

RHXC, phase 1 of which was developed by SOCAM's sister company, the privately held Shui On Properties Limited, has already established itself as a prestigious domestic housing development in Shanghai. With more than 16,000 residential units to be built over the next 10 years, RHXC will provide continual growth opportunities for SOCAM. Located in Hong Kou District in Puxi, the residential development is close to the Bund and the central business district. When the Metro station located on-site opens in late 2003, transportation will be even more convenient.

SOCAM is well positioned to expand into the property market in Shanghai as Shui On Properties has already built up an excellent reputation in this market over the past 16 years. With our solid experience in building large residential estates in Hong Kong and an improving property market in Shanghai, we are confident of RHXC's future success. We will also explore opportunities in the area surrounding Shanghai and, in the longer term, other major cities in the Mainland.

Cement Expansion in the Mainland's Central and Western Provinces

The prospects for our cement investments in Chongqing and Guizhou Province look highly promising as the Central Government speeds up the development of the central and western regions of the Mainland. Significant infrastructure and housing developments will be built, boosting the demand for high quality cement, SOCAM's target market.

In May 2001, SOCAM signed separate agreements with the existing joint venture and another cement plant in Zunyi, investing a total of Rmb 300 million to improve the product quality and raise the production capacity of the plants. In June, TH Cement signed an agreement to acquire 80% of Diwei Cement, which has an annual capacity of around 1.8 million tonnes. This will make us the largest producer in Chongqing, accounting for more than 70 percent of the high-grade cement market.

We will continue to purchase and modernize more cement plants in strategic locations in both Chongqing and Guizhou Province to meet the expected increase in demand for quality cement.

Construction and Construction Materials in Hong Kong and the Pearl River Delta

In Hong Kong, the Government's new infrastructure projects, new schools as well as various extensions of the MTR and KCR will have positive effects on the construction sector. While projects from the HKHA are expected to decline in the next few years, our status as one of the six HKHA Premier League Contractors and a Quality Maintenance Contractor will give us more tendering privileges. We will continue to develop SOCAM.com and adopt other new technologies to

Rotary kilns at TH Cement's plant in Chongqing



enhance our competitive edge and maintain our leading position in the market. Further efforts will also be made to bid for projects from the Architectural Services Department and other major institutions.

Global Online Materials Trading through AsiaMaterials.com

Our strong presence in the Mainland and vast experience in the construction and construction materials industries give AsiaMaterials.com the opportunity to link up China with the rest of the world and become a premier online global trading house for building and home improvement materials and products in the future. Already a major player in the global building materials market, China has great potential to capture a larger market share and AsiaMaterials.com will contribute to the process by providing domestic manufacturers with a direct access to the global market. In addition, plans are being formulated to secure exclusive agency rights for selected products and to build a product range with AsiaMaterials' own brand names.

Planning, Development and Promotion of Major Development Projects in the Chinese Mainland

Last, but not the least, SOCAM is examining suitable opportunities to undertake the planning, development and promotion of major development projects in major Mainland cities.

Acknowledgments

SOCAM's achievements would not have been possible without the commitment and hard work of our people, the most important asset of your company. I would like to extend my heartfelt appreciation to all staff members for their dedication and contribution this past year.

Lo Hong Sui, Vincent

Chairman

Hong Kong, July 2001