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

BUILDING ON OUR STRENGTHS AND TRACK RECORD

SCALING NEW HEIGHTS

乘勢待時創高峰

2010
Interim Report 中期報告

Stock Code 股份代號：00983

OUR BUSINESS STRATEGY, OUR VISION

Listed on the Hong Kong Stock Exchange in February 1997, Shui On Construction and Materials Limited (SOCAM) (HKSE Stock Code: 00983) is principally engaged in property, cement and construction businesses. Our operations cover strategic areas and major cities in the Chinese Mainland, Hong Kong and Macau.

SOCAM's property business mainly focuses on the acquisition and development of distressed and special situation property projects in prime locations of major Mainland cities. We also have longer term interests in a knowledge community project in Dalian that will become an integrated hub for IT multinationals and Chinese software companies.

The Group has a 45% interest in Lafarge Shui On Cement (LSOC), a joint venture with Lafarge, a world leader in building materials. A pioneer in energy efficiency and ecological awareness, LSOC is the market leader in Southwest China on the strength of its leading production technology, sustainable processes and quality products.

Our construction business, upon which the Shui On Group was founded some 40 years ago, has built up a strong and enviable track record in Hong Kong and Macau, and expanded operations in the Chinese Mainland as it supports the Group's property projects.

SOCAM is visionary in its planning and precise in its moves. Our principal profit drivers — property development and cement production in China — are built on solid business models seeking to capitalise on, and contribute to, one of the world's fastest growing economies. We continue to explore yet more unique opportunities to create value and returns for our shareholders.

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SOCAM AT A GLANCE

PROPERTY

- Distressed and Special Situation Property Development
- Knowledge Community Project
- Investment in Shui On Land

CEMENT

- Lafarge Shui On Cement
- Guizhou Operations
- Nanjing Operation

CONSTRUCTION AND OTHERS

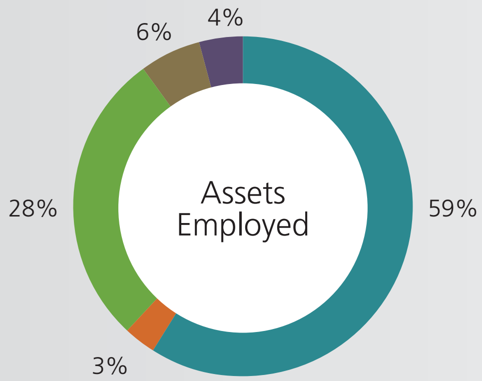
- Public Housing
- Commercial, Residential and Institutional Buildings
- Interior Fitting Out and Building Renovation
- Maintenance
- Venture Capital

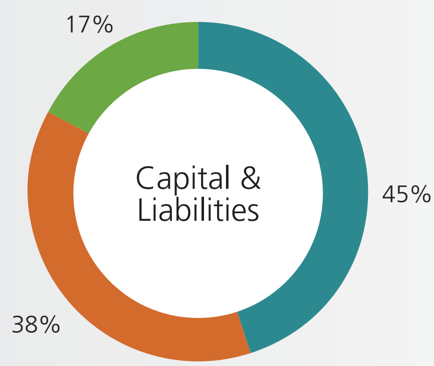

Shenyang
Beijing
Dalian
Nanjing
Sichuan
Chengdu
Shanghai
Chongqing
Wuhan
Guizhou
Guangzhou
Yunnan
Foshan
Hong Kong
Macau

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2010	2009
Turnover	**HK$2,989 million**	HK$1,514 million
Profit attributable to shareholders	**HK$517 million**	HK$787 million
Basic earnings per share	**HK$1.06**	HK$2.36
Interim dividend per share	**HK$0.20**	HK$0.10

	At 30 June 2010	At 31 December 2009
Total assets	**HK$19.1 billion**	HK$18.6 billion
Net assets	**HK$8.6 billion**	HK$9.0 billion
Net asset value per share	**HK$17.62**	HK$18.45





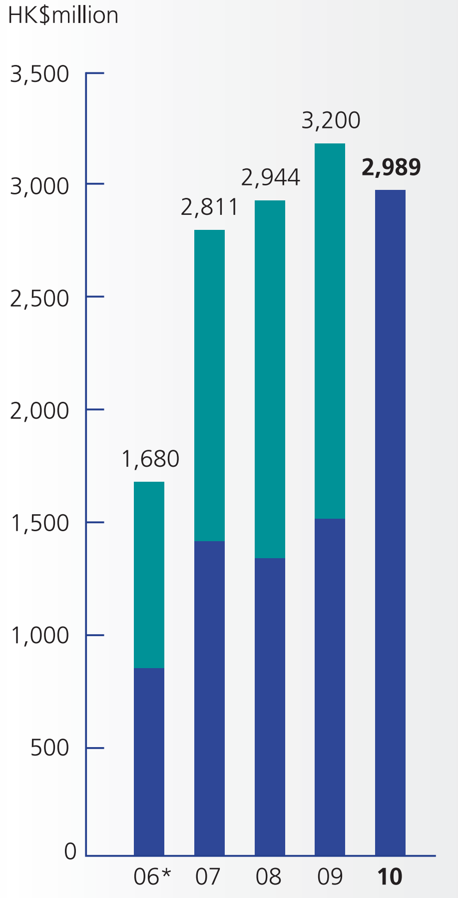
At 30 June 2010

- Property
- Investment in Shui On Land
- Cement
- Construction
- Venture capital & others

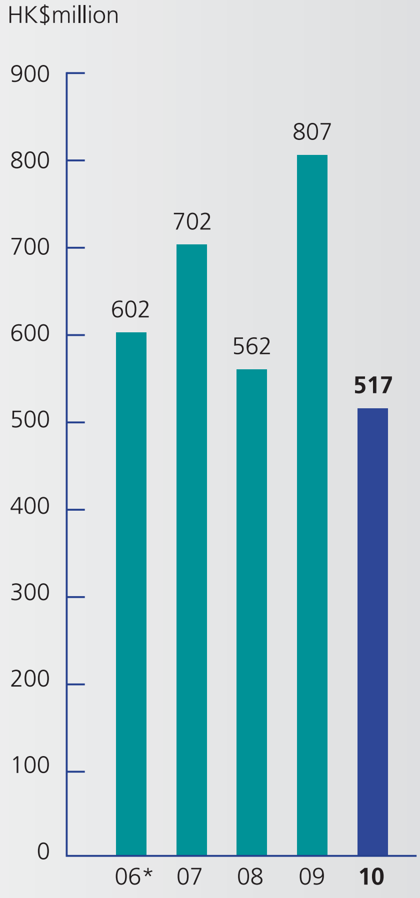
At 30 June 2010

- Capital and reserves
- Bank borrowings
- Other liabilities

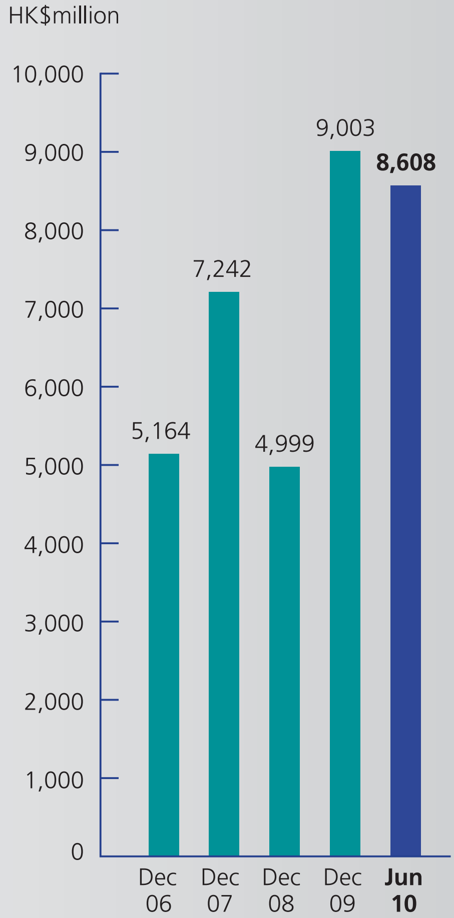
Turnover



Profit attributable to shareholders of the Company



Equity attributable to shareholders of the Company



Annual / Nine-month period*

Interim

BUSINESS HIGHLIGHTS

PROPERTY

- The Group's portfolio of prime distressed and special situation projects continued to produce meaningful cash flows and profits, as they are progressively disposed of according to plan, which underscores the quick asset turnover model.
- Dalian Tiandi, a visionary knowledge community project in Northeast China, has made good progress with its construction of 547,000 square metres of software offices, residential blocks and commercial premises. A number of international IT corporations have signed leases and started to move in.

CEMENT

- Lafarge Shui On Cement maintained good sales volume on sustained demand in Southwest China and saw strong rebound in prices in Yunnan. Profitability was however lower due to considerable price pressure in Sichuan and Chongqing amid intense competition and upsurge in energy costs.
- The three new plants in Sichuan, Chongqing and Guizhou, when commissioned in the third quarter, will boost Lafarge Shui On Cement's annual production capacity to 30 million tonnes, and further strengthen its leadership position in Southwest China.

CONSTRUCTION

- The Group's construction business recorded increased turnover and profits due to expanded workload in Hong Kong and the Mainland.

China will emerge as the second largest economy of the world, from which the Group is poised to benefit

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS

The Group's turnover was HK$2,989 million for the six months ended 30 June 2010, a 97% increase from the interim period of 2009. Consolidated profit after taxation and non-controlling interests was HK$517 million, a 34% decrease compared to the same period last year. An analysis of the results is set out in the Financial Review section of this report.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK$0.20 per share (2009: HK$0.10 per share) to shareholders whose names appear on the register of members of the Company on Friday, 24 September 2010. The interim dividend will be paid on Wednesday, 6 October 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 21 September 2010 to Friday, 24 September 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all completed share transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Monday, 20 September 2010.

ACKNOWLEDGEMENT

In May, Mr. Anthony Griffiths, Independent Non-executive Director, and Professor Michael Enright, Non-executive Director, retired by rotation. We thank them for their valuable contributions to the Group over the past years.

Chengdu Orient Home

Shenyang Project

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of 2010, global economic recovery continued but only at a very slow rate. Despite concerns over a "double dip" recession appearing to recede, international financial institutions and investors have chosen to adopt a primarily risk averse position. While the US economy is still facing numerous uncertainties, the sovereign debt crisis in the Euro zone did not significantly subside following the bailout plan of the International Monetary Fund and European Central Bank in May. Confidence in a faster paced recovery remains sparse under prevailing global economic conditions.

Against this background, China's GDP grew 11.1% over the same first half of last year. However, expectation is looming on a slowdown in the months ahead, with projected 2010 growth of 9.5%. The broad-range tightening measures implemented by Central Government to curb the overheated property market following fiscal stimulus and the colossal injection of liquidity in 2009 are undoubtedly necessary to ensure stable and sustainable economic development in the Mainland over the longer-term.

Property prices in 70 Mainland cities surged by a record year-on-year 11.7% in March, precipitating macro-economic policies to crack down on speculation and bring in tighter bank lending policy. Although property prices have only shown the first signs of downward adjustment in the third quarter, significant decrease in transaction volume was seen.

With this market consolidation, the likelihood of some of the more ambitious and speculative property projects becoming under-capitalised increases, which will generate attractive opportunities for the Group in the second half. Negotiations in the first half have mostly been on special situation assets in first tier cities, the majority of which were related to projects of international investors having to exit the China market due to changed circumstances.

At the end of June 2010, property business accounted for approximately 59% of SOCAM's total assets, up from 52% in December 2009.

During the first half of 2010, the Group proceeded with the planned divestment of non-core assets and investments, and disposed of 6.3% of the issued share capital of Shui On Land (SOL) to the controlling shareholder of the Company, realising a net profit of HK$373 million. By unlocking value in this passive investment, approximately HK$1.08 billion in cash was generated for repayment of bank loans and for capturing opportunities on distressed and special situation properties.

PROPERTY

The Group is currently developing 12 properties in six major cities, namely Beijing, Shanghai, Chongqing, Chengdu, Guangzhou and Shenyang, and maintains a diverse property portfolio.

With strong project execution capabilities, SOCAM is also driving the rapid development of Dalian Tiandi, a visionary knowledge community project.

