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瑞安建業有限公司*
SHUI ON CONSTRUCTION AND MATERIALS LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 983)

Announcement of results for the year ended 31 December 2009

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2009	2008
Turnover	HK\$3,200 million	HK\$2,944 million
Profit attributable to shareholders	HK\$807 million	HK\$562 million
Basic earnings per share	HK\$1.96	HK\$1.75
Interim dividend per share	HK\$0.10	HK\$0.20
Final dividend per share	HK\$0.25	-
	At 31 December	At 31 December
	2009	2008
Total assets	HK\$18.6 billion	HK\$11.5 billion
Net assets	HK\$9.0 billion	HK\$5.0 billion
Net asset value per share	HK\$18.45	HK\$15.53
Gearing	53%	85%

RESULTS HIGHLIGHTS

Building on Strengths and Track Record - Scaling New Heights

During the year, the Group emerged with higher profitability and greater financial strength.

Property

The successful privatisation of China Central Properties in June 2009 has not only substantially strengthened the Group's financial position and improved its gearing level but also built a solid foundation for its property business to take advantage of the exciting market opportunities in the Mainland.

Our portfolio rapidly expanded, and two property projects in Beijing and Shanghai were acquired in the past 6 months at attractive discounts to market prices.

Cement

Lafarge Shui On Cement saw robust increases in sale volumes in Southwest China and improved profitability on high utilisation and reliability rates, despite keen competition and price pressure with new capacities entering the market in mid 2009.

The three dry kilns in Sichuan, Chongqing and Guizhou, when completed in mid 2010, will add over 6 million tonnes to the current capacity of 24 million tonnes. Lafarge Shui On Cement will actively pursue acquisition opportunities and expansion plans.

Construction

The construction division secured more government design-and-build and maintenance contracts on the back of an increasing workflow from the public sector in Hong Kong. The outstanding value of contracts on hand at 31 December 2009 rose to approximately HK\$6.7 billion.

Investment in Shui On Land

The strong recovery of the share price of Shui On Land, of which the Group held 8.7% at 31 December 2009, produced a significant gain of HK\$1,034 million, which was reflected in reserves.

Prospects

With China leading the recovery in world economies and likely to attain another year of strong, sustainable growth in 2010, the Group's transformation should progress well with its core businesses continuing to grow in a favourable environment.

RESULTS

The Board of Directors of Shui On Construction and Materials Limited (the “Company” or “SOCAM”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2009.

CONSOLIDATED INCOME STATEMENT

	Notes	2009 HK\$ million	2008 HK\$ million
Turnover			
The Company and its subsidiaries		3,200	2,944
Share of jointly controlled entities/associates		3,197	3,689
		<u>6,397</u>	<u>6,633</u>
Group turnover	2	3,200	2,944
Other income		149	133
Changes in inventories of finished goods, work in progress, contract work in progress and properties held for sale		109	(17)
Raw materials and consumables used		(651)	(584)
Staff costs		(485)	(417)
Depreciation and amortisation expenses		(15)	(8)
Subcontracting, external labour costs and other expenses		(2,290)	(1,865)
Dividend income from available-for-sale investments		8	67
Fair value changes on investment properties		46	27
Fair value changes on embedded derivatives		-	(3)
Convertible bonds issued by the Company			
– Fair value changes on embedded derivatives		1	239
– Imputed interest expense		(28)	(48)
Interest on bank loans and overdrafts and other borrowing costs		(218)	(181)
Gain on disposal of available-for-sale investments		-	496
Fair value changes on financial assets carried at fair value through profit or loss		-	20
Impairment loss recognised in respect of interests in jointly controlled entities		(1)	(12)
Impairment loss on available-for-sale investments		-	(558)
Loss on disposals of interests in jointly controlled entities		(4)	(6)
Discount on acquisition of a subsidiary	3 & 9	648	-
Discount on deemed acquisition of interest in an associate		-	85
Share of results (excluding impairment loss) of jointly controlled entities		302	(78)
Share of impairment loss of jointly controlled entities		(44)	-
Share of results of associates		101	350
Profit before taxation		<u>828</u>	584
Taxation	4	(16)	(15)
Profit for the year		<u>812</u>	<u>569</u>
Attributable to:			
Owners of the Company		807	562
Non-controlling interests		5	7
		<u>812</u>	<u>569</u>
Earnings per share	6		
Basic		<u>HK\$1.96</u>	<u>HK\$1.75</u>
Diluted		<u>HK\$1.84</u>	<u>HK\$1.08</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2009	2008
	HK\$ million	HK\$ million
Profit for the year	<u>812</u>	<u>569</u>
Other comprehensive income (expense)		
Gain (loss) on fair value changes of available-for-sale investments	1,034	(2,858)
Reclassification adjustments for amounts transferred to profit or loss:		
– upon disposal of available-for-sale investments	-	(458)
– in respect of impairment loss on available-for-sale investments	-	558
– release of exchange differences upon disposals of interests in jointly controlled entities	(7)	(1)
– release of exchange differences upon deregistration of subsidiaries	(9)	(3)
Exchange differences arising on translation of foreign operations	26	150
Revaluation surplus attributable to the Group's previously held interest in CCP (as defined hereinafter), net of deferred tax of HK\$32 million	95	-
Recognition of actuarial gain (loss)	81	(210)
Share of other comprehensive income of associates/jointly controlled entities	<u>47</u>	<u>231</u>
Other comprehensive income (expense) for the year	<u>1,267</u>	<u>(2,591)</u>
Total comprehensive income (expense) for the year	<u>2,079</u>	<u>(2,022)</u>
Total comprehensive income (expense) attributable to:		
Owners of the Company	2,080	(2,029)
Non-controlling interests	<u>(1)</u>	<u>7</u>
	<u>2,079</u>	<u>(2,022)</u>

CONSOLIDATED BALANCE SHEET

	Notes	31 December 2009 HK\$ million	31 December 2008 HK\$ million
Non-current Assets			
Investment properties		622	–
Property, plant and equipment		59	29
Prepaid lease payments		43	44
Interests in jointly controlled entities		4,265	3,903
Available-for-sale investments		2,004	970
Interests in associates		332	2,430
Investment in convertible bonds		-	194
Club memberships		1	1
Amounts due from jointly controlled entities		1,008	554
Amounts due from associates		543	568
		<u>8,877</u>	<u>8,693</u>
Current Assets			
Inventories		7	13
Prepaid lease payments		1	1
Properties held for sale		634	53
Properties under development for sale		4,806	186
Debtors, deposits and prepayments	7	948	644
Derivative financial instruments		-	13
Amounts due from customers for contract work		302	219
Amounts due from jointly controlled entities		437	481
Amounts due from associates		39	49
Amounts due from related companies		39	46
Taxation recoverable		3	–
Pledged bank deposit		-	76
Restricted bank deposits		299	-
Bank balances, deposits and cash		1,545	617
		<u>9,060</u>	<u>2,398</u>
Assets classified as held for sale		704	445
		<u>9,764</u>	<u>2,843</u>
Current Liabilities			
Creditors and accrued charges	8	1,403	868
Sales deposits received		312	-
Amounts due to customers for contract work		124	132
Amounts due to jointly controlled entities		345	344
Amounts due to associates		-	28
Amounts due to related companies		-	2
Amounts due to non-controlling shareholders of subsidiaries		6	–
Taxation payable		57	11
Derivative financial instruments		-	1
Bank borrowings due within one year		4,980	3,448
Convertible bonds		-	430
		<u>7,227</u>	<u>5,264</u>
Liabilities associated with assets classified as held for sale		328	63
		<u>7,555</u>	<u>5,327</u>
Net Current Assets (Liabilities)		<u>2,209</u>	<u>(2,484)</u>
Total Assets Less Current Liabilities		<u>11,086</u>	<u>6,209</u>

CONSOLIDATED BALANCE SHEET (continued)

	31 December 2009	31 December 2008
Notes	HK\$ million	HK\$ million
Capital and Reserves		
Share capital	488	322
Reserves	8,515	4,677
Equity attributable to owners of the Company	9,003	4,999
Non-controlling interests	45	55
	<u>9,048</u>	<u>5,054</u>
Non-current Liabilities		
Bank borrowings	1,660	1,070
Defined benefit scheme liabilities	-	84
Deferred tax liabilities	378	1
	<u>2,038</u>	<u>1,155</u>
	<u>11,086</u>	<u>6,209</u>

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 (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group’s financial period beginning on 1 January 2009.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendments to HKFRS 5 that are effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – INT 13	Customer Loyalty Programmes
HK(IFRIC) – INT 15	Agreements for the Construction of Real Estate
HK(IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – INT 18	Transfers of Assets from Customers

New and revised HKFRSs affecting the financial performance and / or financial position

As part of improvements to HKFRSs (2008), HKAS 40 Investment Property has been amended to include within its scope properties under construction or development for future use as investment properties and to require such properties to be measured at fair value (where the fair value model is used and the fair values of the properties are reliably determinable). In prior years, the investment properties under construction were stated at cost less impairment loss. In accordance with the relevant transitional provisions, the new policy has been applied prospectively from 1 January 2009 (the Group did not have any investment properties under construction at 1 January 2009). As a result of the application of the amendment, the Group’s investment properties under development, acquired through acquisition of subsidiaries during the year, have been measured at fair value at 31 December 2009, with the fair value gain of HK\$46 million and a deferred tax expense of HK\$12 million, recognised in profit or loss in the current year.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group’s reportable segments but changed the basis of measurement of segment profit or loss, segment assets and segment liabilities.

