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 2011

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2011	2010
Turnover	**HK$2,717 million**	HK$2,989 million
Profit attributable to shareholders	**HK$460 million**	HK$517 million
Basic earnings per share	**HK$0.94**	HK$1.06
Interim dividend per share	**HK$0.25**	HK$0.20

	At 30 June 2011	At 31 December 2010
Total assets	**HK$20.8 billion**	HK$21.0 billion
Net assets	**HK$9.7 billion**	HK$9.2 billion
Net asset value per share	**HK$19.78**	HK$18.82

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 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June **2011** **HK$ million** **(unaudited)**	 2010 HK$ million (unaudited)
Turnover			
The Company and its subsidiaries		**2,717**	2,989
Share of jointly controlled entities/associates		**1,731**	1,470
		4,448	4,459
Group turnover	2	**2,717**	2,989
Other income		**129**	88
Changes in inventories of finished goods, work in progress, contract work in progress and cost of properties sold		**(565)**	(745)
Raw materials and consumables used		**(303)**	(294)
Staff costs		**(297)**	(278)
Depreciation and amortisation expenses		**(11)**	(10)
Subcontracting, external labour costs and other expenses		**(1,504)**	(1,701)
Fair value changes on investment properties		**8**	195
Dividend income from available-for-sale investments		**7**	52
Interest on bank loans and overdrafts and other borrowing costs		**(116)**	(136)
Gain on disposal of available-for-sale investments		**–**	373
Gain on disposal of a subsidiary	3	**337**	–
Share of results of jointly controlled entities		**34**	29
Share of results of associates		**43**	15
Profit before taxation		**479**	577
Taxation	4	**(11)**	(53)
Profit for the period		**468**	524
Attributable to:			
Owners of the Company		**460**	517
Non-controlling interests		**8**	7
		468	524
Earnings per share	6		
Basic		**HK$0.94**	HK$1.06
Diluted		**HK$0.94**	HK$1.06

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2011	2010
	HK$ million	HK$ million
	(unaudited)	(unaudited)
Profit for the period	**468**	524
Other comprehensive income (expense)		
Loss on fair value changes of available-for-sale investments	**(45)**	(521)
Reclassification adjustments for amounts transferred to profit or loss:		
– upon disposal of available-for-sale investments	**–**	(374)
– upon disposal of a subsidiary	**(2)**	–
– upon disposal of property inventories, net of deferred tax of HK$2 million (2010: HK$2 million)	**(10)**	(30)
Exchange differences arising on translation of foreign operations	**257**	106
Share of other comprehensive income of jointly controlled entities	**–**	8
Other comprehensive income (expense) for the period	**200**	(811)
Total comprehensive income (expense) for the period	**668**	(287)
Total comprehensive income (expense) attributable to:		
Owners of the Company	**660**	(294)
Non-controlling interests	**8**	7
	668	(287)

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**30 June 2011** **HK$ million** **(unaudited)**	31 December 2010 HK$ million (audited)
Non-current Assets			
Investment properties		**2,206**	2,310
Property, plant and equipment		**76**	89
Prepaid lease payments		**44**	43
Interests in jointly controlled entities		**4,793**	4,432
Available-for-sale investments		**469**	514
Interests in associates		**475**	425
Club memberships		**1**	1
Amounts due from jointly controlled entities		**2,312**	1,624
Amounts due from associates		**693**	683
Defined benefit assets		**22**	22
Restricted bank deposits		**–**	275
		11,091	10,418
Current Assets			
Inventories		**7**	7
Prepaid lease payments		**1**	1
Properties held for sale		**608**	718
Properties under development for sale		**2,272**	3,267
Debtors, deposits and prepayments	7	**1,314**	1,730
Amounts due from customers for contract work		**346**	346
Amounts due from jointly controlled entities		**446**	459
Amounts due from associates		**179**	68
Amounts due from related companies		**152**	49
Taxation recoverable		**4**	4
Pledged bank deposit		**–**	359
Restricted bank deposits		**707**	260
Bank balances, deposits and cash		**2,885**	2,583
		8,921	9,851
Assets classified as held for sale		**832**	779
		9,753	10,630
Current Liabilities			
Creditors and accrued charges	8	**1,477**	2,028
Sales deposits received		**593**	406
Amounts due to customers for contract work		**167**	154
Amounts due to jointly controlled entities		**68**	15
Amounts due to non-controlling shareholders of subsidiaries		**3**	3
Taxation payable		**115**	180
Bank borrowings due within one year		**5,471**	2,864
		7,894	5,650
Liabilities associated with assets classified as held for sale		**345**	403
		8,239	6,053
Net Current Assets		**1,514**	4,577
Total Assets Less Current Liabilities		**12,605**	14,995
Capital and Reserves			
Share capital		**489**	489
Reserves		**9,194**	8,715
Equity attributable to owners of the Company		**9,683**	9,204
Non-controlling interests		**54**	56
		9,737	9,260
Non-current Liabilities			
Bank borrowings		**2,515**	5,335
Deferred tax liabilities		**353**	400
		2,868	5,735
		12,605	14,995

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 2010. Jointly controlled entities and associates of the Group adopt uniform accounting policies for like transactions and events in similar circumstances as those of the Group. In the current interim period, the Group has applied, for the first time, a number of new or revised standards and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial period beginning on 1 January 2011. The application of these new or revised HKFRSs has had no material effect on the amounts reported and disclosures set out in the condensed consolidated financial statements of the Group for the current or prior accounting periods.

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

HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
HKAS 19 (Revised 2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2012
4 Effective for annual periods beginning on or after 1 July 2012

The five new or revised standards on consolidation, joint arrangements and disclosures, namely HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 and HKAS 28 were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Early application is permitted provided that all of these five new or revised standards are applied early at the same time. The Directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for the financial year ending 31 December 2013.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

1. Basis of Preparation (continued)

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in HKFRS 11 is based on parties' rights and obligations under the arrangements. In contrast, under HKAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting. The application of HKFRS 11 might result in changes in the classification of the Group's joint arrangements and their accounting treatments.

