EXPANDING
HORIZONS
BUILDING
ON STRENGTHS

Stock code: 983

Cover Story

Expanding Horizons • Building on Strengths

There are exciting new horizons for our businesses. Capitalising on its solid foundation, Shui On Construction and Materials Limited (SOCAM) has transformed from a construction and materials company based in Hong Kong into an enterprise that is focused on property and cement in the Chinese Mainland.

SOCAM is aggressively expanding its property portfolio in major Mainland cities and its cement production capacity in South-west China. Complemented by its expertise and experience in construction and venture capital investment, SOCAM stands ready to build on its many strengths and achieve even greater success in the years ahead.

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.

SOCAM

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


Shenyang
Beijing
Dalian
Qingdao
Nanjing
Shanghai
Sichuan
Chengdu
Chongqing
Guizhou
Yunnan
Guangzhou
Hong Kong
Macau

Contents

Key Events in 2007

February

- SOCAM celebrated the 10th anniversary of its listing on the Hong Kong Stock Exchange in 1997.
- SOCAM was presented with the Caring Company Logo 2006-2007 by the Hong Kong Council of Social Service.

April

- SOCAM formed China Central Properties Limited (CCP) to focus on investment in distressed property development projects in the Chinese Mainland.

May

- SOCAM formed a joint venture with Shui On Land Limited and Yida Group for the development of Dalian Tiandi • Software Hub, a large-scale, integrated development project in Dalian.

June

- SOCAM injected its interests in five distressed property development projects in Beijing, Dalian, Qingdao and Chengdu into CCP, to prepare CCP for a separate listing.

- CCP was successfully listed on the London Stock Exchange's AIM Board.
- SOCAM Asset Management Limited (SAM) was appointed investment manager of CCP to manage its current property projects and any future investments.
- SAM launched sales of Qingdao Central International Plaza for CCP.

July

- Lafarge Shui On Cement Limited (LSOC) successfully completed the acquisition of the publicly listed Sichuan Shuangma Cement and became the biggest cement company of Sichuan Province.

- Shui On Construction Company Limited was awarded a major design-and-build project contract valued at approximately HK$1 billion to build the Hong Kong Customs Headquarters Building.

- SAM successfully acquired two distressed property projects, namely Ruiqi Building in Chongqing and Central Plaza in Shenyang for CCP.

August

- SOCAM received the "Asia's Best Companies for Corporate Governance" award in the Corporate Governance Asia Annual Recognition Awards 2007 by Corporate Governance Asia magazine.

September

- The Dalian Tiandi • Software Hub held its inauguration ceremony and established the Dalian Tiandi • Software Hub IT Talents Fund and Huangnichuan Village New Village Development Fund.

November

- LSOC signed Strategic Cooperation Agreement with Government of Yunnan Province to boost its expansion in the Chinese Mainland.

- SAM acquired four distressed property projects for CCP – Chuangyi Centre in Guangzhou, and Haomen Apartment, Qianxinian Building and Nanyang Building in Chongqing.

December

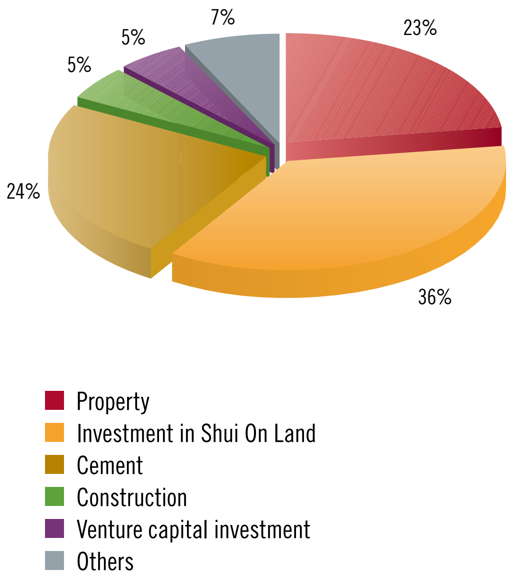
- Shui On Building Contractors Limited was presented 10 awards at the Quality Public Housing Construction & Maintenance Awards prize presentation ceremony by the Hong Kong Housing Authority.

Financial Highlights

	Year ended 31 December 2007	Nine months ended 31 December 2006
	HK$ million	*HK$ million*
Turnover	**2,810.5**	1,680.4
Profit before non-cash charges on convertible bonds issued	**1,107.1**	670.7
Profit attributable to equity holders of the Company	**702.0**	602.1
	HK$	*HK$*
Basic earnings per share	**2.34**	2.17
Dividend per share	**0.80**	0.70
	At 31 December 2007	At 31 December 2006
	HK$ million	*HK$ million*
Net assets	**7,241.6**	5,163.9
	HK$	*HK$*
Net asset value per share	**22.56**	18.21

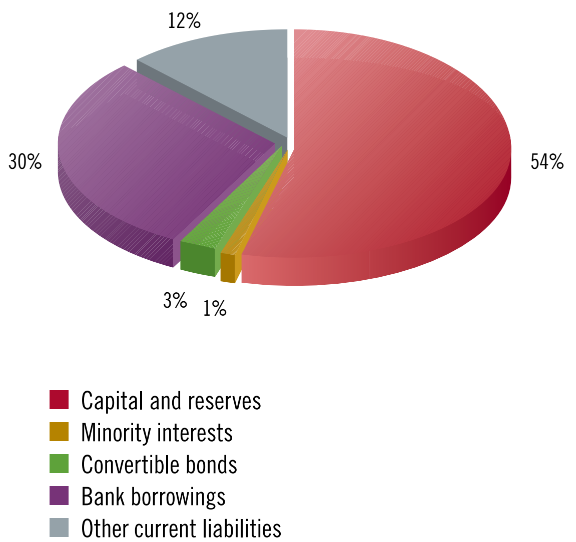
Assets Employed

At 31 December 2007



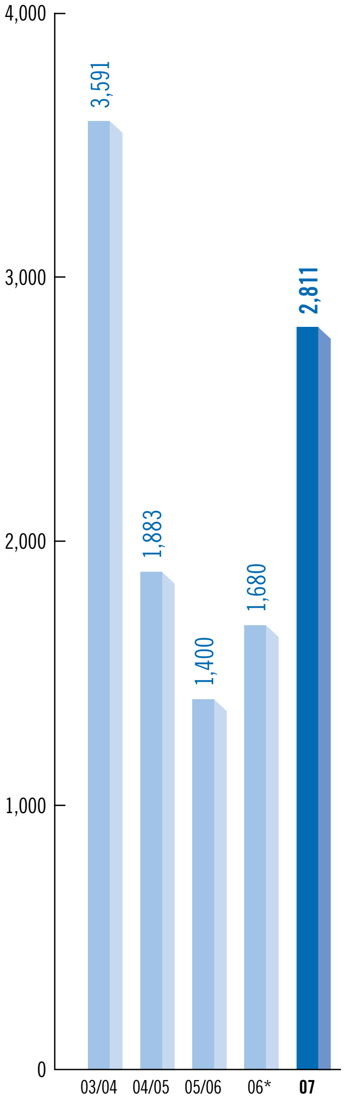
Capital and Liabilities

At 31 December 2007



Turnover

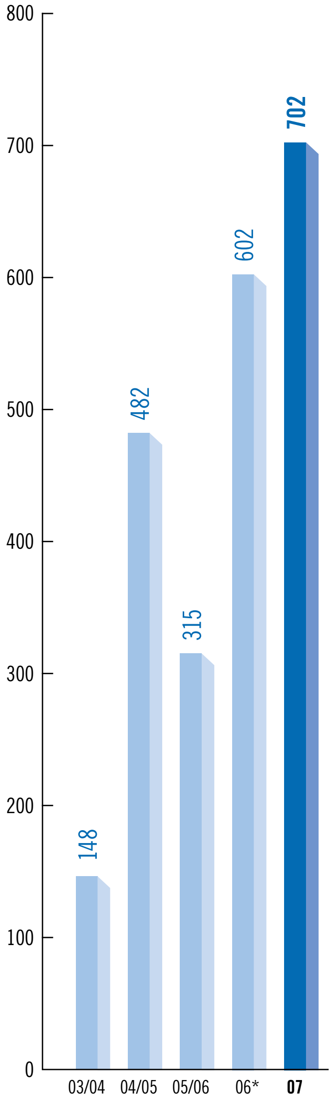
HK$ million



* Nine-month period

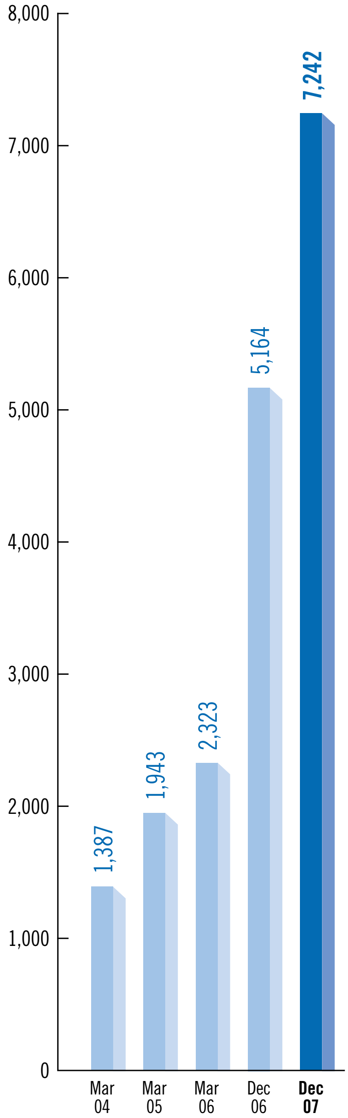
Profit Attributable to Equity Holders of the Company

HK$ million



Equity Attributable to Equity Holders of the Company

HK$ million



Chairman's Statement

"SOCAM has successfully transformed from a Hong Kong-based construction and materials company into a Mainland-focused group, with major investments in property and cement."

Vincent H. S. Lo
Chairman

SOCAM made good progress during 2007 in implementing its strategy for transformation and growth. Our distressed property development and cement businesses expanded significantly, and we saw positive operating results. We also took steps to raise funds and generate cash from our investment assets, providing us with the financial capacity for further business growth.

For the year ended 31 December 2007, the Group's profit attributable to shareholders was HK$702 million. This was an increase of 16.6% over the HK$602 million recorded for the 2006 financial period which, due to the change in financial year end, ran from 1 April to 31 December. Earnings per share were HK$2.34, an increase of 7.8% over HK$2.17 for the previous nine-month period, while turnover was HK$2,811 million, up 67.3% from HK$1,680 million. The Board of Directors has recommended a final dividend of HK$0.65 per share. This, together with the interim dividend of HK$0.15 per share, gives a total of HK$0.80 per share for the year.

OUR BUSINESSES

The development of distressed property projects in the Chinese Mainland has become an exciting core business for SOCAM. By bringing together our expertise in project management, construction, property development, deal structuring and financing of China projects, we can identify and take advantage of profitable opportunities in this niche market. Our focus is on first- and second-tier cities that enjoy long-term growth potential.

We achieved a breakthrough for the business with the launch of China Central Properties (CCP) and its listing on the London Stock Exchange's AIM Board in June, raising over US$530 million to fund its acquisitions. SOCAM holds about 40.4% of CCP and manages its assets through SOCAM Asset Management, which encompasses the Group's expertise in the acquisition and development of distressed properties. By March 2008, CCP had built up a portfolio of good quality properties totaling over 1.2 million square metres of gross floor area in prime locations in seven of China's major cities. We have also begun to reap the rewards financially, with CCP disposing of Beijing Huapu Centre Phase I profitably in February 2008, in addition to the progressive sale of premises in Central International Plaza in Qingdao during the year.

Having built a strong foundation in distressed property development, during the year we extended our reach to greenfield development projects. We began with the massive Dalian Tiandi • Software Hub project in joint venture with Shui On Land (SOL) and local developer Yida Group. In February 2008, we acquired two more greenfield sites, in Shenyang and Chengdu, in partnership with CCP, which will help CCP expand its horizons and achieve sustainable growth. We are transforming into a fully-fledged property developer, investing in distressed assets as well as greenfield developments in the Chinese Mainland, while holding a significant interest in the publicly listed SOL. Our development projects are typically be city-centre sites of a medium scale with a shorter development cycle. These characteristics will differentiate our involvement in the property sector from that of SOL, which engages in master planning of large pieces of land for development over 10 to 15 years.

Although SOL is a leading developer in the Mainland with bright prospects, our shareholding in SOL has been, and remains, a passive investment for SOCAM. Therefore, we sold approximately 5.3% of the issued shares of SOL in August for HK$1.8 billion in cash, and signed an agreement for the disposal of another 3.1% after the financial year end for a cash consideration of HK$1.0 billion, subject to independent shareholders' approval at a general meeting on 23 April 2008. The disposals allow us to enhance our gearing capacity and provide greater value for our shareholders by unlocking the value in SOL shares and investing the proceeds in growth opportunities that we actively manage. SOCAM nonetheless retains a 9.5% shareholding in SOL which will allow it to benefit from its value growth in future.



The second major pillar of our business interests in the Chinese Mainland is cement. The Group's 45%-owned Lafarge Shui On Cement (LSOC) joint venture achieved an operating profit in 2007 and reached a total production capacity of 24 million tonnes per annum by year end. LSOC also completed the acquisition of the Shenzhen-listed Shuangma Cement in July and became the industry leader in Sichuan province.

As a strong advocate of environmental protection, LSOC is set to benefit from China's determination in restructuring the industry and promote environmental protection through replacement of energy-inefficient vertical and wet kilns throughout the country with new dry rotary kilns. As the consolidation process gathers pace, the authorities are clearly keen to take advantage of the advanced technology and strong operation management that LSOC can offer. This was made plain in November when SOCAM and Lafarge signed a strategic cooperation agreement with the Yunnan provincial government to build a further 10 million tonnes of new dry production capacity in Yunnan by 2010.

Our construction operations in Hong Kong and Macau continued to perform well in 2007 with good prospects for more public sector works in 2008. Together with Shanghai Shui On Construction in the Chinese Mainland, the operations will continue to provide strong support to our property development business. Our venture capital investments continued to create value and ended the year with satisfactory results.

CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY

We are committed to sound corporate governance and corporate social responsibility. For the second consecutive year, we received an award for "Asia's Best Companies for Corporate Governance" from Corporate Governance Asia magazine, as well as the Caring Company Logo from the Hong Kong Council of Social Service. We are fully aware of the recognition these awards represent and we recognise the danger of becoming complacent. We will therefore continue to seek to achieve a high standard of corporate governance, and to deepen our engagement with the communities in which we operate.

To strengthen our corporate governance further, we are now conducting a Board evaluation exercise which we believe will enhance the functioning of our Board.

PEOPLE

In July, Professor K.C. Chan, who joined the Board in July 2005, resigned as an Independent Non-executive Director following his appointment as Secretary for Financial Services and the Treasury of the Government of the HKSAR. I would like to thank him for his valuable contribution during his time with us and wish him every success in his new appointment. The vacancy has, since August, been filled by Mr. Gerrit de Nys. Mr. de Nys is an old friend of Shui On who worked for the Shui On Group from 1978 to 1990. We are delighted to welcome him back in an independent capacity. Among the Executive Directors, Mr. Raymond Wong resigned from the Board in June to take up a key role with CCP. I would like to thank Raymond for all that he contributed to the Group as Chief Financial Officer and I welcome Ms. Jeny Lau who took up the position in October.

One of the enduring strengths of our Group has been our loyal team of competent management and staff. We have been fortunate in the year to strengthen our teams with the addition of several senior, highly experienced managers who will provide leadership and practical development for their successors. We see the careful management of succession as a vital factor in the successful achievement of our profitability, growth strategies. On behalf of the Board I wish to convey our thanks to all staff members whose hard work and dedication have once again brought success to the Group. I look forward to their continued support as the Group sees further transformation and continues to grow.

OUTLOOK

Entering 2008, we see strong momentum across our businesses that will allow us to make the most of market conditions.

There are indications that economic growth will slow in China, as the Central Government moves to curb inflation and exports are affected by the downturn in the US and European economies. Nonetheless, we are confident that with urban income rising rapidly, the real estate sector will continue to experience solid growth. We also foresee little let-up in China's drive to improve its infrastructure. All these bode well for SOCAM's property and cement businesses in the Chinese Mainland.

Likewise, the measures taken recently by the Central Government to restrain rapid expansion in the Chinese property market will help ensure its healthy development in the long term, providing a favourable environment for our property business. Any pressure these measures may bring to bear on local developers who are less well-positioned could even benefit SOCAM in the short term.

We will continue to implement our strategy for growth, where the major emphasis is on the property and cement sectors in the Mainland. In property, the Group will continue to acquire distressed properties for quick turnover and, at the same time, acquire greenfield development projects in cities where we already have operations. In cement, we expect, through LSOC, to achieve our growth and market share objectives by leveraging our cooperation with provincial governments to boost dry-kiln capacity and market dominance in the Southwest region.

Regarding our other businesses, in Hong Kong we remain well positioned to win construction contracts in the newly revived market. In Macau, Pat Davie will continue to focus on business opportunities in the hospitality sector. We expect listings and other fund-raising initiatives will bring further attractive returns from our venture capital investments.

Since its listing 10 years ago, SOCAM has successfully transformed from a Hong Kong-based construction and materials company into a Mainland-focused group, with major investments in property and cement. The Group will continue to leverage its strong footholds in various business sectors and its experience and expertise so as to explore and capture new opportunities that will sustain long-term growth and create maximum value for its shareholders.

Vincent H. S. Lo
Chairman

Hong Kong, April 2008

“At SOCAM…

we believe that perfection is the goal for every effort and that the determination to improve and innovate is a constant stimulus and challenge.”

Management Discussion and Analysis

"During the financial year 2007, the Group forged ahead with a range of initiatives to build its business portfolio and strengthen its competitive position in the Chinese Mainland market."

Frankie Y. L. Wong
Chief Executive Officer

Our Businesses:

PROPERTY *P.14*

CEMENT *P.22*

CONSTRUCTION *P.26*

VENTURE CAPITAL *P.30*

Business Review
PROPERTY

Huapu Centre (Phase I), Beijing

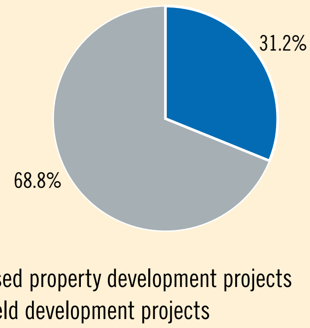
Financial Summary

	Year ended 31 December 2007 *HK$ million*	Nine months ended 31 December 2006 *HK$ million*
Turnover	**199**	–
Profit after tax	**271**	8

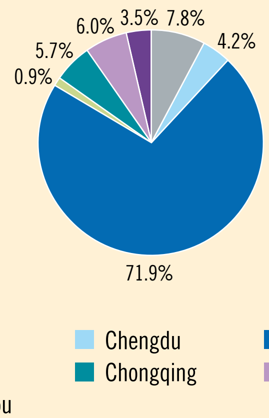
Landbank

At 31 December 2007

GFA by Nature of Development



GFA by City



Total GFA attributable to SOCAM: 1.15 million square metres

Distressed Property Development

During the year, SOCAM established a new company, China Central Properties Limited (CCP), for its distressed property development business in China, injecting its initial five projects in Beijing, Dalian, Qingdao and Chengdu into CCP in exchange for approximately £57 million in shares upon CCP's admission to the London Stock Exchange's AIM Board (AIM) on 13 June 2007. We were able to recognise a total gain of approximately HK$417 million on these investments, of which approximately HK$69 million was deferred until the future disposal of the injected projects.

CCP issued and placed new shares, including over-allotment of shares, for approximately £180 million and simultaneously issued five-year convertible bonds in the value of US$200 million, raising net proceeds of approximately HK$4.2 billion. In addition to the asset injection, SOCAM subscribed for approximately £63 million in CCP shares under the placement and US$25 million in convertible bonds of CCP for a total investment cost of approximately HK$1.2 billion. At 31 December 2007, SOCAM held approximately 40.4% of the issued share capital of CCP.

CCP focuses primarily on the acquisition and development of medium- to-large-scale, partially-completed property projects in prime locations in major and secondary cities in the Chinese Mainland, which have become available largely as a result of their owners' financial constraints. Once acquired, the projects are completed and upgraded and, upon completion, will either be sold or leased.

CCP's admission to AIM was well timed and provided the necessary financial resources to capture the significant investment opportunities in such partially-completed properties in China. CCP acquired seven projects over the six-and-a-half months that elapsed between listing and the end of the reporting period. At year end, CCP was involved in twelve property projects spanning the seven major cities of Beijing, Chengdu, Chongqing, Dalian, Guangzhou, Qingdao and Shenyang, with an aggregate, existing and planned gross floor area (GFA) of approximately 887,500 square metres. This represents more than double the 424,000 square metres GFA of the initial portfolio of projects injected into the company at the outset.

The property portfolio of CCP at 31 December 2007 is summarised in the following table:

Project	Location	Approximate GFA (square metres)	Property Type	CCP's Interest
INITIAL PORTFOLIO INJECTED INTO CCP				
Huapu Centre (Phase I)	Beijing	127,500	Office and commercial	100%
Shengyuan Centre	Beijing	43,000	Office	100%
Central Point	Chengdu	120,000	Composite	100%
Xiwang Building	Dalian	89,000	Office and commercial	100%
Central International Plaza (Blocks A and C)	Qingdao	26,000*	Composite	100%
NEW ACQUISITIONS UP TO 31 DECEMBER 2007				
Fengqiao Villas	Beijing	51,000	Residential	100%
Ruiqi Building	Chongqing	86,000	Residential and commercial	100%
Haomen Apartment	Chongqing	10,000	Residential and commercial	100%
Nanyang Building	Chongqing	32,000	Residential and commercial	100%
Qianxinian Building	Chongqing	33,000	Office and commercial	100%
Chuangyi Centre	Guangzhou	100,000	Residential and commercial	100%
Central Plaza (Phase I)	Shenyang	170,000	Composite	70%
	Total GFA	**887,500**		

* Yet-to-be-sold GFA

Beijing

HUAPU CENTRE (PHASE I)

The site works of this Grade-A commercial complex were substantially completed on schedule in December. Located in Beijing's prime Dongcheng District, it consists of two office towers, each 24-storey high on a nine-storey podium, offering mixed office and retail space. In February 2008, CCP disposed of its entire interest in this property to a foreign purchaser and will record a gain on disposal of approximately HK$330 million, before transaction costs, in 2008.

Huapu Centre (Phase I)

SHENGYUAN CENTRE

This Grade-A office development is located in the Lufthansa area in Beijing, consisting of a nine-storey tower and an 18-storey tower. Construction and upgrading works were substantially completed in December according to schedule, while government approval for an increase in the plot ratio of the lower block is being sought. Negotiations are underway with a number of interested buyers for the sale of this project.

Shengyuan Centre

FENGQIAO VILLAS

CCP acquired 90 of the 187 residences at this development during the year with a total GFA of 51,000 square metres. Located in the Shunyi District in Beijing, Fengqiao Villas is a luxury residential development of western-style villas with a low plot ratio. CCP will continue to acquire the remaining villas in this development. Design and upgrading works were underway by year end. This project is set for completion by the end of 2009. Further five residences were acquired subsequent to the year end.

Fengqiao Villas

Chengdu

CENTRAL POINT (FORMERLY KNOWN AS HUITONG BUILDING)

Located on Ren Min Road South, the new central business district of Chengdu, Central Point is a mixed-use project that will provide a total GFA of approximately 120,000 square metres. It comprises two phases which are to be developed into a twin-tower complex above a linkbridge-connected four-storey podium, providing a total saleable area of 91,000 square metres in serviced apartments, office and retail space. In Phase I, upgrading works of the 35-storey tower and the podium have commenced and completion is expected in the second half of 2008. Phase II comprising the development of a 32-storey tower over a podium on the adjacent land lot is scheduled for completion in 2010.

Central Point


Ruiqi Building


Haomen Apartment


Nanyang Building


Xiwang Building

Chongqing

RUIQI BUILDING

In July, CCP purchased at an auction the Ruiqi Building, a partially-completed mixed-use project in the central business district of Chongqing, for approximately RMB414 million. Comprising a 24-storey residential tower, a nine-level commercial/retail podium and two levels of retail space with a total GFA of approximately 86,000 square metres, the building is set for completion in 2009.

HAOMEN APARTMENT, NANYANG BUILDING AND QIANXINIAN BUILDING

CCP acquired a group of three partially-completed projects at prime locations in Chongqing in December for a total consideration of RMB270 million. The total GFA of these projects is approximately 75,000 square metres.

Haomen Apartment will be demolished and redeveloped into a Ginza-type commercial centre to house a variety of entertainment and F&B outlets, and government approval for this change of use is being sought. Nanyang Building will be redeveloped into a luxury apartment tower above a retail podium with basement car park. Qianxinian Building will be built into a mixed-use development, comprising an office tower, a retail podium and a basement car park.

The redevelopment of Haomen Apartment and Qianxinian Building is expected to be completed in 2009, while Nanyang Building is targeted for completion in early 2010.

Dalian

XIWANG BUILDING

The completion certificate of this 40-storey Grade-A office tower in the city centre of Dalian was obtained in February. Leasing of the office space was relatively slow, with around 34% of the total lettable area of approximately 67,000 square metres GFA taken up at the year end. CCP intends to sell this property en-bloc in 2008.

Guangzhou

CHUANGYI CENTRE

In November, CCP entered into an acquisition agreement to acquire the partially-completed project of Guangzhou Chuangyi Centre, which is a residential and retail development, for RMB810 million. Located in a well-established residential and commercial area of Tianhe in Guangzhou, this development will comprise five residential towers, and a three-level basement, with a total GFA of approximately 100,000 square metres. The project is expected to be completed in 2010.

Qingdao

CENTRAL INTERNATIONAL PLAZA (BLOCKS A AND C)

The upgrading works for this mixed office, retail and residential development of approximately 62,000 square metres GFA were completed before the year end. By year end, some 85% of the office space, 71% of the retail area and 41% of the residential units had been sold. CCP expects to dispose of all the remaining premises of this development in 2008.

Central International Plaza (Blocks A and C)

Shenyang

CENTRAL PLAZA (PHASE I)

CCP together with a financial investor formed a 70-30 joint venture and acquired a plot of vacant land in Shenyang in July at an auction price of RMB150 million. This project, named Central Plaza, will comprise a four-level retail podium, three residential towers, a hotel/serviced apartment tower as well as an office block upon completion, providing a total GFA of approximately 243,000 square metres under the existing plot ratio. The development will be one of the highest quality contemporary multi-use complexes in Shenyang and is expected to be completed in 2011, to coincide with the opening of the No. 2 Metro Line.

As CCP commenced business in mid June and there were no major divestments during the rest of the year, CCP's profit contribution to SOCAM was minimal for the year.

Central Plaza (Phase I)

New acquisitions after year end

CCP and SOCAM joined forces to make further acquisitions. Together with a financial investor, CCP and SOCAM formed a 20-40-40 joint venture and acquired a piece of land in Shenyang in January 2008. Additionally, SOCAM and CCP teamed up in forming a 50-50 joint venture, which acquired a piece of land in Chengdu. These two projects are greenfield developments which the Company believes will complement CCP's principally distressed asset portfolio while broadening the Group's experience into this additional form of property development.

SOCAM Asset Management

Following the admission to AIM, CCP appointed SOCAM Asset Management Limited (SAM), a wholly-owned subsidiary of SOCAM, as its investment manager, to undertake the management of CCP's property projects and any future investments, including the negotiation, acquisition and disposal of assets, at an agreed base fee and performance fee. The aim of this arrangement is to provide the Group with a stable, recurrent income stream and performance-linked incentive payments. SAM has assembled an investment and project management team with many years of experience in the China property market and will be able to leverage SOCAM's construction, property development and financial structuring expertise to strengthen its competitiveness.

The asset portfolio managed by SAM has expanded rapidly since the listing of CCP and therefore SAM saw a healthy growth in fee income from CCP during its first year of operation.

Greenfield Development Projects

Having built up a strong base in acquiring and developing properties under the distressed property development business model, SOCAM participated in the Dalian Tiandi • Software Hub joint venture, a massive greenfield project. After re-examining our capabilities and confirming our strategy for growth, we made further investments in greenfield projects in the Mainland subsequent to the year end in Shenyang and Chengdu in partnership with CCP.

DALIAN TIANDI • SOFTWARE HUB (FORMERLY KNOWN AS DALIAN SOFTWARE PARK PHASE II)

In May, SOCAM successfully entered into an agreement with Shui On Land Limited (SOL) and Yida Group, an experienced developer in Northern China, to form a joint venture for the development of Dalian Tiandi • Software Hub. The formation of the joint venture was unanimously approved by the Company's independent shareholders in June. With the inauguration having taken place in September, this large-scale, multi-faceted project focusing on the global software and outsourcing industries will provide a total "live-work-play" environment. Comprising approximately 3.6 million square metres GFA, this hub will bring together businesses, IT and software development centres, commercial and residential properties, as well as educational and research facilities, outdoor recreational and other public amenities. According to the current development plan, this US$3-4 billion project will be constructed in 10 phases, with completion expected in 2017.

The joint venture combines the strength, expertise and experience of the partners concerned and is poised to create substantial synergies. The project draws on SOCAM's expertise in project management and quality assurance as well as its sales and marketing experience, while SOL will be responsible for master planning and overall design of the development. SOCAM has invested approximately HK$508 million in return for its 22% effective equity interest. In March 2008, SOCAM injected further cash of HK$218 million into the joint venture for the development of this project.

SHENYANG CENTRAL PLAZA (PHASE II)

SOCAM formed a joint venture with CCP and a financial investor, and acquired a piece of land in Shenyang via auction for approximately RMB917 million in January 2008. The land is located within the Golden Corridor in Huanggu District, which is expected to become the commercial backbone of Shenyang pursuant to a development plan of the Shenyang Municipal Government. The project has a planned developable area for mixed uses of approximately 660,000 square metres and is adjacent to CCP's Central Plaza development, which allows SOCAM to better develop this project through close collaboration with CCP. Completion of this project is expected in 2012.

SOCAM and CCP each has a 40% interest in the joint venture and each will invest approximately HK$466 million in this project.

CHENGDU ORIENT HOME

In February 2008, SOCAM entered into a 50-50 joint venture with CCP that acquired a piece of land in Jinniu District, Chengdu with a total land area of approximately 57,000 square metres.

This project will be converted into a residential and commercial development of approximately 356,000 square metres GFA, with completion set for 2011. SOCAM and CCP will each inject approximately RMB394 million into the joint venture to fund the acquisition and the development of this project.

Dalian Tiandi • Software Hub represents a major step forward in Dalian's development into a new centre for the software and outsourcing industries.

The Shenyang Central Plaza (Phase II) project provides an attractive opportunity for SOCAM to expand into greenfield property development in the Chinese Mainland.

Investment in Shui On Land (SOL)

Following SOL's IPO in October 2006, the Group held a 17.84% equity interest in SOL with a market value of over HK$5 billion at the end of that year. Since the Group's investment portfolio was somewhat concentrated in the SOL shares and the investment itself is passive yielding only dividend returns, SOCAM proceeded with plans to re-balance the Group's asset allocation through disposal of part of its shareholding in SOL to generate funds that could be invested in actively-managed opportunities that should yield significantly higher returns. In August, the Group disposed of approximately 220.4 million shares – equivalent to approximately 5.27% of the issued share capital of SOL – to Shui On Investment Company Limited (the private group) for HK$1.8 billion, at a price of HK$8.1664 per share. This selling price carried a premium of approximately 3.8% over the closing price of HK$7.87 on the date of signing the sale and purchase agreement. The Group recognised in its consolidated income statement a net gain on disposal of approximately HK$929 million, including the realisation of the approximately HK$825 million gain previously recognised in the reserves. The net proceeds of approximately HK$1.77 billion received from the disposal have been used by the Group for investments, as its working capital and to reduce its gearing. This has strengthened the Group's financial position for future expansion.

At 31 December 2007, the value of the Group's 12.57% shareholding in SOL, based on SOL's closing price of HK$9.10 per share, was approximately HK$4.8 billion. As compared with SOL's closing price of HK$6.79 per share at 31 December 2006, the increase in the value of the Group's 12.57% shareholding in SOL for the year amounted to approximately HK$1.2 billion, and was booked as a direct addition to reserves. This has led to a considerable increase in the net asset value of the Group and reduced the Group's gearing markedly.

SOL continued to increase its landbank in strategic locations for sustained growth. In May, it formed a joint venture with SOCAM and Yida Group for the development of Dalian Tiandi • Software Hub. It has a 48% effective equity interest in this joint venture. Also in November, SOL successfully bid for the land development rights in Foshan, Guangdong at a price of approximately RMB7.5 billion. This is a large-scale city core redevelopment project with a comprehensive, mixed-use community comprising approximately 1.5 million square metres GFA of residential, office, retail, hotel, cultural facilities and a "Foshan Tiandi".

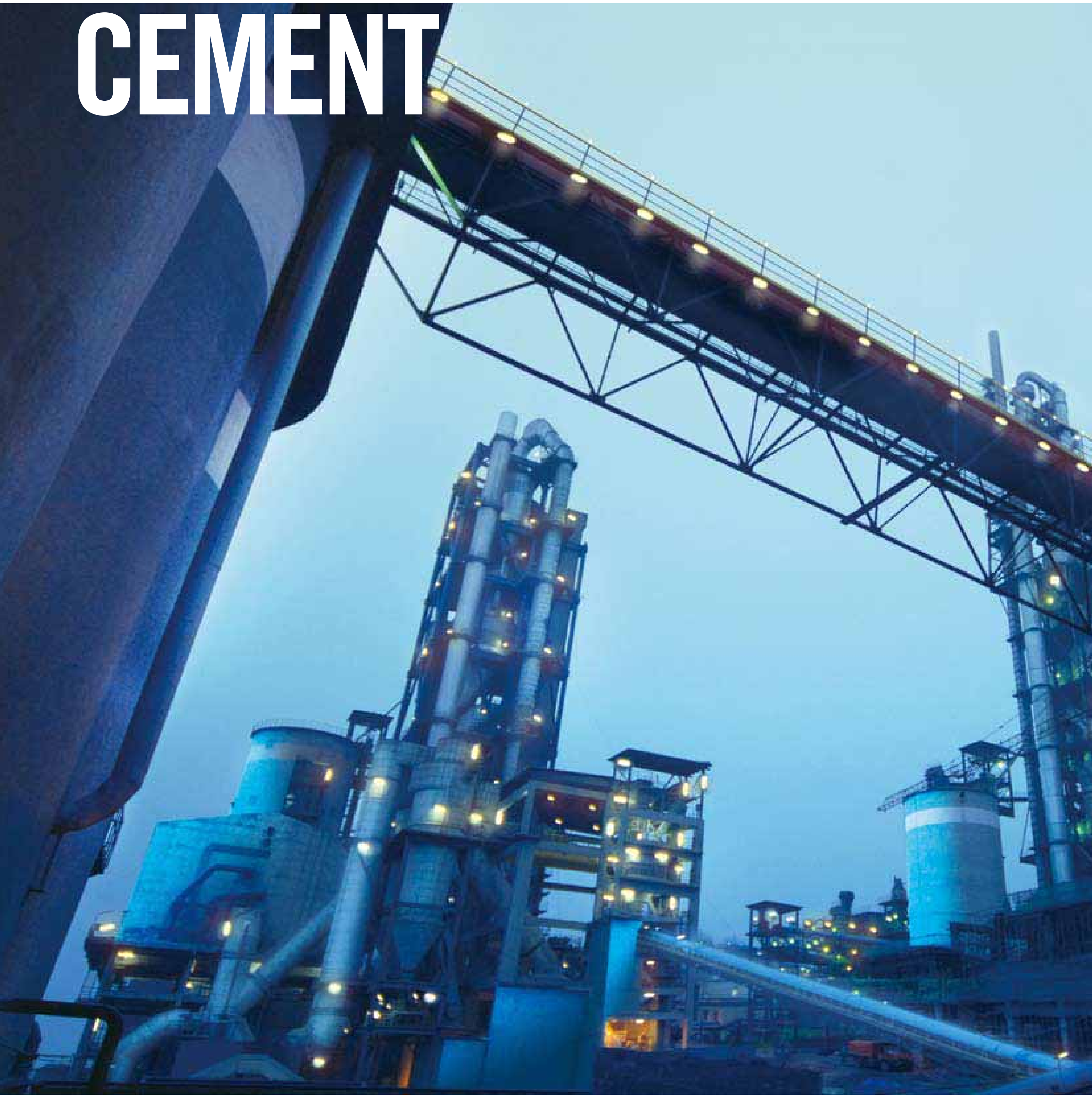
SOL also accelerated growth through strategic partnerships. In June, it brought in the Trophy Fund and transferred a 25% interest in Wuhan Tiandi and a 49% interest in Lot 116 of the Shanghai Taipingqiao project to the fund for a total consideration of approximately RMB1.6 billion. SOL's total landbank, including Dalian Tiandi • Software Hub and the Foshan project, has increased significantly to approximately 13.1 million square metres of GFA. SOL is now active in six cities, namely Shanghai, Chongqing, Wuhan, Hangzhou, Dalian and Foshan.