1. Basis of preparation (continued)

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments, which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not presented comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The application of the above new HKFRSs has had no material effect on the consolidated financial statements of the Group for the prior accounting periods. Accordingly, no prior period adjustment has been required.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 24 (Revised)	Related Party Disclosures ⁶
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 32 (Amendment)	Classification of Right Issues ⁴
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ³
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ⁵
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards ¹
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ³
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 9	Financial Instruments ⁷
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁶
HK(IFRIC) – INT 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments ⁵

¹ Effective for annual periods beginning on or after 1 July 2009

² Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

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

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

⁵ Effective for annual periods beginning on or after 1 July 2010

⁶ Effective for annual periods beginning on or after 1 January 2011

⁷ Effective for annual periods beginning on or after 1 January 2013

1. Basis of preparation (continued)

The application of HKFRS 3 (Revised) may affect the accounting for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

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

The Directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

2. Segment information

For management reporting purposes, the Group is currently organised into four operating divisions – construction and building maintenance, cement operations, property and others. Following the privatisation of the Group's 42.88% owned CCP (as defined hereinafter) in June 2009, the asset management operation, which was previously grouped under the "Asset management and others" segment, has been included under the "Property" segment. This redesignation of the Group's reportable segment better reflects the Group's current business activities. Segment information for prior year has been restated to conform with the current year's presentation. These divisions are the basis on which the Group reports to its chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

2. Segment information (continued)

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

For the year ended 31 December 2009

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

Inter-segment revenue is charged at mutually agreed prices.

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

RESULTS

Operating results	69	8	(3)	(69)	(9)	(4)
Interest income	2	-	1	27	-	30
Interest income from investment in convertible bonds	-	-	-	11	-	11
Imputed interest income on loans to jointly controlled entities/associates	-	-	-	48	-	48
Fair value changes on investment properties	-	-	-	46	-	46
Impairment loss on properties held for sale / properties under development for sale	-	-	-	(10)	-	(10)
Dividend income from available-for-sale investments	-	-	-	8	-	8
Impairment loss recognised in respect of interests in jointly controlled entities	-	-	(1)	-	-	(1)
Loss on disposals of interests in jointly controlled entities	-	-	(3)	(1)	-	(4)
Discount on acquisition of a subsidiary	-	-	-	648	-	648
Share of results (excluding impairment loss) of jointly controlled entities						
Cement operations in						
– LSOC	-	309	-	-	-	309
– Guizhou	-	-	24	-	-	24
Venture capital investments	-	-	-	-	10	10
Imputed interest expense	-	-	-	(35)	-	(35)
Others	(6)	-	-	-	-	(6)
						302
Share of impairment loss of jointly controlled entities	-	(44)	-	-	-	(44)
Share of results of associates						
Distressed asset development	-	-	-	85	-	85
Greenfield development	-	-	-	29	-	29
Imputed interest expense	-	-	-	(13)	-	(13)
						101
Reportable segment profit before taxation	65	273	18	774	1	1,131
Unallocated items:						
Other income						27
Convertible bonds issued by the Company						
– Fair value changes on embedded derivatives						1
– Imputed interest expense						(28)
Interest on bank loans and overdrafts and other borrowing costs						(218)
Other corporate expenses						(85)
Profit before taxation						828

2. Segment information (continued)

For the year ended 31 December 2008

	Construction	Cement operations			Others	Total
	and building maintenance	Through LSOC	Other cement operations	Property		
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
REVENUE						
External sales of goods	-	-	-	-	25	25
External revenue from rendering of services	-	-	-	188	2	190
Construction contract revenue	2,729	-	-	-	-	2,729
Revenue from external customers	2,729	-	-	188	27	2,944
Inter-segment revenue	6	-	-	-	-	6
	2,735	-	-	188	27	2,950
Share of jointly controlled entities	7	2,105	474	-	14	2,600
Share of associates	-	-	-	1,089	-	1,089
Total segment revenue	2,742	2,105	474	1,277	41	6,639

Inter-segment revenue is charged at mutually agreed prices.

RESULTS

Operating results	83	8	(7)	30	(14)	100
Interest income	3	-	5	-	7	15
Interest income from investment in convertible bonds	-	-	-	24	-	24
Imputed interest income on loans to jointly controlled entities/associates	-	-	-	54	-	54
Fair value changes on embedded derivatives	-	-	-	(3)	-	(3)
Dividend income from available-for-sale investments	-	-	-	67	-	67
Fair value change on an investment property	-	-	-	27	-	27
Impairment loss recognised in respect of interests in jointly controlled entities	-	-	(12)	-	-	(12)
Impairment loss on available-for-sale investments	-	-	-	(558)	-	(558)
Fair value changes on financial assets carried at fair value through profit or loss	-	-	-	-	20	20
Loss on disposal of a jointly controlled entity	-	-	(6)	-	-	(6)
Discount on deemed acquisition of interest in an associate	-	-	-	85	-	85
Gain on disposal of available-for-sale investments	-	-	-	496	-	496
Share of results of jointly controlled entities						
Cement operations in						
– LSOC	-	133	-	-	-	133
– Guizhou	-	-	33	-	-	33
Venture capital investments	-	-	-	-	(233)	(233)
Greenfield development	-	-	-	16	-	16
Imputed interest expense	-	-	-	(23)	-	(23)
Others	(3)	-	-	-	(1)	(4)
						(78)
Share of results of associates						
Distressed asset development	-	-	-	108	-	108
Greenfield development	-	-	-	273	-	273
Imputed interest expense	-	-	-	(31)	-	(31)
						350
Reportable segment profit (loss) before taxation	83	141	13	565	(221)	581
Unallocated items:						
Other income						8
Convertible bonds issued by the Company						
– Fair value changes on embedded derivatives						239
– Imputed interest expense						(48)
Interest on bank loans and overdrafts and other borrowing costs						(181)
Other corporate expenses						(15)
Profit before taxation						584

Note: Included in operating results for the year ended 31 December 2009 is cost of properties sold of HK\$9 million (2008: Nil).

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**	
	2009 HK\$ million	2008 HK\$ million	2009 HK\$ million	2008 HK\$ million
Hong Kong	2,357	1,918	21	23
PRC (excluding Hong Kong)	843	1,026	704	51
	<u>3,200</u>	<u>2,944</u>	<u>725</u>	<u>74</u>

* Revenue from external customers is attributed to countries on the basis of the customers’ location.

** Non-current assets exclude available-for-sale investments, investment in convertible bonds, interests in associates and jointly controlled entities, and amounts due from associates and jointly controlled entities.

3. Discount on acquisition of a subsidiary

In May 2009, the Company made an offer to acquire the remaining 57.12% shareholding in China Central Properties Limited (“CCP”), which was listed on the Alternative Investment Market of the London Stock Exchange plc (“AIM”) and a 42.88% associate of the Group. The offer was declared unconditional in all respects on 10 June 2009. Following completion of the acquisition, CCP has become a wholly-owned subsidiary of the Group. At 31 December 2009, the assets and liabilities of CCP were consolidated into the Group’s consolidated balance sheet.

The Directors of the Company have reassessed the identification and measurement of fair values of CCP’s identifiable assets, liabilities and contingent liabilities and the cost of acquisition. The net fair value of the identifiable assets, liabilities and contingent liabilities of CCP attributable to the 57.12% shareholding acquired by the Company exceeded the cost of acquisition by an amount of HK\$648 million, which represented a discount on acquisition of CCP, and has been recognised in the consolidated income statement for the year ended 31 December 2009.

