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 2008

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2008	2007
Turnover	**HK$2,944 million**	HK$2,811 million
Profit attributable to shareholders	**HK$562 million**	HK$702 million
Basic earnings per share	**HK$1.75**	HK$2.34
Interim dividend per share	**HK$0.20**	HK$0.15
Final dividend per share	**-**	HK$0.65
	At 31 December 2008	At 31 December 2007
Total net assets	**HK$4,999 million**	HK$7,242 million
Net asset value per share	**HK$15.53**	HK$22.56

SOLID OPERATIONAL PERFORMANCE

Shui On Construction and Materials Limited achieved satisfactory profits for shareholders from the good performance of its operations and sale of part of its shareholding in Shui On Land, despite incurring substantial fair value losses from its Shui On Land shareholding and venture capital investments resulting from the global market downturn.

- Well-timed disposals by China Central Properties (CCP) realised gains and generated substantial net cash, placing it in a strong financial position for acquiring new projects.

- The Group acquired two greenfield property projects in Shenyang and Chengdu with a total GFA of over 1.1 million square metres in joint venture with CCP, significantly increased the size of the development portfolio.

* *For identification purposes only*

- Lafarge Shui On Cement joint venture recorded substantial profit on higher selling prices and margins despite lower production volumes due to the Sichuan earthquake in May, and continued to replace wet kilns with new dry lines for greater cost efficiency.

- The construction business brought increased profit with a steady workflow from the public sector and solid performance of our projects.

PROSPECTS

Despite growing uncertainty and gloom on the prospects of the global economy in the near term, China's strong fundamentals set it apart from the other major economies.

Looking ahead, we believe the solid foundation of our core businesses will enable the Group to weather the difficult business environment that is likely to continue throughout 2009. To some extent, the market downturn in the Chinese Mainland, which resulted in the huge stimulus package of RMB4 trillion by the Central Government, is actually creating opportunities for the Group's two major businesses of distressed property development and cement manufacturing, while our construction business is well-positioned to benefit from the increase in public sector works in Hong Kong.

The Group remains positive about the long-term prospects of the China economy. We will continue to explore and capture business opportunities to deliver sustainable growth and increased value to our shareholders.

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 2008 as follows:-

CONSOLIDATED INCOME STATEMENT

	Notes	**2008** ***HK$ million***	2007 *HK$ million*
Turnover			
The Company and its subsidiaries		**2,944.3**	2,810.5
Share of jointly controlled entities/associates		**3,688.5**	2,270.2
		6,632.8	5,080.7
Group turnover	2	**2,944.3**	2,810.5
Other income		**133.0**	60.6
Changes in inventories of finished goods, work in progress, contract work in progress and properties held for sale		**(17.3)**	76.2
Raw materials and consumables used		**(583.2)**	(423.0)
Staff costs		**(417.0)**	(346.2)
Depreciation and amortisation expenses		**(7.9)**	(7.8)
Subcontracting, external labour costs and other expenses		**(1,863.9)**	(2,212.5)
Dividend income from available-for-sale investments		**67.3**	71.1
Fair value changes on investment properties		**26.6**	25.2
Fair value changes on embedded derivatives		**(3.5)**	(15.5)
Convertible bonds issued by the Company			
- Fair value changes on embedded derivatives		**238.9**	(326.6)
- Imputed interest expense		**(48.5)**	(78.5)
Interest on bank loans and other borrowing costs		**(180.9)**	(208.6)
Gain on disposal of available-for-sale investments		**496.4**	928.7
Fair value changes on financial assets carried at fair value through profit or loss		**20.3**	–
Impairment loss recognised in respect of interests in jointly controlled entities		**(12.1)**	(85.8)
Impairment loss on available-for-sale investments		**(558.3)**	–
(Loss) gain on disposals of interests in jointly controlled entities		**(6.4)**	110.5
Loss on deemed disposal of interest in an associate		**–**	(21.5)
Discount on deemed acquisition of interest in an associate		**84.7**	–
Share of impairment loss of jointly controlled entities		**–**	(34.4)
Share of results of jointly controlled entities		**(78.1)**	367.1
Share of results of associates		**350.3**	26.1
Profit before taxation		**584.7**	715.6
Taxation	3	**(15.6)**	(11.3)
Profit for the year		**569.1**	704.3
Attributable to:			
Equity holders of the Company		**562.4**	702.0
Minority interests		**6.7**	2.3
		569.1	704.3
Dividends	4		
Paid		**273.5**	198.0
Proposed		**-**	209.1
Earnings per share	5		
Basic		**HK$1.75**	HK$2.34
Diluted		**HK$1.08**	HK$2.29

CONSOLIDATED BALANCE SHEET

	Notes	31 December 2008 HK$ million	2007 HK$ million
Non-current Assets			
Investment properties		**–**	92.9
Property, plant and equipment		**28.8**	24.5
Prepaid lease payments		**43.9**	42.6
Interests in jointly controlled entities		**3,903.1**	3,175.0
Available-for-sale investments		**970.4**	4,789.1
Interests in associates		**2,430.0**	1,836.9
Investment in convertible bonds		**194.2**	174.1
Club memberships		**1.2**	1.2
Amounts due from jointly controlled entities		**553.8**	188.8
Amounts due from associates		**567.9**	490.6
Defined benefit scheme assets		**–**	111.3
		8,693.3	10,927.0
Current Assets			
Inventories		**12.8**	11.3
Prepaid lease payments		**1.0**	0.9
Properties held for sale		**52.8**	53.5
Properties under development for sale		**185.7**	–
Debtors, deposits and prepayments	6	**644.1**	589.5
Derivative financial instruments			
- Embedded derivatives of convertible bonds issued by an associate		**12.7**	16.2
- Early redemption option of convertible bonds issued by the Company		**–**	4.6
Amounts due from customers for contract work		**219.1**	161.9
Amounts due from jointly controlled entities		**481.3**	860.8
Amounts due from associates		**49.0**	129.8
Amounts due from related companies		**46.5**	1.9
Taxation recoverable		**0.1**	2.6
Pledged bank deposits	7	**76.0**	386.4
Bank balances, deposits and cash		**617.1**	153.3
		2,398.2	2,372.7
Assets classified as held for sale		**444.6**	–
		2,842.8	2,372.7
Current Liabilities			
Creditors and accrued charges	8	**867.5**	802.5
Amounts due to customers for contract work		**132.1**	85.0
Amounts due to jointly controlled entities		**344.7**	12.4
Amounts due to associates		**28.1**	294.8
Amounts due to related companies		**1.8**	0.4
Loan from a related company		**–**	100.0
Taxation payable		**11.3**	8.3
Derivative financial instruments		**0.8**	248.8
Bank borrowings due within one year		**3,447.5**	2,800.5
Convertible bonds		**430.5**	–
		5,264.3	4,352.7
Liabilities associated with assets classified as held for sale		**62.6**	–
		5,326.9	4,352.7
Net Current Liabilities		**(2,484.1)**	(1,980.0)
Total Assets Less Current Liabilities		**6,209.2**	8,947.0
Capital and Reserves			
Share capital		**321.9**	320.9
Reserves		**4,677.3**	6,920.7
Total equity attributable to equity holders of the Company		**4,999.2**	7,241.6
Minority interests		**55.1**	53.7
		5,054.3	7,295.3
Non-current Liabilities			
Bank borrowings		**1,070.0**	1,259.0
Convertible bonds		**–**	392.0
Defined benefit scheme liabilities		**84.3**	–
Deferred tax liabilities		**0.6**	0.7
		1,154.9	1,651.7
		6,209.2	8,947.0

Notes:

1. Basis of preparation

In the current year, the Group has applied the following new amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, which are or have become effective. The adoption of the new HKFRSs has had no material effect on the preparation and presentation of the results and financial position for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) - INT 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) - INT 12	Service Concession Arrangements
HK(IFRIC) - INT 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Item[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) — INT 13	Customer Loyalty Programmes[4]
HK(IFRIC) — INT 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) — INT 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC) — INT 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC) — INT 18	Transfer of Assets from Customers[6]