To further strengthen its financial position, in March 2008, the Group signed an agreement for the disposal of a further 130.2 million shares, representing approximately 3.11% of the issued shares of SOL, to Shui On Investment for HK$1.0 billion in cash, subject to independent shareholders' approval at a general meeting scheduled for 23 April 2008. The selling price of HK$7.68 per share gave a premium of approximately 3.1% over the closing price of HK$7.45 on the date of the sale and purchase agreement. The Group will use the sale proceeds to fund the future growth and development of its businesses. The Group will record a net gain on disposal of approximately HK$497 million, including the realisation of gain previously taken up in the reserves, in its consolidated income statement for the year ending 31 December 2008.

The Chongqing Tiandi project will incorporate advanced concepts of sustainability into its master planning and business development strategy.

Business Review

CEMENT



Dujiangyan, Sichuan

Financial Summary

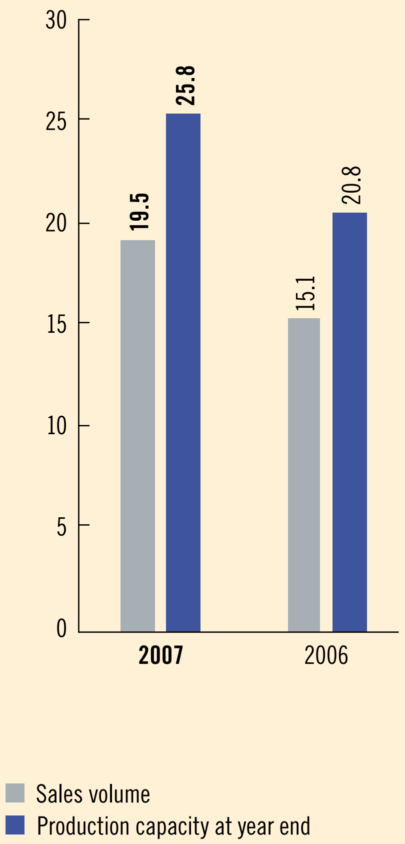
Amounts attributable to SOCAM

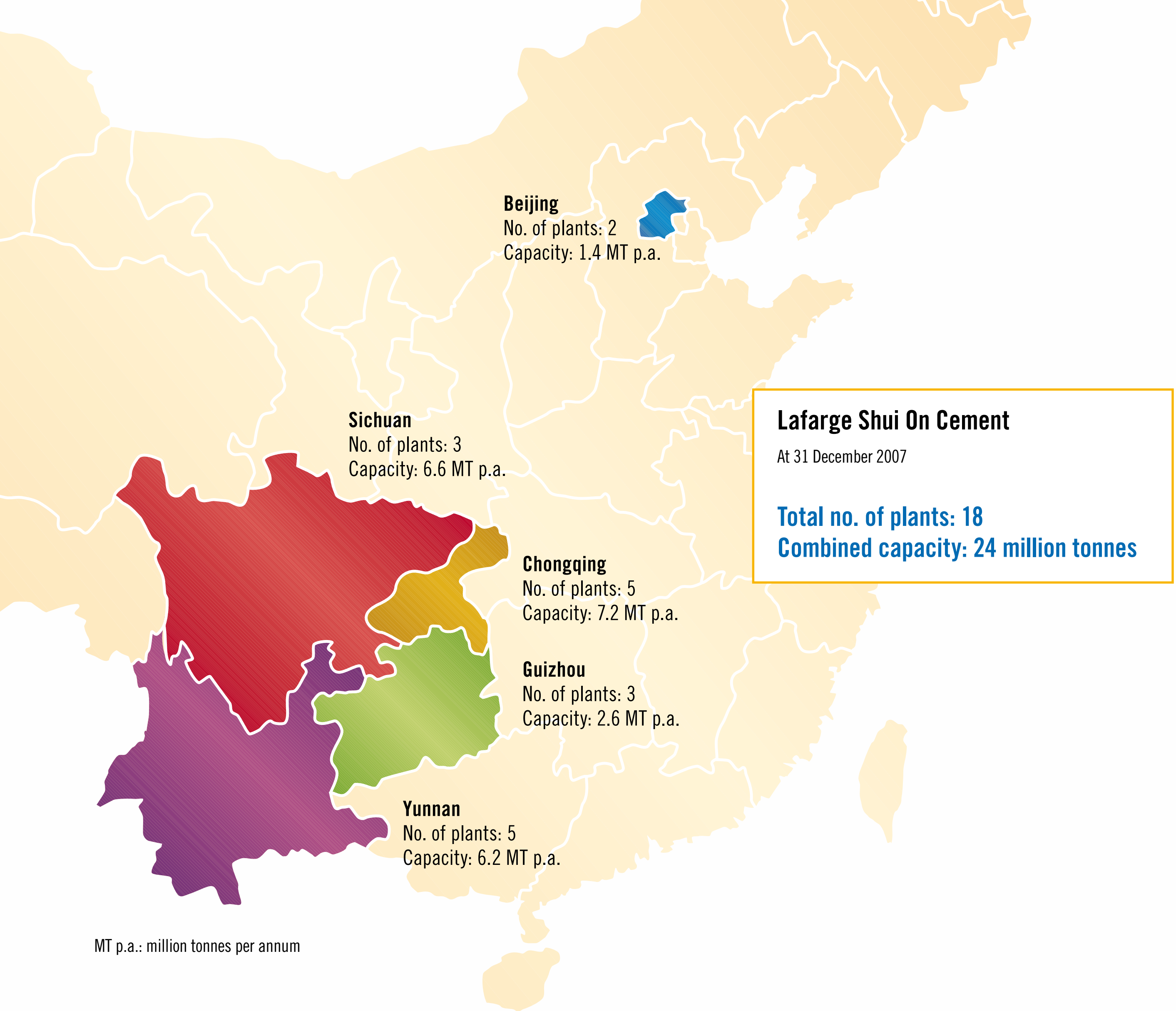
	Year ended 31 December 2007 ***HK$ million***	Year ended 31 December 2006# *HK$ million*
Turnover	**2,055**	1,522
Operating profit after tax*	**105**	31

* Before impairment loss
# 12-month period for the share of results of jointly controlled entities

Total Production Capacity and Sales Volume

Million tonnes





MT p.a.: million tonnes per annum

Lafarge Shui On Cement (LSOC)

LSOC performed well and contributed an operating profit of HK$86 million to SOCAM for the year on an increased sales volume and strong pricing. It sold 17.7 million tonnes of cement and achieved an average selling price of RMB256 per tonne during the year. At the year end, LSOC's total production capacity reached 24 million tonnes per annum (tpa).

BEIJING

The year began with reduced demand for cement in the face of slowing growth in construction works. Demand only picked up in the final quarter as construction projects strove to achieve their year-end targets. As a result, the Beijing operation completed the year with results falling short of plan.

CHONGQING

The year closed with strong demand for cement and supply shortage, allowing producers to maintain robust pricing. Performance of all LSOC plants in Chongqing improved considerably, with profits exceeding plan, and the joint venture maintained its market leadership. LSOC signed a number of significant contracts with major customers and is committed to increasing its market share by maintaining the most competitively priced product and selectively entering new local markets.

GUIZHOU

The three dry kilns in Dingxiao, Xinpu and Shuicheng performed well. The operations were aided by good demand for high-grade cement, reflecting the strong local economy and investment in infrastructure under China's "Go West" policy, but their performance was undercut by increased competition and rising coal and fuel costs, resulting in a profit shortfall.

SICHUAN

The market experienced sustained strong demand, with tighter supply and higher prices, especially from April onwards. The 1.4 million tpa second dry line at Dujiangyan, commissioned in October 2006, effectively doubled the production capacity of the Dujiangyan plant and made a substantial profit contribution to LSOC for the year. LSOC also received in May the go-ahead from the China Securities Regulatory Commission to complete the acquisition of a majority interest in Sichuan Shuangma Cement, a Shenzhen-listed cement company. By increasing the joint venture's overall capacity in Sichuan to 6.6 million tpa, LSOC's leadership position in the province is reinforced.

In October, the Chengdu municipal government stepped up its campaign to close all vertical shaft kilns, and this led to an increase in cement prices to levels not seen in the past five years. Prices are expected to remain firm, supported by strong demand, despite remote producers from Chongqing having entered the Chengdu market.

YUNNAN

Yunnan saw strong demand for cement, but the more competitive environment exerted noticeable pressure on LSOC's operation. As a consequence, selling prices declined and the joint venture's Yunnan operation suffered a loss. However, since November, boosted by an increase in demand – especially in the central regions as supplies of diesel and coal tightened, reducing the sale of cement from outskirt competitors – there was an improvement in both sales volume and price.

The three new dry lines of 2,500, 2,500 and 2,000 tonnes per day (tpd) capacity respectively in Lijiang, Sanjiang and Honghe will become operational in the first half of 2008, and this will strengthen LSOC's market position in Yunnan. In November, SOCAM and Lafarge entered into a strategic cooperation agreement with the Yunnan provincial government, whereby LSOC will increase its production capacity in this province by 10 million tonnes by the year 2010.

LSOC is determined to be one of the top cement producers in China. Faced with robust demand for high-grade cement and accelerating industry consolidation in the coming years, LSOC has embarked upon an aggressive programme to expand its production capacity and increase market share in Southwest China. It plans to build two dry kilns each with a capacity of 5,000 tpd in Diwei and Yongchuan, Chongqing; a dry kiln with a capacity of 5,000 tpd in Dujiangyan, Sichuan; and two dry kilns with respective capacities of 5,000 tpd and 2,500 tpd in Sancha and Dingxiao, Guizhou, involving an estimated total capital expenditure of approximately RMB5 billion by the end of 2010. In addition, a number of new projects in Sichuan, Chongqing, Yunnan and Guizhou are now on LSOC's drawing board, with feasibility studies in progress. LSOC is targeting an increase in production capacity in China to 50 million tpa by year 2012.

Guizhou Cement

Cement production and sales at the six cement plants in Guizhou retained by SOCAM – in Xishui, Zunyi, Kaili, Yuqing, Bijie and Changda – were steady. These operations made a satisfactory profit contribution on a total sales volume of 1.5 million tonnes during the year. Cement production, sales and prices were all higher than in the previous year. SOCAM continued to implement strategic measures such as cost-saving programmes and technical improvements to maximise operational efficiency and to cope with rising coal and fuel costs.

The construction of a 2,500 tpd new dry kiln in Changda progressed well and commissioning is scheduled for the second quarter of 2008. In August, the Group entered into an agreement with the Kaili Government for the construction of a new dry kiln with a production capacity of 2,500 tpd in Kaili to meet the increasing demand for cement in the Guizhou Province and phase out the current wet line. Completion of this new production line is targeted at end of 2008.

Nanjing Cement

This grinding plant in Nanjing sustained a small loss during the year, though its local sales were augmented by exports to Australia. This operation remains insignificant in the cement business of SOCAM.

Business Review
CONSTRUCTION

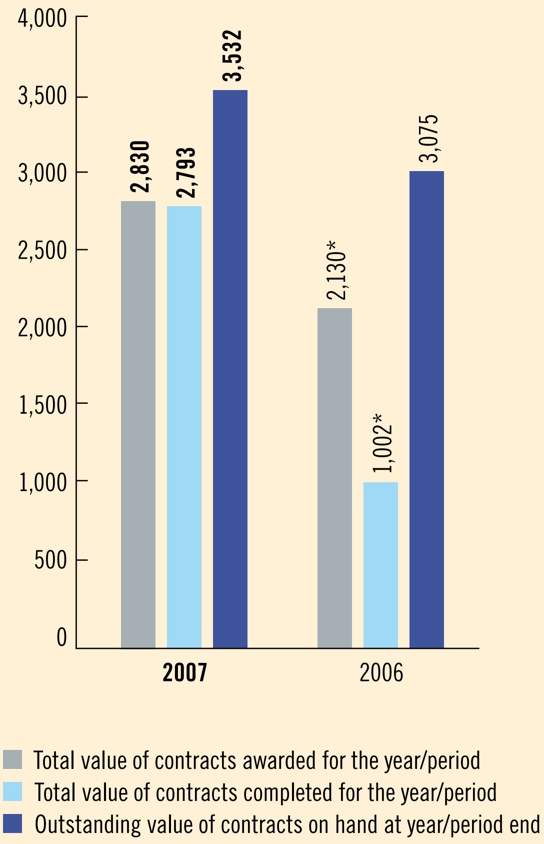
ICAC Headquarters Building, Hong Kong

Financial Summary

	Year ended 31 December 2007 ***HK$ million***	Nine months ended 31 December 2006 *HK$ million*
Turnover	**2,733**	1,605
Profit after tax	**43**	29

Construction Contracts

HK$ million



* Nine-month period

The Group's construction businesses performed well during the year. The division's total turnover for the year was HK$2,733 million (nine months ended 31 December 2006: HK$1,605 million), while new contracts totalling HK$2,830 million (nine months ended 31 December 2006: HK$2,130 million) were won. In Hong Kong, property market sentiment improved significantly in 2007 in line with strong GDP growth. The fitting-out business continued to benefit from the booming gaming and hospitality sectors in Macau. While keen demand for materials, labour and specialist technical professionals continued to push up construction costs, the division saw steady business during the year, with increased turnover and profits.

At 31 December 2007, the gross and outstanding values of contracts on hand were approximately HK$5.7 billion and HK$3.5 billion respectively (31 December 2006: HK$5.3 billion and HK$3.1 billion respectively).

Shui On Building Contractors (SOBC)

Eastern Harbour Crossing Site Phase 4 adopted green construction.

SOBC secured two District Term Maintenance Contracts in the Tuen Mun East and Hong Kong West areas worth a total of approximately HK$240 million from the Hong Kong Housing Authority (HKHA), which means the Group continues to hold the maximum number of HKHA maintenance contracts allowed for any single contractor. SOBC was also awarded a HK$126 million reinstatement works contract from the HKHA for Tin Shui Wai Area 31 Phase 1 and a further maintenance contract worth approximately HK$270 million from the Architectural Services Department (ASD) for government land and buildings in Central, the Peak and Mid-Levels.

In the second half of the year, SOBC tendered for six new HKHA projects and was awarded three subsequent to year end. These consist of a HK$399 million public rental housing development in Kwai Chung, a HK$763 million project for the construction of Eastern Harbour Crossing Site Phases 5 & 6 in Yau Tong, and a HK$476 million project for the construction of Tseung Kwan O Area 73B. In addition, SOBC secured a HK$147 million refurbishment works contract from the Hong Kong Housing Society for the rehabilitation of Ming Wah Dai Ha in Shaukeiwan.

SOBC continued to receive industry recognition, demonstrated by its success in winning awards, receiving 10 of the HKHA's Quality Public Housing Construction & Maintenance Awards besides awards in annual safety, health and environment campaigns in the HKSAR. The HKHA's award scheme is co-organised with Hong Kong's construction industry and gives recognition to contractors, supervisors, workers as well as the Housing Department staff who have provided outstanding services in construction and maintenance services for public housing. SOBC's recognition included the Outstanding Contractors Category, for both New Works Projects and Maintenance Service Projects.

Shui On Construction (SOC)

Although SOC in joint venture with Paul Y. Engineering, was not successful in winning the ASD tender for the Tamar Development, it secured a major design-and-build contract for the new headquarters building for the Hong Kong Customs and Excise Department. The award of this ASD contract, valued at approximately HK$1 billion, is a major business success.

ICAC Headquarters Building features a comprehensive range of new facilities and state-of-the-art technologies.

During the year, SOC completed the Independent Commission Against Corruption Headquarters Building, a Rehabilitation Block at Tuen Mun Hospital, the extension facilities at Prince of Wales Hospital and a private independent school in Aberdeen, as well as the design and construction of district open spaces in Fanling/ Sheung Shui, Tung Chung and Tsuen Wan.

Shanghai Shui On Construction (SSOC)

SSOC's project at the Knowledge and Innovation Community was named the "Economical Construction Site" and the "Civilised Construction Site".

SSOC is our construction arm in the Chinese Mainland. Since its inception in 1985, it has been awarded a number of construction projects from the commercial and public sectors. It provides solid support for the Shui On Group's property development activities.

During the year under review, SSOC secured a total of approximately RMB556 million worth of new contracts, including two RMB140 million contracts from Wuhan Shui On Tiandi Property Development; and a RMB117 million contract for a project at the Knowledge and Innovation Community in Shanghai.

Major projects completed during the year included the renovation of a basement located at Wuhan Yongqing Commercial General Zone and the renovation of Layefe Home at Shanghai Xintiandi.

SSOC was presented with a number of awards in recognition of its achievements in year 2007. It won the "Shenan Cup" (Quality Installation Works) for Rui Hong Xin Cheng (Phase 2) and its project at the Knowledge and Innovation Community was named the "Economical Construction Site" and the "Civilised Construction Site" by the Shanghai Municipal Construction Committee.

Pat Davie

In Hong Kong, Pat Davie won more projects from the commercial sector. The extension and relocation of large corporate offices, especially in the financial sector, provided strong demand.

In Macau, the tremendous growth of the fit-out market in the gaming and hospitality sectors brought good results. New projects are expected to begin soon, and a number of key casino resort projects that are in progress now will be completed by the end of 2008.

During the year, Pat Davie completed a number of major projects, including fit-out works for offices of Hang Seng Bank, UBS AG and the Airport Authority in Hong Kong, and casinos for Wynn, Venetian, MGM and Crown in Macau. It also secured a total of approximately HK$524 million worth of new contracts, of which 61% and 39% by value were in Hong Kong and Macau respectively. Major contracts include interior fit-out in Hong Kong for One Island East and Hang Seng Bank's office at Enterprise Square 5. In Macau, they include further work for MGM Grand Macau, the Venetian Cotai and Wynn Resort. After the year end, Pat Davie won new contracts for a total value in excess of HK$200 million.

In the Mainland, Pat Davie completed construction and project management work for CCP's distressed property development projects in Dalian and Qingdao. It will continue to support CCP's distressed property development operations in Beijing and Chengdu.

Pat Davie continued to benefit from the booming gaming and hospitality sectors in Macau.

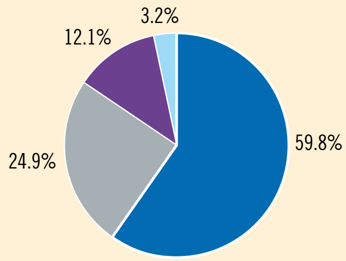
Business Review

VENTURE CAPITAL

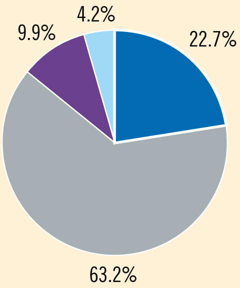
Financial Summary

	Year ended 31 December 2007 ***HK$ million***	Nine months ended 31 December 2006 *HK$ million*
Profit after tax	**78**	75

Investment Portfolio



Total value attributable to SOCAM at 31 December 2007: HK$599 million



Total value attributable to SOCAM at 31 December 2006: HK$608 million

- Listed shares
- Unlisted shares
- Convertible notes
- Loan receivable

The portfolio of venture capital investments enjoyed a steady performance. During the year, the Group was a 65.5% and 75.4% shareholder respectively in the two Yangtze Ventures Funds. The Group was a 66.8% shareholder in the Series A Participating Shares of On Capital China Fund (formerly known as On Capital China Tech Fund). Total profit generated during the year amounted to HK$78 million.

In September, On Capital China Fund launched a new class of shares, Series B Participating Shares, raising funds of approximately US$7.8 million. SOCAM has subscribed for shares at a cost of US$5 million, representing a 64.5% interest.

Ventures with major activities during the year which impacted on SOCAM's 2007 results are highlighted below:

Yangtze Ventures Funds (YVFs)

The two Yangtze Venture Funds were fully invested during the year.

ADVANTEK BIOLOGICS

This bio-pharmaceutical product specialist continues to expand its sales network for blood fractionation products. In June, it disposed of certain laboratory facilities to the private investment arm of a major conglomerate in Hong Kong for a consideration that included a 2.5% equity interest in the purchaser, which is engaged in research, development, production and sale of artificial blood products.

CHINA INFRASTRUCTURE GROUP (CIG)

CIG specialises in port development, operation and management along the Yangtze River. Turnover and throughput at CIG Yangtze Ports, a CIG subsidiary listed on the Hong Kong Growth Enterprise Market Board and holding a port in Wuhan, continued to improve during the year. YVF holds approximately 72 million shares in CIG Yangtze Ports, which saw a substantial increase in its share price after placing 20% in new shares with Value Partners in June. YVF recorded a profit of HK$7.2 million on this shareholding for the year, despite the share price easing off in the second half.

GUSHAN ENVIRONMENTAL ENERGY

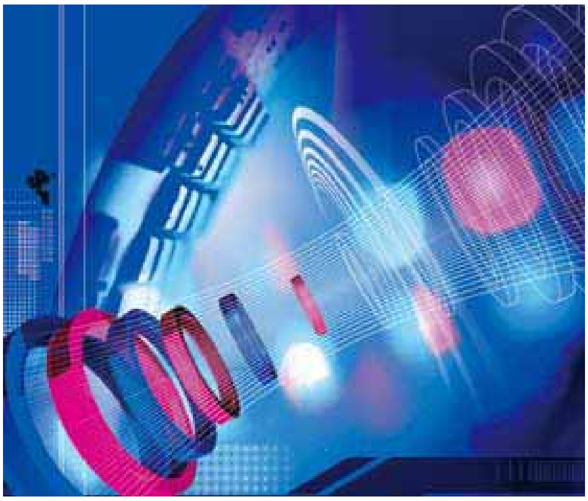
YVF's 6.24% interest in Gushan, which manufactures and sells biodiesel and related products, saw substantial appreciation in value following the successful listing of this company on the New York Stock Exchange in December by way of the issue and public offering of American Depositary Shares. The public offering price delivered a return of 12.8 times cost to the Fund. YVF disposed of approximately 14% of its shareholding in Gushan upon the IPO. At year end, YVF's remaining interest in Gushan was valued at HK$267 million.

WALCOM GROUP

Walcom Group, which manufactures animal feedstuff, saw strong profit margins owing to increasing demand for its products both within the Chinese Mainland and overseas. However, the considerable decrease in the share price of this AIM-listed company in 2007 gave rise to a loss of HK$39 million to the Fund for the year. YVF will continue to monitor the situation and execute an exit plan at an appropriate time.

WUHAN HUALI ENVIRONMENT PROTECTION TECHNOLOGY

Specialising in R&D and production of environmentally friendly packaging products, Huali continued to strengthen relationships with its customers. The company achieved key European environmental certification for its bio-degradable packaging products. Business prospects in 2008 look very promising and strong sales are expected. In November, YVF subscribed for a private placement of US$1 million convertible loan notes due 2010 which, together with the loan notes already held, will upon full conversion entitle YVF to a 28.99% equity interest in Huali on a fully diluted basis.



On Capital China Fund (On Capital)

Established in 2004, On Capital invests principally in wireless and telecom technologies. Performance remained on track for the year. Its Series A share tranche was fully invested, and there was an initial capital call of US$3.1 million on the new Series B share tranche. The proceeds of this capital call had been substantially invested by year end.

ARASOR

Listed in Australia, this provider of optoelectronics and wireless solutions enjoyed strong growth and market demand during the year. It entered into a joint venture in July for the development of wireless handsets for sale in emerging markets such as India, Southeast Asia and the Middle East. At 31 December 2007, On Capital held approximately four million shares in Arasor, valued at HK$42 million. The drop in Arasor's share price in 2007 produced a HK$12 million loss for the Fund for the year.

AIRWAY COMMUNICATIONS INTERNATIONAL

Airway uses post-3G wireless communications technology to provide broadband internet access services in the Chinese Mainland. A number of business agreements were signed with target customers during the year, including Wuhan Steel that confirmed selection of Airway's turnkey solution for its campus-wide private network. Towards year end, Airway finalised a Series B equity financing, raising approximately US$60 million, to support business growth.

GUSHAN ENVIRONMENTAL ENERGY

On Capital's 1.56% shareholding in this biodiesel manufacturer complements YVF's 6.24% interest. Upon Gushan's IPO in December, On Capital also sold approximately 14% of its shareholding along with YVF. It holds a remaining and diluted 1.1% interest in this listed company that was worth HK$67 million at year end.

HI SUN TECHNOLOGY (CHINA)

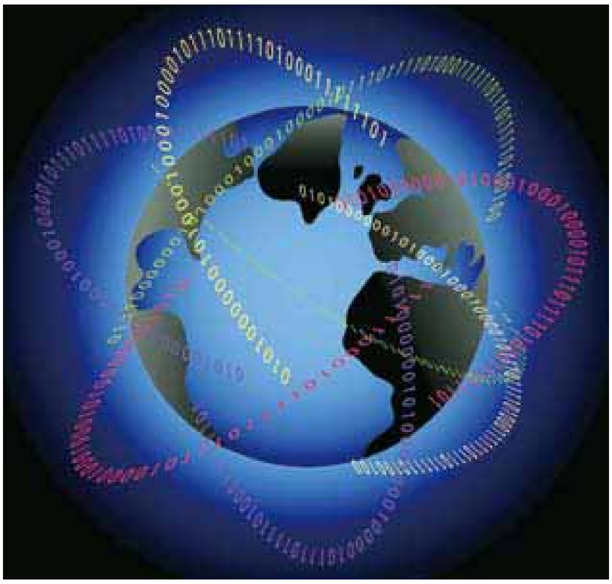
On Capital distributed its shares in Hi Sun, which is listed on the Main Board of the Hong Kong Stock Exchange, as dividends in kind to shareholders in April. SOCAM implemented an exit plan and sold all of the 27.7 million Hi Sun shares it received at a profit with an average price of approximately HK$2.59 per share, producing a profit of HK$16 million for the year.

IGO HOME SHOPPING

In February, On Capital invested US$2.91 million for a 20% stake in this TV home shopping business that has initial coverage in Hangzhou and plans to expand to Zhejiang and Jiangsu. This is On Capital's first foray into China's burgeoning retail business.

LT TECHNOLOGY HOLDINGS (LINKTECH)

On Capital made its debut investment using funds raised in the Series B share issue. In October, it invested US$3 million in LinkTech, a leading Chinese auto electronics company with key strengths in in-vehicle navigation and multimedia systems.



Financial Review

Financial Results

The Group's profit attributable to shareholders for the year ended 31 December 2007 was HK$702 million on a turnover of HK$2,811 million, compared with the HK$602 million profit and HK$1,680 million turnover for the 2006 financial period which, due to the change in financial year end, ran from 1 April to 31 December.

The Group's cement operations, distressed property development business and venture capital investments are undertaken through jointly controlled entities and an associate. The HK$2,811 million turnover for the year has not included the Group's share of the turnover of these jointly controlled entities and associate. Set out below is an analysis of the total turnover:

	Year ended 31 December 2007 ***HK$ million***	Nine months ended 31 December 2006 *HK$ million*
Turnover		
SOCAM and subsidiaries		
Construction and building maintenance	**2,733**	1,605
Others	**78**	75
Total	**2,811**	1,680
Jointly controlled entities and associate		
Cement operations	**2,055**	1,522
Distressed property development	**199**	–
Others	**16**	85
Total	**2,270**	1,607
Total	**5,081**	3,287

Total turnover increased to HK$5,081 million for the year, largely due to (a) increased public housing construction, building maintenance and casinos fit-out works; (b) increased sales volume of cement on expanded production capacities and rise in prices; and (c) sales and rental income from distressed property development projects of CCP.

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

	Year ended 31 December 2007 ***HK$ million***	Nine months ended 31 December 2006 *HK$ million*
Distressed property development		
Project fee income	**39**	6
Share of profit	**198**	2
Net gain on assets injection into CCP	**89**	–
Overheads of SAM	**(55)**	–
Total	**271**	8
Investment in SOL		
Gain on disposal of shares	**929**	–
Gain on IPO of SOL	**–**	740
Dividend income	**71**	15
Share of profit	**–**	49
Total	**1,000**	804
Cement operations		
LSOC	**86**	7
Guizhou Cement	**19**	24
Impairment losses	**(120)**	(84)
Total	**(15)**	(53)
Construction	**55**	37
Venture capital investments	**78**	75
Convertible bonds issued		
Imputed interest expense	**(78)**	(41)
Fair value loss on derivatives	**(327)**	(28)
Total	**(405)**	(69)
Net finance costs	**(190)**	(100)
Overheads and others	**(78)**	(72)
Taxation and minority interests	**(14)**	(28)
Total	**702**	602

DISTRESSED PROPERTY DEVELOPMENT

SAM was appointed the investment manager of CCP in June 2007, and this contributed to the increase in project fee income to HK$39 million for the year.

SOCAM recognised from the asset injection into CCP a total gain of HK$417 million, compared with its initial investment costs. Of this total gain, HK$52 million had been taken up in previous financial periods and HK$296 million were accounted for in this financial year. As the Group received CCP shares for the asset injection and still retains an interest in the injected assets through its shareholding in CCP, the remaining HK$69 million gain was regarded as unrealised and deferred at the year end until the future disposal of the injected assets.

SOL

In August 2007, the Group disposed of approximately 5.27% of the issued share capital of SOL for approximately HK$1.8 billion and recognised a gain on disposal, net of transaction costs, of HK$929 million, inclusive of the realisation of the HK$825 million gain previously recorded in the reserves.

The HK$740 million net gain on investment in SOL realised in the nine-month period in 2006 arose from the conversion of the junior preference shares in SOL held by the Group and the deemed disposal of the Group's shareholding in SOL upon the IPO of SOL in October 2006.

CEMENT OPERATIONS

The Group's 45% share of LSOC's operating profit increased considerably to HK$86 million in 2007, largely due to increased sales volumes and selling prices resulting from strong market conditions particularly in Sichuan and Chongqing.

The cement plants in Guizhou retained by SOCAM achieved sales volume and selling prices in 2007 slightly higher than those in 2006, but recorded a decrease in profit this year mainly due to increase in fuel, coal and purchased clinker costs.

At the year end, the Group made a HK$86 million provision for impairment loss with respect to its wet kilns in Guizhou and Nanjing. In addition, LSOC provided for impairment loss on its wet lines in Chongqing, of which the Group's share amounted to HK$34 million, as compared to HK$78 million in 2006.

CONSTRUCTION

Construction business recorded increased profit in line with turnover for the year, however net profit margin eased to 2.0% of turnover, from the 2.3% for the nine-month period in 2006, largely due to the write-off of HK$7 million tender cost for the Tamar Development during the year.

VENTURE CAPITAL INVESTMENTS

Profit contributions from venture capital investments amounted to HK$78 million for the year, largely due to the appreciation in value of the investments in Gushan and Airway upon an IPO and a new round of equity fund raising respectively. The other listed shares held by the funds, when marked to market prices at year end, produced no material net impact overall on the Group's results.

CONVERTIBLE BONDS

The results of the year have been adversely affected by the Group having to recognise HK$405 million charges in relation to the convertible bonds issued by the Company in July 2006. These charges comprise:

(a) an imputed interest expense of HK$78 million calculated at an effective interest rate of 12.5% p.a. on the straight debt component of the bonds, notwithstanding that the bonds carry zero coupon; and

(b) a HK$327 million deemed loss to the Company that largely resulted from the conversion option of the bonds that entitles the bondholders to convert the bonds into ordinary shares of the Company at a conversion price of HK$17.134 per share. When the Company's share price rises, the fair value of the conversion option will increase and, for accounting purposes, this will give rise to a deemed loss to the Company. The higher the Company's share price, the greater the deemed loss will be. With the considerable rise in the Company's share price during the year, the market prices of the Company's shares of HK$20.50 – HK$31.00 on the dates of conversion of HK$535 million converted bonds as well as the closing price of HK$28.50 at the year end adopted in the assessment of the fair value of the HK$395 million outstanding bonds were much higher than the conversion price of HK$17.134 per share, this resulted in the substantial deemed loss.

These are purely accounting charges required by the Hong Kong Accounting Standards and involve no cash outflow to the Group.

NET FINANCE COSTS

Net finance costs increased to approximately HK$190 million for the year, from approximately HK$100 million for the previous nine-month period, due to the full year impact and an increase in the level of bank borrowings during most of the year to finance the Group's substantial investment activities.

ACCOUNTING EFFECTS DUE TO SHARE PRICE MOVEMENTS

The Group had a HK$327 million accounting charge arising from the conversion of the convertible bonds issued by the Company during the year and the valuation of the outstanding convertible bonds at the year end. This non-cash charge was the result of an accounting treatment for the increase in the theoretical fair value of the embedded derivatives in the convertible bonds due to the rise in the Company's share price during the year. In the first quarter of 2008, global stock markets experienced high volatility and saw considerable decrease in share prices generally. The decline in the share price of the Company during this period resulted in a substantial fair value gain on the outstanding convertible bonds of the Company. In simple terms, the higher the share price of the Company, the greater is the amount of the accounting charge on the convertible bonds recognised in the income statement and vice versa, despite that no cash inflow or outflow is involved. With such anomalies that arise from the accounting treatment and given that the value of certain assets and liabilities of the Group are susceptible to share price fluctuations, it is recommended that more care be exercised when reading the financial statements of the Group.

Liquidity and Financing

The Group's financial position has strengthened during the year. The shareholders' equity of the Company on 31 December 2007 increased to HK$7,242 million or HK$22.6 per share from HK$5,164 million or HK$18.2 per share on 31 December 2006. This was largely driven by the profit of HK$702 million attributable to the Company's shareholders for the year and the HK$1,216 million appreciation in value of the Group's 12.57% shareholding in SOL due to an upsurge of SOL's share price during the year.

The Group's borrowings, including bank borrowings and outstanding convertible bonds but net of bank balances, deposits and cash, amounted to HK$3,912 million on 31 December 2007, compared with HK$3,515 million at the previous period end. The maturity profile of the Group's net borrowings is set out below:

	31 December 2007 ***HK$ million***	31 December 2006 *HK$ million*
Bank borrowings repayable:		
Within one year	**2,801**	2,395
After one year but within two years	**1,009**	507
After two years but within five years	**250**	60
Total bank borrowings	**4,060**	2,962
Convertible bonds due 2009	**392**	818
Total borrowings	**4,452**	3,780
Bank balances, deposits and cash	**(540)**	(265)
Net borrowings	**3,912**	3,515

During the year, the Group drew on its banking facilities to fund approximately HK$2.5 billion investments in the distressed property development business, property development projects and cement operations. In August, the Group disposed of about 5.27% of the issued share capital of SOL for approximately HK$1.8 billion in cash to repay borrowings, thereby reducing its gearing level and freeing up considerable gearing capacity for future expansion of its core businesses.

In addition, the progressive conversion of the convertible bonds issued by the Company has lowered the Group's gearing and strengthened its equity base further. During the year, convertible bonds of principal amount of HK$535 million, out of a total of HK$930 million, were converted into about 31.2 million ordinary shares of the Company. At the end of December, convertible bonds of principal amount of HK$395 million remained outstanding.

The Group's gearing ratio, calculated on the basis of net borrowings over shareholders' equity, decreased from 68% on 31 December 2006 to 54% on 31 December 2007.

It is the strategic intention of the Group to strengthen its balance sheet by better matching its long-term assets with long-term capital funding. In order to improve shareholder value, the Group will continue to re-balance its asset allocation, seek longer term funding to re-finance short-term borrowings, further enhancing its liquidity position and to invest part of the funds realised in opportunities actively managed by the Group to produce higher returns than would arise from passively holding the investment. In March 2008, the Group entered into an agreement with Shui On Investment to dispose of 3.11% of the issued share capital of SOL for approximately HK$1.0 billion in cash, subject to independent shareholders' approval, to strengthen the Group's financial position for expanding its core businesses.

Treasury Policies

The Group's financing and treasury activities are centrally managed and controlled at the corporate level.

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 financed by borrowings in Hong Kong dollars. 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 very 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

On 31 December 2007, the number of employees in the Group was approximately 920 (31 December 2006: 820) in Hong Kong and Macau, and 14,000 (31 December 2006: 13,600) 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.

Frankie Y. L. Wong
Chief Executive Officer

Hong Kong, April 2008


Special Section

Our joint venture, Lafarge Shui On Cement, is now the cement leader in Southwest China.

SOCAM Today

SOCAM has expanded far beyond its origins as a construction and construction materials company. It has successfully extended its focus beyond Hong Kong too. Today, it is rapidly developing exciting businesses in the property and cement sectors in the Chinese Mainland, and is poised to benefit from the significant opportunities for growth that will arise from China's rapid transformation into a major global economic power. We believe our achievements in recent years have set the stage for long-term prosperity and growth.

We are confident that SOCAM's property business will continue to benefit from the growing property market in China.

China Central Properties will record a substantial gain from the disposal of Beijing Huapu Centre Phase I, a grade A commercial complex.

We are confident our focus on China will provide attractive returns and tremendous prospects for growth. The country achieved GDP growth of 11.9% in 2007, the fifth consecutive year that annual GDP growth reached 10% or above. This is a market we know well, with the Shui On Group having been active in China since 1985.

By focusing on property and cement, we are operating in a context of real growth. Completed investment in China's fixed assets in 2007, for example, was RMB13,724 billion, up 24.8% over the previous year. Urban development accounted for the lion's share of this, at RMB11,741 billion, and itself up 25.8% over 2006. In turn, investment in urban real estate fixed assets was RMB2,854 billion, up 32.2% in 2007 as compared to 2006.

