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## **SOCAM Posts HK\$807 Million Profit for 2009 Enlarged Capital Base To Boost Business Growth**

### **Financial Highlights of 2009 Results**

- Turnover: HK\$3,200 million, up 9%
- Profit attributable to shareholders: HK\$807 million, up 44%
- Basic earnings per share: HK\$1.96, up 12%
- Net asset value per share at 31 December 2009: HK\$18.5, up 19%
- Gearing at 31 December 2009: 53%, down from 85%

**(Hong Kong, 30 March 2010)** Shui On Construction and Materials Limited (“SOCAM”, stock code: 983) today announced results for the year ended 31 December 2009. Its profit attributable to shareholders was HK\$807 million, up 44% from the previous year (HK\$562 million). Earnings per share were HK\$1.96, up 12% compared to the previous year (2008: HK\$1.75). The total turnover was HK\$3,200 million, an increase of 9% from the previous year (2008: HK\$2,944 million).

The Directors recommended the payment of a final dividend of HK\$0.25 per share to shareholders. There was no final dividend for the previous year.

“Expanding our capital base and pursuing core business growth over the year,” noted Mr. Vincent H. S. Lo, Chairman of SOCAM. “the Group has taken the opportunity to sharpen its focus and refine its long-term growth objectives. With the burgeoning China economy providing significant opportunities for our core businesses, we are confident that SOCAM is well placed to scale new heights.”

During the year, the Group’s property business contributed a profit of HK\$752 million. China Central Properties was successfully privatised in June, bringing a significant boost to the Group’s asset and equity base as well as lowering the gearing level considerably. The property portfolio also rapidly expanded. Lafarge Shui On Cement joint venture saw robust increases in sales volumes in Southwest China and improved profitability on high utilisation and reliability rates, and contributed HK\$309 million operating profit to SOCAM. The construction division secured more government design-and-build and maintenance contracts on the back of an increasing workflow from the public sector in Hong Kong. The strong recovery of the share price of Shui On Land also generated a significant gain of HK\$1 billion, which was recognised in reserve.



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(Incorporated in Bermuda with limited liability)

## Quick Asset Turnover of Property Projects

The successful privatisation of China Central Properties has not only streamlined the Group's core business operations, but also strengthened SOCAM's financial position significantly. It has built a solid foundation for the Group to capitalise on the exciting market opportunities in the Mainland.

The property portfolio rapidly expanded. The Group acquired two projects, namely the Beijing Chaoyang project and the Shanghai Lakeville Regency Tower 18, at attractive discounts to market prices, with the latter marking its inroad to the highly prosperous Shanghai market. SOCAM also seized the market opportunity to acquire the 30% interest of its Shenyang project from a co-investor which was undergoing restructuring and eager to dispose of its investment.

Shenyang project Phase I and Chongqing Creative Concepts Center were put up for pre-sale during the year, with approximately 30,000 and 23,000 square metres of GFA respectively sold since the pre-sales were launched in September 2009. The Group signed agreements to dispose of the Danlong Road Project in Chongqing and the serviced apartment portion of Chengdu Central Point in early 2010, generating sales revenue of RMB547 million in the first half of 2010. These disposals underline the quick asset turnover business model, and provide the Group with fresh capital for further investments, besides realising the value in these assets.

At year-end 2009, total developable GFA attributable to the Group was approximately two million square metres, plus a 22% interest in Dalian Tiandi which comprises a developable GFA of approximately 3.54 million square metres.

Dalian Tiandi has made encouraging progress on land acquisitions, leasing and the initial phases of construction. The project has already attracted a number of major corporations in the international IT industries to sign up leases for their offices on this site. Strong interest from potential investors and strategic partners has also been forthcoming.

## Lafarge Shui On Cement (LSOC) Made Good Progress with Its Expansion Plans

During the year, Lafarge Shui On Cement's total sales volume exceeded 23 million tonnes, an increase of 31% from 2008, a year in which the earthquake in May caused partial production suspension at its two major plants in Sichuan. Stable market conditions in Southwest China, coupled with high utilisation and reliability rates of the cement plants, resulted in total turnover for 2009 increasing to HK\$8.1 billion, from HK\$6.2 billion in 2008. Gross profit margin increased as the drop in cement prices was more than



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compensated by lower costs. The waste heat recovery systems installed in a number of plants have proved effective in lowering energy consumption, further enhancing profit margins.

