SHUI ON CONSTRUCTION AND MATERIALS LIMITED
瑞安建業有限公司

EXPANDING HORIZONS BUILDING ON STRENGTHS
擴領域 展優勢

2008
Interim Report
中期報告
STOCK CODE 股份代號 : 983

CONTENTS

SOCAM AT A GLANCE

Shui On Construction and Materials Limited (SOCAM) was listed on the Hong Kong Stock Exchange in February 1997. It is principally engaged in property, cement, construction and venture capital investment.

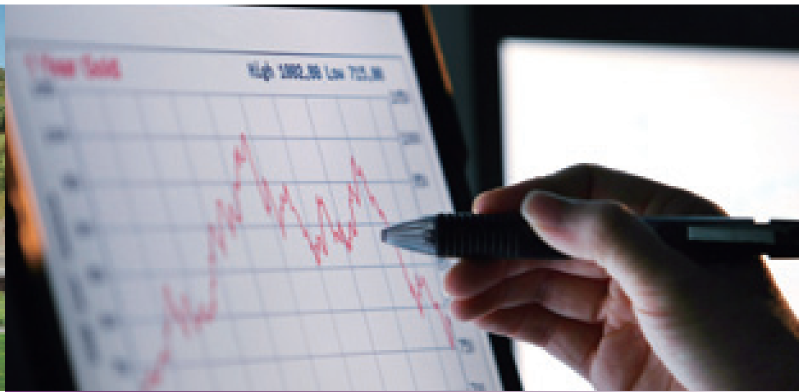
Today, SOCAM has spread its wings, and expanded its operations to over 14 cities and strategic areas in Hong Kong, Macau and the Chinese Mainland.

PROPERTY

- Distressed Property Development
- Greenfield Development
- Investment in Shui On Land

CEMENT

- Lafarge Shui On Cement
- Guizhou Operations
- Nanjing Operations



CONSTRUCTION

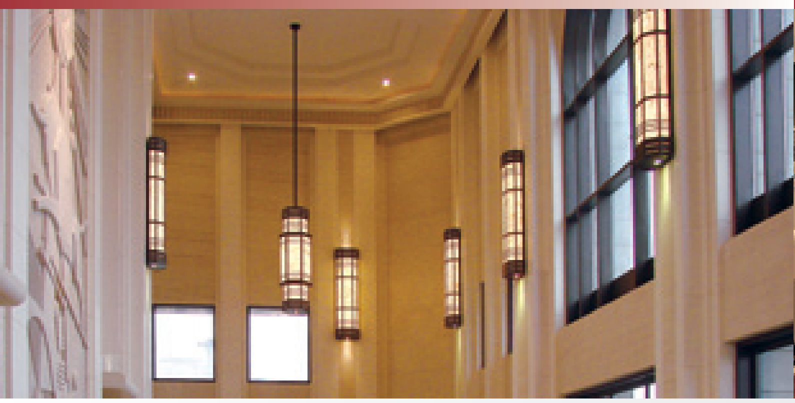
- Public Housing
- Commercial, Residential and Institutional Buildings
- Interior Fitting Out and Building Renovation
- Maintenance

VENTURE CAPITAL

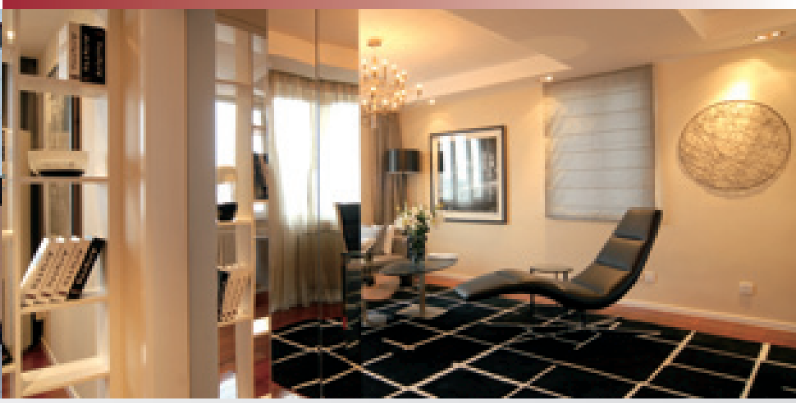
- Yangtze Ventures Funds I & II
- On Capital China Fund

A MAJOR GROWTH DRIVER

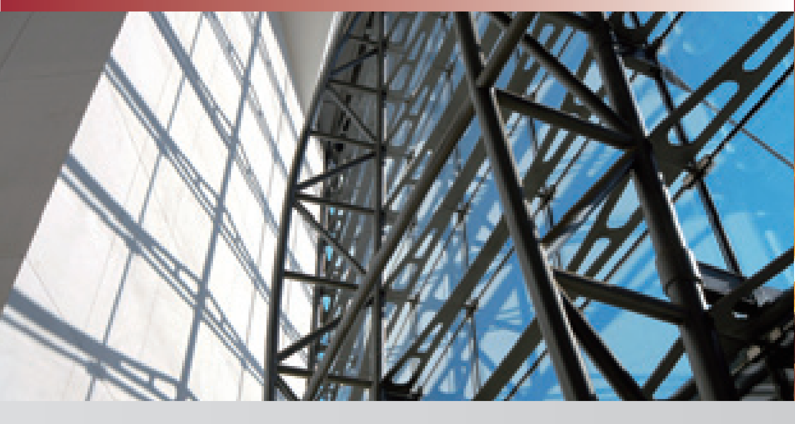
Under the continuing transformation of the Group, the 41% owned China Central Properties has become a major growth driver of the Group.



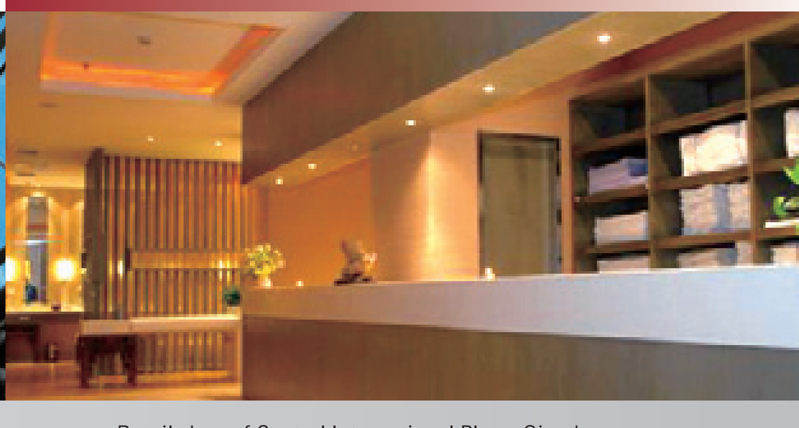
Xiwang Building, Dalian



Show flat of Central International Plaza (Blocks A and C), Qingdao



Huapu Centre Phase I, Beijing



Retail shop of Central International Plaza, Qingdao

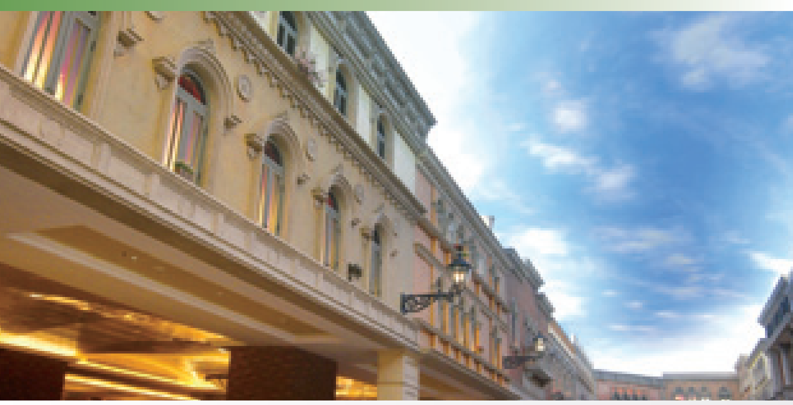

LAFARGE
拉法基瑞安水泥

ACTIVE EXPANSION OF CEMENT BUSINESS

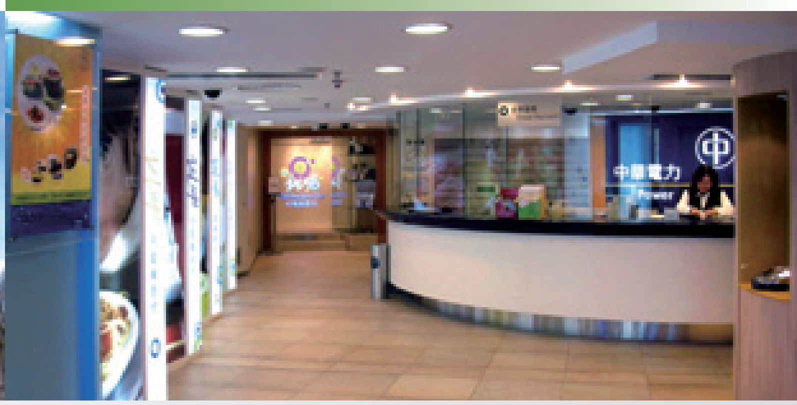
We believe that the cement market in the Chinese Mainland will remain buoyant and Lafarge Shui On Cement will continue its active expansion.

STEADY PROFIT CONTRIBUTOR

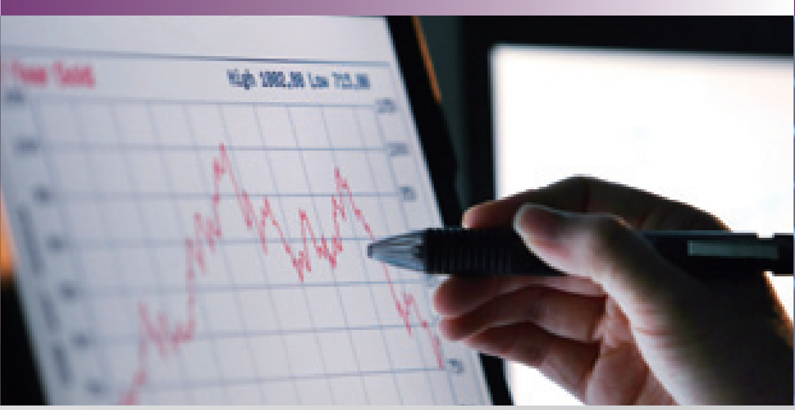
Construction remains a steady cash and profit contributor, and will also provide strong support to the property business.



Interior fitting out work at the Venetian Cotai, Macau.



Our maintenance works section undertakes works from corporate clients.



