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

CAPTURING
NEW MARKET OPPORTUNITIES WITH SOLID PROGRESS
掌握先機 著實邁進

DALIAN TIANDI
大連天地

Stock Code: 983

Annual Report 2010

CAPTURING NEW MARKET OPPORTUNITIES WITH SOLID PROGRESS

The pace of SOCAM's transformation into a leading niche market property developer in China accelerated during the past financial year. The encouraging financial results and other accomplishments also contributed to a successful 2010.

We are now better positioned than ever to capture new market opportunities. A strong balance sheet, unique strength to identify potential markets, and the recent forging of strong strategic alliances make our vision a foreseeable reality.

In this annual report we outline the solid progress we have made in 2010, and how these milestones set the stage for the Group's long-term prosperity and sustainable growth.

CONTENTS

SOCAM AT A GLANCE

SOCAM – CHINA PRESENCE

Solid foundations, exciting prospects

Shui On Construction and Materials Limited (SOCAM) (HKSE Stock Code: 983) is a member of Shui On Group founded in Hong Kong 40 years ago. Guided by our corporate culture and values, the Group's long-term objectives are based on its commitment to quality, innovation and constant pursuit of excellence.

SOCAM is principally engaged in property, cement and construction with operations in the Chinese Mainland, Hong Kong and Macau. Over the last few years, SOCAM has been rapidly transforming into a leading property developer in niche market areas in China. Our focus is on the timely acquisition, development and disposal of special situation properties to unlock their potential. We also have an expanding interest in the development of knowledge communities that provide an excellent work-live-learn-play environment for those contributing to China's rapidly growing tertiary sector.

The Group adheres to the strictest standards of corporate governance and commits to good corporate social responsibility. We believe such qualities are the bedrock of a company seeking to deliver optimal value to shareholders, and to contribute to the communities in which we operate.

PROPERTY

- Special Situation Projects
- Knowledge Community Project
- Private Equity Property Fund
- Investment in Shui On Land

CEMENT

- Lafarge Shui On Cement
- Guizhou Operations

CONSTRUCTION

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

KEY EVENTS IN 2010






JAN

- Acquisition of Lakeville Regency Tower 18 in Shanghai was completed
- Disposal of Chongqing Danlong Road Project
- Mr. David Eldon, Mr. Chan Kay Cheung and Mr. Tsang Kwok Tai, Moses were appointed as Independent Non-executive Directors of SOCAM

FEB

- Lafarge Shui On Cement (LSOC) entered into agreement for the disposal of its cement operation in Beijing

MAR

- Shui On Construction (SOC) was awarded the construction project of Town Park and Indoor Velodrome-cum Sports Centre and the contract for the design and construction of staff quarters for Hong Kong Immigration Department
- Disposal of the serviced apartments in Phase I of Chengdu Central Point

APR

- Mr. Wong Yuet Leung, Frankie and Mr. Wong Kun To, Philip were, respectively, appointed as Vice Chairman and Chief Executive Officer of SOCAM
- LSOC's proposed injection of 50% interest in Dujiangyan plants into Sichuan Shuangma Cement was approved by National Development and Reform Commission

JUN

- Disposal of partial interest in Shui On Land to fund future growth and development of SOCAM's business

AUG

- Pat Davie secured a construction contract for an air cargo terminal at Hong Kong International Airport

SEP

- Disposal of Central Point Phase II in Chengdu
- Disposal of Fengqiao Villas in Beijing
- The Cantian Plant in Chongqing, third production line of Dujiangyan Plant in Sichuan and Sancha Plant in Guizhou of LSOC commenced operation
- The new headquarters building of the Hong Kong Customs and Excise Department was completed

OCT

- The knowledge community Dalian Tiandi launched pre-sale of residential villas
- Disposal of Nanyang Building in Chongqing
- SOC was awarded the contract for the construction of Innovation Tower for Hong Kong Polytechnic University
- Shui On Building Contractors secured a Hong Kong Housing Authority public housing contract for Tuen Mun Area 18

NOV

- Acquisition of 21st Century Tower, a quality commercial project in Pudong District, Shanghai
- The grand launching ceremony of Qilin Knowledge and Innovation Area and Low Carbon Research Institute, a project initiated by Nanjing Municipal Government with Nanjing Qilin Technology and Innovation Park, SOCAM and Tsinghua Science Park Co., Ltd. as partners, was held in Nanjing

DEC

- Dalian Tiandi launched pre-sale of mid / high-rise apartments
- LSOC entered into agreement for the development of waste heat recovery system for its plants in Yunnan and Guizhou

MAJOR AWARDS AND RECOGNITION

Corporate

Asia's Best Companies for Corporate Governance Award in the 6th Corporate Governance Asia Annual Recognition Awards 2010

Corporate Governance Asia

The Gold Award in The Asset Corporate Awards 2010

The Asset

International ARC Awards 2010 for Annual Report 2009

- **Silver Award in Chairman's Letter**
- **Silver and Honour Awards in Written Text**

MerComm, Inc

Gold Award in Galaxy Awards 2010 for Annual Report 2009

MerComm, Inc

"Manpower Developer" recognition in ERB Manpower Developer Award Scheme

Hong Kong Employees Retraining Board

Caring Company Logo for the 4th consecutive year

The Hong Kong Council of Social Service

Corporate Volunteer Team Merit Award in Hong Kong Outstanding Corporate Citizen Award

Hong Kong Productivity Council

2009 Outstanding Developer for Driving Urban Development in Chengdu

Chengdu Urban and Rural Construction Commission and Chengdu Association of Real Estate Developers (成都市建設委員會及成都市房地產開發企業協會)

Top 20 Property Enterprises for Comprehensive Strengths in Shenyang

Shenyang Real Estate Institute (瀋陽房地產研究所)

The Best Commercial Landmark for Investment of Chengdu Economic Zone 2010 — Chengdu Central Point

City Broadcast and Television Alliance, Chengdu Economic Zone (成都市經濟區城市廣播電視聯盟)

Top Ten Projects of Driving Forces of Developing "Harmonious Chongqing" — Chongqing Creative Concepts Center

Chongqing Daily (《重慶日報》)

Top Quality Award in Shenyang Commercial Property Market 2009 — Shenyang Project

Sina.com

Safety and Environment

Silver and Merit Awards in Sectoral Awards of Construction Industry in Hong Kong Awards for Environmental Excellence 2009

Environmental Campaign Committee, Hong Kong

Gold, Bronze and Merit Awards in Considerate Contractors Site Award Scheme 2009

Works Branch of the Development Bureau, HKSAR Government

Gold, Silver and Merit Awards in Construction Safety Promotional Campaign 2010

Occupational Safety and Health Council, Hong Kong

Gold and Merit Awards in the 9th Hong Kong Occupational Safety and Health Award

Occupational Safety and Health Council, Hong Kong

Proactive Safety Contractor Awards in 2009 HKCA Safety Awards

Hong Kong Construction Association

Gold, Silver, Bronze and Meritorious Awards in the Construction Industry Safety Award Scheme 2009/2010

Labour Department, HKSAR Government

Gold and Bronze Awards in the Good Housekeeping Promotional Campaign 2009/2010

Occupational Safety and Health Council, Hong Kong

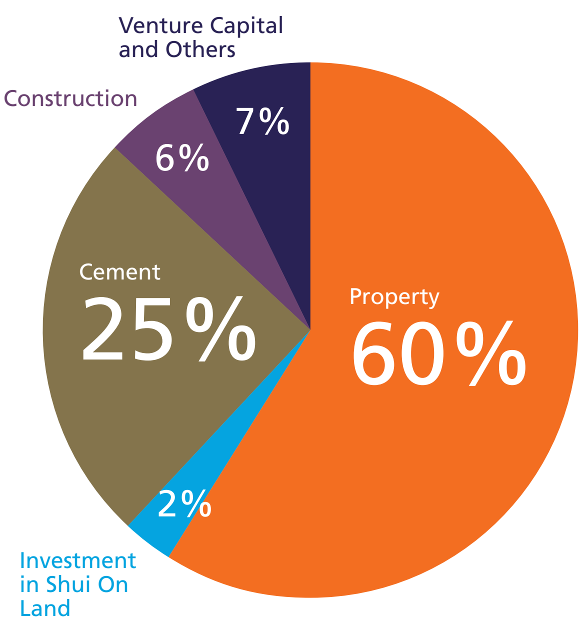
FINANCIAL HIGHLIGHTS

	Year ended 31 December 2010	Year ended 31 December 2009	Change
Turnover	**HK$8,044 million**	HK$3,200 million	↑ 151%
Profit attributable to shareholders	**HK$903 million**	HK$807 million	↑ 12%
Basic earnings per share	**HK$1.85**	HK$1.96	↓ 5.6%
Total dividends per share	**HK$0.60**	HK$0.35	↑ 71%

	At 31 December 2010	At 31 December 2009	Change
Total assets	**HK$21.0 billion**	HK$18.6 billion	↑ 13%
Net assets	**HK$9.2 billion**	HK$9.0 billion	↑ 2.2%
Net asset value per share	**HK$18.82**	HK$18.45	↑ 2%
Net gearing	**51%**	53%	↓ 2%

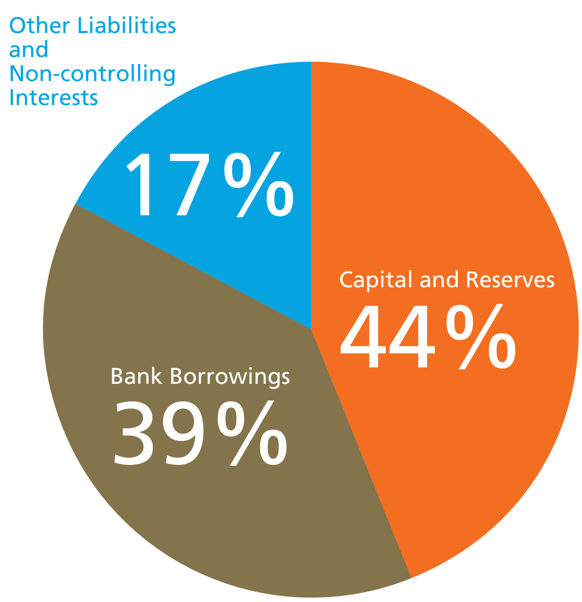
Assets employed

At 31 December 2010

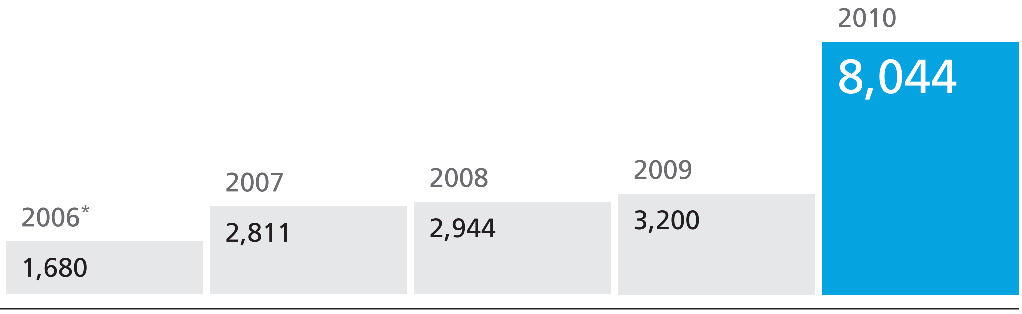


Capital and liabilities

At 31 December 2010

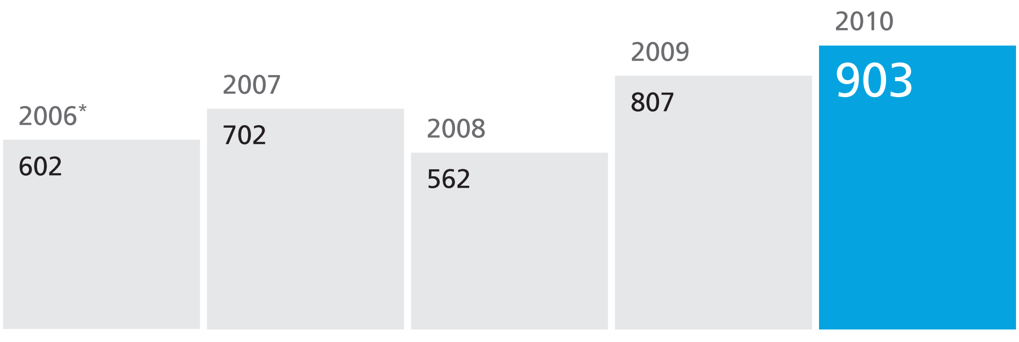


Turnover
HK$ Million



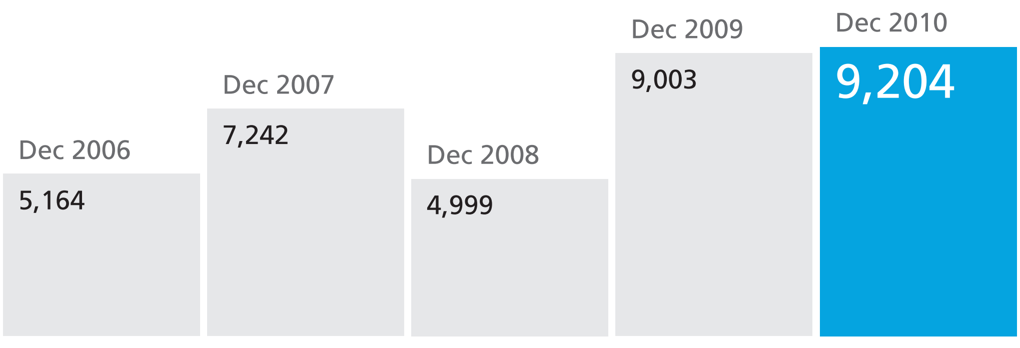
* Nine-month period

Profit attributable to shareholders of the Company
HK$ Million

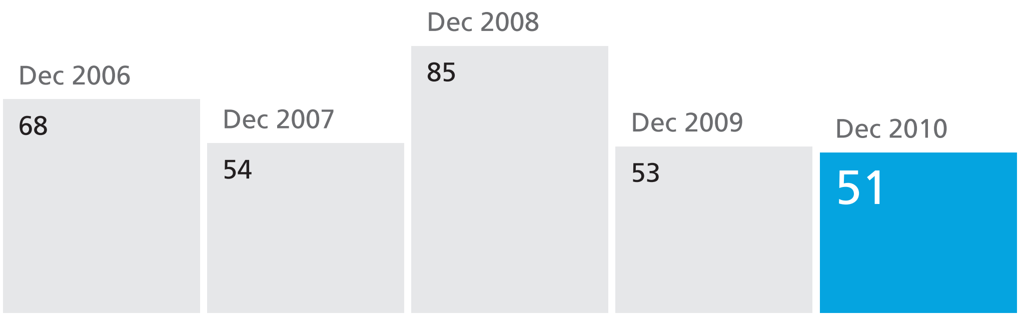


* Nine-month period

Equity attributable to shareholders of the Company
HK$ Million



Gearing
Percentage



CHAIRMAN'S STATEMENT

Dear Shareholders,

I am delighted to report that your Company has achieved encouraging results in the past year, at a point when we are embarking on major new initiatives to capitalise on market opportunities in the Chinese Mainland.

Over the last year, while the United States continued to recover amidst a new round of quantitative easing, other fiscally less-prudent European countries were pushing forward austerity measures to reduce sovereign debt. China's growth continued to be robust, to such an extent that a new round of austerity measures has to be introduced to curb the overheated economy.

China has now become the world's second largest economy and expects to see GDP growth to continue at approximately 8-9% per annum, on the strength of a widening economic base and increasing domestic consumption. These strong economic fundamentals augur well for the strategies we have in place for business expansion. Solid progress has been made in transforming your Group from a construction and construction materials company to a property developer in niche market areas in the Chinese Mainland.

In 2010, your Group recorded a profit attributable to shareholders of HK$903 million, an increase of 12% from HK$807 million in the previous year. After taking into consideration factors including our investment needs, your Board has recommended a final dividend of HK$0.4 per share, giving total dividends of HK$0.6 per share for the year, an increase of 71%.

Property division making solid progress

At the year end of 2010, SOCAM's property business accounted for approximately 60% of its total assets, up from 52% as at 31 December 2009. During the year, a number of projects acquired as special situation properties were progressively sold according to plan. SOCAM successfully disposed of four such properties en-bloc, namely Chengdu Central Point, Beijing Fengqiao Villas, Chongqing Danlong Road and Nanyang Building. Satisfactory prices were negotiated despite challenging market conditions, and useful cash flows and meaningful profits were generated. Once again, this demonstrated that in the past few years, our focus on quick asset turnaround to capture market momentum timely is a viable model.

When the 21st Century Tower in Pudong, Shanghai became available, we promptly acquired this project which is an outstanding opportunity in the heart of the Lujiazui Financial District. When completed, this project is poised to become a landmark in China's business and financial capital.

SOCAM continued to play the role of managing partner in Dalian Tiandi, our visionary knowledge community project in Northeast China, in which your Group has a 22% interest. Dalian Tiandi has made notable progress during the year, with a total of nearly one million square metres of GFA now under construction. Sales and leasing activities continued with equal expedition as we saw the concept of an IT hub and related facilities taking shape. Many of the software offices are now occupied, and tenants have begun to enjoy the benefits of the work-live-learn-play atmosphere manifested in the project's development plan. The solid progress of Dalian Tiandi to date has been encouraging, and is a major factor in our decision to expand this area of business in the Chinese Mainland.

Your Company has achieved encouraging results in the past year, at a point when we are embarking on major new initiatives to capitalise on market opportunities in the Chinese Mainland.

Vincent H. S. Lo
Chairman

CHAIRMAN'S STATEMENT

Forging new partnerships

Over the past year, your Group has been actively exploring opportunities to expand its property portfolio and asset base. This included successful collaborations with several reputable international companies, including the Mitsui Fudosan Group in Japan and the Four Seasons Hotels and Resorts Group, one of the largest worldwide operators of luxury hotels and resorts.

Your Group also concluded the formation of a partnership, SoTan, with two prestigious investors which will commit a total of approximately US$200 million to join forces with SOCAM to invest in special situation projects in high-growth secondary cities in the Chinese Mainland. SOCAM will contribute an equal amount when suitable projects are identified. This partnership was formed at a time when the Central Government continued to restrict excessive and speculative activities in the property sector. We believe that SoTan will continue the good momentum and capture new market opportunities in the niche areas which SOCAM has identified and exploited in the past few years.

As mentioned in my Statement of 2009, we would explore further possibilities in the business of building knowledge communities in Mainland cities. This initiative is now progressing well and SOCAM formed a joint venture with Tsinghua Science Park in January 2011 to develop an integrated knowledge community in Nanjing, a vibrant city near Shanghai. In February 2011, we also formed a partnership with Mitsui Fudosan Residential Company, a leading Japanese real estate developer, to jointly develop six parcels of land in Dalian Tiandi for residential and retail use.

The tertiary sector in China will undoubtedly expand rapidly in the years ahead with increased investment in areas of information technology, education, science and research. We will continue to position ourselves at the forefront to capture the vast amount of available opportunities. The knowledge community concept will prove to be particularly appealing to world-class corporations and talents. We believe that such environmentally friendly knowledge hubs are compatible with municipal governments' strong efforts to contribute to China's advancement in the information technology / business process outsourcing industry, and the upgrading of the technological and manufacturing bases in the value chain.

The participation of the internationally renowned Four Seasons Hotels and Resorts Group in the 21st Century Tower project in Shanghai could also be a starting point in our "branded residences" development concept. In the next few years, this initiative could see SOCAM delivering world-class residential properties at prime locations, with luxury-added services in the heart of major cities in China.

Challenging operating conditions on cement and construction

Our investment in Lafarge Shui On Cement (LSOC) posted less than satisfactory results this year, primarily because of the considerable price pressure in Sichuan and Chongqing where competition is severe, as a result of significantly excessive cement capacities coming onto the market, as well as upsurge in coal and energy prices. There are however clear signs recently that selling prices have come out of the trough. The Central Government is now strictly enforcing its directive to prevent over-investment, and equilibrium in supply and demand of cement is expected in our key market areas towards the latter part of 2012. We are optimistic that with LSOC's leadership in technology and operation capabilities, it will benefit from the substantial and sustainable investments in infrastructure, and increasing urbanisation and industry modernisation in the Southwestern region.

In January 2011, the injection of LSOC's 50% interest in its Dujiangyan plants into the Shenzhen-listed Sichuan Shuangma Cement was approved by the China Securities Regulatory Commission. This consolidated platform will provide LSOC with a stronger A-share capital base, which is essential for its continued expansion in a competitive environment, and for maintaining its position as the leader in Southwest China.

Despite keen competition and rising labour and material costs, your Group's construction business recorded a better profit and much higher turnover in 2010 on the strength of a considerably expanded workload in Hong Kong and the Mainland, which is expected to continue in the coming year.

Corporate governance as the guiding principle

Your Group has a firm commitment to accountability and transparency. Building on our solid corporate governance performance, three new Independent Non-executive Directors were appointed in early 2010 and I am very pleased to welcome Messrs David Eldon, Chan Kay Cheung and Moses Tsang to join our Company. I am confident that they will bring a wealth of experience to the Board. I would also like to sincerely thank Mr Anthony Griffiths, Independent Non-executive Director, and Professor Michael Enright, Non-executive Director, both retired from the Board in May 2010, for their many years of invaluable service. During the year, the Investment Committee was formed to oversee investment decisions, together with the Finance Committee.

It has been an honour that our practice of good corporate governance has been well recognised with SOCAM winning Asia's Best Companies for Corporate Governance Award 2010, and the Gold Award for Corporate Excellence, two prestigious accolades that affirm our continuing dedication in open, responsible and accountable management.

We have also been making useful contributions to the communities in which we operate and, in 2010, across all business units and departments, our talented and dedicated members of staff continued to support our mission on Corporate Social Responsibility. Going forward, we will uphold our CSR commitment "Shui On – We Care", a broad-reaching manifesto embracing our responsibility to our communities, our people, and the environment.

Building for the future

Economic growth under the directives of China's 12th Five-Year Plan should ensure that growth will follow a sustainable path. The present austerity measures will steer the development of the Chinese Mainland in the right direction, and the property market will emerge in the not too distant future in a healthier and more balanced state. In the meantime, however, it is likely that the sentiment in the property market will continue to be dampened, while prospective buyers will remain cautious and on the sidelines.

In the uncertain investment environment in the past few years, we have seized the opportunity to consolidate our core

The strategies for expansion have been carefully mapped out and began to bear fruit in our drive to capture new market opportunities which, evidently, will abound in the next stage of growth in the Chinese Mainland.

business and re-define our long-term growth objectives. The strategies for expansion have been carefully mapped out and began to bear fruit in our drive to capture new market opportunities which, evidently, will abound in the next stage of growth in the Chinese Mainland.

Your Group is actively forming alliances with reputable investors and operators to integrate their knowledge, expertise as well as financial resources on special situation and knowledge community projects which will be the cornerstone of our growth. SOCAM, when fully transformed into a developer in these niche sectors, should perform well and deliver increasing value to our shareholders.

The goals we have now set are challenging yet attainable, but they can only be accomplished with the continuing dedication and hard work of your Board and staff, and the support of our stakeholders, investors and business partners. I have every confidence in the next phase of development of SOCAM and would like to thank the valuable contributions of our teams, as we look forward to challenging times ahead in the next couple of years.

Vincent H. S. Lo
Chairman

Hong Kong, March 2011

BUSINESS REVIEW

Our transformation into a leading property developer in niche market areas reflects our determination to excel. SOCAM successfully continued to evolve its operations, and our efforts are directed at those markets and business areas where we have specialised knowledge.

Economic conditions and prospects

While the global economy continues to recover, China's growth, driven by focused government policies and the spending power of the burgeoning middle class, is expected to outperform those of other major countries. The GDP growth forecast of 9% for 2011, compared with 10.3% for 2010, is built upon an already solid economic base with less reliance on overseas export markets. Inflationary pressure will, however, remain the paramount concern of the Central Government, and tightening measures will be stepped up to check excessive liquidity which has consistently caused spiraling increases in prices in the property and consumer markets.

The fundamentals of China's cement industry will remain solid on the accelerating urbanisation and strong growth of investment and domestic consumption under the directives of the 12th Five-Year Plan (2011–2016). The restructuring and modernisation of the industry will continue and will eventually eliminate excess supply and backward capacities in all major provincial markets.

In Hong Kong, our construction business looks certain to benefit from the resurgence in local market confidence as well as the stepping up of government spending on infrastructure work, public housing and facilities, which is made possible by the consistent budget surplus.

BUSINESS REVIEW

FINANCIAL REVIEW

P.51

SOCAM has moved ahead with its visionary plans to develop strategic partnerships to penetrate niche market segments for long-term sustainable growth.

Philip K. T. Wong
Chief Executive Officer

BUSINESS REVIEW

PROPERTY

Shui On China Central Properties added to its solid track record of acquisition and development of special situation projects and delivered meaningful returns on its quick asset turnover model.

GFA*

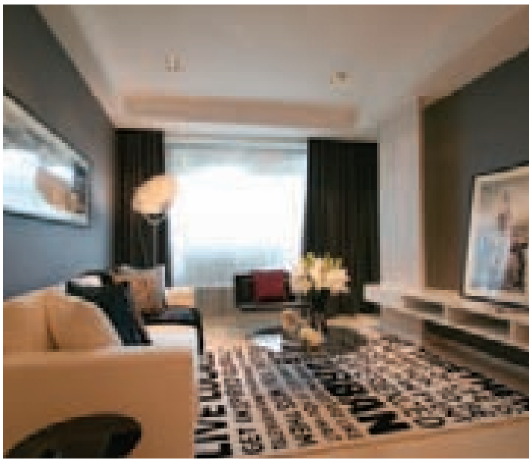
1,672,900 SQUARE METRES

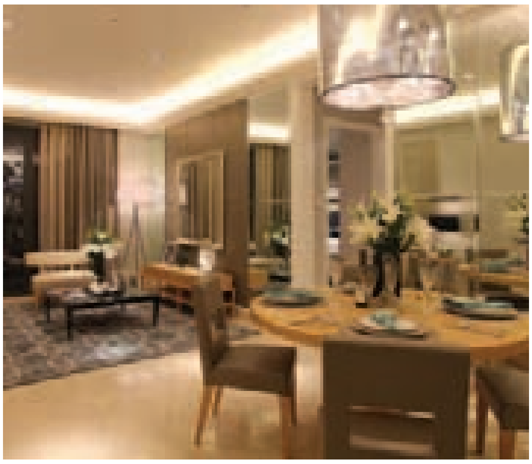
At 31 December 2010

2,067,000 SQUARE METRES

At 31 December 2009

* Excluding that of the knowledge community project





Total assets

HK$12,519 MILLION

At 31 December 2010

HK$9,735 MILLION

At 31 December 2009

Profit**

HK$770 MILLION

Year ended 31 December 2010

HK$740 MILLION

Year ended 31 December 2009

** Net of deferred tax provision on fair value gain on investment properties

PROPERTY

Atrium of Shenyang Project

China's property market remained buoyant over 2010. Residential property sales increased 18% year-on-year, while real estate investment expanded 33%. As of December 2010, sale price index of 70 major Mainland cities was 6.4% higher than the same period the year before. Housing prices in major Mainland cities continued to rise during the year, despite a number of government attempts to dampen the market. The home-buying restriction orders introduced by local governments of certain major cities in early 2011 now appear to be having the desirable cooling effect, and a considerable drop in the transaction volume of residential premises is seen.

Capitalising on the changing investment environment, SOCAM continued to take advantage of market opportunities by unlocking the value of its property portfolio, while making timely acquisitions.

Throughout 2010, the Group's property projects, ranging from branded residences, prime commercial buildings to Dalian Tiandi, the knowledge community project under our management, all progressed well. In particular, Shui On China Central Properties added to its solid track record of acquisition and development of special situation projects and delivered meaningful returns on its quick asset turnover model.

Leveraging on these strengths, SOCAM has moved ahead with its visionary plans to develop strategic partnerships to penetrate niche market segments for long-term sustainable growth as part of the transformation of the Group. Several collaborations are already in place. In early 2011, the Group formed a partnership with some of the world's most prestigious institutional investors which will commit a total of approximately US$200 million to join forces with SOCAM to search for attractive targets in the expansion of our special situation property business. SOCAM will contribute an equal amount when suitable projects are identified. This will provide good momentum to the development of this business sector for the next few years.

Additionally, in January 2011 the Group entered into an agreement with Tsinghua Science Park (Tsinghua SP) to form a joint venture, in which SOCAM will have a 75% share, for the development of integrated knowledge communities in Nanjing, a vibrant city near Shanghai which has committed to carrying out effectively the directive of the Central Government to upgrade the industrial and manufacturing infrastructure.

Our initiative to pursue the "branded residences" concept is also progressing well, and involves SOCAM's collaboration with reputable international partners. An agreement has been reached with the renowned Four Seasons Hotels and Resorts Group to provide exquisite services for one of SOCAM's prime properties in Shanghai. We will continue to identify potential residential projects across China and apply this unique concept which will offer residents a top range of comfort and convenience. This brand strategy should create a market niche and a significant edge for SOCAM as a developer known for delivering luxury living for discerning apartment purchasers and tenants.

Against the background of sustained economic growth in China and with exciting projects and partnerships already identified, our property business in China is well poised to be a major profit driver in the years to come.

Centrium Residence, Beijing

PROPERTY – SPECIAL SITUATION PROJECTS

Major acquisition

The expansion of our diverse portfolio has been driven by identifying and securing boutique premium projects at advantageous prices and thereafter utilising the Group's proven project execution capabilities to complete and upgrade the properties. Deciding the optimal development mix of office, residential, serviced apartment and retail, and the positioning of the property projects to meet local market needs has played an important part of our successful strategy.

We are particularly pleased to have acquired the 21st Century Tower in December 2010, a premium commercial property with a serviced apartment and hotel in Shanghai. This deal is a joint venture with the largest owner of the Four Seasons Hotels worldwide and a strategic financial investor with SOCAM holding 70%. Situated at the heart of Lujiazui Financial District in Pudong, and at a major transportation focal point of Shanghai, the project is next to China's tallest building, Shanghai World Financial Center, the famous Jin Mao Tower and the Park Hyatt Hotel. In a 49-storey building that will offer a GFA of about 92,000 square metres, SOCAM acquired the hotel and serviced apartment portion on the 26th to 49th floors, with a GFA of 51,000 square metres, together with car parking spaces.

21st Century Tower, Shanghai

Interior design of 21st Century Tower, Shanghai

Property sales en-bloc

During the year, SOCAM successfully disposed of four property projects on an en-bloc basis, namely Chengdu Central Point, Beijing Fengqiao Villas, Chongqing Danlong Road and Nanyang Building. In January 2011, the Group also agreed to dispose of Haomen Building in Chongqing in its existing condition. The sale of Central Point Phase II in Chengdu is one of the typical success stories of SOCAM's special situation projects business model that continues to deliver favourable returns to shareholders in a short timeframe.

Central Point, Chengdu

Gross floor area: 96,000 square metres
Usage: Composite

In March, the Group disposed of the serviced apartments in Phase I of this project for RMB488 million. In September, SOCAM and Ping An Property & Casualty Insurance Company of China (Ping An) entered into an agreement whereby SOCAM sold the entire 31-storey Phase II office building to Ping An for a consideration of RMB727 million.

Fengqiao Villas, Beijing

Gross floor area: 71,100 square metres
Usage: Residential

In September, the Group sold this residential development in Shunyi District, Beijing. Completion of the transaction took place in December, at a total consideration of RMB943 million.

Danlong Road Project, Chongqing

Gross floor area: 149,000 square metres
Usage: Residential and retail

The Group completed in May the disposal of a 29,000 square metres plot of residential land in Chongqing at a consideration of RMB180 million.

Nanyang Building, Chongqing

Gross floor area: 32,000 square metres
Usage: Residential and retail

In December, the Group completed the disposal of this property in its as-is condition for about RMB72 million.

Haomen Building, Chongqing

Gross floor area: 13,000 square metres
Usage: Commercial

The Group has agreed to dispose of this building in its existing condition to the local government at a consideration of RMB48 million. The transaction is expected to be completed in the first half of 2011.

Central Point, Chengdu

PROPERTY – SPECIAL SITUATION PROJECTS

Existing project overview

Currently, the Group has a diverse property portfolio of nine projects comprising approximately 1.67 million square metres of attributable developable GFA, located in prime areas in Beijing, Chengdu, Chongqing, Guangzhou, Shanghai and Shenyang. Market prices for premium apartments and office space saw a continual upward trend in 2010 in major cities of China where SOCAM's projects were at various stages of development. Keen interest in both sales and leasing opportunities resulted in a healthy take-up of space that SOCAM brought to the market over the year.

The Group's total attributable developable GFA of special situation projects at 28 February 2011 is summarised below:

City	Project	Type	Estimated completion	Total developable GFA (square metres)
Beijing	**Centrium Residence**	Residential	2012	30,300*
Chengdu	**Orient Home**	Composite	2014	467,800
Chongqing	**Creative Concepts Center**	Composite	Completed	47,200†
	Qianxinian Building	Commercial and retail	2011	35,000
Guangzhou	**Parc Oasis**	Residential	2011	112,000
Shanghai	**Lakeville Regency Tower 18**	Residential	Completed	16,800
	21st Century Tower	Serviced apartments and hotel	2012	41,300*
Shenyang	**Shenyang Project Phase I**	Composite	2012	281,200
	Shenyang Project Phase II	Composite	2016	640,700*
Total GFA				**1,672,300**

* The Group has a 52.5%, 70% and 80% interest in Beijing Centrium Residence, Shanghai 21st Century Tower and Shenyang Project Phase II respectively. The GFA shown is the effective share attributable to the Group

† Yet-to-be sold GFA

Beijing
Centrium Residence

Offers metropolitan lifestyle and the enjoyment of a leisure eco park. The project highlights the genuine value of premium living in the Central Business District.

Chengdu

Orient Home

A large scale city-core composite development near a major interchange of the future Chengdu metro. This landmark project includes residential towers, office and a shopping mall, offering a stylish modern lifestyle.

Chongqing

Creative Concepts Center

Situated close to Jiefangbei Square, this composite building offers pure living boutique residences, creative LOFT offices and a trendy shopping mall coupled with a sophisticated business centre.

Guangzhou
Parc Oasis

As the only green pure living community occupying a prime spot in the prestigious North Tianhe area, Parc Oasis takes modern metropolitan living to the next level.

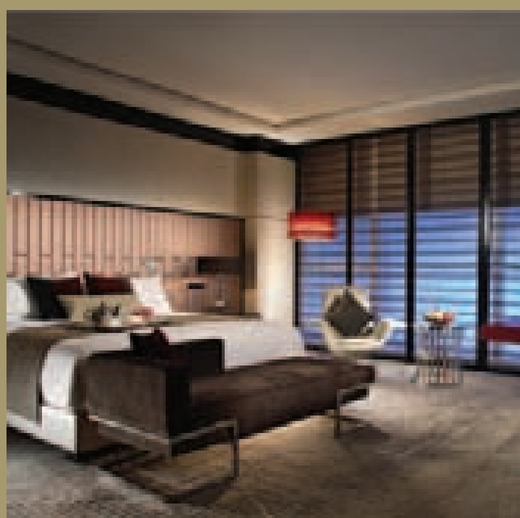
Shanghai

Lakeville Regency Tower 18

A luxury residential building, in close proximity to Xintiandi, is managed by Shama, a renowned serviced apartment operator.