[1] Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 July 2009
[4] Effective for annual periods beginning on or after 1 July 2008
[5] Effective for annual periods beginning on or after 1 October 2008
[6] Effective for transfer on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the accounting for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The Directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

2. Segmental information

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

Year ended 31 December 2008

		Cement operations						
	Construction and building maintenance	Through LSOC#	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	**2,728.9**	–	–	–	**215.4**	**2,944.3**	–	**2,944.3**
Inter-segment sales	**5.8**	–	–	–	–	**5.8**	**(5.8)**	–
Group turnover	**2,734.7**	–	–	–	**215.4**	**2.950.1**	**(5.8)**	**2,944.3**
Share of jointly controlled entities	**7.0**	**2,104.5**	**474.3**	–	**14.2**	**2,600.0**	–	**2,600.0**
Share of associates	–	–	–	**1,088.5**	–	**1,088.5**	–	**1,088.5**
Total	**2,741.7**	**2,104.5**	**474.3**	**1,088.5**	**229.6**	**6,638.6**	**(5.8)**	**6,632.8**

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	Through LSOC#	Other cement operations	Property development	Asset management and others	Total	Eliminations	Consolidated
RESULTS								
Segment results	**82.6**	**7.8**	**(6.5)**	**10.6**	**(7.0)**	**87.5**		**87.5**
Interest income	**3.8**	–	**5.2**	–	**14.3**	**23.3**		**23.3**
Interest income from investment in convertible bonds	–	–	–	**24.0**	–	**24.0**		**24.0**
Imputed interest income on loans to jointly controlled entities/associates	–	–	–	**53.2**	–	**53.2**		**53.2**
Fair value changes on investment properties	–	–	–	–	**26.6**	**26.6**		**26.6**
Fair value changes on embedded derivatives	–	–	–	**(3.5)**	–	**(3.5)**		**(3.5)**
Dividend income from available-for-sale investments	–	–	–	**67.3**	–	**67.3**		**67.3**
Convertible bonds issued by the Company								
- Fair value changes on embedded derivatives	–	–	–	–	**238.9**	**238.9**		**238.9**
- Imputed interest expense	–	–	–	–	**(48.5)**	**(48.5)**		**(48.5)**
Interest on bank loans and other borrowing costs	–	–	–	–	**(180.9)**	**(180.9)**		**(180.9)**
Impairment loss recognised in respect of interests in jointly controlled entities	–	–	**(12.1)**	–	–	**(12.1)**		**(12.1)**
Gain on disposal of available-for-sale investments	–	–	–	**496.4**	–	**496.4**		**496.4**
Loss on disposal of interests in a jointly controlled entity	–	–	**(6.4)**	–	–	**(6.4)**		**(6.4)**
Discount on deemed acquisition of interest in an associate	–	–	–	**84.7**	–	**84.7**		**84.7**
Fair value changes on financial assets carried at fair value through profit or loss	–	–	–	–	**20.3**	**20.3**		**20.3**
Impairment loss on available-for-sale investments	–	–	–	**(558.3)**	–	**(558.3)**		**(558.3)**
Share of results of jointly controlled entities								
Cement operations in								
- LSOC	–	**133.3**	–	–	–	**133.3**		**133.3**
- Guizhou	–	–	**33.1**	–	–	**33.1**		**33.1**
Venture capital investments	–	–	–	–	**(232.9)**	**(232.9)**		**(232.9)**
Greenfield development	–	–	–	**15.3**	–	**15.3**		**15.3**
Imputed interest expense	–	–	–	**(22.6)**	–	**(22.6)**		**(22.6)**
Others	**(3.3)**	–	–	–	**(1.0)**	**(4.3)**		**(4.3)**
						(78.1)		**(78.1)**
Share of results of associates								
Distressed asset development	–	–	–	**108.1**	–	**108.1**		**108.1**
Greenfield development	–	–	–	**272.8**	–	**272.8**		**272.8**
Imputed interest expense	–	–	–	**(30.6)**	–	**(30.6)**		**(30.6)**
						350.3		**350.3**
Profit (loss) before taxation	**83.1**	**141.1**	**13.3**	**517.4**	**(170.2)**	**584.7**		**584.7**
Taxation						**(15.6)**		**(15.6)**
Profit for the year						**569.1**		**569.1**

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.

	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	–	–	–	–	(208.6)	(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	54.5	60.0	(77.9)	1,296.4	(617.4)	715.6		715.6
Taxation						(11.3)		(11.3)
Profit for the year						704.3		704.3

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 2008			Year ended 31 December 2007		
	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	**1,918.2**	**7.0**	**1,925.2**	1,995.9	9.2	2,005.1
Other regions in the People's Republic of China (the "PRC")	**1,026.1**	**3,681.5**	**4,707.6**	814.6	2,261.0	3,075.6
	2,944.3	**3,688.5**	**6,632.8**	2,810.5	2,270.2	5,080.7

3. Taxation

	2008	2007
	HK$ million	*HK$ million*
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	**10.5**	6.2
Income tax of other regions in the PRC	**5.2**	4.9
	15.7	11.1
Deferred taxation	**(0.1)**	0.2
	15.6	11.3

4. Dividends

	2008	2007
	HK$ million	*HK$ million*
Paid:		
Final dividend in respect of the year ended 31 December 2007: HK$0.65 per share (2007: HK$0.52 per share for the nine months ended 31 December 2006)	**209.1**	150.9
Interim dividend in respect of the year ended 31 December 2008: HK$0.20 per share (2007: HK$0.15 per share)	**64.4**	47.1
	273.5	198.0
Proposed:		
Final dividend in respect of the year ended 31 December 2007: HK$0.65 per share	**-**	209.1

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2008.

5. 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:

	2008 HK$ million	2007 HK$ million
Earnings:		
Earnings for the purpose of basic earnings per share	**562.4**	702.0
Effect of dilutive potential ordinary shares from convertible bonds issued by the Company:		
Imputed interest expense	**48.5**	–
Fair value changes on embedded derivatives	**(238.9)**	–
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
Adjustment to the share of results of an associate based on dilution of its earnings per share	**–**	(8.2)
Earnings for the purpose of diluted earnings per share	**372.0**	696.9

Number of shares:	***Million***	*Million*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**321.7**	299.8
Effect of dilutive potential ordinary shares:		
Convertible bonds issued by the Company	**22.5**	–
Share options	**1.2**	4.5
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**345.4**	304.3

Note: The dilutive effect on the Group's earnings and number of ordinary shares arising from the convertible bonds issued by the Company and the convertible bonds issued by an associate held by the Group have to be accounted for in the calculation of diluted earnings per share. These convertible bonds are assumed to be converted into shares of the relevant issuer at the beginning of the year or, if later, the date of issue and, in particular, the accounting effects of such financial instruments are reversed in the determination of diluted earnings if their conversion has a dilutive effect on the earnings per share.

The computation of diluted earnings per share for the year ended 31 December 2008 does not assume the conversion of outstanding convertible bonds issued by an associate, since their conversion would result in an increase in earnings per share for the current year.