Under the amendments to HKAS 12 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.

Also, HKFRS 13 Fair Value Measurement will affect the disclosures in relation to the Group's assets and liabilities measured at fair value or amortised cost.

The Directors of the Company are in the process of assessing the potential impact of the above mentioned new or revised standards and amendments; and anticipate that the application of 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 – property, construction and building maintenance, cement operations 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 reportable and operating segment is as follows:

For the six months ended 30 June 2011

	Property HK$ million	Construction and building maintenance HK$ million	Cement operations: Through LSOC# HK$ million	Cement operations: Other cement operations HK$ million	Others HK$ million	Total HK$ million
Revenue						
Sales of goods	**670**	**–**	**–**	**–**	**–**	**670**
Rental income	**21**	**–**	**–**	**–**	**–**	**21**
Revenue from rendering of services	**40**	**–**	**–**	**–**	**1**	**41**
Construction contract revenue	**–**	**1,985**	**–**	**–**	**–**	**1,985**
Revenue from external customers	**731**	**1,985**	**–**	**–**	**1**	**2,717**
Inter-segment revenue	**–**	**48**	**–**	**–**	**–**	**48**
	731	**2,033**	**–**	**–**	**1**	**2,765**
Share of jointly controlled entities/associates' revenue	**79**	**2**	**1,561**	**89**	**–**	**1,731**
Total segment revenue	**810**	**2,035**	**1,561**	**89**	**1**	**4,496**

Inter-segment revenue is charged at mutually agreed prices.

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

	Property	Construction and building maintenance	Through LSOC	Other cement operations	Others	Total
Reportable segment results	**521**	**54**	**7**	**53**	**15**	**650**
Unallocated items:						
Other income						**2**
Interest on bank loans and overdrafts and other borrowing costs						**(116)**
Other corporate expenses						**(57)**
Profit before taxation						**479**
Segment results have been arrived at after crediting (charging):						
Cost of properties sold	**(552)**	**–**	**–**	**–**	**–**	**(552)**
Depreciation and amortisation	**(8)**	**(2)**	**–**	**–**	**(1)**	**(11)**
Interest income	**31**	**1**	**–**	**1**	**–**	**33**
Imputed interest income on loans to jointly controlled entities/associates	**37**	**–**	**–**	**–**	**–**	**37**
Fair value changes on investment properties	**8**	**–**	**–**	**–**	**–**	**8**
Dividend income from available-for-sale investments	**7**	**–**	**–**	**–**	**–**	**7**
Reversal of impairment loss recognised in respect of interests in jointly controlled entities	**–**	**–**	**–**	**31**	**–**	**31**
Gain on disposal of a subsidiary	**337**	**–**	**–**	**–**	**–**	**337**
Share of results of jointly controlled entities						
Cement operations in						
– LSOC	**–**	**–**	**3**	**–**	**–**	**3**
– Guizhou	**–**	**–**	**–**	**11**	**–**	**11**
Venture capital investments	**–**	**–**	**–**	**–**	**15**	**15**
Property development	**33**	**–**	**–**	**–**	**–**	**33**
Imputed interest expense	**(27)**	**–**	**–**	**–**	**–**	**(27)**
Others	**–**	**(1)**	**–**	**–**	**–**	**(1)**
						34
Share of results of associates						
Property development	**53**	**–**	**–**	**–**	**–**	**53**
Imputed interest expense	**(10)**	**–**	**–**	**–**	**–**	**(10)**
						43

2. Segment Information (continued)

For the six months ended 30 June 2010

			Cement operations			
	Property HK$ million	Construction and building maintenance HK$ million	Through LSOC HK$ million	Other cement operations HK$ million	Others HK$ million	Total 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	809	2,177	–	–	3	2,989
Inter-segment revenue	–	183	–	–	–	183
	809	2,360	–	–	3	3,172
Share of jointly controlled entities' revenue	–	1	1,270	199	–	1,470
Total segment revenue	809	2,361	1,270	199	3	4,642
Reportable segment results	691	46	67	(2)	(20)	782
Unallocated items:						
Other income						9
Interest on bank loans and overdrafts and other borrowing costs						(136)
Other corporate expenses						(78)
Profit before taxation						577
Segment results have been arrived at after crediting (charging):						
Cost of properties sold	(725)	–	–	–	–	(725)
Depreciation and amortisation	(7)	(2)	–	–	(1)	(10)
Interest income	13	2	–	–	–	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)
Property development	7	–	–	–	–	7
Imputed interest expense	(25)	–	–	–	–	(25)
Others	–	(2)	–	–	–	(2)
						29
Share of results of associates						
Property development	25	–	–	–	–	25
Imputed interest expense	(10)	–	–	–	–	(10)
						15

3. Gain on Disposal of a Subsidiary

On 17 June 2011, the Group entered into an agreement with an independent third party (the "JV partner") to dispose of 49% of the issued share capital of and assign 49% of the shareholder's loans made to a subsidiary, which indirectly owns a property development project in Chengdu, at an aggregate consideration of approximately RMB440 million (equivalent to approximately HK$528 million). Following completion of the disposal in June 2011 and pursuant to the terms of the relevant shareholders' agreement, the Group and the JV partner have joint control over the disposed subsidiary as all of the major strategic financial and operating decisions require unanimous consent of the Group and the JV partner. As a result, the subsidiary has become a 51% jointly controlled entity of the Group. The assets and liabilities of the subsidiary were deconsolidated from the Group's condensed consolidated balance sheet and the interest in this jointly controlled entity has been accounted for using equity method. The fair value of the 51% retained interest in the jointly controlled entity at the date on which the control was lost, which was based on the consideration for this disposal, was regarded as the cost on initial recognition of the investment in the jointly controlled entity. A gain of HK$180 million, net of transaction costs, on disposal of the 49% interest, and a fair value gain of HK$157 million on the 51% retained interest, have been recognised in the condensed consolidated income statement for the six months ended 30 June 2011. Details of this transaction are set out in an announcement of the Company dated 17 June 2011.