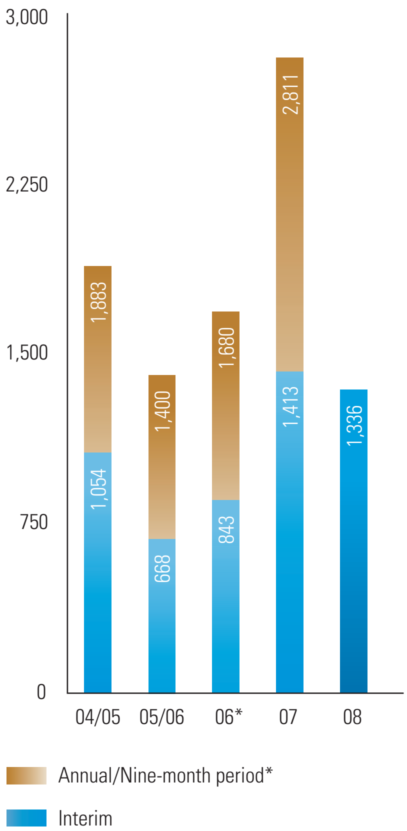
VENTURE CAPITAL – The Group will seek to realise value from its fully invested venture funds at opportune times.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2008	2007
Turnover	**HK$1,336 million**	HK$1,413 million
Profit before non-cash income/charges on convertible bonds issued	**HK$723 million**	HK$290 million
Profit attributable to shareholders	**HK$873 million**	HK$60 million
Basic earnings per share	**HK$2.71**	HK$0.21
Interim dividend per share	**HK$0.20**	HK$0.15

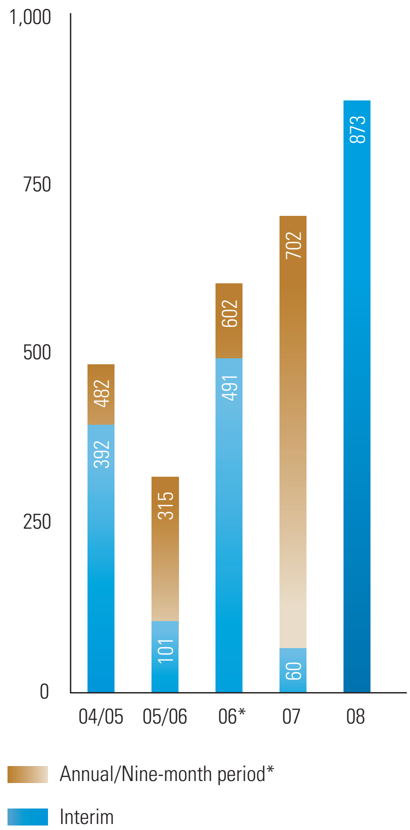
TURNOVER

HK$ million



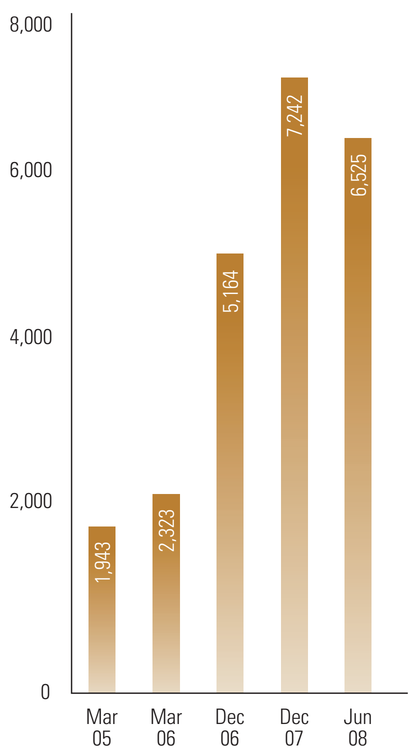
PROFIT ATTRIBUTABLE TO SHAREHOLDERS

HK$ million



EQUITY ATTRIBUTABLE TO SHAREHOLDERS

HK$ million



BUSINESS HIGHLIGHTS

Shui On Construction and Materials Limited achieved a very substantial increase in profit in the first half of 2008. Highlights of the half year are:

- The Group acquired, in joint venture with China Central Properties, two greenfield property development projects in Shenyang and Chengdu for a total consideration of about HK$900 million as part of its growth strategy.

- China Central Properties made steady progress and expanded its property development portfolio to 1.3 million square metres of GFA, spanning seven major cities in the Chinese Mainland. It also brought good returns to shareholders through profitable disposals, exemplifying the strengths of the distressed property development model.

- Lafarge Shui On Cement saw an upsurge in profit with increased sales volumes and prices. The earthquake in Sichuan in May caused damage and temporary disruption to the production of the plants in Dujiangyan and Jiangyou, but its adverse financial impact was low due to insurance compensation. The launch of three new dry lines with aggregate annual production capacity of about 3 million tonnes in Yunnan replenished the joint venture's capacity following the progressive closure of its wet lines. By the end of June, total annual production capacity stayed at about 24 million tonnes.

- The Construction division reported higher profit, despite a decline in turnover. During the period under review, the business secured HK$2.6 billion worth of new projects and the outstanding value of contracts on hand amounted to HK$5.0 billion.

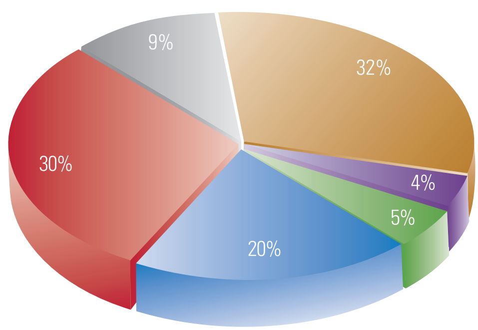
- Venture capital investments delivered a positive performance and weathered the downturn of the global financial markets.

- The disposal of a partial interest in Shui On Land produced HK$496 million in profit and HK$1.0 billion in cash, which allowed the Group to strengthen its working capital.

- Non-cash accounting income of HK$174 million in relation to convertible bonds issued was recognised as a consequence of the market-driven fall in the Company's share price.

ASSETS EMPLOYED

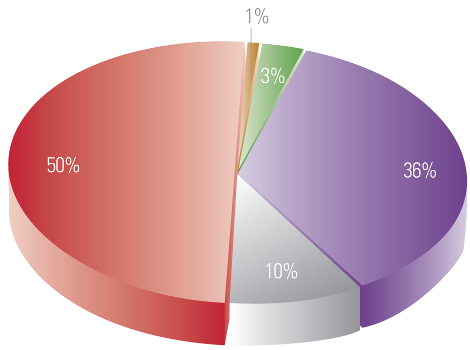
At 30 June 2008



Property
Investment in Shui On Land
Cement
Construction
Venture capital investment
Others

CAPITAL AND LIABILITIES

At 30 June 2008



Capital and reserves
Minority interests
Convertible bonds
Bank borrowings
Other current liabilities

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS

The Group's turnover was HK$1.3 billion for the six months ended 30 June 2008, a 5% decrease compared to the interim period of 2007. Consolidated profit after taxation and minority interests was HK$873 million, a 1,350% increase from the HK$60 million for the same period last year. An analysis of the results is set out in the Financial Review section of this Report.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK$0.20 per share (2007: HK$0.15 per share) to shareholders whose names appear on the Company's register of members on Friday, 10 October 2008. The interim dividend will be paid on Wednesday, 22 October 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 8 October 2008 to Friday, 10 October 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Monday, 6 October 2008.

ACKNOWLEDGEMENT

In May, Mr. Moses Cheng, one of our Independent Non-executive Directors, retired by rotation. We thank him for his valuable contribution to our Group during his time with us. Since August, Ms. Helen Li has been appointed as our Independent Non-executive Director to fill the vacancy. We welcome Ms. Li to the Company.

BUSINESS REVIEW

During the six months ended 30 June 2008, the global economy deteriorated rapidly as the subprime mortgage crisis in the United States worsened. Meanwhile, the Chinese Government continued to tighten its austerity policies to ease inflation in general and suppress over-speculation in the property sector. The global financial market downturn during the first half of 2008 led to a general decline in share prices on the Hong Kong Stock Exchange, with the Hang Seng Index falling by more than 20%. Both capital and debt markets slowed down and liquidity in the banks also quickly dried up.

Against this backdrop, our wholly-owned subsidiary, SOCAM Asset Management (SAM) was able to assist in the realisation of gains for the initial investments made by China Central Properties (CCP), the London AIM listed company in which SOCAM has about 41% shareholding, while it continued to contribute to the building up of the asset portfolio of CCP. The projects that CCP disposed of and acquired in the first half of 2008 are further elaborated under the section on "China Central Properties" that follows. Despite the considerable rise in production costs, the winter snow storm in early 2008 and the major earthquake in Sichuan in May, profit contributions from Lafarge Shui On Cement (LSOC) and our Guizhou cement plants increased substantially on the back of strong demand for cement and increased selling prices. Our construction arm remained prudent in tendering in view of the rise in construction costs.

PROPERTY

China Central Properties

Under the continuing transformation of the Group, the 41% owned CCP, which specialises in distressed property development, has become a major growth driver of the Group.

CCP has continued to make progress and has built up a portfolio of 13 projects (excluding Beijing Huapu Centre Phase I which was disposed of in February) in seven major cities in the Chinese Mainland, namely Beijing, Chengdu, Chongqing, Dalian, Guangzhou, Qingdao and Shenyang, with an attributable developable GFA of approximately 1.3 million square metres. These projects, which comprise distressed asset and greenfield developments, include office, commercial, residential and composite and 10 of the 13 projects are wholly owned by CCP.

During the first half of the year, the austerity measures imposed by the Central Government to curb excessive growth have presented CCP with more acquisition opportunities as the number of unfinished property projects increases due to the lack of funding in the market. CCP, with its ample cash resources generated from the sales of properties, is well placed in the coming months to capture more attractive opportunities, including greenfield development projects.

Disposals

During the period, a substantial portion of Central International Plaza in Qingdao was disposed of successfully, together with Beijing Huapu Centre Phase I, which contributed a significant gain of about RMB300 million for the interim period. In May, CCP entered into an agreement for the disposal of Beijing Shengyuan Centre and in June, CCP announced the disposal of Dalian Xiwang Building. The net sale proceeds from these and ongoing disposals will be used for new investments.

Acquisitions

In April, CCP entered into an agreement to acquire Guangzhou Dapeng International Plaza, a partially completed mixed-use development located in the well-established commercial district of Yuexiu in Guangzhou. At the date of this Report, certain conditions required prior to the completion of this acquisition have not been fulfilled by the vendor and there is a likelihood that the transaction will not be completed.

Two greenfield projects were obtained in the half year to 30 June 2008 in joint venture: Chengdu Orient Home with SOCAM and Shenyang Central Plaza Phase II with SOCAM and a shareholder of CCP.

At the end of June 2008, CCP had a diversified property portfolio as follows:

Project	Location	Approximate GFA attributable to CCP (square metres)	Property type	CCP's interest
1. Fengqiao Villas	Beijing	72,000	Residential	100%
2. Shengyuan Centre	Beijing	43,000	Commercial	100%
3. Central Point	Chengdu	120,000	Composite	100%
4. Orient Home	Chengdu	168,000	Composite	50%
5. Ruiqi Building	Chongqing	86,000	Commercial, residential and retail	100%
6. Haomen Building	Chongqing	10,000	Commercial	100%
7. Nanyang Building	Chongqing	53,000	Residential and retail	100%
8. Qianxinian Building	Chongqing	35,000	Commercial and retail	100%
9. Xiwang Building	Dalian	89,000	Commercial	100%
10. Chuangyi Centre	Guangzhou	100,000	Residential and retail	100%
11. Central International Plaza (Blocks A and C)	Qingdao	8,000	Commercial, residential and retail	100%
12. Central Plaza (Phase I)	Shenyang	209,000	Composite	70%
13. Central Plaza (Phase II)	Shenyang	264,000	Composite	40%
TOTAL		**1,257,000**		

Ongoing Projects

Beijing

Since the slowdown of the property market in the latter half of 2007, genuine end-users have re-entered the market. The average selling price of residential properties climbed to over RMB15,000 per square metre, up 33% year-on-year since the rolling out of more luxury residential properties. CCP will be upgrading the 130 villas at the Fengqiao Villas development. Sale of the villas is expected to commence in the fourth quarter of 2009 and this project is expected to be a major contributor to the future profits of CCP.

Chengdu

Chengdu maintained stable economic growth during the first five months until 12 May 2008 when the Wenchuan earthquake struck. Though it did not cause major economic losses in Chengdu, it did result in the suspension of property projects for safety reasons. Consequently, site progress at the Chengdu Central Point experienced some delay. The earthquake led to a review of building designs and quality, which are an integral part of the brands of CCP and SAM. Although Chengdu was not significantly affected by the earthquake, its economy will benefit from the preferential policies adopted by the Central Government to support the reconstruction of Sichuan.

Chongqing

The economy of Chongqing continued to grow at high speed during the first half of 2008, and the May earthquake in Sichuan had little economic effect on the city. The office rental market in Chongqing was stable but grade A offices continued to be attractive, with a particular focus on the central business district of Jiefangbei in the Yuzhong district. The residential market turned more active during the first half of 2008. Total transaction volume recorded was approximately 9 million square metres GFA, showing a 5% increase year-on-year.