Shanghai
21st Century Tower

Located in one of the best locations in Shanghai, the property offers an environment fulfilling desires for grandeur and luxury.



Shenyang

Shenyang Project Phases I & II

These contemporary multi-use complexes comprise upscale apartments, serviced apartments, grade A offices and a shopping mall. Upon completion, the development will become the city-core landmark in Shenyang.

Project Progress

Beijing

Centrium Residence

The construction work on this premium project in Beijing (formerly known as Beijing Chaoyang Project) is progressing according to plan. SOCAM's experience in high-end property development will shape this project into one which will have an eye-catching architectural design, high quality finishing throughout and customised services. A total of 210 high-end apartments will be available on completion. Preparation for pre-sale activities planned for 2011 is underway.

Chengdu

Orient Home

Excavation work began in 2010. The construction of this project is divided into three phases, with completion due in 2013-14. Orient Home is positioned as a high quality mixed development with 11 residential towers, a 28-storey office tower, a 28-storey serviced apartment tower, a 6-storey shopping mall and 3 basement floors. The completed development will also offer car parking spaces, a clubhouse and a kindergarten. The green ratio of the development is approximately 35%, significantly higher than similar projects. The adjoining Riverside Green Belt will be upgraded to create a harmonised surrounding environment.

Chongqing

Creative Concepts Center

The development has a prime location close to Jiefangbei Square and continues to attract strong market response. The total GFA sold since the pre-sale in September 2009 comprised residential GFA of 29,100 square metres and office GFA of 8,000 square metres. Average monthly rental of the retail space compares favourably with market rates in the area.

Qianxinian Building

The building is located in the busy Guanyinqiao shopping area. The Group is looking at an en-bloc disposal for this building.

Guangzhou

Parc Oasis

Sales activity for this upmarket residential project began in earnest in early 2011. Parc Oasis comprises three residential towers each of 35 storeys and one serviced apartment tower of 31 storeys. On completion, it will offer unique comfort and convenience in the attractive North Tianhe district of Guangzhou. Facilities will include a clubhouse and feature eco-friendly design, targeting the affluent buyers in this key provincial city in Southern China.

Shanghai

Lakeville Regency Tower 18

This prestigious addition to the Group's luxury residential portfolio was acquired in early 2010. The completed development, in the upmarket Luwan district of Shanghai, comprises 103 top-tier serviced apartments. The Tower attained an average occupancy rate of over 85% during the year, generating stable and recurrent rental income.

21st Century Tower

As aforementioned, SOCAM plans to cooperate with the globally acclaimed Four Seasons Hotels and Resorts Group to provide world-class luxurious branded residence and hotel accommodation, offering residents a very high level of comfort in the heart of China's business and financial capital. The project is expected to be completed in 2012.

Shenyang

Shenyang Project Phase I

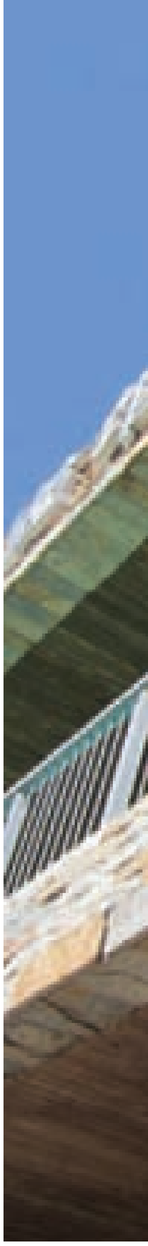
Comprising two residential buildings, a serviced apartment tower, an office tower and a 4-level podium, this project achieved encouraging sales since the launch of its residential units in the third quarter of 2009. The units of this first batch of 32,400 square metres GFA have been completely pre-sold. Leasing of the retail space is progressing well with a number of prospective tenants signing letters of intent, making up 65% of the total leasable area.

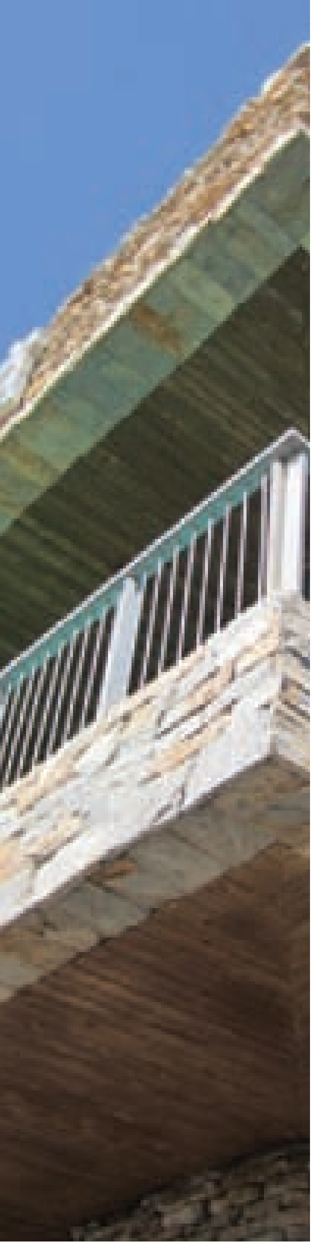
Shenyang Project Phase II

The development is planned to include upscale residential premises, serviced apartments, modern office space and a shopping mall. Relocation and clearance of most land parcels by Shenyang local authorities is nearing completion. Construction of this attractive composite development should commence in mid 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

KNOWLEDGE COMMUNITIES






安博教育

PROPERTY – KNOWLEDGE COMMUNITIES

3.3 million square metres of trendsetting office, residential, retail, recreational and greenery space

As China's economy continues to expand, the GDP contribution of the tertiary sector is likely to follow the trend in developed Western countries and grow substantially in the next decade and beyond. Current estimates suggest that service industries in China make up just 43% of the total GDP, compared to over 70% in more advanced economies. Sectors such as education, research and healthcare, insurance and banking, information and communications technology are likely to expand rapidly.

The Group sees significant new market opportunities across China in the development of world-class knowledge communities – hubs for the propagation of ideas, software development, research and learning. High-tech offices, apartments and villas, educational centres, lifestyle malls, outdoor recreation facilities and parkland will be combined in pioneering eco-friendly environments. SOCAM's drive to develop further knowledge community projects is built on vision, experience and strategic partnerships.

Dalian Tiandi

The city of Dalian, on China's Northeast coast, has a proven track record in developing information technology outsourcing (ITO) and business process outsourcing (BPO) industries. With continual support from the Central Government, it is steadily migrating towards a high value-added IT industry development model. Dalian recorded annual GDP growth of 15.2% in 2010 and is leading in terms of property investment and living standards in Liaoning Province. The city has realised a 67% growth of foreign direct investment and an all-round uplift in infrastructure and public spending, raising its status to an international standard.

Launched in 2007, Dalian Tiandi is a visionary knowledge community jointly developed by Shui On Land, SOCAM and the Yida Group. The Dalian Tiandi concept provides a green, highly modern and trendsetting way of living designed to attract intellectuals from across the IT industry. Situated at the midpoint of South Lvshun Road Software Industry Belt, Dalian Tiandi extends across a 12.5 kilometre range. It offers a total GFA of 3.3 million square metres, and is set to become a new urban focal point.

The Group has a 22% interest in the project and has been playing the role of managing partner, responsible for project management, quality assurance and sales and marketing. Phased completion as well as sales and leasing are progressing rapidly on this landmark development, on schedule for final completion in 2020, by which time the community's population is estimated to reach 300,000.

Good construction progress continues to be made according to the master development plan with GFA under construction in 2010 at approximately 960,000 square metres, comprising areas for residential, at 392,000 square metres, commercial, 450,000 square metres, and for a training school, 117,350 square metres. Many of the offices in completed commercial buildings are now occupied, as tenants begin to enjoy the attractive working environment which Dalian Tiandi provides.

GFA under construction in 2010 of approximately
960,000 square metres
Residential
392,000 square metres
Commercial
450,000 square metres
Training school
117,350 square metres

PROPERTY – KNOWLEDGE COMMUNITIES

Sales/leasing

In 2010, sales of residential villas and mid/high-rise apartments amounted to GFA of 18,000 square metres and 3,000 square metres respectively. In 2011, total GFA available for sale is approximately 136,000 square metres, representing a substantial increase over the figures of the previous year, which is indicative of the accelerating progress of the project's phased completion. Occupancy rates on the GFA 42,000 square metres of software offices completed by the end of December 2010 were approximately 65%.

In June 2010, 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 campus as a whole. In Hekou Bay, EtonHouse, an international education group, is planning to establish education facilities and office premises with a GFA of about 12,500 square metres. Between May and December 2010, eleven companies signed tenancy agreements taking office space totalling over 26,900 square metres of GFA. Additionally, leading educational services provider Ambow has committed to a tailor-made campus of 114,000 square metres.

Strategic Partnerships

In January 2011, Tsinghua Science Park (Tsinghua SP) signed an agreement to form a joint venture with SOCAM for developing integrated knowledge communities in Nanjing. The Group will invest about RMB1.8 billion in this new strategic alliance which will be 75% owned by SOCAM and 25% owned by Tsinghua SP. Now present in over 30 cities and regions across China, the Tsinghua Science Park brand is known for the world's largest university science parks, housing the largest number of Forbes 500 companies, dozens of world-class research and development organisations and over a thousand enterprises.

SOCAM's strategic partnership with Tsinghua SP is expected to create optimum synergistic advantages, combining SOCAM's strengths in property and business development, project management, marketing and sales with Tsinghua SP's tremendous success in developing, managing and operating science parks. The joint venture aims to provide new standards of excellence for quality knowledge communities in China for the burgeoning IT industries. Integrated hubs with education, technology, cultural and research facilities to attract, nurture and retain professionals and talents in the technology industry have already met with strong market interest.

In February 2011, Mitsui Fudosan Residential Company (Mitsui), a leading real estate developer in Japan, entered into a strategic partnership for a joint development project in Dalian Tiandi. Mitsui will have a 30% interest in the partnership and participate in the development of six parcels of land in Hekou Bay and Huang Ni Chuan. Total GFA of the residential and retail properties on these sites will be approximately 158,600 square metres and 47,200 square metres respectively. The properties are expected to be completed by 2014. The Mitsui alliance further reflects the encouraging interest international investors are showing in the Dalian Tiandi project.

Co-operation with Mitsui (left) and Tsinghua Science Park (right)

Investment in Shui On Land (SOL)

In June, 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 disposal allows SOCAM to realise some of the profits locked up in its investment in SOL, and to expand its property business at a more rapid rate to produce attractive returns for shareholders.

Dalian Tiandi — a visionary knowledge community

BUSINESS REVIEW

CEMENT

Despite intensified competition, good market demand, coupled with the high utilisation and operational reliability of LSOC's plants resulted in relatively stable production and sales volumes.

Production capacity (annual)

32 MILLION TONNES

At 31 December 2010

27 MILLION TONNES

At 31 December 2009

Profit*†

HK$95 MILLION

Year ended 31 December 2010

HK$337 MILLION

Year ended 31 December 2009

Turnover†

HK$3.0 BILLION

Year ended 31 December 2010

HK$3.2 BILLION

Year ended 31 December 2009

* Before impairment and disposal losses

† Attributable share

CEMENT

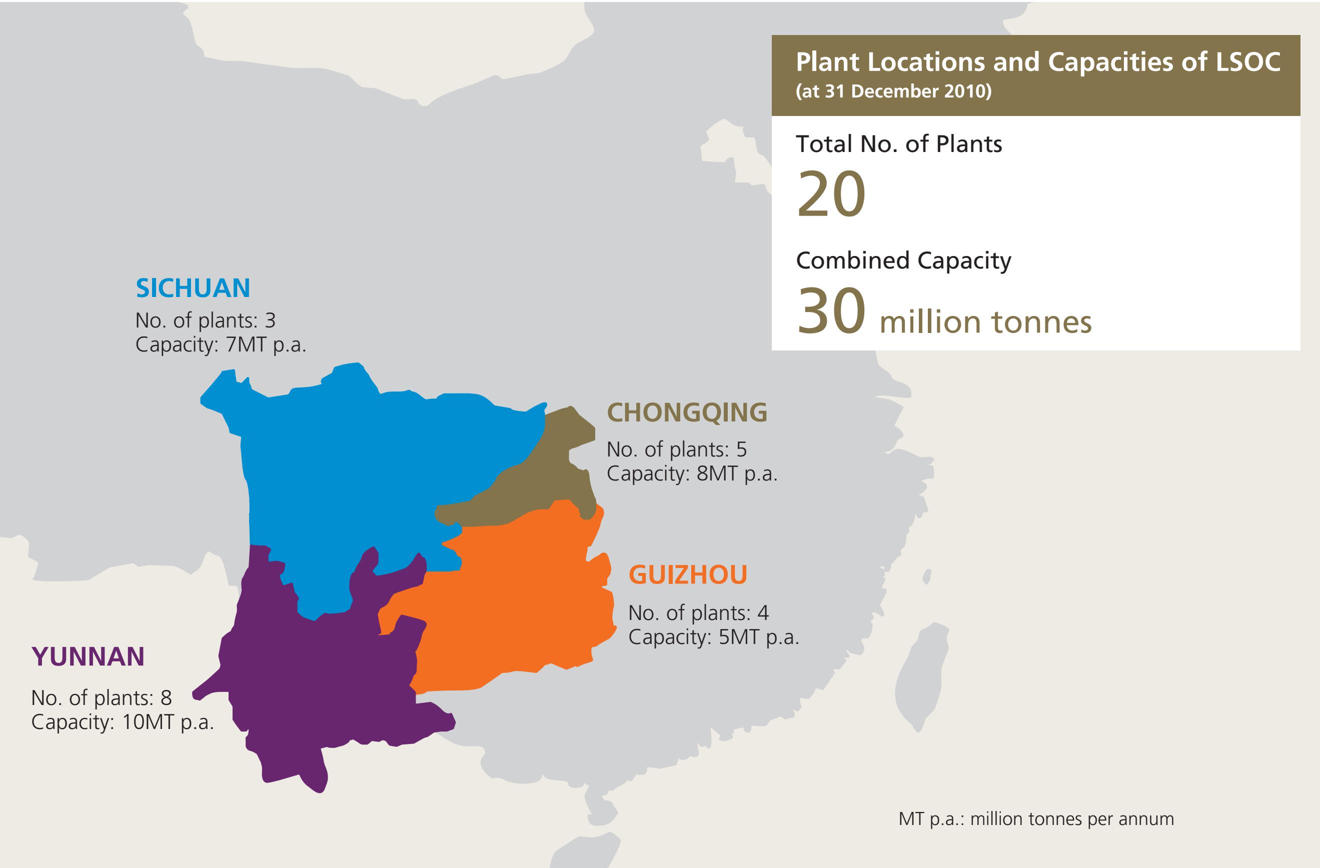
The Dujiangyan plant of Lafarge Shui On Cement

Market review

On the back of strong domestic economic growth, cement production in China stays on a trend of annual double-digit expansion, with a 15.5% increase in 2010 over the previous year to 1.87 billion tonnes. China's cement sector now accounts for nearly 50% of global cement output.

Demand for cement continues to be driven by massive infrastructure works including high-speed railways, highways and power plants, coupled with increasing urbanisation and rural modernisation. Fixed assets investment in 2010 increased by a remarkable 23.8% from the previous year. In October 2010, the Central Government promulgated a programme of subsidising the purchasing of building materials in rural areas, which will stimulate demand for cement in the mid- to long-term. The demand for cement will be further augmented by a new wave of government housing projects beginning in 2011, which is expected to provide about 10 million new low-income homes each year.

In 2010, China also saw record expansion of cement production capacities. Over 150 new dry kilns were commissioned, adding about 190 million tonnes capacity across the country, of which some 29% came from the Southwestern region as, back in 2007-08, the then high pricing and upcoming massive post-quake reconstruction works, additional to the already robust infrastructure development, attracted considerable but imprudent investments in the building of cement plants in Sichuan and nearby areas. An oversupply situation became all too evident in 2010.



However, concerns over nationwide over-capacity are alleviated by the Central Government's policies to accelerate the phasing out of backward, energy-inefficient and polluting capacities and curb excessive investment in the cement industry, while promoting market consolidation to concentrate output around major producers that have advanced technology, large-scale operations and the commitment to safety and sustainable development. The 2010 target to eliminate about 92 million tonnes of inferior capacity has been successfully achieved. In tandem, local governments have also tightened up approval for the building of new cement plants. The market estimates that less than 40 new kilns commenced construction in 2010, the fewest in recent years; hence no significant impact on the market supply is expected when they come onto the market in the next two years.

Lafarge Shui On Cement (LSOC)

Operating performance

LSOC, in which the Group holds a 45% interest, is the market leader in Southwest China with a major presence in Sichuan, Chongqing and Yunnan. LSOC had a total annual production capacity of approximately 30 million tonnes at the end of 2010, as compared with approximately 24 million tonnes a year ago. However, the fierce competition arising from the temporary imbalance in supply and demand due to massive building of excessive capacities as aforementioned resulted in a year of poor performance of LSOC.

In 2010, LSOC's total sales volume was 23.1 million tonnes. Despite intensified competition, good market demand, coupled with the high utilisation and operational reliability of LSOC's plants resulted in relatively stable production and sales volumes. Total sales volume however dropped slightly by 2% from the previous year largely due to the closure of two old production lines in Sichuan during the year while the three new dry kilns contributed very limited volume during initial production towards the year-end.

LSOC saw tremendous price pressure in its operations in Sichuan, Chongqing and to a lesser extent, Guizhou, for much of the year, primarily due to severe competition as massive new capacities came onto the market with reduced pricing to seize market share. On the other hand, the operation in Yunnan benefited from strong infrastructure development and recorded a marked increase in cement prices which partly alleviated the poor performance in Sichuan and Chongqing. Cement prices in all the operating areas of LSOC staged a reasonable recovery in the fourth quarter of the year when infrastructure and building works entered the traditional peak season. Overall, the average selling price for the year decreased by about 4%, as compared with the year before.

The increase in the prices of coal and power since early 2010 added further pressure on gross profit margin, despite the implementation of various cost saving initiatives by LSOC to lower energy consumption and contain the rise in other production costs. The cash cost of production increased by about 9% over the previous year.

A combination of adverse factors in sales volume, prices and energy costs contributed to the disappointing result of LSOC in 2010.

The construction of the third line in Dujiangyan, Sichuan and the new dry kilns in Yongchuan, Chongqing and Sancha, Guizhou experienced a few months' delay, with commissioning taking place in the fourth quarter of the year. This additional capacity of about seven million tonnes per annum further strengthens LSOC's leadership position in Southwest China. Meanwhile, LSOC closed down the backward production lines in Guangan and Jiangyou, both in Sichuan, with a total annual production capacity of 1.4 million tonnes as these plants lacked cost competitiveness in the markets they served.

Assets injection

The injection by LSOC of its 50% interest in the Dujiangyan plants into Sichuan Shuangma Cement (Shuangma) at a valuation of RMB2.3 billion for new shares issued by Shuangma received the approval of Shuangma's independent shareholders in January and of the National Development and Reform Commission in April 2010. Final approval from the China Securities Regulatory Commission was obtained in January 2011. LSOC now holds beneficial interests of about 78% and 64% in the Shuangma and Dujiangyan plants respectively. This welcoming development cleared a big hurdle in LSOC's expansion plans as Shuangma, a listed company on the Shenzhen Stock Exchange, should be able to accommodate further injection of assets for expansion purposes, which is currently under contemplation.

Divestment

In December, LSOC completed the disposal of its minor cement operation in Beijing, which has an annual production capacity of one million tonnes. This divestment is in line with LSOC's strategy to strengthen its operations and leadership position in the Southwest China.

LSOC continues to reduce energy consumption and enhance operational efficiency

Sustainability

This year, LSOC reached the half way mark of its five-year plan called "Sustainability Ambitions 2012", which covers energy saving, safety, emission reduction and quarry rehabilitation. LSOC continued to implement various initiatives to reduce the possible impacts on the environment during the industrial process, while enhancing operational efficiency.

LSOC continued with the progressive installation of waste heat recovery systems (WHR) in its plants, which lowers coal consumption and reduces carbon emissions, while generating electricity with the exhaust heat from the clinker production process. The new dry kiln in Sancha, Guizhou is equipped with the largest WHR system in the province with annual power generation capacity of nine million megawatts. In December 2010, LSOC entered into an agreement with China Energy Conservation and Environmental Protection Group to develop low-temperature WHR systems for seven LSOC's production plants, each with over 2,000 tonne-per-day (tpd) capacity, in Yunnan and Guizhou. When these systems are put into operation in the fourth quarter of 2011, the seven plants will each consume about 30% less power and, in aggregate, generate 220 million kilowatt-hour of electricity each year, which equals to a saving of 71,000 tonnes of coal and a reduction of 176,000 tonnes of CO_2 emission.

During the year, the Nanshan plant of LSOC in Chongqing started rehabilitation works on a 3.6-acre quarry site. This first quarry rehabilitation project in Chongqing has received high acclaim from the municipal government.

Guizhou cement

In line with the Central Government's policy of phasing out old-fashioned, energy-inefficient capacities, all the wet production facilities of the Group ceased production during the year. Notwithstanding this, the total sales volume of the plants for the year exceeded two million tonnes, a 21% increase over the previous year. The increase in sales volume arose from sustained market demand for cement from building and infrastructure works, coupled with the contribution of the new dry kiln of 2,500 tpd 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.

LSOC's expansion plan will continue

As LSOC is 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 in Guizhou. Approvals from relevant local authorities are being sought for the re-development of the plant site in Zunyi into a property project. Negotiations for the sale of other plants are in progress.

Nanjing grinding plant

The grinding plant in Nanjing continued to supply both local customers and markets in Australia. It benefited from higher sales volume and increased selling prices in its markets, despite increased purchased clinker cost, and achieved an improved operating performance.

BUSINESS REVIEW

CONSTRUCTION

The business recorded a better profit and much higher turnover in 2010 due to the buoyant market, despite keen market competition and increasing costs that exerted growing pressure on margins.

Outstanding value of contracts on hand

HK$6.7 BILLION

At 31 December 2010

HK$6.7 BILLION

At 31 December 2009

Profit

HK$84 MILLION

Year ended 31 December 2010

HK$69 MILLION

Year ended 31 December 2009

Turnover

HK$4.8 BILLION

Year ended 31 December 2010

HK$3.1 BILLION

Year ended 31 December 2009

CONSTRUCTION

Town Park and Indoor Velodrome-cum Sports Centre, Tseung Kwan O, Hong Kong

The Hong Kong economy in 2010 staged a full recovery at a faster pace than expected. GDP grew robustly by 6.8% in real terms, following a 2.7% contraction in 2009. Building and construction activities in Hong Kong expanded 6.7% over the year. With the ten major infrastructure projects being rolled out in phases as scheduled and other projects entering their construction peaks, the HKSAR Government estimates that capital works expenditure will exceed HK$60 billion for each of the next few years. In addition, production of new public rental housing flats is forecast to be about 75,000 flats for the 5-year period from 2011. The HKSAR Government has also committed to increasing the supply of land for private housing development. We expect these will provide continuing impetus to the construction activities in Hong Kong.

Our construction business performed well during the year, despite increasing building material and labour costs and growing pressure on margins amid keen market competition. The division's total turnover for the year was HK$4,812 million (2009: HK$3,065 million), while new contracts totalling HK$4,457 million were won (2009: HK$4,767 million). With a 57% increase in turnover, profits generated by the division amounted to HK$84 million, an increase of 22% from the previous year.

During the year, the division continued to enhance operational efficiency, strengthen its partnership with subcontractors and implement tighter control over project costs and corporate overheads to maintain the profitability of existing contracts to cope with the rising costs. We have adopted a prudent approach in tendering for public housing projects in Hong Kong as market competition remains fierce with some players pricing their tenders below our costs. The fitting-out sector benefited from the improvement in the business environment generally in Hong Kong and Macau and saw considerable increase in workload on the strength of its excellent track record.

At 31 December 2010, the gross value of contracts on hand was approximately HK$12.3 billion and the value of outstanding contracts to be completed was approximately HK$6.7 billion, compared with HK$10.6 billion and HK$6.7 billion respectively at 31 December 2009.

Looking ahead, we expect an increase in tender opportunities for design-and-build and construction-only projects from the Hong Kong Architectural Services Department (ASD), the Hong Kong Housing Authority (HKHA) as well as the Hong Kong Housing Society under the "My Home Purchase Plan" housing initiative of the HKSAR Government. Our track record of timely completion, safety and environmental awareness will play an increasingly important role in the award of government contracts.

Headquarters building of the Hong Kong Customs and Excise Department

Shui On Building Contractors (SOBC)

SOBC was awarded by the HKHA a contract for the construction of a public housing development in Tuen Mun, with a value of HK$470 million.

During the year, SOBC continued to maintain a significant market share in the maintenance works of the government and institutional sectors. It secured a 4-year contract from CLP Power Hong Kong Limited for refurbishment works at selected substations in Kowloon and the New Territories, valued at HK$120 million and a 3-year maintenance and refurbishment contract for a housing estate in Yuen Long from the HKHA, valued at approximately HK$185 million.

Major projects completed by SOBC included Eastern Harbour Crossing Site Phase 4, a district term maintenance contract for the ASD and a district term maintenance contract for the HKHA.

Shui On Construction (SOC)

SOC was awarded a HK$1 billion project from the 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 HK$258 million. In addition, it also secured a contract for the construction of the Innovation Tower from Hong Kong Polytechnic University, with a value of HK$635 million.

SOC completed on schedule the HK$1.1 billion design-and-build project – the new headquarters building of the Hong Kong Customs and Excise Department, and hand-over of the building took place in the third quarter of the year.

SOBC and SOC place over-riding importance on the need for site safety, environmental awareness, energy-saving construction, waste management and recycling. The overall accident rate of 5.72/1,000 in 2010 at their sites is one of the lowest in the industry. Throughout 2010, they continued to receive awards for outstanding performance in safety and environmental management from the industry and the HKSAR Government, including the Gold Award in Considerate Contractors Site Award Scheme 2009, Silver and Merit Awards in 2009 Hong Kong Awards for Environmental Excellence – Sectoral Awards (Construction Industry).

CONSTRUCTION

Shui On Construction, Mainland (SOCM)

This 70%-owned construction arm of the Group in the Chinese Mainland recorded significant increase in turnover for the year. It provided construction services for the Chongqing Tiandi, Foshan Lingnan Tiandi, Wuhan Tiandi, Shanghai Rui Hong Xin Cheng and Shanghai Knowledge Innovation Community projects of SOL, Dalian Tiandi, Shenyang Project Phase I, Chongqing Creative Concepts Center, Chengdu Central Point Phase II and Guangzhou Parc Oasis projects.

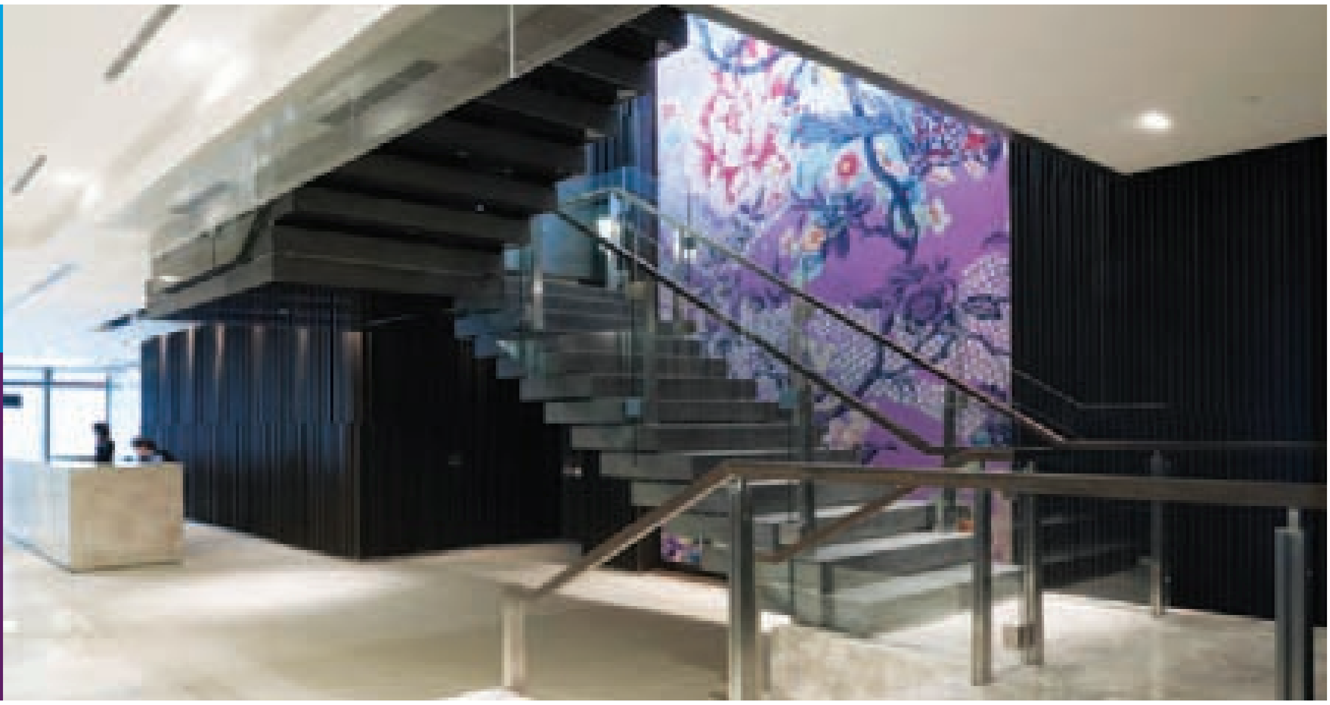
SOCM secured new contracts worth RMB448 million, including construction works for zones A11, A12 and B, commercial district in Wuhan Tiandi and interior decoration for a shopping mall and clubhouse in Dalian Tiandi.

Pat Davie (PDL)

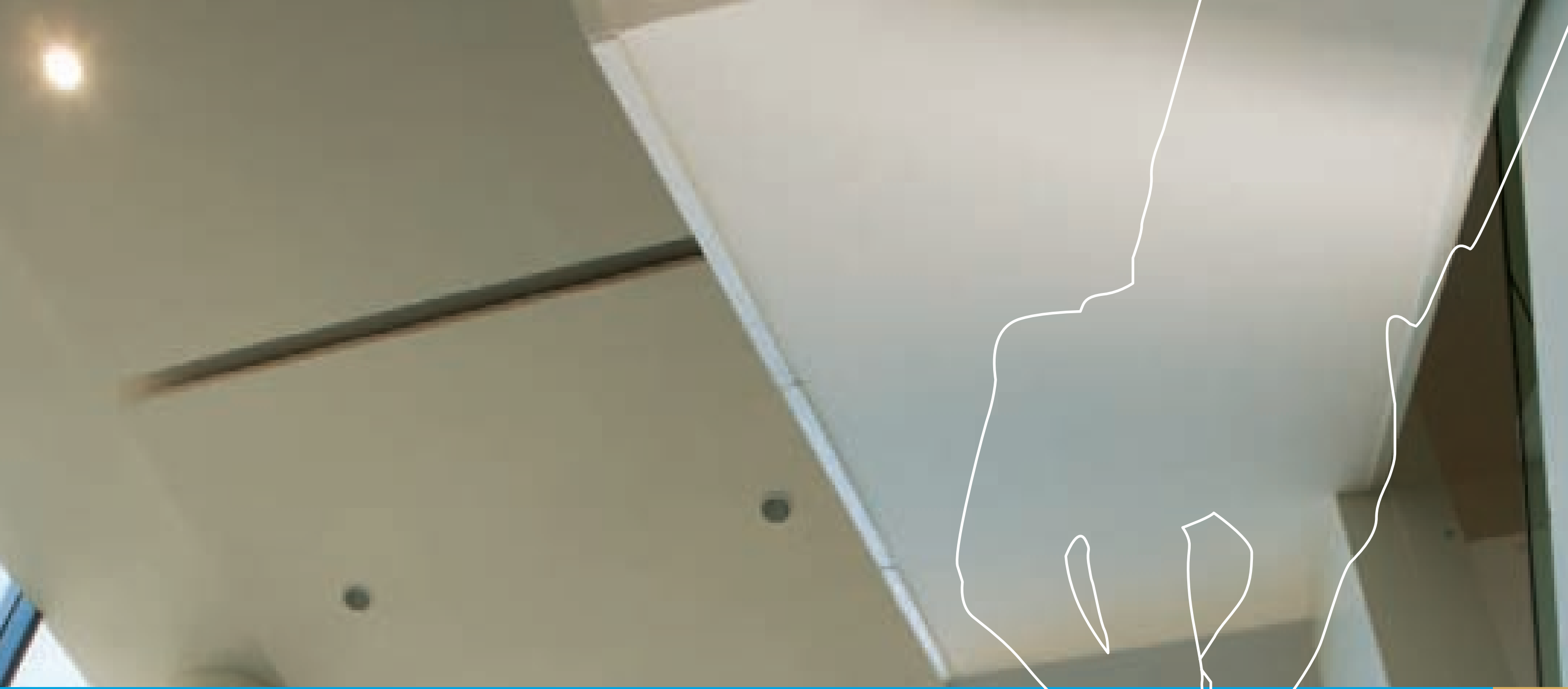
Our interior fit-out and refurbishment arm PDL saw significant expansion of business volume and achieved increased profitability. Relocation of investment banks' offices, refurbishment of retail premises and conversion of disused commercial and industrial buildings into serviced apartments were the major sources of activity in Hong Kong during the year. Macau also showed encouraging signs of recovery with construction works on casino and hotel fit-outs progressing at full steam after the global financial turmoil.

PDL completed a number of projects, including fit-out and refurbishment works for The Link, Airport Authority, MTR Corporation and major investment banks and corporations in Hong Kong, and MGM, City of Dreams, Wynn and a golf club in Macau.

PDL secured new contracts of approximately HK$939 million, of which 81% and 19% by value were in Hong Kong and Macau respectively. Major contracts include the fit-out of office buildings, hotels and an air cargo terminal at the Hong Kong International Airport, and refurbishment of a shopping mall for the MTR Corporation and a wet market for The Link in Hong Kong, as well as interior fit-out works on a number of major casino hotels and a golf clubhouse in Macau. After the year-end, PDL was awarded fit-out and renovation contracts in Hong Kong and Macau with a total value of approximately HK$103 million.



Office fit-out works completed during the year



FINANCIAL REVIEW

In guiding our business strategy, we seek long-term growth by expanding our business horizons as we continue to create shareholders value.