Total annual production capacity of LSOC stood at approximately 24 million tonnes during the year. Expansion plans are progressing well, with the construction of the third line in Dujiangyan, Sichuan and the new dry kilns in Yongchuan, Chongqing and Sancha, Guizhou well underway. When completed in mid 2010, the three new dry kilns will bring an additional capacity of 6 million tonnes per annum.

LSOC will commence the construction of five more new dry kilns with an aggregate annual capacity of approximately 7 million tonnes in strategic locations in Sichuan, Chongqing and Yunnan in due course. LSOC's expansion plans will continue, and a number of acquisitions of its competitors are under consideration.

Although the Central Government has expressed concern over excessive investment in a number of heavy industries in the Mainland, including cement, LSOC is confident that demand for cement in its regional markets will remain strong and sustainable as the inexorable development of the Chinese hinterland continues. The Southwest China is currently suffering from severe drought. The normal operations of the plants were affected to a small extent due to only occasional power supply problem triggered by water shortage.

### **Construction Posted Steady Performance**

The Group's construction business was steady despite a climate of keen competition and a depressed market.

The construction division secured more government design-and-build and maintenance contracts on the back of an increasing workflow from the public sector in Hong Kong. During the year, new contracts totaling HK\$4,767 million were won (2008: HK\$3,425 million), while the outstanding value of contracts on hand rose to HK\$6.7 billion. The division continued to implement proactive measures to improve alliances and competitive advantages, while tight control has at the same time been maintained over project costs and corporate overheads to enhance profitability of existing contracts.



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## Change of Top Management

Mr. Frankie Wong, after serving as Chief Executive Officer for about six years from 2004, and Director since the listing in 1997, will retire from day-to-day management responsibilities of the Company in April, and will be succeeded by Mr. Philip Wong. Mr. Frankie Wong will take up the role of Vice Chairman of the Board and devote his attention to enhancing the value of the Group's cement investment.

## Scaling New Heights

Commenting on the Group's outlook, Mr. Lo said, "The resilient Chinese economy was at the forefront of the global economic recovery. A surge in activity in the property sector and the continued drive for infrastructure modernisation impacted favourably on SOCAM's core businesses. Management is committed to building the property business into a dominant operation of the Group, and will continue its quest for attractive new property projects."

LSOC is emerging to be one of the top cement producers to participate in the restructuring of China's cement industry. It will further strengthen its position in the Southwest China where it has significant market share. The Group's established construction operation will benefit from an increase in activities as the economy and market confidence in Hong Kong rebounds.

Mr. Lo concluded, "With China's strong economic fundamentals, a solid capital base, and a strong track record in identifying market opportunities, SOCAM is well-positioned to expand its horizons in the decade ahead. We are confident that the growth of the Group will deliver sustainable profits and increased value to our shareholders."



## Summary of Financial Results for the Year Ended 31 December 2009

	Year ended 31 December 2009	Year ended 31 December 2008
<i>In HK\$ million</i>		
<b>Property</b>		
Project Fee income	108	188
China Central Properties (CCP)	58	144
Dalian Tiandi	(10)	(3)
Discount on acquisition of interest in CCP	648	85
Net fair value gain on investment properties	85	303
Overheads	(137)	(109)
	<b>752</b>	608
<b>Investment in Shui On Land</b>		
Dividend income	8	67
Net gain on disposal of shares	-	496
Impairment loss	-	(558)
	<b>8</b>	5
<b>Cement operations</b>		
LSOC	309	133
Guizhou Cement	28	33
Disposal and impairment losses	(52)	(18)
	<b>285</b>	148
<b>Construction</b>		
	<b>69</b>	83
<b>Venture capital investments</b>		
	<b>10</b>	(213)
<b>Convertible bonds</b>		
Fair value gain on derivatives	1	239
Imputed interest expense	(28)	(48)
	<b>(27)</b>	191
<b>Net finance costs</b>		
	<b>(186)</b>	(158)
<b>Corporate overheads and others</b>		
	<b>(83)</b>	(80)
<b>Taxation and non-controlling interests</b>		
	<b>(21)</b>	(22)
<b>Total</b>	<b>807</b>	562



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### **About Shui On Construction And Materials Limited (SOCAM)**

SOCAM has been listed on the Hong Kong Stock Exchange since February 1997, and is a constituent of the Hang Seng Composite Index. Principally engaged in property, cement and construction businesses, it has operations in Hong Kong, Macau and the Chinese Mainland. SOCAM is a member of the Shui On Group.

**This press release will be posted to the Group's website [www.socam.com](http://www.socam.com).**

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