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 2010

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2010	2009
Turnover	**HK$8,044 million**	HK$3,200 million
Profit attributable to shareholders	**HK$903 million**	HK$807 million
Basic earnings per share	**HK$1.85**	HK$1.96
Interim dividend per share	**HK$0.20**	HK$0.10
Final dividend per share	**HK$0.40**	HK$0.25

	At 31 December 2010	At 31 December 2009
Total assets	**HK$21.0 billion**	HK$18.6 billion
Net assets	**HK$9.2 billion**	HK$9.0 billion
Net asset value per share	**HK$18.82**	HK$18.45
Net gearing	**51%**	53%

BUSINESS HIGHLIGHTS

Capturing New Market Opportunities with Solid Progress

During the year, the Group progressed well in the transformation to a property company investing in the niche market of special situation projects in the Chinese Mainland, forming strategic alliances with reputable partners as well as delivering encouraging results on our existing portfolio.

Property

The en-bloc disposals of four projects generated meaningful cash flows and profits, which reinforced our belief in the quick asset turnover model. Construction was on schedule on other properties in our diverse portfolio with a total attributable GFA of 1.7 million square metres.

A well located property in Pudong, Shanghai was acquired which will be developed into a luxurious boutique hotel and branded residence operated by the renowned Four Seasons Hotels and Resorts Group.

Dalian Tiandi, a 3.3 million square metres knowledge community project in Northeast China, saw the first batch of tenants moving into its software offices and good sales of its residential apartments. The project currently has close to 1 million square metres GFA of offices, residential blocks and commercial premises under construction, with sales and leasing activities set to increase in the year ahead.

Cement

Lafarge Shui On Cement posted disappointing results this year due to considerable price pressure in Sichuan and Chongqing, amid intensified competition resulting from vastly excessive capacities, and increase in energy costs, despite stable production and sales volumes on sustained market demand.

Commissioned in the fourth quarter, three new plants in Sichuan, Chongqing and Guizhou raised Lafarge Shui On Cement's annual production capacity to 30 million tonnes and further strengthened its leadership position in Southwest China.

Construction

The Group's construction business in Hong Kong, Macau and the Chinese Mainland recorded increased turnover and profits due to the buoyant markets, despite increasing building material prices and labour costs.

Prospects

Sustained economic growth under the directives of China's 12th Five-Year Plan, together with the encouraging progress in our transformation plan, will enable SOCAM to move ahead with strong momentum and continue with plans to capture good market opportunities. Our property business in China should be well poised to be a major profit driver in the years to come.

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 2010.

CONSOLIDATED INCOME STATEMENT

	Notes	**2010** **HK$ million**	2009 HK$ million
Turnover			
The Company and its subsidiaries		**8,044**	3,200
Share of jointly controlled entities/associates		**2,986**	3,197
		11,030	6,397
Group turnover	2	**8,044**	3,200
Other income		**200**	149
Changes in inventories of finished goods, work in progress, contract work in progress and properties held for sale		**(2,598)**	109
Raw materials and consumables used		**(720)**	(651)
Staff costs		**(504)**	(485)
Depreciation and amortisation expenses		**(24)**	(15)
Subcontracting, external labour costs and other expenses		**(3,967)**	(2,291)
Dividend income from available-for-sale investments		**60**	8
Fair value changes on investment properties		**422**	46
Convertible bonds issued by the Company			
– Fair value changes on embedded derivatives		**-**	1
– Imputed interest expense		**-**	(28)
Interest on bank loans and overdrafts and other borrowing costs		**(249)**	(218)
Gain on disposal of available-for-sale investments		**373**	-
Loss on disposals of interests in jointly controlled entities		**-**	(4)
Discount on acquisition of a subsidiary		**-**	648
Share of results (excluding impairment loss) of jointly controlled entities		**115**	302
Share of impairment loss of jointly controlled entities		**(70)**	(44)
Share of results of associates		**16**	101
Profit before taxation		**1,098**	828
Taxation	3	**(180)**	(16)
Profit for the year		**918**	812
Attributable to:			
Owners of the Company		**903**	807
Non-controlling interests		**15**	5
		918	812
Earnings per share	5		
Basic		**HK$1.85**	HK$1.96
Diluted		**HK$1.84**	HK$1.84

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2010	2009
	HK$ million	HK$ million
Profit for the year	**918**	812
Other comprehensive (expense) income		
(Loss) gain on fair value changes of available-for-sale investments	**(475)**	1,034
Reclassification adjustments for amounts transferred to profit or loss:		
– upon disposal of available-for-sale investments	**(374)**	-
– upon disposals of interests in jointly controlled entities	**-**	(7)
– upon deregistration of subsidiaries	**-**	(9)
– upon disposal of subsidiaries holding property inventories, net of deferred tax of HK$11 million	**(56)**	-
Exchange differences arising on translation of foreign operations	**373**	26
Revaluation surplus attributable to the Group's previously held interest in China Central Properties Limited ("CCP"), net of deferred tax of HK$32 million	**-**	95
Recognition of actuarial gain	**12**	81
Share of other comprehensive income of associates/jointly controlled entities	**-**	47
Other comprehensive (expense) income for the year	**(520)**	1,267
Total comprehensive income for the year	**398**	2,079
Total comprehensive income attributable to:		
Owners of the Company	**382**	2,080
Non-controlling interests	**16**	(1)
	398	2,079

CONSOLIDATED BALANCE SHEET

	Notes	31 December 2010 HK$ million	31 December 2009 HK$ million
Non-current Assets			
Investment properties		**2,310**	622
Property, plant and equipment		**89**	59
Prepaid lease payments		**43**	43
Interests in jointly controlled entities		**4,432**	4,265
Available-for-sale investments		**514**	2,004
Interests in associates		**425**	332
Club memberships		**1**	1
Amounts due from jointly controlled entities		**1,624**	1,008
Amounts due from associates		**683**	543
Defined benefit assets		**22**	-
Restricted bank deposits		**275**	-
		10,418	8,877
Current Assets			
Inventories		**7**	7
Prepaid lease payments		**1**	1
Properties held for sale		**718**	634
Properties under development for sale		**3,267**	4,806
Debtors, deposits and prepayments	6	**1,730**	948
Amounts due from customers for contract work		**346**	302
Amounts due from jointly controlled entities		**459**	437
Amounts due from associates		**68**	39
Amounts due from related companies		**49**	39
Taxation recoverable		**4**	3
Pledged bank deposit	7	**359**	-
Restricted bank deposits		**260**	299
Bank balances, deposits and cash		**2,583**	1,545
		9,851	9,060
Assets classified as held for sale		**779**	704
		10,630	9,764
Current Liabilities			
Creditors and accrued charges	7	**2,028**	1,403
Sales deposits received		**406**	312
Amounts due to customers for contract work		**154**	124
Amounts due to jointly controlled entities		**15**	345
Amounts due to non-controlling shareholders of subsidiaries		**3**	6
Taxation payable		**180**	57
Bank borrowings due within one year		**2,864**	4,980
		5,650	7,227
Liabilities associated with assets classified as held for sale		**403**	328
		6,053	7,555
Net Current Assets		**4,577**	2,209
Total Assets Less Current Liabilities		**14,995**	11,086
Capital and Reserves			
Share capital		**489**	488
Reserves		**8,715**	8,515
Equity attributable to owners of the Company		**9,204**	9,003
Non-controlling interests		**56**	45
		9,260	9,048
Non-current Liabilities			
Bank borrowings		**5,335**	1,660
Deferred tax liabilities		**400**	378
		5,735	2,038
		14,995	11,086

Notes:

1. Basis of preparation

In the current year, the Group has applied, for the first time, a number of new or revised standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group's financial period beginning on 1 January 2010.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – INT 17	Distributions of Non-cash Assets to Owners
HK – INT 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

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.