Macro factors will also work to the advantage of our strategic push into property and cement. The Central Government's austerity measures in property will ensure stable long-term development. They will also ease housing prices and so increase long-term demand, with direct ramifications for cement suppliers. Government efforts to rebalance the development of eastern and western parts of China are stimulating construction of large-scale infrastructure and fixed asset investment in western areas. The effect of this can already be seen, with investment in the west growing by 28.2% in 2007 over 2006.

Amidst SOCAM's strategic expansion in the Chinese Mainland, our long established construction business maintains its own leading and profitable presence in Hong Kong and Macau, and provides a strong base for training and operational support for the growing property business in the Mainland.

Beijing Shengyuan Centre is ideally located for international corporations and multinationals.

Property

Our property interests are threefold, comprising distressed assets and greenfield developments in the Chinese Mainland, complemented by a significant interest in the publicly listed Shui On Land (SOL).

We are no strangers to property. For many years our work in building construction has stood out from other competitors. Our construction expertise, successful track record in design-and-build, and our complementary fitting out capability, have allowed SOCAM to meet the challenges of property development projects such as Bauhinia Garden in Tseung Kwan O under the Hong Kong SAR Government's private sector participation scheme. We also undertook the development of an early phase of Rui Hong Xin Cheng, a multi-phase residential project in Shanghai, before it was injected into SOL in 2005 for a sizable equity stake.

Chengdu Central Point is a mixed-use project that will provide a total GFA of approximately 120,000 square metres.

With this valuable heritage, and with the business network of the Shui On Group established in the Chinese Mainland since 1985, we turned our attention to the Mainland by leveraging both the Shui On brand and our long experience in property and construction. Our focus is on distressed asset development, an area where we know we can add value through our experience in construction and project management, as well as other core competencies including deal structuring and finance. Our initial portfolio started to take shape in September 2005 when we acquired with JP Morgan and other partners 100% of Xiwang Building, a partially-completed Grade A office plaza in Dalian.

We were able to achieve the major milestone in June 2007 – less than two years after our move into this field – of listing our investment vehicle China Central Properties (CCP) on the London Stock Exchange's AIM Board, with our 100% subsidiary SOCAM Asset Management (SAM) acting as investment manager of CCP.

While CCP's listing gave this business international visibility and access to funds, another exciting development of our operations in 2007 – detailed fully in the Management Discussion and Analysis section in this annual report – is SOCAM's

(above): Several highly seasoned executives have rejoined Shui On to spearhead the growth of the property business all over the Chinese Mainland.

(below): Dalian Xiwang Building is our first distressed property development project.

successful extension into greenfield development in joint venture with SOL and a local major developer Yida Group. The massive Dalian Tiandi • Software Hub project and the addition in early 2008 of development sites in Shenyang as well as Chengdu opened the doors to major new opportunities. By working in partnership with CCP in the Shenyang and Chengdu greenfield projects, we are helping our property business expand its horizons and achieve sustainable growth. More importantly, this marks our transformation into a fully-fledged property developer in the Chinese Mainland.

Property assets of all types will be a major ingredient within China's continuing and rapid modernisation. From a strategic point of view, we believe our commitment to this sector in the Mainland is the right decision. We believe also that the role of SAM as investment manager of CCP will provide the expertise required to build long-term growth in property. SAM is run by an investment and project management team with impressive experience in the China property market. This will ensure SAM drives SOCAM's property interests in the Mainland with the right blend of entrepreneurial flair and vision, while ensuring business development is guided by prudent judgment.

A key strength of SAM is that most of its key executives are highly seasoned who have worked in Shui On before, some as long ago as the 1970s, and subscribe to Shui On's culture of integrity and excellence. They have returned to Shui On to participate in the challenges and opportunities of building a fully-fledged property development company. They all had held senior management positions in property and related businesses before rejoining and this continues a long tradition in which highly competent management has driven our operations.

(left): With its financial and deal structuring expertise, SAM successfully doubled CCP's distressed property portfolio in 6 months.

(right): Beijing Fengqiao Villas is a luxury residential development.

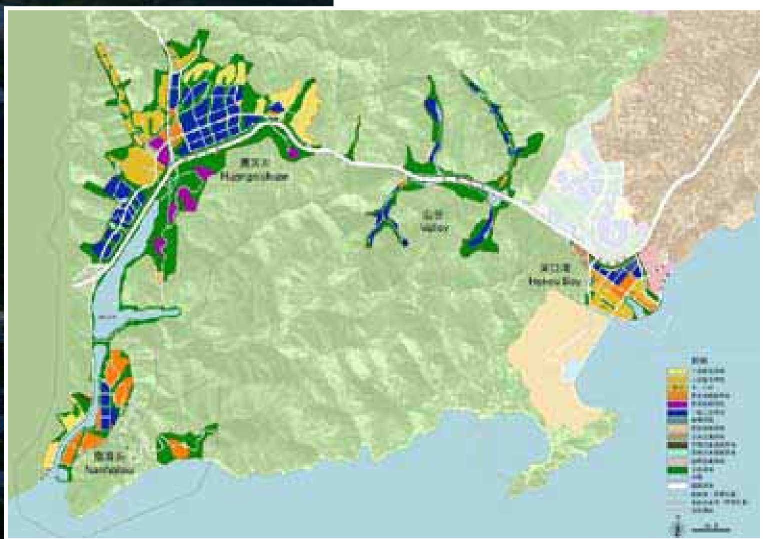
By March 2008, we were engaged in eleven distressed asset development projects in seven major and secondary cities. The portfolio consists of residential, office, retail and hotels as well as serviced apartments. The business will focus on medium-scale city-centre sites which involve a shorter development time span, compared to multi-phase mega projects undertaken by SOL. The business will operate around on four key regions, including the Bohai area where CCP has its initial portfolio in Beijing, Dalian and Qingdao, as well as in the south on the back of existing city coverage in Guangzhou. CCP will benefit from the 'Go-West' policy with investments in Chengdu and Chongqing. Its investment in Shenyang also underlines a focus on the industrial northeast with its many revitalisation programmes.

We enjoy a unique competitive edge as a property developer, comprising an experienced management team with strong corporate governance, a renowned brand name in China, and a robust pipeline of projects together with the ability to source further deals. These are complemented by our proven execution capabilities, access to international capital markets, and partnerships with international funds.

As our distressed asset development business develops, Huapu Centre in Beijing validates our business model. One of the key attractions is that by acquiring a partially-completed building, the time between investment and return is shortened. The risk window is also shorter, and more visible. In this case, the building was acquired in June 2006 at a discount to market price. We completed the acquisition, turnaround and profitably exit within just 20 months. Substantial upgrading and modification lasting 18 months allowed us to secure an en bloc sale to a foreign corporation in February 2008. The project achieved a very substantial return on shareholders' funds in 20 months' time.

In contrast to distressed property development, greenfield development provides much greater flexibility regarding the choice of sites as well as overall development planning and design, such that the completed property can be retained for long term investment and greater value appreciation. Our strategy for greenfield projects is to focus on 2-3 suitable cities where we are already operating.

The two business models provide complementary investment return profiles and enjoy operational synergies, greatly expanding our horizons for growth. Once CCP achieves sufficient scale in its operations, the prospects for the future will be compelling.



(above): With the mission to transform Dalian into a major IT and outsourcing centre in Northeast Asia, Dalian Tiandi • Software Hub sets out to attract enterprises and IT professionals to the city.

(left): An artist's impression of the planned commercial area in Dalian Tiandi • Software Hub.

Cement

We believe our strong focus on Lafarge Shui On Cement (LSOC), a joint venture established in 2005 which unifies our knowledge and expertise of operating in China with the world-class capabilities of Lafarge, makes good strategic sense in terms of allowing us to capitalise on the tremendous opportunity for growth in the cement sector in China.

Lafarge, the world's largest cement producer, is renowned for its strength in technology, systems and production, as well as its clear commitment to sustainability. But LSOC will also draw much of its power from SOCAM's deep experience and expertise in the Mainland. The LSOC Board, with equal representation of Lafarge and SOCAM executives and chaired by SOCAM's Chairman Mr. Vincent H. S. Lo, will play an invaluable role in setting the joint venture's growth strategy in the Chinese Mainland.

Demand for cement in China is unprecedented, driven by massive infrastructure construction, real estate development and investment into rural areas. Accounting for 45% of the global cement market, but just 25% in value terms, China's cement sector saw a 13% compound annual growth rate each year between 2000 and 2006.

LSOC is focusing on China's Southwest region, a part of China that will benefit from major state investments under the 'Go-West' policy that is stimulating infrastructure and urbanisation. Indeed, the joint venture is already the cement leader in the Southwest and the seventh largest player nationwide. Banking on Lafarge's state-of-the-art technology for building and managing cement production lines that are energy-efficient, manpower-efficient and quality assured, the joint venture is well poised to compete in China's low-priced market that requires sustained low production costs. It is targeting an increase in production capacity in China from its current level of 24 million tonnes per annum (tpa) to 50 million tpa by 2012.

Dujiangyan, Sichuan

The growth of our cement business will bring benefits in terms of increasing economy of scale and profitability.

LSOC adopts advanced and innovative production technology to enhance efficiency and reduce energy consumption and pollution.

The macro picture is encouraging both for China's cement industry and LSOC's prospects. A key focus of China's 11th Five-Year Plan is to build a resource-conserving national economic system. Under the National Development and Reform Commission's (NDRC) Plan, China's cement industry is undergoing structural changes, with old vertical kiln capacity associated with high energy consumption and environmental pollution being phased out and replaced with new dry rotary kiln capacity. In fact, according to the NDRC, some 250 million tonnes of old capacity is required to be eliminated by the end of 2010. In tandem with this, some 350 million tonnes of new dry rotary kiln capacity will come into play. This represents up to 30% of China's total cement output in 2006. The Central Government also intends to reduce the number of cement producers from 5,000 to 3,500 with the production capacity of the top 10 industry players reaching 30 million tonnes by 2010.

This development will see future cement demand met mainly by major producers who have the edge of high production technology, advanced management expertise, financial strength and government support, providing market leaders like LSOC with excellent opportunities to expand their market shares and capacities. Industry analysts expect future profitability to improve significantly.

Within the overall nationwide consolidation process, LSOC will look to achieve its growth and market share objectives by leveraging cooperation with provincial governments to boost dry-kiln capacity and market dominance in the Southwest. SOCAM believes provincial governments are keen on the advanced production technology that LSOC can offer, since sustainability is a driving force behind China's modernisation programme in the cement industry.

LSOC benefits from Lafarge's strong technological resources, which in turn play a major role in its reputation as a sustainable

LSOC aims to boost new dry-kiln capacity and its market dominance.

cement producer. Lafarge is a pioneer in creating new sustainable construction materials. A team of around 500 scientific experts at its research centre in Lyon of France improves production processes and environmental performance, while decentralised technical centres worldwide, including one in Beijing, adapt product innovations, such as its dust-free Sensium® cement, to local needs. LSOC is actively embracing sustainable construction technology, and adhering to Lafarge's global policy on sustainability – "Sustainability Ambitions 2012". LSOC also benefits from the fact that Lafarge is the only company in the construction materials sector which has been listed in the 100 Global Most Sustainable Corporations in the World since 2006.

LSOC implements a broad sustainability agenda, aiming to conduct an environmental audit at least every four years on each of its sites, and seeking to meet Lafarge's target to cut CO^2 emissions per tonne of cement by 2010. It also cooperates closely with international organisations, such as the World Wildlife Fund, and local environmental authorities in a bid to reduce the use of non-renewable energy and use natural resources more efficiently. LSOC's initiatives in environmental protection are particularly evident at its cement plant at Dujiangyan, where it has created

an environmentally-friendly facility, and helped rehabilitate quarries.

LSOC seeks to uphold similar high standards in health and safety, with a focus on zero fatalities. It is also committed to high standards of staff development, providing training opportunities both inside and outside the Chinese Mainland. LSOC is among the top cement enterprises supported by the Central Government in recognition of its advanced technology, large scale operations, good operating performance and commitment to corporate social responsibility.

So as LSOC looks to reap maximum benefit from the favourable market conditions and industry environment in which it operates, it has also ensured that advanced systems and internal practices associated with a world-class enterprise are in place to support growth in future years.

(left): As a leading cement producer in Southwest China, LSOC's total production capacity reached 24 million tonnes per annum at end of 2007.

(below): Sustainability and safety are held to be of paramount importance at LSOC.

Construction

Construction is the business that accounts for the Shui On Group's origin more than 35 years. It has proven to be a strong and resilient operation, and continue to maintain a leading position in the industry and remains profitable despite the many changes in the business environment in Hong Kong over the years.

Hong Kong Customs and Excise Headquarters Building (artist's impression)

Our building construction business, operating through Shui On Construction and Shui On Building Contractors, was the first contractor in Hong Kong to obtain the ISO 9002 accreditation for building works in 1992. It was accredited with ISO 14001 for environmental management in 1999 and OHSAS 18001 for health and safety management in 2000. In both cases, the business was ahead of its peers in terms of keeping abreast of international standards. Over the years it has won many prestigious awards from the Hong Kong Housing Authority, the Environment, Transport and Works Bureau, as well as the Occupational Safety and Health Council and other institutions in recognition of its outstanding achievements in construction quality, project progress, and health, safety and environmental management.

Our construction business provides a strong base for training for the growing property business in the Mainland.

Pat Davie is well positioned to compete strongly in the growing gaming and hospitality sector in Macau.

The business focuses on construction of public housing and institutional buildings, and after establishing a strong track record in new works including design-and-build contracts, it has successfully expanded into maintenance projects in recent years. It has also leveraged Shanghai Shui On Construction, which was set up over 20 years ago as a 50/50 joint venture with a Shanghai municipal construction company, and is now a 70% subsidiary, to provide contracting support to the Shui On Group's property projects in the Mainland.

The other arm of the Construction Division is Pat Davie which specialises in interior fitting-out and building refurbishment for prestigious commercial, hotel and office premises. With the expansion of the financial sector in Hong Kong and the tremendous growth of the gaming and hospitality industries in Macau, Pat Davie has become a fitting-out contractor of choice of major clients and premises owners. It also undertake projects in major cities in the Chinese Mainland and provides project management support for our distressed property projects.

Thanks to its strength and high level of competence in construction and fitting-out and due to its role as the "foundation" where Shui On's management heritage and systems are preserved, the Construction Division has also become a cornerstone on which the Group's property development operations will build future prosperity.

"We have a clear blueprint for the future which we believe will allow us to capitalise on new opportunities that surely lie ahead."

Corporate Social Responsibility

SOCAM believes that a corporation's long term success is built on a strong sense of responsibility for its stakeholders and the larger community of which it is an integral part. Aside from paying close regard to serving our customers and securing attractive returns to our shareholders, we consider it our basic duty to reciprocate to the community, to have respect for the environment and to provide for the health, safety and development of our employees.

SOCAM was again named "Caring Company" for 2007/08 by the Hong Kong Council of Social Service in recognition of our care for the community, the environment and our staff. We are determined to continue to make positive contributions towards building a better future for all.

Caring for the Community

During the year, the Group engaged in a wide range of initiatives to help the less privileged in society and promote education in Hong Kong and the Chinese Mainland. Often with the support of our staff, these programmes were conducted in close collaboration with non-profit organisations in Hong Kong and business partners in the Chinese Mainland.

One focus of the Shui On Seagull Club is serving underprivileged children.

The Group made a number of corporate donations, placing a high priority on education which we believe is instrumental in building the economic base of the community and nurturing our leaders for tomorrow. We once again supported the Hong Kong Construction Association's funding for students pursuing further studies. The Group also continued a scholarship that for each of the past six years has benefited an outstanding student in Environmental Studies at the Open University of Hong Kong, and donated funds to Room to Read, a charity that aims to establish a stronger educational infrastructure.

We promote a caring society through encouraging community involvement of our staff.

Our staff participated in a district wall painting campaign to promote community harmony.

In the Chinese Mainland, our joint venture with Shui On Land and Yida Group created the Dalian Tiandi • Software Hub IT Talents Fund, a scholarship fund for outstanding young university students in Dalian. The joint venture also set up the Huangnichuan Village New Village Development Fund to help the village to improve its education, healthcare, environmental and community facilities.

In addition to our involvement at the corporate level, we take pride in encouraging our staff to be responsible citizens and contribute to society. Our senior executives serve in industry associations and public bodies. Our staff participated in charitable activities, such as the MTR Hong Kong Race Walking event, which raised funds in 2007 for the Hospital Authority Charitable Foundation. Our project staff working in Yau Tong provided free electrical and mechanical maintenance services to the elderly and organised a wall painting campaign in an initiative to involve school students and local residents in the district.

The Shui On Seagull Club, our community service club run by employees, plays an active role in providing voluntary activities targeting the handicapped, the elderly and underprivileged children. Its annual Charity Walk in 2007 raised over HK$135,000 to buy fitness equipment for the Hong Kong PHAB Association. It also partnered with TREATS and took part in the pioneering "Circus for All" project to form Hong Kong's first circus team comprising volunteers and children with disabilities, and organised a dinner for 130 elderly citizens in partnership with Hong Kong Family Welfare Society.

商界展關懷
caringcompany 2006-08
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

We treasure our living environment and are committed to promoting sound environmental practices.

Caring for the Environment

As a company engaged in businesses that can potentially create significant pollution and waste, we have made it our priority to continue to reduce the environmental impact arising from our operations.

We actively pursue environmental sustainability in our operations.

We view environmental management as an essential part of our daily operational discipline. Our construction arm Shui On Building Contractors (SOBC) and Shui On Construction obtained ISO 14001 certifications for environmental management in 1999 from the Hong Kong Quality Assurance Agency. From 2004 onwards, all SOBC construction projects have been awarded the Gold Wastewi$e Logo in recognition of our waste reduction efforts.

Our construction operation has continued to introduce environmental protection measures. We innovated waste water treatment and recycling facilities to reuse and reduce discharge of waste water. Noise barriers are used and site activities are rescheduled to minimise noise pollution. We operate a variety of mechanisms and systems to control dust and smoke emissions from construction works, and have embarked on green procurement strategies to select durable and environmentally friendly materials.

We adopt the principle of "Reduce, Reuse and Recycle" in our waste management. We control waste generation at source to minimise landfill requirements. We sort construction and demolition materials on site in order to collect recyclable materials and reduce the volume of waste. We are conscious of our paper usage, distributing electronic copies whenever practicable, and reduce and recycle the resources we have consumed, such as batteries and IT equipment. We encourage the use of electronic Christmas and Lunar New Year cards instead of posting paper holiday cards. This annual report is also printed on recycled paper.

We believe education has a key role to play in protecting our environment and underline our philosophy with practical initiatives. During the year we organised a series of customised Environmental Management courses with the Construction Industry Training Authority for about 100 staff at different levels of management to refresh and enhance their knowledge for greater management effectiveness. On a different note we invited primary and secondary school students in Yau Tong to take part in our green cladding scheme as part of our support for the HKSAR government's Action Blue Sky Campaign.

In the Chinese Mainland, the Lafarge Shui On Cement (LSOC) joint venture follows the world-class example set by Lafarge, our joint venture partner, in upholding high environmental standards. It cooperates closely with international and local organisations to reduce the use of non-renewable energy and achieve more effective use of natural resources. LSOC has also set high standards in cement production to restrict the emissions of dust, greenhouse gas and waste water. The LSOC cement plant at Dujiangyan in Sichuan is rehabilitating former quarry sites.

During the year, we received extensive recognition of our environmental commitment, including:

- Silver Award, Bronze Awards, Merit Award, and Outstanding Waste Management Performance Grand Award in the Considerate Contractors Site Award Scheme held by the Environment, Transport and Works Bureau
- Environmental Performance Certificate of Merit in 2007 Hong Kong Awards for Industries held by the Business Environment Council

Reducing the environmental impact of construction works is our priority.

Waste materials like glass bottles, oyster shells, red bricks and pebbles were used in this award-winning project at Lei Yue Mun Road Recycle Park.

Caring for our People

Aside from being a fair and equitable employer, we place particular emphasis on safeguarding the physical well-being of our employees and workers and providing an environment for our people to excel and develop.


We place high emphasis on providing safe working facilities and equipment.

HEALTH AND SAFETY

Ensuring the health and safety of our employees and workers is of top priority in our Group. We were accredited with the Occupational Health and Safety Assessment Series (OHSAS) 18001 certification and innovated in safety management systems and practices. We set improvement targets at our annual HSE Target Seminar where we learn from the authorities and experts, and work in close collaboration with our subcontractors and mobilise their involvement in the annual Subcontractors' Safety Workshop.

While our earlier initiatives were in providing safe working facilities and equipment and implementing a health and safety management system, we have in recent years pioneered in conducting research on workers' safety behaviour in order to devise effective measures for building a safety culture at work. Aside from health and safety promotion campaigns on site, a new initiative in 2007 was that exemplary workers were given recognition and were treated with a Family Fun Day together with their families, while the new Red and Yellow Card System was set up to penalise and expel workers for poor safety practices.

During the year, we were honoured with recognition from health and safety events, the major awards being:

- The Gold Award for the Best Refurbishment & Maintenance Contractor in OSH, Silver Award for the Best Project Manager/Site Agent, Silver Award for the Best Safe Working Cycle Site, Bronze Award for the Best Hazard Identification Activity Team and other awards in Safe Working Cycle Forum 2007 by the Occupational Safety and Health Council
- The Best Building Site Safety Record Award in the Quality Public Housing Construction & Maintenance Awards 2007 from the Hong Kong Housing Authority
- Silver Award for Building Sites (Public Sector) (2007/08) and Silver Award for Renovation and Maintenance Works – Subcontractor (2006/07) in the Construction Industry Safety Award Scheme by the Labour Department
- Proactive Safety Contractor Award and Safety Merit Award from Hong Kong Construction Association

Our cement joint venture partner, Lafarge Group, has the same deep commitment to health and safety. Under their management, LSOC's Shunfa plant has been accident-free since 2004, while the Chinefarge plant achieved the objective of zero accident during 2003-2006. On the strength of its management leadership and the proper safety and reporting procedures in place, its safety policy launched in 2006 has been well implemented to create an accident-free environment.

PEOPLE DEVELOPMENT

We believe that human resources are the most important asset of the Group as well as of the society, and we are committed to providing an environment in which our people can excel and grow and be contributing members of the community.

The Group encourages life-long learning. We provide sponsorships for job-related external courses and seminars and organise inhouse programmes for our staff to gain knowledge and skills to enhance job performance as well as prepare for future development. Selected managers have been sent to executive diploma courses and overseas executive education programmes. To facilitate self-development, we have formulated the Shui On Competency Model to provide a framework for staff at every level to develop leadership qualities valued by the Group.

During the year, to enhance our people's knowledge and skills for excellence at work, we organised inhouse training in construction process and techniques catering for construction works personnel, partnering for the maintenance teams and risk management for senior managers, besides the basic programmes. Management conferences, workshops and retreats also provided intellectual stimulation and team-building opportunity for participating staff.

We have long established structured career development programmes to help young graduates obtain professional/ trade qualifications and management knowhow and develop their career with the Group. We take care to provide not just technical/ professional and management training but character training as well for these young people so that they grow to be ethical and proactive individuals.

For our management and professional staff, we continue to conduct "management development reviews" to identify their individual development needs and potential career moves, so that the Group can plan for succession while the staff can have the maximum opportunity for development.

The CEO with some of our 2007 intake of management trainees.

All-round development for all levels

Structured programmes	On-the-job training
• Management Trainee • Graduate Engineer • Health, Safety and Environment Trainee • Apprentice	**Professional/technical skills** • External courses, conferences, workshops and seminars • Internal conferences, focused training and seminars
	Basic programmes • Orientation • Performance management • Personal quality • Business ethics

The development of our people is a long term undertaking that is key to our success and ensures continued growth of SOCAM.

Corporate Governance Report

The Board of Directors of the Company (the "Board") is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2007.

Commitment to Corporate Governance

The Company is committed to maintaining a high standard of corporate governance through its continuous effort in improving its corporate governance practices and processes. The Board recognises that good corporate governance practices are essential for sustainable development and growth of the Group, enhancement of corporate performance and accountability as well as shareholders' value.

The Company has applied the Principles, and complied with all the Code Provisions, of the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year ended 31 December 2007 except for certain deviations as specified with considered reasons below.

The Board

The overall management of the Company's business is vested in the Board, which assumes the responsibility of leadership and control of the Company, and the Directors are collectively responsible for promoting the success of the Company by directing and supervising its affairs and overseeing the achievement of the plans to enhance shareholders' value. All Directors are expected to make decisions objectively in the interests of the Company.

The Board reserves for its decision all major aspects of the Company's affairs, including the approval and monitoring of key policy matters, overall strategies, business plans (inclusive of annual budgets), internal control and risk management systems, material transactions (in particular those which may involve conflicts of interest), major capital expenditure, appointment of Directors and other significant financial and operational matters.

All operational decisions are delegated to the Executive Directors led by the Chief Executive Officer. The day-to-day management, administration and operation of the Company are delegated to the management. The delegated functions and work tasks are periodically reviewed. The Board will give clear directions to the management as to their authority and the circumstances where management should report back. Approval has to be obtained from the Board prior to any decision being made or any commitments being entered into on behalf of the Company that are outside the limits of the operational authority delegated by the Board.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. When needed and upon making request to the Board, the Non-executive Director and Independent Non-executive Directors may take independent professional advice at the Company's expense in carrying out their functions.

The management has an obligation to supply to the Board and its committees adequate, complete and reliable information in a timely manner to enable them to make informed decisions. The Board and each Director have separate and independent access to the management. The Company has arranged for appropriate insurance coverage for the Directors.

"We recognise that to achieve the highest standards of corporate governance, the Company has to continue improving its practices and processes. On an ongoing basis, we, as independent non-executive directors, have a role through appropriate committees in making sure that they are on the right track, and compliance issues are taken care of."

Mr. Anthony Griffiths *Independent Non-executive Director*

"At SOCAM, good corporate governance is not just a matter of compliance and fairness. It is also a tool to improve decision-making and operational effectiveness."

Professor Michael Enright *Non-executive Director*

COMPOSITION

The Board currently comprises nine members – the Chairman and four Executive Directors, one Non-executive Director and three Independent Non-executive Directors:

Executive Directors:	
Mr. Lo Hong Sui, Vincent	Chairman of the Board and member of the Executive and Remuneration Committees
Mr. Choi Yuk Keung, Lawrence	Vice-Chairman of the Board and chairman of the Executive Committee
Mr. Wong Yuet Leung, Frankie	Chief Executive Officer and member of the Executive Committee
Ms. Lau Jeny	Chief Financial Officer and member of the Executive Committee
Mrs. Lowe Hoh Wai Wan, Vivien	Member of the Executive Committee
Non-executive Director:	
Professor Michael Enright	Member of the Audit and Remuneration Committees
Independent Non-executive Directors:	
Mr. Anthony Griffiths	Chairman of the Audit and Remuneration Committees
Mr. Cheng Mo Chi, Moses	Member of the Audit and Remuneration Committees
Mr. Gerrit de Nys	Member of the Audit and Remuneration Committees

Biographical details of the Directors are shown on pages 80 to 82. None of the members of the Board is related to one another.

During the year, Professor K.C. Chan resigned as an Independent Non-executive Director of the Company due to his appointment as the Secretary for Financial Services & the Treasury of the Government of the Hong Kong Special Administrative Region with effect from 1 July 2007. Pursuant to Rule 3.11 of the Listing Rules, Mr. Gerrit de Nys has been appointed as an Independent Non-executive Director of the Company to fill the casual vacancy with effect from 18 August 2007. Save as aforesaid, the Company has throughout the year met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each Independent Non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Independent Non-executive Directors are considered by the Board to be independent of management and free of any relationship that could materially interfere with the exercise of their independent judgment.

The Non-executive Directors advise the Company on strategic matters. The Board considers that each Non-executive Director brings his own senior level of experience and expertise to the working of the Board. The Board seeks the development of effective working relationships between the Executive and Non-executive Directors to improve the quality of decision-making by the Board without constraining the independent views of the Non-executive Directors. To this end, regular informal meetings between the Executive Directors and Non-executive Directors, initiated in 2006, continued during the year. Work is in progress to develop more formal expectations by the Executive and Non-executive Directors of the roles of each other to enhance mutual understanding and more effective working relationships.

The Board has decided it should formally review the development needs and skill composition of the Board. Accordingly, an independent consultant has been appointed to assist in the initial stages of this work which takes place in 2008.

Succession planning is an important aspect in ensuring the ongoing effectiveness of the Board. Increased attention has been given to this matter by the Board during the year. It is expected that a formal review of proposals on the succession of Executive Directors will be conducted by the Board in 2008 and of Non-executive Directors in 2009.

DISTINCT ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The distinct roles of the Chairman and the Chief Executive Officer are acknowledged. To ensure a balance of power and authority, the positions of the Chairman and the Chief Executive Officer are held by Mr. Lo Hong Sui, Vincent and Mr. Wong Yuet Leung, Frankie respectively. Their respective responsibilities are clearly defined.

The Chairman is responsible for leading the Board in setting the overall strategy and making major development decisions of the Group and monitoring their implementation, to ensure value creation for shareholders. He takes part in cultivating and maintaining good relationships with strategic associates of the Group and creating a favourable environment for the development of the Group's businesses. As leader of the Board, the Chairman also assesses the development needs of the Board as a whole with a view to building its effectiveness as a team and developing the knowledge and expertise of individual Board members.

The Chief Executive Officer is responsible for leading the operations of the Group's businesses to achieve their business and financial targets, proposing strategies to the Board and ensuring the effective implementation of the strategies and policies adopted by the Board, including the building of a strong corporate culture within the Group.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The procedures and process of appointment, re-election and removal of Directors are laid down in the Bye-laws of the Company. The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession of Directors and assessing the independence of Independent Non-executive Directors.

The Board reviews from time to time its own structure, size and composition to ensure that it has a balance of appropriate expertise, skills and experience for the needs of the businesses of the Company. Where vacancies on the Board exist, the Chairman will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. External recruitment agencies may be engaged to help carry out the recruitment and selection process when necessary.

Code Provision A.4.1 of the CG Code stipulates that Non-executive Directors should be appointed for a specific term, subject to re-election. The Non-executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at annual general meetings in accordance with the Bye-laws of the Company. Under Code Provision A.4.2, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

"The Board continues to improve its corporate governance standards so as to fulfill best practices. However, on the whole, I think the Company can improve in two areas: first, to put better succession planning in place; and second, it could review its system of internal controls more systematically."

Mr. Moses Cheng *Independent Non-executive Director*

Directors of the Company do not retire strictly under Code Provision A.4.2, but in accordance with the Bye-laws which stipulates that one-third of the Directors of the Company, except the Chairman and the Chief Executive Officer, shall retire from office by rotation at each annual general meeting.

The Board considers that all Directors (save for the Chairman and the Chief Executive Officer) are subject to retirement and re-election on a periodic basis under the Bye-laws. The Board also considers that the continuity of leadership is important for the stability and growth of the Company and therefore both the Chairman and the Chief Executive Officer should not be subject to retirement or hold office for a limited term. Notwithstanding this view, the Board has further reviewed such Code Provisions and considered making appropriate arrangements to comply fully with such Code Provisions in order to further enhance its corporate governance standards to a level comparable with international best practices.

To comply with Code Provision A.4.2 of the CG Code, a special resolution will be proposed at the forthcoming annual general meeting of the Company to amend the Bye-laws of the Company so that all new Directors appointed to fill casual vacancies shall be subject to re-election by shareholders at the first general meeting after their appointments and all Directors (including the Chairman and the Chief Executive Officer) shall be subject to retirement by rotation once every three years.

In compliance with Code Provision A.4.2 of the CG Code, Mr. Gerrit de Nys and Ms. Lau Jeny, who have been appointed to fill casual vacancies, will retire and offer themselves for re-election as Directors of the Company at a special general meeting to be held on 23 April 2008, being the first general meeting after their appointments.

In accordance with the Company's Bye-laws, Mrs. Lowe Hoh Wai Wan, Vivien and Mr. Cheng Mo Chi, Moses shall retire by rotation at the forthcoming annual general meeting of the Company to be held on 29 May 2008. Mrs. Lowe Hoh Wai Wan, Vivien, being eligible, will offer herself for re-election while Mr. Cheng Mo Chi, Moses will not seek re-election as his travelling schedules make it increasingly more difficult for him to accommodate the meeting schedules of the Company. The Company is in the process of identifying a qualified individual to fill this vacancy.

TRAINING, INDUCTION AND CONTINUING DEVELOPMENT FOR DIRECTORS

Each newly appointed Director receives a comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has a proper understanding of the businesses and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and other relevant regulatory requirements.

During the year, the Board further enhanced its induction process for all new Directors, including a comprehensive introduction to the strategies and activities of the Group, its history, its principal policies and procedures. This induction is supplemented by visits to selected operational sites to provide a better understanding of the operations of the Group to the new Director. The Chairman has assessed the development needs of the Board as a whole, with a view to building its effectiveness as a team and assisting the development of individual skills, knowledge and expertise.

Directors are encouraged to seek continuous professional development and the Company provides support whenever relevant and necessary.

"Corporate Governance is often considered by many as a boring topic, and a necessary evil that is laborious. Having said that, I think in SOCAM we truly try our best to do what is "right" and in the interest of all stakeholders, and I truly believe we are achieving in all respects."

Mr. Gerrit de Nys *Independent Non-executive Director*

"As a newcomer to the Group, I am impressed by top management's commitment to promoting good corporate governance. Given that the benefits of good corporate governance are generally not realised immediately but instead it provides a strong foundation for sustained growth in the long run, it shows that the top management cares about long-term growth as much as it does about near-term profitability. Such a culture permeates the Group. As a director of the Company, I find this reassuring and encouraging."

Ms. Jeny Lau *Executive Director and Chief Financial Officer*

BOARD COMMITTEES

The Board has set up three Board Committees, namely, the Audit Committee, the Remuneration Committee and the Executive Committee, to oversee particular aspects of the Company's affairs.

Each of these Committees has been established with written terms of reference, approved by the Board, setting out the Committee's major duties. These terms of reference are available to shareholders upon request and can also be found on the Company's website.

The Board Committees are provided with sufficient resources to discharge their duties and, upon request, are able to seek independent professional advice at the Company's expense.

The Directors' attendance at the meetings held is set out in the table on page 71. Separate reports prepared by the Audit Committee and the Remuneration Committee which summarises their work performed during the year are set out on pages 74 to 75 and 76 to 79 respectively.

	Major roles and functions	Composition as at 31 December 2007	Frequency of meetings
Audit Committee	• To review the financial statements of the Group • To review the accounting policies adopted by the Group and their implementation • To review the effectiveness of internal control systems • To oversee the engagement of the external auditor and its independence • To review and monitor the effectiveness of the internal audit function	**Independent Non-executive Directors** Mr. Anthony Griffiths Mr. Cheng Mo Chi, Moses Mr. Gerrit de Nys **Non-executive Director** Professor Michael Enright	At least 4 times a year
Remuneration Committee	• To make recommendation to the Board on the policy and structure for remuneration of Directors and senior management • To determine the specific remuneration packages of all Executive Directors and senior management • To review and approve performance-based remuneration with reference to the corporate goals and objectives	**Independent Non-executive Directors** Mr. Anthony Griffiths Mr. Cheng Mo Chi, Moses Mr. Gerrit de Nys **Non-executive Director** Professor Michael Enright **Executive Director** Mr. Lo Hong Sui, Vincent	At least twice a year
Executive Committee	• To monitor the macro business environment and market trends with respect to the current and potential business areas of the Group • To evaluate and set the business strategies for ensuring the long-term growth and competitiveness of the core businesses of the Group • To formulate corporate goals and plan and allocate human and financial resources and otherwise, for execution • To monitor the execution of approved strategies and business plans • To review and approve acquisitions and disposals of assets in the ordinary course of business with investment costs/net book values not exceeding certain thresholds • To review the operating performance and financial position of the Company and its strategic business units on a monthly basis	**Executive Directors** Mr. Lo Hong Sui, Vincent Mr. Choi Yuk Keung, Lawrence Mr. Wong Yuet Leung, Frankie Ms. Lau Jeny Mrs. Lowe Hoh Wai Wan, Vivien **Other key executives**	Monthly

BOARD AND BOARD COMMITTEE MEETINGS

Number of Meetings and Directors' Attendance

The Board meets at least 4 times each year and more frequently as the needs of the businesses demand. During the year, the Board decided to devote a separate Board meeting each year to the consideration and review of the Group's strategy and business activities. Preparations were made for the first of such meetings and it took place in January 2008. The attendance of the Directors at the Board meetings during the year is set out in the table below.

Practices and Conduct of Meetings

Annual meeting schedule and the agenda of each meeting are made available to Directors in advance.

Notice of regular Board meetings is served to all Directors at least 14 days before the meetings. For other Board and Committee meetings, reasonable notice is given.

Board papers together with all relevant information are sent to all Directors at least 3 days before each Board meeting or Committee meeting to provide them with adequate information to enable them to make informed decisions. The Board and each Director also have direct and independent access to the management whenever necessary.

The Company Secretary of the Company is responsible for recording and maintaining minutes of all Board meetings and Committee meetings. Draft minutes are normally circulated to the Directors for comment within a reasonable time after each meeting and the final version is approved formally by the Board or the relevant Committee and then filed for future reference. The Directors have access to all minutes of the Board and Committee meetings of the Company.