The Directors of the Company, after the reassessment, consider that the discount on acquisition was due to the fact that the cost of acquisition was favourable compared to the net fair value of the identifiable assets, liabilities and contingent liabilities of CCP attributable to the 57.12% shareholding acquired by the Company. Given the relatively low liquidity and the adverse trading performance of CCP shares since admission to trading on AIM in June 2007, the offer price represented a considerable discount to the net asset value per share of CCP but also contained a significant premium over CCP’s share prices prior to the announcement of the Company’s offer. The acquisition was effected in June 2009. Further details of the net assets acquired in this transaction are disclosed in note 9. Details of the transaction are set out in a circular of the Company dated 15 May 2009.

4. Taxation

	2009 HK\$ million	2008 HK\$ million
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	10	10
PRC Enterprise Income Tax	9	5
PRC Land Appreciation Tax	11	–
	<u>30</u>	<u>15</u>
Deferred taxation	(14)	–
	<u>16</u>	<u>15</u>

5. Dividends

	2009 HK\$ million	2008 HK\$ million
Payable:		
Final dividend in respect of the year ended 31 December 2007: HK\$0.65 per share	–	209
Interim dividend in respect of the year ended 31 December 2009: HK\$0.10 per share (2008: HK\$0.20 per share)	<u>49</u>	<u>64</u>
	<u>49</u>	<u>273</u>
Proposed:		
Final dividend in respect of the year ended 31 December 2009: HK\$0.25 per share	<u>122</u>	<u>–</u>

The final dividend in respect of the year ended 31 December 2009 of HK\$0.25 per share has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

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

6. 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:

	2009 HK\$ million	2008 HK\$ million
Earnings:		
Earnings for the purpose of basic earnings per share	807	562
Effect of dilutive potential ordinary shares from convertible bonds issued by the Company:		
Imputed interest expense	28	48
Fair value changes on embedded derivatives	(1)	(239)
Effect of dilutive potential ordinary shares of CCP:		
Interest income on convertible bonds	(11)	–
Loss on early cancellation of convertible bonds	44	–
Adjustment to the share of results of CCP based on dilution of its earnings per share	<u>(83)</u>	<u>–</u>
Earnings for the purpose of diluted earnings per share	<u>784</u>	<u>371</u>
Number of shares:	Million	Million
Weighted average number of ordinary shares for the purpose of basic earnings per share	411	322
Effect of dilutive potential ordinary shares:		
Convertible bonds issued by the Company	15	22
Share options	<u>-</u>	<u>1</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>426</u>	<u>345</u>

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

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

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 at the balance sheet date as follows:

	2009	2008
	HK\$ million	HK\$ million
Within 90 days	300	336
91 days to 180 days	2	16
181 days to 360 days	6	3
Over 360 days	12	9
	320	364
Retention receivable	133	117
Deposit for acquisition of a subsidiary	23	-
Prepayments, deposits and other receivables (note)	472	163
	948	644

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

8. Creditors and accrued charges

The aged analysis of creditors (based on invoice date) of HK\$455 million (2008: HK\$280 million), which are included in the Group's creditors and accrued charges, is as follows:

	2009	2008
	HK\$ million	HK\$ million
Creditors aged analysis:		
Within 30 days	326	208
31 days to 90 days	95	59
91 days to 180 days	23	10
Over 180 days	11	3
	455	280
Retention payable	205	144
Consideration payable in respect of acquisition of a subsidiary (note)	102	-
Provision for contract work	355	277
Other accruals and payables	286	167
	1,403	868

Note: The amount is repayable when certain conditions as set out in the relevant agreements are met, which is expected to occur in the twelve months from the balance sheet date.

9. Acquisition of a subsidiary

As disclosed in note 3 above, the Company acquired the remaining 57.12% shareholding in CCP, which became a wholly-owned subsidiary of the Group. The net assets acquired in this transaction and the discount on acquisition are as follows:

	Acquiree's carrying amounts before acquisition HK\$ million	Fair value and other adjustments HK\$ million	Fair value HK\$ million
		(Note b)	
Property, plant and equipment	22	–	22
Interests in jointly controlled entities	710	(40)	670
Investment properties	–	272*	272
Properties held for sale	68	4	72
Properties under development for sale	4,117	(54)*	4,063
Loan to a related company	113	–	113
Other loan receivable	138	–	138
Debtors, deposits and prepayments	249	–	249
Amounts due from jointly controlled entities	365	–	365
Amounts due from related companies	168	–	168
Tax recoverable	1	–	1
Bank balances, deposits and cash	691	–	691
Creditors and accrued charges	(341)	–	(341)
Amounts due to jointly controlled entities	(50)	–	(50)
Amounts due to related companies	(45)	–	(45)
Loan from related companies	(328)	–	(328)
Foreign exchange forward contract	(39)	–	(39)
Taxation payable	(44)	–	(44)
Bank borrowings due within one year	(260)	–	(260)
Bank borrowings due over one year	(261)	–	(261)
Defined benefit scheme liabilities	(3)	–	(3)
Deferred tax liabilities	(39)	(289)	(328)
Net assets of subsidiary acquired	5,232	(107)	5,125
Transferred from interests in associates			(2,223)
Revaluation surplus, net of deferred tax of HK\$32 million on previously held interest			(95)
Transaction costs			(52)
Carrying amount of convertible bonds of CCP held by the Group			(218)
Discount on acquisition (note 3)			(648)
Net consideration			1,889
Net consideration satisfied by:			
Issue of new shares of the Company			1,928
Cash consideration paid			135
Proceeds received on early cancellation of convertible bonds of CCP			(174)
			1,889
Net cash inflow arising on acquisition:			
Cash consideration paid			(135)
Cash and cash equivalents acquired			691
Proceeds received on early cancellation of convertible bonds of CCP			174
			730

* Included in these amounts is a reclassification adjustment of certain property interests (with fair value of HK\$272 million) from properties under development for sale to investment properties, as the Group intends to hold such properties for rental income and capital appreciation rather than sale.

9. Acquisition of a subsidiary (continued)

Notes:

- (a) A total of 165,780,547 new shares of the Company were issued and a total of £10.7 million (HK\$135 million) cash was paid as consideration for the acquisition of the 57.12% equity interest in CCP. The fair value of the share consideration was determined based on the published prices of the Company's share on the respective dates of exchange. In addition, as a condition to the acquisition, CCP cancelled early its convertible bonds at 90% of the principal amount in June 2009.

Included in the Group's revenue and profit for the year is HK\$19 million and loss of HK\$32 million respectively attributable to CCP since the acquisition date.

If the acquisition had been completed on 1 January 2009, the Group's revenue and profit for the year would have been HK\$3,208 million and HK\$910 million respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of the total revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2009, nor is it intended to be a projection of future results.

- (b) The fair value of property interests held by CCP's subsidiaries and jointly controlled entities are determined based on the valuation carried out by an independent valuer and determined by (i) direct comparison approach, making reference to the comparable sales transactions as available in the market; or (ii) capitalisation of net income derived from the properties, taking into account the construction costs that would be expended to complete the development to reflect the quality of the completed development, as appropriate.

10. Contingent liabilities

At 31 December 2009, the Group had the following contingent liabilities, which have not been provided for in the consolidated financial statements:

- (a) Standby documentary credit arranged with a bank amounting to HK\$216 million (2008: HK\$292 million) to secure a bank loan granted to a subsidiary of an associate.
- (b) Guarantees issued in favour of banks amounting to RMB47 million (HK\$53 million) (2008: Nil) in respect of mortgage facilities granted to the buyers of the Group's residential properties.
- (c) Effective share of a guarantee issued in favour of banks amounting to HK\$289 million (2008: Nil) to secure a bank loan granted to a jointly controlled entity.
- (d) Guarantees issued in favour of a bank for a loan granted to a former wholly-owned subsidiary of CCP (the "Former Subsidiary") with an outstanding amount of RMB542 million (HK\$615 million) at 31 December 2009. The acquirer of the Former Subsidiary has agreed to procure the repayment of the bank loan and this obligation is guaranteed by the parent company of such acquirer.

In the opinion of the Directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the Directors consider that the possibility of the default of the parties involved is remote. Accordingly, no value has been recognised in the consolidated balance sheet.