The net assets disposed of in the transaction are as follows:

	HK$ million
Investment property	**364**
Property under development for sale	**776**
Debtors, deposits and prepayments	**3**
Bank balances, deposits and cash	**30**
Creditors and other payables	**(191)**
Bank borrowings	**(227)**
Deferred tax liabilities	**(78)**
Net assets disposed of	**677**
Cash consideration received	**528**
Net assets disposed of	**(677)**
Fair value of 51% retained interest in this jointly controlled entity	**210**
Amount due from this jointly controlled entity	**341**
Deferred tax recognised	**(53)**
Cumulative exchange differences and other reserve reclassified to profit or loss	**2**
Transaction costs incurred in connection with the disposal	**(14)**
Gain in connection with the disposal	**337**
Net cash inflow arising on disposal:	
Cash consideration received	**528**
Cash and cash equivalents disposed of	**(30)**
	498

4. Taxation

	Six months ended 30 June	
	2011	2010
	HK$ million	HK$ million
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	**10**	6
People's Republic of China ("PRC") Enterprise Income Tax	**12**	10
PRC Land Appreciation Tax	**8**	–
	30	16
Deferred taxation	**(19)**	37
	11	53

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) on the estimated assessable profits for the period.

PRC Enterprise Income Tax is calculated at 25% (2010: 25%) on the estimated assessable profits for the period.

PRC Land Appreciation Tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditure including amortisation of land use rights, borrowing costs, business taxes and all property development expenditure. The tax is incurred upon transfer of property ownership.

5. Dividends

On 31 August 2011, the Board declared an interim dividend of HK$0.25 per share (2010: HK$0.20 per share) for the six months ended 30 June 2011.

	Six months ended 30 June	
	2011	2010
	HK$ million	HK$ million
Final dividend recognised as distribution during the period (note)	**196**	122
Interim dividend declared in respect of 2011 at HK$0.25 per share (2010: HK$0.20 per share)	**122**	98

Note: On 6 July 2011, a dividend of HK$0.40 per share (2010: HK$0.25 per share) was paid to shareholders as the final dividend for the year ended 31 December 2010.

6. Earnings per Share

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

	Six months ended 30 June	
	2011	2010
	HK$ million	HK$ million
Earnings:		
Earnings for the purpose of basic and diluted earnings per share	**460**	517
	Million	Million
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**489**	488
Effect of dilutive potential ordinary shares:		
Share options	**1**	1
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**490**	489

The computation of the diluted earnings per share for the current and prior periods does not assume the exercise of certain parts of the Company's share options, of which the relevant exercise price was higher than the average market price of shares of the Company for the period when those options were outstanding.

7. Debtors, Deposits and Prepayments

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

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

	30 June 2011 HK$ million	31 December 2010 HK$ million
Trade debtors		
Not yet due or within 90 days	**591**	1,144
91 days to 180 days	**3**	6
181 days to 360 days	**4**	6
Over 360 days	**10**	10
	608	1,166
Less: amounts reclassified as amounts due from associates and related companies	**(103)**	(47)
Retention receivable	**156**	152
Prepayments, deposits and other receivables (note)	**653**	459
	1,314	1,730

Note: Included in prepayments, deposits and other receivables at 30 June 2011 are receivables of HK$238 million (31 December 2010: HK$235 million) in relation to the disposal by China Central Properties Limited ("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 addition to these receivables, the Group has also issued a guarantee in favour of a bank for a loan granted to this former subsidiary of CCP (see note 9(e)). 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. In determining the recoverable amount of such receivables, management has exercised judgement in estimating the timing and future cash flows to be recovered and determined that no impairment was necessary at the balance sheet date. If the actual recoverable amount or timing of recovery are different from expectation, an impairment loss may arise.

8. Creditors and Accrued Charges

The aged analysis of creditors (based on invoice date) of HK$332 million (31 December 2010: HK$590 million), which are included in the Group's creditors and accrued charges, is as follows:

	30 June 2011 HK$ million	31 December 2010 HK$ million
Trade creditors		
Not yet due or within 30 days	**241**	382
31 days to 90 days	**45**	169
91 days to 180 days	**13**	26
Over 180 days	**33**	13
	332	590
Retention payable	**283**	275
Consideration payable in respect of acquisition of interest in a jointly controlled entity	**–**	349
Provision for contract work	**302**	378
Dividend payable	**196**	–
Other accruals and payables	**364**	436
	1,477	2,028

9. Contingent Liabilities

At 30 June 2011, 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 RMB117 million (HK$140 million) (31 December 2010: HK$216 million) to secure a bank loan granted to a subsidiary of an associate.

(b) Guarantees issued in favour of banks amounting to RMB84 million (HK$101 million) (31 December 2010: RMB174 million (HK$205 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 a bank amounting to HK$756 million (31 December 2010: HK$639 million) to secure bank loans granted to certain jointly controlled entities.

(d) Effective share of a guarantee issued in favour of a joint venture (the "Joint Venture", which was formed between an associate and an independent third party (the "Joint Venture Partner")) and the Joint Venture Partner for an amount not exceeding RMB110 million (HK$132 million) in respect of certain of the Group's payment obligations to the Joint Venture and the Joint Venture Partner.

