

Results

Because of the adverse market conditions facing the construction and construction-related industries in Hong Kong, SOCAM suffered a significant drop in profits for the year ended 31 March 2002. Your Group's profit attributable to shareholders was HK\$104 million, a decrease of 79% over that of the 2000/2001 financial year, representing earnings per share of HK\$0.39, a drop of 80% over the previous year. Turnover amounted to HK\$3,757 million, down 32% from the year before.

Dividends

The Directors recommend the payment of a final dividend of HK\$0.15 per share to shareholders whose names appear on the Register of Members of the Company on 27 August, 2002. This, together with the interim dividend of HK\$0.15 per share already paid, yields a total of HK\$0.30 per share for the year.

Honours and Awards

As a key player in the construction industry in Hong Kong, SOCAM continued to make improvements in safety and environmental management and won many industry awards during the year. Among the major occupational safety awards won were the Safety Achievement Awards from the Hong Kong Construction Association, Safety Team Gold Award of the Construction Industry Safety Awards, as well as numerous gold awards at the Safe Working Cycle Forum and the Occupational Safety and Health Enhancement Forum 2001 organised by the Occupational Safety and Health Council. In environmental management, SOCAM won all three "Green Contractor" Gold Awards from the Architectural Services Department and a Certificate of Merit for "Green Construction Contractor" at the Hong Kong Eco-Business Awards 2001.



Murray House reconstructed by SOCAM won the "Special Architectural Award-Heritage" at the Hong Kong Institute of Architects Annual Awards 2001

In addition, the Victorian-era Murray House reconstructed by SOCAM at the Stanley waterfront won the "Special Architectural Award - Heritage" at the Hong Kong Institute of Architects Annual Awards 2001. This is a strong endorsement of our expertise in restoring historic buildings and should give your Group a significant advantage in this specialised area.

Your Group recognized that, in order to achieve long-term growth, people development would have to be given top priority at all times. Our efforts in this area were acknowledged by the Best Practice Management Group with the award of the "Best Practice Award 2001 for Value-Added Training".

Looking Ahead

Market conditions in Hong Kong are expected to remain difficult in the near future as restructuring of the local economy continues. However, with forward-planning, SOCAM is now well positioned to take advantage of the exciting business opportunities offered on the Chinese Mainland, particularly in this post-WTO era.

The Central Government's policy to modernize the central and western regions will continue to boost local demand for high grade cement. SOCAM, one of the first Hong Kong companies to invest in Chongqing and Guizhou, has already established a firm foothold and extensive networks in the area. As the largest high grade cement producer in Chongqing, it will now focus on consolidating and streamlining its operations, and on strengthening the



Rui Hong Xin Cheng provides residents with a green living environment and well-planned facilities

marketing and distribution networks. It will also continue to aggressively expand its cement operations in Guizhou through strategic acquisition of local plants with the potential for upgrades and increase in production capacity. With some operations already making a profit, our cement business should be making a significant contribution to SOCAM's performance in the near to medium term.

SOCAM is also well positioned to take advantage of the growth opportunities in the market of quality residential developments in Shanghai. As the Shanghai economy continues to enjoy double-digit growth, residential property prices are expected to rise with their sustained growth and increase in demand continuing for the foreseeable future. Rui Hong Xin Cheng, with a total buildable gross floor area of approximately 1.62 million square metres, will be put on the market in phases over the next decade. The flats, which are located right next to a planned subway station, come with quality finishes, contemporary design features and well-planned leisure facilities. The first phase, which was developed by the privately held Shui On Properties Limited, has been well received by the market, and the future phases should continue to be attractive to the rapidly emerging middle-class segment of the market.

In Hong Kong, SOCAM has enhanced its cost competitiveness through vigorous cost-reduction exercises at all levels. Operational cost for the 2002-2003 financial year has been lowered substantially.

In addition, SOCAM will continue to extend its scope of business and widen its source of contracts based on its experience and expertise. The inclusion of SOCAM in the Works Bureau's List of Approved Specialist Contractors for

Public Works under the category of "Repair and Restoration of Historical Buildings" gives it a definite advantage in tendering for future restoration projects. SOCAM is also further preparing its team of construction experts to take part in construction and property development projects in the vast markets of the Chinese Mainland.

We expect SOCAM's high-potential businesses to start making significant profit contributions in two to three years' time, and we are confident that SOCAM's successful strategic transformation into a Mainland-oriented enterprise, specializing in the property development, construction materials and construction sectors, will allow it to enjoy long-term, sustainable growth.

Acknowledgments

SOCAM's resilience and long-term development amid the current unfavourable market conditions are made possible by its dedicated and hardworking employees. I am particularly grateful to staff members for their overwhelming support of the company's cost-reduction drive last year, in which it reluctantly resorted to pay cuts and headcount reductions. With such spirit, I am confident SOCAM will move from strength to strength and I extend my heartfelt appreciation to all staff members for their strong commitment and contribution to the Group.

Lo Hong Sui, Vincent

Chairman
Hong Kong, July 2002