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瑞安建業有限公司*

SHUI ON CONSTRUCTION AND MATERIALS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 983)

INTERIM RESULTS for the six months ended 30 June 2010

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2010	2009
Turnover	HK\$2,989 million	HK\$1,514 million
Profit attributable to shareholders	HK\$517 million	HK\$787 million
Basic earnings per share	HK\$1.06	HK\$2.36
Interim dividend per share	HK\$0.20	HK\$0.10
	At 30 June	At 31 December
	2010	2009
Total assets	HK\$19.1 billion	HK\$18.6 billion
Net assets	HK\$8.6 billion	HK\$9.0 billion
Net asset value per share	HK\$17.62	HK\$18.45

BUSINESS HIGHLIGHTS

In line with its strategy to grow property business in the Chinese Mainland, the Group divested a substantial part of its non-core investment in Shui On Land and also strengthened its financial capability to position itself to capture the attractive growth opportunities arising from the challenging market conditions ahead.

Property

The Group's portfolio of prime distressed and special situation projects continued to produce meaningful cash flows and profits, as they are progressively disposed of according to plan, which underscores the quick asset turnover model.

Dalian Tiandi, a visionary knowledge community project in Northeast China, has made good progress with its construction of 547,000 square metres of software offices, residential blocks and commercial premises. A number of international IT corporations have signed up leases and started to move in.

Cement

Lafarge Shui On Cement maintained good sales volume on sustained demand in Southwest China and saw strong rebound in prices in Yunnan. Profitability was however lower due to considerable price pressure in Sichuan and Chongqing amid intense competition and upsurge in energy costs.

The three new plants in Sichuan, Chongqing and Guizhou, when commissioned in the third quarter, will boost Lafarge Shui On Cement's annual production capacity to 30 million tonnes, and further strengthen its leadership position in Southwest China.

Construction

The Group's construction business recorded increased turnover and profits due to expanded workload in Hong Kong and the Mainland.

Outlook

The improvement in the Group's financial strength allows it to continue capturing good opportunities on special situation and distressed assets. The possibility of expanding our property business that would provide the Group with sustainable growth is being explored.

The restructuring and modernisation of the cement industry in China will speed up market consolidation, in which Lafarge Shui On Cement will play an important role.

SOCAM will continue to leverage its competitive strength to expand its core business and explore new business opportunities, to create value and increasing returns for its shareholders.

RESULTS

The Board of Directors (the “Board”) of Shui On Construction and Materials Limited (the “Company” or “SOCAM”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2010 HK\$ million (unaudited)	2009 HK\$ million (unaudited)
Turnover			
The Company and its subsidiaries		2,989	1,514
Share of jointly controlled entities/associates		1,470	1,532
		<u>4,459</u>	<u>3,046</u>
Group turnover	2	2,989	1,514
Other income		88	93
Changes in inventories of finished goods, work in progress, contract work in progress and properties held for sale		(745)	(1)
Raw materials and consumables used		(294)	(278)
Staff costs		(278)	(229)
Depreciation and amortisation expenses		(10)	(4)
Subcontracting, external labour costs and other expenses		(1,698)	(1,025)
Fair value changes on investment properties		195	—
Dividend income from available-for-sale investments		52	4
Imputed interest expense on convertible bonds issued by the Company		—	(27)
Interest on bank loans and overdrafts and other borrowing costs		(136)	(117)
Gain on disposal of available-for-sale investments		373	—
Impairment loss recognised in respect of interests in jointly controlled entities		(3)	(6)
Loss on disposal of interests in jointly controlled entities		—	(4)
Discount on acquisition of a subsidiary		—	648
Share of results of jointly controlled entities		29	174
Share of results of associates		15	60
		<u>577</u>	<u>802</u>
Profit before taxation		577	802
Taxation	3	(53)	(12)
Profit for the period		524	790
Attributable to:			
Owners of the Company		517	787
Non-controlling interests		7	3
		<u>524</u>	<u>790</u>
Earnings per share	5		
Basic		<u>HK\$1.06</u>	<u>HK\$2.36</u>
Diluted		<u>HK\$1.06</u>	<u>HK\$2.12</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2010	2009
	HK\$ million	HK\$ million
	(unaudited)	(unaudited)
Profit for the period	524	790
Other comprehensive (expense) income		
(Loss) gain on fair value changes of available-for-sale investments	(521)	1,343
Reclassification adjustments for amounts transferred to profit or loss:		
- upon disposal of available-for-sale investments	(374)	–
- upon disposal of interests in jointly controlled entities	–	(6)
- upon disposal of subsidiaries holding property inventories, net of deferred tax of HK\$2 million	(30)	–
Exchange differences arising on translation of foreign operations	106	37
Revaluation surplus attributable to the Group's previously held interest in CCP (as defined hereinafter), net of deferred tax of HK\$32 million	–	95
Share of other comprehensive income of associates/jointly controlled entities	8	48
Other comprehensive (expense) income for the period	(811)	1,517
Total comprehensive (expense) income for the period	(287)	2,307
Total comprehensive (expense) income attributable to:		
Owners of the Company	(294)	2,304
Non-controlling interests	7	3
	(287)	2,307

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2010 HK\$ million (unaudited)	31 December 2009 HK\$ million (audited)
Non-current Assets			
Investment properties		2,005	622
Property, plant and equipment		58	59
Prepaid lease payments		43	43
Interests in jointly controlled entities		4,360	4,265
Available-for-sale investments		459	2,004
Interests in associates		421	332
Club memberships		1	1
Amounts due from jointly controlled entities		1,041	1,008
Amounts due from associates		557	543
Restricted bank deposits		279	—
		9,224	8,877
Current Assets			
Inventories		7	7
Prepaid lease payments		1	1
Properties held for sale		82	634
Properties under development for sale		5,170	4,806
Debtors, deposits and prepayments	6	1,059	948
Amounts due from customers for contract work		311	302
Amounts due from jointly controlled entities		465	437
Amounts due from associates		59	39
Amounts due from related companies		58	39
Taxation recoverable		3	3
Restricted bank deposits		440	299
Bank balances, deposits and cash		1,347	1,545
		9,002	9,060
Assets classified as held for sale		916	704
		9,918	9,764
Current Liabilities			
Creditors and accrued charges	7	1,318	1,403
Sales deposits received		614	312
Amounts due to customers for contract work		152	124
Amounts due to jointly controlled entities		28	345
Amounts due to a related company		137	—
Amounts due to non-controlling shareholders of subsidiaries		5	6
Taxation payable		46	57
Bank borrowings		2,274	4,980
		4,574	7,227
Liabilities associated with assets classified as held for sale		525	328
		5,099	7,555
Net Current Assets		4,819	2,209
Total Assets Less Current Liabilities		14,043	11,086
Capital and Reserves			
Share capital		489	488
Reserves		8,119	8,515
Equity attributable to owners of the Company		8,608	9,003
Non-controlling interests		50	45
		8,658	9,048
Non-current Liabilities			
Bank borrowings		4,971	1,660
Deferred tax liabilities		414	378
		5,385	2,038
		14,043	11,086