(e) Guarantee 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$652 million) at 30 June 2011 (31 December 2010: RMB542 million (HK$637 million)). Such guarantee arose as a result of the disposal of the Former Subsidiary by CCP in 2008 (see also note 7 for details of receivables arising from such disposal). 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 determining whether financial liabilities should be recognised in respect of the Group's financial guarantee contracts, the Directors of the Company exercise judgment in evaluation of the probability of resources outflow that will be required and the assessment of whether a reliable estimate can be made of the amount of the obligation. 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. Should the actual outcome be different from expected, provision for losses will be recognised in the consolidated financial statements.

10. Subsequent Event

On 12 July 2011, the Group entered into a conditional agreement with an independent third party ("the Purchaser"), pursuant to which the Group will sell and the Purchaser will purchase the Group's entire equity interest in, and the related shareholder's loan to, a subsidiary engaged in cement operation, which was classified as held for sale at 30 June 2011 (the "Cement Subsidiary"), and procure the repayment of debts owed by the Cement Subsidiary to other Group entities. The sum of the maximum aggregate consideration under the agreement and the Group debts and loans is approximately RMB407 million (equivalent to approximately HK$490 million). The Directors of the Company expect the disposal will be completed in 2011 and it will not have a material financial impact to the Group. Details of this transaction are set out in an announcement of the Company dated 12 July 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS

The Group's turnover was HK$2,717 million for the six months ended 30 June 2011, a 9% decrease from the interim period of 2010. Consolidated profit after taxation and non-controlling interests was HK$460 million, a 11% 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$0.25 per share (2010: HK$0.20 per share) to shareholders whose names appear on the register of members of the Company on Tuesday, 4 October 2011. The interim dividend will be paid on Thursday, 13 October 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 30 September 2011 to Tuesday, 4 October 2011, 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 Thursday, 29 September 2011.

BUSINESS REVIEW

During the first six months of 2011, the Group's businesses continued to produce solid results.

Following our success in repositioning the Group's businesses, our property sector continued to account for approximately 58% (2010: 60%) of the total assets. This strategy has taken further steps forward during the first half of 2011 through new strategic partnerships and the formation of an investment fund with major international institutions to invest in special situation projects in China, testament to their confidence in both our business model and finished products. Meanwhile, our cement business in the southwestern region of China continued to post disappointing results due to over capacities, strong competition and rapidly rising energy and fuel costs. There were, however, clear signs of these negative factors abating in recent months. Our construction operation in Hong Kong benefited from our strong market position and increased government spending, both of which are expected to continue in the foreseeable future.

MARKET OVERVIEW

Global economic recovery continued on an unsteady path and it was evident that in the developed world, growth has barely been moderate. With unemployment in the United States remaining high, the housing market still at its ebb, and the European sovereign debt crisis unresolved, another worldwide financial turmoil was triggered off in August following the downgrading of the long-term credit rating in the United States. These crises could well be repeated in the next few years before a sustainable growth can firmly be established in the United States and Europe. Similar uncertainty could spill over to the hitherto largely unaffected growth prospects in emerging markets, including the Chinese Mainland. Concerted efforts from major European countries and the United States are clearly needed to avoid further financial disasters worldwide and the achievement of the expected 2011 global growth of 4.5% forecast by the International Monetary Fund (IMF), led mainly by emerging and developing economies.

Meanwhile, the Chinese Mainland, which has been maintaining robust annual economic growth in excess of 9%, is facing its own problems of rising inflation and labour cost, and the undesirable adverse effect of limiting money supply.

It is against these uncertainties that the Company is announcing the current satisfactory interim results along its path of transformation.

PROPERTY

The Group's property business in the Chinese Mainland comprises two distinct businesses, special situation projects and knowledge communities.

In the past year, the Central Government has been attempting to address high inflationary pressures through monetary policies and administrative measures such as home purchase restrictions across the country which are designed to rein in house price hikes.

The National Bureau of Statistics reported that the rise in house prices appeared to have been slowing since May. Pilot property tax schemes were implemented in Chongqing and Shanghai, and these are expected to be extended to other cities in the second half of the year.

The aforementioned austerity measures from the Central Government have created more opportunities for the acquisition of special situation properties and the Group is well poised to ride on such market conditions and consolidate its leading position.

Special Situation Projects

This under-served area of special situation property development in the Mainland has continued to be an important contributor of both profit and turnover of SOCAM. With our experience in acquisitions, financial restructuring, construction, project management as well as sales and marketing, SOCAM continued to deliver attractive returns by turning around high-potential special situation projects within a short time.

As a leader in this market, we have been actively exploring ways to expand and strengthen our property portfolio. In March, SOCAM announced the successful formation of the SoTan China Real Estate I, LP (SoTan), a private equity vehicle for investing in special situation projects in high-growth secondary cities in the Mainland, with a focus on residential development and mixed-use projects. Partnering with some of the world's leading institutional investors on a 50-50 basis with a combined equity of approximately US$400 million, SoTan should be able to provide a solid investment platform to its investors and enable us to increase the scale of our investments in the current market situation.

Property Acquisitions

The Group continued to be a highly competitive player in special situation projects. The acquisition of 21st Century Tower in Shanghai in December 2010 has paved the way for the Group to pursue the 'branded residences' concept with the luxurious Four Seasons Hotels and Resorts Group.

We were also quick to acquire an industrial site in Zunyi in an auction in Guizhou, which used to house a wet-process cement plant of the Group before closure last year. We plan to convert this well-located site into a residential and retail development with a total gross floor area (GFA) of approximately 620,000 square metres. We are also mindful of similar opportunities in our other cement plant sites.

At 30 June 2011, the Group had nine properties at various stages of completion in seven first and second tier Mainland cities, namely Beijing, Shanghai, Chongqing, Chengdu, Guangzhou, Guizhou and Shenyang. They represent a diverse property portfolio comprising approximately 2.3 million square metres of developable GFA, of which 1.9 million square metres are attributable to the Group. These projects are expected to provide us with a steady stream of profits and cash flows as they are completed over the next few years.