The application of HKFRS 3 (Revised) and HKAS 27 (Revised) and other new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting years.

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.

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 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[6]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[7]
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement[2]
HK(IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments[4]

1. Basis of preparation (continued)

[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 July 2011
[6] Effective for annual periods beginning on or after 1 January 2013
[7] Effective for annual periods beginning on or after 1 January 2012

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.

Under the amendments to HKAS 12 titled "Deferred Tax: Recovery of Underlying Assets", investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The Directors of the Company are in the process of assessing the potential impact of these amendments.

HKAS 24 (as revised in 2009) revises the definition of related parties. The disclosures regarding related party transactions and balances in the consolidated financial statement may be affected when the revised version of the Standard is applied in future accounting periods because counterparties that do not previously meet the definition of a related party may come within the scope of the revised Standard.

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. Segment information

For management reporting purposes, the Group is currently organised into four operating divisions based on business nature – construction and building maintenance, cement operations, property and others. These divisions are the basis on which the Group reports to its chief operating decision makers, who are the Directors of the Company, for the purposes of resource allocation and assessment of segment performance.

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

For the year ended 31 December 2010

	Construction and building maintenance	Cement operations: Through LSOC#	Cement operations: Other cement operations	Property	Others	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
REVENUE						
External sales of goods (note)	-	-	-	3,135	6	3,141
External rental income	-	-	-	38	-	38
External revenue from rendering of services	-	-	-	52	1	53
Construction contract revenue	4,812	-	-	-	-	4,812
Revenue from external customers	4,812	-	-	3,225	7	8,044
Inter-segment revenue	267	-	-	-	-	267
	5,079	-	-	3,225	7	8,311
Share of jointly controlled entities	4	2,657	325	-	-	2,986
Total segment revenue	5,083	2,657	325	3,225	7	11,297

Inter-segment revenue is 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	Others	Total
Reportable segment results	84	53	(57)	1,344	20	1,444
Unallocated items:						
Other income						1
Interest on bank loans and overdrafts and other borrowing costs						(249)
Other corporate expenses						(98)
Consolidated profit before taxation						1,098
Segment results have been arrived at after crediting (charging):						
Cost of properties sold	-	-	-	(2,622)	-	(2,622)
Depreciation and amortisation	(4)	-	-	(18)	(1)	(23)
Interest income	3	-	-	29	-	32
Imputed interest income on loans to jointly controlled entities/associates	-	-	-	71	-	71
Fair value changes on investment properties	-	-	-	422	-	422
Dividend income from available-for-sale investments	-	-	-	60	-	60
Impairment loss recognised in respect of interests in jointly controlled entities	-	-	(29)	-	-	(29)
Gain on disposal of available-for-sale investments	-	-	-	373	-	373
Share of results (excluding impairment loss) of jointly controlled entities						
Cement operations in						
– LSOC	-	104	-	-	-	104
– Guizhou	-	-	(9)	-	-	(9)
Venture capital investments	-	-	-	-	29	29
Property development	-	-	-	44	-	44
Imputed interest expense	-	-	-	(51)	-	(51)
Others	(2)	-	-	-	-	(2)
						115
Share of impairment loss of jointly controlled entities	-	(59)	(11)	-	-	(70)
Share of results of associates						
Property development	-	-	-	36	-	36
Imputed interest expense	-	-	-	(20)	-	(20)
						16

Note: Included in the Group's property segment revenue for the year ended 31 December 2010 are sales of completed properties of HK$977 million (2009: HK$19 million) and sales of properties under development for sale of HK$2,158 million (2009: Nil).

2. Segment information (continued)

For the year ended 31 December 2009

	Construction and building maintenance	Cement operations Through LSOC	Cement operations Other cement operations	Property	Others	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
REVENUE						
External sales of goods	-	-	-	19	7	26
External revenue from rendering of services	-	-	-	108	1	109
Construction contract revenue	3,065	-	-	-	-	3,065
Revenue from external customers	3,065	-	-	127	8	3,200
Inter-segment revenue	231	-	-	-	-	231
	3,296	-	-	127	8	3,431
Share of jointly controlled entities	3	2,745	446	-	-	3,194
Share of associates	-	-	-	3	-	3
Total segment revenue	3,299	2,745	446	130	8	6,628

Inter-segment revenue is charged at mutually agreed prices.

	Construction and building maintenance	Through LSOC	Other cement operations	Property	Others	Total
Reportable segment results	65	273	18	774	1	1,131
Unallocated items:						
Other income						27
Convertible bonds issued by the Company						
– Fair value changes on embedded derivatives						1
– Imputed interest expense						(28)
Interest on bank loans and overdrafts and other borrowing costs						(218)
Other corporate expenses						(85)
Consolidated profit before taxation						828
Segment results have been arrived at after crediting (charging):						
Cost of properties sold	-	-	-	(9)	-	(9)
Depreciation and amortisation	(4)	-	-	(9)	(2)	(15)
Interest income	2	-	1	27	-	30
Interest income from investment in convertible bonds	-	-	-	11	-	11
Imputed interest income on loans to jointly controlled entities/associates	-	-	-	48	-	48
Fair value changes on investment properties	-	-	-	46	-	46
Impairment loss on properties held for sale / properties under development for sale	-	-	-	(10)	-	(10)
Dividend income from available-for-sale investments	-	-	-	8	-	8
Impairment loss recognised in respect of interests in jointly controlled entities	-	-	(1)	-	-	(1)
Loss on disposals of interests in jointly controlled entities	-	-	(3)	(1)	-	(4)
Discount on acquisition of a subsidiary	-	-	-	648	-	648
Share of results (excluding impairment loss) of jointly controlled entities						
Cement operations in						
– LSOC	-	309	-	-	-	309
– Guizhou	-	-	24	-	-	24
Venture capital investments	-	-	-	-	10	10
Imputed interest expense	-	-	-	(35)	-	(35)
Others	(6)	-	-	-	-	(6)
						302
Share of impairment loss of jointly controlled entities	-	(44)	-	-	-	(44)
Share of results of associates						
Property development	-	-	-	114	-	114
Imputed interest expense	-	-	-	(13)	-	(13)
						101

2. Segment information (continued)

Geographical information

The Group operates in two principal geographical areas – Hong Kong and the People's Republic of China ("PRC") (excluding Hong Kong). The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers*		Non-current assets**	
	2010	2009	**2010**	2009
	HK$ million	HK$ million	**HK$ million**	HK$ million
Hong Kong	**3,665**	2,357	**16**	21
PRC (excluding Hong Kong)	**4,379**	843	**2,427**	704
	8,044	3,200	**2,443**	725

* Revenue from external customers is attributed to countries/cities on the basis of the geographical locations of the properties or operations.

** Non-current assets exclude available-for-sale investments, defined benefit assets, restricted bank deposits, interests in associates and jointly controlled entities, and amounts due from associates and jointly controlled entities.

3. Taxation

	2010	2009
	HK$ million	HK$ million
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	**12**	10
PRC Enterprise Income Tax	**134**	9
PRC Land Appreciation Tax	**14**	11
	160	30
Deferred taxation	**20**	(14)
	180	16

4. Dividends

	2010	2009
	HK$ million	HK$ million
Paid:		
Final dividend in respect of the year ended 31 December 2009: HK$0.25 per share	**122**	–
Interim dividend in respect of the year ended 31 December 2010: HK$0.20 per share (2009: HK$0.10 per share)	**98**	49
	220	49
Proposed:		
Final dividend in respect of the year ended 31 December 2010: HK$0.40 per share (2009: HK$0.25 per share)	**196**	122

The final dividend in respect of the year ended 31 December 2010 of HK$0.40 per share has been proposed by the Directors and is subject to approval by the shareholders of the Company at the forthcoming annual general meeting.