Notes:

1. Basis of preparation

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2009. In the current interim period, the Group has applied, for the first time, a number of new or revised standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group's financial period beginning on 1 January 2010. As described below, the application of these new HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

HKFRS 3 (Revised) Business Combinations and HKAS 27 (Revised) Consolidated and Separate Financial Statements

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for the Group's changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there is no transaction during the current interim period to which HKFRS 3 (Revised) is applicable and the transaction on deemed disposal of interests in a subsidiary to which HKAS 27 (Revised) applies is not significant to the Group, the application of HKFRS 3 (Revised) and HKAS 27 (Revised) and other new and revised HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions to which HKFRS 3 (Revised) and HKAS 27 (Revised) and the consequential amendments to other HKFRSs are applicable.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ²
HKAS 32 (Amendment)	Classification of Right Issues ³
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ⁴
HKFRS 9	Financial Instruments ⁵
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement ²
HK(IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments ⁴

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

2 Effective for annual periods beginning on or after 1 January 2011

3 Effective for annual periods beginning on or after 1 February 2010

4 Effective for annual periods beginning on or after 1 July 2010

5 Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

2. Segment information

As disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2009, following the Group's acquisition of China Central Properties Limited ("CCP", a then 42.88% associate) in June 2009, the asset management operation, which was previously grouped under the "Asset management and others" segment in prior interim period, has been included under the "Property" segment. Segment information for prior period has been restated to conform with the current period's presentation.

An analysis of the Group's reportable segment revenue and profit before taxation by operating segment is as follows:

For the six months ended 30 June 2010

	Construction and building maintenance HK\$ million	Cement operations		Property HK\$ million	Others HK\$ million	Total HK\$ million
		Through LSOC [#] HK\$ million	Other cement operations HK\$ million			
REVENUE						
Sales of goods	–	–	–	770	2	772
Rental income	–	–	–	15	–	15
Revenue from rendering of services	–	–	–	24	1	25
Construction contract revenue	2,177	–	–	–	–	2,177
Revenue from external customers	2,177	–	–	809	3	2,989
Inter-segment revenue	183	–	–	–	–	183
	2,360	–	–	809	3	3,172
Share of jointly controlled entities	1	1,270	199	–	–	1,470
Total segment revenue	2,361	1,270	199	809	3	4,642

Inter-segment revenue is charged at mutually agreed prices.

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

RESULTS

Operating results	46	4	(1)	26	(4)	71
Interest income	2	–	–	13	–	15
Imputed interest income on loans to jointly controlled entities/associates	–	–	–	35	–	35
Fair value changes on investment properties	–	–	–	195	–	195
Dividend income from available-for-sale investments	–	–	–	52	–	52
Impairment loss recognised in respect of interests in jointly controlled entities	–	–	(3)	–	–	(3)
Gain on disposal of available-for-sale investments	–	–	–	373	–	373
Share of results of jointly controlled entities						
Cement operations in						
– LSOC	–	63	–	–	–	63
– Guizhou	–	–	2	–	–	2
Venture capital investments	–	–	–	–	(16)	(16)
Imputed interest expense	–	–	–	(25)	–	(25)
Others	(2)	–	–	7	–	5
						29
Share of results of associates						
Property development	–	–	–	25	–	25
Imputed interest expense	–	–	–	(10)	–	(10)
						15
Reportable segment profit before taxation	46	67	(2)	691	(20)	782
Unallocated items:						
Other income						9
Interest on bank loans and overdrafts and other borrowing costs						(136)
Other corporate expenses						(78)
Consolidated profit before taxation						577

Note: Included in operating results for the six months period ended 30 June 2010 is cost of properties sold of HK\$725 million (2009: Nil).

2. Segment information (continued)

For the six months ended 30 June 2009

	Construction and building maintenance HK\$ million	Cement operations		Property HK\$ million	Others HK\$ million	Total HK\$ million
		Through LSOC HK\$ million	Other cement operations HK\$ million			
REVENUE						
Sales of goods	–	–	–	–	4	4
Revenue from rendering of services	–	–	–	81	1	82
Construction contract revenue	1,428	–	–	–	–	1,428
Revenue from external customers	1,428	–	–	81	5	1,514
Share of jointly controlled entities	2	1,316	199	–	12	1,529
Share of associates	–	–	–	3	–	3
Total segment revenue	1,430	1,316	199	84	17	3,046
RESULTS						
Operating results	41	4	(4)	21	(5)	57
Interest income	1	–	1	16	–	18
Interest income from investment in convertible bonds	–	–	–	11	–	11
Imputed interest income on loans to jointly controlled entities/associates	–	–	–	25	–	25
Dividend income from available-for-sale investments	–	–	–	4	–	4
Impairment loss recognised in respect of interests in jointly controlled entities	–	–	(6)	–	–	(6)
Loss on disposal of interests in jointly controlled entities	–	–	(3)	(1)	–	(4)
Discount on acquisition of a subsidiary	–	–	–	648	–	648
Share of results of jointly controlled entities						
Cement operations in						
– LSOC	–	168	–	–	–	168
– Guizhou	–	–	12	–	–	12
Venture capital investments	–	–	–	–	8	8
Imputed interest expense	–	–	–	(14)	–	(14)
Others	(2)	–	2	–	–	–
						174
Share of results of associates						
Property development	–	–	–	71	–	71
Imputed interest expense	–	–	–	(11)	–	(11)
						60
Reportable segment profit before taxation	40	172	2	770	3	987
Unallocated items:						
Other income						31
Imputed interest expense on convertible bonds issued by the Company						(27)
Interest on bank loans and overdrafts and other borrowing costs						(117)
Other corporate expenses						(72)
Consolidated profit before taxation						802

3. Taxation

	Six months ended 30 June	
	2010	2009
	HK\$ million	HK\$ million
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	6	10
People's Republic of China ("PRC") Enterprise Income Tax	10	2
	<u>16</u>	<u>12</u>
Deferred taxation	37	-
	<u>53</u>	<u>12</u>

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) on the estimated assessable profits for the period.

