Tseung Kwan O Area 73B. In addition, SOBC secured a HK$147 million refurbishment works contract from the Hong Kong Housing Society for the rehabilitation of Ming Wah Dai Ha in Shaukeiwan.

SOBC continued to receive industry recognition, demonstrated by its success in winning awards, gaining ten of the HKHA's Quality Public Housing Construction & Maintenance Awards besides awards in annual safety, health and environment campaigns in the HKSAR. The HKHA's award scheme is co-organised with Hong Kong's construction industry and gives recognition to contractors, supervisors, workers as well as the Housing Department staff who have provided outstanding services in construction and maintenance services for public housing. SOBC's recognition included the Outstanding Contractors Category, for both New Works Projects and Maintenance Service Projects.

Shui On Construction (SOC)

Although SOC, in joint venture with Paul Y. Engineering, was not successful in winning the ASD tender for the Tamar Development, it secured a major design-and-build contract for the new headquarters building for the Hong Kong Customs and Excise Department. The award of this ASD contract, valued at approximately HK$1 billion, is a major business success.

During the year, SOC completed the Independent Commission Against Corruption Headquarters Building, a Rehabilitation Block at Tuen Mun Hospital, the extension facilities at Prince of Wales Hospital and a private independent school in Aberdeen, as well as the design and construction of district open spaces in Fanling/Sheung Shui, Tung Chung and Tsuen Wan.

Shanghai Shui On Construction (SSOC)

SSOC is our construction arm in the Chinese Mainland. Since its inception in 1985, it has been awarded a number of construction projects from the commercial and public sectors. It provides solid support for the Group's property development activities.

During the year under review, SSOC secured a total of approximately RMB556 million worth of new contracts, including two RMB140 million contracts from Wuhan Shui On Tiandi Property Development; and a RMB117 million contract for a project at the Knowledge and Innovation Community in Shanghai.

Major projects completed during the year included the renovation of a basement located at Wuhan Yongqing Commercial General Zone and the renovation of Layefe Home at Shanghai Xintiandi.

SSOC was presented with a number of awards in recognition of its achievements in year 2007. It won the "Shenan Cup" (Quality Installation Works) for Rui Hong Xin Cheng (Phase 2) and its project at the Knowledge and Innovation Community was named as the "Economical Construction Site" and the "Civilized Construction Site" by the Shanghai Municipal Construction Committee.

Pat Davie

In Hong Kong, Pat Davie won more projects from the commercial sector. The extension and relocation of large corporate offices, especially in the financial sector, provided strong demand.

In Macau, the tremendous growth of the fit-out market in the gaming and hospitality sectors brought good results. New projects are expected to begin soon, and a number of key casino resort projects that are in progress now will be completed by the end of 2008.

During the year, Pat Davie completed a number of major projects, including fit-out works for offices of Hang Seng Bank, UBS AG Bank and the Airport Authority in Hong Kong, and casinos for Wynn, Venetian, MGM and Crown in Macau. It also secured a total of approximately HK$524 million worth of new contracts, of which 61% and 39% by value were in Hong Kong and Macau respectively. Major contracts include interior fit-out in Hong Kong for One Island East and Hang Seng Bank's office at Enterprise Square 5. In Macau, they include further work for MGM Grand Macau, the Venetian Cotai and Wynn Resort. After the year end, Pat Davie won new contracts for a total value in excess of HK$200 million.

In the Mainland, Pat Davie completed construction and project management work for CCP's distressed property development projects in Dalian and Qingdao. It will continue to support CCP's distressed property development operations in Beijing and Chengdu.

VENTURE CAPITAL

The portfolio of venture capital investments enjoyed a steady performance. During the year, the Group was a 65.5% and 75.4% shareholder respectively in the two Yangtze Ventures Funds. The Group was a 66.8% shareholder in the Series A Participating Shares of On Capital China Fund (formerly known as On Capital China Tech Fund). Total profit generated during the year amounted to HK$78 million.

In September, On Capital China Fund launched a new class of shares, Series B Participating Shares, raising funds of approximately US$7.8 million. SOCAM has subscribed for shares at a cost of US$5.0 million, representing a 64.5% interest.

