SHUI ON CONSTRUCTION AND MATERIALS LIMITED

Leveraging Our STRENGTHS
Rising To The Challenge
蓄勢待發 迎變而上

Annual Report 2008

Stock Code: 00983

SOCAM AT A GLANCE

Shui On Construction and Materials Limited (SOCAM) (HKSE Stock Code: 00983) 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 business operations in over 15 cities and strategic areas in Hong Kong, Macau and the Chinese Mainland.

Property

- Distressed Property Development
- Direct Investments in Development Projects
- Investment in Shui On Land

Cement

- Lafarge Shui On Cement
- Guizhou Operations
- Nanjing Operations

Construction

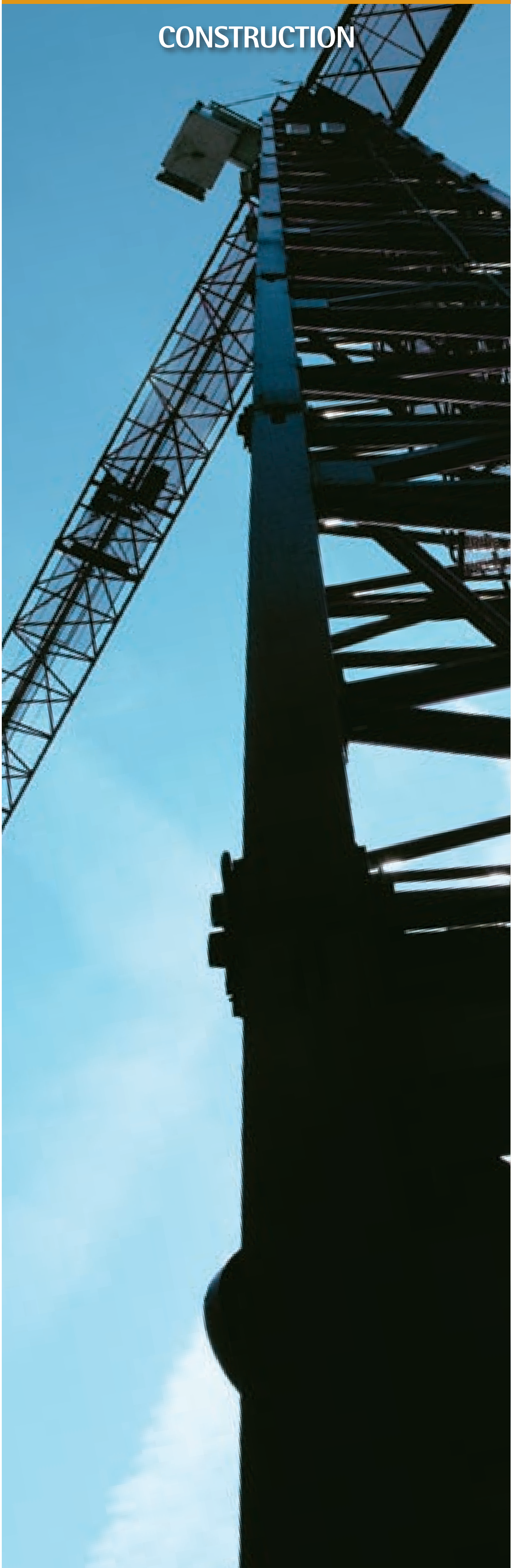
- Public Housing
- Commercial, Residential and Institutional Buildings
- Interior Fitting Out and Building Renovation
- Maintenance

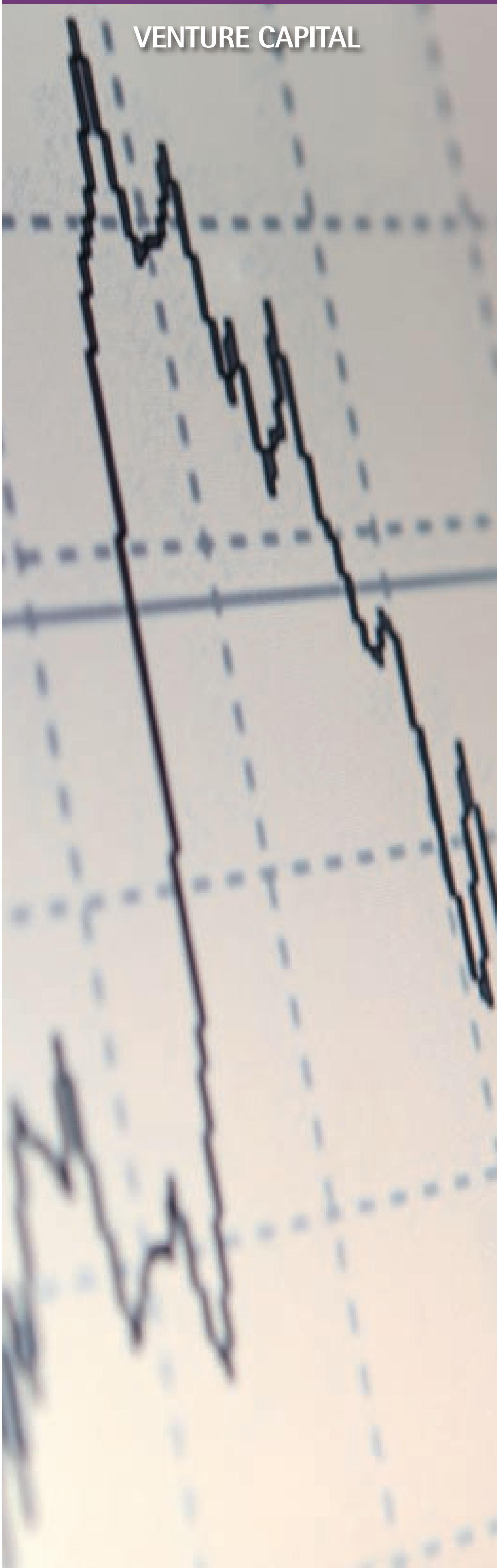
Venture Capital

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

PROPERTY

CEMENT


CONSTRUCTION


VENTURE CAPITAL

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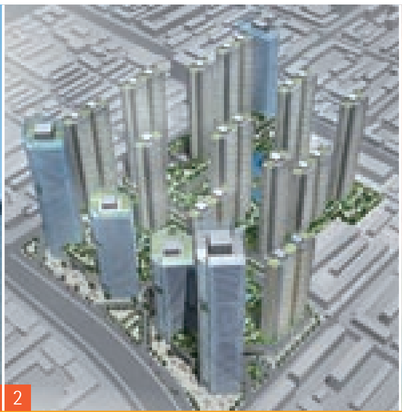
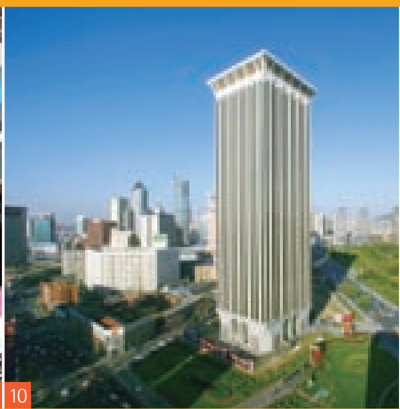
KEY EVENTS IN 2008

January

Shui On Building Contractors (SOBC) secured three new major construction contracts from the Hong Kong Housing Authority (HKHA), valued at approximately HK$1.6 billion.

February

1 China Central Properties (CCP) announced disposal of Beijing Huapu Centre and recorded a substantial gain, realising the unique business model of distressed property development.

SOCAM, together with CCP, acquired Chengdu Orient Home.

2 SOCAM formed a joint venture with CCP and a financial investor and acquired Shenyang Central Plaza, Phase II, which is expected to become a major landmark in Shenyang.

3 SOCAM was named "Caring Company" for a third year by the Hong Kong Council of Social Service in recognition of its contribution to building a caring and harmonious community.

March

4 The joint venture formed by SOCAM, Shui On Land (SOL) and the Yida Group to develop Dalian Tiandi • Software Hub acquired two plots of land at Huangnichuan North.

5 SOBC was presented the Green Contractor Award – Term Contract by Architectural Services Department.

April

SOCAM disposed of 3.1% shareholding in SOL.

May

6 CCP announced the disposal of Beijing Shengyuan Centre.

Lafarge Shui On Cement (LSOC) signed agreements to acquire from SOCAM two production lines in Kaili, Guizhou, further enhancing its market position in Guizhou.

7 LSOC participated proactively in the Sichuan earthquake relief operations.

June

8,9 Dalian Tiandi • Software Hub entered into an agreement with NIIT, a world-leading IT learning solution provider, and unveiled its master plan during the "China International Software and Information Service Fair".

10 CCP announced the disposal of Dalian Xiwang Building.

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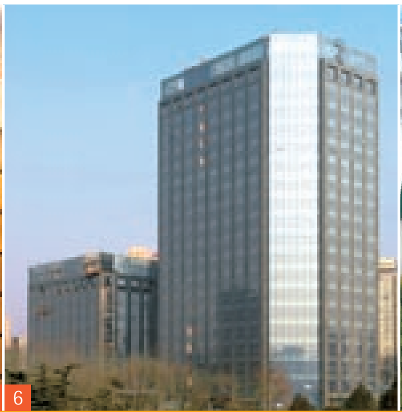
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11 LSOC has, since June, signed financial framework agreements with major banks in Sichuan and Chongqing for RMB10 billion banking facilities to support the restoration works of the quake-hit plants and accelerate the building of new production lines.

SOBC and Shui On Construction (SOC) won a total of 25 awards in the Construction Safety Promotional Campaign and Considerate Contractors Site Award Scheme for their excellence in safety and environmental performance.

September

12 Shenyang Central Plaza, Phase II held its groundbreaking ceremony.

LSOC announced construction of a new dry kiln in Sancha, Guizhou.

Shanghai Shui On Construction Co., Ltd. was renamed as Shui On Construction Co., Ltd., marking a major milestone for its business expansion across the Chinese Mainland.

13 Outstanding performance of SOCAM, SOBC and SOC in occupational safety and health was recognised in winning the Gold Award for Safety Management System and four other Hong Kong Occupational Safety and Health Awards by the Occupational Safety and Health Council.

October

14 LSOC started the construction work of the third production line in Dujiangyan, Sichuan to contribute to the post-earthquake reconstruction of the affected areas.

SOCAM's Annual Report 2007 received the Galaxy Gold Award for Marketing by MerComm, Inc. after winning three other awards in the Annual International ARC Awards in September.

December

The joint venture of Dalian Tiandi • Software Hub acquired the plots of land at Hekou Bay.

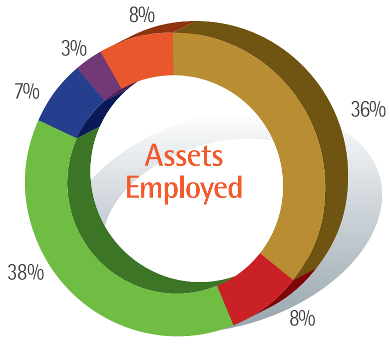
SOCAM formulated its Corporate Social Responsibility Policy.

15 SOCAM received the Hong Kong Corporate Governance Excellence Award 2008 presented jointly by the Chamber of Hong Kong Listed Companies and Hong Kong Baptist University.

16 SOBC was presented nine awards by the HKHA at the Quality Public Housing Construction and Maintenance Awards prize presentation ceremony.

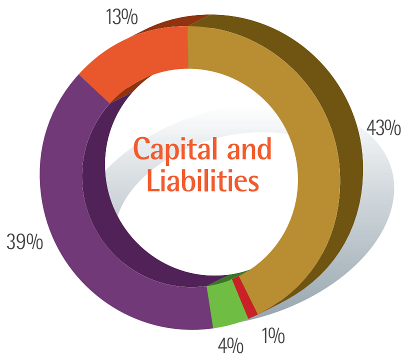
FINANCIAL HIGHLIGHTS

	Year ended 31 December 2008	Year ended 31 December 2007
	HK$ million	*HK$ million*
Turnover	**2,944.3**	2,810.5
Profit attributable to equity holders of the Company	**562.4**	702.0
	HK$	*HK$*
Basic earnings per share	**1.75**	2.34
Dividend per share	**0.20**	0.80
	At 31 December 2008	At 31 December 2007
	HK$ million	*HK$ million*
Net assets	**4,999.2**	7,241.6
	HK$	*HK$*
Net asset value per share	**15.53**	22.56



At 31 December 2008

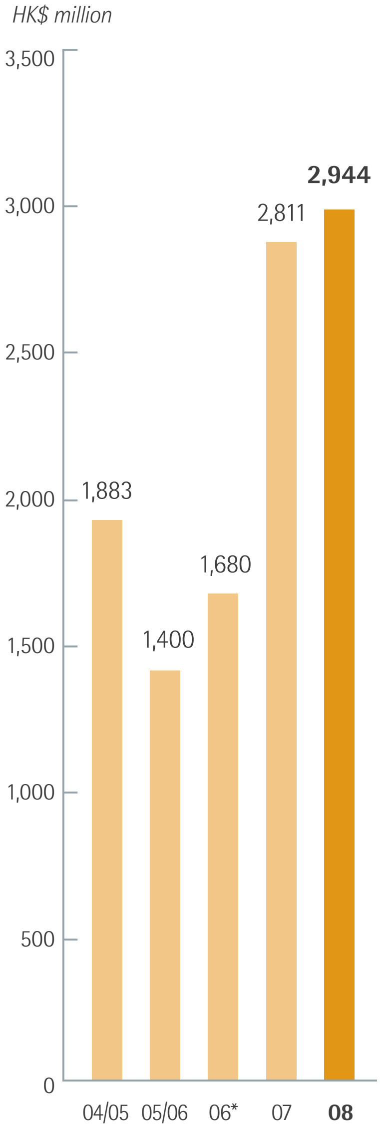
- Property
- Investment in Shui On Land
- Cement
- Construction
- Venture capital investment
- Others



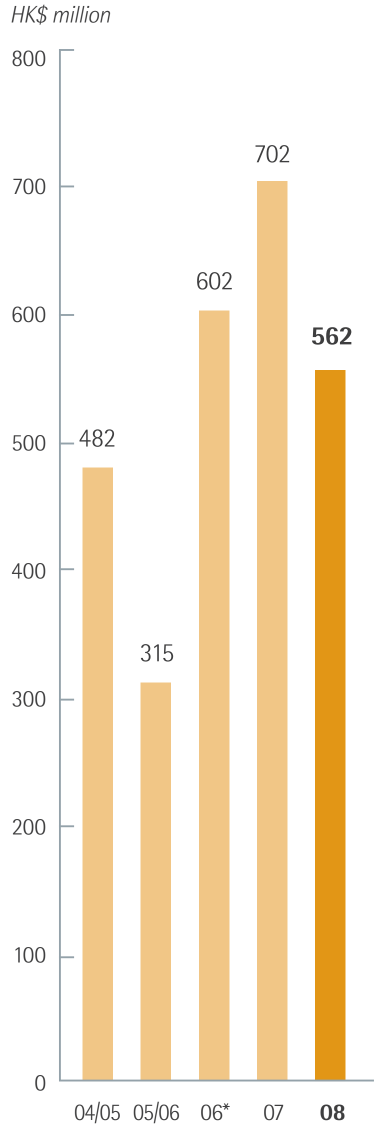
At 31 December 2008

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

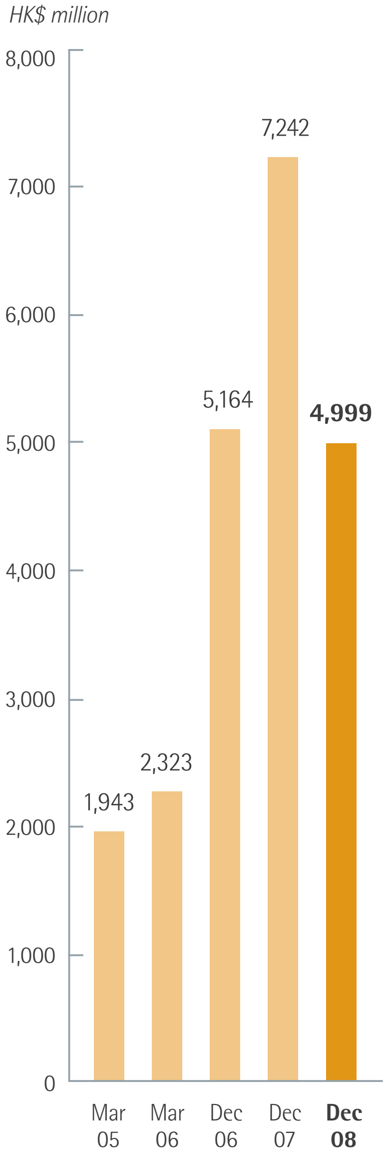
Turnover



Profit Attributable to Equity Holders of the Company



Equity Attributable to Equity Holders of the Company



* Nine-month period

CHAIRMAN'S STATEMENT

Despite the difficult and uncertain economic outlook, we believe the strengths of the Group's core businesses will position us well for continued growth.

Vincent H. S. Lo
Chairman

2008 proved to be extraordinarily challenging and difficult for every economy. The unprecedented financial turmoil triggered by the sub-prime lending crisis in the United States has seriously weakened the financial markets and banking industry world-wide, with grave repercussions for the global economy. While China's economy is not immune, the impact has been less severe compared to other major economies.

Against this background, I am pleased to report to you that all the major business operations of your Company continued to perform well during 2008, despite the profit warning the Board issued in January 2009, which was prompted by the sharp drop in the value of our shareholding in Shui On Land. The solid foundation of our businesses will enable us to seize new opportunities as they arise.

For the year ended 31 December 2008, your Group's profit attributable to shareholders was HK$562 million, a decrease of 20% from the HK$702 million recorded in 2007. In view of the difficult business environment and to prepare for the challenges ahead, the Board of Directors has recommended that no final dividend be distributed. Dividend per share is HK$0.20 for the year.

STRONG PERFORMANCE OF OUR OPERATIONS

Despite the difficult and uncertain economic outlook, the Board believes the strengths of the Group's core businesses will position us well for continued growth.

Our property operations performed strongly, embarking on sizable greenfield development projects and making key disposals. In early 2008, we acquired two sites in Chengdu and Shenyang with a total gross floor area of over 1.1 million square metres in partnership with China Central Properties (CCP). Before the market downturn, CCP had successfully disposed of three completed projects, namely Huapu Centre and Shengyuan Centre in Beijing and Xiwang Building in Dalian. These timely disposals allowed CCP to capitalise on strong selling prices and generate substantial net cash in readiness for attractive acquisition opportunities ahead. SOCAM Asset Management, the investment manager of CCP, earned bonus fees from CCP for achieving above target returns on the disposals.

Lafarge Shui On Cement (LSOC) recorded significant growth in both sales revenue and profitability. Cement prices in our market locations remained robust, enabling our cement operations to reap higher profits despite considerable cost increases and lower production due to the winter snow storm and the Sichuan earthquake in May 2008. LSOC is progressively replacing its wet kilns with new dry lines, and at year-end had a total capacity of 24 million tonnes per annum with further capacity expansion underway in Chongqing, Sichuan, Guizhou and Yunnan.

In January 2009, the proposed injection of LSOC's 50% interest in its Dujiangyan plants into the Shenzhen-listed Sichuan Shuangma Cement was approved by Shuangma's minority shareholders. On completion, this consolidated platform will provide LSOC with a stronger A-share capital base to further expand in the Mainland market.

With a steady workflow from the Government of the Hong Kong SAR and the solid performance of our projects, our construction division brought increased profit to the Group. Our venture funds, however, recorded losses, as their shareholdings in various listed and unlisted companies saw a significant decline in value following the sharp fall in global stock markets and economies.

In view of continuing uncertainty, we have focused on strengthening the Group's financial position in readiness for braving the depressed economic conditions and, on the other hand, for seizing opportunities that may arise in future. In February 2009, we secured an overall facility of RMB5 billion from Agricultural Bank of China for our cement and property businesses. This loan facility highlights the confidence that our financial supporters have in the fundamental strengths of your Company.

ENHANCING CORPORATE GOVERNANCE

The Group continued to take initiatives to ensure high standards in corporate governance, including the engagement of a management consultant to facilitate a Board performance evaluation. This exercise has been instrumental in identifying areas in which the Board as a whole and directors individually can further develop, with a view to enhancing the effectiveness of the Board.

In December, your Company was honoured with the Hong Kong Corporate Governance Excellence Award 2008 presented jointly by the Chamber of Hong Kong Listed Companies and Hong Kong Baptist University.

COMMITMENT TO CORPORATE SOCIAL RESPONSIBILITY

In December, a formal statement of our Corporate Social Responsibility (CSR) Policy was adopted to underline our commitment to caring for our people, the environment and the community. We have named this CSR commitment "Shui On – We Care" and will place special emphasis on encouraging all our staff to participate in community service.

For the third consecutive year, your Company received the Caring Company Logo from the Hong Kong Council of Social Service.

TAPPING OPPORTUNITIES FOR GROWTH

Despite growing uncertainty and gloom about the prospects of the global economy in the near term, China's continued growth sets it apart from the other major economies. We remain positive about the long-term prospects of the property market in the Chinese Mainland, especially in view of increasing urbanisation and rising levels of income and private consumption. In the near future we are expecting attractive acquisition opportunities for new property projects. In cement, the RMB4 trillion Central Government stimulus package with its infrastructure and low cost housing focus will create robust demand for cement, especially in Southwest China. Weaker cement producers are continuously being eliminated in the face of progressive market consolidation and China's increasing environmental emphasis, and this bodes well for the development of LSOC. For our Hong Kong construction operations, we see more opportunities in the coming years with the Government of Hong Kong SAR accelerating the pace of infrastructure and public facility investment.

As we look to the future, our solid foundation and our capable, experienced management team will enable us to weather the difficult business environment that is likely to continue throughout 2009. To some extent, the market downturn in the Chinese Mainland is actually creating opportunities for your Group's two major businesses of distressed property development and cement manufacturing, while our construction business is well-positioned to benefit from the increase in public sector work in Hong Kong. We see good prospects for business growth in the Chinese Mainland where we will continue to explore and take opportunities to deliver sustainable growth and increased value to our shareholders.

Mr Moses Cheng retired as an Independent Non-executive Director in May 2008. On behalf of the Board, I would like to thank him for his valuable contribution since he took up his appointment to the Board in September 2004. I would also like to welcome Ms Helen Li who joined as an Independent Non-executive Director in August of last year.

Once again, SOCAM benefited from the hard work and dedication of its management and staff. I would like to thank them for their professionalism and determination as well as their continuing commitment to the Group.

Vincent H.S. Lo
Chairman

Hong Kong, April 2009

MANAGEMENT DISCUSSION AND ANALYSIS

All major business operations of SOCAM continued to perform well amid the challenging market conditions.

Frankie Y. L. Wong
Chief Executive Officer

Our Businesses:

PROPERTY

Location, Location, Location

Beijing | Chengdu | Chongqing | Dalian | Guangzhou | Qingdao | Shenyang

FINANCIAL SUMMARY

Amounts attributable to SOCAM	**Year ended 31 December 2008** ***HK$ million***	Year ended 31 December 2007 *HK$ million*
Turnover	**1,276**	249
Profit	**581**	285

	At 31 December 2008 ***square metres***	At 31 December 2007 *square metres*
GFA	**1,737,000**	637,000

The global economy deteriorated at an unprecedented pace as the year progressed, with both capital and debt markets experiencing a veritable melt down and liquidity drying up. The Chinese Central Government started the year with various austerity measures to combat inflation and tackle over-speculation in the property sector, but cut interest rates and eased credit aggressively in a bid to shore up the slowing economy in the fourth quarter in response to the abrupt worldwide market downturn and deflationary pressures.

Despite the challenging market conditions, SOCAM's property business made remarkable progress. China Central Properties (CCP) started off with important disposals in its distressed property portfolio and extended its scope to greenfield developments in the first half. The Group also made steady progress with the massive Dalian Tiandi • Software Hub development in which it has a 22% shareholding, and acquired two property sites in Shenyang and Chengdu in partnership with CCP.

CHINA CENTRAL PROPERTIES

CCP's diverse portfolio of property projects is spread across a number of major and secondary cities in China. With strong economic growth and rapid urbanisation, these cities continue to attract considerable foreign and domestic investments.

Acquisitions and Disposals

CCP formed a 50/50 joint venture with the Group in February to develop the Orient Home project in Chengdu for residential and commercial use. A further joint venture was announced in the same month in respect of Phase II of the Central Plaza project in Shenyang. The total developable gross floor area (GFA) of these two projects would be over 1.1 million square metres.

In addition, CCP made a number of successful disposals during the year, which enabled it to meet its overall profit target. In February, CCP sold Huapu Centre and in May, Shengyuan Centre, both in Beijing. This was followed in June by the sale of Xiwang Building in Dalian. Half of the office building in Phase I of Chengdu Central Point and substantially all of the office space of Central International Plaza in Qingdao were also sold by year-end. All these sales have generated a total of US$76 million in profits and US$450 million in revenue.

Projects

At the year end, CCP's diverse property portfolio consisted of 11 projects, comprising 1,164,000 square metres of attributable developable GFA in six major and secondary cities and, by March 2009, had grown to 1,253,000 square metres.

The table below summarises CCP's total developable GFA at 31 March 2009:

Project	Location	Total Developable GFA attributable to CCP (square metres)	Property Type	Estimated Completion Year
1. Fengqiao Villas	Beijing	76,000	Residential	2010
2. Central Point	Chengdu	98,000	Composite	2010
3. Orient Home*	Chengdu	227,000	Composite	2012
4. Ruiqi Building	Chongqing	86,000	Composite	2009
5. Haomen Building	Chongqing	10,000	Commercial	#
6. Nanyang Building	Chongqing	53,000	Residential and retail	2011
7. Qianxinian Building	Chongqing	35,000	Commercial and retail	2009
8. Chuangyi Centre	Guangzhou	100,000	Residential and retail	2011
9. Central International Plaza (Blocks A and C)	Qingdao	6,000**	Composite	***
10. Central Plaza (Phase I)	Shenyang	298,000	Composite	2011
11. Central Plaza (Phase II)*	Shenyang	264,000	Composite	2013
TOTAL		**1,253,000**		

* CCP has a 50% interest in a joint venture investing in Chengdu Orient Home and a 40% interest in Shenyang Central Plaza (Phase II). The GFAs shown are the effective shares attributable to CCP.

** Yet-to-be sold GFA

*** Completed in 2007

CCP intends to sell the development in its existing conditions in 2009.

Beijing

The Olympics and Paralympics held in Beijing were a great success, significantly raising the city's image together with its international reputation.

During the year, prices in the city centre of Beijing were fairly stable but prices in the suburban areas declined. The overall demand for office space was strong, especially as evidenced by strong net absorption. However, rents stagnated through the last quarter of 2008, owing to weakening demand for office space by tenants from multinational corporations.

CCP sold Huapu Centre and Shengyuan Centre in February and May respectively, the optimum time regarding the sale prices that could be achieved.

Huapu Centre

This Grade-A commercial complex is in Beijing's Dongcheng District, a prime commercial and business area, comprising two 24-storey office towers above a retail podium. It has 128,000 square metres of mixed office and retail space. CCP sold its interest in Huapu Centre in February 2008.

Shengyuan Centre

Shengyuan Centre is in Beijing's well-established Lufthansa business district and consists of two Grade-A office towers of 18 storeys and 9 storeys respectively with a total GFA of 43,000 square metres. The project was sold in May.

Fengqiao Villas

This development consists of a group of up-market western-style villas in Beijing's Shunyi District, an affluent suburban area with luxurious villa developments, international schools and a large expatriate population. The villa project has a total of 187 villas together with a clubhouse of 7,700 square metres. At the year end, CCP held 141 villas. Efforts to add more villas and the clubhouse to this development will continue.

Chengdu

Though Chengdu was affected by the earthquake in May, damage to the city was relatively light. Chengdu is set to reap major benefits from state capital expenditure and the series of reconstruction plans unveiled by the Central Government.

Central Point

Located in Chengdu's new central business district, Phase I of the project consists of a 35-storey tower providing offices and serviced apartments. A soft opening of the serviced apartments is planned in the third quarter of 2009. Construction works have commenced on the adjacent Phase II, which will be developed into a 31-storey Grade-A office tower, with GFA of 120,000 square metres. Completion is set for 2010. In September, the office portion comprising 22,000 square metres GFA of the development was sold to a major Chinese bank.

Orient Home

Acquired in February 2008 in a 50/50 joint venture between CCP and the Group, the project will have a GFA of 454,000 square metres of residential and office space, with completion set for 2012.

Chongqing

Chongqing is China's largest and most populous city. Its population is becoming increasingly affluent. These factors helped maintain a stable demand for quality residential properties. Owing to continued urbanisation and high economic growth of 14.3% in 2008, the property market remained stable.

Ruiqi Building

Ruiqi Building is located near Chongqing's central business district, adjacent to a number of luxury hotels and shopping centres. The project has a 24-storey residential tower above a retail podium, with GFA of 86,000 square metres. Construction is underway and the project is set for completion in 2009. Marketing of both the residential and office components is expected to start later in 2009.

Haomen Building

This project is in the vicinity of the central business district and opposite the future Chongqing International Finance Centre. CCP intends to sell the development in its existing condition in 2009.

Nanyang Building

Nanyang Building is within the Nanan district and enjoys views of the Yangtze River. It is also close to the Chongqing

International Convention and Exhibition Centre. The existing commercial building will be demolished and redeveloped into two luxurious residential blocks with a GFA of 53,000 square metres. At year-end, planning approval was in progress.

Qianxinian Building

The property is located in the busy Guangyinqiao shopping area with a total GFA of 35,000 square metres. The initial development plan was to convert the building to an upmarket 21-storey office tower. However, CCP is now looking at a more attractive exit strategy involving en-bloc disposal, with minimum cost of refurbishment.

Dalian

The global economic turmoil has had relatively little effect on Dalian's property market. While transaction volumes dropped, property prices nevertheless remained stable.

