



**SHUI ON CONSTRUCTION AND MATERIALS LIMITED**  
**REPORTS HK\$491 MILLION PROFIT FOR FIRST HALF**

**Chinese Mainland Investment Strategy Brings Outstanding Results**

(Hong Kong, 13 December 2006) Shui On Construction And Materials Limited (“SOCAM”, stock code: 983) today announced its interim results for the six months ended 30 September 2006. The Group’s turnover was HK\$843 million, an increase of 26% compared with the same period in 2005. Consolidated unaudited profit after taxation and minority interests was HK\$491 million, compared with a profit of HK\$101 million in the same period last year. Basic earnings per share were HK\$1.78, up 368% from HK\$0.38 for the previous year.

The Directors recommend the payment of a final dividend of HK\$0.18 per share, compared with HK\$0.12 for the previous year.

Commenting on the results, SOCAM Chairman Mr Vincent H.S. Lo said, “SOCAM continued to pursue its strategic plan of expanding in the Chinese Mainland through the newly established distressed property development business and the cement joint venture partnership with Lafarge, while gaining significant value from its strategic investment in Shui On Land Limited (SOL). The Initial Public Offering of SOL in October generated an appreciation of over HK\$500 million in investment value to SOCAM’s holding in SOL for the period. As SOL’s share price has gone up since the IPO, we are expecting further substantial gain from the investment.”

Mr Lo added: “Our distressed property development projects in Dalian, Qingdao and Beijing progressed well during the period. In November, we acquired a new project in Chengdu and entered into an agreement for the acquisition of Sheng Yuan Centre in Beijing, in joint venture with other investors. The Lafarge Shui On Cement joint venture performed satisfactorily and expanded according to plan with the injection of 3 major Yunnan plants. The Group also saw sustained growth in its portfolio of venture capital



investments. On the construction front, the increased volume of design-and-build tenders from the ASD has injected fresh momentum into the construction market in Hong Kong, and the growing hospitality sector in Macau will continue to provide attractive opportunities for Pat Davie in the fitting-out works.”

“The Group will maintain a sharp focus on growing the distressed property development business and expanding Lafarge Shui On Cement while capitalizing on the rising valuation of Shui On Land to enhance shareholder value,” he said.

### **Development of distressed properties in the Chinese Mainland achieves encouraging progress**

The Group’s new core business, distressed property development, progressed well with the development of the three projects in Dalian, Beijing and Qingdao during the period. Leasing and sales have commenced for the Xiwang Building in Dalian and the Central International Plaza in Qingdao, while construction based on revised designs progressed well in the Beijing Huapu project.

“Building on the Group’s solid foundation, we will capitalize on our strengths and expertise as we continue working with reputable international partners to expand our distressed property development activities in the Chinese Mainland. We are confident that the Central Government’s regulatory measures, and its macro-economic policy that was implemented to stabilize the soaring property market, will create a healthy market environment and provide a stable foundation for our growing property related activities in the Chinese Mainland,” said Mr. Lo.

During the period, a number of prospective projects for acquisition were carefully evaluated. In November 2006, the Group formed a joint venture with other investors and entered the Chengdu market in a joint venture that acquired Hui Tong Building, which will offer a total gross floor area of about 104,650 square meters in retail, office and hotel usages when completed. The Group has also entered into an agreement to acquire Sheng Yuan Centre, located in the Third Ring Road of Beijing and comprising



two office towers offering a gross floor area of about 42,400 square meters. To date, SOCAM has invested in five incomplete projects – in Dalian, Qingdao, Chengdu and two in Beijing.

### **Expansion of cement business continues with promising long-term prospects**

Initial integration of the operations was completed for the Lafarge Shui On Cement (LSOC) joint venture formed in November 2005. LSOC is the leading cement producer in southwest China, with further expansion being planned.

The Group completed its acquisition of an 80% interest in the Yunnan Cement Group, which includes three major cement plants, and injected the assets into LSOC in July 2006. LSOC's acquisition of Shuangma plants in Sichuan was delayed pending final approval by Central Government authorities which is expected in early 2007. Projected production capacity of LSOC in early 2007 is estimated at 23.3 million tonnes per annum based on operations in Chongqing, Sichuan, Guizhou, Beijing and Yunnan as well as the Shuangma plants, once approval for the acquisition has been received. The Group anticipates steady improvement in performance from its cement operations going forward.

