Chairman's Statement

ENHANCING SHAREHOLDER VALUE

2006 was an important year for SOCAM as we were able to deliver enhanced shareholder value through the Shui On Land public listing while recording satisfactory performances across all our business operations. We also implemented a new strategy for sustained growth.

As a result of a change in our financial year end, the period under review has been shortened to nine months. I am pleased to report that our key financial results for the nine-month period exceeded those of the preceding full year.

During the period under review, we have focused on our new strategy to build our distressed property development and cement businesses, and this will secure future recurrent earnings from the Chinese Mainland and Hong Kong. This strategy is proving successful.

STRONG FINANCIAL RESULTS

The Group's profit attributable to shareholders for the nine-month period ended 31 December 2006 was HK$602 million, representing an increase of 91% over the previous full financial year (2005/2006: HK$315 million). Earnings per share were HK$2.17, an increase of 87% over the previous year (2005/2006: HK$1.16). Turnover was HK$1,680 million, an increase of 20% on the previous year (2005/2006: HK$1,400 million).

Dividends

The Directors recommend the payment of a final dividend of HK$0.52 per share to shareholders. This, together with the interim dividend of HK$0.18 per share, yields a total of HK$0.70 per share for the nine-month period.

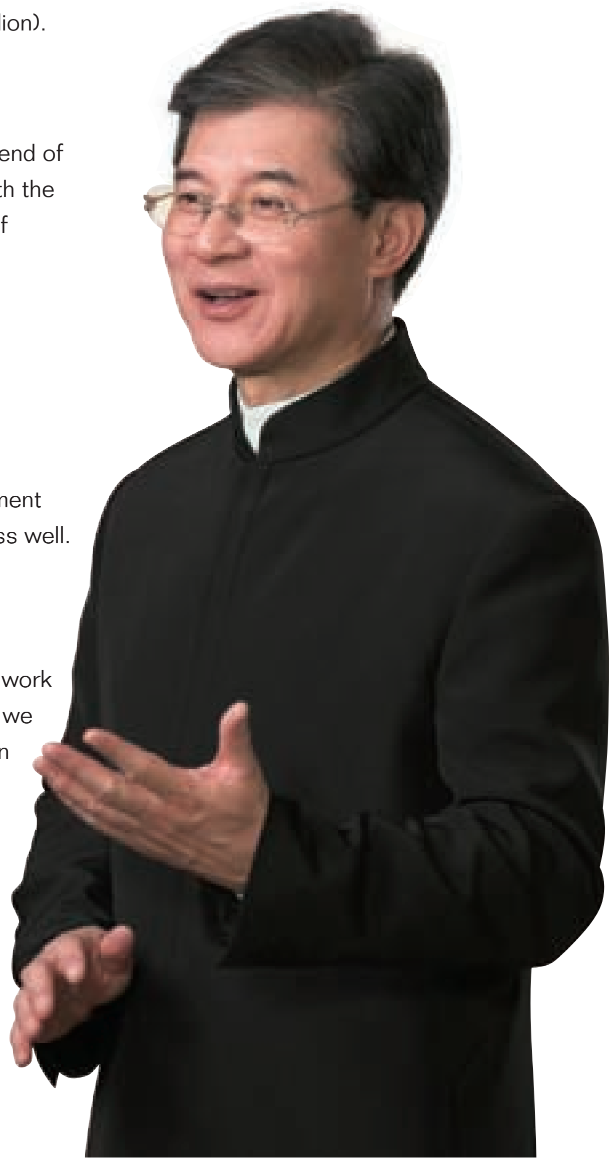
BUSINESS REVIEW

Building Recurrent Revenue

Distressed Property Development

Work on our portfolio of distressed property development projects in the Chinese Mainland continued to progress well.

In Dalian and Qingdao, leasing and sales commenced towards the end of the period and response from the market has been encouraging. In Beijing, construction work on our property also proceeded smoothly. In addition, we acquired two more projects, in Chengdu and Beijing, in November 2006 working with strategic partners.



Lo Hong Sui, Vincent *Chairman*

The Group acquired two more projects: Huitong Building in Chengdu (Left) and Shengyuan Centre in Beijing (Right), both situated in prime locations.

The Group's portfolio following our five acquisitions, now totals a gross floor area (GFA) of some 424,270 square metres. This consists of 88,370 square metres of completed premises and 335,900 square metres of partially completed properties, all of which are situated in prime locations within their respective cities.

Cement

Our joint venture in China with the world's leading cement manufacturer, Lafarge Shui On Cement (LSOC), did well despite a highly competitive market. LSOC returned to profit before exceptional write-offs associated with inefficient wet lines and vertical shaft kilns, and ended its first full calendar year of operations ahead of plan. LSOC made good progress on the integration of its various operations during the period, and completed the acquisition of major cement plants in Yunnan during the period. The joint venture is focusing on strengthening its market leadership through expansion and implementing the proven Lafarge operational management system. These measures are helping LSOC build a solid foundation for future growth.