FINANCIAL REVIEW

Financial results

The Group's profit attributable to shareholders for the year ended 31 December 2010 was HK$903 million on a turnover of HK$8,044 million, compared with a profit of HK$807 million on a turnover of HK$3,200 million for the previous 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. The HK$8,044 million turnover for the year has not included the Group's share of the turnover of these jointly controlled entities, but has included the turnover of the property business as CCP was a wholly-owned subsidiary of the Group throughout 2010. An analysis of the total turnover is shown below:

	Year ended 31 December 2010 HK$ million	Year ended 31 December 2009 HK$ million
Turnover		
SOCAM and subsidiaries		
Construction and building maintenance	**4,812**	3,065
Property	**3,225**	127
Others	**7**	8
Total	**8,044**	3,200
Jointly controlled entities and associates		
Cement operations	**2,982**	3,191
Property and others	**4**	6
Total	**2,986**	3,197
Total	**11,030**	6,397

Following the disposal of the serviced apartment of Chengdu Central Point Phase I and the residential site on Danlong Road in Chongqing during the interim period of the year, the Group completed the sales of the composite development of Chengdu Central Point Phase II, the Fengqiao Villas in Beijing and the Nanyang Building in Chongqing in the second half of 2010. Together with the progressive handover of the residential and office units of Chongqing Creative Concepts Center since August 2010, the property business recorded a significant increase in revenue. The turnover from construction and building maintenance works also increased substantially during the year on the strength of a considerably expanded workload in Hong Kong and the Mainland, while the reduction in cement sales was largely attributable to the decrease in selling prices and volumes.

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

	Year ended 31 December 2010 HK$ million	Year ended 31 December 2009 HK$ million
Property		
Project fee income	**52**	108
Profit from property sales and net rental income	**501**	–
Fair value gain on investment properties, net of deferred tax provision	**363**	73
Dalian Tiandi – overheads and interest	**(13)**	(10)
Share of profit of CCP prior to privatisation	**–**	96
Discount on acquisition of interest in CCP	**–**	648
Operating expenses	**(133)**	(175)
	770	740
Investment in SOL		
Dividend income	**60**	8
Net gain on disposal of shares	**373**	–
Gain on scrip option	**4**	–
	437	8
Cement operations		
LSOC	**104**	309
Guizhou cement	**(9)**	28
Impairment and disposal losses	**(99)**	(52)
	(4)	285
Construction	**84**	69
Venture capital investments	**29**	10
Convertible bonds	**–**	(27)
Net finance costs	**(216)**	(186)
Corporate overheads and others	**(110)**	(83)
Taxation	**(72)**	(4)
Non-controlling interests	**(15)**	(5)
Total	**903**	807

Property

Project fee income decreased substantially to HK$52 million as all fee income earned by the Group from the CCP projects subsequent to its becoming a wholly-owned subsidiary of the Group in June 2009 has been eliminated on consolidation.

The profit from property sales in 2010 was attributed to the en-bloc disposals of four property projects, including the composite development of Chengdu Central Point, the residential site on Danlong Road in Chongqing, Fengqiao Villas in Beijing and Nanyang Building in Chongqing, as well as the recognition of sales of the residential and office units of Chongqing Creative Concepts Center following the gradual handover of the units since August 2010. Rental income was derived from the Group's investment property, Lakeville Regency Tower 18 in Shanghai.

The substantial increase in net fair value gain on investment properties in 2010 was mainly the result of the year-end valuation of Lakeville Regency Tower 18 in Shanghai, which was acquired by the Group at a discount to market price in early 2010. In the previous year, the HK$73 million net revaluation gain arose from the commercial portion of the properties currently under development, which will be held as investment properties after completion.

Operating expenses of the property business decreased to HK$133 million in 2010, mainly due to capitalisation of qualifying expenses as part of the development costs of the Group's property projects post privatisation of CCP. Prior to the privatisation, such expenses were largely recovered through project fee income.

In 2009, 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, as 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

In June, the Group disposed of approximately 6.3% of its then holding of 8.7% of the issued share capital of SOL for HK$1,080 million and recognised a net gain on disposal of HK$373 million.

During the year, SOL declared a final dividend of HK$0.12 per share for 2009 and an interim dividend of HK$0.06 per share for 2010, both with scrip options. SOCAM elected to receive a total of 18.6 million scrip shares, in lieu of the cash dividends. At the year-end, the Group's remaining interest in SOL was approximately 2.6%.

In accordance with applicable accounting standards and as a result of the decline in SOL's share price during the year, a HK$475 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 SOL shares 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$98 million net decrease in fair value on the remaining interest in SOL held by the Group at 31 December 2010, when such interest was marked to market on that date.

Cement operations

The Group's 45% share of LSOC's profit decreased to HK$104 million in 2010. The main reason for this significant drop was due to the fall in margins driven by lower selling prices on stiff competition and higher coal and power prices in LSOC's main areas of operation in Sichuan and Chongqing.

During the year, all the wet kilns retained by the Group in Guizhou ceased production. Despite higher production volumes from the dry kilns, a small loss was suffered in Guizhou largely because of stiff competition and increase in energy prices.

In 2010, the Group incurred HK$40 million impairment losses on closure of two wet kilns in Guizhou as required under government regulations. It also shared HK$59 million of impairment loss provision made by LSOC largely on the closure of a semi-dry kiln and a wet kiln in Sichuan. In the previous year, the Group incurred HK$8 million losses on the disposal of a cement plant and a grinding station in Guizhou and shared from LSOC HK$44 million impairment loss provision made on the initial construction costs of two suspended new dry lines in Sichuan and Guizhou.

Construction

Construction business reported higher profit on an increased turnover for 2010. However, average net profit margin decreased to 1.7% of turnover, from the 2.2% for the previous year, due mainly to: (a) keen competition in 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 higher margins.

Venture capital

The venture capital funds in which the Group invests posted valuation gains on the fund's interests in a number of investee companies, including a manufacturer of biodegradable materials, a microelectronics company focusing on multi-media and communication semiconductor markets and a producer of sunlight readable LCD monitors for outdoor applications. These gains were however partly offset by the decrease in valuation of the fund's investment in a wireless broadband access provider in China that achieved below-budgeted profit for 2010. The Group's share of net valuation gain amounted to HK$29 million.

Net finance costs

Net finance costs increased to HK$216 million for the year, from HK$186 million for the previous year, mainly because of (a) the increase in bank borrowings to finance the acquisition of Shanghai Lakeville Regency Tower 18 in early 2010 and the investment in Shanghai 21st Century Tower; and (b) the cessation of capitalisation of interest on construction loan for Chongqing Creative Concepts Center since completion of this development in August, despite the decrease in interest rates charged by certain banks on the Group's loan facilities.

Taxation

Taxation increased to HK$72 million in 2010, which was mainly provided on profits from the properties sold.

Assets base

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

	31 December 2010 HK$ million	31 December 2009 HK$ million
Total assets	**21,048**	18,641
Net assets	**9,204**	9,003
	HK$	HK$
Net assets per share	**18.8**	18.5

The total assets of the Group increased from HK$18.6 billion at 31 December 2009 to HK$21.0 billion at 31 December 2010, which is explained in the segmental analysis below.

Both the net assets of the Group and net assets per share increased progressively, due mainly to the HK$903 million profit for the year, which was partly set-off by the HK$475 million decrease in market value of the Group's shareholding in SOL as aforementioned.

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

	31 December 2010 HK$ million	**%**	31 December 2009 HK$ million	%
Property	**12,519**	**60**	9,735	52
Cement	**5,366**	**25**	5,036	27
Construction	**1,279**	**6**	1,059	6
Investment in SOL shares	**514**	**2**	2,004	11
Others	**1,370**	**7**	807	4
Total	**21,048**	**100**	18,641	100

The value of property assets increased markedly and accounted for 60% of the Group's total assets at 31 December 2010, up from 52% at 31 December 2009, due largely to a combination of the net increase in values resulting from acquisitions and disposals of property projects and additional construction costs on existing property projects as well as the fair value gain on investment properties. The cement and construction operations saw slight increases in asset values and stable percentages expressed in terms of total assets. The value of the Group's investment in SOL shares dropped substantially due to the partial disposal in June 2010 and decline in the share price of SOL. Included in other business segment assets were HK$900 million cash and bank deposits held by the corporate head office at 31 December 2010, which were substantially higher than those at 31 December 2009.

Equity, financing and gearing

The shareholders' equity of the Company increased slightly to HK$9,204 million on 31 December 2010 from HK$9,003 million on 31 December 2009. This was mainly the net result of (a) the HK$903 million profit for the year as reduced by the release of HK$374 million gain previously recognised in the Investment Revaluation Reserve upon the disposal of SOL shares in June 2010; and (b) the HK$475 million decrease in the Investment Revaluation Reserve following the drop in market value of the Group's shareholding in SOL as mentioned above.

Net bank borrowings of the Group amounted to HK$4,722 million on 31 December 2010 and comprised bank borrowings, net of bank balances, deposits and cash. This compared with HK$4,796 million on 31 December 2009. During the year, the Group drew on its credit facilities to finance the acquisition and construction of property development projects. On the other hand, cash generated, amounting to approximately HK$1.1 billion, from the disposal of the Group's 6.3% holding of the issued share capital of SOL has been used to reduce borrowings and gearing. Additionally, the sales of a number of properties of the Group in 2010 helped increase the cash level at 31 December 2010.

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

	31 December 2010 HK$ million	31 December 2009 HK$ million
Bank borrowings repayable:		
Within one year	**2,864**	4,980
After one year but within two years	**3,770**	940
After two years but within five years	**1,565**	720
Total bank borrowings	**8,199**	6,640
Bank balances, deposits and cash	**(3,477)**	(1,844)
Net bank borrowings	**4,722**	4,796

During 2010, the Group has improved considerably the maturity profile of its bank borrowings, resulting in significant reduction in short-term loans, which was part of its strategy to better utilise longer term financing to match its assets portfolio.

The net gearing ratio of the Group, calculated as net bank borrowings over shareholders' equity, was decreased to 51% at 31 December 2010, from 53% at 31 December 2009, mainly as a result of the increase in bank balances, deposits and cash as well as the increase in shareholders' equity as explained above.

Subsequent to the year-end, the Group has renewed a total of HK$506 million bank loans 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 31 December 2010, the number of employees in the Group was approximately 1,180 (31 December 2009: 1,160) in Hong Kong and Macau, and 11,630 (31 December 2009: 13,660) in subsidiaries and jointly controlled entities in the Chinese Mainland. While staff costs are kept stable during the year, employee remuneration packages are maintained at competitive levels and employees are rewarded on a performance-related basis. Other staff benefits, including provident fund schemes and medical insurance, remained at appropriate levels. The Group continued to retain and develop 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.

Philip K. T. Wong
Chief Executive Officer

Hong Kong, March 2011

CORPORATE SOCIAL RESPONSIBILITY REPORT

We believe even small contributions can make a big difference to the community, as we also address the wider picture of global environmental sustainability.

Corporate Social Responsibility

At the heart of our business model

Low Carbon Park, Dalian Tiandi

Corporate Social Responsibility ("CSR") is at the heart of SOCAM's commitment to good business practice and is of equal importance in our pursuit of good corporate governance and results as well as the expansion of our business.

SOCAM has put in place CSR policies and staff members in our Group are encouraged to be involved in their implementation. In these pages, we highlight how they impact our business, and the tangible and lasting benefits they have brought to the environment, the community and our people.

CSR and the environment

The rapid development of China and the move towards urbanisation and massive infrastructural investment offers both opportunities and challenges to a company like ours to be proactive and environmentally sensitive in our property development, cement production and construction activities.

In all of our operations, we are mindful to the need to conserve energy and natural resources as well as find ways to reduce waste and emissions. Design-and-build operations, for example, incorporate aesthetic and practical benefits to end-users. Recently, much more emphasis has been placed on sustainable green communities which we have made a major pledge of our corporate objectives.

Unveiling the Low Carbon Park at Dalian Tiandi – A green landmark

The low carbon park at the Dalian Tiandi, a knowledge community project of over 3 million square metres in Dalian in which SOCAM is the managing partner, was open. The overall planning and design of Dalian Tiandi was based on and directed by the concept of self-sustainable development, with its low carbon park demonstrates the living of reducing emissions of greenhouse gases, conserving energy resources and raising awareness of environmental protection, further serving as a kind of popular science education. Through this project, it is expected a change of our living, as well as living in harmony with the nature.

Some of the green features for energy conservation and waste reduction include renewable energy systems such as wind turbines, solar power system, solar distillation, usage of lightguides, heat recovery system, rain water collection system, organic toilets, green roofs, bicycle tracks and forestation, aiming to bring zero carbon emission and actualise the concept of sustainable development.

Pioneering greener buildings

SOCAM's property and construction projects are now designed to achieve LEED (Leadership in Energy and Environmental Design) issued by U.S. Green Building Council or BEAM (Building Environmental Assessment Method) certification issued by BEAM Society, both of which are internationally recognised standards in environmentally responsible buildings. Our property projects have achieved most of the criteria of LEED in aspects of building envelops, energy efficiency, water efficiency, materials usage and indoor environmental quality. Among these areas, the project buildings are designed to maximise the use of natural ventilation and lighting, utilise heat recovery system and apply waste recycling and reduction.

Green building certificate updates in 2010 – Property and construction projects

Property projects	LEED pre-certification	Target to achieve
Chengdu Central Point Phase II	Obtained in March 2010	Silver Level of Core & Shell
Guangzhou Parc Oasis	Obtained in July 2010	Silver Level of Core & Shell for clubhouse
Shenyang Project Phase I	Obtained in February 2010	Silver Level of Core & Shell for commercial portion
Dalian Tiandi	Obtained in 2010	Silver Level of Core & Shell
Construction projects	**BEAM certification**	**Target to achieve**
Hong Kong Headquarters Building of Custom and Excise Department	Provisional award was obtained	Platinum
Hong Kong Tung Chung Municipal Building	Provisional award was obtained	Gold
The Rehabilitation Block at Tuen Mun Hospital, Hong Kong	Provisional award was obtained	Platinum

CSR AND THE ENVIRONMENT

The construction division is committed to building as greenly as possible. We have also attempted to minimise the impact of site works on nearby communities, and have adopted a systematic management of resources, including the recycling of waste materials whenever possible. To enhance communication, real-time LED indicators are posted at site entrances to monitor energy consumption. These devices serve as reminders for staff and the passing public on energy conservation.

Pilot schemes for public housing estates

The construction criteria for the Shek Kip Mei Public Housing Estate Phase 5 have outshined many other housing projects in terms of environmental awareness. Among various environmentally-friendly features, the site adopts a pioneering energy saving device that helps save up to 8% of the total power consumption compared to any similar site. More energy-efficient LED lights provide approximately 75% of the illumination of the entire project, an on-site rarity in Hong Kong construction.

Recycling nature for green promotion – Hong Kong Garden at Xi'an

The Hong Kong Garden is one of the features of the International Horticultural Exposition 2011 running in Xi'an for six months from late April 2011. The 716 square metre garden showcases a well-planned and sustainable public area. It is a design-and-build project awarded to SOCAM's Construction Division by the Architectural Services Department. With a good track record in realising green concepts, Shui On Building Contractors Limited was in charge of the design and construction processes. The garden showcases the use of wind energy and recycled materials. A tree-like feature, called Tree-ZE, composes of 360 mini-windmills which generate electricity for circulating water between a pond at its base and the top of its pergola. Hexagonal floor tiles made from recycled glass and cement have also been used. It also features plants from different geographical locations, and species include the Hong Kong orchid tree, dwarf red ixora, Chinese hibiscus, rhododendron, banana shrub and sweet osmanthus. Spatial techniques have been used to enhance the apparent size of the garden, such as the planting of foliage of varying heights at different levels of terraces. Twelve million visitors are expected to visit the exposition and will be able to see Hong Kong's concept for the future of enhanced public spaces.

Hong Kong Garden of the International Horticultural Exposition 2011 in Xi'an

Sustainable cement shapes an environmentally friendly skyline

Modern cement production methods reduce the effects of emissions, natural resource depletion, waste output and degradation of land through quarrying. Lafarge Shui On Cement (LSOC) is the leader in these fields in Southwest China.

In December 2010, LSOC entered into an agreement with China Energy Conservation and Environmental Protection Group to develop low-temperature waste heat recovery systems for seven LSOC's production plants, each with over 2,000 tonne-per-day (tpd) capacity, in Yunnan and Guizhou. When these systems are put into operation in the fourth quarter of 2011, the seven plants will each consume about 30% less power and, in aggregate, generate 220 million kilowatt-hour of electricity each year, which equals to a saving of 71,000 tonnes of coal and a reduction of 176,000 tonnes of CO_2 emission.

Stakeholders' engagement

The Group placed major emphasis on spreading the green message throughout 2010. Three company-wide events – "Green Innovation Contest", "Green Office Audit" and "Low Carbon Living Campaign" – were held to raise staff awareness on more eco-friendly living with new initiatives across a number of areas, culminating in a 60-question test on carbon footprint knowledge. The Group also continued to spread the green message to communities in which our businesses operate, from recycling campaigns in a primary school in Chengdu to eco-education campaigns for students in Hong Kong.

CSR AND THE COMMUNITY

CSR and the community

SOCAM is engaged in a wide range of initiatives to help the less privileged in society and promote education in Hong Kong and the Chinese Mainland. By extending the "Shui On – We Care" culture out into the wider community, we are able to contribute our time and expertise, as well as donations, to the needy and the elderly.

Promoting volunteering

We play an active role in encouraging Shui On Group's staff to engage in volunteer services. The Shui On Seagull Club, the employee-run community service unit registered with the HKSAR Government, has been involved with voluntary social services since 1982. Our unceasing efforts in this area gained welcome recognition in 2010, when the newly set-up Hong Kong Outstanding Corporate Citizenship Award of the Hong Kong Productivity Council awarded us the Corporate Volunteer Team Merit Award, the best recognition for our employees' continued devotion to helping the needy both in Hong Kong and the Chinese Mainland. In 2010, the total of 671 hours SOCAM volunteers contributed to good causes were recognised with a Silver Certificate for Organisations while two of our volunteers were awarded Individual Bronze Certificates from the Volunteer Movement of the Social Welfare Department in Hong Kong.

Good samaritans

The Shui On Seagull Club has been working with the Hong Kong Young Women's Christian Association since 2009 in a campaign to offer assistance and care to elderly members of the community who are living on their own. Many of them are struggling financially or having chronic diseases and receive little help from society. To raise their living standards, our volunteers have helped organise a number of events to cheer up these under-privileged elderly citizens. Festive gatherings and outings were arranged during 2010, and we have brought laughter to some 60 retirees.

1	3	6	9	12
2	4	7	10	13
	5	8	11	14

1. Shui On Seagull Club was awarded Hong Kong Outstanding Corporate Citizenship Award – Corporate Volunteer Team Merit Award
2. Food Bank Project
3. Membership programme of The University of Hong Kong
4. Joint-city Rural Education Project in Chongqing
5. SOCAM and its subsidiaries were awarded Caring Company Logos
6. Run-up Two ifc Charity Race
7. Shui On Seagull Club Charity Walk 2010
8. SOCAM Employee Blood Donation Day
9. Volunteers read quality story books to children
10. Tai O Stilt House Restoration and Community Development Project of Habitat for Humanity China
11. Joint-city Rural Education Project in Guangzhou
12. WWF-Hong Kong Corporate Membership Programme
13. Environmental education campaign and donation to Chengdu primary school
14. New year visit to Huangnichuan Primary School in Dalian

As well as participating in ongoing projects, in collaboration with other established charities and foundations, our dedicated staff also raised money and materials for good causes. These included joining activities to raise money for Haiti Earthquake Relief, the Hong Kong Cancer Fund, The Salvation Army, The Community Chest of Hong Kong and the Hospital Authority Health InfoWorld. For in-kind donation, we collected food items among our employees to support a Food Bank project and organised blood donation, used clothes and computer donations in response to the direct and basic needs of the deprived members of our communities.

Utilising our expertise for a good cause

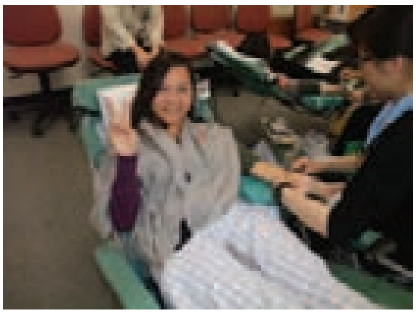
SOCAM strives to contribute in small ways that can make a big difference, especially with the professional skills and knowledge we can offer. Using their considerable engineering expertise, staff in Chengdu have helped rebuild a local kindergarten that collapsed in the Sichuan earthquake. In Hong Kong, staff worked with the Habitat for Humanity China in the Tai O Stilt House Restoration and Community Development Programme, volunteering their construction skills and suggesting better ways of execution. We launched rural education programmes in Guangzhou and Chongqing, to bring extra curricular education to local students, while Chengdu staff returned to an earthquake-shattered primary school after it was rebuilt, with donations from the Group. In Hong Kong, library donations were also made and read-aloud training was organised for children to serve families which do not have access to quality books.

As avid supporters of education, our top management is actively involved in the Mentorship Programme of the Faculty of Business and Economics at The University of Hong Kong, coaching a number of university students during the year. Our Annual Charity Walk raised funds to support the library and training programmes of Bring Me A Book Hong Kong to spread knowledge through reading to many parts of our community.









CSR AND OUR PEOPLE

CSR and our people

SOCAM seeks to create a working environment that helps to attract and retain talented individuals and foster a strong sense of team spirit. This manifests itself in a number of ways, including putting site safety as a priority, facilitating personal development and promoting a healthy work-life balance.

Safety always comes first

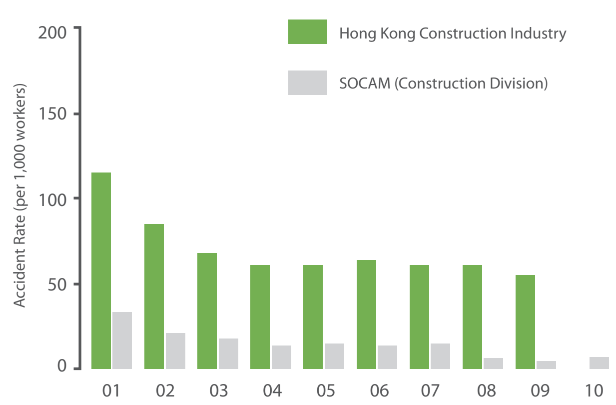
We continue to be one of the safest major companies in the construction industry in Hong Kong, with an exceptionally low accident rate of 5.72 cases per 1,000 workers in 2010. This compares very favourably with the Hong Kong construction industry average of 55 cases per 1,000 workers in 2009. We strive to improve safety performance by engaging contractors through a number of effective initiatives in workers' site practices:

- Behaviour observation by a Behavioural-based Safety (BBS) Working Group was conducted and a BBS briefing to subcontractors' safety representatives was given.
- To recognise the top safety performers, a picnic for model workers in safety concerns was held in April with a total of 170 participants including safety prefects and workers with their family members. A model worker in safety was elected monthly for each site.
- Specific training on safe operation of tower cranes and material hoists was offered to operators.

Health and safety also extends to the office environment where indoor air quality has become an important concern in modern life as most people spend more than 70% of their time indoors. To ensure a healthy environment for our valued employees, SOCAM conducted an on-site assessment of the indoor air quality at its Hong Kong Office according to the Guidance Notes for the Management of Indoor Air Quality in Offices and Public Places of the HKSAR Government.

The Group conducted a total of 11 compliance audits and 12 management audits in Hong Kong in 2010 to verify the effectiveness of management functions governed by the Health, Safety and Environment Management System and for compliance with the Factories and Industrial Undertakings Ordinance (Safety Management) Regulations. We also conducted external audits including ISO 14001, OHSAS 18001 and regular safety audits by independent auditors for construction sites every three months.

Accident rates (2001-2010)



Sources: Labour Department of HKSAR Government and SOCAM

Promoting a SOCAM community spirit

The Group encourages its staff to achieve a satisfying balance among work, leisure and the family. Within and beyond the workplace, we also look to promote health, harmony and team spirit in creative ways. Our Recreation Club regularly disseminates information through the SOCAM intranet that leads staff at all levels to activities, outings and personal development opportunities.

Professionals are engaged to deliver workshops on issues such as anti-stress and personal development techniques. Employees are encouraged to share their skills in leisure activities with their fellow colleagues in relaxing after-hours interest groups. A list of specific fun activities, workshop opportunities, and wellness series initiatives conducted during the year include:

- Wellness Series:
  – Enneagram and Family Education
  – The Golden Ratio of Quality Life
  – Upgrading Your IQ, EQ and AQ
  – Fit for Life – Chinese Medicine
- Interests class taught by our talented employees:
  – Cantonese Opera Class
  – Knitting Class
- Employees sharing sessions:
  – monthly birthday party
  – health drink and fruit series
  – Seasonal celebrations like Happy Women's Day and Moon Festival Celebration

Enhancing career development

Throughout 2010, we continued to implement structured career development programmes for SOCAM staff. Opportunities for skills and career development included:

- Management Cadet Programme, Management Trainee Programme and Graduate Engineer Programme. Our continuous investment in aptitude training over the years has seen many junior staff rising to senior positions, taking with them the experience of working at various levels within the Group, often across several locations and in different divisions.
- Learning and development opportunities to encourage active self-learning by employees through e-learning and library facilities in addition to traditional in-class training.

Training record

Category	Man-time
Professional Skills Training	3,403
Onsite Health, Safety and Environmental Training	65,980

CORPORATE GOVERNANCE REPORT

At the centre of our corporate culture is a determination to improve and innovate, and to conduct business in a spirit of integrity and fairplay. We ensure shareholders' interests are promoted and protected.

CORPORATE GOVERNANCE REPORT

The Board of Directors of the Company (the "Board") is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2010.

Commitment to Corporate Governance

The Company is committed to maintaining a high standard of corporate governance, which is essential for sustainable development and growth of the Group, enhancement of corporate performance and accountability as well as shareholders' value.

The Company has applied the principles and complied with all the Code Provisions of the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year ended 31 December 2010 except for certain deviations as specified with considered reasons below.

The Board

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

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

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

Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. When needed and upon making request to the Board, the Non-executive Directors may obtain independent professional advice at the Company's expense in carrying out their duties. Indemnities and directors' insurance have been provided to the Directors in connection with the performance of their responsibilities.

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


Members of board of directors visited Dalian Tiandi to keep abreast of the project development progress

In 2008, the Company engaged an external consultant to carry out an evaluation of the performance of the Board as a whole and of individual Directors. The exercise concluded with a detailed report of findings and recommendations as well as an open-exchange session where Executive and Non-executive Directors expressed and aligned their mutual expectations of roles and working relationships, so as to enhance the functioning of the Board. The Company promptly followed up on the recommendations with an action plan whereby various actions have been enforced afterwards, such as formulating and adopting a board charter and a corporate social responsibility statement, establishing a nomination committee, undertaking a skills audit and arranging for an annual strategy development session and field visits.

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

Composition

The composition of the Board is as follows:

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 *(Managing Director and 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

Mr. David Gordon Eldon, Mr. Chan Kay Cheung and Mr. Tsang Kwok Tai, Moses have been appointed as Independent Non-executive Directors of the Company with effect from 1 January 2010. In addition, Mr. Anthony Griffiths, an Independent Non-executive Director, and Professor Michael Enright, a Non-executive Director, who have served the Board for over 13 years and 9 years respectively, did not stand for re-election and retired at the annual general meeting ("AGM") of the Company held on 28 May 2010.

Biographical details of the existing Directors are shown on pages 86 to 89. None of the members of the Board is related to one another.

The Company has throughout the year met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, accounting or related financial management expertise. The Company has received written annual confirmation from each Independent Non-executive Director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all of its Independent Non-executive Directors to be independent of management and free of any relationship that could materially interfere with the exercise of their independent judgment.

The Non-executive Directors advise the Company on strategic and critical matters. The Board considers that each Non-executive Director brings his/her own senior level of experience and expertise to the functioning of the Board. The Board seeks the development of effective working relationships between the Executive and Non-executive Directors to improve the quality of decision-making by the Board without constraining the independent views of the Non-executive Directors. To this end, regular informal meetings are held between the Executive Directors and Non-executive Directors.

Distinct Roles of Chairman and Chief Executive Officer

The distinct roles of the Chairman and the Chief Executive Officer are acknowledged. To ensure a balance of power and authority, the positions of the Chairman of the Board and Chief Executive Officer are held by Mr. Lo Hong Sui, Vincent and Mr. Wong Kun To, Philip, who succeeded Mr. Wong Yuet Leung, Frankie during the year, respectively. Their respective responsibilities are clearly defined in the board charter of the Company.

The Chairman is responsible for leading the Board in setting the overall strategy and making major development decisions of the Group and monitoring their implementation, to ensure value creation for shareholders. He takes part in cultivating and maintaining good relationships with strategic associates of the Group and creating a favourable environment for the development of the Group's businesses.

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

Appointment, Re-election and Removal of Directors

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

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

Following the Board evaluation conducted in 2008 and with the assistance of the external consultant, a skills audit has been conducted to evaluate the appropriate expertise and experience that the Board already possesses amongst its members and those that are needed to meet the needs of the business of the Company. The skills audit has helped identify the gap in competency and skills required by the Board during the recruitment process for Directors. This serves as a basis for succession planning processes for the Board.

Under the succession planning, Mr. Wong Kun To, Philip was appointed as the Chief Executive Officer of the Company during the year to succeed Mr. Wong Yuet Leung, Frankie, who retired from day-to-day management responsibilities of the Company and took up the role of Vice Chairman, devoting his attention to the cement investment of the Group. The new Chief Executive Officer assumed effectively the leadership role in the business operation and development of the Group.

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 Independent Non-executive Directors upon his or her appointment. Arrangement for the execution of a similar service contract has also been made with the remaining Independent Non-executive Director upon his retirement by rotation and re-election at the AGM on 28 May 2010. Accordingly, all Non-executive Directors of the Company are now appointed with 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.

In accordance with the Bye-laws of the Company, Mr. Lo Hong Sui, Vincent, Mr. Choi Yuk Keung, Lawrence, Mr. Wong Yuet Leung, Frankie and Ms. Li Hoi Lun, Helen shall retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company to be held on 16 June 2011.

Board Committees

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

Upon recommendation of the Nomination Committee after its review of the composition of the Board and its Committees, the Board has resolved at its meeting on 30 March 2010 to change the composition of the Board Committees with effect from the conclusion of the AGM on 28 May 2010, details of which are set out on pages 71 to 74.

Each of these Committees has been established with written terms of reference, which were approved by the Board, setting out the Committee's major duties. These terms of reference are available on the Company's website.

Code Provision B.1.3 of the CG Code provides that the terms of reference of the Remuneration Committee should include, as a minimum, the specific 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 was formally adopted and the Board approved the relevant amendment to the terms of reference of the Remuneration Committee in this respect in 2009. The Non-executive Directors have abstained from voting in respect of the determination of their own remuneration at the relevant Board meetings.

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

	Major roles and functions	Composition	Frequency of meetings
Audit Committee	• To review the financial statements of the Group • To review the accounting policies adopted by the Group and their implementation • To review the effectiveness of the risk management and internal control systems • To oversee the engagement, services provided and remuneration of the external auditor and its independence • To review and monitor the effectiveness of the internal audit function	*At 1 January 2010* **Independent Non-executive Directors** Mr. Anthony Griffiths *(Chairman)* Mr. Gerrit Jan de Nys Ms. Li Hoi Lun, Helen **Non-executive Director** Professor Michael Enright *From the conclusion of the AGM on 28 May 2010* **Independent Non-executive Directors** Mr. Chan Kay Cheung *(Chairman)* Mr. Gerrit Jan de Nys Ms. Li Hoi Lun, Helen	At least four times a year

	Major roles and functions	Composition	Frequency of meetings
Remuneration Committee	• To make recommendations to the Board on the policy and structure for remuneration of Directors and senior management • To determine the specific remuneration packages of all Executive Directors • To review and approve performance-based remuneration with reference to the corporate goals and objectives	*At 1 January 2010* **Independent Non-executive Directors** Mr. Anthony Griffiths *(Chairman)* Mr. Gerrit Jan de Nys Ms. Li Hoi Lun, Helen **Non-executive Director** Professor Michael Enright **Executive Director** Mr. Lo Hong Sui, Vincent *From the conclusion of the AGM on 28 May 2010* **Independent Non-executive Directors** Mr. David Gordon Eldon *(Chairman)* Ms. Li Hoi Lun, Helen Mr. Tsang Kwok Tai, Moses **Executive Director** Mr. Lo Hong Sui, Vincent	At least twice a year
Nomination Committee	• To review the size and composition of the Board from time to time • To identify, select and make recommendations to the Board on individuals nominated for appointment as directors • To assess the independence of Independent Non-executive Directors • To make recommendations to the Board on any matters relating to the appointment or re-appointment of Directors and succession planning for Directors • To implement and oversee periodic performance evaluation of the Board and its committees	*At 1 January 2010* **Executive Directors** Mr. Lo Hong Sui, Vincent *(Chairman)* Mr. Wong Yuet Leung, Frankie **Non-executive Director** Professor Michael Enright **Independent Non-executive Directors** Mr. Anthony Griffiths Mr. Gerrit Jan de Nys Ms. Li Hoi Lun, Helen *From the conclusion of the AGM on 28 May 2010* **Executive Directors** Mr. Lo Hong Sui, Vincent *(Chairman)* Mr. Wong Kun To, Philip **Independent Non-executive Directors** Mr. Gerrit Jan de Nys Mr. David Gordon Eldon Mr. Tsang Kwok Tai, Moses	On an as needed basis

	Major roles and functions	Composition	Frequency of meetings
Finance Committee	• To set overall financial objectives and strategies for the Group • To adopt a set of financial policies for the Group and oversee its consistent application throughout the Group • To review investment projects/ major capital expenditures to be undertaken and advise on the financing viability of the investment projects/major capital expenditures • To monitor cash flow and liquidity of the Group and review cash flow forecast to ensure sustainability	*At 1 January 2010* **Executive Directors** Mr. Wong Yuet Leung, Frankie *(Chairman)* Mr. Wong Kun To, Philip Mr. Wong Fook Lam, Raymond **Non-executive Director** Professor Michael Enright **Independent Non-executive Director** Mr. Gerrit Jan de Nys *From the conclusion of the AGM on 28 May 2010* **Executive Directors** Mr. Wong Yuet Leung, Frankie *(Chairman)* Mr. Wong Kun To, Philip Mr. Wong Fook Lam, Raymond **Independent Non-executive Directors** Mr. Gerrit Jan de Nys Mr. David Gordon Eldon Mr. Chan Kay Cheung Mr. Tsang Kwok Tai, Moses	At least four times a year
Investment Committee	• To review preliminary and detailed investment and disposal recommendations on target property projects and projects currently owned by the Group • To make recommendations to the Board as to whether the Group should acquire a property or, as the case may be, dispose of a property and if so, on what terms, on what timing and strategy • To review the overall investment strategy of the Group, make recommendations to the Board on any proposed changes to the investment strategy, and to monitor its implementation	*From 30 March 2010* **Executive Directors** Mr. Choi Yuk Keung, Lawrence *(Chairman)* Mr. Wong Kun To, Philip Mr. Wong Fook Lam, Raymond **Independent Non-executive Directors** Ms. Li Hoi Lun, Helen Mr. Chan Kay Cheung	On an as needed basis

	Major roles and functions	Composition	Frequency of meetings
Executive Committee	• To monitor the macro business environment and market trends with respect to the current and potential business areas of the Group • To evaluate and set business strategies for ensuring the long-term growth and competitiveness of the core businesses of the Group • To formulate corporate goals and plan and allocate human and financial resources and otherwise, for execution • To monitor the execution of approved strategies and business plans • To review and approve acquisitions and disposals of assets in the ordinary course of business with investment costs/net book values not exceeding certain thresholds • To review the operating performance and financial position of the Company and its strategic business units on a monthly basis	**Executive Directors** Mr. 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**	Monthly

The Directors' attendance at the meetings held is set out in the section below. Separate reports prepared by the Audit Committee and the Remuneration Committee, which summarise their work performed during the year, are set out on pages 78 to 79 and 80 to 84 respectively.