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

6. Debtors, deposits and prepayments

The Group maintains a defined credit policy to assess the credit quality of each counterparty. Collections are closely monitored to minimise any credit risk associated with 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:

	2008	2007
	HK$ million	*HK$ million*
Within 90 days	**336.2**	267.4
91 days to 180 days	**16.3**	3.3
181 days to 360 days	**2.5**	2.0
Over 360 days	**9.2**	4.4
	364.2	277.1

7. Pledged bank deposits

	Effective interest rate % per annum	**2008**	2007
		HK$ million	*HK$ million*
In relation to:			
Short term bank loan granted to the Group	–	–	86.4
Standby documentary credit issued relating to a bank loan granted to an associate	2.1%	**76.0**	300.0
		76.0	386.4

8. Creditors and accrued charges

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

	2008	2007
	HK$ million	*HK$ million*
Within 30 days	**208.1**	116.8
31 days to 90 days	**59.0**	55.0
91 days to 180 days	**10.0**	21.7
Over 180 days	**2.9**	10.8
	280.0	204.3

9. Pledge of assets

At 31 December 2008, the following net assets were pledged as collateral to secure certain banking facilities granted to the Group:

	2008 *HK$ million*	2007 *HK$ million*
Pledged bank deposits	**76.0**	386.4
Equity interest in a subsidiary classified as held for sale (note a)	**192.8**	–
Equity interest in a subsidiary and certain jointly controlled entities (note b)	**519.5**	–
	788.3	386.4

Notes:

(a) The amount represents the net asset value of the subsidiary at 31 December 2008. On 5 May 2008, the Group entered into a sale and purchase agreement to dispose of its equity interest in this subsidiary to LSOC. The pledge will be released upon completion of the disposal.

(b) The net assets of the subsidiary and the jointly controlled entities pledged are as follows.

	2008 *HK$ million*
Property, plant and equipment	1.4
Interests in jointly controlled entities	149.6
Properties under development for sale	185.7
Debtors, deposits and prepayments	7.4
Amounts due from jointly controlled entities	134.9
Amounts due from associates	0.8
Bank balances, deposits and cash	55.3
Creditors and accrued charges	(0.9)
Amounts due to jointly controlled entities	(14.7)
Net assets pledged	519.5

DIVIDENDS

The Directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2008 (2007: HK$0.65 per share). An interim dividend of HK$0.20 per share was paid on 22 October 2008. This represents a total distribution for the year of HK$64.4 million.

CONTINGENT LIABILITIES

At 31 December 2008, performance bonds established amounting to approximately HK$196.4 million (2007: HK$130.6 million) have not been provided for in the consolidated financial statements.

At 31 December 2008, the Group has arranged standby documentary credits with banks amounting to HK$292.0 million (2007: HK$300.0 million) to secure bank loans granted to subsidiaries of an associate.

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 Friday, 29 May 2009 to Wednesday, 3 June 2009, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the annual general meeting of the Company to be held on 3 June 2009, all completed share transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company 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 Wednesday, 27 May 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY

The global economy deteriorated at an unprecedented pace as the year progressed, with both capital and debt markets experiencing a veritable melt down and liquidity drying up. The Chinese Central Government started the year with various austerity measures to combat inflation and tackle over-speculation in the property sector, but cut interest rates and eased credit aggressively in a bid to shore up the slowing economy in the fourth quarter in response to the abrupt worldwide market downturn and deflationary pressures.

Despite the challenging market conditions, SOCAM's property business made remarkable progress. China Central Properties (CCP) started off with important disposals in its distressed property portfolio and extended its scope to greenfield developments in the first half. The Group also made steady progress with the massive Dalian Tiandi · Software Hub development in which it has a 22% shareholding, and acquired two property sites in Shenyang and Chengdu in partnership with CCP.

China Central Properties

CCP's diverse portfolio of property projects is spread across a number of major and secondary cities in China. With strong economic growth and rapid urbanisation, these cities continue to attract considerable foreign and domestic investments.

Acquisitions and Disposals

CCP formed a 50/50 joint venture with the Group in February to develop the Orient Home project in Chengdu for residential and commercial use. A further joint venture was announced in the same month in respect of Phase II of the Central Plaza project in Shenyang. The total developable gross floor area (GFA) of these two projects would be over 1.1 million square metres.

In addition, CCP made a number of successful disposals during the year, which enabled it to meet its overall profit target. In February, CCP sold Huapu Centre and in May, Shengyuan Centre, both in Beijing. This was followed in June by the sale of Xiwang Building in Dalian. Half of the office building in Phase I of Chengdu Central Point and substantially all of the office space of Central International Plaza in Qingdao were also sold by year-end. All these sales have generated a total of US$76 million in profits and US$450 million in revenue.

Projects

At the year end, CCP's diverse property portfolio consisted of 11 projects, comprising 1,164,000 square metres of attributable developable GFA in six major and secondary cities and, by March 2009, had grown to 1,253,000 square metres.

The table below summarises CCP's total developable GFA at 31 March 2009:

Project	Location	Total Developable GFA attributable to CCP (square metres)	Property Type	Estimated Completion Year
1. Fengqiao Villas	Beijing	76,000	Residential	2010
2. Central Point	Chengdu	98,000	Composite	2010
3. Orient Home*	Chengdu	227,000	Composite	2012
4. Ruiqi Building	Chongqing	86,000	Composite	2009
5. Haomen Building	Chongqing	10,000	Commercial	#
6. Nanyang Building	Chongqing	53,000	Residential and retail	2011
7. Qianxinian Building	Chongqing	35,000	Commercial and retail	2009
8. Chuangyi Centre	Guangzhou	100,000	Residential and retail	2011
9. Central International Plaza (Blocks A and C)	Qingdao	6,000**	Composite	***
10. Central Plaza (Phase I)	Shenyang	298,000	Composite	2011
11. Central Plaza (Phase II)*	Shenyang	264,000	Composite	2013
TOTAL		**1,253,000**		

* CCP has a 50% interest in Chengdu Orient Home and a 40% interest in Shenyang Central Plaza (Phase II). The GFAs shown are the effective shares attributable to CCP.

** Yet-to-be sold GFA

*** Completed in 2007

CCP intends to sell the development in its existing conditions in 2009.

BEIJING

The Olympics and Paralympics held in Beijing were a great success, significantly raising the city's image together with its international reputation.

During the year, prices in the city centre of Beijing were fairly stable but prices in the suburban areas declined. The overall demand for office space was strong, especially as evidenced by strong net absorption. However, rents stagnated through the last quarter of 2008, owing to weakening demand for office space by tenants from multinational corporations.

CCP sold Huapu Centre and Shengyuan Centre in February and May respectively, the optimum time regarding the sale prices that could be achieved.

Huapu Centre

This Grade-A commercial complex is in Beijing's Dongcheng District, a prime commercial and business area, comprising two 24-storey office towers above a retail podium. It has 128,000 square metres of mixed office and retail space. CCP sold its interest in Huapu Centre in February 2008.

Shengyuan Centre

Shengyuan Centre is in Beijing's well-established Lufthansa business district and consists of two Grade A office towers of 18 storeys and 9 storeys respectively with a total GFA of 43,000 square metres. The project was sold in May.

Fengqiao Villas

This development consists of a group of up-market western-style villas in Beijing's Shunyi District, an affluent suburban area with luxurious villa developments, international schools and a large expatriate population. The villa project has a total of 187 villas together with a clubhouse of 7,700 square metres. At the year end, CCP held 141 villas. Efforts to add more villas and the clubhouse to this development will continue.

CHENGDU

Though Chengdu was affected by the earthquake in May, damage to the city was relatively light. Chengdu is set to reap major benefits from state capital expenditure and the series of reconstruction plans unveiled by the Central Government.

Central Point

Located in Chengdu's new central business district, Phase I of the project consists of a 35-storey tower providing offices and serviced apartments. A soft opening of the serviced apartments is planned in the third quarter of 2009. Construction works have commenced on the adjacent Phase II, which will be developed into a 31-storey Grade-A office tower, with GFA of 120,000 square metres. Completion is set for 2010. In September, the office portion comprising 22,000 square metres GFA of the development was sold to a major Chinese bank.

Orient Home

Acquired in February 2008 in a joint venture between CCP and the Group, CCP's effective interest in this composite development is 50%. Upon completion in 2012, the project will have a GFA of 454,000 square metres of residential and office space.