5. Earnings per share

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

	2010	2009
	HK$ million	HK$ million
Earnings:		
Earnings for the purpose of basic earnings per share	**903**	807
Effect of dilutive potential ordinary shares from convertible bonds issued by the Company:		
Imputed interest expense	**-**	28
Fair value changes on embedded derivatives	**-**	(1)
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	**903**	784
Number of shares:	**Million**	Million
Weighted average number of ordinary shares for the purpose of basic earnings per share	**489**	411
Effect of dilutive potential ordinary shares:		
Convertible bonds issued by the Company	**-**	15
Share options	**1**	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**490**	426

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 year ended 31 December 2009. These convertible bonds were assumed to be converted into shares of the relevant issuer at the beginning of that year and, in particular, the accounting effects of such financial instruments were reversed in the determination of diluted earnings per share 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:

	2010	2009
	HK$ million	HK$ million
Debtors aged analysis:		
Within 90 days	**1,097**	300
91 days to 180 days	**6**	2
181 days to 360 days	**6**	6
Over 360 days	**10**	12
	1,119	320
Retention receivable	**152**	133
Deposit for acquisition of a subsidiary	**-**	23
Prepayments, deposits and other receivables (note)	**459**	472
	1,730	948

Note: Included in prepayments, deposits and other receivables are receivables of HK$235 million (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 within twelve months from the end of the reporting period.

7. Creditors and accrued charges

The aged analysis of creditors (based on invoice date) of HK$590 million (2009: HK$455 million), which are included in the Group's creditors and accrued charges, is as follows:

	2010	2009
	HK$ million	HK$ million
Creditors aged analysis:		
Within 30 days	**382**	326
31 days to 90 days	**169**	95
91 days to 180 days	**26**	23
Over 180 days	**13**	11
	590	455
Retention payable	**275**	205
Consideration payable in respect of acquisition of interest in a jointly controlled entity (note)	**349**	-
Consideration payable in respect of acquisition of a subsidiary	**-**	102
Provision for contract work	**378**	355
Other accruals and payables	**436**	286
	2,028	1,403

Note: At 31 December 2010, bank deposits of HK$359 million were placed with a bank to secure standby documentary credits issued relating to the outstanding consideration of HK$349 million in respect of the acquisition of interest in a jointly controlled entity by the Group. The outstanding consideration was subsequently settled in January 2011.

8. Contingent liabilities

At 31 December 2010, the Group had the following contingent liabilities, which have not been provided for in the consolidated financial statements:

(a) Standby documentary credit arranged with a bank amounting to HK$216 million (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 RMB174 million (HK$205 million) (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 guarantees issued in favour of banks amounting to HK$639 million (2009: HK$289 million) to secure bank loans granted to certain jointly controlled entities.

(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$637 million) at 31 December 2010 (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 consolidated balance sheet.

9. Subsequent events

(a) On 19 January 2011, the Group entered into an agreement with independent third parties in relation to the formation of a joint venture to undertake knowledge community projects in the PRC. Pursuant to the agreement and conditional to the completion of certain matters by the joint venture partners, the Group will contribute up to 75% of the registered capital of the joint venture company (the "JV Company") in stages in an aggregate amount of approximately RMB1,839 million (HK$2,161 million), subject to adjustment, by injecting into the JV Company cash and a piece of land located in Nanjing which the Group intends to acquire. The formation of the joint venture was approved by the shareholders of the Company at the special general meeting held on 28 February 2011. Details of this transaction are set out in a circular of the Company dated 9 February 2011.

(b) In March 2011, the Group reached an agreement to acquire two land parcels located in Zunyi, Guizhou, the PRC, which were owned and occupied by a jointly controlled entity of the Group for its cement operation, at an aggregate consideration of approximately RMB313 million (HK$373 million).

MANAGEMENT DISCUSSION AND ANALYSIS

FINAL RESULTS

The Group's turnover was HK$8,044 million for the year ended 31 December 2010, a 151% increase from the pervious year. Consolidated profit after taxation and non-controlling interests was HK$903 million, a 12% increase compared to the previous year. An analysis of the results is set out in the Financial Review section below.

FINAL DIVIDEND

The Directors of the Company recommend the payment of a final dividend of HK$0.40 per share for the year ended 31 December 2010 (2009: HK$0.25 per share). Subject to shareholders' approval at the forthcoming annual general meeting, the final dividend will be paid on 6 July 2011 to shareholders whose names appear on the Company's register of members on 16 June 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 14 June 2011 to Thursday, 16 June 2011, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend for the year ended 31 December 2010 and be eligible to attend and vote at the annual general meeting of the Company to be held on 16 June 2011, 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, 13 June 2011.

BUSINESS REVIEW

ECONOMIC CONDITIONS AND PROSPECTS

While the global economy continues to recover, China's growth, driven by focused government policies and the spending power of the burgeoning middle class, is expected to outperform those of other major countries. The GDP growth forecast of 9% for 2011, compared with 10.3% for 2010, is built upon an already solid economic base with less reliance on overseas export markets. Inflationary pressure will, however, remain the paramount concern of the Central Government, and tightening measures will be stepped up to check excessive liquidity which has consistently caused spiraling increases in prices in the property and consumer markets.

The fundamentals of China's cement industry will remain solid on the accelerating urbanisation and strong growth of investment and domestic consumption under the directives of the 12th Five-Year Plan (2011–2016). The restructuring and modernisation of the industry will continue and will eventually eliminate excess supply and backward capacities in all major provincial markets.

In Hong Kong, our construction business looks certain to benefit from the resurgence in local market confidence as well as the stepping up of government spending on infrastructure work, public housing and facilities, which is made possible by the consistent budget surplus.

PROPERTY

China's property market remained buoyant over 2010. Residential property sales increased 18% year-on-year, while real estate investment expanded 33%. As of December 2010, sale price index of 70 major Mainland cities was 6.4% higher than the same period the year before. Housing prices in major Mainland cities continued to rise during the year, despite a number of government attempts to dampen the market. The home-buying restriction orders introduced by local governments of certain major cities in early 2011 now appear to be having the desirable cooling effect, and a considerable drop in the transaction volume of residential premises is seen.

Capitalising on the changing investment environment, SOCAM continued to take advantage of market opportunities by unlocking the value of its property portfolio, while making timely acquisitions.

Throughout 2010, the Group's property projects, ranging from branded residences, prime commercial buildings to Dalian Tiandi, the knowledge community project under our management, all progressed well. In particular, Shui On China Central Properties added to its solid track records of acquisition and development of special situation projects and delivered meaningful returns on its quick asset turnover model.

Leveraging on these strengths, SOCAM has moved ahead with its visionary plans to develop strategic partnerships to penetrate niche market segments for long-term sustainable growth as part of the transformation of the Group. Several collaborations are already in place. In early 2011, the Group formed a partnership with some of the world's most prestigious institutional investors which will commit a total of approximately US$200 million to join forces with SOCAM to search for attractive targets in the expansion of our special situation property business. SOCAM will contribute equal amount when suitable projects are identified. This will provide good momentum to the development of this business sector for the next few years.

