瑞安建業
SOCAM DEVELOPMENT

瑞安建業有限公司*
SOCAM Development Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 983)

Announcement of results for the year ended 31 December 2011

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2011	2010
Turnover	**HK$5,900 million**	HK$8,044 million
Profit attributable to shareholders	**HK$910 million**	HK$903 million
Basic earnings per share	**HK$1.86**	HK$1.85
Interim dividend per share	**HK$0.25**	HK$0.20
Final dividend per share	**HK$0.40**	HK$0.40

	At 31 December 2011	At 31 December 2010
Total assets	**HK$22.2 billion**	HK$21.0 billion
Net assets	**HK$10.0 billion**	HK$9.2 billion
Net asset value per share	**HK$20.43**	HK$18.82
Net gearing	**50.5%**	51.3%

RESULTS

The Board of Directors of SOCAM Development 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 2011.

CONSOLIDATED INCOME STATEMENT

	Notes	**2011 HK$ million**	2010 HK$ million
Turnover			
The Company and its subsidiaries		**5,900**	8,044
Share of jointly controlled entities/associates		**3,516**	2,986
		9,416	11,030
Group turnover	2	**5,900**	8,044
Other income		**249**	200
Changes in inventories of finished goods, work in progress, contract work in progress and cost of properties sold		**(815)**	(2,598)
Raw materials and consumables used		**(770)**	(720)
Staff costs		**(575)**	(504)
Depreciation and amortisation expenses		**(23)**	(24)
Subcontracting, external labour costs and other expenses		**(3,685)**	(3,967)
Dividend income from available-for-sale investments		**10**	60
Fair value changes on investment properties		**275**	422
Interest on bank loans and overdrafts and other borrowing costs		**(238)**	(249)
Gain on disposal of available-for-sale investments		**–**	373
Gain on disposal of interest in a jointly controlled entity		**44**	–
Gain on disposals of subsidiaries		**341**	–
Gain on transfer of property inventories to investment properties		**292**	–
Share of results (excluding impairment loss) of jointly controlled entities		**34**	115
Share of impairment loss of jointly controlled entities		**(12)**	(70)
Share of results of associates		**53**	16
Profit before taxation		**1,080**	1,098
Taxation	3	**(145)**	(180)
Profit for the year		**935**	918
Attributable to:			
Owners of the Company		**910**	903
Non-controlling interests		**25**	15
		935	918
Earnings per share	5		
Basic		**HK$1.86**	HK$1.85
Diluted		**HK$1.86**	HK$1.84

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2011 HK$ million	2010 HK$ million
Profit for the year	**935**	918
Other comprehensive income (expense)		
Loss on fair value changes of available-for-sale investments	**(190)**	(475)
Exchange differences arising on translation of financial statements of foreign operations	**308**	211
Share of exchange differences of jointly controlled entities	**205**	154
Share of exchange differences of associates	**20**	8
Recognition of actuarial (loss) gain	**(125)**	12
Reclassification adjustments for amounts transferred to profit or loss:		
– upon disposal of available-for-sale investments	**–**	(374)
– upon disposal of interest in a jointly controlled entity	**(23)**	–
– upon disposals of subsidiaries	**(14)**	–
– upon disposal of property inventories, net of deferred tax of HK$3 million (2010: HK$11 million)	**(16)**	(56)
Other comprehensive income (expense) for the year	**165**	(520)
Total comprehensive income for the year	**1,100**	398
Total comprehensive income attributable to:		
Owners of the Company	**1,074**	382
Non-controlling interests	**26**	16
	1,100	398

CONSOLIDATED BALANCE SHEET

	Notes	31 December 2011 HK$ million	31 December 2010 HK$ million
Non-current Assets			
Investment properties		**3,609**	2,310
Property, plant and equipment		**77**	89
Prepaid lease payments		**44**	43
Interests in jointly controlled entities		**4,562**	4,432
Available-for-sale investments		**324**	514
Interests in associates		**495**	425
Club memberships		**1**	1
Amounts due from jointly controlled entities		**1,162**	1,624
Amounts due from associates		**828**	683
Defined benefit assets		**–**	22
Restricted bank deposits		**185**	275
		11,287	10,418
Current Assets			
Inventories		**21**	7
Prepaid lease payments		**1**	1
Properties held for sale		**428**	718
Properties under development for sale		**3,641**	3,267
Debtors, deposits and prepayments	6	**1,557**	1,730
Amounts due from customers for contract work		**323**	346
Amounts due from jointly controlled entities		**995**	459
Amounts due from associates		**313**	68
Amounts due from related companies		**241**	49
Taxation recoverable		**12**	4
Pledged bank deposit		**–**	359
Restricted bank deposits		**910**	260
Bank balances, deposits and cash		**2,410**	2,583
		10,852	9,851
Assets classified as held for sale		**92**	779
		10,944	10,630
Current Liabilities			
Creditors and accrued charges	7	**1,803**	2,028
Sales deposits received		**721**	406
Amounts due to customers for contract work		**186**	154
Amounts due to jointly controlled entities		**45**	15
Amounts due to non-controlling shareholders of subsidiaries		**11**	3
Taxation payable		**117**	180
Bank borrowings due within one year		**6,134**	2,864
		9,017	5,650
Liabilities associated with assets classified as held for sale		**–**	403
		9,017	6,053
Net Current Assets		**1,927**	4,577
Total Assets Less Current Liabilities		**13,214**	14,995
Capital and Reserves			
Share capital		**490**	489
Reserves		**9,512**	8,715
Equity attributable to owners of the Company		**10,002**	9,204
Non-controlling interests		**66**	56
		10,068	9,260
Non-current Liabilities			
Bank borrowings		**2,427**	5,335
Defined benefit liabilities		**90**	–
Other payables		**202**	–
Deferred tax liabilities		**427**	400
		3,146	5,735
		13,214	14,995

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 ("HKICPA"), which are effective for the Group's financial period beginning on 1 January 2011. The new or revised standards, amendments and interpretations has had no material effect on the consolidated financial statements of the Group for the current or prior accounting years.

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

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

HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
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[5]
HKAS 19 (Revised 2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – INT 20	Stripping Costs in the Production Phase of a Surface Mine[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 2015
[4] Effective for annual periods beginning on or after 1 July 2012
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2014

HKFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

1. Basis of preparation (continued)

The Directors of the Company anticipate that the application of HKFRS 9 may have an impact on amounts reported in respect of the Group's available-for-sale investments and the management of the Group is in the process of ascertaining the financial impact. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The five new or revised standards on consolidation, joint arrangements, associates 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.

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 are currently accounted for using the equity method of accounting under HKAS 31. 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.