Ventures with major activities during the year which impacted on SOCAM's 2007 results are highlighted below:

Yangtze Ventures Funds (YVFs)

The two Yangtze Venture Funds were fully invested during the year.

Advantek Biologics
This bio-pharmaceutical product specialist continues to expand its sales network for blood fractionation products. In June, it disposed of certain laboratory facilities to the private investment arm of a major conglomerate in Hong Kong for a consideration that included a 2.5% equity interest in the purchaser, which is engaged in research, development, production and sale of artificial blood products.

China Infrastructure Group (CIG)
CIG specialises in port development, operation and management along the Yangtze River. Turnover and throughput at CIG Yangtze Ports, a CIG subsidiary listed on the Hong Kong Growth Enterprise Market Board and holding a port in Wuhan, continued to improve during the year. YVF holds approximately 72 million shares in CIG Yangtze Ports, which saw a substantial increase in its share price after placing 20% in new shares with Value Partners in June. YVF recorded a profit of HK$7.2 million on this shareholding for the year, despite the share price easing off in the second half.

Gushan Environmental Energy
YVF's 6.24% interest in Gushan, which manufactures and sells biodiesel and related products, saw substantial appreciation in value following the successful listing of this company on the New York Stock Exchange in December by way of the issue and public offering of American Depositary Shares. The public offering price delivered a return of 12.8 times cost to the Fund. YVF disposed of approximately 14% of its shareholding in Gushan upon the IPO. At year end, YVF's remaining interest in Gushan was valued at HK$267 million.

Walcom Group
Walcom Group, which manufactures animal feedstuff, saw strong profit margins owing to increasing demand for its products both within Mainland China and overseas. However, the considerable decrease in the share price of this AIM-listed company in 2007 gave rise to a loss of HK$39 million to the Fund for the year. YVF will continue to monitor the situation and execute an exit plan at an appropriate time.

Wuhan Huali Environment Protection Technology
Specialising in R&D and production of environmentally friendly packaging products, Huali continued to strengthen relationships with its customers. The company achieved key European environmental certification for its bio-degradable packaging products. Business prospects in 2008 look very promising and strong sales are expected. In November, YVF subscribed for a private placement of US$1 million convertible loan notes due 2010 which, together with the loan notes already held, will upon full conversion entitle YVF to a 28.99% equity interest in Huali on a fully diluted basis.

On Capital China Fund (On Capital)

Established in 2004, On Capital invests principally in wireless and telecoms technologies. Performance remained on track for the year. Its Series A share tranche was fully invested, and there was an initial capital call of US$3.1 million on the new Series B share tranche. The proceeds of this capital call had been substantially invested by year end.

Arasor
Listed in Australia, this provider of optoelectronics and wireless solutions enjoyed strong growth and market demand during the year. It entered into a joint venture in July for the development of wireless handsets for sale in emerging markets such as India, Southeast Asia and the Middle East. At 31 December 2007, On Capital held approximately four million shares in Arasor, valued at HK$42 million. The drop in Arasor's share price in 2007 produced a HK$12 million loss for the Fund for the year.

Airway Communications International (Airway)
Airway uses post-3G wireless communications technology to provide broadband internet access services in the Chinese Mainland. A number of business agreements were signed with target customers during the year, including Wuhan Steel that confirmed selection of Airway's turnkey solution for its campus-wide private network. Towards year end, Airway finalised a Series B equity financing, raising approximately US$60 million, to support business growth.

Gushan Environmental Energy
On Capital's 1.56% shareholding in this biodiesel manufacturer complements YVF's 6.24% interest. Upon Gushan's IPO in December, On Capital also sold approximately 14% of its shareholding along with YVF. It holds a remaining and diluted 1.1% interest in this listed company that was worth HK$67 million at year end.

Hi Sun Technology (China)
On Capital distributed its shares in Hi Sun, which is listed on the Main Board of the Hong Kong Stock Exchange, as dividends in kind to shareholders in April. SOCAM implemented an exit plan and sold all of the 27.7 million Hi Sun shares it received at a profit with an average price of approximately HK$2.59 per share, producing a profit of HK$16 million for the year.