PRC Enterprise Income Tax is calculated at 25% (2009: 25%) on the estimated assessable profits for the period.

4. Dividends

The Board has declared an interim dividend of HK\$0.20 per share (2009: HK\$0.10 per share) for the six months ended 30 June 2010.

	Six months ended 30 June	
	2010	2009
	HK\$ million	HK\$ million
Final dividend paid (note)	122	—
Interim dividend in respect of 2010 at		
HK\$0.20 per share (2009: HK\$0.10 per share)	<u>98</u>	<u>49</u>

Note: On 8 June 2010, a dividend of HK\$0.25 per share was paid to shareholders as the final dividend for the year ended 31 December 2009.

5. Earnings per share

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

	Six months ended 30 June	
	2010 HK\$ million	2009 HK\$ million
Earnings:		
Earnings for the purpose of basic earnings per share	517	787
Effect of dilutive potential ordinary shares from convertible bonds issued by the Company:		
Imputed interest expense	–	27
Effect of dilutive potential ordinary shares of CCP:		
Interest income on convertible bonds	–	(11)
Loss on early cancellation of convertible bonds	–	44
Adjustment to the share of results of CCP based on dilution of its earnings per share	–	(83)
Earnings for the purpose of diluted earnings per share	<u>517</u>	<u>764</u>
	Million	Million
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	488	334
Effect of dilutive potential ordinary shares:		
Convertible bonds issued by the Company	–	26
Share options	<u>1</u>	<u>1</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>489</u>	<u>361</u>

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 CCP held by the Group had been accounted for in the calculation of diluted earnings per share for the six months ended 30 June 2009. These convertible bonds were assumed to be converted into shares of the relevant issuer at the beginning of that period and, in particular, the accounting effects of such financial instruments were reversed in the determination of diluted earnings if their conversion had a dilutive effect on the earnings per share.

6. Debtors, deposits and prepayments

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

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

	30 June 2010 HK\$ million	31 December 2009 HK\$ million
Debtors		
Within 90 days	390	300
91 days to 180 days	3	2
181 days to 360 days	1	6
Over 360 days	12	12
	406	320
Retention receivable	141	133
Deposit for acquisition of a subsidiary	–	23
Prepayments, deposits and other receivables (note)	512	472
	1,059	948

Note: Included in prepayments, deposits and other receivables at 30 June 2010 are receivables of HK\$236 million (31 December 2009: HK\$231 million) in relation to the disposal by CCP in 2008 of a subsidiary that held a property interest in the PRC. The amounts are unsecured and carry interest at prevailing market rates. In the opinion of the Directors of the Company, these receivables will be fully settled when the legal title to the property is transferred to the buyer, which is expected to take place in 2010.

7. Creditors and accrued charges

The aged analysis of creditors (based on invoice date) of HK\$459 million (31 December 2009: HK\$455 million), which are included in the Group's creditors and accrued charges, is as follows:

	30 June 2010 HK\$ million	31 December 2009 HK\$ million
Creditors		
Within 30 days	272	326
31 days to 90 days	96	95
91 days to 180 days	69	23
Over 180 days	22	11
	459	455
Retention payable	243	205
Consideration payable in respect of acquisition of a subsidiary	–	102
Provision for contract work	382	355
Other accruals and payables	234	286
	1,318	1,403

8. Contingent liabilities

At 30 June 2010, the Group had the following contingent liabilities, which have not been provided for in the condensed consolidated financial statements:

- (a) Standby documentary credits arranged with a bank amounting to HK\$216 million (31 December 2009: HK\$216 million) to secure a bank loan granted to a subsidiary of an associate.
- (b) Guarantees issued in favour of banks amounting to RMB163 million (HK\$187 million) (31 December 2009: RMB47 million (HK\$53 million)) in respect of mortgage facilities granted by the banks to the buyers of the Group's property inventories.
- (c) Effective share of a guarantee issued in favour of banks amounting to HK\$289 million (31 December 2009: HK\$289 million) to secure a bank loan granted to a jointly controlled entity.
- (d) Guarantees issued in favour of a bank for a loan granted to a former wholly-owned subsidiary of CCP (the "Former Subsidiary") with an outstanding amount of RMB542 million (HK\$621 million) at 30 June 2010 (31 December 2009: RMB542 million (HK\$615 million)). The acquirer of the Former Subsidiary has agreed to procure the repayment of the bank loan and this obligation is guaranteed by the parent company of such acquirer.

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 condensed consolidated balance sheet.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS

The Group's turnover was HK\$2,989 million for the six months ended 30 June 2010, a 97% increase from the interim period of 2009. Consolidated profit after taxation and non-controlling interests was HK\$517 million, a 34% decrease compared to the same period last year. An analysis of the results is set out in the Financial Review section below.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK\$0.20 per share (2009: HK\$0.10 per share) to shareholders whose names appear on the register of members of the Company on Friday, 24 September 2010. The interim dividend will be paid on Wednesday, 6 October 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 21 September 2010 to Friday, 24 September 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all completed share transfer forms accompanied by the relevant share certificates must be lodged with the 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 Monday, 20 September 2010.

BUSINESS REVIEW

During the first half of 2010, global economic recovery continued but only at a very slow rate. Despite concerns over a “double dip” recession appearing to recede, international financial institutions and investors have chosen to adopt a primarily risk averse position. While the US economy is still facing numerous uncertainties, the sovereign debt crisis in the Euro zone did not significantly subside following the bailout plan of the International Monetary Fund and European Central Bank in May. Confidence in a faster paced recovery remains sparse under prevailing global economic conditions.

Against this background, China’s GDP grew 11.1% over the same first half of last year. However, expectation is looming on a slowdown in the months ahead, with projected 2010 growth of 9.5%. The broad-range tightening measures implemented by Central Government to curb the overheated property market following fiscal stimulus and the colossal injection of liquidity in 2009 are undoubtedly necessary to ensure stable and sustainable economic development in the Mainland over the longer-term.

Property prices in 70 Mainland cities surged by a record year-on-year 11.7% in March, precipitating macro-economic policies to crack down on speculation and bring in tighter bank lending policy. Although property prices have only shown the first signs of downward adjustment in the third quarter, significant decrease in transaction volume was seen.