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

The Directors of the Company are in the process of assessing the potential impact of the above mentioned five new or revised standards and amendments; and anticipate that the application of other new and revised standards, amendments or interpretation 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. These divisions are the basis on which the Group reports information to its chief operating decision makers, who are the Directors of the Company, for the purposes of resource allocation and assessment of segment performance.

2. Segment information (continued)

The Group's reportable and operating segments under HKFRS 8 are as follows:

1. Property – property development for sale and investment and provision of property asset management services
2. Construction and building maintenance – construction, interior fit-out, renovation and maintenance of building premises, sales of building materials and provision of related consultancy services
3. Cement operations – investment in cement operations through certain jointly controlled entities of the Group
4. Others – venture capital investment and others

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

For the year ended 31 December 2011

	Property	Construction and building maintenance	Cement operations: Through LSOC#	Cement operations: Other cement operations	Others	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Revenue						
Sales of goods (note)	**991**	**16**	**–**	**–**	**–**	**1,007**
Rental income	**47**	**–**	**–**	**–**	**–**	**47**
Revenue from rendering of services	**118**	**20**	**–**	**–**	**2**	**140**
Construction contract revenue	**–**	**4,706**	**–**	**–**	**–**	**4,706**
Revenue from external customers	**1,156**	**4,742**	**–**	**–**	**2**	**5,900**
Inter-segment revenue	**–**	**239**	**–**	**–**	**–**	**239**
	1,156	**4,981**	**–**	**–**	**2**	**6,139**
Share of jointly controlled entities/associates' revenue	**88**	**6**	**3,268**	**154**	**–**	**3,516**
Total segment revenue	**1,244**	**4,987**	**3,268**	**154**	**2**	**9,655**

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	**1,246**	**118**	**(53)**	**54**	**52**	**1,417**
Unallocated items:						
Other income						**5**
Interest on bank loans and overdrafts and other borrowings costs						**(238)**
Other corporate expenses						**(104)**
Consolidated profit before taxation						**1,080**
Segment results have been arrived at after crediting (charging):						
Cost of properties sold	**(758)**	**–**	**–**	**–**	**–**	**(758)**
Depreciation and amortisation	**(17)**	**(4)**	**–**	**–**	**(1)**	**(22)**
Interest income	**60**	**3**	**–**	**5**	**–**	**68**
Imputed interest income on loans to jointly controlled entities/associates	**75**	**–**	**–**	**–**	**–**	**75**
Fair value changes on investment properties	**275**	**–**	**–**	**–**	**–**	**275**
Dividend income from available-for-sale investments	**10**	**–**	**–**	**–**	**–**	**10**
Impairment loss recognised in respect of interests in jointly controlled entities	**–**	**–**	**–**	**(4)**	**–**	**(4)**
Gain on disposal of subsidiaries	**337**	**–**	**–**	**–**	**4**	**341**
Gain on disposal of interest in a jointly controlled entity	**–**	**–**	**–**	**44**	**–**	**44**
Gain on transfer of property inventories to investment properties	**292**	**–**	**–**	**–**	**–**	**292**
Share of results (excluding impairment loss) of jointly controlled entities						
Cement operations in						
– LSOC	**–**	**–**	**(49)**	**–**	**–**	**(49)**
– Guizhou	**–**	**–**	**–**	**7**	**–**	**7**
Venture capital investments	**–**	**–**	**–**	**–**	**53**	**53**
Property development	**78**	**–**	**–**	**–**	**–**	**78**
Imputed interest expense	**(54)**	**–**	**–**	**–**	**–**	**(54)**
Others	**–**	**(1)**	**–**	**–**	**–**	**(1)**
						34
Share of impairment loss of jointly controlled entities	**–**	**–**	**(12)**	**–**	**–**	**(12)**
Share of results of associates						
Property development	**74**	**–**	**–**	**–**	**–**	**74**
Imputed interest expense	**(21)**	**–**	**–**	**–**	**–**	**(21)**
						53

Note: Included in the Group's property segment revenue for the year ended 31 December 2011 are sales of completed properties of HK$806 million (2010: HK$977 million), which are mainly residential and commercial properties, and sales of properties under development for sale of HK$185 million (2010: HK$2,158 million).

2. Segment information (continued)

For the year ended 31 December 2010

	Property	Construction and building maintenance	Cement operations: Through LSOC	Cement operations: Other cement operations	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	3,225	4,812	–	–	7	8,044
Inter-segment revenue	–	267	–	–	–	267
	3,225	5,079	–	–	7	8,311
Share of jointly controlled entities' revenue	–	4	2,657	325	–	2,986
Total segment revenue	3,225	5,083	2,657	325	7	11,297

Inter-segment revenue is charged at mutually agreed prices.

	Property	Construction and building maintenance	Through LSOC	Other cement operations	Others	Total
Reportable segment results	1,344	84	53	(57)	20	1,444
Unallocated items:						
Other income						1
Interest on bank loans and overdrafts and other borrowings 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	(18)	(4)	–	–	(1)	(23)
Interest income	29	3	–	–	–	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

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**	
	2011	2010	**2011**	2010
	HK$ million	HK$ million	**HK$ million**	HK$ million
Hong Kong	**3,125**	3,665	**17**	16
PRC (excluding Hong Kong)	**2,775**	4,379	**3,714**	2,427
	5,900	8,044	**3,731**	2,443

* Revenue from external customers is attributed to countries/cities on the basis of 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

	2011	2010
	HK$ million	HK$ million
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	**13**	12
PRC Enterprise Income Tax	**37**	134
PRC Land Appreciation Tax	**46**	14
	96	160
Deferred taxation	**49**	20
	145	180

4. Dividends

	2011	2010
	HK$ million	HK$ million
Dividends recognised as distribution during the year:		
Final dividend in respect of the year ended 31 December 2010: HK$0.40 per share (2010: in respect of 2009 of HK$0.25 per share)	**196**	122
Interim dividend in respect of the year ended 31 December 2011: HK$0.25 per share (2010: in respect of 2010 of HK$0.20 per share)	**122**	98
	318	220
Proposed:		
Final dividend in respect of the year ended 31 December 2011: HK$0.40 per share (2010: in respect of 2010 of HK$0.40 per share)	**196**	196

The final dividend in respect of the year ended 31 December 2011 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:

	2011	2010
	HK$ million	HK$ million
Earnings:		
Earnings for the purpose of basic and diluted earnings per share	**910**	903
Number of shares:	**Million**	Million
Weighted average number of ordinary shares for the purpose of basic earnings per share	**489**	489
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**	490

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:

	2011	2010
	HK$ million	HK$ million
Trade debtors aged analysis:		
Not yet due or within 90 days	**753**	1,144
91 days to 180 days	**85**	6
181 days to 360 days	**6**	6
Over 360 days	**15**	10
	859	1,166
Less: amounts classified as amounts due from jointly controlled entities, associates and related companies	**(240)**	(47)
Retention receivable	**160**	152
Consideration receivables in respect of disposal of a subsidiary/ jointly controlled entity	**90**	–
Deposit for acquisition of property projects	**51**	–
Prepayments, deposits and other receivables (note)	**637**	459
	1,557	1,730