Xiwang Building

Xiwang Building, a Grade-A 40-storey office tower with 89,000 square metres of GFA, is near the city centre of Dalian. The building was sold in September on an en-bloc basis.

Guangzhou

The economic downturn had a distinct impact in the Pearl River Delta, causing the property market in Guangzhou to slow down. The Grade-A office market witnessed a steep drop in volumes and prices. The luxury residential market also saw a downward trend in property values.

Chuangyi Centre

Chuangyi Centre is located in Tianhe district, a prominent and well-established residential and commercial area. This project will comprise three residential towers and a block of serviced apartments and provides GFA of 100,000 square metres. Construction works are scheduled to commence in the second half of 2009 and completion is set for 2011.

Dapeng International Plaza

The intention to acquire this Grade-A office complex in Guangzhou city was abandoned by CCP after the vendor failed to fulfill certain major conditions connected with the sale.

Qingdao

Despite the uncertainties in the domestic property market, there was no significant price-cut in the Qingdao market. However, transaction volumes in the residential market remained low due to the prevailing 'wait-and-see' sentiment in the market.

Central International Plaza (Blocks A and C)

Situated next to Qingdao's central business district, the project consists of a residential tower and a commercial building, with a total GFA of 63,000 square metres. Upgrading work was completed in 2007. By the year end, the entire office space had been sold and only a small number of retail and residential units remained.

Shenyang

The overall economy and the property market in Shenyang maintained their customary fast rate of growth, although the average prices of commercial and residential properties showed some weakening.

Nevertheless, with the increased efforts put into investment promotion by the municipal government, a large number of foreign enterprises have been establishing branches in Shenyang. Demand for quality office space is on the rise.

Shenyang Central Plaza, Phase I

Located in the north end of the "Golden Corridor", the future business and economic centre of Shenyang, this 298,000 square-metre high quality, contemporary complex comprises four residential towers, two commercial towers, and a retail podium. Construction is progressing on schedule with completion expected for 2011. Pre-sale activities are expected to commence in the latter part of 2009. This project is now wholly owned by CCP following the acquisition of the 30% interest held by its co-investor in early 2009.

Shenyang Central Plaza, Phase II

Acquired in January in joint venture with the Group and another CCP shareholder, CCP's interest in this project is 40%. Together with the adjoining Phase I, the combined development will be a major landmark and hub in Shenyang's "Golden Corridor" upon completion in 2013.

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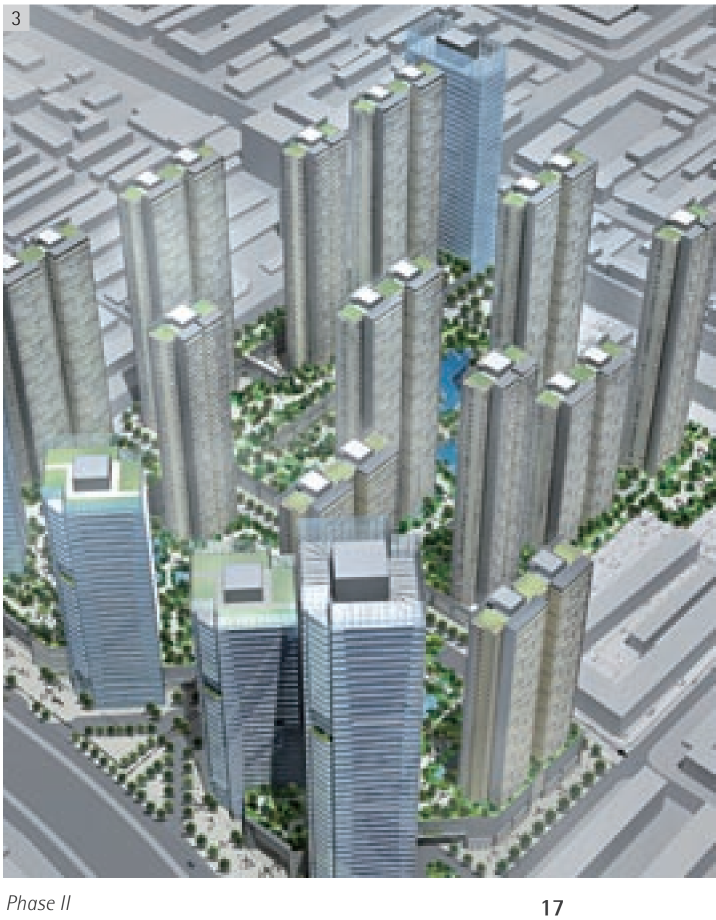

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1. Dalian Tiandi • Software Hub   2. Orient Home, Chengdu   3. Shenyang Central Plaza, Phase II

DIRECT INVESTMENTS IN DEVELOPMENT PROJECTS

Leveraging the Group's solid foundation and the strong capabilities of SOCAM Asset Management, SOCAM made direct investments in other development projects in the Chinese Mainland during the year.

Dalian Tiandi • Software Hub

The joint venture with Shui On Land Limited and Yida Group made good progress during the year in developing this large-scale, multi-faceted project. SOCAM holds a 22% effective equity interest in this visionary development, which will comprise GFA of approximately 3.54 million square metres and a community of over 100,000 residents in the software and information technology (IT) outsourcing industries. Construction of the whole project will take place in 10 phases with full completion slated for 2017.

During the year, SOCAM, along with its joint venture partners, agreed to provide further funding totalling RMB3.26 billion to accelerate the land acquisition programme. In March and December, the joint venture acquired the plots of land at Huangnichuan North and Hekou Bay for RMB1.0 billion and RMB2.7 billion respectively, bringing the total developable GFA under this development project to about 2.83 million square metres, or about 80% of the total GFA of the entire project.

In addition to the land acquisitions, the joint venture has completed design and planning of the project. The master plan of the project was unveiled in June during the China International Software & Information Service Fair, the only state-level software trade fair in the Chinese Mainland, and received full approval from the planning authority by the end of 2008.

Site formation works of almost 50% of the land at Huangnichuan North were completed in early 2009. Construction works are expected to commence in the second quarter of 2009. Completion of the first office building is scheduled for 2010.

To ensure there is an adequate supply of talent for the IT industry, the project entered into an agreement in June with NIIT, a world-leading provider of IT learning solutions, to set up training organisations within the Dalian Tiandi • Software Hub. Initial steps to set up the training institution have already been taken.

Marketing activities have started with sales offices established in Tokyo, Beijing and Shanghai. Preliminary lease agreements for approximately 5,000 square metres of floor area have been reached between the joint venture and a number of Japanese and Chinese companies. Encouraging discussions took place during the year with a variety of organisations that are interested in participating in the project either as end-users or investors. Initial results include provisional agreements signed with foreign developers for possible joint development of the project, and a memorandum of understanding signed with a Korean group for a strategic partnership.

Shenyang Central Plaza, Phase II

In February, the Group, in joint venture with CCP and CCP shareholder, acquired a parcel of land in the Huanggu district of Shenyang for RMB917 million. The Group and CCP each invested HK$466 million for their respective 40% interests.

Shenyang Central Plaza Phase II is adjacent to CCP's Shenyang Central Plaza Phase I. A detailed development plan is under preparation for this site and construction is planned to commence in the second half of 2009. The current plan provides for fourteen residential towers, a hotel, serviced apartments, two office towers and a retail podium with a GFA of approximately 660,000 square metres. Completion is slated for 2013. When completed, the project, together with the adjoining Phase I, will be a major landmark and key gathering hub along the "Golden Corridor".

Orient Home, Chengdu

This project was acquired in February, jointly with CCP, each partner holding a 50% interest in the joint venture, for a total consideration of RMB787 million.

Located in the Jinniu district, the project has convenient access to the ring roads of the inner city as well as the key interchange of the planned Metro Line. The project will be a contemporary composite development, comprising predominantly residential towers, with a GFA of 454,000 square metres. Completion is anticipated in 2012.

SOCAM ASSET MANAGEMENT (SAM)

Since SAM, a wholly-owned subsidiary of the Group, was appointed as the investment manager of CCP in 2007, its managed portfolio has expanded rapidly and significantly. The management fees received from CCP have grown accordingly. During the year, CCP's property portfolio grew from 887,500 square metres of GFA at year-end 2007 to about 1.2 million square metres, after disposals, at the end of 2008. The profitable disposals of completed projects in the CCP property portfolio generated a handsome performance fee for SAM for the year.

By the year end, the total GFA of property projects under the Group's management had reached some 1.8 million square metres.

Amid the difficult business environment caused by the ongoing global financial crisis, SAM has adopted a prudent and cautious view of the market, and would focus on maintaining the strong financial position of CCP to ensure that it could capitalise on future opportunities as and when market conditions improved.

INVESTMENT IN SHUI ON LAND (SOL)

On 23 April 2008, the Group completed the disposal of 3.1% of the issued share capital of SOL for HK$1 billion. The proceeds from the disposal helped reduce the gearing of the Group and enabled it to invest in growth opportunities in other business units that can be actively managed to create attractive returns for shareholders.

SOL's share price dropped as a result of the global financial crisis triggering extensive falls in stock markets worldwide during 2008 and there was a substantial diminution in the market value of the 9.5% shareholding in SOL held by the Group at the year end. However, it has no effect on the Group's cash flow and the Directors consider that the decline in the market value of SOL shares seriously understates the real, medium to long-term value of SOL.

CEMENT

Leader in Southwest China

Sichuan | Chongqing | Yunnan | Guizhou | Beijing | Nanjing

FINANCIAL SUMMARY

Amounts attributable to SOCAM	**Year ended 31 December 2008** *HK$ million*	Year ended 31 December 2007 *HK$ million*
Turnover	**2,579**	2,055
Profit*	**166**	105

* Before impairment loss

	At 31 December 2008 *million tonnes*	At 31 December 2007 *million tonnes*
Production capacity (annual)	**26**	26

Lafarge Shui On Cement (LSOC)

Cement was a major growth driver of our business interests. With its major presence in Sichuan, Chongqing, Yunnan and Guizhou, LSOC is the leading producer of cement in southwest China.

China's cement output amounted to 1.38 billion tonnes in 2008, up 5.2% from 2007 and consumption was up 3.5%. Nationwide, fixed-asset investment was up 25.5% from the previous year with a majority of the increase benefiting the central and western regions of China where LSOC has its operations. Continued strong demand for cement in the central and western regions largely came from infrastructure works and rural modernisation projects. Government efforts to eliminate wet production capacity, for environmental protection and energy conversation reasons, provided a further boost to the consolidation and restructuring of the cement industry. In 2008, an aggregate of about 143 million tonnes of new dry kiln capacity started production in the Chinese Mainland, while 60 million tonnes of old kiln capacity was eliminated. At the end of the year, dry kiln capacity accounted for about 65% of the total cement production capacity in the Chinese Mainland, compared to 55% a year earlier.

Against this encouraging background, LSOC had to contend with the effects of the January snow storm in Guizhou and the 12 May earthquake in Sichuan that negatively affected production volumes and caused substantial damage at the Dujiangyan and Jiangyou plants. Nevertheless, the negative effect of the drop in production volume was more than offset by the strong selling prices of cement. Loss of income and asset damages resulting from the earthquake were adequately covered by insurance compensation. Part of the compensation receipts was recognised directly in reserves due to accounting treatment. This is further explained in the Financial Review.

Rising coal and power prices led to an upsurge in production costs during the first three quarters. Coal prices reached a record high in September but started to drop in October, easing the pressure on costs.

Despite the difficulties posed by natural disasters and rising costs during the year, LSOC recorded a strong performance on higher selling prices and margins in 2008. Though the sales volume only increased slightly to 18 million tonnes, turnover for the year increased to HK$6.2 billion from HK$4.8 billion in 2007. The high costs were more than compensated by increases in prices reflecting strong market conditions in Sichuan, Chongqing, Guizhou and Beijing. The average selling price increased to RMB307 per tonne, compared with RMB256 in 2007. In addition, the waste heat recovery systems installed in Nanshan plant have started to deliver energy cost savings, further enhancing profit margins.

The Central Government cut interest rates progressively during the year to encourage investment and domestic consumptions, and implemented a series of measures to sustain the economy's growth momentum. The RMB4 trillion stimulus package announced in late 2008 was a further attempt to boost GDP growth and instil consumer confidence. The cement operations of LSOC in Sichuan, Yunnan, Chongqing and Guizhou stand to benefit from this initiative.

Since June, LSOC has signed framework financing agreements with three major banks in Sichuan and Chongqing for banking facilities of RMB10 billion to support the repair and restoration works of its cement plants damaged in the earthquake as well as the construction of new production capacities in Sichuan and Chongqing.

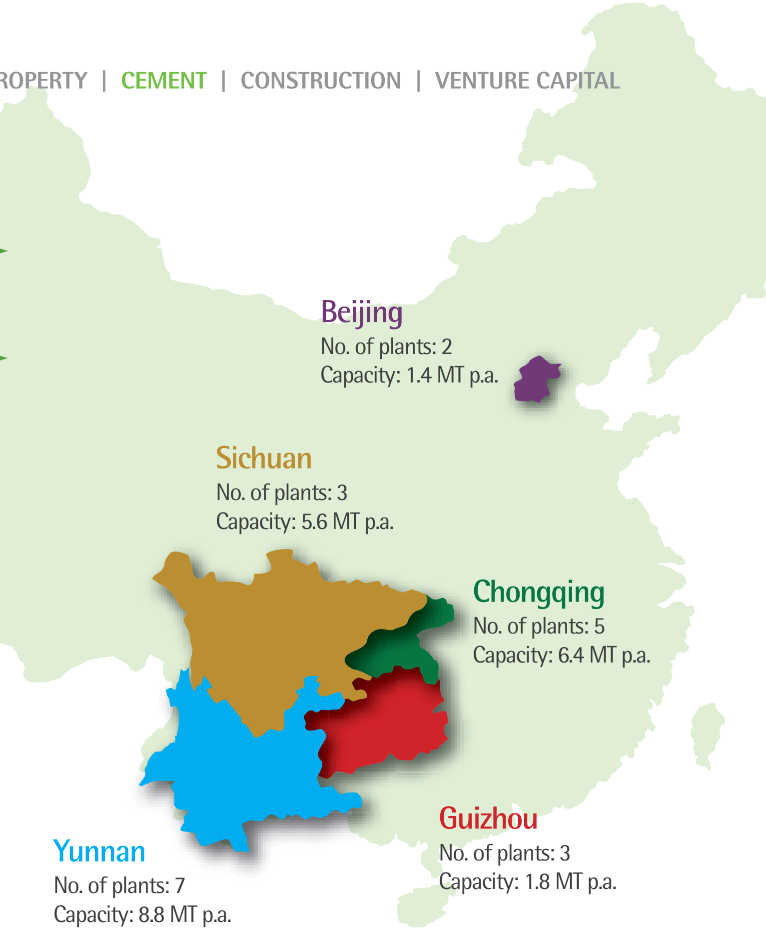
LSOC made good progress during the year with its capacity expansion plan. In Yunnan, three new dry kilns in Sanjiang, Lijiang and Honghe with an aggregate capacity of 7,000 tonnes per day (tpd) were commissioned in the first half and performed well. These new lines replaced phased-out wet production capacity in Yunnan. Construction of a new dry kiln of 2,500 tpd in Fumin and the acquisition of a 2,000 tpd dry kiln in Junfeng were also completed and these plants will commence production in 2009. Together, this new capacity helped bring LSOC's total annual production capacity to 24 million tonnes by year-end.

The construction of the third line in Dujiangyan, Sichuan, a dry kiln in Yongchuan, Chongqing, and a dry kiln in Sancha, Guizhou has been progressing well, with completion of the aggregated 15,000 tpd new capacity expected in 2010. In May, LSOC also entered into agreements to acquire two production lines in Kaili, Guizhou from the Group that will add 3,200 tpd production capacity to LSOC when the transaction is completed by June 2009. All these initiatives will strengthen the leadership position of LSOC in Southwest China allowing it to gain market share. Moreover, a number of new projects in Sichuan, Chongqing, Yunnan and Guizhou are also in the

Lafarge Shui On Cement
At 31 December 2008

Total no. of plants: 20
Combined capacity: 24 million tonnes

MT p.a.: million tonnes per annum



pipeline, with preparatory work and applications for requisite government approvals well underway. LSOC is determined to be one of the top cement producers in China, and is targeting an increase in production capacity to 50 million tonnes per annum by year 2012.

LSOC took a major step forward in January 2009 when the independent shareholders of Sichuan Shuangma Cement approved the injection by LSOC of its 50% interest in the Dujiangyan plant into this major cement producer in Sichuan at a valuation of RMB2.8 billion in consideration for new shares issued by Sichuan Shuangma. This asset injection is expected to be completed by May 2009, after approvals have been received from relevant government authorities in China. Upon completion, LSOC will hold beneficial interests of about 80% and 65% respectively in Sichuan Shuangma and the Dujiangyan plant. This asset injection will further consolidate the leadership position of LSOC in Sichuan through this A-share listed company. Sichuan Shuangma will also provide a platform for LSOC to tap the Mainland's capital market to fund its growth in Sichuan.

Guizhou Cement

The snow storm in January affected volumes and sales at all six Guizhou cement plants that were retained by SOCAM and not placed into the LSOC joint venture, namely Xishui, Zunyi, Kaili, Yuqing, Bijie and Changda. The total volume of cement sold for the year was approximately 1.44 million tonnes, slightly lower than in 2007. However, strong selling prices due to strong demand from building and infrastructure works helped improve profitability. While production costs increased in the face of high coal and power prices for much of the year, costs eased in the last quarter as the effects of the economic slowdown were felt. To further discourage wet kiln production, effective from August, a new regulation was introduced stating that wet kiln operations were no longer eligible for value added tax (VAT) refunds. This change of government policy reduced the profitability of our wet kiln operations.

The construction of the 2,500 tpd new dry kiln at the Changda plant was completed within budgeted cost and production started in December. The operation of the existing 750 tpd wet line has been successfully merged with this new dry kiln operation for higher efficiency and effectiveness.

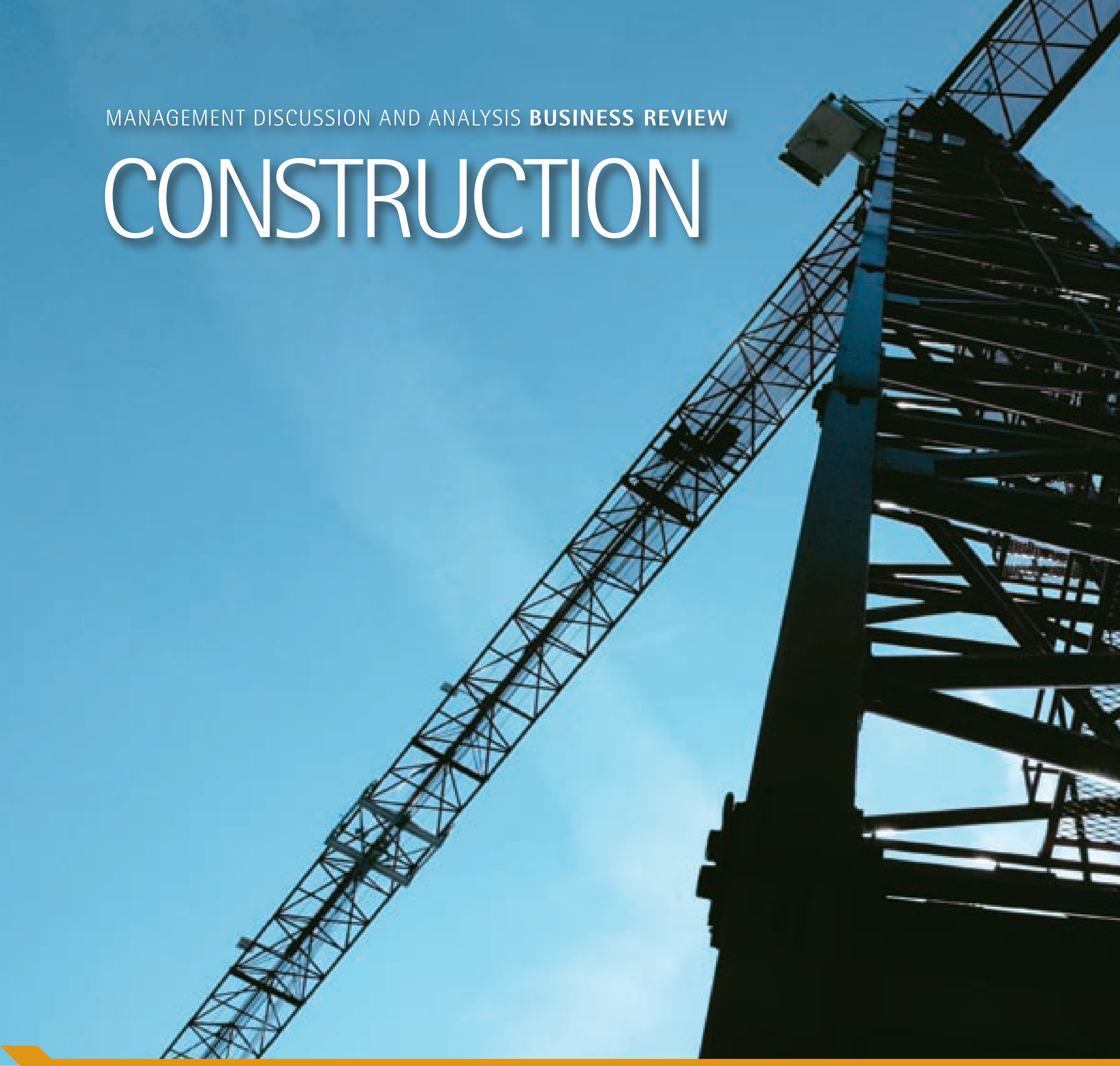
Affected by the delay in the supply of certain major equipment due to the Sichuan earthquake, completion of the construction of the 2,500 tpd new dry kiln in Kaili is now targeted for the second quarter of 2009. In May, SOCAM signed agreements with LSOC to inject the existing wet line and the new dry kiln under construction in Kaili into the joint venture. Handover will take place upon completion of the construction of the new kiln. This will help expand the capacity of LSOC and strengthen its market position in Guizhou.

LSOC will be the flagship of the cement business of both SOCAM and Lafarge in the Mainland. SOCAM is implementing an exit plan for the remaining cement plants it holds in Guizhou. It disposed of the concrete plant in Zunyi in November and the grinding facility in Hejiang was sold in February 2009.

Nanjing Cement

The grinding plant in Nanjing benefited from higher selling prices and achieved an improved operating performance, resulting in a smaller loss than in 2007. It continued to supply both local customers as well as markets in Australia.

CONSTRUCTION



Building Value

Health and Safety | Quality | Environment | Performance

1

2

1. ICAC Headquarters Building   2. New Headquarters of the Hong Kong Customs and Excise Department

FINANCIAL SUMMARY

	Year ended 31 December 2008 ***HK$ million***	Year ended 31 December 2007 *HK$ million*
Turnover	**2,729**	2,733
Profit	**83**	55

	At 31 December 2008 ***HK$ million***	At 31 December 2007 *HK$ million*
Outstanding value of contracts on hand	**4,445**	3,532

Eastern Harbour Crossing Site Phase 4

Our construction business performed steadily during the year, despite large fluctuations in construction material prices and growing pressure on margins in an increasingly competitive environment.

The division's total turnover for the year was HK$2,729 million (2007: HK$2,733 million), while new contracts totalling HK$3,425 million (2007: HK$2,830 million) were won. Profit attributable to the business increased strongly by 52% to HK$83 million.

Although the turnover of the construction business remained stable, the Group managed to increase profitability on higher operational efficiency, tighter control of costs and successful partnering with subcontractors. It was once again a steady cash and profit contributor to the Group, despite the distinct slowdown in the Hong Kong construction market during the year. A significant correction in prices of building materials in the second half of the year, after the sharp increase in the first half, reduced pressure on margins. Our fitting-out business continued to secure new contracts, especially in Macau where it has developed an excellent track record in the gaming and hospitality sectors.

Looking ahead, the Hong Kong Government has announced it will press ahead with 10 major infrastructure projects and expedite the implementation of minor works. It intends to spend about HK$23 billion under such plans in the 2008/2009 fiscal year. A number of tenders are expected from the Architectural Services Department (ASD) and the Hong Kong Housing Authority (HKHA), including the re-tendering for the Civil Aviation Department Headquarters Building. With its high-scoring track record in the HKHA's performance assessment scheme known as PASS, Shui On Building Contractors is well positioned to secure more HKHA contracts in future with design-and-build elements.

However, the economic downturn will see competition intensify in public sector works as private sector construction faces major contraction. The freeze on the building of new casinos in Macau and the impact of both the financial crisis and the credit crunch on new gaming, retail and tourism projects will limit the opportunities for our fitting-out business in that market.

At 31 December 2008, the gross value of contracts on hand and the value of outstanding contracts to be completed were approximately HK$7.7 billion and HK$4.4 billion respectively (2007: HK$5.7 billion and HK$3.5 billion respectively).

Shui On Building Contractors (SOBC)

During the first half of the year, SOBC secured three new major construction contracts from the HKHA, valued at approximately HK$1.6 billion in total. 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. SOBC also won a 2-year term contract (2008-10) for the architectural and building works connected with railway lines and stations, all valued at HK$34 million, from the MTR Corporation. CLP Power also awarded a renewed two-year contract, with an option to extend for three more years, on design-and-build of minor building and civil engineering works valued at HK$450 million.

Major completed projects included reinstatement works for Blocks 1 and 2 at the Tin Shui Wai Area 31 Phase 1, a building maintenance term contract for station properties and other sites for the Kowloon-Canton Railway Corporation, and a contract for the design and construction of minor building and civil engineering works at various CLP Power premises.

During the year, SOBC took active steps to secure a strong market share in ASD and HKHA maintenance projects and was awarded three ASD term contracts subsequent to the year end. These comprise two-year and three-year term contracts for the design and construction of minor works on government and subvented properties managed by the ASD in Hong Kong, Kowloon, New Territories and outlying islands, valued at approximately HK$1.2 billion.

Shui On Construction (SOC)

SOC made good progress on its design-and-build projects during the year, including the HK$1 billion contract for the new headquarters of the Hong Kong Customs and Excise Department. Completion of the 34-storey building is slated for mid-2010.

SOBC and SOC once again received strong industry recognition for their high performance in safety, health and environmental management. In June, they received a total of nine awards in the Considerate Contractors Site Award Scheme 2007, organised by the Works Branch of the Development Bureau. This scheme recognises contractors who have taken a proactive attitude to achieving high standards of safety and environmental protection at their construction sites. SOBC and SOC also won numerous awards in the Construction Safety Promotional Campaign 2008 organised by the Occupational, Safety & Health Council, in recognition of their achievements in fostering a culture of work safety.

Shui On Construction, Mainland (SOCM)

SOCM, the Group's 70%-owned construction arm in the Chinese Mainland, secured new contracts worth RMB512 million, including the main construction contract for Chongqing Tiandi Lot B2-1/01. SOCM completed a number of major projects during the year, including Phase 2 of the "Live and Work Area" of the Knowledge and Innovation Community in Shanghai, Wuhan Tiandi Lots A7 and A4-2 and upgrading works for Phase I of Chengdu Central Point.

In light of the extended coverage of its business beyond Shanghai to other major cities in the Chinese Mainland, SOCM changed its name from Shanghai Shui On Construction Co., Ltd. to Shui On Construction Co., Ltd. After year-end, SOCM won a main construction contract for Ruiqi Building in Chongqing and a fit-out contract for Phase II of Chengdu Central Point for a total contract sum of approximately RMB350 million.

Tung Chung Indoor Recreation Centre

Pat Davie

The fitting-out businesses in both Hong Kong and Macau were drastically affected by the overall economic downturn. In Hong Kong, there was a noticeable slowdown in the relocation and expansion of large corporate offices, especially among financial institutions. However, Pat Davie was able to secure new sources of business such as shopping arcade refurbishment.

In Macau, visa restrictions on Mainland travellers to Macau and a decrease in visitor numbers in the face of slowing regional economies created difficult market conditions in the gaming and hospitality sectors. The expansion plans of major casino/hotel operators were negatively impacted by the global credit crunch. The suspension of construction works at the new Venetian casino and hotel development affected two Pat Davie contracts, with a total value of HK$47 million.

Major projects completed during the year included a number of offices of major financial institutions in Hong Kong and key casino hotels/resorts in Macau. Pat Davie won a total of approximately HK$744 million worth of new contracts, of which 40% and 60% by value were in Hong Kong and Macau respectively. Major contracts in Hong Kong include refurbishment of a shopping arcade for the MTR Corporation and modification works to the departure halls at the immigration area of the Airport Authority. In Macau, Pat Davie completed interior fit-out works for City of Dreams, MGM Grand Macau, Wynn Resort and Venetian Cotai. Subsequent to year-end, Pat Davie secured two shopping mall refurbishment contracts in Hong Kong for a total value of approximately HK$206 million.

VENTURE CAPITAL

The downturn in global financial markets resulted in a substantial decline in the market value of various listed shares held by the venture capital funds in which the Group invested. At the end of the year, these listed shares suffered considerable marked-to-market losses. In addition, provisions were made for impairment in value of a few unlisted investments held by the funds. Consequently, the investment portfolio generated an overall net loss of HK$213 million for the Group.

The Group was a 65.5% and 75.4% shareholder respectively in the two Yangtze Ventures Funds, and a 66.8% and 58.5% shareholder respectively in the Series A and Series B Participating Shares of the On Capital China Fund. In April, the Series B shares made a second capital call and SOCAM contributed its share amounting to US$1 million to the fund. All three funds remained fully invested throughout the year.

The Group will closely monitor the situation with the aim of realising value from these funds as market sentiment recovers, or when exit opportunities for the underlying investments arise.