According to the current Board practice, any material transaction which involves a conflict of interest with a substantial shareholder or a Director will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Bye-laws also contains provisions requiring the Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Meeting Attendance

The individual attendance records of the Directors at the meetings of the Board, Audit Committee, Remuneration Committee and Executive Committee during the year ended 31 December 2007 are set out below:

	Attendance/Number of Meetings			
Name of Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Executive Committee Meetings
Mr. Lo Hong Sui, Vincent	5/7 (Note)	N/A	4/4	9/11
Mr. Choi Yuk Keung, Lawrence	6/7	N/A	N/A	10/11
Mr. Wong Yuet Leung, Frankie	7/7	N/A	N/A	11/11
Ms. Lau Jeny *(appointed on 2 October 2007)*	1/1	N/A	N/A	3/3
Mrs. Lowe Hoh Wai Wan, Vivien	7/7	N/A	N/A	11/11
Professor Michael Enright	7/7	5/5	4/4	N/A
Mr. Anthony Griffiths	6/7	5/5	4/4	N/A
Mr. Cheng Mo Chi, Moses	5/7	5/5	4/4	N/A
Mr. Gerrit de Nys *(appointed on 18 August 2007)*	2/2	2/2	2/2	N/A
Mr. Wong Fook Lam, Raymond *(resigned on 14 June 2007)*	3/3	N/A	N/A	5/5
Professor K.C. Chan *(resigned on 1 July 2007)*	3/3	2/2	1/1	N/A

Note : Mr. Lo Hong Sui, Vincent was absent at two meetings which were convened for the purpose of considering and approving connected transactions in which he was interested and had to abstain from voting.

"We are committed to maintaining open and transparent operations so as to be accountable to our shareholders without compromising the interests of our business partners or our own competitiveness. We will continue to strike a balance between these two needs."

Mr. Lawrence Choi *Executive Director and Vice-Chairman*

"The Board is constantly seeking to enhance its effectiveness and the upcoming Board evaluation, facilitated by an expert in the field, will provide the platform for identifying areas for development for the Board as a whole as well as for individual directors."

Mrs. Vivien Lowe *Executive Director*

Model Code for Securities Transactions

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. In response to specific enquiries by the Company, the Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2007.

The Company has also established written guidelines on no less exacting terms than the Model Code for dealings in the Company's securities by relevant employees who are likely to be in possession of unpublished price-sensitive information in relation to the Company or its securities.

Responsibilities in respect of the Financial Statements and Auditor's Remuneration

The Board is responsible for presenting a balanced, clear and understandable assessment in respect of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2007.

The statement of the external auditor of the Company on its reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on page 93.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The remuneration payable to the external auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2007 amounted to HK$4.3 million and HK$1.6 million respectively. The costs incurred for the non-audit services represented professional fees in connection with the review of interim accounts and continuing connected transactions and the provision of financial advisory services on the disposal of the distressed asset development operation of the Group to China Central Properties Limited.

Internal Control

The Board has overall responsibility for the maintenance of sound and effective internal control systems within the Group. The Board has delegated to the management the implementation of such systems of internal controls as well as the review of relevant financial, operational and compliance controls and risk management procedures.

The Board has entrusted the Audit Committee with the responsibility to review the internal control systems of the Group which include financial, operational and compliance controls and risk management functions. Procedures have been set up for, inter alia, safeguarding assets against unauthorised use or disposition, controlling capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publications. Management throughout the Group maintains and monitors the internal control systems on an ongoing basis.

The Board has conducted a review of the Company's internal control systems for the year ended 31 December 2007, including financial, operational and compliance controls and risk management functions and assessed the effectiveness of internal control systems by considering the work performed by the Audit Committee, executive management, external consultants and internal auditors.

INTERNAL AUDIT

The internal audit function, which is fully independent of the daily operations of the Group, is carried out by the Company's Corporate Evaluation Department, the manager in charge of which reports to the Audit Committee and, at the Audit Committee's instruction, briefs the Chief Executive Officer on the outcome of all internal audit projects. The Chief Executive Officer, with the approval of the Audit Committee, may instruct the manager in charge of the Corporate Evaluation Department to undertake internal audit activities of an urgent or sensitive nature. All other Directors are informed of all findings. The Department is closely involved in the assessment of the quality of risk management of the Group and during the year reviewed the effectiveness of the formal risk management system approved by the Board in 2006 and fully implemented during the year. It also reviews the effectiveness of the

Group's internal controls. When considered appropriate and with the approval of the Audit Committee, review work is outsourced either to obtain the assistance of specialists or due to the volume of work to be undertaken within a specific period. No work was outsourced during the year. The manager in charge of the Corporate Evaluation Department attends all the Audit Committee meetings. The Audit Committee reviews key performance indicators relating to the internal audit work of the Corporate Evaluation Department.

INTERNAL CONTROL

The Group has diverse activities for which a high level of autonomy in operational matters has been vested in divisional managers who are responsible for the development of their divisions. In these circumstances, a well designed system of internal controls is necessary to safeguard the assets of the Group. The Directors have overall responsibility for the Group's systems of internal control and for reviewing their effectiveness. A formal risk management policy has been developed and implemented during the year to help ensure the regular identification, evaluation and management of the risks faced by the Group.

The systems and policies of the Group are designed to help minimise and manage business risks, protect the assets of the Group from loss or impairment, accurately report the performance of the Group and its financial position, and to ensure compliance with relevant legislation, regulations and best practices. This includes taking into consideration social, environmental and ethical matters. The systems provide reasonable assurance against material misstatement or loss and are regularly reviewed by the Board to deal with changing circumstances.

Risk assessment and evaluation are an integral part of the annual planning process. Each business unit is to set its strategic objectives, identify and assess the effectiveness of its system of internal controls to help ensure that the risks it faces are mitigated by the controls which have been implemented (or will be implemented).

The Audit Committee reports to the Board on any material matters that have arisen from the Committee's review of how the risk management and internal control processes have been applied including any major control weakness noted.

Communications with Shareholders

The Board places considerable importance on communications with its shareholders. The Chairman, Chief Executive Officer and Chief Financial Officer are closely involved in promoting investor relations. The annual and interim reports are available to all shareholders either in paper form or electronically which can be accessed via the Company's website.

The Company promotes communications with non-institutional shareholders through public announcements of key developments of the Company as prescribed under the Listing Rules, annual general meeting and other general meetings of the Company. Contact with financial analysts, brokers and the media is conducted by the Chairman and the Chief Executive Officer assisted by the other Executive Directors. Such investor and public relations have not yet reached the level of frequency or complexity where formal policies are considered necessary by the Board. Policies are in place for the protection and proper disclosure of price-sensitive information which has not already been made public. The Directors adhere strictly to the statutory guideline in their responsibilities of keeping information confidential.

The notice of annual general meeting is circulated to all shareholders at least 21 clear days before the meeting. All shareholders are entitled to attend the annual general meeting and all other general meetings of the Company at which they have the opportunity to put questions to the Board. It is standard practice to have the Non-executive Directors available to answer questions relating to their roles, tenure, and the Audit and Remuneration Committees. The results of voting by poll are announced at the meetings and published on the websites of the Stock Exchange and the Company after the meetings.

"We have taken many initiatives to further improve our level of corporate governance. These include greater transparency, formulating and implementing risk management policies and practices, and addressing management succession planning at the top level. We have also appointed a consultant to help us review the effectiveness of the Board. In line with our corporate philosophy, we strive for continuous improvement and excellence in corporate governance."

Mr. Frankie Wong *Executive Director and Chief Executive Officer*

Audit Committee Report

Composition

The composition of the Audit Committee and the changes in its membership during the year are as follows:

Mr. Anthony Griffiths *(chairman of the Committee)*
Professor Michael Enright
Mr. Cheng Mo Chi, Moses
Mr. Gerrit de Nys *(appointed on 18 August 2007)*
Professor K.C. Chan *(resigned on 1 July 2007)*

Except for Professor Michael Enright, who is a Non-executive Director, the Committee members are the Independent Non-executive Directors of the Company, with the chairman having the appropriate professional qualifications as required under the Listing Rules. No member of the Audit Committee is a former partner of the Company's existing external auditor. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of public companies. The Board expects the Committee members to exercise independent judgment in conducting the businesses of the Committee.

Meeting Attendance

The Audit Committee met five times during the year under review and the attendance of individual members is set out as follows:

Name of Directors	Attendance/ Number of Meetings
Mr. Anthony Griffiths	5/5
Professor Michael Enright	5/5
Mr. Cheng Mo Chi, Moses	5/5
Mr. Gerrit de Nys *(appointed on 18 August 2007)*	2/2
Professor K.C. Chan *(resigned on 1 July 2007)*	2/2

Other attendees at each of the meetings were the manager in charge of the Company's Corporate Evaluation Department, responsible for internal audit, and, by invitation, the Chief Financial Officer and the general manager responsible for the finance and accounting function, together with senior representatives of the external auditor. The Company Secretary acts as the secretary to the Committee.

Role and Duties

Under its terms of reference, the principal responsibilities of the Audit Committee include review of both the Group's consolidated financial statements and the effectiveness of its internal control systems. The Audit Committee also oversees the engagement of the external auditor and reviews its independence as well as the effectiveness of the audit process. The terms of reference of the Audit Committee are available on the Company's website.

Work During the Year

The work performed by the Audit Committee during the year included reviews of the:

- Group's audited consolidated financial statements and other related documents for the nine months ended 31 December 2006 and the final results announcement, with a recommendation to the Board for approval;
- Group's interim consolidated financial statements and other related documents for the six months ended 30 June 2007 and the interim results announcement, with a recommendation to the Board for approval;
- internal control systems of various cement plants of the Group in the Chinese Mainland, including involvement in the internal audit review of Lafarge Shui On Cement Limited, a joint venture owned 45% by the Group;

- possible impairment in value of the Group's interests in the retained cement plants in the Chinese Mainland;
- identification and management of risks related to the distressed asset development projects in the Chinese Mainland;
- effectiveness of the internal controls of the construction and fit-out activities in Hong Kong and Macau;
- reliability of the processes for the valuation of investments in venture capital funds;
- impact on the Group's accounting policies and any major accounting issues arising from the implementation of the new Hong Kong Financial Reporting Standards;
- connected transactions reported quarterly, including the application of and compliance with the Company's policy on connected transactions;
- adequacy of the provisions for doubtful debts on a quarterly basis;
- report and management letter submitted by the external auditor, which summarised matters arising from its audit on the Group's consolidated financial statements for the nine months ended 31 December 2006;
- fee proposals of the external auditor for the review of the interim financial statements for the six months ended 30 June 2007 and for the audit of the financial statements for the year ended 31 December 2007;
- scope of work of the external auditor and its re-appointment;
- annual work programme of the Company's Corporate Evaluation Department as well as its staffing and resources planning; and
- risk management activities and corporate controls of the Group.

The Committee also reviewed the Group's risk management policy, fraud risk assessment framework and whistle-blowing mechanism, which were formalised by management with reference to findings and recommendations from external consultants engaged by the Committee last year. The Committee will continue to review the Group's systems and policies for assessing and taking action to contain the different types of risk in its various operations as part of the Committee's ongoing review of the adequacy of the Group's internal controls.

All the recommendations of the Committee to the management and the Board were accepted and implemented.

Remuneration Committee Report

Composition

The composition of the Remuneration Committee and the changes in its membership during the year are as follows:

Mr. Anthony Griffiths *(chairman of the Committee)*
Mr. Lo Hong Sui, Vincent
Professor Michael Enright
Mr. Cheng Mo Chi, Moses
Mr. Gerrit de Nys *(appointed on 18 August 2007)*
Professor K.C. Chan *(resigned on 1 July 2007)*

With the exception of Mr. Lo Hong Sui, Vincent who is the Chairman of the Board and Professor Michael Enright who is a Non-executive Director, the Committee members are the Independent Non-executive Directors of the Company.

Meeting Attendance

The Remuneration Committee met four times during the year under review and the attendance of the individual members is set out as follows:

Name of Directors	Attendance/ Number of Meetings
Mr. Anthony Griffiths	4/4
Mr. Lo Hong Sui, Vincent	4/4
Professor Michael Enright	4/4
Mr. Cheng Mo Chi, Moses	4/4
Mr. Gerrit de Nys *(appointed on 18 August 2007)*	2/2
Professor K.C. Chan *(resigned on 1 July 2007)*	1/1

Mr. Wong Yuet Leung, Frankie, the Chief Executive Officer and Mrs. Lowe Hoh Wai Wan, Vivien, the Executive Director responsible for human resources, attended meetings of the Committee by invitation. The Company Secretary acts as the secretary to the Committee.

Role and Duties

The Remuneration Committee has specific terms of reference, which are available on the Company's website.

The Remuneration Committee is tasked to:

- make recommendations to the Board on the policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.
- determine the specific remuneration packages of all Executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of Non-executive Directors, taking into account factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.
- review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.
- review and approve the compensation payable to Executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and is otherwise fair and not excessive for the Company.
- review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate.

Remuneration Policy

Through its remuneration policy, the Company aims to attract, motivate and retain competent, high calibre executives while ensuring that the remuneration is aligned with the Company's goals, objectives and performance.

Taking into consideration the findings of an independent survey on directorate pay of listed companies in Hong Kong published in late 2006, the Committee has reviewed the composition of remuneration for the Executive Directors of the Company and decided that:

- the existing remuneration structure is appropriate and competitive;
- the balance between short-term and long-term elements of remuneration is important and should be retained;
- salary levels will continue to be reviewed regularly against those in companies of a similar size or nature listed on The Stock Exchange of Hong Kong Limited;
- greater emphasis will be given to corporate and individual performance, taking into account the different responsibilities of each Executive Director, which will be rewarded by bonus payable for achievement of stretching targets and the grant of share options; and
- long-term incentives are important and should be based on total shareholder return.

No individual Director is involved in deciding his or her own remuneration.

The Company's policy is to encourage the participation of Executive Directors and employees in the equity of the Company. While it is highly desirable that Directors of the Company should hold shares in the Company, Non-executive Directors are encouraged not to do so in order to ensure their independence.

Remuneration Structure

The remuneration of the Executive Directors and senior management comprises salary and benefits, performance bonuses, pension scheme contributions, share option grants and long-term incentives. In determining remuneration appropriate to the Chief Executive Officer and the Executive Directors, developments in executive remuneration in Hong Kong, the Chinese Mainland and other parts of the world are reviewed and monitored with the assistance of remuneration consultants employed by the Remuneration Committee.

On the recommendation of the Committee, the Board has approved that the salary and bonus components of the remuneration of Executive Directors should normally relate to their aggregate total, as follows:

Remuneration Components	Chief Executive Officer	Executive Directors
Salary and other benefits	Half	Five Eighths
Bonus for achievement of targets	Half	Three Eighths

In cases of exceptional performance, the bonus element could be increased relative to performance delivered by up to twice the amount that would be given normally.

The bonus for the Chief Executive Officer is based 75% on the Company's performance and 25% on personal performance and for the Executive Directors the two elements are each 50%.

The remuneration of Non-executive Directors is decided by the Board on recommendation by the Chairman of the Company.

Work During the Year

During the year, the Remuneration Committee:

- recommended the award of share options to the Executive Directors based on total shareholder return, the proposal of which has been approved by the Board;
- reviewed the corporate and personal performance targets of Executive Directors for determination of bonus award;
- reviewed the pay strategy and terms of employment of the Executive Directors, taking into account the report of the remuneration consultants on the analysis of directors' remuneration in comparable Hong Kong listed companies;
- reviewed the proposals for the amount of bonus to be awarded to the Executive Directors and senior management based on performance; and
- reviewed the proposals for the award of share options annually to Executive Directors and senior management based on performance and the policy of encouraging their participation in the equity of the Company.

Remuneration of Directors for the Year

The Directors received the following remuneration for the year:

Name of Directors	Fees HK$'000	Salary and other benefits HK$'000	Performance bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Value of share options granted (Note 1) HK$'000	Total for the year ended 31 December 2007 HK$'000	Total for the nine months ended 31 December 2006 HK$'000
Chairman							
Mr. Lo Hong Sui, Vincent	10	—	—	—	—	10	8
Vice-Chairman							
Mr. Choi Yuk Keung, Lawrence	10	3,306	2,100	122	1,393	6,931	4,094
Executive Directors							
Mr. Wong Yuet Leung, Frankie	10	5,240	7,000	189	5,686	18,125	9,532
Ms. Lau Jeny *(appointed on 2 October 2007)* (Note 2)	2	754	—	3	—	759	—
Mrs. Lowe Hoh Wai Wan, Vivien	10	2,057	1,200	67	1,341	4,675	2,294
Mr. Wong Fook Lam, Raymond *(resigned on 14 June 2007)*	6	1,300	1,700	49	469	3,524	3,037
Non-executive Director							
Professor Michael Enright	275	—	—	—	—	275	206
Independent Non-executive Directors							
Mr. Anthony Griffiths	350	—	—	—	—	350	263
Mr. Cheng Mo Chi, Moses	275	—	—	—	—	275	206
Mr. Gerrit de Nys *(appointed on 18 August 2007)*	102	—	—	—	—	102	—
Professor K.C. Chan *(resigned on 1 July 2007)*	137	—	—	—	—	137	206
TOTAL	**1,187**	**12,657**	**12,000**	**430**	**8,889**	**35,163**	**19,846**

Notes:

1. The amount represents the portion of fair value of the share options granted to the Directors through the years, which is recognised as expenses for the year. For accounting purposes, it is required to expense the fair value of share options granted, determined at the date of grant, on a straight-line basis over the vesting period.

2. Ms. Lau Jeny joined the Company in October 2007 and therefore did not receive any performance bonus and share option grant in 2007 but will be eligible for consideration in 2008.

Service Contracts

No service contract of any Director contains a notice period exceeding twelve months.

Share Options

The Company operates two share option schemes for Directors and employees of the Group. The share option scheme adopted on 20 January 1997 (the "Old Scheme") has been terminated and replaced by a new share option scheme on 27 August 2002 (the "New Scheme"). No further option can be granted under the Old Scheme, but all options granted prior to such termination shall continue to be valid and exercisable.

To motivate the Executive Directors and key executives through share ownership and performance-based incentives, the Board has adopted the proposal of the Remuneration Committee to give long-term incentive to the Executive Directors through share options granted under the New Scheme and apply vesting conditions based on the total shareholder return ("TSR") to such grant. Under such long-term incentive arrangement, share options are granted conditionally to Executive Directors over rolling three-year periods that vest only if the TSR of the Company at the end of each specific three-year period is positive and matches or exceeds the return of the Hang Seng Index. External consultants are retained to assist with the measurement of the TSR of the Company and the return of the Hang Seng Index. The first grant under such arrangement was made in 2007 to the following Executive Directors with the vesting of the share options based on the TSR over the period from the beginning of 2007 to the end of 2009:

Name of Directors	Subscription price per share HK$	Number of shares subject to the options granted
Mr. Choi Yuk Keung, Lawrence	16.78	700,000
Mr. Wong Yuet Leung, Frankie	16.78	1,500,000
Mrs. Lowe Hoh Wai Wan, Vivien	16.78	625,000
Mr. Wong Fook Lam, Raymond *(resigned on 14 June 2007)*	16.78	700,000

In addition, the Committee reviewed the performance of the Executive Directors in achieving the goals and objectives set for the year for the Company and for each of them individually. The Committee assesses the Company performance. The assessment of individual performance is made initially by the Chairman in respect of the Chief Executive Officer and by the Chief Executive Officer in respect of the other Executive Directors. The individual performance assessments are reviewed and discussed by the Committee with the two appraisers. Consequently, the Committee recommended and the Board approved the grant of the following share options:

Name of Directors	Subscription price per share HK$	Number of shares subject to the options granted
Mr. Choi Yuk Keung, Lawrence	20.96	250,000
Mr. Wong Yuet Leung, Frankie	20.96	500,000
Mrs. Lowe Hoh Wai Wan, Vivien	20.96	176,000
Mr. Wong Fook Lam, Raymond *(resigned on 14 June 2007)*	20.96	200,000

Details of the annual and special grant of share options to the other executives and employees of the Group during the year are set out in the Directors' Report on pages 83 to 92.

Directors and Senior Management

Executive Directors

Mr. Lo Hong Sui, Vincent *GBS, JP*
aged 60, has been the Chairman of the Company since 1997 and is a member of the Remuneration Committee of the Company. He is the chairman of the Shui On Group which he founded 37 years ago. He is also the chairman and chief executive officer of Shui On Land Limited, which he established in 2004. He is also the chairman of China Central Properties Limited, an associated company of the Company which has been listed on the AIM Board of London Stock Exchange in 2007. Mr. Lo is a member of The Eleventh National Committee of Chinese People's Political Consultative Conference, the honorary life president of the Business and Professionals Federation of Hong Kong, the president of Shanghai – Hong Kong Council for the Promotion and Development of Yangtze, an economic adviser of the Chongqing Municipal Government, a vice-chairman of the Chamber of International Commerce Shanghai, a honorary court member of the Hong Kong University of Science and Technology, a director of Great Eagle Holdings Limited, a non-executive director of Hang Seng Bank Limited, and an independent non-executive director of China Telecom Corporation Limited.

Mr. Lo was awarded the Gold Bauhinia Star in 1998 and appointed Justice of the Peace in 1999 by the Government of the Hong Kong Special Administrative Region. He was made an Honorary Citizen of Shanghai in 1999. He was named Businessman of the Year by the Hong Kong Business Awards in 2001 (sponsored by DHL and the South China Morning Post) and received the Director of the Year Award in the category of Listed Company Executive Directors from The Hong Kong Institute of Directors in 2002.

Mr. Choi Yuk Keung, Lawrence
aged 54, has been the Managing Director of the Company from 1997 to 2004 and was appointed Vice-Chairman of the Company in July 2004. He has also been an executive director of the Shui On Group since 1990. He was a director of Shui On Land Limited from May 2004 to May 2006. He was appointed managing director of the Shui On Group's construction division in 1991 and also that of the construction materials division in 1995. He is a member of the Standing Committee of the Ninth and the Tenth Guizhou Provincial Committee of Chinese People's Political Consultative Conference. He joined the Shui On Group in 1973 and has over 30 years of experience in construction. He holds a Bachelor of Science degree in Engineering from the University of California, Berkeley.

Mr. Wong Yuet Leung, Frankie
aged 59, is the Chief Executive Officer of the Company and was the Vice-Chairman from 1997 to 2004. He joined the Shui On Group in 1981 and has been the managing director of Shui On Holdings Limited since 1991. He was a director of Shui On Land Limited from May 2004 to May 2006. Mr. Wong is currently a non-executive director of China Central Properties Limited, an associated company of the Company which has been listed on the AIM Board of London Stock Exchange in 2007. He is also one of the trustees of the Shui On Provident and Retirement Scheme. Prior to joining the Shui On Group, he had many years of banking experience with several major international banks in Hong Kong. He graduated with a Bachelor of Science degree in Economics and a Master of Arts degree from the London School of Economics and Political Science and the University of Lancaster in the United Kingdom respectively.

Ms. Lau Jeny
aged 49, has been appointed as an Executive Director and the Chief Financial Officer of the Company since October 2007. Prior to joining the Company, Ms. Lau was the director of corporate finance of Shun Tak Holdings Limited, a conglomerate listed on The Stock Exchange of Hong Kong Limited. Before that, Ms. Lau had over ten years of corporate finance experience with Platinum Securities Company Limited and Jardine Fleming Securities Limited. She has also spent over ten years with major U.S. banks and international accounting firms. Ms. Lau holds a Master of Science degree in Accountancy and Systems and a Bachelor of Science degree in Accounting. She is a Certified Public Accountant and is a member of the American Institute of Certified Public Accountants, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Securities Institute. Ms. Lau is currently an independent non-executive director of Tan Chong International Limited, a listed company in Hong Kong.

Mrs. Lowe Hoh Wai Wan, Vivien

aged 59, has been an Executive Director of the Company since 1997. She joined the Shui On Group in 1980 and has been an executive director of Shui On (Contractors) Limited since 1993. She is one of the trustees of the Shui On Provident and Retirement Scheme. She holds a Bachelor of Arts degree in Sociology from the State University of New York, a Master of Arts degree in Sociology from the University of Illinois, and a Doctor of Philosophy degree in Sociology from the University of Wisconsin. She is a member of the Occupational Safety and Health Council and the Occupational Deafness Compensation Board.

Non-executive Director

Professor Michael Enright

aged 49, was an Independent Non-executive Director of the Company from 2000 to 2004 and was re-designated a Non-executive Director in September 2004. He is a member of the Audit and Remuneration Committees of the Company. An expert on business strategy and international competition, Professor Enright is a director of Enright, Scott & Associates Limited, an economic and strategic consulting firm, Sun Hung Kai Professor of Business Administration at the University of Hong Kong and director of Asia-Pacific Competitiveness Programmes at the Hong Kong Institute for Economics and Business Strategy. Professor Enright received his Bachelor's degree in Chemistry, Master's degree in Business Administration and Doctor of Philosophy degree in Business Economics all from Harvard University. Before moving to Hong Kong in 1996, Professor Enright spent six years on the faculty of the Harvard Business School. He is an independent non-executive director of Johnson Electric Holdings Limited and was a director of Shui On Land Limited from May 2004 to May 2006.

Independent Non-executive Directors

Mr. Anthony Griffiths

aged 64, has been an Independent Non-executive Director of the Company since 1997. He is the chairman of the Audit and Remuneration Committees of the Company. He is also the chairman of trustees of the Shui On Provident and Retirement Scheme. Mr. Griffiths is also a non-executive director of Crystal International Limited and Crystal Investment Limited and an independent non-executive director of Manulife Provident Trust Funds Company Limited. He is a Fellow of the Institute of Chartered Accountants in England and Wales, the Institute of Management Consultants (Hong Kong Branch) and The Hong Kong Institute of Directors. He received the Director of the Year Award in the category of Listed Company Non-Executive Directors from The Hong Kong Institute of Directors in 2006.

Mr. Cheng Mo Chi, Moses

aged 58, has been an Independent Non-executive Director of the Company since September 2004. He is a member of the Audit and Remuneration Committees of the Company. Mr. Cheng is the senior partner of P.C. Woo & Co., a firm of solicitors and notaries in Hong Kong. He was a member of the Legislative Council of Hong Kong between 1991 and 1995. He is the founder chairman of The Hong Kong Institute of Directors of which he is now the honorary president and chairman emeritus. He also serves on the boards of various listed companies, namely, Beijing Capital International Airport Company Limited, China Mobile Limited, City Telecom (H.K.) Limited, Guangdong Investment Limited, Kader Holdings Company Limited, Galaxy Entertainment Group Limited, Liu Chong Hing Investment Limited, China COSCO Holdings Company Limited, China Resources Enterprise, Limited, Hong Kong Exchanges and Clearing Limited, Tian An China Investments Company Limited and Towngas China Company Limited.

Mr. Gerrit de Nys

aged 64, has been appointed as an Independent Non-executive Director of the Company since August 2007. He is a member of the Audit and Remuneration Committees of the Company. Mr. de Nys joined Shui On Group in 1978 as managing director of the construction materials division and subsequently also assumed the position of managing director of the construction and contracting division, and was appointed deputy chairman and chief executive of the then publicly listed Shui On (Contractors) Limited in 1988. He left Shui On Group in 1991 and returned to Australia to set up his own businesses in home building and the leisure industry. In 1994, he joined the IMC Pan Asia Alliance Group assuming chief executive roles in its subsidiaries and had worked in its Thailand and Singapore offices. He retired from executive responsibilities of the IMC Group in 2006. He is currently the non-executive chairman of IMC Resources (Australia) Pty Ltd. and a non-executive director of Horizon Oil Limited in Australia. Mr. de Nys has extensive experience in construction. He graduated with a Bachelor of Technology degree in Civil Engineering from the University of Adelaide. He is a chartered professional engineer and a Fellow of the Institution of Engineers, Australia and The Australian Institute of Company Directors.

SENIOR MANAGEMENT

Mr. Lee Wing Kee, Stephen

aged 55, is an executive director of Shui On Building Contractors Limited and Shui On Construction Company Limited. He has been working in the Shui On Group since 1985 and has over 30 years of experience in construction. He is currently the vice president of the Hong Kong Construction Association and the chairman of its Building Committee. Mr. Lee serves as the chairman of the Construction Workers Qualification Committee under the Construction Workers Registration Authority and as co-opted members for the CIC Committee on Manpower Training and Development. He holds a Bachelor of Science degree in Civil Engineering and is a chartered civil engineer.

Mr. Wong Kun To, Philip

aged 51, is the managing director of SOCAM Asset Management (HK) Limited. He was employed by Shui On Construction Company Limited from 1979 to 1992 in various positions, including as deputy general manager. He was engaged as property development consultant for the Company's partially-completed property development business in October 2005 and rejoined the Company in October 2006 as director - property development, performing property development, business development and commercial functions. Mr. Wong has over 25 years of experience in construction management, investment and property development. He is a member of the Dalian Municipal Committee of the Chinese People's Political Consultative Conference. He holds a Bachelor of Engineering degree from McMaster University and is a member of the Hong Kong Institution of Engineers.

Mr. Ng Yat Hon, Gilbert

aged 47, is the general manager of Pat Davie Limited, specialising in interior fitting out and renovation in Hong Kong and Macau. He joined the Shui On Group in 1996 and has over 20 years of experience in construction. He holds a Bachelor's degree in Civil Engineering from University of Manchester and a Master's degree in Project Management from University of New South Wales and is a chartered civil engineer.

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2007.

Principal Activities

The Company is an investment holding company. The principal activities of its principal subsidiaries, jointly controlled entities and associates are set out in notes 47, 48 and 49 to the consolidated financial statements respectively.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 94.

The Directors now recommend the payment of a final dividend of HK$0.65 per share to the shareholders on the register of members on 29 May 2008, amounting to HK$209.1 million.

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 34 to the consolidated financial statements.

Reserves

Movements in the reserves of the Group during the year are set out in note 35 to the consolidated financial statements.

Under the Companies Act 1981 of Bermuda (as amended), in addition to retained profits, contributed surplus is also distributable to the shareholders of the Company. However, the Company cannot declare or pay a dividend or make a distribution out of contributed surplus if:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

At 31 December 2007, the Company's reserves, including the contributed surplus, available for distribution to shareholders amounted to HK$1,286.0 million (2006: HK$354.7 million).

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on pages 182 and 183.

Investment Properties

The Group's investment properties were revalued at 31 December 2007, as set out in note 17 to the consolidated financial statements. The increase in fair value amounting to HK$25.2 million has been recognised in the consolidated income statement.

Property, Plant and Equipment

Details of additions to and other movements during the year in the property, plant and equipment of the Group are set out in note 18 to the consolidated financial statements.

Major Properties

Details of the major properties of the Group at 31 December 2007 are set out on page 181.

Directors

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:
Mr. Lo Hong Sui, Vincent
Mr. Choi Yuk Keung, Lawrence
Mr. Wong Yuet Leung, Frankie
Ms. Lau Jeny *(appointed on 2 October 2007)*
Mrs. Lowe Hoh Wai Wan, Vivien
Mr. Wong Fook Lam, Raymond *(resigned on 14 June 2007)*

Non-executive Director:
Professor Michael Enright

Independent Non-executive Directors:
Mr. Anthony Griffiths
Mr. Cheng Mo Chi, Moses
Mr. Gerrit de Nys *(appointed on 18 August 2007)*
Professor K.C. Chan *(resigned on 1 July 2007)*

In compliance with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), Ms. Lau Jeny and Mr. Gerrit de Nys will retire and offer themselves for re-election as Directors of the Company at a special general meeting of the Company convened to be held on 23 April 2008.

In accordance with the Company's Bye-laws, Mrs. Lowe Hoh Wai Wan, Vivien and Mr. Cheng Mo Chi, Moses shall retire by rotation at the forthcoming annual general meeting and Mrs. Lowe Hoh Wai Wan, Vivien, being eligible, will offer herself for re-election while Mr. Cheng Mo Chi, Moses does not seek re-election.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

The term of office of each Non-executive Director and Independent Non-executive Director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

Interests of Directors and Chief Executive

At 31 December 2007, 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

Name of Directors	Number of ordinary shares		Approximate percentage of shareholding
	Personal interests	Other interests	
Mr. Lo Hong Sui, Vincent	—	181,981,000 (Note)	56.70%
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 181,981,000 shares beneficially owned by Shui On Company Limited ("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

Name of Director	Number of ordinary shares		Approximate percentage of shareholding
	Personal interests	Other interests	
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 31 December 2007, 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) Shui On Land Limited ("SOL")

Long position in the shares of SOL

Name of Director	Number of ordinary shares		Approximate percentage of shareholding in SOL
	Personal interests	Other interests	
Mr. Lo Hong Sui, Vincent	—	2,257,993,225 (Note)	53.94%

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 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 is deemed to be interested in such shares under the SFO.

(b) China Central Properties Limited ("CCP")

Long position in the shares of CCP

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

Save as disclosed above, at 31 December 2007, 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 on 27 August 2002 to replace the share option scheme of the Company adopted on 20 January 1997 (the "Old Scheme"). The Old Scheme was terminated on 27 August 2002 and since then, no further option could be granted under the Old Scheme.

Particulars of the Company's share option scheme are set out in note 40 to the consolidated financial statements.

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

Name or category of eligible participants	Date of grant	Subscription price per share HK$	Number of options: At 1.1.2007	Transferred from other category during the year (Note a)	Granted during the year (Note b)	Exercised during the year	Lapsed during the year	Transferred to other category during the year (Note a)	At 31.12.2007	Period during which options outstanding at 31.12.2007 are exercisable	Price of Company's shares before exercise date of options (Note c) HK$
Directors											
Mr. Choi Yuk Keung, Lawrence	27.8.2002	6.00	168,000	—	—	(168,000)	—	—	—	27.2.2003 to 26.8.2007	22.15
(Note d)	27.8.2002	6.00	2,175,000	—	—	(2,175,000)	—	—	—	27.8.2005 to 26.8.2010	22.15
	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	—
Mr. Wong Yuet Leung, Frankie	27.8.2002	6.00	1,600,000	—	—	(1,600,000)	—	—	—	27.8.2005 to 26.8.2010	20.70
(Note d)	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	—
Mrs. Lowe Hoh Wai Wan, Vivien	27.8.2002	6.00	660,000	—	—	(660,000)	—	—	—	27.8.2005 to 26.8.2010	24.25
	1.8.2006	14.00	150,000	—	—	(30,000)	—	—	120,000	1.2.2007 to 31.7.2011	22.80
	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	—
Mr. Wong Fook Lam, Raymond	1.8.2006	14.00	176,000	—	—	—	—	(176,000)	—	1.2.2007 to 31.7.2011	—
(resigned on 14 June 2007)	3.1.2007	16.78	—	—	700,000	—	—	(700,000)	—	3.1.2010 to 2.1.2017	—
(Note a)	14.6.2007	20.96	—	—	200,000	—	—	(200,000)	—	14.12.2007 to 13.6.2012	—
Sub-total			6,929,000	—	4,651,000	(4,633,000)	—	(1,076,000)	5,871,000		
Employees											
Mr. Wong Kun To, Philip	3.1.2007	16.78	—	—	2,800,000	—	—	—	2,800,000	3.1.2010 to 2.1.2012	—
(Note d)	14.6.2007	20.96	—	—	200,000	—	—	—	200,000	1.7.2010 to 13.6.2012	—
Other employees	27.8.2002	6.00	104,000	—	—	(104,000)	—	—	—	27.2.2003 to 26.8.2007	17.81
(in aggregate)	4.8.2003	5.80	190,000	—	—	(184,000)	—	—	6,000	4.2.2004 to 3.8.2008	22.87
	26.7.2004	7.25	454,000	—	—	(234,000)	—	—	220,000	26.1.2005 to 25.7.2009	24.05
	29.7.2005	9.30	776,000	—	—	(302,000)	(8,000)	—	466,000	29.1.2006 to 28.7.2010	22.78
	1.8.2006	14.00	1,780,000	—	—	(588,000)	(24,000)	—	1,168,000	1.2.2007 to 31.7.2011	23.24
	3.1.2007	16.78	—	—	6,000,000	—	—	—	6,000,000	3.1.2010 to 2.1.2012	—
	14.6.2007	20.96	—	—	2,060,000	(66,000)	(50,000)	—	1,944,000	14.12.2007 to 13.6.2012	27.02
	14.6.2007	20.96	—	—	900,000	—	—	—	900,000	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	—
Sub-total			3,304,000	—	15,960,000	(1,478,000)	(82,000)	—	17,704,000		
Others	1.8.2006	14.00	—	176,000	—	—	—	—	176,000	1.2.2007 to 31.7.2011	—
(Note a)	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		
			10,233,000	1,076,000	20,611,000	(6,111,000)	(82,000)	(1,076,000)	24,651,000		

Notes:

(a) Mr. Wong Fook Lam, Raymond resigned as an Executive Director of the Company with effect from 14 June 2007. Following his resignation, he dedicated his effort and focus on the business and affairs of China Central Properties Limited, an associated company of the Company and of which he was an executive director. Accordingly, he was re-classified under the category "Others" in respect of his share options.

(b) The closing prices of the Company's shares preceding the dates on which the options were granted on 3 January 2007 and 14 June 2007 were HK$16.48 and HK$20.55 respectively.