Board and Board Committee Meetings

The Board meets at least four times each year and more frequently as the needs of the business demand. Apart from the Board meetings, the Board would from time to time devote separate sessions to consider and review the Group's strategy and business activities. The attendance of the Directors at the Board meetings during the year is set out in the table below.

Practices and Conduct of Meetings

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

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

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

The Company Secretary of the Company is responsible for maintaining minutes of all Board meetings and Committee meetings. Draft minutes are circulated to Directors for comment within a reasonable time after each meeting and the final version, as approved formally by the Board or the relevant Committee, is filed for record purposes. All Directors have access to the minutes of the Board and Committee meetings of the Company.

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

Meeting Attendance

The individual attendance records of each Director at the meetings of the Board and its Committees during the year are set out below:

Name of Directors	Attendance/Number of meetings during the year						
	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meeting	Executive Committee meetings	Finance Committee meetings	Investment Committee meetings
Mr. Lo Hong Sui, Vincent	4/4	N/A	2/2	1/1	10/12	N/A	N/A
Mr. Choi Yuk Keung, Lawrence	4/4	N/A	N/A	N/A	12/12	N/A	2/2
Mr. Wong Yuet Leung, Frankie	4/4	N/A	N/A	1/1	12/12	5/5	N/A
Mr. Wong Kun To, Philip	4/4	N/A	N/A	N/A	11/12	5/5	2/2
Mr. Wong Fook Lam, Raymond	4/4	N/A	N/A	N/A	11/12	5/5	2/2
Mr. Gerrit Jan de Nys	4/4	4/4	1/1	1/1	N/A	5/5	N/A
Ms. Li Hoi Lun, Helen	4/4	4/4	2/2	1/1	N/A	N/A	2/2
Mr. David Gordon Eldon	4/4	N/A	1/1	N/A	N/A	3/3	N/A
Mr. Chan Kay Cheung	3/4	1/2	N/A	N/A	N/A	2/3	2/2
Mr. Tsang Kwok Tai, Moses	4/4	N/A	1/1	N/A	N/A	3/3	N/A
Mr. Anthony Griffiths *(retired on 28 May 2010)*	1/1	2/2	1/1	1/1	N/A	N/A	N/A
Professor Michael Enright *(retired on 28 May 2010)*	1/1	2/2	1/1	1/1	N/A	2/2	N/A

By invitation, the Chief Financial Officer and the Chief Executive Officer attend all meetings of the Audit Committee and the Remuneration Committee respectively.

Training, Induction and Continuing Development for Directors

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

Since 2007, the Board has further enhanced its induction process for all new Directors, including a comprehensive introduction to the strategies and activities of the Group, its history, its principal policies and procedures. This induction is supplemented by visits to selected operational sites to provide a better understanding of the operations of the Group to the new Directors. An induction session has been arranged for the three Independent Non-executive Directors upon their appointment in January 2010.

A strategy session was organised by the Company for the Board of Directors in May 2010 to discuss the long-term business and corporate strategy of the Group, followed by a site visit to the property projects of the Group in Dalian. During the year, a site visit to the potential property projects in Shanghai has also been made by the Independent Non-executive Directors who are Investment Committee members.

The Chairman has assessed the development needs of the Board as a whole, with a view to building its effectiveness as a team and assisting in the development of individual skills, knowledge and expertise.

The Company continues its effort in providing regular updates on the changes in the relevant regulatory requirements applicable to the Group and recommending relevant seminars/conferences and internal briefing sessions to the Directors from time to time. Directors are encouraged to seek continuous professional development and the Company provides support whenever relevant and necessary.

The Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. Following specific enquiries by the Company, the Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2010.

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

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

The Board is responsible for presenting a balanced, clear and understandable assessment in respect of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2010.

The following statement, which should be read in conjunction with the independent auditor's report, is made with a view to distinguishing for shareholders how the responsibilities of the Directors differ from those of the auditor in relation to the financial statements.

Annual Report and Financial Statements

The Directors are responsible for the preparation of financial statements, which give a true and fair view of the state of affairs of the Group at the end of the financial year and of the profit or loss for the financial year. The Directors have prepared the financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

Accounting Policies

The Directors consider that in preparing the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed.

Accounting Records

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the requirements of the Hong Kong Companies Ordinance and the Listing Rules.

Safeguarding Assets

The Board is responsible for safeguarding the assets of the Company and for taking reasonable steps for preventing and detecting fraud and other irregularities.

Going Concern

After making appropriate enquiries and examining major areas which could give rise to significant financial exposures, the Directors are satisfied that no material or significant exposures exist, other than as reflected in this Annual Report. The Directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The remuneration payable to the external auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2010 amounted to approximately HK$4.95 million and HK$1.8 million respectively. The costs incurred for the non-audit services represented professional fees mainly in connection with the review of interim accounts and continuing connected transactions.

Internal Control Systems

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

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

The Board has conducted a review of the Company's internal control systems for the year ended 31 December 2010, including financial, operational and compliance controls and risk management functions and assessed the effectiveness of internal control systems by considering the work performed by the Audit Committee, executive management, external consultants and internal auditors.

Internal Audit

The internal audit function, which is fully independent of the daily operations of the Group, is carried out by the Company's Corporate Evaluation Department, the Senior Manager in charge of which reports to the Audit Committee, and at the Audit Committee's instruction, briefs the Chief Executive Officer on the outcome of all internal audit assignments. The Chief Executive Officer, with the approval of the Audit Committee, may instruct the Senior Manager in charge of the Corporate Evaluation Department to undertake internal audit activities of an urgent or sensitive nature. All other Directors are informed of all findings. The Department is closely involved in the assessment of the quality of risk management of the Group and during the year reviewed the effectiveness of the formal risk management system as well as the effectiveness of the Group's internal controls. When considered appropriate and with the approval of the Audit Committee, review work is outsourced either to obtain the assistance of specialists or due to the volume of work to be undertaken within a specific period. The Senior Manager in charge of the Corporate Evaluation Department attends all Audit Committee meetings. Four meetings were held by the Audit Committee in 2010 and details of the major areas reviewed are set out in the Audit Committee Report on pages 78 and 79. The Audit Committee regularly reviews the key performance indicators relating to the work of the Corporate Evaluation Department.

Internal Control

The Group has diverse activities for which a high level of autonomy in operational matters has been vested in divisional managers who are also responsible for the development of their divisions. In these circumstances, a well-designed system of internal controls is necessary to safeguard the assets of the Group. The Directors have overall responsibility for the Group's systems of internal control and for reviewing their effectiveness. A formal risk management policy has been put in place to ensure the regular identification, evaluation and management of risks faced by the Group. The Chief Financial Officer, as Chief Risk Officer, takes the lead in the effective implementation of the risk management policy by all divisions/business units.

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

Risk assessment and evaluation are an integral part of the annual planning process. Each business unit is to set its strategic objectives, identify and assess the effectiveness of its system of internal controls to help ensure that risks it faces are mitigated by the controls that have been or will be implemented. Workshops are organised for management staff annually to ensure proper appreciation and implementation of the system and procedure.

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

Communications with Shareholders

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

The Company promotes communications with non-institutional shareholders through public announcements of key developments of the Company as prescribed under the Listing Rules, annual general meeting and other general meetings of the Company. Such general meetings and media conferences are presided over and led by the Chairman, supported by the Chief Executive Officer and other Directors. Meetings with financial analysts, brokers and investors are conducted by the Chief Executive Officer, assisted by the Chief Financial Officer. During the year, numerous meetings, investor conferences and road shows were conducted. Policies are in place for the protection and proper disclosure of price-sensitive information that has not already been made public. The Directors adhere strictly to the statutory guideline in their responsibilities of keeping information confidential.

The notices of the annual general meeting and all other general meetings are circulated to all shareholders in accordance with the requirements of the Listing Rules and the Bye-laws of the Company. All shareholders are entitled to attend the general meetings of the Company at which they have the opportunity to put questions to the Board. It is a standard practice to have the Non-executive Directors available to answer questions relating to their roles, tenure, and the Board Committees. The results of voting by poll are published on the websites of the Stock Exchange and the Company after the meetings.

AUDIT COMMITTEE REPORT

The Audit Committee of the Company is pleased to present its report for the year ended 31 December 2010.

Composition

The composition of the Audit Committee during the year and at 31 December 2010 is as follows:

Mr. Chan Kay Cheung *(appointed on 28 May 2010)*
Mr. Gerrit Jan de Nys
Ms. Li Hoi Lun, Helen
Mr. Anthony Griffiths *(ceased to act on 28 May 2010)*
Professor Michael Enright *(ceased to act on 28 May 2010)*

The composition of the Audit Committee has been changed during the year following the retirement of Mr. Anthony Griffiths and Professor Michael Enright as Directors of the Company at the annual general meeting of the Company held on 28 May 2010. Mr. Chan Kay Cheung was appointed as Chairman of the Committee to succeed Mr. Anthony Griffiths.

All the Committee members are Independent Non-executive Directors of the Company, with the Chairman having the appropriate professional qualifications as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). No member of the Audit Committee is a former partner of the Company's existing external auditor. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of public companies.

Meeting Attendance

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

Name of Committee members	Attendance/ Number of meetings
Mr. Chan Kay Cheung *(appointed on 28 May 2010)*	1/2
Mr. Gerrit Jan de Nys	4/4
Ms. Li Hoi Lun, Helen	4/4
Mr. Anthony Griffiths *(ceased to act on 28 May 2010)*	2/2
Professor Michael Enright *(ceased to act on 28 May 2010)*	2/2

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

Role and Duties

Under its terms of reference, the principal responsibilities of the Audit Committee include the review of both the Group's financial statements and the effectiveness of its internal control systems. The Audit Committee also oversees the engagement of the external auditor and reviews its independence as well as the effectiveness of the audit process. The Board expects the Committee members to exercise independent judgment in conducting the business of the Committee. The terms of reference of the Audit Committee are available on the Company's website.

Work during the Year

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

- the estimates and judgment of a material nature made by management in accordance with the accounting policies of the Group;
- the audited consolidated financial statements of the Group and other related documents for the year ended 31 December 2009 and the related final results announcement, with a recommendation to the Board for approval;
- the unaudited consolidated financial statements of the Group and other related documents for the six months ended 30 June 2010 and the related interim results announcement, with a recommendation to the Board for approval;
- the internal control systems of the cement plants of the Group in the Chinese Mainland, including involvement in the internal audit review of Lafarge Shui On Cement Limited, a joint venture owned 45% by the Group;
- the business risks, operational and financial controls of the property projects of the Group in the Chinese Mainland;

- the operational and financial controls of the construction and fitting-out business in Hong Kong, Macau and the Chinese Mainland;
- the general and application controls and intrusion test on the information and technology system of the Company;
- the proposed amendments to the Company's policy on connected transactions in light of the recent changes to the Listing Rules, with a recommendation to the Board for approval;
- the quarterly reports of connected transactions, including the application of and compliance with the Company's policy on connected transactions;
- the adequacy of the provisions for doubtful debts on quarterly basis;
- the credit ratings of insurance companies covering the Group's insurable risks;
- the reports and management letters submitted by the external auditor, which summarised matters arising from its audit of the Group's consolidated financial statements for the year ended 31 December 2009 and its review of the Group's consolidated financial statements for the six months ended 30 June 2010;
- the fee proposals of the external auditor for the review of the Group's consolidated financial statements for the six months ended 30 June 2010 and for the audit of the Group's consolidated financial statements for the year ended 31 December 2010 and its scope of work;
- the key performance indicators and annual work programme of the Company's Corporate Evaluation Department as well as its work progress, staffing and resources planning;
- the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function; and
- the risk management functions and corporate controls of the Group.

The Committee members also serve as the contact persons under the whistle-blowing policy of the Company. During the financial year, a complaint was received via this reporting channel regarding certain human resources procedures on termination of staff employment and the matter was satisfactorily resolved with remedial action taken.

The Committee reviews the Group's risk management policy annually. A high level review of internal controls of the Group was performed at the end of the year. The Committee will continue to examine the Group's systems and policies for assessing and taking action to contain the different types of risk in its various operations as part of the Committee's ongoing review of the adequacy of the Group's internal controls.

In addition, the Committee keeps under constant review changes to the Hong Kong Financial Reporting Standards with the assistance of the Senior Manager in charge of the Company's Corporate Evaluation Department and the external auditor to assess their application to the accounting policies adopted by the Group and, where applicable, their effective adoption by the Group.

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

Subsequent to the financial year end, the Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2010, including the accounting principles and practices adopted by the Group, and recommended them to the Board for approval.

REMUNERATION COMMITTEE REPORT

The Remuneration Committee of the Company is pleased to present its report for the year ended 31 December 2010.

Composition

The composition of the Remuneration Committee during the year and at 31 December 2010 is as follows:

Mr. David Gordon Eldon	*(appointed on 28 May 2010)*
Mr. Lo Hong Sui, Vincent	
Ms. Li Hoi Lun, Helen	
Mr. Tsang Kwok Tai, Moses	*(appointed on 28 May 2010)*
Mr. Anthony Griffiths	*(ceased to act on 28 May 2010)*
Professor Michael Enright	*(ceased to act on 28 May 2010)*
Mr. Gerrit Jan de Nys	*(ceased to act on 28 May 2010)*

The composition of the Remuneration Committee has been changed during the year following the retirement of Mr. Anthony Griffiths and Professor Michael Enright as Directors of the Company at the annual general meeting of the Company held on 28 May 2010. Mr. David Gordon Eldon was appointed as the Chairman of the Committee to succeed Mr. Anthony Griffiths.

With the exception of Mr. Lo Hong Sui, Vincent who is the Chairman of the Board, the current members of the Committee are Independent Non-executive Directors of the Company.

Meeting Attendance

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

Name of Committee members	Attendance/ Number of meetings
Mr. David Gordon Eldon *(appointed on 28 May 2010)*	1/1
Mr. Lo Hong Sui, Vincent	2/2
Ms. Li Hoi Lun, Helen	2/2
Mr. Tsang Kwok Tai, Moses *(appointed on 28 May 2010)*	1/1
Mr. Anthony Griffiths *(ceased to act on 28 May 2010)*	1/1
Professor Michael Enright *(ceased to act on 28 May 2010)*	1/1
Mr. Gerrit Jan de Nys *(ceased to act on 28 May 2010)*	1/1

The Chief Executive Officer and the general manager in charge of the human resources function of the Group attended meetings of the Committee by invitation. The Company Secretary acts as the secretary to the Remuneration Committee.

Role and Duties

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

The Remuneration Committee is tasked to:

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

Code Provision B.1.3 of the Code on Corporate Governance Practices provides that the terms of reference of the Remuneration Committee should include, as a minimum, the specific 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 was formally adopted and the Board approved the relevant amendment to the terms of reference of the Remuneration Committee in this respect in 2009. The Non-executive Directors have abstained from voting in respect of the determination of their own remuneration at the relevant Board meetings.

Remuneration Policy

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

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

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

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

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

Remuneration Structure

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

On the recommendation of the Committee, the Board had approved the salary and bonus components of the remuneration of Executive Directors to be normally related to their aggregate total remuneration, as follows:

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

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

The bonus for the Chief Executive Officer is based 75% on company performance and 25% on personal performance; for the Executive Directors, the two elements are each 50%.

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

Work during the Year

During the year, the Remuneration Committee:

- reviewed the pay of the Executive Directors, taking into account the report of the remuneration consultants on the analysis of directors' remuneration in comparable Hong Kong listed companies;
- reviewed and determined the amount of bonuses awarded to the Executive Directors based on personal and company performances;
- reviewed and determined the remuneration packages of the new Chief Executive Officer and the former Chief Executive Officer who retired from the day-to-day management responsibilities of the Company;
- reviewed and determined the new performance measurement criteria for long-term incentive awards to Executive Directors;
- recommended the award of share options to the Executive Directors under the long-term incentive scheme;
- reviewed the proposals for the annual award of share options to Executive Directors and management staff based on their performances and the policy of encouraging their participation in the equity of the Company; and
- reviewed the vesting recommendations for share options granted to Executive Directors and certain key executives.

Remuneration of Directors for the Year

The Directors received the following remuneration for the year:

Name of Directors	Fees HK$'000	Salary and other benefits (Note 1) HK$'000	Performance Bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Value of share options granted (Note 2) HK$'000	For the year ended 31 December 2010 Total HK$'000	For the year ended 31 December 2009 Total HK$'000
Executive Directors							
Mr. Lo Hong Sui, Vincent	10	–	–	–	–	10	10
Mr. Choi Yuk Keung, Lawrence	10	3,530	2,155	139	3,583	9,417	8,469
Mr. Wong Yuet Leung, Frankie	10	3,562	5,508	12	6,413	15,505	17,326
Mr. Wong Kun To, Philip	10	4,310	2,182	191	3,952	10,645	3,912
Mr. Wong Fook Lam, Raymond	10	3,275	2,000	126	1,389	6,800	2,151
Independent Non-executive Directors							
Mr. Gerrit Jan de Nys	386	–	–	–	–	386	350
Ms. Li Hoi Lun, Helen	399	–	–	–	–	399	350
Mr. David Gordon Eldon	345	–	–	–	–	345	–
Mr. Chan Kay Cheung	412	–	–	–	–	412	–
Mr. Tsang Kwok Tai, Moses	327	–	–	–	–	327	–
Mr. Anthony Griffiths *(retired on 28 May 2010)*	180	–	–	–	–	180	440
Non-executive Director							
Professor Michael Enright *(retired on 28 May 2010)*	143	–	–	–	–	143	350
TOTAL	**2,242**	**14,677**	**11,845**	**468**	**15,337**	**44,569**	**33,358**

Notes:

(1) During the year, Mr. Wong Kun To, Philip ("Mr. Philip Wong") was appointed as the Chief Executive Officer to succeed Mr. Wong Yuet Leung, Frankie ("Mr. Frankie Wong") with effect from 1 April 2010. Since then, Mr. Frankie Wong retired from his day-to-day management responsibilities of the Company and assumed the role of Vice Chairman devoting his attention to the cement business of the Group. The salary packages of Mr. Philip Wong and Mr. Frankie Wong have been reviewed and determined by the Committee, taking into account their respective responsibilities being taken and the comparable market salary data. The salaries of the Executive Directors have been adjusted upon annual review by the Committee effective from 1 January 2011.

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

Service Contracts

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

Share Options

The Company operates a share option scheme for Directors and employees of the Group. The share option scheme adopted on 20 January 1997 (the "Old Scheme") has been terminated and replaced by a new share option scheme on 27 August 2002 (the "Existing Scheme"). No further option can be granted under the Old Scheme, and all options granted prior to such termination have been exercised or lapsed.

To motivate the Executive Directors and key executives through share ownership and performance-based incentives, the Board has adopted the proposal of the Remuneration Committee to give long-term incentives to the Executive Directors through share options granted under the Existing Scheme and applied vesting conditions based on certain performance criteria to such grants. Under this long-term incentive arrangement, the total shareholders' return ("TSR") has been used as an important measurement criterion for such awards since 2007. Share options were granted conditionally to the Executive Directors over rolling 3-year periods that would vest only if the TSR of the Company at the end of each specific 3-year period was positive and equalled or exceeded the return of the Hang Seng Index. External consultants are retained to assist with the measurement of the TSR of the Company and the return of the Hang Seng Index.

In view of the volatility of share prices affected by market sentiment and the global financial crisis, the Committee observed that award of share options using TSR as a performance measurement criterion could no longer serve as an effective way to motivate and reward the Executive Directors. Therefore, during the year, the Committee reviewed the performance measurement for long-term incentive awards and, after consideration, recommended to the Board to adopt a new set of performance measurement criteria for the future grants of share options to the Executive Directors under the long-term incentive scheme. Accordingly, during the year, grants of share options were made to the Executive Directors with the vesting of the share options based on the new measurement criteria comprising a range of specific performance criteria/targets that the Executive Directors are required to achieve in a 3-year performance period for creating shareholder value, which include return on equity, free cash flow and risk management, achievement of strategic goals, financial and operational performance targets. Details of the grants of share options to the Executive Directors during the year under the long-term incentive scheme are set out as follows:

Name of Directors	Subscription price per share HK$	Number of shares subject to the options granted
Mr. Choi Yuk Keung, Lawrence	12.22	1,000,000
Mr. Wong Yuet Leung, Frankie	12.22	1,000,000
Mr. Wong Kun To, Philip	12.22	1,500,000
Mr. Wong Fook Lam, Raymond	12.22	1,000,000

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

Name of Directors	Subscription price per share HK$	Number of shares subject to the options granted (Note)
Mr. Choi Yuk Keung, Lawrence	12.22	250,000
Mr. Wong Yuet Leung, Frankie	12.22	350,000
Mr. Wong Kun To, Philip	12.22	350,000
Mr. Wong Fook Lam, Raymond	12.22	200,000

Note: These share options shall vest in 5 tranches in accordance with the following vesting schedule:
20%: 6 months after the date of grant
20%: 1st anniversary of the date of grant
20%: 2nd anniversary of the date of grant
20%: 3rd anniversary of the date of grant
20%: 4th anniversary of the date of grant

Details of the annual grants of share options to the other executives and employees of the Group during the year are set out in the Directors' Report on pages 90 to 102.

DIRECTORS AND SENIOR MANAGEMENT

SOCAM is determined to grow further as a successful and responsible business, guided by its corporate culture and values.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lo Hong Sui, Vincent

Mr. Choi Yuk Keung, Lawrence

Mr. Wong Yuet Leung, Frankie

Mr. Wong Kun To, Philip

Mr. Wong Fook Lam, Raymond

Executive Directors

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

aged 63, has been the Chairman of the Company since 1997. He is the Chairman of the Shui On Group, which he founded 40 years ago, and the Chairman of Shui On Land Limited, which he established in 2004 and became listed in Hong Kong in 2006. He has been the Chief Executive Officer of Shui On Land Limited since its listing in Hong Kong and has recently relinquished such position with effect from 16 March 2011. He is also the Chairman of China Central Properties Limited ("CCP"), a subsidiary of the Company which was privatised in 2009. Mr. Lo is a member of the Eleventh National Committee of the Chinese People's Political Consultative Conference, a Hong Kong's representative to the Asia Pacific Economic Cooperation (APEC) Business Advisory Council, the President of the Yangtze Council, an Economic Adviser of the Chongqing Municipal Government, a Vice Chairman of the Chamber of International Commerce Shanghai, the Honorary Life President of the Business and Professionals Federation of Hong Kong and an Honorary Court Chairman of The Hong Kong University of Science and Technology. Mr. Lo is currently a Non-executive Director of Great Eagle Holdings Limited and Hang Seng Bank Limited, both of which are listed in Hong Kong.

Mr. Lo was awarded the Gold Bauhinia Star in 1998 and appointed a Justice of the Peace in 1999 by the Government of the Hong Kong Special Administrative Region. He was made an Honorary Citizen of Shanghai in 1999. He was named Businessman of the Year at the Hong Kong Business Awards in 2001 and won the Director of the Year Award from The Hong Kong Institute of Directors in 2002 and Chevalier des Arts et des Lettres by the French government in 2005. He was honoured with the "Ernst & Young Entrepreneur Of The Year 2009" in the China Real Estate Category, and was also chosen as the "Ernst & Young Entrepreneur Of The Year 2009 China" country award winner.

Mr. Choi Yuk Keung, Lawrence

aged 57, has been a Vice Chairman of the Company since July 2004 and he was the Managing Director of the Company from 1997 to 2004. He has also been an Executive Director of the Shui On Group since 1990. He was a Director of Shui On Land Limited from May 2004 to May 2006. He was appointed Managing Director of the Shui On Group's Construction Division in 1991 and of the Construction Materials Division in 1995. Mr. Choi is a member of the Standing Committee of the Ninth and the Tenth Guizhou Provincial Committee of the Chinese People's Political Consultative Conference. He joined the Shui On Group in 1973 and has over 35 years of experience in construction. He holds a Bachelor of Science degree in Engineering from the University of California, Berkeley.

Mr. Wong Yuet Leung, Frankie

aged 62, has been appointed as a Vice Chairman of the Company since April 2010. He was the Chief Executive Officer of the Company from July 2004 to March 2010 and the Vice Chairman from 1997 to 2004. After serving as the Chief Executive Officer for nearly six years, he retired from day-to-day management responsibilities of the Company and took up the role of Vice Chairman devoting his attention to the cement business of the Group. Mr. Wong joined the Shui On Group in 1981 and has been the Managing Director of Shui On Holdings Limited since 1991. He was a Director of Shui On Land Limited from May 2004 to May 2006. He is

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

also a Director of CCP and one of the Trustees of the Shui On Provident and Retirement Scheme. Prior to joining the Shui On Group, Mr. Wong had many years of banking experience with several major international banks in Hong Kong. He graduated with a Bachelor of Science degree in Economics and a Master of Arts degree from the London School of Economics and Political Science and The University of Lancaster in the United Kingdom respectively. Mr. Wong is currently a Non-executive Director of CIG Yangtze Ports PLC and an Independent Non-executive Director of Solomon Systech (International) Limited, both of which are listed in Hong Kong, and a Non-executive Director of Walcom Group Limited, a company listed on the Alternative Investment Market ("AIM") of the London Stock Exchange plc.

Mr. Wong Kun To, Philip

aged 54, has been an Executive Director of the Company since July 2009 and the Chief Executive Officer of the Company since April 2010. He has also been appointed as the Managing Director of the Company with effect from 30 March 2011. He started his career in the Shui On Group and worked from 1979 to 1992. He rejoined the Company in 2006 to oversee the Property Division of the Company. He has since April 2007 been the Managing Director of SOCAM Asset Management (HK) Limited and has been appointed as the Managing Director of Shui On China Central Properties Limited since August 2009. Mr. Wong has over 25 years of experience in construction management, investment and property development. He is a member of the Dalian Municipal Committee of the Chinese People's Political Consultative Conference. He holds a Bachelor of Engineering degree and is a member of The Hong Kong Institution of Engineers.

Mr. Wong Fook Lam, Raymond

aged 56, has been an Executive Director of the Company since July 2009 and is the Chief Financial Officer of the Company. He joined the Shui On Group in 1989 and was the Finance Director between 1992 and 1995. He was an Executive Director of the Company from 1997 to 2007. In March 2007, Mr. Wong was appointed as an Executive Director of CCP, which was listed on AIM of the London Stock Exchange plc. Following the privatisation of CCP as a wholly-owned subsidiary of the Company in June 2009, he rejoined the Company. He is one of the Trustees of the Shui On Provident and Retirement Scheme. Prior to joining the Shui On Group, Mr. Wong worked with a leading international accounting firm in their London, Melbourne and Hong Kong offices. He is a Fellow of The Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants, and an Associate of The Institute of Chartered Accountants in Australia.

Independent Non-executive Directors

Mr. Gerrit Jan de Nys

aged 67, has been an Independent Non-executive Director of the Company since August 2007. He joined the Shui On Group in 1978 as Managing Director of the Construction Materials Division and subsequently also assumed the position of Managing Director of the Construction and Contracting Division, and was appointed Deputy Chairman and Chief Executive of the then publicly listed Shui On (Contractors) Limited in 1988. He left the Shui On Group in 1991 and returned to Australia to set up his own businesses in home building and the leisure industry. In 1994, Mr. de Nys joined the IMC Pan Asia Alliance Group assuming chief executive roles in its subsidiaries and had worked in its Thailand and Singapore offices. He retired from executive responsibilities of the IMC Group in 2006 and is currently a Director of the IMC Resources Group in Australia. Mr. de Nys has been a Non-executive Director of Horizon Oil Limited since June 2007 and the Non-executive Chairman of Red Sky Energy Limited since October 2009, both companies being listed in Australia. Mr. de Nys has extensive experience in construction. He graduated with a Bachelor of Technology degree in Civil Engineering from The University of Adelaide. He is a chartered professional engineer and a Fellow of the Institution of Engineers, Australia and The Australian Institute of Company Directors.

Ms. Li Hoi Lun, Helen

aged 55, has been an Independent Non-executive Director of the Company since August 2008. She is a qualified lawyer in the jurisdictions of Hong Kong, England and Wales and New South Wales, Australia. She studied law in England and commenced practising law in Hong Kong in 1982. Ms. Li worked in private practice, with emphasis on property, commercial and corporate work with a China focus. Prior to joining the Company, she was employed as in-house legal counsel for the companies, and an Executive Director of the property arm, of the Shui On Group and took early retirement in 2005.

Mr. David Gordon Eldon *GBS, CBE, JP*

aged 65, has been an Independent Non-executive Director of the Company since January 2010. He has served as an Independent Non-executive Director of CCP during the period from April 2007 to September 2009. Mr. Eldon commenced a career in banking in 1964 and joined the HSBC Group in 1968 assuming a variety of roles in the Middle East and Asia. He became the Chairman of Hang Seng Bank Limited and The Hongkong and Shanghai Banking Corporation Limited in 1996 and 1999 respectively. He was also appointed as a Director of HSBC Holdings plc in 1999. After 37 years of service, he retired from the HSBC Group in 2005. He is now a Senior Adviser of PricewaterhouseCoopers, Hong Kong. He is also the Non-executive Chairman of the Dubai International Financial Centre Authority, Honorary Steward of the Hong Kong Jockey Club, Special Adviser to the Korea National Competitiveness Council – Office of the President, past Chairman of the Hong Kong General Chamber of Commerce, founding member and past Chairman of the Seoul International Business Advisory Council, in addition to holding a number of government and community appointments in Hong Kong. Mr. Eldon is currently an Independent Non-executive Director of Champion Real Estate Investment Trust, a collective investment scheme listed in Hong Kong, and the Senior Independent Non-executive Director of Noble Group Limited, a listed company in Singapore. He was also an Independent Non-executive Director of MTR Corporation Limited from June 2000 to May 2008.

Mr. Eldon is a Fellow of The Chartered Institute of Bankers. He was conferred an Honorary Doctor of Business Administration by the City University of Hong Kong in 2003. In 2004, he was awarded the Gold Bauhinia Star by the Government of the Hong Kong Special Administrative Region. In 2005, he was made a Commander of the British Empire for his contribution to banking, and awarded Honorary Citizenship of Seoul in recognition of his work for the city. He was awarded the Asian Banker Lifetime Achievement Award for 2005. Mr. Eldon is also a Justice of the Peace.

Mr. Chan Kay Cheung

aged 64, has been an Independent Non-executive Director of the Company since January 2010. He has served as an Independent Non-executive Director of CCP during the period from April 2007 to September 2009. Mr. Chan is a Senior Adviser of The Bank of East Asia, Limited ("BEA") and the Vice Chairman of The Bank of East Asia (China) Limited and has been appointed as the Chairman of Shaanxi Fuping BEA Rural Bank Corporation since November 2010. He possesses extensive knowledge and experience in the banking industry. Mr. Chan joined BEA in 1965 and was appointed as an Executive Director and Deputy Chief Executive of BEA in 1996 and 1997 respectively. He retired from BEA in May 2007 after serving it for over 41 years. Mr. Chan is a Fellow of The Hong Kong Institute of Bankers, a member of The China UnionPay International Advisory Group and an International Senior Economic Consultant of The People's Government of Shaanxi

Province. He was appointed as a member of The Clearing and Settlement Systems Appeals Tribunal and the Process Review Committee for the oversight of Hong Kong Monetary Authority in November and December 2010 respectively. Mr. Chan is also an Independent Non-executive Director of China Electronics Corporation Holdings Company Limited, Chu Kong Shipping Development Company Limited and Hong Kong Food Investment Holdings Limited (formerly known as Four Seas Food Investment Holdings Limited), all of which are listed in Hong Kong.

Mr. Tsang Kwok Tai, Moses

aged 62, has been an Independent Non-executive Director of the Company since January 2010. He has served as an Independent Non-executive Director of CCP during the period from April 2007 to September 2009. Mr. Tsang has been the Chairman and Chief Executive Officer of EC Investment Services Limited since 2000. Prior to joining EC Investment Services Limited, he was a General Partner of Goldman Sachs Group where he led the establishment of the Fixed Income Group in Tokyo and headed the Debt Syndicate Group in London. He was the Chairman of Goldman Sachs (Asia) L.L.C. between 1989 and 1994 and the Chairman and Managing Partner of Ajia Partners Inc. from 2003 to 2010. He was a Non-executive Director of North Asia Strategic Holdings Limited, which is listed in Hong Kong, from November 2009 to October 2010. He is currently an Independent Non-executive Director of Fubon Bank (Hong Kong) Limited, a listed company in Hong Kong. He serves as Co-chair of the Asia Pacific Council and is a member of the Board of Directors of The Nature Conservancy. He is a Trustee of The Hong Kong Centre for Economic Research of The University of Hong Kong. He serves as a member of the Brown University Advisory Council in Asia.

Senior Management

Mr. Lee Wing Kee, Stephen

aged 58, is an Executive Director of Shui On Building Contractors Limited and Shui On Construction Company Limited. He has been working in the Shui On Group since 1985 and has over 30 years of experience in construction. Mr. Lee is currently the Vice President of The Hong Kong Construction Association, Limited and the Chairman of its Building Committee. He is also a member of the Committee on Employees' Compensation of the Labour Advisory Board. He holds a Bachelor of Science degree in Civil Engineering. He is a chartered civil engineer.

Ir Kwan Chi Ping, Edgar *JP*

aged 61, rejoined the Company and was appointed as Deputy Managing Director of SOCAM Asset Management (HK) Limited in May 2007. He has over 35 years of international experience in construction and project management as well as facilities management. He is a chartered engineer in the United Kingdom and a registered structural engineer in Hong Kong. He is also a Fellow of The Institution of Civil Engineers and The Institution of Structural Engineers in the United Kingdom and The Hong Kong Institution of Engineers. He received his Bachelor of Science and Master of Science degrees both in Civil Engineering from The University of Hong Kong and a Master of Business Administration degree from The Chinese University of Hong Kong. He has been actively involved in a wide array of public services in Hong Kong and the Chinese Mainland and has been appointed a Justice of the Peace by the Government of the Hong Kong Special Administrative Region.

Mr. Ng Yat Hon, Gilbert

aged 50, is a Director and the General Manager of Pat Davie Limited, specialising in interior fitting out and renovation in Hong Kong and Macau. He joined the Shui On Group in 1996 and has over 25 years of experience in construction. He holds a Bachelor's degree in Civil Engineering from The University of Manchester and a Master's degree in Project Management from The University of New South Wales. He is a chartered civil engineer.