Note: Included in prepayments, deposits and other receivables are receivables of HK$314 million (2010: HK$235 million) due from China Central Properties Limited's ("CCP") former subsidiaries (the "Debtor"), which hold a property interest in the PRC and were disposed of in 2008. The amounts are repayable on demand and out of the total outstanding balance, an amount of HK$148 million carries interest at prevailing market rates. In December 2011, a court in the PRC issued a notice to attach the aforesaid property interest for two years until December 2013 to cause the Debtor to settle part of the outstanding receivable in the amount of RMB120 million (approximately HK$148 million) and its related interests. In addition to these receivables, the Company has provided a guarantee in relation to a loan granted to the Debtor. In the opinion of the Directors of the Company, these receivables will be fully settled and the loan guaranteed by the Group will be released after the completion of the transfer of the legal title to the aforesaid property interest to the Debtor, 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$682 million (2010: HK$590 million), which are included in the Group's creditors and accrued charges, is as follows:

	2011 **HK$ million**	2010 HK$ million
Trade creditors aged analysis:		
Not yet due or within 30 days	**550**	382
31 days to 90 days	**55**	169
91 days to 180 days	**14**	26
Over 180 days	**63**	13
	682	590
Retention payable	**305**	275
Consideration payable in respect of acquisition of interest in a jointly controlled entity	**–**	349
Consideration payable in respect of acquisition of a subsidiary (note)	**335**	–
Provision for contract work	**260**	378
Other accruals and payables	**423**	436
	2,005	2,028
Less: amount due for settlement after 12 months (note)	**(202)**	–
	1,803	2,028

Note: The amount represents the outstanding consideration in respect of the acquisition of the remaining 20% of a jointly controlled entity. Out of the total outstanding consideration, a total of HK$133 million will be settled within 1 year and the remaining balance will be settled in 2 to 3 years, from the balance sheet date.

8. Contingent liabilities

At 31 December 2011, 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 RMB117 million (HK$144 million) (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 RMB87 million (HK$107 million) (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 banks amounting to HK$805 million (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$136 million) in respect of certain of the Group's payment obligations to the Joint Venture and the Joint Venture Partner.

(e) In 2007, the Company issued a guarantee (the "Guarantee") in favour of a bank for a loan granted to an entity which was a wholly-owned subsidiary of CCP at that time (the "Former Subsidiary"). Subsequently, the Former Subsidiary was sold by CCP in 2008, but the Company remained as the guarantor for the bank loan following the disposal (see note 6 for details of receivables due from the Former Subsidiary arising from such disposal). In October 2011, the Company received a notice from the aforesaid bank that it had entered into an agreement to sell all its rights and interests, including the Guarantee, to a new lender (the "New Lender"). At the same time, the Company entered into a restructuring deed with the New Lender, whereby the New Lender agreed not to demand fulfilment of the Company's obligations under the Guarantee initially for one year, subject to extension after further discussions. The outstanding principal amount of the loan under the Guarantee amounting to RMB542 million (HK$669 million) at 31 December 2011 (2010: RMB542 million (HK$637 million)) is secured by a property interest in the PRC. Both of the parent company of the acquirer and the acquirer of the Former Subsidiary have agreed to procure the repayment of the loan and agreed unconditionally to undertake and indemnify the Group for all losses as a result of the guarantee.

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 after taking into consideration the possibility of the default of the parties involved. Accordingly, no value has been recognised in the consolidated balance sheet.

MANAGEMENT DISCUSSION AND ANALYSIS

FINAL RESULTS

The Group's turnover was HK$5,900 million for the year ended 31 December 2011, a 27% decrease from the previous year. Consolidated profit after taxation and non-controlling interests was HK$910 million, a 1% 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 2011 (2010: HK$0.40 per share). Subject to shareholders' approval at the forthcoming annual general meeting (the "AGM"), the final dividend will be paid on 3 July 2012 to shareholders whose names appear on the Company's register of members on 4 June 2012.

CLOSURE OF REGISTER OF MEMBERS

For ascertaining the shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 16 May 2012 to Friday, 18 May 2012, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM of the Company to be held on 18 May 2012, 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 Tuesday, 15 May 2012.

For ascertaining the shareholders' entitlement to the proposed final dividend for the year ended 31 December 2011, the register of members of the Company will be closed from Wednesday, 30 May 2012 to Monday, 4 June 2012, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final 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 Tuesday, 29 May 2012.

BUSINESS REVIEW

The financial markets and global economies were significantly disturbed in 2011 by the seemingly intractable sovereign debt crisis in Europe, albeit that the Chinese Mainland has once again showed exceptional resilience and contributed 40% of the worldwide economic growth. China continued to register a notable GDP growth of 9.2% in 2011 due to strong fixed assets investment and rising domestic consumption.

The Central Government's austerity measures directed at the property sector have intensified and successfully dampened unchecked price upsurge and transaction volumes. Although the investment in real estate remained strong with a year-on-year growth of 28% in 2011, it represented a slowdown from the 33% growth in the previous year. With stringent monetary measures which tighten bank lending, the liquidity tightening has now clearly resulted in slower growth in almost all industries and businesses across the country, notwithstanding that selective relaxation in certain austerity policies seems to be appearing in a number of sectors. It has however been widely anticipated that the Central Government's control over the property market is unlikely to be lifted in 2012.

Driven by an ambitious social housing plan and the continued robust infrastructure development, demand for cement in the Chinese Mainland overall remained strong during 2011. The overall performance of the cement industry nationwide posted a steady growth. Unfortunately, however, the operating areas of Lafarge Shui On Cement Joint Venture fared less well, as over-capacity in Sichuan and Chongqing intensified, the degree of market consolidation remains relatively low and weaker players can only be gradually eliminated towards the end of 2013, hence a disappointing year is once again shown in our share of the cement operation results.

The construction industry in Hong Kong, in particular the public sector, continued to benefit from economic expansion and increase in expenditure on capital works, but profitability was incapable of increasing in tandem due to a significant rise in material and labour costs.

Against this backdrop, SOCAM took further significant steps along its path of transformation in 2011. SOCAM changed its name from "Shui On Construction and Materials Limited" to "SOCAM Development Limited" and launched a rebranding exercise in September 2011. This marks the Company's change of business strategy from a construction and building materials entity to a niche property developer, and also more accurately reflects the Group's business and asset focus in the Mainland. With redefined long-term growth and business objectives, we shall move forward to capture new market opportunities and explore ways to unlock asset values to maximise shareholders' return, among which is our attempt to divest our interest in the Lafarge Shui On Cement Joint Venture.