Returns from Venture Capital Investments

The Group has venture capital investments in several business sectors including technology, infrastructure, biodiesel, bus TV networks and biodegradable materials. Our two Yangtze Ventures Funds and On Capital China Tech Fund contributed a total profit of HK$75 million during the period as the values of a number of investee companies were realised through public listings.

Listing of Shui On Land

The highly successful listing of Shui On Land (SOL) on the Hong Kong Stock Exchange in October 2006 was a milestone for our investment in property development in the Chinese Mainland. During the period under review, the listing generated a net gain of HK$740 million for the Group, arising from converting the Group's interest in SOL into its listed shares, plus a further increase of HK$2,188 million in the Group's reserve as a result of the increase in market value of the Group's 17.8% shareholding in SOL at the end of this financial period.

As a leading Mainland property developer, SOL is playing a significant role in the development of its six projects in four major cities – Shanghai, Chongqing, Wuhan and Hangzhou. We believe that the business is set to deliver attractive long-term returns, from which SOCAM shareholders will benefit.

Upturn in Our Construction Business

Our construction operations in Hong Kong and Macau saw an upturn in the Hong Kong economy and in Macau's fast-growing gaming and hospitality sectors, enabling us to generate a welcome increase in revenue during the period.

In Hong Kong, we secured significant building and maintenance contracts from the Hong Kong Housing Authority, and won valuable work from the Government's Architectural Services Department. We have also submitted a number of design-and-build tenders, including one, in joint venture with Paul Y. Engineering, for the Tamar Development that has an estimated value of over HK$4 billion. In Macau, our fitting-out operation, Pat Davie, maintained its clear market leadership in its sector aided by the expansion of the gaming industry.

CORPORATE GOVERNANCE

The Group recognises that sound corporate governance enhances corporate and operational management. We believe the highest standards of integrity and transparency are critical to our success, and we are pleased that our efforts were recognised during the period.

The Group was cited as one of 'Asia's Best Companies' in the Corporate Governance Asia Annual Recognition Awards 2006 that was organised by *Corporate Governance Asia* magazine. In addition, the Company's Independent Non-executive Director, Mr. Anthony Griffiths, received the 'Director of the Year Award 2006' in the Listed Companies Non-executive Directors (SEHK - Non Hang Seng Index Constituents) category from The Hong Kong Institute of Directors.

LEFT: *The highly successful listing of SOL marked a significant milestone in SOCAM's property development investments in the Chinese Mainland.*

RIGHT: *Mr. Anthony Griffiths received the "Director of the Year Award 2006" in the Listed Companies Non-executive Directors category organised by The Hong Kong Institute of Directors.*

FAR RIGHT: *Beijing Huapu Centre is a Grade-A commercial complex which will appeal to multinational corporations and large local enterprises.*

CORPORATE CITIZENSHIP

The Group is committed to conducting itself in a socially responsible manner. Our workplace safety and health programmes, environmental management practices, and involvement with the community through charity work and sponsorship underline our determination to be a good corporate citizen. We were proud to receive the Caring Company Logo 2006/07 from the Hong Kong Council of Social Service. We will also continue to practise and to promote corporate social responsibility and social service among our staff, and contribute towards the development of the communities in which we operate.

PROPOSED LISTING

Distressed property development in the Chinese Mainland is an exciting new core business for SOCAM and one that we believe will provide strong impetus for our growth over the medium term. We also believe that the Central Government's property market stabilisation measures will provide a favourable platform for this new initiative.

To manage our distressed property development business, we have established a new company, SOCAM Asset Management Limited (SAM), and this entity will drive the realisation of our distressed property asset portfolio. With the thriving economy in the Chinese Mainland, there is strong demand for both high-quality residential and commercial properties among local and foreign users and investors.

To capitalise on this opportunity, we announced, in April 2007, a proposal to inject the Group's portfolio of distressed property development projects into China Central Properties Limited (CCP), along with our intention to list CCP on an internationally recognised stock exchange. This will allow CCP to establish a high profile with access to the international equity capital and debt markets in order to finance its future expansion. It will also enable the Company to enter the asset management business

2006 marked a year of significant growth for SOCAM. Our initiatives to diversify and expand businesses in the Chinese Mainland start to bear fruits and lay firm foundation for ongoing success in the future.

LEFT: *Xiwang Building in Dalian, a distressed property project.*

RIGHT: *LSOC is now the cement leader in southwest China.*

and generate a new source of recurrent income through SAM. CCP will focus primarily on acquiring partially completed property projects in major and secondary cities in the Chinese Mainland with a view to adding value and delivering attractive shareholder returns.