Mr. Li Chi Keung, Evans

aged 49, is the Director – Corporate Finance of the Company. He joined the Shui On Group in 1991 and has over 25 years of accounting, finance and company secretarial experience. He holds a Master's degree in Business Administration from the University of Leicester. He is a Fellow of The Association of Chartered Certified Accountants and an Associate of the Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

Mr. Yeung Mario Bercasio

aged 48, is the Chief Legal Officer of the Company. He joined the Company in July 2010. He has over 10 years of legal and corporate finance experience with listed conglomerates and investment banks in Hong Kong prior to joining the Company. He holds a Bachelor of Engineering degree and postgraduate certificate in laws from Newcastle Upon Tyne Polytechnic and The University of Hong Kong respectively. He is a qualified lawyer in Hong Kong and a member of The Law Society of Hong Kong since 1999.

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 2010.

Principal Activities

The Company is an investment holding company. The principal activities of its principal subsidiaries, jointly controlled entities and associates are set out in notes 44, 45 and 46 to the consolidated financial statements respectively.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 104.

The Directors recommend the payment of a final dividend of HK$0.40 per share to the shareholders whose names appear on the register of members of the Company on 16 June 2011, amounting to HK$196 million.

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 32 to the consolidated financial statements.

Reserves

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 108 and 109.

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

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

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

At 31 December 2010, the Company's reserves, including the contributed surplus, available for distribution to shareholders amounted to HK$656 million (2009: HK$565 million).

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 186.

Investment Properties

Details of the movements in the investment properties of the Group during the year are set out in note 16 to the consolidated financial statements.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

Directors

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

Executive Directors:

Mr. Lo Hong Sui, Vincent
Mr. Choi Yuk Keung, Lawrence
Mr. Wong Yuet Leung, Frankie
Mr. Wong Kun To, Philip
Mr. Wong Fook Lam, Raymond

Independent Non-executive Directors:

Mr. Gerrit Jan de Nys
Ms. Li Hoi Lun, Helen
Mr. David Gordon Eldon *(appointed on 1 January 2010)*
Mr. Chan Kay Cheung *(appointed on 1 January 2010)*
Mr. Tsang Kwok Tai, Moses *(appointed on 1 January 2010)*
Mr. Anthony Griffiths *(retired on 28 May 2010)*

Non-executive Director:

Professor Michael Enright *(retired on 28 May 2010)*

In accordance with Bye-law 87(1) of the Bye-laws of the Company, Mr. Lo Hong Sui, Vincent, Mr. Choi Yuk Keung, Lawrence, Mr. Wong Yuet Leung, Frankie and Ms. Li Hoi Lun, Helen shall retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

Interests of Directors and Chief Executive

At 31 December 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

Name of Directors	Number of ordinary shares: 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	37.26%
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	0.01%

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

Name of Director	Number of ordinary shares: 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 shares 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 31 December 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 per share	Exercise period	Number of ordinary shares subject to the call option
Mr. Wong Yuet Leung, Frankie	HK$6.00	27-8-2005 to 26-8-2011 (Note)	1,600,000

Note: Pursuant to a letter of agreement entered into between SOCL and Mr. Wong Yuet Leung, Frankie in July 2010, the exercise period was extended from 26 August 2010 to 26 August 2011.

Save as disclosed above, at 31 December 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

Particulars of the share option scheme adopted by the Company on 27 August 2002 (the "Scheme") are set out in note 37 to the consolidated financial statements.

On 12 April 2010, options were granted to subscribe for a total of 11,060,000 shares of the Company under the Scheme. The fair values of the share options granted during the year are set out in note 37 to the consolidated financial statements.

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

			Number of shares subject to options						
Name or category of eligible participants	**Date of grant**	**Subscription price per share HK$**	**At 1.1.2010**	**Granted during the year (Note a)**	**Exercised during the year**	**Lapsed during the year**	**At 31.12.2010**	**Period during which options outstanding at 31.12.2010 are exercisable**	**Average closing reference price for exercise of options (Note b) HK$**
Directors									
Mr. Choi Yuk Keung, Lawrence (Note c)	3.1.2007	16.78	700,000	–	–	(700,000)	–	3.1.2010 to 2.1.2017	–
	14.6.2007	20.96	250,000	–	–	–	250,000	14.12.2007 to 13.6.2012	–
	7.5.2008	19.76	250,000	–	–	–	250,000	7.11.2008 to 6.5.2013	–
	7.5.2008	19.76	1,000,000	–	–	–	1,000,000	7.5.2011 to 6.5.2018	–
	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, Frankie (Note c)	1.8.2006	14.00	2,000,000	–	–	–	2,000,000	1.2.2007 to 31.7.2011	–
	3.1.2007	16.78	1,500,000	–	–	(1,500,000)	–	3.1.2010 to 2.1.2017	–
	14.6.2007	20.96	500,000	–	–	–	500,000	14.12.2007 to 13.6.2012	–
	7.5.2008	19.76	500,000	–	–	–	500,000	7.11.2008 to 6.5.2013	–
	7.5.2008	19.76	2,000,000	–	–	–	2,000,000	7.5.2011 to 6.5.2018	–
	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, Philip (Note c)	5.6.2009	11.90	1,830,000	–	–	(228,000)	1,602,000	3.1.2010 to 2.1.2012	–
	5.6.2009	11.90	104,000	–	–	(16,000)	88,000	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, Raymond	1.8.2006	14.00	176,000	–	–	–	176,000	1.2.2007 to 31.7.2011	–
	3.1.2007	16.78	700,000	–	–	(700,000)	–	3.1.2010 to 2.1.2017	–
	14.6.2007	20.96	200,000	–	–	–	200,000	14.12.2007 to 13.6.2012	–
	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	–	(3,144,000)	18,216,000		
Employees (in aggregate)	29.7.2005	9.30	238,000	–	(56,000)	(182,000)	–	29.1.2006 to 28.7.2010	11.52
	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	–	(512,000)	(54,000)	2,845,000	9.10.2009 to 8.4.2014	11.11
	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	–	–	(896,000)	1,182,000	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	–	(20,000)	5,390,000	12.10.2010 to 11.4.2015	–
Sub-total			16,931,000	5,410,000	(568,000)	(2,192,000)	19,581,000		
Others (Note d)	1.8.2006	14.00	120,000	–	–	(120,000)	–	1.2.2007 to 31.7.2011	–
	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	9.73
	9.4.2009	7.63	250,000	–	(250,000)	–	–	9.4.2012 to 8.4.2019	9.88
Sub-total			996,000	–	(500,000)	(496,000)	–		
Total			33,637,000	11,060,000	(1,068,000)	(5,832,000)	37,797,000		

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 year, weighted by the number of shares subject to the options exercised by each category of eligible participants.

(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 classified under the category "Others" following her retirement from the Company on 1 December 2009. In accordance with the terms of the Scheme and subject to the terms of the relevant offer letters, the outstanding share options of Mrs. Lowe were 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. Details about the performance conditions and the vesting schedules for the share options granted are set out in note 37 to the consolidated financial statements.

Substantial Shareholders

Save as disclosed below and under the section headed "Interests of Directors and Chief Executive" above, the Directors are not aware of any other person (other than a Director or chief executive of the Company or his/her respective associate(s)) who, at 31 December 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)	28.93%
Penta Investment Advisers Limited	Investment manager	141,544,116 (L) (Note 2)	28.93%
Penta Master Fund, Limited	Beneficial owner	57,336,064 (L) (Note 3)	11.72%
Penta Asia Long/Short Fund, Ltd.	Beneficial owner	29,395,899 (L) (Note 4)	6.00%
UBS AG	Beneficial owner/ Holder of security interest in shares	35,323,728 (L) 31,525,592 (S) (Note 5)	7.22% 6.44%

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, 12,546,000 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, 31,525,592 shares in which the shareholder had a short position were cash settled derivative interests.

Arrangement to Purchase Shares or Debentures

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

Purchase, Sale or Redemption of Listed Securities

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

Corporate Governance

The Company has complied throughout the year ended 31 December 2010 with the Code on Corporate Governance Practices set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except for the deviations from Code Provisions A.4.1 and B.1.3. Details are set out in the Corporate Governance Report on pages 66 to 77.

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. The Directors have confirmed, following specific enquiries by the Company, that they have complied with the required standard set out in the Model Code during the year ended 31 December 2010.

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

Connected Transactions

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

(1) On 1 June 2010, New Rainbow Investments Limited ("New Rainbow"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Shui On Properties Limited ("SOPL") whereby New Rainbow agreed to sell to SOPL approximately HK$1,080 million worth of shares of Shui On Land Limited ("SOL") subject to the terms and conditions contained therein. Based on the final purchase price of HK$3.4088 per SOL share as determined in accordance with the terms of the sale and purchase agreement, a total of 316,827,035 shares of SOL were sold and transferred to SOPL upon completion of the transaction.

    SOPL is a wholly-owned subsidiary of SOCL, the controlling shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the entering into of the aforesaid sale and purchase agreement constituted a connected transaction of the Company. Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules for the disposal under the sale and purchase agreement exceed 5% but are less than 25%, the transaction is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. Details of the transaction have been set out in the announcements dated 1 June 2010 and 10 June 2010 and the circular dated 10 June 2010 issued by the Company. The transaction was approved by the independent shareholders of the Company at a special general meeting held on 28 June 2010.

(2) On 5 August 2010, High Spirit Project Management Consultancy Limited ("High Spirit"), an indirect wholly-owned subsidiary of the Company, and 北京啓夏房地產開發有限公司 (Beijing Qi Xia Real Estate Development Co., Ltd.) ("Beijing Qi Xia") entered into a design consultancy agreement whereby Beijing Qi Xia agreed to engage High Spirit and/or its subsidiaries or fellow subsidiaries as the project design consultant to provide design related services for a "construction in progress" residential development project (the "Project") in Beijing, the People Republic of China (the "PRC") for a consultancy fee to be calculated at 4% of the total construction cost of the Project plus business tax subject to the terms and conditions contained therein. The final consultancy fee payable shall be adjusted based on the actual total construction cost after the completion of the Project and in any event, shall not be more than RMB23.155 million.

    In addition, on 5 August 2010, Beijing SOCAM Real Estate Consulting Co., Ltd. ("Beijing SOCAM"), an indirect wholly-owned subsidiary of the Company, and Beijing Qi Xia entered into a project consultancy agreement whereby Beijing Qi Xia agreed to engage Beijing SOCAM and/or its subsidiaries or fellow subsidiaries as the project consultant to provide project management and consultancy services for the Project for a consultancy fee of not more than RMB10 million subject to the terms and conditions contained therein.

Beijing Qi Xia is indirectly owned as to 12.5% by the associates of Penta Investment Advisers Limited ("Penta"), a substantial shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the entering into of the aforesaid consultancy agreements constituted connected transactions of the Company. Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules for the maximum consultancy fees receivable by the Group under the consultancy agreements exceed 0.1% but are less than 5%, the transactions are subject to the reporting and announcement requirements under the Listing Rules. Details of the transactions have been set out in the announcement dated 5 August 2010 issued by the Company.

(3) On 22 December 2010, Bright Jade Investments Limited ("Bright Jade"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (as amended by a supplemental agreement dated 29 December 2010) with Remparts Ltd. ("Remparts") whereby Bright Jade agreed to sell to Remparts 10% interest in the entire issued share capital of, and the related shareholder's loan owing by, Lead Wealthy Investments Limited ("Lead Wealthy") at a total cash consideration of RMB76.3 million subject to the terms and conditions contained therein. In accordance with the terms of the sale and purchase agreement, Penta as guarantor has also issued a counter guarantee and indemnity in favour of the Company upon completion in respect of the pro rata share of Remparts, being 10%, of the obligations and liabilities assumed by the Company under the finance documents in relation to a HK$500 million banking facility granted to Lead Wealthy, for which the Company has provided a 100% guarantee, and under a letter of assumption dated 1 December 2010 signed by the Company in favour of Hines Real Estate Holdings Limited Partnership.

As a major shareholder of Penta, a substantial shareholder of the Company, indirectly holds over 50% ownership of Remparts, Remparts is a connected person of the Company under the Listing Rules. Accordingly, the entering into of the aforesaid sale and purchase agreement constituted a connected transaction of the Company. Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules for the disposal under the sale and purchase agreement exceed 0.1% but are less than 5%, the transaction is subject to the reporting and announcement requirements under the Listing Rules. Details of the transaction have been set out in the announcements dated 22 December 2010 and 30 December 2010 issued by the Company.

Continuing Connected Transactions

(1) As disclosed in the announcement dated 15 February 2007 and the circular dated 8 March 2007 issued by the Company, the construction contracts awarded or to be awarded by SOL and its subsidiaries (collectively the "SOL Group") in favour of Shui On Construction Co., Ltd. (formerly known as Shanghai Shui On Construction Co., Ltd.) ("SOCM"), an indirect subsidiary of the Company, under a framework agreement (the "Framework Agreement") dated 4 June 2006 made between SOL and SOCM constituted continuing connected transactions of the Company as Mr. Lo, the Chairman and controlling shareholder of the Company, is also the Chairman and controlling shareholder of SOL. Such transactions were subject to the annual caps of RMB285 million, RMB535 million and RMB750 million for the three financial years ended 31 December 2008 respectively.

On 15 December 2008, SOCM and SOL entered into a supplemental agreement (the "Supplemental Agreement") to extend the term of the Framework Agreement for another three years to 31 December 2011. Since SOL is an associate of a connected person of the Company, the transactions contemplated under the Framework Agreement (as supplemented by the Supplemental Agreement) constitute continuing connected transactions of the Company that are subject to the reporting, announcement, independent shareholders' approval and annual review requirements of the Listing Rules. The transactions are subject to new caps of RMB410 million, RMB561 million and RMB845 million for the three financial years ending 31 December 2011 respectively. Details of the transactions have been set out in the joint announcement dated 15 December 2008 issued by SOL and the Company and the circular dated 5 January 2009 issued by the Company. Such transactions and new caps were approved by the independent shareholders of the Company at a special general meeting held on 21 January 2009.

The amount paid or payable to SOCM for the provision of construction services under the Framework Agreement (as supplemented by the Supplemental Agreement) for the year ended 31 December 2010 was approximately RMB527 million. The Independent Non-executive Directors have reviewed such transactions for the year ended 31 December 2010 and confirmed that such transactions have been entered into by the Group in the ordinary and usual course of its business, on normal commercial terms, and in accordance with the terms of the Framework Agreement (as supplemented by the Supplemental Agreement) that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

The Dalian Group is effectively held as to 22% by the Company, as to 48% by SOL and as to 30% by Yida. Mr. Lo, the Chairman and controlling shareholder of the Company, is also the Chairman and controlling shareholder of SOL. Accordingly, each member of the Dalian Group is an associate of Mr. Lo and is a connected person of the Company under the Listing Rules. The provision of management services by Max Clear to the Dalian Group under the Management Services Agreement constitutes a continuing connected transaction of the Company that is subject to the reporting, announcement and annual review requirements under the Listing Rules. The annual management fees to be charged by Max Clear are subject to the annual caps of RMB6.63 million, RMB19 million and RMB19 million for the three financial years ended 31 December 2010 respectively. Details of the transaction have been set out in the joint announcement dated 28 April 2008 issued by SOL and the Company.

The fees payable by the Dalian Group to Max Clear for the provision of management services under the Management Services Agreement for the year ended 31 December 2010 amounted to approximately RMB15.3 million. The Independent Non-executive Directors have reviewed such transaction for the year ended 31 December 2010 and confirmed that such transaction has been entered into by the Group in the ordinary and usual course of its business, on normal commercial terms, and in accordance with the terms of the Management Services Agreement that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

On 28 December 2010, Max Clear, Shanghai SOD, Yida and the Dalian Group entered into an agreement (the "Renewed Management Services Agreement") to extend the term of the Management Services Agreement for another three years to 31 December 2013, and extend the definition of the Dalian Group by including certain new PRC subsidiaries of Richcoast Group Limited. As mentioned above, members of the Dalian Group are connected persons of the Company. In addition, by virtue of Mr. Lo's interest in SOL as set out above, Shanghai SOD is an associate of Mr. Lo and hence a connected person of the Company under the Listing Rules. Yida, by virtue of being an associate of a substantial shareholder of a subsidiary of the Company for the purposes of the Listing Rules, has also become a connected person of the Company. Accordingly, the transaction contemplated under the Management Services Agreement (as supplemented by the Renewed Management Services Agreement) constitutes a continuing connected transaction of the Company and is subject to new caps of RMB37 million, RMB71 million and RMB68 million for the three financial years ending 31 December 2013 respectively. Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules for the new caps exceed 0.1% but are less than 5%, the transaction is subject to reporting, announcement and annual review requirements under the Listing Rules. Details of the transaction have been set out in the joint announcement dated 28 December 2010 issued by SOL and the Company.

(3) As disclosed in the announcement dated 23 January 2010 issued by the Company, certain subsidiaries of SOCL (together with its subsidiaries and associates from time to time, the "SOCL Group") as the lessors and certain members of the Group as the lessees entered into the following tenancy agreements for the leasing or sub-leasing of various commercial premises located in Hong Kong and the PRC:

(a) a tenancy agreement dated 28 May 2007 (as amended by supplemental agreements thereto) in respect of the sub-leasing of certain office space on 1st Floor and 34th Floor, Shui On Centre, 6-8 Harbour Road, Hong Kong, for a lease term of three years commencing from 1 June 2007 and expiring on 31 May 2010 at a monthly rent and management fee of HK$45,809 and HK$9,828 respectively (renewed in accordance with the terms governed by the Master Lease Agreement as defined below);

(b) a tenancy agreement dated 31 May 2007 in respect of the leasing of certain office units on 11th Floor, Shui On Centre, 6-8 Harbour Road, Hong Kong, for a lease term of three years commencing from 1 June 2007 and expiring on 31 May 2010 at a monthly rent and management fee of HK$80,619 and HK$13,998 respectively (renewed in accordance with the terms governed by the Master Lease Agreement as defined below); and

(c) a tenancy agreement dated 23 January 2010 (as supplemented by a supplemental agreement thereto) in respect of the leasing of certain office units at 23rd Floor, Shui On Plaza, 333 Huai Hai Zhong Road, Luwan, Shanghai, the PRC, for a lease term of 26 months commencing from 16 January 2010 and expiring on 15 March 2012 (with a right of first refusal to lease certain additional office units on the same floor of Shui On Plaza) at a rent of RMB7.20 per square metre per day and management fee of RMB31.00 per square metre per month.

SOCL, the controlling shareholder of the Company, is a connected person of the Company under the Listing Rules. Accordingly, the leasing of the commercial premises to the Group by the SOCL Group under the aforesaid tenancy agreements constituted continuing connected transactions of the Company and were subject to the annual caps of HK$5 million, HK$6.5 million and HK$7 million (the "Previous Caps") for the three financial years ending 31 December 2012 respectively.

On 31 May 2010, SOCL and the Company entered into a master lease agreement (the "Master Lease Agreement") pursuant to which any member of the Group may as the lessee continue, amend or renew the existing leases or enter into new leases, sub-leases and licences in relation to the commercial premises owned or leased by the SOCL Group (the "Properties") in Hong Kong and the PRC with any member of the SOCL Group as the lessor from time to time as are necessary for the future business needs of the Group during the period from 1 June 2010 to 31 December 2012.

As SOCL is a connected person of the Company, the transactions contemplated under the Master Lease Agreement constitute continuing connected transactions of the Company and are subject to the annual caps (which have replaced the Previous Caps) of HK$2 million, HK$1 million and HK$1 million in respect of the leases of the Properties in Hong Kong (the "HK Leases") and annual caps of RMB2.5 million, RMB5 million and RMB7 million in respect of the leases of the Properties in the PRC (the "PRC Leases") for the three financial years ending 31 December 2012 respectively. Since the applicable percentage ratios set out in Rules 14.07 of the Listing Rules for the caps exceed 0.1% but are less than 2.5%, the transactions contemplated under the Master Lease Agreement are subject to the reporting, announcement and annual review requirements under the Listing Rules. Details of the transactions have been set out in the announcement dated 31 May 2010 issued by the Company.

The aggregate amount of rent and management fees paid or payable by the Group to the SOCL Group in respect of the HK Leases and the PRC Leases under the Master Lease Agreement for the year ended 31 December 2010 amounted to approximately HK$1.7 million and RMB2 million respectively. The Independent Non-executive Directors have reviewed such transactions for the year ended 31 December 2010 and confirmed that such transactions have been entered into by the Group in the ordinary and usual course of its business, on normal commercial terms, and in accordance with the terms of the Master Lease Agreement that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the Group's continuing connected transactions as disclosed above in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Director's Interest in Competing Business

During the year and up to the date of this report, the following Director is considered to have an interest in the businesses, which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules as set out below:

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

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

Directors' Interests in Contracts of Significance

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

Remuneration Policy

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

The emoluments of the Executive Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics, while those of the Non-executive Directors are decided by the Board upon the recommendations by the Chairman of the Company taking into consideration the findings of independent survey on directorate pay of listed companies in Hong Kong. Further details of the remuneration policy is set out in the Remuneration Committee Report on pages 80 to 84.

The Company has adopted a share option scheme as an incentive to the Directors and eligible employees. Details of the scheme are set out in note 37 to the consolidated financial statements.

Retirement Benefit Plans

Details of the Group's retirement benefit plans are shown in note 33 to the consolidated financial statements.

Major Suppliers and Major Customers

The five largest suppliers of the Group accounted for less than 28% of the total purchases of the Group for the year.

The five largest customers of the Group accounted for approximately 63% of the total turnover of the Group for the year with the largest customer, the Government of the Hong Kong Special Administrative Region – Architectural Services Department, accounting for approximately 16% of the turnover of the Group.

Mr. Lo, the Chairman and controlling shareholder of the Company, is also the Chairman and controlling shareholder of SOL, the fifth largest customer of the Group which accounted for approximately 7% of the total turnover of the Group for the year ended 31 December 2010. Save as disclosed herein, none of the Directors, their associates or any shareholder (which, to the knowledge of the Directors, owns more than 5% of the issued share capital of the Company) has a beneficial interest in the five largest customers of the Group.

Donations

During the year, the Company and its subsidiaries made donations of approximately HK$1 million to business associations and institutions.

Pre-emptive Rights

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

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of this report, the Company has maintained a sufficient public float as required under the Listing Rules during the year.

Disclosure under Rule 13.22 of the Listing Rules

Financial assistance and guarantees to affiliated companies

Financial assistance and guarantees provided by the Group to its affiliated companies amounted to HK$3,326 million at 31 December 2010, details of which are as follows:

	Balance at 31 December 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%	5	45	–	50
Broad Wise Limited	80%	831	–	–	831
Eagle Fit Limited	53%	221	–	289	510
Guizhou Bijie Shui On Cement Co., Ltd.	80%	57	–	–	57
Guizhou Kaili Ken On Concrete Co., Ltd.	75%	2	2	–	4
貴州六礦瑞安水泥有限公司 (Guizhou Liu Kuang Shui On Cement Co. Ltd.)	40%	6	10	–	16
貴州習水瑞安水泥有限公司 (Guizhou Xishui Shui On Cement Co. Ltd.)	90%	55	–	–	55
貴州遵義瑞安水泥有限公司 (Guizhou Zunyi Shui On Cement Co. Ltd.)	80%	28	–	–	28
Lamma Yue Jie Company Limited	60%	17	–	–	17
Lead Wealthy Investments Limited	70%	–	537	350	887
Nanjing Jiangnan Cement Co., Ltd.	60%	134	–	–	134
Richcoast Group Limited	28%	470	242	–	712
Super Race Limited	50%	–	4	–	4
The Yangtze Ventures II Limited	75%	21	–	–	21
		1,847	840	639	3,326

The proforma combined balance sheet of the above affiliated companies at 31 December 2010 is as follows:

	HK$ million
Non-current assets	7,171
Current assets	8,857
Current liabilities	(4,979)
Net current assets	3,878
Non-current liabilities	(8,433)
Non-controlling interests	(894)
Shareholders' funds	1,722

Details of the above affiliated companies are set out in notes 45 and 46 to the consolidated financial statements.

Notes:

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

Affiliated companies	Interest rate per annum
Brisfull Limited	Fixed at 2.5%
Guizhou Kaili Ken On Concrete Co., Ltd.	3-month HIBOR + 2%
貴州六礦瑞安水泥有限公司 (Guizhou Liu Kuang Shui On Cement Co. Ltd.)	Prevailing base lending rate published by the People's Bank of China
Lead Wealthy Investments Limited	HIBOR + 3.5%
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.

Subsequent Events

Details of the significant events subsequent to the balance sheet date are set out in note 43 to the consolidated financial statements.

Auditor

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

On behalf of the Board

Lo Hong Sui, Vincent
Chairman
30 March 2011

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

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

We have audited the consolidated financial statements of Shui On Construction and Materials Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 104 to 185, which comprise the consolidated balance sheet as at 31 December 2010, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 March 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Notes	2010 HK$ million	2009 HK$ million
Turnover			
The Company and its subsidiaries		**8,044**	3,200
Share of jointly controlled entities/associates		**2,986**	3,197
		11,030	6,397
Group turnover	7	**8,044**	3,200
Other income	8	**200**	149
Changes in inventories of finished goods, work in progress, contract work in progress and properties held for sale		**(2,598)**	109
Raw materials and consumables used		**(720)**	(651)
Staff costs		**(504)**	(485)
Depreciation and amortisation expenses		**(24)**	(15)
Subcontracting, external labour costs and other expenses		**(3,967)**	(2,291)
Dividend income from available-for-sale investments		**60**	8
Fair value changes on investment properties	16	**422**	46
Convertible bonds issued by the Company			
– Fair value changes on embedded derivatives	9	**–**	1
– Imputed interest expense	10	**–**	(28)
Interest on bank loans and overdrafts and other borrowing costs	10	**(249)**	(218)
Gain on disposal of available-for-sale investments	20	**373**	–
Loss on disposals of interests in jointly controlled entities		**–**	(4)
Discount on acquisition of a subsidiary	39	**–**	648
Share of results (excluding impairment loss) of jointly controlled entities	7	**115**	302
Share of impairment loss of jointly controlled entities	7	**(70)**	(44)
Share of results of associates	7	**16**	101
Profit before taxation		**1,098**	828
Taxation	11	**(180)**	(16)
Profit for the year	13	**918**	812
Attributable to:			
Owners of the Company		**903**	807
Non-controlling interests		**15**	5
		918	812
Earnings per share	15		
Basic		**HK$1.85**	HK$1.96
Diluted		**HK$1.84**	HK$1.84

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010 **HK$ million**	2009 HK$ million
Profit for the year	**918**	812
Other comprehensive (expense) income		
(Loss) gain on fair value changes of available-for-sale investments	**(475)**	1,034
Reclassification adjustments for amounts transferred to profit or loss:		
– upon disposal of available-for-sale investments	**(374)**	–
– upon disposals of interests in jointly controlled entities	**–**	(7)
– upon deregistration of subsidiaries	**–**	(9)
– upon disposal of subsidiaries holding property inventories, net of deferred tax of HK$11 million	**(56)**	–
Exchange differences arising on translation of foreign operations	**373**	26
Revaluation surplus attributable to the Group's previously held interest in CCP (as defined hereinafter), net of deferred tax of HK$32 million	**–**	95
Recognition of actuarial gain	**12**	81
Share of other comprehensive income of associates/jointly controlled entities	**–**	47
Other comprehensive (expense) income for the year	**(520)**	1,267
Total comprehensive income for the year	**398**	2,079
Total comprehensive income attributable to:		
Owners of the Company	**382**	2,080
Non-controlling interests	**16**	(1)
	398	2,079

CONSOLIDATED BALANCE SHEET

At 31 December 2010

	Notes	2010 HK$ million	2009 HK$ million
Non-current Assets			
Investment properties	16	**2,310**	622
Property, plant and equipment	17	**89**	59
Prepaid lease payments	18	**43**	43
Interests in jointly controlled entities	19	**4,432**	4,265
Available-for-sale investments	20	**514**	2,004
Interests in associates	21	**425**	332
Club memberships		**1**	1
Amounts due from jointly controlled entities	22	**1,624**	1,008
Amounts due from associates	23	**683**	543
Defined benefit assets	33	**22**	–
Restricted bank deposits	28	**275**	–
		10,418	8,877
Current Assets			
Inventories	24	**7**	7
Prepaid lease payments	18	**1**	1
Properties held for sale	25	**718**	634
Properties under development for sale	25	**3,267**	4,806
Debtors, deposits and prepayments	26	**1,730**	948
Amounts due from customers for contract work	24	**346**	302
Amounts due from jointly controlled entities	22	**459**	437
Amounts due from associates	23	**68**	39
Amounts due from related companies	27	**49**	39
Taxation recoverable		**4**	3
Pledged bank deposit	30	**359**	–
Restricted bank deposits	28	**260**	299
Bank balances, deposits and cash	26	**2,583**	1,545
		9,851	9,060
Assets classified as held for sale	29	**779**	704
		10,630	9,764

CONSOLIDATED BALANCE SHEET

At 31 December 2010

	Notes	2010 HK$ million	2009 HK$ million
Current Liabilities			
Creditors and accrued charges	30	**2,028**	1,403
Sales deposits received		**406**	312
Amounts due to customers for contract work	24	**154**	124
Amounts due to jointly controlled entities	22	**15**	345
Amounts due to non-controlling shareholders of subsidiaries	27	**3**	6
Taxation payable		**180**	57
Bank borrowings due within one year	31	**2,864**	4,980
		5,650	7,227
Liabilities associated with assets classified as held for sale	29	**403**	328
		6,053	7,555
Net Current Assets		**4,577**	2,209
Total Assets Less Current Liabilities		**14,995**	11,086
Capital and Reserves			
Share capital	32	**489**	488
Reserves		**8,715**	8,515
Equity attributable to owners of the Company		**9,204**	9,003
Non-controlling interests		**56**	45
		9,260	9,048
Non-current Liabilities			
Bank borrowings	31	**5,335**	1,660
Deferred tax liabilities	34	**400**	378
		5,735	2,038
		14,995	11,086

The consolidated financial statements on pages 104 to 185 were approved and authorised for issue by the Board of Directors on 30 March 2011 and are signed on its behalf by:

Wong Kun To, Philip
Chief Executive Officer

Wong Fook Lam, Raymond
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	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	–	–	–	–	–	–	–	–	–	(475)	–	(475)	–	(475)
Exchange differences arising on translation of financial statements of foreign operations	–	–	372	–	–	–	–	–	–	–	–	372	1	373
Recognition of actuarial gain	–	–	–	–	–	–	–	–	12	–	–	12	–	12
Disposal of available-for-sale investments	–	–	–	–	–	–	–	–	–	(374)	–	(374)	–	(374)
Disposal of subsidiaries holding property inventories	–	–	(14)	–	–	–	–	–	–	–	(42)	(56)	–	(56)
Profit for the year	–	–	–	–	–	903	–	–	–	–	–	903	15	918
Total comprehensive income (expense) for the year	–	–	358	–	–	903	–	–	12	(849)	(42)	382	16	398
Issue of shares upon exercise of share options	1	9	–	–	–	–	–	(2)	–	–	–	8	–	8
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(1)	(1)
Deemed disposal of interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	(3)	(3)	3	–
Recognition of share-based payments	–	–	–	–	–	–	–	34	–	–	–	34	–	34
Transfer upon lapse of share options	–	–	–	–	–	13	–	(13)	–	–	–	–	–	–
Transfer to statutory reserve	–	–	–	–	–	(1)	1	–	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	(220)	–	–	–	–	–	(220)	(7)	(227)
At 31 December 2010	489	3,205	859	197	(3)	3,705	4	133	(24)	185	454	9,204	56	9,260

	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	–	–	–	–	–	–	–	–	–	1,034	–	1,034	–	1,034
Exchange differences arising on translation of financial statements of foreign operations	–	–	26	–	–	–	–	–	–	–	–	26	–	26
Revaluation surplus attributable to the Group's previously held interest in CCP, net of deferred tax	–	–	–	–	–	–	–	–	–	–	95	95	–	95
Recognition of actuarial gain	–	–	–	–	–	–	–	–	81	–	–	81	–	81
Share of other comprehensive income of associates	–	–	–	–	–	–	–	–	–	–	42	42	–	42
Share of other comprehensive income of a jointly controlled entity	–	–	–	–	–	–	–	–	–	–	5	5	–	5
Deregistration of subsidiaries	–	–	(3)	–	–	–	–	–	–	–	–	(3)	(6)	(9)
Disposal of interests in jointly controlled entities	–	–	(7)	–	–	–	–	–	–	–	–	(7)	–	(7)
Profit for the year	–	–	–	–	–	807	–	–	–	–	–	807	5	812
Total comprehensive income (expense) for the year	–	–	16	–	–	807	–	–	81	1,034	142	2,080	(1)	2,079
Issue of shares upon acquisition of a subsidiary	166	1,762	–	–	–	–	–	–	–	–	–	1,928	–	1,928
Issue of shares upon exercise of share options	–	3	–	–	–	–	–	–	–	–	–	3	–	3
Recognition of share-based payments	–	–	–	–	–	–	–	42	–	–	–	42	–	42
Transfer upon exercise of share options	–	1	–	–	–	–	–	(1)	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	(49)	–	–	–	–	–	(49)	(7)	(56)
Other movements with non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(2)	(2)
At 31 December 2009	488	3,196	501	197	(3)	3,010	3	114	(36)	1,034	499	9,003	45	9,048

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 mainly 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 surplus of a then associate, China Central Properties Limited ("CCP"), arising from an acquisition achieved in stages by CCP; and (iv) an amount of HK$53 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 year as a result of disposal of property inventories (effected through direct sales or disposal of subsidiaries holding those property inventories).

