



FOR IMMEDIATE RELEASE

## SOCAM Reports 2011 First Half Results Property Business Achieved Substantial Increase in Profit

**(Hong Kong, 31 August 2011) Shui On Construction and Materials Limited** (“SOCAM” or the “Company”, stock code: 983), today announced results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2011. Financial highlights are as follows:

	For the six months ended 30 June 2011	For the six months ended 30 June 2010
Turnover:	HK\$2,717 million	HK\$2,989 million
Profit attributable to shareholders:	HK\$460 million	HK\$517 million
Basic earnings per share:	HK\$0.94	HK\$1.06
Interim dividend per share:	HK\$0.25	HK\$0.20
	<b>At 30 June 2011</b>	<b>At 31 December 2010</b>
Total assets:	HK\$20.8 billion	HK\$21.0 billion
Net assets:	HK\$9.7 billion	HK\$9.2 billion
Net asset value per share:	HK\$19.78	HK\$18.82
Net gearing:	45%	51%

The Board of Directors declared an interim dividend of HK\$0.25 per share to shareholders, compared with HK\$0.20 for the same period last year.

During the first six months of 2011, the Group achieved solid results due to the substantial growth in the property operations as a result of the continued strategic transformation into a specialised property developer in the Chinese Mainland. Core profit increased considerably to HK\$438 million, by 3.2 times over the same period last year (2010: HK\$104 million). While cement operations reported disappointing performance due largely to over-capacities in South West China and the upsurge in fuel costs, the construction operations posted an increase in profit in the face of rising building material and labour costs.

“As the Central Government has put visionary macroeconomic policies in place to achieve a healthy, sustainable growth in the Chinese economy and property market, we are on a firmer footing in the long run. With SOCAM’s expertise in acquisitions, financial restructuring, construction, project management as well as sales and marketing, our strategic realignment to a company which focuses on property development in specialised market areas in the Mainland has gathered momentum.” said Mr. Philip Wong, Chief Executive Officer of SOCAM.



### **Property Business seeing substantial growth**

During the first half of 2011, special situation projects contributed to a substantial growth in the property business. Together with the development of knowledge communities, the well-blended business model offers the Group cash flows and profits on quick asset turnover as well as sustainable growth in earnings in the long term.

#### ***Timely Sales of Special Situation Properties in Quick Asset Turnover Model***

The whole of the Qianxinian Building in Chongqing as well as part of the residential units of Shenyang Project Phase I were disposed of. Almost 100% of the residential apartments and over 80% of the office units of the Chongqing Creative Concepts Center were sold. In June, the Group also disposed of its 49% equity interest in the Chengdu Orient Home project which generated good profits for the Group.

At 30 June 2011, the Group had nine properties at various stages of development in Beijing, Shanghai, Chongqing, Chengdu, Guangzhou, Guizhou and Shenyang with a total developable GFA of 2.3 million square metres, of which 1.9 million square metres are attributable to the Group. These projects are expected to provide a steady stream of profits and cash flows over the next few years.

#### ***Strategic Investment Fund formed to Expand Special Situation Projects***

The SoTan China Real Estate I, LP, a private equity vehicle with international investors was formed to invest in special situation projects in the Mainland on a 50-50 basis with SOCAM with a total equity value of approximately US\$400 million, when invested fully.

#### ***Development of Knowledge Communities in Action***

The Company's leading knowledge community project, Dalian Tiandi, progressed well in both construction and leasing. Certain major tenants, including IBM, Chinasoft, the Chinese leading software company, Ambow, a high tech training school listed in the United States, as well as the Singapore-based education entity, Etonhouse, have moved into a substantial part of their leased areas of 135,000 square metres up to August. The community is now close to achieving a critical mass. For the Greenville Phase I, the townhouses and mid-to-high-rise apartments were well received in the market.



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### ***Forming Synergistic Partnerships to Add Value***

The Company continued to forge new partnerships in property development. The “branded residences” concept was developed with the alliance with Four Seasons Hotels and Resorts Group in the 21st Century Tower in Shanghai. The Company also joined hands with the renowned Tsinghua Science Park in its knowledge communities’ development in Nanjing. Cooperation was also arranged with Mitsui Fudosan Residential to develop six parcels of land in Dalian Tiandi for residential and retail uses. With the synergy created by these collaborative ventures, the resources, reputation and financial strength of these projects will be greatly enhanced.

