瑞安建業
SOCAM DEVELOPMENT

Monetisation
IN PROGRESS

Annual Report 2013

STOCK CODE: 983

Corporate Profile

SOCAM Development Limited (SOCAM) was listed on the Hong Kong Stock Exchange in February 1997 under stock code 983. The Company is a member of the Shui On Group.

SOCAM's primary business interests encompass three main areas:

- Niche **property development operations** in the Chinese Mainland that leverage on specialist knowledge in the fast turnaround of projects from acquisition, development and market positioning, to disposal. The Company also has close involvement in an integrated knowledge community project in Dalian.
- Burgeoning **construction business** in Hong Kong with a strong track record of quality, site safety and environmental performance.
- **Cement operations** through the Lafarge Shui On Cement joint venture, a major cement manufacturer in southwest China.

Corporate Values

- **Integrity**
- **Quality**
- **Innovation**
- **Excellence**

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Business at a Glance

瑞安建業
SOCAM DEVELOPMENT

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CONSTRUCTION

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

CEMENT

- Lafarge Shui On Cement

Corporate Information

Board

Executive Directors

Mr. Lo Hong Sui, Vincent (Chairman)
Mr. Choi Yuk Keung, Lawrence
(Vice Chairman and Managing Director)
Mr. Wong Fook Lam, Raymond
(Managing Director and Chief Financial Officer)

Non-executive Directors

Mr. Wong Yuet Leung, Frankie
Mr. Wong Kun To, Philip

Independent Non-executive Directors

Mr. Gerrit Jan de Nys
Ms. Li Hoi Lun, Helen
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
Mr. Wong Yuet Leung, Frankie

Remuneration Committee

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

Nomination Committee

Mr. Lo Hong Sui, Vincent (Chairman)
Mr. Choi Yuk Keung, Lawrence
Mr. Gerrit Jan de Nys
Mr. Chan Kay Cheung
Mr. Tsang Kwok Tai, Moses

Finance Committee

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

Investment Committee

Mr. Choi Yuk Keung, Lawrence (Chairman)
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 Fook Lam, Raymond
Other key executives

Company Secretary

Ms. Ng Lai Tan, Melanie

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

Codan Services Limited
Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

Branch Share Registrar and Transfer Office

Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

Principal Bankers

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

Stock Code

983

Website

www.socam.com

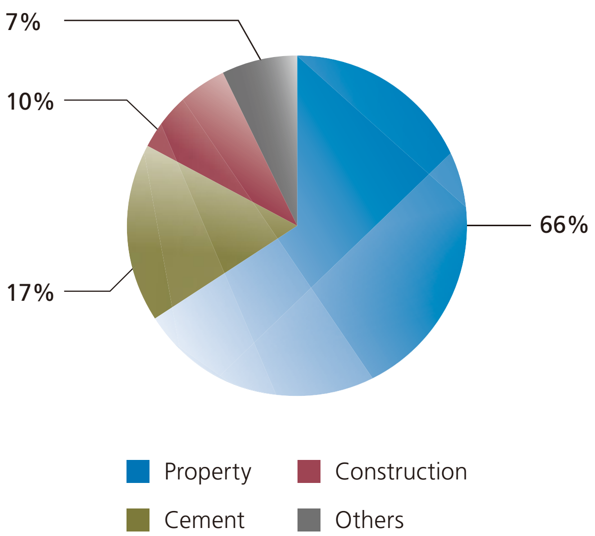
Financial Highlights

HK$ million	Year ended 31 December 2009	2010	2011	2012 (Restated)	**2013**
Turnover					
Company and subsidiaries	3,200	8,044	5,900	6,443	**7,952**
Share of joint ventures and associates	3,213	2,986	3,516	4,892	**4,460**
Total	6,413	11,030	9,416	11,335	**12,412**
Profit (loss) attributable to shareholders	807	903	910	459	**(889)**
Basic earnings (loss) per share (HK$)	1.96	1.85	1.86	0.93	**(1.81)**
Total dividends per share (HK$)	0.35	0.60	0.65	0.50	**–**

	At 31 December 2009	2010	2011	2012 (Restated)	**2013**
Total assets (HK$ billion)	18.6	21.0	22.2	23.3	**23.1**
Net assets (HK$ billion)	9.0	9.2	10.0	10.2	**9.3**
Net asset value per share (HK$)	18.45	18.82	20.43	20.76	**19.26**
Net gearing	53.3%	51.3%	50.5%	47.1%	**48.3%**

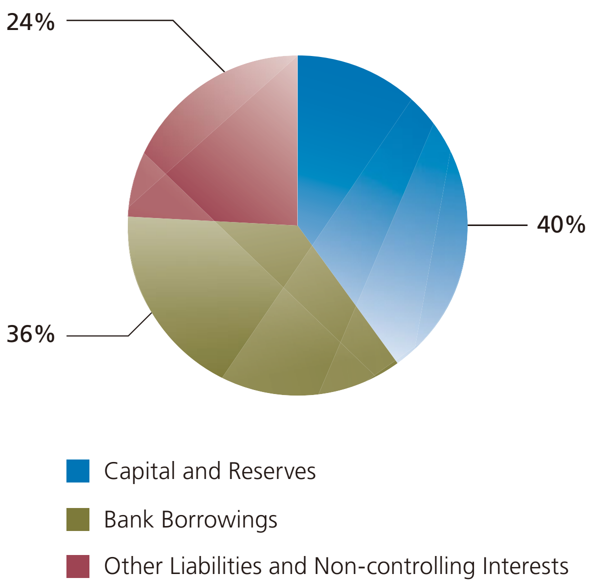
Assets Employed

At 31 December 2013



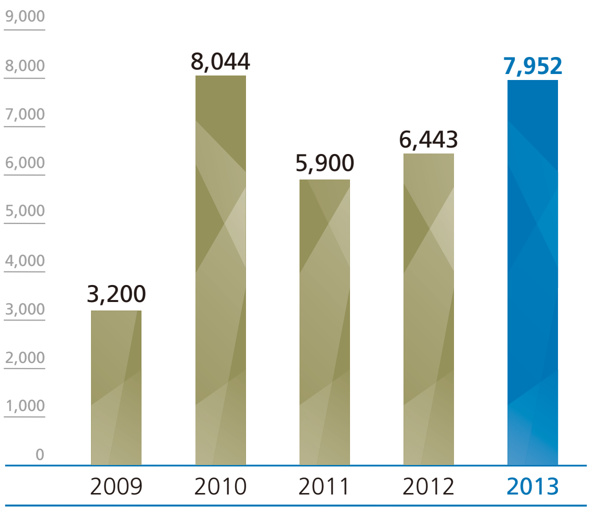
Capital and Liabilities

At 31 December 2013



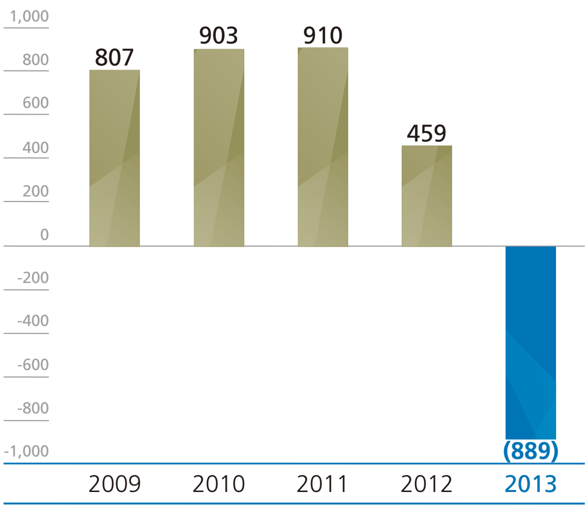
Turnover

HK$ million



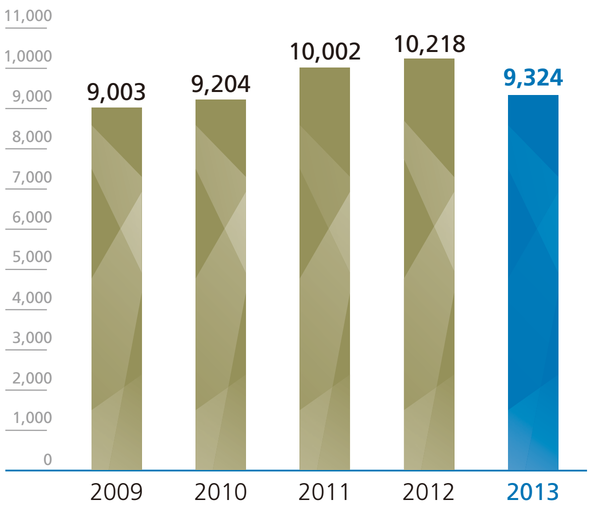
Profit (Loss) Attributable to Shareholders of the Company

HK$ million



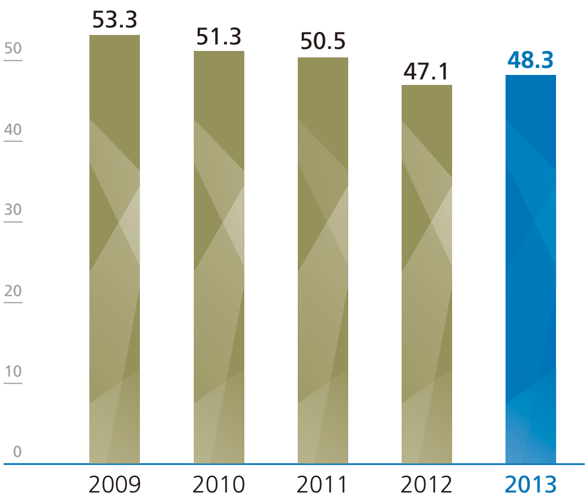
Equity Attributable to Shareholders of the Company

HK$ million



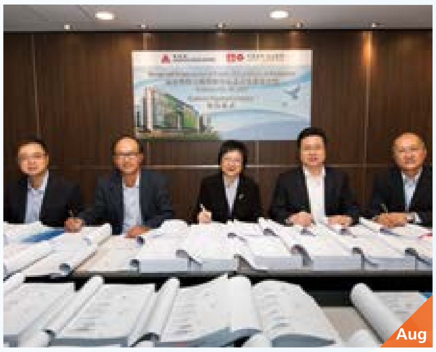
Gearing

Percentage



Event Highlights

CONSTRUCTION CONTRACTS AWARDED



Fit-out works of **Studio City** in Macau. (contract value: HK$181 million) **Feb**

Design and construction of minor building/civil engineering works at **CLP Power's Premises** 2013-2016. (contract value: HK$240 million) **Apr**

Relocation of the **Department of Justice** of the HKSAR Government. (contract value: HK$680 million) **Jun**

District term contract for the maintenance, improvement and **vacant flat refurbishment** for properties managed by district maintenance offices in Tuen Mun and Yuen Long. (contract value: HK$213 million) **Aug**

Design and construction of **Hong Kong Children's Hospital** (Joint Venture with China State Construction). (contract value: HK$9,090 million) **Aug**

Construction of **public rental housing development** in Yuen Long. (contract value: HK$440 million) **Oct**

Term contract for the design and construction of **minor works for HKSAR Government and subvented properties**. (contract value: HK$493 million) **Nov**

COMPANY STRATEGY

Announcement of the Group's strategic monetisation plan to divest property assets in an orderly manner and unlock the asset values. **Mar**

ACQUISITION

The joint venture with SOTAN Fund entered into framework agreement for acquisition of 65% equity interest in a land slot in the **Jiangning District of Nanjing City**, with a total GFA of approximately 116,000 square metres upon completion. **Oct**

COMPLETION OF CONSTRUCTION PROJECTS

Main contract works for the Jockey Club Innovation Tower at **The Hong Kong Polytechnic University**. (contract value: HK$635 million) **Jul**

Construction of Town Park, **Indoor Velodrome-cum-Sports Centre** in Area 45, Tseung Kwan O. (contract value: HK$1,003 million) **Sep**

Construction of **Tuen Mun Area 18**, Hong Kong. (contract value: HK$470 million) **Oct**

Design and build of minor work building/civil engineering works at **CLP Power's premises** 2008-2013. (contract value: HK$450 million) **Nov**

PROPERTY SALES

En-bloc disposal of **Guangzhou Panyu Project**. **Mar**

En-bloc disposal of a premium office tower of **Shenyang Project Phase I**. **Jun**

Grand opening of the shopping mall in **Shenyang Project Phase I**. **Oct**

Sales launch of **The Lakeville Regency Tower 18**, a luxury serviced apartment building in Shanghai. **Dec**

Entered into agreement to dispose of 80% interest in **Shenyang Project Phase II**. **Dec**

Pre-sale of residential units of Chengdu **Centropolitan**, a mixed use development, commenced. **Dec**

Major Awards and Recognition

Corporate Governance

- Gold Award in the Best Corporate Governance Disclosure Awards 2013 under non-HSI (Mid-to-small Market Capitalisation) category – Hong Kong Institute of Certified Public Accountants
- "Best Investor Relations by Company" at the 3rd Asian Excellence Recognition Awards 2013 – Corporate Governance Asia
- Asia's Best Company Secretary in the 1st Asian Company Secretary of the Year – Corporate Governance Asia
- 2013 Gold Award in The Asset Corporate Awards – The Asset
- 5 Years Plus Caring Company Logo 2013/14 – The Hong Kong Council of Social Service
- Corporate Social Responsibility Award 2013 – Capital Magazine
- The 4th Hong Kong Corporate Citizenship Logo – Hong Kong Productivity Council

- 2013 International ARC Awards for Annual Report 2012
  - Gold Award in Chairman's Letter: Diversified Business
  - Silver Award in Traditional Annual Report: Conglomerate
  - Bronze Award in Financial Data: Diversified Business
  - Bronze Award in Written Text: Property Development
- Platinum Award in 2012 Vision Awards for Annual Report 2012 – League of American Communications Professionals

Environmental Performance

- BEAM Plus Platinum for Energising Kowloon East Office – Hong Kong Green Building Council Limited
- Greenhouse Gas Verification of ISO 14064-1 – SGS Hong Kong Limited
- ISO 50001 Accreditation for Energy Management Systems – Hong Kong Certification Services International Limited
- Gold Award for Outstanding Environmental Management & Performance Award in the Considerate Contractors Site Award Scheme 2012 – Works Branch of the Development Bureau, HKSAR Government
- Green Contractor Term Contract Award 2012 – Architectural Services Department
- FuturArc Green Leadership Award 2013 – Building and Construction Interchange Asia

Quality

- Quality Public Housing Construction & Maintenance Award 2013 – Hong Kong Housing Authority
  - Silver Award in New Works Projects – Outstanding Contractors (Building)
  - New Works Projects – Outstanding Contractors (Domestic Sub-Contractors – Window Fabrication & Installation)
  - New Works Projects – Outstanding Contractors (Innovation Use of BIM Technology)
  - Maintenance & Improvement Projects – Outstanding Partnering Team
- Gold Award (Planning): Parc Oasis, Guangzhou at 2013 National Human Settlement Classical Architecture Planning Competition – Architectural Society of China

Safety

- 12th Hong Kong Occupational Safety & Health Award – Occupational Safety and Health Council
  - Safety Performance Award
  - Silver Award in Safety Management System Award
  - Bronze Award in Occupational, Safety and Health Annual Report Award
- Construction Industry Safety Award Scheme 2012/2013 – Labour Department
  - Gold, Silver and Bronze Awards in Minor Renovation & Maintenance Works
  - Gold Award in Minor Renovation & Maintenance Works – subcontractor
  - Silver Award in Building Sites (Public Sector)
  - Silver Award in Safety Team Award
- Construction Safety Promotional Campaign 2013 – Occupational Safety and Health Council, Labour Department and Construction Industry Council

  Gold Award in:
  - Best Safety Culture Site
  - Best Safety Culture Project Manager/Site Agent
  - Best Safety Culture Activity Team
  - Best Safety Culture Subcontractor
  - Outstanding Scaffolder in Occupational, Safety and Health
  - Best Refurbishment & Maintenance Contractor in Occupational, Safety and Health
- Silver and Merit Awards in Innovative Safety Initiative Award 2013 – Construction Industry Council, Development Bureau and Hong Kong Construction Association

Chairman's Statement

“In 2014, we shall continue to implement our monetisation plan to unlock the values in our property portfolio and to pursue an exit from the cement business.”

Dear Shareholders,

Global economies gradually recovered in the second half of 2013 and showed signs of stability while financial markets continued to be dominated by speculation on when the U.S. Federal Reserve would begin to taper its stimulus efforts. In the Chinese Mainland, exports rebound was the main driver underpinning improved activities, in addition to domestic consumption registering a satisfactory growth.

Nevertheless, for SOCAM, it became evident towards the latter part of 2013 that the operating environment had turned much more challenging, particularly with regard to our property and cement businesses in the Chinese Mainland. In January 2014, SOCAM issued a profit warning announcement to shareholders and the investment community.

A number of factors significantly impaired our performance. Our property business, in particular, the sales of the Four Seasons Place branded residence, which we previously had high expectations on profit contributions, was adversely affected by the sluggish luxury property sector in the Chinese Mainland following a series of restrictive government measures. In addition, acquisitions of major property projects were curtailed in the past two years, owing to SOCAM's monetisation plan, which had a significant negative effect on your Group's income from this sector in 2013.

Despite an increase in turnover by 23% to HK$7.9 billion (2012: HK$6.4 billion), your Group reported an attributable loss of HK$889 million for the year ended 31 December 2013. This compares with the restated profit of HK$459 million in 2012. Loss per share was HK$1.81 (2012: restated earnings per share of HK$0.93). The gearing level remained steady at approximately 48%.

> “I expect that the Group's restructuring exercise will eventually bear fruit and sincerely hope that shareholders would understand the currently not-so-encouraging phase of adjustment.”

Our monetisation strategy, announced in March 2013, to divest our property assets in an orderly manner is, however, gaining momentum, and we have seen some solid results in unlocking the asset values in our property portfolio. We remained vigilant in choosing the most appropriate modes of disposals, balancing among cash flow which might be generated, costs of the properties concerned and the advantages of en-bloc sales. The disposals of our Guangzhou Panyu project and an office tower in Shenyang Project Phase I in March and June 2013 respectively, together with the successful conclusion of the sale of Shenyang Project Phase II, have generated net cash proceeds of approximately HK$2 billion in the overall plan, which will help reduce the Group's net borrowings, hence financing costs in 2014. The continuation of monetisation is expected to significantly reduce the net borrowings of the Group further, and allow the distribution of surplus cash to our shareholders at an appropriate time.

The Group's portfolio comprises mainly completed properties at the high-end market segment. Towards the end of the year, units of the luxury apartments in Shanghai Lakeville Regency Tower 18 were put up for sale. The property is located in a sought-after location in the Xintiandi area of Shanghai. The branded residences of Four Seasons Place, occupying the top floors of Shanghai 21st Century Tower in Pudong, are positioned to appeal to the highest percentile of wealthy buyers. At 31 December 2013, while prices achieved so far were below our expectations, a meaningful number of these unique serviced apartments in the heart of the Pudong district have been sold.

Meanwhile, the Four Seasons Hotel Pudong, Shanghai, which also services the branded residences, has recently been awarded a status of Five Stars by Forbes Travel Guide, an honour only bestowed upon the top end hotels in the whole of the Chinese Mainland.

Over 90% of the residential units at Beijing Centrium Residence and Guangzhou Parc Oasis have now been sold, indicating that quality finishing and prime location are important to discerning buyers. SOCAM launched pre-sales for the residential units of Chengdu Centropolitan towards the end of the year and received a satisfactory reception.

In Hong Kong, our construction business continues to be profitable which is mainly attributable to our track records of timely and quality construction completion and experience in tendering for a broad spectrum of projects across public housing and institutional buildings servicing education and public health needs.

Overcapacity problems across the cement industry in the Chinese Mainland, particularly in the southwest region where Lafarge Shui On Cement (LSOC) operates, continue to negatively impact on profit margins.

Amid the most difficult business environment and very disappointing operating performance, our plan to dispose of the Group's interests in the cement joint venture with Lafarge remains our top priority. We have certain principal disagreements with our partner, but we are having ongoing discussions with potential buyers. However, the very stringent criteria of the relevant financial reporting requirements in Hong Kong do not allow the continued classification of our investment in LSOC at the year end as asset held for disposal, and re-classification of this investment under "interests in joint ventures" is required, contributing to the material loss during the year and the restated earnings for 2012.

Outlook

The construction industry in Hong Kong will continue to experience a very busy period in the next few years due to the large number of infrastructural projects in progress. Your Company has been capturing equally abundant opportunities in the building sector, on design and build projects as well as on the traditional government housing segment, and has consistently secured contracts of significant amounts. Our order book and outstanding workload are both among the highest in the Company's history. However, the escalation in labour and material costs looks likely to continue.

In the process of monetisation of our property portfolio, we are mindful of the benefits that early realisation can bring to the Company, on cash flow, on the reduction of interest costs and on the saving of related project and staff costs. Advantages of en-bloc disposals as opposed to strata-title sales are also part of the consideration process. We are also aware of the significant discount of SOCAM share prices compared to the underlying values of assets. We would like to assure shareholders that this whole process is most carefully monitored with your interests in mind.

Concurrently, we are constantly exploring the most effective way to realise the significant capital locked up in our cement investment, which, as repeatedly mentioned in the past, has been marred by the very poor operating performance of the joint venture, and is not consistent with results of other reputable cement players in the market.

I expect that the restructuring exercise of our Company will eventually bear fruit and sincerely hope that our shareholders would understand the currently not-so-encouraging phase of adjustment, which, in our view, should be short lived.

I would like to extend my heartfelt thanks to our Board of Directors for their guidance in the past year on our monetisation effort. The loyalty of our staff is also greatly appreciated as, without their dedication, the target of our restructuring exercise would be much harder to attain.

Vincent H. S. LO
Chairman

Hong Kong, 28 March 2014

Management Discussion and Analysis

In 2013, investor confidence worldwide was generally buoyant. Positive indicators in most major economies suggest that the overall outlook of the global economy is improving.

The quantitative easing policy in the United States and those of the other central banks are accommodative, which have been influential in driving a meaningful economic recovery worldwide and are likely to remain as such in the near future. Conditions in the Eurozone stabilised, with the European Monetary Union returning to growth in 2013, following an 18-month recession, albeit at a marginal rate only. Recent trends point to a continuous momentum, with the International Monetary Fund forecasting a global growth of 3.7% in 2014, from 3% in 2013, with developing countries also expecting improvements.

In the Chinese Mainland, the implementation of selective stimulus policies has proved effective and mitigated investors' expectations of a hard landing. Measures that encourage consumption and investment have strengthened demand in the domestic market. While economic growth was somewhat uncertain earlier in 2013 and challenges persisted, resilience was evident in the second half of the year.

Despite global economies improving during the year, market factors in two key areas of SOCAM's operations in the Chinese Mainland, namely, the property and cement sectors, have substantially and adversely affected our results for the year.

The property market in China saw new home prices rise in 2013, particularly in major cities such as Shanghai, Beijing, Shenzhen and Guangzhou. Transactions in this sector generally remained active as plans to introduce a property tax on ownership were put on hold. However, the much fewer acquisitions of major projects in the past two years to replenish our stock, following the decision to orderly monetise our property portfolio, means a lack of recurring income in 2013. Meanwhile, our Shanghai Four Seasons branded residences, in particular, were unable to command the desired prices and profits, due to the sluggish luxury property sector impacted by a series of restrictive government measures.

SOCAM made good progress with its monetisation plan and disposed of an 80% interest in Shenyang Project Phase II, an office tower in Shenyang Project Phase I and the Guangzhou Panyu Project, while strata-title sales of property units were satisfactory.

China saw a 9.3% year-on-year increase in cement production in 2013, reaching a total of 2.42 billion tonnes. Yet overcapacity problems still beset the industry and suppressed profit margins, particularly in areas where the Lafarge Shui On Cement joint venture has operations. SOCAM's strategic plan to exit from this joint venture has, since 2012, been laid out in a road map of divestment, but in 2013 a dispute between SOCAM and Lafarge has rendered this route more challenging. Other ways to exit from this joint venture are being carefully examined.

During 2013, SOCAM's construction business continued to benefit from the HKSAR's expanding programme for new housing and public facilities. At 31 December 2013, the gross value of contracts on hand attributable to the Group was at a record high level of approximately HK$17.8 billion (HK$17.4 billion in 2012). The value of outstanding contracts was approximately HK$13.4 billion, compared with HK$10.0 billion at 31 December 2012. Construction activities in Hong Kong will remain buoyant and SOCAM is well positioned to capture the increasing tendering opportunities in the immediate years ahead.

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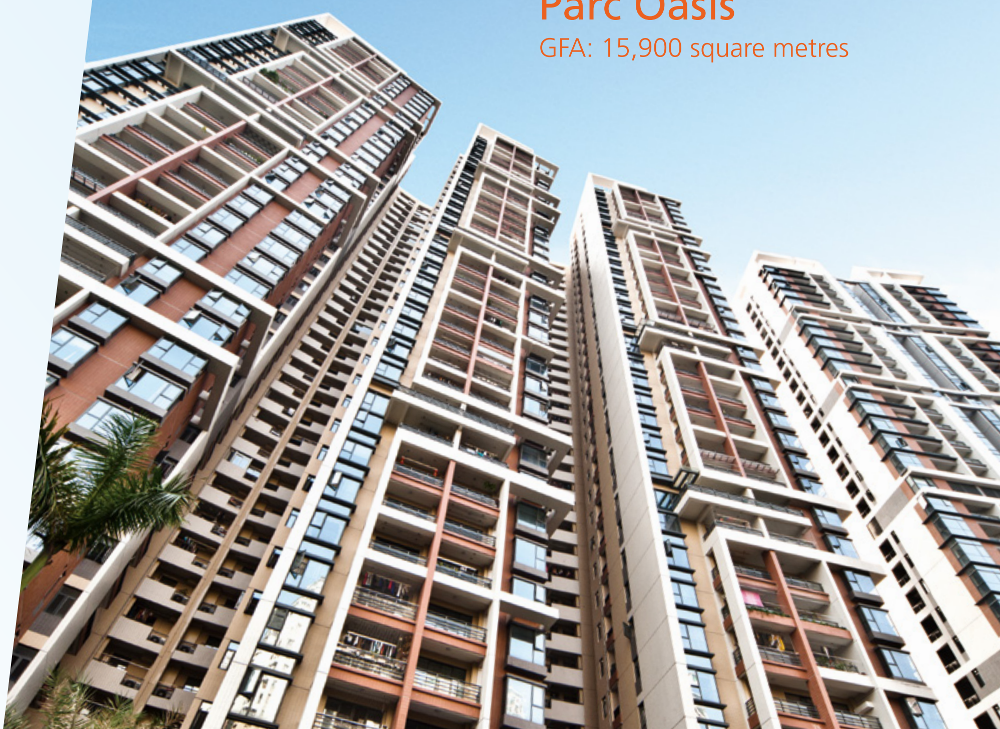
QUALITY PROPERTY PROJECTS

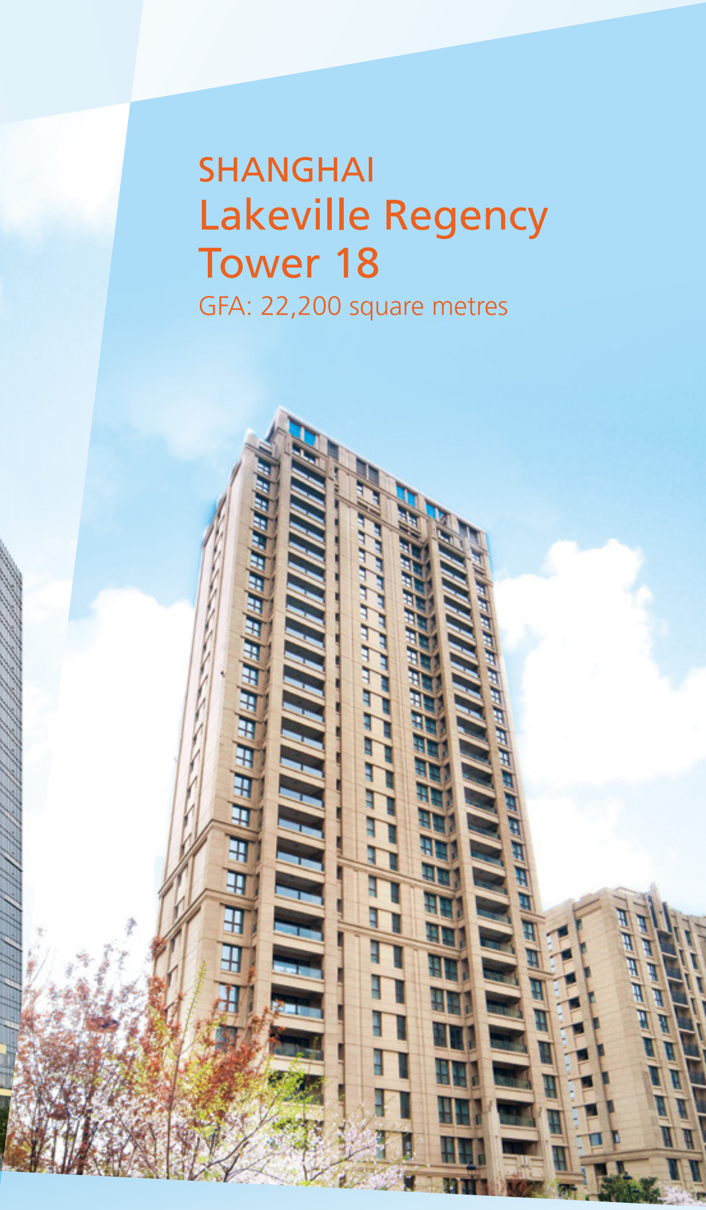
Residential

BEIJING
Centrium Residence
GFA: 8,100 square metres

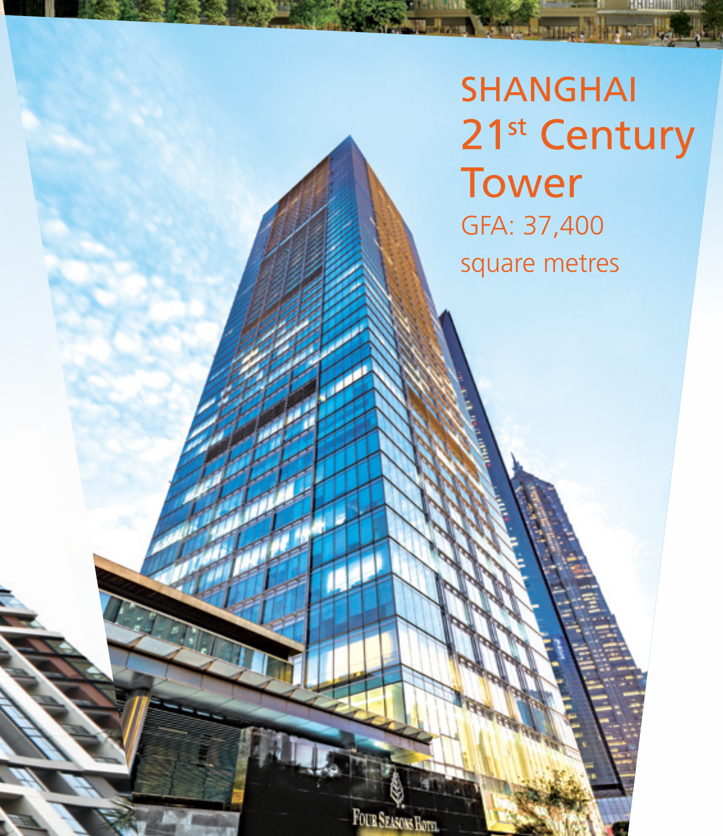
GUANGZHOU
Parc Oasis
GFA: 15,900 square metres



CHENGDU
Centropolitan
GFA: 207,900 square metres



SHANGHAI
Lakeville Regency Tower 18
GFA: 22,200 square metres



SHANGHAI
21st Century Tower
GFA: 37,400 square metres

Branded Residence & Hotel

* The GFA shown refers to total developable GFA attributable to the Group as at 31 December 2013, and has excluded sold and delivered areas.