CHONGQING

Chongqing is China's largest and most populous city. Its population is becoming increasingly affluent. These factors helped maintain a stable demand for quality residential properties. Owing to continued urbanisation and high economic growth of 14.3% in 2008, the property market remained stable.

Ruiqi Building

Ruiqi Building is located near Chongqing's central business district, adjacent to a number of luxury hotels and shopping centres. The project has a 24-storey residential tower above a retail podium, with GFA of 86,000 square metres. Construction is underway and the project is set for completion in 2009. Marketing of both the residential and office components is expected to start later in 2009.

Haomen Building

This project is in the vicinity of the central business district and opposite the future Chongqing International Finance Centre. CCP intends to sell the development in its existing condition in 2009.

Nanyang Building

Nanyang Building is within the Nanan district and enjoys views of the Yangtze River. It is also close to the Chongqing International Convention and Exhibition Centre. The existing commercial building will be demolished and redeveloped into two luxurious residential blocks with a GFA of 53,000 square metres. At year-end, planning approval was in progress.

Qianxinian Building

The property is located in the busy Guangyinqiao shopping area with a total GFA of 35,000 square metres. The initial development plan was to convert the building to an upmarket 21-storey office tower. However, CCP is now looking at a more attractive exit strategy involving en-bloc disposal, with minimum cost of refurbishment.

DALIAN

The global economic turmoil has had relatively little effect on Dalian's property market. While transaction volumes dropped, property prices nevertheless remained stable.

Xiwang Building

Xiwang Building, a Grade-A 40-storey office tower with 89,000 square meters of GFA, is near the city centre of Dalian. The building was sold in September on an en-bloc basis.

GUANGZHOU

The economic downturn had a distinct impact in the Pearl River Delta, causing the property market in Guangzhou to slow down. The Grade-A office market witnessed a steep drop in volumes and prices. The luxury residential market also saw a downward trend in property values.

Chuangyi Centre

Chuangyi Centre is located in Tianhe district, a prominent and well-established residential and commercial area. This project will comprise three residential towers and a block of serviced apartments and provides GFA of 100,000 square metres. Construction works are scheduled to commence in the second half of 2009 and completion is set for 2011.

Dapeng International Plaza

The intention to acquire this Grade-A office complex in Guangzhou city was abandoned by CCP after the vendor failed to fulfil certain major conditions connected with the sale.

QINGDAO

Despite the uncertainties in the domestic property market, there was no significant price-cut in the Qingdao market. However, transaction volumes in the residential market remained low due to the prevailing 'wait-and-see' sentiment in the market.

Central International Plaza

Situated next to Qingdao's central business district, the project consists of a residential tower and a commercial building, with a total GFA of 63,000 square metres. Upgrading work was completed in 2007. By the year end, the entire office space had been sold and only a small number of retail and residential units remained.

SHENYANG

The overall economy and the property market in Shenyang maintained their customary fast rate of growth, although the average prices of commercial and residential properties showed some weakening.

Nevertheless, with the increased efforts put into investment promotion by the municipal government, a large number of foreign enterprises have been establishing branches in Shenyang. Demand for quality office space is on the rise.

Shenyang Central Plaza, Phase I

Located in the north end of the "Golden Corridor", the future business and economic centre of Shenyang, this 298,000 square-metre high quality, contemporary complex comprises four residential towers, two commercial towers, and a retail podium. Construction is progressing on schedule with completion expected for 2011. Pre-sale activities are expected to commence in the latter part of 2009. This project is now wholly owned by CCP following the acquisition of the 30% interest held by its co-investor in early 2009.

Shenyang Central Plaza, Phase II

Acquired in January in joint venture with the Group and another CCP shareholder, CCP's interest in this project is 40%. Together with the adjoining Phase I, the combined development will be a major landmark and hub in Shenyang's "Golden Corridor" upon completion in 2013.

Direct Investments in Development Projects

Leveraging the Group's solid foundation and the strong capabilities of SOCAM Asset Management, SOCAM made direct investments in other development projects in the Chinese Mainland during the year.

Dalian Tiandi · Software Hub

The joint venture with Shui On Land Limited (SOL) and Yida Group made good progress during the year in developing this large-scale, multi-faceted project. SOCAM holds a 22% effective equity interest in this visionary development, which will comprise GFA of approximately 3.54 million square metres and a community of over 100,000 residents in the software and information technology (IT) outsourcing industries. Construction of the whole project will take place in 10 phases with full completion slated for 2017.

During the year, SOCAM, along with its joint venture partners, agreed to provide further funding totalling RMB3.26 billion to accelerate the land acquisition programme. In March and December, the joint venture acquired the plots of land at Huangnichuan North and Hekou Bay for RMB1.0 billion and RMB2.7 billion respectively, bringing the total developable GFA under this development project to about 2.83 million square metres, or about 80% of the total GFA of the entire project.

In addition to the land acquisitions, the joint venture has completed design and planning of the project. The master plan of the project was unveiled in June during the China International Software & Information Service Fair, the only state-level software trade fair in the Chinese Mainland, and received full approval from the planning authority by the end of 2008.

Site formation works of almost 50% of the land at Huangnichuan North were completed in early 2009. Construction works are expected to commence in the second quarter of 2009. Completion of the first office building is scheduled for 2010.

To ensure there is an adequate supply of talent for the IT industry, the project entered into an agreement in June with NIIT, a world-leading provider of IT learning solutions, to set up training organisations within the Dalian Tiandi · Software Hub. Initial steps to set up the training institution have already been taken.

Marketing activities have started with sales offices established in Tokyo, Beijing and Shanghai. Preliminary lease agreements for approximately 5,000 square metres of floor area have been reached between the joint venture and a number of Japanese and Chinese companies. Encouraging discussions took place during the year with a variety of organisations that are interested in participating in the project either as end-users or investors. Initial results include provisional agreements signed with foreign developers for possible joint development of the project, and a memorandum of understanding signed with a Korean group for a strategic partnership.

Shenyang Central Plaza, Phase II

In January, the Group, in joint venture with CCP and CCP shareholder, acquired a parcel of land in the Huanggu district of Shenyang for RMB917 million. The Group and CCP each invested HK$466 million for their respective 40% interests.

Shenyang Central Plaza Phase II is adjacent to CCP's Shenyang Central Plaza Phase I. A detailed development plan is under preparation for this site and construction is planned to commence in the second half of 2009. The current plan provides for fourteen residential towers, a hotel, serviced apartments, two office towers and a retail podium with a GFA of approximately 660,000 square metres. Completion is slated for 2013. When completed, the project, together with the adjoining Phase I, will be a major landmark and key gathering hub along the "Golden Corridor".

Orient Home, Chengdu

This project was acquired in February, jointly with CCP, each partner holding a 50% interest in the project, for a total consideration of RMB787 million.

Located in the Jinniu district, the project has convenient access to the ring roads of the inner city as well as the key interchange of the planned Metro Line. The project will be a contemporary composite development, comprising predominantly residential towers, with a GFA of 454,000 square metres. Completion is anticipated in 2012.

SOCAM Asset Management (SAM)

Since SAM, a wholly-owned subsidiary of the Group, was appointed as the investment manager of CCP in 2007, its managed portfolio has expanded rapidly and significantly. The management fees received from CCP have grown accordingly. During the year, CCP's property portfolio grew from 887,500 square metres of GFA at year-end 2007 to about 1.2 million square metres, after disposals, at the end of 2008. The profitable disposals of completed projects in the CCP property portfolio generated a handsome performance fee for SAM for the year.

By the year end, the total GFA of property projects under the Group's management had reached some 1.8 million square metres.

Amid the difficult business environment caused by the ongoing global financial crisis, SAM has adopted a prudent and cautious view of the market, and would focus on maintaining the strong financial position of CCP to ensure that it could capitalise on future opportunities as and when market conditions improved.