(c) 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 year for each category of eligible participants.

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

(e) Details about the performance conditions and the vesting schedule for the share options granted are set out in note 40 to the consolidated financial statements.

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 31 December 2007, 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	32,290,248 (Note)	10.06%
Penta Investment Advisers Limited	Investment manager	32,290,248 (Note)	10.06%
Cheah Cheng Hye	Founder of discretionary trust	25,700,000	8.00%
To Hau Yin	Interest of spouse	25,700,000	8.00%
Hang Seng Bank Trustee International Limited	Trustee	25,700,000	8.00%
Cheah Company Limited	Interest of controlled corporation	25,700,000	8.00%
Cheah Capital Management Limited	Interest of controlled corporation	25,700,000	8.00%
Value Partners Group Limited	Interest of controlled corporation	25,700,000	8.00%
Value Partners Limited	Investment manager	25,700,000	8.00%

Note: Among the interests owned by these shareholders, 5,560,000 shares are derivative interest.

Arrangement to Purchase Shares or Debentures

Other than as disclosed above, at no time during the year was the Company, its ultimate holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Purchase, Sale or Redemption of Listed Securities

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance

The Company has complied throughout the year ended 31 December 2007 with the CG Code set out in Appendix 14 to the Listing Rules except for the deviations from Code Provisions A.4.1 and A.4.2. Details are set out in the Corporate Governance Report on pages 66 to 73.

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. The Directors have confirmed, following specific enquiries by the Company, that they have complied with the required standard set out in the Model Code during the year ended 31 December 2007.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors to be independent.

Connected Transactions

(1) On 25 May 2007, Main Zone Group Limited ("Main Zone"), a wholly-owned subsidiary of the Company, entered into a joint venture agreement (the "Joint Venture Agreement") with Innovate Zone Group Limited ("Innovate Zone"), a wholly-owned subsidiary of SOL, and Many Gain International Limited ("Many Gain"), a member of Yida Group Company Limited (together with its subsidiaries referred to as "Yida

Group"). Pursuant to the Joint Venture Agreement, the parties have formed a joint venture company under the name of Richcoast Group Limited ("Dalian Offshore JV"), which is owned as to 61.54%, 28.20% and 10.26% by Innovate Zone, Main Zone and Many Gain respectively. Dalian Offshore JV has in turn established a chain of subsidiaries to acquire from the Yida Group 78% equity interest in each of the four companies established as wholly-owned subsidiaries by Yida Group in the People's Republic of China (the "PRC"), which hold the entire registered capital of the two project companies ("PRC Project Companies") established in the PRC. The PRC Project Companies would acquire the 23 plots of land at Dalian Software Park Phase II (now known as Dalian Tiandi • Software Hub) and undertake the development and operation of the project.

Pursuant to the Joint Venture Agreement, Main Zone has contributed US$220 in cash to the equity capital of Dalian Offshore JV and provided a shareholder's loan of HK$507.7 million to Dalian Offshore JV and its subsidiaries ("Dalian Group"). In the event that any third party funding is required, the parties have also agreed to provide guarantees up to a maximum aggregate amount of RMB500 million in the proportion of their respective attributable interests in Dalian Group.

Mr. Lo Hong Sui, Vincent, the Chairman of the Company, is the chairman and a substantial shareholder of SOL. Therefore, SOL and Innovate Zone are associates of a connected person of the Company. Accordingly, the aforesaid transaction constitutes a connected and discloseable transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval of the Company under the Listing Rules. Details of the transaction have been set out in an announcement and a circular of the Company dated 25 May 2007 and 4 June 2007 respectively. The transaction was approved by the independent shareholders of the Company on 20 June 2007.

(2) On 16 July 2007, New Rainbow Investments Limited ("New Rainbow"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Shui On Investment Company Limited ("SOICL"), a wholly-owned subsidiary of SOCL whereby New Rainbow agreed to sell to SOICL approximately HK$1.8 billion worth of shares of SOL subject to the terms and conditions contained therein. On 8 August 2007, the final purchase price was determined at HK$8.1664 per share of SOL, based on which a total of 220,415,360 shares of SOL were sold to SOICL.

As SOICL is a wholly-owned subsidiary of SOCL, the controlling shareholder of the Company, both SOCL and SOICL are connected persons of the Company. Pursuant to the Listing Rules, the disposal of the shares of SOL by New Rainbow constitutes a connected and discloseable transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval of the Company. Details of the transaction have been set out in the announcements dated 16 July 2007 and 9 August 2007 and a circular dated 31 July 2007 issued by the Company. The transaction was approved by the independent shareholders of the Company on 17 August 2007.

(3) Further to the formation of the joint venture as mentioned in item (1) above, on 15 January 2008, Innovate Zone, Main Zone and Yida Group agreed to inject further cash by way of capital injection and shareholders' loans into the Dalian Group in the aggregate amount equivalent to approximately RMB910 million for the development and operation of the Dalian Tiandi • Software Hub project. Such further injection has been contributed by the parties in proportion to their respective attributable interests in the Dalian Group. The further injection contributed by Main Zone through the Dalian Offshore JV by way of shareholder's loan amounted to RMB200.2 million.

As Innovate Zone is an associate of Mr. Lo Hong Sui, Vincent, the Chairman of the Company, the further injection by Main Zone constitutes a connected transaction of the Company and is subject to the announcement and reporting requirements under the Listing Rules. Details of the transaction have been set out in an announcement of the Company dated 16 January 2008.

(4) On 4 March 2008, New Rainbow entered into a sale and purchase agreement with SOICL whereby New Rainbow agreed to sell to SOICL approximately HK$1.0 billion worth of shares of SOL subject to the terms and conditions contained therein. Pursuant to a supplemental agreement dated 14 March 2008, the final purchase price was fixed at HK$7.68 per share of SOL, based on which a total of 130,208,333 shares of SOL would be sold to SOICL.

As SOICL is a wholly-owned subsidiary of SOCL, the controlling shareholder of the Company, both SOCL and SOICL are connected persons of the Company. Pursuant to the Listing Rules, this disposal of the shares of SOL by New Rainbow, when aggregated with the previous disposal as mentioned in item (2) above, constitutes a connected and major transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval of the Company. Details of the transaction have been set out in the announcements dated 4 March 2008 and 17 March 2008 and a circular dated 20 March 2008 issued by the Company. The transaction is subject to the approval by the independent shareholders of the Company at a special general meeting convened to be held on 23 April 2008.

Continuing Connected Transactions

As disclosed in an announcement dated 15 February 2007 (the "Announcement") and a circular dated 8 March 2007 issued by the Company, the construction contracts awarded or to be awarded by SOL and its subsidiaries in favour of 上海瑞安建築有限公司 (Shanghai Shui On Construction Co., Ltd.) ("SSOC") under the framework agreement (the "Framework Agreement") dated 4 June 2006 made between SOL and SSOC constitute continuing connected transactions of the Company. Such transactions are subject to the cap of RMB285 million, RMB535 million and RMB750 million for the three financial years ending 31 December 2008 respectively.

The fees paid or payable to SSOC for the provision of construction services for the year ended 31 December 2007 amounted to HK$119.6 million. The Independent Non-executive Directors have reviewed such transactions for the year ended 31 December 2007 and confirmed that such transactions have been entered into by the Company in the ordinary and usual course of its business, on normal commercial terms, and in accordance with the terms of the relevant agreements governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the Board of Directors engaged the external auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditor has reported its factual findings on these procedures to the Board of Directors and confirmed that the continuing connected transactions (i) have received the approval of the Board of Directors of the Company; (ii) have been entered into in accordance with the terms of the relevant agreements governing such transactions; and (iii) have not exceeded the cap for the year ended 31 December 2007 as disclosed in the Announcement.

Directors' Interest in Competing Business

At 31 December 2007, the following Director is considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules as set out below:

Name of Director	Name of entity which businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Lo Hong Sui, Vincent	SOL	Property development in the PRC	Director and controlling shareholder

As the Board of Directors of the Company is independent from the board of SOL and the above Director is unable to control the Board of the Company, the Group is capable of carrying on its businesses independently of, and at arm's length with, the businesses of SOL.

Directors' Interests in Contracts of Significance

Save as aforesaid under the sections headed "Connected Transactions" and "Continuing Connected Transactions", no contracts of significance, to which the Company, its ultimate holding company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Remuneration Policy

The remuneration policy of the Group for rewarding its employees is based on their performance, qualifications and competence displayed.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to the Directors and eligible employees. Details of the scheme are set out in note 40 to the consolidated financial statements.

Provident and Retirement Fund Schemes

Details of the Group's provident and retirement fund schemes are shown in note 37 to the consolidated financial statements.

Major Suppliers and Major Customers

The five largest suppliers of the Group accounted for less than 15% of the total purchases of the Group in the year.

The five largest customers of the Group accounted for approximately 67% of the total turnover of the Group in the year with the largest customer, HKSAR Government – Architectural Services Department, accounting for approximately 26% of the turnover of the Group.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has a beneficial interest in the Group's five largest customers.

Donations

During the year, the Company and its subsidiaries made donations of HK$1.1 million to business associations and institutions.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31 December 2007.

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$1,780.1 million at 31 December 2007, details of which are as follows:

	Balance at 31 December 2007				
		Unsecured loans			
Affiliated companies	Approximate effective percentage of interest	Interest free with no fixed repayment terms HK$ million	Interest bearing with no fixed repayment terms HK$ million (Note a)	Investment in convertible bond HK$ million (Note b)	Total HK$ million
北京億達房地產開發有限公司	40%	8.6	85.4	—	94.0
Beijing ZhongTian HongYe Real Estate Consulting Co., Ltd.	40%	13.2	—	—	13.2
Brisfull Limited	50%	2.1	41.8	—	43.9
Broad Wise Limited	40%	389.2	—	—	389.2
China Central Properties Limited	40%	—	—	195.0	195.0
廣州安德建築構件有限公司	40%	1.7	—	—	1.7
Guizhou Bijie Shui On Cement Co., Ltd.	80%	21.9	44.0	—	65.9
貴州暢達瑞安水泥有限公司	51%	5.0	—	—	5.0
Guizhou Kaili Ken On Concrete Co., Ltd.	75%	3.5	1.9	—	5.4
貴州凱里瑞安水泥有限公司	90%	54.9	35.0	—	89.9
貴州習水瑞安水泥有限公司	90%	33.0	—	—	33.0
Guizhou Yuqing Shui On Cement Co. Ltd.	80%	16.9	—	—	16.9
Guizhou Zunyi Ken On Concrete Co., Ltd.	75%	4.6	2.8	—	7.4
貴州遵義瑞安水泥有限公司	80%	55.5	—	—	55.5
Lamma Yue Jie Company Limited	60%	17.0	—	—	17.0
Nanjing Jiangnan Cement Co., Ltd.	60%	134.0	—	—	134.0
Richcoast Group Limited	28%	510.6	—	—	510.6
四川合江瑞安水泥有限公司	90%	3.3	20.4	—	23.7
Super Race Limited	50%	—	3.4	—	3.4
The Yangtze Ventures II Limited	75%	75.4	—	—	75.4
		1,350.4	234.7	195.0	1,780.1

The proforma combined balance sheet of the above affiliated companies at 31 December 2007 is as follows:

	HK$ million
Non-current assets	1,748.2
Current assets	5,137.5
Current liabilities	(2,178.5)
Net current assets	2,959.0
Non-current liabilities	(3,339.5)
Minority interest	(360.5)
Shareholders' funds	1,007.2

Details of the above affiliated companies are set out in notes 48 and 49 to the consolidated financial statements.

Notes:

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

Affiliated companies	Interest rate per annum
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
Brisfull Limited	Fixed at 2.5%
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.

Loans to the aforesaid affiliated companies, funded by internal resources and bank borrowings, were made for the purposes of investment in and/or working capital for these companies.

(II) BANKING FACILITIES WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

The Company was granted a 3-year term loan of HK$200 million in February 2005, which requires SOCL and/or Mr. Lo Hong Sui, Vincent, the controlling shareholders of the Company, to retain not less than 50% 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.

Post Balance Sheet Events

Details of the significant events subsequent to the balance sheet date are set out in note 46 to the consolidated financial statements.

Auditor

A resolution will be proposed at the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

By order of the Board

Lo Hong Sui, Vincent
Chairman

8 April 2008

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF
SHUI ON CONSTRUCTION AND MATERIALS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Shui On Construction and Materials Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on page 94 to 180, which comprise the consolidated balance sheet as at 31 December 2007, the consolidated income statement, the consolidated statement of recognised income and expense and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2007 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

8 April 2008

Consolidated Income Statement

For the year ended 31 December 2007

	Notes	Year ended 31 December 2007 HK$ million	Nine months ended 31 December 2006 HK$ million
Turnover			
The Company and its subsidiaries		**2,810.5**	1,680.4
Share of jointly controlled entities/associates		**2,270.2**	1,606.2
		5,080.7	3,286.6
Group turnover	7	**2,810.5**	1,680.4
Other income	8	**60.6**	70.7
Changes in inventories of finished goods, work in progress, contract work in progress and properties held for sale		**76.2**	25.2
Raw materials and consumables used		**(423.0)**	(244.8)
Staff costs		**(315.1)**	(215.4)
Depreciation and amortisation expenses		**(7.8)**	(5.6)
Subcontracting, external labour costs and other expenses		**(2,243.6)**	(1,308.6)
Dividend income from available-for-sale investments		**71.1**	—
Fair value changes on investment properties		**25.2**	1.4
Fair value changes on financial assets at fair value through profit or loss		**—**	48.1
Fair value changes on embedded derivatives	9	**(15.5)**	621.4
Convertible bonds issued by the Company			
— Fair value changes on embedded derivatives	9	**(326.6)**	(28.1)
— Imputed interest expense	10	**(78.5)**	(40.5)
Interest on bank loans and other borrowing costs	10	**(208.6)**	(125.4)
Gain on disposal of available-for-sale investments	21	**928.7**	—
Impairment loss recognised in respect of interests in jointly controlled entities	20	**(85.8)**	—
Gain on disposals of interests in jointly controlled entities	41	**110.5**	—
(Loss) gain on deemed disposal of interest in an associate	41/21	**(21.5)**	119.1
Share of impairment loss of jointly controlled entities		**(34.4)**	(84.3)
Share of results of jointly controlled entities	7/20	**367.1**	83.5
Share of results of associates	7/22	**26.1**	48.8
Loss on disposal of partial interest in a subsidiary		**—**	(9.7)
Profit before taxation		**715.6**	636.2
Taxation	11	**(11.3)**	(7.7)
Profit for the year/period from continuing operations		**704.3**	628.5
Discontinued operations			
Loss for the period from discontinued operations	13	**—**	(6.1)
Profit for the year/period	14	**704.3**	622.4

	Notes	Year ended 31 December 2007 HK$ million	Nine months ended 31 December 2006 HK$ million
Attributable to:			
Equity holders of the Company		**702.0**	602.1
Minority interests		**2.3**	20.3
		704.3	622.4
Dividends	15		
Paid or declared		**198.0**	120.3
Proposed		**209.1**	150.9
Earnings per share	16		
Basic		**HK$2.34**	HK$2.17
Diluted		**HK$2.29**	HK$0.06

Consolidated Balance Sheet

At 31 December 2007

	Notes	2007 HK$ million	2006 HK$ million
Non-current Assets			
Investment properties	17	**92.9**	63.2
Property, plant and equipment	18	**24.5**	29.4
Prepaid lease payments	19	**42.6**	40.8
Interests in jointly controlled entities	20	**3,175.0**	2,548.9
Available-for-sale investments	21	**4,789.1**	5,070.0
Interests in associates	22	**1,836.9**	—
Investment in convertible bonds	23	**174.1**	—
Club memberships		**1.2**	1.2
Amount due from a jointly controlled entity	24	**188.8**	—
Amounts due from associates	26	**490.6**	—
Defined benefit assets	37	**111.3**	83.0
		10,927.0	7,836.5
Current Assets			
Inventories	25	**11.3**	21.5
Prepaid lease payments	19	**0.9**	0.9
Properties held for sale		**53.5**	55.1
Debtors, deposits and prepayments	27	**589.5**	811.6
Derivative financial instruments			
— Embedded derivatives of convertible bonds issued by an associate	23	**16.2**	—
— Early redemption option of convertible bonds issued by the Company	33	**4.6**	8.6
Amounts due from customers for contract work	25	**161.9**	108.9
Amounts due from jointly controlled entities	24	**860.8**	1,204.7
Amounts due from associates	26	**129.8**	—
Amounts due from related companies	29	**1.9**	1.3
Taxation recoverable		**2.6**	0.4
Pledged bank deposits	28	**386.4**	200.5
Bank balances, deposits and cash	27	**153.3**	64.8
		2,372.7	2,478.3
Non-current assets held for sale		**—**	31.0
		2,372.7	2,509.3

	Notes	2007 HK$ million	2006 HK$ million
Current Liabilities			
Creditors and accrued charges	30	**802.5**	864.6
Amounts due to customers for contract work	25	**85.0**	142.6
Amounts due to jointly controlled entities	24	**12.4**	156.1
Amounts due to associates	26	**294.8**	—
Amounts due to related companies	29	**0.4**	0.1
Loan from a related company	31	**100.0**	—
Taxation payable		**8.3**	10.7
Derivative financial instruments	33	**248.8**	175.3
Bank borrowings due within one year	32	**2,800.5**	2,394.8
		4,352.7	3,744.2
Net Current Liabilities		**(1,980.0)**	(1,234.9)
Total Assets Less Current Liabilities		**8,947.0**	6,601.6
Capital and Reserves			
Share capital	34	**320.9**	283.6
Reserves	35	**6,920.7**	4,880.3
Total equity attributable to equity holders of the Company		**7,241.6**	5,163.9
Minority interests		**53.7**	52.2
		7,295.3	5,216.1
Non-current Liabilities			
Bank borrowings	32	**1,259.0**	567.4
Convertible bonds	33	**392.0**	817.6
Deferred tax liabilities	36	**0.7**	0.5
		1,651.7	1,385.5
		8,947.0	6,601.6

The consolidated financial statements on pages 94 to 180 were approved and authorised for issue by the Board of Directors on 8 April 2008 and are signed on its behalf by:

Wong Yuet Leung, Frankie
Chief Executive Officer

Lau Jeny
Chief Financial Officer

Consolidated Statement of Recognised Income and Expense

For the year ended 31 December 2007

	Year ended 31 December 2007 HK$ million	Nine months ended 31 December 2006 HK$ million
Gain on fair value changes of available-for-sale investments	**1,394.2**	2,188.1
Exchange differences arising on translation of financial statements of foreign operations	**146.1**	47.1
Recognition of actuarial gain	**17.8**	10.8
Share of translation reserve of associates	**23.6**	28.8
Net income recognised directly in equity	**1,581.7**	2,274.8
Transfer to profit or loss on disposal of available-for-sale investments	**(824.4)**	—
Transfer to profit or loss on disposals of interests in jointly controlled entities	**(9.2)**	—
Profit for the year/period	**704.3**	622.4
Total recognised income and expense for the year/period	**1,452.4**	2,897.2
Attributable to:		
Equity holders of the Company	**1,447.6**	2,876.9
Minority interests	**4.8**	20.3
	1,452.4	2,897.2

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Year ended 31 December 2007 HK$ million	Nine months ended 31 December 2006 HK$ million
Operating Activities		
Profit before taxation	**715.6**	636.2
Adjustments for:		
Loss for the period from discontinued operations	—	(6.1)
Impairment loss recognised on jointly controlled entities	**85.8**	—
Gain on disposal of interests in jointly controlled entities	**(110.5)**	—
Loss (gain) on deemed disposal of interest in an associate	**21.5**	(119.1)
Loss on disposal of partial interest in a subsidiary	—	9.7
Share of impairment loss of jointly controlled entities	**34.4**	84.3
Share of results of jointly controlled entities	**(367.1)**	(83.5)
Share of results of associates	**(26.1)**	(48.8)
Interest income	**(18.1)**	(24.5)
Finance costs	**287.1**	165.9
Interest from investment in convertible bonds	**(12.4)**	—
Interest from convertible redeemable participating junior preference shares	—	(14.8)
Dividends from available-for-sale investments	**(71.1)**	—
Fair value changes on investment properties	**(25.2)**	(1.4)
Fair value changes on financial assets at fair value through profit or loss	—	(48.1)
Fair value changes on embedded derivatives	**342.1**	(593.3)
Depreciation on property, plant and equipment	**6.9**	4.1
Amortisation of prepaid lease payments	**0.9**	1.5
Net loss on disposal of property, plant and equipment	**6.4**	4.5
Gain on disposal of available-for-sale investments	**(928.7)**	—
Unrealised gain on income from jointly controlled entities	**5.8**	—
Impairment loss on (written back of) other receivables	**12.2**	(6.6)
Share-based payment expense	**31.1**	6.1
Discount on acquisition of a subsidiary	—	(3.7)
Expenses in relation to defined benefit scheme	—	0.3
Loss on disposal of held-for-trading investments	**0.1**	—

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Year ended 31 December 2007 HK$ million	Nine months ended 31 December 2006 HK$ million
Operating cash flows before movements in working capital	**(9.3)**	(37.3)
Decrease (increase) in inventories	**11.1**	(3.6)
Decrease in properties held for sale	**1.6**	0.2
Decrease (increase) in debtors, deposits and prepayments	**254.2**	(342.4)
Increase in amounts due from customers for contract work	**(53.0)**	(37.4)
(Increase) decrease in amounts due from related companies	**(0.6)**	1.8
(Increase) decrease in amounts due from associates	**(129.7)**	0.3
(Increase) decrease in amounts due from jointly controlled entities	**(121.5)**	8.1
Increase in defined benefit assets	**(10.5)**	(6.7)
(Decrease) increase in creditors and accrued charges	**(13.6)**	286.9
(Decrease) increase in amounts due to customers for contract work	**(57.6)**	14.9
(Decrease) increase in amounts due to jointly controlled entities	**(143.7)**	80.8
Increase (decrease) in amounts due to associates	**294.8**	(0.2)
Increase in amounts due to related companies	**0.3**	—
Decrease in non-current assets held for sale	**—**	1.6
Cash from (used in) operations	**22.5**	(33.0)
Hong Kong Profits Tax paid	**(16.1)**	(0.9)
Hong Kong Profits Tax refunded	**0.4**	—
Income tax of other regions in the PRC paid	**(0.2)**	(0.3)
Net Cash From (Used in) Operating Activities	**6.6**	(34.2)
Investing Activities		
Investments in jointly controlled entities	**(339.4)**	(103.8)
Investments in associates	**(983.8)**	—
Advance to jointly controlled entities	**(467.3)**	(644.2)
Advance to an associate	**(507.7)**	—
Investment in convertible bonds of an associate	**(195.3)**	—
Purchases of financial assets at fair value through profit or loss	**—**	(21.5)
Acquisition of subsidiaries	**—**	21.1
Purchases of property, plant and equipment	**(9.2)**	(10.2)
Purchases of investment property	**—**	(1.2)
Dividends received from jointly controlled entities	**49.4**	33.2
Interest received from convertible redeemable participating junior preference shares	**—**	13.7
Proceeds from sales of available-for-sale investments	**1,779.4**	—
Proceeds from sales of held-for-trading investments	**71.4**	—
Interest received	**20.0**	26.8
Proceeds from sales of property, plant and equipment and leasehold land	**1.9**	15.5
Dividends received from available-for-sale investments	**71.1**	—
Proceeds from partial disposal of interest in a subsidiary	**—**	8.6
Net proceeds from disposal of a jointly controlled entity	**0.3**	—
Net cash outflow arising from disposal of a subsidiary	**—**	(42.3)
Pledged bank deposits	**(185.9)**	(200.5)

	Year ended 31 December 2007 HK$ million	Nine months ended 31 December 2006 HK$ million
Net Cash Used in Investing Activities	**(695.1)**	(904.8)
Financing Activities		
New bank loans raised	**2,567.0**	745.8
Loan from a related company	**100.0**	—
Net proceeds received on issue of shares	**43.9**	58.3
Net proceeds received on issue of convertible bonds	**—**	915.7
Repayments of bank loans	**(1,487.7)**	(599.8)
Interest paid	**(200.2)**	(112.7)
Other borrowing costs paid	**(8.4)**	(12.7)
Other movements with minority shareholders	**(0.5)**	(1.7)
Dividends paid	**(249.1)**	(69.2)
Dividends paid to minority shareholders	**(2.8)**	(6.4)
Net Cash From Financing Activities	**762.2**	917.3
Net Increase (Decrease) in Cash and Cash Equivalents	**73.7**	(21.7)
Cash and Cash Equivalents at the Beginning of the Year/Period	**62.1**	83.0
Effect of Foreign Exchange Rate Changes	**2.8**	0.8
Cash and Cash Equivalents at the End of the Year/Period	**138.6**	62.1
Analysis of the Balances of Cash and Cash Equivalents		
Bank balances, deposits and cash	**153.3**	64.8
Bank overdrafts	**(14.7)**	(2.7)
	138.6	62.1

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

1. General

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Directors consider that its parent and ultimate holding company is Shui On Company Limited ("SOCL"), a private limited liability company incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in Corporate Information in the annual report.

The principal activity of the Company is investment holding. Its subsidiaries, jointly controlled entities and associates are principally engaged in construction and contracting, renovation and fitting out, manufacturing and sales of cement, property development and investment, asset management and investment holding.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. Change of Financial Year End Date

The consolidated financial statements presented for the current period cover the twelve-month period from 1 January 2007 to 31 December 2007. During the nine-month period ended 31 December 2006, the Company resolved to change its financial year end date from 31 March to 31 December in order to align financial reporting dates within the Group. The corresponding comparative amounts shown for the consolidated income statement, consolidated statement of recognised income and expense, consolidated cash flow statement and related notes, therefore, cover the nine-month period from 1 April 2006 to 31 December 2006 and may not be comparable with amounts shown for the current period.

3. Application of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) — INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) — INT 8	Scope of HKFRS 2
HK(IFRIC) — INT 9	Reassessment of Embedded Derivatives
HK(IFRIC) — INT 10	Interim Financial Reporting and Impairment

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in the prior period under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

3. Application of New and Revised Hong Kong Financial Reporting Standards (continued)

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new standards or interpretations which have not been adopted early by the Group. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) — INT 11	HKFRS 2: Group and Treasury Share Transactions[3]
HK(IFRIC) — INT 12	Service Concession Arrangements[4]
HK(IFRIC) — INT 13	Customer Loyalty Programmes[5]
HK(IFRIC) — INT 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[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 March 2007
4 Effective for annual periods beginning on or after 1 January 2008
5 Effective for annual periods beginning on or after 1 July 2008

4. Significant Accounting Policies

The consolidated financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year/period are included in the consolidated income statement from the effective date of acquisition or made up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All inter-company transactions and balances within the Group are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

4. Significant Accounting Policies (continued)

BUSINESS COMBINATIONS

The acquisition of subsidiaries which are businesses, is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

GOODWILL

Goodwill arising on acquisitions prior to 1 January 2005

Goodwill arising on acquisitions of subsidiaries prior to 1 April 2001 continues to be held in reserves, and will be charged to the retained profits at the time when the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of a subsidiary for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition of a subsidiary is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

4. Significant Accounting Policies (continued)

EXCESS OF AN ACQUIRER'S INTEREST IN THE NET FAIR VALUE OF AN ACQUIREE'S IDENTIFIABLE ASSETS, LIABILITIES AND CONTINGENT LIABILITIES OVER COST ("DISCOUNT ON ACQUISITION")

A discount on acquisition arising on an acquisition of a subsidiary, an associate or a jointly controlled entity represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss. A discount on acquisition arising on an acquisition of an associate or a jointly controlled entity (which is accounted for using the equity method) is included as income in the determination of the investor's share of results of the associate or jointly controlled entity in the period in which the investment is acquired.

INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating decisions.

Joint venture arrangements that involve the establishment of a separate entity in which the venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of associates or jointly controlled entities are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates or jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate or the jointly controlled entity, less any identified impairment loss. When the Group's share of losses equals or exceeds its interest in the associate or the jointly controlled entities (which includes any long-term interest that, in substance, form part of the Group's net investment in the associates or jointly controlled entities), the Group discontinues recognising its share of further losses except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity.

For goodwill arising on acquisition of a jointly controlled entity, the goodwill included in the carrying amount of interests in a jointly controlled entity is not separately tested for impairment. Instead, the entire carrying amount of the interests in a jointly controlled entity is tested for impairment by comparing the Group's share of the present value of the estimated future cash flows expected to be generated by the jointly controlled entity with its carrying amount. Any impairment loss identified is recognised and is allocated first to goodwill.

When a group entity transacts with an associate or a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the associate or the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' (or disposal groups') previous carrying amount and fair value less costs to sell.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

4. Significant Accounting Policies (continued)

REVENUE RECOGNITION (continued)

Sales of properties

Revenue from sale of properties in the ordinary course of business is recognised when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Payments received from purchasers prior to this stage are recorded as sales deposits under current liabilities.

Others

Interest income from a financial asset is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Revenue from sales of goods are recognised when goods are delivered and title has passed.

Rental income is recognised on a straight-line basis over the term of the relevant lease.

Dividend income from investments is recognised when the Group's right to receive the relevant payment has been established.

INVESTMENT PROPERTIES

Investment property including land under operating lease arrangements, represents property held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model and stated at fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included as profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, if any, using the straight-line method. Both the useful life of an asset and its residual value, if any, are reviewed annually.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

4. Significant Accounting Policies (continued)

CLUB MEMBERSHIPS

On initial recognition, club memberships are stated at cost. After initial recognition, club memberships with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Club memberships are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

Prepaid lease payments on land use rights are amortised on a straight-line basis over the shorter of the relevant land use right or the operation period of the relevant company.

PROPERTIES HELD FOR SALE

Properties held for sale are stated at the lower of cost and net realisable value. Cost comprises property interest in leasehold land and development costs including attributable borrowing costs and charges capitalised during the development period that have been incurred in bringing the properties held for sale to their present location and condition. Net realisable value represents the estimated selling price less all anticipated costs of completion and costs to be incurred in marketing, selling and distribution.

CONSTRUCTION AND BUILDING MAINTENANCE CONTRACTS

Where the outcome of a construction and building maintenance contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction and building maintenance contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the consolidated balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheet under debtors, deposits and prepayments.

4. Significant Accounting Policies (continued)

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

IMPAIRMENT OF ASSETS (OTHER THAN GOODWILL AND CLUB MEMBERSHIPS WITH INDEFINITE USEFUL LIFE)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised in the consolidated income statement.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

TAXATION

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited as profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

4. Significant Accounting Policies (continued)

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Where the Group is the lessee, rentals payable under operating leases are charged to profit or loss on a straight-line basis over the relevant lease term. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised as profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included as profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). The cumulative exchange differences are recognised as profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 April 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Goodwill and fair value adjustments arising on acquisitions of foreign operations prior to 1 April 2005 are treated as non-monetary foreign currency items of the acquirer and reported using the historical exchange rate prevailing at the date of the acquisition.

4. Significant Accounting Policies (continued)

RETIREMENT BENEFITS COSTS

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme"), which is a defined contribution scheme, are charged as an expense as they fall due.

For the defined benefit retirement plan, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. All actuarial gains and losses of defined benefit plans are recognised immediately in actuarial gain and loss in equity in the period in which they occur.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The amount recognised in the consolidated balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than held-for-trading investments) are added to or deducted from the fair value of the financial assets and financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of held-for-trading investments are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables, held-for-trading investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade debtors, amounts due from jointly controlled entities, associates and related companies, debt receivable portion of investment in convertible bonds, pledged bank deposits and bank balances, deposits and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment loss on financial assets below).

4. Significant Accounting Policies (continued)

FINANCIAL INSTRUMENTS (continued)

Financial assets (continued)

Available-for-sale investments

Available-for-sale investments are non-derivatives that are neither designated nor classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods.

Investment in convertible bonds

The Group's investment in convertible bonds issued by an associate that contain both a debt receivable component and embedded derivatives are classified separately into respective components on initial recognition and are recognised at fair value. In subsequent periods, the debt receivable component of the convertible bonds is carried at amortised cost using the effective interest method. The embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the acquisition of the convertible bonds are allocated to the debt receivable and embedded derivatives components in proportion to the allocation of the proceeds. Transaction costs relating to the embedded derivatives are charged to profit or loss immediately. Transaction costs relating to the debt receivable component are included in the carrying amount of the debt receivable portion and amortised over the period of the convertible bonds using the effective interest method.

Held-for-trading investments

Held-for-trading investments are financial assets acquired principally for the purpose of selling in the near future. At each balance sheet date subsequent to initial recognition, held-for-trading investments are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade debtors, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, observable changes in national or local economic conditions that correlate with default on receivables.

4. Significant Accounting Policies (continued)

FINANCIAL INSTRUMENTS (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade debtors, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When debtors is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Convertible bonds

Convertible bonds issued by the Group that contain both liability and conversion option components are classified separately into the respective components on initial recognition. A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, both the liability and conversion option components are recognised at fair value.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

4. Significant Accounting Policies (continued)

FINANCIAL INSTRUMENTS (continued)

Financial liabilities and equity (continued)

Convertible bonds (continued)

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and conversion option components in proportion to the allocation of the proceeds. Transaction costs relating to the conversion option derivative are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Borrowings

Bank borrowings and loan from a related company are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Other financial liabilities

Other financial liabilities including creditors, amounts due to jointly controlled entities, associates and related companies are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Embedded derivatives and derivatives

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at fair value through profit or loss.

Derivatives (including embedded derivatives which are separated from non-derivatives host contracts) that do not qualify for hedge accounting are deemed as financial assets/financial liabilities held for trading and are measured at fair value except for derivative instruments which are linked to and must be settled by delivery of unquoted equity instruments whose fair value cannot be reliably measured and such derivative instruments are stated at cost less impairment, if applicable.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

4. Significant Accounting Policies (continued)

FINANCIAL INSTRUMENTS (continued)

Derecognition (continued)

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At each balance sheet date, for share options which are conditional upon satisfying specified non-market performance vesting conditions, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the share option reserve.

At the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profits.

5. Critical Accounting Judgement and Key Sources of Estimation Uncertainty

The Directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

CONSTRUCTION CONTRACTS

The Group recognises contract revenue and profit on a construction contract according to the management's estimation of the total outcome of the project as well as the percentage of completion of construction works. Notwithstanding that the management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimations and this will affect the revenue and profit recognised.

FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The Directors of the Company use their judgement and engage independent professional valuers in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

5. Critical Accounting Judgement and Key Sources of Estimation Uncertainty (continued)

INVESTMENT PROPERTIES

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates. In relying on the valuation report, management has exercised its judgment and is satisfied that the method of valuation is reflective of the current market conditions.

6. Financial Instruments

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include available-for-sale investments, investment in convertible bonds, debtors, amounts due from jointly controlled entities and associates, pledged bank deposits, bank balances, creditors, amounts due to jointly controlled entities, a related company and an associate, bank borrowings, loan from a related company and convertible bonds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Categories of financial instruments

	2007 **HK$ million**	2006 HK$ million
Financial assets		
Available-for-sale investments	**4,789.1**	5,070.0
Loans and receivables (including cash and cash equivalents)	**2,962.5**	2,266.0
Derivative financial instruments	**20.8**	8.6
Financial liabilities		
Amortised cost	**5,661.6**	4,800.6
Derivative financial instruments	**248.8**	175.3

(a) Market risk

The Group's activities expose primarily to the financial risks of changes in interest rates, foreign currency exchange rates and equity prices. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk. Details of each type of market risks are described as follows:

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and variable-rate borrowings. The Group is also exposed to fair value interest rate risk which relates primarily to its fixed-rate pledged bank deposits, fixed-rate bank borrowings and debt portion of the convertible bonds issued by the Company and an associate. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated borrowings.

6. Financial Instruments (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

(i) Interest rate risk (continued)

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

At the balance sheet date, if interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the Group's profit would decrease/increase by approximately HK$40.5 million for the year ended 31 December 2007 (nine months ended 31 December 2006: HK$21.6 million).

(ii) Foreign currency risk

Most of the Group's assets and liabilities are denominated in Hong Kong dollars or Renminbi, which are the same as the functional currency of the relevant group entity. The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group does not expect any significant exposure to foreign exchange fluctuations and does not use any derivative contracts to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities are as follows:

	2007 HK$ million	2006 HK$ million
Assets		
United States Dollars	**651.9**	201.3
Renminbi	**89.9**	82.5
Liabilities		
United States Dollars	**429.0**	121.2

6. Financial Instruments (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

(ii) Foreign currency risk (continued)

Foreign currency sensitivity

The Group's foreign currency risk is mainly concentrated on the fluctuation of the Renminbi against the Hong Kong dollar. It is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. The following table details the Group's sensitivity to a 7% increase or decrease in the Hong Kong dollar against the Renminbi. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year/period end for a 7% change in foreign currency rates. A positive number indicates an increase in profit for the year/period where the Renminbi strengthens against the Hong Kong dollar. For a 7% weakening of the Renminbi against the Hong Kong dollar, there would be an equal and opposite impact on the profit and the balances below would be negative.