With this market consolidation, the likelihood of some of the more ambitious and speculative property projects becoming under-capitalised increases, which will generate attractive opportunities for the Group in the second half. Negotiations in the first half have mostly been on special situation assets in first tier cities, the majority of which were related to projects of international investors having to exit the China market due to changed circumstances.

At the end of June 2010, property business accounted for approximately 59% of SOCAM’s total assets, up from 52% in December 2009.

During the first half of 2010, the Group proceeded with the planned divestment of non-core assets and investments, and disposed of 6.3% of the issued share capital of Shui On Land (SOL) to the controlling shareholder of the Company, realising a net profit of HK\$373 million. By unlocking value in this passive investment, approximately HK\$1.08 billion in cash was generated for repayment of bank loans and for capturing opportunities on special situation and distressed assets.

PROPERTY

Distressed and Special Situation Projects

The focus of SOCAM's property business continued to be the acquisition and development of distressed and special situation projects in prime locations of major Mainland cities.

The Group is currently developing 12 properties in six major cities, namely Beijing, Shanghai, Chongqing, Shenyang, Chengdu and Guangzhou, and maintains a diverse property portfolio comprising approximately 1.9 million square metres of developable gross floor area (GFA) attributable to the Group. These projects will provide the Group with a stable stream of profits upon their completion over the next few years.

The Group's total attributable developable GFA, excluding that of the knowledge community project in Dalian, at 30 June 2010 is summarised below:

Project	Location	Total attributable developable GFA (square metres)	Property type	Estimated completion year
1. Fengqiao Villas	Beijing	76,000	Residential	2010
2. Chaoyang Project	Beijing	30,300*	Residential	2011
3. Central Point Phase II	Chengdu	56,000	Composite	2010
4. Orient Home	Chengdu	474,000	Composite	2013
5. Creative Concepts Center	Chongqing	86,000	Composite	2010
6. Haomen Building	Chongqing	13,000	Commercial	#
7. Nanyang Building	Chongqing	32,000	Residential and retail	2011
8. Qianxinian Building	Chongqing	35,000	Commercial and office	2010
9. Parc Oasis (formerly known as Chuangyi Centre)	Guangzhou	112,000	Residential	2011
10. Lakeville Regency Tower 18	Shanghai	16,800	Residential	Completed
11. Shenyang Project Phase I	Shenyang	281,200	Composite	2012
12. Shenyang Project Phase II	Shenyang	640,700*	Composite	2016
TOTAL		1,853,000		

* The Group has a 52.5% and 80% interest in Beijing Chaoyang Project and Shenyang Project Phase II respectively. The GFAs shown are the effective share attributable to the Group

To be sold in its existing condition in 2010

Property Sales

The Group's pre-sale activities focused primarily on Shenyang Project Phase I and Chongqing Creative Concepts Center. These two projects, offering more than 800 residential units in total, were well received by the market. The Chongqing Danlong Road project and the serviced apartments of Chengdu Central Point Phase I were also disposed of.

Chongqing Creative Concepts Center

Gross floor area: 86,000 square metres

Usage: Composite

Comprising a 24-storey residential tower and a 9-level retail and office podium, the development occupies a prime location close to Jiefangbei Square. With its excellent location, Creative Concepts Center attracted good market response with 28,900 square metres GFA of residential and office units sold up to the end of July 2010 since pre-sale was launched in September 2009. This represents approximately 85% of the residential portion of this project. Leasing of retail space is in progress with 1,094 square metres GFA let out.

Shenyang Project Phase I

Gross floor area: 281,200 square metres

Usage: Composite

Shenyang Project Phase I complex rises at the north end of the prestigious Golden Corridor and has two residential buildings, a serviced apartment tower and an office tower, complemented by a 4-storey podium. The project achieved encouraging results following the sales launch of its residential units in the third quarter of 2009, and the units of the first batch of 32,400 square metres GFA on offer have been totally pre-sold. The project is set for completion in 2012.

This innovative and environmental-friendly development was awarded a pre-certificate of Leadership in Energy and Environmental Design (LEED) in March 2010 by the US Green Building Council.

Chongqing Danlong Road Project

Gross floor area: 149,000 square metres

Usage: Residential and Retail

The Group completed, in May 2010, the disposal of the 29,000 square metres plot of residential land located at Danlong Road in Chongqing. The project was sold at a consideration of RMB180 million, slightly above its appraised market value.

Chengdu Central Point

Gross floor area: 118,000 square metres

Usage: Composite

Located on Ren Min Road South, the new central business district of Chengdu, the two commercial towers of Central Point have become a landmark at a prime location. Its luxurious serviced apartments and office units, with a total GFA of approximately 118,000 square metres, meet the area's increasing demand for quality mixed-use developments.

The Group disposed of the serviced apartments in Phase I of this project in March 2010 for RMB488 million. The popular grade-A office building in Phase II with 56,000 square metres GFA has also attracted prospective buyers.

Property Acquisition

Shanghai Lakeville Regency Tower 18

Gross floor area: 16,800 square metres

Usage: Serviced apartments

The Group acquired Lakeville Regency Tower 18 in January 2010, bringing into its portfolio a luxury residential building with a GFA of approximately 16,800 square metres in the heart of Shanghai. This completed development, in the prestigious Luwan area with panoramic views of the neighbourhood of Shanghai Xintiandi, comprises 103 top-tier serviced apartment units. With the buoyant rental market in China's financial capital, the Tower has attained an average occupancy rate of over 85%, generating stable recurrent rental income to the Group during the period.

Properties Under Development

Construction work was generally on schedule on projects in the Group's property portfolio.

Beijing Chaoyang Project

Gross floor area: 57,700 square metres

Usage: Residential

This landmark site is located in the prestigious Chaoyang District of Beijing and will deliver four blocks of 19-level prime residential towers when completed in 2011. With a GFA of 57,700 square metres, the project offers over 200 prime apartments with supporting facilities. The Group holds a 52.5% interest in the project. Preparation for pre-sale activities in the second quarter of 2011 is underway.

Guangzhou Parc Oasis (formerly known as Chuangyi Centre)

Gross floor area: 112,000 square metres

Usage: Residential

Parc Oasis comprises three residential towers of 35 storeys and one serviced apartment tower of 31 storeys, with ample underground parking spaces. Targeting a niche market segment, this project will be positioned as a luxury residential complex in Tianhe district, in the heart of Guangzhou's upmarket area. The project is targeted for completion in 2011.