Composite

TIANJIN

Veneto

GFA: 68,900 square metres

SHENYANG

Shenyang Project Phase II

GFA: 653,000 square metres

CHONGQING

Creative Concepts Center

GFA: 34,400 square metres

TIANJIN
Wuqing Project Phase II
GFA: 87,000 square metres

SHENYANG
Shenyang Project Phase I
GFA: 116,900 square metres

Residential and Retail

* The GFA shown refers to total developable GFA attributable to the Group as at 31 December 2013, and has excluded sold and delivered areas.

Management Discussion and Analysis

Business Review

PROPERTY

Our monetisation strategy, announced in March 2013, to divest our property assets in an orderly manner is gaining momentum, and we have seen some solid results in unlocking the asset values in our property portfolio.

GFA*	Total Assets	Profit (Loss) after Tax
2,070,100 Square Metres at 31 December 2013	HK $15,266 Million at 31 December 2013	HK ($158) Million Year ended 31 December 2013
2,159,400 Square Metres at 31 December 2012	HK $15,633 Million at 31 December 2012	HK $920 Million Year ended 31 December 2012

* Excluding that of the Knowledge Community project in Dalian

Monetisation Progress

In March 2013, the Company announced a formal monetisation plan which aims at achieving timely divestment of a significant proportion of our property assets to generate value for shareholders.

Besides seeking an exit from our cement investment which continued to post unsatisfactory results, monetising the Company's property assets represents an attractive opportunity to unlock value for shareholders that would otherwise be difficult to be reflected in the stock price under the existing business model. Throughout the year, the monetisation exercise was being implemented in an orderly manner, taking into account market conditions as well as the reasonableness of offers from potential buyers, with the overriding objective of realising the value of the property assets in the most efficient manner.

Property Sales

Statistics from the National Bureau of Statistics indicated that the value of new homes sold in the Chinese Mainland in 2013 rose 27% year-on-year to RMB6.8 trillion, passing the US$1 trillion figure for the first time. SOCAM closely monitored the market to capture favourable windows of opportunity to dispose of its property projects. In March and in June, the Group completed two en-bloc sales in Guangzhou Panyu and Shenyang respectively. The disposals of the Guangzhou Panyu project and an office tower in Shenyang Project Phase I realised gross proceeds of approximately HK$1.1 billion.

In December, SOCAM entered into an agreement to sell an 80% interest in Shenyang Project Phase II, a substantial mixed-use development of 653,000 square metres GFA. The transaction was completed in January 2014, realising gross proceeds of approximately HK$1.5 billion.

SOCAM continued to step up sales activities for its key completed projects, including Four Seasons Place in Shanghai, the Group's luxury branded residences, and the remaining units at Beijing Centrium Residence, Guangzhou Parc Oasis and Shenyang Project Phase I. Towards the end of the year, the Group put Shanghai Lakeville Regency Tower 18 on the market for sale. The property is ideally situated in the Xintiandi area of Shanghai and offers excellent investment opportunities as individual homes or leasing propositions. As planned, the Group also launched pre-sale on the first batch of residential units in Chengdu Centropolitan in December.

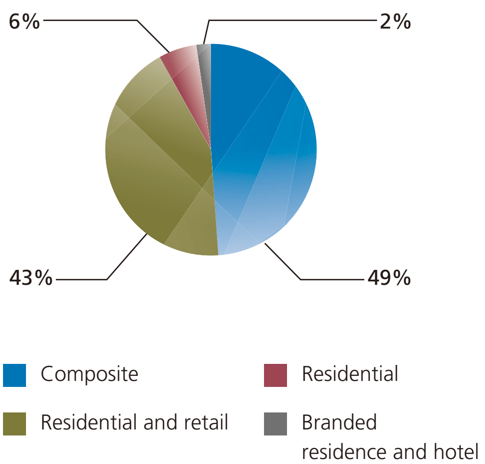
Special Situation Projects

As of 31 December 2013, SOCAM owned 12 special situation property projects, with a total developable GFA attributable to the Group of approximately 2.1 million square metres. The projects command prime locations in nine Mainland cities, as summarised below:

Property type	Location	Project	Total Developable GFA attributable to the Group (square metres)	Estimated completion year	SOCAM's interest
Residential	**Beijing**	Centrium Residence	8,100*	Completed	65%
	Guangzhou	Parc Oasis	15,900*	Completed	100%
	Shanghai	Lakeville Regency Tower 18	22,200	Completed	100%
	Tianjin	Wuqing Project Phase II	87,000	2016	55%
Branded residence and hotel	**Shanghai**	21st Century Tower	37,400*	Hotel completed; Branded Residence under fit-out	70%
Composite	**Chengdu**	Centropolitan	207,900	2016	51%
	Chongqing	Creative Concepts Center	34,400*	Completed	100%
	Shenyang	Shenyang Project Phase I	116,900*	Completed	100%
		Shenyang Project Phase II	653,000	80% interest in the project was disposed of in January 2014	100%
Residential and retail	**Guizhou**	Zunyi Project	780,700	2018	100%
	Tianjin	Veneto	68,900	2016	45%
	Nanjing	Nanjing Project	37,700	2016	32.5%
Total:			2,070,100		

* The GFA shown above has excluded sold and delivered areas

Property Type (analysed by GFA)



Project Development and Marketing Progress

Beijing Centrium Residence

Situated in the sought-after Chaoyang District, this low-density, luxury apartment development offers 210 units. As at 31 December 2013, 196 units have been sold, and favourable market response continues due to the good location and fine finishing quality.

In order to consolidate our shareholding in this project as it nears completion, SOCAM acquired an additional 12.5% project interest from a joint venture partner in September 2013. SOCAM's resultant holding of 65% interest in the project will enhance the Group's flexibility to fully realise the value of the project in the near future.

Beijing Centrium Residence

Guangzhou Parc Oasis

Parc Oasis offers quality living in the prime North Tianhe location. A clubhouse and eco-friendly and modern lifestyle design add to the popularity of the three residential towers of 35 storeys and the serviced apartment tower of 32 storeys. Sales commenced in 2011 and at 31 December 2013, 723 units have been sold, accounting for approximately 95% of saleable area.

Shanghai Lakeville Regency Tower 18

This luxury serviced apartment building, featuring around 100 high-end residential units, was one of SOCAM's first acquisitions in Shanghai and is situated in an upmarket and much sought-after location in the Xintiandi area. In December 2013, the Group began to offer individual units for sale. Market response has so far been satisfactory.

Special Situation Projects

Guangzhou Parc Oasis

Tianjin Veneto

Veneto is situated at a prime location close to the Wuqing Station of the Beijing-Tianjin Intercity Railway. The area is undergoing a major transformation into an important hub for knowledge and innovation, modern logistics and trading enterprises. As a retail-led development with serviced apartments embracing a total GFA of 153,000 square metres, this project is jointly developed with the SoTan Fund on a 50-50 basis. Construction work on the project is progressing satisfactorily, with completion expected in 2016.

Shanghai 21st Century Tower

Four Seasons Hotel Pudong was opened in November 2012 and has since achieved satisfactory occupancy rates, amidst strong market competition in the hotel sector in Shanghai. Situated on the topmost floors of the 21st Century Tower is Four Seasons Place which comprises 73 unique branded residences with spectacular cityscape views. The apartments offer full access to the service and facilities of the luxury hotel below. They are targeted for the discerning top end buyers and are therefore more sensitive

Shanghai Four Seasons Place

to any market changes in this exclusive sector. To strike a balance between cash inflow from sales and holding onto the property stocks for better prices in future, a decision has been made to sell certain units below the originally budgeted prices towards the latter part of the year, hence less profit contributions have been generated.

Chengdu Centropolitan

Chengdu Centropolitan is a mixed-use development, a joint venture with a private equity fund managed by LaSalle Investment Management, with SOCAM holding a 51% interest in the project. A buy-back and disposal arrangement will take place whereby SOCAM will dispose of a 43.5% interest to a new investor. As a condition precedent to the disposal, SOCAM will have to buy back the 49% interest from LaSalle. Upon completion of these transactions which is expected to take place in the first half of 2014, SOCAM will then have a 56.5% interest in the project.

With approximately 407,700 square metres of GFA, Chengdu Centropolitan comprises 11 residential towers, an office block, serviced apartment tower, shopping mall, clubhouse and kindergarten. The pre-sale launch began in December 2013 as planned.

Chongqing Creative Concepts Center

Creative Concepts Center, close to Jiefangbei Square of Chongqing, commands a prime location with significant frontage to the central business district of Chongqing. The development met with favourable market response and, except for the commercial arcade, almost all office and residential units have now been sold.

Shenyang Project Phases I and II

The development is centrally located in Shenyang with Phase I consisting of contemporary Grade A offices, upscale apartments and a shopping mall. Our divestment strategy was augmented by the block sales of office spaces with a total GFA of approximately 50,000 square metres to Ping An Insurance and New China Life Insurance.

All construction works of Phase I have been completed. Residential units, serviced apartments and offices have been put up for sale. Over 80% of the units has been sold and delivered, with approximately only 160 units left. The shopping mall was opened in October 2013 and received reasonable feedback from a number of regional brands and restaurant outlets as tenants, achieving a rent-out rate of over 60%.

With impetus from the vibrant community created by Phase I completion, an opportunity arose for divestment of the 653,000 square metres GFA of the adjacent Phase II. The Group entered into an agreement in December 2013 to dispose of an 80% project interest in this phase for a consideration of HK$1.5 billion. The transaction was completed in January 2014 and, as contracted, the Company will dispose of its remaining 20% interest to the same buyer within 18 months.

Guizhou Zunyi Project

The project was acquired in 2011 as the area was rezoned for commercial and residential development from industrial use. The project is being developed as a mix of townhouses, high-rise apartments and retail elements with a total GFA of approximately 780,700 square metres upon completion. Site clearance and resettlement works were completed in April 2013. Completion of the project is targeted for 2018.

Special Situation Projects

Project Acquisition

In the midst of our monetisation plan, acquisition activities have been restricted to only smaller projects which help to preserve the overall value of our property portfolio. This applies to our partnership with the SoTan Fund, a private equity vehicle for investing in special situation projects in the Mainland. Towards the end of 2013, the joint venture between the Group and the SoTan Fund entered into a framework agreement to acquire a 65% interest in a project in the Jiangning District of Nanjing. Consideration will be given to acquiring the remaining equity interest in the project, either by the Group itself or jointly with other investors, as and when the opportunity arises. This development upon completion will consist of a residential and commercial complex with a total GFA of approximately 116,000 square metres in the heart of the Yangtze River Delta Economic Zone.

Shenyang Project Phase I

Knowledge Communities

Dalian Tiandi

The service sector is an increasingly important pillar in China's economy as the government strives to move away from investment and exports as the main drivers of expansion. The government seeks to encourage high-value added industries, which is seen to be of paramount importance to a more balanced economy. In 2013, the service sector's annual output exceeded that of the secondary industry, or manufacturing, for the first time, marking a historic change in the economic structuring of a country long regarded as the factory of the world.

Dalian Tiandi

Clustering of knowledge-based enterprises brings symbiotic benefits. As early as 2008, SOCAM saw a good market opportunity in the development of a knowledge hub in Dalian, a major seaport in northeast China and one of the country's fast growing regions.

Dalian Tiandi is a visionary large-scale knowledge community developed jointly by Shui On Land, SOCAM and the Yida Group in which SOCAM has a 22% interest.

The project extends across a 12.5 km range of planned parkland and will offer a total GFA of 3.1 million square metres on completion.

During the year, a total GFA of 74,000 square metres of residential and retail space in the Huangnichuan area was completed. Hekou Bay has a total GFA of 109,000 square metres under construction as residential premises, and pre-sale of the first batch of units was launched in May.

As at 31 December 2013, a total GFA of 425,000 square metres was completed and the leasable and saleable GFA under construction totalled 903,000 square metres. The overall office occupancy rate stood at 75%.

Total GFA completed

425,000
square metres

Leasable and saleable GFA under construction

903,000
square metres

Sports centre, community hall and district library complex

HK$
440 million

Construction of
Public Rental Housing
Development in Yuen Long

HK$
240 million

Design and Construction of
Minor Building /
Civil Engineering Works at
CLP Power's Premises

GROSS VALUE OF CONTRACTS ON HAND

HK$
493 million

Term Contract for the Design and
Construction of minor works to
HKSAR Government and Subvented Properties

HK$
799 million
Construction of
Sports Centre, Community Hall
and district library complex in Sha Tin

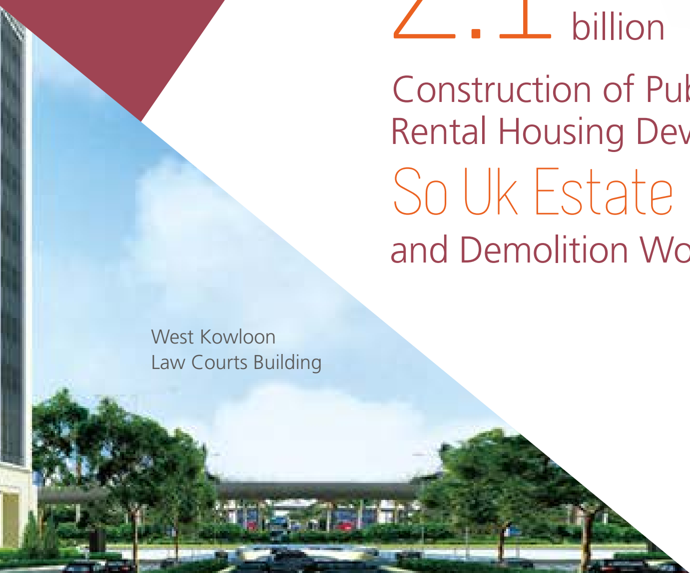
HK$
9.1 billion
Design and Construction of the
Hong Kong Children's Hospital
via Joint Venture with China State Construction

Department of Justice

Approximately HK$
17.8 billion
at 31 December 2013

HK$
680 million
Relocation of the
Department of Justice
of the HKSAR Government to Central Government Offices (Main and East Wings)

HK$
2.1 billion
Construction of Public Rental Housing Development at
So Uk Estate Phase I
and Demolition Works



West Kowloon
Law Courts Building

Business Review

CONSTRUCTION

SOCAM had an encouraging year in terms of contracts secured by value. The Group continues to enhance its core competitiveness and has consistently won awards for site safety, quality and environmental awareness.

Outstanding Value of Contracts on Hand	Turnover	Operating Profit
HK$13.4 Billion at 31 December 2013	HK$4.8 Billion year ended 31 December 2013	HK$115 Million year ended 31 December 2013
HK$10.0 Billion at 31 December 2012	HK$5.4 Billion year ended 31 December 2012	HK$163 Million year ended 31 December 2012

Market Review

Hong Kong's fiscal budget for the year 2013/2014 is forecast to record a surplus of HK$12 billion. To resolve the shortage of affordable accommodation units, the HKSAR Government is committed to accelerating the building programme for public housing, targeting to provide an average of about 20,000 public rental housing units and 8,000 housing units of Home Ownership Scheme per annum for ten years, starting 2015/2016. Improvement works and expansion of public facilities and infrastructure are also abundant. The construction market in Macau remains robust, due to the optimistic outlook of the gaming and hospitality industry, along with strong economic growth.

However, despite thriving opportunities and a promising outlook in the construction sector, competition in tendering is still fierce. There also remains a serious shortage of skilled labour and subcontracting resources which have contributed to a rapid increase in costs.

Leveraging on the Group's experience and capabilities in timely and quality delivery, SOCAM had an encouraging year in terms of contracts secured by value. As a major player in the construction industry, Shui On Building Contractors, Shui On Construction and Pat Davie continue to enhance their core competitiveness and have consistently won awards for site safety, quality and environmental awareness. Through partnership with clients and early adoption of new technologies, SOBC and SOC continue to raise their operational efficiency.

Operating Performance

The Group's construction business enjoyed a good year of performance and won new contracts totaling approximately HK$7,463 million (2012: HK$8,826 million). It recorded a profit of HK$120 million in 2013 (2012: HK$167 million, and a gain of HK$89 million due to resumption of a workshop site). Turnover for the year was HK$4,829 million (2012: HK$5,358 million).

As at 31 December 2013, the gross value of contracts on hand was approximately HK$17.8 billion and the value of outstanding contracts to be completed was approximately HK$13.4 billion, compared with HK$17.4 billion and HK$10.0 billion respectively as at 31 December 2012.

Shui On Building Contractors (SOBC)

SOBC secured new works totaling HK$1,470 million in 2013 and completed two contracts, including the construction of Tuen Mun Area 18 for the Hong Kong Housing Authority (HKHA), valued at HK$470 million, and design and build of minor work building/civil engineering works at CLP Power's premises, valued at HK$450 million.

As a HKHA Premier League Contractor, SOBC is in a limited group of contractors able to tender for contracts where exceptional experience and skills are required. During the year, SOBC secured contracts including a public rental housing development at Ex-Yuen Long Estate, and various term and maintenance contracts for the HKSAR Government.

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

Shui On Construction (SOC)

SOC continued to grow its portfolio and secured two new major contracts with an attributable value of approximately HK$4,316 million as follows:

- Relocation of the Department of Justice to Central Government Offices (Main and East Wings) (HK$680 million)
- Design and Construction of Hong Kong Children's Hospital, a joint venture between SOC (40%) and China State Construction (60%) (HK$9,090 million)

Major projects completed in 2013 included the Hong Kong Jockey Club Innovation Tower at The Hong Kong Polytechnic University, valued at HK$635 million, and the Town Park and Indoor Velodrome-cum-Sports Centre in Tseung Kwan O, valued at HK$1,003 million.

Shui On Construction, Mainland (SOCM)

SOCM, the Group's 85%-owned construction arm in the Chinese Mainland, provided services for the Chongqing Tiandi, Foshan Lingnan Tiandi, Wuhan Tiandi, Shanghai Rui Hong Xin Cheng and Dalian Tiandi projects of Shui On Land, and Shenyang Project Phase I, Guangzhou Parc Oasis, Shanghai 21st Century Tower, Tianjin Veneto and Chengdu Centropolitan projects of SOCAM. SOCM completed the main construction contracts for Chongqing Tiandi, Shenyang Project Phase I and Guangzhou Parc Oasis, and secured approximately HK$920 million worth of new contracts, including construction works for Tianjin Veneto.

The Jockey Club Innovation Tower at The Hong Kong Polytechnic University

Pat Davie (PDL)

During the year, PDL, SOCAM's interior fitting out and building renovation arm, secured interior decoration contracts in Hong Kong and Macau worth approximately HK$730 million. Major contracts in Hong Kong included Pacific Place Phases I and II, Hong Kong International Airport and Hong Kong Science Park Phase III. In Macau, our business continued to benefit from the buoyant gaming industry. PDL won contracts from Studio City, Wynn Tower and MGM totaling HK$292 million. Major projects completed during the year, totaling HK$838 million, included Cathay Pacific Air Cargo Terminal, an MTR shopping mall and projects for The Link in Hong Kong; and Wynn and MGM in Macau. Market demand for fitting-out and renovation works will continue to grow, from which PDL is well poised to benefit.

Interior fit-out works

Business Review

CEMENT

The Group continues to pursue its planned exit strategy for its interests in Lafarge Shui On Cement.

Production Capacity (Annual)	Turnover+	Loss+*
31 Million Tonnes at 31 December 2013	HK$3.5 Billion year ended 31 December 2013	HK($149) Million year ended 31 December 2013
31 Million Tonnes at 31 December 2012	HK$3.5 Billion year ended 31 December 2012	HK($328) Million year ended 31 December 2012

+ Attributable share
* Before impairment losses

Market Review

China's GDP growth in 2013 reached 7.7%, the same as in 2012, and was in line with Central Government's forecasts. Urban fixed-asset investment decreased slightly to 19.6% in 2013, a 1.1% growth rate lower than the previous year. Construction of social housing units continues apace. Data released from The Ministry of Housing and Urban-Rural Development indicates that construction is due to start on more than 6 million affordable housing units in 2014, compared with 6.3 million units in 2013. Against this backdrop and the continuous infrastructural investments, cement output increased by 9.3% year-on-year in 2013, reaching 2.42 billion tonnes.

However, over-capacity problems continue to linger. The Government's determination to crack down on air pollution from heavy industries is expected to result also in increased effort to close down sub-standard cement plants, thus accelerating the rationalisation process of the industry. The phase-out of obsolete, heavily polluting capacities will improve supply and demand imbalance, and the Ministry of Industry and Information Technology targets to eliminate 42 million tonnes of backward production capacities in 2014. This culling of inefficient and ageing plant is set to continue, and mergers and acquisitions will expedite the restructuring of the cement industry. Although short-term shortfall in demand against supply is likely to continue in 2014, all indicators point to a more positive future for cement producers that embrace modern and energy-efficient plants.

Lafarge Shui On Cement (LSOC)

LSOC, in which the Group holds a 45% interest, is a major cement producer in southwest China. As of December 2013, LSOC had 20 cement plants in operation, with total annual production capacity of approximately 31 million tonnes.

The fierce competition resulting from the over-capacity problems in southwest China continues to see decreases in both cement prices and profitability. Consequently, LSOC's results were, again, most dissatisfactory for the third year running.

Total sales volume for 2013 was approximately 28 million tonnes, which was slightly higher than that of the previous year. Cement prices in all the operating areas of LSOC, under tremendous pressure owing to intensified competition, saw a decrease of approximately 1% on average, while variable costs of production decreased by approximately 8%, due mainly to lower fuel costs. Despite improved margins, substantial losses continued for the year, attributable to high financing cost and impairment loss provision on assets.

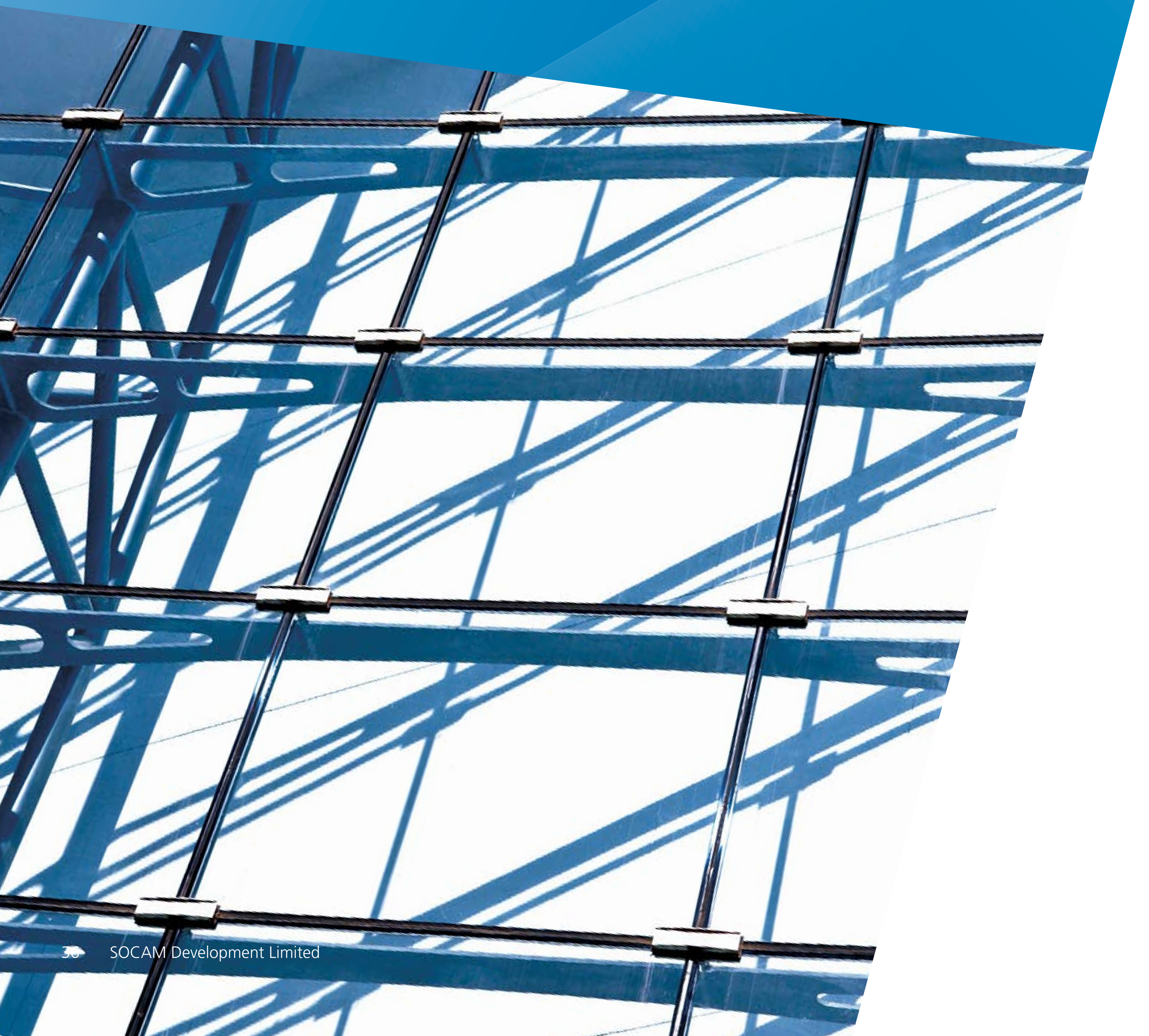
Construction of a new dry kiln in Hedigang, Yunnan with capacity of 2,500 tonnes per day was completed, and it commenced production in December 2013.

LSOC's plan to continue injecting cement plants into Sichuan Shuangma Cement, a listed company on the Shenzhen Stock Exchange, remains in progress. In January 2014, the injection of 25% interest in the Dujiangyan plants by LSOC into Sichuan Shuangma received overwhelming approval from the independent shareholders of Sichuan Shuangma, and relevant application to the China Securities Regulatory Commission (CSRC) was made. It is expected that CSRC approval will be obtained in the second quarter of 2014.

Meanwhile, the Group continues to pursue its planned exit strategy for its interests in LSOC, which has, for some years, completely failed to meet profit expectations and has tied up a significant amount of our financial resources. In November 2013, Lafarge unilaterally terminated certain provisions in the agreed exit road map for SOCAM's divestment, but we remain firmly committed to divesting our cement interests to free up the capital and return it to shareholders.

Management Discussion and Analysis

FINANCIAL REVIEW



Financial Results

The Group's turnover was HK$7,952 million for the year ended 31 December 2013. Consolidated loss after taxation and non-controlling interests was HK$889 million, as compared with a profit of HK$459 million for the last year. The Directors of the Company do not recommend the payment of any final dividend for the year ended 31 December 2013 (2012: HK$0.50 per share).