11. Events after the balance sheet date

The Group had the following significant events subsequent to the balance sheet date:

- (a) On 28 January 2010, the Group entered into an agreement for the disposal of the entire issued capital of Chongqing TH Holding Management Company Limited (an indirect wholly-owned subsidiary of the Company), which owns a property under development for sale located at Danlong Road, Chongqing for a consideration of RMB180 million (HK\$204 million). The disposal, when completed, is expected to generate a gain of approximately RMB10 million (HK\$12 million) to the Group.
- (b) On 10 February 2010, the Group entered into an agreement for the disposal of the entire issued share capital of and the related shareholder's loans to Prosper Idea Limited (an indirect wholly-owned subsidiary of the Company), which is the indirect sole owner of the serviced apartments in Central Point Phase I located at the Wuhou District of Chengdu. The consideration (subject to adjustment) is approximately RMB367 million (HK\$417 million). The disposal is expected to generate a gain of approximately RMB45 million (HK\$51 million) to the Group on completion. Details of this transaction are set out in an announcement of the Company dated 11 February 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 26 May 2010 to Friday, 28 May 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend for the year ended 31 December 2009 and be eligible to attend and vote at the annual general meeting of the Company to be held on 28 May 2010, 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, 25 May 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

China rebounded more swiftly from the global economic downturn than other major economies with the Central Government's monetary and fiscal stimulus measures proving to be effective in enabling GDP growth to exceed the 8% target for 2009. Yet, although concerns remained as to whether worldwide economic recovery was deep-rooted and sustainable, the Group's property and cement businesses in China continued to record steady and sustainable growth, while the construction business provided synergistic benefits and support, and the process of divesting non-core assets and investments continued gradually.

The implementation of the chosen strategy was reinforced by our continuing transformation, in particular after the successful privatisation of China Central Properties (CCP). The financial position was also strengthened to take advantage of the opportunities ahead. The Group is well placed to reach new heights in the next decade.

BUSINESS REVIEW

PROPERTY

2009 was a milestone year for SOCAM's property business. In June, SOCAM successfully privatised CCP, its London AIM-listed, real estate, associated company. CCP has achieved enviable results since its listing in June 2007, having built a diversified property portfolio in major Mainland cities and completed and disposed of three prime office buildings in Beijing and Dalian, yielding favourable returns for shareholders.

The privatisation of CCP was a proactive, strategic move to enhance significantly the growth of SOCAM's core business in property. It has also created value for both SOCAM and other investors. The low liquidity of AIM in general contributed to the persistently depressed share prices of CCP and this market could no longer provide an attractive fund-raising avenue for CCP's business growth. The privatisation, completed in June, allowed investors to exit at a value that gave them a considerable premium over CCP's share price. For SOCAM, the acquisition has resulted in a significant expansion in its asset and equity bases, enabling us to capitalise on the exciting investment and development opportunities in the Mainland. The privatisation also resulted in a streamlined corporate structure, which would allow timely investment decisions to be made.

CCP has now established itself as a leader in distressed and special situation properties in China. The constantly evolving real estate sector in the Mainland, whether business landscape or market volatility, will continue to create an abundance of distressed projects and offer CCP a niche segment to thrive in.

Having become a wholly-owned subsidiary of SOCAM, CCP, its principal investment vehicle, was renamed Shui On China Central Properties (SOCCP). In August, all CCP projects were also rebranded under SOCCP to help SOCAM leverage the 'Shui On' brand's reputation for quality and innovation in China. SOCCP's primary focus will continue to be the acquisition and development of distressed and special situation projects. As opportunities arise, we will also build on our success in undertaking medium-sized greenfield projects in prime locations in major and secondary cities in China.

Acquisition highlights

China has emerged rapidly from the global financial crisis in 2009 and SOCAM has benefited by continuing its search for quality property projects, seizing market opportunities that arose subsequent to the injection of colossal liquidity into the economy, a portion of which might have been unscrupulously invested.

1. Beijing Chaoyang Project

Having disposed of two Beijing projects that generated good returns in 2008, the Group continues to look for investment in prime, partially-completed property projects in the national capital. In October, the Group formed a joint venture and completed the acquisition of a residential project with a gross floor area (GFA) of 57,700 square metres in the Chaoyang District of Beijing at a consideration of US\$118 million. Located in the growing CBD, this project is within walking distance of the famous Sanlitun district and major embassies and will be developed into a luxury residential property, offering over 200 prime apartments and supporting facilities. Completion is expected in 2011. The Group has a 52.5% interest in the joint venture.

2. Shanghai Lakeville Regency Tower 18

In December, the Group signed a contract to acquire Lakeville Regency Tower 18, marking SOCCP's debut in Shanghai. With the acquisition of this prestigious development at a consideration of US\$46 million, SOCCP brought into its portfolio a luxury residential building with a GFA of approximately 16,800 square metres in the heart of Shanghai. This completed development, comprising 103 top-tier apartment units, is currently managed by a renowned serviced apartment operator. The acquisition was completed in January 2010. SOCCP remains on the look out for further Shanghai property projects.

3. Chengdu Orient Home

The Group completed the acquisition of the remaining 51% interest in Chengdu Orient Home, a greenfield development project near a major interchange station of the future metro line in Chengdu. The current development plan is to build a contemporary composite development comprising 13 residential towers, serviced apartments and a retail podium, with a total GFA of 474,000 square metres.

4. Shenyang Project Phase I

SOCCP now owns 100% of Shenyang Project Phase I (formerly Shenyang Central Plaza Phase I) after acquiring the 30% interest in January from its US based partner. Located at the northern end of the 'Golden Corridor', the burgeoning business and economic centre of Shenyang, this 281,200 square metres GFA high quality complex comprises four residential and two commercial towers above a retail podium. This development is complemented by the adjacent Shenyang Project Phase II, in which the Group has an 80% interest. A total of 800,800 square metres GFA of residential premises, hotel, serviced apartments, offices and retail space will be developed in this phase.

Project overview

Currently, the Group has a diverse property portfolio of 14 distressed, greenfield and special situation projects comprising approximately two million square metres of attributable developable GFA, all located in prime locations in Beijing, Shanghai, Chengdu, Chongqing, Guangzhou, Shenyang and Qingdao. These projects form a solid base to provide a stable stream of profits upon their completion in the next few years.

At 31 December 2009, the Group's total attributable developable GFA, excluding that of the knowledge community project (see below), breaks down as follows:

Location	Project	Total attributable developable GFA (square metres)	Property Type	Estimated Completion Year
BEIJING	Fengqiao Villas	76,000	Residential	2010
	Chaoyang Project*	30,300	Residential	2011
CHENGDU	Central Point	96,000	Composite	2010
	Orient Home	474,000	Composite	2013
CHONGQING	Creative Concepts Center (formerly Ruiqi Building)	86,000	Composite	2010
	Haomen Building	13,000	Commercial	***
	Nanyang Building	53,000	Residential and retail	2011
	Qianxinian Building	35,000	Commercial and retail	2011
	Danlong Road Project	149,000	Residential and retail	****
GUANGZHOU	Chuangyi Centre	112,000	Residential and retail	2011
QINGDAO	Central International Plaza (Blocks A and C)	4,000**	Composite	Completed
SHANGHAI	Lakeville Regency Tower 18	16,800	Residential	Completed
SHENYANG	Shenyang Project (Phase I) (formerly Central Plaza Phase I)	281,200	Composite	2011
	Shenyang Project (Phase II) (formerly Central Plaza Phase II)*	640,700	Composite	2014
	TOTAL	2,067,000		

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

** Yet-to-be sold GFA

*** To be sold in its existing condition in 2010

**** Agreement for the disposal of this Project was signed in January 2010, with completion expected in May 2010

Property sales

During the year, two projects were put up for pre-sale with both volumes and prices achieving satisfactory results.

1. Shenyang Project Phase I

Offering a unique lifestyle concept ideal for Shenyang's growing professional classes, approximately 30,000 square metres GFA have been pre-sold since this project was released in September 2009. In view of the growing demand for high-end residential premises in Shenyang even at robust price levels, we are monitoring market sentiment to best capitalise on further sales opportunities for the remaining residential and commercial spaces in 2010.

2. Chongqing Creative Concepts Center

The Group has created significant value in this unfinished project known as Ruiqi Building, by enhancing its design and repositioning it as Chongqing Creative Concepts Center. Located in the heart of Chongqing's CBD, this prime composite development, consisting of residential, office and retail space, has proved to be very popular. About 390 units with 24,200 square metres GFA, representing approximately 80% of the residential portion of this project, have been sold since the pre-sale was launched in September 2009. Release of the remaining residential units as well as the office and retail space for sale will continue in 2010.