Shenyang Project Phase II

Gross floor area: 800,800 square metres

Usage: Composite

The project forms a mixed-use development in the Golden Corridor in Huanggu District, which is emerging as the commercial hub of Shenyang, the largest city in Northeast China by urban population. The development is planned to include upscale residential premises, a hotel, serviced apartments, modern office space and a shopping mall. The Group holds an 80% interest in Phase II, with completion expected in 2016.

Knowledge Community

In addition to distressed and special situation projects, SOCAM, together with its affiliated company, SOL, has put a strategic focus on Dalian Tiandi, a visionary knowledge community project in the burgeoning coastal city of Dalian in Northeast China. SOCAM, with strong project execution capabilities, is driving the rapid development progress of this project. The total developable GFA of approximately 3.3 million square metres comprises:

Office	Retail	Residential	Hotel / serviced apartment	Carpark and other facilities	Total GFA
1,332,000	605,000	1,183,000	91,000	109,000	3,320,000

This significant development is situated at the midpoint of the South Lvshun Road Software Industry Belt, and extends across 10 kilometres. The completed project is envisioned as a modern software hub of high-tech offices, residential apartments and villas, educational centres, extensive malls as well as outdoor recreation and environmental facilities and public amenities. The whole Dalian Tiandi development is set to complete in phases with final completion by 2020.

Very good progress has been made in accordance with its master development plan.

The construction of two software offices, with total GFA of 56,000 square metres including carpark and other facilities, was completed during the period and they are now available for lease. A clubhouse with a total GFA of 11,000 square metres is expected to be completed in the third quarter of 2010. Two other software offices with an aggregate planned GFA of 62,000 square metres, three engineers' apartment blocks with a total GFA of 48,000 square metres, educational centres with a total GFA of 117,000 square metres and the commercial properties at IT Tiandi with a total GFA of 94,000 square metres are expected for delivery progressively from the fourth quarter of 2010. In addition, the construction of Greenville, a residential project with 159,000 square metres GFA, is now underway.

In June, a downtown residential sales office was opened; sales activity of Phase I of Greenville, comprising 600 units of residential apartments and 192 villas, is set for launch in the third quarter of 2010 and is expected to be met with strong market demand. In the same month, an agreement was signed with Dalian Metro Development Company for the joint development of a metro terminal in Hekou Bay, the project's cosmopolitan residential and commercial area by the sea. This feature will bring added convenience and further enhance accessibility to the place, which the project is poised to benefit.

Advanced marketing and leasing activities of the software offices have already attracted a number of major corporations in the international IT industries to set up operations there. The software offices are fully equipped with canteens, convenience stores and ATMs, with shuttle buses connecting to the town centre. Occupation permits were issued, and various tenants have signed tenancy agreements, with IBM already moved in.

The project is set to become a unique community also because of its pioneering green and eco-friendly features which provide advanced environmental protection. The low carbon park, which is scheduled to be opened in the third quarter of 2010, will be among many other innovative structures and facilities to meet stringent standard of sustainable living.

Dalian Tiandi is jointly developed by SOL, SOCAM and Yida Group. The Group has a 22% interest in the project, and is responsible for project management, quality assurance and sales and marketing. This landmark development is expected to contribute substantial and sustainable earnings over the long term, and will be the blueprint for future knowledge community projects currently under contemplation by the Group.

Investment in SOL

On 29 June 2010, the Group completed the disposal of approximately 6.3% of the issued share capital of SOL to the controlling shareholder of the Company for a cash consideration of HK\$1.08 billion. The proceeds from the disposal were used to repay the Group's short-term bank borrowings, which reduced the gearing level of the Group. This allows SOCAM to expand its property business at a more rapid rate and create attractive returns for shareholders.

CEMENT

China's cement production showed a 17.5% year-on-year increase in the first half of 2010, with June output hitting a record high. The rising demand for high-quality cement spanned across the country as urbanisation and massive infrastructure development, including the rapid expansion of the transport network, continued apace. However, new production capacities coming on stream and intensifying competition in certain areas, including Sichuan and Chongqing in which Lafarge Shui On Cement (LSOC) is operating, have caused cement prices to retreat markedly in this first half.

The Central Government stepped up its initiatives to restructure and modernise the cement industry by phasing out inefficient and high-polluting plants and encourage market consolidation. By 2015, China plans to eliminate all the backward cement facilities, and the aggregate output of the top 10 cement producers is expected to account for 35% of the country's total. When the industry consolidates and becomes more mature, cement prices will be less susceptible to short-term, localised fluctuations.

Going forward, leading cement producers in the Mainland, including LSOC, will achieve greater efficiency and sustaining market share, while benefiting from reduced competition and stable pricing.

LSOC

LSOC, in which the Group holds a 45% interest, remains the cement market leader in Southwest China with a major presence in Sichuan, Chongqing and Yunnan. Total annual production capacity stayed at approximately 24 million tonnes during the interim period, with an additional seven million tonnes due for commissioning in the second half of 2010.

Total sales volume was approximately 11 million tonnes in the first half, the same level as that in the previous interim period. Good market demand, despite keen competition, coupled with the high utilisation and operational reliability of LSOC's plants, resulted in stable production and sales volumes. The severe drought in Southwest China, particularly Yunnan, in the first quarter, did not bring about major disruption to the production activities of LSOC.

The above-national average cement prices in the Southwest region resulting from sustained and strong market demand in the past few years and anticipation of massive post-quake rebuilding works in Sichuan have attracted considerable investment in new capacities and intensified competition. LSOC's operations in Sichuan and Chongqing experienced tremendous pressure in the second quarter primarily due to new capacities coming onto the market with reduced pricing to seize market share. However, cement prices in Yunnan staged a marked recovery from last year as the severe drought in Southwest China caused restriction of power supply that disrupted cement production of weaker players and lowered market supply.

The increase in the prices of coal and power since early this year added further pressure on gross profit margin, despite the implementation of various cost saving initiatives to lower energy consumption and contain the rise in other production cost. The recent easing in the prices of coal and power should help stabilise profit margin in the second half of the year.

The construction of the third line in Dujiangyan, Sichuan and the new dry kilns in Yongchuan, Chongqing and Sancha, Guizhou experienced slight delay, with production expected to commence in the third quarter of 2010. This additional capacity of about seven million tonnes per annum will further strengthen LSOC's leadership position in Southwest China.