Certain of the Group's property business, cement operations and venture capital investments are conducted through joint ventures and associates. The HK$7,952 million turnover for the year has not included the Group's share of the turnover of these joint ventures and associates. An analysis is as follows:

	Year ended 31 December 2013 HK$ million	Year ended 31 December 2012 HK$ million (restated)
Turnover		
SOCAM and subsidiaries		
Construction and building maintenance	**4,829**	5,358
Property	**3,104**	1,084
Others	**19**	1
Total	**7,952**	6,443
Joint ventures and associates		
Property	**950**	1,402
Cement	**3,496**	3,489
Others	**14**	1
Total	**4,460**	4,892
Total	**12,412**	11,335

Turnover from construction and building maintenance work decreased as a result of a reduced workload in the Mainland and less fit-out and refurbishment works during the year. Revenue from the property business increased during the year and mainly came from the recognition of strata-title sales of the residential and serviced apartments units of Guangzhou Parc Oasis and Shenyang Project Phase I, as well as en-bloc disposals of the Guangzhou Panyu project and an office tower of Shenyang Project Phase I. In addition, certain of the Group's property projects are developed through joint ventures. Beijing Centrium Residence and Shanghai Four Seasons Place, in which the Group has a 65% and 70% interest respectively, began to recognise property sales revenue in 2012 and less revenue was derived from these two projects in 2013. Together with the 22%-owned Dalian Tiandi project, the Group's share of property sales revenue from these joint development projects amounted to HK$950 million for 2013.

The Group previously accounted for its 45% interest in LSOC as "Assets classified as held for disposal" and discontinued to equity account for the results of this cement joint venture with effect from 1 January 2012. Notwithstanding that the Group is still highly committed to the exit strategy for its investment in LSOC and negotiations with interested buyers are ongoing, the very stringent criteria for the classification of this investment as held for disposal, under the applicable accounting standard, can no longer be met at 31 December 2013. Accordingly, in the current year, the Group ceased to classify such investment as held for disposal and, as required, accounted for it using the equity method retrospectively, with comparative figures restated.

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

	Year ended 31 December 2013 HK$ million	Year ended 31 December 2012 HK$ million (restated)
Property		
Project fee income	**77**	84
Profit from property sales and net rental income	**244**	134
Fair value gain on investment properties, net of deferred tax provision	**187**	185
Gain on disposal of subsidiaries	**–**	492
Share of results of joint ventures and associates	**(117)**	300
Net operating expenses	**(201)**	(233)
	190	962
Construction		
Operating profit	**115**	163
Land resumption compensation	**–**	89
	115	252
Cement operations		
LSOC	**(160)**	(324)
Guizhou cement	**11**	(4)
Net impairment losses	**(126)**	(15)
	(275)	(343)
Investment in SOL		
Dividend income	**2**	17
Net gain on disposal of shares	**–**	134
	2	151
Venture capital investments	**(88)**	(73)
Net finance costs	**(264)**	(262)
Corporate overheads and others	**(172)**	(117)
Taxation	**(380)**	(85)
Non-controlling interests	**(17)**	(26)
Total	**(889)**	459

Property

Project fee income from joint ventures and associates decreased slightly to HK$77 million following the scheduled completion of certain of the property projects managed by the Group.

Profit from property sales related to strata-title sales of Guangzhou Parc Oasis, as well as en-bloc disposals of the Guangzhou Panyu project and an office tower of Shenyang Project Phase I. In 2012, a lower property sales profit was recorded as delivery of the pre-sold units in Guangzhou Parc Oasis only commenced in the second half of 2012. Rental income continued to be derived from the Group's investment properties, including Lakeville Regency Tower 18 in Shanghai.

The revaluation of the Group's investment properties, including both completed and those under development, at the current year-end, produced a net gain of HK$187 million.

In 2012, the net gain of HK$492 million came from the disposals of the Group's 20% interest in the Guizhou Zunyi project and certain property holding companies.

As mentioned above, the Group's jointly developed projects, Beijing Centrium Residence and Shanghai Four Seasons Place recorded less property sales in 2013, hence contributing smaller profits to the Group. The Four Seasons Hotel Pudong, Shanghai, which was opened in November 2012, incurred a loss during its first year of operation. In addition, following the completion of development of the residential and office premises in certain phases of Dalian Tiandi during the year, interest on related construction loans ceased to be capitalised and were expensed.

Construction

Construction business reported lower operating profit on a reduced turnover for 2013, and average net margin was decreased to 2.4% of turnover, from 3.0% in the previous year, due mainly to escalation in material and labour costs.

In 2012, a net compensation income of HK$89 million was recognised on resumption by the HKSAR Government of parcels of workshop land owned by the Group.

Cement operations

Total sales volume remained steady, while pricing continued to be depressed due to over-capacities. LSOC saw an increase in margins, mainly due to an approximately 7.6% decrease in variable cost on lower fuel charges, and reported improved operating results in 2013.

During the year, LSOC made impairment loss provisions for the start-up costs previously incurred in two suspended new dry lines in Chongqing and Guizhou and certain equipment and inventories in Yunnan and Chongqing. The Group took up its 45% share of these provisions, which amounted to HK$126 million.

Investment in SOL

In December 2012, the Group disposed of approximately 2.01% of its then holding of 2.38% of the issued share capital of SOL and recognised a net gain on disposal of HK$134 million. This divestment resulted in the reduction of dividend income from SOL for the current year.

Venture capital

The venture capital funds in which the Group invested recorded valuation losses on the funds' interests in a number of investee companies, as these companies reported lower-than-expected results in both 2013 and 2012. A general provision for impairment loss, amounting to HK$70 million, was made during the year.

Net finance costs

Net finance costs for the current year remained relatively stable, as compared with the previous year.

Taxation

Taxation increased significantly to HK$380 million in 2013, which was the result of the substantial increase in property sales recognised for the year and additional deferred tax provision on the Shanghai Lakeville Regency Tower 18 project which was reclassified from investment property to asset held for sale.

Assets Base

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

	31 December 2013 HK$ million	31 December 2012 HK$ million (restated)
Total assets	**23,120**	23,320
Net assets	**9,324**	10,218
	HK$	HK$
Net assets per share	**19.3**	20.8

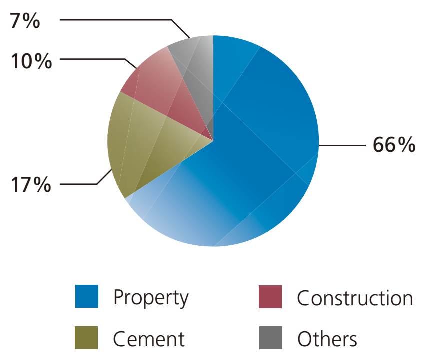
Total assets of the Group did not change materially at 31 December 2013, as compared with a year ago. The decrease in net assets of the Group and the net assets per share was largely attributable to the loss incurred during the year.

The net assets of the Group and net assets per share at 31 December 2012 have been restated with the Group's share of LSOC's loss for 2012 as a prior year adjustment.

An analysis of the total assets by business segments, which remained relatively stable, is set out below:

	31 December 2013 HK$ million	**%**	31 December 2012 HK$ million (restated)	% (restated)
Property	**15,266**	**66**	15,633	67
Cement	**4,004**	**17**	4,259	18
Construction	**2,281**	**10**	2,274	10
Investment in SOL shares	**71**	**–**	84	–
Others	**1,498**	**7**	1,070	5
Total	**23,120**	**100**	23,320	100

Total Assets By Business Segments:



Equity, Financing and Gearing

The shareholders' equity of the Company decreased to HK$9,324 million on 31 December 2013, from HK$10,218 million on 31 December 2012, which was mainly attributable to the loss for the year.

Net bank borrowings of the Group represented bank borrowings, net of bank balances, deposits and cash, and amounted to HK$4,503 million on 31 December 2013. This compared with HK$4,815 million on 31 December 2012. The decrease in net bank borrowings during the year was mainly due to the receipt of property sales proceeds and repayment of onshore project loans following completion of certain property projects.

The net gearing ratio of the Group, calculated as net bank borrowings over shareholders' equity, was slightly increased to 48.3% at 31 December 2013, from 47.1% at 31 December 2012.

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

	31 December 2013 HK$ million	31 December 2012 HK$ million
Bank borrowings repayable:		
Within one year	**6,892**	4,786
After one year but within two years	**1,313**	3,215
After two years but within five years	**–**	78
Total bank borrowings	**8,205**	8,079
Bank balances, deposits and cash	**(3,702)**	(3,264)
Net bank borrowings	**4,503**	4,815

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

Employees

At 31 December 2013, the number of employees in the Group was approximately 1,110 (31 December 2012: 1,100) in Hong Kong and Macau, and 7,650 (31 December 2012: 8,640) in subsidiaries and joint ventures 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. Based on the financial performance of the Group as well as the individual performance and contribution of the staff members each year, share options may be granted 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.

Caring for our
PEOPLE

Caring for the
ENVIRONMENT

Caring for the
COMMUNITY

CORPORATE SOCIAL RESPONSIBILITY REPORT

Shui On • We Care

SOCAM's principal areas of operation are in property development and cement production in the Chinese Mainland, and construction in Hong Kong. Each makes a heavy demand on the use of materials and throws up particular challenges in areas such as emissions and workplace safety. The Company diligently employs and monitors the necessary measures to minimise our environmental footprint and promote on-site safety.

SOCAM invests in training and compliance in best practice sustainability solutions, is an early-adopter of modern thinking on waste management and resource use and regularly conducts both internal and external audits to measure results. We seek to strengthen efforts in use of resources and environmental sustainability and meet ever more stringent targets every year based on stringent Key Performance Indicators.

Site safety is a major priority, an area in which, year after year, SOCAM by far outperforms industry standards. Our care and support for all staff extends to promoting their overall wellness, personal growth, skill sets and opportunities for career advancement.

The Group is ever aware of our role as a corporate citizen and seeks ways we can contribute and participate in the communities where we operate. Our goal is to make small but significant differences to the lives of many, particularly the disadvantaged young and the elderly.

In 2013, the Group's commitment to corporate social responsibility gained recognition once again as SOCAM and its four subsidiaries were awarded Caring Company Logo by The Hong Kong Council of Social Service, for the seventh consecutive year.

Progress Highlights of 2013

COMMUNITY

Supporting Youth Development	• Po Leung Kuk – Energetic Youth Club • The Hong Kong Federation of Youth Groups – 'Travel Mission' project • Hong Kong Sea Cadet Corps – overseas exchange programme • Child Development Matching Fund – poverty alleviation programme
Corporate Support in Charitable Events	• The Community Chest of Hong Kong Corporate and Employee's Contribution Scheme • MTR Hong Kong Race Walking • The Standard Chartered Hong Kong Marathon
Volunteering – Supporting the Elderly and Low-income Families	• In Hong Kong, 20 events were organised with 121 volunteers for 2,623 serving hours • In Sichuan, support was offered to the Lushan earthquake and donations were raised for the affected students • In Guizhou, paid visits to the elderly who live alone, and provided daily necessities • In Beijing, donating multi-media educational tools to a school

ENVIRONMENT

Conducting Carbon Emissions audit	• Commissioned a professional consultant to measure for greenhouse gas emission for corporate office and four construction sites
Green Certifications	• Shui On Construction was accredited with ISO50001 in Energy Management • Construction project "Energising Kowloon East Office" received Platinum rating in BEAM Plus version 1.1 • Public housing project in Yuen Long obtained Platinum rating (Provisional) in BEAM Plus version 1.2
Green Engagement	• Implementation of energy and paper saving and water recycling in the workplace • Conduct Eco Tour with employees • Recycling campaigns at offices and construction sites

PEOPLE

Health and Safety	• Participated in the Pilot Scheme of Cooling Vest Promotion jointly organised by Labour Department and Occupational Safety & Health Council
Work-life Balance	• Workplace Health and Wellness Series including Healthy Drinks & Fruits Day, free Body Check and Healthcare Seminars • Launching of 'We Care' week
Learning & Development	• Lunch & Learn Series, learning programmes for personal growth

Caring for the COMMUNITY

As a responsible corporate citizen, SOCAM's investment in the community takes into account specific societal needs; ways in which we can focus the areas and nature of our contributions. These contributions encompass corporate cash donations and the simple gift of time and concern for others in the long tradition of the Shui On 'We Care' spirit. SOCAM employees pool a wealth of life and work experience to benefit the wider community.

The Shui On Seagull Club, our employee-run association formed in 1982, works hand-in-hand with charity organisations in both Hong Kong and Mainland China to ensure donations of time and money make a direct positive impact on the lives of the most deserving. Throughout, the Seagull Club receives welcome corporate support. The Company promotes outreach activities during the working week under SOCAM's Community Service Leave Policy. In 2013, this helped to boost our voluntary service time to 3,444 hours, an increase of 28% over the previous year.

2013 Voluntary Service Hours: 3,444

28% Increase on previous year

Employee Volunteering	2012	2013
No. of staff participation	466	**468**
No. of employee volunteer hours	2,679	**3,444**
No. of charity leave taken (hours)	891	**792**

Caring for the Elderly and Low Income Families

Caring for the elderly is a growing concern in Hong Kong and the Chinese Mainland. SOCAM partners with charitable organisations to build outreach relationships such as home visits and festive gatherings for our older citizens, particularly those living alone.

Our volunteers devote their time to making regular home visits to offer soup and nourishing food, to lend a sympathetic ear and offer help and advice on any problems they face, and help organise outings for the elderly to foster a sense of community. We also help support lower-income families and the disabled as we participate in outings and events, including overnight camping.

In Mainland China, SOCAM personnel reach out to the elderly through home visits and the provision of daily necessities. In the aftermath of the Lushan earthquake in Sichuan in April 2013, volunteers from our Chengdu and Chongqing offices raised funds and visited affected areas in a team effort to help schools return to normal daily lessons and provide learning materials. We work with the Chi Heng Foundation to assist children from AIDS impacted families, in sponsoring educational opportunities and university students' summer camps and help reduce their feeling of isolation from wider society.

Visit to the elderly

Youth Development

We invest time and resources in the younger generation, in order to promote learning and self-confidence for the betterment of an individual's values and opportunities and for the benefit of the wider community in the years ahead. Continuity in involvement is critical particularly in areas where we support mentoring programmes for the young and providing opportunities for joining exchange opportunities to broaden their horizons through travel.

Story-telling activity for children with dyslexia

Programme Highlights

Mentorship programme with Po Leung Kuk

- The Group is one of the founding sponsors of Po Leung Kuk Energetic Youth Club which is dedicated to promoting initiative, creativity and a healthy lifestyle in the young. It engenders a sense of responsibility and provides work skills to prepare for life ahead. SOCAM executives have been active in mentorship programmes with Po Leung Kuk.

- We are in the third consecutive year of sponsoring cadets of the Hong Kong Sea Cadet Corps in participating in youth exchange programmes to places such as Singapore and the United Kingdom. Such cultural exchange helps to broaden participants' outlook and develop self-confidence.

- SOCAM sponsored a travel programme organised by the Hong Kong Federation of Youth Groups that invites participants to submit proposals for creative ideas to fulfill a social mission during a fully-subsidised overseas trip. In December, a group of students visited Cambodia to convey the message 'Growing with Fun' that involved designing activities for children from Cambodian orphanages. Our 'We Care' spirit helped these young people from Hong Kong spread the message of concern and help for those with fewer life advantages than themselves.

- We also sponsored the Child Development Matching Fund for its poverty alleviation programme to encourage youth to make monthly savings.

SOCAM provides summer internship programmes to give young people opportunities to develop practical work experience. Orientation is organised to help them familiarise with day-to-day operations and the spirit of co-operation towards a common project goal. In 2013, 21 students interns were recruited from various universities to join the programme, plus 13 from the Construction Industry Council Training Academy.

Sponsor for the 'Travel Mission' Project

Caring for the ENVIRONMENT

Environmental management is core to SOCAM's business strategy and practices, particularly in building design and operation and on-site construction methods. As a major construction company in Hong Kong, we continued to seek ways to further minimise the environmental impact of all our operations, across all disciplines.

The Company has for many years been a first adopter of new methodologies that bring about a measurable improvement in conservation of energy and natural resources, waste management and emissions reduction. In the past year we have gone a step further in reinforcing monitoring procedures by introducing third-party auditing of our carbon footprint.

Carbon Emission

Environmental sensitivity in reducing greenhouse gas (GHG) emissions, measurable by quantifying the extent of our carbon footprint in relation to works in progress, our building design and general office practices, particularly needs expert assessment. To this end, in 2013, the Company obtained annual ISO 14064 certification which specifies principles and requirements for quantifying and reporting GHG emissions. The scope of verification includes physical infrastructure, activities, technologies and processes of corporate office and four construction sites.

Reported GHG Emission Data (tonnes CO_2e)	2012	2013
Direct emissions	656.7	**805.1**
Energy indirect emissions	2,271.3	**1,237.7**
Other indirect emission	39,916.4	**35,454.6**
Total	42,844.4	**37,497.4**

SOCAM has achieved a 12% year-on-year reduction of the total figure calibrated to construction work in designated construction sites.

Prize-giving ceremony of the Considerate Contractors Site Award Scheme 2012

Major GHG emissions reduction measures implemented during the year so as to reduce our carbon footprint year-on-year include:

- Installation of energy efficient appliances such as T5 tubular fluorescent lighting and setting the central air-conditioning at 25°C.
- Use of the three-colour bin system to facilitate recycling by waste composition.
- Refueling with ultra-low sulphur diesel in all plant machinery to reduce pollution.
- Regular maintenance of all site equipment to enhance operation performance, energy efficiency and life span.

Waste Management

To maximise the use of material resources, and significantly cut back on waste, SOCAM has in place an online platform for materials exchange between sites at different stages of the construction cycle.

Our use of aluminum slabform to reduce reliance on timber framework helps conserve forest resources. For example, two public housing projects of 33 storeys can save 52,000 square metres of timber framework by using aluminum. Some 70% of this slabform can be re-used on other sites. We also save water by collecting sewage and waste water from construction sites and purifying it for grey-water reuse.

Environmental Certification

During the year, our Energising Kowloon East Office construction project was completed and received Platinum Rating in the final assessment under the BEAM Plus – Building Environmental Assessment version 1.1. To attain the final Platinum (the highest) rating, it's necessary to deliver a building that incorporates very significant contributions to sustainable development over a number of criteria. BEAM Plus for New Buildings includes innovative solutions for Water and Energy use, Indoor Environment quality and Site and Materials sensitivity.

To attain such recognition requires a range of planning, design, construction, operation and management decisions at an early stage of project development. SOCAM's next target is to achieve Platinum Rating for our construction of two towers of public housing in Yuen Long, a site area of 4,300 square metres. Plans for this have already obtained a Platinum Rating of Provisional Assessment under BEAM Plus version 1.2. The challenge is to meet these stringent environmental efficiencies based on a percentage reduction of traditional expectation.

Our goal:

Energy Saving

Over 30% of energy reduction for artificial lighting

Roof materials meeting the Solar Reflectance Index of 78, or vegetation covering at least 50% of the total roof area

Creating interior spaces that allow for natural sunlight and air flow

Water Conservation

Externally, to install highly efficient irrigation devices to save over 50% reduction on fresh water usage

Internally, to install water appliances with WELS Grade 2 and dual flush closet to reduce around 36% of sewage discharge

Green Education

Eco-friendly practices in the office and on-site are maintained through developing a culture of green thinking, and through education. SOCAM empowers employees and sub-contractors by enhancing their environmental awareness and knowledge of best-practice solutions through intranet, newsletters, in-house seminars and site visits to view application in practice.

Construction work on a SOCAM project at Lung Yat Estate in Tuen Mun was completed in October 2013. Throughout the project, we worked closely with the Housing Department to implement working guidelines to ensure minimum impact on the neighbourhood and the integrity of existing trees and plants.

An environment protection slogan competition was held with full support from the Housing Department and schools nearby. To create a green and present living environment, our construction arm held a community planting day; parents and students from the schools within the estate participated.

In the Chinese Mainland, staff of the Chengdu office organised a 'Green World Cup' with Chengdu's local government to promote environmental sustainability.

Caring for our PEOPLE

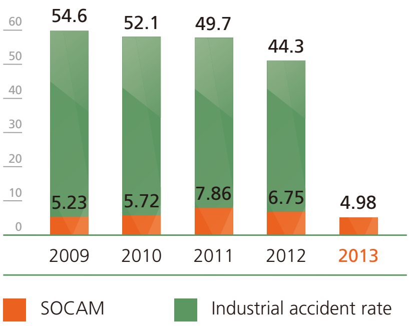
Fruits Day

We regard our employees as our greatest asset. At SOCAM, we are committed to developing their skills and sense of belongings and to creating a positive work environment. We put safety as a top priority. On a daily basis, SOCAM promotes overall wellness and encourages personal growth and work-life balance.

Putting safety above all

By instiling an all-encompassing safety culture in construction practices, we are constantly able to meet, even exceed, industry standards. In 2013, our construction division achieved the lowest accident rate in the past five years.

Accident rate per thousand workers



We extend our commitment to safety to subcontractors through organising annual Subcontractors' Safety Workshop and Target Seminar where subcontractors and their site management are invited to participate and share the latest best-practices and legislation in safety, environmental awareness, and the pursuit of quality construction outcomes. We arranged training classes for subcontractors' site supervisors and workers on site safety and worker management. In 2013, SOCAM dedicated a total of 53,360 man-hours to all aspects of safety.

During the year, we started our participation in the pilot of the Cooling Vest Promotion Scheme jointly organised by the Labour Department and Occupational Safety & Health Council. This initiative seeks to greatly reduce the risk of heat stroke of our workers. Further measures have also been taken at construction sites as precautions for heat stroke.

We strive to keep our safety procedures under constant review with the aim of achieving continuous

Cooling Vest Promotion Pilot Scheme

improvement, and maintain a rigorous Safety First policy primarily through the OHSAS 18001 accredited Safety and Health Management System. SOCAM's safety incentive system rewards safety model workers and we operate a yellow card/red card scheme as a disciplinary measure.

Construction Safety Forum and Award Presentation

Employee Wellbeing

As a caring employer, we were among the first to provide an employee assistance programme provided by external professional therapists. Employees who may be experiencing stress-related or psychological problems have access to free counseling.

To reinforce our year-round commitment to work-life balance and creating a harmonious work environment, we organised a We Care Week with the theme of 'Happy Organisation, Positive Community'. We offered a number of in-house activities, including health talks, work-life balance seminars and exercise sessions. The We Care Week attracted 862 participants from the Group.

Our Recreation Club organised a variety of activities for employees, covering gatherings, soccer games and outings. The five activities organised during 2013 met with overwhelming interest, with 471 participants in total.

Over 25 events were organised by employees in 2013, with more than 800 staff members participating.

Among these are:

- Lunch & Learn Series – sharing programmes for individual interests, learning programmes for personal growth, promoting a learning culture, etc.
- Work-Life Balance – Chinese opera interest club, external recreation activities, family outings, etc.
- Wellness and Health initiatives – Baduanjin exercises, Healthy Drinks & Fruits Day, Health Topic Sharing, Body Check-ups, etc.

People Development

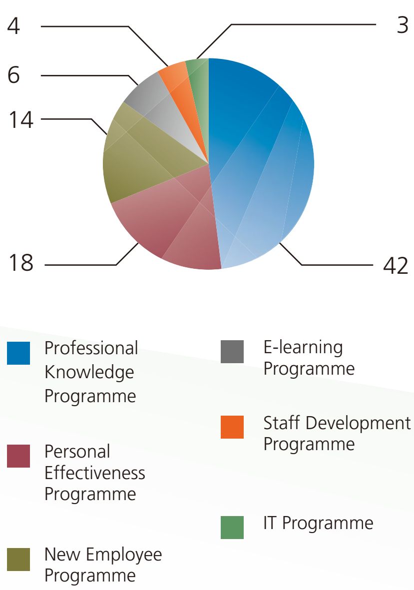
SOCAM commits to continuous training opportunities by offering a number of courses for developing professional/technical competency. The Trainee Foreman programme and Graduate Training programmes, in particular the Graduate Engineer Training programme, help nurture trainees seeking to rise to a position of leadership and responsibility in the construction industry. This involves three years of on-the-job training covering both technical and soft-skills mentoring.

People development initiatives include:

- Sponsorship for external training
- Internal Training Programmes
- Career Development Programmes, e.g. Graduate Engineer Training
- Health, Safety and Environment Trainee Development Programme
- Construction Craftsman Training, an apprenticeship programme
- Trainee Foreman Programme, Largely conducted on-site.
- Contractor Cooperative Training Scheme, practical instruction to develop much-needed on-site competencies in the construction industry.

Continuous learning opportunities are a cornerstone of employee workplace fulfillment and promotion pathways. These are supplemented by a number of activities to promote physical and psychological health and the sharing of knowledge and interests in presentations conducted by the staff themselves. To encourage life-long learning, books and other materials in our in-house library can be accessed via the staff website.

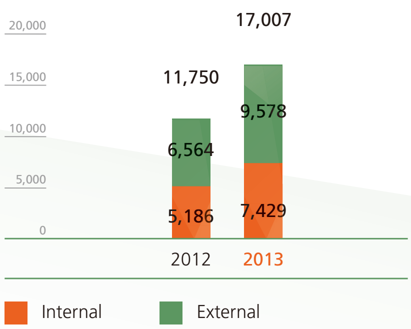
Number of training courses conducted in 2013 by topic



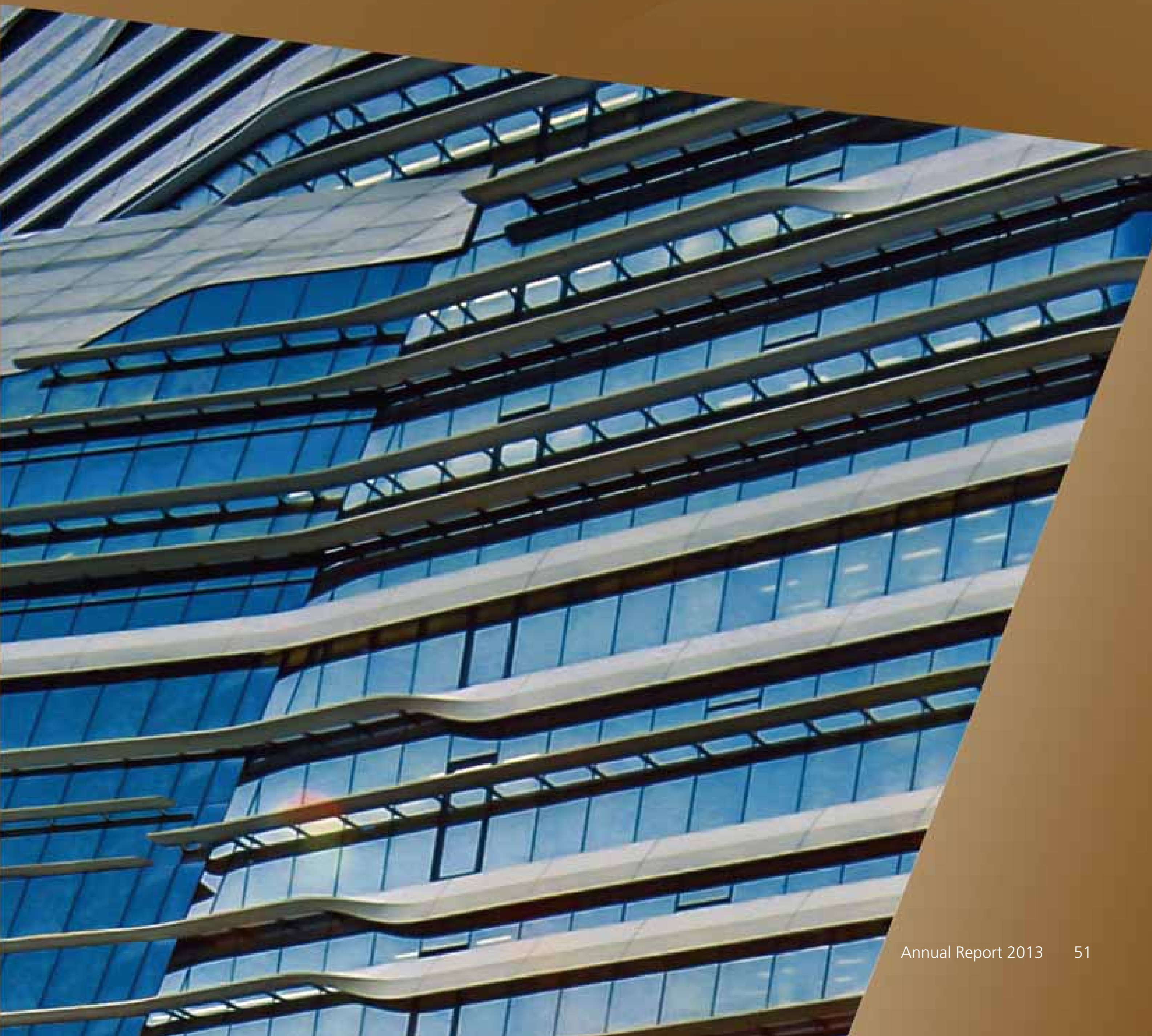
Team building

Relevant training and development courses are arranged from time to time to strengthen management and operational skills at all staff levels.

SOCAM total training hours



CORPORATE GOVERNANCE REPORT



Corporate Governance Report

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of integrity, transparency, accountability and independence. The Board of Directors of the Company (the "Board") believes that good corporate governance is essential for sustainable development and growth of the Company, enhancement of its credibility as well as shareholders' value. In light of the regulatory requirements and the needs of the Company, the Board has reviewed the Company's corporate governance practices along with the adoption and improvement of the various procedures and documentation, which are detailed in this report.

Throughout the year ended 31 December 2013, the Company complied with all the code provisions of the Corporate Governance Code (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"), 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 make decisions objectively in the interests of the Company.

The Board is responsible for 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 Board Committee members, and other significant financial and operational matters. The Board also plays a central support and supervisory role in the Company's corporate governance duties to ensure the Company maintains a sound governance framework for long-term sustainable shareholders' value.

All operational decisions are delegated to the Executive Directors. The day-to-day management, administration and operation of the Company are the responsibilities of senior management of different business divisions and their functions and work tasks are periodically reviewed. The Board gives clear directions to 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 given to them by the Board.