Subsequent to the year end, the Group entered into agreements for the following disposals:

1. Danlong Road Project

In January 2010, the Group signed an agreement for sale of the 29,000 square metres plot of residential land located at Danlong Road in Chongqing, which was converted from an industrial site that previously housed the headquarters of TH Cement, the Group's cement arm in Chongqing. The sale consideration of RMB180 million was slightly above its appraised market value. Completion of this sale is anticipated in May 2010.

2. Chengdu Central Point

Further to the sale in 2008 of the office portion in Phase 1 to a reputable financial institution, SOCCP entered into an agreement in February 2010 for the disposal of the serviced apartments for RMB367 million. This transaction is expected to be completed in March 2010.

These sales contribute to the Group realising investment gains in line with its business model that focuses on quick asset turnover. The net sale proceeds will also provide the Group with greater financial flexibility to capture other attractive investment opportunities.

Project progress

The overall development of the projects on hand progressed well during the year, leveraging on our project management expertise. Among these projects, Beijing Fengqiao Villas, Chengdu Central Point and Chongqing Creative Concepts Center will see completion in 2010.

Beijing Chaoyang Project

The project site was handed over to SOCAM in October 2009 upon closing of the acquisition. After the finalisation of the design plans, construction works of this upmarket residential development commenced in the fourth quarter of 2009, with completion set for 2011.

Guangzhou Chuangyi Centre

Demolition work was completed in June. All structural and layout plans, as well as detailed drawings, are at an advanced stage. Foundation works have commenced on a revised blueprint that now provides for 112,000 square metres GFA, comprising three residential towers of 35 storeys and one serviced apartment tower of 31 storeys on a 4-level basement with car parking spaces. The project is due for completion in late 2011, with sales activity planned for the end of 2010.

Chengdu Orient Home

The ground-breaking ceremony was held in August 2009. Excavation and lateral support works will commence soon. This composite development consists mainly of residential towers. Completion is expected in phases during 2012 and 2013.

Shenyang Project

Construction works of Phase I are progressing as planned. Relocation and clearance of land in Phase II by Shenyang local authorities are near completion. This project was awarded a pre-certificate of LEED (Leadership in Energy and Environmental Design) by the US Green Building Council.

Knowledge community project – Dalian Tiandi

The coastal city of Dalian is being planned to develop into a major shipping, logistics, IT and financial centre. The Group holds a 22% interest in Dalian Tiandi, an integrated development with GFA of approximately 3.54 million square metres which includes a software hub, commercial and retail properties, residential, educational, outdoor recreation and environmental facilities, as well as public amenities. The development will be constructed over 10 phases with final completion in 2020.

This project, a joint venture involving Shui On Land, SOCAM and Yida Group, is one with ambitious goals not just in its scale but also with a vision to create a critical mass of software and information technology (IT) outsourcing industries, business process outsourcing ventures and educational establishments.

Land acquisitions and leasing are progressing smoothly, as are the initial phases of construction. At 31 December 2009, various land plots of total developable GFA of approximately 2.85 million square metres have been acquired. In February 2010, the joint venture also successfully converted the permitted usages of plots of land of approximately 0.71 million square metres of developable GFA at Huangnichuan North from industrial to commercial and residential according to the master plan.

Site formation works of the fourth phase in Site C, Huangnichuan North, which comprises five phases altogether, approached completion at the end of 2009. The construction of two software office buildings with a GFA of 42,000 square metres started in March and will be made available for occupation in the first half of 2010. The construction of two other software office buildings with a planned GFA of 52,000 square metres, three engineers' apartment blocks with a GFA of 40,000 square metres, and the commercial properties at IT Tiandi (excluding carpark) with a GFA of 77,000 square metres have commenced in 2009 and most of them are due for completion by the end of 2010.

In May, the joint venture entered into a lease agreement with Ambow, a US based leader in the education services sector in the Mainland, to build a facility with a GFA of 114,000 square metres for training software and outsourcing talents. Construction work is underway and the facility is scheduled for completion in 2010. A memorandum of understanding has been finalised with a world renowned IT conglomerate in December and is expected to be signed in the first half of 2010 for the development of a 100,000 square metres centre. Negotiations on leases with a number of other leading IT companies are making good headway.

Dalian Tiandi is rapidly taking shape as an eco-friendly, cosmopolitan living and working environment comprising distinct but interconnected zones catered for high-end knowledge industry clients. We have also undertaken initial studies to explore the possibility of expanding the concept of the knowledge community into other Mainland cities as well as cooperation with other investors.

SOCAM Asset Management (SAM)

SAM was the investment manager of CCP. Following the privatisation of CCP, SAM continues to act as the principal operation arm of the Group's property business with a remit to source and acquire quality projects, manage the execution, leasing and disposal processes, and generate favourable returns to the Group.

Investment in Shui On Land (SOL)

In June, SOL issued one bonus share for every ten ordinary shares held. It also placed new shares representing approximately 9.1% of its enlarged issued share capital to raise HK\$2,038 million to fund the development of its existing projects. The Group's shareholding in SOL has since remained at approximately 8.7%.

As major stock markets rebounded after the extensive downturn in the global financial crisis in 2008, SOL's share price posted significant gains. The Group's shareholding in SOL had a market value of HK\$2,004 million at 31 December 2009 compared to HK\$970 million at 31 December 2008. This considerable increase in value was reflected directly in the reserves of the Group as required by applicable accounting standards.

CEMENT

China's economy has grown rapidly over recent years, and both investment and domestic consumption have expanded notably. During 2009, benefiting from the Central Government's substantial stimulus plan in excess of RMB4 trillion which accelerated domestic economic growth amid the global financial crisis, the spending on infrastructure works including high-speed railways, highways and power plants saw significant expansion. Fixed assets investment in 2009 increased by more than 29% from the previous year, with an increase above the national average in the southwest region where LSOC has its operations. Massive infrastructure development, coupled with increasing urbanisation and rural modernisation, are driving the demand for cement. In 2009, China's cement output reached 1.63 billion tonnes, representing a growth of 17.9% from the previous year.

The Central Government continues to demand improved cement quality compliance to raise industry standards and encourages consolidation and restructuring of the cement industry. Out-dated, energy-inefficient and polluting producers are being phased out in a bid to conserve energy and reduce carbon emissions. In tandem, incentives have also been offered to concentrate output around major players that have a strong capital base, high product quality and whose processes are environmentally friendly.

The overcapacity situation in China's cement industry, particularly that in Sichuan, may have been exaggerated as certain new plants are substandard and many proposed new capacities are unlikely to proceed to construction. The Central Government's policy to curb unrealistic capacity expansion, together with accelerating closure of old-fashioned capacities, will continue to eliminate weak players in the industry.

Lafarge Shui On Cement (LSOC)

LSOC, in which the Group holds a 45% interest, remains the cement market leader in Southwest China with major presence in Sichuan, Chongqing and Yunnan. LSOC is among the top cement enterprises recognised by the Central Government for its advanced technology, large-scale operations, good operating performance and its commitment to safety and sustainable development.

Total annual production capacity of LSOC stayed at approximately 24 million tonnes during the year.

Operating performance

In 2009, LSOC's total sales volume exceeded 23 million tonnes, an increase of 31% from 2008, a year in which the earthquake in May caused partial production suspension at its two major plants in Sichuan. Good market demand, despite keen competition, coupled with the high utilisation and operational reliability rates of LSOC's plants, resulted in robust increases in production and sales volumes.

The strong upward adjustment in cement prices in the southwest region in the past two years has attracted considerable investment in new capacities and intensified competition. LSOC started 2009 with favourable selling prices in all business units but operations in Sichuan and Chongqing experienced considerable price pressure from mid May onwards, due to excess supply from major competitors in nearby provinces as well as new capacities coming onto the market. Cement prices staged a steady recovery in November, propelled by improved market conditions. The average selling price for the year dropped by about 5% to RMB291 per tonne, from RMB307 per tonne the year before. Boosted by higher volumes, total turnover for 2009 increased to HK\$8.1 billion from HK\$6.2 billion in 2008.

Gross profit margin increased as the drop in selling prices was more than compensated for by lower costs, which were attributed to the much greater volumes produced, the decrease in the prices of coal and power and the implementation of various cost saving initiatives. The waste heat recovery systems installed in a number of plants have lowered energy consumption, further enhancing profit margins. LSOC achieved total EBITDA of approximately HK\$2.1 billion for the year. Profit attributable to SOCAM increased from HK\$133 million in 2008 to HK\$265 million in 2009.