The proposed injection by LSOC of its 50% interest in the Dujiangyan plants into Sichuan Shuangma Cement for new shares issued by Shuangma received the approval of the National Development and Reform Commission in April. Final approval from the China Securities Regulatory Commission is being sought and LSOC aims to obtain it before the end of this year. This asset injection, upon completion, will further consolidate LSOC's market position in Sichuan. In addition, LSOC will actively pursue acquisition opportunities to ride on market consolidation and boost its market share and dominance.

In February, LSOC entered into an agreement for the disposal of its minor cement and concrete operations in Beijing, which have total annual production capacities of one million tonnes of cement and 300,000 m³ of concrete. This divestment is in line with LSOC's strategy to strengthen its operations and leadership position in the Southwest China, and is expected to be completed in the third quarter of this year.

Guizhou Cement

The total sales volume of the cement plants retained by the Group in Zunyi, Xishui, Kaili, Bijie and Changda rose to about one million tonnes for this interim period, up from 0.7 million tonnes in the same period last year. This increase in sales arose from sustained market demand for cement from building and infrastructure works, coupled with the new dry kiln of 2,500 tonne-per-day capacity in Kaili that commenced production in the last quarter of 2009. Gross profit margins were however hit by the decrease in cement prices, due to intensified competition, and higher coal and power prices.

With LSOC being the flagship of the cement business of both SOCAM and Lafarge in the Chinese Mainland, SOCAM is executing an exit plan for the cement plants it holds. The plants in Zunyi and Bijie ceased production of clinker towards the end of June and now operate as grinding stations to produce cement with purchased clinker, until approvals from relevant local authorities are obtained for the re-development of the plant sites into property projects. Negotiations for the sale of other plants are making headway.

Grinding Plant in Nanjing

The grinding plant in Nanjing continued to supply both local customers and markets in Australia. It achieved an improved operating performance on higher sales volume, despite a slight decrease in selling prices and higher purchased clinker cost.

CONSTRUCTION

The Group's construction business performed steadily during the first half of the year amid keen market competition. It recorded increased profits for this interim period on a 52% increase in turnover to HK\$2,177 million compared with the corresponding period last year. New contracts totalling HK\$1.9 billion were secured.

At 30 June 2010, the gross value of contracts on hand was approximately HK\$11.4 billion and the value of outstanding contracts to be completed was approximately HK\$6.6 billion, compared with approximately HK\$10.6 billion and HK\$6.7 billion respectively at 31 December 2009.

Shui On Construction (SOC) was awarded a project from the Hong Kong Architectural Services Department (ASD) for the construction of the Town Park and Indoor Velodrome-cum Sports Centre in Tseung Kwan O and the design and construction of staff quarters for the Immigration Department in Kwai Chung, valued at approximately HK\$1.3 billion in total.

Shui On Building Contractors (SOBC) secured a 4-year contract from CLP Power Hong Kong for refurbishment works at selected substations in Kowloon and the New Territories, valued at HK\$120 million.

Major projects completed by SOBC included Eastern Harbour Crossing Site Phase 4 and a district term maintenance contract for the ASD. Good progress was made by SOC on the HK\$1 billion design-and-build project – the new headquarters building of the Hong Kong Customs and Excise Department, which is scheduled for completion in the third quarter of this year.

Shui On Construction, Mainland (SOCM) provided construction services for the Chongqing Tiandi, Foshan Lingnan Tiandi and Wuhan Tiandi projects of SOL and the Shenyang Project Phase I, Chongqing Creative Concepts Center, Chengdu Central Point Phase II and Guangzhou Parc Oasis projects during the period. SOCM completed the interior fit-out works on the serviced apartments of Chengdu Central Point Phase I, and secured RMB154 million worth of new contracts, including construction works for Lots A11 and A12, Wuhan Tiandi.

During the period, Pat Davie completed interior fit-out and refurbishment projects for MTR Corporation, major investment banks and an insurance company in Hong Kong, and City of Dreams, MGM and Wynn in Macau.

Pat Davie secured a total of approximately HK\$366 million worth of new contracts, of which 65% and 35% by value were in Hong Kong and Macau respectively. Major contracts include the fit-out of office buildings and a health centre and refurbishment of a wet market for The Link in Hong Kong, as well as interior fit-out works on two major casino hotels and a golf clubhouse in Macau. After the period end, Pat Davie was awarded fit-out contracts in Hong Kong with a total value of approximately HK\$219 million.

In Hong Kong, the construction division continued to set industry standards with regard to health and safety as well as environmental sensitivity, with certain outstanding green initiatives being regarded as pioneering in the field. Prestigious recognition achieved during this interim period included the Gold Award in Considerate Contractors Site Award Scheme 2009 and the Silver Award in 2009 Hong Kong Awards for Environmental Excellence – Sectoral Awards (Construction Industry).

VENTURE CAPITAL

As the global financial markets were still rife with uncertainty during this interim period, the investment portfolios produced a loss of HK\$16 million to the Group due to marked-to-market and impairment losses.

Venture capital investment is considered a non-core operation of the Group and a strategy of orderly exit has been adopted.

PROSPECTS

While the world economy continued to improve in the first half of 2010, the recovery has been uneven. Encouraging growth prospects are evident for some developing countries, while economic activity has been lacklustre in most of the developed economies despite their governments' strong fiscal stimulus. Conditions for sustained economic growth remain fragile as consumption and investment appetite in many economies are still weak and the employment outlook remains bleak.

In the Chinese Mainland, however, the colossal injection of liquidity in 2009, the broad-based restructuring of the economy and the massive fiscal stimulus programme form the bedrock of sustainable economic growth which is enviable by any standard. The Mainland's projected GDP growth in 2010 of around 9.5% is expected to account for approximately one-third of the global economic growth this year.

The improvement in the Group's financial position during the period allows us to leverage our experience and reputation in the China property market to grow rapidly, particularly in SOCAM's niche segment of distressed and special situation projects. We are also carefully exploring the possibility of expanding the business that would provide the Group with a sustainable and long-term growth path.

The increasing emphasis being placed by the Central Government on the restructuring and modernisation of the cement industry will speed up the market consolidation and emergence of large national producers and substantial regional leaders. LSOC will play an important role in this process in the Southwest region, where it now holds a leading market position.

SOCAM will continue to make good use of its competitive strengths to further develop its core businesses and explore new business opportunities, in support of sustainable and long-term growth which will create value and increasing returns for shareholders.