PROPERTY

The Group's property business in the Chinese Mainland consisted of two distinct niche areas, special situation projects and knowledge communities. These are well supported by the combination of the strengths of SOCAM and its prestigious partners.

On the special situation side, SOCAM has established a firm footing in the market in the Chinese Mainland over the past few years, and the Group's development mix and quality are well-regarded by the market. Project partners and international investors are attracted by our acquisition and project management expertise, as well as our unique strategy of quick asset turnover.

In 2011, the increase in profit over the previous year is mainly attributable to the disposal of property interest and the increase in fair value of our investment property portfolio.

Profound changes took place in the Mainland property market during 2011. The Central Government's new rounds of initiatives, introduced from April 2010 onwards, to cool the property sector and control housing prices resulted in a fall in transaction volumes and price declines. Market adjustment deepened in the latter half of the year as the liquidity crunch took its toll.

The tightening of bank lending, particularly to the property sector, has posed challenges to many developers. Yet, this squeeze on capital flow also gives rise to opportunities for acquisitions, especially for corporations in a strong financial position.

In 2011, the Group continued to make satisfactory progress in acquisitions and development of existing projects. Though already a proven business model for SOCAM, high-end special situation projects are still an under-served segment. On the other hand, the emergence of an affluent middle class in China and the country's avowed intention to establish a knowledge-based economy reinforce the Group's belief in the great potential for the development of knowledge communities. In order to attain a sustainable growth model that fully capitalises on the quick asset turnover of the special situation business to support the steady growth in earnings from knowledge communities in the long term, SOCAM announced an ambitious Three-year Plan in September 2011.

Under the Three-year Plan, the Group targets to achieve a profit after tax of HK$1.8 billion, net asset value of HK$13 billion and project delivery of 1.25 million square metres of GFA in 2014. We will continue to accelerate growth in our strategic markets and strengthen our capabilities as a niche developer.

Despite challenging market conditions in the property sector ahead, SOCAM believes that our corporate transformation over the last few years has provided a solid platform for capturing exciting opportunities and unleashing our potential.

Special Situation Projects

Overview

SOCAM owns a diversified portfolio with a total developable gross floor area (GFA) of approximately 2.5 million square metres and an attributable GFA of 2.2 million square metres, spanning Beijing, Shanghai, Chongqing, Chengdu, Guangzhou, Tianjin, Guizhou and Shenyang.

In March 2011, we 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 second tier cities in the Chinese Mainland, with a focus on residential development and mixed-use projects. Partnering with some of the world's leading institutional investors, the fund will co-invest on a 50-50 basis with SOCAM in selected special situation projects with a combined equity of approximately US$400 million. This enhanced access to a larger pool of capital provides SOCAM with a larger investment base and enables us to move swiftly in capturing exceptional market opportunities when they arise.

The strategy to increase special situation assets in the Group's property portfolio is progressing smoothly. SOCAM has been actively identifying projects, and acquired three with good profit potentials during the year, with an additional attributable GFA of over 0.8 million square metres. This brings the total number of projects to 11.

The Group's total attributable developable GFA of special situation projects at 29 February 2012 is summarised below:

Location	Project	Total developable GFA attributable to the Group (sq. metres)	Property type	Estimated completion year	SOCAM Shareholding
Beijing	Centrium Residence	30,300	Residential	2012	52.5%
Chengdu	Orient Home	240,800	Composite	2015	51%
Chongqing	Creative Concepts Center	35,000*	Composite	Completed	100%
Guangzhou	Parc Oasis	112,000	Residential	2012	100%
	Panyu Project	103,000	Composite	2015	100%
Guizhou	Zunyi Project	620,000	Residential and retail	2018	100%
Shanghai	Lakeville Regency Tower 18	22,200	Residential	Completed	100%
	21st Century Tower	43,800	Branded residence and hotel	2012	70%
Shenyang	Shenyang Project Phase I	232,400*	Composite	2012	100%
	Shenyang Project Phase II	653,900	Composite	2016	100%
Tianjin	Wuqing Project	103,500	Residential and retail	2014	90%
Total		2,196,900			

* The GFA shown above has excluded sold areas

Project Acquisitions, Sales and Development Progress

Project acquisitions

During the year, the Group continued to extend its footprints in the Chinese Mainland and acquired three special situation projects in Guangzhou, Guizhou and Tianjin, and an additional 20% shareholding in one of our current projects in Shenyang.

The Group acquired a well-located project in Zunyi, Guizhou through a public listing-for-sale in the first quarter of 2011. The site, previously housing a cement plant of the Group, has been rezoned from industrial use to that for commercial and residential development and is expected to yield a total GFA of approximately 620,000 square metres upon completion.

Another project in Panyu, Guangzhou was acquired in October 2011. This is a redevelopment involving the conversion of existing industrial buildings and plants in a prime residential area into commercial properties comprising serviced apartment, office and retail areas with a total GFA of 103,000 square metres.

In December 2011, we entered into an agreement to acquire a 90% interest in three commercial plots of land located in the Wuqing District, Tianjin with a total GFA of 115,000 square metres. The land is situated between Beijing and Tianjin and at a prime location close to the Wuqing Station of the Beijing-Tianjin Intercity Railway. The area is undergoing a major transformation into an important hub for knowledge and innovation properties, modern logistics and trading. The Group plans to develop the site into retail property and serviced apartments.

We have also strengthened our management control over a project on hand and purchased the remaining 20% interest in Shenyang Project Phase II from the minority financial investor.

Project development and property sales

The Group's property sales in the Chinese Mainland continued to gather pace. Marketing and sales activities focused primarily on our Guangzhou Parc Oasis, Chongqing Creative Concepts Center, Shenyang Project Phase I and Beijing Centrium Residence. However, austerity measures imposed by the Central Government to curb the rapid rise of housing prices, including home purchase restrictions and higher down payments and mortgage rates for second homes, resulted in a dampening of sentiment in the residential property market.

A number of projects are coming onstream for completion in 2012, which include Shanghai 21st Century Tower, Beijing Centrium Residence, Guangzhou Parc Oasis, and the commercial portion of Shenyang Project Phase I, while other projects proceeded satisfactorily and were on schedule during the year.

Beijing Centrium Residence
Situated in the Chaoyang District of Beijing within walking distance of Sanlitun, the 210 high-end apartments of this development are committed to very high standards in prestige living. Superstructure works was completed and show flats and the art gallery were opened in the latter part of 2011.

Pre-sale permit was issued in late 2011, and at the end of February 2012, 45 of the first batch of around 140 units offered for sale were signed up. The project will be ready for occupation in 2012.