DISTRESSED AND SPECIAL SITUATION PROJECTS

The focus of SOCAM's property business continued to be the acquisition and development of distressed and special situation projects in prime locations of major Mainland cities.

The Group is currently developing 12 properties in six major cities, namely Beijing, Shanghai, Chongqing, Chengdu, Guangzhou and Shenyang, and maintains a diverse property portfolio comprising approximately 1.9 million square metres of developable gross floor area (GFA) attributable to the Group. These projects will provide the Group with a stable stream of profits upon their completion over the next few years.

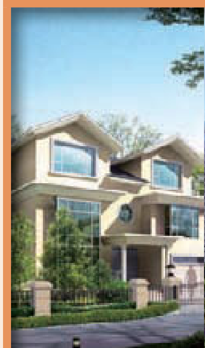
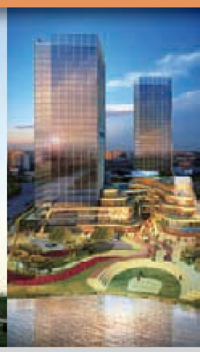
The Group's total attributable developable GFA, excluding that of the knowledge community project in Dalian, at 30 June 2010 is summarised below:

PROPERTY SALES

The Group's pre-sale activities focused primarily on Shenyang Project Phase I and Chongqing Creative Concepts Center. These two projects, offering more than 800 residential units in total, were well received by the market. The Chongqing Danlong Road project and the serviced apartments of Chengdu Central Point Phase I were also disposed of.

Chongqing Creative Concepts Center

Gross floor area: 86,000 square metres
Usage: Composite
Comprising a 24-storey residential tower and a 9-level retail and office podium, the development occupies a prime location close to Jiefangbei Square. With its excellent location, Creative Concepts Center attracted good market response with 28,900 square metres GFA of residential and office units sold up to the end of July 2010 since pre-sale was launched in September

	BEIJING		CHENGDU		CHONGQING	
						
Project	Fengqiao Villas	Chaoyang Project	Central Point Phase II	Orient Home	Creative Concepts Center	Haomen Building
Total Attributable Developable GFA (square metres)	76,000	30,300*	56,000	474,000	86,000	13,000
Property Type	Residential	Residential	Composite	Composite	Composite	Commercial
Estimated Completion Year	2010	2011	2010	2013	2010	**

* The Group has a 52.5% and 80% interest in Beijing Chaoyang Project and Shenyang Project Phase II respectively. The GFAs shown are the effective share attributable to the Group
** To be sold in its existing condition in 2010

2009. This represents approximately 85% of the residential portion of this project. Leasing of retail space is in progress with 1,094 square metres GFA let out.

Shenyang Project Phase I

Gross floor area: 281,200 square metres
Usage: Composite
Shenyang Project Phase I complex rises at the north end of the prestigious Golden Corridor and has two residential buildings, a serviced apartment tower and an office tower, complemented by a 4-storey podium. The project achieved encouraging results following the sales launch of its residential units in the third quarter of 2009, and the units of the first batch of 32,400 square metres GFA on offer have been totally pre-sold. The project is set for completion in 2012.

This innovative and environmental-friendly development was awarded a pre-certificate of Leadership in Energy and Environmental Design (LEED) in March 2010 by the US Green Building Council.

Chongqing Danlong Road Project

Gross floor area: 149,000 square metres
Usage: Residential and Retail
The Group completed, in May 2010, the disposal of the 29,000 square metres plot of residential land located at Danlong Road in Chongqing. The project was sold at a consideration of RMB180 million, slightly above its appraised market value.

CHONGQING		GUANGZHOU	SHANGHAI	SHENYANG	
Nanyang Building	Qianxinian Building	Parc Oasis (formerly known as Chuangyi Centre)	Lakeville Regency Tower 18	Shenyang Project Phase I	Shenyang Project Phase II
32,000	35,000	112,000	16,800	281,200	640,700*
Residential and retail	Commercial and office	Residential	Residential	Composite	Composite
2011	2010	2011	Completed	2012	2016

TOTAL GFA: 1,853,000 square metres

Chengdu Central Point

Gross floor area: 118,000 square metres
Usage: Composite
Located on Ren Min Road South, the new central business district of Chengdu, the two commercial towers of Central Point have become a landmark at a prime location. Its luxurious serviced apartments and office units, with a total GFA of approximately 118,000 square metres, meet the area's increasing demand for quality mixed-use developments.

The Group disposed of the serviced apartments in Phase I of this project in March 2010 for RMB488 million. The popular grade-A office building in Phase II with 56,000 square metres GFA has also attracted prospective buyers.

PROPERTY ACQUISITION

Shanghai Lakeville Regency Tower 18

Gross floor area: 16,800 square metres
Usage: Serviced apartments
The Group acquired Lakeville Regency Tower 18 in January 2010, bringing into its portfolio a luxury residential building with a GFA of approximately 16,800 square metres in the heart of Shanghai. This completed development, in the prestigious Luwan area with panoramic views of the neighbourhood of Shanghai Xintiandi, comprises 103 top-tier serviced apartment units. With the buoyant rental market in China's financial capital, the Tower has attained an average occupancy rate of over 85%, generating stable recurrent rental income to the Group during the period.

PROPERTIES UNDER DEVELOPMENT

Construction work was generally on schedule on projects in the Group's property portfolio.

Beijing Chaoyang Project

Gross floor area: 57,700 square metres
Usage: Residential
This landmark site is located in the prestigious Chaoyang District of Beijing and will deliver four blocks of 19-level prime residential towers when completed in 2011. With a GFA of 57,700 square metres, the project offers over 200 prime apartments with supporting facilities. The Group holds a 52.5% interest in the project. Preparation for pre-sale activities in the second quarter of 2011 is underway.

Chongqing Creative Concepts Center

Guangzhou Parc Oasis (formerly known as Chuangyi Centre)

Gross floor area: 112,000 square metres
Usage: Residential
Parc Oasis comprises three residential towers of 35 storeys and one serviced apartment tower of 31 storeys, with ample underground parking spaces. Targeting a niche market segment, this project will be positioned as a luxury residential complex in Tianhe District, in the heart of Guangzhou's upmarket area. The project is targeted for completion in 2011.

Shenyang Project Phase II

Gross floor area: 800,800 square metres
Usage: Composite
The project forms a mixed-use development in the Golden Corridor in Huanggu District, which is emerging as the commercial hub of Shenyang, the largest city in Northeast China by urban population. The development is planned to include upscale residential premises, a hotel, serviced apartments, modern office space and a shopping mall. The Group holds an 80% interest in Phase II, with completion expected in 2016.

Software offices, Dalian Tiandi

KNOWLEDGE COMMUNITY

In addition to distressed and special situation projects, SOCAM, together with its affiliated company, SOL, has put a strategic focus on Dalian Tiandi, a visionary knowledge community project in the burgeoning coastal city of Dalian in Northeast China. SOCAM, with strong project execution capabilities, is driving the rapid development of this project. The total developable GFA of approximately 3.3 million square metres comprises:

Office	Retail	Residential	Hotel / serviced apartment	Carpark and other facilities	Total GFA
1,332,000	605,000	1,183,000	91,000	109,000	3,320,000

This significant development is situated at the midpoint of the South Lvshun Road Software Industry Belt, and extends across 10 kilometres. The completed project is envisioned as a modern software hub of high-tech offices, residential apartments and villas, educational centres, extensive malls as well as outdoor recreation and environmental facilities and public amenities. The whole Dalian Tiandi development is set to complete in phases with final completion by 2020.

Very good progress has been made in accordance with its master development plan.

The construction of two software offices, with total GFA of 56,000 square metres including carparks and other facilities, was completed during the period and they are now available for lease. A clubhouse with a total GFA of 11,000 square metres is expected to be completed in the third quarter of 2010. Two other software offices with an aggregate planned GFA of 62,000 square metres, three engineers' apartment blocks with a total GFA of 48,000 square metres, educational centres with a total GFA of 117,000 square metres and the commercial properties at IT Tiandi with a total GFA of 94,000 square metres are expected for delivery progressively from the fourth quarter of 2010. In addition, the construction of Greenville, a residential development with 159,000 square metres GFA, is now underway.

In June, a downtown residential sales office was opened; sales activity of Phase I of Greenville, comprising 600 units of residential apartments and 192 villas, is set for launch in the third quarter of 2010 and is expected to be met with strong market demand. In the same month, an agreement was signed with Dalian Metro Development Company for the joint development of a metro terminal in Hekou Bay, the project's cosmopolitan residential and commercial area by the sea. This feature will bring added convenience and further enhance accessibility to the place, which the project is poised to benefit.

Advanced marketing and leasing activities of the software offices have already attracted a number of major corporations in the international IT industry to set up operations there. The software offices are fully equipped with canteens, convenience stores and ATMs, with shuttle buses connecting to the city centre. Occupation permits were issued, and various tenants have signed tenancy agreements, with IBM already moved in.

The project is set to become a unique community also because of its pioneering green and eco-friendly features which provide advanced environmental protection. The low carbon park, which is scheduled to open in the third quarter of 2010, will be among many other innovative structures and facilities to meet stringent standards of sustainable living.

Dalian Tiandi is jointly developed by SOL, SOCAM and Yida Group. The Group has a 22% interest in the project, and is responsible for project management, quality assurance and sales and marketing. This landmark development is expected to contribute substantial and sustainable earnings over the long term, and will be the blueprint for future knowledge community projects currently under contemplation by the Group.

INVESTMENT IN SOL

On 29 June 2010, the Group completed the disposal of approximately 6.3% of the issued share capital of SOL to the controlling shareholder of the Company for a cash consideration of HK$1.08 billion. The proceeds from the disposal were used to repay the Group's short-term bank borrowings, which reduced the gearing level of the Group. This allows SOCAM to expand its property business at a more rapid rate and create attractive returns for shareholders.

Luxurious villas in Greenville, Dalian Tiandi

Residential apartments in Greenville, Dalian Tiandi

CEMENT

Total annual production capacity of Lafarge Shui On Cement stayed at approximately 24 million tonnes during the interim period, with an additional seven million tonnes due for commissioning in the second half of 2010.

CEMENT

China's cement production showed a 17.5% year-on-year increase in the first half of 2010, with output in June hitting a record high. The rising demand for high-quality cement spanned across the country as urbanisation and massive infrastructure development, including the rapid expansion of the transport network, continued apace. However, new production capacities coming on stream and intensifying competition in certain areas, including Sichuan and Chongqing in which Lafarge Shui On Cement (LSOC) is operating, have caused cement prices to retreat markedly in this first half.

The Central Government stepped up its initiatives to restructure and modernise the cement industry by phasing out inefficient and high-polluting plants and encourage market consolidation. By 2015, China plans to eliminate all the backward cement facilities, and the aggregate output of the top 10 cement producers is expected to account for 35% of the country's total. When the industry consolidates and becomes more mature, cement prices will be less susceptible to short-term, localised fluctuations.

Going forward, leading cement producers in the Mainland, including LSOC, will achieve greater efficiency and sustaining market share, while benefiting from reduced competition and stable pricing.

LSOC

LSOC, in which the Group holds a 45% interest, remains the cement market leader in Southwest China with a major presence in Sichuan, Chongqing and Yunnan. Total annual production capacity stayed at approximately 24 million tonnes during the interim period, with an additional seven million tonnes due for commissioning in the second half of 2010.

Total sales volume was approximately 11 million tonnes in the first half of 2010, the same level as that in the previous interim period. Good market demand, despite keen competition, coupled with the high utilisation and operational reliability of LSOC's plants, resulted in stable production and sales volumes. The severe drought in Southwest China, particularly Yunnan, in the first quarter, did not bring about major disruption to the production activities of LSOC.

The above-national average cement prices in the Southwest region resulting from sustained and strong market demand in the past few years and anticipation of massive post-quake rebuilding works in Sichuan have attracted considerable investment in new capacities and intensified competition. LSOC's operations in Sichuan and Chongqing experienced tremendous pressure in the second quarter primarily due to

Urbanisation and massive infrastructure development across China drive demand for high-quality cement

LSOC pioneers emissions reduction, quarry rehabilitation and the development of alternative fuels

An environmentally friendly LSOC cement plant in the Chinese Mainland

new capacities coming onto the market with reduced pricing to seize market share. However, cement prices in Yunnan staged a marked recovery from last year as the severe drought in Southwest China caused restriction of power supply that disrupted cement production of weaker players and lowered market supply.