FINANCIAL REVIEW

FINANCIAL RESULTS

The Group's profit attributable to shareholders for the six months ended 30 June 2010 was HK\$517 million on a turnover of HK\$2,989 million, compared with the HK\$787 million profit and HK\$1,514 million turnover recorded for the corresponding period last year.

The Group's cement operations and venture capital investments are conducted through jointly controlled entities whereas, prior to the privatisation of China Central Properties (CCP) in June 2009, its property business was principally undertaken through associates. Accordingly, the HK\$2,989 million turnover for the first half of 2010 has not included the Group's share of the turnover of these jointly controlled entities, but has included the turnover of the property business. An analysis of the total turnover is shown below:

	Six months ended 30 June 2010 HK\$ million	Six months ended 30 June 2009 HK\$ million
Turnover		
SOCAM and subsidiaries		
Construction and building maintenance	2,177	1,428
Property	809	81
Others	3	5
Total	2,989	1,514
Jointly controlled entities and associates		
Cement operations	1,469	1,515
Property and others	1	17
Total	1,470	1,532
Total	4,459	3,046

Turnover from construction and building maintenance works increased significantly during the current interim period on the strength of a considerably expanded workload in Hong Kong and the Mainland, with a total of HK\$6.7 billion new contracts awarded in 2009 and the first half of 2010. Revenue from the property business during the period mainly came from the disposal of the serviced apartment of Chengdu Central Point and the residential site on Danlong Road in Chongqing, while cement sales dropped slightly due to decrease in selling prices on stable volumes.

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

	Six months ended 30 June 2010 HK\$ million	Six months ended 30 June 2009 HK\$ million
Property		
Project fee income	24	81
Profit from property sales and net rental income	65	-
Fair value gain on investment properties	232	-
Dalian Tiandi – overheads and interest	(12)	(14)
Share of profit of CCP prior to privatisation	-	96
Discount on acquisition of interest in CCP	-	648
Operating expenses	(65)	(61)
	244	750
Investment in SOL		
Dividend income	52	4
Net gain on disposal of shares	373	-
Gain on scrip option	4	-
	429	4
Cement operations		
LSOC	63	168
Guizhou cement	2	12
Disposal and impairment losses	(3)	(9)
	62	171
Construction	46	41
Venture capital investments	(16)	8
Convertible bonds	-	(27)
Net finance costs	(121)	(98)
Corporate overheads and others	(67)	(47)
Taxation	(53)	(12)
Non-controlling interests	(7)	(3)
Total	517	787

Property

Project fee income decreased substantially to HK\$24 million because all fee income earned by the Group from the CCP projects subsequent to CCP becoming a wholly-owned subsidiary of the Group in June 2009 has been eliminated on consolidation.

The profit from property sales in the first half of 2010 came from the disposal of the serviced apartment of Chengdu Central Point and the residential site on Danlong Road in Chongqing, while rental income was derived from the Group's investment properties.

The valuation of Lakeville Regency Tower 18 in Shanghai, which was acquired by the Group in early 2010, and the commercial portion of the properties currently under development in Dalian Tiandi, which will be held as investment properties after completion, at this interim period end, produced a gain of HK\$232 million for the Group.

In the last interim period, the HK\$648 million gain arose from acquisition of the remaining 57.1% equity interest in CCP not already held by the Group in the privatisation of CCP in June 2009, because the consideration per CCP share paid by the Group to the CCP shareholders was at a discount to the net asset value per CCP share.

Investment in SOL

On 29 June 2010, the Group disposed of approximately 6.3%, out of its holding of 8.7%, of the issued share capital of SOL for HK\$1,080 million and recognised a gain on disposal, net of transaction costs, of HK\$373 million. This represented realisation of the gains previously taken up directly in reserves in the consolidated balance sheet, when the share price of SOL rose and the Group's holding of SOL shares, being regarded as available-for-sale investments, was marked to market in accordance with applicable accounting standards.

As a result of the decline in SOL's share price during the current interim period, a HK\$521 million decrease in fair value on the Group's holding of SOL shares was charged to reserves in the consolidated balance sheet, which comprised:

- (a) HK\$377 million decrease in fair value on the 6.3% interest in SOL disposed of in June 2010, when the sale consideration was compared with the carrying value of such interest at 31 December 2009; and
- (b) HK\$144 million decrease in fair value on the remaining 2.4% interest in SOL held by the Group at 30 June 2010, when the market value of such interest on that date was compared with its carrying value at 31 December 2009.

In May 2010, SOL declared a final dividend of HK\$0.12 per share (with scrip option) for 2009. The Group was entitled to a cash dividend of HK\$52 million with respect to the 8.7% interest in SOL it then held. On 30 June 2010, SOCAM elected to receive 16.5 million scrip shares, in lieu of the cash dividend. Since the scrip shares were issued at a slight discount to the then prevailing market price, the Group recorded a gain of HK\$4 million on this scrip option. The scrip shares were allotted by SOL to the Group on 19 July 2010, and the Group's interest in SOL increased marginally to approximately 2.6%.

Cement operations

The Group's 45% share of LSOC's profit decreased to HK\$63 million in the first half of 2010, mainly attributable to the decrease in margins driven by lower selling prices on stiff competition and higher coal and power prices, while the production and sales volumes remained stable.

The cement plants in Guizhou retained by the Group also recorded a decline in profit for this interim period, despite an increase in sales volumes, largely because of a decrease in cement prices on intensified competition and increase in energy prices. The government compensations for closure of certain wet kilns reduced the operating losses for the period.

Construction

Construction business reported higher profit on increased turnover for this interim period. Despite this, average net profit margin decreased to 2.1% of turnover, from the 2.9% for the corresponding period last year, largely due to: (a) keener competition of the Hong Kong market; (b) rises in material and labour costs; (c) lower profit margins of Mainland construction works; and (d) less fit-out jobs in Macau that carry better profit margins.

Venture capital

The venture capital funds in which the Group invests posted small marked-to-market losses on the portfolio of listed shares, and provided for impairment loss on a slight decrease in valuation of the fund's interest in a manufacturer of biodegradable materials that achieved below-budgeted profit for the first half of the year.

Net finance costs

Net finance costs increased to HK\$121 million for the first half of 2010, from HK\$98 million for the same period in 2009, mainly because of the increase in bank borrowings to finance the acquisition of an investment property in early 2010, despite the decrease in interest margins charged by certain banks on the Group's loan facilities.

Taxation

Taxation increased to HK\$53 million in this interim period, largely due to the provision for deferred tax on the fair value gains on investment properties.