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 are set out in a Board Charter adopted in 2008 upon the recommendation of an external consultant following a Board evaluation. The Board Charter is reviewed by the Board annually to ensure that it remains appropriate to meet the Company's needs.

Composition

At the date of this report, the Board comprises nine members, including three Executive Directors and six Non-executive Directors, four of whom are Independent Non-executive Directors. The current composition of the Board is set out as follows:

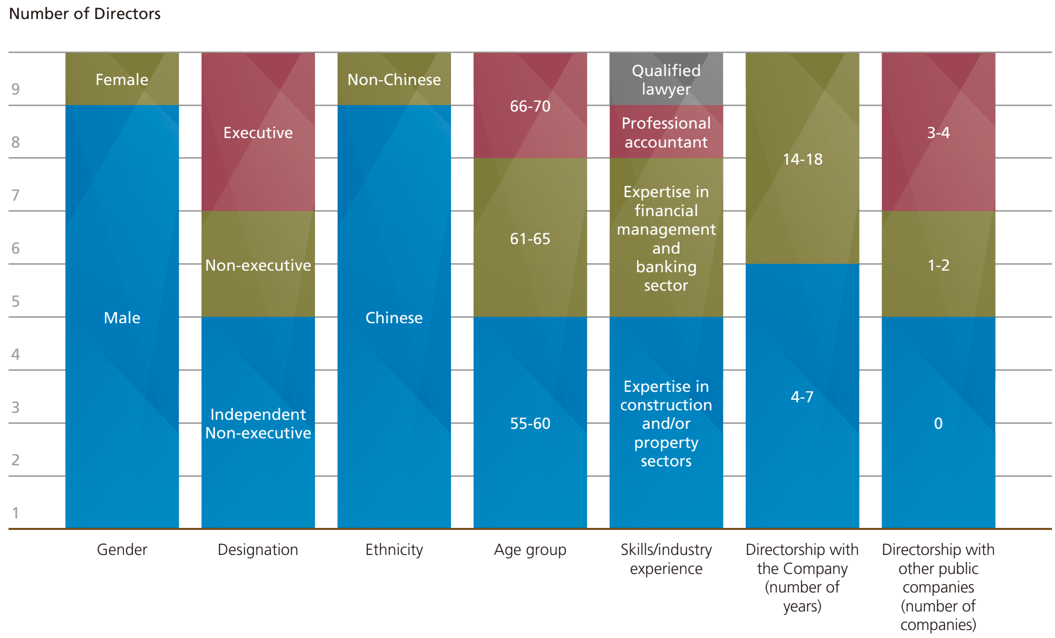
Executive Directors:
Mr. Lo Hong Sui, Vincent *(Chairman)*
Mr. Choi Yuk Keung, Lawrence *(Vice Chairman and Managing Director)*
Mr. Wong Fook Lam, Raymond *(Managing Director and Chief Financial Officer)*
Non-executive Directors:
Mr. Wong Yuet Leung, Frankie
Mr. Wong Kun To, Philip
Independent Non-executive Directors:
Mr. Gerrit Jan de Nys
Ms. Li Hoi Lun, Helen
Mr. Chan Kay Cheung
Mr. Tsang Kwok Tai, Moses

With effect from 1 July 2013, Mr. Wong Kun To, Philip stepped down as the Managing Director and Chief Executive Officer of the Company and was re-designated from the role of Executive Director to Non-executive Director of the Company. On the same date, Mr. Choi Yuk Keung, Lawrence and Mr. Wong Fook Lam, Raymond were appointed as Managing Directors of the Company in addition to their roles of Vice Chairman and Chief Financial Officer respectively.

The composition, structure and size of the Board are reviewed at least annually by the Nomination Committee to ensure that it has a balance of appropriate skills, experience and diversity of perspectives to meet the needs of the business of the Group.

Members of the Board have a diverse range of business, financial and professional expertise. Brief biographical details of the Directors are set out in the "Directors and Senior Management" section on pages 76 to 79.

An analysis of the current Board composition is set out in the following chart:



The Company has throughout the year exceeded the requirements of the Listing Rules relating to the appointment of Independent Non-executive Directors representing at least one-third of the Board, 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 judgment.

Chairman and Managing Directors

The distinct roles of the Chairman and the Managing Directors are acknowledged. Their respective responsibilities are clearly defined in the Board Charter, as amended following a review by the Board during the year.

The Chairman is responsible for ensuring the effectiveness of the Board in fulfilling its roles and responsibilities. He provides leadership to 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 and creating a favourable environment for the development of the Group's business.

The Vice Chairman and Managing Director is responsible for leading the management and day-to-day operation 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 maintenance of a strong corporate culture and staff morale within the Group during the course of the assets monetisation for the benefits of the Company's shareholders. The Managing Director and Chief Financial Officer takes full responsibilities for all financial matters and assists the Vice Chairman and Managing Director in the execution of the strategies and policies.

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, with the recommendation of the Nomination Committee, is responsible for 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 Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In March 2013, the Board adopted a Board Diversity Policy upon the recommendation of the Nomination Committee to set out the approach to achieve diversity of the Board members. A summary of the Board Diversity Policy is set out in the Nomination Committee Report on page 73.

The process for the nomination of Directors is led by the Nomination Committee. When recommending nominations to the Board for approval, the Nomination Committee will consider the merit and contribution that the selected candidates will bring to the Board, having due regard for a range of diversity perspectives (including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) as set out in the Board Diversity Policy. External recruitment agencies may be engaged to assist in the recruitment and selection process.

Each of the Non-executive Directors of the Company is appointed for a specific term of 3 years, subject to the provisions on Directors' retirement as set out in the Bye-laws of the Company. All Directors appointed by the Board shall hold office only until the next general meeting of the Company (in the case of filling a casual vacancy) or until the next annual general meeting of the Company (in the case of an addition to the Board), and every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every 3 years.

In accordance with the Bye-laws of the Company, Mr. Lo Hong Sui, Vincent, Mr. Wong Yuet Leung, Frankie and Ms. Li Hoi Lun, Helen shall retire by rotation at the forthcoming annual general meeting of the Company to be held on 27 May 2014. All the said Directors, being eligible, will offer themselves for re-election at the annual general meeting.

Board Committees

The Board has set up six 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.

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. The terms of reference of the Committees are reviewed by the Board from time to time to cope with any regulatory changes and the needs of the Company. In light of the Board Diversity Policy adopted during the year, the Board has reviewed and approved the revised terms of reference of the Nomination Committee that have set out the responsibilities in this respect. The updated terms of reference of the various Committees are available on the websites of the Company and the Stock Exchange.

A code provision of the CG Code provides that the terms of reference of the Remuneration Committee should include, as a minimum, the responsibilities to (i) determine or make recommendations to the Board on the remuneration packages of the individual Executive Director and senior management; (ii) review and approve compensation payable to Executive Directors and senior management for any loss or termination of office or appointment; and (iii) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives. The Remuneration Committee has reviewed its functions and considered that these responsibilities in relation to the remuneration and compensation of management should be vested in the Executive Directors who have a better understanding of the level of expertise, experience and performance expected of the management in their daily business operations. The Remuneration Committee would continue to be primarily responsible for the review and determination of the remuneration package of the individual Executive Director. After due consideration, the Board adopted the revised terms of reference of the Remuneration Committee with the said responsibilities in relation to the remuneration and compensation of management excluded from its scope of duties, which deviates from the code provision. 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 packages 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 amendment to the terms of reference of the Remuneration Committee in this respect, which deviates from a code provision of the CG Code. The Non-executive Directors abstain 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.

The major roles, compositions and frequencies of meetings of the Board Committees are summarised as follows:

	Major roles and functions	Composition	Frequency of meetings
Audit Committee	• To review the consolidated 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 of, services provided by and remuneration of the external auditor and its independence • To review and monitor the effectiveness of the internal audit function	**Independent Non-executive Directors** Mr. Chan Kay Cheung *(Chairman)* Mr. Gerrit Jan de Nys Ms. Li Hoi Lun, Helen **Non-executive Director** Mr. Wong Yuet Leung, Frankie	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 remuneration package of individual Executive Director • To review and approve performance-based remuneration of Executive Directors with reference to the corporate goals and objectives	**Independent Non-executive Directors** Mr. Tsang Kwok Tai, Moses *(Chairman)* Ms. Li Hoi Lun, Helen **Executive Director** Mr. Lo Hong Sui, Vincent	At least twice a year
Nomination Committee	• To review the structure, size and composition of the Board at least annually • 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 the appointment or re-appointment of Directors and succession planning for Directors • To review annually the time commitment required of Directors • To review the Board Diversity Policy and monitor its implementation	**Executive Directors** Mr. Lo Hong Sui, Vincent *(Chairman)* Mr. Choi Yuk Keung, Lawrence **Independent Non-executive Directors** Mr. Gerrit Jan de Nys Mr. Chan Kay Cheung Mr. Tsang Kwok Tai, Moses	At least once a year

	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 funding for 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 review financing requirements of the Group and compliance of bank loan covenants	**Non-executive Director** Mr. Wong Yuet Leung, Frankie *(Chairman)* **Executive Director** Mr. Wong Fook Lam, Raymond **Independent Non-executive Directors** Mr. Gerrit Jan de Nys 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 respectively • To make recommendation to the Board as to whether the Group should acquire a property project or, as the case may be, dispose of a property project and if so, the terms, timing and strategy • To review the overall investment/divestment strategy of the Group, make recommendation to the Board on any proposed change to the strategy, and to monitor its implementation	**Executive Directors** Mr. Choi Yuk Keung, Lawrence *(Chairman)* 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 business of the Group • To formulate corporate goals and plans 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 Fook Lam, Raymond **Other key executives**	Monthly

Mr. Wong Kun To, Philip stepped down as a member and the Chairman of the Finance Committee as well as a member of the Nomination Committee, the Investment Committee and the Executive Committee following his re-designation as a Non-executive Director of the Company on 1 July 2013. Mr. Wong Yuet Leung, Frankie, a Non-executive Director of the Company and a member of the Finance Committee, was appointed as the Chairman of the Finance Committee to succeed Mr. Wong Kun To, Philip. Mr. Choi Yuk Keung, Lawrence, an Executive Director of the Company, was also appointed as a member of the Nomination Committee in place of Mr. Wong Kun To, Philip.

Separate reports prepared by the Audit Committee, the Remuneration Committee and the Nomination Committee, which summarise their work performed during the year, are set out on pages 66 to 67, 68 to 72 and 73 to 74 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 frequencies of the Board Committee meetings have been set out in the section above.

The annual meeting schedule and the agenda of each meeting are made available to Directors in advance. Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and Committee meetings, reasonable notices are given.

Papers for Board meetings or Committee meetings together with all relevant information are normally sent to all Directors or Committee members at least 3 days before each meeting to enable them to make informed decisions with adequate data.

The Company Secretary of the Company is responsible for maintaining minutes of all meetings of the Board and its Committees. Draft minutes are circulated to Directors for comment within a reasonable time after each meeting and the final version thereof, 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.

Access to information

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.

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. A Director's portal has been in place to facilitate online access to information needed by Board members, including all papers and minutes for the meetings of the Board and its Committees and the monthly management updates on the Group's financials. Each Director also has separate and independent access to management.

Directors' commitment

Each Director is expected to give sufficient time and attention to the affairs of the Company. The Board, through the Nomination Committee, reviews annually the time commitment required of Directors to perform their responsibilities to the Company. All Directors have disclosed to the Company the number and nature of offices held in public companies or organisations and other significant commitments, with the identity of the public companies or organisations and an indication of the time involved. Each Director is also requested to provide a confirmation to the Company semi-annually and notify the Company Secretary in a timely manner of any change of such information.

The individual attendance records of each Director at the Board and Committee meetings as well as the general meeting of the Company held during the year are set out below:

	Attendance/Number of meetings during the year							
Name of Director	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meeting	Investment Committee meetings	Finance Committee meetings	Executive Committee meetings	Annual general meeting
Mr. Lo Hong Sui, Vincent	5/5	N/A	3/3	1/1	N/A	N/A	12/12	1/1
Mr. Choi Yuk Keung, Lawrence	5/5	N/A	N/A	N/A (Note 1)	2/2	N/A	12/12	1/1
Mr. Wong Fook Lam, Raymond	5/5	N/A (Note 2)	N/A	N/A	2/2	5/5	11/12	1/1
Mr. Wong Yuet Leung, Frankie	5/5	4/4	N/A	N/A	N/A	5/5	N/A	0/1
Mr. Wong Kun To, Philip	4/5	N/A	N/A (Note 3)	1/1 (Note 4)	1/1 (Note 4)	2/2 (Note 4)	5/6 (Note 4)	1/1
Mr. Gerrit Jan de Nys	5/5	4/4	N/A	1/1	N/A	4/5	N/A	1/1
Ms. Li Hoi Lun, Helen	5/5	4/4	3/3	N/A	2/2	N/A	N/A	1/1
Mr. Chan Kay Cheung	5/5	4/4	N/A	1/1	1/2	4/5	N/A	1/1
Mr. Tsang Kwok Tai, Moses	5/5	N/A	3/3	1/1	N/A	5/5	N/A	1/1

Notes:

1. Mr. Choi Yuk Keung, Lawrence was appointed as a member of the Nomination Committee with effect from 1 July 2013. The Nomination Committee did not hold any meeting during the year after his appointment.
2. By invitation, Mr. Wong Fook Lam, Raymond, as the Chief Financial Officer, attended all meetings of the Audit Committee.
3. By invitation, Mr. Wong Kun To, Philip, as the Chief Executive Officer before he stepped down from such position on 1 July 2013, attended a meeting of the Remuneration Committee.
4. Mr. Wong Kun To, Philip stepped down from all his positions in the Nomination Committee, the Investment Committee, the Finance Committee and the Executive Committee following his re-designation as a Non-executive Director with effect from 1 July 2013. His attendance at the meetings of these Committees is shown by reference to the number of meetings he was entitled to attend prior thereto.

Induction, training and continuing development

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 Group 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 and 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.

Strategy sessions are organised by the Company for the Board twice a year to discuss and review the long-term business and corporate strategy of the Group. Site visits to the existing or potential property projects in the Chinese Mainland are also arranged for the Directors as and when appropriate.

The Company continues its effort in providing updates on the changes in the relevant regulatory requirements applicable to the Group from time to time and recommending and organising relevant seminars/ conferences and internal briefing sessions to the Directors as and when appropriate. During the year, the Company organised two in-house seminars for the Directors whose participation is set out as follows:

Participating Directors	Seminar in March 2013 (Note 1)	Seminar in August 2013 (Note 2)
Mr. Lo Hong Sui, Vincent	✓	✓
Mr. Choi Yuk Keung, Lawrence	✓	✓
Mr. Wong Fook Lam, Raymond	✓	✓
Mr. Wong Yuet Leung, Frankie	✓	✓
Mr. Wong Kun To, Philip	✓	✓
Mr. Gerrit Jan de Nys	✓	✓
Ms. Li Hoi Lun, Helen	✗	✓
Mr. Chan Kay Cheung	✓	✓
Mr. Tsang Kwok Tai, Moses	✓	✓

Notes:

1. Seminar on (i) impact of the new Hong Kong Companies Ordinance on the fiduciary duties of directors of registered non-Hong Kong companies; and (ii) compliance of the inside information regime under the Securities and Futures (Amendment) Ordinance 2012, presented by an external solicitor.
2. Seminar on case studies of the enforcement/disciplinary actions taken by the Securities and Futures Commission and the Stock Exchange, presented by an external solicitor.

The Directors acknowledge the need for continuous professional development, and the Company provides support whenever relevant and necessary. All Directors are required to provide the Company with the records of the training they received annually.

The Board also recognises the importance of ongoing professional development of senior management so that they can continue contributing to the Company. To keep them abreast of the market development and applicable rules and regulations for the fulfilment of their duties and responsibilities, the Company has in place a programme for continuous professional development of senior management. Since 2013, the Board has conducted an annual review of such programme to ensure its effectiveness, and all members of senior management have been required to provide the Company with the records of the training they received annually.

Performance evaluation

In 2008, the Company engaged an external consultant to carry out an independent evaluation of the performance of the Board as a whole and of individual Directors. Further, in 2011, the Board conducted a self-evaluation to assess its overall performance and effectiveness and to identify areas for improvement. These Board evaluations concluded with a series of recommendations, on the basis of which various Board practices and procedures have been developed or enhanced to promote the functioning of the Board, such as formulating and adopting a Board Charter, arranging strategy sessions semi-annually for the Board to discuss the corporate strategy and growth plan, and organising more informal meetings amongst Directors and management to enhance communication.

The Board continues to seek improvement in its functioning. To this end, the Chairman holds informal meetings with the Non-executive Directors at least annually, without the presence of the other Executive Directors, to evaluate the performance of the Board. Regular informal meetings are also held between the Executive Directors and the Non-executive Directors to promote effective working relationship.

Directors' insurance

The Company has arranged appropriate insurance cover for the Directors in connection with the discharge of their responsibilities.

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, all Directors have confirmed that they complied with the required standards set out in the Model Code throughout the year ended 31 December 2013.

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 inside information in relation to the Company or its securities.

Responsibilities in respect of Financial Statements

The Board is responsible for presenting a balanced, clear and understandable assessment in respect of annual and interim reports, announcements of inside information 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 each financial period.

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 the 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.

Auditor's Remuneration

The Company has in place a formal policy on engaging non-audit services from its external auditor to ensure that the independence and objectivity of the external auditor would not be impaired by its provision of any non-audit services to the Group.

For the year ended 31 December 2013, the remuneration payable to the external auditor of the Company in respect of audit services and non-audit services amounted to approximately HK$5.2 million and HK$2.4 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, acting as reporting accountant in relation to a major transaction of the Group and tax advisory services.

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 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 2013, 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 executive in charge of which reports directly to the Audit Committee, and at the Audit Committee's instruction, briefs the Managing Directors on the results of all internal audit assignments. The Managing Directors, with the approval of the Audit Committee, may instruct the senior executive in charge of the Corporate Evaluation Department to undertake internal audit activities of an urgent or sensitive nature. All other Directors are informed of the findings of these assignments. 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, certain review work is outsourced because of the need for assistance of specialists or due to the high volume of work to be undertaken during a specific period of time. The senior executive in charge of the Corporate Evaluation Department attends all Audit Committee meetings. Four meetings were held by the Audit Committee in 2013 and details of the major areas reviewed are set out in the Audit Committee Report on pages 66 and 67. The Audit Committee regularly reviews the key performance indicators relating to the work of the Corporate Evaluation Department.

Internal control

The Group has diverse business 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 the circumstance, 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 Managing Director and Chief Financial Officer, as Chief Risk Officer, takes the lead in the effective implementation of the risk management policy by all divisions and 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 of 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 the 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, implementation and evaluation of the system and procedures.

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.

Shareholder and Investor Relations

The Board places considerable importance on communication with shareholders and recognises the significance of transparency and timely disclosure of corporate information, which enables shareholders and investors to make the most informed investment decisions. To ensure effective ongoing dialogue with shareholders, a Shareholders' Communication Policy was adopted by the Board in 2012. The Policy is available on the Company's website and is regularly reviewed to ensure its effectiveness.

Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars published in accordance with the Listing Rules. Such published documents, together with the latest corporate information and news, are also available on the Company's website.

The annual general meeting of the Company provides a valuable forum for the Board to communicate directly with shareholders each year. The Chairman of the Board chairs the annual general meeting to answer any questions from shareholders. In addition, the chairmen of the various Board Committees, or in their absence, other members of the relevant Committees and the Company's external auditor are available to answer questions at the meeting.

The Company also maintains an ongoing active dialogue with institutional shareholders. The Chairman and the Managing Directors are closely involved in promoting investor relations. Media conferences are led by the Chairman, supported by the Managing Directors. Meetings and briefings with financial analysts, brokers and investors are conducted by the Managing Directors. During the year, a number of analyst briefings and investor meetings were conducted.

Systems are in place for the protection and proper disclosure of information that has not already been made public. For further enhancement in this respect, the Company's Disclosure Policy was adopted by the Board in 2012 to set out the Company's approach towards the determination and dissemination of inside information and the circumstances under which the confidentiality of information shall be maintained. The Directors adhere strictly to the statutory requirement for their responsibilities of keeping information confidential.

Shareholders' Rights

Pursuant to the Companies Act 1981 of Bermuda (as amended) (the "Bermuda Companies Act") and the Bye-laws of the Company, shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition, to convene a special general meeting. The requisition must state the purposes of the meeting and must be signed by the requisitionists and deposited at the head office of the Company in Hong Kong (for the attention of the Company Secretary). If, within 21 days from the date of such deposit, the Board fails to proceed to convene such meeting, the requisitionists, or any of them representing more than one half of their total voting rights, may convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Pursuant to Section 79 of the Bermuda Companies Act, any shareholders holding not less than one-twentieth of the total voting rights of all shareholders having a right to vote at a general meeting of the Company, or a number of not less than 100 shareholders, can submit a written requisition to move a resolution at a general meeting. The requisition must be accompanied by a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. It must also be signed by all the requisitionists and deposited at the head office of the Company in Hong Kong (for the attention of the Company Secretary) not less than six weeks before the general meeting in case of a requisition requiring notice of a resolution, or not less than one week before the general meeting in case of any other requisitions. For a proposal in relation to the election of a person as a Director of the Company, the relevant procedures are set out in the document titled "Procedures for Shareholders to Elect Directors" which is available on the website of the Company.

Shareholders and the investment community may at any time make a request for the Company's information to the extent that such information is publicly available. Such request shall be in written form and addressed to the Company's Corporate Communications Head at the head office of the Company in Hong Kong or through email at socamcc@shuion.com.hk. Shareholders should direct their enquiries about their individual shareholding information to the Company's branch share registrar in Hong Kong, Tricor Standard Limited. Shareholders may also make enquiries to the Board by writing to the Company Secretary at the head office of the Company.

Constitutional Documents

With the approval of shareholders at the annual general meeting of the Company held on 30 May 2013, the Bye-laws of the Company were amended in line with certain revised provisions of the Bermuda Companies Act and to provide flexibility to the Company in administrative matters. The major amendments are set out as follows:

- subject to compliance of the Listing Rules and the requirements of any other relevant regulatory authority, allowing the Company to give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares of the Company;
- allowing shareholders to transfer shares of the Company in any manner permitted by and in accordance with the Listing Rules other than by an instrument of transfer;
- dispensing with the publication of a notice of closure of the register of members of the Company for suspension of registration of share transfers in an appointed newspaper in Bermuda;
- removing the requirement for appointment of a president and vice president or deputy chairman;
- amending the applicable solvency test to allow the Company to declare dividends or distributions if the realisable value of the Company's assets would not thereby become less than its liabilities, instead of less than the aggregate of its liabilities, issued share capital and share premium;
- removing from the capitalisation provisions the reference to Section 40(2A) of the Bermuda Companies Act which has been repealed by Bermuda law; and
- subject to applicable laws, allowing an electronic transmission message purporting to come from a shareholder or Director of the Company to be deemed as a document or instrument in writing signed by such shareholder or Director.

The updated version of the Memorandum of Association and Bye-laws of the Company is available on the websites of the Company and the Stock Exchange.

Corporate Governance Enhancement

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code, but about promoting and developing an ethical and healthy corporate culture. We will continue to review, and where appropriate, improve our current governance practices on the basis of our experience, regulatory changes and development.

On behalf of the Board
Lo Hong Sui, Vincent
Chairman

Hong Kong, 28 March 2014

Audit Committee Report

The members of the Audit Committee during the year and up to the date of this report are shown below:

Mr. Chan Kay Cheung *(Chairman)*
Mr. Gerrit Jan de Nys
Ms. Li Hoi Lun, Helen
Mr. Wong Yuet Leung, Frankie

Except for Mr. Wong Yuet Leung, Frankie, 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 "Stock Exchange"). 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 listed companies.

Meeting Attendance

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

Name of Committee member	Attendance/ Number of meetings
Mr. Chan Kay Cheung	4/4
Mr. Gerrit Jan de Nys	4/4
Ms. Li Hoi Lun, Helen	4/4
Mr. Wong Yuet Leung, Frankie	4/4

Other attendees at meetings of the Committee include the senior executive in charge of the Company's Corporate Evaluation Department responsible for the internal audit function and, by invitation, the Managing Director and Chief Financial Officer and the Director – Corporate Finance responsible for the finance and accounting function, together with the engagement partner and 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 consolidated 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 websites of the Company and the Stock Exchange.

Summary of Work Done

During the year, the Audit Committee:

- reviewed and discussed with management and external auditor the audited consolidated financial statements of the Group for the year ended 31 December 2012 (including estimates and judgments of a material nature made by management in accordance with the accounting policies of the Group) and the related final results announcement, with a recommendation to the Board for approval after due consideration given to the matters raised by staff responsible for the accounting and financial reporting, compliance and internal audit functions;

- reviewed the disclosures in the Corporate Governance Report and the Audit Committee Report included in the 2012 Annual Report of the Company, with a recommendation to the Board for approval;

- reviewed and discussed with management and external auditor the unaudited consolidated financial statements of the Group for the six months ended 30 June 2013 (including estimates and judgments of a material nature made by management in accordance with the accounting policies of the Group) and the related interim results announcement, with a recommendation to the Board for approval;

- reviewed and considered 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 2012 and its review of the Group's consolidated financial statements for the six months ended 30 June 2013;

- reviewed and considered the reports of the Corporate Evaluation Department on the business risks and the operational and financial controls of selected property projects of the Group in the Chinese Mainland;

- reviewed and considered the reports of the Corporate Evaluation Department on the operational and financial controls of the Group's construction and fitting-out business in Hong Kong and the Chinese Mainland;

- reviewed and considered the report of the Corporate Evaluation Department on the banking facilities available to the Group, bank loan covenants and the Group's cash flow forecast and liquidity risk;

- reviewed the involvement of the Corporate Evaluation Department in the internal audit of Lafarge Shui On Cement Limited, a joint venture 45%-owned by the Group, and the progress of the shareholder audit of this joint venture initiated by the Company;

- reviewed and considered the report of the Corporate Evaluation Department on the access controls and intrusion test concerning the information technology system of the Company;

- considered and endorsed the proposed amendments to the Company's policy on connected transactions, with a recommendation to the Board for approval;

- reviewed the quarterly reports of the Corporate Evaluation Department on connected transactions, including the compliance of the Company's policy on connected transactions;

- considered and approved the Company's policy on engaging non-audit services from external auditor and the revised whistle-blowing policy of the Company;

- reviewed and considered the adequacy of the Group's provisions for doubtful debts on a quarterly basis;

- reviewed and considered the scope of work and fee proposals of the external auditor for the review of the Group's consolidated financial statements for the six months ended 30 June 2013 and for the audit of the Group's consolidated financial statements for the year ended 31 December 2013;

- reviewed the key performance indicators and annual work programme of the Corporate Evaluation Department as well as its work progress, staffing and resources planning; and

- conducted a high level review of the effectiveness of the internal control systems of the Group (covering financial, operational and compliance controls and risk management functions) by considering the work of the executive management and the Corporate Evaluation Department, including a review of the adequacy of resources, staff qualifications and experience, and training programmes and budget of the Company's accounting and financial reporting function.

The Committee members also serve as the contact persons under the whistle-blowing policy of the Company. During the year, several complaints regarding project procurement were received through this reporting channel, and these complaints were investigated by independent personnel with appropriate actions taken by management.

The Committee reviews the Group's risk management policy annually. A high level review of the effectiveness of the internal control systems of the Group is also performed at each year end. The Committee will continue to examine the Group's systems and policies for assessing, and taking appropriate actions 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 executive in charge of the 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 2013, including the accounting principles and practices adopted by the Group, in conjunction with the external auditor, with a recommendation to the Board for approval.

The Committee was satisfied with the external auditor's work, its independence and objectivity, and therefore recommended the re-appointment of Deloitte Touche Tohmatsu as the Company's external auditor for 2014 for shareholders' approval at the forthcoming annual general meeting of the Company.

Chan Kay Cheung
Chairman, Audit Committee

Hong Kong, 28 March 2014

Remuneration Committee Report

The members of the Remuneration Committee during the year and up to the date of this report are shown below:

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

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

Meeting Attendance

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

Name of Committee member	Attendance/ Number of meetings
Mr. Tsang Kwok Tai, Moses	3/3
Mr. Lo Hong Sui, Vincent	3/3
Ms. Li Hoi Lun, Helen	3/3

Where appropriate, the Company's chief executives and human resources adviser attend 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 websites of the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Remuneration Committee is given the tasks to:

- make recommendations to the Board on the policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- determine, with delegated responsibility, the remuneration package of individual Executive Director, 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 of Executive Directors with reference to corporate goals and objectives set by the Board from time to time;
- review and approve the compensation payable to Executive Directors for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; and
- review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate.

A code provision of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange provides that the terms of reference of the Remuneration Committee should include, as a minimum, the responsibilities to (i) determine or make recommendations to the Board on the remuneration packages of the individual Executive Director and senior management; (ii) review and approve compensation payable to Executive Directors and senior management for any loss or termination of office or appointment; and (iii) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives. The Remuneration Committee has reviewed its functions and considered that these responsibilities in relation to the remuneration and compensation of management should be vested in the Executive Directors who have a better understanding of the level of expertise, experience and performance expected of the management in their daily business operations. The Remuneration Committee would continue to be primarily responsible for the review and determination of the remuneration package of the individual Executive Director. After due consideration, the Board adopted the revised terms of reference of the Remuneration Committee with the said responsibilities in relation to the remuneration and compensation of management excluded from its scope of duties, which deviates from the code provision. 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 packages 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 amendment to the terms of reference of the Remuneration Committee in this respect, which deviates from a code provision of the CG Code. The Non-executive Directors abstain from voting in respect of the determination of their own remuneration at the relevant Board meetings.