The construction drawings for the Ruiqi Building and Qianxinian Building projects are being prepared with construction works expected to commence in the second half of 2008. Nanyang Building will be redeveloped into a luxury residential block and work is planned to commence in 2009. Haomen Apartment is intended to be redeveloped into a Ginza-type commercial centre when the relevant government authorities have given design approval.

Guangzhou

The economy of Guangzhou continued to grow rapidly, although the growth rate has slowed. With the increasing affluence and purchasing power of city dwellers, retailers are actively searching for prime retail space. On the residential side, the transaction volume continued to grow, although at a substantially slower pace than the same period in 2007.

The Chuangyi Centre will be a residential and retail development when completed and an application for planning approval had been submitted.

Qingdao

The Central International Plaza Blocks A and C were completed and well received by the market, with the office and retail areas all sold and only a few residential units left to be sold.

Shenyang

At Shenyang Central Plaza Phase I, all land issues have been resolved and foundation work is progressing. A soft launch of the sales campaign for the project has been planned for early 2009.

Greenfield Development Projects

The Group's expansion into greenfield development projects in the Chinese Mainland is a strategic diversification within its focus on distressed property projects that also benefits significantly from the strong project management capabilities of SAM.

Dalian Tiandi • Software Hub

In view of the more stringent controls on land acquisitions in the Chinese Mainland, the Company, Shui On Land (SOL) and the Yida Group have planned to provide further funding totaling RMB3,260 million to the Dalian Tiandi • Software Hub this year to accelerate the acquisition of land for this project in an effort to minimise any negative impacts that may result from potential further tightening of policies in the property sector. At the end of the first half year, the plots at Huangnichuan Road representing about 1.7 million square metres of GFA in total had been acquired.

Planning and design of the development has been completed. The master plan of the project was unveiled during the Mainland's only state-level software trade fair, "China International Software & Information Service Fair", in June. To help ensure an adequate and continuous supply of talent is available for the sustainable growth of the IT industry, the project company entered into an agreement in June with NIIT, a world-leading IT learning solution provider, to establish training organisations within the Hub. The management team is also in touch with various interested parties to participate in the project as end-users and investors. The first office building is expected to open in December 2009.

Shenyang Central Plaza (Phase II)

This project was acquired by auction in January in joint venture with CCP and a significant shareholder of CCP. Shenyang is a major retail and commercial hub of northeastern China that has attracted many major property developers. Both production output and consumption in Shenyang are strong and the economy continues to grow rapidly.

The parcel of land, which is in Huanggu district in Shenyang, was obtained for approximately RMB917 million. This mixed-use project has a planned developable area of approximately 660,000 square metres and is adjacent to CCP's Shenyang Central Plaza Phase I development. SOCAM and CCP, each having a 40% interest in the joint venture, will each invest approximately HK$466 million in this project. Relocation is progressing satisfactorily. The ground-breaking ceremony of the project took place in September 2008. Completion of this project is expected in 2012.

Chengdu Orient Home

SOCAM has a 50% interest in this project, a parcel of land in Jinniu District, Chengdu, which was acquired in February in joint venture with CCP. The project will predominantly be a residential development with a small amount of commercial space. The total GFA will be approximately 336,000 square metres. SOCAM and CCP will each inject RMB394 million into the joint venture to fund the acquisition and development of this project. Planning application is in progress and completion is expected in 2011.

SOCAM Asset Management

Since the appointment of SAM as the investment manager of CCP in June 2007, the asset portfolio managed by SAM has expanded rapidly while management fees from CCP have also grown. In the first half of 2008, CCP's portfolio grew from 887,500 square metres of GFA at year-end 2007 to about 1.3 million square metres in total GFA, representing 13 projects in seven cities.

The total GFA of property projects under our Group's management including Dalian Tiandi • Software Hub, Shenyang Central Plaza Phase II and Chengdu Orient Home has reached close to 6 million square metres. As CCP assisted by SAM continues to capitalise on market opportunities and implement the strategy of high asset turnover, the management fee income of SAM is expected to increase steadily.

Investment in Shui On Land

Following independent shareholders' approval at the general meeting on 23 April 2008, the Group completed a disposal of 3.1% of SOL shares for HK$1 billion. The disposal strengthened the Group's cash position and enhanced its gearing capacity, enabling the Group to invest in growth opportunities that can be actively managed to create attractive returns for shareholders. The Group retains a 9.5% shareholding in SOL and consequently, it will benefit from SOL's future growth. In its 2008 interim results, SOL announced profit attributable to shareholders of HK$1,938 million and declared an interim dividend of 7 HK cents per share.

CEMENT

Lafarge Shui On Cement

Cement is the second major growth driver of our business interests. LSOC is the cement market leader in southwest China, with a major presence in Sichuan, Chongqing, Yunnan and Guizhou. In the six months ended 30 June 2008, LSOC recorded a strong performance due to increased sales volumes and higher selling prices. LSOC sold 8.5 million tonnes of cement in the first half of the year, with virtually no sales in the second half of May and June in the two plants in Sichuan damaged by the earthquake. Turnover in the first half of 2008 reached HK$2.2 billion compared to HK$1.6 billion in the corresponding period of 2007.

During the first six months of 2008, cement output in China increased 6% compared to the same period last year and consumption was up 7%. Capital expenditure nation-wide on cement was up 56% to May 2008, with two-thirds of the increase invested in the central and western regions of China. New fixed asset construction projects started, viewed as a proxy of demand for cement, increased by 12% and 15% in the western and central regions of China respectively. Demand growth for cement from infrastructure and rural upgrading projects continued. Government efforts to phase out backward production capacity for energy conservation and emission reduction reasons have further boosted the cement market as production volume from wet kilns is being steadily eliminated.

LSOC cement plants in Dujiangyan and Jiangyou, Sichuan were affected by the Sichuan earthquake and suffered varying degrees of damage. Fortunately, no fatality and only a few injuries resulted at these plants. LSOC reacted proactively, contributing heavy excavating equipment and staff members to assist in the community rescue mission. At its plants in Dujiangyan and Jiangyou, tents and supplies were provided immediately after the earthquake to the employees made homeless in the disaster. To date, two plant dormitories have been repaired and over 300 temporary housing units have been set up at these plants to provide temporary quarters for employees and their families. All employees at the Jiangyou plant have returned to work with production resumed by July. Over 70% of all employees at Dujiangyan are back at work and the two production kilns are expected to resume production in October and December respectively.

Losses from the earthquake were minimal as asset damage and loss of profit due to business interruption were mostly covered by insurance claim settlement.

In June, LSOC signed financing framework agreements with three major banks in Sichuan in respect of RMB5.3 billion banking facilities extended to LSOC and its quake-hit plants in support of the repair and restoration works of the cement production and other related infrastructure facilities as well as building of new plants in Sichuan.

The earthquake has adversely affected many cement production facilities in the region, wiping out many old kilns in Sichuan. This will create a shortage of supply of cement. On the other hand, the post-earthquake reconstruction of the affected areas will greatly increase the demand for cement. LSOC will accelerate the building of new production lines to contribute to the reconstruction of the affected region. In this process, LSOC will further strengthen its market leadership position in the southwestern China.

Guizhou was affected by heavy and prolonged snow storms in January and February. Electricity supply and delivery of raw materials for production were interrupted during this period and the cost of coal and electricity also increased substantially. Despite these negative factors, which led to lower production and sales volumes and higher costs, the significant increases in cement prices on strong demand boosted the profitability of the plants.

Cement demand in Chongqing also remained strong and this supported rising prices. Both contributed to better margins in Chongqing.

In Beijing, the acceleration of construction works before the Olympics created strong demand for cement and led to a short-term imbalance in market supply and demand, which pushed up prices further. This enhanced the profitability of the operations.

In Yunnan, increased supply of cement, coupled with slow demand growth, especially in the central region, put pressure on selling prices and volumes. The three new dry kilns in Sanjiang, Lijiang and Honghe with an aggregate production capacity of 7,000 tonnes per day (tpd) became operational in the first half of this year. This new capacity replenished the total annual production capacity of LSOC, following the progressive closure of its wet lines, to about 24 million tonnes at 30 June 2008.

The construction of two dry kilns in Diwei and Yongchuan, Chongqing, a third line in Dujiangyan, Sichuan, and two dry kilns in Sancha and Dingxiao, Guizhou has been progressing well. Completion of these new kilns is expected in 2009/2010. In May, LSOC entered into agreements to acquire from SOCAM two production lines in Kaili, Guizhou. In addition, a number of new projects are on the drawing board, with feasibility studies in progress. LSOC is targeting to increase its production capacity to 50 million tonnes per annum by 2012.

SOCAM's Cement Plants in Guizhou and Nanjing

As discussed above, Guizhou was affected by the snow storm early this year and costs of production increased substantially. As a result, production and sales at the six Guizhou cement plants decreased during the period under review. Nevertheless, profitability improved with the help of strong selling prices.

The construction of the 2,500 tpd new dry kiln in Changda is near completion and commissioning is scheduled for the fourth quarter of this year. For the 2,500 tpd new dry kiln in Kaili, construction work has been affected by the delayed supply of certain major equipment due to the Sichuan earthquake. Completion is now targeted for the first quarter of 2009. In May, agreements were entered into with LSOC for the injection of both the existing wet line and the dry kiln under construction in Kaili into LSOC. This will further increase the capacity of LSOC and strengthen its position in Guizhou.

The grinding plant in Nanjing continued to supply cement to the local markets and export to Australia and saw improvement in operating performance on increased selling prices.

CONSTRUCTION

Though increasing construction material prices and competition continued to put pressure on profit margins, our construction business remained a steady cash and profit contributor to the Group. During the period under review, new contracts totalling HK$2.6 billion were secured. The gross and outstanding value of contracts on hand were approximately HK$7.1 billion and HK$5.0 billion respectively at 30 June 2008, compared to approximately HK$5.5 billion and HK$3.6 billion respectively at 30 June 2007.

Our construction business delivered good profits for the six months ended 30 June 2008, despite an 11% drop in total turnover to HK$1,249 million when compared to the first half of 2007, and net profit attributable to the business rose 12% to HK$38 million. During the first half of 2008, Shui On Building Contractors (SOBC) secured three new major construction contracts from the Hong Kong Housing Authority, valued at approximately HK$1.6 billion. SOBC was also awarded two term contracts (2008 -10) totalling HK$34 million for architectural and building works and another contract of approximately HK$450 million for the design and build of minor works and civil engineering works by a utility company.

Shui On Construction (SOC) is progressing well on the HK$1 billion design-and-build contract for the new headquarters of the Hong Kong Customs and Excise Department. This 34-storey building is scheduled to be completed in mid 2010.

In June, SOBC and SOC received a total of nine awards for their outstanding performance in safety, health and environmental management in the Considerate Contractors Award Scheme 2007 organised by the Works Branch of the Development Bureau. SOBC and SOC also won numerous awards in the Construction Safety Promotional Campaign 2008 organised by Occupational, Safety & Health Council, recognising their achievements in fostering a culture of work safety.

Meanwhile, Shanghai Shui On Construction, the Group's 70%-owned construction company in the Chinese Mainland, secured a total of RMB408 million worth of new contracts for the construction works at Chongqing Tiandi, a city-core redevelopment project in Chongqing. Major projects completed during the period included Phase 2 of the "Live and Work Area" of the Knowledge and Innovation Community in Shanghai.

Pat Davie continued to secure interior fitting out projects from the commercial sector. Major projects completed or in progress during the first half year included a number of offices of major financial institutions and major hotels in Hong Kong. In Macau, Pat Davie benefited from the growing hospitality and entertainment market and continued to win fit-out contracts from major gaming and hospitality operators. Total turnover of Pat Davie for the first half of 2008 amounted to HK$256 million, with turnover in Macau representing about 43% of this figure. Pat Davie continued to provide close support to CCP's distressed property development projects in China.