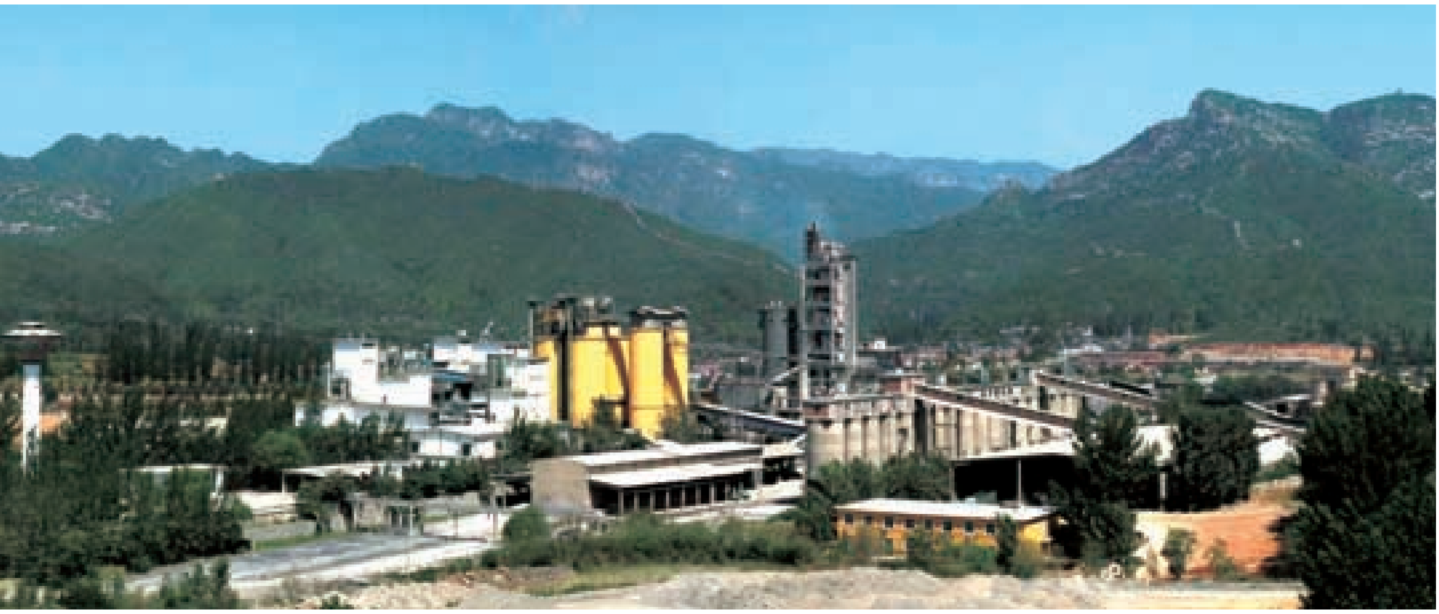
OUTLOOK

China is the world's largest cement market. While price volatility will continue, we see significant opportunities for growth both organically and through acquisition. China's 11th Five-Year Plan (2006-2010) has created a bias towards consolidation that, we believe, will benefit the LSOC joint venture. At the same time, China is encouraging foreign investments in infrastructural facilities, especially in the central and western parts of the country. These moves bode well for our LSOC joint venture's aggressive plan to expand capacity significantly so as to sustain profit growth and enhance its competitive edge.

Our venture capital investment funds are now fully invested. We anticipate that we will benefit from opportunities that may arise through future profitable disposals or initial public offerings.

The Group's holding in SOL is poised to bring significant increases in the Group's value, with SOL's share price having risen by over 20% since its listing. SOL currently has a land bank with about 8.4 million square metres of GFA in the Chinese Mainland. We support its strategy and compelling business model. As a visionary and innovative developer with a proven track record, we have confidence that SOL will continue to be a highly sought-after property stock.

In Hong Kong, the construction industry faces a challenging environment with competitive pressures negatively impacting tender values. Despite this, the Group is confident about its prospects and is looking forward to a stable year in 2007 with a satisfactory pipeline of tenders, especially in design-and-build projects. We are encouraged by the strong recovery in the local economy and the commitment of the Hong Kong SAR Government to devote more resources to infrastructure and community facilities.



We are determined to exploit our competitive advantages in the distressed property development and cement sectors in the Chinese Mainland, and expect further expansion in the coming year in both businesses. Sustained economic growth in the Mainland, coupled with the dynamics of the Beijing Olympic Games in 2008, is expected to boost demand for high-quality properties in the cities, and for high-grade cement in the developing areas. These developments place the Group well for the future and we will continue to seek opportunities in Hong Kong and in the Chinese Mainland to achieve our ambitious growth targets.

MANAGEMENT AND STAFF

Our management and staff once again played a pivotal role in our success. Their dedication, determination and loyalty were evident throughout the period under review and we continue to count on their efforts for the future. On behalf of the Board, I would like to thank all staff members for their hard work and commitment.

Lo Hong Sui, Vincent
Chairman

Hong Kong, April 2007