Expansion plans

LSOC made good progress with its capacity expansion plans. Construction of the third line in Dujiangyan, Sichuan and the new dry kilns in Yongchuan, Chongqing and Sancha, Guizhou were on schedule with completion expected in mid 2010. This additional capacity of 13,800 tonnes per day (tpd) will further strengthen LSOC's leadership position in Southwest China.

Another five dry kilns with an aggregate capacity of 17,500 tpd in strategic locations in Sichuan, Chongqing and Yunnan will commence construction in due course. A number of other new projects in its core operating region are also on the drawing board and applications for government approvals are well under way.

LSOC's expansion plans will continue and a number of acquisitions of its competitors are under consideration. Although the Central Government has expressed concern over excessive investment in a number of heavy industries in the Mainland, including cement, LSOC is confident that demand for cement in its regional markets will remain strong and sustainable as the inexorable development of the Chinese hinterland continues.

Assets injection

The proposed injection by LSOC of its 50% interest in the Dujiangyan plants into Sichuan Shuangma Cement at a valuation of RMB2.8 billion in consideration for new shares issued by Shuangma has not proceeded as smoothly during the year as originally anticipated. This asset injection received the approval of Shuangma's independent shareholders in January 2009 and of the Ministry of Commerce in June 2009. Affected adversely by the decrease in cement prices in Sichuan during the second half of the year, the valuation of this 50% interest in Dujiangyan plants was lowered to approximately RMB2.3 billion. The asset injection proposal at the revised valuation received the approval of Shuangma's independent shareholders in January 2010. Final approval from the China Securities Regulatory Commission is being sought. It is expected this asset injection will be completed in the second quarter of 2010.

On completion, LSOC will hold beneficial interests of about 78% and 64% in the Shuangma and the Dujiangyan plants respectively. The asset injection will further consolidate LSOC's leadership position in Sichuan through this Shenzhen-listed company.

Sustainability

In 2009, LSOC was approaching the half way mark of its five-year plan called 'Sustainability Ambitions 2012'. Key areas of this corporate initiative include energy saving, emission reduction and quarry rehabilitation. Through the implementation of various initiatives, LSOC was able to reduce energy consumption and enhance operational efficiency, which is important to an industry where coal and electricity typically account for some 30% of the production costs.

The progressive installation of waste heat recovery systems in certain LSOC plants continues, which lowers coal consumption and reduces carbon emissions, while generating electricity with the exhaust heat from the clinker production process.

Divestment

In February 2010, LSOC entered into an agreement for the disposal of its small cement and concrete operations in Beijing, which have total annual production capacities of one million tonnes of cement and 300,000 m³ of concrete. This divestment, subject to relevant minority shareholders' consents and government approvals, is in line with LSOC's strategy to strengthen its operations and leadership position in the Southwest China.

Guizhou cement

A new dry kiln in Changda commenced production in the first quarter of 2009, adding an additional 2,500 tpd capacity to the cement plants retained by the Group in Guizhou. The total sales volume of Xishui, Zunyi, Kaili, Yuqing, Bijie and Changda increased to 1.7 million tonnes during the year. The average selling price eased to RMB327 per tonne, compared with RMB341 in 2008, due to increased competition, albeit there is sustained market demand for building and infrastructure works. Gross profit margins improved as coal and power prices stayed at relatively low levels for much of the year.

The construction of the new 2,500 tpd dry plant in Kaili experienced some delay due to the supply of certain major equipments being affected by the Sichuan earthquake. Commissioning was started in August and production commenced in the later part of the year.

LSOC will be the flagship of the cement business of both SOCAM and Lafarge in the Mainland. SOCAM is executing an exit plan for the remaining cement plants it holds. The Yuqing plant was disposed of in April. The Zunyi and Bijie plants are expected to be closed down by the end of 2010 and SOCAM seeks to re-develop the plant sites into property projects after approvals from relevant local authorities are obtained. Negotiations for the sale of other plants are underway.

Grinding plant in Nanjing

The grinding plant in Nanjing continued to supply to both local customers and markets in Australia. It benefited from steady selling prices and much lower purchased clinker cost, and achieved an improved operating performance.

CONSTRUCTION

The Group's construction business performed steadily during the year in a climate of keen competition and a depressed market. Activity in the construction sector in Hong Kong contracted 3.9% in real terms over the year. Forecasts for 2010 point to a return to growth with construction activity increasing by 2.6%. This is reinforced by forecasts of Hong Kong's real GDP growing by 5.9% in 2010, following a 2.6% decline in 2009. The Group expects a more favourable operating environment for its construction business in the immediate years ahead.

The division's total turnover for the year was HK\$3,065 million (2008: HK\$2,729 million), while new contracts totalling HK\$4,767 million (2008: HK\$3,425 million) were won. Profits attributable to the division of HK\$69 million, a decrease of 16% from the previous year, mainly because of the write-off of tendering costs of design-and-build projects.

During the year, our construction division continued to implement proactive measures to improve alliances and competitive advantages. Considerable importance is placed on the need for greater safety, environmental awareness, energy-saving construction, waste management and recycling. A tight control has at the same time been maintained on project costs and corporate overheads to enhance the profitability of existing contracts. These measures are set against a background of uncertainty and building material prices and labour costs are likely to edge upwards as the HKSAR Government's 10 major infrastructure projects gather momentum.

A number of tenders were submitted throughout the year, some of which are pending assessment by the clients. Looking forward, tender opportunities for design-and-build and construction-only projects from both the Hong Kong Architectural Services Department (ASD) and the Hong Kong Housing Authority (HKHA) are expected to increase. Our track records of timely competition and safety and environmental achievement will play an increasingly important role in the award of contracts. Throughout 2009, we continued to gain industry and government recognition with regard to environmental and safety standards and project best practices.

At 31 December 2009, the gross value of contracts on hand was approximately HK\$10.6 billion (2008: HK\$7.7 billion) and the value of outstanding contracts to be completed was approximately HK\$6.7 billion (2008: HK\$4.4 billion).

Shui On Building Contractors (SOBC)

During the year, SOBC secured significant market share in the maintenance projects of ASD and HKHA. It was awarded three 2- and 3-year maintenance contracts by ASD for the design and construction of minor works on government and subvented properties, valued at approximately HK\$1.2 billion. It also secured four 2- and 3-year maintenance and refurbishment contracts for various housing estates from the HKHA, valued at approximately HK\$678 million. This was augmented by an HKHA public housing contract for Shek Kip Mei Estate Phase 5, with a value HK\$718 million.

Major projects completed by SOBC included Lam Tin Estate Phases 7 and 8 and three district term maintenance contracts for HKHA.

Shui On Construction (SOC)

Good progress has been made on design-and-build projects, including the HK\$1 billion contract for the new headquarters of the Hong Kong Customs and Excise Department. The contract for the design and construction of an indoor recreation centre and library at a Community Hall in Tung Chung was completed.

Subsequent to the year-end, SOC was awarded two contracts from ASD for the construction of the Town Park and Indoor Velodrome-cum-Sports Centre in Tseung Kwan O, and the design and construction of staff quarters for the Immigration Department in Kwai Chung, valued at approximately HK\$1,261 million in total.

Shui On Construction, Mainland (SOCM)

SOCM, the Group's 70%-owned construction arm in the Chinese Mainland, saw a considerable reduction in turnover in the early part of the year as uncertainty arising from global economic conditions continued. This trend reversed in the second half of the year. During the year, RMB1.4 billion worth of new contracts was secured, including construction works for the Chongqing Tiandi, Foshan Lingnan Tiandi, Chongqing Creative Concepts Center and Shenyang Project Phase I from SOL and SOCCP.

SOCM completed a number of major projects during the year, including Wuhan Tiandi Lots A4-3 and A6, upgrading works for Chongqing Tiandi, and project management for International Capital Plaza, a Grade-A office and retail complex in Shanghai.

Pat Davie

Our interior fit-out and refurbishment arm Pat Davie (PDL) saw business picking up significantly in Hong Kong after a slow start to the year due to cautious market sentiment. Retail refurbishment and relocation of investment banks' offices provided increasing business activity later in the year. New income streams are expected from the growing number of renovations in disused commercial and industrial buildings.

New contracts in Macau were, as anticipated, limited as major hotel and casino projects stalled. Projects in Macau are expected to be revived in 2010 after a number of successful IPOs of the gaming industry on the Hong Kong Stock Exchange and relaxation of the visitor policy from the Mainland.