Remuneration Policy

The remuneration of the Executive Directors of the Company is determined by the Remuneration Committee, having regard to the Company's operating results, individual role and performance and market statistics, while those of the Non-executive Directors (including Independent Non-executive Directors) are decided by the Board based on the recommendation of the Chairman of the Company that has taken into account their contributions to the Board and the market level of directors' fees. No individual Director is involved in deciding his or her own remuneration.

The remuneration policy of the Group for rewarding its employees is based on their performance, qualifications and competence displayed. Through its remuneration policy, the Company aims to attract, motivate and retain competent, high calibre staff while ensuring that the remuneration is aligned with the Company's goals, objectives and performance.

The Remuneration Committee sets and maintains the policy for the remuneration of Executive Directors which is as follows:

- 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; and
- emphasis will be given to corporate and individual performance, taking into account the respective responsibilities of the Executive Directors, who will be rewarded by bonus payable for achievement of stretch targets and the grant of share options.

The Company's policy is to encourage the participation of Executive Directors and employees in the equity of the Company. In this regard, the Company has in place a share option scheme and details about the scheme are set out in the section headed "Share Options" below.

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 for 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 external consultants engaged by the Remuneration Committee.

Upon the stepping down of Mr. Wong Kun To, Philip as Managing Director and Chief Executive Officer effective 1 July 2013, Messrs. Choi Yuk Keung, Lawrence and Wong Fook Lam, Raymond were jointly appointed Managing Directors. As approved by the Remuneration Committee, the salary and bonus components of the remuneration of the Managing Directors are set to be normally related to their aggregate cash remuneration as follows:

Cash remuneration components	Proportion
Salary and other benefits	Half
Bonus for achievement of targets	Half

In view of the shared accountability of the Managing Directors in achieving the Company's targets, their bonuses are 100% based on company performance. Where appropriate, to recognise the contributions of the Managing Directors, the bonus element could be increased relative to performance delivered by up to twice the amount that would be given normally.

Further details about the remuneration of the Directors and senior management of the Company are set out in the sections below headed "Remuneration of Directors" and "Remuneration of Senior Management" respectively.

Summary of Work Done

During the year, the Remuneration Committee:

- reviewed and determined the amount of bonuses awarded to the Executive Directors based on personal and company performances for the year ended 31 December 2012;
- reviewed the proposal for the annual grants of share options to management staff based on their performances for the year ended 31 December 2012, with a recommendation to the Board for approval;
- reviewed the vesting recommendations for the share options granted in 2010 to the Executive Directors under a long-term incentive ("LTI") plan based on the achievement of the performance targets for the years from 1 January 2010 to 31 December 2012, with a recommendation to the Board for approval;
- discussed the preliminary company performance based on the results achieved in 2012 for the 2011 LTI grant of share options;
- reviewed the Company's 2012 financial performance against peer companies and corporate targets for preliminary performance assessment of the 2011 LTI grant of share options;
- considered and approved the proposal for maintaining the eligibility of certain option grantees under the 2011 LTI grant of share options;
- reviewed and endorsed the Remuneration Committee Report included in the 2012 Annual Report of the Company, with a recommendation to the Board for approval;
- considered and approved the new remuneration packages and target bonus formula for the Managing Directors appointed on 1 July 2013, taking into account the report of an external consultant on the analysis of directors' remuneration in comparable Hong Kong listed companies; and
- considered and approved the 2014 salary review recommendations for the Managing Directors, taking into account the report of an external consultant on the analysis of directors' remuneration in comparable Hong Kong listed companies.

Remuneration of Directors

The Directors of the Company received the following remuneration for the year:

Name of Director	Fees (Note 1) HK$'000	Salary and other benefits HK$'000	Performance bonuses (Note 2) HK$'000	Retirement benefit scheme contributions HK$'000	Value of share options granted (Note 3) HK$'000	For the year ended 31 December 2013 Total HK$'000	For the year ended 31 December 2012 Total HK$'000
Executive Directors							
Mr. Lo Hong Sui, Vincent	10	–	–	–	–	10	10
Mr. Choi Yuk Keung, Lawrence (Note 4)	10	4,271	2,464	315	(1,346)	5,714	10,514
Mr. Wong Fook Lam, Raymond (Note 4)	10	4,047	2,348	294	(1,371)	5,328	9,964
Non-executive Directors							
Mr. Wong Yuet Leung, Frankie	405	–	–	–	–	405	895
Mr. Wong Kun To, Philip (Note 5)	130	3,052	5,056	114	(2,298)	6,054	15,709
Independent Non-executive Directors							
Mr. Gerrit Jan de Nys	420	–	–	–	–	420	420
Ms. Li Hoi Lun, Helen	425	–	–	–	–	425	425
Mr. Chan Kay Cheung	560	–	–	–	–	560	549
Mr. Tsang Kwok Tai, Moses	410	–	–	–	–	410	385
TOTAL	2,380	11,370	9,868	723	(5,015)	19,326	38,871

Notes:

1. According to the fee schedule as approved by the Board, each Executive Director is entitled to an annual fee of HK$10,000 while a Non-executive Director or an Independent Non-executive Director is entitled to an annual fee of HK$250,000. In addition, a Non-executive Director or an Independent Non-executive Director also received an annual fee for his chairmanship or membership in each of the Board Committees for the year ended 31 December 2013 as set out below:

Board Committees	Fees per annum HK$
Audit Committee chairmanship	150,000
Audit Committee membership	75,000
Remuneration Committee chairmanship	65,000
Remuneration Committee membership	35,000
Nomination Committee membership	30,000
Finance Committee chairmanship	95,000
Finance Committee membership	65,000
Investment Committee membership	65,000

2. The performance bonuses were awarded to the relevant Directors for their services rendered for the year ended 31 December 2012.
3. The amount included credit adjustments made during the year ended 31 December 2013, which was resulted from the revision of the vesting probability of certain share options granted to the Directors in previous years.
4. With effect from 1 January 2014, the annual salaries and allowances of Mr. Choi Yuk Keung, Lawrence (Vice Chairman and Managing Director) and Mr. Wong Fook Lam, Raymond (Managing Director and Chief Financial Officer) have been adjusted to HK$4,714,800 and HK$4,393,200 respectively upon annual review by the Remuneration Committee.
5. With effect from 1 July 2013, Mr. Wong Kun To, Philip stepped down as the Managing Director and Chief Executive Officer and was re-designated from the role of Executive Director to Non-executive Director.

Remuneration of Senior Management

The remuneration paid to the members of the senior management for the year is within the following bands:

	Number of individuals
HK$2,000,001 – HK$3,000,000	2
HK$3,000,001 – HK$4,000,000	2
HK$4,000,001 – HK$5,000,000	1

Service Contracts

No service contract of any Director contains a notice period exceeding 12 months.

Share Options

The Company operates a share option scheme for Directors and employees of the Group. The share option scheme adopted on 27 August 2002 (the "Old Scheme") has expired and was replaced by a new share option scheme approved by the shareholders of the Company on 22 August 2012 (the "Existing Scheme"). No further option can be granted under the Old Scheme upon its expiration, but all options granted previously remain exercisable in accordance with the terms of the Old Scheme and the relevant letters of offers to the respective grantees.

Annual grants

To reward employees for their contribution to the success of the Group through acquisition of an interest in the share capital of the Company, the Board, upon the recommendation of the Remuneration Committee, offers annual grants of share options to selected employees in Senior Manager grade and above based on the financial performance of the Group as well as the individual performance and contribution of these employees during the relevant year.

Details of the annual grants of share options made under the Existing Scheme to the employees of the Group during the year are set out in the Directors' Report on pages 82 to 84.

LTI grants

To motivate the Executive Directors through share ownership and performance-based incentives, the Board adopted the proposal of the Remuneration Committee to give long-term incentive to the Executive Directors through share options granted under the Old Scheme and applied vesting conditions based on certain performance criteria to such grants. Under this LTI arrangement, the total shareholders' return ("TSR") was used as an important measurement criterion for such awards made during 2007 to 2009. 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 equaled or exceeded the return of the Hang Seng Index. External consultants were 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 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, in 2010, the Committee reviewed the performance measurement for LTI 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 LTI scheme. The new measurement criteria comprise a range of specific performance criteria/targets that the Executive Directors were required to achieve in a 3-year performance period for creating shareholders' value, which include return on equity, free cash flow and risk management, achievement of strategic goals, financial and operational performance targets.

In 2011, the Committee further reviewed the LTI scheme for award of share options and recommended the Board to adopt a new LTI plan which aimed at aligning management interests with the overall achievement of a 3-year strategic plan of the Group to promote significant and integrated growth in the coming years. With the shareholders' approval at a special general meeting of the Company, share options were granted under the Old Scheme to certain Executive Directors and selected key executives in 2011 pursuant to the new LTI plan. Vesting of such share options is based on, in the case of grants to Executive Directors, the achievement of corporate performance targets covering the three major areas of financial performance, project-specific achievements and future growth potential and, in the case of grants to selected key executives, both the achievement of the said corporate performance targets as well as individual performance, over a period of 3.5 years from 1 July 2011 to 31 December 2014. Following the implementation of the new LTI plan, the Executive Directors and key executives who are its participants are, during the 3.5-year performance period, no longer eligible for the annual grants of share options.

Details of the outstanding share options granted to the Executive Directors during the previous years are set out in the Directors' Report on pages 82 to 84.

Tsang Kwok Tai, Moses
Chairman, Remuneration Committee

Hong Kong, 28 March 2014

Nomination Committee Report

The members of the Nomination Committee at the date of this report are shown below:

Mr. Lo Hong Sui, Vincent *(Chairman)*
Mr. Choi Yuk Keung, Lawrence
Mr. Gerrit Jan de Nys
Mr. Chan Kay Cheung
Mr. Tsang Kwok Tai, Moses

The composition of the Nomination Committee was changed during the year. Mr. Wong Kun To, Philip stepped down as a member of the Committee with effect from 1 July 2013 following his re-designation from the role of Executive Director to Non-executive Director of the Company, and Mr. Choi Yuk Keung, Lawrence, an Executive Director of the Company, was appointed as a member of the Committee in his place.

With the exception of Mr. Lo Hong Sui, Vincent (Chairman of the Company) and Mr. Choi Yuk Keung, Lawrence (Vice Chairman and Managing Director), the members of the Committee are Independent Non-executive Directors of the Company.

Meeting Attendance

The Nomination Committee held one meeting and passed two written resolutions during the year. The meeting was attended by all the Committee members. The Company Secretary acts as the secretary to the Committee.

Role and Duties

Under its terms of reference, the Nomination Committee is delegated by the Board with the following principal responsibilities:

- to review the structure, size and composition of the Board at least annually to ensure that it has a balance of appropriate skills, experience and diversity of perspectives for the needs of the businesses of the Group;
- to assess the independence of Independent Non-executive Directors;
- to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors;
- to make recommendations to the Board on membership of the Board Committees;
- to review the time commitment required of Directors; and
- to review the Board Diversity Policy and monitor its implementation.

The terms of reference of the Nomination Committee are available on the websites of the Company and The Stock Exchange of Hong Kong Limited.

Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In March 2013, upon the recommendation of the Nomination Committee, a Board Diversity Policy was adopted by the Board to set out the approach to achieve the diversity of the Board members.

All Board appointments will be based on meritocracy, and candidates will be considered against the objective criteria (including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) as set out in the Board Diversity Policy, having due regard for the benefits of diversity. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Under its revised terms of reference as approved by the Board, the Nomination Committee is delegated with the tasks to review the Board Diversity Policy, the measurable objectives that the Board has set for implementing the Board Diversity Policy as well as the progress on achieving these objectives.

Summary of Work Done

During the year ended 31 December 2013, the Nomination Committee:

- reviewed the structure, size and composition of the Board, including the independence of the four Independent Non-executive Directors;
- reviewed the time commitment required of Directors to perform their responsibilities to the Company;
- reviewed and endorsed the Nomination Committee Report included in the 2012 Annual Report, with a recommendation to the Board for approval;
- considered the nomination of three retiring Directors for the Board's recommendation to stand for re-election by shareholders at the 2013 annual general meeting of the Company;
- considered and endorsed the Board Diversity Policy, with a recommendation to the Board for approval;
- considered the proposed changes to the composition of the Nomination Committee, the Investment Committee, the Finance Committee and the Executive Committee, with a recommendation to the Board for approval; and
- considered the service contract with a Non-executive Director, who was re-designated from the role of Executive Director during the year, with a recommendation to the Board for approval.

Subsequent to the year end, the Nomination Committee reviewed the current Board composition against the objective criteria as set out in the Board Diversity Policy. An analysis of the current Board composition based on these criteria is set out in the Corporate Governance Report on page 53. The Committee considers that the existing members of the Board have a diverse range of business, financial and professional expertise in light of the current business needs of the Company. While the Committee does not think setting specific requirements for such criteria as gender, ethnicity and age for the Board composition are appropriate, it does believe that these are important elements which will bring a diversity of perspectives into the Boardroom and, along with a diverse mix of skills, experience and knowledge that the Board should have in view of the prevailing business strategy of the Company, should be taken into consideration for all Board appointments in the future.

Lo Hong Sui, Vincent
Chairman, Nomination Committee

Hong Kong, 28 March 2014

DIRECTORS AND SENIOR MANAGEMENT

Directors and Senior Management

Mr. Lo Hong Sui, Vincent

Mr. Choi Yuk Keung, Lawrence

Mr. Wong Fook Lam, Raymond

Mr. Wong Yuet Leung, Frankie

Executive Directors

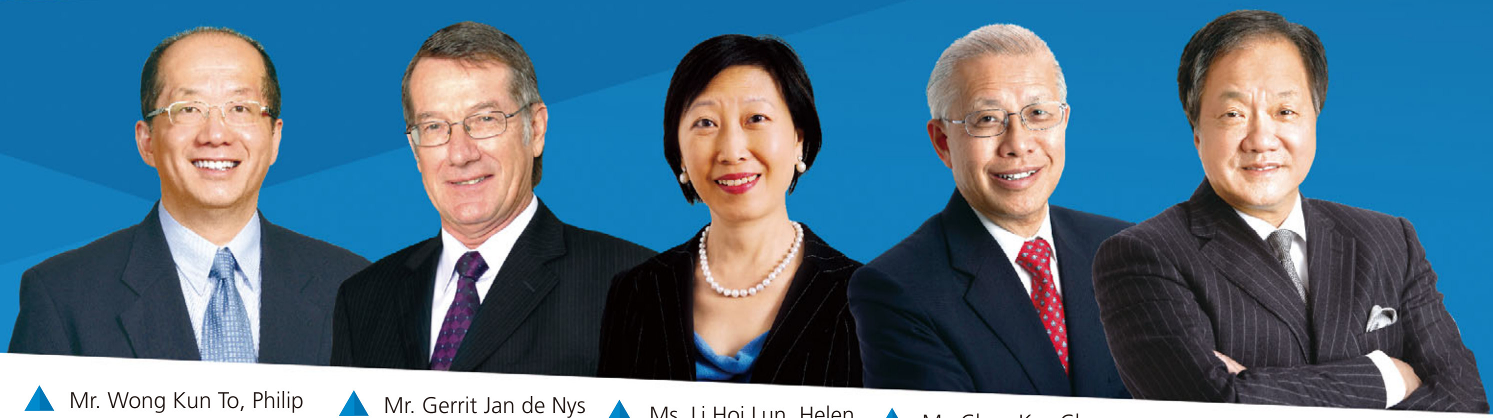
Mr. Lo Hong Sui, Vincent *GBS, JP*

aged 65, has been the Chairman of the Company since 1997. He is the Chairman of the Shui On Group, which he founded 43 years ago, and the Chairman of Shui On Land Limited ("SOL"), which he established in 2004 and became listed in Hong Kong in 2006. He is also the Chairman of China Central Properties Limited ("CCP"), a subsidiary of the Company which was privatised in 2009, and a Director of certain other subsidiaries of the Company. Mr. Lo is a member of the Twelfth 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, a member of the Board of the Airport Authority Hong Kong, the President of the Council for the Promotion & Development of Yangtze, 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. He 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 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 "Ernst & Young China Entrepreneur Of The Year 2009" and also, as "Entrepreneur Of The Year 2009" in the China Real Estate Sector. Mr. Lo was made an Honorary Citizen of Shanghai in 1999 and Foshan in 2011. In 2012, the 4th World Chinese Economic Forum honoured Mr. Lo with the Lifetime Achievement Award for Leadership in Property Sector.

Mr. Choi Yuk Keung, Lawrence

aged 60, has been the Vice Chairman of the Company since July 2004 and also assumed the role of Managing Director of the Company on 1 July 2013. He has been an Executive Director of the Shui On Group since 1990 and is also a Director of certain subsidiaries of the Company. He was appointed Managing Director of the Shui On Group's Construction Division in 1991 and of the Construction Materials Division in 1995. He was the Managing Director of the Company from January 1997 to July 2004 and a Director of SOL from May 2004 to May 2006. Mr. Choi is a member of the Standing Committee of the Ninth, the Tenth and the Eleventh 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 Kun To, Philip | Mr. Gerrit Jan de Nys | Ms. Li Hoi Lun, Helen | Mr. Chan Kay Cheung | Mr. Tsang Kwok Tai, Moses

Mr. Wong Fook Lam, Raymond

aged 59, has been an Executive Director of the Company since July 2009. He is the Chief Financial Officer of the Company and also assumed the role of Managing Director of the Company on 1 July 2013. 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 the Alternative Investment Market 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 to take up the position of Chief Financial Officer. He is one of the Trustees of the Shui On Provident and Retirement Scheme and is also a Director of certain subsidiaries of the Company. 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.

Non-executive Directors

Mr. Wong Yuet Leung, Frankie

aged 65, has been a Non-executive Director of the Company since September 2011. Mr. Wong was the Vice Chairman of the Company from 1997 to 2004 and assumed the role of Chief Executive Officer in July 2004. After serving as the Chief Executive Officer for nearly 6 years, he retired from day-to-day management responsibilities of the Company and took up the role of Vice Chairman in April 2010 devoting his attention to the cement business of the Group before his re-designation as a Non-executive Director. Mr. Wong joined the Shui On Group in 1981. He is currently an Executive Director of Shui On Holdings Limited and an advisor to the Chairman of the Shui On Group. He was a Director of SOL from May 2004 to May 2006 prior to its listing in Hong Kong, and has been a Non-executive Director of SOL since August 2011. He is 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. He was a Non-executive Director of CIG Yangtze Ports PLC, which is listed in Hong Kong, from November 2003 to November 2011. He is currently an Independent Non-executive Director of Solomon Systech (International) Limited, which is listed in Hong Kong, a Non-executive Director of Walcom Group Limited, a company listed on the Alternative Investment Market of the London Stock Exchange plc., and a Director of Sichuan Shuangma Cement Co., Ltd., a company listed on the Shenzhen Stock Exchange.

Mr. Wong Kun To, Philip

aged 57, was re-designated as a Non-executive Director of the Company with effect from 1 July 2013. He was appointed as an Executive Director of the Company in July 2009 and subsequently assumed the role of Managing Director and Chief Executive Officer of the Company until June 2013. Mr. Wong started his career in the Shui On Group and worked from 1979 to 1992. He rejoined the Company in 2006 to oversee its Property Division and was the Managing Director of SOCAM Asset Management (HK) Limited from April 2007 to June 2013. Mr. Wong was appointed as an Executive Director and a Managing Director of SOL, a company listed in Hong Kong, in January 2014. He has also been the Chief Executive Officer and a Director of China Xintiandi Limited, a wholly-owned subsidiary of SOL, since July 2013 and December 2013 respectively. Mr. Wong 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.

Independent Non-executive Directors

Mr. Gerrit Jan de Nys

aged 70, 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. He is currently a Director of the IMC Resources Group in Australia and the Chairman of the Group Audit Committee of IMC Pan Asia Alliance Corporation. 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 and was a chartered professional engineer. He is a Fellow of the Institution of Engineers, Australia and The Australian Institute of Company Directors.

Ms. Li Hoi Lun, Helen

aged 58, 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 an 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. Chan Kay Cheung

aged 67, has been an Independent Non-executive Director of the Company since January 2010. Mr. Chan is a Senior Advisor of The Bank of East Asia, Limited ("BEA"), the Vice Chairman of The Bank of East Asia (China) Limited and the Chairman of Shaanxi Fuping BEA Rural Bank Corporation. 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 Process Review Committee for the oversight of Hong Kong Monetary Authority, a member of The Clearing and Settlement Systems Appeals Tribunal, a member of the Committee of Overseers of Lee Woo Sing College of The Chinese University of Hong Kong, a member of The China UnionPay International Advisory Group and an International Senior Economic Consultant of The People's Government of Shaanxi Province. He is also an Independent Non-executive Director of China Electronics Corporation Holdings Company Limited, Chu Kong Shipping Enterprises (Group) Company Limited, Dah Chong Hong Holdings Limited and Hong Kong Food Investment Holdings Limited, all of which are listed in Hong Kong.

Mr. Tsang Kwok Tai, Moses

aged 65, has been an Independent Non-executive Director of the Company since January 2010. Mr. Tsang is the Executive Chairman of AP Capital Holdings Inc. and the Chairman and Chief Executive Officer of EC Investment Services Limited. Prior to joining AP Capital Holdings Inc., 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, the Chairman and Managing Partner of Ajia Partners Inc. between 2003 and 2010 and a Non-executive Director of North Asia Strategic Holdings Limited between 2009 and 2010. Mr. Tsang is currently an Independent Non-executive Director of Fubon Bank (Hong Kong) Limited, which was delisted from the Hong Kong Stock Exchange in June 2011. He was also appointed as an Independent Non-executive Director of China Xintiandi Limited, a wholly-owned subsidiary of SOL, in December 2013. Mr. Tsang serves as Co-chair of the Asia Pacific Council and is a member of the Board of Directors of The Nature Conservancy. He is also a Trustee of The Hong Kong Centre for Economic Research of The University of Hong Kong and a member of the Brown University Advisory Council in Asia.

Senior Management

Mr. Lee Wing Kee, Stephen

aged 61, is the Deputy Managing Director of SOCAM Asset Management (HK) Limited, 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 35 years of experience in construction. Mr. Lee is currently a Council member of the Hong Kong Construction Association. 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.

Mr. Li Chi Keung, Evans

aged 52, 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. Wong Shing Chuen, Leonard

aged 53, is an Executive Director of SOCAM Asset Management (HK) Limited. He joined the company in 2007 and has 30 years of experience in the property development and construction industry. He is on the panel of arbitrators of the China International Economic and Trade Arbitration Commission. He is also an accredited mediator of the Hong Kong International Arbitration Centre. He holds a Master's degree in Arbitration and Dispute Resolution from the City University of Hong Kong and an Associateship in Building Technology and Management from The Hong Kong Polytechnic University. He is a Fellow of both The Chartered Institute of Building and the Chartered Institute of Arbitrators. He is also a member of The Hong Kong Institution of Engineers.

Mr. Ng Yat Hon, Gilbert

aged 53, is an Executive Director of Pat Davie Limited and Shui On Construction Co., Ltd. in the Chinese Mainland, specialising in interior fitting out and renovation in Hong Kong, Macau and construction in the Chinese Mainland. He joined the Shui On Group in 1996 and has over 30 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. Chan Ngai Shing, David

aged 59, is an Executive Director of Shui On Building Contractors Limited and Shui On Construction Company Limited. He joined the Shui On Group in 1989 and has over 30 years of experience in construction. Mr. Chan is currently a Council member of the Hong Kong Construction Association and a Vice Chairman of its Building Committee. He holds a Master's degree in Civil Engineering from the McMaster University and is a chartered civil engineer. He is a Fellow of The Hong Kong Institution of Engineers and a member of the Hong Kong Institute of Real Estate Administrators.

Directors' Report

The Directors present their report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013.

Principal Activities

The Company is an investment holding company. The principal activities of its principal subsidiaries, joint ventures 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 ended 31 December 2013 are set out in the consolidated statement of profit or loss on page 94.

The Directors do not recommend the payment of a final dividend.

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 31 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 page 98.

At 31 December 2013, the Company's reserves, including the contributed surplus, available for distribution to shareholders amounted to HK$708 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 192.

Investment Properties

Details of the movements in the investment properties of the Group during the year are set out in note 15 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 16 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 Fook Lam, Raymond

Non-executive Directors:
Mr. Wong Yuet Leung, Frankie
Mr. Wong Kun To, Philip
(re-designated from Executive Director to Non-executive Director on 1 July 2013)

Independent Non-executive Directors:
Mr. Gerrit Jan de Nys
Ms. Li Hoi Lun, Helen
Mr. Chan Kay Cheung
Mr. Tsang Kwok Tai, Moses

In accordance with Bye-law 87(1) of the Bye-laws of the Company, Mr. Lo Hong Sui, Vincent, 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 ("AGM") of the Company to be held on 27 May 2014.

No Director proposed for re-election at the AGM 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 Executives

At 31 December 2013, the interests and short positions of the Directors and the chief executives 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) or 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:

(1) Long position in the shares of the Company

	Number of ordinary shares				
Name of Director	Personal interests	Family interests	Other interests	Total	Approximate percentage of the issued share capital
Mr. Lo Hong Sui, Vincent	–	312,000 (Note 1)	234,381,000 (Note 2)	234,693,000	48.49%
Mr. Choi Yuk Keung, Lawrence	540,000	–	–	540,000	0.11%
Mr. Wong Fook Lam, Raymond	32,000	–	–	32,000	0.01%
Mr. Wong Yuet Leung, Frankie	3,928,000	–	–	3,928,000	0.81%

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 234,381,000 shares mentioned in note 2 below.
2. These shares were beneficially owned by Shui On Company Limited ("SOCL"). Of these 234,381,000 shares beneficially owned by SOCL, 220,148,000 shares were held by SOCL itself and 14,233,000 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 one of the discretionary beneficiaries 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.

(2) 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.

Save as disclosed above, at 31 December 2013, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO) or the Model Code or which were required to be entered in the register required to be kept under section 352 of the SFO.

Share Options

The Company adopted a share option scheme on 22 August 2012 (the "Existing Scheme") to replace the share option scheme adopted on 27 August 2002 (the "Old Scheme"), which has expired on 30 August 2012. Since then, no further option can be granted under the Old Scheme, but all options granted previously remain exercisable in accordance with the terms of the Old Scheme and the relevant letters of offers to the respective grantees.

Particulars of the Existing Scheme are set out in note 36 to the consolidated financial statements.

During the year, options were granted to subscribe for a total of 4,890,000 shares of the Company under the Existing Scheme. The fair values of the share options granted during the year are set out in note 36 to the consolidated financial statements.

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

Name or category of eligible participants	Date of grant	Subscription price per share HK$	Number of shares subject to options At 1.1.2013	Granted during the year (Note 1)	Exercised during the year	Lapsed during the year	At 31.12.2013	Period during which options outstanding are exercisable	Average closing reference price for exercise of options (Note 2) HK$
Directors									
Mr. Choi Yuk Keung, Lawrence (Note 3)	7.5.2008	19.76	250,000	–	–	(250,000)	–	7.11.2008 to 6.5.2013	–
	9.4.2009	7.63	250,000	–	–	–	250,000	9.10.2009 to 8.4.2014	–
	9.4.2009	7.63	380,000	–	–	–	380,000	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	–	–	(300,000)	700,000	12.4.2013 to 11.4.2020	–
	23.6.2011	10.90	250,000	–	–	–	250,000	23.12.2011 to 22.6.2016	–
	28.7.2011	10.00	6,500,000	–	–	–	6,500,000	1.5.2015 to 27.7.2021	–
Mr. Wong Fook Lam, Raymond (Note 3)	12.4.2010	12.22	200,000	–	–	–	200,000	12.10.2010 to 11.4.2015	–
	12.4.2010	12.22	1,000,000	–	–	(300,000)	700,000	12.4.2013 to 11.4.2020	–
	23.6.2011	10.90	250,000	–	–	–	250,000	23.12.2011 to 22.6.2016	–
	28.7.2011	10.00	6,500,000	–	–	–	6,500,000	1.5.2015 to 27.7.2021	–
Mr. Wong Kun To, Philip (Note 3)	12.4.2010	12.22	350,000	–	–	–	350,000	12.10.2010 to 11.4.2015	–
	12.4.2010	12.22	1,500,000	–	–	(450,000)	1,050,000	12.4.2013 to 11.4.2020	–
	23.6.2011	10.90	400,000	–	–	–	400,000	23.12.2011 to 22.6.2016	–
	28.7.2011	10.00	10,800,000	–	–	–	10,800,000	1.5.2015 to 27.7.2021	–
Sub-total			29,880,000	–	–	(1,300,000)	28,580,000		
Employees	7.5.2008	19.76	1,971,043	–	–	(1,971,043)	–	7.11.2008 to 6.5.2013	–
(in aggregate)	7.5.2008	19.76	219,296	–	–	(219,296)	–	7.11.2009 to 6.5.2013	–
	9.4.2009	7.63	1,768,616	–	(1,127,690)	(35,647)	605,279	9.10.2009 to 8.4.2014	10.52
	5.6.2009	11.90	550,000	–	–	(550,000)	–	7.5.2011 to 6.5.2013	–
	12.4.2010	12.22	4,660,000	–	–	(450,000)	4,210,000	12.10.2010 to 11.4.2015	–
	13.5.2011	10.66	4,790,000	–	(24,000)	(560,000)	4,206,000	13.11.2011 to 12.5.2016	10.92
	23.6.2011	10.90	1,030,000	–	–	–	1,030,000	23.12.2011 to 22.6.2016	–
	28.7.2011	10.00	22,500,000	–	–	–	22,500,000	1.5.2015 to 27.7.2021	–
	26.11.2012	8.18	5,210,000	–	(638,000)	(330,000)	4,242,000	26.5.2013 to 25.11.2017	9.90
	14.6.2013	9.93	–	4,890,000	–	(40,000)	4,850,000	14.12.2013 to 13.6.2018	–
Sub-total			42,698,955	4,890,000	(1,789,690)	(4,155,986)	41,643,279		
Total			72,578,955	4,890,000	(1,789,690)	(5,455,986)	70,223,279		

Notes:

1. The closing price of the Company's shares preceding the date of grant of the share options on 14 June 2013 was HK$9.77.
2. The average closing reference price represents 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 issued pursuant to the options exercised by such category of eligible participants.
3. Mr. Choi Yuk Keung, Lawrence, Mr. Wong Fook Lam, Raymond and Mr. Wong Kun To, Philip were previously granted share options in excess of their respective maximum individual entitlement of 1%.
4. 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 36 to the consolidated financial statements.