The increase in the prices of coal and power since early this year added further pressure on gross profit margin, despite the implementation of various cost saving initiatives to lower energy consumption and contain the rise in other production cost. The recent easing in the prices of coal and power should help stabilise profit margin in the second half of the year.

The construction of the third line in Dujiangyan, Sichuan and the new dry kilns in Yongchuan, Chongqing and Sancha, Guizhou experienced slight delay, with production expected to commence in the third quarter of 2010. This additional capacity of about seven million tonnes per annum will further strengthen LSOC's leadership position in Southwest China.

The proposed injection by LSOC of its 50% interest in the Dujiangyan plants into Sichuan Shuangma Cement for new shares issued by Shuangma received the approval of the National Development and Reform Commission in April. Final approval from the China Securities Regulatory Commission is being sought and LSOC aims to obtain it before the end of this year. This asset injection, upon completion, will further consolidate LSOC's market position in Sichuan. In addition, LSOC will actively pursue acquisition opportunities to ride on market consolidation and boost its market share and dominance.

In February, LSOC entered into an agreement for the disposal of its minor cement and concrete operations in Beijing, which possess aggregate annual production capacities of one million tonnes of cement and 300,000 m^3 of concrete. This divestment is in line with LSOC's strategy to strengthen its operations and leadership position in the Southwest China, and is expected to be completed in the third quarter of this year.

GUIZHOU CEMENT

The total sales volume of the cement plants retained by the Group in Zunyi, Xishui, Kaili, Bijie and Changda rose to about one million tonnes for this interim period, up from 0.7 million tonnes in the same period last year. This increase in sales arose from sustained market demand for cement from building and infrastructure works, coupled with the new dry kiln of 2,500 tonne-per-day capacity in Kaili that commenced production in the last quarter of 2009. Gross profit margins were however hit by the decrease in cement prices, due to intensified competition, and higher coal and power prices.

With LSOC being the flagship of the cement business of both SOCAM and Lafarge in the Chinese Mainland, SOCAM is executing an exit plan for the cement plants it holds. The plants in Zunyi and Bijie ceased production of clinker towards the end of June and now operate as grinding stations to produce cement with purchased clinker, until approvals from relevant local authorities are obtained for the re-development of the plant sites into property projects. Negotiations for the sale of other plants are making headway.

GRINDING PLANT IN NANJING

The grinding plant in Nanjing continued to supply both local customers and markets in Australia. It achieved an improved operating performance on higher sales volume, despite a slight decrease in selling prices and higher purchased clinker cost.

High utilisation and operational reliability make LSOC a leading cement producer in Southwest China

CONSTRUCTION

New contracts totaling HK$1.9 billion were secured. The outstanding value of contracts on hand was HK$6.6 billion at 30 June 2010.

CONSTRUCTION

The new headquarters building of the Hong Kong Customs and Excise Department is set for completion in the third quarter of 2010

The Group's construction business performed steadily during the first half of the year amid keen market competition. It recorded increased profits for this interim period on a 52% increase in turnover to HK$2,177 million compared with the corresponding period last year. New contracts totalling HK$1.9 billion were secured.

At 30 June 2010, the gross value of contracts on hand was approximately HK$11.4 billion and the value of outstanding contracts to be completed was approximately HK$6.6 billion, compared with approximately HK$10.6 billion and HK$6.7 billion respectively at 31 December 2009.

Shui On Construction (SOC) was awarded a project from the Hong Kong Architectural Services Department (ASD) for the construction of the Town Park and Indoor Velodrome-cum Sports Centre in Tseung Kwan O and the design and construction of staff quarters for the Immigration Department in Kwai Chung, valued at approximately HK$1.3 billion in total.

Shui On Building Contractors (SOBC) secured a 4-year contract from CLP Power Hong Kong for refurbishment works at selected substations in Kowloon and the New Territories, valued at HK$120 million.

Major projects completed by SOBC included Eastern Harbour Crossing Site Phase 4 and a district term maintenance contract for the ASD. Good progress was made by SOC on the HK$1 billion design-and-build project – the new headquarters building of the Hong Kong Customs and Excise Department, which is scheduled for completion in the third quarter of this year.

Shui On Construction, Mainland (SOCM) provided construction services for the Chongqing Tiandi, Foshan Lingnan Tiandi and Wuhan Tiandi projects of SOL and the Shenyang Project Phase I, Chongqing Creative Concepts Center, Chengdu Central Point Phase II and Guangzhou Parc Oasis projects during the period. SOCM completed the interior fit-out works on the serviced apartments of Chengdu Central Point Phase I, and secured RMB154 million worth of new contracts, including construction works for Lots A11 and A12, Wuhan Tiandi.

During the period, Pat Davie completed interior fit-out and refurbishment projects for MTR Corporation, major investment banks and an insurance company in Hong Kong, and City of Dreams, MGM and Wynn in Macau.

Pat Davie secured a total of approximately HK$366 million worth of new contracts, of which 65% and 35% by value were in Hong Kong and Macau respectively. Major contracts include the fit-out of office buildings and a health centre and refurbishment of a wet market for The Link in Hong Kong, as well as interior fit-out works on two major casino hotels and a golf clubhouse in Macau. After the period end, Pat Davie was awarded fit-out contracts in Hong Kong with a total value of approximately HK$219 million.

In Hong Kong, the construction division continued to set industry standards with regard to health and safety as well as environmental sensitivity, with certain outstanding green initiatives being regarded as pioneering in the field. Prestigious recognition achieved during this interim period included the Gold Award in Considerate Contractors Site Award Scheme 2009 and the Silver Award in 2009 Hong Kong Awards for Environmental Excellence – Sectoral Awards (Construction Industry).

VENTURE CAPITAL

As the global financial markets were still rife with uncertainty during this interim period, the investment portfolios produced a loss of HK$16 million to the Group due to marked-to-market and impairment losses.

Venture capital investment is considered a non-core operation of the Group and a strategy of orderly exit has been adopted.

The Group is confident that the Mainland economy will continue with its growth momentum

PROSPECTS

While the world economy continued to improve in the first half of 2010, the recovery has been uneven. Encouraging growth prospects are evident for some developing countries, while economic activity has been lacklustre in most of the developed economies despite their governments' strong fiscal stimulus. Conditions for sustained economic growth remain fragile as consumption and investment appetite in many economies are still weak and the employment outlook remains bleak.

In the Chinese Mainland, however, the colossal injection of liquidity in 2009, the broad-based restructuring of the economy and the massive fiscal stimulus programme form the bedrock of sustainable economic growth which is enviable by any standard. The Mainland's projected GDP growth in 2010 of around 9.5% is expected to account for approximately one-third of the global economic growth this year.

The improvement in the Group's financial position during the period allows us to leverage our experience and reputation in the China property market to grow rapidly, particularly in SOCAM's niche segment of distressed and special situation projects. We are also carefully exploring the possibility of expanding the business that would provide the Group with a sustainable and long-term growth path.

The increasing emphasis being placed by the Central Government on the restructuring and modernisation of the cement industry will speed up the market consolidation and emergence of large national producers and substantial regional leaders. LSOC will play an important role in this process in the Southwest region, where it now holds a leading market position.

SOCAM will continue to make good use of its competitive strengths to further develop its core businesses and explore new business opportunities, in support of sustainable and long-term growth which will create greater value and increasing returns for shareholders.

FINANCIAL RESULTS

The Group's profit attributable to shareholders for the six months ended 30 June 2010 was HK$517 million on a turnover of HK$2,989 million, compared with the HK$787 million profit and HK$1,514 million turnover recorded for the corresponding period last year.

The Group's cement operations and venture capital investments are conducted through jointly controlled entities whereas, prior to the privatisation of China Central Properties (CCP) in June 2009, its property business was principally undertaken through associates. Accordingly, the HK$2,989 million turnover for the first half of 2010 has not included the Group's share of the turnover of these jointly controlled entities, but has included the turnover of the property business. An analysis of the total turnover is shown below:

	Six months ended 30 June 2010 HK$ million	Six months ended 30 June 2009 HK$ million
Turnover		
SOCAM and subsidiaries		
Construction and building maintenance	**2,177**	1,428
Property	**809**	81
Others	**3**	5
Total	**2,989**	1,514
Jointly controlled entities and associates		
Cement operations	**1,469**	1,515
Property and others	**1**	17
Total	**1,470**	1,532
Total	**4,459**	3,046

Turnover from construction and building maintenance works increased significantly during the current interim period on the strength of a considerably expanded workload in Hong Kong and the Mainland, with a total of HK$6.7 billion new contracts awarded in 2009 and the first half of 2010. Revenue from the property business during the period mainly came from the disposal of the serviced apartment of Chengdu Central Point and the residential site on Danlong Road in Chongqing, while cement sales dropped slightly due to decrease in selling prices on stable volumes.

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

	Six months ended 30 June 2010 HK$ million	Six months ended 30 June 2009 HK$ million
Property		
Project fee income	**24**	81
Profit from property sales and net rental income	**65**	–
Fair value gain on investment properties	**232**	–
Dalian Tiandi – overheads and interest	**(12)**	(14)
Share of profit of CCP prior to privatisation	**–**	96
Discount on acquisition of interest in CCP	**–**	648
Operating expenses	**(65)**	(61)
	244	750
Investment in SOL		
Dividend income	**52**	4
Net gain on disposal of shares	**373**	–
Gain on scrip option	**4**	–
	429	4
Cement operations		
LSOC	**63**	168
Guizhou cement	**2**	12
Disposal and impairment losses	**(3)**	(9)
	62	171
Construction	**46**	41
Venture capital investments	**(16)**	8
Convertible bonds	**–**	(27)
Net finance costs	**(121)**	(98)
Corporate overheads and others	**(67)**	(47)
Taxation	**(53)**	(12)
Non-controlling interests	**(7)**	(3)
Total	**517**	787

Property

Project fee income decreased substantially to HK$24 million because all fee income earned by the Group from the CCP projects subsequent to CCP becoming a wholly-owned subsidiary of the Group in June 2009 has been eliminated on consolidation.

The profit from property sales in the first half of 2010 came from the disposal of the serviced apartment of Chengdu Central Point and the residential site on Danlong Road in Chongqing, while rental income was derived from the Group's investment properties.

The valuation of Lakeville Regency Tower 18 in Shanghai, which was acquired by the Group in early 2010, and the commercial portion of the properties currently under development in Dalian Tiandi, which will be held as investment properties after completion, at this interim period end, produced a gain of HK$232 million for the Group.

In the last interim period, the HK$648 million gain arose from acquisition of the remaining 57.1% equity interest in CCP not already held by the Group in the privatisation of CCP in June 2009, because the consideration per CCP share paid by the Group to the CCP shareholders was at a discount to the net asset value per CCP share.

Investment in SOL

On 29 June 2010, the Group disposed of approximately 6.3%, out of its holding of 8.7%, of the issued share capital of SOL for HK$1,080 million and recognised a gain on disposal, net of transaction costs, of HK$373 million. This represented realisation of the gains previously taken up directly in reserves in the consolidated balance sheet, when the share price of SOL rose and the Group's holding of SOL shares, being regarded as available-for-sale investments, was marked to market in accordance with applicable accounting standards.

As a result of the decline in SOL's share price during the current interim period, a HK$521 million decrease in fair value on the Group's holding of SOL shares was charged to reserves in the consolidated balance sheet, which comprised:

(a) HK$377 million decrease in fair value on the 6.3% interest in SOL disposed of in June 2010, when the sale consideration was compared with the carrying value of such interest at 31 December 2009; and

(b) HK$144 million decrease in fair value on the remaining 2.4% interest in SOL held by the Group at 30 June 2010, when the market value of such interest on that date was compared with its carrying value at 31 December 2009.

In May 2010, SOL declared a final dividend of HK$0.12 per share (with scrip option) for 2009. The Group was entitled to a cash dividend of HK$52 million with respect to the 8.7% interest in SOL it then held. On 30 June 2010, SOCAM elected to receive 16.5 million scrip shares, in lieu of the cash dividend. Since the scrip shares were issued at a slight discount to the then prevailing market price, the Group recorded a gain of HK$4 million on this scrip option. The scrip shares were allotted by SOL to the Group on 19 July 2010, and the Group's interest in SOL increased marginally to approximately 2.6%.