Ventures with major activities impacting the Group's 2008 results are highlighted below:

Yangtze Ventures Funds (YVFs)

Gushan Environmental Energy

Gushan, the largest producer of biodiesel in China, saw a substantial decline in the price of its American Depositary Shares (ADS) listed on the New York Stock Exchange in the second half of the year. YVF distributed all its Gushan ADSs as dividends in kind to shareholders in September. SOCAM executed an exit plan and disposed of almost all the 2.6 million Gushan ADSs it received before year-end at an average price, net of transaction cost, that delivered a return of about 3.5 times cost, though considerably below the market value at 31 December 2007.

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, continued to increase during the year. YVF holds an interest of approximately 15.8% in CIG Yangtze Ports, which saw a dramatic decline in its share price particularly in the second half of the year. As a result, YVF had to record a considerable marked-to-market loss on this shareholding for the year.

FINANCIAL SUMMARY

	Year ended 31 December 2008 *HK$ million*	Year ended 31 December 2007 *HK$ million*
(Loss) Profit	**(213)**	78

	At 31 December 2008 *HK$ million*	At 31 December 2007 *HK$ million*
Total value of investment portfolio attributable to SOCAM	**289**	599

Walcom Group

Walcom, which manufactures and distributes animal feed additives, experienced escalating raw material costs and decreasing margins in a highly competitive market environment. The share price of this AIM-listed company dropped considerably in the first half of the year. This fall in share price coupled with a significant decline in the exchange rate of the Pound Sterling against the Hong Kong Dollar in the last quarter, resulted in a significant decrease in the value of YVF's 16.8% interest in this company.

Cosmedia Group Holdings

This Chinese media and television advertising company gained a considerable increase in revenue in 2008, which was generated mainly from its home shopping business but it expects to sustain further losses in the coming year. Its shares were delisted from the AIM Board of the London Stock Exchange on 31 December 2008. Appropriate impairment loss provision was made by YVF at the year end.

On Capital China Fund (On Capital)

Arasor

Listed in Australia, Arasor develops integrated optoelectronics and wireless solutions. During the year, the dramatic drop in Arasor's share price, together with the significant decline in the exchange rate of the Australian Dollar against the Hong Kong Dollar, resulted in a considerable decrease in the value of the stake held by On Capital in this company.

Airway Communications International

Airway uses post-3G wireless communications technology to provide broadband internet access services in the Chinese Mainland. During the year, with strong support from provincial and municipal governments, it set up trial networks in Shenzhen and the Chongwen district of Beijing, and started preparatory work on a similar network in the Yangpu district of Shanghai. In May, Airway completed a new round of Series B preferred equity financing, raising approximately US$104 million, to fund further business expansion. By the year end, the value of On Capital's investment in this company had increased significantly.

Gushan Environmental Energy

Like YVF, On Capital also held ADSs in Gushan. In September, On Capital received 0.9 million ADSs as its share of dividends in kind from Gushan. By year-end, it had sold about half of this shareholding at an average price that gave a net return of about 2.8 times cost, yet considerably below the valuation at the previous year end. The transaction resulted in a loss for On Capital. On Capital will continue to liquidate the remaining Gushan ADSs when the market price is more attractive.

FINANCIAL REVIEW

Financial Results

The Group's profit attributable to shareholders for the year ended 31 December 2008 was HK$562 million on a turnover of HK$2,944 million, compared with the HK$702 million profit and HK$2,811 million turnover for the previous financial year.

The Group's property business, cement operations and venture capital investments are undertaken through jointly controlled entities and associates. The HK$2,944 million turnover for the year has not included the Group's share of the turnover of these jointly controlled entities and associates. An analysis of the total turnover is set out as follows:

	Year ended 31 December 2008 ***HK$ million***	Year ended 31 December 2007 *HK$ million*
Turnover		
SOCAM and subsidiaries		
Construction and building maintenance	**2,729**	2,733
Asset management and others	**215**	78
Total	**2,944**	2,811
Jointly controlled entities and associates		
Cement operations	**2,579**	2,055
Property	**1,089**	199
Others	**21**	16
Total	**3,689**	2,270
Total	**6,633**	5,081

Total turnover increased to HK$6,633 million for the year, largely attributable to (a) increased sales revenue of cement on rise in prices; (b) increased management fee income from the property development projects of CCP; and (c) increased proceeds from the sale of completed distressed properties of CCP, while turnover from construction, building maintenance and fit-out works remained stable.

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

	Year ended 31 December 2008 ***HK$ million***	Year ended 31 December 2007 *HK$ million*
Property		
Project fee income	**188**	39
Share of profit	**359**	212
Net gain on assets injection into CCP	**58**	89
Discount on deemed acquisition of interest in CCP	**85**	–
Overheads	**(109)**	(55)
Total	**581**	285
Investment in SOL		
Net gain on disposal of shares	**496**	929
Dividend income	**67**	71
Impairment losses	**(558)**	–
Total	**5**	1,000
Cement operations		
LSOC	**133**	86
Guizhou cement	**33**	19
Impairment losses	**(18)**	(120)
Total	**148**	(15)
Construction	**83**	55
Venture capital investments	**(213)**	78
Convertible bonds		
Fair value gain (loss) on derivatives	**239**	(327)
Imputed interest expense	**(48)**	(78)
Total	**191**	(405)
Net finance costs	**(158)**	(190)
Corporate overheads and others	**(53)**	(92)
Taxation and minority interests	**(22)**	(14)
Total	**562**	702

Property

Property operations reported a total net profit of HK$581 million. Management fee income from CCP increased substantially to HK$130 million due to the expanded property portfolio of CCP and the full year effect compared to SAM's appointment as CCP's investment manager in June 2007. Additionally, the disposals of CCP's properties delivered returns exceeding the hurdle rate and entitled SAM to HK$39 million performance fee income. The management fee income from Dalian Tiandi • Software Hub and Shenyang Central Plaza Phase II also contributed to the increase in project fee income for the year.

The Group's 42.9% share of CCP's profit for the year increased to HK$51 million, from HK$10 million for the previous year, largely due to the disposal gains on Beijing Huapu Centre, Dalian Xiwang Building, Beijing Shengyuan Centre, part of Qingdao Central International Plaza Blocks A & C and part of Chengdu Central Point Phase I during the year. In addition, HK$58 million unrealised gains deferred when these projects were injected into CCP at its listing in June 2007 were realised during the year when they were sold.

The valuation of the properties currently under development, which will be held as investment properties after completion, at Dalian Tiandi • Software Hub at year-end produced an after tax gain of HK$1,255 million, of which the Group's 22% attributable share amounted to HK$276 million. Such revaluation gain has been included in the share of profit under the revised accounting standard.

During the year, CCP repurchased and cancelled a total of 17.4 million shares at a substantial discount to its net asset value per share. As a result, the Group's interest in CCP increased to 42.9% at year-end, from 40.4% at the previous year-end. Since the share repurchases at discounted prices by CCP have increased its net asset value per share, the Group recognised a HK$85 million gain (or discount) on the deemed acquisition of interest in CCP.

Investment in SOL

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

At year-end, the Group held 9.5% of the issued share capital of SOL as available-for-sale investments. Under the current accounting rules, such investments are required to be marked to market. Based on the closing price of the SOL shares at 31 December 2008, there was diminution in fair value of these shares amounted to HK$2,634 million, when compared with the carrying value of such shares at 31 December 2007. An impairment loss of HK$558 million of this amount was charged to the consolidated income statement for the current financial year and HK$2,076 million was charged against the reserves in the consolidated balance sheet at 31 December 2008. This impairment loss, being an accounting charge, has no effect on the cash flow of the Group.

The HK$929 million net gain on disposal of SOL shares realised in 2007 arose from the sale of 5.3% of the issued share capital of SOL for HK$1.8 billion in August 2007.

Cement operations

The Group's 45% share of LSOC's profit increased to HK$133 million in 2008, largely due to increased selling prices and margins driven by strong market conditions particularly in Sichuan, Chongqing and Guizhou, despite the rise in energy costs. The earthquake in Sichuan in May had no major financial impact on LSOC as the losses arising from asset damages and business interruption were largely covered by insurance compensation, albeit production and sales in Sichuan were seriously disrupted during most of the second half of 2008. The compensation for the earthquake damages and loss of income was partly recognised as insurance compensation in the consolidated income statement and partly recognised as donation in reserves due to different accounting treatments arising from the different channels via which the compensation proceeds were processed and received.

The cement plants in Guizhou retained by SOCAM recorded higher profit on strong pricing, notwithstanding a decline in production and sales volumes caused by the snow storms in early 2008 and increases in coal and fuel costs.

In 2008, the Group provided for HK$18 million losses on the disposal of a concrete plant and a batching plant in Guizhou. In 2007, the Group made a HK$86 million provision for impairment loss with respect to its wet kilns in Guizhou and Nanjing and shared HK$34 million impairment loss provision made by LSOC on its wet lines in Chongqing.

Construction

Construction business reported increased profit for the year, despite a marginal decline in turnover, as average net profit margin increased to 3.0% of turnover, from the 2.0% for the previous year.

Venture capital investments

Attributed to the general downturn in global stock markets during the year, coupled with a significant decline in the exchange rates of major currencies against the Hong Kong dollars in the last quarter, all the listed shares held by the funds experienced a considerable decrease in value, when expressed in Hong Kong dollars, producing HK$199 million losses to the Group. Such losses arose from the disposal of shares in Gushan during the year at prices considerably lower than the market price at the previous year-end, and the marked-to-market accounting treatment for other listed investments on hand at the end of the year.

With respect to the unlisted investments held by the funds, provisions for impairment loss were made at year-end, and the Group's share amounted to HK$74 million. These provisions were, however, largely offset by the significant appreciation in value of the investment in Airway that produced a gain of HK$64 million to the Group.

In the previous year, the HK$78 million profit contributions from venture capital investments largely came from the appreciation in value of the investments in Gushan upon the listing of the company and Airway upon a new round of equity fund raising.

Convertible bonds

The considerable decline in the Company's share price during the year resulted in a gain of HK$2 million arising from the conversion of HK$10 million convertible bonds of the Company early in the year and a substantial fair value gain of HK$237 million on the HK$385 million convertible bonds outstanding at year-end. Although the conversion price of the bonds was re-set from HK$17.134 to HK$15.41 in July, the fair value of the embedded derivatives in the outstanding convertible bonds decreased to a nominal amount, as the Company's share price dropped to a level substantially lower than the adjusted conversion price that made the possibility of conversion remote. These non-cash gains are recognised under the same accounting standard that led to the HK$327 million charge in the previous year caused by a considerable rise in the Company's share price.

Despite the bonds carry zero coupon, an imputed interest expense was charged at an effective interest rate of 12.5% p.a. on the straight debt component of the outstanding bonds. Imputed interest expense decreased to HK$48 million for 2008, compared to HK$78 million for 2007, mainly due to the conversion of HK$535 million bonds in the previous year.

Net finance costs

Net finance costs decreased to HK$158 million for the year, from HK$190 million for the previous year, largely due to the decline in interest rates despite an increase in the level of bank borrowings during the year to finance the Group's increased investments in the property and cement businesses.

Results in the second half of the year

The Group recorded a profit of HK$873 million in the interim period of the year and saw a reduction in profit in the second half of 2008. This was mainly due to the impairment loss of SOL shares as a result of the significant decline in share price and the considerable decrease in value of the listed shares held by the venture funds, however, the impact was reduced by the increased profits of the various businesses of the Group and the Group's share of the revaluation gain in Dalian Tiandi • Software Hub project.

Liquidity and Financing

The shareholders' equity of the Company decreased from HK$7,242 million on 31 December 2007 to HK$4,999 million on 31 December 2008, or from HK$22.6 per share to HK$15.5 per share. This was largely brought about by the HK$2,858 million decrease in market value of the Group's shareholding in SOL due to the decline in the share price of SOL during the year.

Net borrowings, which included bank borrowings and outstanding convertible bonds, net of bank balances, deposits and cash, amounted to HK$4,255 million on 31 December 2008, compared to HK$3,912 million on 31 December 2007. In April, the Group disposed of 3.1% of the issued share capital of SOL for approximately HK$1.0 billion cash to reduce gearing and to provide funds for investment. During the year, the Group drew on its banking facilities to fund approximately HK$1.4 billion of investment in property development projects and cement operations. Together, they led to an increase in the net borrowings of the Group.

The maturity profile of the Group's net borrowings is set out below:

	31 December 2008 ***HK$ million***	31 December 2007 *HK$ million*
Bank borrowings repayable:		
Within one year	**3,448**	2,801
After one year but within two years	**320**	1,009
After two years but within five years	**750**	250
Total bank borrowings	**4,518**	4,060
Convertible bonds due 2009	**430**	392
Total borrowings	**4,948**	4,452
Bank balances, deposits and cash	**(693)**	(540)
Net borrowings	**4,255**	3,912

In January 2008, HK$10 million convertible bonds of the Company were converted into about 584,000 ordinary shares of the Company. On 31 December 2008, HK$385 million convertible bonds issued by the Company remained outstanding. In accordance with the terms of the convertible bonds, the conversion price of the bonds has been adjusted from HK$17.134 to HK$15.41 with effect from 31 July 2008. However, the share price of the Company closed at HK$6.04 on 31 December 2008, which was considerably lower than the adjusted conversion price. If the Company's share price remains depressed amid the global market downturn, the Company will likely have to redeem the outstanding convertible bonds in full for a total consideration of HK$458 million on 31 July 2009.

The net gearing ratio of the Group, calculated as net borrowings over shareholders' equity, increased from 54% on 31 December 2007 to 85% at 31 December 2008, as a result of the increased bank borrowings and reduced shareholders' equity that have been explained above.

It is the intention of the Group to strengthen its balance sheet by more closely matching its long-term assets with long-term capital funding. This will be a gradual process as the global financial crisis continues to take its toll and the liquidity situation in the equity and debt markets remains tight. Since the year-end, a total of HK$800 million short-term bank borrowings was refinanced or extended beyond 2009 and a total of HK$270 million short-term loans was paid off on due dates.

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

Subsequent Event

On 31 March 2009, the Company announced that it has made an approach to CCP, which may or may not lead to an offer being made by the Company for CCP. A further announcement will be made by the Company as appropriate in due course.

Employees

At 31 December 2008, the number of employees in the Group was approximately 1,040 (31 December 2007: 920) in Hong Kong and Macau, and 13,900 (31 December 2007: 14,000) in subsidiaries and jointly controlled entities in the Chinese Mainland. While staff costs were kept stable during the year, employee remuneration packages are maintained at competitive levels and employees are rewarded on a performance-related basis. Other staff benefits, including provident fund schemes and medical insurance, remained at appropriate levels. The Group continued to retain and develop talent through executive development and management trainee programmes. 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 building the corporate culture and providing professional training and development opportunities for local employees. It remains our objective to be regarded as an employer of choice to attract and retain high calibre competent staff.

Frankie Y.L. Wong
Chief Executive Officer

Hong Kong, April 2009

SPECIAL SECTION ▶

Domestic demand remains robust in the Chinese Mainland.

THE CHINA MARKET AMIDST THE GLOBAL ECONOMIC CRISIS

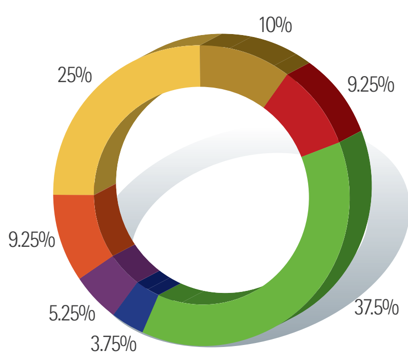
The current global economic crisis may have begun with subprime mortgage defaults in the USA, but it was the bursting of many bubbles and a series of bank failures or bailouts that caused the crisis spreading globally. As confidence evaporated and credit dried up, consumer demand shrank and manufacturing output slowed markedly, impacting on most industries and every economy internationally.

China is by no means immune against global economic events, but its economy has proved to be comparatively resilient while growth has stalled worldwide. In 2008, China's GDP rose 9%, though it broke a five-year streak of double-digit growth and was the lowest in seven years. However, China's GDP growth still significantly outperformed any other major economies.

Looking forward, it is reasonable to assume that with the distressed state of her export markets it will be necessary for China to turn inwards and look to domestic demand to drive the economy. Here demand remains robust. In 2008, China's retail sales rose 22% to RMB10.8 trillion (US$1.58 trillion), close to the fastest pace in nine years.

The State Council's stimulus plan of RMB4 trillion (US$586 billion) for investment in infrastructure and social welfare, announced in November 2008 and reaching in to 2010, is designed to give the economy an effective boost by reducing specific taxes, supporting low-cost housing, rural and key infrastructure construction, medical system improvements, industrial innovation and raising people's incomes. This represents a surge in government spending equal to 49% of China's total exports in 2007, and should significantly offset any foreseeable further decline in exports. Recent successive cuts in interest rates to stimulate both investment and consumption should also bolster the domestic economy.

Investment Portfolio of RMB4 trillion Stimulus Plan



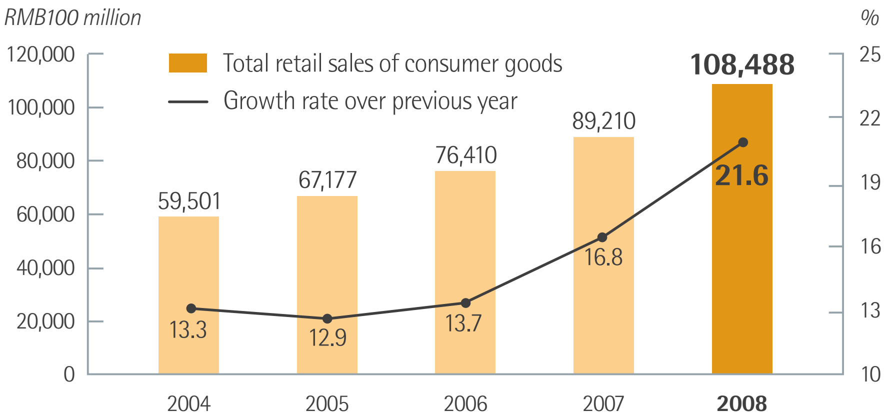
- Low-cost housing/budget housing
- Rural infrastructure
- Railways, roads and airports
- Health and education
- Environmental protection
- High innovation and technology
- Post-disaster reconstruction

Source: National Development and Reform Commission, 6 March 2009

This expansionary monetary policy launched by the People's Bank of China includes measures to lower the reserve requirement ratio of financial institutions to encourage them to expand credit to stimulate both investment and consumption. These monetary initiatives should help stabilise market confidence and bolster economic growth. Premier Wen Jiabao said in early March 2009 that new RMB-denominated loans would be expected to reach RMB5 trillion for the year. By end March 2009, Mainland banks had extended credit totaling RMB4.58 trillion in one quarter, in response to the new monetary policy.

China overall remains an under-leveraged economy. Consumer debt is almost non-existent and both the public and private sectors fund all manner of fixed asset investment and consumption. China's exchange rate management and its capital firewalls that served the country so well during the Asian financial crisis in 1997-98 remain in place. China is well equipped to deal with market volatility and capital insufficiency with low leverage/high savings and current account surpluses. With the Central Government pushing ahead the goal of 8% GDP growth in 2009, investment and development opportunities in China should continue to arise.

Total Retail Sales of Consumer Goods and Its Growth, 2004-2008



Source: National Bureau of Statistics of China, 26 February 2009

STRONG PROPERTY OPPORTUNITIES AS CHINA'S ECONOMY REBOUNDS

The China property market had already started to cool before 2008 as a result of the Central Government's introduction of a series of macro-economic measures to prevent overheating a few years before. The impact of the global economic downturn, difficulties in obtaining bank credit, government policies restricting foreign investment and a re-pricing of risk only further depressed developer activity in 2008. According to National Bureau of Statistics of China, commercial and residential building sales in 2008 decreased by 19.7% and 20.3% respectively, compared with 2007. Prices, however, held up, supported by genuine demand. Sales prices of residential premises in 70 large-and-medium-sized cities in 2008 were up 7.1% for new buildings and 6.2% for second-hand housing units. Rental prices were up 1.4%.

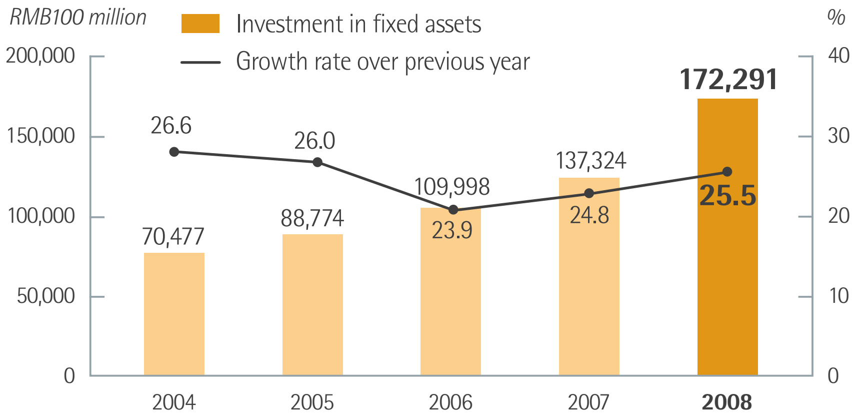
While the economic slowdown is clearly affecting the short term prospects of China's property market, the mid and longer term outlook is encouraging. In the immediate years ahead, the growth of second and third tier cities and, not least, Central Government's policies now in place to stimulate market fundamentals, will do much to re-invigorate property sector growth.

The growth of second and third tier cities in the Chinese Mainland will re-invigorate property sector growth.

Major construction start-ups to widen geographically

The urban population of China is predicted to increase by 80 million by 2012 and a further 200 million by 2020. The United Nations has estimated that China will have more than 60 cities with a population of over one million by 2015. This upward urbanisation trend will give rise to a sustainable healthy demand for quality residential and commercial properties extending across the Mainland.

Investment in Fixed Assets and Its Growth, 2004-2008



Source: National Bureau of Statistics of China, 26 February 2009

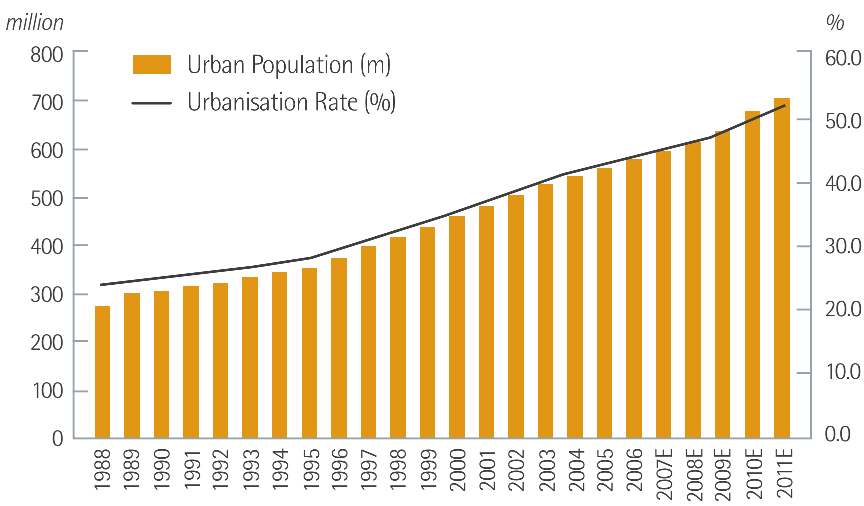
The "Go West" policy emphasises developing cities in the western part of China and implementing dynamic modernisation programmes with massive infrastructure investment. In part, the policy is designed to attract high-quality foreign investment to Sichuan Province and major urban areas such as Chongqing. Chengdu, the capital of Sichuan Province, already benefits from investment from 125 of the world's biggest 500 enterprises. There are also government-driven initiatives to revitalise the three traditional industrial provinces in Northeast China, namely Liaoning, Jilin and Heilongjiang.

Property sector stimulus packages

The Central Government is charting a clear course for ensuring that investment in property and construction remains robust. The real estate policy changes include reducing taxes on holding gains and transfers, providing bank financing and subsidies to developers and buyers, relaxing restrictions on investment purchase and extending the time limit for development of land. Other incentives include easing restrictions on second house mortgages.

- Since July 2008, China's Ministry of Commerce has delegated the approval of foreign-invested real estate projects to provincial authorities in a bid to streamline the approval process and encourage foreign investment.

Chinese Urbanisation Trend



Source: Deutsche Bank, CEIC

- The Urban Real Estate Tax requirements have been unified, effectively putting an end to the different real estate tax systems applicable to domestic and foreign developers. This has helped create a level playing field for overseas developers.

The Central Government is determined to maintain a stable and healthy development of the real estate sector, which forms an important part of China's fixed asset investment as well as domestic consumption. While China has taken concrete steps to avoid over-heating of the real estate market in the past, there is now an emphasis on stablising market confidence. Recent consolidation in the market has prepared the ground for stronger, more experienced and better-capitalised players. This also made available enormous attractive opportunities for the distressed property development business as some foreign investment funds seek to deleverage their portfolios.

With the Central Government targeting GDP growth of 8% in 2009, and the State Council's stimulus plan in place, some commentators are looking for China's economy to rebound in the second half of 2009 and gather momentum through 2010. As in any country, an optimistic outlook for economic fundamentals leads to an upturn in the property market. This is particularly so in China where massive economic stimulus plan has a distinct focus on housing. Moreover, the major Chinese banks have far less exposure to delinquent home loans compared to the domestic situation in other major economies. They are subsequently in a strong position to provide financing for property purchases.

It could well be that steady and considered investment is the short-term strategy. Yet in the longer term, the global economic crisis has set the stage for those companies with superior financial strength to capitalise on the strong economic recovery in future and the rising aspirations of the people.

RAPID MODERNISATION IN CHINA'S CEMENT INDUSTRY

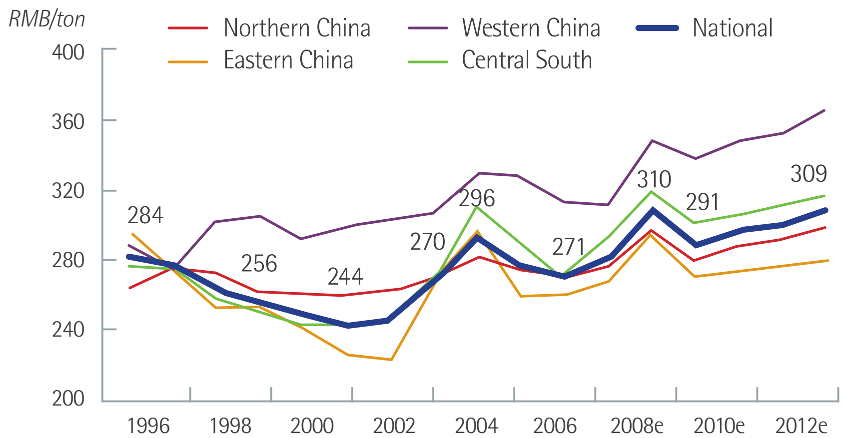
China's cement production and consumption have been by far the highest in the world for over 20 years. In 2008, China accounted for a staggering 54% of global cement consumption. To put this dominance in perspective, India had the second largest global market share with 6%.

According to the National Bureau of Statistics of China, the consumption of cement in China in 2008 was 1.37 billion tonnes, up by 3.5% over 2007. The forecast cement consumption for 2009 is up by 6.3% over 2008. High growth is anticipated as China continues on its development path.

Overall cement prices in China rose 10% year-on-year in 2008. This was principally realised through strong market demand, better supply discipline and higher market concentration due to industry consolidations.

High growth of cement consumption is anticipated as China continues on its development path.

China's Cement Price Trend, by Region, Historical and Forecast



Source: CEIC, HSBC

Industry consolidation actively encouraged

China's cement industry is highly fragmented, with over 5,000 producers at year end of 2008. While it is now the world's largest cement market, the top 10 producers account for only 20-30% of the market. A policy report on China's cement industry, published by the National Development and Reform Commission (NDRC) in late 2006, has committed China to establishing "huge" cement producers (each with an annual capacity of over 50 million tonnes) as well as "large" cement producers (each with an annual capacity of over 10 million tonnes). A list of 60 cement producers has been released and they will gain full support from both Central Government and local governments in terms of project approvals, access to land and raw materials, bank financing and energy supply. Consolidation in China's cement industry is likely to accelerate in the next three to five years.

Encouraged by the Government, and with a series of merger and acquisition deals and public listings, national and regional leaders are emerging. These leaders have been expanding their capacities very quickly by acquiring weaker players and building new plants at strategic locations, gradually dominating their respective markets. This is enabling them to achieve scale and expand market share, reduce competition and secure real pricing power. Lower earnings volatility and a stronger ability to weather market cycles will result. As just one example of cement production coming under the control of better-capitalised companies with modern technology, in July 2007 Lafarge Shui On Cement (LSOC) successfully completed the acquisition of the Shenzhen-listed Sichuan Shuangma Cement.

Cleaner, less energy-consuming production methods

Cement plants in China have been traditionally associated with high energy consumption and high carbon dioxide emissions, yet such inefficiency and environment degradation are beginning to be phased out.

A key focus of China's 11th Five-Year Plan (2006 – 2010) is on conserving resources and improving the environment. This has prompted the NDRC to bring about fundamental structural changes to the cement industry, with a target to replace the backward, energy-inefficient vertical kiln and wet process capacity with larger scale advanced dry rotary kiln capacity, and reduce the energy consumption for producing each tonne of cement by 25%, compared with the previous five years. It is expected that dry process capacity will command 70% of the market by 2010, and continue to rise. In 2005, the corresponding figure was just 40%. This development will see future cement demand met mainly by major producers who have the advantages of advanced production technology, efficient resources utilisation, cost competitiveness, forward-looking management, financial strength and government support. Industry analysts expect future profitability of major producers to improve significantly.

Environmental concerns are already being addressed by the industry. For instance, the traditional practice was to bury sewage sludge in a local sewage treatment plant's landfill. In September 2008, a new project was jointly developed by LSOC and Chongqing Environmental Protection Bureau for the purpose of recycling the sludge into a raw material to produce cement. The cost of cement production and pollution caused by landfill disposal are thereby reduced.