The Group's total attributable developable GFA of such projects at 30 June 2011 is summarised below.

Project	Location	Total developable GFA attributable to the Group (square metres)	Property type	Estimated completion year
1. Centrium Residence	Beijing	30,300*	Residential	2012
2. Orient Home	Chengdu	238,600*	Composite	2015
3. Creative Concepts Center	Chongqing	37,100	Composite	Completed
4. Parc Oasis	Guangzhou	112,000	Residential and retail	2012
5. Zunyi Project	Guizhou	620,000	Residential and retail	2018
6. Lakeville Regency Tower 18	Shanghai	22,200	Residential	Completed
7. 21st Century Tower	Shanghai	43,800*	Branded residence and hotel	2012
8. Shenyang Project Phase I	Shenyang	281,200	Composite	2012
9. Shenyang Project Phase II	Shenyang	523,100*	Composite	2016
TOTAL		1,908,300		

* The Group has a 52.5%, 51%, 70% and 80% interest in Beijing Centrium Residence, Chengdu Orient Home, Shanghai 21st Century Tower and Shenyang Project Phase II respectively. The GFA shown is the effective share attributable to the Group.

Property Sales and Leasing

The austerity measures taken by the Central Government to curb the excessively rapid rise of housing prices, including the introduction of property taxes and home purchase restriction orders, have resulted in some dampening of sentiment in the residential property market. In light of the market changes, we have made appropriate adjustments to our sales target for this year.

During these first six months, the Group's pre-sale activities focused primarily on Guangzhou Parc Oasis, Chongqing Creative Concepts Center and Shenyang Project Phase I.

In Guangzhou, sales activity for the up-market residential project in the highly sought-after Tianhe district began in March 2011. By June 2011, some 50% of the first batch of residential units launched for pre-sale had been sold. Handover of the presold units is planned for 2012.

In Chongqing Creative Concepts Center, almost 100% of the residential apartments of 30,000 square metres GFA and over 80% of the office units of 22,000 square metres GFA were sold. Over 90% of the residential apartments were handed over to buyers at June 2011. About 52% of the total lettable area of approximately 21,000 square metres GFA was taken up at June 2011. Average monthly rental of the retail space compares favourably with market rates in the area.

Shenyang Project Phase I has received encouraging market feedback since the launch of residential units in the third quarter of 2009. 43,600 square metres GFA were sold since the pre-sale launch. Low-zone residential units of 268 units were handed over to the owners in late April. Interior fitting-out works were in progress and high-zone residential units will be ready for occupation by the latter half of the year.

Project Development

The Group made steady progress on projects under development, all of which remain on schedule for completion.

In June, we sold 49% of our interest in the Orient Home project in Chengdu for a consideration of RMB440 million to a private equity fund of LaSalle Investment Management. This project is set to be a high quality mixed development with completion in phases by 2015.

Knowledge Communities

Beginning with Dalian Tiandi, our project in China's Liaoning Province, the Group is managing and developing knowledge communities as another focus of its property business. This is a visionary concept which we have developed through careful consideration of the opportunities presented by not only property development in the Mainland, but the desire of the Central Government to lift the country to a next stage of advancement through a knowledge-based economy.

SOCAM has been a pioneer in creating specially-designed knowledge communities that can attract enterprises and talent by providing integrated business, research and lifestyle facilities. During the first half of 2011, we continued to make good progress on the Dalian Tiandi project in terms of both construction and leasing, and certain major tenants, including IBM and Ambow, have moved into a substantial part of their leased area of 135,000 square metres up to August.

We have also been actively pursuing further opportunities in Nanjing through the forming of a partnership with Tsinghua Science Park (Tsinghua SP), a leading innovation incubator and the most successful tech park developer and operator in China, to jointly develop another sustainable knowledge community project. This will further give us an advantage to expand the knowledge community concept to other key cities in China.

Dalian Tiandi

Dalian Tiandi, in the rapidly growing coastal city of Dalian in Northeast China, is being developed by a joint venture involving SOCAM, Shui On Land (SOL) and Yida Group, with SOCAM playing the role of managing partner.

Our project management has ensured that construction has largely remained on schedule in accordance with the master development plan. Premises in the commercial buildings are currently being handed over upon phased completion. Our success in branding, marketing and sales is enabling the project to attract high-and-new technology companies not only from within China but globally. As of 30 June 2011, our anchor tenants include IBM; Chinasoft, the second largest software company in China; Ambow Education, the leading e-learning provider in China; and Singapore based Etonhouse International Education Group. The project is now close to achieving a critical mass for the community.

For the sales launch of Greenville Phase I of this project last December, a record 80 townhouses were sold on the first day of the launch. In addition, a further 17 townhouses and 261 mid-to-high-rise apartments were sold soon afterwards. By mid-2011, most of the townhouses sold were handed over to the purchasers.

In April, the first batch of students was enrolled in Ambow Education courses, while the first phase of IT Tiandi, a retail complex in Huang Ni Chuan, is expected to have its soft opening in the third quarter of this year.

To ensure the continued success of this project, we are bringing in some of the world's most renowned establishments through strategic partnerships. We announced our strategic alliance in February with Mitsui Fudosan Residential (Mitsui), the leading Japanese real estate developer, in Dalian Tiandi. The partnership will jointly develop six parcels of land in the Hekou Bay and Huang Ni Chuan districts, as residential and retail properties. Construction is expected to be completed in 2014. Mitsui has a 30% interest in the partnership. As with the Tsinghua SP partnership, this collaborative venture will greatly enhance the resources, reputation and financial strength of this project.

CEMENT

The cement industry in China has generally performed well in the first half of 2011 by continued spending on infrastructure development and other fixed assets investment, coupled with increasing urbanization and rural modernization. The Central Government's massive social housing plan for 2011-2015 has given additional impetus to the demand for cement. China's cement output increased by 19.6% year-on-year to 950 million tonnes during the first six months of this year.