Fit-out and refurbishment projects were completed for the MTR Corporation, The Link, Airport Authority and Urban Renewal Authority in Hong Kong and City of Dreams and MGM in Macau during the year.

PDL was awarded a total of approximately HK\$590 million worth of new contracts, of which 96% and 4% by value were in Hong Kong and Macau respectively. Major contracts in Hong Kong include the fit-out of new offices of major financial institutions and refurbishment of shopping malls. After the year-end, PDL won offices fit-out and wet market refurbishment contracts in Hong Kong for a total value of approximately HK\$75 million.

VENTURE CAPITAL

The Group was a 65.5% and 75.4% shareholder respectively in the two Yangtze Ventures Funds and a 66.8% and 60.5% shareholder respectively in the Series A and Series B Participating Shares of the On Capital China Fund. All three funds remained fully invested throughout the year.

As the global financial markets recovered during the year, the investment portfolios produced an overall net profit of HK\$10 million to the Group. At 31 December 2009, the total value of the investment portfolio attributable to the Group amounted to HK\$303 million, up from HK\$289 million a year ago.

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

FINANCIAL REVIEW

FINANCIAL RESULTS

The Group's profit attributable to shareholders for the year ended 31 December 2009 was HK\$807 million on a turnover of HK\$3,200 million, compared with the HK\$562 million profit and HK\$2,944 million turnover recorded for the previous year.

The Group's property business prior to the privatisation of CCP in June 2009 was principally undertaken through associates while its cement operations and venture capital investments are conducted through jointly controlled entities. Accordingly, the HK\$3,200 million turnover for the year has not included the Group's share of the turnover of these jointly controlled entities and associates. An analysis of the total turnover is shown below:

	Year ended 31 December 2009 HK\$ million	Year ended 31 December 2008 HK\$ million
Turnover		
SOCAM and subsidiaries		
Construction and building maintenance	3,065	2,729
Property	127	188
Others	8	27
Total	3,200	2,944
Jointly controlled entities and associates		
Cement operations	3,191	2,579
Property	3	1,089
Others	3	21
Total	3,197	3,689
Total	6,397	6,633

Turnover from construction and building maintenance works and cement operations increased during the year on higher business volumes. However, total turnover decreased slightly to HK\$6,397 million for the year, largely attributable to the fact that CCP achieved minimal property sales revenue following the sales of a number of properties in the previous year, which generated revenue in excess of HK\$3.4 billion, as most of the property projects on hand were in planning and construction stages during the year.

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

	Year ended 31 December 2009 HK\$ million	Year ended 31 December 2008 HK\$ million
Property		
Project fee income	108	188
CCP	58	144
Dalian Tiandi	(10)	(3)
Discount on acquisition of interest in CCP	648	85
Net fair value gain on investment properties	85	303
Overheads	(137)	(109)
	752	608
Investment in SOL		
Dividend income	8	67
Net gain on disposal of shares	-	496
Impairment losses	-	(558)
	8	5
Cement operations		
LSOC	309	133
Guizhou cement	28	33
Disposal and impairment losses	(52)	(18)
	285	148
Construction	69	83
Venture capital investments	10	(213)
Convertible bonds		
Fair value gain on derivatives	1	239
Imputed interest expense	(28)	(48)
	(27)	191
Net finance costs	(186)	(158)
Corporate overheads and others	(83)	(80)
Taxation and non-controlling interests	(21)	(22)
Total	807	562

Property

Property operations reported a total net profit of HK\$752 million. Management fee income from CCP decreased substantially to HK\$108 million because all fee income earned by SAM from the CCP projects subsequent to CCP becoming a wholly-owned subsidiary of the Group in June 2009 has been eliminated on consolidation.

Following the sales of a number of properties in 2008, CCP achieved minimal property sales revenue and profit in 2009 as most of the property projects on hand were in the planning and construction stages. The profit from CCP for the year largely came from the gain recognised by CCP on early cancellation of its outstanding convertible bonds in June, of which the Group had a 42.9% share prior to privatisation of CCP.

For the acquisition of the remaining 57.1% equity interest in CCP in the privatisation, SOCAM issued a total of 165.8 million new shares, in addition to paying cash of £10.7 million (HK\$135 million), to CCP shareholders. The consideration paid is equivalent to HK\$12.8 per CCP share and generated a gain on acquisition (technically termed a discount on acquisition) of HK\$692 million when compared with the HK\$18.2 net asset value per CCP share. On the other hand, the consideration paid reflected a substantial premium over CCP's share price prior to the announcement of the Company's offer in March.

As a condition to the offer made by the Company for CCP shares, CCP cancelled all the outstanding convertible bonds at a cash price equivalent to 90% of their principal amount. The Group received a sum of US\$22.5 million (HK\$174 million) from CCP for the early cancellation of its US\$25 million investment in CCP's convertible bonds and recorded a loss of HK\$44 million, which comprised the 10% discount to the principal amount and the loss of fair value of the convertible bonds upon early cancellation.

The discount on acquisition of CCP, net of the loss on early cancellation of the bonds by CCP, amounted to HK\$648 million and has been recognised in the consolidated income statement for the year. In 2008, the Group recognised a HK\$85 million gain on the deemed acquisition of its interest in CCP, as this associate of the Group at that time repurchased shares at a discount to its net asset value per share.

The valuation of the commercial portion of the properties currently under development, which will be held as investment properties after completion, at Dalian Tiandi, Shenyang Project Phase I and Chengdu Orient Home, at the year-end, produced a gain of HK\$85 million for the Group. In the previous year, the HK\$303 million revaluation gain arose from Dalian Tiandi and the Chongqing Danlong Road project.

Overheads of SAM and CCP increased to HK\$137 million in 2009, largely due to an increase in staff costs and share option charges.

Investment in SOL

In June 2009, SOL issued bonus shares to its shareholders, on the basis of one new share for every ten shares held. The Group received 39.6 million SOL shares, valued at HK\$222 million.

The SOL share price staged a strong rebound during the year. Based on the closing price of the SOL shares on 31 December 2009, when compared with the carrying value at 31 December 2008, the Group recorded a gain in fair value of HK\$812 million on its 8.7% holding of SOL shares, which were held as available-for-sale investments.

The above gains on the Group's shareholding in SOL, totalled HK\$1,034 million, were taken up directly in reserves in the consolidated balance sheet at 31 December 2009 in accordance with applicable accounting standards.

In 2008, the HK\$496 million net gain on disposal of SOL shares arose from the sale of 3.1% of SOL shares for HK\$1.0 billion in April that year. However, a separate HK\$558 million impairment loss was reported due to the diminution in fair value of the SOL shares held by the Group when marked to market at that year-end amid the global financial crisis, which developed in the third and fourth quarters of that year.

Cement operations

The Group's 45% share of LSOC's profit increased to HK\$309 million in 2009, largely due to the much higher volume of 23 million tonnes produced and sold and increased margins on lower production costs, despite the significant drop in selling prices in Sichuan and Chongqing in the second half as new production capacities came onto the market. Production and sales in 2008 were adversely affected by the earthquake in Sichuan in May, though this had limited financial impact on LSOC as damages and losses were covered by insurance.

The cement plants in Guizhou retained by the Group recorded a lower profit for the year, when compared to the previous year, largely due to a decrease in prices in the second half on increased competition and less value added tax refund for wet kiln operations after a change of government policy in August 2008. However, higher production and sales volumes contributed by the new dry kiln in Changda and a drop in coal and fuel prices reduced the profit decrease.

In 2009, the Group incurred HK\$8 million losses on the disposal of a cement plant and a grinding station in Guizhou and shared HK\$44 million impairment loss provision made by LSOC on the initial construction costs of two new dry lines in Sichuan and Guizhou which were suspended due to unexpectedly high investment costs and increased market competition from new capacities respectively. In 2008, the Group provided for HK\$18 million losses on the disposal of a concrete plant and a batching plant in Guizhou.

Construction

Our construction business reported a decline in profit for the year, despite an increase in turnover, mainly because of the write-off of HK\$12 million costs incurred in tendering unsuccessfully for a number of design-and-build projects and less high-margin fit-out works, particularly in Macau. These lowered the average net profit margin to 2.2% of turnover from 3.0% for the previous year.

Venture capital

The venture capital funds in which the Group invests posted marked-to-market gains on the portfolio of listed shares as the global financial markets recovered during the year and realised a profit on the partial sell-down of our interest in a manufacturer of biodegradable materials. However, provision for impairment loss was made on the fund's investment in a wireless broadband access provider in China because of the delay in its roll-out plan. When assessed in total, these funds contributed a small profit of HK\$10 million to the Group.