Additionally, waste heat recovery (WHR) technology is now increasingly being used in Chinese cement plants. WHR converts the waste heat from the cement kilns into power through a steam turbine thus reducing carbon dioxide emissions and coal consumption. The NDRC hopes that 40% of the new suspension preheater cement production lines in China will use WHR equipment by 2010.

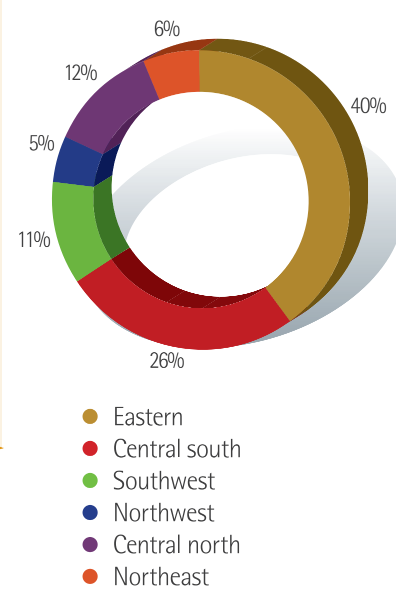
With modern production techniques and solid industry capitalisation taking hold, the industry is well placed to meet ever-growing cement demand. Adhering to Lafarge Group's global sustainability policy, LSOC is at the forefront of applying state-of-the-art energy saving and low carbon emission technology in its production, including clinker substitution, fossil fuel substitution and waste heat recovery.

Cement Capacity Growth by Region

	Capacity			Utilisation		
Province	2006	2010	Cagr.* '06-'10	2006	2010	Diff.
East	654	723	2.5%	81%	92%	+11.0%
Central south	350	522	10.5%	86%	86%	+0.0%
North	180	248	8.3%	82%	86%	+4.0%
Southwest	**155**	**242**	**11.8%**	**81%**	**90%**	**+9.0%**
West	80	120	10.7%	75%	87%	+12.0%
Northeast	90	126	8.8%	80%	89%	+9.0%
Total China	**1,509**	**1,981**	**7.0%**	**82%**	**89%**	**+2.1%**

* *Compound Annual Growth Rate*
Source: Datastream, brokers

Cement Output Breakdown by Region 2007



SOCAM's property business is well placed to take advantage of development opportunities.

Strong indicators to revitalised demand

The Central Government's stimulus plan includes providing funds for post-disaster reconstruction in the earthquake-ravaged areas of Sichuan, Gansu and Shaanxi provinces. The Central Government is committed to a series of reconstruction blueprints in these areas with a promise to spend RMB120 billion over the next three years on education, health and medical care and other public and infrastructure facilities. The national incentive package also includes funds for restoration and reconstruction, reducing the tax burden of enterprises, and giving support to housing construction in both urban and rural areas.

In China particularly, cement consumption is highly correlated with GDP growth. There is particular optimism in the development of the cement market in Southwest China, especially under China's "Go West" policy that seeks to pro-actively stimulate infrastructure and urbanisation. Massive infrastructure development and building construction as a result of increasing urbanisation should lead to an earlier-than-expected recovery in the recently fairly flat demand for cement. In addition, increasingly exacting building standards will fuel the need for timely delivery of high quality cement. Demand for cement will be given a further boost when these initiatives are implemented.

FUTURE GROWTH PROSPECTS: CAUTION IN CAPTURING OPPORTUNITY

Despite the gloomy conditions of other major economies, China continues to have several fundamental advantages. Among these are relatively abundant market liquidity, a vast domestic market and a flexible source of labour. The major encumbrances to China's economic growth may prove to be the reduction on exports and the widespread belief that the current crisis could trigger protectionist practices for both trade and cross-border investments.

The general strategy for business in China in 2009 and beyond should be caution in capturing opportunity. The Central Government's strong commitment to stimulating the economy and to a wider geographical spread of modernisation and infrastructure development bodes well for investors with a strong industry reputation, solid financial base and sound understanding of China's market dynamics and operating procedures.

SOCAM. Building on a successful track record and established expertise

SOCAM's property business, largely held through China Central Properties and managed by SOCAM Asset Management, is well placed to take advantage of development opportunities on the back of its strong track record, established local expertise and enviable financial position.

A number of domestic investors are reporting a rising number of distressed development projects, where developers have run out of capital and construction progress has stalled. This provides SOCAM with good prospects for selective acquisitions in the immediate and short term, leveraging on the strengths and track record it has built up in this sector of operations. The short cycle characteristics of distressed property development bode well for near term profit opportunities.

The property market overall in China should continue to see some consolidation before continuing on its long term path of healthy growth. SOCAM will look to capitalise on its wealth of China knowledge, construction and development project expertise and its renowned brand name in China, inherited from its parent company the Shui On Group.

LSOC. Cementing constructive relationships in Southwest China

LSOC is currently the market leader in Southwest China, the fastest growing region for cement demand. Its dominant market position gives rise to economies of scale and the financial strength to play a leading part in the market consolidation process, supported by Lafarge's brand name, an experienced management team and advanced industry know-how.

This joint venture is well placed to benefit from China's government-mandated construction and infrastructure expansion and be a direct beneficiary of the fiscal stimulus programmes announced by the State Council towards the end of 2008 and reinforced in the assembly of National Representatives in early 2009. In Sichuan province (where LSOC is also the leading cement producer), significant funds have been allocated to reconstruction work in earthquake affected areas, and all of these projects will give rise to strong demand for high-grade cement. LSOC plants, using the latest and energy efficient technologies and situated close to the areas of greatest need, are keeping costs at the lowest levels.

The diversity of construction projects – from schools to housing, roads to bridges, power plants to commercial buildings – suggests profitable growth across many market sectors and a bright future for LSOC operations in Southwest China.

Summary

By looking primarily to the domestic market to drive economic activity, and with fiscal stimulus packages in place and more State funds available if required, China should see GDP growth continue in high single digits in the medium term as she awaits the recovery of her export markets.

Modernisation, infrastructure development and urban renewal across the country are likely to be recurring themes in economic planning for some time to come. Well-capitalised companies with a strong understanding and track record of doing business in China, not least in the property, construction and cement supply industries, will be seeking to expand profitable partnerships in the world's third largest economy.

LSOC is currently the market leader in Southwest China, and plays a leading part in the market consolidation process.

Well-capitalised companies with a strong understanding and track record of doing business in China, not least in the property, construction and cement supply industries, will be seeking to expand profitable partnerships in the world's third largest economy.

CORPORATE SOCIAL RESPONSIBILITY

商界展關懷
caringcompany 2006-09
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

We consider it our basic duty to contribute to the wellbeing and growth of our employees, the preservation and enhancement of the environment, and the welfare and progress of the community in which we operate.

SOCAM firmly believes that its 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.

With the Board's support, the Group moved forward by formalising its Corporate Social Responsibility (CSR) Policy during the year. In developing this policy, we examined how we could best address the needs of our different stakeholders. While as a corporation, our fundamental objective is to be regarded as a high performing company in the eyes of our shareholders, our customers and our business partners, for our CSR Policy we focus on three aspects – our People, the Environment and the Community - as these are areas that concrete actions can be planned for mobilising all employees in our different business operations and locations.

Under our CSR Policy, we aim to cultivate a strong "Shui On – We Care" brand that embodies not only the commitment of the corporate, but also the vitality of our people in fulfilling social responsibility. A CSR Steering Committee has been established to coordinate and oversee effective implementation of this policy throughout the Group and to promote the personal involvement of our employees in related activities. Together, these represent an important milestone in our CSR journey.

In this section, we provide a snapshot of SOCAM's CSR initiatives and our numerous CSR projects that took place in 2008.

We Care 關.愛.瑞安

Shui On – We Care

CARING FOR OUR PEOPLE

We are committed to enhancing the level of engagement, health and safety, overall wellness and personal growth of our employees, and making Shui On a better place to work.

CARING FOR THE ENVIRONMENT

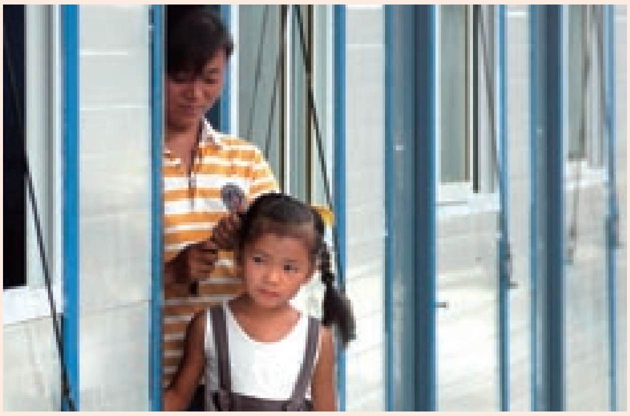
We are committed to devoting systematic efforts towards the conservation of energy and natural resources as well as reduction of waste and emissions at both an operational and individual level.

CARING FOR THE COMMUNITY

We are committed to building a "We Care" culture throughout Shui On, and to contributing resources to charitable causes and educational initiatives in the community.

CARING FOR THE COMMUNITY

We consider it our duty to contribute towards building a sustainable community wherever our business operates. While many of our planned efforts have focused on charitable causes and educational initiatives, the Sichuan earthquake in May 2008 was a major catastrophe that arose, and we were quick and united in responding with donations and relief work.



WORKING TOGETHER TO PROVIDE CRITICAL EMERGENCY RELIEF IN SICHUAN

In May 2008, almost 70,000 people were killed, and many injured or made homeless in the Sichuan Earthquake.

As soon as the earthquake struck, it immediately became our highest concern especially since we have cement as well as property projects in Sichuan and Chongqing. Within a few days our different operations made donations totalling RMB21 million to the affected areas. SOCAM employees in both the Mainland and Hong Kong were also encouraged to make individual donations to the relief effort and quickly raised over HK$1.3 million, a sum that includes the Group's dollar-for-dollar matching donation.

Lafarge Shui On Cement (LSOC) which operates in Dujiangyan and Jiangyou in Sichuan immediately formed a voluntary rescue team to support the local emergency relief work, including arranging for supplies and building temporary shelters. Separately we rebuilt homes and provided financial support to affected staff to help them settle as quickly as possible into normal life.

In various forms and through a variety of actions, SOCAM and its people demonstrated a magnificent spirit of generosity and concern as well as true care and respect for humanity.

Proactive employees

We actively support and encourage our employees to participate in volunteer work to serve the community. A cornerstone in this respect is SOCAM's Seagull Club, an employee-run voluntary service club to promote community work among our employees and to encourage them to offer care and support to the needy. A specific recognition system also motivates employees to increase their participation in voluntary services.

During the year, the Seagull Club organised a number of service projects, and staff invested their own time to serve children, elderly and underprivileged members of the society.

- Annual Charity Walk - raised more than HK$130,000 for the Hong Kong Family Welfare Society.
- Farm tour for Green Education - for 30 children from the Hong Kong Family Welfare Society.
- Circus for All Project and Embrace the Difference Charity Action, organised by the Hong Kong charity TREATS – volunteers learnt to juggle and performed together with handicapped children.
- Dress Special Day - fundraising in support of the Community Chest of Hong Kong.
- Charity sales of the Hugging Bear character - in support of the "Pass It On 2008" Campaign of the Hong Kong Red Cross.
- Great Wall of Ears Action - for the Hong Kong Society for the Deaf.

Apart from the Shui On Seagull Club, for the second consecutive year our construction projects' teams organised a programme entitled Household Maintenance and Repair Projects for the elderly and less-privileged families in the local community. Our senior executives continued to serve on public bodies and in industry associations thereby contributing their experience and expertise to benefit the wider community.

During the year, the Group made donations to different non-profit making organisations and charity programmes, including:

- MTR Hong Kong Race Walking 2008
- The Hospital Authority New Territories West Cluster Hospitals Charitable Trust
- The Community Chest of Hong Kong
- Orbis Pin Campaign 2008
- Lifeline Express
- Hong Kong Chinese Orchestra

besides sponsoring conferences and campaigns in the areas of business ethics, construction safety and the construction industry.

Staunch corporate support

SOCAM recognises that nurturing the next generation of talents is crucial to the sustainable development of the local community. To this end, SOCAM has offered funding support and scholarships, in both Hong Kong and in the Mainland.

- We continued a scholarship to support outstanding students in Environmental Studies at the Open University of Hong Kong.
- The Dalian Tiandi • Software Hub IT Talents Fund, created at the inauguration of the joint venture Dalian Tiandi • Software Hub project in 2007, signed agreements with nine local universities in June 2008 to offer their outstanding students financial assistance to pursue their studies and career development in information technology.

CARING FOR THE ENVIRONMENT

Environmental problems such as climate change, natural resource depletion, air pollution and waste treatment are growing threats to both the local as well as the global communities.

SOCAM is engaged in businesses that can potentially create significant pollution and waste. As a responsible corporate citizen we seek to minimise the impact of our activities through active enforcement and established policies and management systems. Our business units closely monitor our environmental performance and undertake a variety of green initiatives.

SOCAM'S SUSTAINABLE DESIGN IN ACTION

According to the World Business Council for Sustainable Development, buildings today represent 40% of the world's energy demand. That is why, in its design-and-build projects, SOCAM focuses on energy efficiency and sustainability to raise the environmental performance of buildings across their life cycles. The Group's construction project at the North Point Customs Headquarters in Hong Kong is a case in point.

In this building, an energy-efficient curtain wall made of low-e vision glass enhances the level of natural daylight admission while suppressing heat gain. With the adoption of energy-efficient building services systems and the use of renewable energy via solar power system, we strive to reduce operational energy use in the long run. Through our design of a podium garden as a "green roof" and by maximising the total area of greenery area at this site generally, we have made a positive impact on the landscape for the benefit of the surrounding community. We cut down the need for fresh water use by selecting water saving fixtures and minimise waste generation with the adoption of pre-fabricated building services elements.

This building has been designed to be as environmentally friendly as possible aiming to achieve the highest "Platinum Grade" under the "Building Environmental Assessment Method" of HK-BEAM Society further to its completion and operation by 2010.

Green engagement

We launched a number of "green" initiatives during the year, and continued to actively engage with the community to promote green lifestyles.

- We organised Green Tours and Green Talks for students as well as built Interactive Community Corridors around our construction sites to introduce green concepts to our neighbours.
- We facilitated waste reduction by collecting recyclable materials such as rechargeable batteries, toner cartridges, plastic bottles and paper.
- Environmentally friendly materials such as recycled paper continued to be used in corporate communications material and stationery supply whenever practicable.

Effective system implementation

Our construction arm's Environmental Management System (EMS) obtained ISO 14001 certification in 1999. In its annual review in 2008, the Hong Kong Quality Assurance Agency (HKQAA) has confirmed that our EMS monitoring capabilities exceed regulatory requirements and that the reuse of materials from different work sites shows a high degree of planning and innovation.

- We closely follow the protocol of "reduce, reuse and recycle". This means that waste generation is not only reduced in the first place but that waste materials are also reused by our construction sites or recycled.
- Innovative use of waste included reuse of timber formwork in foundation works, reuse of waste metal parts for working platforms, fencing, drainage platforms and hoarding, as well as reuse of excavated materials for backfilling.
- During the year, our construction operation established key environmental performance indicators and extended the scope of its Red and Yellow Card Disciplinary System from safety monitoring to environmental measures.
- It continued to adopt Green Procurement Guidelines and other green practices and measures in its daily operations.

Building a role model

Our LSOC cement operations in the Mainland adhere strictly to the Lafarge global strategy of "Run our business in a sustainable way". In line with China's national policy of energy conservation and environmental protection, LSOC is strongly committed to meeting the highest environmental standards and making itself the role model for the industry.

- LSOC is actively modernising its production lines. It continued to replace old kilns with new dry kilns in order to raise its energy efficiency and emissions control performance.
- It launched the Waste Heat Recovery Project at the Nanshan plant in Chongqing. LSOC will generate electric power for cement production lines by recycling heat generated by the production lines themselves. It is expected that this programme will quickly achieve savings of 45 million kWh of electricity and cut 70,000 tonnes of CO_2 emissions per annum.
- The new production lines under construction or to be constructed by the Company currently will install waste heat recovery systems.

CARING FOR OUR PEOPLE

SOCAM continued to embrace an active commitment to the overall wellbeing and personal growth of its employees. By providing a safe workplace, facilitating personal development and fostering team spirit, we believe we are creating an environment that helps to attract and retain good people, which in turn supports the sustained growth of the Group. During 2008, we introduced new initiatives that contribute to a healthy lifestyle for all our people.

ENHANCING HEALTH AND WELLBEING

We care about our people's total wellness. In June, we launched an Employee Assistance Programme to help equip employees with the skills and the positive attitude required to master stress and emotions in daily life. Under the Programme, a series of Stress Reduction Workshops were organised. We have appointed an external organisation to provide professional counseling services to employees and their families which cover a variety of issues ranging from stress management, interpersonal relationships to personal affairs.

We also encourage employees to adopt an active lifestyle to help them stay fit and healthy. We joined the "Healthy 8,000 Steps Campaign" organised by the Hong Kong Medical Association to encourage frequent walking, and gave out pedometers as incentives to encourage employee participation. We sponsored our employees to take part in the Corporate Games organised by the Leisure and Cultural Services Department for building an energetic and healthy community.

Inside our offices, "coffee corners" were set up as a new initiative offering employees a relaxing area to take a break away from their desks and connect socially with other colleagues. We ensured indoor air quality was kept at a healthy level by installing bactigas and air purifiers. Employees are also encouraged to join a wide range of leisure activities organised by our Recreation Club.

Providing a Safe Workplace

Safety is a priority for our business operations. We strive to keep our safety procedures under constant review with the aim of achieving continuous improvement.

- The Group maintains a rigorous "Safety First" policy in its construction operations primarily through its OHSAS 18001-accredited Safety and Health Management System.
- Our construction arm met all its annual safety and health targets during the year and achieved an low accident rate of 4.46 cases per 1,000 workers per year, a level significantly below the Company's target rate of 9.00 and the Hong Kong construction industry's overall rate of 61.4.
- This was achieved through a variety of safety procedures and behaviour-based safety initiatives, including surveys and briefings for our workers and sub-contractors, recognition for our Safety Model Workers, a Red and Yellow Card Disciplinary System and ongoing safety promotion at our construction sites.
- LSOC ran a special "Safety Month" in June 2008, and implemented activities for employees and their families under the theme of "I care for our safety", an initiative regarded as the first safety culture promotion in China's cement industry.

Investing in Our People

We believe our employees are our greatest asset. We encourage and support our employees to reach their fullest potential through training and career development. During the year, we continued to implement continuous career development programmes for Management Trainees, Graduate Engineers, HSE Trainees and Construction Apprentices. Other key initiatives include:

- A new series of Partnering Workshops was organised to build teamwork among SOCAM and its sub-contractors that is focused on delivering Total Quality Management, along with service and quality excellence.
- The Construction Process/Techniques Enhancement Series was successfully completed in 2008. It has provided focused training around 21 key construction activities since its introduction in 2005 with over 1,400 person/times of operation and technical staff attending the series.
- With the help of ICAC, workshops on business ethics and "A Trusted Business Partners" were organised for corporate staff and project staff respectively.
- A series of Legal Workshops on business-related legal issues were organised for our employees in the property business including the workshop on Mainland property development process requirements.
- Management development reviews continued to be carried out to guide management development efforts.
- LSOC has set aside training funds and has raised the competitiveness of the local workforce through a series of training initiatives. At the end of 2008, 90% of LSOC's management staff were local Mainland personnel.

THE ROAD AHEAD

Looking back at the past year, through the formulation of a comprehensive CSR Policy, the Group has brought a renewed focus and a systematic approach to a broad range of long-established corporate social responsibility activities and programmes.

We share the belief that good management in implementing CSR is required to meet the evolving social demands in today's business environment. Looking ahead to 2009, and to future years, we are determined to build on our current achievements, and continue to make CSR an even bigger part of our business operations and our employees' lives. As each year passes, we are confident our CSR programmes will grow. We are confident too that the Group and its people have the enthusiasm to support our CSR goals, and to find rewarding ways to contribute to the bigger society.

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 2008.

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 2008 except for certain deviations as specified with considered reasons below.

Mr Frankie Wong (second right), Chief Executive Officer, received the Hong Kong Corporate Governance Excellence Award 2008 on behalf of the Company.

THE BOARD

The overall management of the Company's business is vested in the Board, which assumes the responsibility for 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 take 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 expenditures, 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 powers of management, and 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 Directors may obtain independent professional advice at the Company's expense in carrying out their functions. The Company has arranged for appropriate insurance coverage for the Directors.

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.

During the year, the Company has engaged an external consultant to carry out an evaluation of the performance of the Board as a whole and of individual Directors. The exercise concluded with a detailed report of findings and recommendations as well as an open-exchange session where Executive and Non-executive Directors expressed and aligned their mutual expectations of roles and working relationships, so as to enhance the functioning of the Board. The Company has promptly followed up on the recommendations with an action plan whereby various actions have been enforced during the year, such as formulating and adopting a board charter and a corporate social responsibility statement, establishing a nomination committee, undertaking a skills audit and arranging for strategy development sessions and field visits.

With the adoption of the board charter, the relevant roles of the Board and management and their relationships are clearly delineated and the functions reserved to the Board and those delegated to management have been formalised in writing.

Composition

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

Executive Directors:	
Mr. Lo Hong Sui, Vincent	Chairman of the Board and the Nomination Committee, 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 Nomination and Executive Committees
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, Remuneration and Nomination Committees
Independent Non-executive Directors:	
Mr. Anthony Griffiths	chairman of the Audit and Remuneration Committees, and member of the Nomination Committee
Mr. Gerrit de Nys	member of the Audit, Remuneration and Nomination Committees
Ms. Li Hoi Lun, Helen	member of the Audit, Remuneration and Nomination Committees

Biographical details of the Directors are shown on pages 75 to 77. None of the members of the Board is related to one another.

During the year, Mr. Cheng Mo Chi, Moses retired as an Independent Non-executive Director of the Company at the annual general meeting of the Company held on 29 May 2008 and did not offer himself for re-election. In compliance with Rule 3.11 of the Listing Rules, Ms. Li Hoi Lun, Helen has been appointed as an Independent Non-executive Director of the Company to fill the casual vacancy with effect from 28 August 2008. 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, accounting or related financial management expertise.

The Company has received written annual confirmation from each Independent Non-executive Director of his/her independence pursuant to the requirements of the Listing Rules. Ms. Li Hoi Lun, Helen has met the independence guidelines as set out in Rule 3.13 of the Listing Rules except that she has advised the Company and Shui On Company Limited, the holding company of the Company, on some legal matters in the year immediately prior to 28 August 2008 (being the date of her appointment) and details of such services have been disclosed in the announcement of the Company dated 28 August 2008. Such ad hoc advisory work, related mainly to advice and commentary work on legal documents, had ceased upon her appointment as an Independent Non-executive Director of the Company. The Company considers that Ms. Li has the integrity, experience and independent judgment to perform her duties as an Independent Non-executive Director of the Company. The Company considers all of its Independent Non-executive Directors 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 and critical 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, as initiated in 2006, continued during the year. An open-exchange session has been conducted during the board evaluation undertaken by an external consultant to develop more formal expectations by the Executive and Non-executive Directors of the roles of each other so as to enhance mutual understanding and more effective working relationships.

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 of the Board and Chief Executive Officer are held by Mr. Lo Hong Sui, Vincent and Mr. Wong Yuet Leung, Frankie respectively. Their respective responsibilities are clearly defined in the board charter of the Company.

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.

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 business of the Company. Where vacancies on the Board existed, the Chairman would 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 might be engaged to help carry out the recruitment and selection process when necessary.

Following the board evaluation conducted during the year and with the assistance of the external consultant, a skills audit has been conducted to evaluate the appropriate expertise and experience that the Board already possessed amongst its members and those that are needed to meet the needs of the business of the Company. The skills audit helped identify the gaps in competency and skill required by the Board during the recruitment process for an Independent Non-executive Director during the year. This served as a basis for succession planning processes for the Board.

During the year, the Board has established a Nomination Committee and adopted its terms of reference in September 2008. The objective of the Nomination Committee is to provide a formal and transparent framework for the process of identifying, evaluating and appointing new Directors to the Board.

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 the annual general meetings in accordance with the Bye-laws of the Company. Arrangements have been put in place for appointments of any new Non-executive Director to be for a specific term in compliance with Code Provision A.4.1 of the CG Code. As such, Ms. Li Hoi Lun, Helen has been appointed as an Independent Non-executive Director to fill a casual vacancy during the year for a term of three years under a service contract made with her upon her appointment. Arrangement for execution of a similar service contract will be made with other Non-executive Directors upon their retirement and re-election at the annual general meetings of the Company in coming years.

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

In compliance with Code Provision A.4.2 of the CG Code, Ms. Li Hoi Lun, Helen, who was appointed to fill a casual vacancy in August 2008, had retired and re-elected as a Director of the Company at a special general meeting held on 21 January 2009, being the first general meeting after her appointment.

In accordance with Code Provision A.4.2 of the CG Code and the Company's Bye-laws as amended, Mr. Lo Hong Sui, Vincent, Mr. Choi Yuk Keung, Lawrence and Mr. Wong Yuet Leung, Frankie shall retire by rotation and being eligible, have offered themselves for re-election at the forthcoming annual general meeting of the Company to be held on 3 June 2009.

Board Committees

The Board has set up four Board Committees, namely, the Audit Committee, the Remuneration Committee, the Nomination 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.

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

Having reviewed the practice and procedures of remuneration committees in other jurisdictions, the Remuneration Committee has decided that it would be better practice for the Non-executive Directors to cease involvement in recommending their own remuneration and for such recommendations to be made to the Board by the Chairman of the Company taking the advice of external professionals as appropriate. This practice has been formally adopted and at the relevant Board meeting, the Non-executive Directors abstain from voting in respect of their own remuneration.

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.

	Major roles and functions	Composition at 31 December 2008	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 external auditor and its independence • To review and monitor the effectiveness of the internal audit function	**Independent Non-executive Directors** Mr. Anthony Griffiths Mr. Gerrit de Nys Ms. Li Hoi Lun, Helen **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 • To review and approve performance-based remuneration with reference to the corporate goals and objectives	**Independent Non-executive Directors** Mr. Anthony Griffiths Mr. Gerrit de Nys Ms. Li Hoi Lun, Helen **Non-executive Director** Professor Michael Enright **Executive Director** Mr. Lo Hong Sui, Vincent	At least twice a year

	Major roles and functions	Composition at 31 December 2008	Frequency of meetings
Nomination Committee	• To review the size and composition of the Board from time to time • To identify, select and make recommendations to the Board on the individuals nominated for directorships • To assess the independence of Independent Non-executive Directors • To make recommendations to the Board on any matters relating to the appointment or re-appointment of Directors and succession planning for Directors • To implement and oversee periodic performance evaluation of the Board and its committees	**Executive Directors** Mr. Lo Hong Sui, Vincent Mr. Wong Yuet Leung, Frankie **Independent Non-executive Directors** Mr. Anthony Griffiths Mr. Gerrit de Nys Ms. Li Hoi Lun, Helen	On an as needed basis
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

The Nomination Committee was newly established during the year, initially comprising 5 Directors as abovementioned. On 2 April 2009, Professor Michael Enright, a Non-executive Director, was also appointed as a member of this Committee.

The Directors' attendance at the meetings held is set out in the table below. Separate reports prepared by the Audit Committee and the Remuneration Committee which summarise their work performed during the year are set out on pages 68 to 69 and 70 to 74 respectively.

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 business demand. During the year, the Board has devoted a separate Board meeting to consider and review the Group's strategy and business activities. The attendance of the Directors at the Board meetings during the year is set out in the table below.

Practices and Conduct of Meetings

The 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 Directors for comment within a reasonable time after each meeting and the final version as approved formally by the Board or the relevant Committee is filed for record. 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 contain 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 each Director at the meetings of the Board, Audit Committee, Remuneration Committee and Executive Committee during the year ended 31 December 2008 is set out below:

	Attendance/Number of Meetings during the year ended 31 December 2008			
Name of Directors	**Board Meetings**	**Audit Committee Meetings**	**Remuneration Committee Meetings**	**Executive Committee Meetings**
Mr. Lo Hong Sui, Vincent	5/5	N/A	2/2	10/10
Mr. Choi Yuk Keung, Lawrence	5/5	N/A	N/A	10/10
Mr. Wong Yuet Leung, Frankie	5/5	N/A	N/A	10/10
Ms. Lau Jeny	5/5	N/A	N/A	10/10
Mrs. Lowe Hoh Wai Wan, Vivien	5/5	N/A	N/A	10/10
Professor Michael Enright	5/5	4/4	2/2	N/A
Mr. Anthony Griffiths	5/5	4/4	2/2	N/A
Mr. Gerrit de Nys	5/5	4/4	2/2	N/A
Ms. Li Hoi Lun, Helen *(appointed on 28 August 2008)*	2/2	2/2	1/1	N/A
Mr. Cheng Mo Chi, Moses *(retired on 29 May 2008)*	1/2	1/2	1/1	N/A

By invitation, Ms. Lau Jeny attended all the four Audit Committee meetings held during the year and Mr. Wong Yuet Leung, Frankie and Mrs. Lowe Hoh Wai Wan, Vivien attended all the two Remuneration Committee meetings held during the year.

No meeting of the Nomination Committee has been held since its formation during the year.

Training, Induction and Continuing Development for Directors

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

Since 2007, the Board has 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 Directors. 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 in the development of individual skills, knowledge and expertise.

Following the board evaluation conducted during the year, the Company continues its effort in providing regular updates on the changes in the relevant regulatory requirements applicable to the Group and recommending relevant seminars/conferences and internal briefing sessions to the Directors from time to time. A full-day board strategy session has been organised by the Company in September 2008 with participation of senior management to discuss long-term business and corporate strategy of the Group. Individual Non-executive Director has also been invited to participate in relevant management conferences to tap their expertise on strategic matters as well as to allow them a better appreciation of the business issues and the management team.