Additionally, in January 2011, the Group entered into an agreement with Tsinghua Science Park (Tsinghua SP) to form a joint venture, in which SOCAM will have a 75% share, for the development of integrated knowledge communities in Nanjing, a vibrant city near Shanghai which has committed to carrying out effectively the directive of the Central Government to upgrade the industrial and manufacturing infrastructure.

Our initiative to pursue the "branded residence" concept is also progressing well, and involves SOCAM's collaboration with reputable international partners. An agreement has been reached with the renowned Four Seasons Hotels and Resorts Group to provide exquisite services for one of SOCAM's prime properties in Shanghai. We will continue to identify potential residential projects across China and apply this unique concept which will offer residents a top range of comfort and convenience. This brand strategy should create a market niche and a significant edge for SOCAM as a developer known for delivering luxury living for discerning apartment purchasers and tenants.

Against the background of sustained economic growth in China and with exciting projects and partnerships already identified, our property business in China is well poised to be a major profit driver in the years to come.

Special Situation Projects

Major Acquisition

The expansion of our diverse portfolio has been driven by identifying and securing boutique premium projects at advantageous prices and thereafter utilising the Group's proven project execution capabilities to complete and upgrade the properties. Deciding the optimal development mix of office, residential, serviced apartment and retail, and positioning of the property projects to meet local market needs has played an important part of our successful strategy.

We are particularly pleased to have acquired the 21st Century Tower in December 2010, a premium commercial property with a serviced apartment and hotel in Shanghai. This deal is a joint venture with the largest owner of the Four Seasons Hotels worldwide and a strategic financial investor with SOCAM holding 70%. Situated at the heart of Lujiazui Financial District in Pudong, and at a major transportation focal point of Shanghai, the project is next to China's tallest building, Shanghai World Financial Center, the famous Jin Mao Tower and the Park Hyatt Hotel. In a 49-storey building that will offer a GFA of about 92,000 square metres, SOCAM acquired the hotel and serviced apartment portion on the 26th to 49th floors, with a GFA of 51,000 square metres, together with carparking spaces.

Property Sales En-Bloc

During the year, SOCAM successfully disposed of four property projects on an en-bloc basis, namely Chengdu Central Point, Beijing Fengqiao Villas, Chongqing Danlong Road and Nanyang Building. In January 2011, the Group also agreed to dispose of Haomen Building in Chongqing in its existing condition. The sale of Central Point Phase II in Chengdu is one of the typical success stories of SOCAM's special situation projects business model that continues to deliver favourable returns to shareholders in a short timeframe.

Central Point, Chengdu
Gross floor area: 96,000 square metres
Usage: Composite
In March, the Group disposed of the serviced apartments in Phase I of this project for RMB488 million. In September, SOCAM and Ping An Property & Casualty Insurance Company of China (Ping An) entered into an agreement whereby SOCAM sold the entire 31-storey Phase II office building to Ping An for a consideration of RMB727 million.

Fengqiao Villas, Beijing
Gross floor area: 71,100 square metres
Usage: Residential
In September, the Group sold this residential development in Shunyi District, Beijing. Completion of the transaction took place in December, at a total consideration of RMB943 million.

Danlong Road Project, Chongqing
Gross floor area: 149,000 square metres
Usage: Residential and retail
The Group completed in May the disposal of a 29,000 square metre plot of residential land in Chongqing at a consideration of RMB180 million.

Nanyang Building, Chongqing
Gross floor area: 32,000 square metres
Usage: Residential and retail
In December, the Group disposed of this property in its as-is condition for about RMB72 million.

Haomen Building, Chongqing
Gross floor area: 13,000 square metres
Usage: Commercial
The Group has agreed to dispose of this building in its existing condition to the local government at a consideration of RMB48 million. The transaction is expected to be completed in the first half of 2011.

Existing Project Overview

Currently, the Group has a diverse property portfolio of nine projects comprising approximately 1.67 million square metres of attributable developable GFA, located in prime areas in Beijing, Chengdu, Chongqing, Guangzhou, Shanghai, and Shenyang. Market prices for premium apartments and office space saw a continual upward trend in 2010 in major cities of China where SOCAM's projects were at various stages of development. Keen interest in both sales and leasing opportunities resulted in a healthy take-up of space that SOCAM brought to the market over the year.

The Group's total attributable developable GFA of special situation projects at 28 February 2011 is summarised below:

City	**Project**	**Type**	**Total Developable GFA (square metres)**	**Estimated Completion**	**Positioning**
Beijing	Centrium Residence	Residential	30,300*	2012	Offers metropolitan lifestyle and the enjoyment of a leisure eco park. Highlights the genuine value of premium living in the CBD.
Chengdu	Orient Home	Composite	467,800	2014	A large scale city-core composite development near a major interchange of the future Chengdu metro. This landmark project includes 11 residential towers offering a stylish modern lifestyle.
Chongqing	Creative Concepts Center	Composite	47,200**	Completed	Offers pure living boutique residences, creative LOFT offices and a trendy shopping mall coupled with a sophisticated business centre.
	Qianxinian Building	Commercial and retail	35,000	2011	A 21-storey office tower with a retail podium.
Guangzhou	Parc Oasis	Residential	112,000	2011	As the only green pure living community occupying a prime spot in the prestigious North Tianhe area, Parc Oasis takes modern metropolitan living to the next level.
Shanghai	Lakeville Regency Tower 18	Residential	16,800	Completed	A luxury residential building managed by Shama, a renowned serviced apartment operator.
	21st Century Tower	Serviced apartments and hotel	41,300*	2012	Located in one of the best locations in Shanghai, the property offers an environment fulfilling desires for grandeur and luxury.
Shenyang	Shenyang Project (Phase I)	Composite	281,200	2012	One of the best contemporary multi-use complexes in Shenyang. Phase I comprises apartments, serviced apartments and grade A offices above a 4-storey podium.
	Shenyang Project (Phase II)	Composite	640,700*	2016	This multi-use complex will become the city-core landmark in Shenyang.
Total GFA:			1,672,300		

* The Group has a 52.5%, 70% and 80% interest in Beijing Centrium Residence, Shanghai 21st Century Tower and Shenyang Project Phase II respectively. The GFA shown is the effective share attributable to the Group

** Yet-to-be sold GFA

Property Development

Beijing

Centrium Residence

The construction works on this premium project in Beijing (formerly known as Beijing Chaoyang Project) progress according to plan. SOCAM's experience in high-end property development will shape this project into one which will have an eye-catching architectural design, high quality finishing throughout and customised services. A total of 210 high-end apartments will be available on completion. Preparation for pre-sale activities planned for 2011 is underway.

Chengdu

Orient Home

Excavation work began in 2010. The construction of this project is divided into three phases, with completion due in 2013-14. Orient Home is positioned as a high quality mixed development with 11 residential towers, a 28-storey office tower, a 28-storey serviced apartment tower, a 6-storey shopping mall and 3 basement floors. The completed development will also offer car parking spaces, a clubhouse and a kindergarten. The green ratio of the development is approximately 35%, significantly higher than similar projects. The adjoining Riverside Green Belt will be upgraded to create a harmonised surrounding environment.

Chongqing

Creative Concepts Center

The development has a prime location close to Jiefangbei Square and continues to attract strong market response. The total GFA sold since the pre-sale in September 2009 comprised residential GFA of 29,100 square metres and office GFA of 8,000 square metres. Average monthly rental of the retail space compares favourably with market rates in the area.

Qianxinian Building

The building is located in the busy Guanyinqiao shopping area. The Group is looking at an en-bloc disposal for this building.