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2010

	2010 HK$ million	2009 HK$ million
OPERATING ACTIVITIES		
Profit before taxation	**1,098**	828
Adjustments for:		
Impairment loss on properties	**–**	10
Impairment loss recognised in respect of interests in jointly controlled entities	**29**	1
Loss on disposals of interests in jointly controlled entities	**–**	4
Gain on disposal of assets classified as held for sale	**(7)**	–
Discount on acquisition of a subsidiary	**–**	(648)
Share of results (excluding impairment loss) of jointly controlled entities	**(115)**	(302)
Share of impairment loss of jointly controlled entities	**70**	44
Share of results of associates	**(16)**	(101)
Interest income	**(33)**	(32)
Interest on bank loans and overdrafts and other borrowing costs	**249**	218
Imputed interest expense on convertible bonds issued by the Company	**–**	28
Interest income from investment in convertible bonds	**–**	(11)
Imputed interest income on loans to jointly controlled entities/associates	**(71)**	(48)
Dividend income from available-for-sale investments	**(60)**	(8)
Fair value changes on investment properties	**(422)**	(46)
Fair value changes on embedded derivatives expired during the year	**(4)**	(1)
Depreciation of property, plant and equipment	**23**	14
Amortisation of prepaid lease payments	**1**	1
Gain on disposal of property inventories through disposal of subsidiaries	**(220)**	–
Gain on disposal of available-for-sale investments	**(373)**	–
Unrealised gain on income from associates/jointly controlled entities	**12**	15
Share-based payment expense	**34**	42
Effect of exchange rate changes on inter-company balances	**(7)**	–
Gain in relation to defined benefit scheme	**(4)**	(4)
Operating cash flows before movements in working capital	**184**	4
Increase in inventories	**(13)**	(20)
Decrease in properties held for sale	**233**	17
Increase in properties under development for sale	**(392)**	(436)
(Increase) decrease in debtors, deposits and prepayments	**(761)**	138
Increase in amounts due from customers for contract work	**(42)**	(82)
(Increase) decrease in amounts due from related companies	**(8)**	7
(Increase) decrease in amounts due from associates	**(34)**	16
Increase in amounts due from jointly controlled entities	**(24)**	(40)
Increase in defined benefit scheme assets	**(6)**	(3)
Increase in creditors and accrued charges	**702**	101
Increase in sales deposits received	**94**	312
Increase (decrease) in amounts due to customers for contract work	**29**	(9)
Decrease in amounts due to jointly controlled entities	**(9)**	(3)
Increase in amounts due to associates	**–**	61
Decrease in amounts due to related companies	**–**	(2)
(Decrease) increase in amounts due to non-controlling shareholders of subsidiaries	**(3)**	3
Cash (used in) generated from operations	**(50)**	64
Hong Kong Profits Tax paid	**(13)**	(15)
Hong Kong Profits Tax refunded	**1**	–
Income tax of other regions in the People's Republic of China ("PRC") paid	**(31)**	(16)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(93)**	33

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2010

	2010 HK$ million	2009 HK$ million
INVESTING ACTIVITIES		
Investments in jointly controlled entities	**(32)**	(54)
Advance to jointly controlled entities	**(549)**	(215)
Advance to associates	**(188)**	–
Additions in property, plant and equipment	**(53)**	(28)
Payment for construction of investment properties	**(99)**	(21)
Purchase of property, plant and equipment for disposal groups classified as held for sale	**(16)**	(238)
Dividends received from jointly controlled entities	**24**	29
Settlement of foreign exchange forward contracts	**–**	(39)
Proceeds from disposal of available-for-sale investments	**1,080**	–
Interest received	**33**	32
Proceeds from sales of property, plant and equipment and leasehold land	**3**	2
Dividends received from available-for-sale investments	**–**	8
Net proceeds from disposal of subsidiaries holding property inventories (note)	**1,675**	–
Net proceeds from disposal of a jointly controlled entity	**–**	33
Refund of deposits for disposal of held for sale assets (note 29)	**(302)**	–
Acquisition of investment properties, property inventories and other assets and liabilities through acquisition of subsidiaries	**(470)**	(242)
Net cash inflow on acquisition of CCP	**–**	730
Increase in restricted bank deposits	**(236)**	(299)
Pledged bank deposits (placed) refunded	**(359)**	76
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**511**	(226)
FINANCING ACTIVITIES		
New bank loans raised	**4,700**	3,264
Increase in liabilities associated with assets held for sale	**35**	170
Net proceeds received on issue of shares	**8**	3
Redemption of convertible bonds issued by the Company	**–**	(458)
Repayments of bank loans	**(3,568)**	(1,663)
Interest paid	**(211)**	(195)
Other borrowing costs paid	**(38)**	(23)
Advance from jointly controlled entities	**–**	81
Repayment to a related company	**(134)**	–
Other movements with non-controlling shareholders of subsidiaries	**–**	(2)
Dividends paid	**(220)**	(46)
Dividends paid to non-controlling shareholders of subsidiaries	**(7)**	(7)
NET CASH FROM FINANCING ACTIVITIES	**565**	1,124
NET INCREASE IN CASH AND CASH EQUIVALENTS	**983**	931
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**1,551**	619
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**61**	1
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**2,595**	1,551
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances, deposits and cash	**2,583**	1,545
Bank balances, deposits and cash included in assets classified as held for sale (note 29)	**12**	6
	2,595	1,551

Note: During the year ended 31 December 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$1,675 million arising therefrom was included in cash flows from investing activities, rather than operating activities.

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in Corporate Information in the annual report.

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new or revised standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial period beginning on 1 January 2010.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK-Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

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.

The application of HKFRS 3 (Revised) and HKAS 27 (Revised) and other new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting years.

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.

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

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

HKFRSs (Amendments)	Improvements to HKFRSs 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 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[6]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[7]
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 July 2011
6 Effective for annual periods beginning on or after 1 January 2013
7 Effective for annual periods beginning on or after 1 January 2012

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.

Under the amendments to HKAS 12 titled Deferred Tax: Recovery of Underlying Assets, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The Directors of the Company are in the process of assessing the potential impact of these amendments.

HKAS 24 (as revised in 2009) Related Party Disclosures revises the definition of related parties. The disclosures regarding related party transactions and balances in the consolidated financial statements may be affected when the revised version of the Standard is applied in future accounting periods because counterparties that do not previously meet the definition of a related party may come within the scope of the revised Standard.

The Directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

BASIS OF CONSOLIDATION

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

BUSINESS COMBINATIONS

Business combinations on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

BUSINESS COMBINATIONS (continued)

Business combinations on or after 1 January 2010 (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another Standard.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39 Financial Instruments: Recognition and Measurement, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

There was no business combination took place during the year ended 31 December 2010.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

BUSINESS COMBINATIONS (continued)

Business combinations prior to 1 January 2010

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations (2004) are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

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

The non-controlling interest in the acquiree is initially measured at the non-controlling interests' proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Business combinations achieved in stages are accounted for individually, and goodwill or discount, as appropriate, arising from the acquisition at each stage is determined using the cost of the acquisition and fair value of the net identifiable assets acquired at each stage. Any adjustments to the fair value of the net identifiable assets attributable to the previously held equity interest are recognised in other comprehensive income and included in reserves.

INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

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

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

The results and assets and liabilities of associates and jointly controlled entities are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale (in which case it is accounted for under HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations) or when the investment is designated at fair value through profit or loss upon initial recognition or is classified as held for trading (in which case it is accounted for under HKAS 39 Financial Instruments: Recognition and Measurement). Under the equity method, investments in associates and jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of profit or loss and other comprehensive income of the associates and the jointly controlled entities, less any identified impairment loss. When the Group's share of losses equals or exceeds its interest in the associate or the jointly controlled entity (which includes any long-term interest that, in substance, forms part of the Group's net investment in the associate or jointly controlled entity), the Group discontinues recognising its share of further losses except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate or the jointly controlled entity recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate or jointly controlled entity. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES (continued)

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

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

NON-CURRENT ASSETS HELD FOR SALE

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

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

REVENUE RECOGNITION

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

Sales of properties

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

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

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

Others

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

Dividend income from investments including financial assets at fair value through profit or loss is recognised when the Group's right to receive the relevant payment has been established.

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

Service income is recognised when services are provided.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

CONSTRUCTION AND BUILDING MAINTENANCE CONTRACTS

Where the outcome of a construction and building maintenance contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

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

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

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

INVESTMENT PROPERTIES

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

CLUB MEMBERSHIPS

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

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

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

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

PROPERTIES HELD FOR SALE

Properties held for sale are completed properties and are stated at the lower of cost and net realisable value. Costs relating to the development of properties, comprising prepaid lease payments for lands and development costs, are included in properties held for development for sale until such time when they are completed. Net realisable value represents the estimated selling price less all anticipated costs to be incurred in marketing and selling.

PROPERTIES UNDER DEVELOPMENT FOR SALE

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

LEASEHOLD LAND AND BUILDING

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land that are accounted for as operating leases are amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

BORROWING COSTS

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

TAXATION

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASING

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

FOREIGN CURRENCIES

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

RETIREMENT BENEFITS COSTS

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme, which are defined contribution schemes, are charged as an expense when employees have rendered service entitling them to the contributions.

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

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

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

FINANCIAL INSTRUMENTS

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

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

Financial assets

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

Effective interest method

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

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

Loans and receivables

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

Financial assets (continued)

Available-for-sale investments

Available-for-sale investments are non-derivatives that are neither designated nor classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for any impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

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

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

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

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

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

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

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Borrowings

Bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Other financial liabilities

Other financial liabilities (including creditors, amounts due to jointly controlled entities and non-controlling shareholders of subsidiaries) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Embedded derivatives

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

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

Financial guarantee contracts

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

Derecognition

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

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

SHARE-BASED PAYMENT TRANSACTIONS

Share options granted to employees

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the Directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

CONSTRUCTION CONTRACTS

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

INVESTMENT PROPERTIES

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have used a method of valuation, which involves certain estimates of market conditions. In relying on the valuation report, the Directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated income statement.

DETERMINATION OF NET REALISABLE VALUE OF PROPERTIES UNDER DEVELOPMENT FOR SALE AND PROPERTIES HELD FOR SALE

Properties under development for sale and properties held for sale are stated at the lower of cost and net realisable value. The net realisable value is the estimated selling price (based on the direct comparison method) less estimated selling expenses and estimated cost of completion (if any), which are determined based on best available information and valuation performed by independent professional valuers. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, the loss will be recognised on the properties under development for sale and properties held for sale in the consolidated income statement.

IMPAIRMENT OF OTHER ASSETS

The Group reviews the carrying amounts of its assets at each balance sheet date to determine whether there is any indication that those assets have suffered an impairment loss. Management has exercised judgement to estimate the timing and future cash flows expected to be derived from the assets and ascertain their recoverable amounts. Where the recoverable amount of an asset is estimated to be less than its carrying amount, an impairment loss will be provided for such asset and recognised in the consolidated income statement.

As disclosed in note 26(a), at 31 December 2010, receivables of HK$235 million (2009: HK$231 million) are expected to be settled when the legal title of the property is transferred to the buyer, which is expected to take place within the next twelve months from the balance sheet date. In determining the recoverable amount of such a receivable, the management has exercised judgement in estimating the timing and future cash flows to be recovered and determined that no impairment was necessary at the balance sheet date. If the actual recoverable amount or timing of recovery are different from expectation, an impairment loss may arise.

FINANCIAL GUARANTEE CONTRACTS

As disclosed in note 41, at 31 December 2010, the Group has provided guarantees under financial guarantee contracts for an aggregate amount of HK$1,697 million (2009: HK$1,173 million). In determining whether provision should be recognised in respect of the Group's financial guarantee contracts, the Directors of the Company exercise judgment in evaluation of the probability of resources outflow that will be required and the assessment of whether a reliable estimate can be made of the amount of the obligation. The Directors of the Company are of the opinion that it is not probable that outflow of resources will result from the financial guarantee contracts. Accordingly, no provision has been recognised in the consolidated balance sheet. Should the actual outcome be different from expected, provision for losses will be recognised in consolidated financial statements.

6. FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Categories of financial instruments

	2010 HK$ million	2009 HK$ million
Financial assets		
Available-for-sale investments	**514**	2,004
Loans and receivables (including cash and cash equivalents)	**8,080**	4,829
Financial liabilities		
Amortised cost	**9,831**	7,975

(a) MARKET RISK

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

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and variable-rate borrowings. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk but would consider doing so in respect of significant exposure should the need arise.

The Group's exposure to interest rates on bank deposits and financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offer Rate ("HIBOR") arising from the Group's Hong Kong dollar denominated borrowings.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to cash flow interest rate risk for variable-rate borrowings. The analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. An increase or decrease of 100 basis points (2009: 100 basis points) is used when reporting the interest rate risk internally and represents management's assessment of the reasonably possible change in interest rates.

At the balance sheet date, if interest rates had been increased/decreased by 100 basis points (2009: 100 basis points) and all other variables were held constant, the Group's profit for the year would decrease/increase by approximately HK$82 million for the year ended 31 December 2010 (2009: HK$67 million).

6. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) MARKET RISK (continued)

(ii) Foreign currency risk

Most of the Group's financial assets and financial liabilities are denominated in Hong Kong dollars or Renminbi, which are the same as the functional currency of the relevant group entities. The Group has certain bank balances and cash, current accounts with jointly controlled entities and borrowings, which are denominated in foreign currencies and hence exposure to exchange rate fluctuations arises. The Group does not use any derivative contracts to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

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

	2010 HK$ million	2009 HK$ million
Assets		
United States dollars	**520**	609
Hong Kong dollars	**7**	36
Liabilities		
United States dollars	**277**	–
Hong Kong dollars	**1,029**	233

Foreign currency sensitivity

The Group's foreign currency risk is mainly concentrated on the fluctuation among Renminbi, the United States dollars and Hong Kong dollars. The sensitivity analysis does not include those United States dollars denominated assets and liabilities when they are held by group entities having Hong Kong dollars as their functional currency since the exchange rates between United States dollars and Hong Kong dollars are pegged. The following table details the Group's sensitivity to a 7% (2009: 7%) increase or decrease in the functional currencies of the relevant group entities against foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 7% (2009: 7%) change in foreign currency rates. A positive number indicates an increase in profit for the year where the foreign currencies strengthen against the functional currencies of the relevant group entities. For a 7% (2009: 7%) weakening of the foreign currencies against the functional currencies of the relevant group entities, there would be an equal and opposite impact on the profit.

	2010 HK$ million	2009 HK$ million
United States dollars	**6**	13
Hong Kong dollars	**(72)**	(14)

(iii) Other price risk

The Group is exposed to equity price risk through its available-for-sale investments. If the market price of the investments had been increased/decreased by 20% (2009: 20%), the Group's reserve at 31 December 2010 would increase/decrease by approximately HK$103 million (2009: HK$401 million).

6. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) CREDIT RISK

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet and the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 41. In order to minimise credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the credit risk is significantly reduced.

The Group has certain concentration of credit risk in respect of amounts due from jointly controlled entities and debtors, deposits and prepayments. At 31 December 2010, 43% (2009: 56%) of total amounts due from jointly controlled entities and 43% (2009: 24%) of total debtors, deposits and prepayments was due from one single jointly controlled entity and customer respectively. These counterparties have good credit standing and the amount due from the customer has been substantially settled subsequent to 31 December 2010. In addition, the Group has concentration of credit risk in respect of a counterparty. At 31 December 2010, other receivables of HK$235 million (2009: HK$231 million) were due from a counterparty and a guarantee of HK$637 million (2009: HK$615 million) was issued by the Company in respect of this counterparty. In order to reduce credit risk, the Group has procedures in place to monitor the credit standing of this counterparty and to ensure that follow-up action is taken to recover these debts. The Group also reviews the recoverable amounts of the relevant debts and the probability of default by the counterparty at each balance sheet date. The Directors of the Company considered that no provision for impairment loss is necessary at the balance sheet date. Except for the above, the Group has no other significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risk on liquid funds should be limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies or state-owned banks in the PRC.

With respect to credit risk arising from amounts due from jointly controlled entities and associates, the Group's exposure to credit risk arising from default of the counterparty is limited as the counterparties have sufficient net assets to repay its debts and a good history of repayment. The Group does not expect to incur a significant loss for uncollected amounts due from these jointly controlled entities and associates.

(c) CAPITAL RISK

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

The capital structure of the Group consists of debt, which includes borrowings and equity attributable to the owners of the Company, comprising issued share capital, reserves and retained profits.

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

6. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) LIQUIDITY RISK

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. The Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure it maintains sufficient working capital and adequate committed lines of funding to meet its liquidity requirement.

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

The table includes both interest and principal cash flows.

	Weighted average effective interest rate % p.a.	Less than 3 months HK$ million	3 months to 1 year HK$ million	1-2 years HK$ million	2-3 years HK$ million	Total undiscounted cash flow HK$ million	Carrying amount HK$ million
At 31 December 2010							
Bank deposits	**0.93%**	**1,462**	**–**	**–**	**–**	**1,462**	**1,460**
Trade and other payables	**–**	**(1,357)**	**(209)**	**(66)**	**–**	**(1,632)**	**(1,632)**
Borrowings (variable rate)	**3.13%**	**(640)**	**(2,452)**	**(3,875)**	**(1,581)**	**(8,548)**	**(8,199)**
		(535)	**(2,661)**	**(3,941)**	**(1,581)**	**(8,718)**	**(8,371)**
Financial guarantee contracts (note)	**–**	**(842)**	**(505)**	**–**	**(350)**	**(1,697)**	**–**
At 31 December 2009							
Bank deposits	0.79%	599	–	–	–	599	598
Trade and other payables	–	(1,130)	(138)	(67)	–	(1,335)	(1,335)
Borrowings (variable rate)	4.08%	(1,309)	(3,856)	(984)	(744)	(6,893)	(6,640)
		(1,840)	(3,994)	(1,051)	(744)	(7,629)	(7,377)
Financial guarantee contracts (note)	–	(668)	–	(505)	–	(1,173)	–

Note: At the balance sheet date, the Group has provided financial guarantees to banks in respect of banking facilities granted to various parties (note 41). In the event of the failure of those parties to meet their obligations under these facilities, the Group may be required to pay up to the guaranteed amounts to the banks upon demand. Management does not consider that it is probable for the banks to claim the Group under these guarantees.

6. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.
- The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

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

Fair value measurements recognised in the consolidated balance sheet

At 31 December 2010 and 31 December 2009, the only financial instrument of the Group that was measured subsequent to initial recognition at fair value is available-for-sale investments, of which the fair value was derived from quoted prices (unadjusted) in active market.

7. TURNOVER AND SEGMENT INFORMATION

Revenue of the Group represents the contract revenue and service income arising on construction and building maintenance contracts, amounts received and receivable for goods sold by the Group (less returns and allowances), revenue from sale of properties, fees from asset management and rental and leasing income for the year.

For management reporting purposes, the Group is currently organised into four operating divisions based on business nature – construction and building maintenance, cement operations, property and others. These divisions are the basis on which the Group reports to its chief operating decision makers, who are the Directors of the Company, for the purposes of resource allocation and assessment of segment performance.

7. TURNOVER AND SEGMENT INFORMATION (continued)

(a) REPORTABLE SEGMENT REVENUE AND PROFIT OR LOSS

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

For the year ended 31 December 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						
External sales of goods (note)	–	–	–	3,135	6	3,141
External rental income	–	–	–	38	–	38
External revenue from rendering of services	–	–	–	52	1	53
Construction contract revenue	4,812	–	–	–	–	4,812
Revenue from external customers	4,812	–	–	3,225	7	8,044
Inter-segment revenue	267	–	–	–	–	267
	5,079	–	–	3,225	7	8,311
Share of jointly controlled entities	4	2,657	325	–	–	2,986
Total segment revenue	5,083	2,657	325	3,225	7	11,297
Inter-segment revenue is charged at mutually agreed prices.						
# LSOC denotes Lafarge Shui On Cement Limited, a jointly controlled entity of the Group.						
Reportable segment results	84	53	(57)	1,344	20	1,444
Segment results have been arrived at after crediting (charging):						
Depreciation and amortisation	(4)	–	–	(18)	(1)	(23)
Interest income	3	–	–	29	–	32
Imputed interest income on loans to jointly controlled entities/associates	–	–	–	71	–	71
Fair value changes on investment properties	–	–	–	422	–	422
Dividend income from available-for-sale investments	–	–	–	60	–	60
Impairment loss recognised in respect of interests in jointly controlled entities	–	–	(29)	–	–	(29)
Gain on disposal of available-for-sale investments	–	–	–	373	–	373
Share of results (excluding impairment loss) of jointly controlled entities						
Cement operations in						
– LSOC	–	104	–	–	–	104
– Guizhou	–	–	(9)	–	–	(9)
Venture capital investments	–	–	–	–	29	29
Property development	–	–	–	44	–	44
Imputed interest expense	–	–	–	(51)	–	(51)
Others	(2)	–	–	–	–	(2)
						115
Share of impairment loss of jointly controlled entities	–	(59)	(11)	–	–	(70)
Share of results of associates						
Property development	–	–	–	36	–	36
Imputed interest expense	–	–	–	(20)	–	(20)
						16

Note: Included in the Group's property segment revenue for the year ended 31 December 2010 are sales of completed properties of HK$977 million (2009: HK$19 million) and sales of properties under development for sale of HK$2,158 million (2009: Nil).

7. TURNOVER AND SEGMENT INFORMATION (continued)

(a) REPORTABLE SEGMENT REVENUE AND PROFIT OR LOSS (continued)

For the year ended 31 December 2009

	Construction and building maintenance HK$ million	Cement operations: Through LSOC HK$ million	Cement operations: Other cement operations HK$ million	Property HK$ million	Others HK$ million	Total HK$ million
REVENUE						
External sales of goods	–	–	–	19	7	26
External revenue from rendering of services	–	–	–	108	1	109
Construction contract revenue	3,065	–	–	–	–	3,065
Revenue from external customers	3,065	–	–	127	8	3,200
Inter-segment revenue	231	–	–	–	–	231
	3,296	–	–	127	8	3,431
Share of jointly controlled entities	3	2,745	446	–	–	3,194
Share of associates	–	–	–	3	–	3
Total segment revenue	3,299	2,745	446	130	8	6,628

Inter-segment revenue is charged at mutually agreed prices.

	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 results	65	273	18	774	1	1,131
Segment results have been arrived at after crediting (charging):						
Depreciation and amortisation	(4)	–	–	(9)	(2)	(15)
Interest income	2	–	1	27	–	30
Interest income from investment in convertible bonds	–	–	–	11	–	11
Imputed interest income on loans to jointly controlled entities/associates	–	–	–	48	–	48
Fair value changes on investment properties	–	–	–	46	–	46
Impairment loss on properties held for sale/properties under development for sale	–	–	–	(10)	–	(10)
Dividend income from available-for-sale investments	–	–	–	8	–	8
Impairment loss recognised in respect of interests in jointly controlled entities	–	–	(1)	–	–	(1)
Loss on disposal of interests in jointly controlled entities	–	–	(3)	(1)	–	(4)
Discount on acquisition of a subsidiary	–	–	–	648	–	648
Share of results (excluding impairment loss) of jointly controlled entities						
Cement operations in						
– LSOC	–	309	–	–	–	309
– Guizhou	–	–	24	–	–	24
Venture capital investments	–	–	–	–	10	10
Imputed interest expense	–	–	–	(35)	–	(35)
Others	(6)	–	–	–	–	(6)
						302
Share of impairment loss of jointly controlled entities	–	(44)	–	–	–	(44)
Share of results of associates						
Property development	–	–	–	114	–	114
Imputed interest expense	–	–	–	(13)	–	(13)
						101

7. TURNOVER AND 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 31 December 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	**1,654**	**3,947**	**1,463**	**13,169**	**1,695**	**21,928**
Reportable segment liabilities	**1,404**	**–**	**1,207**	**3,236**	**112**	**5,959**

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

	Year ended 31 December	
	2010 HK$ million	2009 HK$ million
Revenue		
Reportable segment revenue	**11,297**	6,628
Elimination of inter-segment revenue	**(267)**	(231)
Elimination of share of revenue of jointly controlled entities	**(2,986)**	(3,194)
Elimination of share of revenue of associates	**–**	(3)
Consolidated turnover	**8,044**	3,200

7. TURNOVER AND SEGMENT INFORMATION (continued)

(c) RECONCILIATION OF REPORTABLE SEGMENT REVENUE, PROFIT OR LOSS, ASSETS AND LIABILITIES (continued)

	Year ended 31 December	
	2010	2009
	HK$ million	HK$ million
Profit before taxation		
Reportable segment results	**1,444**	1,131
Unallocated other income	**1**	27
Convertible bonds issued by the Company		
– Fair value changes on embedded derivatives	**–**	1
– Imputed interest expense	**–**	(28)
Interest on bank loans and overdrafts and other borrowing costs	**(249)**	(218)
Other unallocated corporate expenses	**(98)**	(85)
Consolidated profit before taxation	**1,098**	828

	At 31 December	
	2010	2009
	HK$ million	HK$ million
Assets		
Reportable segment assets	**21,928**	19,285
Elimination of inter-segment receivables	**(906)**	(647)
Other unallocated assets	**26**	3
Consolidated total assets	**21,048**	18,641

	At 31 December	
	2010	2009
	HK$ million	HK$ million
Liabilities		
Reportable segment liabilities	**5,959**	4,071
Elimination of inter-segment payables	**(906)**	(647)
Unallocated liabilities		
– Bank borrowings	**6,155**	5,733
– Taxation and others	**580**	436
Consolidated total liabilities	**11,788**	9,593

7. TURNOVER AND SEGMENT INFORMATION (continued)

(d) OTHER SEGMENT INFORMATION

At 31 December 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
Interests in jointly controlled entities and associates	**(22)**	**3,934**	**136**	**568**	**241**	**4,857**
Capital expenditure	**5**	**–**	**–**	**151**	**–**	**156**
Tax charges	**15**	**–**	**1**	**164**	**–**	**180**

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
Interests in jointly controlled entities and associates	(20)	3,723	178	486	230	4,597
Capital expenditure	5	–	–	43	1	49
Tax charges	13	–	–	2	1	16

(e) GEOGRAPHICAL INFORMATION

The Group operates in two principal geographical areas – Hong Kong and the PRC (excluding Hong Kong).

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers*		Non-current assets**	
	2010 HK$ million	2009 HK$ million	**2010 HK$ million**	2009 HK$ million
Hong Kong	**3,665**	2,357	**16**	21
PRC (excluding Hong Kong)	**4,379**	843	**2,427**	704
	8,044	3,200	**2,443**	725

* Revenue from external customers is attributed to countries/cities on the basis of geographical locations of the properties or operations.

** Non-current assets exclude available-for-sale investments, defined benefit assets, restricted bank deposits, interests in associates and jointly controlled entities, and amounts due from associates and jointly controlled entities.

7. TURNOVER AND SEGMENT INFORMATION (continued)

(f) INFORMATION ABOUT MAJOR CUSTOMERS

Included in external revenue arising from construction and building maintenance of HK$4,812 million (2009: HK$3,065 million) is revenue of HK$1,318 million and HK$1,306 million, which arose from services provided to the Group's largest and second largest customers respectively (2009: HK$1,021 million and HK$828 million from the Group's largest and second largest customers respectively) contributing over 10% of the total turnover of the Group.

8. OTHER INCOME

	2010 HK$ million	2009 HK$ million
Included in other income are:		
Gain on disposal of non-current assets classified as held for sale	**7**	–
Interest income	**33**	32
Interest income from investment in convertible bonds	**–**	11
Imputed interest income on loans to jointly controlled entities/associates	**71**	48

9. FAIR VALUE CHANGES ON EMBEDDED DERIVATIVES

	2010 HK$ million	2009 HK$ million
Net gain recognised on changes in fair values of embedded derivatives in convertible bonds issued by the Company	**–**	1

10. FINANCE COSTS

	2010 HK$ million	2009 HK$ million
Interest on bank loans and overdrafts and other loans wholly repayable within 5 years	**259**	210
Other borrowing costs	**38**	23
Less: amounts capitalised	**(48)**	(15)
	249	218
Imputed interest expense on convertible bonds issued by the Company	**–**	28
	249	246

11. TAXATION

	2010 HK$ million	2009 HK$ million
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	**12**	10
PRC Enterprise Income Tax	**134**	9
PRC Land Appreciation Tax	**14**	11
	160	30
Deferred taxation (note 34)	**20**	(14)
	180	16

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

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

PRC Land Appreciation Tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditure including amortisation of land use rights, borrowing costs, business taxes and all property development expenditure. The tax is incurred upon transfer of property ownership.

Details of the deferred taxation are set out in note 34.

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

	2010 HK$ million	2009 HK$ million
Profit before taxation	**1,098**	828
Tax at Hong Kong Profits Tax rate of 16.5% (2009: 16.5%)	**181**	137
Effect of share of results of jointly controlled entities	**(7)**	(43)
Effect of share of results of associates	**(3)**	(17)
Effect of different tax rates on operations in other jurisdictions	**74**	(5)
PRC Land Appreciation Tax	**14**	11
Tax effect of PRC Land Appreciation Tax	**(2)**	(2)
Tax effect of expenses not deductible for tax purposes	**56**	79
Tax effect of income not taxable for tax purposes	**(146)**	(160)
Tax effect of tax losses not recognised	**22**	31
Tax effect of utilisation of tax losses previously not recognised	**(9)**	(17)
Others	**–**	2
Tax charge for the year	**180**	16

12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

DIRECTORS

The emoluments paid or payable to each of the twelve (2009: eleven) Directors were as follows:

Name of Directors	Notes	Fees HK$'000	Salaries and other benefits HK$'000	Bonuses* HK$'000	Retirement benefit scheme contributions HK$'000	Share-based payments HK$'000	2010 Total HK$'000	2009 Total HK$'000
Mr. Lo Hong Sui, Vincent		10	–	–	–	–	10	10
Mr. Choi Yuk Keung, Lawrence		10	3,530	2,155	139	3,583	9,417	8,469
Mr. Wong Yuet Leung, Frankie		10	3,562	5,508	12	6,413	15,505	17,326
Mr. Wong Kun To, Philip	(a)	10	4,310	2,182	191	3,952	10,645	3,912
Mr. Wong Fook Lam, Raymond	(a)	10	3,275	2,000	126	1,389	6,800	2,151
Mr. Gerrit Jan de Nys	(b)	386	–	–	–	–	386	350
Ms. Li Hoi Lun, Helen	(b)	399	–	–	–	–	399	350
Mr. David Gordon Eldon	(b) & (c)	345	–	–	–	–	345	–
Mr. Chan Kay Cheung	(b) & (c)	412	–	–	–	–	412	–
Mr. Tsang Kwok Tai, Moses	(b) & (c)	327	–	–	–	–	327	–
Professor Michael Enright	(d)	143	–	–	–	–	143	350
Mr. Anthony Griffiths	(e)	180	–	–	–	–	180	440
Mrs. Lowe Hoh Wai Wan, Vivien	(f)	–	–	–	–	–	–	4,204
Ms. Lau Jeny	(g)	–	–	–	–	–	–	3,022
Total		2,242	14,677	11,845	468	15,337	44,569	40,584
2009		1,543	16,026	10,744	286	11,985	40,584	

* The bonuses are discretionary and are determined by reference to the Group's and the Directors' personal performances.

Notes:

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

(b) Independent Non-executive Directors.

(c) 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.

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

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

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

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

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

Of the five highest paid individuals in the Group, four (2009: three) are Directors of the Company whose emoluments are set out above. The emoluments of the remaining one (2009: two) highest paid employees were as follows:

	2010 HK$ million	2009 HK$ million
Salaries, bonuses and allowances	**6**	13
Retirement benefits scheme contributions	**–**	–
Share based payments	**1**	4
	7	17

Their emoluments were within the following bands:

	2010 No. of employees	2009 No. of employees
HK$6,500,001 to HK$7,000,000	**1**	–
HK$8,000,001 to HK$8,500,000	**–**	2
	1	2

One of the five highest paid individuals for the year ended 31 December 2009 was previously an employee and was appointed as an Executive Director of the Company during that year. His emoluments before his appointment as an Executive Director were set out below.

The emoluments of that employee before his appointment as an Executive Director were as follows:

	2009 HK$ million
Salaries, bonuses and allowances	4
Retirement benefits scheme contributions	–
Share based payments	2
	6

13. PROFIT FOR THE YEAR

	2010 HK$ million	2009 HK$ million
Profit for the year has been arrived at after charging (crediting):		
Depreciation and amortisation:		
Prepaid lease payments	**1**	1
Property, plant and equipment	**25**	15
Less: amounts capitalised	**(2)**	(1)
	24	15
Auditors' remuneration	**5**	5
Operating lease payments in respect of rented premises	**26**	13
Cost of properties sold	**2,622**	9
Impairment loss on properties under development for sale/properties held for sale	**–**	10
Impairment loss recognised in respect of interests in jointly controlled entities	**29**	1
Staff costs (including directors' emoluments):		
Salaries, bonuses and allowances	**474**	443
Retirement benefits cost	**10**	5
Share-based payment expense	**34**	42
Less: amounts capitalised	**(14)**	(5)
	504	485
Gross rental revenue from an investment property and car park spaces	**(45)**	(1)
Less: direct rental outgoings	**17**	1
Net rental income	**(28)**	–
Share of tax of jointly controlled entities (included in share of results of jointly controlled entities)	**30**	81
Share of tax of associates (included in share of results of associates)	**17**	16

14. DIVIDENDS

	2010 HK$ million	2009 HK$ million
Paid:		
Final dividend in respect of the year ended 31 December 2009: HK$0.25 per share	**122**	–
Interim dividend in respect of the year ended 31 December 2010: HK$0.20 per share (2009: HK$0.10 per share)	**98**	49
	220	49
Proposed:		
Final dividend in respect of the year ended 31 December 2010: HK$0.40 per share (2009: HK$0.25 per share)	**196**	122

The final dividend in respect of the year ended 31 December 2010 of HK$0.40 per share has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

15. EARNINGS PER SHARE

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

	2010 HK$ million	2009 HK$ million
Earnings:		
Earnings for the purpose of basic earnings per share	**903**	807
Effect of dilutive potential ordinary shares from convertible bonds issued by the Company:		
Imputed interest expense	**–**	28
Fair value changes on embedded derivatives	**–**	(1)
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	**903**	784
Number of shares:	**Million**	Million
Weighted average number of ordinary shares for the purpose of basic earnings per share	**489**	411
Effect of dilutive potential ordinary shares:		
Convertible bonds issued by the Company	**–**	15
Share options	**1**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**490**	426
Earnings per share:	**HK$**	HK$
Basic	**1.85**	1.96
Diluted	**1.84**	1.84

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 year ended 31 December 2009. These convertible bonds were assumed to be converted into shares of the relevant issuer at the beginning of that year and, in particular, the accounting effects of such financial instruments were reversed in the determination of diluted earnings per share if their conversion had a dilutive effect on the earnings per share.

16. INVESTMENT PROPERTIES

	2010 HK$ million	2009 HK$ million
FAIR VALUE		
At the beginning of the year	**622**	–
Exchange adjustments	**72**	–
Acquisition of subsidiaries (notes 38 and 39)	**1,095**	555
Additions	**99**	21
Increase in fair value recognised	**422**	46
At the end of the year	**2,310**	622

The carrying amount of investment properties shown above comprises:

	2010 HK$ million	2009 HK$ million
Situated in the PRC:		
Completed and under long lease	**1,494**	–
Under construction and under medium-term lease	**816**	622
	2,310	622

All of the Group's property interests (including properties under construction or development for future use as investment properties) held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties at 31 December 2010 and 31 December 2009 has been arrived at on the basis of valuations carried out on that date by Savills Valuation and Professional Services Limited, an independent qualified professional valuer not connected to the Group that has appropriate qualifications and recent experience in the valuation of similar properties in relevant locations.

For completed investment properties, the valuations have been arrived by reference to the comparable market transactions as available in the market and where appropriate, on the basis of capitalisation of net income derived from the properties with allowances for reversionary income potential.

For investment properties under construction, the valuation has been arrived at using the direct comparison approach by making reference to the sales transactions or asking price evidences of comparable properties as available in the market with adjustments made to account for any differences and where appropriate, the basis of capitalisation of net income derived from the properties with consideration of the prevailing market yield. The valuation has also taken into account various costs, such as construction cost, contingency cost, finance cost and professional fees that will be expended to complete the development as well as the developer's profit to reflect the risks associated with the development of the properties and the quality of the completed developments.