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

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. Following 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 2008.

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 2008.

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 pages 91 and 92.

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 2008 amounted to HK$3.5 million and HK$1.0 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.

INTERNAL CONTROL SYSTEMS

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. A risk management system is in place to ensure the regular identification, evaluation and management of risks faced by the Group. 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 2008, 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 fully implemented in 2007 as well as 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 regularly reviews the key performance indicators relating to the works 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 also 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 in place to ensure the regular identification, evaluation and management of 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 risks it faces are mitigated by the controls which have been implemented or will be implemented. Workshops are organised for management staff annually to ensure proper appreciation and implementation of the system and procedure.

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 communication 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. Such general meetings and media conferences are presided over and led by the Chairman supported by the Chief Executive Officer and other Directors. Meetings with financial analysts, brokers and investors are conducted by the Chief Executive Officer assisted by the Chief Financial Officer. 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.

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. Gerrit de Nys
Ms. Li Hoi Lun, Helen *(appointed on 28 August 2008)*
Mr. Cheng Mo Chi, Moses *(ceased to act on 29 May 2008)*

Except for Professor Michael Enright, who is a Non-executive Director, the Committee members are 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 business of the Committee.

MEETING ATTENDANCE

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

Name of Directors	Attendance/ Number of Meetings
Mr. Anthony Griffiths	4/4
Professor Michael Enright	4/4
Mr. Gerrit de Nys	4/4
Ms. Li Hoi Lun, Helen *(appointed on 28 August 2008)*	2/2
Mr. Cheng Mo Chi, Moses *(ceased to act on 29 May 2008)*	1/2

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 Audit Committee.

ROLE AND DUTIES

Under its terms of reference, the principal responsibilities of the Audit Committee include review of both the Group's 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:

- estimates and judgment of a material nature made by management in accordance with the accounting policies of the Group;
- Group's audited consolidated financial statements and other related documents for the year ended 31 December 2007 and the final results announcement, with a recommendation to the Board for approval;
- Group's unaudited consolidated financial statements and other related documents for the six months ended 30 June 2008 and the interim results announcement, with a recommendation to the Board for approval;
- internal control systems of the 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;
- internal control systems of the distressed property development activities in the Chinese Mainland;

- 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 construction projects in the Chinese Mainland;
- effectiveness of the internal controls of the construction and fit-out activities in Hong Kong and Macau;
- business risks of the investment in China Central Properties Limited and the Dalian Tiandi • Software Hub project in the Chinese Mainland;
- 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 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 year ended 31 December 2007;
- fee proposals of the external auditor for the review of the interim financial statements for the six months ended 30 June 2008 and for the audit of the financial statements for the year ended 31 December 2008;
- scope of work of the external auditor and its re-appointment;
- key performance indicators and annual work programme of the Company's Corporate Evaluation Department as well as its staffing and resources planning; and
- financial planning, 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 in 2007. 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.

In addition, the Committee keeps under constant review changes to the Hong Kong Financial Reporting Standards with the assistance of the manager in charge of the Company's Corporate Evaluation Department and the external auditor to assess their application to the accounting policies adopted by the Group and, where applicable, their effective adoption by the Group. The Committee has also taken particular care to be satisfied that the provisions of Hong Kong Accounting Standard 39 Financial Instruments: Recognition and Measurement (marking to market) have been complied with although it believes that its application misleads shareholders and readers of the Group's financial statements by understating the essential and longer term value of the Group and its various investments.

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

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. Gerrit de Nys
Ms. Li Hoi Lun, Helen *(appointed on 28 August 2008)*
Mr. Cheng Mo Chi, Moses *(ceased to act on 29 May 2008)*

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 Independent Non-executive Directors of the Company.

MEETING ATTENDANCE

The Remuneration Committee met two 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	2/2
Mr. Lo Hong Sui, Vincent	2/2
Professor Michael Enright	2/2
Mr. Gerrit de Nys	2/2
Ms. Li Hoi Lun, Helen *(appointed on 28 August 2008)*	1/1
Mr. Cheng Mo Chi, Moses *(ceased to act on 29 May 2008)*	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, attend meetings of the Committee by invitation. The Company Secretary acts as the secretary to the Remuneration 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, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, 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 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.

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

The Remuneration Committee also reviewed the practice and procedures of remuneration committees in other jurisdictions. As a consequence, it decided that it would be better practice for the Non-executive Directors to cease involvement in recommending their own remuneration and for such recommendations to be made to the Board by the Chairman of the Company taking the advice of external professionals as appropriate. This practice has been formally adopted and at the relevant Board meeting, the Non-executive Directors abstain from voting in respect of their own remuneration.

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 annually, 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;
- 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 from time to time 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;
- reviewed the proposals for the award of share options annually to Executive Directors and management staff based on performance and the policy of encouraging their participation in the equity of the Company;
- reviewed the preliminary vesting recommendations for share options granted to certain key executives;
- reviewed the proposals for the amount of bonus to be awarded to the Executive Directors and senior management based on performance;
- determined the amounts of bonus awarded to the Executive Directors based on personal and Group performance;
- reviewed the policy on restrictions on exercise of share options by employees retiring or leaving the Group to join competitors; and
- 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.

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) HK$'000	For the year ended 31 December 2008 Total HK$'000	For the year ended 31 December 2007 Total HK$'000
Chairman							
Mr. Lo Hong Sui, Vincent	10	-	-	-	-	10	10
Vice-Chairman							
Mr. Choi Yuk Keung, Lawrence	10	3,440	1,972	61	2,483	7,966	6,931
Executive Directors							
Mr. Wong Yuet Leung, Frankie	10	5,548	6,915	101	6,468	19,042	18,125
Ms. Lau Jeny	10	3,022	405	102	658	4,197	759
Mrs. Lowe Hoh Wai Wan, Vivien	10	2,155	1,269	35	2,090	5,559	4,675
Non-executive Director							
Professor Michael Enright	350	-	-	-	-	350	275
Independent Non-executive Directors							
Mr. Anthony Griffiths	440	-	-	-	-	440	350
Mr. Gerrit de Nys	350	-	-	-	-	350	102
Ms. Li Hoi Lun, Helen *(appointed on 28 August 2008)*	120	-	-	-	-	120	-
Mr. Cheng Mo Chi, Moses *(ceased to act on 29 May 2008)*	144	-	-	-	-	144	275
TOTAL	**1,454**	**14,165**	**10,561**	**299**	**11,699**	**38,178**	**31,502**

Note: 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.

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 this long-term incentive arrangement, share options are granted conditionally to the 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 equals 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 was made in 2007. During the year, further grants were made to the following Executive Directors with the vesting of the share options based on the TSR over the period from the beginning of 2008 to the end of 2010.

Name of Directors	Subscription price per share HK$	Number of shares subject to the options granted
Mr. Choi Yuk Keung, Lawrence	19.76	1,000,000
Mr. Wong Yuet Leung, Frankie	19.76	2,000,000
Ms. Lau Jeny	19.76	1,000,000
Mrs. Lowe Hoh Wai Wan, Vivien	19.76	750,000

In addition, the Committee has 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 assessed the Company performance. The assessment of individual performance was 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 were 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	19.76	250,000
Mr. Wong Yuet Leung, Frankie	19.76	500,000
Mrs. Lowe Hoh Wai Wan, Vivien	19.76	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 78 to 90.

EXECUTIVE DIRECTORS

Mr. Lo Hong Sui, Vincent *GBS, JP*

aged 61, has been the Chairman of the Company since 1997 and is a member of the Remuneration Committee of the Company. He has been appointed as the chairman of the Nomination Committee established by the Company in September 2008. He is the chairman of the Shui On Group which he founded 38 years ago. He is also the chairman and chief executive officer of Shui On Land Limited, which he established in 2004 and became listed in Hong Kong in 2006. He is also the chairman of China Central Properties Limited, an associated company of the Company, which has been listed on the AIM of the London Stock Exchange since 2007. Mr. Lo is a member of the Eleventh National Committee of the 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 and an honorary court chairman of the Hong Kong University of Science and Technology. Mr. Lo is currently a non-executive director of Great Eagle Holdings Limited and Hang Seng Bank Limited, both of which are listed in Hong Kong. In September 2008, he retired as an independent non-executive director of China Telecom Corporation Limited, a listed company in Hong Kong.

Mr. Lo was awarded the Gold Bauhinia Star in 1998 and appointed a 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 55, was 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 of the construction materials division in 1995. Mr. Choi is a member of the Standing Committee of the Ninth and the Tenth Guizhou Provincial Committee of the 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 60, is the Chief Executive Officer of the Company and was the Vice-Chairman from 1997 to 2004. He has been appointed as a member of the Nomination Committee established by the Company in September 2008. 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 of the London Stock Exchange since 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. Mr. Wong is currently a non-executive director of CIG Yangtze Ports PLC and an independent non-executive director of Solomon Systech (International) Limited, both of which are listed in Hong Kong, and a non-executive director of Walcom Group Limited, a company listed on the AIM of the London Stock Exchange. He was also a non-executive director of Cosmedia Group Holdings Limited, a company that was delisted from the AIM of the London Stock Exchange in December 2008.

Ms. Lau Jeny

aged 50, has been 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 60, 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 50, 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. He has also been appointed as a member of the Nomination Committee established by the Company in September 2008. 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 was a director of Shui On Land Limited from May 2004 to May 2006. He is currently an independent non-executive director of Johnson Electric Holdings Limited, a listed company in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Anthony Griffiths

aged 65, 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 has also been appointed as a member of the Nomination Committee established by the Company in September 2008. 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, Crystal Investment Limited and Yangtze China Investment Limited, a company listed on the AIM of the London Stock Exchange and an independent non-executive director of Manulife Provident Funds Trust 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. Gerrit de Nys

aged 65, has been an Independent Non-executive Director of the Company since August 2007. He is a member of the Audit and Remuneration Committees of the Company. He has also been appointed as a member of the Nomination Committee established by the Company in September 2008. 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.

Ms. Li Hoi Lun, Helen

aged 53, has been appointed as an Independent Non-executive Director and a member of the Audit and Remuneration Committees of the Company since August 2008. She has also been appointed as a member of the Nomination Committee established by the Company in September 2008. Ms. Li is a qualified lawyer in the jurisdictions of Hong Kong, England and Wales and New South Wales, Australia. She studied law in England and commenced practising law in Hong Kong in 1982. Ms. Li worked in private practice, with emphasis on property, commercial and corporate work with a China focus. Prior to joining the Company, she was employed as in-house legal counsel for the group companies, and an executive director of the property arm, of Shui On Group and took early retirement in 2005.

SENIOR MANAGEMENT

Mr. Lee Wing Kee, Stephen

aged 56, 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 52, 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 48, 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.

The Directors present their annual report and the audited financial statements for the year ended 31 December 2008.

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 46, 47 and 48 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 93.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2008.

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 2008, the Company's reserves, including the contributed surplus, available for distribution to shareholders amounted to HK$875.2 million (2007: HK$1,286.0 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 page 181.

INVESTMENT PROPERTIES

During the year, the Group decided the properties previously held as investment properties be redeveloped as properties for sale in the future and details are set out in note 16 to the consolidated financial statements.

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 17 to the consolidated financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group at 31 December 2008 are set out on page 180.

DIRECTORS

The Directors of the Company during the year and up to the date of this report are as follows:

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

Non-executive Director:
Professor Michael Enright

Independent Non-executive Directors:
Mr. Anthony Griffiths
Mr. Gerrit de Nys
Ms. Li Hoi Lun, Helen *(appointed on 28 August 2008)*
Mr. Cheng Mo Chi, Moses *(retired on 29 May 2008)*

In compliance with the Code of 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") and in accordance with Bye-law 86(2) of the Bye-laws of the Company, Ms. Li Hoi Lun, Helen has retired and has been re-elected as a Director of the Company at a special general meeting of the Company held on 21 January 2009.

In accordance with the Bye-laws of the Company, Mr. Lo Hong Sui, Vincent, Mr. Choi Yuk Keung, Lawrence and Mr. Wong Yuet Leung, Frankie shall retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for 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 and re-election at the annual general meetings in accordance with the Bye-laws of the Company, except that Ms. Li Hoi Lun, Helen has been appointed for a term of three years under a service contract made with her upon her appointment. Arrangement for execution of a similar service contract will be made with other Non-Executive Directors upon their retirement and re-election at the annual general meetings of the Company in coming years.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

At 31 December 2008, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") or which were required to be entered in the register required to be kept under section 352 of the SFO were as follows:

The Company

(a) Long position in the shares of the Company

	Number of ordinary shares				Approximate percentage of shareholding in the Company
Name of Directors	Personal interests	Family interests	Other interests	Total	
Mr. Lo Hong Sui, Vincent	–	312,000 (Note 1)	181,981,000 (Note 2)	182,293,000	56.63%
Mr. Choi Yuk Keung, Lawrence	1,100,000	–	–	1,100,000	0.34%
Mr. Wong Yuet Leung, Frankie	800,000	–	–	800,000	0.24%
Mrs. Lowe Hoh Wai Wan, Vivien	720,000	–	–	720,000	0.22%

Notes:

(1) These shares are beneficially owned by Ms. Loletta Chu ("Mrs. Lo"), the spouse of Mr. Lo Hong Sui, Vincent ("Mr. Lo"). Under the SFO, Mr. Lo is deemed to be interested in such shares and both Mr. Lo and Mrs. Lo are also deemed to be interested in 181,981,000 shares mentioned in note (2) below.

(2) These shares are beneficially owned by Shui On Company Limited ("SOCL"). Of these 181,981,000 shares beneficially owned by SOCL, 166,148,000 shares are held by SOCL itself and 15,833,000 shares are held by Shui On Finance Company Limited, an indirect wholly-owned subsidiary of SOCL. SOCL is owned by the Bosrich Unit Trust, the trustee of which is Bosrich Holdings (PTC) Inc. (formerly "Bosrich Holdings Inc."). The units of the Bosrich Unit Trust are the property of a discretionary trust, of which Mr. Lo is a discretionary beneficiary and HSBC International Trustee Limited is the trustee. Accordingly, Mr. Lo, Mrs. Lo, HSBC International Trustee Limited and Bosrich Holdings (PTC) Inc. are deemed to be interested in such shares under the SFO.

(b) Short position in the shares of the Company

Name of Director	Number of ordinary shares: Personal interests	Family interests	Other interests	Total	Approximate percentage of shareholding in the Company
Mr. Lo Hong Sui, Vincent	–	–	1,600,000 (Note)	1,600,000	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, Mrs. Lo, HSBC International Trustee Limited and Bosrich Holdings (PTC) Inc. are deemed to have short position in these shares under the SFO.

(c) Share options of the Company

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 are set out under the section headed "Share Options" below.

(d) Call option over the shares of the Company

At 31 December 2008, the following Director had a call option granted by SOCL over the shares of the Company pursuant to the arrangement mentioned in the note to item (b) above:

Name of Director	Exercise price	Exercise period	Number of ordinary shares subject to the call option
Mr. Wong Yuet Leung, Frankie	HK$6.00	27-8-2005 to 26-8-2010	1,600,000

Associated Corporations

(a) Shui On Land Limited ("SOL")

Long position in the shares of SOL

Name of Directors	Number of ordinary shares: Personal interests	Family interests	Other interests	Total	Approximate percentage of shareholding in SOL
Mr. Lo Hong Sui, Vincent	–	1,150,000	2,281,250,225 (Note)	2,282,400,225	54.52%
Mr. Anthony Griffiths	15,000	–	–	15,000	0.0003%

Note: These shares are directly held by subsidiaries of SOCL, namely, Shui On Investment Company Limited ("SOICL"), Shui On Properties Limited and New Rainbow Investments Limited ("New Rainbow", a wholly-owned subsidiary of the Company). SOCL is owned by the Bosrich Unit Trust. The units of the Bosrich Unit Trust are the property of a discretionary trust, of which Mr. Lo is a discretionary beneficiary. Accordingly, Mr. Lo 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: Personal interests	Family interests	Other interests	Total	Approximate percentage of shareholding in CCP
Mr. Anthony Griffiths	6,000	–	–	6,000	0.002%

Save as disclosed above, at 31 December 2008, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO) or the Model Code or which were required to be entered in the register required to be kept under section 352 of the SFO.

SHARE OPTIONS

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

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

During the year, options were granted to subscribe for 11,490,000 shares of the Company under the Existing Scheme. The fair values of the share options granted during the year 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:

			Number of options						
Name or category of eligible participants	Date of grant	Subscription price per share HK$	At 1.1.2008	Granted during the year (Note a)	Exercised during the year	Lapsed during the year	At 31.12.2008	Period during which options outstanding at 31.12.2008 are exercisable	Average closing reference price for exercise of options (Note b) HK$
Directors									
Mr. Choi Yuk Keung, Lawrence (Note c)	3.1.2007	16.78	700,000	-	-	-	700,000	3.1.2010 to 2.1.2017	-
	14.6.2007	20.96	250,000	-	-	-	250,000	14.12.2007 to 13.6.2012	-
	7.5.2008	19.76	-	250,000	-	-	250,000	7.11.2008 to 6.5.2013	-
	7.5.2008	19.76	-	1,000,000	-	-	1,000,000	7.5.2011 to 6.5.2018	-
Mr. Wong Yuet Leung, Frankie (Note c)	1.8.2006	14.00	2,000,000	-	-	-	2,000,000	1.2.2007 to 31.7.2011	-
	3.1.2007	16.78	1,500,000	-	-	-	1,500,000	3.1.2010 to 2.1.2017	-
	14.6.2007	20.96	500,000	-	-	-	500,000	14.12.2007 to 13.6.2012	-
	7.5.2008	19.76	-	500,000	-	-	500,000	7.11.2008 to 6.5.2013	-
	7.5.2008	19.76	-	2,000,000	-	-	2,000,000	7.5.2011 to 6.5.2018	-
Ms. Lau Jeny	7.5.2008	19.76	-	1,000,000	-	-	1,000,000	7.5.2011 to 6.5.2018	-
Mrs. Lowe Hoh Wai Wan, Vivien	1.8.2006	14.00	120,000	-	-	-	120,000	1.2.2007 to 31.7.2011	-
	3.1.2007	16.78	625,000	-	-	-	625,000	3.1.2010 to 2.1.2017	-
	14.6.2007	20.96	176,000	-	-	-	176,000	14.12.2007 to 13.6.2012	-
	7.5.2008	19.76	-	200,000	-	-	200,000	7.11.2008 to 6.5.2013	-
	7.5.2008	19.76	-	750,000	-	-	750,000	7.5.2011 to 6.5.2018	-
Sub-total			5,871,000	5,700,000	-	-	11,571,000		
Employees									
Mr. Wong Kun To, Philip (Note c)	3.1.2007	16.78	2,800,000	-	-	-	2,800,000	3.1.2010 to 2.1.2012	-
	14.6.2007	20.96	200,000	-	-	-	200,000	1.7.2010 to 13.6.2012	-
Other employees (in aggregate)	4.8.2003	5.80	6,000	-	(6,000)	-	-	4.2.2004 to 3.8.2008	16.30
	26.7.2004	7.25	220,000	-	(106,000)	(26,000)	88,000	26.1.2005 to 25.7.2009	15.22
	29.7.2005	9.30	466,000	-	(108,000)	(36,000)	322,000	29.1.2006 to 28.7.2010	16.63
	1.8.2006	14.00	1,168,000	-	(120,000)	(96,000)	952,000	1.2.2007 to 31.7.2011	19.43
	3.1.2007	16.78	6,000,000	-	-	-	6,000,000	3.1.2010 to 2.1.2012	-
	14.6.2007	20.96	1,944,000	-	(48,000)	(72,000)	1,824,000	14.12.2007 to 13.6.2012	26.27
	14.6.2007	20.96	900,000	-	-	(300,000)	600,000	14.12.2008 to 13.6.2012	-
	14.6.2007	20.96	4,000,000	-	-	-	4,000,000	1.7.2010 to 13.6.2012	-
	7.5.2008	19.76	-	2,490,000	-	-	2,490,000	7.11.2008 to 6.5.2013	-
	7.5.2008	19.76	-	300,000	-	-	300,000	7.11.2009 to 6.5.2013	-
	7.5.2008	19.76	-	3,000,000	-	-	3,000,000	7.5.2011 to 6.5.2013	-
Sub-total			17,704,000	5,790,000	(388,000)	(530,000)	22,576,000		
Others	1.8.2006	14.00	176,000	-	-	-	176,000	1.2.2007 to 31.7.2011	-
	3.1.2007	16.78	700,000	-	-	-	700,000	3.1.2010 to 2.1.2017	-
	14.6.2007	20.96	200,000	-	-	-	200,000	14.12.2007 to 13.6.2012	-
Sub-total			1,076,000	-	-	-	1,076,000		
			24,651,000	11,490,000	(388,000)	(530,000)	35,223,000		

Notes:

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

(b) The average closing reference price represented the average of the closing prices of the Company's shares immediately before the dates on which the options were exercised during the year, weighted by the number of options exercised.

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

(d) The vesting of share options granted to the eligible participants is subject to the vesting schedules and/or performance conditions as set out in respective offer letters. Details about the performance conditions and the vesting schedules 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 2008, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long position in the shares of the Company

Name of shareholders	Capacity	Number of ordinary shares/underlying shares held	Approximate percentage of shareholding
John Zwaanstra	Interest of controlled corporation	58,942,657 (Note 1)	18.31%
Penta Investment Advisers Limited	Investment manager	58,942,657 (Note 1)	18.31%
Mercurius GP LLC	Founder of discretionary trust	26,613,951 (Note 2)	8.26%
Todd Zwaanstra	Trustee	26,613,951 (Note 2)	8.26%
Penta Asia Fund, Ltd.	Interest of controlled corporation	26,613,951 (Note 2)	8.26%
UBS AG	Beneficial owner/Holder of security interest in shares/ Interest of controlled corporation	39,041,734	12.12%

Notes:

1. Among the interests owned by these shareholders, 1,570,409 shares are physically settled derivative interests and 36,569,617 shares are cash settled derivative interests.

2. Among the interests owned by these shareholders, 16,000,000 shares are cash settled derivative interests.

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 2008 with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules except for the deviations from Code Provisions A.4.1, A.4.2 and B.1.3. Details are set out in the Corporate Governance Report on pages 58 to 67.

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 2008.

The Company has received written annual confirmation from each Independent Non-executive Director of his/her independence pursuant to the requirements of the Listing Rules. Ms. Li Hoi Lun, Helen has met the independence guidelines as set out in Rule 3.13 of the Listing Rules except that she has been consulted by the Company and SOCL, the holding company of the Company, on some legal matters within one year immediately prior to 28 August 2008 (being the date of her appointment) and details of such services have been disclosed in the announcement of the Company dated 28 August 2008. Such ad hoc advisory work, related mainly to advice and commentary work on legal documents, had ceased upon her appointment as an Independent Non-executive Director of the Company. The Company considers that Ms. Li has the integrity, experience and independent judgment to perform her duties as an Independent Non-executive Director of the Company. The Company considers all of its Independent Non-executive Directors to be independent of management and free of any relationship that could materially interfere with the exercise of their independent judgment.

CONNECTED TRANSACTIONS

During the year, the Group has entered into the following connected transactions:

(1) As disclosed in the annual report for the year ended 31 December 2007 (the "2007 Annual Report"), 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 ("Yida", 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 (together with Dalian Offshore JV, the "Dalian Offshore Group") to acquire from the Yida Group 78% equity interest in each of the four companies ("PRC JV 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 Tiandi • Software Hub (formerly known as Dalian Software Park Phase II) and undertake its development and operation (the "Dalian Project").

Pursuant to the Joint Venture Agreement, Main Zone has contributed US$220 in cash in 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 addition, Main Zone, Innovate Zone and Yida Group have also provided guarantees up to a maximum aggregate amount of RMB500 million in the proportion of their respective attributable interests in the Dalian Group.

On 15 January 2008, Innovate Zone, Main Zone and Yida Group agreed to further inject total cash of approximately RMB910 million by way of capital injection and shareholders' loans into the Dalian Group for acquiring land for the development of the Dalian Project ("First Further Injection"). Such further injection has been contributed by the parties in proportion to their respective attributable interests in the Dalian Group. The funding contributed by Main Zone under the First Further Injection was approximately RMB200.2 million.

On 28 April 2008, Innovate Zone, Main Zone, Many Gain and Dalian Offshore JV entered into the second supplemental agreement pursuant to which Innovate Zone, Main Zone and Many Gain agreed to provide further funding or financial assistance to the Dalian Group in an aggregate amount up to the equivalent of RMB1,833 million for the development of the Dalian Project (the "Offshore Further Injection") in proportion to their respective interests in Dalian Offshore JV.

On the same date, the shareholders of the PRC JV Companies entered into a memorandum pursuant to which the Dalian Offshore Group and the Yida Group agreed to provide funding or financial assistance to the PRC JV Companies in an aggregate amount up to RMB2,350 million in proportion to their respective interests in the PRC JV Companies, i.e. 78% by the Dalian Offshore Group and 22% by the Yida Group (the "Onshore Further Injection", together with the Offshore Further Injection, the "Second Further Injection").

The funding or financial assistance required from the Dalian Offshore Group under the Onshore Further Injection will be satisfied by the funding or financial assistance provided under the Offshore Further Injection. The total funding contribution paid or payable by Main Zone under the Second Further Injection amounted to approximately RMB517 million.

Mr. Lo, the Chairman of the Company, is the chairman and the controlling shareholder of SOL. Therefore, SOL and Innovate Zone are associates of a connected person of the Company. Accordingly, the formation of the joint venture relating to the Dalian Group, the First Further Injection and the Second Further Injection constitute connected transactions of the Company. As disclosed in the 2007 Annual Report, the relevant requirements of the Listing Rules applicable to the formation of the joint venture have been fully complied with. The First Further Injection is subject to the reporting and announcement requirements under the Listing Rules. Details of such transaction have been set out in the announcement of the Company dated 16 January 2008. The applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules for the Second Further Injection, whether on its own or in aggregate with the prior funding and capital injections into the Dalian Group in the preceding 12 months, are more than 2.5% but less than 25% for the Company. Accordingly, the Second Further Injection constitutes a connected and discloseable transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. Details of the Second Further Injection have been set out in the announcement dated 28 April 2008 and a circular dated 13 May 2008 issued by the Company. Such transaction was approved by the independent shareholders of the Company on 29 May 2008.

(2) As disclosed in the 2007 Annual Report, on 16 July 2007, New Rainbow, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with 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 (the "Previous Disposal").

On 4 March 2008, New Rainbow entered into another 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. The final purchase price was determined to be HK$7.68 per SOL share pursuant to a supplemental agreement made between New Rainbow and SOICL on 14 March 2008. Based on the price of HK$7.68 per SOL share, a total of 130,208,333 shares of SOL were sold to SOICL during the year.

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 aforesaid disposal of the shares of SOL by New Rainbow to SOICL during the year, when aggregated with the Previous Disposal, constitutes a connected and major transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. 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 was approved by the independent shareholders of the Company on 23 April 2008.

CONTINUING CONNECTED TRANSACTIONS

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

The fees paid or payable to SSOC for the provision of construction services for the year ended 31 December 2008 amounted to RMB248 million. The Independent Non-executive Directors have reviewed such transactions for the year ended 31 December 2008 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 Framework Agreement 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 has engaged the external auditor of the Company to perform certain agreed upon procedures in respect of these continuing connected transactions of the Group. The auditor has reported its factual findings on these procedures to the Board of Directors and confirmed that such 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 Framework Agreement governing such transactions; and (iii) have not exceeded the cap for the year ended 31 December 2008 as disclosed in the said announcement and circular.

On 15 December 2008, SSOC and SOL entered into a supplemental agreement (the "Supplemental Agreement") to extend the term of the Framework Agreement for another three financial years to 31 December 2011. Since SOL is an associate of a connected person of the Company, the transactions contemplated under the Framework Agreement as supplemented by the Supplemental Agreement constitute continuing connected transactions of the Company and are subject to new caps of RMB410 million, RMB561 million and RMB845 million for the three financial years ending 31 December 2011 respectively. Since the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules for the new caps exceed 2.5%, the continuing connected transactions contemplated by the Framework Agreement and the Supplemental Agreement are subject to the reporting, announcement and independent shareholders' approval requirements of the Listing Rules. Details of the transactions have been set out in the announcement dated 15 December 2008 and a circular dated 5 January 2009 issued by the Company. Such transactions and the caps were approved by the independent shareholders of the Company on 21 January 2009.

(2) On 28 April 2008, Max Clear Holdings Limited ("Max Clear"), a wholly-owned subsidiary of the Company, Shui On Development Limited ("Shanghai SOD"), a wholly-owned subsidiary of SOL, Yida, the PRC JV Companies and the PRC Project Companies entered into a management services agreement (the "Management Services Agreement") pursuant to which each of Max Clear, Shanghai SOD and Yida agreed to provide management services to the Dalian Group for a term of three years commencing with effect from 1 January 2008 to 31 December 2010. Pursuant to the Management Services Agreement, Max Clear agreed to provide management services relating to day-to-day management, project management, quality and safety control, sales and marketing, land acquisition and asset management for the Dalian Project at an annual management services fee from the Dalian Group based on 1.5% of an amount calculated based on the total budgeted construction cost for the Dalian Project (which may be revised from time to time).

The Dalian Group is effectively held as to 22% by the Company, as to 48% by SOL and as to 30% by Yida. Mr. Lo, the Chairman of the Company, is also the chairman and controlling shareholder of SOL. Accordingly, the Dalian Group is an associate of Mr. Lo and therefore is a connected person of the Company. The provision of management services by Max Clear to the Dalian Group under the Management Services Agreement constitutes continuing connected transactions of the Company. Since the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules for the maximum annual management fee receivable by Max Clear under the Management Services Agreement exceed 0.1% but are less than 2.5%, the transactions contemplated under the Management Services Agreement are subject to the reporting and announcement requirements under the Listing Rules and the annual caps of RMB6.63 million, RMB19 million and RMB19 million for the three financial years ending 31 December 2010 respectively. Details of the transactions have been set out in the announcement of the Company dated 28 April 2008.