Guangzhou

Parc Oasis

Sales activity for this upmarket residential project began in earnest in early 2011. Parc Oasis comprises three residential towers each of 35 storeys and one serviced apartment tower of 31 storeys. On completion, it will offer unique comfort and convenience in the attractive North Tianhe district of Guangzhou. Facilities will include a clubhouse and feature eco-friendly design, targeting the affluent buyers in this key provincial city in Southern China.

Shanghai

Lakeville Regency Tower 18

This prestigious addition to the Group's luxury residential portfolio was acquired in early 2010. The completed development, in the upmarket Luwan district of Shanghai, comprises 103 top-tier serviced apartments. The Tower attained an average occupancy rate of over 85% during the year, generating stable and recurrent rental income.

21st Century Tower

As aforementioned, SOCAM plans to cooperate with the globally acclaimed Four Seasons Hotels and Resorts Group to provide world-class luxurious branded residence and hotel accommodation, offering residents a very high level of comfort in the heart of China's business and financial capital. The project is expected to be completed in 2012.

Shenyang

Shenyang Project Phase I

Comprising two residential buildings, a serviced apartment tower, an office tower and a 4-level podium, this project achieved encouraging sales since the launch of its residential units in the third quarter of 2009. The units of this first batch of 32,400 square metres GFA have been completely pre-sold. Leasing of the retail space is progressing well with a number of prospective tenants signing letters of intent, making up 65% of the total leasable area.

Shenyang Project Phase II

The development is planned to include upscale residential premises, serviced apartments, modern office space and a shopping mall. Relocation and clearance of most land parcels by Shenyang local authorities are nearing completion. Construction of this attractive composite development should commence in mid 2011.

Knowledge Communities

As China's economy continues to expand, the GDP contribution of the tertiary sector is likely to follow the trend in developed western countries and grow substantially in the next decade and beyond. Current estimates suggest that service industries in China make up just 43% of the total GDP, compared to over 70% in more advanced economies. Sectors such as education, research and healthcare, insurance and banking, information and communications technology are likely to expand rapidly.

The Group sees significant new market opportunities across China in the development of world-class knowledge communities — hubs for the propagation of ideas, software development, research and learning. High-tech offices, apartments and villas, educational centres, lifestyle malls, outdoor recreation facilities and parkland will be combined in pioneering eco-friendly environments. SOCAM's drive to develop further knowledge community projects is built on vision, experience, and strategic partnerships.

Dalian Tiandi

The city of Dalian, on China's Northeast coast, has a proven track record in developing information technology outsourcing (ITO) and business process outsourcing (BPO) industries. With continual support from the Central Government, it is steadily migrating towards a high value-added IT industry development model. Dalian recorded annual GDP growth of 15.2% in 2010 and is leading in terms of property investment and living standards in Liaoning Province. The city has realised a 67% growth of foreign direct investment and an all-round uplift in infrastructure and public spending, raising its status to an international standard.

Launched in 2007, Dalian Tiandi is a visionary knowledge community jointly developed by Shui On Land, SOCAM and the Yida Group. The Dalian Tiandi concept provides a green, highly modern and trendsetting way of living designed to attract intellectuals from across the IT industry. Situated at the midpoint of South Lvshun Road Software Industry Belt, Dalian Tiandi extends across a 12.5 kilometre range. It offers a total GFA of 3.3 million square metres, and is set to become a new urban focal point.

The Group has a 22% interest in the project and has been playing the role of managing partner, responsible for project management, quality assurance and sales and marketing. Phased completion as well as sales and leasing are progressing rapidly on this landmark development, on schedule for final completion in 2020, by which time the community's population is estimated to reach 300,000.

Good construction progress continues to be made according to the master development plan with GFA under construction in 2010 at approximately 960,000 square metres, comprising areas for residential, at 392,000 square metres, commercial, 450,000 square metres, and for a training school, 117,350 square metres. Many of the offices in completed commercial buildings are now occupied, as tenants begin to enjoy the attractive working environment which Dalian Tiandi provides.

Sales/leasing

In 2010, sales of residential villas and mid/high-rise apartments amounted to GFA of 18,000 square metres and 3,000 square metres respectively. In 2011, total GFA available for sale is approximately 136,000 square metres, representing a substantial increase over the figures of the previous year, which is indicative of the accelerating progress of the project's phased completion. Occupancy rates on the GFA 42,000 square metres of software offices completed by the end of December 2010 were approximately 65%.

In June 2010, 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 campus as a whole. In Hekou Bay, EtonHouse, an international education group, is planning to establish education facilities and office premises with a GFA of about 12,500 square metres. Between May and December 2010, eleven companies signed tenancy agreements taking office space totalling over 26,900 square metres of GFA. Additionally, leading educational services provider Ambow has committed to a tailor-made campus of 114,000 square metres.

Strategic Partnerships

In January 2011, Tsinghua Science Park (Tsinghua SP) signed an agreement to form a joint venture with SOCAM for developing integrated knowledge communities in Nanjing. The Group will invest about RMB1.8 billion in this new strategic alliance which will be 75% owned by SOCAM and 25% owned by Tsinghua SP. Now present in over 30 cities and regions across China, the Tsinghua Science Park brand is known for the world's largest university science parks, housing the largest number of Forbes 500 companies, dozens of world-class research and development organisations and over a thousand enterprises.

SOCAM's strategic partnership with Tsinghua SP is expected to create optimum synergistic advantages, combining SOCAM's strengths in property and business development, project management, marketing and sales with Tsinghua SP's tremendous success in developing, managing and operating science parks. The joint venture aims to provide new standards of excellence for quality knowledge communities in China for the burgeoning IT industries. Integrated hubs with education, technology, cultural and research facilities to attract, nurture and retain professionals and talents in the technology industry have already met with strong market interest.

In February 2011, Mitsui Fudosan Residential Company (Mitsui), a real estate developer in Japan, entered into a strategic partnership for a joint development project in Dalian Tiandi. Mitsui will have a 30% interest in the partnership and participate in the development of six parcels of land in Hekou Bay and Huang Ni Chuan. Total GFA of the residential and retail properties on these sites will be approximately 158,600 square metres and 47,200 square metres respectively. The properties are expected to be completed by 2014. The Mitsui alliance further reflects the encouraging interest international investors are showing in the Dalian Tiandi project.

Investment in Shui On Land (SOL)

In June, 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 disposal allows SOCAM to realise some of the profits locked up in its investment in SOL, and to expand its property business at a more rapid rate to produce attractive returns for shareholders.

CEMENT

Market Review

On the back of strong domestic economic growth, cement production in China stays on a trend of annual double-digit expansion, with a 15.5% increase in 2010 over the previous year to 1.87 billion tonnes. China's cement sector now accounts for nearly 50% of global cement output.

Demand for cement continues to be driven by massive infrastructure works including high-speed railways, highways and power plants, coupled with increasing urbanisation and rural modernisation. Fixed assets investment in 2010 increased by a remarkable 23.8% from the previous year. In October 2010, the Central Government promulgated a programme of subsidising the purchasing of building materials in rural areas, which will stimulate demand for cement in the mid- to long-term. The demand for cement will be further augmented by a new wave of government housing projects beginning in 2011, which is expected to provide about 10 million new low-income homes each year.

In 2010, China also saw record expansion of cement production capacities. Over 150 new dry kilns were commissioned, adding about 190 million tonnes capacity across the country, of which some 29% came from the southwestern region as, back in 2007-08, the then high pricing and upcoming massive post-quake reconstruction works, additional to the already robust infrastructure development, attracted considerable but imprudent investments in the building of cement plants in Sichuan and nearby areas. An oversupply situation became all too evident in 2010.