Substantial Shareholders

Save as disclosed below and under the section headed "Interests of Directors and Chief Executives" 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 2013, 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 shareholder	Capacity	Number of ordinary shares/ underlying shares	Approximate percentage of the issued share capital
Penta Investment Advisers Limited	Investment manager	101,832,374 (L) (Note 2)	21.04%
Penta Master Fund, Limited	Beneficial owner	29,432,392 (L) (Note 3)	6.08%
Canada Pension Plan Investment Board	Interest of controlled corporation	24,401,973 (L) (Note 4)	5.04%
PAF II Ltd.	Beneficial owner	24,401,973 (L) (Note 4)	5.04%

Notes:

1. The letter "L" denotes a long position.
2. Among the interests held by this shareholder, 20,075,249 shares were cash settled derivative interests.
3. Among the interests held by this shareholder, 4,321,420 shares were cash settled derivative interests.
4. Among the interests held by this shareholder, 767,000 shares 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 arrangement 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, the Company repurchased a total of 10,046,000 shares on the Stock Exchange for an aggregate consideration of approximately HK$90 million. All the repurchased shares were subsequently cancelled.

Details of the repurchases are as follows:

Month of repurchase	Number of shares repurchased	Purchase price per share		Approximate amount of consideration
		Highest HK$	Lowest HK$	HK$ million
August	700,000	9.00	8.95	6
September	5,304,000	8.98	8.95	48
October	3,012,000	8.98	8.98	27
November	1,030,000	8.98	8.98	9
Total	10,046,000			90

The repurchases were made for the benefit of the Company and its shareholders as a whole with a view to enhancing the earnings per share and net asset value per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

Corporate Governance

The Company is committed to maintain a high standard of corporate governance through its continuous effort in improving its corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 51 to 65.

Connected Transactions

During the year, the Group entered into the following transactions which constituted connected transactions of the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(1) Engagement of sub-contractor for a fit-out project in Macau

On 13 June 2013, Pat Davie (Macau) Limited ("Pat Davie (Macau)", an indirect non-wholly owned subsidiary of the Company) confirmed, by way of a letter of acceptance (the "Letter of Acceptance") after a private tendering process, the engagement of Toptech (Macau) Limited ("Toptech", an indirect non-wholly owned subsidiary of Great Eagle Holdings Limited ("Great Eagle")) as a sub-contractor to provide the supply and installation of raised floor system and ancillary services (the "Sub-contract Works") for a gaming fit-out project undertaken by Pat Davie (Macau) as a contractor for Studio City, an integrated resort complex located at Cotai, Macau. The sub-contract sum payable by Pat Davie (Macau) to Toptech amounts to approximately MOP15 million, subject to adjustment due to provisional items and variation of the Sub-contract Works in accordance with the terms of the formal sub-contract entered into between Pat Davie (Macau) and Toptech in furtherance of the Letter of Acceptance. To the best estimation of the Company, such adjustment will not be more than MOP5 million.

Mr. Lo, the Chairman and the controlling shareholder of the Company, together with the trustee of a discretionary trust, of which he is one of the discretionary beneficiaries, are entitled to control the exercise of more than 30% of the voting power at general meetings of Great Eagle. Therefore, Toptech, being a subsidiary of Great Eagle, is a connected person of the Company under the Listing Rules. Accordingly, the engagement of Toptech by Pat Davie (Macau) to carry out the Sub-contract Works under the Letter of Acceptance constituted a connected transaction of the Company under the Listing Rules. Details of the transaction have been set out in the announcement dated 13 June 2013 issued by the Company.

(2) Engagement as contractor for fit-out works on residential premises

On 26 June 2013, 上海德建裝飾工程有限公司 (Shanghai Pat Davie Limited) ("Shanghai Pat Davie", an indirect non-wholly owned subsidiary of the Company) entered into a fit-out contract (the "Fit-out Contract") with Mrs. Lo whereby Shanghai Pat Davie was engaged by Mrs. Lo as the contractor to carry out the fit-out works (the "Fit-out Works", which include detailed design, procurement of materials, construction and installation, project management and maintenance, and coordination for obtaining approvals from the relevant government authorities) for the residential premises owned by Mrs. Lo located at The Regency II, Lingnan Tiandi, Foshan, the People's Republic of China (the "PRC"). Pursuant to the Fit-out Contract, the actual total contract sum payable by Mrs. Lo to Shanghai Pat Davie would be determined upon completion of the Fit-out Works, subject to a maximum amount of RMB5,866,489. Any sum exceeding the maximum amount would, unless otherwise agreed by Mrs. Lo, be borne by Shanghai Pat Davie.

Mrs. Lo is the spouse of Mr. Lo, the Chairman and 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 Fit-out Contract by Shanghai Pat Davie with Mrs. Lo to carry out the Fit-out Works constituted a connected transaction of the Company under the Listing Rules. Details of the transaction have been set out in the announcement dated 26 June 2013 issued by the Company.

(3) Sale of a residential unit at Beijing Centrium Residence

On 10 May 2013, 北京啓夏房地產開發有限公司 (Beijing Qi Xia Real Estate Development Co., Ltd.) ("Beijing Qi Xia", a joint venture but a subsidiary of the Company under the Listing Rules), as vendor, entered into a commodity housing sale and purchase agreement (the "Sale and Purchase Agreement") with Ms. Ng Man Ying (the "Purchaser") for the sale (the "Property Sale") of a residential unit with an usable area of 89.43 square metres at Beijing Centrium Residence, a residential development project located at No. 4 Gongti Bei Lu, Chaoyang District, Beijing, the PRC, for a consideration of approximately RMB6.09 million.

The Purchaser is the spouse of Mr. Wong Kun To, Philip, a Director of the Company, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Sale and Purchase Agreement by Beijing Qi Xia with the Purchaser for the Property Sale constituted a connected transaction of the Company under the Listing Rules. Details of the transaction have been set out in the announcement dated 6 August 2013 issued by the Company.

(4) Acquisition of additional 12.5% share interest in Eagle Fit Limited ("Eagle Fit")

On 13 September 2013, Noble Pearl Limited ("Noble Pearl", a wholly-owned subsidiary of the Company), as purchaser, entered into an agreement (the "Agreement") with PGR Asian Real Estate Fund, L.P. and Best Perspective Asian Real Estate Fund Limited (collectively the "Vendors") for the acquisition (the "Share Acquisition") of a total of 25 ordinary shares of US$1.00 each, representing 12.5% of the issued share capital, of Eagle Fit for an aggregate consideration of approximately RMB46.8 million. The principal asset of Eagle Fit is its investment in Beijing Centrium Residence held indirectly via Beijing Qi Xia. After completion of the Share Acquisition on 16 September 2013, Noble Pearl holds 65% share interest in Eagle Fit, which continues to be accounted for as a joint venture in the financial statements of the Group.

The Vendors are associates of Penta Investment Advisers Limited, a substantial shareholder of the Company, and are therefore connected persons of the Company under the Listing Rules. Accordingly, the entering into of the Agreement by Noble Pearl with the Vendors for the Share Acquisition constituted a connected transaction of the Company under the Listing Rules. Details of the transaction have been set out in the announcement dated 13 September 2013 issued by the Company.

Continuing Connected Transactions

Set out below are the transactions entered into by the Group which constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(1) Provision of construction services to Shui On Land Limited ("SOL") and its subsidiaries (collectively the "SOL Group")

On 9 December 2011, Shui On Contractors Limited ("SOC", a wholly-owned subsidiary of the Company) and SOL entered into a new framework agreement (the "Framework Agreement") to provide guidelines and basis of annual caps on the provision of construction services by SOC and its subsidiaries (collectively the "SOC Group"), including Shui On Construction Co., Ltd. ("SOCC"), to SOL Group for a term of three financial years to 31 December 2014 to replace the previous framework agreement dated 4 June 2006 (as supplemented by a supplemental agreement dated 15 December 2008) made between SOL and SOCC, which has expired on 31 December 2011.

Pursuant to the Framework Agreement, the maximum aggregate annual sum for all the construction services provided and to be provided during the relevant financial year by SOC Group to SOL Group which would be recognised as revenue of SOC Group for each of the three financial years ending 31 December 2014 shall not exceed RMB970 million, RMB1,060 million and RMB1,250 million respectively.

As SOL is an associate of Mr. Lo, the Chairman and the controlling shareholder of the Company, and is a connected person of the Company, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules. Details of the transactions have been set out in the joint announcement dated 9 December 2011 issued by SOL and the Company and the circular dated 3 January 2012 issued by the Company. Pursuant to the requirements of the Listing Rules, approval for such transactions was obtained from the independent shareholders of the Company at a special general meeting held on 20 January 2012.

The amount paid or payable to SOC Group for the provision of construction services under the Framework Agreement for the year ended 31 December 2013 was approximately RMB464 million. The Independent Non-executive Directors have reviewed such transactions for the year ended 31 December 2013 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 that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

(2) Provision of management services to Richcoast Group Limited ("Richcoast") and its subsidiaries

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 (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. 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.

On 29 October 2012, Max Clear, Shanghai SOD, Yida and the Dalian Group entered into an agreement (the "Further Renewed Management Services Agreement") to further extend the term of the Management Services Agreement (as supplemented and amended by the Renewed Management Services Agreement) so that it will end on 31 December 2014 instead of 31 December 2013.

In addition, pursuant to the Further Renewed Management Services Agreement, Max Clear would no longer be responsible for the provision of the project and asset management services for the Dalian Project, but would provide support and services relating to quality and safety control, marketing, land acquisition and tender invitations in respect of the Dalian Project at a revised annual management services fee payable by the Dalian Group based on 1%, instead of 1.5%, of the annual total budgeted construction cost for the Dalian Project. The revised annual management services fees charged or to be charged by Max Clear are subject to the annual caps of RMB22 million, RMB20 million and RMB25 million for the three financial years ending 31 December 2014 respectively.

The Dalian Group is effectively held as to 22% by the Company, 48% by SOL and 30% by Yida. Mr. Lo, the Chairman and the controlling shareholder of the Company, is also the Chairman and the 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. In addition, in view of Mr. Lo's interest in SOL, Shanghai SOD is an associate of Mr. Lo and is 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, is also a connected person of the Company. Accordingly, the provision of management services by Max Clear to the Dalian Group under the Management Services Agreement (as supplemented and amended by the Renewed Management Services Agreement and the Further Renewed Management Services Agreement) constitutes a continuing connected transaction of the Company under the Listing Rules. Details of the transaction have been set out in the joint announcements dated 28 April 2008, 28 December 2010 and 29 October 2012 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 (as supplemented and amended by the Renewed Management Services Agreement and the Further Renewed Management Services Agreement) for the year ended 31 December 2013 amounted to approximately RMB10 million. The Independent Non-executive Directors have reviewed such transaction for the year ended 31 December 2013 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 (as supplemented and amended by the Renewed Management Services Agreement and the Further Renewed Management Services 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 continuing connected transactions of the Company in accordance with the 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 Company'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.

Directors' Interests in Competing Business

During the year and up to the date of this report, the following Directors are considered to have interests in the business, which compete or is likely to compete, either directly or indirectly, with the business of the Group pursuant to Rule 8.10 of the Listing Rules as set out below:

(1) Mr. Lo is a director and the controlling shareholder of SOCL which, through its subsidiaries, including (among others) SOL, principally engages in property development and investment in the PRC.

(2) Mr. Lo is a director of Great Eagle which, through its subsidiaries, engages in (among others) property development and investment, trading of building materials and provision of maintenance services in Hong Kong and the PRC.

(3) Mr. Choi Yuk Keung, Lawrence is a director of SOCL which, through its subsidiaries, including (among others) SOL, principally engages in property development and investment in the PRC.

(4) Mr. Wong Yuet Leung, Frankie is a director of SOCL which, through its subsidiaries, including (among others) SOL, principally engages in property development and investment in the PRC.

(5) Mr. Wong Kun To, Philip is a director of SOL which, through its subsidiaries, principally engages in property development and investment in the PRC.

As the Board of Directors of the Company is independent from the boards of directors of the aforesaid companies and the above Directors are unable to control the Board, the Group is capable of carrying on its business independently of, and at arm's length from, the business of such companies.

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.

Retirement Benefit Plans

Details of the Group's retirement benefit plans are shown in note 32 to the consolidated financial statements.

Major Suppliers and Major Customers

The five largest suppliers of the Group accounted for less than 21% of the total purchases of the Group for the year.

The five largest customers of the Group accounted for approximately 43% of the total turnover of the Group for the year with the largest customer, the Government of Hong Kong Special Administrative Region – Architectural Services Department, accounting for approximately 13% of the turnover of the Group.

Mr. Lo, the Chairman and the controlling shareholder of the Company, is also the Chairman and the controlling shareholder of SOL, the fourth largest customer of the Group which accounted for approximately 7% of the total turnover of the Group for the year ended 31 December 2013. 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 Group made donations of approximately HK$1.8 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 maintains a sufficient public float as required under the Listing Rules.

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$4,634 million at 31 December 2013, details of which are as follows:

	Balance at 31 December 2013				
		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 1)	Guarantee HK$ million	Total HK$ million
Brisfull Limited	50%	–	22	–	22
Cosy Rich Limited	50%	122	–	–	122
Gracious Spring Limited	51%	–	1,292	163	1,455
Lafarge Shui On Cement Limited	45%	6	84	–	90
Lamma Yue Jie Company Limited	60%	17	–	–	17
Lead Wealthy Investments Limited	70%	–	856	280	1,136
Nanjing Jiangnan Cement Co., Ltd.	60%	146	–	–	146
Richcoast Group Limited	28%	613	497	280	1,390
Silver Reach Limited	65%	121	–	–	121
Win Lead Holdings Limited	50%	135	–	–	135
		1,160	2,751	723	4,634

The proforma combined balance sheet of the above affiliated companies at 31 December 2013 is as follows:

	HK$ million
Non-current assets	30,136
Current assets	19,490
Current liabilities	(19,737)
Net current liabilities	(247)
Non-current liabilities	(18,191)
Non-controlling interests	(3,248)
Shareholders' funds	8,450

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

Notes:

1. 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%
Gracious Spring Limited	Loans in a total amount of HK$210 million bear interest at 7.5% per annum. The balance bears base interest at 13.175% per annum plus payment in kind interest at 14% per annum on a notional sum of RMB175 million
Lafarge Shui On Cement Limited	Fixed at 7.45205% to 7.64290%
Lead Wealthy Investments Limited	HIBOR + 3.5%
Richcoast Group Limited	Fixed at 5% to 6.6%

2. All affiliated companies are accounted for as joint ventures or associates of the Group.

Auditor

A resolution will be proposed at the AGM to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Lo Hong Sui, Vincent
Chairman

Hong Kong, 28 March 2014

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF
SOCAM DEVELOPMENT LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of SOCAM Development Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 94 to 191, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 2013, and of it's loss 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

28 March 2014

Consolidated Statement of Profit or Loss

For the year ended 31 December 2013

	NOTES	2013 HK$ million	2012 HK$ million (restated)
Turnover			
The Company and its subsidiaries		**7,952**	6,443
Share of joint ventures/associates		**4,460**	4,892
		12,412	11,335
Group turnover	7	**7,952**	6,443
Other income and gains	8	**260**	254
Changes in inventories of finished goods, work in progress, contract work in progress and cost of properties sold		**(2,641)**	(933)
Raw materials and consumables used		**(831)**	(758)
Staff costs		**(621)**	(602)
Depreciation and amortisation expenses		**(37)**	(23)
Subcontracting, external labour costs and other expenses		**(3,871)**	(4,170)
Dividend income from available-for-sale investments		**2**	17
Fair value changes on investment properties	15	**349**	242
Finance costs	9	**(368)**	(314)
Gain on disposal of available-for-sale investments	19	**–**	134
Gain on disposal of subsidiaries	40	**–**	504
Share of results of joint ventures	7	**(426)**	(191)
Share of results of associates	7	**(98)**	24
(Loss) profit before taxation		**(330)**	627
Taxation	10	**(542)**	(142)
(Loss) profit for the year		**(872)**	485
Attributable to:			
Owners of the Company		**(889)**	459
Non-controlling interests		**17**	26
		(872)	485
(Loss) earnings per share	14		
Basic		**HK$(1.81)**	HK$0.93
Diluted		**HK$(1.81)**	HK$0.93

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	2013 HK$ million	2012 HK$ million (restated)
(Loss) profit for the year	**(872)**	485
Other comprehensive income (expense)		
Items that may be subsequently reclassified to profit or loss:		
(Loss) gain on fair value changes of available-for-sale investments	**(27)**	176
Exchange differences arising on translation of financial statements of foreign operations	**218**	(19)
Share of exchange differences of joint ventures	**113**	1
Share of exchange differences of associates	**15**	–
Reclassification adjustments for amounts transferred to profit or loss:		
– upon disposal of available-for-sale investments	**–**	(141)
– upon disposal of interest in a joint venture	**–**	(4)
– upon disposal of subsidiaries	**–**	(92)
– upon disposal of property inventories, net of deferred tax of HK$4 million (2012: HK$2 million)	**(20)**	(5)
Item that will not be reclassified to profit or loss:		
Recognition of actuarial gain (loss)	**18**	(13)
Other comprehensive income (expense) for the year	**317**	(97)
Total comprehensive (expenses) income for the year	**(555)**	388
Total comprehensive (expenses) income attributable to:		
Owners of the Company	**(573)**	362
Non-controlling interests	**18**	26
	(555)	388

Consolidated Statement of Financial Position

At 31 December 2013

	NOTES	**2013 HK$ million**	2012 HK$ million (restated)
Non-current Assets			
Investment properties	15	**2,096**	4,065
Property, plant and equipment	16	**57**	72
Prepaid lease payments	17	**–**	41
Interests in joint ventures	18	**3,698**	4,563
Available-for-sale investments	19	**71**	84
Interests in associates	20	**416**	511
Club memberships		**1**	1
Trade debtors	25	**38**	–
Amounts due from joint ventures	21	**2,388**	1,861
Amounts due from associates	22	**865**	860
		9,630	12,058
Current Assets			
Inventories	23	**1**	29
Prepaid lease payments	17	**–**	1
Properties held for sale	24	**843**	1,896
Properties under development for sale	24	**874**	2,569
Debtors, deposits and prepayments	25	**1,545**	1,567
Amounts due from customers for contract work	23	**426**	321
Amounts due from joint ventures	21	**1,158**	797
Amounts due from associates	22	**498**	393
Amounts due from related companies	26	**196**	308
Taxation recoverable		**42**	25
Other financial asset	25	**127**	–
Restricted bank deposits	27	**946**	1,214
Bank balances, deposits and cash	25		
– Cash and cash equivalents		**2,606**	1,854
– Other bank balances		**150**	196
		9,412	11,170
Assets classified as held for disposal	28	**4,078**	92
		13,490	11,262

	NOTES	2013 HK$ million	2012 HK$ million (restated)
Current Liabilities			
Creditors and accrued charges	29	**2,538**	2,376
Sales deposits received		**112**	1,301
Amounts due to customers for contract work	23	**397**	347
Amounts due to joint ventures	21	**484**	65
Amounts due to associates	22	**3**	1
Amounts due to related companies	26	**201**	64
Amounts due to non-controlling shareholders of subsidiaries	26	**3**	4
Taxation payable		**216**	109
Bank and other borrowings due within one year	30	**6,892**	4,786
		10,846	9,053
Liabilities directly associated with assets classified as held for disposal	28	**777**	–
		11,623	9,053
Net Current Assets		**1,867**	2,209
Total Assets Less Current Liabilities		**11,497**	14,267
Capital and Reserves			
Share capital	31	**484**	492
Reserves		**8,840**	9,726
Equity attributable to owners of the Company		**9,324**	10,218
Non-controlling interests		**67**	70
		9,391	10,288
Non-current Liabilities			
Bank and other borrowings	30	**1,313**	3,293
Defined benefit liabilities	32	**104**	112
Other payables	29	**–**	116
Deferred tax liabilities	33	**689**	458
		2,106	3,979
		11,497	14,267

The consolidated financial statements on pages 94 to 191 were approved and authorised for issue by the Board of Directors on 28 March 2014 and are signed on its behalf by:

Choi Yuk Keung, Lawrence
Vice Chairman and Managing Director

Wong Fook Lam, Raymond
Managing Director and Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	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 2013														
– as originally stated	492	3,232	1,241	197	(3)	5,041	11	96	(183)	30	432	10,586	70	10,656
– effect of changes in accounting policy (note 2)	–	–	–	–	–	(138)	–	–	138	–	–	–	–	–
– account for the investment in LSOC using the equity method (note 28)	–	–	–	–	–	(368)	–	–	–	–	–	(368)	–	(368)
– as restated	492	3,232	1,241	197	(3)	4,535	11	96	(45)	30	432	10,218	70	10,288
Fair value changes of available-for-sale investments	–	–	–	–	–	–	–	–	–	(27)	–	(27)	–	(27)
Exchange differences arising on translation of financial statements of foreign operations	–	–	217	–	–	–	–	–	–	–	–	217	1	218
Share of exchange differences of joint ventures	–	–	113	–	–	–	–	–	–	–	–	113	–	113
Share of exchange differences of associates	–	–	15	–	–	–	–	–	–	–	–	15	–	15
Recognition of actuarial gain	–	–	–	–	–	–	–	–	18	–	–	18	–	18
Disposal of property inventories	–	–	–	–	–	–	–	–	–	–	(20)	(20)	–	(20)
Loss for the year	–	–	–	–	–	(889)	–	–	–	–	–	(889)	17	(872)
Total comprehensive income (expense) for the year	–	–	345	–	–	(889)	–	–	18	(27)	(20)	(573)	18	(555)
Issue of shares upon exercise of share options	2	12	–	–	–	–	–	–	–	–	–	14	–	14
Repurchase of shares (note 31)	(10)	(80)	–	–	–	–	–	–	–	–	–	(90)	–	(90)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	4	4
Deregistration of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(6)	(6)
Recognition of share-based payments	–	–	–	–	–	–	–	2	–	–	–	2	–	2
Transfer upon exercise/lapse of share options	–	4	–	–	–	20	–	(24)	–	–	–	–	–	–
Transfer to statutory reserve	–	–	–	–	–	(1)	1	–	–	–	–	–	–	–
Dividends recognised as distribution (note 13)	–	–	–	–	–	(247)	–	–	–	–	–	(247)	–	(247)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(19)	(19)
At 31 December 2013	484	3,168	1,586	197	(3)	3,418	12	74	(27)	3	412	9,324	67	9,391

	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 2012														
– as originally stated	490	3,208	1,355	197	(3)	4,328	6	138	(149)	(5)	437	10,002	66	10,068
– effect of changes in accounting policy (note 2)	–	–	–	–	–	(117)	–	–	117	–	–	–	–	–
– as restated	490	3,208	1,355	197	(3)	4,211	6	138	(32)	(5)	437	10,002	66	10,068
Fair value changes of available-for-sale investments	–	–	–	–	–	–	–	–	–	176	–	176	–	176
Exchange differences arising on translation of financial statements of foreign operations	–	–	(19)	–	–	–	–	–	–	–	–	(19)	–	(19)
Share of exchange differences of joint ventures	–	–	1	–	–	–	–	–	–	–	–	1	–	1
Recognition of actuarial loss	–	–	–	–	–	–	–	–	(13)	–	–	(13)	–	(13)
Disposal of available-for-sale investments	–	–	–	–	–	–	–	–	–	(141)	–	(141)	–	(141)
Disposal of interest in a joint venture	–	–	(4)	–	–	–	–	–	–	–	–	(4)	–	(4)
Disposal of subsidiaries	–	–	(92)	–	–	–	–	–	–	–	–	(92)	–	(92)
Disposal of property inventories	–	–	–	–	–	–	–	–	–	–	(5)	(5)	–	(5)
Profit for the year, as restated	–	–	–	–	–	459	–	–	–	–	–	459	26	485
Total comprehensive income (expense) for the year	–	–	(114)	–	–	459	–	–	(13)	35	(5)	362	26	388
Issue of shares upon exercise of share options	2	18	–	–	–	–	–	–	–	–	–	20	–	20
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	5	5
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(10)	(10)
Recognition of share-based payments	–	–	–	–	–	–	–	30	–	–	–	30	–	30
Transfer upon exercise/lapse of share options	–	6	–	–	–	66	–	(72)	–	–	–	–	–	–
Transfer to statutory reserve	–	–	–	–	–	(5)	5	–	–	–	–	–	–	–
Dividends recognised as distribution (note 13)	–	–	–	–	–	(196)	–	–	–	–	–	(196)	–	(196)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(17)	(17)
At 31 December 2012	492	3,232	1,241	197	(3)	4,535	11	96	(45)	30	432	10,218	70	10,288

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 (2012: 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 (2012: 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$21 million (2012: HK$35 million), which represents the Group's share of revaluation reserve of a then associate, China Central Properties Limited ("CCP"), arising from an acquisition achieved in stages by CCP during the year ended 31 December 2009, net of the amount released as a result of subsequent disposal of property inventories; and (iv) an amount of HK$32 million (2012: HK$38 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 as a result of subsequent disposal of property inventories.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 HK$ million	2012 HK$ million (restated)
Operating activities		
(Loss) profit before taxation	**(330)**	627
Adjustments for:		
Provision (reversal) of impairment loss in respect of interests in joint ventures	**14**	(21)
Impairment loss on other receivables	**15**	–
Gain on disposal of subsidiaries	**–**	(504)
Loss (gain) on disposal of property, plant and equipment and leasehold land	**42**	(87)
Share of results of joint ventures	**426**	191
Share of results of associates	**98**	(24)
Interest income	**(110)**	(52)
Finance costs	**368**	314
Imputed interest income on loans to joint ventures/associates	**(30)**	(28)
Dividend income from available-for-sale investments	**(2)**	(17)
Fair value changes on investment properties	**(349)**	(242)
Depreciation of property, plant and equipment	**36**	22
Amortisation of prepaid lease payments	**1**	1
Gain on disposal of property inventories through disposal of subsidiaries	**(200)**	–
Gain on disposal of available-for-sale investments	**–**	(134)
Unrealised effect on income from associates/joint ventures	**(11)**	22
Share-based payment expense	**2**	30
Expense recognised in respect to defined benefit scheme	**19**	18
Operating cash flows before movements in working capital	**(11)**	116
Decrease (increase) in inventories	**29**	(14)
Decrease in properties held for sale	**1,165**	214
Decrease (increase) in properties under development for sale	**218**	(640)
Decrease (increase) in debtors, deposits and prepayments	**121**	(14)
(Increase) decrease in amounts due from customers for contract work	**(103)**	1
Decrease (increase) in amounts due from related companies	**112**	(66)
Increase in amounts due from associates	**(50)**	(78)
Increase in amounts due from joint ventures	**(239)**	(207)
Increase in creditors and accrued charges	**10**	588
(Decrease) increase in sales deposits received	**(760)**	579
Decrease (increase) in other bank balances (note 25)	**46**	(196)
Increase in amounts due to customers for contract work	**46**	160
Increase in amounts due to joint ventures	**379**	20
Increase in amounts due to related companies	**–**	1
Increase in amounts due to associates	**2**	1
Decrease in amounts due to non-controlling shareholders of subsidiaries	**(2)**	(7)
Contribution to defined benefit scheme	**(9)**	(9)
Cash generated from operations	**954**	449
Hong Kong Profits Tax paid	**(21)**	(13)
Hong Kong Profits Tax refunded	**–**	1
Income tax of other regions in the People's Republic of China ("PRC") paid	**(178)**	(142)
Net cash from operating activities	**755**	295

	2013 HK$ million	2012 HK$ million (restated)
Investing activities		
Investments in joint ventures	**(59)**	(6)
Investments in associates	**–**	(4)
Advance to joint ventures	**(811)**	(61)
Additions in property, plant and equipment	**(26)**	(24)
Payment for construction of investment properties	**(128)**	(216)
Dividends received from joint ventures	**149**	62
Interest received	**100**	39
Proceeds from sales of property, plant and equipment and leasehold land	**12**	–
Dividends received from available-for-sale investments	**2**	–
Net proceeds from disposal of available-for-sale investments	**–**	427
Net proceeds from disposal of subsidiaries (note 40(c))	**9**	107
Net proceeds from disposal of property inventories through disposal of subsidiaries (note)	**817**	–
Net proceeds from disposal of a joint venture	**–**	58
Acquisition of investment properties, property inventories and other assets and liabilities through acquisition of subsidiaries (note 37)	**(79)**	(184)
Acquisition of a subsidiary (note 38)	**(2)**	–
Payment in respect of rights issue of available-for-sale investments	**(14)**	–
Purchase of other financial asset	**(127)**	–
Restricted bank deposits placed	**(232)**	(119)
Restricted bank deposits refunded	**500**	–
Net cash from investing activities	**111**	79

Consolidated Statement of Cash Flows
For the year ended 31 December 2013

	2013 HK$ million	2012 HK$ million (restated)
Financing activities		
New bank and other loans raised	**2,050**	1,659
Loan from related companies	**200**	62
Repayment to related companies	**(62)**	–
Net proceeds received on issue of shares	**14**	20
Repurchase of shares	**(90)**	–
Repayment of bank loans	**(1,643)**	(2,140)
Interest paid	**(307)**	(270)
Other borrowing costs paid	**(62)**	(43)
Payment in respect of acquisition of additional interest in a subsidiary	**–**	(10)
Cash contribution from non-controlling interests	**4**	5
Dividends paid	**(247)**	(196)
Dividends paid to non-controlling shareholders of subsidiaries	**(19)**	(17)
Net cash used in financing activities	**(162)**	(930)
Net increase (decrease) in cash and cash equivalents	**704**	(556)
Cash and cash equivalents at the beginning of the year	**1,854**	2,410
Effect of foreign exchange rate changes	**49**	–
Cash and cash equivalents at the end of the year	**2,607**	1,854
Analysis of the balances of cash and cash equivalents		
Bank balances, deposits and cash	**2,606**	1,854
Bank balances, deposits and cash included in assets classified as held for disposal (note 28)	**1**	–
	2,607	1,854

Note:

During the year, the Group disposed of certain property inventories classified as properties under development 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$817 million (2012: nil) 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, joint ventures and associates are principally engaged in property development and investment, asset management, construction and contracting, renovation and fitting out, manufacturing and sales of cement 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, the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are mandatorily effective for the Group's financial period beginning on 1 January 2013.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HK(IFRIC) – INT 20	Stripping Costs in the Production Phase of a Surface Mine

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements and associates. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements

The Group has applied HKFRS 13 "Fair Value Measurement" for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively.