17. PROPERTY, PLANT AND EQUIPMENT

	Properties in Hong Kong HK$ million	Properties in other regions of the PRC HK$ million	Plant and machinery HK$ million	Motor vehicles HK$ million	Equipment, furniture and other assets HK$ million	Total HK$ million
AT COST						
At 1 January 2009	4	3	49	19	50	125
Additions	–	18	1	5	4	28
Acquisition of CCP	–	–	–	5	17	22
Disposals	–	–	–	(2)	(1)	(3)
Reclassified as held for sale	–	(3)	(1)	–	–	(4)
At 31 December 2009	4	18	49	27	70	168
Additions	**–**	**36**	**2**	**3**	**16**	**57**
Disposals	**–**	**–**	**–**	**(3)**	**(3)**	**(6)**
Exchange adjustments	**–**	**1**	**–**	**–**	**1**	**2**
At 31 December 2010	**4**	**55**	**51**	**27**	**84**	**221**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2009	1	1	47	12	35	96
Charge for the year	–	3	–	4	8	15
Reclassified as held for sale	–	(1)	–	–	–	(1)
Eliminated on disposals	–	–	–	(1)	–	(1)
At 31 December 2009	1	3	47	15	43	109
Charge for the year	**–**	**5**	**1**	**4**	**15**	**25**
Eliminated on disposals	**–**	**–**	**–**	**(2)**	**–**	**(2)**
At 31 December 2010	**1**	**8**	**48**	**17**	**58**	**132**
CARRYING VALUES						
At 31 December 2010	**3**	**47**	**3**	**10**	**26**	**89**
At 31 December 2009	3	15	2	12	27	59

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

Properties in Hong Kong and other regions of the PRC (all are buildings located on land held under medium-term leases)	2.5% or remaining lease term, if shorter
Plant and machinery	10–25%
Motor vehicles, equipment, furniture and other assets	20–50%

18. PREPAID LEASE PAYMENTS

	2010 **HK$ million**	2009 HK$ million
Leasehold land under medium-term lease:		
In Hong Kong	**3**	3
In other regions of the PRC	**41**	41
	44	44
Analysed for reporting purposes as:		
Non-current	**43**	43
Current	**1**	1
	44	44

Amortisation of prepaid lease payments amounting to HK$1 million (2009: HK$1 million) was charged to the consolidated income statement.

19. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2010 **HK$ million**	2009 HK$ million
Cost of unlisted investments in jointly controlled entities, net of impairment	**3,749**	3,745
Share of post-acquisition profits and other comprehensive income	**766**	601
Less: Assets held for sale (note 29)	**(83)**	(81)
	4,432	4,265

Note: Goodwill of HK$136 million (2009: HK$122 million) is included in the cost of unlisted investments in jointly controlled entities. The goodwill arose from the contributions to a jointly controlled entity, Lafarge Shui On Cement Limited ("LSOC").

Particulars of the principal jointly controlled entities are set out in note 45.

19. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

The summarised financial information in respect of the assets, liabilities, income and expenses of jointly controlled entities (excluding those held for sale in note 29) at and for each of the years ended 31 December 2010 and 31 December 2009 attributable to the Group's interest is as follows:

	2010 **HK$ million**	2009 HK$ million
Current assets	**6,008**	4,093
Non-current assets	**8,585**	7,885
Current liabilities	**(5,817)**	(3,335)
Non-current liabilities	**(3,697)**	(3,642)
Non-controlling interests	**(901)**	(929)
Income	**4,364**	4,539
Expenses	**(4,319)**	(4,281)

The summary of aggregate financial information of the Group's significant jointly controlled entities, including LSOC, engaged in the manufacture and sale of cement, based on the financial statements prepared under the HKFRSs for the years ended 31 December 2010 and 31 December 2009, is as follows:

	2010 **HK$ million**	2009 HK$ million
Results for the year ended 31 December		
Turnover	**8,563**	8,796
Profit before taxation	**151**	797
Profit before taxation attributable to the Group	**55**	289

19. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

	2010 HK$ million	2009 HK$ million
Financial position at 31 December		
Non-current assets	**18,547**	16,900
Current assets	**6,278**	5,325
Current liabilities	**(11,063)**	(6,635)
Non-current liabilities	**(2,760)**	(4,951)
Non-controlling interests	**(1,928)**	(1,970)
Net assets	**9,074**	8,669
Net assets attributable to the Group	**4,153**	3,982
Reclassified as assets held for sale (note 29)	**(83)**	(81)
	4,070	3,901

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

	2010 HK$ million	2009 HK$ million
Unrecognised share of losses of the jointly controlled entity for the year ended 31 December	**(6)**	(8)
Accumulated unrecognised share of losses of the jointly controlled entity	**(39)**	(33)

20. AVAILABLE-FOR-SALE INVESTMENTS

	2010 HK$ million	2009 HK$ million
Available-for-sale investments comprise:		
Listed equity securities in Hong Kong (at market price)	**514**	2,004

Available-for-sale investments at 31 December 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 a cash consideration of HK$1,080 million, representing approximately 6.3% equity interest in SOL, to a wholly-owned subsidiary of Shui On Company Limited ("SOCL"), a substantial shareholder of the Company. As a result, the Group recognised a gain on disposal of HK$373 million, net of transaction cost of HK$1 million, in the consolidated income statement for the year ended 31 December 2010. At 31 December 2010, the Group held a 2.6% (31 December 2009: 8.7%) equity interest in SOL.

In July and November 2010, 16,502,982 and 2,114,916 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 and the interim dividend of SOL for the six months period ended 30 June 2010 respectively.

21. INTERESTS IN ASSOCIATES

	2010 HK$ million	2009 HK$ million
Cost of unlisted investments in associates	**131**	58
Share of post-acquisition profits and other comprehensive income	**294**	274
	425	332

Particulars of the principal associates are set out in note 46.

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

	2010 HK$ million	2009 HK$ million
Results for the year ended 31 December		
Turnover	**–**	8
Profit for the year	**147**	301
Profit for the year attributable to the Group	**16**	101

	2010 HK$ million	2009 HK$ million
Financial position at 31 December		
Total assets	**10,231**	7,568
Total liabilities	**(8,034)**	(5,589)
Non-controlling interests	**(894)**	(839)
Net assets	**1,303**	1,140
Net assets attributable to the Group	**425**	332

22. AMOUNTS DUE FROM/TO JOINTLY CONTROLLED ENTITIES

	2010 **HK$ million**	2009 HK$ million
Amounts due from jointly controlled entities		
Non-current (note a)	**1,624**	1,008
Current (note b)	**459**	437
	2,083	1,445
Amounts due to jointly controlled entities (note c)	**15**	345

Notes:

(a) The balances are unsecured, with no fixed terms of repayment and not expected to be recovered in the next twelve months from the balance sheet date. Out of the total balance, a total of HK$537 million bear interest at 3.73% per annum and the rest is carried at amortised cost using the effective interest rate of 2.9% to 4.8% (2009: 2.9% to 4.8%) per annum.

(b) The balances are unsecured and repayable on demand. Out of the total balance, a total of HK$14 million (2009: HK$13 million) bear interest from 0.08% to 5.56% (2009: 0.05% to 5.31%) per annum. The remaining balance is interest-free. In the opinion of the Directors of the Company, the balances will be recoverable in the twelve months from the balance sheet date.

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

23. AMOUNTS DUE FROM ASSOCIATES

	2010 **HK$ million**	2009 HK$ million
Amounts due from associates		
Non-current (note a)	**683**	543
Current (note b)	**68**	39
	751	582

Notes:

(a) The balances represent advances to associates for financing the development of Dalian Tiandi. The advances are unsecured and have no fixed terms of repayment. Pursuant to the joint venture agreement, other than an amount of HK$242 million (2009: HK$242 million), which bears interest at 5% per annum, the remaining amount is interest-free until the independent co-investor of the project has contributed its portion of the advances. Thereafter, all advances will bear interest at a rate of 5% per annum, subject to the joint venture partners' approval. The amounts are carried at amortised cost using the effective interest rate of 4.8% (2009: 4.8%) per annum.

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

24. INVENTORIES AND CONTRACTS IN PROGRESS

	2010 HK$ million	2009 HK$ million
Inventories		
Work-in-progress	**3**	3
Finished goods	**2**	2
Spare parts	**2**	2
	7	7

	2010 HK$ million	2009 HK$ million
Contracts in progress		
Costs incurred to date	**9,557**	7,154
Recognised profits less recognised losses	**224**	200
	9,781	7,354
Less: Progress billings	**(9,589)**	(7,176)
Net contract work	**192**	178
Represented by:		
Amounts due from customers for contract work	**346**	302
Amounts due to customers for contract work	**(154)**	(124)
	192	178

25. PROPERTIES HELD FOR SALE/PROPERTIES UNDER DEVELOPMENT FOR SALE

The carrying values of properties held for sale and properties under development for sale are situated in the following locations:

	2010 HK$ million	2009 HK$ million
In Hong Kong	**47**	52
In other regions of the PRC (note)	**3,938**	5,388
	3,985	5,440

Note: Properties under development for sale of HK$1,369 million at 31 December 2010 (2009: HK$2,431 million) represent the carrying value of the properties expected to be completed and available for sale after one year from the balance sheet date.

26. OTHER CURRENT ASSETS

DEBTORS, DEPOSITS AND PREPAYMENTS

	2010 **HK$ million**	2009 HK$ million
Trade debtors	**1,120**	321
Less: Allowance for doubtful debts	**(1)**	(1)
	1,119	320
Retention receivable	**152**	133
Deposit for acquisition of a subsidiary	**–**	23
Prepayments, deposits and other receivables (note a)	**459**	472
	1,730	948

Notes:

(a) Included in prepayments, deposits and other receivables are receivables of HK$235 million (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 within twelve months from the end of the reporting period.

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

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

	2010 **HK$ million**	2009 HK$ million
Debtors aged analysis:		
Within 90 days	**1,097**	300
Amounts past due but not impaired:		
91 days to 180 days	**6**	2
181 days to 360 days	**6**	6
Over 360 days	**10**	12
	22	20
	1,119	320
Retention receivable is analysed as follows:		
Due within one year	**103**	73
Due after one year	**49**	60
	152	133

26. OTHER CURRENT ASSETS (continued)

DEBTORS, DEPOSITS AND PREPAYMENTS (continued)

Movement in the allowance for doubtful debts

	2010 HK$ million	2009 HK$ million
Balance at beginning/end of the year	**1**	1

BANK BALANCES, DEPOSITS AND CASH

Bank balances, deposits and cash comprise cash held by the Group and deposits with maturity of three months or less held with banks not restricted as to use. Bank balances carry interest at market rates, which range from 0.01% to 1.91% (2009: 0.01% to 2.00%) per annum.

27. AMOUNTS DUE FROM RELATED COMPANIES/AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

	2010 HK$ million	2009 HK$ million
Amounts due from related companies	**49**	39
Amounts due to non-controlling shareholders of subsidiaries	**3**	6

The related companies are subsidiaries or associates of SOCL.

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

28. RESTRICTED BANK DEPOSITS

Balances at 31 December 2010 represent custody deposits amounting to RMB455 million (HK$535 million) (2009: RMB263 million (HK$299 million)) placed with banks in relation to certain banking facility arrangements of the Group. The balances carry interest at market rates, which range from 0.36% to 1.91% (2009: 0.36% to 1.71%) per annum.

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

The Group has committed to disposing of certain jointly controlled entities and subsidiaries, 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 consolidated balance sheet.

	2010 HK$ million	2009 HK$ million
Disposal of jointly controlled entities, comprising		
Interests in jointly controlled entities	**83**	81
Amounts due from jointly controlled entities	**87**	86
	170	167
Disposal of subsidiaries		
Property, plant and equipment	**479**	135
Inventories	**38**	26
Debtors, deposits and prepayments	**80**	370
Bank balances, deposits and cash	**12**	6
	609	537
Total assets classified as held for sale	**779**	704
Disposal of a subsidiary		
Amounts due to jointly controlled entities	**(130)**	(144)
Creditors and accrued charges	**(61)**	(14)
Bank borrowings	**(212)**	(170)
Liabilities associated with assets classified as held for sale	**(403)**	(328)

Note: In 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 (the "Disposal Group"), which are engaged in the production and sale of cement and concrete in Guizhou (the "LSOC Disposal"). The Group received deposits totalling HK$302 million from LSOC for the LSOC Disposal. At 31 December 2009, the LSOC Disposal has not been completed, pending fulfillment of certain conditions as stipulated in the Agreements.

These outstanding conditions in the Agreements remained unfulfilled during the year and, as agreed between the Group and LSOC, the Agreements lapsed. The Group refunded the deposits to LSOC and the assets and liabilities attributable to the Disposal Group ceased to be classified as held for sale during the year.

At 31 December 2010, the Group is committed to a plan to sell the Disposal Group and has initiated a programme to actively locate suitable buyers for it and complete the plan. 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 and the sale is expected to be completed within twelve months from the date of classification. Accordingly, the assets and liabilities attributable to the Disposal Group are classified as held for sale at 31 December 2010.

30. CREDITORS AND ACCRUED CHARGES

The aged analysis of creditors (based on invoice date) of HK$590 million (2009: HK$455 million), which are included in the Group's creditors and accrued charges, is as follows:

	2010 HK$ million	2009 HK$ million
Creditors aged analysis:		
Within 30 days	**382**	326
31 days to 90 days	**169**	95
91 days to 180 days	**26**	23
Over 180 days	**13**	11
	590	455
Retention payable	**275**	205
Consideration payable in respect of acquisition of interest in a jointly controlled entity (note)	**349**	–
Consideration payable in respect of acquisition of a subsidiary	**–**	102
Provision for contract work	**378**	355
Other accruals and payables	**436**	286
	2,028	1,403

Note: At 31 December 2010, bank deposits of HK$359 million were placed with a bank to secure standby documentary credits issued relating to the outstanding consideration of HK$349 million in respect of the acquisition of interest in a jointly controlled entity by the Group. The outstanding consideration was subsequently settled in January 2011.

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

31. BANK BORROWINGS

	2010 HK$ million	2009 HK$ million
Secured bank loans	**3,259**	2,905
Unsecured bank loans	**4,940**	3,735
	8,199	6,640
Less: Amounts due within 12 months	**(2,864)**	(4,980)
Amounts due for settlement after 12 months	**5,335**	1,660
Carrying amount repayable:		
Within one year	**2,864**	4,980
More than one year but not exceeding two years	**3,770**	940
More than two years but not exceeding five years	**1,565**	720
	8,199	6,640

31. BANK BORROWINGS (continued)

The carrying amount of the Group's bank loans, all of which carry interest at variable market rates, is analysed as follows:

Denominated in	Interest rate (per annum)	2010 HK$ million	2009 HK$ million
Renminbi	5.04% to 5.60% (2009: 5.40% to 7.56%)	**1,022**	681
Hong Kong dollars	1.59% to 3.84% (2009: 1.58% to 6.00%)	**6,905**	5,959
United States dollars	2.53% to 3.02% (2009: Nil)	**272**	–
		8,199	6,640

The following assets were pledged to banks as security for certain banking facilities granted to the Group at the balance sheet date:

	2010 HK$ million	2009 HK$ million
Investment properties	**1,957**	311
Properties held for sale	**390**	532
Properties under development for sale	**2,322**	2,321
Amounts due from jointly controlled entities	**69**	69
	4,738	3,233

Notes:

(a) Custody deposits amounting to RMB455 million (HK$535 million) at 31 December 2010 (2009: RMB263 million (HK$299 million)) were placed with banks in relation to certain banking facility arrangements entered into with the Group.

(b) In addition, certain equity interests in some subsidiaries and jointly controlled entities were also charged to banks as security for certain banking facilities granted to the Group at the balance sheet date.

32. SHARE CAPITAL

	2010 Number of shares	2009 Number of shares	2010 HK$ million	2009 HK$ million
Ordinary shares of HK$1 each:				
Authorised				
At the beginning and the end of the year	**1,000,000,000**	1,000,000,000	**1,000**	1,000
Issued and fully paid				
At the beginning of the year	**488,096,786**	321,901,239	**488**	322
Exercise of share options	**1,068,000**	415,000	**1**	–
Acquisition of CCP	**–**	165,780,547	**–**	166
At the end of the year	**489,164,786**	488,096,786	**489**	488

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

33. RETIREMENT BENEFIT PLANS

HONG KONG

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

Mandatory Provident Fund Scheme

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

The Group's contributions to the MPF Scheme charged to the consolidated income statement as staff cost during the year amounted to HK$10 million (2009: HK$9 million). The amount of employer's voluntary contributions to MPF schemes forfeited for the year ended 31 December 2010 and 31 December 2009 was immaterial and was used to reduce the existing level of contributions.

Defined Benefit Scheme

Contributions to the Scheme are made by the members at 5% of their salaries and by the Group at rates, which are based on recommendations made by the actuary to the Scheme. The current employer contribution rate is 2% (31 December 2009: 2%) of the members' salaries. Under the Scheme, a member is entitled to retirement benefits, which comprise the sum of any benefits transferred from another scheme and the greater of the sum of the employer's scheduled contribution plus the member's contribution (both contributions being calculated on the scheme salary of the member) accumulated with interest at a rate of no less than 6% per annum before 1 September 2003 and 1% per annum in respect of contributions made on or after 1 September 2003 or 1.8 times the final salary times the years of service in the Scheme on the attainment of the retirement age of 60. For members who joined the Scheme before 1997, the retirement age is 60 for male members and 55 for female members.

The most recent actuarial valuations of the Scheme assets and the present value of the defined benefit obligation were carried out at 31 December 2010 by Ms. Elaine Hwang of Towers Watson Hong Kong Limited (formerly known as Watson Wyatt Hong Kong Limited), who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations and the related current service cost were measured using the Projected Unit Credit Method.

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

	2010	2009
Discount rate	**2.7%**	2.6%
Expected rate of return on Scheme assets	**7.00%**	7.25%
Expected rate of salary increase	**3.0% p.a.**	3.0% p.a.

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

The actual return on Scheme assets for the year ended 31 December 2010 was a gain of HK$37 million (2009: HK$86 million).

33. RETIREMENT BENEFIT PLANS (continued)

HONG KONG (continued)

Defined Benefit Scheme (continued)

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

	Year ended 31 December	
	2010	2009
	HK$ million	HK$ million
Current service cost	**12**	13
Interest cost	**8**	4
Expected return on Scheme assets	**(24)**	(21)
Net amount credited to consolidated income statement as staff costs	**(4)**	(4)

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

	2010	2009
	HK$ million	HK$ million
Present value of funded obligations	**(365)**	(350)
Fair value of Scheme assets	**387**	350
Defined benefit assets included in the consolidated balance sheet	**22**	–

The Scheme assets included no shares of the Company (2009: Nil).

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

	2010	2009
	HK$ million	HK$ million
At the beginning of the year	**350**	359
Current service cost	**12**	13
Interest cost	**8**	4
Employees' contributions	**6**	6
Benefits paid	**(12)**	(28)
Transfers	**–**	12
Actuarial loss (gain) (note)	**1**	(16)
At the end of the year	**365**	350

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

33. RETIREMENT BENEFIT PLANS (continued)

HONG KONG (continued)

Defined Benefit Scheme (continued)
Movements of the fair value of Scheme assets are as follows:

	2010 HK$ million	2009 HK$ million
At the beginning of the year	**350**	275
Expected return on Scheme assets	**24**	21
Actuarial gain (note)	**13**	65
Employers' contributions	**6**	3
Employees' contributions	**6**	6
Benefits paid	**(12)**	(28)
Transfers	**–**	8
At the end of the year	**387**	350

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

Additional disclosure in respect of the Scheme is as follows:

	2010 HK$ million	2009 HK$ million
Experience adjustment on Scheme liabilities	**(5)**	(9)
Experience adjustment on Scheme assets	**13**	65

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

	2010	2009
Equities	**55.6%**	52.2%
Hedge funds	**22.9%**	25.5%
Bonds and cash	**21.5%**	22.3%
	100%	100%

The Group expects to make a contribution of HK$8 million (2009: HK$2 million) to the Scheme during the next financial year.

33. RETIREMENT BENEFIT PLANS (continued)

HONG KONG (continued)

Defined Benefit Scheme (continued)

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

	2010 HK$ million	2009 HK$ million
Actuarial (loss) gain on present value of funded obligations	**(1)**	16
Actuarial gain on fair value of Scheme assets	**13**	65
Net actuarial gains recognised	**12**	81
Accumulated amount of actuarial losses recognised in the actuarial gain and loss reserve	**(24)**	(36)

PRC

The employees of the Group's subsidiaries in the PRC are members of state-managed retirement plans operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement plans to fund the benefits. The only obligation of the Group with respect to the retirement plans is to make the specified contributions.

No other post-retirement benefits are provided to the employees of the Group.

34. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$ million	Revaluation of properties HK$ million	Tax losses HK$ million	Other temporary differences HK$ million	Total HK$ million
At 1 January 2009	(1)	–	–	–	(1)
Acquisition of subsidiaries	–	(391)	–	–	(391)
(Charge) credit to consolidated income statement	(1)	(12)	24	3	14
At 31 December 2009	(2)	(403)	24	3	(378)
Exchange adjustments	**–**	**(3)**	**1**	**–**	**(2)**
Credit (charge) to consolidated income statement	**1**	**(19)**	**–**	**(2)**	**(20)**
At 31 December 2010	**(1)**	**(425)**	**25**	**1**	**(400)**

Notes:

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

(b) At 31 December 2010, the Group had unused tax losses of HK$598 million (2009: HK$485 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to HK$100 million (2009: HK$99 million). No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$498 million (2009: HK$386 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses at 31 December 2010 are tax losses of approximately HK$156 million (2009: HK$155 million) that will expire within 5 years from the year of originating. Other tax losses may be carried forward indefinitely.

(c) Under the tax regulations of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the Group's PRC investees from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to profits earned by the Company's PRC subsidiaries amounting to HK$180 million at 31 December 2010 (2009: HK$166 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

35. LEASE ARRANGEMENTS

AS LESSOR

Property rental income in respect of the investment properties and car park spaces earned during the year ended 31 December 2010 was HK$45 million (2009: HK$1 million).

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2010 **HK$ million**	2009 HK$ million
Within one year	**18**	–

AS LESSEE

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2010 **HK$ million**	2009 HK$ million
Within one year	**12**	19
In the second to fifth years inclusive	**4**	14
	16	33

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for lease terms ranging from one to three years.

36. CAPITAL COMMITMENTS

(a) At 31 December 2010, the Group's capital commitment in respect of acquisition and development costs for investment properties is as follows:

	2010 **HK$ million**	2009 HK$ million
Authorised but not contracted for	**357**	444
Contracted but not provided for	**216**	71

(b) In addition, the Group had other capital commitments in respect of certain investments not provided for in the financial statements amounting to approximately HK$9 million at 31 December 2010 (2009: HK$288 million).

36. CAPITAL COMMITMENTS (continued)

(c) At 31 December 2010, the Group's share of the capital commitments of its jointly controlled entities mainly in relation to long-lived assets is as follows:

	2010 **HK$ million**	2009 HK$ million
Authorised but not contracted for	**–**	–
Contracted but not provided for	**463**	716

37. SHARE-BASED PAYMENTS

The principal terms of the share option scheme adopted by the Company on 27 August 2002 (the "Option Scheme"), which continues in force until the 10th anniversary of such date, are summarised below:

1. PURPOSE

(a) The Option Scheme is a share incentive scheme and was established to recognise and acknowledge the contributions, which eligible participants have made or may make to the Group.

(b) The Option Scheme provides eligible participants an opportunity to have a personal stake in the Company with a view to achieving the following objectives:

(i) motivating eligible participants to utilise their performance and efficiency for the benefit of the Group; and

(ii) attracting and retaining eligible participants whose contributions are or will be beneficial to the long term growth of the Group.

2. ELIGIBLE PARTICIPANTS

(a) The Board may at its discretion invite anyone belonging to any of the following classes of persons to take up options to subscribe for shares of the Company, subject to such conditions as the Board may think fit: any Director (whether Executive or Non-executive or Independent Non-executive), employee (whether full time or part time), officer, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any invested entity and for the purpose of the Option Scheme, the options may be granted to any corporation wholly owned by any person mentioned in this paragraph.

(b) The eligibility of any of the above persons for the grant of any option is determined by the Board from time to time on the basis of his contribution to the development and growth of the Group. The Company is entitled to cancel any option granted to a grantee but not exercised if such grantee fails to meet the eligibility criteria determined by the Board after an option is granted but before it is exercised.

37. SHARE-BASED PAYMENTS (continued)

3. TOTAL NUMBER OF SHARES AVAILABLE FOR ISSUE UNDER THE OPTION SCHEME

(a) 10% limit

Subject to the following paragraph, the total number of shares, which may be issued upon exercise of all options to be granted under the Option Scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the shares of the Company in issue at the date of approval of the Option Scheme (excluding options which have lapsed) (the "Scheme Mandate Limit").

The Company may, from time to time, refresh the Scheme Mandate Limit by obtaining the approval of the shareholders in general meeting. The Company may also seek separate approval of the shareholders in general meeting for granting options beyond the Scheme Mandate Limit or the refreshed limit, provided that the options in excess of such limit are granted only to eligible participants specifically identified by the Company before such approval is sought.

(b) 30% limit

The overall limit on the number of shares, which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Option Scheme and any other share option scheme of the Company must not exceed 30% of the shares of the Company in issue from time to time.

4. MAXIMUM ENTITLEMENT OF EACH PARTICIPANT

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue. Where any further grant of options to a grantee would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares of the Company in issue, such further grant must be separately approved by the shareholders in general meeting with such grantee and his associates abstaining from voting.

5. PERFORMANCE TARGET

The Option Scheme allows the Board, when offering the grant of any option, to impose any condition including any performance target, which must be met before the option shall vest and become exercisable.

6. MINIMUM PERIOD FOR WHICH AN OPTION MUST BE HELD

The Board may at its discretion when offering the grant of any option impose any minimum period for which an option must be held before it can be exercised.

7. EXERCISE PRICE

The exercise price is determined by the Board and shall be at least the highest of: (a) the closing price of a share as stated in the daily quotations sheet of the Stock Exchange on the date of grant; and (b) the average closing price of the shares as shown in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

8. AMOUNT PAYABLE UPON ACCEPTANCE OF OPTION

HK$1.00 is payable by each eligible participant to the Company on acceptance of an offer of options, to be paid within 28 days from the date of the offer.

37. SHARE-BASED PAYMENTS (continued)

The following tables disclose details of the Company's share options held by employees (including Directors) and movements in such holdings during the year.

			Number of shares subject to options							
Date of grant	Grant	Subscription price per share HK$	At 1 January 2010	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2010	Period during which share options outstanding at 31 December 2010 are exercisable	Average closing reference price for exercise of options HK$ (Note)
29 July 2005	2	9.30	**238,000**	–	(56,000)	–	(182,000)	–	29 January 2006 to 28 July 2010	11.52
1 August 2006	3	14.00	**3,248,000**	–	–	–	(120,000)	3,128,000	1 February 2007 to 31 July 2011	–
3 January 2007	5	16.78	**2,900,000**	–	–	–	(2,900,000)	–	3 January 2010 to 2 January 2017	–
14 June 2007	6	20.96	**2,830,000**	–	–	–	(176,000)	2,654,000	14 December 2007 to 13 June 2012	–
14 June 2007	7	20.96	**600,000**	–	–	–	–	600,000	14 December 2008 to 13 June 2012	–
7 May 2008	9	19.76	**3,440,000**	–	–	–	(200,000)	3,240,000	7 November 2008 to 6 May 2013	–
7 May 2008	10	19.76	**300,000**	–	–	–	–	300,000	7 November 2009 to 6 May 2013	–
7 May 2008	12	19.76	**3,000,000**	–	–	–	–	3,000,000	7 May 2011 to 6 May 2018	–
9 April 2009	13	7.63	**4,661,000**	–	(762,000)	–	(54,000)	3,845,000	9 October 2009 to 8 April 2014	10.65
9 April 2009	14	7.63	**3,250,000**	–	(250,000)	–	–	3,000,000	9 April 2012 to 8 April 2019	9.88
5 June 2009	15	11.90	**5,752,000**	–	–	–	(1,268,000)	4,484,000	3 January 2010 to 2 January 2012	–
5 June 2009	16	11.90	**2,182,000**	–	–	–	(912,000)	1,270,000	1 July 2010 to 13 June 2012	–
5 June 2009	17	11.90	**1,236,000**	–	–	–	–	1,236,000	7 May 2011 to 6 May 2013	–
12 April 2010	18	12.22	–	6,560,000	–	–	(20,000)	6,540,000	12 October 2010 to 11 April 2015	–
12 April 2010	19	12.22	–	4,500,000	–	–	–	4,500,000	12 April 2013 to 11 April 2020	–
			33,637,000	11,060,000	(1,068,000)	–	(5,832,000)	37,797,000		
Number of shares subject to options exercisable at the end of the year								16,001,000		

37. SHARE-BASED PAYMENTS (continued)

			Number of shares subject to options							
Date of grant	Grant	Subscription price per share HK$	At 1 January 2009	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2009	Period during which share options outstanding at 31 December 2009 are exercisable	Average closing reference price for exercise of options HK$ (Note)
26 July 2004	1	7.25	88,000	–	(88,000)	–	–	–	26 January 2005 to 25 July 2009	10.20
29 July 2005	2	9.30	322,000	–	(84,000)	–	–	238,000	29 January 2006 to 28 July 2010	12.18
1 August 2006	3	14.00	3,248,000	–	–	–	–	3,248,000	1 February 2007 to 31 July 2011	–
3 January 2007	4	16.78	8,800,000	–	–	(8,800,000)	–	–	3 January 2010 to 2 January 2012	–
3 January 2007	5	16.78	3,525,000	–	–	–	(625,000)	2,900,000	3 January 2010 to 2 January 2017	–
14 June 2007	6	20.96	2,950,000	–	–	–	(120,000)	2,830,000	14 December 2007 to 13 June 2012	–
14 June 2007	7	20.96	600,000	–	–	–	–	600,000	14 December 2008 to 13 June 2012	–
14 June 2007	8	20.96	4,200,000	–	–	(4,200,000)	–	–	1 July 2010 to 13 June 2012	–
7 May 2008	9	19.76	3,440,000	–	–	–	–	3,440,000	7 November 2008 to 6 May 2013	–
7 May 2008	10	19.76	300,000	–	–	–	–	300,000	7 November 2009 to 6 May 2013	–
7 May 2008	11	19.76	3,000,000	–	–	(2,000,000)	(1,000,000)	–	7 May 2011 to 6 May 2013	–
7 May 2008	12	19.76	4,750,000	–	–	–	(1,750,000)	3,000,000	7 May 2011 to 6 May 2018	–
9 April 2009	13	7.63	–	5,420,000	(243,000)	–	(516,000)	4,661,000	9 October 2009 to 8 April 2014	12.17
9 April 2009	14	7.63	–	5,000,000	–	–	(1,750,000)	3,250,000	9 April 2012 to 8 April 2019	–
5 June 2009	15	11.90	–	5,752,000	–	–	–	5,752,000	3 January 2010 to 2 January 2012	–
5 June 2009	16	11.90	–	2,182,000	–	–	–	2,182,000	1 July 2010 to 13 June 2012	–
5 June 2009	17	11.90	–	1,236,000	–	–	–	1,236,000	7 May 2011 to 6 May 2013	–
			35,223,000	19,590,000	(415,000)	(15,000,000)	(5,761,000)	33,637,000		
Number of shares subject to options exercisable at the end of the year								6,959,000		

Note:

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 year, weighted by the number of shares subject to the options exercised.

37. SHARE-BASED PAYMENTS (continued)

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

For Grants 1 to 3, 6, 9, 13 and 18:

20%: 6 months after the date of grant
20%: 1st anniversary of the date of grant
20%: 2nd anniversary of the date of grant
20%: 3rd anniversary of the date of grant
20%: 4th anniversary of the date of grant

For Grants 4, 11, 15 and 17:

Service Requirement	All options might vest on 3 January 2010 (for Grant 4) or 7 May 2011 (for Grant 11) subject to the satisfaction of all the performance conditions.
Performance Hurdle	All options might vest on vesting date depending on performance appraisal grading that includes 50% weight of Property Development team performance and 50% weight of individual performance, which the grantee would achieve in his/her performance appraisal during the financial years ended 31 December 2007, 2008 and 2009 (for Grant 4) or 2008, 2009 and 2010 (for Grant 11). Assessment of performance at each financial year end date will be applied for that year to 1/3 of the options granted respectively.

The vesting schedule is as follows:

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

Grants 4 and 11 were replaced by Grants 15 and 17 respectively on 5 June 2009. The replacement grants are exercisable at a lower exercise price and there is no change in the vesting conditions of the respective original share option grants.

For Grants 5, 12 and 14:

Vesting of the options is conditional upon the performance of the Company's shares over the period from close of trading in Hong Kong on 3 January 2007 to 2 January 2010 (for Grant 5) or 1 January 2008 to 31 December 2010 (for Grant 12) or 1 January 2009 to 31 December 2011 (for Grant 14) ("Performance Period"). Vesting will only occur if the change in the total shareholder return ("TSR") of the Company's shares over the relevant Performance Period is (1) positive and (2) equal to or greater than the change in the total return index ("TRI") of the Hang Seng Index ("HSI") over the relevant Performance Period.

37. SHARE-BASED PAYMENTS (continued)

For Grants 5, 12 and 14: (continued)

The vesting schedule is as follows:

Positive change in TSR of the Company compared to the change in the HSI TRI during the relevant Performance Period	Vested Portion of Options
Less than the change in the HSI TRI	0%
Equal to the change in the HSI TRI	30%
For each percentage point up to 35% above the change in the HSI TRI	2%
Higher than the change in the HSI TRI by 35% or above	100%

If the change in HSI TRI is negative compared to the positive change in TSR of the Company, full vesting will apply.

For Grants 8 and 16:

Service Requirement	All options might vest on 1 July 2010 subject to the satisfaction of all the performance conditions.
Performance Hurdle	All options might vest on vesting date depending on performance appraisal grading that includes 50% weight of Property Development team performance and 50% weight of individual performance, which the grantee would achieve in his/her performance appraisal during the financial periods ended 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010. Assessment of performance at each financial period end date will be applied for that period to 1/6, 1/3, 1/3 and 1/6 of the options granted respectively.

The vesting schedule is as follows:

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

Grant 8 was replaced by Grant 16 on 5 June 2009. The replacement grant is exercisable at a lower exercise price and there is no change in the vesting conditions of the original share option grant.

For Grants 7 and 10:

Service Requirement	Subject to the satisfaction of all the performance conditions, the options may vest in accordance with the following schedule: 40%: 18 months after the date of grant 20%: 2nd anniversary of the date of grant 20%: 3rd anniversary of the date of grant 20%: 4th anniversary of the date of grant
Performance Hurdle	The vesting of these share options is subject to the satisfactory performance of the Property Development business as a whole during the next 18 months after the date of grant as assessed by the Company's executive management.