However, concerns over nationwide over-capacity are alleviated by the Central Government's policies to accelerate the phasing out of backward, energy-inefficient and polluting capacities and curb excessive investment in the cement industry, while promoting market consolidation to concentrate output around major producers that have advanced technology, large-scale operations and the commitment to safety and sustainable development. The 2010 target to eliminate about 92 million tonnes of inferior capacity has been successfully achieved. In tandem, local governments have also tightened up approval for the building of new cement plants. The market estimates that less than 40 new kilns commenced construction in 2010, the fewest in recent years; hence no significant impact on the market supply is expected when they come onto the market in the next two years.

Lafarge Shui On Cement (LSOC)

Operating Performance

LSOC, in which the Group holds a 45% interest, is the market leader in Southwest China with a major presence in Sichuan, Chongqing and Yunnan. LSOC had a total annual production capacity of approximately 30 million tonnes at the end of 2010, as compared with approximately 24 million tonnes a year ago. However, the fierce competition arising from the temporary imbalance in supply and demand due to massive building of excessive capacities as aforementioned resulted in a year of poor performance of LSOC.

In 2010, LSOC's total sales volume was 23.1 million tonnes. Despite intensified competition, good market demand, coupled with the high utilisation and operational reliability of LSOC's plants, resulted in relatively stable production and sales volumes. Total sales volume however dropped slightly by 2% from the previous year largely due to the closure of two old production lines in Sichuan during the year while the three new dry kilns contributing very limited volume during initial production towards the year-end.

LSOC saw tremendous price pressure in its operations in Sichuan, Chongqing and to a lesser extent, Guizhou, for much of the year, primarily due to severe competition as massive new capacities came onto the market with reduced pricing to seize market share. On the other hand, the operation in Yunnan benefited from strong infrastructure development and recorded a marked increase in cement prices which partly alleviated the poor performance in Sichuan and Chongqing. Cement prices in all the operating areas of LSOC staged a reasonable recovery in the fourth quarter of the year when infrastructure and building works entered the traditional peak season. Overall, the average selling price for the year decreased by about 4%, as compared with the year before.

The increase in the prices of coal and power since early 2010 added further pressure on gross profit margin, despite the implementation of various cost saving initiatives by LSOC to lower energy consumption and contain the rise in other production costs. The cash cost of production increased by about 9% over the previous year.

A combination of adverse factors in sales volume, prices and energy costs contributed to the disappointing result of LSOC for 2010.

The construction of the third line in Dujiangyan, Sichuan and the new dry kilns in Yongchuan, Chongqing and Sancha, Guizhou experienced a few months' delay, with commissioning taking place in the fourth quarter of the year. This additional capacity of about seven million tonnes per annum further strengthens LSOC's leadership position in Southwest China. On the other hand, LSOC closed down the backward production lines in Guangan and Jiangyou, both in Sichuan, with a total annual production capacity of 1.4 million tonnes as these plants lacked cost competitiveness in the markets they served.

Assets Injection

The injection by LSOC of its 50% interest in the Dujiangyan plants into Sichuan Shuangma Cement (Shuangma) at a valuation of RMB2.3 billion for new shares issued by Shuangma received the approval of Shuangma's independent shareholders in January and of the National Development and Reform Commission in April 2010. Final approval from the China Securities Regulatory Commission was obtained in January 2011. LSOC now holds beneficial interests of about 78% and 64% in Shuangma and Dujiangyan plants respectively. This welcoming development cleared a big hurdle in LSOC's expansion plans as Shuangma, a listed company on the Shenzhen Stock Exchange, should be able to accommodate further injection of assets for expansion purposes, which is currently under contemplation.

Divestment

In December, LSOC completed the disposal of its minor cement operation in Beijing, which has an annual production capacity of one million tonnes. This divestment is in line with LSOC's strategy to strengthen its operations and leadership position in the Southwest China.

Sustainability

This year, LSOC reached the half way mark of its five-year plan called "Sustainability Ambitions 2012", which covers energy saving, safety, emission reduction and quarry rehabilitation. LSOC continued to implement various initiatives to reduce the possible impacts on the environment during the industrial process, while enhancing operational efficiency.

LSOC continued with the progressive installation of waste heat recovery systems (WHR) in its plants, which lowers coal consumption and reduces carbon emissions, while generating electricity with the exhaust heat from the clinker production process. The new dry kiln in Sancha, Guizhou is equipped with the largest WHR system in the province with annual power generation capacity of nine million megawatts. In December 2010, LSOC entered into an agreement with China Energy Conservation and Environmental Protection Group to develop low-temperature WHR systems for seven LSOC's production plants, each with over 2,000 tonne-per-day (tpd) capacity, in Yunnan and Guizhou. When these systems are put into operation in the fourth quarter of 2011, the seven plants will each consume about 30% less power and, in aggregate, generate 220 million kilowatt-hour of electricity each year, which equals to a saving of 71,000 tonnes of coal and a reduction of 176,000 tonnes of CO_2 emission.

During the year, the Nanshan plant of LSOC in Chongqing started rehabilitation works on a 3.6-acre quarry site. This first quarry rehabilitation project in Chongqing has received high acclaim from the municipal government.

Guizhou Cement

In line with the Central Government's policy of phasing out old-fashioned, energy-inefficient capacities, all the wet production facilities of the Group ceased production during the year. Notwithstanding this, the total sales volume of the plants for the year exceeded two million tonnes, a 21% increase over the previous year. The increase in sales volume arose from sustained market demand for cement from building and infrastructure works, coupled with the contribution of the new dry kiln of 2,500 tpd 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.

As LSOC is 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 in Guizhou. Approvals from relevant local authorities are being sought for the re-development of the plant site in Zunyi into a property project. Negotiations for the sale of other plants are in progress.

Nanjing Grinding Plant

The grinding plant in Nanjing continued to supply both local customers and markets in Australia. It benefited from higher sales volume and increased selling prices in its markets, despite increased purchased clinker cost, and achieved an improved operating performance.

CONSTRUCTION

The Hong Kong economy in 2010 staged a full recovery at a faster pace than expected. GDP grew robustly by 6.8% in real terms, following a 2.7% contraction in 2009. Building and construction activities in Hong Kong expanded 6.7% over the year. With the ten major infrastructure projects being rolled out in phases as scheduled and other projects entering their construction peaks, the HKSAR Government estimates that capital works expenditure will exceed HK$60 billion for each of the next few years. In addition, production of new public rental housing flats is forecast to be about 75,000 flats for the 5-year period from 2011. The HKSAR Government has also committed to increasing the supply of land for private housing development. We expect these will provide continuing impetus to the construction activities in Hong Kong.

Our construction business performed well during the year, despite increasing building material and labour costs and growing pressure on margins amid keen market competition. The division's total turnover for the year was HK$4,812 million (2009: HK$3,065 million), while new contracts totalling HK$4,457 million were won (2009: HK$4,767 million). With a 57% increase in turnover, profits generated by the division amounted to HK$84 million, an increase of 22% from the previous year.

During the year, the division continued to enhance operational efficiency, strengthen its partnership with subcontractors and implement tighter control over project costs and corporate overheads to maintain the profitability of existing contracts to cope with the rising costs. We have adopted a prudent approach in tendering for public housing projects in Hong Kong as market competition remains fierce with some players pricing their tenders below our costs. The fitting-out sector benefited from the improvement in the business environment generally in Hong Kong and Macau and saw considerable increase in workload on the strength of its excellent track record.

At 31 December 2010, the gross value of contracts on hand was approximately HK$12.3 billion and the value of outstanding contracts to be completed was approximately HK$6.7 billion, compared with HK$10.6 billion and HK$6.7 billion respectively at 31 December 2009.