The fees paid or payable from the Dalian Group for the provision of management services by Max Clear for the year ended 31 December 2008 amounted to approximately HK$682,000. The Independent Non-executive Directors have reviewed such transactions for the year ended 31 December 2008 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 Management Services Agreement 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 has engaged the external auditor of the Company to perform certain agreed upon procedures in respect of these continuing connected transactions of the Group. The auditor has reported its factual findings on these procedures to the Board of Directors and confirmed that such 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 Management Services Agreement; and (iii) have not exceeded the cap for the year ended 31 December 2008 as disclosed in the said announcement.

DIRECTORS' INTEREST IN COMPETING BUSINESS

At 31 December 2008, 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 with businesses considered competing or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered competing or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Mr. Lo Hong Sui, Vincent	Shui On Land Limited	Property investment in the PRC	Director and controlling shareholder

As the Board of the 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.

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 14% of the total purchases of the Group during the year.

The five largest customers of the Group accounted for approximately 69% of the total turnover of the Group for the year with the largest customer, Hong Kong Housing Authority, accounting for approximately 38% of the turnover of the Group.

Mr. Lo, the Chairman and controlling shareholder of the Company, is also the chairman and controlling shareholder of SOL, the third largest customer of the Group which accounted for approximately 9% of the total turnover of the Group for the year ended 31 December 2008. Save as disclosed herein, none of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the issued share capital of the Company) has a beneficial interest in the five largest customers of the Group.

DONATIONS

During the year, the Company and its subsidiaries made donations of approximately HK$0.7 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

As disclosed in the announcements of the Company on 26 September 2008 and 4 December 2008, the public float of the shares of the Company has fallen below the prescribed minimum percentage of 25% as required under Rule 8.08 of the Listing Rules but has been restored to 32.19% based on the information on the shareholdings of the Company available at 2 December 2008. Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of this report, the Company has maintained a sufficient public float since then.

DISCLOSURE UNDER RULES 13.21 AND 13.22 OF THE LISTING RULES

Financial assistance and guarantees to affiliated companies

Financial assistance and guarantees provided by the Group to its affiliated companies amounted to HK$1,880.6 million at 31 December 2008, details of which are as follows:

	Balances at 31 December 2008					
		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)	Guarantee HK$ million	Total HK$ million
Brisfull Limited	50%	3.0	41.8	–	–	44.8
Broad Wise Limited	40%	370.4	–	–	–	370.4
China Central Properties Limited	43%	–	–	195.0	–	195.0
Gracious Spring Limited	50%	183.4	–	–	–	183.4
Guangzhou On Track Construction Precast Products Co., Ltd.	40%	1.7	–	–	–	1.7
Guizhou Bijie Shui On Cement Co., Ltd.	80%	35.8	44.0	–	–	79.8
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%	2.3	1.9	–	–	4.2
貴州六礦瑞安水泥有限公司	30%	0.3	9.6	–	–	9.9
貴州凱里瑞安水泥有限公司	90%	47.2	35.0	–	–	82.2
貴州習水瑞安水泥有限公司	90%	33.8	–	–	–	33.8
Guizhou Yuqing Shui On Cement Co. Ltd.	80%	18.6	–	–	–	18.6
貴州遵義瑞安水泥有限公司	80%	42.7	–	–	–	42.7
Lamma Yue Jie Company Limited	60%	17.0	–	–	–	17.0
Nanjing Jiangnan Cement Co., Ltd.	60%	130.8	–	–	–	130.8
Richcoast Group Limited	28%	567.9	–	–	–	567.9
四川合江瑞安水泥有限公司	90%	4.2	20.4	–	–	24.6
Super Race Limited	50%	–	5.7	–	–	5.7
The Yangtze Ventures II Limited	75%	63.1	–	–	–	63.1
		1,527.2	158.4	195.0	–	1,880.6

The proforma combined balance sheet of the above affiliated companies at 31 December 2008 is as follows:

	HK$ million
Non-current assets	6,964.7
Current assets	3,505.9
Current liabilities	(4,605.9)
Net current liabilities	(1,100.0)
Non-current liabilities	(3,258.1)
Minority interest	(810.9)
Shareholders' funds	1,795.7

Details of the above affiliated companies are set out in notes 47 and 48 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
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%
貴州六礦瑞安水泥有限公司	Fixed at 7.47%
貴州凱里瑞安水泥有限公司	3-month HIBOR + 2%
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 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.

AUDITOR

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

On behalf of the Board

Lo Hong Sui, Vincent
Chairman
2 April 2009

Deloitte.
德勤

TO THE MEMBERS 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 pages 93 to 179, which comprise the consolidated balance sheet as at 31 December 2008, 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 2008 and the Group's profit and cash flows 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

2 April 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	2008 HK$ million	2007 HK$ million
Turnover			
The Company and its subsidiaries		**2,944.3**	2,810.5
Share of jointly controlled entities/associates		**3,688.5**	2,270.2
		6,632.8	5,080.7
Group turnover	7	**2,944.3**	2,810.5
Other income	8	**133.0**	60.6
Changes in inventories of finished goods, work in progress, contract work in progress and properties held for sale		**(17.3)**	76.2
Raw materials and consumables used		**(583.2)**	(423.0)
Staff costs		**(417.0)**	(346.2)
Depreciation and amortisation expenses		**(7.9)**	(7.8)
Subcontracting, external labour costs and other expenses		**(1,863.9)**	(2,212.5)
Dividend income from available-for-sale investments		**67.3**	71.1
Fair value changes on investment properties		**26.6**	25.2
Fair value changes on embedded derivatives	9	**(3.5)**	(15.5)
Convertible bonds issued by the Company			
– Fair value changes on embedded derivatives	9	**238.9**	(326.6)
– Imputed interest expense	10	**(48.5)**	(78.5)
Interest on bank loans and other borrowing costs	10	**(180.9)**	(208.6)
Gain on disposal of available-for-sale investments	20	**496.4**	928.7
Fair value changes on financial assets carried at fair value through profit or loss		**20.3**	–
Impairment loss recognised in respect of interests in jointly controlled entities	19	**(12.1)**	(85.8)
Impairment loss on available-for-sale investments		**(558.3)**	–
(Loss) gain on disposals of interests in jointly controlled entities	42	**(6.4)**	110.5
Loss on deemed disposal of interest in an associate	42	**–**	(21.5)
Discount on deemed acquisition of interest in an associate	21	**84.7**	–
Share of impairment loss of jointly controlled entities		**–**	(34.4)
Share of results of jointly controlled entities	7	**(78.1)**	367.1
Share of results of associates	7	**350.3**	26.1
Profit before taxation		**584.7**	715.6
Taxation	11	**(15.6)**	(11.3)
Profit for the year	13	**569.1**	704.3
Attributable to:			
Equity holders of the Company		**562.4**	702.0
Minority interests		**6.7**	2.3
		569.1	704.3
Dividends	14		
Paid		**273.5**	198.0
Proposed		**–**	209.1
Earnings per share	15		
Basic		**HK$1.75**	HK$2.34
Diluted		**HK$1.08**	HK$2.29

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Notes	2008 HK$ million	2007 HK$ million
Non-current Assets			
Investment properties	16	–	92.9
Property, plant and equipment	17	**28.8**	24.5
Prepaid lease payments	18	**43.9**	42.6
Interests in jointly controlled entities	19	**3,903.1**	3,175.0
Available-for-sale investments	20	**970.4**	4,789.1
Interests in associates	21	**2,430.0**	1,836.9
Investment in convertible bonds	22	**194.2**	174.1
Club memberships		**1.2**	1.2
Amounts due from jointly controlled entities	23	**553.8**	188.8
Amounts due from associates	25	**567.9**	490.6
Defined benefit scheme assets	37	–	111.3
		8,693.3	10,927.0
Current Assets			
Inventories	24	**12.8**	11.3
Prepaid lease payments	18	**1.0**	0.9
Properties held for sale		**52.8**	53.5
Properties under development for sale	16	**185.7**	–
Debtors, deposits and prepayments	26	**644.1**	589.5
Derivative financial instruments			
– Embedded derivatives of convertible bonds issued by an associate	22	**12.7**	16.2
– Early redemption option of convertible bonds issued by the Company	33	–	4.6
Amounts due from customers for contract work	24	**219.1**	161.9
Amounts due from jointly controlled entities	23	**481.3**	860.8
Amounts due from associates	25	**49.0**	129.8
Amounts due from related companies	28	**46.5**	1.9
Taxation recoverable		**0.1**	2.6
Pledged bank deposits	27	**76.0**	386.4
Bank balances, deposits and cash	26	**617.1**	153.3
		2,398.2	2,372.7
Assets classified as held for sale	29	**444.6**	–
		2,842.8	2,372.7

	Notes	2008 HK$ million	2007 HK$ million
Current Liabilities			
Creditors and accrued charges	30	**867.5**	802.5
Amounts due to customers for contract work	24	**132.1**	85.0
Amounts due to jointly controlled entities	23	**344.7**	12.4
Amounts due to associates	25	**28.1**	294.8
Amounts due to related companies	28	**1.8**	0.4
Loan from a related company	31	**–**	100.0
Taxation payable		**11.3**	8.3
Derivative financial instruments	33	**0.8**	248.8
Bank borrowings due within one year	32	**3,447.5**	2,800.5
Convertible bonds	33	**430.5**	–
		5,264.3	4,352.7
Liabilities associated with assets classified as held for sale	29	**62.6**	–
		5,326.9	4,352.7
Net Current Liabilities		**(2,484.1)**	(1,980.0)
Total Assets Less Current Liabilities		**6,209.2**	8,947.0
Capital and Reserves			
Share capital	34	**321.9**	320.9
Reserves	35	**4,677.3**	6,920.7
Total equity attributable to equity holders of the Company		**4,999.2**	7,241.6
Minority interests		**55.1**	53.7
		5,054.3	7,295.3
Non-current Liabilities			
Bank borrowings	32	**1,070.0**	1,259.0
Convertible bonds	33	**–**	392.0
Defined benefit scheme liabilities	37	**84.3**	–
Deferred tax liabilities	36	**0.6**	0.7
		1,154.9	1,651.7
		6,209.2	8,947.0

The consolidated financial statements on pages 93 to 179 were approved and authorised for issue by the Board of Directors on 2 April 2009 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 2008

	2008 HK$ million	2007 HK$ million
(Loss) gain on fair value changes of available-for-sale investments	**(2,857.8)**	1,394.2
Exchange differences arising on translation of financial statements of foreign operations	**148.5**	146.1
Recognition of actuarial (loss) gain	**(209.6)**	17.8
Share of translation reserve of associates	**129.3**	23.6
Share of reserve of a jointly controlled entity	**102.0**	–
Net (expense) income recognised directly in equity	**(2,687.6)**	1,581.7
Transfer to profit or loss on disposals of available-for-sale investments	**(458.4)**	(824.4)
Transfer to profit or loss in respect of impairment loss on available-for-sale investments	**558.3**	–
Transfer to profit or loss on disposals of interests in jointly controlled entities	**(0.4)**	(9.2)
Profit for the year	**569.1**	704.3
Total recognised income and expense for the year	**(2,019.0)**	1,452.4
Attributable to:		
Equity holders of the Company	**(2,027.7)**	1,447.6
Minority interests	**8.7**	4.8
	(2,019.0)	1,452.4

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	2008 HK$ million	2007 HK$ million
OPERATING ACTIVITIES		
Profit before taxation	**584.7**	715.6
Adjustments for:		
Impairment loss on available-for-sale investments	**558.3**	–
Impairment loss recognised in respect of interests in jointly controlled entities	**12.1**	85.8
Loss (gain) on disposal of interests in jointly controlled entities	**6.4**	(110.5)
Loss on deemed disposal of interest in an associate	**–**	21.5
Discount on deemed acquisition of interest in an associate	**(84.7)**	–
Share of impairment loss of jointly controlled entities	**–**	34.4
Share of results of jointly controlled entities	**78.1**	(367.1)
Share of results of associates	**(350.3)**	(26.1)
Interest income	**(23.3)**	(18.1)
Interest on bank loans and other borrowing costs	**180.9**	208.6
Imputed interest on convertible bonds issued by the Company	**48.5**	78.5
Interest from investment in convertible bonds	**(24.0)**	(12.4)
Imputed interest income on loans to jointly controlled entities/associates	**(53.2)**	–
Dividend income from available-for-sale investments	**(67.3)**	(71.1)
Fair value changes on investment properties	**(26.6)**	(25.2)
Fair value changes on financial assets carried at fair value through profit or loss	**(20.3)**	–
Fair value changes on embedded derivatives	**(235.4)**	342.1
Depreciation on property, plant and equipment	**6.9**	6.9
Amortisation of prepaid lease payments	**1.0**	0.9
Net loss on disposal of property, plant and equipment	**2.0**	6.4
Gain on disposal of available-for-sale investments	**(496.4)**	(928.7)
Unrealised gain on income from associates/jointly controlled entities	**2.5**	5.8
Impairment loss on other receivables	**–**	12.2
Share-based payment expense	**39.9**	31.1
Discount on acquisition of a jointly controlled entity	**(0.9)**	–
Loss on disposal of financial assets carried at fair value through profit or loss	**–**	0.1
Operating cash flows before movements in working capital	**138.9**	(9.3)
Decrease in inventories	**0.2**	11.1
Increase in properties under development for sale	**(60.2)**	–
Decrease in properties held for sale	**0.8**	1.6
(Increase) decrease in debtors, deposits and prepayments	**(287.3)**	254.2
Increase in amounts due from customers for contract work	**(57.3)**	(53.0)
Increase in amounts due from related companies	**(44.6)**	(0.6)
Decrease (increase) in amounts due from associates	**235.3**	(129.7)
Decrease (increase) in amounts due from jointly controlled entities	**22.0**	(121.5)
Increase in defined benefit scheme assets	**(14.0)**	(10.5)
Increase (decrease) in creditors and accrued charges	**60.9**	(13.6)
Increase (decrease) in amounts due to customers for contract work	**47.2**	(57.6)
Increase (decrease) in amounts due to jointly controlled entities	**394.8**	(143.7)
(Decrease) increase in amounts due to associates	**(73.3)**	294.8
Increase in amounts due to related companies	**1.4**	0.3
Cash from operations	**364.8**	22.5
Hong Kong Profits Tax paid	**(8.9)**	(16.1)
Hong Kong Profits Tax refunded	**2.8**	0.4
Income tax of other regions in the PRC paid	**(4.2)**	(0.2)

For the year ended 31 December 2008

	2008 HK$ million	2007 HK$ million
NET CASH FROM OPERATING ACTIVITIES	**354.5**	6.6
INVESTING ACTIVITIES		
Investments in jointly controlled entities	**(565.9)**	(339.4)
Investments in associates	**–**	(983.8)
Advance to jointly controlled entities	**(488.8)**	(467.3)
Advance to an associate	**(241.8)**	(507.7)
Investment in convertible bonds of an associate	**–**	(195.3)
Purchases of property, plant and equipment and investment properties	**(31.0)**	(9.2)
Dividends received from jointly controlled entities	**66.7**	49.4
Proceeds from sales of available-for-sale investments	**998.9**	1,779.4
Proceeds from sales of financial assets carried at fair value through profit or loss	**52.9**	71.4
Interest received	**27.2**	20.0
Proceeds from sales of property, plant and equipment and leasehold land	**0.3**	1.9
Dividends received from available-for-sale investments	**67.3**	71.1
Net proceeds from disposal of a jointly controlled entity	**9.2**	0.3
Net cash outflow arising from deregistration of a subsidiary	**(0.2)**	–
Pledged bank deposits	**310.4**	(185.9)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**205.2**	(695.1)
FINANCING ACTIVITIES		
New bank loans raised	**2,209.0**	2,567.0
(Repayment to) loan from a related company	**(100.0)**	100.0
Net proceeds received on issue of shares	**4.5**	43.9
Repayments of bank loans	**(1,740.4)**	(1,487.7)
Interest paid	**(165.0)**	(200.2)
Other borrowing costs paid	**(16.0)**	(8.4)
Other movements with minority shareholders	**0.4**	(0.5)
Dividends paid	**(273.5)**	(249.1)
Dividends paid to minority shareholders	**(5.0)**	(2.8)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(86.0)**	762.2
NET INCREASE IN CASH AND CASH EQUIVALENTS	**473.7**	73.7
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**138.6**	62.1
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**6.9**	2.8
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**619.2**	138.6
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances, deposits and cash	**617.1**	153.3
Bank balances, deposits and cash included in assets classified as held for sale (note 29)	**2.1**	–
Bank overdrafts	**–**	(14.7)
	619.2	138.6

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. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective. The adoption of the new HKFRSs has had no material effect on the preparation and presentation of the results and financial position for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – INT 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – INT 12	Service Concession Arrangements
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

3. POTENTIAL IMPACT ARISING ON THE NEW OR REVISED ACCOUNTING STANDARDS NOT YET EFFECTIVE

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC) – INT 13	Customer Loyalty Programmes[5]
HK(IFRIC) – INT 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) – INT 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC) – INT 18	Transfer of Assets from Customers[7]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

[2] Effective for annual periods beginning on or after 1 January 2009

[3] Effective for annual periods beginning on or after 1 July 2009

[4] Effective for annual periods ending on or after 30 June 2009

[5] Effective for annual periods beginning on or after 1 July 2008

[6] Effective for annual periods beginning on or after 1 October 2008

[7] Effective for transfer on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the accounting for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The Directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

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 entities controlled by the Company (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 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.

Business combinations

The acquisition of subsidiaries 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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 an acquisition of a subsidiary 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.

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, after reassessment. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and jointly controlled entities

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

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 and jointly controlled entities are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale (in which case it is accounted for under HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations) or when the investment is designated as at fair value through profit or loss upon initial recognition or is classified as held for trading (in which case it is accounted for under HKAS 39 Financial Instruments: Recognition and Measurement). Under the equity method, investments in associates and 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 and 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.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate or the jointly controlled entity recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with an associate or a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the associate or the jointly controlled entity.

Non-current assets held for sale

Non-current assets or 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 (or 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

Sales of properties

Revenue from the sale of properties in the ordinary course of business is recognised when all 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 including financial assets at fair value through profit or loss 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.

Service income is recognised when services are provided.

Revenue from sale of goods is 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 including financial assets at fair value through profit or loss is recognised when the Group's right to receive the relevant payment has been established.

Investment properties

Investment properties are properties (including properties under construction or development for future use as investment properties) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

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 including land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and impairment losses.

Depreciation is provided to write off the cost of items 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.

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.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value is determined based on prevailing market conditions.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Properties under development for sale

Properties under development, which are intended to be held for sale, are measured at the lower of cost and net realisable value. Cost includes costs of land, development expenditure incurred, borrowing costs capitalised in accordance with the Group's accounting policy and other direct costs attributable to such properties. These assets are recorded as current assets as they are expected to be realised in, or are intended for sale within the Group's normal operating cycle. Upon completion, the assets are recorded as properties held for sale. Net realisable value is determined based on prevailing market conditions.

Prepaid lease payments on land use rights

Prepaid lease payments for leasehold land are charged to the consolidated income statement on a straight-line basis over the period of the land use rights.

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 probably 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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, 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 eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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. A reversal of an impairment loss is recognised as income immediately.

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. 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 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 credited or charged as profit or loss, except when it relates to items credited or charged 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

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 exchange 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). Such 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 on identifiable assets acquired 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 when employees have rendered service entitling them to the contributions.

For the defined benefit retirement scheme, 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 scheme 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 scheme.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity 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 financial assets or financial liabilities at fair value through profit or loss) 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 financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. All purchases or sales of financial assets in the regular way are recognised and derecognised on a trade date basis. Purchases or sales in the regular way 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets carried at fair value through profit or loss

Financial assets are classified at fair value through profit or loss where the financial asset is held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset.

Loans 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, the 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 the accounting policy on impairment loss on financial assets below).

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 (see accounting policy on impairment loss on financial assets below).

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 is classified separately into respective components on initial recognition that are recognised initially 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for any 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 asset have been affected.

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.

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 amounts of financial assets are reduced by impairment directly except for 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 a debtor 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. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

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 loans 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risk and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in 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 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.

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.

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 vest ultimately. 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 JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, 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.

Impairment of available-for-sale investments

The Group determines that available-for-sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost, which is judgmental by nature, so profit and loss could be affected by changes in this judgement.

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

	2008 **HK$ million**	2007 HK$ million
Financial assets		
Available-for-sale investments	**970.4**	4,789.1
Loans and receivables (including cash and cash equivalents)	**3,218.3**	2,962.5
Derivative financial instruments	**12.7**	20.8
Financial liabilities		
Amortised cost	**5,869.8**	5,661.6
Derivative financial instruments	**0.8**	248.8

(a) Market risk

The Group is exposed 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 risk or the manner in which it manages and measures the risk. Details of each type of market risk 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 the 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 but would consider doing so in respect of significant exposure should the need arise.

The Group's exposure to interest rates on financial assets and financial liabilities is 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 cash flow interest rate risk 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. An increase or decrease of 100 basis points (2007: 100 basis points) is used when reporting the interest rate risk internally 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 (2007: 100 basis points) and all other variables were held constant, the Group's post tax profit would decrease/increase by approximately HK$45.2 million for the year ended 31 December 2008 (2007: HK$40.5 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 the exposure to exchange rate fluctuations arises. 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 amounts of the Group's foreign currency denominated monetary assets and monetary liabilities are as follows:

	2008 **HK$ million**	2007 HK$ million
Assets		
United States Dollars	**658.4**	651.9
Renminbi	**312.7**	89.9
Liabilities		
United States Dollars	**232.5**	429.0
Renminbi	**40.8**	–

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% (2007: 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 end for a 7% (2007: 7%) change in foreign currency rates. A positive number indicates an increase in profit for the year where the Renminbi strengthens against the Hong Kong dollar. For a 7% (2007: 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.

	2008 HK$ million	2007 HK$ million
Renminbi	**19.0**	6.3

(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 exposing 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 22, respectively.

If the equity prices had been 20% (2007: 20%) higher/lower while all other input variables of the valuation models were held constant, the Group's profit would (decrease)/increase as follows:

	2008 HK$ million	2007 HK$ million
Higher by 20% (2007: 20%)		
Convertible bonds issued by the Company	**(1.6)**	(122.4)
Convertible bonds issued by an associate	**0.2**	5.0
Lower by 20% (2007: 20%)		
Convertible bonds issued by the Company	**0.6**	113.4
Convertible bonds issued by an associate	**(0.2)**	(4.3)

The Group is also exposed to equity price risk through its available-for-sale investment. If the market price of the investment had been increased/decreased by 20% (2007: 20%), the Group's reserve/profit for the year ended 31 December 2008 would increase/decrease by approximately HK$194.1 million (2007: the Group's reserve would increase/decrease by approximately HK$957.8 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 a concentration of credit risk in respect of amounts due from jointly controlled entities, where 37% (2007: 36%) of the balance at 31 December 2008 is due from Broad Wise Limited. Except for this, the Group has no other 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 sufficient net assets to repay its debts and a good history of repayment. 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: equity ratio. 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 adjust its overall capital structure through the issue of new shares, new debt or the redemption of existing debt.

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 2008, the Group's net current liabilities were HK$2,484.1 million (2007: HK$1,980.0 million), of which HK$2,140.0 million were revolving bank loans with no fixed term of repayment. Subsequent to the balance sheet date, all the revolving bank loans due for periodic review by banks have been renewed, and a total of HK$800 million revolving and short-term loans was renewed. In addition, a total of HK$270 million short-term bank loans was paid off on due dates. The Directors consider that the remaining revolving bank loans can be renewed on the strength of the Group's earnings and business prospects so that the Group will have adequate sources of funding to finance its activities and manage its liquidity.

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	Less than 3 months	3 months to 1 year	1-2 years	2-3 years	Total undiscounted cash flow	Carrying amount
	%	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
At 31 December 2008							
Bank deposits	1.46%	370.5	75.5	–	–	446.0	444.7
Trade and other payables	–	(765.0)	(93.0)	(63.8)	–	(921.8)	(921.8)
Borrowings – variable rate	3.31%	(951.6)	(2,598.1)	(357.0)	(757.4)	(4,664.1)	(4,517.5)
Convertible bonds (fixed)	12.50%	–	(458.2)	–	–	(458.2)	(430.5)
		(1,346.1)	(3,073.8)	(420.8)	(757.4)	(5,598.1)	(5,425.1)
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)

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 (including derivative instruments) 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 market prices. Where such prices are not available, fair value is estimated using discounted cash flow analysis based on the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The Directors of the Company 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, fees from asset management and rental and leasing income for the year.

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Segment information about these businesses is presented below.

Year ended 31 December 2008

	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	Total HK$ million	Eliminations HK$ million	Consolidated HK$ million
TURNOVER								
External sales	2,728.9	–	–	–	215.4	2,944.3	–	2,944.3
Inter-segment sales	5.8	–	–	–	–	5.8	(5.8)	–
Group turnover	**2,734.7**	**–**	**–**	**–**	**215.4**	**2,950.1**	**(5.8)**	**2,944.3**
Share of jointly controlled entities	7.0	2,104.5	474.3	–	14.2	2,600.0	–	2,600.0
Share of associates	–	–	–	1,088.5	–	1,088.5	–	1,088.5
Total	2,741.7	2,104.5	474.3	1,088.5	229.6	6,638.6	(5.8)	6,632.8
Inter-segment sales are charged at mutually agreed prices.								
# LSOC denotes Lafarge Shui On Cement Limited, a jointly controlled entity of the Group.								
RESULTS								
Segment results	82.6	7.8	(6.5)	10.6	(7.0)	87.5		87.5
Interest income	3.8	–	5.2	–	14.3	23.3		23.3
Interest income from investment in convertible bonds	–	–	–	24.0	–	24.0		24.0
Imputed interest income on loans to jointly controlled entities/associates	–	–	–	53.2	–	53.2		53.2
Fair value changes on investment properties	–	–	–	–	26.6	26.6		26.6
Fair value changes on embedded derivatives	–	–	–	(3.5)	–	(3.5)		(3.5)
Dividend income from available-for-sale investments	–	–	–	67.3	–	67.3		67.3
Convertible bonds issued by the Company								
– Fair value changes on embedded derivatives	–	–	–	–	238.9	238.9		238.9
– Imputed interest expense	–	–	–	–	(48.5)	(48.5)		(48.5)
Interest on bank loans and other borrowing costs	–	–	–	–	(180.9)	(180.9)		(180.9)
Impairment loss recognised in respect of interests in jointly controlled entities	–	–	(12.1)	–	–	(12.1)		(12.1)
Gain on disposal of available-for-sale investments	–	–	–	496.4	–	496.4		496.4
Loss on disposal of interests in a jointly controlled entity	–	–	(6.4)	–	–	(6.4)		(6.4)
Discount on deemed acquisition of interest in an associate	–	–	–	84.7	–	84.7		84.7
Fair value changes on financial assets carried at fair value through profit or loss	–	–	–	–	20.3	20.3		20.3
Impairment loss on available-for-sale investments	–	–	–	(558.3)	–	(558.3)		(558.3)
Share of results of jointly controlled entities Cement operations in								
– LSOC	–	133.3	–	–	–	133.3		133.3
– Guizhou	–	–	33.1	–	–	33.1		33.1
Venture capital investments	–	–	–	–	(232.9)	(232.9)		(232.9)
Greenfield development	–	–	–	15.3	–	15.3		15.3
Imputed interest expense	–	–	–	(22.6)	–	(22.6)		(22.6)
Others	(3.3)	–	–	–	(1.0)	(4.3)		(4.3)
						(78.1)		(78.1)
Share of results of associates								
Distressed asset development	–	–	–	108.1	–	108.1		108.1
Greenfield development	–	–	–	272.8	–	272.8		272.8
Imputed interest expense	–	–	–	(30.6)	–	(30.6)		(30.6)
						350.3		350.3
Profit (loss) before taxation	83.1	141.1	13.3	517.4	(170.2)	584.7		584.7
Taxation						(15.6)		(15.6)
Profit for the year						569.1		569.1

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

CONSOLIDATED BALANCE SHEET
At 31 December 2008

	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	956.7	–	35.0	10.5	926.8	–	1,929.0
Amounts due from jointly controlled entities and associates	7.8	4.0	390.8	1,207.7	41.7	–	1,652.0
Interests in jointly controlled entities and associates	(14.1)	3,390.3	188.7	2,548.1	215.8	–	6,328.8
Inter-segment receivables	800.1	–	35.7	150.5	6,488.8	(7,475.1)	–
Investment in convertible bonds	–	–	–	206.9	–	–	206.9
Available-for-sale investments	–	–	–	970.4	–	–	970.4
Assets classified as held for sale	–	–	444.6	–	–	–	444.6
	1,750.5	3,394.3	1,094.8	5,094.1	7,673.1	(7,475.1)	11,531.7
Unallocated assets							0.1
Consolidated total assets							11,531.8
LIABILITIES							
Segment liabilities	920.6	–	4.1	–	76.7	–	1,001.4
Amounts due to jointly controlled entities and associates	3.7	302.0	6.4	–	60.7	–	372.8
Inter-segment payables	114.6	–	3,623.8	3,097.2	639.5	(7,475.1)	–
Liabilities associated with assets classified as held for sale	–	–	62.6	–	–	–	62.6
	1,038.9	302.0	3,696.9	3,097.2	776.9	(7,475.1)	1,436.8
Unallocated liabilities							5,045.0
Consolidated total liabilities							6,481.8

OTHER INFORMATION
Year ended 31 December 2008

	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	2.0	–	18.2	–	10.8	31.0
Depreciation and amortisation expenses	3.4	–	0.3	–	4.2	7.9
Share-based payment expense	8.2	–	0.6	–	31.1	39.9
Net loss on disposal of property, plant and equipment	–	–	–	–	2.0	2.0

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

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.