### **Venture Capital Investments see sustained growth**

The Group's portfolio of investments in the two Yangtze Venture Funds and the On Capital China Tech Fund continues to increase in value. During the period, the two Yangtze Venture Funds were fully invested while On Capital China Tech Fund continued to seek investments in high technology products, and performance of the portfolio of investments is currently on track. Listings and other fund-raising initiatives of a number of the investee companies are expected to bring highly satisfactory returns to our venture capital investments.



### **Investment in Shui On Land (SOL) brings significant returns**

The successful initial public offering (IPO) of SOL in early October on the Main Board of The Stock Exchange of Hong Kong Limited marks a major milestone for this business with the prospect of excellent growth. Following the listing of SOL, the Group's ordinary shareholding in SOL has been reduced from 28.7% to 17.8%.

SOL continued to do well in property operations during the period. Its six major multi-phase projects in Shanghai, Chongqing, Wuhan and Hangzhou are in various stages of development.

In Shanghai, Rui Hong Xin Cheng Phase 2 achieved good sales following the launch of various blocks during the period, with more than 90% of the total units sold. As for the Taipingqiao Redevelopment, Shanghai Xintiandi was nominated as one of "China's Top 10 New Landmarks". The Corporate Avenue office towers were 99% occupied while the up-market The Lakeville Regency reported strong sales.

At Knowledge and Innovation Community, Plaza Phase 1 (the Hub Area) and Village Phase 1 (the Live and Work area) progressed satisfactorily. Sales commenced in September with encouraging results.

In Hangzhou, the completion date of Xihu Tiandi project has been rescheduled for late 2008. Main structural works on residential blocks in Chongqing made steady progress. In Wuhan, construction progressed smoothly.

### **Construction in Hong Kong and Macau brings increased revenue**

The construction division's turnover for the year was HK\$817 million, while contracts totalling about HK\$1.8 billion were won. As of 30 September 2006, the gross and outstanding values of contracts on hand were approximately HK\$4.7 billion and HK\$3.2 billion respectively.

Shui On Building Contractors (SOBC) and Shui On Construction secured contracts



including a HK\$433 million public housing estate at the Eastern Harbour Crossing Site Phase 4; a HK\$608 million project for the redevelopment of Lam Tin Phases 7 and 8, associated development of Choi Wan Road Site 1 Phase 3, and a HK\$226 million contract for the Victoria Shanghai Academy, a new private school on Hong Kong Island. SOBC also secured new maintenance works valued at HK\$209 million.

Pat Davie completed a number of major projects, including fit-outs for the Macau Wynn Casino, Deloitte Touche Tohmatsu offices, the Ladies Recreation Club and the Disneyland Stitch Theatre. New contracts secured include Airport Authority offices and further work in Macau for the Wynn Resort and the Venetian Cotai. Pat Davie also supports the Group's distressed property development projects in Dalian and Qingdao.

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#### **About SOCAM**

SOCAM, a member of the Shui On Group, was listed on the Hong Kong Stock Exchange in 1997, and is principally engaged in construction, cement production, property development and venture capital investment in Hong Kong, Macau and the Chinese Mainland.

The full text of this release can be accessed through the Internet at the following websites:

[www.shuion.com](http://www.shuion.com)

[www.irasia.com/listco/hk/shuion](http://www.irasia.com/listco/hk/shuion)

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**Shui On Construction and Materials Limited**  
**Summary of Interim Financial Results for 2006**

**Six Months Ended 30 September**

	<b>2006</b>	<b>2005</b>
	<b>HK\$</b>	<b>HK\$ Million</b>
	<b>Million</b>	
Construction	24	46
Mainland cement operations		
Lafarge Shui On Cement	2	-
Guizhou	4	11
Nanjing	-	(8)
Chongqing	-	(39)
Property development		
Shui On Land	619	108
Venture capital investments	(12)	30
Distressed property development	32	-
Finance costs	(104)	(29)
Overheads and others	(67)	(12)
Tax	(6)	(5)
Minority interests	(1)	(1)
Profit attributable to equity holders of the Company	<u>491</u>	<u>101</u>