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

HKAS 19 (2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a 'net interest' amount under HKAS 19 (2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. As such, certain amounts previously recognised by the Group in retained profits are reclassified as actuarial gain or loss (other comprehensive income).

Specific transitional provisions are applicable to first-time application of HKAS 19 (2011). The application of HKAS 19 (2011) has not had any material impact on the amounts recognised in profit or loss and other comprehensive income in prior years. In addition, HKAS 19 (2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures, which are set out in note 32. The Group has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis (see the table below for details).

The amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income" introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The application of the new and revised HKFRSs, including the revised standard HKAS 19 (2011), has had no material effect on the amounts reported and disclosures set out in the consolidated financial statements of the Group for the current or prior accounting periods. The application of the HKAS 19 (2011) has resulted in changes to the Group's accounting policy and the Group is required to apply HKAS 19 (2011) retrospectively. Accordingly, comparative figures have been restated.

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

Summary of the effects of the changes in accounting policy:

	As originally stated HK$ million	Effect of the adoption of HKAS19 (2011) HK$ million	As restated HK$ million
Consolidated statement of profit or loss for the year ended 31 December 2012			
Staff costs	581	21	602
Profit for the year	874	(21)	853
Attributable to:			
Owners of the Company	848	(21)	827
Non-controlling interests	26	–	26
	874	(21)	853
Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2012			
Recognition of actuarial loss	(34)	21	(13)
Total comprehensive income for the year	756	–	756
Attributable to:			
Owners of the Company	730	–	730
Non-controlling interests	26	–	26
	756	–	756
Earnings per share for the year ended 31 December 2012			
Basic	HK$1.73	HK($0.05)	HK$1.68
Diluted	HK$1.73	HK($0.05)	HK$1.68
Consolidated statement of financial position			
At 31 December 2012			
Retained profits	5,041	(138)	4,903
Actuarial gain and loss	(183)	138	(45)
Total effects on equity	4,858	–	4,858
At 1 January 2012			
Retained profits	4,328	(117)	4,211
Actuarial gain and loss	(149)	117	(32)
Total effects on equity	4,179	–	4,179

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

	HKAS 19 (2011) adjustments HK$ million
Impact on application of the amendments to HKAS 19 (2011)	
Consolidated statement of profit or loss for the year ended 31 December 2013	
Increase in staff costs and loss for the year	27
Consolidated statement of financial position at 31 December 2013	
Decrease in retained profits	(27)
Increase in actuarial gain and loss (other comprehensive income)	27
Total effects on equity	–
Loss per share for the year ended 31 December 2013	
Before application of the amendments to HKAS 19 (2011):	
Basic and diluted	HK$(1.76)
After application of the amendments to HKAS 19 (2011):	
Basic and diluted	HK$(1.81)

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

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle[4]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[5]
HKAS 19 (Amendments)	Defined Benefits Plans: Employee Contributions[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-financial Assets[1]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) – INT 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted

2 Effective for annual periods beginning on or after 1 July 2014

3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

3. POTENTIAL IMPACT ARISING ON THE NEW AND REVISED ACCOUNTING STANDARDS AND INTERPRETATION NOT YET EFFECTIVE (CONTINUED)

HKFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors of the Company are in the process of assessing the potential impact of these standards, and at this stage have not yet determined the effect of the application of these standards on the results and financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with 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 preparation

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.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

– Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

– Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

– Level 3 inputs are unobservable inputs for the asset or liability.

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 Group has the power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to the elements of control listed above.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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

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:

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (continued)

- 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.

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 HKFRSs.

Investments in associates and joint ventures

An associate is an entity over which the investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for disposal (in which case it is accounted for under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"). The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates and joint ventures are carried in the consolidated statement of financial position 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 joint ventures, less any identified impairment loss. When the Group's share of losses equals or exceeds its interest in the associate or the joint venture (which includes any long-term interest that, in substance, form part of the Group's net investment in the associate or joint venture), 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 joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate or the joint venture 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 joint venture. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Any excess of the Group's share of the net fair value of the identifiable assets and 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 joint venture (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 joint venture in the period in which the investment is acquired.

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

Investments in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the operators sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation of the Group (such as a sale of assets), profits or losses are recognised only to the extent of other party's interest in the joint operation.

When a group entity transacts with a joint operation of the Group (such as a purchase of assets), the Group does not recognise its share of the profits or losses until it resells those assets to a third party.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-current assets held for disposal

Non-current assets or disposal groups are classified as held for disposal if their carrying amount will be recovered principally through a disposal transaction rather than through continuing use. This condition is regarded as met only when the disposal is highly probable and the asset (or disposal group) is available for immediate disposal in its present condition. For the disposal to be highly probable, management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

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

When an investment in an associate or a joint venture, or portion thereof, meets the above criteria to be classified as held for disposal, the portion of the investment to be disposed of is classified as assets (disposal groups) held for disposal. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for disposal continued to be accounted for using the equity method until disposal of the portion that is classified as held for disposal takes place. After the disposal takes place, the Group will account for any retained interest in the associate or joint venture in accordance with HKAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the entity uses the equity method.

When an investment, or a portion of an investment, in an associate or a joint venture previously classified as held for sale no longer meets the above criteria to be classified as held for disposal, the investment that has been classified as held for disposal is accounted for using the equity method retrospectively, as from the date of its classification as held for disposal. Financial statements for the comparative period since classification as held for disposal are amended accordingly.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Others

Revenue from a contract to provide construction services is recognised by reference to the stage of completion of the contract. The Group's policy for recognition of revenue from construction contracts is described in the accounting policy for construction and building maintenance contracts below.

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

Dividend income from investments is recognised when the Group's right to receive the relevant payment has been established.

Interest income from a financial asset 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.

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 end of the reporting period, as measured by reference to the value of work carried out during the period. 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 statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position 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 end of the reporting period. 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.

Property inventory is transferred to investment property when it is evidenced by the commencement of an operating lease to another party. The difference between the fair value and the carrying amount at the date of transfer is recognised in profit or loss.

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 statement of profit or loss in the year in which the item is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and depreciation method, 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 statement of profit or loss in the year in which the item is derecognised.

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. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is released 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. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

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 statement of profit or loss in the period in which they are incurred.

Impairment of assets (other than goodwill, club memberships with indefinite useful life and financial assets)

At the end of the reporting period, 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 statement of profit or loss 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 end of the reporting period.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

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 the end of the reporting period 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 end of the reporting period. 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 end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 "Income Taxes". Current and 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 current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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 statement of profit or loss 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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation 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 Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, 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 end of the reporting period. 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.

Retirement benefits costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme, which are defined contribution schemes, are recognised 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 the end of the reporting period. 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 statement of financial position 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 statement of financial position 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified into loans and receivables, held-to-maturity investments and available-for-sale investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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 the end of the reporting period subsequent to initial recognition, loans and receivables (including debtors, amounts due from joint ventures, associates and related companies, restricted 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).

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 the end of the reporting period 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 the end of the reporting period. Financial assets are considered to be 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For certain categories of financial asset, such as trade debtors, assets that are assessed not to be impaired individually are in addition 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 financial asset's 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 through profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

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 (including all fees and 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 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity (continued)

Other financial liabilities

Other financial liabilities (including creditors, amounts due to joint ventures, associates, related companies and non-controlling shareholders of subsidiaries) are subsequently measured at amortised cost, using the effective interest method.

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 of obligation under the contract, as 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 the revenue recognition policy.

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 the end of the reporting period, 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 such that the cumulative expense reflects the revised estimates, 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.

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 statement of profit or loss.

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 lower of the 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 statement of profit or loss.

Impairment of other assets

The Group reviews the carrying amounts of its assets at the end of the reporting period 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 statement of profit or loss.

As disclosed in note 25(b), at 31 December 2013, receivables of HK$400 million (2012: HK$363 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 end of the reporting period. 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 end of the reporting period. If the actual recoverable amount or timing of recovery are different from expectation, an impairment loss may arise.

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

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the Directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties of HK$2,096 million (2012: HK$4,065 million) are held to earn rental income and they are considered to be held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly, deferred tax on these investment properties at fair value is measured based on the tax consequences of recovering the carrying amounts of the investment properties through use.

The remaining investment properties of the Group with fair value of HK$2,567 million (2012: nil), in the opinion of the Directors of the Company, are held under a business model whose objective is to recover through sale. Accordingly, the investment properties are classified as assets classified as held for disposal (note 28) and the deferred tax in relation to these investment properties is measured based on the tax consequences of recovering the carrying amounts entirely through sale.

Financial guarantee contracts

As disclosed in note 41, at 31 December 2013, the Group has provided guarantees under financial guarantee contracts for an aggregate amount of HK$1,425 million (2012: HK$1,682 million). In determining whether provision should be recognised in respect of the Group's financial guarantee contracts, the Directors of the Company exercise judgement 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 statement of financial position. Should the actual outcome be different from expected, provision for losses will be recognised in the 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 joint ventures, associates and related companies, restricted bank deposits, bank balances, creditors, amounts due to joint ventures, related companies and non-controlling shareholders of subsidiaries and bank and other 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

	2013 **HK$ million**	2012 HK$ million
Financial assets		
Available-for-sale investments	**71**	84
Held-to-maturity investments	**127**	–
Loans and receivables (including cash and cash equivalents)	**10,371**	9,072
Financial liabilities		
Amortised cost	**10,820**	9,968

6. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

(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 Offered Rate, London Interbank Offered Rate and People's Bank of China Prescribed Interest Rate arising from the Group's 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 end of the reporting period was outstanding for the whole year. An increase or decrease of 100 basis points (2012: 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 end of the reporting period, if interest rates had been increased/decreased by 100 basis points (2012: 100 basis points) and all other variables were held constant, the Group's loss for the year would increase/decrease by approximately HK$85 million for the year ended 31 December 2013 (2012: profit for the year would decrease/increase by approximately HK$81 million).

(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 joint ventures 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.

6. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

(a) Market risk (continued)

(ii) Foreign currency risk (continued)

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

	2013 HK$ million	2012 HK$ million
Assets		
Renminbi	**127**	–
United States dollars	**97**	97
Hong Kong dollars	**85**	13
Liabilities		
Renminbi	**191**	185
United States dollars	**388**	254
Hong Kong dollars	**800**	795

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% (2012: 7%) change 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% (2012: 7%) change in foreign currency rates. The following table indicates the impact to the loss/profit before tax where the foreign currencies strengthen against the functional currencies of the relevant group entities. For a 7% (2012: 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. In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Decrease (increase) in loss in 2013 increase (decrease) in profit in 2012	**2013 HK$ million**	2012 HK$ million
Renminbi	**(4)**	(13)
United States dollars	**7**	7
Hong Kong dollars	**(50)**	(55)

6. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

(a) Market risk (continued)

(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% (2012: 20%), the Group's reserve at 31 December 2013 would increase/decrease by approximately HK$14 million (2012: HK$17 million).

(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 statement of financial position and the amount of contingent liabilities in relation to financial guarantees 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 the end of each reporting period 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 joint ventures, associates and trade debtors and other receivables. At 31 December 2013, 44% (2012: 40%) of total amounts due from joint ventures and 26% (2012: 24%) of total trade debtors and other receivables was due from one single joint venture and a counterparty respectively. The amounts due from associates represented the receivables solely from an associate. At 31 December 2013, other receivables of HK$400 million (2012: HK$363 million) were due from this counterparty and a guarantee of HK$689 million (2012: HK$668 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 the end of each reporting period. The Directors of the Company considered that no provision for impairment loss is necessary at the end of the reporting period. 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 joint ventures 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 joint ventures 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 debts, which include bank and other 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 2013							
Bank deposits	**2.21%**	**853**	**–**	**–**	**–**	**853**	**849**
Trade and other payables	**–**	**(2,071)**	**(490)**	**(54)**	**–**	**(2,615)**	**(2,615)**
Bank borrowings (variable rate)	**3.71%**	**(2,658)**	**(4,402)**	**(1,333)**	**–**	**(8,393)**	**(8,205)**
		(3,876)	**(4,892)**	**(1,387)**	**–**	**(10,155)**	**(9,971)**
Financial guarantee contracts (note)	**–**	**(140)**	**(829)**	**(280)**	**(176)**	**(1,425)**	**–**
At 31 December 2012							
Bank deposits	1.52%	1,214	–	–	–	1,214	1,212
Trade and other payables	–	(1,473)	(247)	(169)	–	(1,889)	(1,889)
Bank borrowings (variable rate)	4.35%	(1,129)	(3,930)	(3,268)	(79)	(8,406)	(8,079)
		(1,388)	(4,177)	(3,437)	(79)	(9,081)	(8,756)
Financial guarantee contracts (note)	–	(425)	(1,257)	–	–	(1,682)	–

Note: At the end of the reporting period, the Group has provided financial guarantees to certain 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 upon demand. Management does not consider that it is probable for these parties 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.

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 statement of financial position

At 31 December 2013 and 31 December 2012, 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 classified as level 1 fair value measurement and was derived from unadjusted quoted prices available on the Hong Kong Stock Exchange (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. These divisions are the basis on which the Group reports information to its chief operating decision makers, who are the Executive Directors of the Company, for the purposes of resource allocation and assessment of segment performance.

The Group's reportable and operating segments under HKFRS 8 "Operating Segments" are as follows:

1. Property – property development for sale and investment and provision of property asset management services
2. Construction and building maintenance – construction, interior fit-out, renovation and maintenance of building premises, sales of building materials and provision of related consultancy services
3. Cement operations through Lafarge Shui On Cement Limited ("LSOC")
4. Other businesses – venture capital investment, cement operations not through LSOC, and others

The cement operations through LSOC were classified as discontinued operations in the prior year. As mentioned in note 28(a), the investment in LSOC was no longer met the criteria to be classified as held for disposal in the current year and accordingly the investment was accounted for using the equity method retrospectively. Comparative information in 2012 has been restated.

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 reportable and operating segment is as follows:

For the year ended 31 December 2013

	Property HK$ million	Construction and building maintenance HK$ million	Cement operations through LSOC HK$ million	Other businesses HK$ million	Total HK$ million
Revenue					
Sales of goods	2,983	75	–	18	3,076
Rental income	44	–	–	–	44
Revenue from rendering of services	77	25	–	1	103
Construction contract revenue	–	4,729	–	–	4,729
Revenue from external customers	3,104	4,829	–	19	7,952
Inter-segment revenue	–	109	–	–	109
	3,104	4,938	–	19	8,061
Share of joint ventures/associates' revenue	950	14	3,416	80	4,460
Total segment revenue	4,054	4,952	3,416	99	12,521
Inter-segment revenue is charged at mutually agreed prices.					
Reportable segment results	447	120	(286)	(135)	146
Segment results have been arrived at after crediting (charging):					
Depreciation and amortisation	(29)	(5)	–	(2)	(36)
Interest income	93	5	6	2	106
Imputed interest income on loans to joint ventures/associates	30	–	–	–	30
Dividend income from available-for-sale investments	2	–	–	–	2
Fair value changes on investment properties	349	–	–	–	349
Loss on disposal of leasehold land and related assets	–	–	–	(47)	(47)
Impairment loss recognised in respect of interests in joint ventures	–	–	–	(14)	(14)
Share of results of joint ventures					
Cement operations through LSOC	–	–	(300)	–	(300)
Cement operations in Guizhou	–	–	–	11	11
Venture capital investments	–	–	–	(88)	(88)
Property development	(42)	–	–	–	(42)
Imputed interest expense	(7)	–	–	–	(7)
					(426)
Share of results of associates					
Property development	(75)	–	–	–	(75)
Imputed interest expense	(23)	–	–	–	(23)
					(98)

7. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

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

For the year ended 31 December 2012 (restated)

	Property HK$ million	Construction and building maintenance HK$ million	Cement operations through LSOC HK$ million	Other businesses HK$ million	Total HK$ million
Revenue					
Sales of goods	948	183	–	–	1,131
Rental income	52	–	–	–	52
Revenue from rendering of services	84	39	–	1	124
Construction contract revenue	–	5,136	–	–	5,136
Revenue from external customers	1,084	5,358	–	1	6,443
Inter-segment revenue	–	341	–	–	341
	1,084	5,699	–	1	6,784
Share of joint ventures/associates' revenue	1,402	1	3,408	81	4,892
Total segment revenue	2,486	5,700	3,408	82	11,676
Inter-segment revenue is charged at mutually agreed prices.					
Reportable segment results	1,208	256	(360)	(40)	1,064
Segment results have been arrived at after crediting (charging):					
Depreciation and amortisation	(17)	(4)	–	(1)	(22)
Interest income	38	4	–	3	45
Imputed interest income on loans to joint ventures/associates	28	–	–	–	28
Dividend income from available-for-sale investments	17	–	–	–	17
Fair value changes on investment properties	242	–	–	–	242
Gain on disposal of available-for-sale investments	134	–	–	–	134
Gain on disposal of leasehold land	–	89	–	–	89
Gain on disposal of subsidiaries	492	–	–	12	504
Reversal of impairment loss recognised in respect of interests in joint ventures	–	–	–	21	21
Share of results of joint ventures					
Cement operations through LSOC	–	–	(368)	–	(368)
Cement operations in Guizhou	–	–	–	(4)	(4)
Venture capital investments	–	–	–	(73)	(73)
Property development	254	–	–	–	254
Imputed interest expense	(6)	–	–	–	(6)
Others	–	6	–	–	6
					(191)
Share of results of associates					
Property development	46	–	–	–	46
Imputed interest expense	(22)	–	–	–	(22)
					24

7. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(b) Reportable segment assets and liabilities

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

At 31 December 2013

	Property HK$ million	**Construction and building maintenance HK$ million**	**Cement operations through LSOC HK$ million**	**Others HK$ million**	**Total HK$ million**
Reportable segment assets	**15,631**	**3,205**	**3,620**	**2,355**	**24,811**
Reportable segment liabilities	**3,832**	**2,600**	**–**	**1,054**	**7,486**

At 31 December 2012 (restated)

	Property HK$ million	Construction and building maintenance HK$ million	Cement operations through LSOC HK$ million	Others HK$ million	Total HK$ million
Reportable segment assets	16,159	2,915	3,713	2,242	25,029
Reportable segment liabilities	4,637	2,201	–	935	7,773

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

	Year ended 31 December	
	2013 HK$ million	2012 HK$ million (restated)
Revenue		
Reportable segment revenue	**12,521**	11,676
Elimination of inter-segment revenue	**(109)**	(341)
Elimination of share of revenue of joint ventures/associates	**(4,460)**	(4,892)
Consolidated turnover	**7,952**	6,443

7. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

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

	Year ended 31 December 2013 HK$ million	2012 HK$ million (restated)
Profit before taxation		
Reportable segment results	**146**	1,064
Unallocated other income	**4**	7
Finance costs	**(368)**	(314)
Other unallocated corporate expenses	**(112)**	(130)
Consolidated (loss) profit before taxation	**(330)**	627

	At 31 December 2013 HK$ million	2012 HK$ million (restated)
Assets		
Reportable segment assets	**24,811**	25,029
Elimination of inter-segment receivables	**(1,733)**	(1,734)
Other unallocated assets	**42**	25
Consolidated total assets	**23,120**	23,320

	At 31 December 2013 HK$ million	2012 HK$ million (restated)
Liabilities		
Reportable segment liabilities	**7,486**	7,773
Elimination of inter-segment payables	**(1,733)**	(1,734)
Unallocated liabilities		
– Bank and other borrowings	**6,967**	6,314
– Taxation and others	**1,009**	679
Consolidated total liabilities	**13,729**	13,032

7. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(d) Other segment information

At 31 December 2013

	Property HK$ million	Construction and building maintenance HK$ million	Cement operations through LSOC HK$ million	Others HK$ million	Total HK$ million
Interests in joint ventures and associates	**487**	**(13)**	**3,501**	**139**	**4,114**
Capital expenditure	**143**	**10**	**–**	**–**	**153**
Tax charges	**510**	**27**	**–**	**5**	**542**

At 31 December 2012 (restated)

	Property HK$ million	Construction and building maintenance HK$ million	Cement operations through LSOC HK$ million	Others HK$ million	Total HK$ million
Interests in joint ventures and associates	1,023	(13)	3,692	372	5,074
Capital expenditure	234	4	–	–	238
Tax charges	99	43	–	–	142

(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**	
	2013 HK$ million	2012 HK$ million	**2013 HK$ million**	2012 HK$ million
Hong Kong	**3,017**	3,316	**17**	13
PRC (excluding Hong Kong)	**4,935**	3,127	**2,137**	4,166
	7,952	6,443	**2,154**	4,179

* 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, restricted bank deposits, interests in associates and joint ventures, amounts due from associates and joint ventures, and trade debtors.

7. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(f) Information about major customers

Included in external revenue arising from construction and building maintenance of HK$4,829 million (2012: HK$5,358 million) is revenue of HK$1,015 million and HK$878 million, which arose from services provided to the Group's largest and second largest customers respectively (2012: HK$1,225 million and HK$1,123 million from the Group's largest and second largest customers respectively) contributing over 10% of the total turnover of the Group.

8. OTHER INCOME AND GAINS

	2013 HK$ million	2012 HK$ million
Included in other income are:		
Interest income	**110**	52
Imputed interest income on loans to joint ventures/associates	**30**	28
Gain on disposal of property, plant and equipment and leasehold land	**–**	87
Reversal of impairment loss recognised in respect of interests in joint ventures	**–**	21

9. FINANCE COSTS

	2013 HK$ million	2012 HK$ million
Interest on bank loans and overdrafts and other loans wholly repayable within 5 years	**376**	326
Other borrowing costs	**62**	43
Less: amounts capitalised to properties under development	**(70)**	(55)
	368	314

10. TAXATION

	2013 HK$ million	2012 HK$ million
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	**19**	14
PRC Enterprise Income Tax	**137**	61
PRC Land Appreciation Tax	**126**	59
	282	134
Deferred taxation (note 33)	**260**	8
	542	142

Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) on the estimated assessable profits for the year.

PRC Enterprise Income Tax is calculated at 25% (2012: 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 33.

The tax charge for the year can be reconciled to the (loss) profit before taxation per the consolidated statement of profit or loss as follows:

	2013 HK$ million	2012 HK$ million (restated)
(Loss) profit before taxation	**(330)**	627
Tax at Hong Kong Profits Tax rate of 16.5% (2012: 16.5%)	**(54)**	103
Effect of share of results of joint ventures	**70**	31
Effect of share of results of associates	**16**	(4)
Effect of different tax rates on operations in other jurisdictions	**27**	35
PRC Land Appreciation Tax	**126**	59
Tax effect of PRC Land Appreciation Tax	**(21)**	(10)
Tax effect of expenses not deductible for tax purposes	**145**	121
Tax effect of income not taxable for tax purposes	**(124)**	(209)
Tax effect of tax losses not recognised	**48**	24
Tax effect of utilisation of tax losses previously not recognised	**–**	(13)
Additional deferred tax in relation to revaluation of investment properties	**317**	–
(Overprovision) underprovision of current taxation in prior year	**(11)**	2
Others	**3**	3
Tax charge for the year	**542**	142

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Directors and Chief Executive

The emoluments paid or payable to each of the nine (2012: ten) Directors were as follows:

Name of Directors	Notes	Fees HK$'000	Salaries and other benefits HK$'000	Performance bonuses* HK$'000	Retirement benefit scheme contributions HK$'000	Share-based payments (Note g) HK$'000	2013 Total HK$'000	2012 Total HK$'000
Mr. Lo Hong Sui, Vincent		10	–	–	–	–	10	10
Mr. Choi Yuk Keung, Lawrence	(a)	10	4,271	2,464	315	(1,346)	5,714	10,514
Mr. Wong Fook Lam, Raymond	(b)	10	4,047	2,348	294	(1,371)	5,328	9,964
Mr. Wong Yuet Leung, Frankie	(c)	405	–	–	–	–	405	895
Mr. Wong Kun To, Philip	(d)	130	3,052	5,056	114	(2,298)	6,054	15,709
Mr. Gerrit Jan de Nys	(e)	420	–	–	–	–	420	420
Ms. Li Hoi Lun, Helen	(e)	425	–	–	–	–	425	425
Mr. Chan Kay Cheung	(e)	560	–	–	–	–	560	549
Mr. Tsang Kwok Tai, Moses	(e)	410	–	–	–	–	410	385
Mr. David Gordon Eldon	(f)	–	–	–	–	–	–	156
Total		2,380	11,370	9,868	723	(5,015)	19,326	39,027
2012		2,365	12,347	9,936	674	13,705	39,027	

* The performance bonuses related to services of the Directors for 2012.

Notes:

(a) Mr. Choi Yuk Keung, Lawrence appointed as a Managing Director in addition to his role of Vice Chairman with effect from 1 July 2013.

(b) Mr. Wong Fook Lam, Raymond appointed as a Managing Director in addition to his role of Chief Financial Officer with effect from 1 July 2013.

(c) Non-executive Director.

(d) Mr. Wong Kun To, Philip ceased to act as the Managing Director and Chief Executive Officer with effect from 1 July 2013 and re-designated as a Non-executive Director with effect from the same date.

(e) Independent Non-executive Directors.

(f) Mr. David Gordon Eldon retired as an Independent Non-executive Director at the annual general meeting of the Company held on 18 May 2012.

(g) The amount included credit adjustments made during the year ended 31 December 2013, which were resulting from the revision of the vesting probability of certain share options granted in previous years.

(h) Neither the chief executive nor any of the directors waived any emolument in the year ended 31 December 2013 and 2012.

Of the five highest paid individuals in the Group, three (2012: three) are Directors of the Company whose emoluments are set out above. The emoluments of the remaining two (2012: two) highest paid employees were as follows:

	2013 HK$ million	2012 HK$ million
Salaries, bonuses and allowances	10	10
Retirement benefits scheme contributions	–	–
Share-based payments	–	1
	10	11

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

Directors and Chief Executive (continued)

The emoluments were within the following band:

	2013 No. of employees	2012 No. of employees
HK$4,000,001 to HK$4,500,000	**1**	–
HK$5,000,001 to HK$5,500,000	**–**	1
HK$5,500,001 to HK$6,000,000	**1**	–
HK$6,000,001 to HK$6,500,000	**–**	1

12. (LOSS) PROFIT FOR THE YEAR

	2013 HK$ million	2012 HK$ million (restated)
(Loss) profit for the year has been arrived at after charging (crediting):		
Cost of sales (note):		
Cost of construction	**4,508**	4,896
Cost of properties sold	**2,692**	774
Cost of goods sold	**78**	139
Cost of rendering services	**71**	97
Direct rental outgoings arising from investment properties	**41**	12
	7,390	5,918
Depreciation and amortisation:		
Prepaid lease payments	**1**	1
Property, plant and equipment	**38**	24
Less: amounts capitalised	**(2)**	(2)
	37	23
Auditors' remuneration	**5**	5
Operating lease payments in respect of rented premises	**17**	23
Provision (reversal) of impairment loss in respect of interests in joint ventures	**14**	(21)
Loss on disposal of property, plant and equipment and leasehold land	**42**	–
Staff costs (including directors' emoluments) (note):		
Salaries, bonuses and allowances	**595**	556
Retirement benefits cost	**34**	36
Share-based payment expense	**2**	30
Less: amounts capitalised	**(10)**	(20)
	621	602
Gross rental revenue from investment properties	**(44)**	(52)
Less: direct rental outgoings (note)	**41**	12
Net rental income	**(3)**	(40)

Note: Cost of sales includes HK$448 million (2012: HK$396 million) relating to staff costs and direct rental outgoings, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

13. DIVIDENDS

	2013 HK$ million	2012 HK$ million
Dividends recognised as distribution during the year:		
Final dividend in respect of the year ended 31 December 2012: HK$0.50 per share (2012: in respect of 2011 of HK$0.40 per share)	**247**	196
Proposed:		
Final dividend in respect of the year ended 31 December 2012: HK$0.50 per share	**–**	246

The Board does not recommend the payment of a final dividend for the year ended 31 December 2013.

