

## **SOCAM ANNOUNCES SUBSTANTIAL PROFIT GROWTH IN 2004-05 FINANCIAL YEAR**

### **Strong prospects of Mainland investments ensure sustainable growth**

*(Hong Kong, 18 July 2005)* Shui On Construction And Materials Limited ("SOCAM", stock code: 983) today announced that for the year ended 31 March 2005, its profit attributable to shareholders was HK\$483 million, representing an increase of 227% over the previous year (2003-04: HK\$148 million). Earnings per share were HK\$1.80, an increase of 227% compared with the previous year (2003-04: HK\$0.55). Turnover was HK\$2,232.4 million, a decrease of 38% from the previous year (2003-04: HK\$3,590.9 million). The Directors recommended the payment of a final dividend of HK\$0.30 per share. This, together with the interim dividend of HK\$0.30 per share, yields a total of HK\$0.60 per share for the year (2003-04: HK\$0.275).

"The considerable growth in the Group's profit was mainly attributable to the gain from the injection of the Rui Hong Xin Cheng (RHXC) development into Shui On Land (SOL) and the returns from the Yangtze Ventures funds," said SOCAM Chairman Mr Vincent H.S. Lo. Profits from the Group's investments in SOL and the venture capital funds are expected to stay strong. While its cement business in Chongqing and Guizhou has been temporarily affected by the Central Government's austerity measures, the Group believes that the long term prospects of this business are good.

Market conditions for the Group's construction materials businesses in Hong Kong and the Pearl River Delta area remain extremely tough and substantial losses were sustained during the year. The Group decided that these activities were no longer its core businesses and therefore disposed of most of these interests. It also closed its materials trading operation. With investments now directed to activities promising clear growth prospects, the Group is confident of achieving sustainable profit growth in the medium term.

### **Investment in SOL expected to bring attractive long term returns**

SOCAM injected its RHXC development into SOL in June 2004 after receiving independent shareholders' unanimous approval. The Group has also agreed to subscribe for 50 million preference shares of SOL, which is the flagship property company of the Shui On Group (SOCAM's privately held parent company) and owns development rights of approximately 8 million square metres of gross floor area in major Mainland cities. The injection of RHXC generated a gain on disposal of HK\$345.7 million and a reserve of HK\$231.1 million for the 2004-05 financial year.

"SOL holds prime office and retail properties for long term rental income and has a pipeline of premier residential developments for sale in the coming years. We are therefore confident that our investment in SOL will generate a steady income stream for SOCAM," added Mr Lo.

SOL's projects made good progress during the year. RHXC Phase 2 saw strong sales for the two blocks launched in October 2004. Another two blocks that were put up for sale in June 2005 also met with encouraging responses. As for the Taipingqiao Redevelopment, approximately 94% of the office space in Corporate Avenue Phase 1 was let to corporate tenants at the end of year under review while Lakeville Phase 2 luxury residential development is expected to be completed in the first half of 2006.

At Chuangzhi Tiandi, SOL's innovative mixed-use scheme that aims to generate Silicon Valley-style technological entrepreneurship, construction of Phase 1 of the Hub and Live/Work area commenced in April 2004 and is expected to be completed by end of 2005. Construction of the first phase of Chongqing Tiandi is expected to commence in the third quarter of 2005. In April, SOL acquired a 50-hectare plot in the city core of Wuhan, a major city in central China.

The portfolio of investments in the two Yangtze Ventures funds in which SOCAM holds majority interests produced substantial returns for the Group during the year. These included a profit of HK\$195.5 million from the sale of approximately two-thirds of the shareholding in Solomon Systech and the revaluation of the remaining stake; a profit of HK\$7.0 million from the disposal of the Zhapu port project majority owned by China Infrastructure Group, in which the Yangtze Ventures hold a 33.78% shareholding; and a write-up of approximately HK\$20 million from other investments. In July 2004, the Group invested in a third venture capital fund, On Capital China Tech Fund which invests in China's TMT sector.

## Expansion of cement business continues due to promising long term prospects

Owing to soaring costs of coal, electricity and transportation as well as reduced demand caused by the Central Government's austerity measures, the performance of the Group's cement business in Chongqing and Guizhou was far below expectations. "However, we believe that the effects of the austerity measures should be temporary," Mr Lo said. "We are determined to continue to expand our cement investments in southwest China because we are confident that the Go West policy will ensure robust demand for high grade cement in the region in the long term. In particular, given the severe power shortage on the Mainland, the development of the abundant hydroelectric and coal resources in inland provinces should give a further boost to the cement market."

During the year, the Group completed construction of a new dry kiln in Diwei in Chongqing with a capacity of 1 million tonnes per annum (tpa) and acquired a 1.4 million tpa plant in Shuicheng in Guizhou. In addition, the Group signed an agreement with the Yunnan government in June 2004 to acquire 80% of several cement companies in Kunming, the provincial capital, and Kaiyuan. Yunnan is a fast-growing province that is sustaining high prices for cement. Following the completion of this acquisition, SOCAM together with its joint venture partners is expected to have a total production capacity in excess of 15 million tpa of high grade cement.

The Group has granted an option to Lafarge, a world leader in building materials, until 31 December 2005 to acquire 50% of SOCAM's share in the Yunnan deal. It is SOCAM's intention to explore wider cooperation with Lafarge on the Chinese Mainland, and discussions have been held to that end.

In Hong Kong, profitability of the Group's construction division remained satisfactory despite shrinking turnover due to efficient contract administration and a reduced cost structure. As of 30 June 2005, the gross and outstanding value of contracts on hand were approximately HK\$4.5 billion and HK\$2.6 billion respectively (30 June 2004: HK\$3.4 billion and HK\$2.0 billion).

### 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.

## END ##

### Shui On Construction And Materials Limited

#### Profit attributable to shareholders (for the year ended 31 March 2005)

	2004-05 (HK\$'M)	2003-04(HK\$'M)
Construction	15	6
Construction materials	(97)	(105)
Mainland cement operations		
Chongqing & Guizhou	1	42
Nanjing	(43)	(7)
Property development	97	211
Trading of building materials	(19)	(8)
Venture capital investments	221	2
Gain on disposal of subsidiaries		
Rui Hong Xin Cheng	346	--
Construction materials	26	--
Investment property	(7)	17

Others	(18)	42
Tax	(36)	(49)
Minority interests	(3)	(3)
	-----	-----
Profit attributable to shareholders	483	148
	-----	-----