Chengdu Orient Home
Orient Home is positioned as a high quality city-core composite development close to a major interchange of the future Chengdu metro, with 11 residential towers, a 28-storey office tower, a 28-storey serviced apartment tower and a 6-storey shopping mall. The development will also offer car parking spaces, a clubhouse and a kindergarten. Construction work is expected to start in the second half of 2012. In June 2011, we disposed of 49% of our interest in this project for a consideration of RMB440 million to a private equity fund of LaSalle Investment Management.

Chongqing Creative Concepts Center
Enjoying a convenient transportation network with a prime location close to Jiefangbei Square, the central business district of Chongqing, Creative Concepts Center continues to be a sought-after choice in the market. Almost 100% of the residential apartments with 30,000 square metres GFA, and over 90% of the office units with 22,000 square metres GFA, were sold. Over 50% of the retail spaces with 21,000 square metres GFA was taken up by the end of December 2011. The project was completed in 2010.

Guangzhou Parc Oasis
Parc Oasis is located in the well sought-after North Tianhe area, and comprises three residential towers, each of 35 storeys, and one serviced apartment tower of 31 storeys, featured with a clubhouse and eco-friendly design. All four towers were topped out in late 2011 as planned.

The first batch of 100 residential units began sales activity in March 2011. By December 2011, approximately 60% of the units in this pre-sale launch was sold. Additionally, pre-sale of 100 serviced apartment units of this project was launched in November, with over 60% pre-sold as of February 2012.

Shanghai Lakeville Regency Tower 18
This luxury serviced apartment, in close proximity to Xintiandi, continues to be an accommodation of choice. It performed consistently above expectations during the year, with average occupancy of around 87%, and provided the Group with stable recurrent rental income.

Shanghai 21st Century Tower
SOCAM acquired the hotel and serviced apartments on the 26th to 49th floors of this 49-storey tower in Pudong in December 2010. A management agreement was entered into with Four Seasons Hotels and Resorts Group to provide unparalleled services to this exquisite and luxurious project, with 43,800 square metres of total developable GFA, to be completed in the second half of 2012. Through this strategic partnership, Four Seasons' globally acclaimed service quality will put SOCAM in a unique position to develop the "branded residences" in the high-end market.

Shenyang Project Phase I
Construction works of the residential towers was completed. The project comprises upscale residential units, serviced apartments, grade A offices and a shopping mall. Shenyang Project Phase I has received encouraging market feedback since the pre-sale launch of residential units in the third quarter of 2009, with over 65% of the residential GFA sold and progressively delivered to the buyers during the year. Preparation for the opening of the mall in Phase I is underway and leasing activities have progressed smoothly with around 80% of the retail space being taken up. Grand opening of the mall is scheduled for 2012.

Shenyang Project Phase II
Relocation and clearance of land parcels by Shenyang local authorities is progressing satisfactorily. Design and planning are underway and construction is targeted to commence in mid 2012.

Knowledge Communities

As early as 2006, the Group saw significant new market opportunities across China in the development of world-class knowledge hubs, each envisioned as an integral community focusing on the latest technologies such as software and IT outsourcing industries, clean tech, health care, finance, as well as the entrepreneur start-ups and the learning world. The city of Dalian was identified as an ideal location for such a concept which can specialize in software, business process outsourcing and IT outsourcing. A strategic partnership was formed with Shui On Land (SOL) and the Yida Group, a leading property developer in northeast China to pursue these opportunities.

Dalian Tiandi

Dalian, a major seaport in northeast China, is emerging as an internationally attractive city with a diversified economy, high living quality and excellent global accessibility. Under the direction of the Dalian Municipal Government, the city has recorded double-digit GDP growth every year since 1992. International trade flows reached a record high of US$58.5 billion in 2011, representing a 16.6% increase over the previous year.

SOCAM holds a 22% interest in the Dalian Tiandi project, an integrated development with GFA of approximately 3.41 million square metres which includes software offices, landscaped office, residential and retail spaces, educational campuses, outdoor recreation and environmental facilities, as well as public amenities. The development excels in connectivity and eco-awareness and is poised to be a leading knowledge community to meet the rapidly growing needs in China and the Asia-Pacific region.

In February 2011, a strategic partnership was formed with Mitsui Fudosan Residential Company (Mitsui), a leading real estate developer in Japan, to jointly develop six parcels of land in the Hekou Bay and Huang Ni Chuan zones into residential and retail properties with a total GFA of about 206,000 square metres. Mitsui has a 30% interest in the partnership and the properties are scheduled for completion by 2014.

Development of this project continues apace as the location and concept attract major leasing commitments from multinational corporations in the fields of research, IT development and education. Construction progressed according to the master development plan with GFA under construction in 2011 at approximately 507,000 square metres, comprising areas for residential of 237,000 square metres and leasing properties of 270,000 square metres.

As of 31 December 2011, major tenants already moved in included IBM, Kingsoft, Zhongke Tianjian, Chinasoft, and Ambow Education, the leading e-learning provider in China with first batch of students enrolled in April. The occupancy rate of leasable office achieved 91%.

Sales of townhouses and apartments, Greenville, are progressing well, with almost 70% of the first tranche of residences sold by the year end. Total contracted sales for 2011 were approximately RMB423 million. The retail complex in IT Tiandi in the Huang Ni Chuan zone was partially opened in October, providing food and beverage outlets and other convenience to the community.

In November 2011, the Annual Meeting of the New Champions convened in Dalian met with great success. This "Summer Davos" is the foremost global business gathering in Asia and attended by international and regional business leaders. With international activities in this city, our knowledge community is taking shape as a well recognized hub for hi-tech industry, education and knowledge exchange.

Joint Venture in Nanjing

In January 2011, SOCAM signed an agreement with Tsinghua Science Park to jointly develop a knowledge community in Nanjing. In the last quarter of 2011, the global economic uncertainties and the Central Government's austerity and monetary measures reining in particularly the property sector made the investment climate very uncertain, and the Company decided prudently in November to put this project on hold.

SOCAM continues to hold a strong belief in the exciting opportunities which our knowledge community concept offers, and will pursue suitable opportunities as they arise when more favourable economic and market conditions return.

CONSTRUCTION

Despite the uncertain global economic environment, the Hong Kong economy performed well in 2011 and achieved a GDP growth of 5% in real terms, which was underpinned by strong consumption demand and heavy investment in public sector construction works. The total gross value of construction works in Hong Kong increased 8% in real terms over the year. These economic activities pushed total employment to successive new highs, with the unemployment rate falling to a 13-year low of 3.3% and wages recording their largest increases since the mid-1990s. Inflation also went up visibly and averaged at 5.3%.