Looking ahead, we expect an increase in tender opportunities for design-and-build and construction-only projects from the Hong Kong Architectural Services Department (ASD), the Hong Kong Housing Authority (HKHA) as well as the Hong Kong Housing Society under the 'My Home Purchase Plan' housing initiative of the HKSAR Government. Our track records of timely completion, safety and environmental awareness will play an increasingly important role in the award of government contracts.

Shui On Building Contractors (SOBC)

SOBC was awarded by the HKHA a contract for the construction of a public housing development in Tuen Mun, with a value of HK$470 million.

During the year, SOBC continued to maintain a significant market share in the maintenance works of the government and institutional sectors. It secured a 4-year contract from CLP Power Hong Kong Limited for refurbishment works at selected substations in Kowloon and the New Territories, valued at HK$120 million and a 3-year maintenance and refurbishment contract for a housing estate in Yuen Long from the HKHA, valued at approximately HK$185 million.

Major projects completed by SOBC included Eastern Harbour Crossing Site Phase 4, a district term maintenance contract for the ASD and one district term maintenance contract for the HKHA.

Shui On Construction (SOC)

SOC was awarded a HK$1 billion project from the 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 HK$258 million. In addition, it also secured a contract for the construction of the Innovation Tower from Hong Kong Polytechnic University, with a value of HK$635 million.

SOC completed the HK$1.1 billion design-and-build project – the new headquarters building of the Hong Kong Customs and Excise Department on schedule, and hand-over of the building took place in the third quarter of the year.

SOBC and SOC place over-riding importance on the need for site safety, environmental awareness, energy-saving construction, waste management and recycling. The overall accident rate of 5.72/1000 in 2010 at their sites is one of the lowest in the industry. Throughout 2010, they continued to receive awards for outstanding performance in safety and environmental management from the industry and the HKSAR Government, including the Gold Award in Considerate Contractors Site Award Scheme 2009, Silver Award in 2009 Hong Kong Awards for Environmental Excellence – Sectoral Awards (Construction Industry).

Shui On Construction, Mainland (SOCM)

This 70%-owned construction arm of the Group in the Chinese Mainland recorded significant increase in turnover for the year. It provided construction services for the Chongqing Tiandi, Foshan Lingnan Tiandi, Wuhan Tiandi, Shanghai Rui Hong Xin Cheng, Shanghai Knowledge Innovation Community projects of SOL, and Dalian Tiandi, Shenyang Project Phase I, Chongqing Creative Concepts Center, Chengdu Central Point Phase II and Guangzhou Parc Oasis projects.

SOCM secured new contracts worth RMB448 million, including construction works for zones A11, A12 and B, commercial district in Wuhan Tiandi and interior decoration for a shopping mall and clubhouse in Dalian Tiandi.

Pat Davie (PDL)

Our interior fit-out and refurbishment arm PDL saw significant expansion of business volume and achieved increased profitability. Relocation of investment banks' offices, refurbishment of retail premises and conversion of disused commercial and industrial buildings into serviced apartments were the major sources of activities in Hong Kong during the year. Macau also showed encouraging signs of recovery with construction works on casino and hotel fit-outs progressing at full steam after the global financial turmoil.

PDL completed a number of projects, including fit-out and refurbishment works for The Link, Airport Authority, MTR Corporation and major investment banks and corporations in Hong Kong, and MGM, City of Dreams, Wynn and a golf club in Macau.

PDL secured new contracts of approximately HK$939 million, of which 81% and 19% by value were in Hong Kong and Macau respectively. Major contracts include the fit-out of office buildings, hotels and an air cargo terminal at the Hong Kong International Airport, and refurbishment of a shopping mall for MTR Corporation and a wet market for The Link in Hong Kong, as well as interior fit-out works on a number of major casino hotels and a golf clubhouse in Macau. After the year-end, PDL was awarded fit-out and renovation contracts in Hong Kong and Macau with a total value of approximately HK$103 million.

FINANCIAL REVIEW

FINANCIAL RESULTS

The Group's profit attributable to shareholders for the year ended 31 December 2010 was HK$903 million on a turnover of HK$8,044 million, compared with a profit of HK$807 million on a turnover of HK$3,200 million for the previous 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. The HK$8,044 million turnover for the year has not included the Group's share of the turnover of these jointly controlled entities, but has included the turnover of the property business as CCP was a wholly owned subsidiary of the Group throughout 2010. An analysis of the total turnover is shown below:

	Year ended 31 December 2010 HK$ million	Year ended 31 December 2009 HK$ million
Turnover		
SOCAM and subsidiaries		
Construction and building maintenance	**4,812**	3,065
Property	**3,225**	127
Others	**7**	8
Total	**8,044**	3,200
Jointly controlled entities and associates		
Cement operations	**2,982**	3,191
Property and others	**4**	6
Total	**2,986**	3,197
Total	**11,030**	6,397

Following the disposal of the serviced apartment of Chengdu Central Point Phase I and the residential site on Danlong Road in Chongqing during the interim period of the year, the Group completed the sales of the composite development of Chengdu Central Point Phase II, the Fengqiao Villas in Beijing and the Nanyang Building in Chongqing in the second half of 2010. Together with the progressive handover of the residential and office units of Chongqing Creative Concepts Center since August 2010, the property business recorded a significant increase in revenue. The turnover from construction and building maintenance works also increased substantially during the year on the strength of a considerably expanded workload in Hong Kong and the Mainland, while the reduction in cement sales was largely attributable to the decrease in selling prices and volumes.

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

	Year ended 31 December 2010 HK$ million	Year ended 31 December 2009 HK$ million
Property		
Project fee income	**52**	108
Profit from property sales and net rental income	**501**	-
Fair value gain on investment properties, net of deferred tax provision	**363**	73
Dalian Tiandi – overheads and interest	**(13)**	(10)
Share of profit of CCP prior to privatisation	**-**	96
Discount on acquisition of interest in CCP	**-**	648
Operating expenses	**(133)**	(175)
	770	740
Investment in SOL		
Dividend income	**60**	8
Net gain on disposal of shares	**373**	-
Gain on scrip option	**4**	-
	437	8
Cement operations		
LSOC	**104**	309
Guizhou cement	**(9)**	28
Impairment and disposal losses	**(99)**	(52)
	(4)	285
Construction	**84**	69
Venture capital investments	**29**	10
Convertible bonds	**-**	(27)
Net finance costs	**(216)**	(186)
Corporate overheads and others	**(110)**	(83)
Taxation	**(72)**	(4)
Non-controlling interests	**(15)**	(5)
Total	**903**	807

Property

Project fee income decreased substantially to HK$52 million as all fee income earned by the Group from the CCP projects subsequent to its becoming a wholly-owned subsidiary of the Group in June 2009 has been eliminated on consolidation.

The profit from property sales in 2010 was attributed to the en-bloc disposals of four property projects, including the composite development of Chengdu Central Point, the residential site on Danlong Road in Chongqing, Fengqiao Villas in Beijing and Nanyang Building in Chongqing, as well as the recognition of sales of the residential and office units of Chongqing Creative Concepts Center following the gradual handover of the units since August 2010. Rental income was derived from the Group's investment property, Lakeville Regency Tower 18 in Shanghai.

The substantial increase in net fair value gain on investment properties in 2010 was mainly the result of the year-end valuation of Lakeville Regency Tower 18 in Shanghai, which was acquired by the Group at a discount to market price in early 2010. In the previous year, the HK$73 million net revaluation gain arose from the commercial portion of the properties currently under development, which will be held as investment properties after completion.