Cement operations

The Group's 45% share of LSOC's profit decreased to HK$63 million in the first half of 2010, mainly attributable to the decrease in margins driven by lower selling prices on stiff competition and higher coal and power prices, while the production and sales volumes remained stable.

The cement plants in Guizhou retained by the Group also recorded a decline in profit for this interim period, despite an increase in sales volumes, largely because of a decrease in cement prices on intensified competition and increase in energy prices. The government compensations for closure of certain wet kilns reduced the operating losses for the period.

Construction

Construction business reported higher profit on increased turnover for this interim period. Despite this, average net profit margin decreased to 2.1% of turnover, from the 2.9% for the corresponding period last year, largely due to: (a) keener competition of the Hong Kong market; (b) rises in material and labour costs; (c) lower profit margins of Mainland construction works; and (d) less fit-out jobs in Macau that carry better profit margins.

Venture capital

The venture capital funds in which the Group invests posted small marked-to-market losses on the portfolio of listed shares, and provided for impairment loss on a slight decrease in valuation of the fund's interest in a manufacturer of biodegradable materials that achieved below-budgeted profit for the first half of the year.

Net finance costs

Net finance costs increased to HK$121 million for the first half of 2010, from HK$98 million for the same period in 2009, mainly because of the increase in bank borrowings to finance the acquisition of an investment property in early 2010, despite the decrease in interest margins charged by certain banks on the Group's loan facilities.

Taxation

Taxation increased to HK$53 million in this interim period, largely due to the provision for deferred tax on the fair value gains on investment properties.

ASSETS BASE

The total assets and net assets of the Group are summarised as follows:

	30 June 2010 HK$ million	31 December 2009 HK$ million
Total assets	**19,142**	18,641
Net assets	**8,608**	9,003
	HK$	HK$
Net assets per share	**17.6**	18.5

The total assets of the Group increased from HK$18.6 billion at 31 December 2009 to HK$19.1 billion at 30 June 2010. This will be explained in the segmental analysis below.

Both the net assets of the Group and net assets per share decreased slightly, due mainly to the HK$521 million decrease in market value of the Group's shareholding in SOL as a result of the decline in the share price of SOL during the period.

An analysis of the total assets by business segments is set out below:

	30 June 2010 HK$ million	**%**	31 December 2009 HK$ million	%
Property	**11,340**	**59**	9,735	52
Cement	**5,370**	**28**	5,036	27
Construction	**1,178**	**6**	1,059	6
Investment in SOL shares	**459**	**3**	2,004	11
Others	**795**	**4**	807	4
Total	**19,142**	**100**	18,641	100

The value of property assets increased markedly and accounted for 59% of the Group's total assets at 30 June 2010, up from 52% at 31 December 2009, largely due to the acquisition of an investment property and additional construction costs incurred in existing property projects, while cement and construction operations saw slight increases in asset values and stable proportions of total assets. The value of the Group's investment in SOL shares dropped substantially because of the partial disposal in June 2010 and decline in the share price of SOL during the period.

EQUITY, FINANCING AND GEARING

The shareholders' equity of the Company decreased slightly from HK$9,003 million on 31 December 2009 to HK$8,608 million on 30 June 2010. This was largely brought about by the HK$521 million decrease in the Investment Revaluation Reserve as a result of the drop in market value of the Group's shareholding in SOL as mentioned above. The HK$517 million profit for this interim period has not increased the shareholders' equity by the same amount because it included the release of HK$374 million gain from the Investment Revaluation Reserve upon disposal of SOL shares in June 2010.

Net bank borrowings of the Group, which represented bank borrowings, net of bank balances, deposits and cash, amounted to HK$5,179 million on 30 June 2010. This compared with HK$4,796 million on 31 December 2009. The increase in net bank borrowings during the period was due to the fact that the Group drew on its credit facilities to finance the acquisition and construction of property development projects, although a total of HK$1,080 million bank loans was repaid out of the proceeds from the disposal of SOL shares in June 2010.

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

	30 June 2010 HK$ million	31 December 2009 HK$ million
Bank borrowings repayable:		
Within one year	**2,274**	4,980
After one year but within two years	**3,425**	940
After two years but within five years	**1,546**	720
Total bank borrowings	**7,245**	6,640
Bank balances, deposits and cash	**(2,066)**	(1,844)
Net bank borrowings	**5,179**	4,796

During the first half of 2010, the Group has improved considerably the maturity profile of its bank borrowings, resulting in significant reduction in the short-term loans. In addition, on 28 June 2010, the Group signed an unsecured HK$1 billion 3-year loan agreement with a syndicate of seven leading international banks. The drawdown of this loan in July has enabled the Group to refinance a substantial portion of the remaining short-term uncommitted credit facilities with a committed loan of longer tenor.

The net gearing ratio of the Group, calculated as net bank borrowings over shareholders' equity, increased to 60% at 30 June 2010, from 53% at 31 December 2009, mainly as a result of the increase in bank borrowings and decrease in shareholders' equity as explained above.

The Group will continue to seek longer term financings, which match more closely its assets portfolio. Subsequent to interim period end, a HK$300 million new term loan of three years was obtained from a bank, and HK$386 million bank loans were renewed for a further one year.

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. 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 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 the continual appreciation of the Renminbi exchange rate in the foreseeable future will have positive effect on the Group's business performance and financial status. Therefore, no hedging against Renminbi exchange risk has been effected. It is the Group's policy not to enter into derivative transactions for speculative purposes.

EMPLOYEES

At 30 June 2010, the number of employees in the Group was approximately 1,140 (31 December 2009: 1,160) in Hong Kong and Macau, and 12,380 (31 December 2009: 13,660) in subsidiaries and jointly controlled entities in the Chinese Mainland. While staff costs are kept stable during the current interim period, 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 talents 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, develop and retain high calibre competent staff.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.
德勤

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 27 to 52, which comprises the condensed consolidated balance sheet of Shui On Construction and Materials Limited and its subsidiaries as of 30 June 2010 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

23 August 2010

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June 2010 HK$ million (unaudited)	2009 HK$ million (unaudited)
Turnover			
The Company and its subsidiaries		**2,989**	1,514
Share of jointly controlled entities/associates		**1,470**	1,532
		4,459	3,046
Group turnover	3	**2,989**	1,514
Other income		**88**	93
Changes in inventories of finished goods, work in progress, contract work in progress and properties held for sale		**(745)**	(1)
Raw materials and consumables used		**(294)**	(278)
Staff costs		**(278)**	(229)
Depreciation and amortisation expenses		**(10)**	(4)
Subcontracting, external labour costs and other expenses		**(1,698)**	(1,025)
Fair value changes on investment properties		**195**	–
Dividend income from available-for-sale investments		**52**	4
Imputed interest expense on convertible bonds issued by the Company	4	**–**	(27)
Interest on bank loans and overdrafts and other borrowing costs	4	**(136)**	(117)
Gain on disposal of available-for-sale investments	9	**373**	–
Impairment loss recognised in respect of interests in jointly controlled entities		**(3)**	(6)
Loss on disposal of interests in jointly controlled entities		**–**	(4)
Discount on acquisition of a subsidiary	17	**–**	648
Share of results of jointly controlled entities		**29**	174
Share of results of associates		**15**	60
Profit before taxation		**577**	802
Taxation	5	**(53)**	(12)
Profit for the period	6	**524**	790
Attributable to:			
Owners of the Company		**517**	787
Non-controlling interests		**7**	3
		524	790
Earnings per share	8		
Basic		**HK$1.06**	HK$2.36
Diluted		**HK$1.06**	HK$2.12

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2010	2009
	HK$ million	HK$ million
	(unaudited)	(unaudited)
Profit for the period	**524**	790
Other comprehensive (expense) income		
(Loss) gain on fair value changes of available-for-sale investments	**(521)**	1,343
Reclassification adjustments for amounts transferred to profit or loss:		
– upon disposal of available-for-sale investments	**(374)**	–
– upon disposal of interests in jointly controlled entities	**–**	(6)
– upon disposal of subsidiaries holding property inventories, net of deferred tax of HK$2 million	**(30)**	–
Exchange differences arising on translation of foreign operations	**106**	37
Revaluation surplus attributable to the Group's previously held interest in CCP (as defined hereinafter), net of deferred tax of HK$32 million	**–**	95
Share of other comprehensive income of associates/jointly controlled entities	**8**	48
Other comprehensive (expense) income for the period	**(811)**	1,517
Total comprehensive (expense) income for the period	**(287)**	2,307
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(294)**	2,304
Non-controlling interests	**7**	3
	(287)	2,307

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2010 HK$ million (unaudited)	31 December 2009 HK$ million (audited)
Non-current Assets			
Investment properties		2,005	622
Property, plant and equipment		58	59
Prepaid lease payments		43	43
Interests in jointly controlled entities		4,360	4,265
Available-for-sale investments	9	459	2,004
Interests in associates		421	332
Club memberships		1	1
Amounts due from jointly controlled entities		1,041	1,008
Amounts due from associates		557	543
Restricted bank deposits		279	–
		9,224	8,877
Current Assets			
Inventories		7	7
Prepaid lease payments		1	1
Properties held for sale		82	634
Properties under development for sale		5,170	4,806
Debtors, deposits and prepayments	10	1,059	948
Amounts due from customers for contract work		311	302
Amounts due from jointly controlled entities		465	437
Amounts due from associates		59	39
Amounts due from related companies		58	39
Taxation recoverable		3	3
Restricted bank deposits		440	299
Bank balances, deposits and cash		1,347	1,545
		9,002	9,060
Assets classified as held for sale	11	916	704
		9,918	9,764

	Notes	30 June 2010 HK$ million (unaudited)	31 December 2009 HK$ million (audited)
Current Liabilities			
Creditors and accrued charges	12	1,318	1,403
Sales deposits received		614	312
Amounts due to customers for contract work		152	124
Amounts due to jointly controlled entities		28	345
Amounts due to a related company		137	–
Amounts due to non-controlling shareholders of subsidiaries		5	6
Taxation payable		46	57
Bank borrowings	13	2,274	4,980
		4,574	7,227
Liabilities associated with assets classified as held for sale	11	525	328
		5,099	7,555
Net Current Assets		4,819	2,209
Total Assets Less Current Liabilities		14,043	11,086
Capital and Reserves			
Share capital	14	489	488
Reserves		8,119	8,515
Equity attributable to owners of the Company		8,608	9,003
Non-controlling interests		50	45
		8,658	9,048
Non-current Liabilities			
Bank borrowings	13	4,971	1,660
Deferred tax liabilities		414	378
		5,385	2,038
		14,043	11,086

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company													
	Share capital HK$ million	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	Non-controlling interests HK$ million	Total Equity HK$ million
At 1 January 2010	488	3,196	501	197	(3)	3,010	3	114	(36)	1,034	499	9,003	45	9,048
Fair value changes of available-for-sale investments	–	–	–	–	–	–	–	–	–	(521)	–	(521)	–	(521)
Exchange differences arising on translation of financial statements of foreign operations	–	–	106	–	–	–	–	–	–	–	–	106	–	106
Disposal of available-for-sale investments	–	–	–	–	–	–	–	–	–	(374)	–	(374)	–	(374)
Disposal of subsidiaries holding property inventories	–	–	(13)	–	–	–	–	–	–	–	(17)	(30)	–	(30)
Share of other comprehensive income of a jointly controlled entity	–	–	–	–	–	–	–	–	–	–	8	8	–	8
Profit for the period	–	–	–	–	–	517	–	–	–	–	–	517	7	524
Total comprehensive income (expense) for the period	–	–	93	–	–	517	–	–	–	(895)	(9)	(294)	7	(287)
Issue of shares upon exercise of share options	1	3	–	–	–	–	–	–	–	–	–	4	–	4
Deemed disposal of interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	(4)	(4)	4	–
Recognition of share-based payments	–	–	–	–	–	–	–	21	–	–	–	21	–	21
Transfer upon exercise/lapse of share options	–	1	–	–	–	10	–	(11)	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	(122)	–	–	–	–	–	(122)	(6)	(128)
At 30 June 2010	489	3,200	594	197	(3)	3,415	3	124	(36)	139	486	8,608	50	8,658