IGO Home Shopping
In February, On Capital invested US$2.91 million for a 20% stake in this TV home shopping business that has initial coverage in Hangzhou and plans to expand to Zhejiang and Jiangsu. This is On Capital's first foray into China's burgeoning retail business.

LT Technology Holdings (LinkTech)
On Capital made its debut investment using funds raised in the Series B share issue. In October, it invested US$3 million in LinkTech, a leading Chinese auto electronics company with key strengths in in-vehicle navigation and multimedia systems.

FINANCIAL REVIEW

Financial results

The Group's profit attributable to shareholders for the year ended 31 December 2007 was HK$702 million on a turnover of HK$2,811 million, compared with the HK$602 million profit and HK$1,680 million turnover for the 2006 financial period which, due to the change in financial year-end, ran from 1 April to 31 December.

The Group's cement operations, distressed property development business and venture capital investments are undertaken through jointly controlled entities and an associate. The HK$2,811 million turnover for the year has not included the Group's share of the turnover of these jointly controlled entities and associate. Set out below is an analysis of the total turnover:

In HK$ million	**Year ended 31 December 2007**	Nine months ended 31 December 2006
Turnover		
SOCAM and subsidiaries		
Construction and building maintenance	**2,733**	1,605
Others	**78**	75
Total	**2,811**	1,680
Jointly controlled entities and associate		
Cement operations	**2,055**	1,522
Distressed property development	**199**	-
Others	**16**	85
Total	**2,270**	1,607
Total	**5,081**	3,287

Total turnover increased to HK$5,081 million for the year, largely due to (a) increased public housing construction, building maintenance and casinos fit-out works; (b) increased sales volume of cement on expanded production capacities and rise in prices; and (c) sales and rental income from distressed properties of CCP.

An analysis of the profit attributable to shareholders is set out below:

In HK$ million	**Year ended 31 December2007**	Nine months ended 31 December 2006
Distressed property development		
Project fee income	**39**	6
Share of profit	**198**	2
Net gain on assets injection into CCP	**89**	-
Overheads of SAM	**(55)**	-
	271	8
Investment in SOL		
Gain on disposal of shares	**929**	-
Gain on IPO of SOL	**-**	740
Dividend income	**71**	15
Share of profit	**-**	49
	1,000	804
Cement operations		
LSOC	**86**	7
Guizhou Cement	**19**	24
Impairment losses	**(120)**	(84)
	(15)	(53)
Construction	**55**	37
Venture capital investments	**78**	75
Convertible bonds issued		
Imputed interest expense	**(78)**	(41)
Fair value loss on derivatives	**(327)**	(28)
	(405)	(69)
Net finance costs	**(190)**	(100)
Overheads and others	**(78)**	(72)
Taxation and minority interests	**(14)**	(28)
Total	**702**	602

Distressed property development

SAM was appointed the investment manager of CCP in June 2007, and this contributed to the increase in project fee income to HK$39 million for the year.

SOCAM recognised from the asset injection into CCP a total gain of HK$417 million, compared with its initial investment costs. Of this total gain, HK$52 million had been taken up in previous financial periods and HK$296 million were accounted for in this financial year. As the Group received CCP shares for the asset injection and still retains an interest in the injected assets through its shareholding in CCP, the remaining HK$69 million gain was regarded as unrealised and deferred at the year end until the future disposal of the injected assets.

SOL
In August 2007, the Group disposed of approximately 5.27% of the issued share capital of SOL for approximately HK$1.8 billion and recognised a gain on disposal, net of transaction costs, of HK$929 million, inclusive of the realisation of the HK$825 million gain previously recorded in the reserves.

The HK$740 million net gain on investment in SOL realised in the nine-month period in 2006 arose from the conversion of the junior preference shares in SOL held by the Group and the deemed disposal of the Group's shareholding in SOL upon the IPO of SOL in October 2006.

Cement operations
The Group's 45% share of LSOC's operating profit increased considerably to HK$86 million in 2007, largely due to increased sales volumes and selling prices resulting from strong market conditions particularly in Sichuan and Chongqing.