Over-capacity remains a problem in certain parts of the country, particularly Sichuan and Chongqing. Acceleration of the elimination of backward, energy-inefficient capacities, coupled with tightening up of approval for the building of new cement plants, will help alleviate the situation. In 2011, the Central Government has planned to eliminate approximately 134 million tonnes of such capacity and it appears to be an achievable target.

Lafarge Shui On Cement (LSOC)

LSOC, in which the Group holds a 45% interest, is the market leader in Southwest China with a major presence in Sichuan, Chongqing, Guizhou and Yunnan. Total annual production capacity stayed at approximately 30 million tonnes during the first six months of 2011.

LSOC's total sales volume was approximately 13 million tonnes in this period, which was higher than that of the previous interim period by approximately 19%, largely due to the additional volumes contributed by the three new dry kilns with aggregate annual capacity of approximately seven million tonnes that were commissioned in late 2010.

The operations of LSOC in Sichuan, Chongqing and Guizhou continued to come under price pressure primarily due to intensified competition from new capacities. Cement prices in all the operating areas of LSOC however staged a reasonable rebound in the second quarter as restriction of power supply had disrupted cement production of smaller producers and reduced market supply. Overall, average selling price for this interim period decreased by approximately 4%, as compared with the corresponding period last year.

The rapid increase in the prices of coal since last year added further pressure on gross profit margin. The variable cost of production for the first six months of this year increased by approximately 8% year-on-year. Despite higher sales volume on expanded production and sustained market demand, LSOC looks set to post disappointing results for another year due to adverse price and cost factors.

The injection by LSOC of its 50% interest in the Dujiangyan plants into Sichuan Shuangma Cement (Shuangma), a listed company on the Shenzhen Stock Exchange, at a valuation of RMB2.3 billion for new shares issued by Shuangma, received the final approval of the China Securities Regulatory Commission in January 2011. LSOC now holds beneficial interests of approximately 78% and 64% in Shuangma and the Dujiangyan plants respectively.

LSOC has planned to inject all of its cement assets into Shuangma over the next few years. Such asset injection is subject to fair market valuation of the cement assets concerned as well as approvals of the relevant regulatory authorities in the Mainland, independent shareholders of Shuangma and minority shareholders of relevant cement companies. On 30 June 2011, LSOC entered into conditional agreements with Shuangma for the injection of its remaining 25% interest in the Dujiangyan plants, 100% interest in the cement plant in Sancha, Guizhou and 75% interests in the cement plants in Xinpu and Dingxiao, Guizhou. In addition, Shuangma also announced that it will conduct a private placement of shares to raise a total of approximately RMB2.8 billion cash to fund the acquisition of the aforementioned cement assets from LSOC. Following completion of this asset injection and share placement, which is expected to take place around the second quarter of 2012, LSOC will continue to hold a majority interest in Shuangma. Thereafter, injections of other cement assets in Yunnan and Chongqing, as well as its remaining interests in the cement plants in Guizhou, into Shuangma will follow.

As part of its transformation strategy, SOCAM is reviewing options for the strategic divestment of its interest in LSOC with a view to focusing resources on our unique business operations in the Mainland property sector.

Guizhou Cement

SOCAM continued with the execution of the exit plan for the cement plants in Guizhou. On 12 July 2011, it entered into an agreement for the disposal of the dry line in Kaili for a consideration of up to approximately HK$490 million. In addition, on 29 July 2011, it also signed an agreement to dispose of its minority interest in the cement plant in Liupanshui, Guizhou for a consideration of approximately HK$110 million. Completion of these disposals is expected to take place in the last quarter of this year, by which time SOCAM will have disposed of or closed down all of its major cement plants in Guizhou.

CONSTRUCTION

The Hong Kong economy has continued to benefit from the rapid growth in the Mainland and the rebound in world trade and tourism. The IMF forecast in April that the Hong Kong economy would grow by 5.4% in 2011. The HKSAR Government has launched a series of measures in an attempt to cool down the residential property market and committed to increasing the supply of land to meet the rising private and public housing demand.

During the first quarter of the year, the gross value of construction works completed in the private and public sectors increased by 14.8% and 46.4% respectively year-on-year. This, together with the ten major infrastructure projects and other works, will continue to drive up local construction activities and lower the unemployment rate in the industry.

The Group's construction business performed steadily during the first half of the year. It recorded an 18% increase in profit to HK$54 million, despite rising building material and labour costs and a 9% decrease in turnover to HK$1,985 million, compared with the corresponding period last year. New contracts totalling approximately HK$1.5 billion were secured.

At 30 June 2011, the gross value of contracts on hand was approximately HK12.9 billion and the value of outstanding contracts to be completed was approximately HK$6.2 billion, compared with approximately HK$12.3 billion and HK$6.7 billion respectively at 31 December 2010.

Shui On Building Contractors (SOBC) secured a 3-year contract from the Hong Kong Housing Authority (HKHA) for the maintenance and refurbishment works at various housing estates in Kowloon and the New Territories, valued at HK$272 million. Subsequent to the period end, SOBC was awarded a public rental housing project at Kwai Shing Circuit from the HKHA with a value of HK$597 million.

During the period, major projects completed by SOBC included the public rental housing estate at Tseung Kwan O Area 73B for the HKHA and the refurbishment works on a residential development for the Hong Kong Housing Society. Shui On Construction made good progress on the HK$1 billion contract for the construction of the Town Park and Indoor Velodrome-cum Sports Centre for the Hong Kong Architectural Services Department.

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, Guangzhou Parc Oasis and Dalian Tiandi projects of SOCAM during the period. SOCM completed the renovation works on an office building in Shanghai, and secured RMB1.1 billion worth of new contracts, including construction works for Foshan Lingnan Tiandi and a shopping mall and an office building in Shenyang.