VENTURE CAPITAL

In the first six months of 2008, our venture funds saw stable operating performance of the companies in which they have invested, and the listed securities on hand weathered the downturn of the global financial markets. The portfolio of venture capital investments contributed a net gain of HK$10 million to the Group, largely from the significant appreciation in value of the listed Gushan shares, reduced by substantial loss in value of other listed shares held by the funds resulting from the general decline in stock markets. The two Yangtze Ventures Funds and On Capital China Fund remained fully invested throughout the period. The Group will seek to realise value from these funds as the underlying investments become listed or exit opportunities become available.

PROSPECTS

Entering the second half of 2008, there are strong indications that economic growth will continue to slow in China. Austerity measures in China and the drying up of liquidity in the credit market globally will continue to pose challenges to our businesses. We operate in a dynamic economic environment and we will continuously review and revise our business strategies to tackle the difficulties resulting from social, economic and political changes around us. We see more potential opportunities as the market consolidates and weaker operators drop out. Companies with a strong capital base and seasoned management to ensure sustainable growth will prosper. This is particularly applicable to the Group's two main profit drivers, the property and cement arms.

We are optimistic about business growth in the Chinese Mainland and continue to implement the strategic transformation of SOCAM. The Group will be divesting non-core investments and focusing more on the property and the cement businesses. However, for the latter half of 2008, the Board has decided to adopt a defensive mode for the Group's property business as the global economic outlook remains uncertain. We will continue to invest but remain cautious in our expansion. Meanwhile, we believe that the cement market will remain buoyant and therefore we will continue our active expansion of this business.

As we look towards the future, we continue to upgrade our corporate governance to meet the highest international standards. A rigorous Board and Directors Evaluation exercise was conducted during this period, facilitated by an expert consultant who provided an evaluation framework and conducted individual interviews, as well as having a group session with all the Directors. Recommendations from the consultant are being followed up as we endeavour to enhance the effectiveness of the Board.

We take pride in timely and accurate reporting and maintaining a high degree of corporate transparency, thereby ensuring that the interests of all our stakeholders are fully taken care of. We also put considerable effort in devising the design of the Annual Report. In this regard, we are pleased that SOCAM's 2007 Annual Report won three awards, a Silver, a Bronze and an Honours Award, in The Annual International ARC Awards. These recognitions are very encouraging to us.

FINANCIAL REVIEW

An analysis of the profit attributable to shareholders is set out as follows:

In HK$ million	Six months ended 30 June 2008	2007
Property		
Project fee income	71	7
Share of profit	91	183
Net gain on assets injection into CCP	27	89
Exchange gain and interest income	34	10
Overheads of SAM	(58)	(16)
	165	273
Investment in SOL		
Gain on disposal of shares	496	–
Dividend income	40	45
	536	45
Cement operations		
LSOC	104	40
Guizhou Cement	19	2
	123	42
Construction	38	34
Venture capital investments	10	24
Convertible bonds		
Imputed interest expense	(24)	(48)
Fair value gain (loss) on derivatives	174	(182)
	150	(230)
Net finance costs	(79)	(86)
Overheads and others	(56)	(33)
Taxation and minority interests	(14)	(9)
Total	873	60

Property

Property operations contributed a total net profit of HK$165 million. This includes project fee income of HK$71 million and the Group's 41% share of CCP's profit for this interim period of HK$91 million, which was largely derived from the disposal gain on Beijing Huapu Centre Phase I. Unrealised gains deferred when Beijing Huapu Centre Phase I and Qingdao Central International Plaza Blocks A & C were injected into CCP at its listing in June 2007 were realised when the projects were sold in the interim period. As a result, HK$27 million gains were accounted for in the consolidated income statement for the interim period.

In April, the Group disposed of approximately 3.1% of the issued share capital of SOL for HK$1.0 billion and recognised a gain on disposal, net of transaction costs, of HK$496 million.

Cement operations

Our share in LSOC's profit increased markedly to HK$104 million in this interim period, largely due to increased sales volumes and prices driven by strong market conditions particularly in Sichuan, Chongqing and Guizhou. The earthquake in Sichuan in May had no major financial impact on the Group as the losses arising from asset damage and business interruption were covered by insurance.

The Guizhou cement plants reported higher profit on strong pricing, notwithstanding a decline in production and sales volumes caused by the snow storms in January and February and the continued increase in fuel and coal costs.

Construction

The Group's construction business recorded increased profit, despite a decline in turnover, for this interim period as average net profit margin increased to 3.1% from 2.4% for the corresponding period last year.

Venture capital investments

Due to the general decline in stock markets, various listed shares held by the funds experienced a considerable decrease in their prices. Such share price decline led to marked-to-market losses to the Group on 30 June 2008. However, the significant increase in the share price of one of the listed shares held, Gushan, a bio-diesel manufacturer in China, produced a gain that more than offset these losses.

Convertible bonds

The drop in SOCAM's share price has resulted in a substantial accounting fair value gain of HK$174 million on the HK$385 million outstanding convertible bonds of the Company. This accounting gain is recognised under the same accounting standard that led to the HK$182 million charge for the first half of 2007 due to the rise in SOCAM's share price in that period.

LIQUIDITY AND FINANCING

The shareholders' equity of the Company decreased from HK$7,242 million on 31 December 2007 to HK$6,525 million on 30 June 2008, or from HK$22.6 per share to HK$20.3 per share. This was largely brought about by the HK$1,219 million decrease in value of the shareholding in SOL due to the decline in the share price of SOL in the interim period.

Net borrowings, which included bank borrowings and outstanding convertible bonds, net of bank balances, deposits and cash, amounted to HK$4,619 million on 30 June 2008, compared to HK$3,913 million at the end of 2007. In April, the Group disposed of approximately 3.1% of the shareholding in SOL for approximately HK$1.0 billion cash to reduce gearing and to provide funds for investment. During the interim period, banking facilities were used to fund approximately HK$1.4 billion of investment in property development projects and cement operations. Together, they led to an increase in the net borrowing of the Group.

During the period, HK$10 million convertible bonds of the Company were converted into about 584,000 ordinary shares of the Company. At the end of June 2008, HK$385 million convertible bonds issued by the Company remained outstanding. In accordance with the terms of the convertible bonds, the conversion price of the bonds has been adjusted from HK$17.134 to HK$15.41 with effect from 31 July 2008. Assuming full conversion of all the outstanding bonds, this conversion price adjustment translates into an additional 0.7% enlarged issued share dilution compared to the potential full conversion of the bonds based on the original conversion price. The adjusted conversion price could be expected to make it more conducive for bondholders to convert, which would reduce the gearing of the Group and further enlarge the capital base of the Company.

The net gearing ratio of the Group, calculated as net borrowings over shareholders' equity, increased from 54% on 31 December 2007 to 71% at 30 June 2008, as a result of the increased bank borrowings and reduced shareholders' equity that have been explained above.

It is the intention of the Group to strengthen its balance sheet by better matching its long-term assets with long-term capital funding. This will be a gradual process due to the current tight liquidity situation in the debt and bank loan markets.

TREASURY POLICIES

The Group's bank borrowings are mainly denominated in Hong Kong dollars and have been arranged on a floating-rate basis. The convertible bonds issued by the Company are denominated in Hong Kong dollars and are zero-coupon. Investments in the Chinese Mainland are partly funded by capital already converted into Renminbi and partly financed by borrowings in Hong Kong dollars. Renminbi financing is at the project level only where the sources of repayment are also Renminbi denominated. Given that income from operations in the Chinese Mainland is denominated in Renminbi, the Group expects that fluctuation in the Renminbi exchange rate will have little negative effect on the Group's business performance and financial status. Therefore, no hedging against Renminbi exchange risk has been made. It is the Group's policy not to enter into derivative transactions for speculative purposes.

EMPLOYEES

At 30 June 2008, the number of employees in the Group was approximately 970 (30 June 2007: 830) in Hong Kong and Macau, and 13,940 (30 June 2007: 13,200) in subsidiaries and jointly controlled entities in the Chinese Mainland. Employee remuneration packages are maintained at competitive levels and employees are rewarded on a performance-related basis. Other staff benefits include provident fund schemes, medical insurance, in-house training and subsidies for job-related seminars, and programmes organised by professional bodies and educational institutes. Share options are granted annually by the Board of Directors to senior management and staff members under different schemes as reward and long-term incentives. Likewise, in the Chinese Mainland, staff benefits are commensurate with market levels, with an emphasis on provision of training and development opportunities. It remains our intention to be regarded as an employer of choice to attract and retain competent staff of high calibre.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June 2008 HK$ million (unaudited)	2007 HK$ million (unaudited)
Turnover			
The Company and its subsidiaries		**1,336**	1,413
Share of jointly controlled entities/associates		**1,282**	885
		2,618	2,298
Group turnover	3	**1,336**	1,413
Other income		**58**	42
Changes in inventories of finished goods, work in progress, contract work in progress and properties held for sale		**(1)**	55
Raw materials and consumables used		**(241)**	(219)
Staff costs		**(203)**	(164)
Depreciation and amortisation expenses		**(4)**	(4)
Subcontracting, external labour costs and other expenses		**(900)**	(1,127)
Dividend income from available-for-sale investments		**40**	45
Fair value changes on investment properties		**–**	17
Fair value changes on embedded derivatives	4	**(2)**	2
Convertible bonds issued by the Company			
– Fair value changes on embedded derivatives	4	**174**	(182)
– Imputed interest expense	5	**(24)**	(48)
Interests on bank loans and overdrafts and other borrowing costs	5	**(89)**	(93)
Gain on disposal of available-for-sale investments	10	**496**	–
Gain on disposal of interests in jointly controlled entities		**–**	110
Loss on deemed disposal of interest in an associate		**–**	(21)
Share of results of jointly controlled entities		**137**	252
Share of results of associates		**110**	(9)
Profit before taxation		**887**	69
Taxation	6	**(9)**	(6)
Profit for the period	7	**878**	63

CONDENSED CONSOLIDATED INCOME STATEMENT (Continued)

	Notes	Six months ended 30 June 2008 HK$ million (unaudited)	2007 HK$ million (unaudited)
Attributable to:			
Equity holders of the Company		**873**	60
Minority interests		**5**	3
		878	63
Dividends	8		
Paid		**209**	151
Proposed		**64**	47
Earnings per share	9		
Basic		**HK$2.71**	HK$0.21
Diluted		**HK$2.09**	HK$0.21

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2008 HK$ million (unaudited)	31 December 2007 HK$ million (audited)
Non-current Assets			
Investment properties		**99**	93
Property, plant and equipment		**24**	24
Prepaid lease payments		**45**	43
Interests in jointly controlled entities		**4,074**	3,175
Available-for-sale investments	10	**2,571**	4,789
Interests in associates		**2,126**	1,837
Investment in convertible bonds	11	**183**	174
Club memberships		**1**	1
Amounts due from jointly controlled entities		**586**	189
Amounts due from associates		**699**	491
Defined benefit assets		**117**	111
		10,525	10,927
Current Assets			
Inventories		**14**	11
Prepaid lease payments		**1**	1
Properties held for sale		**53**	54
Debtors, deposits and prepayments	12	**616**	589
Derivative financial instruments			
– Embedded derivatives of convertible bonds issued by an associate	11	**14**	16
– Early redemption option of convertible bonds issued by the Company	18	**2**	5
Amounts due from customers for contract work		**197**	162
Amounts due from jointly controlled entities		**510**	861
Amounts due from associates		**168**	130
Amounts due from related companies		**1**	2
Taxation recoverable		**3**	3
Pledged bank deposits		**393**	386
Bank balances, deposits and cash		**171**	153
		2,143	2,373
Assets classified as held for sale	13	**400**	–
		2,543	2,373