37. SHARE-BASED PAYMENTS (continued)

For Grant 19:

Service Requirement	All options may vest on 12 April 2013 subject to the satisfaction of all the performance conditions.
Performance Hurdle	All options may vest on vesting date depending on the Group's performance during the three years from 1 January 2010 to 31 December 2012 according to the performance measures comprising a range of specific performance criteria/targets that the grantees are required to achieve in the said 3-year performance period for creating shareholder value, which include return on equity, free cash flow and risk management, achievement of strategic goals, financial and operational performance targets.

The vesting schedule is as follows:

Performance	Vested Portion of Options
Superior	100%
Superior minus	90%
Good plus (more or less achieving all targets)	75%
Good	60%
Good minus and below	0 – 35%

Intermediate vesting percentages may be determined at the discretion of the Board.

37. SHARE-BASED PAYMENTS (continued)

The fair values of services received in return for share options granted is measured by reference to the fair value of share options granted. Except for Grants 5, 12 and 14, which adopt the Monte Carlo model, the estimate of the fair value of the share options granted is measured based on the Binomial model. The inputs into the models were as follows:

	Grant 1	Grant 2	Grant 3	Grant 4	Grant 5	Grant 6	Grant 7	Grant 8	Grant 9	Grant 10
Date of grant	26 July 2004	29 July 2005	1 August 2006	3 January 2007	3 January 2007	14 June 2007	14 June 2007	14 June 2007	7 May 2008	7 May 2008
Average fair value	HK$1.79	HK$2.27	HK$3.83	HK$4.39	HK$3.46	HK$5.72	HK$5.78	HK$5.85	HK$5.06	HK$5.09
Share price on the date of grant	HK$7.30	HK$9.30	HK$14.00	HK$16.50	HK$16.50	HK$20.90	HK$20.90	HK$20.90	HK$19.28	HK$19.28
Exercise price	HK$7.25	HK$9.30	HK$14.00	HK$16.78	HK$16.78	HK$20.96	HK$20.96	HK$20.96	HK$19.76	HK$19.76
Expected volatility	40% p.a.	40% p.a.	40% p.a.	40% p.a.	40% p.a.	40% p.a.	40% p.a.	40% p.a.	42% p.a.	42% p.a.
Average expected life	3.82 years	3.81 years	4.21 years	4.53 years	3.48 years	4.17 years	3.48 years	4.52 years	4 years	4 years
Average risk-free rate	3.25% p.a.	3.53% p.a.	4.40% p.a.	3.67% p.a.	3.62% p.a.	4.61% p.a.	4.62% p.a.	4.64% p.a.	2.35% p.a.	2.37% p.a.
Expected dividend paid	5% p.a.	5% p.a.	5% p.a.	5% p.a.	5% p.a.	5% p.a.	5% p.a.	5% p.a.	5% p.a.	5% p.a.
Rate of leaving service	2% p.a.	2% p.a.	2% p.a.	3% p.a.	0% p.a.	3% p.a.	3% p.a.	3% p.a.	3% p.a.	3% p.a.
Expected volatility of HSI TRI	n/a	n/a	n/a	n/a	15% p.a.	n/a	n/a	n/a	n/a	n/a
Expected correlation between TSR of the Company and HSI TRI	n/a	n/a	n/a	n/a	35% p.a.	n/a	n/a	n/a	n/a	n/a

	Grant 11	Grant 12	Grant 13	Grant 14	Grant 15	Grant 16	Grant 17	**Grant 18**	**Grant 19**
Date of grant	7 May 2008	7 May 2008	9 April 2009	9 April 2009	5 June 2009	5 June 2009	5 June 2009	**12 April 2010**	**12 April 2010**
Average fair value	HK$5.12	HK$3.03	HK$2.26	HK$2.16	HK$3.21	HK$3.42	HK$3.80	**HK$4.33**	**HK$4.73**
Share price on the date of grant	HK$19.28	HK$19.28	HK$7.27	HK$7.27	HK$11.78	HK$11.78	HK$11.78	**HK$12.22**	**HK$12.22**
Exercise price	HK$19.76	HK$19.76	HK$7.63	HK$7.63	HK$11.90	HK$11.90	HK$11.90	**HK$12.22**	**HK$12.22**
Expected volatility	42% p.a.	42% p.a.	52% p.a.	52% p.a.	55% p.a.	55% p.a.	55% p.a.	**55% p.a.**	**48% p.a.**
Average expected life	4 years	4 years	5 years	5 years	2.1 years	2.6 years	3.5 years	**5 years**	**10 years**
Average risk-free rate	2.40% p.a.	2.36% p.a.	1.56% p.a.	1.91% p.a.	1.10% p.a.	1.10% p.a.	1.10% p.a.	**1.70% p.a.**	**2.64% p.a.**
Expected dividend paid	5% p.a.	5% p.a.	5% p.a.	5% p.a.	5% p.a.	5% p.a.	5% p.a.	**4% p.a.**	**4% p.a.**
Rate of leaving service	3% p.a.	n/a	3.5% p.a.	n/a	3% p.a.	3% p.a.	3% p.a.	**3% p.a.**	**0% p.a.**
Expected volatility of HSI TRI	n/a	25% p.a.	n/a	38% p.a.	n/a	n/a	n/a	**n/a**	**n/a**
Expected correlation between TSR of the Company and HSI TRI	n/a	45% p.a.	n/a	58% p.a.	n/a	n/a	n/a	**n/a**	**n/a**

For grants in 2010, the expected volatility was determined by using the average historical volatility of the Company's share price over last 4 years and 8 years before the grant date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

Total consideration received during the year from employees, including the Directors of the Company, for taking up the options granted was HK$115 (2009: HK$104).

The Group recognised a total expense of HK$34 million for the year ended 31 December 2010 (2009: HK$42 million) in relation to share options granted by the Company.

38. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

(a) In January 2010, the Group acquired the entire issued share capital of Dignitary Limited, which indirectly owns an investment property known as Tower 18 of the Lakeville Regency, located at the Luwan District of Shanghai. The assets acquired and liabilities assumed did not constitute a business as defined under HKFRS 3 Business Combinations and therefore, the acquisition was accounted for as assets acquisition.

The assets acquired and liabilities assumed in the transaction are as follows:

	HK$ million
Investment property	**1,095**
Property, plant and equipment	**3**
Debtors, deposits and prepayments	**2**
Bank balances, deposits and cash	**28**
Creditors and accrued charges	**(11)**
Bank borrowings	**(587)**
Amount due to a related company	**(134)**
Net assets of the subsidiary acquired	**396**
Total consideration satisfied by:	
Cash consideration paid	**363**
Costs incurred in connection with the acquisition	**33**
	396
Net cash outflow arising on acquisition:	
Cash consideration paid	**(363)**
Costs incurred in connection with the acquisition	**(33)**
Cash and cash equivalents acquired	**28**
	(368)

(b) In November 2009, the Group acquired the remaining 51% shareholding in Chengdu Xianglong Real Estate Co., Ltd. ("Xianglong"), a then 49% jointly controlled entity of the Group. Following completion of the acquisition, Xianglong has become a wholly-owned subsidiary of the Group. This transaction had been reflected as a purchase of assets and liabilities.

The assets acquired and liabilities assumed in the transaction are as follows:

	HK$ million
Investment property	283
Properties under development for sale	653
Debtors, deposits and prepayments	1
Amounts due from related companies	48
Amounts due to related companies	(10)
Deferred tax liabilities	(63)
Net assets of the subsidiary acquired	912
Transferred from interests in jointly controlled entities	(568)
Consideration	344
Total consideration satisfied by/net cash outflow arising on acquisition:	
Cash consideration paid – current year	(102)
Cash consideration paid – 2009	(242)
	(344)

39. ACQUISITION OF A SUBSIDIARY

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	Fair value HK$ million
		(Note b)	
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:			
Issue of new shares of the Company			1,928
Cash consideration paid			135
Proceeds received on early cancellation of convertible bonds of CCP			(174)
			1,889
Net cash inflow arising on acquisition:			
Cash consideration paid			(135)
Cash and cash equivalents acquired			691
Proceeds received on early cancellation of convertible bonds of CCP			174
			730

* Included in these amounts is 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.

39. 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. 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 are 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 located nearby, taking into account the construction costs that would be expended to complete the development to reflect the quality of the completed development, as appropriate.

40. DISPOSAL OF PROPERTY INVENTORIES THROUGH DISPOSAL OF SUBSIDIARIES

(a) During the year, the Group disposed of a property held for sale in Chengdu through the disposal of the equity interests in certain wholly-owned subsidiaries, which owned the property. The transaction has been accounted for as a sale of property inventory in the ordinary course of the Group's property business.

The net assets disposed of in the transaction are as follows:

	HK$ million
Property, plant and equipment	1
Property held for sale	504
Debtors, deposits and prepayments	3
Bank balances, deposits and cash	53
Creditors and accrued charges	(8)
Bank borrowings	(183)
Net assets disposed of	370
Gain on disposal	29
Costs incurred in connection with the disposal	18
	417
Total consideration satisfied by:	
Cash consideration received	417
Net cash inflow arising on disposal:	
Cash consideration received	417
Costs incurred in connection with the disposal	(18)
Cash and cash equivalents disposed of	(53)
	346

40. DISPOSAL OF PROPERTY INVENTORIES THROUGH DISPOSAL OF SUBSIDIARIES (continued)

(b) During the year, the Group disposed of a property under development for sale in Beijing through the disposal of the entire equity interests in a wholly-owned subsidiary, which owned the property. The transaction has been accounted for as a sale of property inventory in the ordinary course of the Group's property business.

The net assets disposed of in the transaction are as follows:

	HK$ million
Property under development for sale	**874**
Net assets disposed of	**874**
Gain on disposal	**172**
Costs incurred in connection with the disposal	**37**
	1,083
Total consideration satisfied by:	
Cash consideration received	**1,083**
Net cash inflow arising on disposal:	
Cash consideration received	**1,083**
Costs incurred in connection with the disposal	**(37)**
	1,046

(c) During the year, the Group disposed of two properties under development for sale in Chongqing through the disposal of the entire equity interests in two wholly-owned subsidiaries, which owned the properties respectively. The transactions have been accounted for as a sale of property inventories in the ordinary course of the Group's property business.

The aggregated net assets disposed of in the transactions are as follows:

	HK$ million
Properties under development for sale	**278**
Net assets disposed of	**278**
Gain on disposal	**19**
Costs incurred in connection with the disposal	**4**
Exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss upon disposal of the subsidiary	**(14)**
	287
Total consideration satisfied by:	
Cash consideration received	**287**
Net cash inflow arising on disposal:	
Cash consideration received	**287**
Costs incurred in connection with the disposal	**(4)**
	283

41. CONTINGENT LIABILITIES

At 31 December 2010, the Group had the following contingent liabilities, which have not been provided for in the consolidated financial statements:

(a) Standby documentary credit arranged with a bank amounting to HK$216 million (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 RMB174 million (HK$205 million) (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 guarantees issued in favour of banks amounting to HK$639 million (2009: HK$289 million) to secure bank loans granted to certain jointly controlled entities.

(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$637 million) at 31 December 2010 (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 consolidated balance sheet.

42. MATERIAL RELATED PARTY TRANSACTIONS

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

Nature of transactions	**2010** **HK$ million**	2009 HK$ million
Income recognised:		
Management and information system services	**1**	1
Construction work	**565**	223
Cost and expenses recognised:		
Rental expenses	**6**	1
Interest expense	**8**	2

The outstanding balances with SOCL Private Group at the balance sheet date are disclosed in note 27.

42. MATERIAL RELATED PARTY TRANSACTIONS (continued)

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

Nature of transactions	2010 HK$ million	2009 HK$ million
Income recognised:		
Interest income	**1**	1
Imputed interest income	**51**	35
Management fee	**56**	52
Cost and expenses recognised:		
Construction/subcontracting work	**7**	4
Interest expense	**1**	1

The outstanding balances with jointly controlled entities at the balance sheet date are disclosed in note 22.

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

Nature of transactions	2010 HK$ million	2009 HK$ million
Income recognised:		
Interest income	**12**	22
Imputed interest income	**20**	13
Management fee	**16**	79
Interest income on convertible bonds	**—**	11
Construction/subcontracting work	**40**	99

The outstanding balances with associates at the balance sheet date are disclosed in note 23.

(d) The Group is licensed by Shui On Holdings Limited, a wholly-owned subsidiary of SOCL, to use the trademark, trade name of "Shui On", "瑞安" and/or the Seagull devices on a non-exclusive, royalty-free basis for an unlimited period of time.

(e) During the year, the Group disposed of HK$1,080 million worth of SOL shares to a wholly-owned subsidiary of SOCL (note 20).

(f) In connection with the acquisition of an investment property in January 2010 (see note 38(a)), the Group assumed from the seller an amount due to a wholly-owned subsidiary of SOL of approximately US$17.2 million (HK$134 million), which is unsecured and bears interest at 8% per annum. During the year ended 31 December 2010, the Group incurred interest expense of approximately HK$8 million on such payable. The amount, inclusive of interest, were repaid during the year.

(g) During the year, the Group received dividend income amounting to HK$24 million (2009: HK$22 million) from certain jointly controlled entities

(h) During the year ended 31 December 2009, the Group was granted unsecured interest bearing short-term loans totalling HK$200 million from a wholly-owned subsidiary of SOCL, and incurred interest on such loans amounting to HK$2 million. The loans, inclusive of interest, were repaid in 2009.

42. MATERIAL RELATED PARTY TRANSACTIONS (continued)

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

	2010 **HK$ million**	2009 HK$ million
Fees	**2**	2
Salaries and other benefits	**41**	38
Bonuses	**18**	21
Retirement benefit scheme contributions	**1**	1
Share-based payments	**21**	23
	83	85

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.

43. SUBSEQUENT EVENTS

(a) On 19 January 2011, the Group entered into an agreement with independent third parties in relation to the formation of a joint venture to undertake knowledge community projects in the PRC. Pursuant to the agreement and conditional to the completion of certain matters by the joint venture partners, the Group will contribute up to 75% of the registered capital of the joint venture company (the "JV Company") in stages in an aggregate amount of approximately RMB1,839 million (HK$2,161 million), subject to adjustment, by injecting into the JV Company cash and a piece of land located in Nanjing which the Group intends to acquire. The formation of the joint venture was approved by the shareholders of the Company at the special general meeting held on 28 February 2011. Details of this transaction are set out in a circular of the Company dated 9 February 2011.

(b) In March 2011, the Group reached an agreement to acquire two land parcels located in Zunyi, Guizhou, the PRC, which were owned and occupied by a jointly controlled entity of the Group for its cement operation, at an aggregate consideration of approximately RMB313 million (HK$373 million).

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The Directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the following list contains only the particulars of subsidiaries at 31 December 2010 and 2009, which principally affect the results or assets of the Group. All the companies listed below were incorporated and are operating in Hong Kong except as otherwise indicated.

Subsidiaries	Issued and fully paid share capital/registered capital	Percentage of issued share/registered capital held by the Company Directly	Indirectly	Principal activities
Construction and building maintenance business				
Dynamic Mark Limited	100 ordinary shares of HK$1 each 3,000,000 non-voting deferred shares of HK$1 each	–	80%	Supply of metal gates
P.D. (Contractors) Limited	1,000,000 ordinary shares of HK$1 each	–	94%	Renovation work
Pacific Extend Limited	10,000 ordinary shares of HK$1 each 6,000 special shares of HK$1 each	–	67%	Maintenance contractor
Pat Davie Limited	2,600,100 ordinary shares of HK$1 each 100,000 non-voting deferred shares of HK$10 each 6,800,000 non-voting deferred shares of HK$1 each	–	94%	Interior decoration, fitting out, design and contracting
Pat Davie (Macau) Limited##	Two quotas of total face value of MOP1,000,000	–	94%	Interior decoration, fitting out, design and contracting
Panyu Dynamic Mark Steel and Aluminium Engineering Co. Ltd.**@	Registered and paid up capital HK$4,000,000	–	64%	Steel fabrication
Shui Fai Metal Works Engineering Company Limited	10,000 ordinary shares of HK$1 each	–	55%	Sales and installation of wallform and other metal works
Shui On Building Contractors Limited	117,000,100 ordinary shares of HK$1 each 33,000,100 non-voting deferred shares of HK$1 each 50,000 non-voting deferred shares of HK$1,000 each	–	100%	Building construction and maintenance
Shui On Construction Company Limited	100 ordinary shares of HK$1 each 69,000,000 non-voting deferred shares of HK$1 each 1,030,000 non-voting deferred shares of HK$100 each	–	100%	Building construction
Shui On Contractors Limited*	1 share of US$1	100%	–	Investment holding

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Subsidiaries	Issued and fully paid share capital/registered capital	Percentage of issued share/registered capital held by the Company		Principal activities
		Directly	Indirectly	
Construction and building maintenance business (continued)				
Shui On Plant and Equipment Services Limited	16,611,000 ordinary shares of HK$1 each 45,389,000 non-voting deferred shares of HK$1 each	–	100%	Owning and leasing of plant and machinery and structural steel construction work
Shui On Construction Co., Ltd.**@	Registered and paid up capital RMB50,000,000	–	70%	Building construction and maintenance
Cement operations				
Asia No.1 Material Supply Limited	100 ordinary shares of HK$100 each 1,000 non-voting deferred shares of HK$100 each	–	100%	Holding of a quarry right
Glorycrest Holdings Limited*	1 share of US$1	–	100%	Investment holding
Shui On Building Materials Limited	100 ordinary shares of HK$1 each 1,000,000 non-voting deferred shares of HK$1 each	–	100%	Investment holding and sale of construction materials
Shui On Cement (Guizhou) Limited*	100,000 shares of US$1 each	–	100%	Investment holding
Shui On Materials Limited*	1 share of US$1	100%	–	Investment holding
貴州瑞安水泥發展管理有限公司**+ (Guizhou Shui On Cement Development Management Co. Ltd.)	Registered and paid up capital US$670,000	–	100%	Provision of consultancy services
Middleton Investments Limited***	2 ordinary shares of US$1 each	–	100%	Investment holding
Tinsley Holdings Limited***	2 ordinary shares of US$1 each	–	100%	Investment holding
Top Bright Investments Limited***	2 ordinary shares of US$1 each	–	100%	Investment holding
Winway Holdings Limited***	2 ordinary shares of US$1 each	–	100%	Investment holding
Fortune Smooth Investments Limited*	1 share of US$1	–	100%	Investment holding
Wayly Holdings Limited*	1 share of US$1	–	100%	Investment holding
貴州凱里瑞安建材有限公司**+ (Guizhou Kaili Rui An Jian Cai Co., Ltd.)	Registered and paid up capital RMB139,660,500	–	100%	Manufacture and sale of cement and related construction material products

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Subsidiaries	Issued and fully paid share capital/registered capital	Percentage of issued share/registered capital held by the Company		Principal activities
		Directly	Indirectly	
Property business				
Jade City International Limited	2 ordinary shares of HK$1 each	–	100%	Property holding
New Rainbow Investments Limited*	1 share of US$1	100%	–	Investment holding
Brilliance Investments Limited*	1 share of US$1	100%	–	Investment holding
Main Zone Group Limited*	1 share of US$1	100%	–	Investment holding
China Central Properties Limited^	281,193,011 shares of GBP0.01 each	57.12%	42.88%	Investment holding
Shui On China Central Properties Limited*	1 share of US$1	–	100%	Investment holding
Dalian Shengyuan Real Estate Consulting Co., Ltd.**+	Registered and paid up capital RMB50,000,000	–	100%	Investment holding
北京億達房地產開發有限公司** (Beijing Yida Real Estate Development Co., Ltd.)	Registered and paid up capital RMB30,000,000	–	100%	Property development
北京超騰投資管理有限公司** (Beijing Chaoteng Investment Management Co., Ltd.)	Registered and paid up capital RMB10,000,000	–	100%	Property investment
Chengdu Shui On Huiyuan Property Co., Ltd.**+	Registered and paid up capital US$21,000,000	–	100%	Property development
Chongqing Fengde Land Limited**+	Registered and paid up capital US$35,896,300	–	100%	Investment holding
重慶豐德尊鼎實業有限公司** (Chongqing Fengde Zunding Co., Ltd.)	Registered and paid up capital RMB80,000,000	–	100%	Property development
重慶豐德豪門實業有限公司** (Chongqing Fengde Haomen Co., Ltd.)	Registered and paid up capital RMB10,000,000	–	100%	Property development
Chongqing Hui Zheng Properties Co., Ltd.**+	Registered and paid up capital US$75,000,000	–	100%	Property development
Honest Joy Investments Limited*	100 shares of US$1 each	–	100%	Investment holding
Pacific Hill Limited	1 ordinary share of HK$1	–	100%	Investment holding
Qingdao Zhongcheng Yinchu Development Co., Ltd.**+	Registered and paid up capital HK$400,000,000	–	100%	Property development
Shenyang Hua Hui Properties Co., Ltd.**+	Registered and paid up capital US$70,000,000	–	100%	Property development
Chengdu Xianglong Real Estate Co., Ltd.**+	Registered and paid up capital RMB300,000,000	–	100%	Property development
廣州英發房地產開發有限公司**+ (Guangzhou infotach Property Development Co., Ltd.)	Registered and paid up capital US$64,700,000	–	100%	Property development

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Subsidiaries	Issued and fully paid share capital/registered capital	Percentage of issued share/registered capital held by the Company Directly	Indirectly	Principal activities
Property business (continued)				
SOCAM Asset Management Limited*	1 share of US$1	100%	–	Investment holding
SOCAM Asset Management (HK) Limited	1 ordinary share of HK$1	–	100%	Provision of management services
Beijing SOCAM Real Estate Consulting Co., Ltd.**+	Registered and paid up capital RMB800,000	–	100%	Provision of consultancy services
Shui On Project Management (China) Limited*	1 share of US$1	–	100%	Investment holding
Trillion Earn Limited	1 ordinary share of HK$1	–	100%	Investment holding
High Spirit Project Management Consultancy Limited	1 ordinary share of HK$1	–	100%	Project management consultancy services
Park Wealth Investments Limited*	1 share of US$1	100%	–	Investment holding
Poly Edge Enterprises Limited*	1 share of US$1	100%	–	Investment holding
Max Clear Holdings Limited*	1 share of US$1	100%	–	Provision of management services
Dalian Zhong Hui Construction Materials Co., Ltd.**+	Registered and paid up capital US$32,000,000	–	100%	Wholesale of construction materials
Dalian Jiasheng Science & Technology Development Co., Ltd.**+	Registered capital US$6,000,000 and paid up capital US$1,200,000	–	100%	Software and hardware development and technical consultancy services
Dalian Jiarui Science & Technology Development Co., Ltd.**+	Registered and paid up capital US$10,000,000	–	100%	Software and hardware development and technical consultancy services
Other businesses				
Asia Materials Limited	2 ordinary shares of HK$1 each	–	100%	Trading
Rise Huge International Limited*	1 share of US$1	100%	–	Investment holding
Gold Honour Holdings Limited*	1 share of US$1	100%	–	Investment holding
Lamma Rock Products Limited	100 ordinary shares of HK$10 each 3,500,000 non-voting deferred shares of HK$10 each	–	100%	Investment holding
T H Industrial Management Limited#	2,740 ordinary shares of US$1 each	–	100%	Investment holding
Prelude Group Limited*	2,000 ordinary shares of US$1 each	–	100%	Investment holding
Chongqing Yugang Foreign Investment Consulting Limited**	Registered and paid up capital RMB800,000	–	100%	Provision of investment consultation

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

*	Incorporated in the British Virgin Islands
**	Registered and operated in other regions of the PRC
***	Incorporated in Mauritius
#	Incorporated in the Bahamas
##	Incorporated in Macau Special Administrative Region of the PRC
+	Wholly-foreign owned enterprises
^	Incorporated in Isle of Man
@	Equity joint venture

None of the subsidiaries had any debt securities subsisting at 31 December 2010 or at any time during the year.

Note: Chengdu Shui On Huida Property Co., Ltd., Chongqing TH Holding Management Company Limited, Chongqing T.H. White Cement Co., Ltd. and 重慶豐德南洋實業有限公司, indirectly held subsidiaries of the Company, were disposed of during the year.

45. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES

The Directors are of the opinion that a complete list of the particulars of all jointly controlled entities will be of excessive length and therefore the following list contains only the particulars of principal jointly controlled entities of the Group at 31 December 2010 and 2009. All the companies listed below were incorporated and are operating in Hong Kong except otherwise indicated.

Indirect jointly controlled entities	Issued and paid up share capital/registered capital	Effective percentage of issued share/registered capital held by the Group	Principal activities	Notes
Construction and building maintenance business				
Brisfull Limited	5,000,000 ordinary shares of HK$1 each	50%	Sale and installation of aluminium window products	
Super Race Limited	420,000 ordinary shares of HK$1 each	50%	Supply of sink units and cooking benches	
鶴山超合預制件有限公司**@ (Heshan Chaohe Yizhi Jian Co. Ltd.)	Registered capital US$1,284,600 and paid up capital US$484,600	50%	Manufacture of sink units and cooking benches	1
Cement operations				
Beijing Chinefarge Cement Co., Ltd.**@	Registered and paid up capital RMB315,000,000	29.25%	Production and sales of cement and cement related products	3
Beijing Shunfa Lafarge Cement Co., Ltd.**@	Registered and paid up capital RMB150,000,000	31.5%	Production and sales of cement and cement related products	3
Beijing Yicheng Lafarge Concrete Co., Ltd.**@	Registered and paid up capital RMB30,340,000	34.52%	Production and sales of concrete	
Chongqing TH New Building Materials Co., Ltd.**@	Registered and paid up capital RMB41,500,000	33.75%	Production and sales of cement and cement related products	

45. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES (continued)

Indirect jointly controlled entities	Issued and paid up share capital/registered capital	Effective percentage of issued share/ registered capital held by the Group	Principal activities	Notes
Cement operations (continued)				
Chongqing TH Diwei Cement Co., Ltd.**@	Registered and paid up capital RMB61,680,000	36%	Production and sales of cement and cement related products	
Chongqing TH Fuling Cement Co., Ltd.**+	Registered and paid up capital RMB44,000,000	45%	Production and sales of cement and cement related products	
Chongqing TH Special Cement Co. Ltd.**@	Registered and paid up capital RMB210,000,000	36%	Production and sales of cement and cement related products	
Chongqing Lafarge Shui on Cantian Cement Co., Ltd.**@	Registered and paid up capital RMB270,000,000	33.3%	Production and sales of cement and cement related products	
Guangan TH Cement Co., Ltd.**+	Registered and paid up capital RMB110,000,000	45%	Production and sales of cement and cement related products	
Guizhou Bijie Shui On Cement Co., Ltd.**@	Registered and paid up capital RMB48,000,000	80%	Manufacture and sale of cement	1
Guizhou Dingxiao Shui On Cement Co., Ltd.**@	Registered and paid up capital RMB264,256,751	44.05%	Production and sales of cement and cement related products	
Zunyi Sancha Lafarge Shui On Cement Co., Ltd.**+	Registered and paid up capital RMB234,433,010	45%	Production and sales of cement and cement related products	
Guizhou Kaili Ken On Concrete Co., Ltd.**@	Registered and paid up capital RMB10,000,000	75%	Supply of ready mixed concrete	1
貴州凱里瑞安水泥有限公司**@ (Guizhou Kaili Shui On Cement Co. Ltd.)	Registered and paid up capital RMB60,000,000	90%	Manufacture and sale of cement	1
貴州六礦瑞安水泥有限公司**@ (Guizhou Liu Kuang Shui On Cement Co. Ltd.)	Registered and paid up capital RMB233,950,000	40.16%	Manufacture and sale of cement	
Guizhou Shuicheng Shui On Cement Co., Ltd.**@	Registered and paid up capital RMB200,000,000	31.5%	Production and sales of cement and cement related products	
貴州遵義瑞安水泥有限公司**@ (Guizhou Zunyi Shui On Cement Co. Ltd.)	Registered and paid up capital RMB92,000,000	80%	Manufacture and sale of cement	1
Lafarge Chongqing Cement Co., Ltd.**@	Registered and paid up capital RMB340,000,000	35.73%	Production and sales of cement and cement related products	
Lafarge Dujiangyan Cement Co., Ltd.**@	Registered and paid up capital RMB856,839,300	33.75%	Production and sales of cement and cement related products	

45. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES (continued)

Indirect jointly controlled entities	Issued and paid up share capital/registered capital	Effective percentage of issued share/registered capital held by the Group	Principal activities	Notes
Cement operations (continued)				
Nanchong T.H. Cement Co., Ltd.**+	Registered and paid up capital RMB15,000,000	45%	Manufacture and sale of cement	
Lafarge Shui On Cement Limited	2,089,199 ordinary shares of HK$1 each	45%	Investment holding	
Nanjing Jiangnan Cement Co., Ltd.**@	Registered and paid up capital RMB120,000,000	60%	Manufacture and trading of cement	1
Panzhihua Jinsha Cement Co., Ltd.**	Registered and paid up capital RMB10,000,000	36%	Production and sales of cement and cement related products	
Yunnan Shui On Construction Materials Investment Holding Co., Ltd.**@	Registered and paid up capital RMB1,000,000,000	36%	Investment holding	
Yunnan State Assets Cement Chuxiong Co., Ltd.**	Registered and paid up capital RMB32,600,000	36%	Production and sales of cement and cement related products	
Yunnan State Assets Cement Dongjun Co., Ltd.**	Registered and paid up capital RMB260,000,000	36%	Production and sales of cement and cement related products	
Yunnan State Assets Cement Haikou Co., Ltd**	Registered and paid up capital RMB54,556,806	36%	Production and sales of cement and cement related products	
Yunnan State Assets Cement Honghe Co., Ltd.**	Registered and paid up capital RMB263,785,829	36%	Production and sales of cement and cement related products	
Yunnan State Assets Cement Jianchuan Co., Ltd.**	Registered and paid up capital RMB122,483,913	36%	Production and sales of cement and cement related products	
Yunnan State Assets Cement Kunming Co., Ltd.**	Registered and paid up capital RMB130,375,098	36%	Production and sales of cement and cement related products	
Property business				
Broad Wise Limited*	100 shares of US$1 each	80%	Investment holding	2
瀋陽中匯達房地產有限公司**+ (Shenyang Zhong Hui Da Properties Co., Ltd.)	Registered and paid up capital US$149,400,000	80%	Property development	2
Eagle Fit Limited*	200 shares of US$1 each	52.5%	Investment holding	2
Lead Wealthy Investments Limited	100 ordinary shares of HK$1 each	70%	Investment holding	2, 4

45. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES (continued)

Indirect jointly controlled entities	Issued and paid up share capital/registered capital	Effective percentage of issued share/ registered capital held by the Group	Principal activities	Notes
Property business (continued)				
Shanghai 21st Century Real Estate Co., Ltd.**	Registered and paid up capital US$76,000,000	50.93%	Property development	2, 4
Prime Asset Investment Limited	1 ordinary share of HK$1	52.5%	Investment holding	2
北京啓夏房地產開發有限公司**+ (Beijing Qi Xia Real Estate Development Co., Ltd.)	Registered and paid up capital US$91,000,000	52.5%	Property development	2
Other businesses				
The Yangtze Ventures Limited#	1,000 ordinary shares of HK$0.1 each	65.5%	Venture capital investments	2
The Yangtze Ventures II Limited#	1,000 ordinary shares of HK$0.1 each	75.4%	Venture capital investments	2
On Capital China Fund Series A#	13,923 participating shares of US$0.01 each	66.81%	Venture capital investments	2
On Capital China Fund Series B#	8,418 participating shares of US$0.01 each	61.54%	Venture capital investments	2

* Incorporated in the British Virgin Islands
** Registered and operated in other regions of the PRC
# Incorporated in the Cayman Islands
\+ Wholly-foreign owned enterprises
@ Equity joint venture

Notes:

1. The Group is under contractual arrangements to jointly control these entities with PRC partners. Accordingly, the Directors consider they are jointly controlled entities.

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

3. These companies were disposed of during the year ended 31 December 2010.

4. These companies were acquired/established by the Group during the year ended 31 December 2010.

46. PARTICULARS OF PRINCIPAL ASSOCIATES

The Directors are of the opinion that a complete list of the particulars of all associates will be of excessive length and therefore the following list contains only the particulars of principal associates of the Group at 31 December 2010 and 2009.

Indirect associates	Issued and paid up share capital/ registered capital	Effective percentage of issued share/ registered capital held by the Group	Principal activities
Richcoast Group Limited*	780 shares of US$1 each	28.2%	Investment holding
Dalian Qiantong Science & Technology Development Co., Ltd.**@	Registered and paid up capital RMB800,000,000	22%	Software development
Dalian Ruisheng Software Development Co., Ltd.**@	Registered and paid up capital RMB800,000,000	22%	Software development
Dalian Delan Software Development Co., Ltd.**@	Registered and paid up capital RMB300,000,000	22%	Software development
Dalian Jiadao Science & Technology Development Co., Ltd.**@	Registered and paid up capital RMB300,000,000	22%	Software development
大連軟件園瑞安發展有限公司** (Dalian Software Park Shui On Fazhan Co., Ltd.)	Registered and paid up capital RMB600,000,000	22%	Software development
大連軟件園瑞安開發有限公司** (Dalian Software Park Shui On Kaifa Co., Ltd.)	Registered and paid up capital RMB600,000,000	22%	Software development

* Incorporated in the British Virgin Islands
** Registered and operated in other regions of the PRC
@ Equity joint venture

The end of the consolidated financial statements.

The statement below from the Company does not form part of the consolidated financial statements:

Readers of these consolidated financial statements are strongly encouraged to read the Management Discussion and Analysis set out in this annual report, which does not form part of the consolidated financial statements, to gain a fuller appreciation of the Group's financial results and situation in the context of its activities.

GROUP FINANCIAL SUMMARY

1. RESULTS

	Nine months ended 31 December	Year ended 31 December			
	2006	2007	2008	2009	**2010**
	HK$ million	HK$ million	HK$ million	HK$ million	**HK$ million**
Turnover	1,680	2,811	2,944	3,200	**8,044**
Profit before taxation	636	716	584	828	**1,098**
Taxation	(8)	(12)	(15)	(16)	**(180)**
Profit from continuing operations	628	704	569	812	**918**
Loss from discontinued operations	(6)	–	–	–	**–**
Profit for the period/year	622	704	569	812	**918**
Attributable to:					
Owners of the Company	602	702	562	807	**903**
Non-controlling interests	20	2	7	5	**15**
	622	704	569	812	**918**

2. ASSETS AND LIABILITIES

	At 31 December				
	2006	2007	2008	2009	**2010**
	HK$ million	HK$ million	HK$ million	HK$ million	**HK$ million**
Total assets	10,347	13,300	11,536	18,641	**21,048**
Total liabilities	(5,131)	(6,005)	(6,482)	(9,593)	**(11,788)**
	5,216	7,295	5,054	9,048	**9,260**
Equity attributable to owners of the Company	5,164	7,242	4,999	9,003	**9,204**
Non-controlling interests	52	53	55	45	**56**
	5,216	7,295	5,054	9,048	**9,260**

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
(Managing Director and 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

983

WEBSITE

www.socam.com

瑞 安 建 業 有 限 公 司

SHUI ON CONSTRUCTION AND MATERIALS LIMITED

(Incorporated in Bermuda with limited liability)

www.socam.com