	Construction and building maintenance	Cement operations: Through LSOC	Cement operations: 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	–	–	–	–	(208.6)	(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	54.5	60.0	(77.9)	1,296.4	(617.4)	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

		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	Eliminations HK$ million	Consolidated HK$ million
ASSETS							
Segment assets	741.9	–	127.0	0.3	650.7	–	1,519.9
Amounts due from jointly 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

		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	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 payment expense	–	–	–	–	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)

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 2008			Year ended 31 December 2007		
	The Group HK$ million	Share of jointly controlled entities/ associates HK$ million	Total HK$ million	The Group HK$ million	Share of jointly controlled entities/ associates HK$ million	Total HK$ million
Hong Kong	1,918.2	7.0	1,925.2	1,995.9	9.2	2,005.1
Other regions in the PRC	1,026.1	3,681.5	4,707.6	814.6	2,261.0	3,075.6
	2,944.3	3,688.5	6,632.8	2,810.5	2,270.2	5,080.7

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	
	2008 HK$ million	2007 HK$ million	2008 HK$ million	2007 HK$ million	2008 HK$ million	2007 HK$ million
Hong Kong	1,070.5	868.1	1,111.4	1,030.8	1.2	3.6
Other regions in the PRC	858.5	651.8	10,420.4	12,268.9	29.8	5.6
	1,929.0	1,519.9	11,531.8	13,299.7	31.0	9.2

8. OTHER INCOME

	2008 HK$ million	2007 HK$ million
Included in other income are:		
Interest income	**23.3**	18.1
Interest income from investment in convertible bonds	**24.0**	12.4
Imputed interest income on loans to jointly controlled entities/associates	**53.2**	–

9. FAIR VALUE CHANGES ON EMBEDDED DERIVATIVES

	2008 HK$ million	2007 HK$ million
Changes in fair values of embedded derivatives in:		
– Convertible bonds issued by an associate (note 22)	**(3.5)**	(15.5)
– Convertible bonds issued by the Company (note 33)	**238.9**	(326.6)
Net gain (loss) recognised	**235.4**	(342.1)

10. FINANCE COSTS

	2008 HK$ million	2007 HK$ million
Interest on bank loans and overdrafts and other loans wholly repayable within 5 years	**164.9**	200.2
Other borrowing costs	**16.0**	8.4
	180.9	208.6
Imputed interest expense on convertible bonds issued by the Company (note 33)	**48.5**	78.5
	229.4	287.1

11. TAXATION

	2008 HK$ million	2007 HK$ million
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	**10.5**	6.2
Income tax of other regions in the PRC	**5.2**	4.9
	15.7	11.1
Deferred taxation (note 36)	**(0.1)**	0.2
	15.6	11.3

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008, which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) on the estimated assessable profit for the year.

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 changed the tax rate from 33% to 25% for certain subsidiaries, jointly controlled entities and associates from 1 January 2008.

Despite the reduction in tax rates in 2008, the increase in tax charge for the year, as compared with the previous year, was mainly due to increased assessable profits from the various businesses of the Group in 2008, whereas the gains on disposal of available-for-sale investment in both 2008 and 2007 were not taxable.

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

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

	2008 HK$ million	2007 HK$ million
Profit before taxation	**584.7**	715.6
Tax at Hong Kong Profits Tax rate of 16.5% (2007: 17.5%)	**96.5**	125.2
Effect of share of results of jointly controlled entities	**12.9**	(58.2)
Effect of share of results of associates	**(57.8)**	(4.6)
Effect of different tax rates on operations in other jurisdictions	**0.1**	(1.5)
Tax effect of expenses not deductible for tax purposes	**128.0**	129.4
Tax effect of income not taxable for tax purposes	**(162.3)**	(201.5)
Tax effect of tax losses not recognised	**3.0**	23.0
Tax effect of utilisation of tax losses previously not recognised	**(3.9)**	(0.9)
Decrease in opening deferred taxation liabilities from a decrease in applicable tax rate	**(0.1)**	–
Others	**(0.8)**	0.4
Tax charge for the year	**15.6**	11.3

12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Directors

The emoluments paid or payable to each of the ten (2007: eleven) Directors were as follows:

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$'000	2008 Total HK$'000	2007 Total HK$'000
Mr. Lo Hong Sui, Vincent		10	–	–	–	–	10	10
Mr. Choi Yuk Keung, Lawrence		10	3,440	1,972	61	2,483	7,966	6,931
Mr. Wong Yuet Leung, Frankie		10	5,548	6,915	101	6,468	19,042	18,125
Ms. Lau Jeny	(a)	10	3,022	405	102	658	4,197	759
Mrs. Lowe Hoh Wai Wan, Vivien		10	2,155	1,269	35	2,090	5,559	4,675
Professor Michael Enright	(b)	350	–	–	–	–	350	275
Mr. Anthony Griffiths	(c)	440	–	–	–	–	440	350
Mr. Gerrit de Nys	(c) & (d)	350	–	–	–	–	350	102
Ms. Li Hoi Lun, Helen	(c) & (e)	120	–	–	–	–	120	–
Mr. Cheng Mo Chi, Moses	(f)	144	–	–	–	–	144	275
Professor K. C. Chan	(g)	–	–	–	–	–	–	137
Mr. Wong Fook Lam, Raymond	(h)	–	–	–	–	–	–	3,524
Total		1,454	14,165	10,561	299	11,699	38,178	35,163
Year ended 31 December 2007		1,187	12,657	12,000	430	8,889	35,163	

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) Ms. Li Hoi Lun, Helen was appointed as an Independent Non-executive Director on 28 August 2008.

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

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

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

12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (continued)

Of the five individuals with the highest emoluments in the Group, two (2007: two) are Executive Directors of the Company whose emoluments are set out above. The emolument of the remaining three (2007: three) individuals was as follows:

	2008 HK$ million	2007 HK$ million
Salaries, bonuses and allowances	**13.4**	11.8
Retirement benefits scheme contributions	**0.3**	0.3
Share based payments	**6.9**	6.1
	20.6	18.2

Their emoluments were within the following bands:

	2008 No. of employees	2007 No. of employees
HK$4,500,001 to HK$5,000,000	**–**	1
HK$5,500,001 to HK$6,000,000	**–**	1
HK$6,000,001 to HK$6,500,000	**2**	–
HK$7,500,001 to HK$8,000,000	**1**	1
	3	3

13. PROFIT FOR THE YEAR

	2008 HK$ million	2007 HK$ million
Profit for the year has been arrived at after charging (crediting):		
Depreciation and amortisation:		
Prepaid lease payments	1.0	0.9
Property, plant and equipment	6.9	6.9
	7.9	7.8
Auditors' remuneration	3.5	4.3
Operating lease payments in respect of rented premises	7.7	6.4
Net loss on disposal of property, plant and equipment	2.0	6.4
Impairment loss on other receivables (included in subcontracting, external labour costs and other expenses)	–	12.2
Loss on disposal of financial assets carried at fair value through profit or loss	–	0.1
Staff costs (including directors' emoluments):		
Salaries, bonuses and allowances	381.4	318.4
Retirement benefits cost	(4.3)	(3.3)
Share-based payment expense	39.9	31.1
	417.0	346.2
Gross rental revenue from an investment property and car park spaces	(0.3)	(1.4)
Less: Direct expenses from investment properties that generated rental income	0.5	0.6
Net rental expense (income)	0.2	(0.8)
Share of tax of jointly controlled entities (included in share of results of jointly controlled entities)	2.6	25.0
Share of tax of associates (included in share of results of associates)	134.9	19.2

14. DIVIDENDS

	2008 HK$ million	2007 HK$ million
Paid:		
Final dividend in respect of the year ended 31 December 2007: HK$0.65 per share (2007: HK$0.52 per share for the nine months ended 31 December 2006)	209.1	150.9
Interim dividend in respect of the year ended 31 December 2008: HK$0.20 per share (2007: HK$0.15 per share)	64.4	47.1
	273.5	198.0
Proposed:		
Final dividend in respect of the year ended 31 December 2007: HK$0.65 per share	–	209.1

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2008.

15. 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:

	2008 HK$ million	2007 HK$ million
Earnings:		
Earnings for the purpose of basic earnings per share	**562.4**	702.0
Effect of dilutive potential ordinary shares from convertible bonds issued by the Company:		
Imputed interest expense	**48.5**	–
Fair value changes on embedded derivatives	**(238.9)**	–
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
Adjustment to the share of results of an associate based on dilution of its earnings per share	**–**	(8.2)
Earnings for the purpose of diluted earnings per share	**372.0**	696.9
Number of shares:	**Million**	Million
Weighted average number of ordinary shares for the purpose of basic earnings per share	**321.7**	299.8
Effect of dilutive potential ordinary shares:		
Convertible bonds issued by the Company	**22.5**	–
Share options	**1.2**	4.5
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**345.4**	304.3
Earnings per share	**HK$**	HK$
Basic	**1.75**	2.34
Diluted	**1.08**	2.29

The dilutive effect on the Group's earnings and number of ordinary shares arising from the convertible bonds issued by the Company and the convertible bonds issued by an associate held by the Group have to be accounted for in the calculation of diluted earnings per share. These convertible bonds are assumed to be converted into shares of the relevant issuer at the beginning of the year or, if later, the date of issue and, in particular, the accounting effects of such financial instruments are reversed in the determination of diluted earnings if their conversion has a dilutive effect on the earnings per share.

15. EARNINGS PER SHARE (continued)

The computation of diluted earnings per share for the year ended 31 December 2008 does not assume the conversion of outstanding convertible bonds issued by an associate, since their conversion would result in an increase in earnings per share for the current year.

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

16. INVESTMENT PROPERTIES

	2008 **HK$ million**	2007 HK$ million
FAIR VALUE		
At the beginning of the year	**92.9**	63.2
Exchange adjustments	**5.9**	4.5
Additions	**0.1**	–
Increase in fair value recognised	**26.6**	25.2
Transfer to properties under development for sale	**(125.5)**	–
At the end of the year	**–**	92.9

During the year ended 31 December 2008, the Group decided the properties previously held as investment properties be redeveloped as properties for sale in the future. Accordingly, the property interests were reclassified to properties under development for sale and their fair value at the date of change in use, based on the auction price at that date, was regarded as their deemed initial cost.

The carrying value of the investment properties at 31 December 2007 was measured using the fair value model and represented properties situated in the PRC under medium-term leases. The fair value at 31 December 2007 was 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 that has recent experience in the valuation of similar properties in the relevant locations.

17. 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 January 2007	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
Exchange adjustments	–	0.2	0.3	0.2	0.3	1.0
Additions	–	–	18.8	1.5	10.6	30.9
Disposals	–	–	(1.6)	(1.6)	(3.5)	(6.7)
Reclassified as held for sale	–	–	(18.0)	–	(0.1)	(18.1)
At 31 December 2008	**3.4**	**2.6**	**49.8**	**19.1**	**50.2**	**125.1**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2007	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
Exchange adjustments	–	–	0.3	–	0.1	0.4
Charge for the year	–	0.3	0.2	2.6	3.8	6.9
Eliminated on disposals	–	–	(1.5)	(1.3)	(1.7)	(4.5)
At 31 December 2008	**1.3**	**0.8**	**47.0**	**11.9**	**35.3**	**96.3**
CARRYING VALUES						
At 31 December 2008	**2.1**	**1.8**	**2.8**	**7.2**	**14.9**	**28.8**
At 31 December 2007	2.1	1.9	2.3	8.4	9.8	24.5

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% or remaining lease term, if shorter
Plant and machinery	10 – 25%
Motor vehicles, equipment, furniture and other assets	20 – 33%

18. PREPAID LEASE PAYMENTS

	2008 HK$ million	2007 HK$ million
Leasehold land under medium-term lease:		
In Hong Kong	**3.1**	3.2
Outside Hong Kong	**41.8**	40.3
	44.9	43.5
Analysed for reporting purposes as:		
Non-current	**43.9**	42.6
Current	**1.0**	0.9
	44.9	43.5

Amortisation of prepaid lease payments amounting to HK$1.0 million (2007: HK$0.9 million) was charged to the consolidated income statement.

19. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2008 HK$ million	2007 HK$ million
Cost of unlisted investments in jointly controlled entities, net of impairment of HK$12.1 million (2007: HK$85.8 million)	**3,617.9**	2,900.4
Share of post-acquisition profits and reserves	**363.4**	274.6
Reclassified as assets held for sale (note 29)	**(78.2)**	–
	3,903.1	3,175.0

Note: Goodwill of HK$121.8 million (2007: 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. No impairment is noted at either balance sheet date.

Particulars of the principal jointly controlled entities are set out in note 47.

19. 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 2008 and 31 December 2007 attributable to the Group is as follows:

	2008 HK$ million	2007 HK$ million
Current assets	**3,054.7**	2,438.6
Non-current assets	**7,958.3**	6,083.5
Current liabilities	**(5,486.8)**	(3,874.0)
Non-current liabilities	**(949.9)**	(1,032.5)
Minority interests	**(747.2)**	(587.5)
Income	**3,992.8**	3,174.2
Expenses	**(4,070.9)**	(2,841.5)

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 2008 and 31 December 2007, is as follows:

	2008 HK$ million	2007 HK$ million
Results for the year ended 31 December		
Turnover	**6,860.0**	5,351.7
Profit before taxation	**321.8**	158.7
Profit before taxation attributable to the Group	**169.1**	87.2

19. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

	2008 HK$ million	2007 HK$ million
Financial position at 31 December		
Non-current assets	**15,161.7**	11,939.6
Current assets	**6,177.3**	4,484.3
Current liabilities	**(9,650.7)**	(7,632.8)
Non-current liabilities	**(2,008.8)**	(1,838.7)
Minority interests	**(1,572.4)**	(1,183.7)
Net assets	**8,107.1**	5,768.7
Net assets attributable to the Group	**3,655.8**	2,658.6
Reclassified as assets held for sale (note 29)	**(78.2)**	–
	3,577.6	2,658.6

The Group provided HK$12.1 million (2007: HK$85.8 million) impairment loss 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 2008.

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 2008 and 31 December 2007, is as follows:

	2008 HK$ million	2007 HK$ million
Results for the year ended 31 December		
Turnover	**–**	–
(Loss) profit before taxation	**(319.5)**	106.7
(Loss) profit before taxation attributable to the Group	**(232.9)**	77.6

	2008 HK$ million	2007 HK$ million
Financial position at 31 December		
Non-current assets	**500.8**	891.3
Current assets	**71.0**	148.5
Current liabilities	**(55.5)**	(110.9)
Non-current liabilities	**(100.0)**	(100.0)
Minority interests	**(70.5)**	(82.4)
Net assets	**345.8**	746.5
Net assets attributable to the Group	**226.3**	523.3

19. 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 and cumulatively, are as follows:

	2008 HK$ million	2007 HK$ million
Unrecognised share of losses of the jointly controlled entity for the year	**(6.6)**	(6.5)
Accumulated unrecognised share of losses of the jointly controlled entity	**(25.1)**	(18.5)

20. AVAILABLE-FOR-SALE INVESTMENTS

	2008 HK$ million	2007 HK$ million
Available-for-sale investments comprise:		
Listed equity securities in Hong Kong (at market price)	**970.4**	4,789.1

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

During the year, the Group disposed of HK$1.0 billion (2007: HK$1.8 billion) worth of SOL shares to a wholly-owned subsidiary of SOCL, representing approximately 3.11% (2007: 5.27%) equity interest in SOL. As a result, the Group recognised a gain on disposal of HK$496.4 million (2007: HK$928.7 million) in the consolidated income statement for the year ended 31 December 2008. At 31 December 2008, the Group holds a 9.46% (2007: 12.57%) equity interest in SOL.

21. INTERESTS IN ASSOCIATES

	2008 HK$ million	2007 HK$ million
Cost of investments in associates		
Listed outside Hong Kong	**1,770.1**	1,770.1
Unlisted	**34.2**	17.1
Share of post-acquisition profits and reserves	**541.0**	49.7
Discount on deemed acquisition of interest in an associate	**84.7**	–
	2,430.0	1,836.9
Fair value of listed investments	**378.5**	1,325.0

During the year ended 31 December 2008, China Central Properties Limited ("CCP"), an associate of the Group, re-purchased and cancelled certain of its ordinary shares. As a result, the Group's interest in CCP increased to 42.88% (2007: 40.38%), and the Group recognised a discount on deemed acquisition of interest in an associate of HK$84.7 million in the consolidated income statement for the year ended 31 December 2008.

Particulars of the principal associates are set out in note 48.

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

	2008 HK$ million	2007 HK$ million
Results for the year ended 31 December		
Turnover	**2,538.5**	491.8
Profit for the year	**956.4**	67.2
Profit for the year attributable to the Group	**350.3**	26.1

	2008 HK$ million	2007 HK$ million
Financial position at 31 December		
Total assets	**14,391.5**	11,104.6
Total liabilities	**(7,432.2)**	(6,076.7)
Minority interests	**(810.9)**	(283.6)
Net assets	**6,148.4**	4,744.3
Net assets attributable to the Group	**2,430.0**	1,836.9

22. INVESTMENT IN CONVERTIBLE BONDS

On 13 June 2007, the Group subscribed for US$25 million 2% convertible bonds due 2012 of CCP, an associate of the Group, 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.

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 value 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:

	2008	2007
Share price of CCP	**£0.280**	£0.705
Risk-free rate of interest	**3.322% p.a.**	4.602% p.a.
Dividend yield	**2.75% p.a.**	0% p.a.
Volatility	**55%**	50%

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
Interest income recognised during the year	24.0	–
Interest received during the year	(3.9)	–
Changes in fair value (note 9)	–	(3.5)
At 31 December 2008	**194.2**	**12.7**

22. INVESTMENT IN CONVERTIBLE BONDS (continued)

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

Conversion

Bondholders 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") at a conversion price of £1.34 per share. The conversion price is subject to adjustment in certain events.

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 has the right 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 (the date of a qualifying public offering (QPO) at the stock exchange in Hong Kong or Singapore or such other stock exchange as approved by the bondholders) 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.

23. AMOUNTS DUE FROM/TO JOINTLY CONTROLLED ENTITIES

	2008 HK$ million	2007 HK$ million
Amounts due from jointly controlled entities		
Non-current (note a)	**553.8**	188.8
Current (note b)	**481.3**	860.8
	1,035.1	1,049.6
Amounts due to jointly controlled entities (note c)	**344.7**	12.4

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 4.8% to 5.4% (2007: 3.5%) per annum.

(b) The balances are unsecured and repayable on demand. Out of the total balance, a total of HK$158.4 million (2007: HK$149.3 million) bears interest at prevailing market rates. The remaining balance is interest-free.

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

24. INVENTORIES AND CONTRACTS IN PROGRESS

	2008 HK$ million	2007 HK$ million
Inventories		
Raw materials	**2.0**	2.7
Work-in-progress	**6.0**	3.9
Finished goods	**2.4**	2.2
Spare parts	**2.4**	2.5
	12.8	11.3

	2008 HK$ million	2007 HK$ million
Contracts in progress		
Costs incurred to date	**5,365.1**	5,066.6
Recognised profits less recognised losses	**162.1**	127.4
	5,527.2	5,194.0
Less: Progress billings	**(5,440.2)**	(5,117.1)
Net contract work	**87.0**	76.9
Represented by:		
Amounts due from customers for contract work	**219.1**	161.9
Amounts due to customers for contract work	**(132.1)**	(85.0)
	87.0	76.9

25. AMOUNTS DUE FROM/TO ASSOCIATES

	2008 HK$ million	2007 HK$ million
Amounts due from associates		
Non-current (note a)	**567.9**	490.6
Current (note b)	**49.0**	129.8
	616.9	620.4
Amounts due to associates (note c)	**28.1**	294.8

Notes:

(a) The balances represent advances to an associate for financing the development of Dalian Tiandi•Software Hub. 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 the joint venture shareholders' approval. The amounts are carried at amortised cost using the effective interest rate of 4.8% (2007: 3.5%) per annum.

(b) The balances at 31 December 2008 are unsecured, interest-free and repayable on demand. Out of the total balance at 31 December 2007, an amount of RMB80 million (HK$85.4 million) bore interest at prevailing market rate, the remaining balances are interest-free.

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

26. OTHER FINANCIAL ASSETS

Debtors, deposits and prepayments

	2008 HK$ million	2007 HK$ million
Trade debtors	**365.2**	281.2
Less: Allowance for doubtful debts	**(1.0)**	(4.1)
	364.2	277.1
Retention receivable	**116.5**	107.7
Prepayments, deposits and other receivables	**163.4**	204.7
	644.1	589.5

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

26. OTHER FINANCIAL ASSETS (continued)

Debtors, deposits and prepayments (continued)

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

	2008 HK$ million	2007 HK$ million
Within 90 days	**336.2**	267.4
Amounts past due but not impaired:		
91 days to 180 days	**16.3**	3.3
181 days to 360 days	**2.5**	2.0
Over 360 days (Note)	**9.2**	4.4
	28.0	9.7
	364.2	277.1
Retention receivable is analysed as follows:		
Due within one year	**74.2**	82.1
Due after one year	**42.3**	25.6
	116.5	107.7

Note: The increase in overdue debts in 2008 was largely due to a building construction project in Hong Kong that had progress payments for contract works totaling HK$5.6 million overdue from the customer, pending the settlement of a contractual claim.

Movement in the allowance for doubtful debts

	2008 HK$ million	2007 HK$ million
Balance at beginning of the year	**4.1**	4.4
Amounts written off as uncollectible	**(3.0)**	–
Amounts recovered during the year	**(0.1)**	(0.1)
Impairment losses reversed	**–**	(0.2)
	1.0	4.1

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 0.01% to 3.50% (2007: 1.75% to 3.33%) per annum.

27. PLEDGED BANK DEPOSITS

	Effective interest rate % per annum	**2008 HK$ million**	2007 HK$ million
In relation to:			
Short term bank loan granted to the Group	–	**–**	86.4
Standby documentary credit issued relating to a bank loan granted to an associate	2.1%	**76.0**	300.0
		76.0	386.4

28. AMOUNTS DUE FROM/TO RELATED COMPANIES

	2008 HK$ million	2007 HK$ million
Amounts due from related companies	**46.5**	1.9
Amounts due to related companies	**1.8**	0.4

The related companies are subsidiaries of SOCL.

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

29. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

In 2008, the Group entered into sale and purchase agreements to dispose of certain jointly controlled entities and a subsidiary. The transactions pursuant to these agreements have not been completed at 31 December 2008. Accordingly, the assets and liabilities attributable to these companies have been treated as assets classified as held for sale and liabilities associated with assets classified as held for sale, and are presented separately in the consolidated balance sheet.

	2008 HK$ million
Disposal of jointly controlled entities (notes a and b), comprising	
Interests in jointly controlled entities	78.2
Amounts due from jointly controlled entities	111.0
	189.2
Disposal of a subsidiary (note c)	
Property, plant and equipment	18.1
Debtors, deposits and prepayments	235.2
Bank balances, deposits and cash	2.1
	255.4
Total assets classified as held for sale	444.6
Disposal of a subsidiary (note c)	
Amounts due to a jointly controlled entity	(62.6)
Liabilities associated with assets classified as held for sale	(62.6)

Notes:

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

(b) On 5 November 2008, the Group entered into a sale and purchase agreement with an independent third party to dispose of the Group's equity interest in and the related shareholders loan to a jointly controlled entity, which operates a cement grinding plant in Guizhou for a total consideration of approximately HK$19 million. The transaction was completed on 24 February 2009, resulting in an insignificant gain or loss on disposal.

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

30. CREDITORS AND ACCRUED CHARGES

The aged analysis of creditors of HK$280.0 million (2007: HK$204.3 million), which are included in the Group's creditors and accrued charges is as follows:

	2008 HK$ million	2007 HK$ million
Creditors aged analysis:		
Within 30 days	**208.1**	116.8
31 days to 90 days	**59.0**	55.0
91 days to 180 days	**10.0**	21.7
Over 180 days	**2.9**	10.8
	280.0	204.3
Retention payable	**143.9**	134.5
Accruals and other payables	**443.6**	463.7
	867.5	802.5

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 represented an unsecured short-term interest bearing loan granted by a subsidiary of SOCL to the Company that was fully repaid in the current year.

32. BANK BORROWINGS

	2008 HK$ million	2007 HK$ million
Bank overdrafts	–	14.7
Secured bank loans (note 41)	350.0	85.5
Unsecured bank loans	4,167.5	3,959.3
	4,517.5	4,059.5
Less: Amounts due within 12 months	(3,447.5)	(2,800.5)
Amounts due for settlement after 12 months	1,070.0	1,259.0
Carrying amount repayable:		
Within one year (note)	3,447.5	2,800.5
More than one year but not exceeding two years	320.0	1,009.0
More than two years but not exceeding five years	750.0	250.0
	4,517.5	4,059.5

The average effective interest rates of the borrowings range from 1.00% to 6.83% (2007: 3.74% to 6.56%) 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 short-term bank loans of HK$800 million from financial institutions and a total of HK$270 million short-term loans was paid off on due dates. The average effective interest rates of these renewed borrowings range from 1.58% to 6.00% 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:

	2008	2007
Share price	**HK$6.08**	HK$28.43
Risk-free rate of interest	**0.084% p.a.**	2.072% p.a.
Dividend yield	**4.8% p.a.**	4.2% p.a.
Volatility	**53%**	38%

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

		Derivative financial instruments	
	Straight debt HK$ million	**Early redemption option HK$ million**	**Conversion option HK$ million**
At 1 January 2007	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
Imputed interest expense during the year (note 10)	48.5	–	–
Changes in fair value (note 9)	–	4.5	(243.4)
Conversion during the year	(10.0)	0.1	(4.6)
At 31 December 2008	**430.5**	**–**	**0.8**

The principal amount and market value of the convertible bonds outstanding at 31 December 2008 amounted to HK$385.1 million (2007: HK$395.1 million) and HK$357.0 million (2007: HK$650.1 million) respectively.

33. CONVERTIBLE BONDS (continued)

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.

Pursuant to this price reset mechanism, the conversion price was adjusted to HK$15.41 per share with effect from 31 July 2008. Details of the adjustment are set out in an announcement of the Company dated 31 July 2008.

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

	2008 Number of shares	2007 Number of shares	**2008 HK$ million**	2007 HK$ million
Ordinary shares of HK$1 each:				
Authorised				
At the beginning and the end of the year	**1,000,000,000**	1,000,000,000	**1,000.0**	1,000.0
Issued and fully paid				
At the beginning of the year	**320,929,606**	283,600,000	**320.9**	283.6
Exercise of share options	**388,000**	6,111,000	**0.4**	6.1
Conversion of convertible bonds	**583,633**	31,218,606	**0.6**	31.2
At the end of the year	**321,901,239**	320,929,606	**321.9**	320.9

All the new shares issued during the year 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 HK$ million
At 1 January 2007	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
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 (note 37)	-	-	-	-	-	-	-	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	-	-	-	-	(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
Fair value changes of available-for-sale investments	-	-	-	-	-	-	-	-	(2,857.8)	-	(2,857.8)	-	(2,857.8)
Exchange differences arising on translation of financial statements of foreign operations	-	146.5	-	-	-	-	-	-	-	-	146.5	2.0	148.5
Recognition of actuarial loss (note 37)	-	-	-	-	-	-	-	(209.6)	-	-	(209.6)	-	(209.6)
Share of translation reserve of associates	-	129.3	-	-	-	-	-	-	-	-	129.3	-	129.3
Share of reserve of a jointly controlled entity	-	-	-	-	-	-	-	-	-	102.0	102.0	-	102.0
Net income recognised directly in equity	-	275.8	-	-	-	-	-	(209.6)	(2,857.8)	102.0	(2,689.6)	2.0	(2,687.6)
Disposal of available-for-sale investments	-	-	-	-	-	-	-	-	(458.4)	-	(458.4)	-	(458.4)
Impairment loss recognised in respect of available-for-sale investments	-	-	-	-	-	-	-	-	558.3	-	558.3	-	558.3
Disposal of interests in a jointly controlled entity	-	(0.4)	-	-	-	-	-	-	-	-	(0.4)	-	(0.4)
Profit for the year	-	-	-	-	562.4	-	-	-	-	-	562.4	6.7	569.1
Total recognised income and expense for the year	-	275.4	-	-	562.4	-	-	(209.6)	(2,757.9)	102.0	(2,027.7)	8.7	(2,019.0)
Deregistration of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(2.7)	(2.7)
Premium on issue of shares upon exercise of share options	4.0	-	-	-	-	-	-	-	-	-	4.0	-	4.0
Conversion of convertible bonds	13.9	-	-	-	-	-	-	-	-	-	13.9	-	13.9
Recognition of share-based payments	-	-	-	-	-	-	39.9	-	-	-	39.9	-	39.9
Transfer upon exercise of share options	1.2	-	-	-	-	-	(1.2)	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	(0.7)	0.7	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	(273.5)	-	-	-	-	-	(273.5)	(5.0)	(278.5)
Other movements with minority shareholders	-	-	-	-	-	-	-	-	-	-	-	0.4	0.4
At 31 December 2008	**1,429.8**	**484.9**	**197.6**	**(2.7)**	**2,251.7**	**2.8**	**72.8**	**(116.5)**	**-**	**356.9**	**4,677.3**	**55.1**	**4,732.4**

35. RESERVES (continued)

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 (i) 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, and (ii) an amount of HK$102.0 million, which represented the Group's share of compensation recognised by LSOC in the form of donation in respect of losses in the earthquake in Sichuan during the year ended 31 December 2008.

36. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$ million	Tax losses HK$ million	Other temporary differences HK$ million	Total HK$ million
At 1 January 2007	(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)
Effect of change in tax rate	0.1	–	–	0.1
At 31 December 2008	**(1.0)**	**0.4**	**–**	**(0.6)**

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

At 31 December 2008, the Group has unused tax losses of HK$376.0 million (2007: HK$385.9 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 (2007: HK$2.0 million). No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$374.0 million (2007: HK$383.9 million) due to the unpredictability of future profit streams.