The cement plants in Guizhou retained by SOCAM achieved sales volume and selling prices in 2007 slightly higher than those in 2006, but recorded a decrease in profit this year mainly due to increase in fuel, coal and purchased clinker costs.

At the year end, the Group made a HK$86 million provision for impairment loss with respect to its wet kilns in Guizhou and Nanjing. In addition, LSOC provided for impairment loss on its wet lines in Chongqing, of which the Group's share amounted to HK$34 million, as compared to HK$78 million in 2006.

Construction
Construction business recorded increased profit in line with turnover for the year, however net profit margin eased to 2.0% of turnover, from the 2.3% for the nine-month period in 2006, largely due to the write-off of HK$7 million tender cost for the Tamar Development during the year.

Venture capital
Profit contributions from venture capital investments amounted to HK$78 million for the year, largely due to the appreciation in value of the investments in Gushan and Airway upon an IPO and a new round of equity fund raising respectively. The other listed shares held by the funds, when marked to market prices at year end, produced no material net impact overall on the Group's results.

Convertible bonds
The results of the year have been adversely affected by the Group having to recognise HK$405 million charges in relation to the convertible bonds issued by the Company in July 2006. These charges comprise:

(a) an imputed interest expense of HK$78 million calculated at an effective interest rate of 12.5% p.a. on the straight debt component of the bonds, notwithstanding that the bonds carry zero coupon; and

(b) a HK$327 million deemed loss to the Company that largely resulted from the conversion option of the bonds that entitles the bondholders to convert the bonds into ordinary shares of the Company at a conversion price of HK$17.134 per share. When the Company's share price rises, the fair value of the conversion option will increase and, for accounting purposes, this will give rise to a deemed loss to the Company. The higher the Company's share price, the greater the deemed loss will be. With the considerable rise in the Company's share price during the year, the market prices of the Company's shares of HK$20.50 – HK$31.00 on the dates of conversion of the HK$535 million converted bonds as well as the closing price of HK$28.50 at the year end adopted in the assessment of the fair value of the HK$395 million outstanding bonds were much higher than the conversion price of HK$17.134 per share, and this resulted in the substantial deemed loss.

These are purely accounting charges required by the Hong Kong Accounting Standards and involve no cash outflow to the Group.

Net finance costs

Net finance costs increased to approximately HK$190 million for the year, from approximately HK$100 million for the previous nine-month period, due to the full year impact and an increase in the level of bank borrowings during most of the year to finance the Group's substantial investment activities.

Accounting effects due to share price movements

The Group had a HK$327 million accounting charge arising from the conversion of the convertible bonds issued by the Company during the year and the valuation of the outstanding convertible bonds at the year end. This non-cash charge was the result of an accounting treatment for the increase in the theoretical fair value of the embedded derivatives in the convertible bonds due to the rise in the Company's share price during the year. In the first quarter of 2008, global stock markets experienced high volatility and saw considerable decrease in share prices generally. The decline in the share price of the Company during this time resulted in a substantial fair value gain on the outstanding convertible bonds of the Company. In simple terms, the higher the share price of the Company, the greater is the amount of the accounting charge on the convertible bonds recognised in the income statement and vice versa, despite that no cash inflow or outflow is involved. With such anomalies that arise from the accounting treatments and given that the value of certain assets and liabilities of the Group are susceptible to share price fluctuations, it is recommended that more care be exercised when reading the financial statements of the Group.

Liquidity and Financing

The Group's financial position has strengthened during the year. The shareholders' equity of the Company on 31 December 2007 increased to HK$7,242 million or HK$22.6 per share from HK$5,164 million or HK$18.2 per share on 31 December 2006. This was largely driven by the profit of HK$702 million attributable to the Company's shareholders for the year and the HK$1,216 million appreciation in value of the Group's 12.57% shareholding in SOL due to an upsurge of SOL's share price during the year.

