

Shui On Posts HK\$315 Million Profit for Fiscal 2005-06 Strategic expansion and diversification in the Chinese Mainland ensure sustained growth

(Hong Kong, 17 July 2006) Shui On Construction And Materials Limited ("SOCAM", stock code: 983) today announced that its profit attributable to shareholders for the year ended 31 March 2006 was HK\$314.8 million, down 35% from the HK\$482 million recorded for the previous financial year. The lower profit compared to last year is mainly due to the one-off gain of about HK\$346 million last year from the injection of Rui Hong Xin Cheng into Shui On Land.

Earnings per share were HK\$1.16, down 35% from HK\$1.79 for the previous year. Turnover stood at HK\$1,400 million, a decrease of 26% from the previous year of HK\$1,883 million.

The Directors recommend the payment of a final dividend of HK\$0.25 per share. This, together with the interim dividend of HK\$0.12 per share, takes the total yields to HK\$0.37 per share for the year, compared with HK\$0.60 for the previous year.

Announcing the results, SOCAM Chairman Mr. Vincent H.S. Lo said the Group continued to devote energy and resources to strategic initiatives to enhance shareholder value during the year. "Through value appreciation in the projects of Shui On Land Limited, the formation and expansion of Lafarge Shui On Cement Limited, and the development of distressed property projects, the Group has made considerable progress in its strategic objective of expanding and diversifying in the Chinese Mainland while securing a broader recurrent income base and building up the ability to ride out economic cycles."

SOCAM's construction operations in Hong Kong and Macau performed well despite strong competition in Hong Kong, being active in both the public and private sectors. In Macau, Pat Davie gained further success, with the gaming industry sustaining strong demand for fitting-out works.

Development of distressed properties in the Chinese Mainland finds new core business

The Group has embarked on distressed property development as a new core business by actively leveraging SOCAM's strengths in construction and fitting out, project management, deal-making and financing skills, and property development in the Mainland. Working in joint venture with knowledgeable and reputable international partners, SOCAM intends to acquire and develop distressed properties in major cities in the Chinese Mainland.

"The new business in distressed property development takes advantage of SOCAM's all-round construction expertise and promises strong medium to long term returns. We plan to secure recurrent income through long-term investment in commercial and office properties and achieve sales profit through disposal of residential developments," said Mr. Lo.

To date, SOCAM has invested in three unfinished projects - in Dalian, Qingdao and Beijing - and is expecting further expansion. In Dalian, SOCAM and JP Morgan led a consortium to acquire 100% of Xiwang Building, a 38-storey Grade A office plaza with a total GFA of 91,500 square metres, in September 2005. In Qingdao, SOCAM led an investor consortium to acquire a 100% interest in Blocks A and C of Phase III of Zhongcheng Plaza, which comprises an office tower and a mid-range residential block, each 28-storey high, and a three-story retail podium with a total GFA of over 62,000 square metres. In Beijing, SOCAM and JP Morgan through a 50-50 joint venture acquired a 100% interest in Beijing Huapu Building, a commercial complex with a total GFA of 124,560 square metres located in a prime commercial and business district.

Expansion of cement business continues with promising long-term prospects

One of the Group's key developments during the year was the formation of Lafarge Shui On Cement (LSOC) in November 2005. The partnership is a merger of Lafarge's Mainland cement operations in Sichuan, Chongqing and Beijing with SOCAM's cement operations in

Chongqing and Sichuan as well as its three large plants with dry kilns in Guizhou. Lafarge owns 55% of the business and SOCAM 45%, with equal representation on the company's Board which is chaired by SOCAM Chairman Mr. Vincent H.S. Lo.

LSOC is now the cement leader in southwest China, marking the successful implementation of the Group's strategy to build a strong position as one of the leading corporations in high-quality cement market in the Mainland, with further expansion being planned.

SOCAM's acquisition of an 80% interest in three major cement plants in Yunnan, which is to be injected into the joint venture in due course, received approval from the Central Government during the year, while LSOC's acquisition of Shuangma Investment Group in Sichuan in November 2005 for around HK\$296 million is awaiting government approval. When the deal is completed, LSOC's total capacity including the Yunnan plants will increase to 23.3 million tonnes per annum.

Venture Capital Investments record significant gains

The Group gained significant returns in its portfolio of investments in the two Yangtze Venture Funds and the On Capital China Tech Fund, totalling HK\$293 million. During the year, the Group's three investment funds made new investments in companies including ones engaged in health and high tech products.

Investment in Shui On Land (SOL) expected to bring sustainable long-term returns

While adjustments were seen in the property market in some major cities following the Mainland authorities' austerity measures during the year, demand for quality residential units remains strong. Shui On Land Limited (SOL), which Shui On Group holds its interests, continued to do well in property operations with a significant profit contribution. SOL's six major multi-phase projects are in various stages of development in Shanghai, Chongqing, Wuhan and Hangzhou.

As of 31 March 2006, 89% of the completed units in Rui Hong Xin Cheng Phase II had been sold. As for the Taipingqiao Redevelopment, Shanghai Xintiandi and Corporate Avenue recorded average occupancies of 91% and 97% respectively during the year. Pre-sale of Lakeville Regency which commenced in early 2006 has met with encouraging market response. At Knowledge and Innovation Community, Stage 1 (Live and Work area 1 and Hub Area 1) with residential, retail and office premises is expected to be completed in the second half of 2006.

In Hangzhou, the Xihu Tiandi project is expected to be completed in 2008. Construction of projects in Chongqing and Wuhan has commenced, with Chongqing Tiandi's Phase 1A commencing in the fourth quarter of 2005 while Hankou Tiandi in Wuhan commencing in the first quarter of 2006 with completion of Phase 1 residential units expected to come to market in 2008.

Construction in Hong Kong and Macau performs to satisfaction

The construction division's turnover for the year was HK\$1,364 million, while contracts totalling \$903 million were won. As of 31 March 2006, the gross and outstanding value of contracts on hand were approximately HK\$3.7 billion and HK\$2.2 billion respectively.

Projects completed by Shui On Building Contractors and Shui On Construction during the year included Shek Pai Wan Estate Phase 1 for the Housing Authority (HKHA), facilities for Princess Margaret Hospital for the Architectural Services Department (ASD), and other works for HKHA and CLP Power. New contracts won during the year included building works for Marymount School and CLP Power, a design-and-build project for ASD and maintenance term contracts from HKHA, besides a project management contract for a Guangzhou commercial property development owned by the Shui On Group.

Pat Davie made major gains from the contracts with Union Bank of Switzerland (UBS), Serenity Place and Macau Wynn Casino Projects, and has been providing project management support for the Group's distressed property development projects in the Chinese Mainland.

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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 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.

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

- www.shuion.com
- www.irasia.com/listco/hk/shuion

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Shui On Construction and Materials Limited Summary of Financial Results For the Year Ended 31 March 2006

	2005/06 HK\$ Million	2004/05 HK\$ Million
Construction	55	10
Mainland cement operations		
Chongqing	(93)	(17)
Guizhou	34	16
Nanjing	(8)	(43)
Lafarge Shui On Cement	(18)	--
Property development		
Shui On Land	220	79
Venture capital investments	293	221
Distressed property development	55	--
Merger of Mainland cement operations with Lafarge	(68)	--
Gain on disposal of Rui Hong Xin Cheng	--	346
Finance costs	(94)	(15)
Discontinued operations - sales of construction materials and trading of building materials	(5)	(60)
Overheads and others	(51)	(51)
Tax	(8)	(1)

Minority interests	3	(3)
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Profit attributable to equity holders of the Company	315	482
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