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

	Notes	30 June 2008 HK$ million (unaudited)	31 December 2007 HK$ million (audited)
Current Liabilities			
Creditors and accrued charges	14	898	803
Amounts due to customers for contract work		117	85
Amounts due to jointly controlled entities		22	12
Amounts due to associates		109	295
Amounts due to related companies		1	–
Loan from a related company		–	100
Taxation payable		14	8
Derivative financial instruments	18	67	249
Bank overdrafts		–	16
Bank borrowings due within one year	15	3,577	2,785
		4,805	4,353
Liabilities associated with assets classified as held for sale	13	77	–
		4,882	4,353
Net Current Liabilities		(2,339)	(1,980)
Total Assets Less Current Liabilities		8,186	8,947
Capital and Reserves			
Share capital	16	322	321
Reserves	17	6,203	6,921
Total equity attributable to equity holders of the Company		6,525	7,242
Minority interests	17	54	53
Total Equity		6,579	7,295
Non-current Liabilities			
Bank borrowings	15	1,200	1,259
Convertible bonds	18	406	392
Deferred tax liabilities		1	1
		1,607	1,652
		8,186	8,947

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Six months ended 30 June	
	2008	2007
	HK$ million	HK$ million
	(unaudited)	(unaudited)
Fair value changes of available-for-sale investments	**(1,258)**	164
Exchange differences arising on translation of financial statements of foreign operations	**166**	58
Share of reserves of associates	**137**	–
Net (expense) income recognised directly in equity	**(955)**	222
Transfer to profit or loss on disposal of available-for-sale investments	**(458)**	–
Transfer to profit or loss on disposals of interests in jointly controlled entities	**–**	(10)
Profit for the period	**878**	63
Total recognised (expense) income for the period	**(535)**	275
Attributable to:		
Equity holders of the Company	**(543)**	271
Minority interests	**8**	4
	(535)	275

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2008	2007
	HK$ million	HK$ million
	(unaudited)	(unaudited)
Net cash from (used in) operating activities	**20**	(151)
Net cash used in investing activities	**(215)**	(1,252)
Net cash from financing activities	**327**	1,477
Net increase in cash and cash equivalents	**132**	74
Cash and cash equivalents at the beginning of the period	**139**	62
Effect of foreign exchange rate changes	**8**	1
Cash and cash equivalents at the end of the period	**279**	137
Analysis of the balances of cash and cash equivalents		
Bank balances, deposits and cash	**279**	137

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2008

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2007. In the current interim period, the Group has applied, for the first time, a number of new interpretations issued by the HKICPA, which are effective for the Group's financial period beginning 1 January 2008. The application of these new interpretations has had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new/revised standards, amendments or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new/revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group except for the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised). The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment on changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[4]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008

3. Business and Geographical Segments

An analysis of the Group's turnover and results by business segments is as follows:

For the six months ended 30 June 2008

	Construction and building maintenance HK$ million	Cement operations Through LSOC# HK$ million	Other cement operations HK$ million	Property development HK$ million	Asset management and others HK$ million	Total HK$ million	Eliminations HK$ million	Consolidated HK$ million
TURNOVER								
External sales	1,248	–	–	–	88	1,336	–	1,336
Inter-segment sales	1	–	–	–	–	1	(1)	–
Group turnover	1,249	–	–	–	88	1,337	(1)	1,336
Share of jointly controlled entities	1	997	214	–	8	1,220	–	1,220
Share of associates	–	–	–	62	–	62	–	62
Total	1,250	997	214	62	96	2,619	(1)	2,618

Inter-segment sales are charged at mutually agreed prices.

LSOC denotes Lafarge Shui On Cement Limited, a jointly controlled entity of the Group.

	Construction and building maintenance HK$ million	Cement operations Through LSOC# HK$ million	Other cement operations HK$ million	Property development HK$ million	Asset management and others HK$ million	Total HK$ million	Eliminations HK$ million	Consolidated HK$ million
RESULTS								
Segment results	38	4	(1)	1	(44)	(2)		(2)
Interest income	2	–	2	–	6	10		10
Interest income from investment in convertible bonds	–	–	–	11	–	11		11
Imputed interest income on loans to jointly controlled entities/associates	–	–	–	26	–	26		26
Fair value changes on embedded derivatives	–	–	–	(2)	–	(2)		(2)
Dividend income from available-for-sale investments	–	–	–	40	–	40		40
Convertible bonds issued by the Company								
– Fair value changes on embedded derivatives	–	–	–	–	174	174		174
– Imputed interest expense	–	–	–	–	(24)	(24)		(24)
Interest on bank loans and overdrafts and other borrowing costs	–	–	–	–	(89)	(89)		(89)
Gain on disposal of available-for-sale investments	–	–	–	496	–	496		496
Share of results of jointly controlled entities								
Cement operations in								
– LSOC	–	104	–	–	–	104		104
– Guizhou	–	–	19	–	–	19		19
Venture capital investments	–	–	–	–	10	10		10
Greenfield development	–	–	–	16	–	16		16
Imputed interest expense	–	–	–	(10)	–	(10)		(10)
Others	(2)	–	–	–	–	(2)		(2)
						137		137
Share of results of associates								
Distressed asset development	–	–	–	108	–	108		108
Greenfield development	–	–	–	18	–	18		18
Imputed interest expense	–	–	–	(16)	–	(16)		(16)
						110		110
Profit before taxation	38	108	20	688	33	887		887
Taxation						(9)		(9)
Profit for the period						878		878

For the six months ended 30 June 2007

	Construction and building maintenance HK$ million	Cement operations Through LSOC HK$ million	Other cement operations HK$ million	Property development HK$ million	Asset management and others HK$ million	Total HK$ million	Eliminations HK$ million	Consolidated HK$ million
TURNOVER								
External sales	1,400	–	–	–	13	1,413	–	1,413
Inter-segment sales	1	–	–	–	–	1	(1)	–
Group turnover	1,401	–	–	–	13	1,414	(1)	1,413
Share of jointly controlled entities	5	708	169	–	3	885	–	885
Total	1,406	708	169	–	16	2,299	(1)	2,298

Inter-segment sales are charged at mutually agreed prices.

	Construction and building maintenance HK$ million	Cement operations Through LSOC HK$ million	Other cement operations HK$ million	Property development HK$ million	Asset management and others HK$ million	Total HK$ million	Eliminations HK$ million	Consolidated HK$ million
RESULTS								
Segment results	34	4	(3)	(6)	(41)	(12)		(12)
Interest income	1	–	3	–	3	7		7
Interest income from investment in convertible bonds	–	–	–	1	–	1		1
Fair value changes on investment properties	–	–	–	–	17	17		17
Fair value changes on embedded derivatives	–	–	–	2	–	2		2
Dividend income from available-for-sale investments	–	–	–	45	–	45		45
Convertible bonds issued by the Company								
– Fair value changes on embedded derivatives	–	–	–	–	(182)	(182)		(182)
– Imputed interest expense	–	–	–	–	(48)	(48)		(48)
Interest on bank loans and overdrafts and other borrowing costs	–	–	–	–	(93)	(93)		(93)
Gain on disposal of interests in jointly controlled entities	–	–	–	110	–	110		110
Loss on deemed disposal of interest in an associate	–	–	–	(21)	–	(21)		(21)
Share of results of jointly controlled entities								
Cement operations in								
– LSOC	–	40	–	–	–	40		40
– Guizhou	–	–	2	–	–	2		2
Venture capital investments	–	–	–	–	24	24		24
Distressed asset development (Note)	–	–	–	187	–	187		187
Others	(1)	–	–	–	–	(1)		(1)
						252		252
Share of results of an associate								
Distressed asset development (Note)	–	–	–	(9)	–	(9)		(9)
Profit before taxation	34	44	2	309	(320)	69		69
Taxation						(6)		(6)
Profit for the period						63		63

Note: In June 2007, the Group injected the distressed asset development business into China Central Properties Limited ("CCP"). At 30 June 2007, the Group held a 40.2% equity interest in CCP, which is classified as an associate of the Group.

Geographical segments

The Group's operations are located in Hong Kong and other regions in the People's Republic of China (the "PRC"). Analysis of the Group's turnover by geographical markets, irrespective of the origin of the goods/services, is as follows:

	Six months ended 30 June 2008			Six months ended 30 June 2007		
	The Group HK$ million	Share of jointly controlled entities/ associates HK$ million	Total HK$ million	The Group HK$ million	Share of jointly controlled entities/ associates HK$ million	Total HK$ million
Hong Kong	841	1	842	1,077	4	1,081
Other regions in the PRC	495	1,281	1,776	336	881	1,217
	1,336	1,282	2,618	1,413	885	2,298

4. Fair Value Changes on Embedded Derivatives

	Six months ended 30 June	
	2008 HK$ million	2007 HK$ million
Changes in fair values of embedded derivatives in:		
– Convertible bonds issued by an associate	(2)	2
– Convertible bonds issued by the Company	174	(182)
Net gain (loss) recognised	172	(180)

5. Finance Costs

	Six months ended 30 June	
	2008 HK$ million	2007 HK$ million
Imputed interest expense on convertible bonds issued by the Company	24	48
Interest on bank loans and overdrafts and other borrowing costs	89	93
	113	141

6. Taxation

	Six months ended 30 June	
	2008	2007
	HK$ million	HK$ million
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	**6**	3
Income tax of other regions in the PRC	**3**	3
	9	6

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) on the estimated assessable profits for the period. Income tax outside Hong Kong is calculated at the rates prevailing in the respective jurisdictions.

7. Profit for the Period

	Six months ended 30 June	
	2008	2007
	HK$ million	HK$ million
Profit for the period has been arrived at after charging (crediting):		
Depreciation and amortisation:		
Prepaid lease payments	**1**	1
Property, plant and equipment	**3**	3
	4	4
Fair value changes on held-for-trading investments	**–**	3
Share of tax of associates (included in share of results of associates)	**1**	–
Share of tax of jointly controlled entities (included in share of results of jointly controlled entities)	**31**	(2)

8. Dividends

The Board recommended the payment of an interim dividend of HK$0.20 (2007: HK$0.15) per share for the six months ended 30 June 2008.

	Six months ended 30 June	
	2008 HK$ million	2007 HK$ million
Dividends paid	**209**	151
Proposed interim dividend in respect of 2008 at HK$0.20 per share (2007: HK$0.15 per share)	**64**	47

On 10 June 2008, a dividend of HK$0.65 per share was paid to shareholders as the final dividend for the year ended 31 December 2007 (2007: HK$0.52 per share for the nine months ended 31 December 2006).

9. Earnings per Share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2008 HK$ million	2007 HK$ million
Earnings:		
Earnings for the purposes of basic earnings per share	**873**	60
Effect of dilutive potential ordinary shares from convertible bonds issued by the Company:		
Imputed interest expense	**24**	–
Fair value changes on embedded derivatives	**(174)**	–
Earnings for the purposes of diluted earnings per share	**723**	60
	Million	Million
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**322**	285
Effect of dilutive potential ordinary shares:		
Convertible bonds issued by the Company	**23**	–
Share options	**2**	4
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**347**	289

The computation of diluted earnings per share for the six months ended 30 June 2008 does not assume the conversion of outstanding convertible bonds issued by an associate, since their conversion would result in an increase in earnings per share for the current period.

The computation of diluted earnings per share for the six months ended 30 June 2007 did not assume the conversion of outstanding convertible bonds issued by the Company and an associate, since their conversion would result in an increase in earnings per share for that period.

10. Available-for-sale Investments

	30 June 2008 HK$ million	31 December 2007 HK$ million
Available-for-sale investments comprise:		
Listed equity securities in Hong Kong (at market price)	2,571	4,789

Available-for-sale investments at 30 June 2008 and 31 December 2007 represent the Group's equity interest in Shui On Land Limited ("SOL"), a fellow subsidiary of the Company.