The Group's borrowings, including bank borrowings and outstanding convertible bonds but net of bank balances, deposits and cash, amounted to HK$3,912 million on 31 December 2007, compared with HK$3,515 million at the previous period end. The maturity profile of the Group's net borrowings is set out below:

	31 December 2007 ***HK$ million***	31 December 2006 *HK$ million*
Bank borrowings repayable:		
Within one year	**2,801**	2,395
After one year but within two years	**1,009**	507
After two years but within five years	**250**	60
Total bank borrowings	**4,060**	2,962
Convertible bonds due 2009	**392**	818
Total borrowings	**4,452**	3,780
Bank balances, deposits and cash	**540**	265
Net borrowings	**3,912**	3,515

During the year, the Group drew on its banking facilities to fund approximately HK$2.5 billion investments in the distressed property development business, property development projects and cement operations. In August, the Group disposed of about 5.27% of the issued share capital of SOL for approximately HK$1.8 billion in cash to repay borrowings, thereby reducing its gearing level and freeing up considerable gearing capacity for future expansion of its core businesses.

In addition, the progressive conversion of the convertible bonds issued by the Company has lowered the Group's gearing and strengthened its equity base further. During the year, convertible bonds of principal amount of HK$535 million, out of a total of HK$930 million, were converted into about 31.2 million ordinary shares of the Company. At the end of December, convertible bonds of principal amount HK$395 million remained outstanding.

The Group's gearing ratio, calculated on the basis of net borrowings over shareholders' equity, decreased from 68% on 31 December 2006 to 54% on 31 December 2007.

It is the strategic intention of the Group to strengthen its balance sheet by better matching its long-term assets with long-term capital funding. In order to improve shareholder value, the Group will continue to re-balance its asset allocation, seek longer term funding to re-finance short-term borrowings, further enhancing its liquidity position and to invest part of the funds realised in opportunities actively managed by the Group to produce higher returns than would arise from passively holding the investment. In March 2008, the Group entered into an agreement with Shui On Investment to dispose of 3.11% of the issued share capital of SOL for approximately HK$1.0 billion in cash, subject to independent shareholders' approval, to strengthen the Group's financial position for expanding its core businesses.

Treasury Policies

The Group's financing and treasury activities are centrally managed and controlled at the corporate level.

The Group's bank borrowings are mainly denominated in Hong Kong dollars and have been arranged on a floating-rate basis. The convertible bonds issued by the Company 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 Group's business performance and financial status. Therefore, no hedging against Renminbi exchange risk has been made. It is the Group's policy not to enter into derivative transactions for speculative purposes.

EMPLOYEES

On 31 December 2007, the number of employees in the Group was approximately 920 (31 December 2006: 820) in Hong Kong and Macau, and 14,000 (31 December 2006: 13,600) 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 and staff members under different schemes as reward and long-term incentives. Likewise, in the Chinese Mainland, staff benefits are commensurate with market levels, with an emphasis on provision of training and development opportunities. It remains our intention to be regarded as an employer of choice to attract and retain competent staff of high calibre.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee comprises the three Independent Non-executive Directors and the Non-executive Director. During the year, the Audit Committee convened five meetings and reviewed with management the accounting principles and practices adopted by the Group in the course of its review of the financial statements, and also considered various auditing, internal control and financial reporting matters of the Group.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2007, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors.

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 met four times during the year and 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the year ended 31 December 2007 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 (the "Listing Rules") except for the deviations from Code Provisions A.4.1 and A.4.2, which are explained below.

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 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. Notwithstanding this view, the Board has further reviewed such Code Provisions and considered making appropriate arrangements to comply fully with such Code Provisions in order to further enhance its corporate governance standards to a level comparable with international best practice.

To comply with Code Provision A.4.2 of the CG Code, a special resolution will be proposed at the forthcoming annual general meeting of the Company to amend the Bye-laws of the Company so that all new Directors appointed to fill casual vacancies shall be subject to re-election by shareholders at the first general meeting after their appointment and all Directors (including the Chairman and the Chief Executive Officer) shall be subject to retirement by rotation once every three years.

CONFIRMATION OF INDEPENDENCE

The Company has received, from each of the three Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors to be independent.

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. Following specific enquiry by the Company, the Directors have confirmed that they have complied with the required standard set out in the Model Code during the year.

By Order of the Board
Lo Hong Sui, Vincent
Chairman

Hong Kong, 8 April 2008

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, Ms. Lau Jeny 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.*

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