	Year ended 31 December 2007 HK$ million	Nine months ended 31 December 2006 HK$ million
Renminbi	**6.3**	5.8

(iii) Other price risk

The Group is required to estimate the fair value of the embedded derivatives of the convertible bonds issued by the Company and an associate at each balance sheet date, which therefore exposed the Group to equity price risk. Details of the convertible bonds issued by the Company and an associate are set out in notes 33 and 23, respectively.

If the equity prices had been 20% higher/lower while all other input variables of the valuation models were held constant, the Group's profit would (decrease)/increase as follows:

	Year ended 31 December 2007 HK$ million	Nine months ended 31 December 2006 HK$ million
Higher by 20%		
Convertible bonds issued by the Company	**(122.4)**	(88.2)
Convertible bonds issued by an associate	**5.0**	—
Lower by 20%		
Convertible bonds issued by the Company	**113.4**	67.9
Convertible bonds issued by an associate	**(4.3)**	—

The Group is also exposed to equity price risk through its available-for-sale investments. If the market price of the investment had been increased/decreased by 20%, the Group's reserve would increase/decrease by approximately HK$957.8 million at 31 December 2007 (2006: HK$1,014.0 million).

6. Financial Instruments (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

With respect to credit risk arising from amounts due from jointly controlled entities and associates, the Group's exposure to credit risk arising from default of the counterparty is limited as the counterparty has good reputation and a good history of repayment and the Group does not expect to incur a significant loss for uncollected amounts due from these jointly controlled entities and associates.

(c) Capital risk

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. There has been no change to the Group's exposure to capital risk or the manner in which it manages and measures the risk.

The capital structure of the Group consists of debt, which includes borrowings and convertible bonds issued, and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Directors of the Company review the capital structure periodically. As a part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the issue of new shares, new debts or the redemption of existing debts.

6. Financial Instruments (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. At 31 December 2007, the Group's net current liabilities were HK$1,980.0 million. In the opinion of the Directors of the Company, most of the borrowings that mature within one year can be renewed on the strength of the Group's earnings and asset base and the Group expects to have adequate sources of funding to finance the Group and manage its liquidity position.

The following table details the Group's contractual maturity for its non-derivative financial liabilities as well as certain non-derivative financial assets. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. For non-derivative financial assets, the table reflects the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The table includes both interest and principal cash flows.

	Weighted average effective interest rate % per annum	Less than 3 months HK$ million	3 months to 1 year HK$ million	1-2 years HK$ million	2-3 years HK$ million	Total undiscounted cash flow HK$ million	Carrying amount HK$ million
At 31 December 2007							
Pledged fixed bank deposits	3.72%	**302.6**	**87.4**	**—**	**—**	**390.0**	**386.4**
Trade and other payables	—	**(943.1)**	**(94.2)**	**(72.8)**	**—**	**(1,110.1)**	**(1,110.1)**
Borrowings							
— fixed rate	5.39%	**(6.5)**	**(92.9)**	**—**	**—**	**(99.4)**	**(90.8)**
— variable rate	4.44%	**(1,569.8)**	**(1,481.1)**	**(908.4)**	**(252.2)**	**(4,211.5)**	**(4,068.7)**
Convertible bonds (fixed)	12.50%	**—**	**—**	**(470.0)**	**—**	**(470.0)**	**(392.0)**
		(2,216.8)	**(1,580.8)**	**(1,451.2)**	**(252.2)**	**(5,501.0)**	**(5,275.2)**

	Weighted average effective interest rate % per annum	Less than 3 months HK$ million	3 months to 1 year HK$ million	1-2 years HK$ million	2-3 years HK$ million	Total undiscounted cash flow HK$ million	Carrying amount HK$ million
At 31 December 2006							
Pledged fixed bank deposits	5.12%	121.8	80.3	—	—	202.1	200.5
Trade and other payables	—	(847.9)	(158.2)	(14.7)	—	(1,020.8)	(1,020.8)
Borrowings							
— fixed rate	5.33%	(6.1)	(82.5)	—	—	(88.6)	(84.8)
— variable rate	4.68%	(1,028.3)	(1,363.5)	(525.5)	(61.6)	(2,978.9)	(2,877.4)
Convertible bonds (fixed)	12.50%	—	—	—	(1,106.4)	(1,106.4)	(817.6)
		(1,760.5)	(1,523.9)	(540.2)	(1,168.0)	(4,992.6)	(4,600.1)

6. Financial Instruments (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.

- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

- The fair value of derivative instruments, is calculated using quoted prices. Where such prices are not available, the fair value of a non-option derivative is estimated using discounted cash flow analysis and the applicable yield curve. For an option-based derivative, the fair value is estimated using an option pricing model (for example, the binomial model).

The Directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. Business and Geographical Segments

BUSINESS SEGMENTS

For management reporting purposes, the Group is currently organised into four operating divisions – construction and building maintenance, cement operations, property development and asset management and others. These divisions are the basis on which the Group reports its primary segment information.

Turnover represents the revenue arising on construction contracts and building maintenance, amounts received and receivable for goods sold by the Group to third party customers, less returns and allowances, revenue from property development projects, fee from asset management and rental and leasing income for the year/period.

7. Business and Geographical Segments (continued)

BUSINESS SEGMENTS (continued)

Segment information about these businesses is presented below.

Year ended 31 December 2007

	Construction and building maintenance	Cement operations: Through LSOC#	Cement operations: Other cement operations	Property development	Asset management and others	Total	Eliminations	Consolidated
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
TURNOVER								
External sales	2,733.1	—	—	—	77.4	2,810.5	—	2,810.5
Inter-segment sales	1.3	—	—	—	—	1.3	(1.3)	—
Group turnover	**2,734.4**	**—**	**—**	**—**	**77.4**	**2,811.8**	**(1.3)**	**2,810.5**
Share of jointly controlled entities	9.2	1,669.3	385.9	—	7.2	2,071.6	—	2,071.6
Share of associates	—	—	—	198.6	—	198.6	—	198.6
Total	2,743.6	1,669.3	385.9	198.6	84.6	5,082.0	(1.3)	5,080.7

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	Through LSOC#	Other cement operations	Property development	Asset management and others	Total	Eliminations	Consolidated
RESULTS								
Segment results	55.3	7.8	(18.9)	(4.3)	(112.6)	(72.7)		(72.7)
Interest income	3.6	—	8.5	0.1	5.9	18.1		18.1
Interest income from investment in convertible bonds	—	—	—	12.4	—	12.4		12.4
Fair value changes on investment properties	—	—	—	—	25.2	25.2		25.2
Fair value changes on embedded derivatives	—	—	—	(15.5)	—	(15.5)		(15.5)
Dividend income from available-for-sale investments	—	—	—	71.1	—	71.1		71.1
Convertible bonds issued by the Company								
— Fair value changes on embedded derivatives	—	—	—	—	(326.6)	(326.6)		(326.6)
— Imputed interest expense	—	—	—	—	(78.5)	(78.5)		(78.5)
Interest on bank loans and other borrowing costs	(0.7)	—	(10.1)	—	(197.8)	(208.6)		(208.6)
Impairment loss recognised in respect of interests in jointly controlled entities	—	—	(85.8)	—	—	(85.8)		(85.8)
Gain on disposal of available-for-sale investments	—	—	—	928.7	—	928.7		928.7
Gain on disposals of interests in jointly controlled entities	—	—	—	110.5	—	110.5		110.5
Loss on deemed disposal of interest in an associate	—	—	—	(21.5)	—	(21.5)		(21.5)
Share of results of jointly controlled entities								
Cement operations in								
— LSOC	—	86.6	—	—	—	86.6		86.6
— Guizhou	—	—	18.9	—	—	18.9		18.9
Venture capital investments	—	—	—	—	77.6	77.6		77.6
Distressed asset development	—	—	—	187.0	—	187.0		187.0
Others	(4.4)	—	(0.6)	1.8	0.2	(3.0)		(3.0)
						367.1		367.1
Share of impairment loss of jointly controlled entities	—	(34.4)	—	—	—	(34.4)		(34.4)
Share of results of associates	—	—	—	26.1	—	26.1		26.1
Profit (loss) before taxation	53.8	60.0	(88.0)	1,296.4	(606.6)	715.6		715.6
Taxation						(11.3)		(11.3)
Profit for the year						704.3		704.3

7. Business and Geographical Segments (continued)

BUSINESS SEGMENTS (continued)
Consolidated Balance Sheet
At 31 December 2007

	Construction and building maintenance HK$ million	Cement operations: Through LSOC HK$ million	Cement operations: Other cement operations HK$ million	Property development HK$ million	Asset management and others HK$ million	Eliminations HK$ million	Consolidated HK$ million
ASSETS							
Segment assets	741.9	—	127.0	0.3	650.7	—	1,519.9
Amounts due from jointly controlled entities and associates	9.6	88.1	498.7	490.6	583.0	—	1,670.0
Interests in jointly controlled entities and associates	(11.2)	2,420.6	244.6	1,845.3	512.6	—	5,011.9
Inter-segment receivables	908.9	—	(80.2)	—	2,910.0	(3,738.7)	—
Investment in convertible bonds	—	—	—	190.3	—	—	190.3
Available-for-sale investments	—	—	—	4,789.1	—	—	4,789.1
	1,649.2	2,508.7	790.1	7,315.6	4,656.3	(3,738.7)	13,181.2
Unallocated assets							118.5
Consolidated total assets							13,299.7
LIABILITIES							
Segment liabilities	823.8	—	7.4	—	56.7	—	887.9
Amounts due to jointly controlled entities and associates	1.2	—	17.5	—	288.5	—	307.2
Inter-segment payables	117.7	—	3,121.4	—	499.6	(3,738.7)	—
	942.7	—	3,146.3	—	844.8	(3,738.7)	1,195.1
Unallocated liabilities							4,809.3
Consolidated total liabilities							6,004.4

Other Information
Year ended 31 December 2007

	Construction and building maintenance HK$ million	Cement operations: Through LSOC HK$ million	Cement operations: Other cement operations HK$ million	Property development HK$ million	Asset management and others HK$ million	Consolidated HK$ million
Capital expenditure	3.1	—	0.1	—	6.0	9.2
Depreciation and amortisation expenses	3.6	—	0.4	—	3.8	7.8
Impairment loss on other receivables	—	—	12.2	—	—	12.2
Share-based payments	—	—	—	—	31.1	31.1
Net loss on disposal of property, plant and equipment	3.2	—	3.2	—	—	6.4

7. Business and Geographical Segments (continued)

BUSINESS SEGMENTS (continued)

Period from 1 April 2006 to 31 December 2006

	Continuing operations						Discontinued operations				
		Cement operations									
	Construction and building maintenance HK$ million	Through LSOC HK$ million	Other cement operations HK$ million	Property development HK$ million	Asset management and others HK$ million	Total HK$ million	Sale of construction materials HK$ million	Trading of building materials HK$ million	Total HK$ million	Eliminations HK$ million	Consolidated HK$ million
TURNOVER											
External sales	1,605.3	—	—	—	75.1	1,680.4	—	—	—	—	1,680.4
Inter-segment sales	1.4	—	—	—	—	1.4	—	—	—	(1.4)	—
Group turnover	**1,606.7**	**—**	**—**	**—**	**75.1**	**1,681.8**	**—**	**—**	**—**	**(1.4)**	**1,680.4**
Share of jointly controlled entities	66.6	1,169.7	352.4	—	17.5	1,606.2	—	—	—	—	1,606.2
Total	1,673.3	1,169.7	352.4	—	92.6	3,288.0	—	—	—	(1.4)	3,286.6

Inter-segment sales are charged at mutually agreed prices.

	Construction and building maintenance	Through LSOC	Other cement operations	Property development	Asset management and others	Total	Sale of construction materials	Trading of building materials	Total	Eliminations	Consolidated
RESULTS											
Segment results	36.5	8.9	(16.6)	(24.6)	6.5	10.7	(5.8)	(0.3)	(6.1)		4.6
Interest income	3.0	1.4	4.1	—	16.0	24.5	—	—	—		24.5
Interest income from preference shares	—	—	—	14.8	—	14.8	—	—	—		14.8
Fair value changes on investment properties	—	—	—	—	1.4	1.4	—	—	—		1.4
Fair value changes on embedded derivatives	—	—	—	621.4	—	621.4	—	—	—		621.4
Convertible bonds issued by the Company											
— Fair value changes on embedded derivatives	—	—	—	—	(28.1)	(28.1)	—	—	—		(28.1)
— Imputed interest expense	—	—	—	—	(40.5)	(40.5)	—	—	—		(40.5)
Interest on bank loans and other borrowing costs	(0.5)	—	(0.8)	—	(124.1)	(125.4)	—	—	—		(125.4)
Loss on disposal of interest in a subsidiary	—	—	—	—	(9.7)	(9.7)	—	—	—		(9.7)
Gain on deemed disposal of partial interest in an associate	—	—	—	119.1	—	119.1	—	—	—		119.1
Share of results of jointly controlled entities											
Cement operations in											
— LSOC	—	6.8	—	—	—	6.8	—	—	—		6.8
— Guizhou	—	—	24.2	—	—	24.2	—	—	—		24.2
Venture capital investments	—	—	—	—	51.7	51.7	—	—	—		51.7
Distressed asset development	—	—	—	2.5	—	2.5	—	—	—		2.5
Others	(2.6)	—	0.9	—	—	(1.7)	—	—	—		(1.7)
						83.5					83.5
Share of impairment loss of jointly controlled entities											
Cement operations in											
— LSOC	—	(77.8)	—	—	—	(77.8)	—	—	—		(77.8)
— Guizhou	—	—	(6.5)	—	—	(6.5)	—	—	—		(6.5)
						(84.3)					(84.3)
Share of results of associates	—	—	—	48.8	—	48.8	—	—	—		48.8
Profit (loss) before taxation	36.4	(60.7)	5.3	782.0	(126.8)	636.2	(5.8)	(0.3)	(6.1)		630.1
Taxation						(7.7)			—		(7.7)
Profit (loss) for the period						628.5			(6.1)		622.4

7. Business and Geographical Segments (continued)

BUSINESS SEGMENTS (continued)

Consolidated Balance Sheet
At 31 December 2006

	Continuing operations					Discontinued operations			
		Cement operations							
	Construction and building maintenance	Through LSOC	Other cement operations	Property development	Asset management and others	Sale of construction materials	Trading of building materials	Eliminations	Consolidated
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
ASSETS									
Segment assets	722.5	—	126.1	1.6	546.6	29.4	4.0	—	1,430.2
Amounts due from jointly controlled entities	3.3	384.3	438.4	289.9	88.8	—	—	—	1,204.7
Interests in jointly controlled entities	(6.8)	1,630.4	253.2	139.6	532.5	—	—	—	2,548.9
Inter-segment receivables	936.2	—	113.6	—	5,272.2	—	7.8	(6,329.8)	—
Available-for-sale investments	—	—	—	5,070.0	—	—	—	—	5,070.0
	1,655.2	2,014.7	931.3	5,501.1	6,440.1	29.4	11.8	(6,329.8)	10,253.8
Unallocated assets									92.0
Consolidated total assets									10,345.8
LIABILITIES									
Segment liabilities	903.0	—	14.4	—	88.0	0.4	1.5	—	1,007.3
Amounts due to jointly controlled entities	2.9	—	29.3	—	123.9	—	—	—	156.1
Inter-segment payables	128.7	—	3,145.2	2,223.9	618.5	95.6	117.9	(6,329.8)	—
	1,034.6	—	3,188.9	2,223.9	830.4	96.0	119.4	(6,329.8)	1,163.4
Unallocated liabilities									3,966.3
Consolidated total liabilities									5,129.7

7. Business and Geographical Segments (continued)

BUSINESS SEGMENTS (continued)

Other Information

Period from 1 April 2006 to 31 December 2006

	Continuing operations					Discontinued operations		
		Cement operations						
	Construction and building maintenance HK$ million	Through LSOC HK$ million	Other cement operations HK$ million	Property development HK$ million	Asset management and others HK$ million	Sale of construction materials HK$ million	Trading of building materials HK$ million	Consolidated HK$ million
Capital expenditure	4.4	—	4.7	—	3.3	—	—	12.4
Depreciation and amortisation expenses	1.5	—	3.5	—	0.6	—	—	5.6
Share-based payments	—	—	—	—	6.1	—	—	6.1
Net loss on disposal of property, plant and equipment and leasehold land	4.6	—	—	—	(0.1)	—	—	4.5

GEOGRAPHICAL SEGMENTS

The Group's operations are located in Hong Kong and other regions in the PRC.

An analysis of the Group's turnover by geographical markets, irrespective of the origin of the goods/services, is as follows:

	Year ended 31 December 2007			Nine months ended 31 December 2006		
	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	**1,995.9**	**9.2**	**2,005.1**	1,494.9	5.4	1,500.3
Other regions in the PRC	**814.6**	**2,261.0**	**3,075.6**	185.5	1,600.8	1,786.3
	2,810.5	**2,270.2**	**5,080.7**	1,680.4	1,606.2	3,286.6

7. Business and Geographical Segments (continued)

GEOGRAPHICAL SEGMENTS (continued)

The following is an analysis of the carrying amount of segment assets and total assets, and additions to investment properties and property, plant and equipment analysed by the geographical areas in which the assets are located:

	Carrying amount of segment assets		Carrying amount of total assets		Additions to investment properties and property, plant and equipment	
	2007 HK$ million	2006 HK$ million	**2007 HK$ million**	2006 HK$ million	**2007 HK$ million**	2006 HK$ million
Hong Kong	**868.1**	870.3	**1,030.8**	1,168.7	**3.6**	7.2
Other regions in the PRC	**651.8**	559.9	**12,268.9**	9,177.1	**5.6**	5.2
	1,519.9	1,430.2	**13,299.7**	10,345.8	**9.2**	12.4

8. Other Income

	Year ended 31 December 2007 HK$ million	Nine months ended 31 December 2006 HK$ million
Included in other income are:		
Interest income	**18.1**	24.5
Interest income from investment in convertible bonds	**12.4**	—
Interest income from convertible redeemable participating junior preference shares	**—**	14.8

9. Fair Value Changes on Embedded Derivatives

	Year ended 31 December 2007 HK$ million	Nine months ended 31 December 2006 HK$ million
Changes in fair values of embedded derivatives in:		
— Convertible bonds issued by an associate (note 23)	**(15.5)**	—
— Convertible bonds issued by the Company (note 33)	**(326.6)**	(28.1)
— Convertible redeemable participating junior preference shares issued by an associate (note 21)	**—**	621.4
Net (loss) gain recognised	**(342.1)**	593.3

10. Finance Costs

	Year ended 31 December 2007 HK$ million	Nine months ended 31 December 2006 HK$ million
Interest on bank loans and overdrafts and other loans wholly repayable within 5 years	**200.2**	112.7
Other borrowing costs	**8.4**	12.7
	208.6	125.4
Imputed interest expense on convertible bonds issued by the Company (note 33)	**78.5**	40.5
	287.1	165.9

11. Taxation

	Year ended 31 December 2007 HK$ million	Nine months ended 31 December 2006 HK$ million
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	**6.2**	5.4
Income tax of other regions in the PRC	**4.9**	0.8
	11.1	6.2
Deferred taxation	**0.2**	1.5
	11.3	7.7

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for the year/period.

Profits tax outside Hong Kong is calculated at the rates prevailing in the respective jurisdictions.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% for certain subsidiaries, jointly controlled entities and associates from 1 January 2008.

Details of the deferred taxation are set out in note 36.

11. Taxation (continued)

The tax charge for the year/period can be reconciled to the profit before taxation per the consolidated income statement as follows:

	Year ended 31 December 2007 HK$ million	Nine months ended 31 December 2006 HK$ million
Profit before taxation		
Continuing operations	**715.6**	636.2
Discontinued operations	**—**	(6.1)
	715.6	630.1
Tax at Hong Kong Profits Tax rate of 17.5%	**125.2**	110.3
Effect of share of results of jointly controlled entities	**(58.2)**	0.1
Effect of share of results of associates	**(4.6)**	(8.5)
Effect of different tax rates on operations in other jurisdictions	**(1.5)**	0.9
Tax effect of expenses not deductible for tax purposes	**129.4**	58.2
Tax effect of income not taxable for tax purposes	**(201.5)**	(165.1)
Tax effect of tax losses not recognised	**23.0**	13.4
Tax effect of utilisation of tax losses previously not recognised	**(0.9)**	(2.2)
Others	**0.4**	0.6
Tax charge for the year/period	**11.3**	7.7

12. Directors' Emoluments and Five Highest Paid Employees

The emoluments paid or payable to each of the eleven (nine months ended 31 December 2006: eleven) Directors were as follows:

		Year ended 31 December 2007						
Name of Directors	Notes	Fees HK$'000	Salaries and other benefits HK$'000	Bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Share-based payments HK$'000	Total HK$'000	Nine months ended 31 December 2006 Total HK$'000
Mr. Lo Hong Sui, Vincent		10	—	—	—	—	10	8
Mr. Choi Yuk Keung, Lawrence		10	3,306	2,100	122	1,393	6,931	4,094
Mr. Wong Yuet Leung, Frankie		10	5,240	7,000	189	5,686	18,125	9,532
Ms. Lau Jeny	(a)	2	754	—	3	—	759	—
Mrs. Lowe Hoh Wai Wan, Vivien		10	2,057	1,200	67	1,341	4,675	2,294
Professor Michael Enright	(b)	275	—	—	—	—	275	206
Mr. Anthony Griffiths	(c)	350	—	—	—	—	350	263
Mr. Cheng Mo Chi, Moses	(c)	275	—	—	—	—	275	206
Mr. Gerrit de Nys	(c) & (d)	102	—	—	—	—	102	—
Professor K.C. Chan	(e)	137	—	—	—	—	137	206
Mr. Wong Fook Lam, Raymond	(f)	6	1,300	1,700	49	469	3,524	3,037
Mr. Wong Ying Wai, Wilfred	(g)	—	—	—	—	—	—	2
Mr. Wong Hak Wood, Louis	(h)	—	—	—	—	—	—	33
Total		1,187	12,657	12,000	430	8,889	35,163	19,881
Nine months ended 31 December 2006		956	9,769	5,650	574	2,932	19,881	

Notes:

(a) Ms. Lau Jeny was appointed as an Executive Director on 2 October 2007.
(b) Non-executive Director.
(c) Independent Non-executive Directors.
(d) Mr. Gerrit de Nys was appointed as an Independent Non-executive Director on 18 August 2007.
(e) Professor K.C. Chan resigned as an Independent Non-executive Director on 1 July 2007.
(f) Mr. Wong Fook Lam, Raymond resigned as an Executive Director on 14 June 2007.
(g) Mr. Wong Ying Wai, Wilfred resigned as an Executive Director on 1 June 2006.
(h) Mr. Wong Hak Wood, Louis resigned as a Non-executive Director on 1 June 2006.

12. Directors' Emoluments and Five Highest Paid Employees (continued)

Of the five individuals with the highest emoluments in the Group, two (nine months ended 31 December 2006: four) are Executive Directors of the Company whose emoluments are set out above. The emolument of the remaining three (nine months ended 31 December 2006: one) individuals was as follows:

	Year ended 31 December 2007 HK$ million	Nine months ended 31 December 2006 HK$ million
Salaries, bonuses and allowances	**11.8**	2.3
Retirement benefits scheme contributions	**0.3**	0.1
Share-based payments	**6.1**	0.2
	18.2	2.6

Their emoluments were within the following bands:

	2007 No. of employees	2006 No. of employees
HK$2,500,001 to HK$3,000,000	**—**	1
HK$4,500,001 to HK$5,000,000	**1**	—
HK$5,500,001 to HK$6,000,000	**1**	—
HK$7,500,001 to HK$8,000,000	**1**	—
	3	1

13. Discontinued Operations

The Group ceased its construction materials and materials trading operations in Hong Kong and the Pearl River Delta during the financial year ended 31 March 2005.

The results of the discontinued operations which had been included in the consolidated financial statements were as follows:

	Nine months ended 31 December 2006 HK$ million
Other income	0.4
Subcontracting, external labour costs and other expenses	(6.5)
Loss before and after taxation	(6.1)

During the period ended 31 December 2006, the discontinued operations had HK$0.6 million net operating cash outflows.

The carrying amounts of the assets and liabilities of the discontinued operations at 31 December 2006 were HK$41.2 million and HK$215.4 million, respectively.

14. Profit for the Year/Period

	Year ended 31 December 2007 HK$ million	Nine months ended 31 December 2006 HK$ million
Profit for the year/period has been arrived at after charging (crediting):		
Depreciation and amortisation:		
Prepaid lease payments	**0.9**	1.5
Property, plant and equipment	**6.9**	4.1
	7.8	5.6
Auditors' remuneration	**4.3**	4.0
Operating lease payments in respect of rented premises	**6.4**	4.7
Net loss on disposal of property, plant and equipment	**6.4**	4.5
Impairment loss on other receivables (included in subcontracting, external labour costs and other expenses)	**12.2**	(6.6)
Discount on acquisition of a subsidiary	**—**	(3.7)
Loss on disposal of held-for-trading investments	**0.1**	—
Dividend income from unlisted investments	**—**	(52.0)
Staff costs (including directors' emoluments):		
Salaries, bonuses and allowances	**287.3**	206.3
Retirement benefits cost	**(3.3)**	3.0
Share-based payments	**31.1**	6.1
	315.1	215.4
Gross rental revenue from an investment property and car park spaces	**(1.4)**	(1.7)
Less: Direct expenses from investment properties that generated rental income	**0.6**	0.3
Net rental income	**(0.8)**	(1.4)
Share of tax of jointly controlled entities (included in share of results of jointly controlled entities)	**25.0**	5.3
Share of tax of associates (included in share of results of associates)	**19.2**	177.3

15. Dividends

	Year ended 31 December 2007 HK$ million	Nine months ended 31 December 2006 HK$ million
Paid:		
Final dividend in respect of the nine months ended 31 December 2006:		
HK$0.52 per share (year ended 31 March 2006: HK$0.25 per share)	**150.9**	69.2
Interim dividend in respect of the year ended 31 December 2007:		
HK$0.15 per share	**47.1**	—
Declared:		
Interim dividend in respect of the nine months ended 31 December 2006:		
HK$0.18 per share	**—**	51.1
	198.0	120.3
Proposed:		
Final dividend in respect of the year ended 31 December 2007:		
HK$0.65 per share (nine months ended 31 December 2006: HK$0.52 per share)	**209.1**	150.9

The final dividend in respect of the year ended 31 December 2007 of HK$0.65 per share has been proposed by the Directors and is subject to approval by shareholders at the annual general meeting.

16. 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:

	Year ended 31 December 2007 HK$ million	Nine months ended 31 December 2006 HK$ million
Earnings:		
Earnings for the purposes of basic earnings per share	**702.0**	602.1
Effect of dilutive potential ordinary shares from convertible bonds issued by the Company:		
Imputed interest expense	**—**	40.5
Fair value changes on embedded derivatives	**—**	28.1
Effect of dilutive potential ordinary shares of an associate:		
Interest income on convertible bonds	**(12.4)**	—
Fair value changes on embedded derivatives of convertible bonds	**15.5**	—
Interest income on convertible redeemable participating junior preference shares	**—**	(14.8)
Fair value changes on convertible redeemable participating junior preference shares	**—**	(621.4)
Adjustment to the share of results of an associate based on dilution of its earnings per share	**(8.2)**	(12.8)
Earnings for the purposes of diluted earnings per share	**696.9**	21.7
Number of shares:	**Million**	Million
Weighted average number of ordinary shares for the purposes of basic earnings per share	**299.8**	277.6
Effect of dilutive potential ordinary shares:		
Convertible bonds issued by the Company	**—**	54.3
Share options	**4.5**	7.1
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**304.3**	339.0
Earnings per share	**HK$**	HK$
Basic	**2.34**	2.17
Diluted	**2.29**	0.06

The computation of diluted earnings per share for the year ended 31 December 2007 does not assume the conversion of outstanding convertible bonds issued by the Company, since their conversion would result in increase in earnings per share for the current year.

17. Investment Properties

	2007 HK$ million	2006 HK$ million
Fair Value		
At the beginning of the year/period	**63.2**	58.5
Exchange adjustments	**4.5**	2.1
Addition	**—**	1.2
Increase in fair value recognised	**25.2**	1.4
At the end of the year/period	**92.9**	63.2

All the Group's property interests held under operating leases to earn rentals or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties.

The carrying value of the investment properties at 31 December 2007 and 31 December 2006 represents properties situated in the PRC under medium-term leases.

The fair value has been arrived at based on a valuation carried out by Chongqing Ruisheng Real Estate Appraisal Co., Ltd., an independent professionally qualified valuer not connected with the Group and has recent experience in the valuation of similar properties in the relevant locations.

18. Property, Plant and Equipment

	Properties in Hong Kong located on land held under medium-term leases HK$ million	Properties in other regions of the PRC located on land held under medium-term leases HK$ million	Plant and machinery HK$ million	Motor vehicles HK$ million	Equipment, furniture and other assets HK$ million	Total HK$ million
AT COST						
At 1 April 2006	12.2	7.6	56.2	14.7	34.0	124.7
Exchange adjustments	—	0.3	0.3	0.1	0.1	0.8
Additions	—	0.2	0.2	4.2	5.6	10.2
Acquisition of a subsidiary (note 42)	—	—	1.0	—	—	1.0
Disposals	(8.8)	—	(0.3)	(1.7)	(0.4)	(11.2)
At 31 December 2006	3.4	8.1	57.4	17.3	39.3	125.5
Exchange adjustments	—	0.6	0.8	0.3	0.2	1.9
Additions	—	—	0.1	4.9	4.2	9.2
Disposals	—	(6.3)	(8.0)	(3.5)	(0.8)	(18.6)
At 31 December 2007	3.4	2.4	50.3	19.0	42.9	118.0
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 April 2006	3.4	2.9	50.1	11.3	28.5	96.2
Exchange adjustments	—	0.1	0.2	—	—	0.3
Charge for the period	0.2	0.5	0.5	1.0	1.9	4.1
Eliminated on disposals	(2.4)	—	(0.3)	(1.5)	(0.3)	(4.5)
At 31 December 2006	1.2	3.5	50.5	10.8	30.1	96.1
Exchange adjustments	—	0.1	0.5	0.2	0.1	0.9
Charge for the year	0.1	0.5	0.7	2.2	3.4	6.9
Eliminated on disposals	—	(3.6)	(3.7)	(2.6)	(0.5)	(10.4)
At 31 December 2007	1.3	0.5	48.0	10.6	33.1	93.5
CARRYING VALUES						
At 31 December 2007	2.1	1.9	2.3	8.4	9.8	24.5
At 31 December 2006	2.2	4.6	6.9	6.5	9.2	29.4

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Properties in Hong Kong and other regions of the PRC located on land held under medium-term leases	2.5%
Plant and machinery	10 - 25%
Motor vehicles, equipment, furniture and other assets	20 - 33%

19. Prepaid Lease Payments

	2007 HK$ million	2006 HK$ million
Leasehold land under medium-term lease:		
In Hong Kong	**3.2**	3.3
Outside Hong Kong	**40.3**	38.4
	43.5	41.7
Analysed for reporting purposes as:		
Non-current	**42.6**	40.8
Current	**0.9**	0.9
	43.5	41.7

Amortisation of prepaid lease payments amounting to HK$0.9 million (nine months ended 31 December 2006: HK$1.5 million) was charged to the consolidated income statement.

20. Interests in Jointly Controlled Entities

	2007 HK$ million	2006 HK$ million
Cost of unlisted investments in jointly controlled entities, net of impairment (note)	**2,900.4**	2,371.2
Share of post-acquisition profits and reserves	**274.6**	177.7
	3,175.0	2,548.9

Note: Goodwill of HK$121.8 million (31 December 2006: HK$121.8 million) is included in the cost of unlisted investments in jointly controlled entities. The goodwill arose from the contribution to a jointly controlled entity, Lafarge Shui On Cement Limited ("LSOC"), during the year ended 31 March 2006. The entire carrying amount of the Group's interest in LSOC, including the goodwill, is reviewed for impairment at each balance sheet date. There is no indication of impairment at both balance sheet dates.

Particulars of the principal jointly controlled entities are set out in note 48.

20. Interests in Jointly Controlled Entities (continued)

The summarised financial information in respect of the Group's share of interest in assets, liabilities, income and expenses of jointly controlled entities for the years ended 31 December 2007 and 31 December 2006 attributable to the Group is as follows:

	2007 HK$ million	2006 HK$ million
Current assets	**2,438.6**	2,462.5
Non-current assets	**6,083.5**	4,921.6
Current liabilities	**(3,874.0)**	(2,942.5)
Non-current liabilities	**(1,032.5)**	(1,554.8)
Minority interests	**(587.5)**	(471.7)
Income	**3,174.2**	1,782.1
Expenses	**(2,841.5)**	(1,782.9)

The summary of aggregate financial information of the Group's significant jointly controlled entities engaged in the manufacture and sale of cement in Guizhou, Nanjing and LSOC, based on the adjusted financial statements prepared under the HKFRSs for the years ended 31 December 2007 and 31 December 2006, is as follows:

	2007 HK$ million	2006 HK$ million
Results for the year ended 31 December		
Turnover	**5,351.7**	3,071.9
Profit (loss) before taxation	**158.7**	(140.1)
Profit (loss) before taxation attributable to the Group	**87.2**	(48.4)

20. Interests in Jointly Controlled Entities (continued)

	2007 HK$ million	2006 HK$ million
Financial position at 31 December		
Non-current assets	**11,939.6**	8,007.4
Current assets	**4,484.3**	3,390.8
Current liabilities	**(7,632.8)**	(5,202.0)
Non-current liabilities	**(1,838.7)**	(1,367.3)
Minority interests	**(1,183.7)**	(963.2)
Net assets	**5,768.7**	3,865.7
Net assets attributable to the Group	**2,658.6**	1,887.5

The Group made a provision for impairment loss totalling HK$85.8 million for the year ended 31 December 2007 in respect of its investment in the cement operations in Guizhou and Nanjing, to write down the Group's interests in these jointly controlled entities to their estimated recoverable amount at 31 December 2007.

The summary of aggregate financial information of the Group's significant jointly controlled entities engaged in venture capital investments, based on the adjusted financial statements prepared under HKFRSs for the years ended 31 December 2007 and 31 December 2006, is as follows:

	2007 HK$ million	2006 HK$ million
Results for the year ended 31 December		
Turnover	**—**	0.2
Profit before taxation	**106.7**	74.5
Profit before taxation attributable to the Group	**77.6**	51.7

	2007 HK$ million	2006 HK$ million
Financial position at 31 December		
Non-current assets	**891.3**	901.0
Current assets	**148.5**	150.5
Current liabilities	**(110.9)**	(125.5)
Non-current liabilities	**(100.0)**	(100.0)
Minority interests	**(82.4)**	(59.5)
Net assets	**746.5**	766.5
Net assets attributable to the Group	**523.3**	532.5

20. Interests in Jointly Controlled Entities (continued)

The Group has discontinued recognition of its share of loss of a jointly controlled entity in Nanjing because the Group's share of losses of this jointly controlled entity in previous years has exceeded its investment cost. The amounts of the unrecognised share of losses of the jointly controlled entity, both for the year/period and cumulatively, are as follows:

	Year ended 31 December 2007 HK$ million	Nine months ended 31 December 2006 HK$ million
Unrecognised share of losses of the jointly controlled entity for the year/period	**(6.5)**	(6.4)
Accumulated unrecognised share of losses of the jointly controlled entity	**(18.5)**	(12.0)

21. Available-for-sale Investments

	2007 HK$ million	2006 HK$ million
Available-for-sale investments comprise:		
Listed equity securities in Hong Kong (at market price)	**4,789.1**	5,070.0

On 4 October 2006, Shui On Land Limited ("SOL") a company incorporated in the Cayman Islands, in which 28.7% of the issued ordinary share capital and US$50 million convertible redeemable participating junior preference shares ("Junior Preference Shares") were indirectly held by the Company, had its shares listed on the Stock Exchange. On the date of listing, the US$50 million Junior Preference Shares, together with other convertible instruments issued by SOL, were converted into ordinary shares of SOL. The Group recognised a gain of HK$621.4 million upon the conversion of these Junior Preference Shares, based on the offer price of the shares of SOL in the consolidated income statement for the period ended 31 December 2006.

Subsequent to the listing of the shares of SOL, the Company's indirect ordinary shareholding in SOL was diluted to 17.84%. The securities were then classified as "Available-for-sale investments" since the ordinary shares are not held for trading purpose and the Directors of the Company consider that the Group is no longer able to exercise significant influence on the operating and financial policies of SOL.

The dilution of the Group's interest in SOL as a result of the listing of SOL was accounted for as a deemed disposal of an associate, and a total gain on this deemed disposal of HK$119.1 million was recognised in the consolidated income statement for the period ended 31 December 2006.

In addition, the Group recognised total gains of HK$2,188.1 million on fair value increase of its available-for-sale investments directly in the Investment Revaluation Reserve, of which (i) HK$1,112.9 million arose from the listing of the shares of SOL on 4 October 2006, which represented an increase in fair value of the Group's interest in SOL over the carrying book value on that date, and (ii) HK$1,075.2 million arose due to the increase in fair value of the Group's shareholding in SOL which was marked to the market price at 31 December 2006.