Investment in Shui On Land (SOL)

On 23 April 2008, the Group completed the disposal of 3.1% of the issued share capital of SOL for HK$1 billion. The proceeds from the disposal helped reduce the gearing of the Group and enabled it to invest in growth opportunities in other business units that can be actively managed to create attractive returns for shareholders.

SOL's share price dropped as a result of the global financial crisis triggering extensive falls in stock markets worldwide during 2008 and there was a substantial diminution in the market value of the 9.5% shareholding in SOL held by the Group at the year end. However, it has no effect on the Group's cash flow and the Directors consider that the decline in the market value of SOL shares seriously understates the real, medium to long-term value of SOL.

CEMENT

Lafarge Shui On Cement (LSOC)

Cement was a major growth driver of our business interests. With its major presence in Sichuan, Chongqing, Yunnan and Guizhou, LSOC is the leading producer of cement in southwest China.

China's cement output amounted to 1.38 billion tonnes in 2008, up 5.2% from 2007 and consumption was up 3.5%. Nationwide, fixed-asset investment was up 25.5% from the previous year with a majority of the increase benefiting the central and western regions of China where LSOC has its operations. Continued strong demand for cement in the central and western regions largely came from infrastructure works and rural modernisation projects. Government efforts to eliminate wet production capacity, for environmental protection and energy conversation reasons, provided a further boost to the consolidation and restructuring of the cement industry. In 2008, an aggregate of about 143 million tonnes of new dry kiln capacity started production in the Chinese Mainland, while 60 million tonnes of old kiln capacity was eliminated. At the end of the year, dry kiln capacity accounted for about 65% of the total cement production capacity in the Chinese Mainland, compared to 55% a year earlier.

Against this encouraging background, LSOC had to contend with the effects of the January snow storm in Guizhou and the 12 May earthquake in Sichuan that negatively affected production volumes and caused substantial damage at the Dujiangyan and Jiangyou plants. Nevertheless, the negative effect of the drop in production volume was more than offset by the strong selling prices of cement. Loss of income and asset damages resulting from the earthquake were adequately covered by insurance compensation. Part of the compensation receipts was recognised directly in reserves due to accounting treatment. This is further explained in the Financial Review.

Rising coal and power prices led to an upsurge in production costs during the first three quarters. Coal prices reached a record high in September but started to drop in October, easing the pressure on costs.

Despite the difficulties posed by natural disasters and rising costs during the year, LSOC recorded a strong performance on higher selling prices and margins in 2008. Though the sales volume only increased slightly to 18 million tonnes, turnover for the year increased to HK$6.2 billion from HK$4.8 billion in 2007. The high costs were more than compensated by increases in prices reflecting strong market conditions in Sichuan, Chongqing, Guizhou and Beijing. The average selling price increased to RMB307 per tonne, compared with RMB256 in 2007. In addition, the waste heat recovery systems installed in Nanshan plant have started to deliver energy cost savings, further enhancing profit margins.

The Central Government cut interest rates progressively during the year to encourage investment and domestic consumptions, and implemented a series of measures to sustain the economy's growth momentum. The RMB4 trillion stimulus package announced in late 2008 was a further attempt to boost GDP growth and instil consumer confidence. The cement operations of LSOC in Sichuan, Yunnan, Chongqing and Guizhou stand to benefit from this initiative.

Since June, LSOC has signed framework financing agreements with three major banks in Sichuan and Chongqing for banking facilities of RMB10 billion to support the repair and restoration works of its cement plants damaged in the earthquake as well as the construction of new production capacities in Sichuan and Chongqing.

LSOC made good progress during the year with its capacity expansion plan. In Yunnan, three new dry kilns in Sanjiang, Lijiang and Honghe with an aggregate capacity of 7,000 tonnes per day (tpd) were commissioned in the first half and performed well. These new lines replaced phased-out wet production capacity in Yunnan. Construction of a new dry kiln of 2,500 tpd in Fumin and the acquisition of a 2,000 tpd dry kiln in Junfeng were also completed and these plants will commence production in 2009. Together, this new capacity helped bring LSOC's total annual production capacity to 24 million tonnes by year-end.

The construction of the third line in Dujiangyan, Sichuan, and two dry kilns in Yongchuan, Chongqing, and Sancha, Guizhou has been progressing well, with completion of the aggregated 15,000 tpd new capacity expected in 2010. In May, LSOC also entered into agreements to acquire two production lines in Kaili, Guizhou from the Group that will add 3,200 tpd production capacity to LSOC when the transaction is completed by June 2009. All these initiatives will strengthen the leadership position of LSOC in Southwest China allowing it to gain market share. Moreover, a number of new projects in Sichuan, Chongqing, Yunnan and Guizhou are also in the pipeline, with preparatory work and applications for requisite government approvals well underway. LSOC is determined to be one of the top cement producers in China, and is targeting an increase in production capacity to 50 million tonnes per annum by year 2012.

LSOC took a major step forward in January 2009 when the independent shareholders of Sichuan Shuangma Cement approved the injection by LSOC of its 50% interest in the Dujiangyan plant into this major cement producer in Sichuan at a valuation of RMB2.8 billion in consideration for new shares issued by Sichuan Shuangma. This asset injection is expected to be completed by May 2009, after approvals have been received from relevant government authorities in China. Upon completion, LSOC will hold beneficial interests of about 80% and 65% respectively in Sichuan Shuangma and the Dujiangyan plant. This asset injection will further consolidate the leadership position of LSOC in Sichuan through this A-share listed company. Sichuan Shuangma will also provide a platform for LSOC to tap the Mainland's capital market to fund its growth in Sichuan.

Guizhou Cement

The snow storm in January affected volumes and sales at all six Guizhou cement plants that were retained by SOCAM and not placed into the LSOC joint venture, namely Xishui, Zunyi, Kaili, Yuqing, Bijie and Changda. The total volume of cement sold for the year was approximately 1.44 million tonnes, slightly lower than in 2007. However, strong selling prices due to strong demand from building and infrastructure works helped improve profitability. While production costs increased in the face of high coal and power prices for much of the year, costs eased in the last quarter as the effects of the economic slowdown were felt. To further discourage wet kiln production, effective from August, a new regulation was introduced stating that wet kiln operations were no longer eligible for value added tax (VAT) refunds. This change of government policy reduced the profitability of our wet kiln operations.

The construction of the 2,500 tpd new dry kiln at the Changda plant was completed within budgeted cost and production started in December. The operation of the existing 750 tpd wet line has been successfully merged with this new dry kiln operation for higher efficiency and effectiveness.

Affected by the delay in the supply of certain major equipment due to the Sichuan earthquake, completion of the construction of the 2,500 tpd new dry kiln in Kaili is now targeted for the second quarter of 2009. In May, SOCAM signed agreements with LSOC to inject the existing wet line and the new dry kiln under construction in Kaili into the joint venture. Handover will take place upon completion of the construction of the new kiln. This will help expand the capacity of LSOC and strengthen its market position in Guizhou.

LSOC will be the flagship of the cement business of both SOCAM and Lafarge in the Mainland. SOCAM is implementing an exit plan for the remaining cement plants it holds in Guizhou. It disposed of the concrete plant in Zunyi in November and the grinding facility in Hejiang was sold in February 2009.

Nanjing Cement

The grinding plant in Nanjing benefited from higher sale prices and achieved an improved operating performance, resulting in a smaller loss than in 2007. It continued to supply both local customers as well as markets in Australia.

CONSTRUCTION

Our construction business performed steadily during the year, despite large fluctuations in construction material prices and growing pressure on margins in an increasingly competitive environment.

The division’s total turnover for the year was HK$2,729 million (2007: HK$2,733 million), while new contracts totalling HK$3,425 million (2007: HK$2,830 million) were won. Net profit attributable to the business increased strongly by 52% to HK$83 million.