37. PROVIDENT FUND SCHEME AND DEFINED BENEFIT SCHEME

The Group participates in both a defined benefit scheme (the "Scheme"), 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 Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the Scheme or switching to the MPF Scheme. All employees joining the Group on or after 1 December 2000 have been 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$7.2 million (2007: HK$5.1 million). The amount of employer's voluntary contributions to MPF schemes forfeited for the year ended 31 December 2008 and 31 December 2007 was immaterial and was used to reduce the existing level of contributions.

Defined Benefit Scheme

Contributions to the Scheme 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 to the Scheme. The current employer contribution rate is 2% (31 December 2007: 2%) of the members' salaries. Under the Scheme, 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 Scheme 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 Scheme assets and the present value of the defined benefit obligation were carried out at 31 December 2008 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.

37. PROVIDENT FUND SCHEME AND DEFINED BENEFIT SCHEME (continued)

Defined Benefit Scheme (continued)

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

	2008	2007
Discount rate	**1.20%**	3.50%
Expected rate of return on Scheme assets	**8.00%**	8.25%
Expected rate of salary increase		
2008	**–**	4.0% p.a.
2009	**0.5% p.a.**	4.0% p.a.
2010	**1.0% p.a.**	4.0% p.a.
2011 and after	**2.0% p.a.**	4.0% p.a.

The overall expected rate of return is a weighted average of the expected returns of the various categories of Scheme assets held.

The actual return on Scheme assets for the year ended 31 December 2008 was a loss of HK$158.3 million (2007: gain of HK$84.3 million).

Amounts recognised in the consolidated income statement for the year in respect of the Scheme are as follows:

	Year ended 31 December	
	2008	2007
	HK$ million	HK$ million
Current service cost	**13.0**	11.5
Interest cost	**11.0**	10.4
Expected return on Scheme assets	**(35.5)**	(30.3)
Net amount credited to consolidated income statement as staff costs	**(11.5)**	(8.4)

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

	2008	2007
	HK$ million	HK$ million
Present value of funded obligations	**(358.7)**	(330.5)
Fair value of Scheme assets	**274.4**	441.8
Defined benefit (liabilities) assets included in the consolidated balance sheet	**(84.3)**	111.3

The Scheme assets included no shares of the Company (2007: nil).

37. PROVIDENT FUND SCHEME AND DEFINED BENEFIT SCHEME (continued)

Defined Benefit Scheme (continued)

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

	2008 HK$ million	2007 HK$ million
At the beginning of the year	**330.5**	288.6
Current service cost	**13.0**	11.5
Interest cost	**11.0**	10.4
Employees' contributions	**6.2**	6.5
Benefits paid	**(18.8)**	(16.8)
Transfers	**1.0**	(6.0)
Actuarial loss (note)	**15.8**	36.3
At the end of the year	**358.7**	330.5

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

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

	2008 HK$ million	2007 HK$ million
At the beginning of the year	**441.8**	371.6
Expected return on Scheme assets	**35.5**	30.3
Actuarial (loss) gain (note)	**(193.8)**	54.1
Employers' contributions	**2.5**	5.1
Employees' contributions	**6.2**	6.5
Benefits paid	**(18.8)**	(16.8)
Transfers	**1.0**	(9.0)
At the end of the year	**274.4**	441.8

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

37. PROVIDENT FUND SCHEME AND DEFINED BENEFIT SCHEME (continued)

Defined Benefit Scheme (continued)

Additional disclosure in respect of the Scheme is as follows:

	2008 HK$ million	2007 HK$ million
Experience adjustment on Scheme liabilities	**(0.5)**	(6.6)
Experience adjustment on Scheme assets	**(193.8)**	54.1

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

	2008 HK$ million	2007 HK$ million
Equities	**44.8%**	68.5%
Hedge funds	**28.9%**	18.9%
Bonds and cash	**26.3%**	12.6%
	100%	100%

The Group expects to make a contribution of HK$2.2 million (2007: HK$2.5 million) to the Scheme during the next financial year.

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

	2008 HK$ million	2007 HK$ million
Actuarial loss on present value of funded obligations	**(15.8)**	(36.3)
Actuarial (loss) gain on fair value of Scheme assets	**(193.8)**	54.1
Net actuarial (losses) gains recognised	**(209.6)**	17.8
Accumulated amount of actuarial (losses) gains recognised in the actuarial gain and loss reserve	**(116.5)**	93.1

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 2008 was HK$0.3 million (2007: HK$1.4 million).

At the balance sheet date, the Group had no significant leases contracted with its tenants.

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:

	2008 **HK$ million**	2007 HK$ million
Within one year	**9.3**	2.6
In the second to fifth years inclusive	**11.7**	1.3
	21.0	3.9

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 2008, the Group's share of the capital commitments of its jointly controlled entities is as follows:

	2008 **HK$ million**	2007 HK$ million
Authorised but not contracted for	**–**	–
Contracted but not provided for	**1,394.8**	515.0

(b) At 31 December 2008, the Group had capital commitments in respect of certain investments not provided for in the financial statements amounting to approximately HK$698.9 million (2007: HK$284.3 million).

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.

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.

40. SHARE-BASED PAYMENTS (continued)

3. Total number of shares available for issue under the New Scheme

(a) 10% limit

Subject to the following paragraph, 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.

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.

40. SHARE-BASED PAYMENTS (continued)

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.

Date of grant	Grant	Subscription price per share HK$	Number of options: At 1 January 2008	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2008	Period during which share options outstanding at 31 December 2008 are exercisable	Average closing reference price for exercise of options HK$ (Note)
New Scheme										
4 August 2003	3	5.80	6,000	–	(6,000)	–	–	**–**	4 February 2004 to 3 August 2008	16.30
26 July 2004	4	7.25	220,000	–	(106,000)	–	(26,000)	**88,000**	26 January 2005 to 25 July 2009	15.22
29 July 2005	5	9.30	466,000	–	(108,000)	–	(36,000)	**322,000**	29 January 2006 to 28 July 2010	16.63
1 August 2006	6	14.00	3,464,000	–	(120,000)	–	(96,000)	**3,248,000**	1 February 2007 to 31 July 2011	19.43
3 January 2007	7	16.78	8,800,000	–	–	–	–	**8,800,000**	3 January 2010 to 2 January 2012	–
3 January 2007	8	16.78	3,525,000	–	–	–	–	**3,525,000**	3 January 2010 to 2 January 2017	–
14 June 2007	9	20.96	3,070,000	–	(48,000)	–	(72,000)	**2,950,000**	14 December 2007 to 13 June 2012	26.27
14 June 2007	10	20.96	900,000	–	–	–	(300,000)	**600,000**	14 December 2008 to 13 June 2012	–
14 June 2007	11	20.96	4,200,000	–	–	–	–	**4,200,000**	1 July 2010 to 13 June 2012	–
7 May 2008	12	19.76	–	3,440,000	–	–	–	**3,440,000**	7 November 2008 to 6 May 2013	–
7 May 2008	13	19.76	–	300,000	–	–	–	**300,000**	7 November 2009 to 6 May 2013	–
7 May 2008	14	19.76	–	3,000,000	–	–	–	**3,000,000**	7 May 2011 to 6 May 2013	–
7 May 2008	15	19.76	–	4,750,000	–	–	–	**4,750,000**	7 May 2011 to 6 May 2018	–
			24,651,000	11,490,000	(388,000)	–	(530,000)	**35,223,000**		
Number of options exercisable at the end of the year								**4,090,400**		

40. SHARE-BASED PAYMENTS (continued)

Date of grant	Grant	Subscription price per share HK$	Number of options: 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	Average closing reference price for exercise of options HK$ (Note)
New Scheme										
27 August 2002	1	6.00	272,000	–	(272,000)	–	–	–	27 February 2003 to 26 August 2007	20.49
27 August 2002	2	6.00	4,435,000	–	(4,435,000)	–	–	–	27 August 2005 to 26 August 2010	21.94
4 August 2003	3	5.80	190,000	–	(184,000)	–	–	6,000	4 February 2004 to 3 August 2008	22.87
26 July 2004	4	7.25	454,000	–	(234,000)	–	–	220,000	26 January 2005 to 25 July 2009	24.05
29 July 2005	5	9.30	776,000	–	(302,000)	–	(8,000)	466,000	29 January 2006 to 28 July 2010	22.78
1 August 2006	6	14.00	4,106,000	–	(618,000)	–	(24,000)	3,464,000	1 February 2007 to 31 July 2011	23.22
3 January 2007	7	16.78	–	8,800,000	–	–	–	8,800,000	3 January 2010 to 2 January 2012	–
3 January 2007	8	16.78	–	3,525,000	–	–	–	3,525,000	3 January 2010 to 2 January 2017	–
14 June 2007	9	20.96	–	3,186,000	(66,000)	–	(50,000)	3,070,000	14 December 2007 to 13 June 2012	27.02
14 June 2007	10	20.96	–	900,000	–	–	–	900,000	14 December 2008 to 13 June 2012	–
14 June 2007	11	20.96	–	4,200,000	–	–	–	4,200,000	1 July 2010 to 13 June 2012	–
			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		

Note: The average closing reference price represented the average of closing prices of the Company's shares immediately before the dates on which the options were exercised during the year, weighted by the number of options exercised.

40. SHARE-BASED PAYMENTS (continued)

The vesting conditions of the respective share option grants are as follows:

For Grants 1, 3 to 6, 9 and 12:

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 2:

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.

For Grant 7 and 14:

Service Requirement	All options may vest on 3 January 2010 (for Grant 7) or 7 May 2011 (for Grant 14) 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 Project 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 (for Grant 7) or 2008, 2009 and 2010 (for Grant 14), and apply to 1/3 of the options granted respectively.

The vesting schedule is as follows:

Performance	Vested Portion of Options
Superior	100%
Superior minus	90%
Good plus	75%
Good	60%

For Grant 8 and 15:

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 (for Grant 8) or 1 January 2008 to 31 December 2010 (for Grant 15) ("Performance Period"). Vesting will only occur if the change in the total shareholder return ("TSR") of the Company's shares over the relevant 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 relevant Performance Period.

40. SHARE-BASED PAYMENTS (continued)

For Grant 8 and 15: (continued)

The vesting schedule is as follows:

Positive change in TSR of the Company compared to the change in the HSI TRI during the relevant 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.

For Grant 11:

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 Project 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	**Vested Portion of Options**
Superior	100%
Superior minus	90%
Good plus	75%
Good	60%

For Grant 10 and 13:

Service Requirement	Subject to the satisfaction of all the performance conditions, the options may vest in accordance with the following schedule: 40%: 18 months after 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
Performance Hurdle	The vesting of these share options is subject to the satisfactory performance of the Project 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 8 and 15, which adopt 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 3	Grant 4	Grant 5	Grant 6	Grant 7	Grant 8	Grant 9	Grant 10	Grant 11
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$5.72	HK$5.78	HK$5.85
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	4.17 years	3.48 years	4.52 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.	4.61% p.a.	4.62% p.a.	4.64% 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

	Grant 12	Grant 13	Grant 14	Grant 15
Date of grant	**7 May 2008**	**7 May 2008**	**7 May 2008**	**7 May 2008**
Average fair value	**HK$5.06**	**HK$5.09**	**HK$5.12**	**HK$3.03**
Share price on the date of grant	**HK$19.28**	**HK$19.28**	**HK$19.28**	**HK$19.28**
Exercise price	**HK$19.76**	**HK$19.76**	**HK$19.76**	**HK$19.76**
Expected volatility	**42% p.a.**	**42% p.a.**	**42% p.a.**	**42% p.a.**
Average expected life	**4 years**	**4 years**	**4 years**	**4 years**
Average risk-free rate	**2.35% p.a.**	**2.37% p.a.**	**2.40% p.a.**	**2.36% p.a.**
Expected dividend paid	**5% p.a.**	**5% p.a.**	**5% p.a.**	**5% p.a.**
Rate of leaving service	**3% p.a.**	**3% p.a.**	**3% p.a.**	**0% p.a.**
Expected volatility of HSI TRI	**n/a**	**n/a**	**n/a**	**25% p.a.**
Expected correlation between TSR of the Company and HSI TRI	**n/a**	**n/a**	**n/a**	**45% p.a.**

For grants in 2008, the expected volatility was determined by using the average historical volatility of the Company's share price over last 4 years and 5 years before the grant date. 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.

40. SHARE-BASED PAYMENTS (continued)

Total consideration received during the year from employees, including directors, for taking up the options granted was HK$72 (2007: HK$79).

The Group recognised a total expense of HK$39.9 million for the year ended 31 December 2008 (2007: HK$31.1 million) in relation to share options granted by the Company.

41. PLEDGE OF ASSETS

At 31 December 2008, the following net assets were pledged as collateral to secure certain banking facilities granted to the Group:

	2008 **HK$ million**	2007 HK$ million
Pledged bank deposit	**76.0**	386.4
Equity interest in a subsidiary classified as held for sale (note a)	**192.8**	–
Equity interest in a subsidiary and certain jointly controlled entities (note b)	**519.5**	–
	788.3	386.4

Notes:

(a) The amount represents the net asset value of the subsidiary at 31 December 2008. As disclosed in note 29, the Group entered into a sale and purchase agreement to dispose of its equity interest in this subsidiary to LSOC. The pledge will be released upon completion of the disposal.

(b) The net assets of the subsidiary and the jointly controlled entities pledged are as follows.

	2008 **HK$ million**
Property, plant and equipment	**1.4**
Interests in jointly controlled entities	**149.6**
Properties under development for sale	**185.7**
Debtors, deposits and prepayments	**7.4**
Amounts due from jointly controlled entities	**134.9**
Amounts due from associates	**0.8**
Bank balances, deposits and cash	**55.3**
Creditors and accrued charges	**(0.9)**
Amounts due to jointly controlled entities	**(14.7)**
Net assets pledged	**519.5**

42. LOSS/GAIN ON DISPOSAL OF INTERESTS IN JOINTLY CONTROLLED ENTITIES/ LOSS ON DEEMED DISPOSAL OF INTEREST IN AN ASSOCIATE

(a) 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 the 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 further injected £63.0 million (HK$975.2 million) and US$25 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 was diluted to 40.2%. This was accounted for as a deemed disposal of interest in an associate. Details of the transactions were 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 recognised a net gain of approximately HK$89.0 million in the consolidated income statement for the year ended 31 December 2007.

(b) During the year ended 31 December 2008, the Group disposed of a jointly controlled entity to an independent third party and recognised a loss on disposal amounting to HK$6.4 million.

43. CONTINGENT LIABILITIES

At 31 December 2008, performance bonds established amounting to approximately HK$196.4 million (31 December 2007: HK$130.6 million) have not been provided for in the consolidated financial statements.

At 31 December 2008, the Group has arranged standby documentary credits with banks amounting to HK$292 million (2007: HK$300 million) to secure bank loans granted to subsidiaries of an associate.

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.

44. RELATED PARTY TRANSACTIONS

(a) During the year, 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	2008 HK$ million	2007 HK$ million
Income recognised:		
Management and information system services	**0.4**	0.6
Project management services	**–**	3.1
Construction work	**278.4**	119.6
Cost and expenses recognised:		
Rental expenses	**0.5**	0.1
Building management fee	**0.1**	0.1
Interest expense	**2.1**	11.3

The outstanding balances with SOCL Private Group at the balance sheet date are disclosed in notes 28 and 31.

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

Nature of transactions	2008 HK$ million	2007 HK$ million
Income recognised:		
Interest income	**4.8**	6.8
Imputed interest income	**22.6**	–
Management fee	**30.7**	21.9
Rental income	**–**	0.7
Construction/subcontracting work	**–**	11.5
Cost and expenses recognised:		
Construction/subcontracting work	**7.9**	8.5
Interest expense	**2.3**	–

The outstanding balances with jointly controlled entities at the balance sheet date are disclosed in note 23.

44. RELATED PARTY TRANSACTIONS (continued)

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

Nature of transactions	2008 HK$ million	2007 HK$ million
Income recognised:		
Interest income	6.3	2.5
Imputed interest income	30.6	–
Management fee	171.8	42.2
Interest income on convertible bonds	24.0	12.4
Construction/subcontracting work	67.4	1.1

The outstanding balances with associates at the balance sheet date are disclosed in note 25.

(d) 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.

(e) During the year, the Group was granted unsecured interest bearing short-term loans totalling HK$300.0 million from SOCL Private Group (2007: HK$450.0 million), and incurred interest on such loans amounting to HK$2.1 million (2007: HK$11.3 million). The loans, inclusive of interest, were repaid during the year.

(f) During the year, the Group received dividend income amounting to HK$83.6 million (2007: HK$120.9 million) from certain jointly controlled entities.

(g) During the year, the Group disposed of HK$1.0 billion (2007: HK$1.8 billion) worth of SOL shares to a wholly-owned subsidiary of SOCL.

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

	2008 HK$ million	2007 HK$ million
Fees	1.5	1.2
Salaries and other benefits	36.5	28.3
Bonuses	15.4	17.9
Retirement benefit scheme contributions	1.1	1.1
Share-based payments	21.3	17.7
	75.8	66.2

The remuneration of Directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

45. EVENTS AFTER THE BALANCE SHEET DATE

On 31 March 2009, the Company announced that it has made an approach to CCP, which may or may not lead to an offer being made by the Company for CCP. A further announcement will be made by the Company as appropriate in due course.

46. 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 2008, 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.

Subsidiaries	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 ##	two quotas of total face value of MOP1,000,000	–	98.34%	Interior decoration, fitting out, design and contracting
Pat Davie (Shanghai) Company Limited	2 ordinary shares of HK$1 each	–	98.34%	Interior decoration, fitting out, design and contracting
Panyu Dynamic Mark Steel and Aluminium Engineering Co. Ltd. **@	Registered and paid up capital HK$4,000,000	–	64%	Steel fabrication

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Subsidiaries	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 Fai Metal Works Engineering Company Limited	10,000 ordinary shares of HK$1 each	–	55%	Sales and installation of wallform and other metal works
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 Plant and 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
Shui On Construction Co., Ltd. **@	Registered and paid up capital RMB50,000,000	–	70%	Building construction and maintenance

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Subsidiaries	Issued and fully paid share capital/registered capital	Percentage of issued share/ registered capital held by the Company Directly	Indirectly	Principal activities
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
Asia Materials Limited	2 ordinary shares of HK$1 each	–	100%	Trading
Glorycrest Holdings Limited *	1 share of US$1	–	100%	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
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
貴州凱里瑞安建材有限公司 **+	Registered and paid up capital HK$150,000,000	–	100%	Manufacture and sale of cement and related construction materials products
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
Brilliance Investments Limited *	1 share of US$1	100%	–	Investment holding
Main Zone Group Limited *	1 share of US$1	100%	–	Investment holding

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Subsidiaries	Issued and fully paid share capital/registered capital	Percentage of issued share/registered capital held by the Company		Principal activities
		Directly	Indirectly	
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%	Provision of management services
Beijing SOCAM Real Estate Consulting Co., Ltd. **+	Registered and paid up capital RMB800,000	–	100%	Provision of consultancy services
Shui On Project Management (China) Limited *	1 share of US$1	–	100%	Investment holding
Trillion Earn Limited	1 ordinary share of HK$1	–	100%	Investment holding
High Spirit Project Management Consultancy Limited	1 ordinary share of HK$1	–	100%	Project management consultancy services
Park Wealth Investments Limited *	1 share of US$1	100%	–	Investment holding
Poly Edge Enterprises Limited *	1 share of US$1	100%	–	Investment holding
Max Clear Holdings Limited *	1 share of US$1	100%	–	Provision of management services
Dalian Zhong Hui Construction Materials Co., Ltd. **+	Registered capital US$32,000,000 and paid up capital US$6,400,000	–	100%	Wholesale of construction materials
Dalian Jiasheng Science & Technology Development Co., Ltd. **+	Registered capital US$6,000,000 and paid up capital US$1,200,000	–	100%	Software and hardware development and technical consultancy services
Rise Huge International Limited *	1 share of US$1	100%	–	Investment holding

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Subsidiaries	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)				
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
Prelude Group Limited *	2,000 shares of US$1 each	–	100%	Investment holding
Chongqing TH Holding Management Company Limited **+	Registered capital RMB291,460,000 and paid up capital RMB91,460,000	–	100%	Exploration and management of investment projects
Chongqing T.H. White Cement Co. Ltd. **@	Registered and paid up capital US$1,506,000	–	60%	Manufacture and sale of cement
Chongqing Yugang Foreign Investment Consulting Limited **+	Registered and paid up capital RMB800,000	–	100%	Provision of investment consultation

* 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
\+ Wholly-foreign owned enterprises
@ Equity joint venture

None of the subsidiaries had any debt securities subsisting at 31 December 2008 or at any time during the year.

47. 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 2008. 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	
Super Race Limited	420,000 ordinary shares of HK$1 each	50%	Supply of sink units and cooking benches	
鶴山超合預制件有限公司 **@	Registered capital US$1,284,600 and paid up capital US$484,600	50%	Manufacture of sink units and cooking benches	1
Cement operations				
Beijing Chinefarge Cement Co., Ltd. **@	Registered and paid up capital RMB315,000,000	29.25%	Production and sales of cement and cement related products	
Beijing Shunfa Lafarge Cement Co., Ltd. **@	Registered and paid up capital RMB150,000,000	31.5%	Production and sales of cement and cement related products	
Beijing Yicheng Lafarge Concrete Co., Ltd. **@	Registered and paid up capital RMB30,340,000	34.52%	Production and sales of concrete	
Chongqing TH New Building Materials Co., Ltd. **@	Registered and paid up capital RMB41,500,000	33.75%	Production and sales of cement and cement related products	
Chongqing TH Diwei Cement Co., Ltd. **@	Registered and paid up capital RMB61,680,000	36%	Production and sales of cement and cement related products	
Chongqing TH Fuling Cement Co., Ltd. **	Registered and paid up capital RMB44,000,000	45%	Production and sales of cement and cement related products	

47. 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 Special Cement Co., Ltd. **@	Registered and paid up capital RMB210,000,000	36%	Production and sales of cement and cement related products	
Guangan TH Cement Co., Ltd. **	Registered and paid up capital RMB110,000,000	45%	Production and sales of cement and cement related products	
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 RMB129,777,699	40.5%	Production and sales of cement and cement related products	
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
貴州六礦瑞安水泥有限公司 **@	Registered and paid up capital RMB110,000,000	30%	Manufacture and sale of cement	
Guizhou Shuicheng Shui On Cement Co., Ltd. **@	Registered and paid up capital RMB200,000,000	31.5%	Production and sales of cement and cement related products	
Guizhou Yuqing Shui On Cement Co., Ltd. **@	Registered and paid up capital RMB20,000,000	80%	Manufacture and sale of cement	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
Lafarge Chongqing Cement Co., Ltd. **@	Registered and paid up capital RMB340,000,000	31.77%	Production and sales of cement and cement related products	
Lafarge Dujiangyan Cement Co., Ltd. **@	Registered and paid up capital RMB856,839,300	33.75%	Production and sales of cement and cement related products	

47. 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)				
Nanchong T.H. Cement Co., Ltd. **	Registered and paid up capital RMB15,000,000	45%	Manufacture and sale of cement	
Lafarge Shui On Cement Limited	2,057,998 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
Panzhihua Jinsha Cement Co., Ltd. **	Registered and paid up capital RMB10,000,000	36%	Production and sales of cement and cement related products	
Yunnan Shui On Construction Materials Investment Holding Co., Ltd. **@	Registered and paid up capital RMB1,000,000,000	36%	Investment holding	
Yunnan State Assets Cement Chuxiong Co., Ltd. **	Registered and paid up capital RMB32,696,363	36%	Production and sales of cement and cement related products	
Yunnan State Assets Cement Dongjun Co., Ltd. **	Registered and paid up capital RMB260,000,000	36%	Production and sales of cement and cement related products	
Yunnan State Assets Cement Haikou Co., Ltd **	Registered and paid up capital RMB54,556,806	36%	Production and sales of cement and cement related products	
Yunan State Assets Cement Honghe Co., Ltd. **	Registered and paid up capital RMB263,785,829	36%	Production and sales of cement and cement related products	
Yunnan State Assets Cement Jianchuan Co., Ltd. **	Registered and paid up capital RMB122,483,913	36%	Production and sales of cement and cement related products	
Yunan State Assets Cement Kunming Co., Ltd. **	Registered and paid up capital RMB130,375,098	36%	Production and sales of cement and cement related products	

47. 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 *	100 shares of US$1 each	40%	Investment holding	
Orient Home Chengdu Jinniu Zhiye Co., Ltd. **@	Registered and paid up capital RMB300,000,000	24.5%	Property development	
瀋陽中匯達房地產有限公司 **	Registered and paid up capital US$149,400,000	40%	Property development	
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 #	5,229 participating shares of US$0.01 each	58.5%	Venture capital investments	2

* Incorporated in the British Virgin Islands

** Registered and operated in other regions of the PRC

\# 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 boards of directors of these entities are jointly controlled by the Group and other investors. Accordingly, the Directors consider they are jointly controlled entities.

48. 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 2008.

Indirect associates	Issued and paid up share capital/ registered capital	Effective percentage of issued share/ registered capital held by the Group	Principal activities
Richcoast Group Limited *	780 shares of US$1 each	28.2%	Investment holding
Dalian Qiantong Science & Technology Development Co., Ltd. **@	RMB800,000,000	22%	Software development
Dalian Ruisheng Software Development Co., Ltd. **@	RMB800,000,000	22%	Software development
Dalian Delan Software Development Co., Ltd. **@	RMB300,000,000	22%	Software development
Dalian Jiadao Science & Technology Development Co., Ltd. **@	RMB300,000,000	22%	Software development
大連軟件園瑞安發展有限公司 **	RMB600,000,000	22%	Software development
大連軟件園瑞安開發有限公司 **	RMB600,000,000	22%	Software development
China Central Properties Limited ^	281,193,011 shares of GBP0.01 each	42.88%	Investment holding
Dalian Shengyuan Real Estate Consulting Co., Ltd. **	RMB50,000,000	42.88%	Investment holding
北京億達房地產開發有限公司 **	RMB30,000,000	42.88%	Property development
Chengdu Shui On Huiyuan Property Co., Ltd. **	USD6,000,000	42.88%	Property development
Chengdu Shui On Huida Property Co., Ltd. **	RMB650,000,000	42.88%	Property development
Chongqing Fengde Land Limited **	USD40,000,000	42.88%	Investment holding

48. 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
重慶豐德尊鼎實業有限公司 **	RMB10,000,000	42.88%	Property development
重慶豐德南洋實業有限公司 **	RMB10,000,000	42.88%	Property development
重慶豐德豪門實業有限公司 **	RMB10,000,000	42.88%	Property development
Chongqing Hui Zheng Properties Co., Ltd. **	USD75,000,000	42.88%	Property development
Qingdao Zhongcheng Yinchu Development Co., Ltd. **	HK$400,000,000	42.88%	Property development
Shengyang Hua Hui Properties Co. Ltd. **	USD40,000,000	30.02%	Property development

* Incorporated in the British Virgin Islands

** Registered and operated in other regions of the PRC

^ Incorporated in Isle of Man

@ Equity joint venture

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 2008 are as follows:

Location	Use	Approximate floor area *(square metres)*	Lease term	Group's interest
(A) PROPERTIES UNDER DEVELOPMENT FOR SALE				
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	3,326	Medium	100%

GROUP FINANCIAL SUMMARY

1. RESULTS

	Year ended 31 March		Nine months ended 31 December	Year ended 31 December	
	2005	2006	2006	2007	2008
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Turnover	1,882.9	1,400.2	1,680.4	2,810.5	**2,944.3**
Profit before taxation	545.4	364.2	636.2	715.6	**584.7**
Taxation	(1.2)	(7.6)	(7.7)	(11.3)	**(15.6)**
Profit from continuing operations	544.2	356.6	628.5	704.3	**569.1**
Loss from discontinued operations	(59.6)	(5.2)	(6.1)	–	**–**
Profit for the year/period	484.6	351.4	622.4	704.3	**569.1**
Attributable to:					
Equity holders of the Company	481.9	314.8	602.1	702.0	**562.4**
Minority interests	2.7	36.6	20.3	2.3	**6.7**
	484.6	351.4	622.4	704.3	**569.1**

2. ASSETS AND LIABILITIES

	At 31 March		At 31 December		
	2005	2006	2006	2007	2008
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Total assets	3,987.1	5,982.5	10,345.8	13,299.7	**11,536.1**
Total liabilities	(2,014.8)	(3,561.4)	(5,129.7)	(6,004.4)	**(6,481.8)**
	1,972.3	2,421.1	5,216.1	7,295.3	**5,054.3**
Equity attributable to equity holders of the Company	1,943.2	2,322.6	5,163.9	7,241.6	**4,999.2**
Minority interests	29.1	98.5	52.2	53.7	**55.1**
	1,972.3	2,421.1	5,216.1	7,295.3	**5,054.3**

CORPORATE INFORMATION

BOARD

Executive Directors

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

Non-executive Director

Professor Michael Enright

Independent Non-executive Directors

Mr. Anthony Griffiths
Mr. Gerrit de Nys
Ms. Li Hoi Lun, Helen

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. Lo Hong Sui, Vincent (Chairman)
Mr. Wong Yuet Leung, Frankie
Professor Michael Enright
Mr. Anthony Griffiths
Mr. Gerrit de Nys
Ms. Li Hoi Lun, Helen

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

Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
CITIC Ka Wah Bank Limited
BNP Paribas

STOCK CODE

983

WEBSITE

www.socam.com

Concept and Design by TdA (www.tda.com.hk)

The FSC logo identifies product group from well-managed forests and other controlled sources in accordance with the rules of the Forest Stewardship Council.

Printed on chemistry free plate system and soy ink.

瑞 安 建 業 有 限 公 司

SHUI ON CONSTRUCTION AND MATERIALS LIMITED

(Incorporated in Bermuda with limited liability)

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