ASSETS BASE

The total assets and net assets of the Group are summarised as follows:

	30 June 2010 HK\$ million	31 December 2009 HK\$ million
Total assets	19,142	18,641
Net assets	8,608	9,003
	HK\$	HK\$
Net assets per share	17.6	18.5

The total assets of the Group increased from HK\$18.6 billion at 31 December 2009 to HK\$19.1 billion at 30 June 2010. This will be explained in the segmental analysis below.

Both the net assets of the Group and net assets per share decreased slightly, due mainly to the HK\$521 million decrease in market value of the Group's shareholding in SOL as a result of the decline in the share price of SOL during the period.

An analysis of the total assets by business segments is set out below:

	30 June 2010 HK\$ million	%	31 December 2009 HK\$ million	%
Property	11,340	59	9,735	52
Cement	5,370	28	5,036	27
Construction	1,178	6	1,059	6
Investment in SOL shares	459	3	2,004	11
Others	795	4	807	4
Total	19,142	100	18,641	100

The value of property assets increased markedly and accounted for 59% of the Group's total assets at 30 June 2010, up from 52% at 31 December 2009, largely due to the acquisition of an investment property and additional construction costs incurred in existing property projects, while cement and construction operations saw slight increases in asset values and stable proportions of total assets. The value of the Group's investment in SOL shares dropped substantially because of the partial disposal in June 2010 and decline in the share price of SOL during the period.

EQUITY, FINANCING AND GEARING

The shareholders' equity of the Company decreased slightly from HK\$9,003 million on 31 December 2009 to HK\$8,608 million on 30 June 2010. This was largely brought about by the HK\$521 million decrease in the Investment Revaluation Reserve as a result of the drop in market value of the Group's shareholding in SOL as mentioned above. The HK\$517 million profit for this interim period has not increased the shareholders' equity by the same amount because it included the release of HK\$374 million gain from the Investment Revaluation Reserve upon disposal of SOL shares in June 2010.

Net bank borrowings of the Group, which represented bank borrowings, net of bank balances, deposits and cash, amounted to HK\$5,179 million on 30 June 2010. This compared with HK\$4,796 million on 31 December 2009. The increase in net bank borrowings during the period was due to the fact that the Group drew on its credit facilities to finance the acquisition and construction of property development projects, although a total of HK\$1,080 million bank loans was repaid out of the proceeds from the disposal of SOL shares in June 2010.

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

	30 June 2010 HK\$ million	31 December 2009 HK\$ million
Bank borrowings repayable:		
Within one year	2,274	4,980
After one year but within two years	3,425	940
After two years but within five years	1,546	720
Total bank borrowings	7,245	6,640
Bank balances, deposits and cash	(2,066)	(1,844)
Net bank borrowings	5,179	4,796

During the first half of 2010, the Group has improved considerably the maturity profile of its bank borrowings, resulting in significant reduction in the short-term loans. In addition, on 28 June 2010, the Group signed an unsecured HK\$1 billion 3-year loan agreement with a syndicate of seven leading international banks. The drawdown of this loan in July has enabled the Group to refinance a substantial portion of the remaining short-term uncommitted credit facilities with a committed loan of longer tenor.

The net gearing ratio of the Group, calculated as net bank borrowings over shareholders' equity, increased to 60% at 30 June 2010, from 53% at 31 December 2009, mainly as a result of the increase in bank borrowings and decrease in shareholders' equity as explained above.

The Group will continue to seek longer term financings, which match more closely its assets portfolio. Subsequent to interim period end, a HK\$300 million new term loan of three years was obtained from a bank, and HK\$386 million bank loans were renewed for a further one year.

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. 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 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 the continual appreciation of the Renminbi exchange rate in the foreseeable future will have positive effect on the Group's business performance and financial status. Therefore, no hedging against Renminbi exchange risk has been effected. It is the Group's policy not to enter into derivative transactions for speculative purposes.

EMPLOYEES

At 30 June 2010, the number of employees in the Group was approximately 1,140 (31 December 2009: 1,160) in Hong Kong and Macau, and 12,380 (31 December 2009: 13,660) in subsidiaries and jointly controlled entities in the Chinese Mainland. While staff costs are kept stable during the current interim period, 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 talents 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, develop and retain high calibre competent staff.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2010.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance through its continuous effort in improving its corporate governance practices and processes.

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2010, including the accounting principles and practices adopted by the Group, and has also considered selected accounting, internal control and financial reporting matters of the Group, in conjunction with the Company's external auditor.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "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") throughout the period, except for the deviations from Code Provisions A.4.1 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 appointed prior to 2008 did not have a specific term of appointment, though they are subject to retirement by rotation and re-election at annual general meetings in accordance with the Bye-laws of the Company. Since 2008, arrangements have been put in place for the appointment of new Non-executive Directors for a specific term in compliance with Code Provision A.4.1 of the CG Code. A service contract for a term of three years has been entered into with each of the newly appointed Non-executive Directors upon his or her appointment. Arrangement for the execution of a similar service contract has also been made with the remaining Non-executive Director upon his retirement by rotation and re-election at the annual general meeting of the Company held on 28 May 2010. Accordingly, all Non-executive Directors of the Company now have a specific term of three years from their respective dates of appointment or re-election, subject to the provisions on Directors' retirement as set out in the Bye-laws of the Company.

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 delegated responsibility to determine the detailed remuneration packages of all Executive Directors and senior management. In 2008, the Remuneration Committee had 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 resolved to amend the terms of reference of the Remuneration Committee in 2008 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 practices and procedures of remuneration committees in other jurisdictions, the Remuneration Committee decided that it would be better practice for the Non-executive Directors to cease involvement in recommending their own remuneration. Such recommendations were 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 meetings, the Non-executive Directors abstain from voting in respect of their own remuneration. The amendment to the terms of reference of the Remuneration Committee in this respect was approved by the Board in 2009.

COMPLIANCE WITH THE 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 period.

By order of the Board
Lo Hong Sui, Vincent
Chairman

Hong Kong, 23 August 2010

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, Mr. Wong Kun To, Philip and Mr. Wong Fook Lam, Raymond; and the Independent Non-executive Directors of the Company are Mr. Gerrit Jan de Nys, Ms. Li Hoi Lun, Helen, Mr. David Gordon Eldon, Mr. Chan Kay Cheung and Mr. Tsang Kwok Tai, Moses.

** For identification purpose only*

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