Although the turnover of the construction business remained stable, the Group managed to increase profitability on higher operational efficiency, tighter control of costs and successful partnering with subcontractors. It was once again a steady cash and profit contributor to the Group, despite the distinct slowdown in the Hong Kong construction market during the year. A significant correction in prices of building materials in the second half of the year, after the sharp increase in the first half, reduced pressure on margins. Our fitting-out business continued to secure new contracts, especially in Macau where it has developed an excellent track record in the gaming and hospitality sectors.

Looking ahead, the Hong Kong Government has announced it will press ahead with 10 major infrastructure projects and expedite the implementation of minor works. It intends to spend about HK$23 billion under such plans in the 2008/2009 fiscal year. A number of tenders are expected from the Architectural Services Department (ASD) and the Hong Kong Housing Authority (HKHA), including the re-tendering for the Civil Aviation Department Headquarters Building. With its high-scoring track record in the HKHA's performance assessment scheme known as PASS, Shui On Building Contractors is well positioned to secure more HKHA contracts in future with design-and-build elements. However, the economic downturn will see competition intensify in public sector works as private sector construction faces major contraction. The freeze on the building of new casinos in Macau and the impact of both the financial crisis and the credit crunch on new gaming, retail and tourism projects will limit the opportunities for our fitting-out business in that market.

At 31 December 2008, the gross value of contracts on hand and the value of outstanding contracts to be completed were approximately HK$7.7 billion and HK$4.4 billion respectively (2007: HK$5.7 billion and HK$3.5 billion respectively).

Shui On Building Contractors (SOBC)

During the first half of the year, SOBC secured three new major construction contracts from the HKHA, valued at approximately HK$1.6 billion in total. 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. SOBC also won a 2-year term contract (2008-10) for the architectural and building works connected with railway lines and stations, all valued at HK$34 million, from the MTR Corporation. CLP Power also awarded a renewed two-year contract, with an option to extend for three more years, on design-and-build of minor building and civil engineering works valued at HK$450 million.

Major completed projects included reinstatement works for Blocks 1 and 2 at the Tin Shui Wai Area 31 Phase 1, a building maintenance term contract for station properties and other sites for the Kowloon-Canton Railway Corporation, and a contract for the design and construction of minor building and civil engineering works at various CLP Power premises.

During the year, SOBC took active steps to secure a strong market share in ASD and HKHA maintenance projects and was awarded three ASD term contracts subsequent to the year end. These comprise two-year and three-year term contracts for the design and construction of minor works on government and subvented properties managed by the ASD in Hong Kong, Kowloon, New Territories and outlying islands, valued at approximately HK$1.2 billion.

Shui On Construction (SOC)

SOC made good progress on its design-and-build projects during the year, including the HK$1 billion contract for the new headquarters of the Hong Kong Customs and Excise Department. Completion of the 34-storey building is slated for mid-2010.

SOBC and SOC once again received strong industry recognition for their high performance in safety, health and environmental management. In June, they received a total of nine awards in the Considerate Contractors Site Award Scheme 2007, organised by the Works Branch of the Development Bureau. This scheme recognises contractors who have taken a proactive attitude to achieving high standards of safety and environmental protection at their construction sites. SOBC and SOC also won numerous awards in the Construction Safety Promotional Campaign 2008 organised by the Occupational, Safety & Health Council, in recognition of their achievements in fostering a culture of work safety.

Shui On Construction, Mainland (SOCM)
SOCM, the Group's 70%-owned construction arm in the Chinese Mainland, secured new contracts worth RMB512 million, including the main construction contract for Chongqing Tiandi Lot B2-1/01. SOCM completed a number of major projects during the year, including Phase 2 of the "Live and Work Area" of the Knowledge and Innovation Community in Shanghai, Wuhan Tiandi Lots A7 and A4-2 and upgrading works for Phase I of Chengdu Central Point.

In light of the extended coverage of its business beyond Shanghai to other major cities in the Chinese Mainland, SOCM changed its name from Shanghai Shui On Construction Co., Ltd. to Shui On Construction Co., Ltd. After year-end, SOCM won a main construction contract for Ruiqi Building in Chongqing and a fit-out contract for Phase II of Chengdu Central Point for a total contract sum of approximately RMB350 million.

Pat Davie
The fitting-out businesses in both Hong Kong and Macau were drastically affected by the overall economic downturn. In Hong Kong, there was a noticeable slowdown in the relocation and expansion of large corporate offices, especially among financial institutions. However, Pat Davie was able to secure new sources of business such as shopping arcade refurbishment.

In Macau, visa restrictions on Mainland travellers to Macau and a decrease in visitor numbers in the face of slowing regional economies created difficult market conditions in the gaming and hospitality sectors. The expansion plans of major casino/hotel operators were negatively impacted by the global credit crunch. The suspension of construction works at the new Venetian casino and hotel development affected two Pat Davie contracts, with a total value of HK$47 million.

Major projects completed during the year included a number of offices of major financial institutions in Hong Kong and key casino hotels/resorts in Macau. Pat Davie won a total of approximately HK$744 million worth of new contracts, of which 40% and 60% by value were in Hong Kong and Macau respectively. Major contracts in Hong Kong include refurbishment of a shopping arcade for the MTR Corporation and modification works to the departure halls at the immigration area of the Airport Authority. In Macau, Pat Davie completed interior fit-out works for City of Dreams, MGM Grand Macau, Wynn Resort and Venetian Cotai. Subsequent to year-end, Pat Davie secured two shopping mall refurbishment contracts in Hong Kong for a total value of approximately HK$206 million.

VENTURE CAPITAL
The downturn in global financial markets resulted in a substantial decline in the market value of various listed shares held by the venture capital funds in which the Group invested. At the end of the year, these listed shares suffered considerable marked-to-market losses. In addition, provisions were made for impairment in value of a few unlisted investments held by the funds. Consequently, the investment portfolio generated an overall net loss of HK$213 million for the Group.

The Group was a 65.5% and 75.4% shareholder respectively in the two Yangtze Ventures Funds, and a 66.8% and 58.5% shareholder respectively in the Series A and Series B Participating Shares of the On Capital China Fund. In April, the Series B shares made a second capital call and SOCAM contributed its share amounting to US$1 million to the fund. All three funds remained fully invested throughout the year.

The Group will closely monitor the situation with the aim of realising value from these funds as market sentiment recovers, or when exit opportunities for the underlying investments arise.

Ventures with major activities impacting the Group's 2008 results are highlighted below:

Yangtze Ventures Funds (YVFs)

GUSHAN ENVIRONMENTAL ENERGY
Gushan, the largest producer of biodiesel in China, saw a substantial decline in the price of its American Depositary Shares (ADS) listed on the New York Stock Exchange in the second half of the year. YVF distributed all its Gushan ADSs as dividends in kind to shareholders in September. SOCAM executed an exit plan and disposed of almost all the 2.6 million Gushan ADSs it received before year-end at an average price, net of transaction cost, that delivered a return of about 3.5 times cost, though considerably below the market value at 31 December 2007.

CHINA INFRASTRUCTURE GROUP (CIG)
CIG specializes 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, continued to increase during the year. YVF holds an interest of approximately 15.8% in CIG Yangtze Ports, which saw a dramatic decline in its share price particularly in the second half of the year. As a result, YVF had to record a considerable marked-to-market loss on this shareholding for the year.

WALCOM GROUP
Walcom, which manufactures and distributes animal feed additives, experienced escalating raw material costs and decreasing margins in a highly competitive market environment. The share price of this AIM-listed company dropped considerably in the first half of the year. This fall in share price coupled with a significant decline in the exchange rate of the Pound Sterling against the Hong Kong Dollar in the last quarter, resulted in a significant decrease in the value of YVF's 16.8% interest in this company.

COSMEDIA GROUP HOLDINGS
This Chinese media and television advertising company gained a considerable increase in revenue in 2008, which was generated mainly from its home shopping business but it expects to sustain further losses in the coming year. Its shares were delisted from the AIM Board of the London Stock Exchange on 31 December 2008. Appropriate impairment loss provision was made by YVF at the year end.