During the period, Pat Davie completed interior fit-out and refurbishment projects for The Links, Hong Kong Polytechnic University, MTR Corporation and a major investment bank in Hong Kong, and MGM and Altira in Macau.

Pat Davie secured a total of approximately HK$157 million worth of new contracts in Hong Kong, Macau and the Chinese Mainland. Major contracts include the fit-out of office buildings and a hotel in Hong Kong, as well as two major casino hotels and a serviced apartment in Macau. After the period end, Pat Davie was awarded fit-out contracts in Hong Kong and Macau with a total value of approximately HK$308 million.

OUTLOOK

The sovereign debt crisis in the United States and certain European countries as well as the slower growth and deteriorating labour market in the western world are likely to pose major challenges and volatility to global financial markets in the near term. Persistent inflationary pressure in the Mainland and Hong Kong has also adversely affected the immediate economic outlook.

Yet with calibrated macroeconomic policies in place, China's economy is expected to sustain a healthy and impressive growth on a firmer footing. Added to this prospect is the accelerating urbanization process and increase in disposable incomes which will continue to provide impetus in the property market in the long run.

SOCAM's property business in China should benefit from the Central Government's attempts to tighten up and regulate bank lending as more opportunities to acquire special situation projects are available recently. We also strongly believe that our attention now on our long-term growth potential and our devotion of much more resources on the development of integrated knowledge communities will bring sustainable growth to SOCAM. This strategy will be backed by China's continuing switching and upgrading of its manufacturing base to higher technological process, and the emergence of a much larger population of middle class.

The operation of the Group's cement joint venture, managed by Lafarge, has continued to post unsatisfactory results although there are signs of it coming out from the trough. We will actively look for divestment opportunities, as although the cement business is well positioned to benefit from China's substantial investment in infrastructure and the ambitious plans for massive social housing, decisions on other core businesses of the Group can often generate higher returns with our ample experience in the Mainland and Hong Kong. Management will closely monitor the divestment process and maximise the value which can be potentially generated.

In Hong Kong, government infrastructure spending remains healthy and it is likely that more public housing will be built. This is obviously positive for our construction business, despite the added upward pressure on materials and labour costs.

SOCAM's strategic realignment to a company which will focus on property development in specialized market areas in the Mainland has gathered momentum. A first step towards this goal is our intention to change the Company's name to SOCAM Development Limited, subject to shareholders' approval, which should better reflect the transformation of the core businesses of the Company. The satisfactory financial position, together with the wealth of experience which we have accumulated in the Mainland, have put the Company in an advantageous position to complete the transformation and capture the exciting opportunities ahead.

FINANCIAL REVIEW

FINANCIAL RESULTS

The Group's profit attributable to shareholders for the six months ended 30 June 2011 was HK$460 million on a turnover of HK$2,717 million, compared with HK$517 million profit and HK$2,989 million turnover recorded for the corresponding period last year.

An analysis of the total turnover is shown below:

	Six months ended 30 June 2011 HK$ million	Six months ended 30 June 2010 HK$ million
Turnover		
SOCAM and subsidiaries		
Construction and building maintenance	**1,985**	2,177
Property	**731**	809
Others	**1**	3
Total	**2,717**	2,989
Jointly controlled entities and associates		
Cement operations	**1,650**	1,469
Property and others	**81**	1
Total	**1,731**	1,470
Total	**4,448**	4,459

Turnover from construction and building maintenance works for the current interim period was steady following the substantial expansion of workload in Hong Kong and the Mainland during 2010. Revenue from the property business during the period was mainly the result of the disposal of the Qianxinian Building in Chongqing and the recognition of sales of residential and office units of Chongqing Creative Concepts Center and Shenyang Project Phase I. Turnover from the cement operations increased during the first half of 2011 on higher sales volume. Dalian Tiandi, of which the Group has a 22% interest, began to recognise property sales revenue in 2011, and the Group's share of the turnover was HK$79 million.

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

	Six months ended 30 June 2011 HK$ million	Six months ended 30 June 2010 HK$ million
Property		
Project fee income	**40**	24
Profit from property sales and net rental income	**118**	65
Gain on disposal of a subsidiary	**337**	-
Fair value gain on investment properties, net of deferred tax provision	**38**	183
Dalian Tiandi	**21**	(12)
Operating expenses	**(74)**	(65)
	480	195
Investment in SOL		
Dividend income	**7**	52
Net gain on disposal of shares	**-**	373
Gain on scrip option	**-**	4
	7	429
Cement operations		
LSOC	**7**	67
Guizhou cement	**7**	2
Reversal/(provision) of impairment losses	**43**	(3)
	57	66
Construction	**54**	46
Venture capital investments	**15**	(16)
Net finance costs	**(81)**	(121)
Corporate overheads and others	**(55)**	(71)
Taxation	**(9)**	(4)
Non-controlling interests	**(8)**	(7)
Total	**460**	517

The Group's core profit increased considerably to HK$438 million, by 3.2 times over the same period last year.

Property

Property operations reported a substantial growth in total net profit to HK$480 million, reflecting the quality of the portfolio of special situation properties acquired in the past few years. Project fee income from jointly controlled entities and associates increased to HK$40 million for the first half of 2011, from HK$24 million for the same period in 2010.

The profit from property sales in the current period was attributed to the en-bloc disposal of the Qianxinian Building in Chongqing as well as the recognition of sales of the residential and office units of Chongqing Creative Concepts Center and Shenyang Project Phase I following the gradual handover of the units since late 2010. Rental income was derived from the Group's investment property, Lakeville Regency Tower 18 in Shanghai.

In June, the Group disposed of its 49% equity interest in and related shareholder loan to the Chengdu Orient Home project for an aggregate consideration of RMB440 million (approximately HK$528 million) and recognised a net gain of HK$337 million in relation to this transaction in accordance with applicable accounting standards.