### **Diverse Results of Construction and Cement Businesses**

Notwithstanding the rising building material and labour costs, the Group’s construction business achieved satisfactory profit during the first half of the year. At 30 June 2011, the value of outstanding contracts was approximately HK\$6.2 billion.

Lafarge Shui On Cement (LSOC), the Group’s 45% joint venture, reported a 19% growth in total sales volume but a disappointing result for the period as the operation has come under severe price and cost pressures amid the intensified competition environment resulting from over-capacity and rapid increase in coal prices.

### ***Divestment Plan for Cement Business***

In January 2011, LSOC received approval from regulatory authorities for the injection of its 50% interest in the Dujiangyan plants into the Shenzhen-listed Sichuan Shuangma Cement. The joint venture has planned to inject all of its cement assets into Shuangma over the next few years.

As part of its transformation strategy, SOCAM is reviewing various options for the divestment of its interest in LSOC. Together with the disposal of its last two major cement plants in Guizhou in 2011, SOCAM is moving ahead to focus on its unique business operations in the Mainland property sector.

### **Looking Ahead – A Plan for Strategic Growth**

Major challenges and volatility in global financial markets are expected in the near future, as a result of the sovereign debt crisis in the United States and certain European countries. On the other hand, in the Mainland, despite inflationary pressure and the austerities measures, the accelerating urbanisation process and increase in disposable incomes will continue to provide persistent economic growth as well as impetus in the property market in the long run.



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“SOCAM’s property business in China is expected to benefit from the Central Government’s measures to tighten up and regulate bank lending as we continue to capture opportunities to further expand and consolidate our leading position in the special situation property market. The Group’s collaboration with strategic partners and investment funds will strengthen the profile and capital base of our development along the path of our business expansion. In addition to our effort to realign our operations and enhance our profit-mix through acquisitions and divestments, the Board of Directors has proposed a long-term incentive scheme which is linked to a 3-year plan to accelerate the Group’s overall development. With the above in place, we are confident to create sustainable growth for our business.” concluded Mr. Wong.



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## Summary of Financial Results for the Six Months Ended 30 June 2011

	For the six months ended 30 June	
<i>In HK\$ million</i>	<b>2011</b>	<b>2010</b>
<b>Property</b>		
Project fee income	<b>40</b>	24
Profit from property sales and net rental income	<b>118</b>	65
Gain on disposal of interest in a property project	<b>337</b>	-
Fair value gain on investment properties, net of deferred tax provision	<b>38</b>	183
Dalian Tiandi	<b>21</b>	(12)
Operating expenses	<b>(74)</b>	(65)
	<b>480</b>	195
<b>Investment in SOL</b>		
Dividend income	<b>7</b>	52
Net gain on disposal of shares	<b>-</b>	373
Gain on scrip option	<b>-</b>	4
	<b>7</b>	429
<b>Cement operations</b>		
LSOC	<b>7</b>	67
Guizhou cement	<b>7</b>	2
Reversal/(provision) of impairment losses	<b>43</b>	(3)
	<b>57</b>	66
<b>Construction</b>		
Venture capital investments	<b>15</b>	(16)
Net finance costs	<b>(81)</b>	(121)
Corporate overheads and others	<b>(55)</b>	(71)
Taxation	<b>(9)</b>	(4)
Non-controlling interests	<b>(8)</b>	(7)
<b>Total</b>	<b>460</b>	517

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**About Shui On Construction and Materials Limited (SOCAM)**

Principally engaged in property development with focus on special situation projects and knowledge communities in the Chinese Mainland, SOCAM (HKSE Stock Code: 983) is a property developer focusing on developing quality and grade A projects with visionary plans and precise moves leveraged on its strong expertise and solid background in construction operations. The Company's businesses are built on solid business models and financial planning seeking to tap and contribute to the rapid development of the Chinese Mainland.

SOCAM is a member of the Shui On Group with operations covering strategic areas and major cities in the Chinese Mainland, Hong Kong and Macau. It was listed on the Hong Kong Stock Exchange in February 1997 and is one of the constituents of the Hang Seng Composite Index.

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

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