On Capital China Fund (On Capital)

ARASOR
Listed in Australia, Arasor develops integrated optoelectronics and wireless solutions. During the year, the dramatic drop in Arasor's share price, together with the significant decline in the exchange rate of the Australian Dollar against the Hong Kong Dollar, resulted in a considerable decrease in the value of the stake held by On Capital in this company.

AIRWAY COMMUNICATIONS INTERNATIONAL
Airway uses post-3G wireless communications technology to provide broadband internet access services in the Chinese Mainland. During the year, with strong support from provincial and municipal governments, it set up trial networks in Shenzhen and the Chongwen district of Beijing, and started preparatory work on a similar network in the Yangpu district of Shanghai. In May, Airway completed a new round of Series B preferred equity financing, raising approximately US$104 million, to fund further business expansion. By the year end, the value of On Capital's investment in this company had increased significantly.

GUSHAN ENVIRONMENTAL ENERGY
Like YVF, On Capital also held ADSs in Gushan. In September, On Capital received 0.9 million ADSs as its share of dividends in kind from Gushan. By year-end, it had sold about half of this shareholding at an average price that gave a net return of about 2.8 times cost, yet considerably below the valuation at the previous year end. The transaction resulted in a loss for On Capital. On Capital will continue to liquidate the remaining Gushan ADSs when the market price is more attractive.

FINANCIAL REVIEW

Financial results

The Group's profit attributable to shareholders for the year ended 31 December 2008 was HK$562 million on a turnover of HK$2,944 million, compared with the HK$702 million profit and HK$2,811 million turnover for the previous financial year.

The Group's property business, cement operations and venture capital investments are undertaken through jointly controlled entities and associates. The HK$2,944 million turnover for the year has not included the Group's share of the turnover of these jointly controlled entities and associates. An analysis of the total turnover is set out as follows:

In HK$ million	**Year ended 31 December 2008**	Year ended 31 December 2007
Turnover		
SOCAM and subsidiaries		
Construction and building maintenance	**2,729**	2,733
Asset management and others	**215**	78
Total	**2,944**	2,811
Jointly controlled entities and associates		
Cement operations	**2,579**	2,055
Property	**1,089**	199
Others	**21**	16
Total	**3,689**	2,270
Total	**6,633**	5,081

Total turnover increased to HK$6,633 million for the year, largely attributable to (a) increased sales revenue of cement on rise in prices; (b) increased management fee income from the property development projects of CCP; and (c) increased proceeds from the sale of completed distressed properties of CCP, while turnover from construction, building maintenance and fit-out works remained stable.

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

	Year ended 31 December 2008 *HK$ million*	Year ended 31 December 2007 *HK$ million*
Property		
Project fee income	**188**	39
Share of profit	**359**	212
Net gain on assets injection into CCP	**58**	89
Discount on deemed acquisition of interest in CCP	**85**	-
Overheads	**(109)**	(55)
	581	285
Investment in SOL		
Net gain on disposal of shares	**496**	929
Dividend income	**67**	71
Impairment losses	**(558)**	-
	5	1,000
Cement operations		
LSOC	**133**	86
Guizhou cement	**33**	19
Impairment losses	**(18)**	(120)
	148	(15)
Construction	**83**	55
Venture capital investments	**(213)**	78
Convertible bonds		
Fair value gain (loss) on derivatives	**239**	(327)
Imputed interest expense	**(48)**	(78)
	191	(405)
Net finance costs	**(158)**	(190)
Corporate overheads and others	**(53)**	(92)
Taxation and minority interests	**(22)**	(14)
Total	**562**	702

Property

Property operations reported a total net profit of HK$581 million. Management fee income from CCP increased substantially to HK$130 million due to the expanded property portfolio of CCP and the full year effect compared to SAM's appointment as CCP's investment manager in June 2007. Additionally, the disposals of CCP's properties delivered returns exceeding the hurdle rate and entitled SAM to HK$39 million performance fee income. The management fee income from Dalian Tiandi • Software Hub and Shenyang Central Plaza Phase II also contributed to the increase in project fee income for the year.

The Group's 42.9% share of CCP's profit for the year increased to HK$51 million, from HK$10 million for the previous year, largely due to the disposal gains on Beijing Huapu Centre Phase I, Dalian Xiwang Building, Beijing Shengyuan Centre, part of Qingdao Central International Plaza Blocks A & C and part of Chengdu Central Point Phase I during the year. In addition, HK$58 million unrealised gains deferred when these projects were injected into CCP at its listing in June 2007 were realised during the year when they were sold.

The valuation of the properties currently under development, which will be held as investment properties after completion, at Dalian Tiandi • Software Hub at year-end produced an after tax gain of HK$1,255 million, of which the Group's 22% attributable share amounted to HK$276 million. Such revaluation gain has been included in the share of profit under the revised accounting standard.

During the year, CCP repurchased and cancelled a total of 17.4 million shares at a substantial discount to its net asset value per share. As a result, the Group's interest in CCP increased to 42.9% at year-end, from 40.4% at the previous year-end. Since the share repurchases at discounted prices by CCP have increased its net asset value per share, the Group recognised a HK$84.7 million gain (or discount) on the deemed acquisition of interest in CCP.

Investment in SOL
In April, the Group disposed of 3.1% of the issued share capital of SOL for HK$1.0 billion and recognised a gain on disposal, net of transaction costs, of HK$496 million.

At year-end, the Group held 9.5% of the issued share capital of SOL as assets held for sale. Under the current accounting rules, such assets are required to be marked to market. Based on the closing price of the SOL shares at 31 December 2008, there was diminution in fair value of these shares amounted to HK$2,634 million, when compared with the carrying value of such shares at 31 December 2007. An impairment loss of HK$558 million of this amount was charged to the consolidated income statement for the current financial year and HK$2,076 million was charged against the reserves in the consolidated balance sheet at 31 December 2008. This impairment loss, being an accounting charge, has no effect on the cash flow of the Group.

The HK$929 million net gain on disposal of SOL shares realised in 2007 arose from the sale of 5.3% of the issued share capital of SOL for HK$1.8 billion in August 2007.

Cement operations
The Group's 45% share of LSOC's profit increased to HK$133 million in 2008, largely due to increased selling prices and margins driven by strong market conditions particularly in Sichuan, Chongqing and Guizhou, despite the rise in energy costs. The earthquake in Sichuan in May had no major financial impact on LSOC as the losses arising from asset damages and business interruption were largely covered by insurance compensation, albeit production and sales in Sichuan were seriously disrupted during most of the second half of 2008. The compensation for the earthquake damages and loss of income was partly recognised as insurance compensation in the consolidated income statement and partly recognised as donation in reserves due to different accounting treatments arising from the different channels via which the compensation proceeds were processed and received.

The cement plants in Guizhou retained by SOCAM recorded higher profit on strong pricing, notwithstanding a decline in production and sales volumes caused by the snow storms in early 2008 and increases in coal and fuel costs.

In 2008, the Group provided for HK$18 million losses on the disposal of a concrete plant and a batching plant in Guizhou. In 2007, the Group made a HK$86 million provision for impairment loss with respect to its wet kilns in Guizhou and Nanjing and shared HK$34 million impairment loss provision made by LSOC on its wet lines in Chongqing.

Construction
Construction business reported increased profit for the year, despite a marginal decline in turnover, as average net profit margin increased to 3.0% of turnover, from the 2.0% for the previous year.

Venture capital
Attributed to the general downturn in global stock markets during the year, coupled with a significant decline in the exchange rates of major currencies against the US dollars in the last quarter, all the listed shares held by the funds experienced a considerable decrease in value, when expressed in Hong Kong dollars, producing HK$199 million losses to the Group. Such losses arose from the disposal of shares in Gushan during the year at prices considerably lower than the market price at the previous year-end, and the marked-to-market accounting treatment for other listed investments on hand at the end of the year.