	Attributable to owners of the Company													
	Share capital HK$ million	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	Non-controlling interests HK$ million	Total Equity HK$ million
At 1 January 2009	322	1,430	485	197	(3)	2,252	3	73	(117)	–	357	4,999	55	5,054
Fair value changes of available-for-sale investments	–	–	–	–	–	–	–	–	–	1,343	–	1,343	–	1,343
Exchange differences arising on translation of financial statements of foreign operations	–	–	37	–	–	–	–	–	–	–	–	37	–	37
Revaluation surplus attributable to the Group's previously held interest in CCP, net of deferred tax	–	–	–	–	–	–	–	–	–	–	95	95	–	95
Share of other comprehensive income of associates	–	–	–	–	–	–	–	–	–	–	42	42	–	42
Share of other comprehensive income of a jointly controlled entity	–	–	–	–	–	–	–	–	–	–	6	6	–	6
Disposal of interests in jointly controlled entities	–	–	(6)	–	–	–	–	–	–	–	–	(6)	–	(6)
Profit for the period	–	–	–	–	–	787	–	–	–	–	–	787	3	790
Total comprehensive income for the period	–	–	31	–	–	787	–	–	–	1,343	143	2,304	3	2,307
Issue of shares upon acquisition of a subsidiary	165	1,751	–	–	–	–	–	–	–	–	–	1,916	–	1,916
Issue of shares upon exercise of share options	–	1	–	–	–	–	–	–	–	–	–	1	–	1
Recognition of share-based payments	–	–	–	–	–	–	–	23	–	–	–	23	–	23
Dividends paid	–	–	–	–	–	–	–	–	–	–	–	–	(4)	(4)
Other movements with non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(1)	(1)
At 30 June 2009	487	3,182	516	197	(3)	3,039	3	96	(117)	1,343	500	9,243	53	9,296

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 include (i) an amount of HK$231 million recognised in prior years, which arose when the Group entered into agreements with Shui On Company Limited ("SOCL"), the Company's substantial shareholder, to co-invest in Shui On Land Limited during the year ended 31 March 2005; (ii) an amount of HK$102 million, which represents the Group's share of compensation recognised by Lafarge Shui On Cement Limited in the form of donation in respect of losses in the earthquake in Sichuan during the year ended 31 December 2008; (iii) an amount of HK$42 million recognised during the year ended 31 December 2009, which represents the Group's share of revaluation reserve of a then associate, China Central Properties Limited ("CCP"), arising from an acquisition achieved in stages by CCP; and (iv) an amount of HK$78 million, which represents the revaluation surplus of the Group's 42.88% previously held interest in CCP, recognised upon the acquisition of the remaining 57.12% interest in CCP during the year ended 31 December 2009, net of the amount released during the current period as a result of disposal of property inventories (effected through direct sales or disposal of subsidiaries holding those property inventories).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June 2010 HK$ million (unaudited)	2009 HK$ million (unaudited)
Net cash used in operating activities		
Operating cash flows before movements in working capital	**(34)**	50
Increase in properties under development for sale	**(511)**	–
Movements in other working capital	**47**	(52)
Tax paid	**(27)**	(2)
	(525)	(4)
Net cash from investing activities		
Proceeds from disposal of available-for-sale investments	**1,080**	–
Payment for construction of investment properties	**(86)**	–
Net proceeds from disposal of subsidiaries holding property inventories (note)	**547**	–
Acquisition of investment properties and other assets and liabilities through acquisition of a subsidiary (note 17(A))	**(955)**	–
Increase in restricted bank deposits	**(420)**	–
Acquisition of a subsidiary (note 17(B))	**–**	731
Other investing cash flows	**(32)**	21
	134	752
Net cash from (used in) financing activities		
New bank loans raised	**2,543**	1,034
Repayment of bank loans	**(1,761)**	(1,288)
Interest paid	**(110)**	(87)
Refund of sale deposits received from a jointly controlled entity	**(302)**	–
Dividends paid	**(122)**	–
Increase in liabilities associated with assets held for sale	**30**	170
Other financing cash flows	**(97)**	(35)
	181	(206)
Net (decrease) increase in cash and cash equivalents	**(210)**	542
Cash and cash equivalents at the beginning of the period	**1,551**	619
Effect of foreign exchange rate changes	**13**	–
Cash and cash equivalents at the end of the period	**1,354**	1,161
Analysis of the balances of cash and cash equivalents		
Bank balances, deposits and cash	**1,347**	1,090
Bank balances, deposits and cash included in assets classified as held for sale	**7**	71
	1,354	1,161

Note: During the period ended 30 June 2010, the Group disposed of certain property inventories classified as properties under development for sale and properties held for sale under current assets, through disposals of equity interests in the subsidiaries holding these properties. According to HKAS 7 "Cash Flow Statements", as such disposals were effected through disposals of subsidiaries, the aggregate net cash inflow of approximately HK$547 million arising therefrom was included in cash flows from investing activities, rather than operating activities.

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2009. In the current interim period, the Group has applied, for the first time, a number of new or revised standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial period beginning on 1 January 2010. As described below, the application of these new HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

HKFRS 3 (Revised) "Business Combinations" and HKAS 27 (Revised) "Consolidated and Separate Financial Statements"

The Group applies HKFRS 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for the Group's changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there is no transaction during the current interim period to which HKFRS 3 (Revised) is applicable and the transaction on deemed disposal of interests in a subsidiary to which HKAS 27 (Revised) applies is not significant to the Group, the application of HKFRS 3 (Revised) and HKAS 27 (Revised) and other new and revised HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions to which HKFRS 3 (Revised) and HKAS 27 (Revised) and the consequential amendments to other HKFRSs are applicable.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[2]
HKAS 32 (Amendment)	Classification of Right Issues[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[4]
HKFRS 9	Financial Instruments[5]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[2]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[4]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 January 2011
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

3. SEGMENT INFORMATION

(a) Reportable segment revenue and profit or loss

As disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2009, following the Group's acquisition of CCP, the asset management operation, which was previously grouped under the "Asset management and others" segment in prior interim period, has been included under the "Property" segment. Segment information for prior period has been restated to conform with the current period's presentation.

An analysis of the Group's reportable segment revenue and profit before taxation by operating segment is as follows:

For the six months ended 30 June 2010

		Cement operations				
	Construction and building maintenance HK$ million	Through LSOC# HK$ million	Other cement operations HK$ million	Property HK$ million	Others HK$ million	Total HK$ million
REVENUE						
Sales of goods	–	–	–	770	2	772
Rental income	–	–	–	15	–	15
Revenue from rendering of services	–	–	–	24	1	25
Construction contract revenue	2,177	–	–	–	–	2,177
Revenue from external customers	2,177	–	–	809	3	2,989
Inter-segment revenue	183	–	–	–	–	183
	2,360	–	–	809	3	3,172
Share of jointly controlled entities	1	1,270	199	–	–	1,470
Total segment revenue	2,361	1,270	199	809	3	4,642

Inter-segment revenue is charged at mutually agreed prices.

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

	Construction and building maintenance HK$ million	Through LSOC# HK$ million	Other cement operations HK$ million	Property HK$ million	Others HK$ million	Total HK$ million
RESULTS						
Operating results	46	4	(1)	26	(4)	71
Interest income	2	–	–	13	–	15
Imputed interest income on loans to jointly controlled entities/associates	–	–	–	35	–	35
Fair value changes on investment properties	–	–	–	195	–	195
Dividend income from available-for-sale investments	–	–	–	52	–	52
Impairment loss recognised in respect of interests in jointly controlled entities	–	–	(3)	–	–	(3)
Gain on disposal of available-for-sale investments	–	–	–	373	–	373
Share of results of jointly controlled entities						
Cement operations in						
– LSOC	–	63	–	–	–	63
– Guizhou	–	–	2	–	–	2
Venture capital investments	–	–	–	–	(16)	(16)
Imputed interest expense	–	–	–	(25)	–	(25)
Others	(2)	–	–	7	–	5
						29
Share of results of associates						
Property development	–	–	–	25	–	25
Imputed interest expense	–	–	–	(10)	–	(10)
						15
Reportable segment profit before taxation	46	67	(2)	691	(20)	782

3. SEGMENT INFORMATION (continued)

(a) Reportable segment revenue and profit or loss (continued)

For the six months ended 30 June 2009

	Construction and building maintenance	Cement operations: Through LSOC	Cement operations: Other cement operations	Property	Others	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
REVENUE						
Sales of goods	–	–	–	–	4	4
Revenue from rendering of services	–	–	–	81	1	82
Construction contract revenue	1,428	–	–	–	–	1,428
Revenue from external customers	1,428	–	–	81	5	1,514
Share of jointly controlled entities	2	1,316	199	–	12	1,529
Share of associates	–	–	–	3	–	3
Total segment revenue	1,430	1,316	199	84	17	3,046
RESULTS						
Operating results	41	4	(4)	21	(5)	57
Interest income	1	–	1	16	–	18
Interest income from investment in convertible bonds	–	–	–	11	–	11
Imputed interest income on loans to jointly controlled entities/associates	–	–	–	25	–	25
Dividend income from available-for-sale investments	–	–	–	4	–	4
Impairment loss recognised in respect of interests in jointly controlled entities	–	–	(6)	–	–	(6)
Loss on disposal of interests in jointly controlled entities	–	–	(3)	(1)	–	(4)
Discount on acquisition of a subsidiary	–	–	–	648	–	648
Share of results of jointly controlled entities						
Cement operations in						
– LSOC	–	168	–	–	–	168
– Guizhou	–	–	12	–	–	12
Venture capital investments	–	–	–	–	8	8
Imputed interest expense	–	–	–	(14)	–	(14)
Others	(2)	–	2	–	–	–
						174
Share of results of associates						
Property development	–	–	–	71	–	71
Imputed interest expense	–	–	–	(11)	–	(11)
						60
Reportable segment profit before taxation	40	172	2	770	3	987

3. SEGMENT INFORMATION (continued)

(b) Reportable segment assets and liabilities

An analysis of the Group's reportable segment assets and liabilities by operating segment is as follows:

At 30 June 2010

		Cement operations				
	Construction and building maintenance HK$ million	Through LSOC HK$ million	Other cement operations HK$ million	Property HK$ million	Others HK$ million	Total HK$ million
Reportable segment assets	**1,524**	**3,864**	**1,566**	**11,915**	**1,131**	**20,000**
Reportable segment liabilities	**1,188**	**–**	**1,286**	**3,088**	**105**	**5,667**

At 31 December 2009

		Cement operations				
	Construction and building maintenance HK$ million	Through LSOC HK$ million	Other cement operations HK$ million	Property HK$ million	Others HK$ million	Total HK$ million
Reportable segment assets	1,427	3,726	1,344	11,832	956	19,285
Reportable segment liabilities	1,103	328	832	1,660	148	4,071

(c) Reconciliation of reportable segment revenue, profit or loss, assets and liabilities

	Six months ended 30 June	
	2010 HK$ million	2009 HK$ million
Revenue		
Reportable segment revenue	**4,642**	3,046
Elimination of inter-segment revenue	**(183)**	–
Elimination of share of revenue of jointly controlled entities	**(1,470)**	(1,529)
Elimination of share of revenue of associates	**–**	(3)
Consolidated turnover	**2,989**	1,514

3. SEGMENT INFORMATION (continued)

(c) Reconciliation of reportable segment revenue, profit or loss, assets and liabilities (continued)

	Six months ended 30 June 2010 HK$ million	2009 HK$ million
Profit before taxation		
Reportable segment profit before taxation	782	987
Unallocated other income	9	31
Imputed interest expense on convertible bonds issued by the Company	–	(27)
Interest on bank loans and overdrafts and other borrowing costs	(136)	(117)
Other unallocated corporate expenses	(78)	(72)
Consolidated profit before taxation	577	802

	30 June 2010 HK$ million	31 December 2009 HK$ million
Assets		
Reportable segment assets	20,000	19,285
Elimination of inter-segment receivables	(861)	(647)
Other unallocated assets	3	3
Consolidated total assets	19,142	18,641

	30 June 2010 HK$ million	31 December 2009 HK$ million
Liabilities		
Reportable segment liabilities	5,667	4,071
Elimination of inter-segment payables	(861)	(647)
Unallocated liabilities		
– Bank borrowings	5,218	5,733
– Others	460	436
Consolidated total liabilities	10,484	9,593

4. FINANCE COSTS

	Six months ended 30 June	
	2010	2009
	HK$ million	HK$ million
Interest on bank loans and overdrafts and other borrowing costs	**164**	117
Less: amounts capitalised to properties under development	**(28)**	–
	136	117
Imputed interest expense on convertible bonds issued by the Company	**–**	27
	136	144

5. TAXATION

	Six months ended 30 June	
	2010	2009
	HK$ million	HK$ million
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	**6**	10
People's Republic of China ("PRC") Enterprise Income Tax	**10**	2
	16	12
Deferred taxation	**37**	–
	53	12

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) on the estimated assessable profits for the period.

