

SOCAM REPORTS HEALTHY OPERATING PROFITS FOR FIRST HALF **Successfully implements long standing business strategy for sustainable growth**

(Hong Kong, 14 December 2005) Shui On Construction And Materials Limited ("SOCAM", stock code: 983) today announced that for the six months ended 30 September 2005, turnover was HK\$668 million, a decrease of 36% compared with the same period last year (2004: HK\$ 1,054 million). Unaudited consolidated profit after taxation and minority interests was HK\$101 million, compared with a profit of HK\$392 million in the same period last year. The Board recommended the payment of an interim dividend of HK\$0.12 per share.

According to SOCAM Chairman Mr Vincent H.S. Lo, "Strong contribution from Shui On Land, the joint venture partnership between SOCAM and Lafarge, and our participation in a consortium to acquire an unfinished Grade A office building in Dalian, indicate our successful implementation of long standing business strategy for sustainable growth." The company also saw steady progress in its portfolio of investments in the two Yangtze Ventures Funds and in the On Capital China Tech Fund. SOCAM's cement operations in Chongqing had been affected by the continuing overcapacity in the market and the higher cost of energy, but long-term prospects remain good.

Property development in the Chinese Mainland

SOCAM's property operations on the Mainland continued to do well with Shui On Land making a good contribution through key developments and investment properties in Shanghai. The sale of 395 units at Phase II of Rui Hong Xin Cheng commenced in June and 45% of these had been sold in September at an average selling price of RMB 15,000 per square metre, more than 30% higher than the price achieved in October 2004.

Knowledge and Innovation Community (KIC), also known as Chuangzhi Tiandi, continues to make good progress with leasing of the Hub Phase I area totalling 54,000 square metres having commenced in the first half of 2005 and met with good market response, and sales of offices in the Live-Work area to commence in early 2006. Sales at Phase II of the Lakeville luxury residential development, comprising 645 units, will also commence in early 2006.

"Although property prices in some major Mainland cities have declined, there is still strong demand in the overall market for quality residential units. SOCAM is anticipating a substantial profit next year from the sale of units in the KIC and phase II of Lakeville in Shanghai" said Mr. Lo.

SOCAM teamed up with JP Morgan to lead a consortium to acquire 100% of Xiwang Building, an unfinished Grade A office building in Dalian in September 2005. This represents the start of a potential new business, which fully exploits SOCAM's expertise and experience in construction. The total development cost to the consortium is estimated at US\$75 million, and the project is expected to be completed within the next 12 months.

SOCAM's investments in the two Yangtze Ventures Funds, in which SOCAM holds majority interests, produced good returns from the increased value of the portfolio. These included a gain of HK\$16 million on the higher share price of Solomon Systech and a one-time gain of HK\$16 million from the IPO of CIG Yangtze Ports on Hong Kong's GEM Board in September 2005.

Long term prospects of cement operations in the Chinese Mainland remain strong

The Group had a difficult first half in Chongqing due to continuing overcapacity in the market and the higher cost of energy. However, demand is expected to strengthen over the long term. SOCAM's joint venture partnership with Lafarge, the largest cement producer in the world, is a major milestone offering significant growth potential. The transaction was approved by shareholders unanimously and completed in November 2005. The joint venture, Lafarge Shui On Cement with Lafarge owning 55% and SOCAM owning 45%, will become a leading cement manufacturer on the Chinese Mainland generating attractive long-term returns.

The joint venture announced in mid November the acquisition of Shuangma Investment Group, the leading cement group in Sichuan for around US\$38 million, which will increase the joint venture's annual cement production capacity in China to 21 million tonnes, bolstering its position as the leader in southwest China.

In Hong Kong, SOCAM's construction division recorded an improved mid-year result with a turnover of HK\$664 million, and contracts totalling HK\$477 million were won. As of 30 September 2005, the gross and outstanding value of contracts on hand was approximately HK\$3.4 billion and HK\$2.4 billion respectively (30 September 2004: HK\$4.5 billion and HK\$2.8 billion respectively).

The Group won a tender for Marymount School with a contract value of HK\$92 million. Demand for public sector works from the Architectural Services Department (ASD) remained low during the first half, but the company will tender for the Government Headquarters at Tamar, with an estimated contract value of HK\$4 billion.

The company's renovation and fitting out projects in Macau showed positive profit margins. Pat Davie (Macau) secured further projects for the Wynn Resort Project, Wynn Casino and Venetian Cotai. In Dalian, a team from Pat Davie has started its project management contract working with the local partner Yida Group at Xiwang Building.

About SOCAM

SOCAM, a member of the Shui On Group, was listed on the Hong Kong Stock Exchange in 1997 and is engaged in construction and construction materials in Hong Kong and the Chinese Mainland. The company also has an interest of more than 20% in Shui On Land Limited.

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Shui On Construction And Materials Limited Profit attributable to shareholders (for the period ended 30 September 2005)

	2005-06 (HK\$'M)	2004-05(HK\$'M)
Construction	46	21
Construction materials	(12)	(82)
Mainland cement operations		
Chongqing & Guizhou	(28)	(3)
Nanjing	(8)	(18)
Property development	108	(3)
Trading of building materials	N.A.	(11)
Venture capital investments	30	229
Gain on disposal of subsidiaries		
Rui Hong Xin Cheng	N.A.	274
Others	(29)	(12)
Taxation	(5)	(2)
Minority interests	(1)	(1)
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Profit attributable to shareholders	101	392
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