In recent years, the HKSAR Government has been increasing expenditures in capital works with the objective of promoting economic growth through infrastructural development. The capital works expenditure saw an increase to HK$58 billion in 2011 and is expected to increase to over HK$70 billion each year in the next few years. In addition, the current public housing construction programme will bring about the building of 75,000 public rental housing flats in the next five years. In the 2011/12 Policy Address, the HKSAR Government announced the resumption of Home Ownership Scheme and has planned to provide more than 17,000 flats over the four years from 2016/17 onwards.

Looking ahead, we expect acceleration of the public housing construction programme given the election pledges made by the incoming new administration as well as an increase in tender opportunities for design-and-build and construction-only projects from the Hong Kong Architectural Services Department (ASD) and the Hong Kong Housing Authority (HKHA). Our track record of timely completion, safety and environmental awareness will continue to give us an advantage in the award of government contracts.

The Group's construction business performed steadily during the year. Total turnover was HK$4,742 million (2010: HK$4,812 million), while new contracts totalling HK$3,537 million (2010: HK$4,457 million) were won. It recorded a 40% increase in profit to HK$118 million, despite increasing building material and labour costs and a 1.5% decrease in turnover from the previous year.

During the year, the construction division continued to implement measures to improve operational efficiency and comparative advantages, strengthen its partnership with subcontractors and maintain tight control over project costs and corporate overheads to enhance the profitability of existing contracts to cope with the rising costs.

At 31 December 2011, the gross value of contracts on hand was approximately HK$13.7 billion and the value of outstanding contracts to be completed was approximately HK$6.0 billion, compared with HK$12.3 billion and HK$6.7 billion respectively at 31 December 2010.

Shui On Building Contractors (SOBC)

SOBC was awarded a public rental housing project at Kwai Shing Circuit from the HKHA with a value of HK$597 million. In addition, it also secured two 3-year contracts from HKHA for the maintenance and refurbishment works at various housing estates in Kowloon and the New Territories, valued at approximately HK$626 million in total.

During the year, major projects completed by SOBC included the public rental housing estates at Tseung Kwan O Area 73B, Kwai Luen Road, and Eastern Harbour Crossing Site Phases 5 & 6 in Yau Tong, and a district term maintenance contract and a total maintenance scheme term contract for HKHA, and the refurbishment works on a residential development for the Hong Kong Housing Society.

Shui On Construction (SOC)

SOC made good progress on the two contracts from ASD, namely, the HK$1 billion contract 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 Hong Kong Immigration Department in Kwai Chung.

SOBC and SOC place paramount importance on site safety, energy-saving, environmental awareness, waste management and recycling. During the year, they continued to receive awards for outstanding performance in safety and environmental management, including the International Safe Workplace under the World Health Organisation Safe Community Programmes, and the industry-acclaimed Special Architectural Awards (Sustainable Design) organised by the HKSAR Government.

Shui On Construction, Mainland (SOCM)

SOCM, the Group's 70%-owned construction arm in the Chinese Mainland saw a considerable increase in turnover for the year. It provided construction services for Chongqing Tiandi, Foshan Lingnan Tiandi and Wuhan Tiandi of Shui On Land and Shenyang Project Phase I, Guangzhou Parc Oasis and Dalian Tiandi projects of SOCAM during the year. SOCM also completed the renovation works on an office building in Shanghai.

SOCM secured RMB1.3 billion worth of new contracts, including construction works for Foshan Lingnan Tiandi, Wuhan Tiandi and 21st Century Tower in Shanghai, and a shopping mall and an office building in Shenyang.

Subsequent to the year-end, the Group completed the acquisition of additional 15% interest in SOCM, thereby raising its interest in SOCM to 85%, to further strengthen management control over SOCM and expand its construction business in the Chinese Mainland.

Pat Davie (PDL)

Our interior fit-out and refurbishment arm PDL recorded increased profitability on a slight decrease in turnover. While corporate clients remain cautious with expansion or relocation of offices amid global economic uncertainty, the booming retail sector creates strong demand for refurbishment and upgrading of retail premises. In addition, conversion of disused industrial buildings into office premises or serviced apartments provided a major source of business activity in Hong Kong during the year. However, business volume in Macau decreased as the frenetic pace of casino and hotel building slowed down. Leveraging its expertise in the hospitality sector, PDL acted as a fit-out contractor and materials procurement agent for selected up-market property projects of SOCAM in the Mainland.

During the year, PDL completed a number of projects, including fit-out and refurbishment works for The Link, MTR Corporation, Hong Kong Polytechnic University, Hong Kong Disneyland and a major investment bank in Hong Kong, and MGM, Altira, One Central Macau and a golf club in Macau.

PDL secured new contracts of approximately HK$604 million, of which 65%, 18% and 17% by value were in Hong Kong, Macau and the Chinese Mainland respectively. Major contracts include the fit-out of offices and a hotel, renovation works on conversion of an industrial building into office premises and refurbishment of a shopping mall in Hong Kong, as well as the fit-out of three major casino hotels and a serviced apartment in Macau, and the hotel and branded residence in 21st Century Tower in Shanghai. After the year-end, PDL was awarded fit-out and renovation contracts in Hong Kong, Macau and the Chinese Mainland with a total value of approximately HK$100 million.

CEMENT

Market review

Supported by strong domestic economic growth, cement output in China rose 11.7% in 2011 over the previous year to 2.1 billion tonnes, notwithstanding a slowdown from the 15.5% year-on-year increase in 2010. In 2011, China saw record expansion of cement production capacities, with a total of 166 new dry kilns commissioned, adding about 260 million tonnes capacity across the country. China's cement sector now accounts for about 60% of global output. Over-capacity arising from excessive investments in cement in the last few years has exacerbated in certain parts of the country, particularly Sichuan and Chongqing. However, investment in China's cement industry dropped 8.3% in 2011 to RMB143.9 billion, which was the first decrease in five years amid the Central Government's suppressive policies to curb the industry's over-capacity. In the southwestern region, cement investment was down by approximately 28%. The Ministry of Industry and Information Technology (MIIT) expects the growth in China's cement output will further ease to below 10% in 2012.

Nationwide infrastructure works and other fixed assets investments, coupled with increasing urbanisation, rural modernisation and the Central Government's massive social housing construction, continues to boost demand for cement. Fixed assets investment in 2011 sustained a remarkable 23.8% expansion from the previous year. However, the liquidity crunch as a result of tightened monetary policy to curb inflation and escalation in property prices severely affected funding for infrastructure and building construction activities in the second half of the year; hence also dampening demand for cement. Contrary to previous trends, marked recovery in terms of volumes and prices was not noted during the traditional peak season for cement in the fourth quarter of the year.

MIIT forecasts the domestic demand for cement to rise by 3 - 4% annually on average in the next few years to reach 2.2 billion tonnes in 2015, a much slower pace than the current level as the Central Government steps up efforts to make the China economy less reliant on fixed assets investment and more on domestic consumption.