PRC Enterprise Income Tax is calculated at 25% (2009: 25%) on the estimated assessable profits for the period.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June 2010 HK$ million	2009 HK$ million
Profit for the period has been arrived at after charging (crediting):		
Depreciation and amortisation:		
Prepaid lease payments	**1**	1
Property, plant and equipment	**10**	3
Less: amounts capitalised to properties under development	**(1)**	–
	10	4
Cost of properties sold	**725**	–
Share of tax of associates (included in share of results of associates)	**12**	(1)
Share of tax of jointly controlled entities (included in share of results of jointly controlled entities)	**35**	82

7. DIVIDENDS

The Board has declared an interim dividend of HK$0.20 per share (2009: HK$0.10 per share) for the six months ended 30 June 2010.

	Six months ended 30 June 2010 HK$ million	2009 HK$ million
Final dividend paid (note)	**122**	–
Interim dividend in respect of 2010 at HK$0.20 per share (2009: HK$0.10 per share)	**98**	49

Note:

On 8 June 2010, a dividend of HK$0.25 per share was paid to shareholders as the final dividend for the year ended 31 December 2009.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended 30 June	
	2010	2009
	HK$ million	HK$ million
Earnings:		
Earnings for the purpose of basic earnings per share	**517**	787
Effect of dilutive potential ordinary shares from convertible bonds issued by the Company:		
Imputed interest expense	**–**	27
Effect of dilutive potential ordinary shares of CCP:		
Interest income on convertible bonds	**–**	(11)
Loss on early cancellation of convertible bonds	**–**	44
Adjustment to the share of results of CCP based on dilution of its earnings per share	**–**	(83)
Earnings for the purpose of diluted earnings per share	**517**	764

	Million	Million
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**488**	334
Effect of dilutive potential ordinary shares:		
Convertible bonds issued by the Company	**–**	26
Share options	**1**	1
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**489**	361

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 CCP held by the Group had been accounted for in the calculation of diluted earnings per share for the six months ended 30 June 2009. These convertible bonds were assumed to be converted into shares of the relevant issuer at the beginning of that period and, in particular, the accounting effects of such financial instruments were reversed in the determination of diluted earnings if their conversion had a dilutive effect on the earnings per share.

9. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2010 HK$ million	31 December 2009 HK$ million
Available-for-sale investments comprise:		
Listed equity securities in Hong Kong (at market price)	459	2,004

Available-for-sale investments at 30 June 2010 and 31 December 2009 represent the Group's equity interest in Shui On Land Limited ("SOL"). In June 2010, the Group disposed of 316.8 million SOL shares for an aggregate amount of cash consideration of HK$1,080 million, representing approximately 6.3% equity interest in SOL, to a wholly-owned subsidiary of SOCL. As a result, the Group recognised a gain on disposal of HK$373 million, net of transaction cost of HK$1 million, in the condensed consolidated income statement for the six months ended 30 June 2010. At 30 June 2010, the Group held a 2.4% (31 December 2009: 8.7%) equity interest in SOL.

In July 2010, 16,502,982 new shares of SOL were allotted to the Group, which represented the scrip shares in relation to the final dividend of SOL for the year ended 31 December 2009.

10. DEBTORS, DEPOSITS AND PREPAYMENTS

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

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

	30 June 2010 HK$ million	31 December 2009 HK$ million
Debtors		
Within 90 days	390	300
91 days to 180 days	3	2
181 days to 360 days	1	6
Over 360 days	12	12
	406	320
Retention receivable	141	133
Deposit for acquisition of a subsidiary	–	23
Prepayments, deposits and other receivables (note)	512	472
	1,059	948

Note:

Included in prepayments, deposits and other receivables at 30 June 2010 are receivables of HK$236 million (31 December 2009: HK$231 million) in relation to the disposal by CCP in 2008 of a subsidiary that held a property interest in the PRC. The amounts are unsecured and carry interest at prevailing market rates. In the opinion of the Directors of the Company, these receivables will be fully settled when the legal title to the property is transferred to the buyer, which is expected to take place in 2010.

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

The Group has committed to dispose of its entire interest in certain jointly controlled entities and a subsidiary, relating to the cement operation not operated by LSOC. The assets and liabilities attributable to these companies have been treated as assets classified as held for sale and liabilities associated with assets classified as held for sale, and are presented separately in the condensed consolidated balance sheet.

	30 June 2010 HK$ million	31 December 2009 HK$ million
Disposal of jointly controlled entities, comprising		
Interests in jointly controlled entities	**82**	81
Amounts due from jointly controlled entities	**86**	86
	168	167
Disposal of a subsidiary		
Property, plant and equipment	**627**	135
Inventories	**32**	26
Debtors, deposits and prepayments	**82**	370
Bank balances, deposits and cash	**7**	6
	748	537
Total assets classified as held for sale	**916**	704
Disposal of a subsidiary		
Amounts due to jointly controlled entities	**(132)**	(144)
Creditors and accrued charges	**(191)**	(14)
Bank borrowings	**(202)**	(170)
Liabilities associated with assets classified as held for sale	**(525)**	(328)

Note:

In May 2008, the Group entered into sale and purchase agreements (the "Agreements") with LSOC to dispose of the Group's equity interest in and the related shareholder's loans to certain jointly controlled entities and a subsidiary, which are engaged in the production and sale of cement and concrete in Guizhou. Details of the transactions were set out in an announcement and a circular of the Company dated 6 May 2008 and 26 May 2008 respectively. Completion of these disposals was originally expected in 2009. However, due to unexpected delay in fulfilling certain conditions as stipulated in the Agreements caused by factors outside the control of the Group, the disposals had not been completed at 31 December 2009. Timely actions had been taken by the Group and it was expected that the delaying factors would be resolved in 2010. Accordingly, the assets and liabilities attributable to these companies had been respectively treated as assets classified as held for sale and liabilities associated with assets classified as held for sale in the Group's consolidated balance sheet at 31 December 2009. Subsequent to 31 December 2009, the outstanding conditions in the Agreements remained unfulfilled. As agreed between the Group and LSOC, the Agreements lapsed on 28 February 2010. The Group remains committed to its plan to sell these plants and is actively seeking a buyer for them. The Directors of the Company consider that the carrying amount of the Group's investment in these subsidiary and jointly controlled entities will be recovered principally through a sale transaction at market price in 2010.

12. CREDITORS AND ACCRUED CHARGES

The aged analysis of creditors (based on invoice date) of HK$459 million (31 December 2009: HK$455 million), which are included in the Group's creditors and accrued charges, is as follows:

	30 June 2010 HK$ million	31 December 2009 HK$ million
Creditors		
Within 30 days	**272**	326
31 days to 90 days	**96**	95
91 days to 180 days	**69**	23
Over 180 days	**22**	11
	459	455
Retention payable	**243**	205
Consideration payable in respect of acquisition of a subsidiary	**–**	102
Provision for contract work	**382**	355
Other accruals and payables	**234**	286
	1,318	1,403

13. BANK BORROWINGS

During the six months ended 30 June 2010, the Group repaid bank borrowings totalling HK$1,761 million, renewed credit facilities totalling HK$1,625 million and obtained new bank loan facilities totalling HK$2,798 million. These new and renewed bank loan facilities carry interest at approximately 1.71% to 5.94% per annum.

14. SHARE CAPITAL

	30 June 2010 Number of shares	31 December 2009 Number of shares	**30 June 2010 HK$ million**	31 December 2009 HK$ million
Ordinary shares of HK$1 each:				
Authorised				
At the beginning and the end of the period/year	**1,000,000,000**	1,000,000,000	**1,000**	1,000
Issued and fully paid				
At the beginning of the period/year	**488,096,786**	321,901,239	**488**	322
Exercise of share options	**535,000**	415,000	**1**	–
Acquisition of CCP (note 17(B))	**–**	165,780,547	**–**	166
At the end of the period/year	**488,631,786**	488,096,786	**489**	488

15. CAPITAL COMMITMENTS

(a) At 30 June 2010, the Group's capital commitment in respect of development costs for investment properties is as follows:

	30 June 2010 HK$ million	31 December 2009 HK$ million
Authorised but not contracted for	**432**	444
Contracted but not provided for	**130**	71

(b) In addition, the Group had other capital commitments in respect of certain investments not provided for in the condensed consolidated financial statements amounting to approximately HK$20 million at 30 June 2010 (31 December 2009: HK$288 million).

(c) At 30 June 2010, the Group's share of the capital commitments of its jointly controlled entities is as follows:

	30 June 2010 HK$ million	31 December 2009 HK$ million
Authorised but not contracted for	**–**	–
Contracted but not provided for	**694**	716

16. SHARE-BASED PAYMENTS

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

	Number of shares subject to options
Outstanding at 1 January 2010	33,637,000
Granted during the period	11,060,000
Exercised during the period	(535,000)
Lapsed during the period	(4,718,000)
Outstanding at 30 June 2010	39,444,000

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

Date of grant	12 April 2010	12 April 2010
Shares subject to options granted	6,560,000	4,500,000
Exercise price	HK$12.22	HK$12.22
Exercisable period	12-10-2010 to 11-4-2015	12-4-2013 to 11-4-2020
Average fair value of the share options	HK$4.33	HK$4.73
Share price on the date of grant	HK$12.22	HK$12.22

17. ACQUISITION OF A SUBSIDIARY

(A) In January 2010, the Group acquired the entire issued capital of Dignitary Limited, which beneficially owns an investment property known as Tower 18 of the Lakeville Regency, located in the Luwan District of Shanghai. The assets acquired and liabilities assumed (which mainly comprised of an investment property with fair value of HK$1,095 million and an amount due to a wholly-owned subsidiary of SOL of HK$133 million) did not constitute a business as defined in HKFRS 3 "Business Combinations" and therefore, the acquisition was accounted for as assets acquisition. The net cash outflow arising from the acquisition was approximately HK$955 million.

17. ACQUISITION OF A SUBSIDIARY (continued)

(B) In June 2009, the Company acquired the remaining 57.12% shareholding in CCP, which was previously a 42.88% associate of the Group, and became a wholly-owned subsidiary of the Group. Details of the transaction were set out in a circular of the Company dated 15 May 2009. The net assets acquired in this transaction and the discount on acquisition were as follows:

	Acquiree's carrying amounts before acquisition HK$ million	Fair value and other adjustments HK$ million (Note b)	Fair value HK$ million
Property, plant and equipment	22	–	22
Interests in jointly controlled entities	710	(40)	670
Investment properties	–	272*	272
Properties held for sale	68	4	72
Properties under development for sale	4,117	(54)*	4,063
Loan to a related company	113	–	113
Other loan receivable	138	–	138
Debtors, deposits and prepayments	249	–	249
Amounts due from jointly controlled entities	365	–	365
Amounts due from related companies	168	–	168
Tax recoverable	1	–	1
Bank balances, deposits and cash	691	–	691
Creditors and accrued charges	(341)	–	(341)
Amounts due to jointly controlled entities	(50)	–	(50)
Amounts due to related companies	(45)	–	(45)
Loan from related companies	(328)	–	(328)
Foreign exchange forward contract	(39)	–	(39)
Taxation payable	(44)	–	(44)
Bank borrowings due within one year	(260)	–	(260)
Bank borrowings due over one year	(261)	–	(261)
Defined benefit scheme liabilities	(3)	–	(3)
Deferred tax liabilities	(39)	(289)	(328)
Net assets of subsidiary acquired	5,232	(107)	5,125
Transferred from interests in associates			(2,223)
Revaluation surplus, net of deferred tax of HK$32 million, on previously held interest			(95)
Transaction costs			(52)
Carrying amount of convertible bonds of CCP held by the Group			(218)
Discount on acquisition			(648)
Net consideration			1,889
Net consideration satisfied by (Note a):			
Issue of new shares of the Company			1,916
Cash consideration paid			134
Cash and share consideration unsettled at 30 June 2009			13
Proceeds received on early cancellation of convertible bonds of CCP			(174)
			1,889
Net cash inflow arising on acquisition for the period ended 30 June 2009:			
Cash consideration paid			(134)
Cash and cash equivalents acquired			691
Proceeds received on early cancellation of convertible bonds of CCP			174
			731

* Included in these amounts was a reclassification adjustment of certain property interests (with fair value of HK$272 million) from properties under development for sale to investment properties, as the Group intends to hold such properties for rental income and capital appreciation rather than sale.