During the period, the Group disposed of HK$1 billion worth of SOL shares, representing approximately 3.11% equity interest in SOL. As a result, the Group recognised a gain on disposal of HK$496 million in the condensed consolidated income statement for the six months ended 30 June 2008. At 30 June 2008, the Group holds a 9.46% (31 December 2007: 12.57%) equity interest in SOL.

11. Investment in Convertible Bonds

On 13 June 2007, the Group subscribed for US$25 million 2% convertible bonds due 2012 of CCP, an associate of the Group. The effective interest rate of the straight debt component is 13.8% per annum.

The investment in convertible bonds of CCP has been split between a straight debt component and embedded derivatives. The Group engaged independent valuers to assess the fair values of the embedded derivatives, which were determined in accordance with the Binomial Model. The movement of the convertible bonds for the period is as follows:

	Straight debt HK$ million	Embedded derivatives HK$ million
Convertible bonds subscribed on 13 June 2007	164	32
Interest income recognised during the period	1	–
Changes in fair value	–	2
At 30 June 2007	165	34
At 1 January 2008	174	16
Interest income recognised during the period	11	–
Interest received during the period	(2)	–
Changes in fair value	–	(2)
At 30 June 2008	**183**	**14**

12. Debtors, Deposits and Prepayments

The Group maintains a defined credit policy. The general credit term ranges from 30 to 90 days.

Included in debtors, deposits and prepayments are debtors with an aged analysis at the balance sheet date as follows:

	30 June 2008 HK$ million	31 December 2007 HK$ million
Within 90 days	**239**	268
91 days to 180 days	**39**	3
181 days to 360 days	**8**	2
Over 360 days	**5**	4
	291	277
Retention receivable	**107**	108
Prepayments, deposits and other receivables	**218**	204
	616	589

13. Assets Classified as Held for Sale/Liabilities Associated with Assets Classified as Held for Sale

On 5 May 2008, the Group entered into sale and purchase agreements with LSOC to dispose of certain jointly controlled entities and a subsidiary. The assets and liabilities attributable to these companies have been treated as assets classified as held for sale and liabilities associated with assets classified as held for sale, and are presented separately in the condensed consolidated balance sheet.

	30 June 2008 HK$ million
Disposal of jointly controlled entities (Note a), comprising	
Interests in jointly controlled entities	78
Amounts due from jointly controlled entities	91
	169
Disposal of a subsidiary (Note b)	
Property, plant and equipment	6
Debtors, deposits and prepayments	117
Bank balance, deposits and cash	108
	231
Total assets classified as held for sale	400
Disposal of a subsidiary (Note b)	
Amount due to a jointly controlled entity	(77)
Liabilities associated with assets classified as held for sale	(77)

Notes:

(a) On 5 May 2008, the Group entered into a sale and purchase agreement with LSOC to dispose of the Group's equity interest in and the related shareholders loans to certain jointly controlled entities which operate a cement plant and a concrete plant in Guizhou for a total consideration of approximately HK$195 million. Completion of the disposal is subject to certain conditions as stipulated in the sale and purchase agreement. Details of the transaction are set out in an announcement and a circular of the Company dated 6 May 2008 and 26 May 2008 respectively.

(b) On 5 May 2008, the Group entered into a sale and purchase agreement with LSOC to dispose of the Group's equity interest in and the related shareholder loans to a subsidiary which will operate a new cement plant in Guizhou, which is currently under construction, for a total consideration of approximately HK$157 million. Completion of the disposal is subject to certain conditions as stipulated in the sale and purchase agreement. Details of the transaction are set out in an announcement and a circular of the Company dated 6 May 2008 and 26 May 2008 respectively.

14. Creditors and Accrued Charges

The aged analysis of creditors of HK$91 million (31 December 2007: HK$204 million) which are included in the Group's creditors and accrued charges is as follows:

	30 June 2008 HK$ million	31 December 2007 HK$ million
Within 30 days	52	117
31 days to 90 days	17	55
91 days to 180 days	14	21
Over 180 days	8	11
	91	204
Retention payable	133	135
Accruals and other payables	674	464
	898	803

15. Bank Borrowings

During the period, the Group repaid bank borrowings amounting to approximately HK$1,224 million and obtained new bank borrowings amounting to approximately HK$1,950 million. These new borrowings carry interest at 2.70% to 6.50% per annum. The proceeds were used to finance investments in the cement operations and property development projects in the PRC.

16. Share Capital

	30 June 2008 Number of shares	31 December 2007 Number of shares	30 June 2008 HK$ million	31 December 2007 HK$ million
Ordinary shares of HK$1 each:				
Authorised				
At the beginning and the end of the period/year	1,000,000,000	1,000,000,000	1,000	1,000
Issued and fully paid				
At the beginning of the period/year	320,929,606	283,600,000	321	284
Exercise of share options	214,000	6,111,000	–	6
Conversion of convertible bonds	583,633	31,218,606	1	31
At the end of the period/year	321,727,239	320,929,606	322	321

17. Reserves

	Attributable to equity holders of the Company												
	Share premium account HK$ million	Translation reserve HK$ million	Contributed surplus HK$ million	Goodwill HK$ million	Retained profits HK$ million	Reserve funds HK$ million	Share option reserve HK$ million	Actuarial gain and loss HK$ million	Investment revaluation reserve HK$ million	Other reserve HK$ million	Total HK$ million	Minority interests HK$ million	Total HK$ million
At 1 January 2007	647	52	197	(3)	1,460	1	7	76	2,188	255	4,880	52	4,932
Fair value changes of available-for-sale investments	–	–	–	–	–	–	–	–	164	–	164	–	164
Exchange differences arising on translation of financial statements of foreign operations	–	57	–	–	–	–	–	–	–	–	57	1	58
Net income recognised directly in equity	–	57	–	–	–	–	–	–	164	–	221	1	222
Disposal of interests in jointly controlled entities	–	(10)	–	–	–	–	–	–	–	–	(10)	–	(10)
Profit for the period	–	–	–	–	60	–	–	–	–	–	60	3	63
Total recognised income and expense for the period	–	47	–	–	60	–	–	–	164	–	271	4	275
Premium on issue of shares upon exercise of share options	26	–	–	–	–	–	–	–	–	–	26	–	26
Conversion of convertible bonds	253	–	–	–	–	–	–	–	–	–	253	–	253
Recognition of share-based payments	–	–	–	–	–	–	12	–	–	–	12	–	12
Transfer upon exercise of share options	1	–	–	–	–	–	(1)	–	–	–	–	–	–
Dividends paid	–	–	–	–	(151)	–	–	–	–	–	(151)	–	(151)
At 30 June 2007	927	99	197	(3)	1,369	1	18	76	2,352	255	5,291	56	5,347
At 1 January 2008	1,411	210	197	(3)	1,964	2	34	93	2,758	255	6,921	53	6,974
Fair value changes of available-for-sale investments	–	–	–	–	–	–	–	–	(1,258)	–	(1,258)	–	(1,258)
Exchange differences arising on translation of financial statements of foreign operations	–	163	–	–	–	–	–	–	–	–	163	3	166
Share of reserves of associates	–	137	–	–	–	–	–	–	–	–	137	–	137
Net income (expense) recognised directly in equity	–	300	–	–	–	–	–	–	(1,258)	–	(958)	3	(955)
Release of reserve upon disposal of available-for-sale investments	–	–	–	–	–	–	–	–	(458)	–	(458)	–	(458)
Profit for the period	–	–	–	–	873	–	–	–	–	–	873	5	878
Total recognised income and expense for the period	–	300	–	–	873	–	–	–	(1,716)	–	(543)	8	(535)
Deregistration of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(3)	(3)
Premium on issue of shares upon exercise of share options	2	–	–	–	–	–	–	–	–	–	2	–	2
Conversion of convertible bonds	14	–	–	–	–	–	–	–	–	–	14	–	14
Recognition of share-based payments	–	–	–	–	–	–	18	–	–	–	18	–	18
Transfer upon exercise of share options	1	–	–	–	–	–	(1)	–	–	–	–	–	–
Dividends paid	–	–	–	–	(209)	–	–	–	–	–	(209)	(4)	(213)
At 30 June 2008	1,428	510	197	(3)	2,628	2	51	93	1,042	255	6,203	54	6,257

18. Convertible Bonds

On 31 July 2006, the Company issued HK$930 million zero coupon convertible bonds due 2009. The convertible bonds are listed on the Stock Exchange. The effective interest rate of the straight debt component is 12.5% per annum.

The Group engaged independent valuers to assess the fair values of the early redemption option and the conversion option, which were determined in accordance with the Binomial Model and the Black-Scholes Pricing Model respectively. The movement of the convertible bonds for the period is as follows:

		Derivative financial instruments	
	Straight debt HK$ million	Early redemption option HK$ million	Conversion option HK$ million
At 1 January 2007	818	(9)	175
Amortised interest charged during the period	48	–	–
Changes in fair value	–	(3)	185
Conversion during the period	(203)	2	(65)
At 30 June 2007	663	(10)	295
At 1 January 2008	**392**	**(5)**	**249**
Amortised interest charged during the period	**24**	**–**	**–**
Changes in fair value	**–**	**3**	**(177)**
Conversion during the period	**(10)**	**–**	**(5)**
At 30 June 2008	**406**	**(2)**	**67**

19. Commitments

(a) Capital commitments

The Group's share of the capital commitments of its jointly controlled entities is as follows:

	30 June 2008 HK$ million	31 December 2007 HK$ million
Contracted but not provided for	**324**	515

(b) Other commitments

At 30 June 2008, the Group had commitments in respect of certain investment projects contracted but not provided for in the condensed consolidated financial statements amounting to approximately HK$672 million (31 December 2007: HK$284 million).

20. Share-based Payments

The Company has a share option scheme for eligible employees of the Group. Details of the share options outstanding during the current period are as follows:

	Number of share options
Outstanding at the beginning of the period	24,651,000
Granted during the period	11,490,000
Exercised during the period	(214,000)
Lapsed during the period	(512,000)
Outstanding at the end of the period	35,415,000

The Group engaged independent valuers to assess the fair value of the share options granted, which were determined in accordance with the Binomial Model or the Monte Carlo Model. The following table discloses details of the share options granted during the period.

Date of grant	7 May 2008	7 May 2008	7 May 2008	7 May 2008
Options granted	4,750,000	3,440,000	3,000,000	300,000
Exercise price	HK$19.76	HK$19.76	HK$19.76	HK$19.76
Exercise period	7-5-2011 to 6-5-2018	7-11-2008 to 6-5-2013	7-5-2011 to 6-5-2013	7-11-2009 to 6-5-2013
Average fair value of the share options	HK$3.03	HK$5.06	HK$5.12	HK$5.09
Share price on the date of grant	HK$19.28	HK$19.28	HK$19.28	HK$19.28

21. Pledge of Assets

At 30 June 2008, the following assets were pledged as collaterals to secure certain banking facilities granted to the Group:

	30 June 2008 HK$ million	31 December 2007 HK$ million
Pledged bank deposits	393	386
Equity interest in a subsidiary (Note)	154	–
	547	386

Note: The amount represents the net asset value of the subsidiary at 30 June 2008. As disclosed in note 13, the Group entered into a sale and purchase agreement to dispose of its equity interest in this subsidiary to LSOC. The pledge will be released upon completion of the disposal.

22. Contingent Liabilities

At 30 June 2008, performance bonds established amounting to approximately HK$239 million (31 December 2007: HK$131 million) have not been provided for in the condensed consolidated financial statements.

At 30 June 2008, the Group has arranged standby documentary credits with banks amounting to HK$946 million (31 December 2007: HK$300 million) to secure bank loans granted to an associate. In the opinion of the Directors of the Company, the fair value of the financial guarantee contracts of the Group are insignificant at initial recognition and the Directors consider that the possibility of the default of the parties involved is remote, accordingly, no value has been recognised in the condensed consolidated balance sheet.