With respect to the unlisted investments held by the funds, provisions for impairment loss were made at year-end, and the Group's share amounted to HK$74 million. These provisions were, however, largely offset by the significant appreciation in value of the investment in Airway that produced a gain of HK$64 million to the Group.

In the previous year, the HK$78 million profit contributions from venture capital investments largely came from the appreciation in value of the investments in Gushan upon the listing of the company and Airway upon a new round of equity fund raising.

Convertible bonds
The considerable decline in the Company's share price during the year resulted in a gain of HK$2 million arising from the conversion of HK$10 million convertible bonds of the Company early in the year and a substantial fair value gain of HK$237 million on the HK$385 million convertible bonds outstanding at year-end. Although the conversion price of the bonds was re-set from HK$17.134 to HK$15.41 in July, the fair value of the embedded derivatives in the outstanding convertible bonds decreased to a nominal amount, as the Company's share price dropped to a level substantially lower than the adjusted conversion price that made the possibility of conversion remote. These non-cash gains are recognised under the same accounting standard that led to the HK$327 million charge in the previous year caused by a considerable rise in the Company's share price.

Despite the bonds carry zero coupon, an imputed interest expense was charged at an effective interest rate of 12.5% p.a. on the straight debt component of the outstanding bonds. Imputed interest expense decreased to HK$48 million for 2008, compared to HK$78 million for 2007, mainly due to the conversion of HK$535 million bonds in the previous year.

Net finance costs
Net finance costs decreased to HK$158 million for the year, from HK$190 million for the previous year, largely due to the decline in interest rates despite an increase in the level of bank borrowings during the year to finance the Group's increased investments in the property and cement businesses.

Results in the second half of the year
The Group recorded a profit of HK$873 million in the interim period of the year and saw a reduction in profit in the second half of 2008. This was mainly due to the impairment loss of SOL shares as a result of the significant decline in share price and the considerable decrease in value of the listed shares held by the venture funds, however, the impact was reduced by the increased profits of the various businesses of the Group and the Group's share of the revaluation gain in Dalian Tiandi • Software Hub project.

Liquidity and Financing

The shareholders' equity of the Company decreased from HK$7,242 million on 31 December 2007 to HK$4,999 million on 31 December 2008, or from HK$22.6 per share to HK$15.5 per share. This was largely brought about by the HK$2,858 million decrease in market value of the Group's shareholding in SOL due to the decline in the share price of SOL during the year.

Net borrowings, which included bank borrowings and outstanding convertible bonds, net of bank balances, deposits and cash, amounted to HK$4,255 million on 31 December 2008, compared to HK$3,912 million on 31 December 2007. In April, the Group disposed of 3.1% of the issued share capital of SOL for approximately HK$1.0 billion cash to reduce gearing and to provide funds for investment. During the year, the Group drew on its banking facilities to fund approximately HK$1.4 billion of investment in property development projects and cement operations. Together, they led to an increase in the net borrowings of the Group.

The maturity profile of the Group's net borrowings is set out below:

	31 December 2008 ***HK$ million***	31 December 2007 *HK$ million*
Bank borrowings repayable:		
Within one year	**3,448**	2,801
After one year but within two years	**320**	1,009
After two years but within five years	**750**	250
Total bank borrowings	**4,518**	4,060
Convertible bonds due 2009	**430**	392
Total borrowings	**4,948**	4,452
Bank balances, deposits and cash	**(693)**	(540)
Net borrowings	**4,255**	3,912

In January 2008, HK$10 million convertible bonds of the Company were converted into about 584,000 ordinary shares of the Company. On 31 December 2008, HK$385 million convertible bonds issued by the Company remained outstanding. In accordance with the terms of the convertible bonds, the conversion price of the bonds has been adjusted from HK$17.134 to HK$15.41 with effect from 31 July 2008. However, the share price of the Company closed at HK$6.04 on 31 December 2008, which was considerably lower than the adjusted conversion price. If the Company's share price remains depressed amid the global market downturn, the Company will likely have to redeem the outstanding convertible bonds in full for a total consideration of HK$458 million on 31 July 2009.

The net gearing ratio of the Group, calculated as net borrowings over shareholders' equity, increased from 54% on 31 December 2007 to 85% at 31 December 2008, as a result of the increased bank borrowings and reduced shareholders' equity that have been explained above.

It is the intention of the Group to strengthen its balance sheet by more closely matching its long-term assets with long-term capital funding. This will be a gradual process as the global financial crisis continues to take its toll and the liquidity situation in the equity and debt markets remains tight. Since the year-end, a total of HK$800 million short-term bank borrowings was refinanced or extended beyond 2009 and a total of HK$270 million short-term loans was paid off on due dates.

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 funded by capital already converted into Renminbi and partly financed by borrowings in Hong Kong dollars. Renminbi financing is at the project level only where the sources of repayment are also Renminbi denominated. 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 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.

SUBSEQUENT EVENT

On 31 March 2009, the Company announced that it has made an approach to CCP, which may or may not lead to an offer being made by the Company for CCP. A further announcement will be made by the Company as appropriate in due course.

EMPLOYEES

At 31 December 2008, the number of employees in the Group was approximately 1,040 (31 December 2007: 920) in Hong Kong and Macau, and 13,900 (31 December 2007: 14,000) in subsidiaries and jointly controlled entities in the Chinese Mainland. While staff costs were kept stable during the year, employee remuneration packages are maintained at competitive levels and employees are rewarded on a performance-related basis. Other staff benefits, including provident fund schemes and medical insurance, remained at appropriate levels. The Group continued to retain and develop talent through executive development and management trainee programmes. 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 building the corporate culture and providing professional training and development opportunities for local employees. It remains our objective to be regarded as an employer of choice to attract and retain high calibre competent staff.

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 four 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 2008, including the accounting principles and practices adopted by the Group, which have been audited by 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 met two times during the year and 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 2008 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, A.4.2 and B.1.3, 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. Arrangements have been put in place for appointments of any new Non-executive Director to be for a specific term in compliance with Code Provision A.4.1 of the CG Code.

To fully comply with Code Provision A.4.2 of the CG Code, a special resolution has been passed at the annual general meeting of the Company held on 29 May 2008 to amend the Bye-laws of the Company so that all the 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 once every three years.

Code Provision B.1.3 of the CG Code provides that the terms of reference of the Remuneration Committee should include, as a minimum, the specific duties to have the delegated responsibility to determine the specific remuneration packages of all Executive Directors and senior management. During the year, the Remuneration Committee has reviewed its functions and considered that the delegated responsibility to determine the specific remuneration packages of senior management should be vested in the Executive Directors who have a better understanding of the level of expertise, experience and performance expected of the senior management in the daily business operations. The Remuneration Committee would continue to be primarily responsible for the determination and review of the remuneration packages of the Executive Directors. After due consideration, the Board has resolved to amend the terms of reference of the Remuneration Committee during the year to exclude from its scope of duties the delegated responsibility to determine the specific remuneration packages of senior management, which deviates from Code Provision B.1.3. Notwithstanding such deviation, the Remuneration Committee is still responsible for reviewing, approving and making recommendations to the Board on the guiding principles applicable to the determination of the remuneration and benefits of senior management.

Having reviewed the practice and procedures of remuneration committees in other jurisdictions, the Remuneration Committee has decided that it would be better practice for the Non-executive Directors to cease involvement in recommending their own remuneration and for such recommendations to be made to the Board by the Chairman of the Company taking the advice of external professionals as appropriate. This practice has been formally adopted and at the relevant Board meeting, the Non-executive Directors abstain from voting in respect of their own remuneration.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 enquiries 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, 2 April 2009

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 Enright; and the independent non-executive directors of the Company are Mr. Anthony Griffiths, Mr. Gerrit de Nys and Ms. Li Hoi Lun, Helen.

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