17. ACQUISITION OF A SUBSIDIARY (continued)

Notes:

(a) A total of 165,780,547 new shares of the Company were issued and a total of £10.7 million (HK$135 million) cash was paid as consideration for the acquisition of the 57.12% equity interest in CCP. Of the total consideration, 1,114,769 new shares of the Company and £0.1 million (HK$1.2 million) cash were issued/settled in July 2009. The fair value of the share consideration was determined based on the published prices of the Company's share on the respective dates of exchange. In addition, as a condition to the acquisition, CCP cancelled early its convertible bonds at 90% of the principal amount in June 2009.

(b) The fair value of property interests held by CCP's subsidiaries and jointly controlled entities were determined based on the valuation carried out by an independent valuer and determined by (i) direct comparison approach, making reference to the comparable sales transactions as available in the market; or (ii) capitalisation of net income derived from the properties, taking into account the construction costs that would be expended to complete the development to reflect the quality of the completed development, as appropriate.

18. CONTINGENT LIABILITIES

At 30 June 2010, the Group had the following contingent liabilities, which have not been provided for in the condensed consolidated financial statements:

(a) Standby documentary credits arranged with a bank amounting to HK$216 million (31 December 2009: HK$216 million) to secure a bank loan granted to a subsidiary of an associate.

(b) Guarantees issued in favour of banks amounting to RMB163 million (HK$187 million) (31 December 2009: RMB47 million (HK$53 million)) in respect of mortgage facilities granted by the banks to the buyers of the Group's property inventories.

(c) Effective share of a guarantee issued in favour of banks amounting to HK$289 million (31 December 2009: HK$289 million) to secure a bank loan granted to a jointly controlled entity.

(d) Guarantees issued in favour of a bank for a loan granted to a former wholly-owned subsidiary of CCP (the "Former Subsidiary") with an outstanding amount of RMB542 million (HK$621 million) at 30 June 2010 (31 December 2009: RMB542 million (HK$615 million)). The acquirer of the Former Subsidiary has agreed to procure the repayment of the bank loan and this obligation is guaranteed by the parent company of such acquirer.

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 condensed consolidated balance sheet.

19. MATERIAL RELATED PARTY TRANSACTIONS

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

Nature of transactions	Six months ended 30 June 2010 HK$ million	2009 HK$ million
Income recognised:		
Dividend income	52	4
Construction work	184	76

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

Nature of transactions	Six months ended 30 June 2010 HK$ million	2009 HK$ million
Income recognised:		
Dividend income	7	5
Management fee	30	24

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

Nature of transactions	Six months ended 30 June 2010 HK$ million	2009 HK$ million
Income recognised:		
Dividend income	–	7
Management fee	8	73
Interest income	6	16
Interest income on convertible bonds	–	11
Construction/subcontracting work	14	99

19. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(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 period ended 30 June 2010, the Group disposed of HK$1,080 million worth of SOL shares to a wholly-owned subsidiary of SOCL (note 9).

(f) In connection with the acquisition of an investment property in January 2010 (see note 17(A)), the Group assumed from the seller an amount due to a wholly-owned subsidiary of SOL of approximately US$17.2 million (HK$133 million), which is unsecured and bears interest at 8% per annum. During the period ended 30 June 2010, the Group incurred interest expense of approximately HK$4 million on such payable.

(g) During the period ended 30 June 2009, the Group was granted unsecured interest bearing short-term loans totalling HK$200 million by a wholly-owned subsidiary of SOCL, and incurred interest on such loans amounting to HK$1 million. The loans, inclusive of interest, were repaid during that period.

(h) Disclosures of the remuneration of Directors and other members of key management during the period under HKAS 24 "Related Party Disclosures", were as follows:

	Six months ended 30 June	
	2010	2009
	HK$ million	HK$ million
Fees	**1**	1
Salaries and other benefits	**21**	19
Bonuses	**18**	19
Retirement benefit scheme contributions	**1**	1
Share-based payments	**15**	13
	56	53

The remuneration of Executive Directors is determined by the Remuneration Committee having regard to the performance of each individual. The Remuneration Committee also determines the guiding principles applicable to the remuneration of key executives who are not Directors. In both cases, the Remuneration Committee has regard to market trends.

19. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(i) The emoluments paid or payable to each of the twelve (2009: nine) Directors which were included in note (h) above are set out 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$'000	Six months ended 30 June 2010 Total HK$'000	2009 Total HK$'000
Mr. Lo Hong Sui, Vincent		5	–	–	–	–	5	5
Mr. Choi Yuk Keung, Lawrence		5	1,765	2,155	30	1,604	5,559	5,035
Mr. Wong Yuet Leung, Frankie		5	2,136	5,508	6	3,151	10,806	10,693
Mr. Wong Kun To, Philip	(i)	5	2,085	2,182	92	2,770	7,134	–
Mr. Wong Fook Lam, Raymond	(i)	5	1,637	2,000	28	492	4,162	–
Mr. Gerrit Jan de Nys	(ii)	181	–	–	–	–	181	175
Ms. Li Hoi Lun, Helen	(ii)	192	–	–	–	–	192	175
Mr. David Gordon Eldon	(ii) & (iii)	140	–	–	–	–	140	–
Mr. Chan Kay Cheung	(ii) & (iii)	159	–	–	–	–	159	–
Mr. Tsang Kwok Tai, Moses	(ii) & (iii)	137	–	–	–	–	137	–
Professor Michael Enright	(iv)	143	–	–	–	–	143	175
Mr. Anthony Griffiths	(v)	180	–	–	–	–	180	220
Mrs. Lowe Hoh Wai Wan, Vivien	(vi)	–	–	–	–	–	–	3,557
Ms. Lau Jeny	(vii)	–	–	–	–	–	–	3,679
		1,157	7,623	11,845	156	8,017	28,798	23,714

Notes:

(i) Mr. Wong Kun To, Philip and Mr. Wong Fook Lam, Raymond were appointed as Executive Directors on 1 July 2009.

(ii) Independent Non-executive Directors.

(iii) Mr. David Gordon Eldon, Mr. Chan Kay Cheung and Mr. Tsang Kwok Tai, Moses were appointed as Independent Non-executive Directors on 1 January 2010.

(iv) Professor Michael Enright retired as a Non-executive Director at the annual general meeting held on 28 May 2010.

(v) Mr. Anthony Griffiths retired as an Independent Non-executive Director at the annual general meeting held on 28 May 2010.

(vi) Mrs. Lowe Hoh Wai Wan, Vivien retired as an Executive Director on 1 December 2009.

(vii) Ms. Lau Jeny resigned as an Executive Director on 1 June 2009.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

Financial assistance and guarantees provided by the Group to its affiliated companies amounted to HK$2,314 million at 30 June 2010, details of which are as follows:

		Balance at 30 June 2010			
		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)	Guarantee HK$ million	Total HK$ million
Brisfull Limited	50%	7	41	–	48
Broad Wise Limited	80%	786	–	–	786
Eagle Fit Limited	53%	212	–	289	501
Guizhou Bijie Shui On Cement Co., Ltd.	80%	62	–	–	62
貴州暢達瑞安水泥有限公司	51%	5	–	–	5
Guizhou Kaili Ken On Concrete Co., Ltd.	75%	2	2	–	4
貴州六礦瑞安水泥有限公司	30%	11	–	–	11
貴州習水瑞安水泥有限公司	90%	56	–	–	56
貴州遵義瑞安水泥有限公司	80%	28	–	–	28
Lamma Yue Jie Company Limited	60%	17	–	–	17
Nanjing Jiangnan Cement Co., Ltd.	60%	138	–	–	138
Richcoast Group Limited	28%	355	242	–	597
Super Race Limited	50%	–	10	–	10
The Yangtze Ventures II Limited	75%	51	–	–	51
		1,730	295	289	2,314

The proforma combined balance sheet of the above affiliated companies at 30 June 2010 is as follows:

	HK$ million
Non-current assets	6,121
Current assets	5,755
Current liabilities	(2,867)
Net current assets	2,888
Non-current liabilities	(6,519)
Non-controlling interests	(876)
Shareholders' funds	1,614

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 Kaili Ken On Concrete Co., Ltd.	3-month HIBOR + 2%
Richcoast Group Limited	Fixed at 5%
Super Race Limited	1-month HIBOR

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

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

At 30 June 2010, 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 which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (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:

(a) Long position in the shares of the Company

	Number of ordinary shares				
Name of Directors	**Personal interests**	**Family interests**	**Other interests**	**Total**	**Approximate percentage of the issued share capital**
Mr. Lo Hong Sui, Vincent	–	312,000 (Note 1)	181,981,000 (Note 2)	182,293,000	37.30%
Mr. Choi Yuk Keung, Lawrence	540,000	–	–	540,000	0.11%
Mr. Wong Yuet Leung, Frankie	800,000	–	–	800,000	0.16%
Mr. Wong Kun To, Philip	–	72,533 (Note 3)	–	72,533	0.01%
Mr. Wong Fook Lam, Raymond	32,000	–	–	32,000	0.006%

Notes:

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

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

(3) These shares were beneficially owned by the spouse of Mr. Wong Kun To, Philip. Under the SFO, Mr. Wong was deemed to be interested in such shares.

(b) Short position in the shares of the Company

	Number of ordinary shares				
Name of Director	**Personal interests**	**Family interests**	**Other interests**	**Total**	**Approximate percentage of the issued share capital**
Mr. Lo Hong Sui, Vincent	–	–	1,600,000 (Note)	1,600,000	0.32%

Note: These interests represent the underlying shares of the Company subject to 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 Trustee and Bosrich were 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 30 June 2010, 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

Save as disclosed above, at 30 June 2010, 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 (the "Existing Scheme") to replace the share option scheme of the Company adopted on 20 January 1997 (the "Old Scheme"). The Old Scheme was terminated on 27 August 2002 and since then, no further option could be granted under the Old Scheme.

On 12 April 2010, options were granted to subscribe for a total of 11,060,000 shares of the Company under the Existing Scheme. The fair values of the share options granted during the period are set out in note 16 to the condensed consolidated financial statements.