The Twelfth Five-year Plan released in November 2011 reaffirms the Central Government's policy to upgrade the cement industry through promoting industry consolidation and technology. In the 2011 - 2015 period, it aims to concentrate 35% output around the 10 largest producers, reduce the total number of cement enterprises by one-third and eliminate 250 million tonnes of backward and energy-inefficient capacity, foster industrial upgrade and set higher emission control standards. All these will help the sustainable development of the cement industry in China.

Lafarge Shui On Cement (LSOC)

Operating performance

LSOC, in which the Group holds a 45% interest, is a market leader in Southwest China with a major presence in Sichuan, Chongqing, Guizhou and Yunnan. Its total annual production capacity increased slightly to approximately 31 million tonnes at the end of 2011, from approximately 30 million tonnes a year ago.

In 2011, total sales volume of LSOC was approximately 26.5 million tonnes, which was higher than that of the previous year by approximately 14%, largely due to the additional capacities of seven million tonnes contributed by the three new dry kilns that were commissioned in late 2010.

For a consecutive second year, LSOC posted disappointing results largely due to depressed pricing and rising costs, despite higher sales volume on expanded production. Back in 2007 - 2008, the then high pricing and upcoming massive post-quake reconstruction works, additional to the already robust infrastructure development, attracted significant, yet imprudent, investments in the building of cement plants in Sichuan and Chongqing. The substantial new capacities coming onto the market in the past two years resulted in over-capacity and intensified competition that exerted considerable pressure on cement prices in these areas. In Guizhou, cement prices staged a strong rebound in the second and third quarters as production was disrupted by restriction of power supply. This upward trend however receded markedly from September after easing of power shortage. Prices in Yunnan saw a slight increase during the year as producers were more cautious about price competition due to persistently high coal prices. Overall, the average cement selling price of LSOC for the year stayed at the level of the year before.

The significant increase in the price of coal since 2010 continued to erode margins. Despite the implementation of various initiatives by LSOC to lower energy consumption, reduce headcount and contain the rise in other production costs, the variable cost of production increased by approximately 8% over the previous year.

Issuance of bond

In November 2011, LSOC issued a 3-year offshore Renminbi-denominated bond with a total amount of RMB1.5 billion to strengthen its financial structure. LSOC is the first foreign joint venture in China's cement industry issuing such an offshore Renminbi bond and the demand was overwhelming.

Capacity expansion

Construction of a new dry kiln in Gongxian, Sichuan with a capacity of 2,500 tonnes per day (tpd) was completed towards the end of 2011. Another dry kiln in Hedigang, Yunnan with a capacity of 2,500 tonnes per day is currently under construction, with completion targeted in 2013.

Assets injection

In January 2011, the China Securities Regulatory Commission granted LSOC an approval to inject 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. LSOC now holds beneficial interests of approximately 78% and 64% in Shuangma and the Dujiangyan plants respectively.

LSOC plans to inject all of its cement plants into Shuangma over the next few years. These asset injections will be subject to fair market valuation of the cement assets 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 funds for the acquisition of the aforementioned cement assets from LSOC. The asset injection and share placement are expected to take place before the end of 2012. Thereafter, LSOC will continue to hold a majority interest in Shuangma. Further injections of LSOC's cement assets in Yunnan and Chongqing, as well as its interests in the remaining cement plants in Guizhou, into Shuangma will follow.

As part of its transformation strategy, SOCAM is actively working on various options for the strategic divestment of its interest in LSOC.

Sustainability

LSOC progressed well during the year with its five-year plan called "Sustainability Ambitions 2012", which covers energy saving, safety, emission reduction and quarry rehabilitation. Various initiatives to protect the environment during the industrial process will continue, while enhancing operational efficiency.

The installation of low-temperature waste heat recovery systems, which lower coal consumption and reduce carbon emissions, while generating electricity with exhaust heat from the clinker production process, is in progress in six of LSOC's plants in Yunnan. It is expected that these systems will progressively be put into operation in the first and second quarters of 2012 with these plants consuming about 30% less power thereafter.

In November 2011, LSOC entered into a strategic co-operation agreement with a subsidiary in Yunnan of Sparton Resources Inc. to use waste coal ash as an additive in its cement manufacturing process, which will bring significant positive environmental benefits.

Guizhou cement

SOCAM accomplished its exit plan for the cement plants in Guizhou which have not been injected into LSOC. It completed the disposal of the dry line in Kaili with a net cash receipt of HK$474 million and the sale of its minority interest in the cement plant in Liupanshui for HK$110 million in the second half of the year.

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 the local markets, despite higher cost of purchased clinker, and achieved a better operating performance.

FINANCIAL REVIEW

FINANCIAL RESULTS

The Group's profit attributable to shareholders for the year ended 31 December 2011 was HK$910 million on a turnover of HK$5,900 million, compared with a profit of HK$903 million on a turnover of HK$8,044 million for the previous year.

The Group's cement operations and venture capital investments are conducted through jointly controlled entities. The HK$5,900 million turnover for the year has not included the Group's share of the turnover of these jointly controlled entities. Set out below is an analysis of the total turnover:

	Year ended 31 December 2011 HK$ million	Year ended 31 December 2010 HK$ million
Turnover		
SOCAM and subsidiaries		
Construction and building maintenance	**4,742**	4,812
Property	**1,156**	3,225
Others	**2**	7
Total	**5,900**	8,044
Jointly controlled entities and associates		
Cement operations	**3,422**	2,982
Property and others	**94**	4
Total	**3,516**	2,986
Total	**9,416**	11,030

Turnover from construction and building maintenance work was steady following the substantial expansion of workload in Hong Kong and the Mainland during 2010. Revenue from the property business during the year 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. In 2010, the high turnover in property was largely attributed to the en-bloc disposals of four property projects in Chengdu, Chongqing and Beijing. Turnover from the cement operations increased during the year on higher sales volume resulting from the added capacities of three new kilns. Dalian Tiandi, of which the Group has a 22% interest, began to recognise property sales revenue in 2011.

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

	Year ended 31 December 2011 HK$ million	Year ended 31 December 2010 HK$ million
Property		
Project fee income	**118**	52
Profit from property sales and net rental income	**226**	501
Gain on disposal of a subsidiary	**337**	-
Fair value gain on investment properties, net of deferred tax provision	**446**	314
Dalian Tiandi	**74**	36
Net operating expenses	**(155)**	(133)
	1,046	770
Construction	**118**	84
Cement operations		
LSOC	**(49)**	104
Guizhou cement	**5**	(9)
Gain on disposal of cement plants	**56**	-
Impairment losses	**(16)**	(99)
	(4)	(4)
Investment in SOL		
Dividend income and gain on scrip option	**10**	64
Net gain on disposal of shares	**-**	373
	10	437
Venture capital investments	**53**	29
Net finance costs	**(165)**	(216)
Corporate overheads and others	**(99)**	(110)
Taxation	**(24)**	(72)
Non-controlling interests	**(25)**	(15)
Total	**910**	903

Property

Property operations recorded a considerable growth in total net profit to HK$1,046 million, reflecting the quality of the Group's portfolio of special situation properties and the distinct business model. Project fee income from jointly controlled entities and associates increased substantially to HK$118 million due to the larger property portfolio managed by the Group.