21. Available-for-sale Investments (continued)

On 16 July 2007, the Group entered into a sale and purchase agreement with a wholly-owned subsidiary of Shui On Company Limited ("SOCL") for the disposal of HK$1.8 billion worth of SOL shares, representing approximately 5.27% equity interest in SOL. The transaction was completed on 17 August 2007. As a result, the Group recognised a gain on disposal of HK$928.7 million in the consolidated income statement for the year ended 31 December 2007. At 31 December 2007, the Group holds a 12.57% (31 December 2006: 17.84%) equity interest in SOL.

22. Interests in Associates

	2007 HK$ million
Cost of investments in associates	
Listed outside Hong Kong	1,770.1
Unlisted	17.1
Share of post-acquisition profits and reserves	49.7
	1,836.9
Fair value of listed investments	1,325.0

Particulars of the principal associates are set out in note 49.

22. Interests in Associates (continued)

A summary of the financial information of the Group's associates is as follows:

	2007 HK$ million
Results for the period ended 31 December	
Turnover	491.8
Profit for the period	67.2
Profit for the period attributable to the Group	26.1

	2007 HK$ million
Financial position at 31 December	
Total assets	11,104.6
Total liabilities	(6,076.7)
Minority interests	(283.6)
Net assets	4,744.3
Net assets attributable to the Group	1,836.9

23. Investment in Convertible Bonds

On 13 June 2007, the Group subscribed for US$25 million 2% convertible bonds due 2012 of China Central Properties Limited ("CCP"), an associate of the Group, upon the listing of CCP's shares on the AIM Board of the London Stock Exchange plc (the "Listing"). The effective interest rate of the straight debt component is 13.8% per annum. Details of the transaction are set out in the announcements of the Company dated 12 April 2007, 15 May 2007, 23 May 2007 and 8 June 2007.

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 major inputs to the model at the balance sheet date were as follows:

	2007
Share price of CCP	£0.705
Risk-free rate of interest (per annum)	4.602%
Dividend yield (per annum)	0%
Volatility	50%

23. Investment in Convertible Bonds (continued)

The movement of the convertible bonds for the year is as follows:

	Straight debt HK$ million	Embedded derivatives HK$ million
Convertible bonds subscribed on 13 June 2007	163.6	31.7
Interest income recognised during the year	12.4	—
Interest received during the year	(1.9)	—
Changes in fair value (note 9)	—	(15.5)
At 31 December 2007	174.1	16.2

The principal terms of the convertible bonds issued by CCP include the following:

CONVERSION
The bondholders shall have the right to convert their convertible bonds (or any of them) into shares of CCP at any time during the period beginning on (and including) the date falling 41 days after 13 June 2007 (the "Issue Date") and ending on (and including) the date falling 7 days prior to 13 June 2012 (the "Maturity Date").

REDEMPTION
Unless previously redeemed, converted or purchased and cancelled, the convertible bonds will be redeemed at the greater of (a) the current market price of shares into which such convertible bonds could be converted (assuming that all convertible bonds were converted at the Maturity Date) and (b) the redemption price at 146.62% of their principal amount, together with accrued interest on the Maturity Date.

REDEMPTION AT THE OPTION OF THE BONDHOLDERS
A bondholder will have the right, at such holder's option, to require CCP to redeem all or some only of such holder's convertible bonds on the third anniversary of the Issue Date (the "Non-QPO Put Option Date") at 123.51% of the principal amount of such convertible bond at the relevant date fixed for redemption together with accrued interest to the date fixed for redemption if the listing date has not occurred prior to the Non-QPO Put Option Date.

REDEMPTION AT THE OPTION OF CCP
CCP may at any time on or prior to the date falling on the first anniversary of the date on which the shares are listed on a qualified Stock Exchange, redeem all, or some only of the convertible bonds at their early redemption amount (as defined in the Admission Document of CCP) together with interest accrued to the date fixed for redemption if the mid-market closing price for the shares (as derived from the daily quotation sheet of a qualified Stock Exchange) translated into USD at the prevailing rate for the relevant day, for each of 20 consecutive trading days, the last of which occurs not more than 30 days prior to the date upon which notice of such redemption is published was at least 130% of the early redemption amount divided by the prevailing conversion ratio. CCP may also at any time redeem all, but not some only, of the convertible bonds at their early redemption amount together with interest accrued to the date fixed for redemption if 90% in principal amount of the convertible bonds originally issued has already been converted, redeemed or purchased and cancelled.

24. Amounts Due from/to Jointly Controlled Entities

	2007 HK$ million	2006 HK$ million
Amounts due from jointly controlled entities		
Non-current (note a)	188.8	—
Current (note b)	860.8	1,204.7
	1,049.6	1,204.7
Amounts due to jointly controlled entities (note c)	12.4	156.1

Notes:

(a) The balance is unsecured, interest-free and with no fixed terms of repayment. The amount is carried at amortised cost using the effective interest rate of 3.5%.

(b) The balances are unsecured and repayable on demand. Out of the total balance, a total of HK$149.3 million (31 December 2006: HK$131.8 million) bears interest at prevailing market rates. The remaining balance is interest-free.

(c) The balances are unsecured, interest-free and repayable on demand.

25. Inventories and Contracts in Progress

	2007 HK$ million	2006 HK$ million
Inventories		
Raw materials	2.7	5.0
Work-in-progress	3.9	6.5
Finished goods	2.2	6.8
Spare parts	2.5	3.2
	11.3	21.5

25. Inventories and Contracts in Progress (continued)

	2007 HK$ million	2006 HK$ million
Contracts in progress		
Costs incurred to date	**5,066.6**	3,592.0
Recognised profits less recognised losses	**127.4**	106.4
	5,194.0	3,698.4
Less: Progress billings	**(5,117.1)**	(3,732.1)
Net contract work	**76.9**	(33.7)
Represented by:		
Amounts due from customers for contract work	**161.9**	108.9
Amounts due to customers for contract work	**(85.0)**	(142.6)
	76.9	(33.7)

26. Amounts Due from/to Associates

	2007 HK$ million
Amounts due from associates	
Non-current (note a)	**490.6**
Current (note b)	**129.8**
	620.4
Amounts due to associates (note c)	**294.8**

Notes:

(a) The balances represent advances to associates for financing the development of Dalian Tiandi • Software Hub (formerly known as Dalian Software Park Phase II). Pursuant to the joint venture agreement, the advances are unsecured, interest-free and with no fixed terms of repayment until the independent co-investor of the project has contributed its portion. Thereafter, the advances will bear interest at a rate of 10% per annum, subject to shareholders' approval. The amounts are carried at amortised cost using the effective interest rate of 3.5% per annum.

(b) The balances are unsecured and repayable on demand. Out of the total balance, an amount of RMB80 million (HK$85.4 million) bears interest at prevailing market rate. The remaining balances are interest-free.

(c) The balances are unsecured, interest-free and repayable on demand.

27. Other Financial Assets

DEBTORS, DEPOSITS AND PREPAYMENTS

	2007 HK$ million	2006 HK$ million
Trade debtors	281.2	347.8
Less: Allowance for doubtful debts	(4.1)	(4.4)
	277.1	343.4
Retention receivable	107.7	90.4
Prepayments, deposits and other receivables	204.7	377.8
	589.5	811.6

The Group maintains a defined credit policy to assess the credit quality of each counterparty. The collection is closely monitored to minimise any credit risk associated with these trade debtors. The general credit term ranges from 30 to 90 days.

The following is an aged analysis of trade debtors net of allowance for doubtful debts at the balance sheet date:

	2007 HK$ million	2006 HK$ million
Within 90 days	267.4	325.7
91 days to 180 days	3.3	12.0
181 days to 360 days	2.0	0.7
Over 360 days	4.4	5.0
	277.1	343.4
Retention receivable is analysed as follows:		
Due within one year	82.1	54.4
Due more than one year	25.6	36.0
	107.7	90.4

27. Other Financial Assets (continued)

DEBTORS, DEPOSITS AND PREPAYMENTS (continued)

Movement in the allowance for doubtful debts

	2007 HK$ million	2006 HK$ million
Balance at beginning of the year/period	**4.4**	9.3
Amounts written off as uncollectible	**—**	(3.2)
Amounts recovered during the year/period	**(0.1)**	(1.7)
Impairment losses reversed	**(0.2)**	—
	4.1	4.4

Ageing of trade debtors which are past due but not impaired

	2007 HK$ million	2006 HK$ million
91 days to 180 days	**3.3**	12.0
181 days to 360 days	**2.0**	0.7
Over 360 days	**4.4**	5.0
	9.7	17.7

BANK BALANCES, DEPOSITS AND CASH

Bank balances, deposits and cash comprise cash held by the Group and deposits with maturity of three months or less held with banks not restricted as to use. Bank balances carry interest at market rates which range from 1.75% to 3.33% (2006:2.25% to 5.3%) per annum.

28. Pledged Bank Deposits

	Effective interest rate % per annum	**2007 HK$ million**	2006 HK$ million
In relation to:			
Short term bank loan granted to the Group (note 32)	4.48%	**86.4**	80.5
Standby documentary credit issued relating to a bank loan granted to an associate	3.50%	**300.0**	—
Standby documentary credit issued relating to a bank loan granted to a jointly controlled entity	5.14%	**—**	120.0
		386.4	200.5

29. Amounts Due from/to Related Companies

	2007 HK$ million	2006 HK$ million
Amounts due from related companies	**1.9**	1.3
Amounts due to related companies	**0.4**	0.1

The related companies are subsidiaries of SOCL.

The balances are unsecured, interest-free and repayable on demand.

30. Creditors and Accrued Charges

The aged analysis of creditors of HK$204.3 million (31 December 2006: HK$265.8 million) which are included in the Group's creditors and accrued charges is as follows:

	2007 HK$ million	2006 HK$ million
Creditors aged analysis:		
Within 30 days	**116.8**	246.0
31 days to 90 days	**55.0**	9.7
91 days to 180 days	**21.7**	2.6
Over 180 days	**10.8**	7.5
	204.3	265.8
Retention payable	**134.5**	111.7
Dividend payable	**—**	51.1
Accruals and other payables	**463.7**	436.0
	802.5	864.6

The average credit period on purchases is 3 months. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

31. Loan from a Related Company

The amount at 31 December 2007 represents an unsecured short-term interest bearing loan granted by a subsidiary of SOCL to the Company.

32. Bank Borrowings

	2007 HK$ million	2006 HK$ million
Bank overdrafts	**14.7**	2.7
Secured bank loan (note 28)	**85.5**	79.8
Unsecured bank loans	**3,959.3**	2,879.7
	4,059.5	2,962.2
Less: Amounts due within 12 months	**(2,800.5)**	(2,394.8)
Amounts due for settlement after 12 months	**1,259.0**	567.4
Carrying amount repayable:		
Within one year (note)	**2,800.5**	2,394.8
More than one year but not exceeding two years	**1,009.0**	507.4
More than two years but not exceeding five years	**250.0**	60.0
	4,059.5	2,962.2

The average effective interest rates of the borrowings range from 3.74% to 6.56% (nine months ended 31 December 2006: 4.43% to 5.63%) per annum. All the Group's borrowings are denominated in the functional currencies of the relevant group companies.

Note: Subsequent to the balance sheet date, the Group has renewed and obtained additional banking facilities of approximately HK$1,450 million from financial institutions. The average effective interest rates of these renewed and additional borrowings range from 2.64% to 6.50% per annum.

33. Convertible Bonds

On 31 July 2006, the Company issued HK$930 million zero coupon convertible bonds due 22 July 2009. The convertible bonds are denominated in Hong Kong dollars and are listed on the Stock Exchange.

The net proceeds received from the issue of the convertible bonds have been split between a straight debt component and a number of derivative financial instruments, which are measured at fair values. The effective interest rate of the straight debt component is 12.5% per annum. The fair values of the early redemption option and the conversion option are determined based on the Binomial Model and the Black-Scholes Pricing Model, respectively. The major inputs into the models at the balance sheet dates were as follows:

	2007	2006
Share price of the Company	**HK$28.43**	HK$16.60
Risk-free rate of interest (per annum)	**2.072%**	3.576%
Dividend yield (per annum)	**4.2%**	4.2%
Volatility	**38%**	36%

33. Convertible Bonds (continued)

The movement of the convertible bonds for the year/period is as follows:

		Derivative financial instruments	
	Straight debt HK$ million	Early redemption option HK$ million	Conversion option HK$ million
Convertible bonds issued on 31 July 2006, net of transaction costs	777.1	(10.6)	149.2
Imputed interest expense during the period (note 10)	40.5	—	—
Changes in fair value (note 9)	—	2.0	26.1
At 31 December 2006	817.6	(8.6)	175.3
Imputed interest expense during the year (note 10)	78.5	—	—
Changes in fair value (note 9)	—	(2.9)	329.5
Conversion during the year	(504.1)	6.9	(256.0)
At 31 December 2007	392.0	(4.6)	248.8

The principal amount of the convertible bonds outstanding at 31 December 2007 amounted to HK$395.1 million (2006: HK$930.0 million).

The convertible bonds are constituted by a trust deed dated 31 July 2006 (the "Trust Deed"). The principal terms of the convertible bonds include the following:

CONVERSION

At the option of the holders, the convertible bonds will be converted into fully paid ordinary shares of the Company from 9 September 2006 to 22 July 2009, both days inclusive, at an initial conversion price of HK$17.134 per share. The conversion price is subject to adjustments in certain events set out in the Trust Deed.

If the arithmetic average of the closing price of the Company's shares for each day during the 15 consecutive Stock Exchange trading days immediately before 31 July 2007, 31 July 2008 and 31 May 2009 is less than the initial conversion price, the conversion price will automatically be adjusted downwards with reference to the 15-day average trading prices prior to adjustment, save that the adjusted conversion price shall in no event be less than 72% of the initial conversion price.

33. Convertible Bonds (continued)

REDEMPTION

Unless previously redeemed, purchased and cancelled or converted, the convertible bonds will be redeemed by the Company at 118.971% of their principal amount on 31 July 2009 (the "Maturity Date").

The Company may redeem the convertible bonds, in whole but not in part, (i) on or at any time after 31 January 2008 but not less than 7 business days prior to the Maturity Date, if the closing price of the Company's shares for any 20 Stock Exchange trading days out of the 30 consecutive Stock Exchange trading days prior to the date upon which notice of such redemption is given was at least 125% of the applicable Early Redemption Amount (as defined below) divided by the Conversion Ratio (as defined below) in effect on such trading day or (ii) when more than 95% in principal amount of the convertible bonds has already been converted, redeemed or purchased and cancelled or (iii) as a result of regulatory change impacting on the payment obligations of the Company under the convertible bonds.

The "Early Redemption Amount" is the principal amount of the convertible bonds plus a gross yield of 5.875% per annum, calculated on a semi-annual basis, from 31 July 2006, the closing date of the convertible bond issue, to the Maturity Date. The "Conversion Ratio" is the principal amount of the convertible bonds divided by the then conversion price.

CASH SETTLEMENT OPTION

The obligation of the Company to issue shares on the exercise of any conversion rights attaching to the convertible bonds may, at the sole discretion of the Company, be settled by cash payment. The cash settlement payment shall be the product of the number of the Company's shares otherwise deliverable under the then conversion price and the average closing price of the Company's shares for the 10 Stock Exchange trading days immediately before the date the Company elects to exercise its cash settlement option in respect of the relevant convertible bonds.

34. Share Capital

	2007 **Number of shares**	2006 Number of shares	**2007** **HK$ million**	2006 HK$ million
Ordinary shares of HK$1 each:				
Authorised				
At the beginning and the end of the year/period	**1,000,000,000**	1,000,000,000	**1,000.0**	1,000.0
Issued and fully paid				
At the beginning of the year/period	**283,600,000**	274,632,000	**283.6**	274.6
Exercise of share options	**6,111,000**	8,968,000	**6.1**	9.0
Conversion of convertible bonds	**31,218,606**	—	**31.2**	—
At the end of the year/period	**320,929,606**	283,600,000	**320.9**	283.6

All the new shares issued during the year/period rank pari passu in all respects with the existing shares.

35. Reserves

	Attributable to equity holders of the Company												
	Share premium account HK$ million	Translation reserve HK$ million	Contributed surplus (Note a) 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 (Note b) HK$ million	Total HK$ million	Minority interests HK$ million	Total equity HK$ million
At 1 April 2006	596.7	45.5	197.6	(2.7)	978.5	1.3	1.9	64.5	—	164.7	2,048.0	98.5	2,146.5
Gain on fair value changes of available-for-sale investments	—	—	—	—	—	—	—	—	2,188.1	—	2,188.1	—	2,188.1
Exchange differences arising on translation of financial statements of foreign operations	—	47.1	—	—	—	—	—	—	—	—	47.1	—	47.1
Recognition of actuarial gain	—	—	—	—	—	—	—	10.8	—	—	10.8	—	10.8
Share of translation reserve of an associate	—	28.8	—	—	—	—	—	—	—	—	28.8	—	28.8
Net income recognised directly in equity	—	75.9	—	—	—	—	—	10.8	2,188.1	—	2,274.8	—	2,274.8
Profit for the period	—	—	—	—	602.1	—	—	—	—	—	602.1	20.3	622.4
Total recognised income and expense for the period	—	75.9	—	—	602.1	—	—	10.8	2,188.1	—	2,876.9	20.3	2,897.2
Acquisition of a subsidiary (note 42)	—	—	—	—	—	—	—	—	—	—	—	17.7	17.7
Disposal of partial interest in a subsidiary	—	—	—	—	—	—	—	—	—	—	—	18.3	18.3
Premium on issue of shares upon exercise of share options	49.3	—	—	—	—	—	—	—	—	—	49.3	—	49.3
Recognition of share-based payments	—	—	—	—	—	—	6.1	—	—	—	6.1	—	6.1
Transfer upon exercise of share options	0.9	—	—	—	—	—	(0.9)	—	—	—	—	—	—
Transfer to statutory reserve	—	—	—	—	(0.2)	0.2	—	—	—	—	—	—	—
Dividends paid and declared	—	—	—	—	(120.3)	—	—	—	—	—	(120.3)	(6.4)	(126.7)
Other movements with minority shareholders	—	—	—	—	—	—	—	—	—	—	—	(0.7)	(0.7)
Share of reserves of an associate	—	—	—	—	—	—	—	—	—	6.4	6.4	—	6.4
Deemed disposal of a subsidiary (note 43)	—	—	—	—	—	—	—	—	—	—	—	(95.5)	(95.5)
Deemed disposal of an associate	—	(69.9)	—	—	—	—	—	—	—	83.8	13.9	—	13.9
At 31 December 2006	646.9	51.5	197.6	(2.7)	1,460.1	1.5	7.1	75.3	2,188.1	254.9	4,880.3	52.2	4,932.5
Gain on fair value changes of available-for-sale investments	—	—	—	—	—	—	—	—	1,394.2	—	1,394.2	—	1,394.2
Exchange differences arising on translation of financial statements of foreign operations	—	143.6	—	—	—	—	—	—	—	—	143.6	2.5	146.1
Recognition of actuarial gain	—	—	—	—	—	—	—	17.8	—	—	17.8	—	17.8
Share of translation reserve of associates	—	23.6	—	—	—	—	—	—	—	—	23.6	—	23.6
Net income recognised directly in equity	—	167.2	—	—	—	—	—	17.8	1,394.2	—	1,579.2	2.5	1,581.7
Disposal of available-for-sale investments	—	—	—	—	—	—	—	—	(824.4)	—	(824.4)	—	(824.4)
Disposal of interests in jointly controlled entities	—	(9.2)	—	—	—	—	—	—	—	—	(9.2)	—	(9.2)
Profit for the year	—	—	—	—	702.0	—	—	—	—	—	702.0	2.3	704.3
Total recognised income and expense for the year	—	158.0	—	—	702.0	—	—	17.8	569.8	—	1,447.6	4.8	1,452.4
Premium on issue of shares upon exercise of share options	37.7	—	—	—	—	—	—	—	—	—	37.7	—	37.7
Conversion of convertible bonds	722.0	—	—	—	—	—	—	—	—	—	722.0	—	722.0
Recognition of share-based payments	—	—	—	—	—	—	31.1	—	—	—	31.1	—	31.1
Transfer upon exercise of share options	4.1	—	—	—	—	—	(4.1)	—	—	—	—	—	—
Transfer to statutory reserve	—	—	—	—	(0.6)	0.6	—	—	—	—	—	—	—
Dividends paid and declared	—	—	—	—	(198.0)	—	—	—	—	—	(198.0)	(2.8)	(200.8)
Other movements with minority shareholders	—	—	—	—	—	—	—	—	—	—	—	(0.5)	(0.5)
At 31 December 2007	1,410.7	209.5	197.6	(2.7)	1,963.5	2.1	34.1	93.1	2,757.9	254.9	6,920.7	53.7	6,974.4

Notes:

(a) The contributed surplus of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1997.

(b) Other reserve of the Group included an amount of HK$231.1 million which arose when the Group entered into agreements with SOCL to co-invest in SOL during the year ended 31 March 2005.

36. Deferred Taxation

The following are the major deferred tax (liabilities) assets recognised by the Group and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation HK$ million	Tax losses HK$ million	Other temporary differences HK$ million	Total HK$ million
At 1 April 2006	(1.0)	1.4	0.6	1.0
Credit (charge) to consolidated income statement for the period	0.1	(1.0)	(0.6)	(1.5)
At 31 December 2006	(0.9)	0.4	—	(0.5)
Charge to consolidated income statement for the year	(0.2)	—	—	(0.2)
At 31 December 2007	**(1.1)**	**0.4**	**—**	**(0.7)**

For the purposes of balance sheet presentation certain deferred tax assets and liabilities have been offset.

At 31 December 2007, the Group has unused tax losses of HK$414.2 million (31 December 2006: HK$288.7 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to HK$2.0 million (31 December 2006: HK$2.0 million). No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$412.2 million (31 December 2006: HK$286.7 million) due to the unpredictability of future profit streams.

37. Provident Fund Scheme and Defined Benefit Plan

The Group participates in both a defined benefit plan (the "Plan") which is registered under the Occupational Retirement Schemes Ordinance and a Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme, established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of the Group and are invested in securities and funds under the control of trustees. Employees who were members of the Plan prior to the establishment of the MPF Scheme were offered a choice of staying within the Plan or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

MANDATORY PROVIDENT FUND SCHEME

For members of the MPF Scheme, contributions are made by the employee at 5% of relevant income and by the Group at rates ranging from 5% to 10% of the employee's salary, depending on the employee's length of service with the Group.

The Group's contributions to the MPF Scheme charged to the consolidated income statement as staff cost during the year amounted to HK$5.1 million (nine months ended 31 December 2006: HK$2.7 million). The amount of employer's voluntary contributions to MPF schemes forfeited for the year/period ended 31 December 2007 and 31 December 2006 was immaterial and was used to reduce the existing level of contributions.

DEFINED BENEFIT PLAN

Contributions to the Plan are made by the members at 5% of their salaries and by the Group at rates which are based on recommendations made by the actuary of the Plan. The current employer contribution rate is 2% (31 December 2006: 5%) of the members' salaries. Under the Plan, a member is entitled to retirement benefits which comprise the sum of any benefits transferred from another scheme and the greater of the sum of employer's scheduled contribution plus the member's contribution (both contributions being calculated on the basic salary of the member) accumulated with interest at a rate of no less than 6% per annum before 1 September 2003 and 1% per annum in respect of contributions made on or after 1 September 2003 or 1.8 times the final salary times the years of employment with the Group on the attainment of the retirement age of 60. For members who joined the Plan before 1997, the retirement age is 60 for male members and 55 for female members. No other post-retirement benefits are provided.

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligation were carried out at 31 December 2007 by Ms. Elaine Hwang of Watson Wyatt Hong Kong Limited, who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations and the related current service cost were measured using the Projected Unit Credit Method.

The principal actuarial assumptions at the balance sheet dates used are as follows:

	2007	2006
Discount rate	**3.50%**	3.75%
Expected rate of salary increase	**4.0% p.a.**	3.0% p.a.

The expected rate of return on plan assets for the year ended 31 December 2007 is 8.25% per annum (nine months ended 31 December 2006: 8.25%). The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held.

The actual return on plan assets for the year ended 31 December 2007 was HK$84.3 million (nine months ended 31 December 2006: HK$53.6 million).

37. Provident Fund Scheme and Defined Benefit Plan (continued)

DEFINED BENEFIT PLAN (continued)

Amounts recognised in the consolidated income statement for the year/period in respect of the Plan are as follows:

	Year ended 31 December 2007 HK$ million	Nine months ended 31 December 2006 HK$ million
Current service cost	**11.5**	7.7
Interest cost	**10.4**	8.6
Expected return on plan assets	**(30.3)**	(16.0)
Net amount (credited) charged to consolidated income statement as staff costs	**(8.4)**	0.3

The amount included in the consolidated balance sheet arising from the Group's obligations in respect of the Plan is as follows:

	2007 HK$ million	2006 HK$ million
Present value of funded obligations	**(330.5)**	(288.6)
Fair value of plan assets	**441.8**	371.6
Defined benefit assets included in the consolidated balance sheet	**111.3**	83.0

The plan assets did not have any equity shares of the Company (31 December 2006: nil).

Movements of the present value of funded obligations are as follows:

	2007 HK$ million	2006 HK$ million
At the beginning of the year/period	**288.6**	261.2
Current service cost	**11.5**	7.7
Interest cost	**10.4**	8.6
Employees' contributions	**6.5**	5.0
Benefits paid	**(16.8)**	(20.7)
Transfer to CCP	**(6.0)**	—
Actuarial loss (note)	**36.3**	26.8
At the end of the year/period	**330.5**	288.6

Note: Actuarial loss on funded obligations represents the difference between expected obligations and actual obligations at the end of the year/period. The expected obligations at the end of the year/period are the obligations at the beginning of the year/period increased with one more year/period of service. The actuarial loss is mainly due to increase of salary in the year/period being different from that assumed at the last actuarial valuation and the change of certain assumptions at the current actuarial valuation.

37. Provident Fund Scheme and Defined Benefit Plan (continued)

DEFINED BENEFIT PLAN (continued)

Movements of the fair value of plan assets are as follows:

	2007 HK$ million	2006 HK$ million
At the beginning of the year/period	**371.6**	327.0
Expected return on plan assets	**30.3**	16.0
Actuarial gain (note)	**54.1**	37.6
Employers' contributions	**5.1**	6.7
Employees' contributions	**6.5**	5.0
Benefits paid	**(16.8)**	(20.7)
Transfer to CCP	**(9.0)**	—
At the end of the year/period	**441.8**	371.6

Note: Actuarial gain on plan assets represents the difference between expected assets value and actual assets value at the end of the year/period. The expected assets value at the end of year/period is the asset value at the beginning of year/period adjusted by contributions, benefit payments and expected returns. The actuarial gain is due to the actual return being higher than the assumed return at the last actuarial valuation.

Additional disclosure in respect of the Plan is as follows:

	2007 HK$ million	2006 HK$ million
Experience adjustment on plan liabilities	**(6.6)**	(3.6)
Experience adjustment on plan assets	**54.0**	37.6

The major categories of plan assets as a percentage of total plan assets are as follows:

	2007	2006
Equities	**68.5%**	71.5%
Hedge funds	**18.9%**	20.4%
Bonds and cash	**12.6%**	8.1%
	100%	100%

The Group expects to make a contribution of HK$2.5 million (2006: HK$6.3 million) to the Plan during the next financial year.

37. Provident Fund Scheme and Defined Benefit Plan (continued)

DEFINED BENEFIT PLAN (continued)

The Group recognises all actuarial gains and losses of the Plan directly in the consolidated statement of recognised income and expense. The amounts of the actuarial gains and losses recognised during the year/period and cumulatively, are as follows:

	Year ended 31 December 2007 HK$ million	Nine months ended 31 December 2006 HK$ million
Actuarial loss on present value of funded obligations	**(36.3)**	(26.8)
Actuarial gain on fair value of plan assets	**54.1**	37.6
Net actuarial gains recognised	**17.8**	10.8
Accumulated amount of actuarial gains recognised in the actuarial gain and loss reserve	**93.1**	75.3

38. Lease Arrangements

AS LESSOR

Property rental income in respect of the investment property and car park spaces earned during the year ended 31 December 2007 was HK$1.4 million (nine months ended 31 December 2006: HK$1.7 million).

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments which fall due as follows:

	2007 HK$ million	2006 HK$ million
Within one year	**—**	0.7

AS LESSEE

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2007 HK$ million	2006 HK$ million
Within one year	**2.6**	4.5
In the second to fifth years inclusive	**1.3**	1.9
	3.9	6.4

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for lease terms ranging from one to ten years.

39. Capital Commitments

(a) At 31 December 2007, the Group's share of the capital commitments of its jointly controlled entities is as follows:

	2007 **HK$ million**	2006 HK$ million
Authorised but not contracted for	—	0.2
Contracted but not provided for	**515.0**	393.6

(b) At 31 December 2007, the Group had commitments in respect of certain investments contracted but not provided for in the consolidated financial statements amounting to approximately HK$284.3 million. At 31 December 2006, the Group had no significant capital commitments.

40. Share-based Payments

Following the amendments of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange on 1 September 2001, the Share Option Scheme of the Company adopted on 20 January 1997 (the "Old Scheme") was terminated and replaced by a new share option scheme on 27 August 2002 (the "New Scheme"). Since then, no further option could be granted under the Old Scheme, but all options granted prior to such termination continue to be valid and exercisable.

Under the Old Scheme, the Board of Directors could offer eligible participants options to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares quoted on the Stock Exchange for the five trading days immediately preceding the date on which options are offered to the eligible participants, subject to a maximum of 10% of the issued share capital of the Company from time to time. Consideration paid for each grant was HK$1. The entitlement of each eligible participant shall not exceed 25% of the aggregate number of ordinary shares in respect of options that could be granted under existing option schemes. Options granted were exercisable in stages over 5 years and up to 10 years from the date of grant.

On 27 August 2002, the Company adopted the New Scheme which continues in force until the 10th anniversary of such date. The principal terms of the New Scheme are summarised below:

1. PURPOSE

(a) The New Scheme is a share incentive scheme and was established to recognise and acknowledge the contributions which eligible participants have made or may make to the Group.

(b) The New Scheme provides eligible participants an opportunity to have a personal stake in the Company with a view to achieving the following objectives:

(i) motivating eligible participants to utilise their performance and efficiency for the benefit of the Group; and

(ii) attracting and retaining eligible participants whose contributions are or will be beneficial to the long term growth of the Group.

40. Share-based Payments (continued)

2. ELIGIBLE PARTICIPANTS

(a) The Board may at its discretion invite anyone belonging to any of the following classes of persons to take up options to subscribe for shares of the Company, subject to such conditions as the Board may think fit: any Director (whether Executive or Non-executive or Independent Non-executive), employee (whether full time or part time), officer, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any invested entity and for the purpose of the New Scheme, the options may be granted to any corporation wholly owned by any person mentioned in this paragraph.

(b) The eligibility of any of the above persons for the grant of any option is determined by the Board from time to time on the basis of his contribution to the development and growth of the Group. The Company is entitled to cancel any option granted to a grantee but not exercised if such grantee fails to meet the eligibility criteria determined by the Board after an option is granted but before it is exercised.

3. TOTAL NUMBER OF SHARES AVAILABLE FOR ISSUE UNDER THE NEW SCHEME

(a) 10% limit

Subject to the following paragraphs, the total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the shares in issue at the date of approval of the New Scheme (excluding options which have lapsed) (the "Scheme Mandate Limit").

The Company may, from time to time, refresh the Scheme Mandate Limit by obtaining the approval of the shareholders in general meeting. The Company may also seek separate approval of the shareholders in general meeting for granting options beyond the Scheme Mandate Limit or the refreshed limit, provided that the options in excess of such limit are granted only to eligible participants specifically identified by the Company before such approval is sought.

(b) 30% limit

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option scheme of the Company must not exceed 30% of the shares in issue from time to time.

4. MAXIMUM ENTITLEMENT OF EACH PARTICIPANT

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue. Where any further grant of options to a grantee would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by the shareholders in general meeting with such grantee and his associates abstaining from voting.

5. PERFORMANCE TARGET

The New Scheme allows the Board, when offering the grant of any option, to impose any condition including any performance target which must be met before the option shall vest and become exercisable.

40. Share-based Payments (continued)

6. MINIMUM PERIOD FOR WHICH AN OPTION MUST BE HELD

The Board may at its discretion when offering the grant of any option impose any minimum period for which an option must be held before it can be exercised.

7. EXERCISE PRICE

The exercise price is determined by the Board and shall be at least the highest of: (a) the closing price of a share as stated in the daily quotations sheet of the Stock Exchange on the date of grant; and (b) the average closing price of the shares as shown on the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

8. AMOUNT PAYABLE UPON ACCEPTANCE OF OPTION

HK$1.00 is payable by each eligible participant to the Company on acceptance of an offer of options, to be paid within 28 days from the date of the offer.

The following tables disclose details of the Company's share options held by employees (including directors) and movements in such holdings during the year/period.

			Number of options							
Date of grant	Grant	Subscription price per share HK$	At 1 January 2007	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	**At 31 December 2007**	Period during which share options outstanding at 31 December 2007 are exercisable	Price of Company's shares at exercise date of options HK$ (Note)
New Scheme										
27 August 2002	2	6.00	272,000	—	(272,000)	—	—	**—**	27 February 2003 to 26 August 2007	20.49
27 August 2002	3	6.00	4,435,000	—	(4,435,000)	—	—	**—**	27 August 2005 to 26 August 2010	21.94
4 August 2003	4	5.80	190,000	—	(184,000)	—	—	**6,000**	4 February 2004 to 3 August 2008	22.87
26 July 2004	5	7.25	454,000	—	(234,000)	—	—	**220,000**	26 January 2005 to 25 July 2009	24.05
29 July 2005	6	9.30	776,000	—	(302,000)	—	(8,000)	**466,000**	29 January 2006 to 28 July 2010	22.78
1 August 2006	7	14.00	4,106,000	—	(618,000)	—	(24,000)	**3,464,000**	1 February 2007 to 31 July 2011	23.22
3 January 2007	8	16.78	—	8,800,000	—	—	—	**8,800,000**	3 January 2010 to 2 January 2012	—
3 January 2007	9	16.78	—	3,525,000	—	—	—	**3,525,000**	3 January 2010 to 2 January 2017	—
14 June 2007	10	20.96	—	4,200,000	—	—	—	**4,200,000**	1 July 2010 to 13 June 2012	—
14 June 2007	11	20.96	—	900,000	—	—	—	**900,000**	14 December 2008 to 13 June 2012	—
14 June 2007	12	20.96	—	3,186,000	(66,000)	—	(50,000)	**3,070,000**	14 December 2007 to 13 June 2012	27.02
			10,233,000	20,611,000	(6,111,000)	—	(82,000)	**24,651,000**		
Number of options exercisable at the end of the year								**1,663,200**		

40. Share-based Payments (continued)

Date of grant	Grant	Subscription price per share HK$	At 1 April 2006	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	At 31 December 2006	Period during which share options outstanding at 31 December 2006 are exercisable	Price of Company's shares at exercise date of options HK$ (Note)
			Number of options							
Old Scheme										
17 July 2001	1	9.30	1,036,000	—	(1,036,000)	—	—	—	17 January 2002 to 16 July 2006	17.07
New Scheme										
27 August 2002	2	6.00	1,054,000	—	(770,000)	—	(12,000)	272,000	27 February 2003 to 26 August 2007	14.46
27 August 2002	3	6.00	11,085,000	—	(6,650,000)	—	—	4,435,000	27 August 2005 to 26 August 2010	16.03
4 August 2003	4	5.80	314,000	—	(124,000)	—	—	190,000	4 February 2004 to 3 August 2008	14.97
26 July 2004	5	7.25	632,000	—	(178,000)	—	—	454,000	26 January 2005 to 25 July 2009	14.46
29 July 2005	6	9.30	986,000	—	(210,000)	—	—	776,000	29 January 2006 to 28 July 2010	15.41
1 August 2006	7	14.00	—	4,106,000	—	—	—	4,106,000	1 February 2007 to 31 July 2011	—
			15,107,000	4,106,000	(8,968,000)	—	(12,000)	10,233,000		
Number of options exercisable at the end of the period								4,899,000		

Note: 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 year/period for each category of eligible participants.

The vesting conditions of the respective share option grants are as follows:

For Grants 1, 2, 4 to 7 and 12:

The options will vest and become exercisable in accordance with the following schedule:

20%: 6 months after the date of grant
20%: 1st anniversary of the date of grant
20%: 2nd anniversary of the date of grant
20%: 3rd anniversary of the date of grant
20%: 4th anniversary of the date of grant

For Grant 3:

The options have fully or partly vested and become exercisable on 27 August 2005 based on the assessment of the related performance of the option holders.

40. Share-based Payments (continued)

For Grant 8:

Service Requirement	All options may vest on 3 January 2010 subject to the satisfaction of all the performance conditions.
Performance Hurdle	All options may vest on vesting date depending on performance appraisal grading that includes 50% weight of Distressed Asset Development team performance and 50% weight of individual performance, both of which the grantee would achieve in his/her performance appraisal during 2007, 2008 and 2009, and apply to 1/3 of the options granted respectively.