Operating expenses of the property business decreased to HK$133 million in 2010, mainly due to capitalisation of qualifying expenses as part of the development costs of the Group's property projects, post privatisation of CCP. Prior to the privatisation, such expenses were largely recovered through project fee income.

In 2009, 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, as 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

In June, the Group disposed of approximately 6.3% of its then holding of 8.7% of the issued share capital of SOL for HK$1,080 million and recognised a net gain on disposal of HK$373 million.

During the year, SOL declared a final dividend of HK$0.12 per share for 2009 and an interim dividend of HK$0.06 per share for 2010, both with scrip options. SOCAM elected to receive a total of 18.6 million scrip shares, in lieu of the cash dividends. At the year-end, the Group's remaining interest in SOL was approximately 2.6%.

In accordance with applicable accounting standards and as a result of the decline in SOL's share price during the year, a HK$475 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 SOL shares 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$98 million net decrease in fair value on the remaining interest in SOL held by the Group at 31 December 2010, when such interest was marked to market on that date.

Cement operations

The Group's 45% share of LSOC's profit decreased to HK$104 million in 2010. The main reason for this significant drop was due to the fall in margins driven by lower selling prices on stiff competition and higher coal and power prices in LSOC's main areas of operation in Sichuan and Chongqing.

During the year, all the wet kilns retained by the Group in Guizhou ceased production. Despite higher production volumes from the dry kilns, a small loss was suffered in Guizhou largely because of stiff competition and increase in energy prices.

In 2010, the Group incurred HK$40 million impairment losses on closure of two wet kilns in Guizhou as required under government regulations. It also shared HK$59 million of impairment loss provision made by LSOC largely on the closure of a semi-dry kiln and a wet kiln in Sichuan. In the previous year, the Group incurred HK$8 million losses on the disposal of a cement plant and a grinding station in Guizhou and shared from LSOC HK$44 million impairment loss provision made on the initial construction costs of two suspended new dry lines in Sichuan and Guizhou.

Construction

Construction business reported higher profit on an increased turnover for 2010. However, average net profit margin decreased to 1.7% of turnover, from the 2.2% for the previous year, due mainly to: (a) keen competition in 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 higher margins.

Venture capital

The venture capital funds in which the Group invests posted valuation gains on the fund's interests in a number of investee companies, including a manufacturer of biodegradable materials, a microelectronics company focusing on multi-media and communication semiconductor markets and a producer of sunlight readable LCD monitors for outdoor applications. These gains were however, partly offset by the decrease in valuation of the fund's investment in a wireless broadband access provider in China that achieved below-budgeted profit for 2010. The Group's share of net valuation gain amounted to HK$29 million.

Net finance costs

Net finance costs increased to HK$216 million for the year, from HK$186 million for the previous year, mainly because of (a) the increase in bank borrowings to finance the acquisition of Shanghai Lakeville Regency Tower 18 in early 2010 and the investment in Shanghai 21st Century Tower; and (b) the cessation of capitalisation of interest on construction loan for Chongqing Creative Concepts Center since completion of this development in August, despite the decrease in interest rates charged by certain banks on the Group's loan facilities.

Taxation

Taxation increased to HK$72 million in 2010, which was mainly provided on profits from the properties sold.

ASSETS BASE

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

	31 December 2010 HK$ million	31 December 2009 HK$ million
Total assets	**21,048**	18,641
Net assets	**9,204**	9,003
	HK$	HK$
Net assets per share	**18.8**	18.5

The total assets of the Group increased from HK$18.6 billion at 31 December 2009 to HK$21.0 billion at 31 December 2010, which is explained in the segmental analysis below.

Both the net assets of the Group and net assets per share increased progressively, due mainly to the HK$903 million profit for the year, which was partly set-off by the HK$475 million decrease in market value of the Group's shareholding in SOL as aforementioned.

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

	31 December 2010 HK$ million	**%**	31 December 2009 HK$ million	%
Property	**12,519**	**60**	9,735	52
Cement	**5,366**	**25**	5,036	27
Construction	**1,279**	**6**	1,059	6
Investment in SOL shares	**514**	**2**	2,004	11
Others	**1,370**	**7**	807	4
Total	**21,048**	**100**	18,641	100

The value of property assets increased markedly and accounted for 60% of the Group's total assets at 31 December 2010, up from 52% at 31 December 2009, due largely to a combination of the net increase in values resulting from acquisitions and disposals of property projects and additional construction costs on existing property projects as well as the fair value gain on investment properties. The cement and construction operations saw slight increases in asset values and stable percentages expressed in terms of total assets. The value of the Group's investment in SOL shares dropped substantially due to the partial disposal in June 2010 and decline in the share price of SOL. Included in other business segment assets were HK$900 million cash and bank deposits held by the corporate head office at 31 December 2010, which were substantially higher than those at 31 December 2009.

EQUITY, FINANCING AND GEARING

The shareholders' equity of the Company increased slightly to HK$9,204 million on 31 December 2010 from HK$9,003 million on 31 December 2009. This was mainly the net result of (a) the HK$903 million profit for the year as reduced by the release of HK$374 million gain previously recognised in the Investment Revaluation Reserve upon the disposal of SOL shares in June 2010; and (b) the HK$475 million decrease in the Investment Revaluation Reserve following the drop in market value of the Group's shareholding in SOL as mentioned above.

Net bank borrowings of the Group amounted to HK$4,722 million on 31 December 2010 and comprised bank borrowings, net of bank balances, deposits and cash. This compared with HK$4,796 million on 31 December 2009. During the year, the Group drew on its credit facilities to finance the acquisition and construction of property development projects. On the other hand, cash generated, amounting to approximately HK$1.1 billion, from the disposal of the Group's 6.3% holding of the issued share capital of SOL has been used to reduce borrowings and gearing. Additionally, the sales of a number of properties of the Group in 2010 helped increase the cash level at 31 December 2010.

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

	31 December 2010 **HK$ million**	31 December 2009 HK$ million
Bank borrowings repayable:		
Within one year	**2,864**	4,980
After one year but within two years	**3,770**	940
After two years but within five years	**1,565**	720
Total bank borrowings	**8,199**	6,640
Bank balances, deposits and cash	**(3,477)**	(1,844)
Net bank borrowings	**4,722**	4,796

During 2010, the Group has improved considerably the maturity profile of its bank borrowings, resulting in significant reduction in short-term loans, which was part of its strategy to better utilise longer term financing to match its assets portfolio.

The net gearing ratio of the Group, calculated as net bank borrowings over shareholders' equity, was decreased to 51% at 31 December 2010, from 53% at 31 December 2009, mainly as a result of the increase in bank balances, deposits and cash as well as the increase in shareholders' equity as explained above.

Subsequent to the year-end, the Group has renewed a total of HK$506 million bank loans 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 31 December 2010, the number of employees in the Group was approximately 1,180 (31 December 2009: 1,160) in Hong Kong and Macau, and 11,630 (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

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

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 audited consolidated financial statements for the year ended 31 December 2010, including the accounting principles and practices adopted by the Group. It 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 year ended 31 December 2010, 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 Independent Non-executive Directors upon his or her appointment. Arrangement for the execution of a similar service contract has also been made with the remaining Independent 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 was formally adopted and the Board approved the relevant amendment to the terms of reference of the Remuneration Committee in this respect in 2009. The Non-executive Directors have abstained from voting in respect of the determination of their own remuneration at the relevant Board meetings.

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 year.

By Order of the Board
Lo Hong Sui, Vincent
Chairman

Hong Kong, 30 March 2011

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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