



"The year under review was a challenging one for SOCAM and for many Hong Kong companies. However, your Group has planned well in advance a number of growth businesses targeted at the huge potential the emerging markets in the Mainland are offering, and this strategic repositioning should ensure sustainable, long-term growth for your Group."

LO HONG SUI, VINCENT
CHAIRMAN

The Year under Review: Strategic Repositioning for Long-Term, Sustainable Growth

The 2001-2002 financial year was, for SOCAM, both a highly challenging and an extremely exciting one. Market conditions in Hong Kong remained difficult as the territory underwent painful restructuring. For SOCAM in particular, the government's abrupt changes in housing policy and the subsequent slowdown in public housing construction have put unprecedented strain on its traditional profit sources.

However, during the year SOCAM also made great strides in its strategic transformation from a Hong Kong-focused enterprise into a Mainland-oriented group. Its high-growth businesses in the Mainland, including quality housing development in Shanghai and cement production in Chongqing and Guizhou Province, made excellent progress in the year under review.

In Chongqing, the acquisition of 80 percent of Diwei Cement during the year made our joint venture, Chongqing TH Cement, the largest high-grade cement producer in the municipality. Chongqing TH Cement now has an annual capacity of 3.5 million tonnes, which accounts for more than 70 percent of the local high grade cement market. In Guizhou Province, the combined existing and planned capacity is expected to reach 1.5 million tonnes per annum by the end of the 2002-2003 financial year.

In mid-2001, recognizing the onset of an upturn in the residential property market in Shanghai, your Group took over from the privately held Shui On Properties Limited the development rights of Rui Hong Xin Cheng, a large-scale quality housing development for the fast-emerging Shanghai middle class. Construction works for the new phase, comprising 13 residential blocks, a commercial complex, an underground car park and a clubhouse with a gross building area of 235,273 square metres, commenced in April this year. Sale of part of this phase is expected to start in the third quarter of 2003.

Details of SOCAM's strategic advance and financial performance during the year are set out in the "Management Discussion and Analysis" on page 10.



SOCAM's cement operations in Chongqing and Guizhou have gained momentum and gross annual production capacity will reach approximately 6 million tonnes by the end of the 2002-2003 financial year