23. Related Party Transactions

(a) During the period, the Group had the following transactions with Shui On Company Limited ("SOCL") and its subsidiaries and associates other than those of the Group.

	Six months ended 30 June	
Nature of transactions	**2008 HK$ million**	2007 HK$ million
Income recognised:		
Dividend income	**40**	45
Project management services	**–**	3
Construction work	**157**	31
Cost and expenses recognised:		
Interest expense	**1**	9

(b) During the period, the Group had the following transactions with jointly controlled entities.

	Six months ended 30 June	
Nature of transactions	**2008 HK$ million**	2007 HK$ million
Income recognised:		
Dividend income	**40**	119
Interest income	**2**	2
Management fee	**12**	18
Rental income	**–**	1
Construction/subcontracting work	**–**	11
Cost and expenses recognised:		
Construction/subcontracting work	**–**	8

(c) During the period, the Group had the following transactions with associates.

Nature of transactions	Six months ended 30 June 2008 HK$ million	2007 HK$ million
Income recognised:		
Management fee	**75**	1
Interest income	**3**	–
Interest income on convertible bonds	**11**	1
Construction/subcontracting work	**28**	–

(d) The Group is licensed by Shui On Holdings Limited, a wholly-owned subsidiary of SOCL, the Company's ultimate holding company, to use the trademark, trade name "Shui On", "瑞安" and/or the Seagull devices on a non-exclusive, royalty-free basis for an unlimited period of time.

(e) During the period, the Group was granted an interest bearing short-term loan of HK$100 million from SOCL Group, and incurred interest on such loan amounting to HK$1 million. The loan and the related interest were repaid in April 2008.

(f) During the period, the Group disposed of HK$1 billion worth of SOL shares to a wholly-owned subsidiary of SOCL.

(g) The remuneration of Directors and other members of key management during the period was as follows:

	Six months ended 30 June 2008 HK$ million	2007 HK$ million
Fees	**1**	1
Salaries and other benefits	**17**	13
Bonuses	**15**	18
Retirement benefit scheme contributions	**1**	1
Share-based payments	**10**	8
	44	41

(h) The emoluments paid or payable to each of the nine (2007: nine) Directors which were included in note (g) above are set out as follows:

Name of Director	Notes	Fees HK$'000	Salaries and other benefits HK$'000	Bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Share based payments HK$'000	Six months ended 30 June 2008 Total HK$'000	Six months ended 30 June 2007 Total HK$'000
Mr. Lo Hong Sui, Vincent		5	–	–	–	–	5	5
Mr. Choi Yuk Keung, Lawrence		5	1,720	1,971	31	978	4,705	4,275
Mr. Wong Yuet Leung, Frankie		5	2,773	6,914	50	2,863	12,605	12,493
Ms. Lau Jeny	(i)	5	1,510	405	36	156	2,112	–
Mrs. Lowe Hoh Wai Wan, Vivien		5	1,077	1,268	18	848	3,216	2,798
Prof. Michael Enright	(ii)	175	–	–	–	–	175	138
Mr. Anthony Griffiths	(iii)	220	–	–	–	–	220	175
Mr. Gerrit de Nys	(iii) & (iv)	175	–	–	–	–	175	–
Mr. Cheng Mo Chi, Moses	(v)	144	–	–	–	–	144	138
Prof. K. C. Chan	(vi)	–	–	–	–	–	–	138
Mr. Wong Fook Lam, Raymond	(vii)	–	–	–	–	–	–	3,658
		739	7,080	10,558	135	4,845	23,357	23,818

Notes:

(i) Ms. Lau Jeny was appointed as an Executive Director on 2 October 2007.

(ii) Non-executive Director.

(iii) Independent Non-executive Directors.

(iv) Mr. Gerrit de Nys was appointed as an Independent Non-executive Director on 8 August 2007.

(v) Mr. Cheng Mo Chi, Moses retired as an Independent Non-executive Director on 29 May 2008.

(vi) Professor K. C. Chan resigned as an Independent Non-executive Director on 1 July 2007.

(vii) Mr. Wong Fook Lam, Raymond resigned as an Executive Director on 14 June 2007.

24. Post Balance Sheet Event

Pursuant to the price reset mechanism under the terms and conditions of the Company's zero coupon convertible bonds due 2009, the conversion price has been adjusted from HK$17.134 to HK$15.41 with effect from 31 July 2008. Details of the adjustment are set out in an announcement of the Company dated 31 July 2008.

DISCLOSURE UNDER RULES 13.21 AND 13.22 OF THE LISTING RULES

(i) Financial assistance and guarantees to affiliated companies

Financial assistance and guarantees provided by the Group to its affiliated companies amounted to HK$2,269 million at 30 June 2008, details of which are as follows:

Affiliated companies	Approximate effective percentage of interest	Balance at 30 June 2008 — Unsecured loans — Interest free with no fixed repayment terms HK$ million	Balance at 30 June 2008 — Unsecured loans — Interest bearing with no fixed repayment terms HK$ million (Note a)	Investment in convertible bonds HK$ million (Note b)	Guarantee HK$ million	Total HK$ million
Brisfull Limited	50%	2	42	–	–	44
北京億達房地產開發有限公司	41%	6	91	–	–	97
Broad Wise Limited	40%	468	–	–	–	468
China Central Properties Limited	41%	–	–	195	–	195
Gracious Spring Limited	40%	217	–	–	–	217
Guangzhou On Track Construction Precast Products Co., Ltd.	40%	2	–	–	–	2
Guizhou Bijie Shui On Cement Co., Ltd.	80%	22	44	–	–	66
貴州暢達瑞安水泥有限公司	51%	5	–	–	–	5
Guizhou Kaili Ken On Concrete Co., Ltd.	75%	4	2	–	–	6
貴州凱里瑞安水泥有限公司	90%	65	35	–	–	100
貴州習水瑞安水泥有限公司	90%	33	–	–	–	33
Guizhou Yuqing Shui On Cement Co. Ltd.	80%	17	–	–	–	17
Guizhou Zunyi Ken On Concrete Co. Ltd.	75%	5	3	–	–	8
貴州遵義瑞安水泥有限公司	80%	55	–	–	–	55
Lamma Yue Jie Company Limited	60%	17	–	–	–	17
Nanjing Jiangnan Cement Co., Ltd.	60%	134	–	–	–	134
Richcoast Group Limited	28%	699	–	–	–	699
四川合江瑞安水泥有限公司	90%	5	20	–	–	25
Super Race Limited	50%	–	6	–	–	6
The Yangtze Ventures II Limited	75%	75	–	–	–	75
		1,831	243	195	–	2,269

The proforma combined balance sheet of the above affiliated companies at 30 June 2008 is as follows:

	HK$ million
Non-current assets	3,594
Current assets	7,101
Current liabilities	(5,767)
Net current assets	1,334
Non-current liabilities	(3,263)
Minority interests	(631)
Shareholders' funds	1,034

Notes:

(a) Loans made by the Group to the following affiliated companies are charged at various interest rates.

Affiliated companies	Interest rate per annum
Brisfull Limited	Fixed at 2.5%
北京億達房地產開發有限公司	98% of the prevailing base lending rate published by the People's Bank of China
Guizhou Bijie Shui On Cement Co., Ltd.	3-month HIBOR + 2%
Guizhou Kaili Ken On Concrete Co., Ltd.	3-month HIBOR + 2%
貴州凱里瑞安水泥有限公司	3-month HIBOR + 2%
Guizhou Zunyi Ken On Concrete Co. Ltd.	Fixed at 3.6%
四川合江瑞安水泥有限公司	3-month HIBOR + 2%
Super Race Limited	1-month HIBOR

(b) The Group has through its wholly-owned subsidiary subscribed for convertible bonds of CCP in the principal amount of US$25 million in June 2007. The said bonds carry an interest of 2% per annum and are due on 13 June 2012.

(c) All affiliated companies are accounted for as jointly controlled entities or associates of the Group.

(ii) Banking facilities with covenant relating to specific performance by the controlling shareholder

The Company was granted a revolving loan of HK$200 million in September 2004, which requires SOCL, the controlling shareholder of the Company, to retain not less than 51% equity interest of the Company throughout the tenure of the loan. A breach of such obligation will cause a default in respect of this loan. This revolving loan was renewed in August 2008 and the covenant has been waived by the bank.

GENERAL INFORMATION

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

At 30 June 2008, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") or which were required to be entered in the register required to be kept under section 352 of the SFO were as follows:

THE COMPANY

(a) Long position in the shares

	Number of ordinary shares		
Name of Directors	**Personal interests**	**Other interests**	**Approximate percentage of shareholding**
Mr. Lo Hong Sui, Vincent	–	181,981,000 (Note)	56.56%
Mr. Choi Yuk Keung, Lawrence	1,100,000	–	0.34%
Mr. Wong Yuet Leung, Frankie	800,000	–	0.24%
Mrs. Lowe Hoh Wai Wan, Vivien	720,000	–	0.22%

Note: Among the 181,981,000 shares beneficially owned by SOCL, 166,148,000 shares and 15,833,000 shares were held respectively by SOCL and Shui On Finance Company Limited, which is an indirect wholly-owned subsidiary of SOCL. SOCL is owned by the Bosrich Unit Trust, the trustee of which is Bosrich Holdings Inc. The units of the Bosrich Unit Trust are the property of a discretionary trust, of which Mr. Lo Hong Sui, Vincent is a discretionary beneficiary and HSBC International Trustee Limited is the trustee. Accordingly, Mr. Lo Hong Sui, Vincent, HSBC International Trustee Limited and Bosrich Holdings Inc. are deemed to be interested in such shares under the SFO.

(b) Short position in the shares

	Number of ordinary shares		
Name of Director	**Personal interests**	**Other interests**	**Approximate percentage of shareholding**
Mr. Lo Hong Sui, Vincent	–	1,600,000 (Note)	0.49%

Note: These shares represent the call option granted by SOCL on 27 August 2002 to Mr. Wong Yuet Leung, Frankie as part of the incentive reward to his services to the Company. Mr. Lo Hong Sui, Vincent, HSBC International Trustee Limited and Bosrich Holdings Inc. are deemed to have short position in these shares under the SFO.

(c) Share options

Pursuant to the share option scheme of the Company, certain Directors were granted share options to subscribe for the shares of the Company and details of the Directors' interests in share options were set out under the section headed "SHARE OPTIONS" below.

(d) Call option

At 30 June 2008, the following Director had a call option granted by SOCL over the shares of the Company pursuant to the arrangement mentioned in the note to item (b) above:

Name of Director	Exercise price	Exercise period	Number of ordinary shares subject to the call option
Mr. Wong Yuet Leung, Frankie	HK$6.00	27.8.2005 to 26.8.2010	1,600,000

ASSOCIATED CORPORATIONS

(a) Long position in the shares of SOL

	Number of ordinary shares		
Name of Director	Personal interests	Other interests	Approximate percentage of shareholding
Mr. Lo Hong Sui, Vincent	–	2,277,750,225 (Note)	54.41%

Note: These shares are directly held by subsidiaries of SOCL, namely, Shui On Investment Company Limited, Shui On Properties Limited and New Rainbow Investments Limited. SOCL is owned by the Bosrich Unit Trust. The units of the Bosrich Unit Trust are the property of a discretionary trust, of which Mr. Lo Hong Sui, Vincent is a discretionary beneficiary. Accordingly, Mr. Lo Hong Sui, Vincent is deemed to be interested in such shares under the SFO.

(b) Long position in the shares of CCP

	Number of ordinary shares		
Name of Director	Personal interests	Other interests	Approximate percentage of shareholding
Mr. Anthony Griffiths	6,000	–	0.002%

Save as disclosed above, at 30 June 2008, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO) or the Model Code or which were required to be entered in the register required to be kept under section 352 of the SFO.