The profit from property sales for the year was mainly attributed to the recognition of sales of the residential and office units of Chongqing Creative Concepts Center and Shenyang Project Phase I upon handover of the pre-sold units as well as the en-bloc disposal of the Qianxinian Building in Chongqing. Rental income was derived from the Group's investment properties, Lakeville Regency Tower 18 in Shanghai and the retail portion of Chongqing Creative Concepts Center.

In addition, the Group disposed of its 49% interest in the Chengdu Orient Home project in June, for an aggregate consideration of RMB440 million (approximately HK$527 million) and recognised a net gain of HK$337 million in accordance with applicable accounting standards.

The valuation of the Group's investment properties, including both completed and those under development, at the year-end, produced a net gain of HK$446 million, reflecting the enlarged investment property portfolio of the Group following the acquisition of the remaining 20% interest in Shenyang Project Phase II and re-designation of the retail portion of Chongqing Creative Concepts Center from inventory. In 2010, the fair value gain was largely 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.

The Group's 22% share of Dalian Tiandi's profit for the year increased to HK$74 million, from HK$36 million for the previous year, due to the recognition of sales revenue following the gradual handover of the residential villas and mid/high-rise apartments in 2011.

Construction

Construction business reported higher profit, despite a marginal decline in turnover, as average net margin increased to 2.5% of turnover, from 1.7% for the previous year.

Cement operations

LSOC, in which the Group holds a 45% interest, reported an operating loss in 2011, and the Group's share was HK$49 million. Although both sales volume and turnover were higher than the previous year as a result of the addition of three new kilns with aggregate annual capacity of approximately seven million tonnes, margins were eroded by higher coal and power prices in its areas of operation, while pricing remained depressed due to over-capacity particularly in Sichuan and Chongqing. The three new dry lines of LSOC, which experienced instability in production in their early months of operation after commissioning in late 2010, added to the disproportionate increase in the manufacturing fixed and variable costs in 2011.

During the year, the Group disposed of its dry production line in Kaili, and its 40.16% interest in the cement plant in Liupanshui, both in Guizhou and recognised total disposal gain of HK$56 million.

The HK$16 million impairment losses mainly represented the Group's 45% share of the provisions made by LSOC on its plant and equipment in 2011. In the previous year, the Group incurred HK$40 million impairment losses on closure of two wet kilns in Guizhou and took up its share of HK$59 million provisions made by LSOC largely on the closure of a semi-dry kiln and a wet kiln in Sichuan.

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 for the year.

Venture capital

The venture capital funds in which the Group invested reported a net attributable gain of HK$53 million in 2011, largely due to the gain on disposal of all the shares in a listed infrastructure company in Hong Kong held by the fund at a substantial premium as a result of a general offer for the company by an investor, and valuation gain on the fund's interest in a manufacturer of biodegradable materials resulting from a new round of equity financing.

Net finance costs

Net finance costs decreased to HK$165 million for the year, from HK$216 million for the previous year, mainly because of the increase in interest income from the Group's increased average cash and deposit balances.

ASSETS BASE

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

	31 December 2011 HK$ million	31 December 2010 HK$ million
Total assets	**22,231**	21,048
Net assets	**10,002**	9,204
	HK$	HK$
Net assets per share	**20.4**	18.8

The total assets of the Group increased by 6% to HK$22.2 billion at 31 December 2011, from HK$21.0 billion at 31 December 2010, while both the net assets of the Group and net assets per share increased by 9% in 2011 largely due to the HK$910 million profit for the year.

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

	31 December 2011 HK$ million	**%**	31 December 2010 HK$ million	%
Property	**13,879**	**63**	12,519	60
Cement	**4,727**	**21**	5,366	25
Construction	**1,759**	**8**	1,279	6
Investment in SOL shares	**324**	**1**	514	2
Others	**1,542**	**7**	1,370	7
Total	**22,231**	**100**	21,048	100

The value of property assets increased while the cement operation saw a decrease in total assets at 31 December 2011, when compared with those at 31 December 2010. This coincides with the Group's strategy in the transformation into a leading niche property developer in the Chinese Mainland. The proportions of total assets of other segments remained relatively stable at the year-end when compared with their positions a year ago.

EQUITY, FINANCING AND GEARING

The shareholders' equity of the Company increased to HK$10,002 million on 31 December 2011, from HK$9,204 million on 31 December 2010, which was mainly attributable to the HK$910 million profit for the year.

Net bank borrowings of the Group represented bank borrowings, net of bank balances, deposits and cash, and amounted to HK$5,056 million on 31 December 2011. This compared with HK$4,722 million on 31 December 2010.

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

	31 December 2011 HK$ million	31 December 2010 HK$ million
Bank borrowings repayable:		
Within one year	**6,134**	2,864
After one year but within two years	**2,131**	3,770
After two years but within five years	**296**	1,565
Total bank borrowings	**8,561**	8,199
Bank balances, deposits and cash	**(3,505)**	(3,477)
Net bank borrowings	**5,056**	4,722

The net gearing ratio of the Group, calculated as net bank borrowings over shareholders' equity, was maintained at about 51% on 31 December 2011 and 31 December 2010. In addition to scheduled term loan repayments, the Group renewed approximately HK$3 billion credit facilities during the year. Given the persistent volatility in the global financial markets, these renewals were however mostly for a further one year period leading to a significant increase in the amount of bank borrowings due within the next year.

The Group continues to seek longer term financings to match more closely with its assets portfolio. Subsequent to the year-end, the Group renewed a total of HK$2,208 million bank loans for a further one to two years.

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 2011, the number of employees in the Group was approximately 1,170 (31 December 2010: 1,180) in Hong Kong and Macau, and 8,860 (31 December 2010: 11,630) in subsidiaries and jointly controlled entities in the Chinese Mainland. While staff costs are kept stable during the year, employee remuneration packages are maintained at competitive levels and employees are rewarded on a performance-related basis. Other staff benefits, including provident fund schemes and medical insurance, remained at appropriate levels. The Group continued to retain and develop 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 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 year ended 31 December 2011, except for the deviations from Code Provision B.1.3, which are 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 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, 28 March 2012

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 Kun To, Philip and Mr. Wong Fook Lam, Raymond; the Non-executive Director of the Company is Mr. Wong Yuet Leung, Frankie; 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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