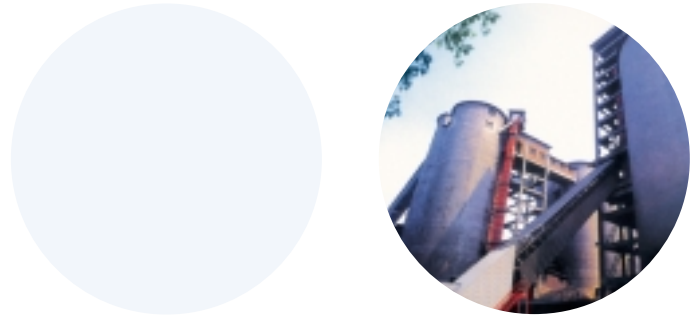




“Your Group’s long-term, strategic expansion in the fast growing Chinese Mainland market bore fruit during the year and enabled your Group to restore profitability. Although the construction and construction materials businesses in Hong Kong will remain difficult in the near future, the solid foundation your Group has laid in the cement and property markets on the Mainland should ensure sustainable growth in the years ahead.”

Lo Hong Sui, Vincent
CHAIRMAN



Results

The Group's turnover amounted to HK\$3,590.9 million, up 55% from the previous financial year (2002 / 2003: HK\$ 2,311.3 million). The profit attributable to shareholders was HK\$147.7 million (2002 / 2003: a loss of HK\$44.3 million), representing a profit per share of HK\$0.55 (2002 / 2003: a loss per share of HK\$0.17).

The Directors recommend the payment of a final dividend of HK\$0.275 per share to shareholders whose names appear on the Register of Members of the Company on 27 September 2004.

Business Review

Demand for cement in Chongqing and Guizhou, where your Group is the largest high grade cement producer, continues to grow rapidly amidst the Central Government's substantial investments in urbanisation and infrastructure and power generating projects. Your Group's emphasis on building up market share during the year, however, meant that some of the plants have yet to yield significant profits.

In Chongqing, your Group is upgrading the existing cement plants as well as building two modern dry kilns. In Guizhou, we signed joint venture agreements with two cement plants in Bijie and Changda in 2003. By the end of the 2004 / 2005 financial year, your Group's annual production capacities of high grade cement in Chongqing and Guizhou should reach 9 million tonnes and 2.5 million tonnes respectively.

The successful sale in October 2003 of residential units in Rui Hong Xin Cheng (also known as Rainbow City), a large-scale housing project in Shanghai, yielded a substantial profit contribution to your Group. The encouraging market response reflects not only the high quality and popular design of Rui Hong Xin Cheng, but also the buoyant property market in Shanghai. With China's accession to the World Trade Organization and the 2010 World Expo in Shanghai, we believe both the economy and the real estate market in Shanghai and other major Mainland cities should continue to grow significantly.

Although Hong Kong's economy showed signs of a recovery, it was at too early a stage to benefit local construction and materials businesses. The decline in government contracts available for tender continued to affect the workload for our construction division. The sales and gross margins of the Group's construction materials operations in Hong Kong and the Pearl River Delta continued to be severely affected by the depressed construction market.

On a brighter note, the two venture capital funds in which your Group owns majority interests have begun to bear fruit. We expect these funds to bring sizeable returns to your Group.

Details of your Group's performance and development during the year are set out in the "Management Discussion and Analysis" starting from page 10.



Corporate Governance

The effective governance of the Group is a key element of our policy to behave and operate as a leading exponent of corporate best practice in Asia. The responsibility for corporate governance rests with your Board and our approach is based on safeguarding integrity and transparency both at the Board level and in our reporting to you, the shareholders of the Group.

Over the years, we have foreshadowed a number of the changes in this area introduced by the Hong Kong Stock Exchange. The Independent Non-executive Directors (INEDs) play an active role in developing and overseeing the implementation of ever higher standards of corporate governance.

The purpose of the Board is to achieve the results we have planned to enhance shareholder value without compromising our standards of integrity and transparency in a manner that protects the long-term interests of all shareholders. This work also includes establishing appropriate processes and controls and actively monitoring their effective application. While the Executive Directors are responsible for managing the operations of the Group, your Board – in particular the INEDs – reviews and approves strategies, major policies, business plans and the identification and evaluation of opportunities available to the Group and the risks it must contend with. Your Board's policy is to provide target-based performance pay and emphasise innovation in order to achieve the Group's strategy and plans.