SHARE OPTIONS

The Company has adopted a share option scheme ("Existing Scheme") on 27 August 2002 to replace the share option scheme of the Company adopted on 20 January 1997 ("Old Scheme"). The Old Scheme was terminated on 27 August 2002 and since then, no further option could be granted under the Old Scheme.

During the period, options were granted to subscribe for 11,490,000 shares of the Company under the Existing Scheme. The fair values of the share options granted during the period are set out in note 20 to the unaudited condensed consolidated financial statements.

The movements in the share options of the Company during the period are set out as follows:

Name or category of eligible participants	Date of grant	Subscription price per share HK$	Number of options: At 1.1.2008	Granted during the period (Note a)	Exercised during the period	Lapsed during the period	At 30.6.2008	Period during which options outstanding at 30.6.2008 are exercisable	Price of Company's shares at exercise date of options (Note b) HK$
Directors									
Mr. Choi Yuk Keung, Lawrence (Note c)	3.1.2007	16.78	700,000	–	–	–	700,000	3.1.2010 to 2.1.2017	–
	14.6.2007	20.96	250,000	–	–	–	250,000	14.12.2007 to 13.6.2012	–
	7.5.2008	19.76	–	250,000	–	–	250,000	7.11.2008 to 6.5.2013	–
	7.5.2008	19.76	–	1,000,000	–	–	1,000,000	7.5.2011 to 6.5.2018	–
Mr. Wong Yuet Leung, Frankie (Note c)	1.8.2006	14.00	2,000,000	–	–	–	2,000,000	1.2.2007 to 31.7.2011	–
	3.1.2007	16.78	1,500,000	–	–	–	1,500,000	3.1.2010 to 2.1.2017	–
	14.6.2007	20.96	500,000	–	–	–	500,000	14.12.2007 to 13.6.2012	–
	7.5.2008	19.76	–	500,000	–	–	500,000	7.11.2008 to 6.5.2013	–
	7.5.2008	19.76	–	2,000,000	–	–	2,000,000	7.5.2011 to 6.5.2018	–
Ms. Lau Jeny	7.5.2008	19.76	–	1,000,000	–	–	1,000,000	7.5.2011 to 6.5.2018	–
Mrs. Lowe Hoh Wai Wan, Vivien	1.8.2006	14.00	120,000	–	–	–	120,000	1.2.2007 to 31.7.2011	–
	3.1.2007	16.78	625,000	–	–	–	625,000	3.1.2010 to 2.1.2017	–
	14.6.2007	20.96	176,000	–	–	–	176,000	14.12.2007 to 13.6.2012	–
	7.5.2008	19.76	–	200,000	–	–	200,000	7.11.2008 to 6.5.2013	–
	7.5.2008	19.76	–	750,000	–	–	750,000	7.5.2011 to 6.5.2018	–
Sub-total			5,871,000	5,700,000	–	–	11,571,000		

Name or category of eligible participants	Date of grant	Subscription price per share HK$	Number of options: At 1.1.2008	Granted during the period (Note a)	Exercised during the period	Lapsed during the period	At 30.6.2008	Period during which options outstanding at 30.6.2008 are exercisable	Price of Company's shares at exercise date of options (Note b) HK$
Employees									
Mr. Wong Kun To,	3.1.2007	16.78	2,800,000	–	–	–	2,800,000	3.1.2010 to 2.1.2012	–
Philip (Note c)	14.6.2007	20.96	200,000	–	–	–	200,000	1.7.2010 to 13.6.2012	–
Other employees	4.8.2003	5.80	6,000	–	(2,000)	–	4,000	4.2.2004 to 3.8.2008	17.10
(in aggregate)	26.7.2004	7.25	220,000	–	(30,000)	(26,000)	164,000	26.1.2005 to 25.7.2009	19.54
	29.7.2005	9.30	466,000	–	(36,000)	(24,000)	406,000	29.1.2006 to 28.7.2010	20.26
	1.8.2006	14.00	1,168,000	–	(98,000)	(90,000)	980,000	1.2.2007 to 31.7.2011	20.40
	3.1.2007	16.78	6,000,000	–	–	–	6,000,000	3.1.2010 to 2.1.2012	–
	14.6.2007	20.96	1,944,000	–	(48,000)	(72,000)	1,824,000	14.12.2007 to 13.6.2012	26.27
	14.6.2007	20.96	900,000	–	–	(300,000)	600,000	14.12.2008 to 13.6.2012	–
	14.6.2007	20.96	4,000,000	–	–	–	4,000,000	1.7.2010 to 13.6.2012	–
	7.5.2008	19.76	–	2,490,000	–	–	2,490,000	7.11.2008 to 6.5.2013	–
	7.5.2008	19.76	–	300,000	–	–	300,000	7.11.2009 to 6.5.2013	–
	7.5.2008	19.76	–	3,000,000	–	–	3,000,000	7.5.2011 to 6.5.2013	–
Sub-total			17,704,000	5,790,000	(214,000)	(512,000)	22,768,000		
Others									
	1.8.2006	14.00	176,000	–	–	–	176,000	1.2.2007 to 31.7.2011	–
	3.1.2007	16.78	700,000	–	–	–	700,000	3.1.2010 to 2.1.2017	–
	14.6.2007	20.96	200,000	–	–	–	200,000	14.12.2007 to 13.6.2012	–
Sub-total			1,076,000	–	–	–	1,076,000		
			24,651,000	11,490,000	(214,000)	(512,000)	35,415,000		

Notes:

(a) The closing price of the Company's shares preceding the date on which the options were granted on 7 May 2008 was HK$20.05.

(b) The price of the Company's shares as disclosed is the weighted average closing price of the Company's shares immediately before the dates on which the options were exercised during the period for each category of eligible participants.

(c) Mr. Choi Yuk Keung, Lawrence, Mr. Wong Yuet Leung, Frankie and Mr. Wong Kun To, Philip were previously granted share options in excess of their respective maximum individual entitlement of 1%.

(d) The vesting of share options granted to the eligible participants is subject to the vesting schedules and/or performance conditions as set out in their respective offer letters.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below and under the section headed "INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE" above, the Directors are not aware of any other person (other than a Director or chief executive of the Company or his/her respective associate(s)) who, at 30 June 2008, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long position in the shares of the Company

Name of shareholders	Capacity	Number of ordinary shares/underlying shares held	Approximate percentage of shareholding
John Zwaanstra	Interest of controlled corporation	54,938,248 (L) (Note 2)	17.07%
Penta Investment Advisers Limited	Investment manager	54,938,248 (L) (Note 2)	17.07%
Mercurius GP LLC	Founder of discretionary trust	25,755,951 (L) (Note 2)	8.00%
Todd Zwaanstra	Trustee	25,755,951 (L) (Note 2)	8.00%
Penta Asia Fund, Ltd.	Interest of controlled corporation	25,755,951 (L) (Note 2)	8.00%
Cheah Cheng Hye	Founder of discretionary trust	25,554,000 (L)	7.94%
To Hau Yin	Interest of spouse	25,554,000 (L)	7.94%
Hang Seng Bank Trustee International Limited	Trustee	25,554,000 (L)	7.94%
Cheah Company Limited	Interest of controlled corporation	25,554,000 (L)	7.94%
Cheah Capital Management Limited	Interest of controlled corporation	25,554,000 (L)	7.94%
Value Partners Group Limited	Interest of controlled corporation	25,554,000 (L)	7.94%
Value Partners Limited	Investment manager	25,554,000 (L)	7.94%
Citigroup Inc.	Interest of controlled corporation/ custodian corporation/ approved lending agent	17,131,561 (L) 150,000 (S) 757,840 (P) (Note 3)	5.32% 0.04% 0.23%

Notes:

(1) The letter "L" denotes a long position, the letter "S" denotes a short position and the letter "P" denotes interest in a lending pool.

(2) Among the interests owned by these shareholders, 5,560,000 shares are derivative interests.

(3) Among the interests owned by these shareholders, 3,385,083 shares are derivative interests.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices ("CG Code") set out in Appendix 14 to the Listing Rules throughout the period, except Code Provisions A.4.1, A.4.2 and B.1.3.

To fully comply with Code Provision A.4.2 of the CG Code, a special resolution has been passed at the annual general meeting of the Company held on 29 May 2008 to amend the Bye-laws of the Company so that all the Directors appointed to fill casual vacancies shall be subject to re-election by shareholders at the first general meeting after their appointment and all Directors (including the Chairman and the Chief Executive Officer) shall be subject to retirement once every three years. Arrangement has also been put in place for appointment of any new Non-executive Director for a specific term in compliance with Code Provision A.4.1 of the CG Code.

Code Provision B.1.3 of the CG Code provides that the terms of reference of the Remuneration Committee should include, as a minimum, the specific duties to have the delegated responsibility to determine the specific remuneration packages of all Executive Directors and senior management. During the period, the Remuneration Committee has reviewed its functions and considered that the delegated responsibility to determine the specific remuneration packages of senior management should be vested in the Executive Directors who have a better understanding of the level of expertise, experience and performance expected of the senior management in the daily business operations. The Remuneration Committee should be primarily responsible for the determination and review of the remuneration packages of the Executive Directors. After due consideration, the Board has resolved to amend the terms of reference of the Remuneration Committee to exclude from its scope of duties the delegated responsibility to determine the specific remuneration packages of senior management, which deviates from Code Provision B.1.3. Notwithstanding such deviation, the Remuneration Committee is still responsible for reviewing, approving and making recommendation to the Board on the guiding principles applicable to the determination of the remuneration and benefits of senior management.

AUDIT COMMITTEE

The Audit Committee comprises the three Independent Non-executive Directors and the Non-executive Director. The Audit Committee has reviewed the Group's unaudited consolidated financial statements for the six months ended 30 June 2008, including the accounting principles and practices adopted by the Group, and has also considered selected auditing, internal control, and financial reporting matters of the Group, in conjunction with the Company's external auditor.

REMUNERATION COMMITTEE

The Remuneration Committee comprises the three Independent Non-executive Directors, the Non-executive Director and the Chairman of the Board. The Remuneration Committee has reviewed the remuneration packages of the Executive Directors as well as the annual bonus and share option grant recommendations for executives and management staff based on the performance in the financial year 2007.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. The Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the period under review.

CORPORATE INFORMATION

Executive Directors
Mr. Lo Hong Sui, Vincent (Chairman)
Mr. Choi Yuk Keung, Lawrence (Vice-Chairman)
Mr. Wong Yuet Leung, Frankie (Chief Executive Officer)
Ms. Lau Jeny (Chief Financial Officer)
Mrs. Lowe Hoh Wai Wan, Vivien

Non-executive Director
Professor Michael Enright

Independent Non-executive Directors
Mr. Anthony Griffiths
Mr. Gerrit de Nys
Ms. Li Hoi Lun, Helen

Audit Committee
Mr. Anthony Griffiths (Chairman)
Mr. Gerrit de Nys
Ms. Li Hoi Lun, Helen
Professor Michael Enright

Remuneration Committee
Mr. Anthony Griffiths (Chairman)
Mr. Gerrit de Nys
Ms. Li Hoi Lun, Helen
Professor Michael Enright
Mr. Lo Hong Sui, Vincent

Company Secretary
Ms. Tsang Yuet Kwai, Anita

Auditor
Deloitte Touche Tohmatsu

Registered Office
Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

Head Office and Principal Place of Business
34th Floor, Shui On Centre
6-8 Harbour Road, Hong Kong

Principal Share Registrar and Transfer Office
The Bank of Bermuda Limited
6 Front Street, Hamilton HM 11, Bermuda

Branch Share Registrar and Transfer Office
Tricor Standard Limited
26th Floor, Tesbury Centre
28 Queen's Road East, Wanchai, Hong Kong

Principal Bankers
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited
The Bank of East Asia, Limited

Stock Code
983

Website
www.socam.com

瑞　安　建　業　有　限　公　司
SHUI ON CONSTRUCTION AND MATERIALS LIMITED

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立的有限公司)

www.socam.com