Dalian Tiandi launched pre-sale of its residential villas and mid/high-rise apartments in October 2010 and commenced to recognise property sales revenue in 2011, and the Group's 22% share of Dalian Tiandi's net operating profit amounted to HK$21 million.

The valuation of Lakeville Regency Tower 18 in Shanghai and the commercial portions of the properties currently under development, which will be held as investment properties after completion, in Shenyang Project Phase I and Dalian Tiandi at 30 June 2011 produced a net gain of HK$38 million for the Group. In the last interim period, the HK$183 million net gain was largely the result of the period end valuation of Lakeville Regency Tower 18 in Shanghai, which was acquired by the Group at a discount to market price in early 2010.

Investment in SOL

In June 2010, the Group disposed of approximately 6.3% of its then holding of 8.7% of the issued share capital of SOL and recognised a net non-recurrent gain of HK$373 million. Such divestment resulted in the reduction of dividend income from SOL in this interim period, as compared to that of the corresponding period last year.

Cement operations

The Group's 45% share of LSOC's profit decreased to HK$7 million in the first half of 2011. Although LSOC achieved an increase in sales volume and turnover, margins were eroded by lower average selling price as well as higher coal and power prices in its areas of operation. The three new dry lines of LSOC, which experienced production instability in their early months of operation after commissioning in late 2010, suffered an increase in the manufacturing fixed and variable costs in the current interim period.

The HK$7 million net profit from the cement plants in Guizhou for the first half of 2011 was mainly contributed by the dry production line in Kaili on high volume and stable prices.

In July 2011, an agreement was entered into with the PRC joint venture partner for the disposal of the Group's 40.16% interest in the cement plant in Liupanshui, Guizhou at a consideration higher than its original investment cost, resulting in reversal of the HK$43 million impairment loss provisions made in previous years.

Construction

Notwithstanding the decline in turnover, construction business reported a higher profit for this interim period, as average net profit margin increased to 2.7% of turnover, from the 2.1% for the corresponding period last year.

Venture capital

The venture capital funds posted a net attributable profit of HK$15 million, which was largely a result of the valuation gain of the fund's interest in a manufacturer of biodegradable materials and marked-to-market gains on the portfolio of listed shares held.

Net finance costs

Net finance costs decreased to HK$81 million for the first half of 2011, from HK$121 million for the same period in 2010, mainly because of the increase in interest income from the Group's increased cash and deposit balances and the decrease in interest margins charged by certain banks on the Group's loan facilities from the second quarter of 2010.

ASSETS BASE

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

	30 June 2011	31 December 2010
	HK$ million	HK$ million
Total assets	**20,844**	21,048
Net assets	**9,683**	9,204
	HK$	HK$
Net assets per share	**19.8**	18.8

The total assets of the Group decreased slightly from HK$21.0 billion at 31 December 2010 to HK$20.8 billion at 30 June 2011, while both the net assets of the Group and net assets per share increased by 5% in the first half of 2011 largely due to the HK$460 million profit for the period.

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

	30 June 2011 HK$ million	%	31 December 2010 HK$ million	%
Property	**11,959**	**58**	12,519	60
Cement	**5,485**	**26**	5,366	25
Construction	**1,204**	**6**	1,279	6
Investment in SOL shares	**469**	**2**	514	2
Others	**1,727**	**8**	1,370	7
Total	**20,844**	**100**	21,048	100

The value of property assets as well as assets of other segments remained stable at 30 June 2011, when compared with those at 31 December 2010.

EQUITY, FINANCING AND GEARING

The shareholders' equity of the Company increased to HK$9,683 million on 30 June 2011, from HK$9,204 million on 31 December 2010, which was mainly attributable to the HK$460 million profit for this interim period.

Net bank borrowings of the Group, which represented bank borrowings, net of bank balances, deposits and cash, amounted to HK$4,394 million on 30 June 2011. This compared with HK$4,722 million on 31 December 2010. The decrease in net bank borrowings during the period was largely due to the disposal of the Group's 49% interest in the Chengdu Orient Home project in June 2011, which produced a net cash inflow of approximately HK$500 million.

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

	30 June 2011 HK$ million	31 December 2010 HK$ million
Bank borrowings repayable:		
Within one year	**5,471**	2,864
After one year but within two years	**2,365**	3,770
After two years but within five years	**150**	1,565
Total bank borrowings	**7,986**	8,199
Bank balances, deposits and cash	**(3,592)**	(3,477)
Net bank borrowings	**4,394**	4,722

The net gearing ratio of the Group, calculated as net bank borrowings over shareholders' equity, decreased to 45% at 30 June 2011, from 51% at 31 December 2010, mainly as a result of the increase in shareholders' equity as well as the decrease in net bank borrowings as explained above.

The Group will continue to seek longer term financings, which match more closely with its assets portfolio. Subsequent to the interim period end, HK$220 million and HK$200 million bank loans were renewed upon maturity for a further one year and two years respectively.

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 Renminbi in the foreseeable future will have positive effect on the Group's business performance and financial status. No hedging against Renminbi exchange risk has therefore been arranged. It is the Group's policy not to enter into derivative transactions for speculative purposes.

EMPLOYEES

At 30 June 2011, the number of employees in the Group was approximately 1,170 (31 December 2010: 1,180) in Hong Kong and Macau, and 10,380 (31 December 2010: 11,630) 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 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 2011.

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 2011, 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 period, except for the deviation from Code Provision B.1.3, which is explained below.

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 period.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's condensed consolidated balance sheet as of 30 June 2011, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income and the related notes thereto for the period then ended as set out in this announcement have been extracted from the Group's unaudited condensed consolidated financial statements for the period, which has been reviewed by the Group's auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the HKICPA.

By order of the Board
Lo Hong Sui, Vincent
Chairman

Hong Kong, 31 August 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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