The Audit and Remuneration Committees have been established to assist the Board in its work and to ensure these functions are the subject of rigorous, independent review. The Audit Committee consists of the three INEDs and the chief internal auditor reports to this Committee. The Remuneration

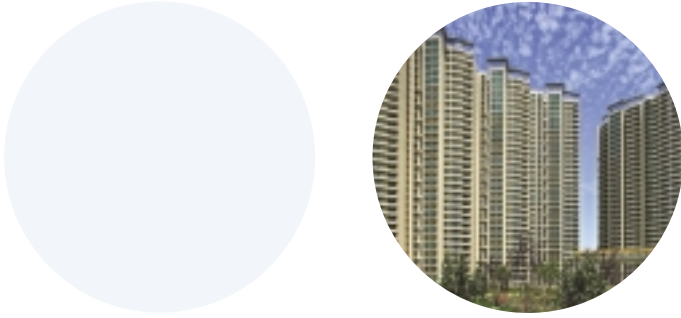
Committee comprises the Chairman and the three INEDs with one of the latter chairing the Committee. Both Committees have explicit terms of reference outlining their roles and responsibilities and it is the policy of your Board that INEDs should constitute the whole or the majority of each Committee.

Future Outlook

Your Group's successful strategic moves in the Chinese Mainland over the past several years now enable it to profit from the vast business opportunities there. Although the Central Government has announced policies to cool down activities in industries in which your Group is actively engaged, the impact on our business should be short-term. This is mainly because SOCAM has always maintained a prudent financial policy and a high degree of liquidity, and our long-established relationships with Hong Kong and international banks ensure readily available funding for our Mainland projects.

In fact, the Central Government's initiatives to curb overinvestment in these sectors may prove beneficial to well established companies like SOCAM. These initiatives should help to eliminate inefficient and speculative players in the market, prevent rampant fluctuation in prices and ensure healthy, long-term development of the targeted industries as well as the economy as a whole. The upshot will be industries that have consolidated along more rational lines and are better managed, enhancing your Group's rate of development.

With the independent shareholders' unanimous approval on 15 April 2004 to inject Rui Hong Xin Cheng development and US\$50 million cash into Shui On Land Limited (SOL) – the newly established flagship property company of Shui On Group (SOCAM's privately held parent company) – your Group now enjoys greater opportunities in the dynamic property market in the Chinese Mainland. (Details of SOL's development projects are available on page 20-27).



This move will enable SOCAM to benefit from the diversified real estate portfolio and strong reputation of the private group in the Chinese Mainland. In addition to being able to equity-account for SOL's expected stable and strong earnings, your Group is also well positioned to co-invest with SOL in selected property developments that can capitalise on SOCAM's extensive construction expertise.

We intend to use the solid experience gained in public housing and Private Sector Participation Home Ownership Scheme projects in Hong Kong to undertake mass housing development projects in major Mainland cities where demand for good quality, affordable residential units is high and increasing.

Cement production in Central and Western China will continue to be an important area of growth for your Group. Although profits from this business were only moderate during the year, the increase in production capacity and consolidation of our market presence in Chongqing and Guizhou should bring a higher profit contribution in the long term.

Modernisation in Central and Western China will continue to boost local demand for high grade cement. Already the leading producer in Chongqing and Guizhou, your Group is actively studying the feasibility of entering the cement markets in nearby provinces. Our longer-term target is to build up a significant annual production capacity in the region.

An important step towards this target was taken in June when your Group entered into a framework agreement to form a joint venture to invest in the two largest cement plants in Yunnan province. In addition, your Group has entered into an agreement with Lafarge, the world's largest cement producer, whereby Lafarge has the exclusive option to purchase 50% of your Group's interest in the Yunnan joint venture. The possible participation of Lafarge in this joint venture could mark the beginning of a long-term relationship as both companies continue to expand in the Chinese Mainland.

Market conditions in Hong Kong are expected to remain difficult for your Group's construction and construction materials divisions in the near term, and these divisions will continue to focus on maintaining competitiveness through stringent cost control measures and a lean overhead.

The continued economic growth in the Chinese Mainland offers vast business opportunities. I am confident that the decisive measures implemented recently by the Central Government to cool down the economy will ensure sustainable and healthy economic growth on the Mainland. Your Group's successful transformation into a Mainland-oriented enterprise will allow it to take advantage of these opportunities and achieve long term, sustainable development.

Acknowledgments

With the dedication and hard work of our employees, SOCAM has achieved rapid expansion in the Chinese Mainland while maintaining competitiveness in the challenging Hong Kong market. As we face the opportunities and challenges that lie ahead, I am confident that our staff will continue to excel and I would like to extend my heartfelt appreciation to all of them for their strong commitment and contribution to the Group.

Lo Hong Sui, Vincent
CHAIRMAN

Hong Kong, July 2004