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

Name or category of eligible participants	Date of grant	Subscription price per share HK$	Number of shares subject to options: At 1.1.2010	Granted during the period (Note a)	Exercised during the period	Lapsed during the period	At 30.6.2010	Period during which options outstanding at 30.6.2010 are exercisable	Average closing reference price for exercise of options (Note b) HK$
Directors									
Mr. Choi Yuk Keung,	3.1.2007	16.78	700,000	–	–	(700,000)	–	3.1.2010 to 2.1.2017	–
Lawrence (Note c)	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	–
	9.4.2009	7.63	250,000	–	–	–	250,000	9.10.2009 to 8.4.2014	–
	9.4.2009	7.63	1,000,000	–	–	–	1,000,000	9.4.2012 to 8.4.2019	–
	12.4.2010	12.22	–	250,000	–	–	250,000	12.10.2010 to 11.4.2015	–
	12.4.2010	12.22	–	1,000,000	–	–	1,000,000	12.4.2013 to 11.4.2020	–
Mr. Wong Yuet Leung,	1.8.2006	14.00	2,000,000	–	–	–	2,000,000	1.2.2007 to 31.7.2011	–
Frankie (Note c)	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	–
	9.4.2009	7.63	750,000	–	–	–	750,000	9.10.2009 to 8.4.2014	–
	9.4.2009	7.63	2,000,000	–	–	–	2,000,000	9.4.2012 to 8.4.2019	–
	12.4.2010	12.22	–	350,000	–	–	350,000	12.10.2010 to 11.4.2015	–
	12.4.2010	12.22	–	1,000,000	–	–	1,000,000	12.4.2013 to 11.4.2020	–
Mr. Wong Kun To,	5.6.2009	11.90	1,830,000	–	–	(228,000)	1,602,000	3.1.2010 to 2.1.2012	–
Philip (Note c)	5.6.2009	11.90	104,000	–	–	–	104,000	1.7.2010 to 13.6.2012	–
	12.4.2010	12.22	–	350,000	–	–	350,000	12.10.2010 to 11.4.2015	–
	12.4.2010	12.22	–	1,500,000	–	–	1,500,000	12.4.2013 to 11.4.2020	–
Mr. Wong Fook Lam,	1.8.2006	14.00	176,000	–	–	–	176,000	1.2.2007 to 31.7.2011	–
Raymond	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	–
	12.4.2010	12.22	–	200,000	–	–	200,000	12.10.2010 to 11.4.2015	–
	12.4.2010	12.22	–	1,000,000	–	–	1,000,000	12.4.2013 to 11.4.2020	–
Sub-total			15,710,000	5,650,000	–	(3,128,000)	18,232,000		

Name or category of eligible participants	Date of grant	Subscription price per share HK$	Number of shares subject to options At 1.1.2010	Granted during the period (Note a)	Exercised during the period	Lapsed during the period	At 30.6.2010	Period during which options outstanding at 30.6.2010 are exercisable	Average closing reference price for exercise of options (Note b) HK$
Employees	29.7.2005	9.30	238,000	–	(56,000)	–	182,000	29.1.2006 to 28.7.2010	11.52
(in aggregate)	1.8.2006	14.00	952,000	–	–	–	952,000	1.2.2007 to 31.7.2011	–
	14.6.2007	20.96	1,704,000	–	–	–	1,704,000	14.12.2007 to 13.6.2012	–
	14.6.2007	20.96	600,000	–	–	–	600,000	14.12.2008 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	–
	9.4.2009	7.63	3,411,000	–	(479,000)	(30,000)	2,902,000	9.10.2009 to 8.4.2014	11.22
	5.6.2009	11.90	3,922,000	–	–	(1,040,000)	2,882,000	3.1.2010 to 2.1.2012	–
	5.6.2009	11.90	2,078,000	–	–	(520,000)	1,558,000	1.7.2010 to 13.6.2012	–
	5.6.2009	11.90	1,236,000	–	–	–	1,236,000	7.5.2011 to 6.5.2013	–
	12.4.2010	12.22	–	5,410,000	–	–	5,410,000	12.10.2010 to 11.4.2015	–
Sub-total			16,931,000	5,410,000	(535,000)	(1,590,000)	20,216,000		
Others	1.8.2006	14.00	120,000	–	–	–	120,000	1.2.2007 to 31.7.2011	–
(Note d)	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	–
	9.4.2009	7.63	250,000	–	–	–	250,000	9.10.2009 to 8.4.2014	–
	9.4.2009	7.63	250,000	–	–	–	250,000	9.4.2012 to 8.4.2019	–
Sub-total			996,000	–	–	–	996,000		
Total			**33,637,000**	**11,060,000**	**(535,000)**	**(4,718,000)**	**39,444,000**		

Notes:

(a) The closing price of the Company's shares preceding the date on which the share options were granted was HK$11.86.

(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 share options were exercised during the period, weighted by the number of shares subject to the 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 share options held by Mrs. Lowe Hoh Wai Wan, Vivien, a former Director of the Company, were re-classified under the category "Others" following her retirement from the Company on 1 December 2009. In accordance with the terms of the Existing Scheme and subject to the terms of the relevant offer letters, the outstanding share options of Mrs. Lowe are exercisable within a period of 12 months after the date of her retirement.

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

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below and under the section headed "Interests of Directors and Chief Executive" above, the Directors are not aware of any other person (other than a Director or chief executive of the Company or his/her respective associate(s)) who, at 30 June 2010, 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:

Name of shareholders	Capacity	Number of ordinary shares/ underlying shares	Approximate percentage of the issued share capital
John Zwaanstra	Interest of controlled corporation	141,544,116 (L) (Note 2)	28.96%
Penta Investment Advisers Limited	Investment manager	141,544,116 (L) (Note 2)	28.96%
Penta Master Fund, Limited	Beneficial owner	60,474,064 (L) (Note 3)	12.37%
Penta Asia Long/Short Fund, Ltd.	Beneficial owner	29,395,899 (L) (Note 4)	6.01%
UBS AG	Beneficial owner/ Holder of security interest in shares	35,323,728 (L) 31,525,592 (S) (Note 5)	7.22% 6.45%

Notes:

(1) The letter "L" denotes a long position and the letter "S" denotes a short position.

(2) Among the interests owned by these shareholders, 35,425,617 shares were cash settled derivative interests.

(3) Among the interests owned by this shareholder, 13,922,000 shares were cash settled derivative interests.

(4) Among the interests owned by this shareholder, 321,000 shares were cash settled derivative interests.

(5) Among the interests owned by this shareholder, the 31,525,592 shares in which the shareholder had a short position were cash settled derivative interests.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2010.

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

The Board currently comprises ten members – the Chairman, four other Executive Directors and five Independent Non-executive Directors. Six Board committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee, the Finance Committee, the Investment Committee and the Executive Committee, have been set up to oversee particular aspects of the Company's affairs.

Audit Committee

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2010, including the accounting principles and practices adopted by the Group, and has also considered selected accounting, internal control and financial reporting matters of the Group, in conjunction with the Company's external auditor.

Remuneration Committee

During the period, the Remuneration Committee has reviewed the remuneration packages of the Executive Directors as well as the annual bonus and share option recommendations for executives and management staff. It has also considered and determined new performance measurement criteria for granting of share options to Executive Directors under the long-term incentive arrangement.

Nomination Committee

The Nomination Committee has considered the Chief Executive Officer succession arrangement during the period and upon its recommendation, the Board has resolved to appoint Mr. Wong Kun To, Philip as the Chief Executive Officer to succeed Mr. Wong Yuet Leung, Frankie who has retired from the day-to-day management responsibilities in April 2010. The composition of the Board committees has also been reviewed and re-structured following the retirement of two Non-executive Directors by rotation at the annual general meeting of the Company on 28 May 2010.

Finance Committee

The Finance Committee was established in 2009 to formulate finance policy and provide guidance on the sound financial management of the Group as a whole. During the period, the Finance Committee has discussed the financial strategy of the Group and also reviewed compliance of the finance policy and bank loan covenants, the overall banking relationship, the cash flow forecast and funding requirements of the Group.

Investment Committee

During the period, the Company formally set up the Investment Committee to assess investment and disposal recommendations on property projects of the Group and review its overall investment strategy.

Executive Committee

The Executive Committee has reviewed the operating performance and financial position of the Company and its strategic business units as well as the execution of the strategies and business plans approved by the Board on a monthly basis.

Compliance with the Code on Corporate Governance Practices

The Company has complied with the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the period, except for the deviations from Code Provisions A.4.1 and B.1.3, which are explained below.

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 appointed prior to 2008 did not have a specific term of appointment, though they are subject to retirement by rotation and re-election at annual general meetings in accordance with the Bye-laws of the Company. Since 2008, arrangements have been put in place for the appointment of new Non-executive Directors for a specific term in compliance with Code Provision A.4.1 of the CG Code. A service contract for a term of three years has been entered into with each of the newly appointed Non-executive Directors upon his or her appointment. Arrangement for the execution of a similar service contract has also been made with the remaining Non-executive Director upon his retirement by rotation and re-election at the annual general meeting of the Company held on 28 May 2010. Accordingly, all Non-executive Directors of the Company now have a specific term of three years from their respective dates of appointment or re-election, subject to the provisions on Directors' retirement as set out in the Bye-laws of the Company.

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 delegated responsibility to determine the detailed remuneration packages of all Executive Directors and senior management. In 2008, the Remuneration Committee had 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 resolved to amend the terms of reference of the Remuneration Committee in 2008 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 practices and procedures of remuneration committees in other jurisdictions, the Remuneration Committee decided that it would be better practice for the Non-executive Directors to cease involvement in recommending their own remuneration. Such recommendations were 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 meetings, the Non-executive Directors abstain from voting in respect of their own remuneration. The amendment to the terms of reference of the Remuneration Committee in this respect was approved by the Board in 2009.

Compliance with the Model Code

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

CHANGES IN INFORMATION OF DIRECTORS UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of the Directors of the Company since the date of the Annual Report 2009 or (as the case may be) the circular dated 27 April 2010 of the Company are set out as follows:

Name of Directors	Details of changes
Mr. Chan Kay Cheung	• Ceased to be an advisory committee member on the Quality Migrant Admission Scheme of the Hong Kong Immigration Department
	• Being a member of The China Unionpay International Advisory Group
Mr. Tsang Kwok Tai, Moses	• Ceased to be a councillor of the Copenhagen Climate Council
	• Ceased to be a member of the executive committee of the World Presidents' Organisation – Hong Kong Chapter

Following the re-structuring of the Board committees upon conclusion of the annual general meeting of the Company held on 28 May 2010, the annual fees payable to individual Non-executive Directors have been revised in accordance with the scale of fees for directorship and Board committee membership as determined by the Board. The details of emoluments of all the Directors of the Company for the six months ended 30 June 2010 are set out in note 19(i) to the condensed consolidated financial statements.

CORPORATE INFORMATION

BOARD

Executive Directors

Mr. Lo Hong Sui, Vincent (Chairman)
Mr. Choi Yuk Keung, Lawrence (Vice Chairman)
Mr. Wong Yuet Leung, Frankie (Vice Chairman)
Mr. Wong Kun To, Philip (Chief Executive Officer)
Mr. Wong Fook Lam, Raymond (Chief Financial Officer)

Independent Non-executive Directors

Mr. Gerrit Jan de Nys
Ms. Li Hoi Lun, Helen
Mr. David Gordon Eldon
Mr. Chan Kay Cheung
Mr. Tsang Kwok Tai, Moses

AUDIT COMMITTEE

Mr. Chan Kay Cheung (Chairman)
Mr. Gerrit Jan de Nys
Ms. Li Hoi Lun, Helen

REMUNERATION COMMITTEE

Mr. David Gordon Eldon (Chairman)
Mr. Lo Hong Sui, Vincent
Ms. Li Hoi Lun, Helen
Mr. Tsang Kwok Tai, Moses

NOMINATION COMMITTEE

Mr. Lo Hong Sui, Vincent (Chairman)
Mr. Wong Kun To, Philip
Mr. Gerrit Jan de Nys
Mr. David Gordon Eldon
Mr. Tsang Kwok Tai, Moses

FINANCE COMMITTEE

Mr. Wong Yuet Leung, Frankie (Chairman)
Mr. Wong Kun To, Philip
Mr. Wong Fook Lam, Raymond
Mr. Gerrit Jan de Nys
Mr. David Gordon Eldon
Mr. Chan Kay Cheung
Mr. Tsang Kwok Tai, Moses

INVESTMENT COMMITTEE

Mr. Choi Yuk Keung, Lawrence (Chairman)
Mr. Wong Kun To, Philip
Mr. Wong Fook Lam, Raymond
Ms. Li Hoi Lun, Helen
Mr. Chan Kay Cheung

EXECUTIVE COMMITTEE

Mr. Choi Yuk Keung, Lawrence (Chairman)
Mr. Lo Hong Sui, Vincent
Mr. Wong Yuet Leung, Frankie
Mr. Wong Kun To, Philip
Mr. Wong Fook Lam, Raymond
Other key executives

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

HSBC Bank Bermuda Limited
6 Front Street, Hamilton HM 11, Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
26th Floor, Tesbury Centre
28 Queen's Road East, Wanchai, Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
Industrial and Commercial Bank of China Limited
The Bank of East Asia, Limited
CITIC Bank International Limited
BNP Paribas

STOCK CODE

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