The vesting schedule is as follows:

Performance rating	**Vested Portion of Options**
Superior	100%
Superior minus	90%
Good plus	75%
Good	60%

For Grant 9:

Vesting of the options is conditional upon the performance of the Company's shares over the period from close of trading in Hong Kong on 3 January 2007 to 2 January 2010 ("Performance Period"). Vesting will only occur if the change in the total shareholder return ("TSR") of the Company's shares over the Performance Period is (1) positive and (2) equal to or greater than the change in the total return index ("TRI") of the Hang Seng Index ("HSI") over the Performance Period.

The vesting schedule is as follows:

Positive change in TSR of the Company compared to the change in the HSI TRI during the Performance Period	**Vested Portion of Options**
Less than the change in the HSI TRI	0%
Equal to the change in the HSI TRI	30%
For each percentage point up to 35% above the change in the HSI TRI	2%
Higher than the change in the HSI TRI by 35% or above	100%

If the change in HSI TRI is negative compared to the positive change in TSR of the Company, full vesting will apply.

40. Share-based Payments (continued)

For Grant 10:

Service Requirement	All options may vest on 1 July 2010 subject to the satisfaction of all the performance conditions.
Performance Hurdle	All options may vest on vesting date depending on performance appraisal grading that includes 50% weight of Distressed Asset Development team performance and 50% weight of individual performance, both of which the grantee would achieve in his/her performance appraisal at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, and apply to 1/6, 1/3, 1/3 and 1/6 of the options granted respectively.

The vesting schedule is as follows:

Performance rating	Vested Portion of Options
Superior	100%
Superior minus	90%
Good plus	75%
Good	60%

For Grant 11:

Service Requirement	Subject to the satisfaction of all the performance conditions, the options may vest: 40% on 18 months after the date of grant 20% on 2nd anniversary of the date of grant 20% on 3rd anniversary of the date of grant 20% on 4th anniversary of the date of grant
Performance Hurdle	The vesting of these share options is subject to the satisfactory performance of the Distressed Asset Development business as a whole during the next 18 months after the date of grant as assessed by the Company's executive management.

40. Share-based Payments (continued)

The fair values of services received in return for share options granted is measured by reference to the fair value of share options granted. Except for Grant 9 which adopts the Monte Carlo model, the estimate of the fair value of the share options granted is measured based on the Binomial model. The inputs into the models were as follows:

	Grant 4	Grant 5	Grant 6	Grant 7	**Grant 8**	**Grant 9**	**Grant 10**	**Grant 11**	**Grant 12**
Date of grant	4 August 2003	26 July 2004	29 July 2005	1 August 2006	**3 January 2007**	**3 January 2007**	**14 June 2007**	**14 June 2007**	**14 June 2007**
Average fair value	HK$1.33	HK$1.79	HK$2.27	HK$3.83	**HK$4.39**	**HK$3.46**	**HK$5.85**	**HK$5.78**	**HK$5.72**
Share price on the date of grant	HK$5.70	HK$7.30	HK$9.30	HK$14.00	**HK$16.50**	**HK$16.50**	**HK$20.90**	**HK$20.90**	**HK$20.90**
Exercise price	HK$5.80	HK$7.25	HK$9.30	HK$14.00	**HK$16.78**	**HK$16.78**	**HK$20.96**	**HK$20.96**	**HK$20.96**
Expected volatility	40% p.a.	40% p.a.	40% p.a.	40% p.a.	**40% p.a.**	**40% p.a.**	**40% p.a.**	**40% p.a.**	**40% p.a.**
Average expected life	3.84 years	3.82 years	3.81 years	4.21 years	**4.53 years**	**3.48 years**	**4.52 years**	**3.48 years**	**4.17 years**
Average risk-free rate	2.86% p.a.	3.25% p.a.	3.53% p.a.	4.40% p.a.	**3.67% p.a.**	**3.62% p.a.**	**4.64% p.a.**	**4.62% p.a.**	**4.61% p.a.**
Expected dividend paid	5% p.a.	5% p.a.	5% p.a.	5% p.a.	**5% p.a.**	**5% p.a.**	**5% p.a.**	**5% p.a.**	**5% p.a.**
Rate of leaving service	2% p.a.	2% p.a.	2% p.a.	2% p.a.	**3% p.a.**	**0% p.a.**	**3% p.a.**	**3% p.a.**	**3% p.a.**
Expected volatility of HSI TRI	n/a	n/a	n/a	n/a	**n/a**	**15% p.a.**	**n/a**	**n/a**	**n/a**
Expected correlation between TSR of the Company and HSI TRI	n/a	n/a	n/a	n/a	**n/a**	**35% p.a.**	**n/a**	**n/a**	**n/a**

Expected volatility was determined by using the historical volatility of the Company's share price during the period from February 1997 to June 2007. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

Total consideration received during the year from employees, including directors, for taking up the options granted was HK$79 (nine months ended 31 December 2006: HK$63).

The Group recognised a total expense of HK$31.3 million for the year ended 31 December 2007 (nine months ended 31 December 2006: HK$6.1 million) in relation to share options granted by the Company.

41. Gain on Disposals of Interests in Jointly Controlled Entities/Loss on Deemed Disposal of Interest in an Associate

On 12 April 2007, the Group and the co-investors of certain jointly controlled entities which hold five distressed property development projects in the PRC entered into asset injection agreements with a wholly-owned subsidiary of CCP in connection with the disposal of the entire equity interest in, and a majority of their related shareholders loans to these jointly controlled entities.

The transaction was completed on 13 June 2007 upon Listing and the Group received 56,924,000 ordinary shares of CCP as the consideration from CCP, representing about 47.8% of the then equity of CCP. The transaction was accounted for as the disposal of interests in jointly controlled entities. Incidental to the disposal and pursuant to the subscription agreement dated 12 April 2007, the Group has further injected £63.0 million (HK$975.2 million) and US$25.0 million (HK$195.3 million) to subscribe for 63,012,000 ordinary shares and convertible bonds of CCP respectively, upon Listing.

Subsequent to the Listing and the allotment of new CCP shares under the subscription agreement, the Group's equity interest in CCP has been diluted to 40.2%. This was accounted for as a deemed disposal of interest in an associate. Details of the transactions are set out in the circular of the Company dated 18 April 2007 and announcements of the Company dated 12 April 2007, 15 May 2007, 23 May 2007 and 8 June 2007.

As a result of the above transactions, the Group has recognised a net gain of approximately HK$89.0 million in the consolidated income statement for the year ended 31 December 2007.

At 31 December 2007, the Group holds a 40.4% equity interest in CCP, which is classified as an associate of the Group.

42. Acquisition of Subsidiaries

On 1 October 2006, Shui On Granpex Limited, an indirect wholly-owned subsidiary of the Company, increased its interest in Shanghai Shui On Construction Co., Ltd. ("SSOC") from 50% to 70% for a consideration of RMB20 million (approximately HK$18.9 million). Consequently, the Group gained control over the Board of Directors of SSOC and SSOC became an indirect subsidiary of the Company.

The net assets acquired in the transaction were as follows:

	Acquiree's carrying amount before combination HK$ million	**Fair value adjustments** HK$ million	**Fair value** HK$ million
Property, plant and equipment	1.0	—	1.0
Inventories	0.3	—	0.3
Debtors, deposits and prepayments	68.8	—	68.8
Bank balances, deposits and cash	21.1	—	21.1
Amounts due to related companies	(10.0)	—	(10.0)
Creditors and accrued charges	(22.1)	—	(22.1)
	59.1	—	59.1
Minority interests	(17.7)	—	(17.7)
Total net assets of the subsidiary to be acquired	41.4	—	41.4
Transferred from interests in jointly controlled entities			(18.8)
Discount on acquisition			(3.7)
Total consideration			18.9
Total consideration satisfied by:			
Set-off with amount due from SSOC			18.9
Net cash inflow arising on acquisition:			
Cash and cash equivalents acquired			21.1

If the acquisition had been completed on 1 April 2006, the Group's revenue for the nine months period ended 31 December 2006 would have been HK$1,819.6 million, and profit for the period would have been HK$623.3 million. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2006, nor was it intended to be a projection of future results.

The contributions to the Group's revenue, profit before taxation and cash flows for the nine months period ended 31 December 2006 by SSOC since the date of its acquisition and 31 December 2006 were immaterial.

43. Deemed Disposal of a Subsidiary

On 29 December 2006, the composition of the Board of Directors of On Capital China Fund ("On Capital", formerly known as On Capital China Tech Fund), an indirect subsidiary of the Company in which the Company holds a 66.83% interest indirectly, has been changed such that On Capital has become a jointly controlled entity of the Group.

The net assets of On Capital at the date of change to a jointly controlled entity were as follows:

	HK$ million
Financial assets at fair value through profit or loss	293.0
Debtors, deposits and prepayments	0.2
Bank balances, deposits and cash	42.3
Creditors and accrued charges	(47.6)
Minority interests	(95.5)
Net assets disposed of	192.4
Satisfied by:	
Share of net assets of a jointly controlled entity	192.4
Net cash outflow arising on disposal:	
Bank balances, deposits and cash disposed of	(42.3)

For the nine months period ended 31 December 2006, On Capital contributed HK$52.0 million to the Group's turnover and profit of HK$49.5 million to the Group's profit before taxation.

44. Contingent Liabilities

At 31 December 2007, performance bonds established amounting to approximately HK$130.6 million (31 December 2006: HK$232.8 million) have not been provided for in the consolidated financial statements.

At 31 December 2007, the Group has placed a deposit of HK$300 million to a bank to secure a standby documentary credit of the same amount, issued to secure a bank loan granted to an associate. At 31 December 2006, the Group placed a deposit of HK$120 million to a bank to secure a standby documentary credit of the same amount, issued to secure a bank loan granted to a jointly controlled entity.

In the opinion of the Directors of the Company, the fair values 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 consolidated balance sheet.

45. Related Party Transactions

(a) During the year/period, the Group had the following transactions with SOCL and its subsidiaries and associates other than those of the Group ("SOCL Private Group").

Nature of transactions	**Year ended 31 December 2007 HK$ million**	Nine months ended 31 December 2006 HK$ million
Income received:		
Management and information system services	**0.6**	0.4
Project management services	**3.1**	2.9
Construction work	**119.6**	5.9
Cost and expenses paid:		
Rental expenses	**0.1**	0.1
Building management fee	**0.1**	—
Interest expense	**11.3**	3.2

The outstanding balances with SOCL Private Group at the balance sheet date were disclosed in notes 29 and 31.

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

Nature of transactions	**Year ended 31 December 2007 HK$ million**	Nine months ended 31 December 2006 HK$ million
Income received:		
Interest income	**6.8**	4.6
Management fee	**21.9**	22.5
Consultancy fee	**—**	4.8
Rental income	**0.7**	1.3
Sales of construction materials	**—**	4.7
Construction/subcontracting work	**11.5**	8.9
Cost and expenses paid:		
Construction/subcontracting work	**8.5**	8.7
Supply of construction materials	**—**	3.5

The outstanding balances with jointly controlled entities at the balance sheet date were disclosed in note 24.

45. Related Party Transactions (continued)

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

(d) During the year, SOCL Private Group advanced unsecured interest bearing short-term loans totaled HK$450.0 million (nine months ended 31 December 2006: HK$219.7 million) to the Group, and incurred interest on such loans amounting to HK$11.3 million (nine months ended 31 December 2006: HK$3.2 million). Out of the total advances, a loan of HK$350.0 million (nine months ended 31 December 2006: HK$219.7 million) and the related interest accrued have been repaid during the year.

(e) During the year, the Group received dividend income amounting to HK$120.9 million (nine months ended 31 December 2006: HK$33.2 million) from certain jointly controlled entities.

(f) During the year, the Group recognised subcontracting income, management fee income, loan interest income and interest income on convertible bonds from an associate amounting to HK$1.1 million, HK$42.2 million, HK$2.5 million and HK$12.4 million, respectively.

(g) During the year, the Group disposed of HK$1.8 billion worth of SOL shares to a wholly-owned subsidiary of SOCL.

(h) During the nine months ended 31 December 2006, the Group received interest in respect of convertible redeemable participating junior preference shares from an associate amounting to HK$13.7 million.

(i) During the nine months ended 31 December 2006, management fees and performance bonus payable by an indirect subsidiary of the Company, On Capital, to the investment management company controlled and owned by Mr. Laurie Kan who is also a director of On Capital, amounted to HK$10.5 million.

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

	Year ended 31 December 2007 HK$ million	Nine months ended 31 December 2006 HK$ million
Fees	**1.2**	1.0
Salaries and other benefits	**28.3**	17.9
Bonuses	**17.9**	7.4
Retirement benefit scheme contributions	**1.1**	0.9
Share-based payments	**17.7**	3.4
	66.2	30.6

The remuneration of Directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

46. Events after the Balance Sheet Date

(a) On 15 January 2008, the Group agreed to inject further cash by way of shareholders' loan in the equivalent of approximately RMB200.2 million (about HK$217.4 million) to the joint venture formed for the development of Dalian Tiandi • Software Hub, in which the Group ultimately holds a 22% effective interest. Details of the transactions are set out in an announcement of the Company dated 16 January 2008.

(b) On 4 February 2008, the Group entered into an agreement with a wholly-owned subsidiary of CCP in relation to the formation of a joint venture for the acquisition and development of a piece of land in Chengdu, the PRC, whereby the Group holds a 50% interest in the joint venture. Pursuant to the agreement, the Group provided a RMB210 million (about HK$229.9 million) shareholders' loan to the joint venture on 4 February 2008. Details of the transactions are set out in an announcement and a circular of the Company dated 5 February 2008 and 25 February 2008 respectively.

(c) On 19 February 2008, the Group entered into a shareholders deed with a wholly-owned subsidiary of CCP and an independent third party, in relation to the formation of a joint venture for the acquisition and development of a piece of land in Shenyang, the PRC, in which the Group ultimately holds a 40% effective interest. In contemplation of the formation of the joint venture, the Group has advanced US$25.0 million (about HK$195.0 million) during the year. Pursuant to the shareholders deed, the Group advanced a further US$14.9 million (about HK$116.4 million) shareholders' loan to the joint venture on 21 February 2008. Details of the transactions are set out in an announcement and a circular of the Company dated 20 February 2008 and 5 March 2008 respectively.

(d) On 4 March 2008, the Group entered into a sale and purchase agreement with a wholly-owned subsidiary of SOCL for the disposal of approximately HK$1.0 billion worth of SOL shares. Pursuant to a supplemental agreement dated 14 March 2008, the final purchase price was fixed at HK$7.68 per SOL share. A total of approximately 130.2 million shares of SOL, representing approximately 3.11% of the issued share capital of SOL, would be sold. The Group will recognise a gain on disposal, before transaction costs, of approximately HK$497.4 million including the realisation of the Investment Revaluation Reserve, in the consolidated income statement for the year ending 31 December 2008. Details of the transaction are set out in the announcements dated 4 March 2008 and 17 March 2008 and a circular of the Company dated 20 March 2008. The transaction is subject to the approval by the independent shareholders of the Company at a special general meeting convened to be held on 23 April 2008.

(e) Subsequent to the balance sheet date and up to the date of approval of the consolidated financial statements on 8 April 2008, the total principal amount of HK$10.0 million of the Company's zero coupon convertible bonds due 2009 was converted into 583,633 ordinary shares of the Company.

47. Particulars of Principal Subsidiaries

The Directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the following list contains only the particulars of subsidiaries at 31 December 2007 which principally affect the results or assets of the Group. All the companies listed below were incorporated and are operating in Hong Kong except as otherwise indicated.

Name of subsidiary	Issued and fully paid share capital/ registered capital	Percentage of issued share/registered capital held by the Company Directly	Indirectly	Principal activities
Construction and building maintenance business				
Dynamic Mark Limited	100 ordinary shares of HK$1 each 3,000,000 non-voting deferred shares of HK$1 each	—	80%	Supply of metal gates
P.D. (Contractors) Limited	1,000,000 ordinary shares of HK$1 each	—	98.34%	Renovation work
Pacific Extend Limited	10,000 ordinary shares of HK$1 each 6,000 special shares of HK$1 each	—	67%	Maintenance contractor
Pat Davie Limited	9,400,100 ordinary shares of HK$1 each 100,000 non-voting deferred shares of HK$10 each	—	98.34%	Interior decoration, fitting out, design and contracting
Pat Davie (Macau) Limited##	1,000,000 ordinary shares of MOP1 each	—	98.34%	Interior decoration, fitting out, design and contracting
Panyu Dynamic Mark Steel & Aluminium Engineering Co. Ltd. **@	Registered and paid up capital HK$4,000,000	—	64%	Steel fabrication
Panyu Shui Fai Metal Works Engineering Co. Ltd. **@	Registered and paid up capital HK$9,000,000	—	55%	Manufacture of wallform and other metal works
Shui Fai Metal Works Engineering Company Limited	10,000 ordinary shares of HK$1 each	—	55%	Sales and installation of wallform and other metal works

47. Particulars of Principal Subsidiaries (continued)

Name of subsidiary	Issued and fully paid share capital/ registered capital	Percentage of issued share/registered capital held by the Company Directly	Indirectly	Principal activities
Construction and building maintenance business (continued)				
Shui On Building Contractors Limited	117,000,100 ordinary shares of HK$1 each 33,000,100 non-voting deferred shares of HK$1 each 50,000 non-voting deferred shares of HK$1,000 each	—	100%	Building construction and maintenance
Shui On Construction Company Limited	100 ordinary shares of HK$1 each 69,000,000 non-voting deferred shares of HK$1 each 1,030,000 non-voting deferred shares of HK$100 each	—	100%	Building construction
Shui On Contractors Limited *	1 share of US$1	100%	—	Investment holding
Shui On Granpex Limited	2 ordinary shares of HK$1 each	—	100%	Investment holding
Shui On Graceton Limited	2 ordinary shares of HK$1 each	—	100%	Investment holding
Shui On Plant & Equipment Services Limited	16,611,000 ordinary shares of HK$1 each 45,389,000 non-voting deferred shares of HK$1 each	—	100%	Owning and leasing of plant and machinery and structural steel construction work
Shanghai Shui On Construction Co., Ltd. **@	Registered and paid up capital RMB50,000,000	—	70%	Building construction and maintenance
Cement operations				
Asia No.1 Material Supply Limited	100 ordinary shares of HK$100 each 1,000 non-voting deferred shares of HK$100 each	—	100%	Holding of a quarry right

47. Particulars of Principal Subsidiaries (continued)

Name of subsidiary	Issued and fully paid share capital/registered capital	Percentage of issued share/registered capital held by the Company Directly	Indirectly	Principal activities
Cement operations (continued)				
First Direction Limited	100 ordinary shares of HK$1 each 2 non-voting deferred shares of HK$1 each	—	100%	Property holding
Glorycrest Holdings Limited *	1 share of US$1	—	100%	Investment holding
Great Market Limited	100 ordinary shares of HK$1 each 5 non-voting deferred shares of HK$1 each	—	100%	Investment holding
Guangdong Lamma Concrete Products Limited **@	Registered and paid up capital RMB5,000,000	—	60%	Manufacture of precast concrete facade
Lamma Concrete Products Limited	10 ordinary shares of HK$1 each	—	60%	Investment holding
Shui On Building Materials Limited	100 ordinary shares of HK$1 each 1,000,000 non-voting deferred shares of HK$1 each	—	100%	Investment holding and sale of construction materials
Shui On Cement (Guizhou) Limited *	100,000 shares of US$1 each	—	100%	Investment holding
Shui On Materials Limited *	1 share of US$1	100%	—	Investment holding
貴州瑞安水泥發展管理有限公司 **+	Registered and paid up capital US$670,000	—	100%	Provision of consultancy services
Middleton Investments Limited ***	2 ordinary shares of US$1 each	—	100%	Investment holding
Smartway Investment Limited ***	2 ordinary shares of US$1 each	—	100%	Investment holding
Tinsley Holdings Limited ***	2 ordinary shares of US$1 each	—	100%	Investment holding
Top Bright Investments Limited ***	2 ordinary shares of US$1 each	—	100%	Investment holding
Winway Holdings Limited ***	2 ordinary shares of US$1 each	—	100%	Investment holding
Fortune Smooth Investments Limited *	1 share of US$1	—	100%	Investment holding
Wayly Holdings Limited *	1 share of US$1	—	100%	Investment holding

47. Particulars of Principal Subsidiaries (continued)

Name of subsidiary	Issued and fully paid share capital/registered capital	Percentage of issued share/registered capital held by the Company Directly	Indirectly	Principal activities
Property development business				
Jade City International Limited	2 ordinary shares of HK$1 each	—	100%	Property holding
New Rainbow Investments Limited *	1 share of US$1	100%	—	Investment holding
Fortune Up Investments Limited *	1 share of US$1	100%	—	Investment holding
Jumbo China Investments Limited *	1 share of US$1	100%	—	Investment holding
Keygrow Investments Limited *	1 share of US$1	100%	—	Investment holding
Peak Fortune Assets Limited *	1 share of US$1	100%	—	Investment holding
Elite Great Investments Limited *	1 share of US$1	100%	—	Investment holding
Main Zone Group Limited *	1 share of US$1	100%	—	Investment holding
Asset management and other business				
SOCAM Asset Management Limited *	1 share of US$1	100%	—	Investment holding
SOCAM Asset Management (HK) Limited	1 ordinary share of HK$1	—	100%	Investment holding
Beijing SOCAM Real Estate Consulting Co., Ltd. **+	Registered and paid up capital RMB800,000	—	100%	Provision of consultancy services
Kroner Investments Limited *	1 share of US$1	100%	—	Investment holding
Landstar Development Limited	2 ordinary shares of HK$1 each	—	100%	Investment holding
Rise Huge International Limited *	1 share of US$1	100%	—	Investment holding
Shine Honest Investments Limited *	1 share of US$1	100%	—	Investment holding
Lamma Rock Products Limited	100 ordinary shares of HK$10 each 3,500,000 non-voting deferred shares of HK$10 each	—	100%	Investment holding
T H Industrial Management Limited #	2,740 ordinary shares of US$1 each	—	100%	Investment holding
T H Industry I Limited #	100 ordinary shares of US$1 each	—	100%	Investment holding
重慶騰輝德晟工程技術有限公司 **@	Registered and paid up capital RMB10,000,000	—	60%	Trading of construction materials equipment

47. Particulars of Principal Subsidiaries (continued)

Name of subsidiary	Issued and fully paid share capital/registered capital	Percentage of issued share/registered capital held by the Company Directly	Indirectly	Principal activities
Asset management and other business (continued)				
Chongqing TH Holding Management Company Limited **+	Registered and paid up capital RMB91,460,000	—	100%	Exploration and management of investment projects
Chongqing TH White Cement Co., Ltd. **	Registered and paid up capital US$1,506,000	—	60%	Manufacture and sale of cement
重慶騰建石材開發有限責任公司 **@	Registered and paid up capital RMB10,000,000	—	55%	Manufacture and sale of building materials
Chongqing Yugang Foreign Investment Consulting Limited **+	Registered and paid up capital RMB800,000	—	100%	Provision of investment consultation
Shui On Rock Products Limited	2 ordinary shares of HK$1 each	—	100%	Site formation

* Incorporated in the British Virgin Islands
** Registered and operated in other regions of the PRC
*** Incorporated in Mauritius
# Incorporated in the Bahamas
Incorporated in Macau, Special Administrative Region of the PRC
Incorporated in the Cayman Islands
\+ Wholly-foreign owned enterprises
@ Equity joint venture

None of the subsidiaries had any debt securities subsisting at 31 December 2007 or at any time during the year.

48. Particulars of Principal Jointly Controlled Entities

The Directors are of the opinion that a complete list of the particulars of all jointly controlled entities will be of excessive length and therefore the following list contains only the particulars of principal jointly controlled entities of the Group at 31 December 2007. All the companies listed below were incorporated and are operating in Hong Kong except otherwise indicated.

Indirect jointly controlled entities	Issued and paid-up share capital/registered capital	Effective percentage of issued share/ registered capital held by the Group	Principal activities	Notes
Construction and building maintenance business				
Brisfull Limited	5,000,000 ordinary shares of HK$1 each	50%	Sale and installation of aluminium window products	
City Engineering Limited	10,000 ordinary shares of HK$1 each	50%	Installation of mould work	
Super Race Limited	420,000 ordinary shares HK$1 each	50%	Supply of sink units and cooking benches	
Kaiping Biaofu Metal Products Company Limited **@	Registered and paid up capital US$800,000	50%	Manufacture of aluminium window products	
鶴山超合預制件有限公司 **@	Registered and paid up capital US$284,600	50%	Manufacture of sink units and cooking benches	1
Beijing Shui On Joint Venture Construction Co., Ltd. **@	Registered and paid up capital RMB5,000,000	50%	Building construction and maintenance	1
Cement operations				
Beijing Chinefarge Cement Co. Ltd. **@	Registered and paid up capital RMB315,000,000	29.25%	Manufacture and sale of cement	
Beijing Shunfa Lafarge Cement Co. Ltd. **@	Registered and paid up capital RMB150,000,000	31.5%	Manufacture and sale of cement	
Beijing Yicheng Lafarge Concrete Co. Ltd. **@	Registered and paid up capital RMB30,340,000	34.52%	Supply of ready mixed concrete	
Chongqing TH New Building Materials Co., Ltd. **@	Registered and paid up capital RMB41,500,000	33.75%	Manufacture and sale of cement	
Chongqing TH Diwei Cement Co., Ltd **@	Registered and paid up capital RMB61,680,000	36%	Manufacture and sale of cement	

48. Particulars of Principal Jointly Controlled Entities (continued)

Indirect jointly controlled entities	Issued and paid-up share capital/registered capital	Effective percentage of issued share/ registered capital held by the Group	Principal activities	Notes
Cement operations (continued)				
Chongqing TH Fuling Cement Co., Ltd **@	Registered and paid up capital RMB44,000,000	45%	Manufacture and sale of cement	
重慶騰輝物流有限公司	Registered and paid up capital RMB500,000	36%	Provision of transportation and logistics services	
Chongqing TH Packaging Co. Ltd **@	Registered and paid up capital RMB2,890,000	36%	Manufacture and sale of knitted bags	
Chongqing TH Special Cement Co. Ltd. **@	Registered and paid up capital RMB210,000,000	36%	Manufacture and sale of cement	
Chongqing TH Concrete Co., Ltd.**@	Registered and paid up capital RMB17,500,000	22.5%	Supply of ready mixed concrete	
Guangan TH Cement Co., Ltd **@	Registered and paid up capital RMB110,000,000	45%	Manufacture and sale of cement	
Guizhou Bijie Shui On Cement Co., Ltd. **@	Registered and paid up capital RMB48,000,000	80%	Manufacture and sale of cement	1
貴州暢達瑞安水泥有限公司 **@	Registered and paid up capital RMB106,000,000	51%	Manufacture and sale of cement	1
Guizhou Dingxiao Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB56,000,000	40.5%	Manufacture and sale of cement	
Guizhou Kaili Ken On Concrete Co., Ltd. **@	Registered and paid up capital RMB10,000,000	75%	Supply of ready mixed concrete	1
貴州凱里瑞安水泥有限公司**@	Registered and paid up capital RMB60,000,000	90%	Manufacture and sale of cement	1
Guizhou Shuicheng Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB200,000,000	31.5%	Manufacture and sale of cement	
Guizhou Xinpu Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB60,000,000	36%	Manufacture and sale of cement	
貴州習水瑞安水泥有限公司 **@	Registered and paid up capital RMB16,000,000	90%	Manufacture and sale of cement	1
Guizhou Yuqing Shui On Cement Co. Ltd. **@	Registered and paid up capital RMB20,000,000	80%	Manufacture and sale of cement	1

48. Particulars of Principal Jointly Controlled Entities (continued)

Indirect jointly controlled entities	Issued and paid-up share capital/registered capital	Effective percentage of issued share/ registered capital held by the Group	Principal activities	Notes
Cement operations (continued)				
Guizhou Zunyi Ken On Concrete Co., Ltd. **@	Registered and paid up capital RMB12,000,000	75%	Supply of ready mixed concrete	1
貴州遵義瑞安水泥有限公司 **@	Registered and paid up capital RMB92,000,000	80%	Manufacture and sale of cement	1
四川合江瑞安水泥有限公司 **@	Registered and paid up capital RMB23,250,000	90%	Manufacture and sale of cement	1
Lafarge Chongqing Cement Co. Ltd. **@	Registered and paid up capital RMB340,000,000	31.77%	Manufacture and sale of cement	
Lafarge Dujiangyan Cement Co. Ltd. **@	Registered and paid up capital RMB856,840,000	33.75%	Manufacture and sale of cement	
Nanchong TH Cement Co. Ltd **@	Registered and paid up capital RMB15,000,000	45%	Manufacture and sale of cement	
Suining TH Cement Co., Ltd. **@	Registered and paid up capital RMB15,000,000	40.5%	Manufacture and sale of cement	
Lafarge China Offshore Holding Co. *	16,518,148 shares of US$0.01 each	45%	Investment holding	
Lafarge Shui On (Beijing) Technical Services Co. Ltd.	Registered and paid up capital US$8,000,000	45%	Investment holding	
Lafarge Shui On Cement Limited	1,610,611 ordinary shares of HK$1 each	45%	Investment holding	
Nanjing Jiangnan Cement Co., Ltd. **@	Registered and paid up capital RMB120,000,000	60%	Manufacture and trading of cement	1
Sommerset Investments Limited ***	30,394,845 ordinary shares of US$1 each	45%	Investment holding	
T H Industry II Limited #	2,000 ordinary shares of US$1 each	45%	Investment holding	
Prime Allied Enterprises Limited ***	2 ordinary shares of US$1 each	45%	Investment holding	
Yunnan Shui On Construction Materials Investment Holding Co., Ltd. **	Registered and paid up capital RMB1,000,000,000	36%	Investment holding	

48. Particulars of Principal Jointly Controlled Entities (continued)

Indirect jointly controlled entities	Issued and paid-up share capital/registered capital	Effective percentage of issued share/registered capital held by the Group	Principal activities	Notes
Property development business				
Broad Wise Limited *	1 share of US$1	40%	Investment holding	
Asset management and other business				
The Yangtze Ventures Limited ###	1,000 ordinary shares of HK$0.1 each	65.5%	Venture capital investments	2
The Yangtze Ventures II Limited ###	1,000 ordinary shares of HK$0.1 each	75.4%	Venture capital investments	2
On Capital China Fund Series A ###	13,923 participating shares of US$0.01 each	66.8%	Venture capital investments	2
On Capital China Fund Series B ###	3,100 participating shares of US$0.01 each	64.5%	Venture capital investments	2

* Incorporated in the British Virgin Islands
** Registered and operated in other regions of the PRC
*** Incorporated in Mauritius
\# Incorporated in the Bahamas
\#\# Incorporated in Barbados
\#\#\# Incorporated in the Cayman Islands
@ Equity joint venture

Notes:

1. The Group is under contractual arrangements to jointly control these entities with PRC partners. Accordingly, the Directors consider they are jointly controlled entities.
2. The respective board of directors of these entities are jointly controlled by the Group and other investors. Accordingly, the Directors consider they are jointly controlled entities.

49. Particulars of Principal Associates

The Directors are of the opinion that a complete list of the particulars of all associates will be of excessive length and therefore the following list contains only the particulars of principal associates of the Group at 31 December 2007.

Indirect associates	Issued and paid-up share capital/registered capital	Effective percentage of issued share/ registered capital held by the Group	Principal activities
Property development business			
Richcoast Group Limited *	780 shares of US$1 each	28.2%	Investment holding
Dalian Qiantong Science & Technology Development Co., Ltd. **	RMB300,000,000	22%	Software Park development
Dalian Ruisheng Software Development Co., Ltd. **	RMB300,000,000	22%	Software Park development
Dalian Delan Software Development Co., Ltd. **	RMB300,000,000	22%	Software Park development
Dalian Jiadao Science & Technology Development Co., Ltd. **	RMB300,000,000	22%	Software Park development
Dalian Software Park Shuion Fazhan Co., Ltd. **	RMB600,000,000	22%	Software Park development
Dalian Software Park Shuion Kaifa Co., Ltd. **	RMB600,000,000	22%	Software Park development
China Central Properties Limited +	298,602,000 shares of GBP0.01 each	40.4%	Investment holding
Dalian Shengyuan Real Estate Consulting Co., Ltd. **	RMB50,000,000	40.4%	Investment holding
北京億達房地產開發有限公司 **	RMB30,000,000	40.4%	Property development
Beijing ZhongTian HongYe Real Estate Consulting Co., Ltd. **	RMB120,000,000	40.4%	Property development
Beijing Zhonghui Garden Consulting Co., Ltd. **	USD14,950,000	40.4%	Property development
Chengdu Shui On Huiyuan Property Co., Ltd. **	USD6,000,000	40.4%	Property development

49. Particulars of Principal Associates (continued)

Indirect associates	Issued and paid-up share capital/registered capital	Effective percentage of issued share/ registered capital held by the Group	Principal activities
Property development business (continued)			
Chengdu Shui On Huida Property Co., Ltd. **	RMB650,000,000	40.4%	Property development
重慶豐德房地產有限公司 **	USD4,500,000	40.4%	Investment holding
重慶豐德尊鼎實業有限公司 **	RMB10,000,000	40.4%	Property development
重慶豐德南洋實業有限公司 **	RMB10,000,000	40.4%	Property development
重慶豐德豪門實業有限公司 **	RMB10,000,000	40.4%	Property development
Chongqing Hui Zheng Properties Co., Ltd. **	USD60,000,000	40.4%	Property development
Dalian Xiwang Building Co., Ltd. **	USD60,000,000	40.4%	Property development
Qingdao Zhongcheng Yinchu Development Co., Ltd. **	HK$400,000,000	40.4%	Property development
Shenyang Hua Hui Properties Co., Ltd. **	USD40,000,000	28.3%	Property development
Tianjin Zhonghui Real Estate Co., Ltd. **	USD25,000,000	40.4%	Property development
Tianjin Zhongan Real Estate Co., Ltd. **	USD25,000,000	40.4%	Property development
Tianjin Ruizhong Real Estate Co., Ltd. **	USD25,000,000	40.4%	Property development

* Incorporated in the British Virgin Islands
** Registered and operated in other regions of the PRC
\+ Incorporated in Isle of Man

The end of the consolidated financial statements.

The statement below from the Company does not form part of the consolidated financial statements:

Readers of these consolidated financial statements are strongly encouraged to read the Management Discussion and Analysis set out in this annual report, which does not form part of the consolidated financial statements, to gain a fuller appreciation of the Group's financial results and situation in the context of its activities.

Particulars of Properties

Properties held by the Group at 31 December 2007 are as follows:

Location	Use	Approximate floor area *(square metres)*	Lease term	Group's interest
(A) INVESTMENT PROPERTY				
18 Dan Long Lu, Economic-technological Development Zone, Chongqing, the PRC	Office	13,507	Medium	100%
(B) PROPERTIES HELD AS PROPERTY, PLANT AND EQUIPMENT				
Section A of Lot No.609, Lot Nos. 610 and 611, Section F of Lot No.612 in Demarcation District No.85, Fanling, New Territories	Workshop and storage	2,599	Medium	100%
(C) PROPERTIES HELD FOR SALE				
Tseung Kwan O Town Lot No.62, Area 65A Bauhinia Garden 11 Tong Chun Street Tseung Kwan O Sai Kung New Territories	Carparking	3,376	Medium	100%

Group Financial Summary

1. Results

	Year ended 31 March 2004 HK$ million	2005 HK$ million	2006 HK$ million	Nine months ended 31 December 2006 HK$ million	**Year ended 31 December 2007 HK$ million**
Turnover	3,590.9	1,882.9	1,400.2	1,680.4	**2,810.5**
Profit before taxation	200.0	545.4	364.2	636.2	**715.6**
Taxation	(49.4)	(1.2)	(7.6)	(7.7)	**(11.3)**
Profit from continuing operations	150.6	544.2	356.6	628.5	**704.3**
Loss from discontinued operations	—	(59.6)	(5.2)	(6.1)	**—**
Profit for the year/period	150.6	484.6	351.4	622.4	**704.3**
Attributable to:					
Equity holders of the Company	147.7	481.9	314.8	602.1	**702.0**
Minority interests	2.9	2.7	36.6	20.3	**2.3**
	150.6	484.6	351.4	622.4	**704.3**

2. Assets and Liabilities

	At 31 March			At 31 December	
	2004 HK$ million	2005 HK$ million	2006 HK$ million	2006 HK$ million	**2007** **HK$ million**
Total assets	3,738.3	3,987.1	5,982.5	10,345.8	**13,299.7**
Total liabilities	(2,322.5)	(2,014.8)	(3,561.4)	(5,129.7)	**(6,004.4)**
	1,415.8	1,972.3	2,421.1	5,216.1	**7,295.3**
Equity attributable to equity holders of the Company	1,387.2	1,943.2	2,322.6	5,163.9	**7,241.6**
Minority interests	28.6	29.1	98.5	52.2	**53.7**
	1,415.8	1,972.3	2,421.1	5,216.1	**7,295.3**

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. Cheng Mo Chi, Moses
Mr. Gerrit de Nys

Audit Committee

Mr. Anthony Griffiths (Chairman)
Mr. Cheng Mo Chi, Moses
Mr. Gerrit de Nys
Professor Michael Enright

Remuneration Committee

Mr. Anthony Griffiths (Chairman)
Mr. Cheng Mo Chi, Moses
Mr. Gerrit de Nys
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.shuion.com

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