In the previous year, the HK\$213 million loss incurred by the Group's venture capital investments was largely attributable to the considerable decrease in the prices of the listed shares held by the funds as a result of the drastic downturn in global stock markets during that year, coupled with a significant decline in the exchange rates of major currencies against the US dollar in the last quarter of 2008.

Convertible bonds

In accordance with the terms of the convertible bonds issued by the Company, the conversion price of the bonds was further adjusted from HK\$15.41 to HK\$12.34 on 31 May 2009. No conversion of the bonds occurred during the year, as the Company's share price continued to stay below the conversion price. The HK\$385 million outstanding bonds were redeemed in full at 118.971% of their principal amount pursuant to the terms of the bonds for a total consideration of HK\$458 million on the maturity date of 31 July 2009.

Imputed interest expense, being charged at an effective interest rate of 12.5% p.a. on the straight debt component of the outstanding bonds, decreased to HK\$28 million for 2009, compared to HK\$48 million for 2008, mainly due to full redemption of the outstanding bonds in July 2009.

The substantial decline in the Company's share price in 2008 resulted in a significant fair value gain of HK\$239 million on the outstanding convertible bonds of the Company.

Net finance costs

Net finance costs increased to HK\$186 million for the year, from HK\$158 million for the previous year, mainly because of: (a) the increase in bank borrowings during the year to finance the full redemption of outstanding convertible bonds, the privatisation of CCP and the acquisition of property projects, coupled with the consolidation of CCP's bank borrowings upon privatisation; and (b) the general rise in interest margins charged by banks on the Group's credit facilities as a result of the global financial crisis, despite a considerable decline in HIBOR driven by excess liquidity in the banking system in Hong Kong.

ASSETS BASE

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

	31 December 2009 <i>HK\$ million</i>	31 December 2008 <i>HK\$ million</i>
Total assets	18,641	11,536
Net assets	9,003	4,999
	<i>HK\$</i>	<i>HK\$</i>
Net assets per share	18.5	15.5

Both the total and net assets of the Group increased substantially, due mainly to: (a) the consolidation of the total assets of the privatised CCP; and (b) the HK\$1,034 million increase in market value of the Group's shareholding in SOL at 31 December 2009.

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

	31 December 2009		31 December 2008	
	<i>HK\$ million</i>	%	<i>HK\$ million</i>	%
Property	11,739	63	5,189	45
Cement	5,036	27	4,458	39
Construction	1,059	6	950	8
Others	807	4	939	8
Total	18,641	100	11,536	100

As a result of the privatisation of CCP, the value of property assets expanded substantially and accounted for 63% of the Group's total assets at 31 December 2009, up from 45% at 31 December 2008, while cement and construction operations saw a decline in the proportions of total assets when compared to their positions a year ago, despite increases in their respective asset values.

EQUITY, FINANCING AND GEARING

The shareholders' equity of the Company also increased considerably to HK\$9,003 million on 31 December 2009, from HK\$4,999 million on 31 December 2008. This was the result of (a) the HK\$1,928 million increase in share capital and share premium as a result of the issue of 165.8 million new shares by the Company for the privatisation of CCP during the year; (b) the increase in market value of the Group's shareholding in SOL as mentioned above; and (c) the HK\$807 million profit for the year.

Net borrowings of the Group, which represented bank borrowings, net of bank balances, deposits and cash, amounted to HK\$4,796 million on 31 December 2009. This compared with HK\$4,255 million on 31 December 2008, which included outstanding convertible bonds that were redeemed in full in July 2009. During 2009, the Group drew on its credit facilities to finance the privatisation of CCP and acquisition and construction of property development projects, leading to an increase in the net borrowings of the Group.

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

	31 December 2009 <i>HK\$ million</i>	31 December 2008 <i>HK\$ million</i>
Bank borrowings repayable:		
Within one year	4,980	3,448
After one year but within two years	940	320
After two years but within five years	720	750
Total bank borrowings	6,640	4,518
Convertible bonds due 2009	-	430
Total borrowings	6,640	4,948
Bank balances, deposits and cash	(1,844)	(693)
Net borrowings	4,796	4,255

Both bank borrowings and bank deposits increased significantly during the year, which is largely attributable to the consolidation of the property business of CCP in the Group's accounts subsequent to the privatisation.

The net gearing ratio of the Group, calculated as net borrowings over shareholders' equity, decreased substantially to 53% at 31 December 2009, from 85% at 31 December 2008, mainly as a result of the enlarged shareholders' equity as explained above.

The Group has significantly strengthened its consolidated balance sheet during the year and will continue to seek longer term financing facilities, which match more closely its assets portfolio. Subsequent to year-end, HK\$250 million bank loans were repaid, HK\$150 million and HK\$1,075 million bank loans were renewed for a further one and two years respectively, and HK\$334 million new term loans and a HK\$200 million revolving credit facility were obtained from banks.

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

EMPLOYEES

At 31 December 2009, the number of employees in the Group was approximately 1,160 (31 December 2008: 1,040) in Hong Kong and Macau, and 13,660 (31 December 2008: 13,900) 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 talent through executive development and management trainee programmes. Share options are granted annually by the Board of Directors to senior management and staff members under different schemes as reward and long-term incentives. Likewise, in the Chinese Mainland, staff benefits are commensurate with market levels, with an emphasis on building the corporate culture and providing professional training and development opportunities for local employees. It remains our objective to be regarded as an employer of choice to attract, 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

Compliance with Code on Corporate Governance Practices

The Company has complied throughout the year ended 31 December 2009 with the Code on Corporate Governance Practices ("CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except for the deviations from Code Provisions A.4.1 and B.1.3, which are explained below.

Code Provision A.4.1 of the CG Code stipulates that Non-executive Directors should be appointed for a specific term, subject to re-election. The Non-executive Directors of the Company appointed prior to 2008 do not have a specific term of appointment, though they are subject to retirement by rotation and re-election at annual general meetings in accordance with the Bye-laws of the Company. Since 2008, arrangements have been put in place for the appointment of new Non-executive Directors for a specific term in compliance with Code Provision A.4.1 of the CG Code. A service contract has been entered into with each of the newly appointed Non-executive Directors upon his or her appointment, pursuant to which such Director has been appointed for a term of three years, subject to the provisions on Directors' retirement as set out in the Bye-laws of the Company. Arrangements for the execution of a similar service contract will be made with each of the other Non-executive Directors who retire and are re-elected at the forthcoming annual general meeting of the Company to be held on 28 May 2010.

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 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 practice 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 are made to the Board by the Chairman of the Company, taking the advice of external professionals as appropriate. This practice has been formally adopted and, at the relevant Board meetings, the Non-executive Directors abstain from voting in respect of their own remuneration. The proposed amendment to the terms of reference of the Remuneration Committee in this respect was approved by the Board during the year.

Audit Committee

The Audit Committee comprises three Independent Non-executive Directors and the Non-executive Director. During the year, the Audit Committee convened four meetings and reviewed with management the accounting principles and practices adopted by the Group in the course of its review of the financial statements and also considered various auditing, internal control and financial reporting matters of the Group.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2009, including the accounting principles and practices adopted by the Group, which have been audited by the Company's external auditor.

Remuneration Committee

The Remuneration Committee comprises three Independent Non-executive Directors, the Non-executive Director and the Chairman of the Board. The Remuneration Committee met two times during the year and reviewed the remuneration packages of the Executive Directors as well as the annual bonus and share option grant recommendations for executives and management staff.

Compliance with Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors’ securities transactions. Following specific enquiries by the Company, the Directors have confirmed that they have complied with the required standard set out in the Model Code during the year.

By Order of the Board
Lo Hong Sui, Vincent
Chairman

Hong Kong, 30 March 2010

At the date of this announcement, the Executive Directors of the Company are Mr. Lo Hong Sui, Vincent, Mr. Choi Yuk Keung, Lawrence, Mr. Wong Yuet Leung, Frankie, Mr. Wong Kun To, Philip and Mr. Wong Fook Lam, Raymond; the Non-executive Director of the Company is Professor Michael Enright; and the Independent Non-executive Directors of the Company are Mr. Anthony Griffiths, Mr. Gerrit de Nys, Ms. Li Hoi Lun, Helen, Mr. David Eldon, Mr. Chan Kay Cheung and Mr. Tsang Kwok Tai, Moses.

** For identification purpose only*

Website: www.socam.com