14. (LOSS) EARNINGS PER SHARE

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

	2013 HK$ million	2012 HK$ million (restated)
(Loss) earnings:		
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share	**(889)**	459
Number of shares:	**Million**	Million
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**491**	491
Effect of dilutive potential ordinary shares:		
Share options	**–**	–
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**491**	491

The computation of the diluted loss per share for the current year does not assume the exercise of the Company's share options, because this would result in a decrease in the loss per share.

The computation of the diluted earnings per share for the prior year did not assume the exercise of certain of the Company's share options, of which the relevant exercise price was higher than the average market price of shares of the Company for that year when those options were outstanding.

14. (LOSS) EARNINGS PER SHARE (CONTINUED)

The following table summarises the impact on both basic and diluted earnings per share for the prior year as a result of the Group accounts for the investment in LSOC using the equity method of accounting for the year ended 31 December 2012 and the effect of the adoption of HKAS19 (2011).

	As originally stated HK$ million	Account for the investment in LSOC using the equity method (note 28) HK$ million	Effect of the adoption of HKAS19 (2011) (note 2) HK$ million	As restated HK$ million
Consolidated statement of profit or loss for the year ended 31 December 2012				
Staff costs	581	–	21	602
Share of results of joint ventures	177	(368)	–	(191)
Profit for the year	874	(368)	(21)	485
Attributable to:				
Owners of the Company	848	(368)	(21)	459
Non-controlling interests	26	–	–	26
	874	(368)	(21)	485
Earnings per share for the year ended 31 December 2012				
Basic	HK$1.73	HK($0.75)	HK($0.05)	HK$0.93
Diluted	HK$1.73	HK($0.75)	HK($0.05)	HK$0.93

15. INVESTMENT PROPERTIES

	Completed investment properties HK$ million	Investment properties under construction HK$ million	Total HK$ million
Fair value			
At 1 January 2012	2,444	1,165	3,609
Exchange adjustments	(1)	(1)	(2)
Additions	30	186	216
Increase in fair value recognised	37	205	242
At 31 December 2012	2,510	1,555	4,065
Exchange adjustments	**83**	**38**	**121**
Additions	**15**	**113**	**128**
Increase in fair value recognised	**338**	**11**	**349**
Reclassification upon completion	**1,314**	**(1,314)**	**–**
Reclassified as assets classified as held for disposal	**(2,164)**	**(403)**	**(2,567)**
At 31 December 2013	**2,096**	**–**	**2,096**

The carrying amount of investment properties shown above comprises:

	2013 HK$ million	2012 HK$ million
Situated in the PRC under:		
Long lease	**–**	1,751
Medium-term lease	**2,096**	2,314
	2,096	4,065

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 2013 and 31 December 2012 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, which 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 direct comparison method as available in the market and where appropriate, on the basis of capitalisation of net income. In the valuation, the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuer for the similar properties in the locality and adjusted based on the valuer's knowledge of the factors specific to the respective properties.

15. INVESTMENT PROPERTIES (CONTINUED)

For investment properties under construction, the valuation has been arrived at assuming that the investment properties will be completed in accordance with the development proposals and the relevant approvals for the proposals have been obtained. The key inputs in the valuations include the market value of the completed investment properties, which are estimated by using the method 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, which reflects the remaining risks associated with the development of the properties at the valuation date and the return that the developer would require for bringing them to completion status, which is determined by the valuer based on its analyses of recent land transactions and market value of similar completed properties in the respective locations.

In current year, certain of the Group's investment properties were reclassified to assets classified as held for disposal upon meeting the conditions for such classification (note 28).

There has been no change to the valuation technique during the year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The major inputs used in the fair value measurement of investment properties and information about the fair value hierarchy at 31 December 2013 are as follows:

Completed Investment properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Property 1 – Shenyang Project Phase I retail portion	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Monthly market rent	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 7.5%	The higher the capitalisation rate, the lower the fair value	A slight increase in the capitalisation rate used would result in a significant increase in fair value of property 1, and vice versa
			Monthly market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB78-174 per sqm per month on gross floor area basis	The higher the monthly market rent, the higher the fair value	A slight increase in the monthly market rent used would result in a significant increase in fair value of property 1, and vice versa

15. INVESTMENT PROPERTIES (CONTINUED)

Completed Investment properties	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Property 2 – Chongqing Creative Concepts Center retail portion	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Monthly market rent	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 6.0%	The higher the capitalisation rate, the lower the fair value	A slight increase in the capitalisation rate used would result in a significant increase in fair value of property 2, and vice versa
			Monthly market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB133-265 per sqm per month on gross floor area basis	The higher the monthly market rent, the higher the fair value	A slight increase in the monthly market rent used would result in a significant increase in fair value of property 2, and vice versa

Investment properties classified as assets held for disposal	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Property 3 – Shanghai Lakeville Regency Tower 18	Level 3	Comparison Approach The key input is: Market unit rate	Market unit rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, of RMB106,063 per sqm on gross floor area basis.	The higher the market unit rate, the higher the fair value.	A significant increase in the market unit rate used would result in a significant increase in fair value, and vice versa.
Property 4 – Shenyang Project Phase II retail portion	Level 2	With reference to the transaction price in the sale and purchase agreement	Not applicable	Not applicable	Not applicable

16. 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 2012	4	50	49	30	96	229
Additions	–	12	–	6	6	24
Disposals	(4)	–	(42)	(5)	(6)	(57)
At 31 December 2012	–	62	7	31	96	196
Additions	**–**	**9**	**–**	**4**	**13**	**26**
Acquisition of a subsidiary	**–**	**–**	**5**	**4**	**1**	**10**
Disposals	**–**	**(56)**	**–**	**(2)**	**(7)**	**(65)**
Exchange adjustments	**–**	**2**	**–**	**–**	**1**	**3**
At 31 December 2013	**–**	**17**	**12**	**37**	**104**	**170**
Accumulated depreciation and impairment						
At 1 January 2012	2	16	46	19	69	152
Charge for the year	–	9	–	4	11	24
Eliminated on disposals	(2)	–	(42)	(5)	(3)	(52)
At 31 December 2012	–	25	4	18	77	124
Charge for the year	**–**	**22**	**1**	**5**	**10**	**38**
Eliminated on disposals	**–**	**(46)**	**–**	**(2)**	**(5)**	**(53)**
Exchange adjustments	**–**	**1**	**1**	**1**	**1**	**4**
At 31 December 2013	**–**	**2**	**6**	**22**	**83**	**113**
Carrying values						
At 31 December 2013	**–**	**15**	**6**	**15**	**21**	**57**
At 31 December 2012	–	37	3	13	19	72

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 of which 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%

17. PREPAID LEASE PAYMENTS

	2013 HK$ million	2012 HK$ million
Leasehold land under medium-term lease:		
In other regions of the PRC	–	42
Analysed for reporting purposes as:		
Non-current	–	41
Current	–	1
	–	42

Amortisation of prepaid lease payments amounting to HK$1 million (2012: HK$1 million) was charged to the consolidated statement of profit or loss.

18. INTERESTS IN JOINT VENTURES

(i) Joint ventures

	2013 HK$ million	2012 HK$ million (restated)
Cost of unlisted investments in joint ventures, net of impairment	**3,855**	4,077
Share of post-acquisition profits and other comprehensive income	**(157)**	574
Less: Assets held for disposal (note 28)	–	(88)
	3,698	4,563

Notes:

Goodwill of HK$136 million (2012: HK$136 million) is included in the cost of unlisted investments in joint ventures. The goodwill arose from the contributions to a joint venture, Lafarge Shui On Cement Limited.

During the year ended 31 December 2012, the Group disposed of a joint venture with carrying amount of HK$8 million at a consideration of approximately HK$4 million.

Particulars of the principal joint ventures are set out in note 45.

18. INTERESTS IN JOINT VENTURES (CONTINUED)

(i) Joint ventures (continued)

Summarised financial information of material joint ventures

Lafarge Shui On Cement Limited (LSOC) is regarded as the material joint venture of the Group at the end of the reporting period and is accounted for using the equity method in the Group's consolidated financial statements. The summarised financial information in respect of this joint venture is set out below and represents amounts shown in the joint venture's consolidated financial statements prepared in accordance with HKFRSs.

The summarised financial information regarding the assets and liabilities of LSOC Group is as follows:

	31 December 2013 HK$ million	31 December 2012 HK$ million
Current assets	**6,835**	6,586
Non-current assets	**19,074**	18,977
Current liabilities	**(11,811)**	(11,241)
Non-current liabilities	**(5,022)**	(4,750)
Non-controlling interests	**(2,246)**	(2,388)

The above amounts of assets and liabilities include the following:

	31 December 2013 HK$ million	31 December 2012 HK$ million
Cash and cash equivalents	**1,355**	1,435
Current financial liabilities (excluding trade and other payables and provisions)	**(6,584)**	(6,385)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(4,141)**	(3,903)

	Year ended 31 December 2013 HK$ million	Year ended 31 December 2012 HK$ million
Revenue	**9,093**	9,007
Loss after tax	**(621)**	(709)
Other comprehensive expense for the year	**–**	(2)
Total comprehensive expense for the year	**(621)**	(711)

18. INTERESTS IN JOINT VENTURES (CONTINUED)

(i) Joint ventures (continued)

Summarised financial information of material joint ventures (continued)

The above loss for the year includes the following:

	Year ended 31 December 2013 HK$ million	Year ended 31 December 2012 HK$ million
Depreciation and amortisation	**825**	798
Interest income	**5**	11
Interest expense	**774**	824
Income tax expense	**103**	(60)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	31 December 2013 HK$ million	31 December 2012 HK$ million
Net assets of the joint venture	**6,830**	7,184
Proportion of the Group's ownership interest in the joint venture	**45%**	45%
Goodwill	**136**	136
Share of other reserves of LSOC, not taken up by the Group	**319**	352
Adjustments for unrealised gain and others	**(28)**	(29)
Carrying amount of the Group's interest in the joint venture	**3,501**	3,692

Aggregate information of joint ventures that are not individually material

The summarised financial information in respect of the joint ventures that are not individually material to the Group at and for each of the years ended 31 December 2013 and 31 December 2012 attributable to the Group's interest is as follows:

	2013 HK$ million	2012 HK$ million
(Loss) profit after tax	**(126)**	177
Total comprehensive (expense) income	**(126)**	177

18. INTERESTS IN JOINT VENTURES (CONTINUED)

(i) Joint ventures (continued)

Aggregate information of joint ventures that are not individually material (continued)

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

	2013 **HK$ million**	2012 HK$ million
Unrecognised share of losses of the joint venture for the year	**(8)**	(6)
Accumulated unrecognised share of losses of the joint venture	**(56)**	(48)

(ii) Joint operations

During the year, the Group formed a joint operation, China State – Shui On Joint Venture, for the design and construction of the Centre of Excellence in Paediatrics in Hong Kong. The Group has a 40% interest in this joint operation, which is set up and operated in Hong Kong.

19. AVAILABLE-FOR-SALE INVESTMENTS

	2013 **HK$ million**	2012 HK$ million
Available-for-sale investments comprise:		
Listed equity securities in Hong Kong (classified as level 1 fair value measurement and is derived from quoted market price)	**71**	84

Available-for-sale investments at 31 December 2013 and 31 December 2012 represent the Group's equity interest in Shui On Land Limited ("SOL"). At 31 December 2013, the Group held a 0.4% (31 December 2012: 0.4%) equity interest in SOL.

In May 2013, 7,461,984 new shares of SOL were issued and allotted to the Group, which represented the rights shares subscribed by the Group in relation to the rights issue of SOL on the basis of one rights share for every three existing SOL shares then held by the Group.

In December 2012, the Group disposed of 120.6 million SOL shares for a cash consideration of HK$434 million, representing approximately 2.0% equity interest in SOL, to certain independent third parties. As a result, the Group recognised a gain on disposal of HK$134 million, after deducting transaction cost of HK$7 million, in the consolidated statement of profit or loss for the year ended 31 December 2012.

In July and October 2012, 4,328,389 and 1,209,053 new shares of SOL were issued and allotted to the Group, which represented the scrip shares in relation to the final dividend of SOL for the year ended 31 December 2011 and the interim dividend of SOL for the six months period ended 30 June 2012 respectively.

20. INTERESTS IN ASSOCIATES

	2013 **HK$ million**	2012 HK$ million
Cost of unlisted investments in associates	**135**	135
Share of post-acquisition profits and other comprehensive income	**281**	376
	416	511

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

The summarised financial information in respect of the associates that are not individually material to the Group at and for each of the years ended 31 December 2013 and 31 December 2012 attributable to the Group's interest is as follows:

	2013 **HK$ million**	2012 HK$ million
(Loss) profit after tax	**(98)**	24
Total comprehensive (expense) income	**(98)**	24

21. AMOUNTS DUE FROM/TO JOINT VENTURES

	2013 **HK$ million**	2012 HK$ million
Amounts due from joint ventures		
Non-current (note a)	**2,388**	1,861
Current (note b)	**1,158**	797
	3,546	2,658
Amounts due to joint ventures (note c)	**484**	65

Notes:

(a) The balances are unsecured and repayable on demand, but not expected to be recovered in the next twelve months from the end of the reporting period. Out of the total balance, a total of HK$2,010 million (2012: HK$1,702 million) bear interest from 3.71% to 13.18% (2012: 2.50% to 13.18%) per annum and the rest is carried at amortised cost using the effective interest rate of 7.68% (2012: 7.68%) per annum.

(b) The balances are unsecured, interest-free and repayable on demand. Out of the total balance at 31 December 2012, a total of HK$54 million was carried at amortised cost using the effective interest rate of 2.90% per annum. This amount was fully settled during the year ended 31 December 2013. In the opinion of the Directors of the Company, the remaining balances will be recoverable in the twelve months from the end of the reporting period.

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

22. AMOUNTS DUE FROM/TO ASSOCIATES

	2013 HK$ million	2012 HK$ million
Amounts due from associates		
Non-current (note a)	**865**	860
Current (note b)	**498**	393
	1,363	1,253
Amounts due to associates (note b)	**3**	1

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 (2012: 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% (2012: 4.8%) per annum.

(b) The balances are unsecured and repayable on demand. Out of the total balance, a total of HK$255 million (2012: nil) bear interest at 6.6% per annum and the rest is interest-free.

23. INVENTORIES AND CONTRACTS IN PROGRESS

	2013 HK$ million	2012 HK$ million
Inventories		
Raw materials	**1**	29
	1	29

	2013 HK$ million	2012 HK$ million
Contracts in progress		
Costs incurred to date	**14,431**	13,433
Recognised profits less recognised losses	**511**	476
	14,942	13,909
Less: Progress billings	**(14,913)**	(13,935)
Net contract work	**29**	(26)
Represented by:		
Amounts due from customers for contract work	**426**	321
Amounts due to customers for contract work	**(397)**	(347)
	29	(26)

24. 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:

	2013 HK$ million	2012 HK$ million
Properties held for sale		
In Hong Kong	**–**	6
In other regions of the PRC	**843**	1,890
	843	1,896
Properties under development for sale		
In other regions of the PRC (note)	**874**	2,569

Note: Properties under development for sale of HK$815 million at 31 December 2013 (2012: HK$1,659 million) represent the carrying value of the properties expected to be completed and available for sale after one year from the end of the reporting period.

25. OTHER CURRENT ASSETS

Debtors, deposits and prepayments

	2013 HK$ million	2012 HK$ million
Trade debtors	**990**	932
Less: Allowance for doubtful debts	**(1)**	(1)
	989	931
Less: amounts classified as amounts due from joint ventures, associates and related companies	**(336)**	(381)
Retention receivable	**231**	190
Consideration receivables in respect of disposal of subsidiaries/a joint venture	**32**	40
Prepayments, deposits and other receivables (note b)	**667**	787
	1,583	1,567
Less: amounts due for settlement after 12 months	**(38)**	–
	1,545	1,567

25. OTHER CURRENT ASSETS (CONTINUED)

Debtors, deposits and prepayments (continued)

Notes:

(a) 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.

(b) Included in prepayments, deposits and other receivables are receivables of HK$400 million (2012: HK$363 million) due from CCP's former subsidiaries (the "Debtor"), which hold a property interest in the PRC and were disposed of in 2008. The amounts are repayable on demand and out of the total outstanding balance, an amount of HK$153 million (2012: HK$148 million) carries interest at prevailing market rates. A court in the PRC issued a notice to attach the aforesaid property interest until December 2014 to cause the Debtor to settle part of the outstanding receivable in the amount of RMB120 million (approximately HK$153 million) and its related interests. In addition to these receivables, the Company has provided a guarantee in relation to a loan granted to the Debtor (see note 41(d)). In the opinion of the Directors of the Company, given that there have been continued positive outcomes in the legal disputes in relation to the property interest, these receivables will be fully settled and the guarantee provided by the Company will be released either after completion of the transfer of the legal title to the aforesaid property interest to the Debtor or the sale of the equity interest of the entity holding the property interest, which is expected to take place within twelve months from the end of the reporting period.

The following is an aged analysis of trade debtors (based on the repayment terms set out in sale and purchase agreements or invoice date) net of allowance for doubtful debts at the end of the reporting period:

	2013 HK$ million	2012 HK$ million
Trade debtors aged analysis:		
Not yet due or within 90 days	**911**	804
Amounts past due but not impaired:		
91 days to 180 days	**6**	57
181 days to 360 days	**40**	40
Over 360 days	**32**	30
	78	127
	989	931
Retention receivable is analysed as follows:		
Due within one year	**171**	95
Due after one year	**60**	95
	231	190

Movement in the allowance for doubtful debts

	2013 HK$ million	2012 HK$ million
Balance at beginning/end of the year	**1**	1

25. OTHER CURRENT ASSETS (CONTINUED)

Debtors, deposits and prepayments (continued)

Included in the trade debtors are receivables of HK$110 million (2012: HK$4 million), which are aged over 180 days, based on the date on which revenue was recognised.

No provision for impairment is considered necessary in respect of the amounts past due but not impaired as there has not been a significant change in credit quality and balances are still considered fully recoverable.

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. Balances at 31 December 2013 include an amount of HK$150 million (2012: HK$196 million), which is earmarked for payments of certain properties under development. For the purposes of the consolidated statement of cash flows, cash and cash equivalents at 31 December 2013 amounted to HK$2,606 million (2012: HK$1,854 million). Bank balances carry interest at market rates, which range from 0.01% to 2.86% (2012: 0.01% to 3.10%) per annum.

Other financial asset

Other financial asset at 31 December 2013 represents foreign exchange linked note with nominal value of RMB100 million issued by a bank in Hong Kong with maturity on 7 February 2014. The note has been redeemed at nominal value plus a coupon at maturity.

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

	2013 HK$ million	2012 HK$ million
Amounts due from related companies	**196**	308
Amounts due to related companies	**201**	64
Amounts due to non-controlling shareholders of subsidiaries	**3**	4

The related companies are subsidiaries or associates of SOCL.

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

27. RESTRICTED BANK DEPOSITS

Balances at 31 December 2013 represent (i) custody deposits amounting to HK$714 million (2012: HK$1,214 million) placed with banks and financial institution in relation to certain banking facility arrangements and guarantees of the Group (see notes 30 and 41); (ii) initial deposit of HK$148 million received from the purchaser for the disposal of interest in a property project in Shenyang; and (iii) deposit of HK$84 million temporarily placed with a bank for the acquisition of a property project in Nanjing. The balances carry interest at market rates, which range from 0.39% to 2.86% (2012: 0.39% to 3.10%) per annum.

28. ASSETS CLASSIFIED AS HELD FOR DISPOSAL/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR DISPOSAL

	2013 **HK$ million**	2012 HK$ million (restated) (note a)
Disposal of joint ventures		
Interests in joint ventures (note b)	**–**	88
Amounts due from joint ventures (note b)	**–**	4
	–	92
Disposal of a subsidiary (note c)		
Investment properties under construction	**403**	–
Property under development for sale	**1,509**	–
Debtors, deposits and prepayments	**1**	–
Bank balances, deposits and cash	**1**	–
	1,914	–
Disposal of other assets (note d)		
Investment properties	**2,164**	–
Total assets classified as held for disposal	**4,078**	92
Disposal of a subsidiary (note c)		
Creditors and accrued charges	**(39)**	–
Sales deposit received	**(148)**	–
Deferred tax liabilities	**(38)**	–
Bank borrowings (note 30)	**(318)**	–
	(543)	–
Disposal of other assets (note d)		
Sales deposits received	**(234)**	–
Total liabilities associated with assets classified as held for disposal	**(777)**	–

28. ASSETS CLASSIFIED AS HELD FOR DISPOSAL/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR DISPOSAL (CONTINUED)

Notes:

(a) Pursuant to the Group's strategic decision to divest its 45% interest in LSOC, which is engaged in the production and sale of cement in the PRC, the Group has actively initiated and implemented various plans to enable its exit from this joint venture. Notwithstanding that the Group remains highly committed to its plan to exit entirely from its investment in LSOC, no solid offer at a desirable price from prospective buyers has been obtained due to circumstances that are beyond the control of the Group which took place in the second half of 2013. This resulted in additional time required to complete the disposal of this joint venture which is beyond the initially expected 12-month period. Having taken into account the very stringent criteria for the classification of the Group's investment in LSOC as "asset held for sale" under the applicable accounting standard, at 31 December 2013, the Group concluded that these "held for sale" criteria could no longer be met. Accordingly, in the current year, the Group ceased to classify its investment in LSOC as held for disposal and, as required, accounted for the investment using the equity method retrospectively. Comparative figures have been restated using the equity method.

The Group's share of loss of LSOC for the years ended 31 December 2013 and 31 December 2012 amounted to HK$300 million and HK$368 million respectively. As a result of the recognition of the Group's share of loss of LSOC, the Group's loss attributable to shareholders for the year ended 31 December 2013 has been increased by HK$300 million, and the Group's profit attributable to shareholders for the year ended 31 December 2012 has been decreased by HK$368 million. The carrying amounts of the investment in LSOC at 31 December 2013 and 31 December 2012 have been reduced by HK$668 million and HK$368 million respectively due to the adjustments to reflect the Group's share of loss of LSOC for the years ended 31 December 2013 and 31 December 2012, being the amounts that would have been recognised had the Group's interest in LSOC not been classified as held for disposal.

Despite the reclassification for its investment in LSOC as required under applicable accounting standard, the Group continues to pursue its exit plan aggressively and is currently engaged in negotiations with interested buyers to realise this investment for the benefits of the Company's shareholders.

(b) The Group is committed to sell the Group's equity interest in and the related shareholder's loans to certain joint ventures (the "Disposal Group"), which are engaged in the production and sale of cement and concrete in Guizhou (not operated through LSOC). However, in early 2013 the Group is exploring the redevelopment potential of the site area of the joint ventures (note 37(a)), and the criteria for classification of such Disposal Group as held for disposal are therefore no longer met during the current reporting period. The Group has ceased to classify such Disposal Group as held for disposal in the consolidated statement of financial position since then.

(c) In December 2013, the Group entered into a sale and purchase agreement with an independent third party to dispose of 80% of the issued share capital of, and assign 80% of the shareholder's loan made to a subsidiary, which indirectly owns a property development project in Shenyang. Details of the transaction are set out in an announcement and a circular of the Company dated 3 December 2013 and 24 December 2013 respectively. The transaction has been completed in January 2014, resulting in an insignificant loss on disposal. Accordingly, the assets and liabilities attributable to this subsidiary have been respectively reclassified as assets classified as held for disposal and liabilities associated with assets classified as held for disposal in the Group's consolidated statement of financial position at 31 December 2013.

(d) In previous years, certain investment properties were held under operating leases to earn rentals or for capital appreciation purposes. In late 2013 the management decided to change the intention to sell these properties on strata-title basis, and the sale plan has initiated in December 2013. The disposal of these properties is expected to be completed in 2014, therefore, the assets and liabilities attributable to these properties have been respectively reclassified as assets classified as held for disposal and liabilities associated with assets classified as held for disposal in the Group's consolidated statement of financial position at 31 December 2013.

29. CREDITORS AND ACCRUED CHARGES

The aged analysis of creditors (based on invoice date) of HK$1,097 million (2012: HK$771 million), which are included in the Group's creditors and accrued charges, is as follows:

	2013 HK$ million	2012 HK$ million
Trade creditors aged analysis:		
Not yet due or within 30 days	**901**	577
31 days to 90 days	**33**	41
91 days to 180 days	**55**	29
Over 180 days	**108**	124
	1,097	771
Retention payable (note b)	**348**	302
Consideration payable in respect of acquisition of subsidiaries	**117**	249
Provision for contract work/construction cost	**617**	568
Other accruals and payables	**359**	602
	2,538	2,492
Less: amounts due for settlement after 12 months	**–**	(116)
	2,538	2,376

Notes:

(a) 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.

(b) The balances include retention payable of HK$54 million (2012: HK$53 million), which is due after one year from the end of the reporting period.

30. BANK AND OTHER BORROWINGS

	2013 HK$ million	2012 HK$ million
Secured bank loans	**3,762**	4,264
Unsecured bank loans	**4,443**	3,445
Other secured loans	**–**	370
	8,205	8,079
Less: Amounts due within 12 months	**(6,892)**	(4,786)
Amounts due for settlement after 12 months	**1,313**	3,293
Carrying amount repayable:		
Within one year	**6,892**	4,786
More than one year but not exceeding two years	**1,313**	3,215
More than two years but not exceeding five years	**–**	78
	8,205	8,079

30. BANK AND OTHER BORROWINGS (CONTINUED)

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

Denominated in	Interest rate (per annum)	2013 HK$ million	2012 HK$ million
Renminbi	3.75% to 7.69% (2012: 3.75% to 12.00%)	**629**	1,151
Hong Kong dollars	1.97% to 4.72% (2012: 2.12% to 4.78%)	**7,188**	6,675
United States dollars	3.16% to 3.21% (2012: 2.96% to 3.34%)	**388**	253
		8,205	8,079

The above interest rates are linked to Hong Kong Interbank Offered Rate, London Interbank Offered Rate and prevailing base lending rate published by the People's Bank of China.

The following assets (including those under assets classified as held for disposal) were pledged as security for certain banking facilities (including those under liabilities directly associated with assets classified as held for disposal) and other loans granted to the Group at the end of the reporting period:

	2013 HK$ million	2012 HK$ million
Investment properties	**4,663**	2,510
Properties held for sale	**–**	1,668
Properties under development for sale	**744**	699
Amounts due from joint ventures	**13**	12
	5,420	4,889

Notes:

(a) Custody deposits amounting to RMB561 million (HK$714 million) at 31 December 2013 (2012: RMB692 million (HK$854 million)) and foreign exchange linked note amounting to RMB100 million (HK$127 million) at 31 December 2013 (2012: Nil) 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 joint ventures were also charged to banks as security for certain banking facilities granted to the Group at the end of the reporting period.

31. SHARE CAPITAL

	2013 Number of shares	2012 Number of shares	2013 HK$ million	2012 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	**492,248,421**	489,530,487	**492**	490
Repurchase of shares	**(10,046,000)**	–	**(10)**	–
Exercise of share options	**1,789,690**	2,717,934	**2**	2
At the end of the year	**483,992,111**	492,248,421	**484**	492

During the year, the Company repurchased a total of 10,046,000 of its own shares on the Stock Exchange at prices ranging from HK$8.95 to HK$9.00 per share, for a total consideration of HK$90 million. The repurchased shares were cancelled upon repurchase and the issued share capital of the Company was reduced by the nominal value of the repurchased shares. The premium of approximately HK$80 million paid on the repurchased shares was debited to the share premium account.

The repurchases were effected by the Directors with a view to benefiting the shareholders as a whole by enhancing the Company's net assets and earnings per share.

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

32. 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 statement of profit or loss as staff cost during the year amounted to HK$11 million (2012: HK$15 million). The amount of employer's voluntary contributions to the MPF Scheme forfeited for the year ended 31 December 2013 and 31 December 2012 was immaterial and was used to reduce the existing level of contributions.

32. RETIREMENT BENEFIT PLANS (CONTINUED)

Hong Kong (continued)

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 14.5% (2012: 7%) 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 Scheme typically exposes the Company to the following key risks:

Investment risk

Strong investment returns tend to increase the fair value of Scheme assets and therefore improve the Scheme's financial position as measured by the net defined benefit liability/asset, whilst poor or negative investment returns tend to weaken the position.

The members' balances are credited with 6% per annum and 1% per annum interest to pre and post 1 September 2003 balances respectively. Therefore, investment returns are expected to cover the interest to be credited to members' balances over the long term.

The Scheme assets are invested in a diversified portfolio of equities, hedge funds, bonds and cash, covering major geographical locations around the world. The diversification of asset classes and geographical location helps to reduce the concentration of risk associated with the Scheme investments.

Interest rate risk

The defined benefit obligation is calculated using a discount rate based on market bond yields. A decrease in the bond yields will increase the defined benefit obligation.

Salary risk

The defined benefit obligation is calculated with reference to the future salaries of members because the Scheme's benefits are salary-related. Salary increases that are higher than expected will increase the defined benefit obligation.

The most recent actuarial valuations of the Scheme assets and the present value of the defined benefit obligation were carried out at 31 December 2013 by Ms. Elaine Hwang of Towers Watson 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 end of the reporting periods are as follows:

	2013	2012
Discount rate	**1.8%**	0.5%
Expected rate of salary increase	**5.0% p.a.**	3.5% p.a.

The actuarial valuation shows that the fair value of the Scheme assets attributable to the Group at 31 December 2013 was HK$411 million (2012: HK$398 million), representing 80% (2012: 78%) of the benefits that has accrued to members.

32. RETIREMENT BENEFIT PLANS (CONTINUED)

Hong Kong (continued)

Defined Benefit Scheme (continued)

Amounts recognised in the consolidated statement of profit or loss and other comprehensive income for the year in respect of the Scheme are as follows:

	Year ended 31 December	
	2013	2012
	HK$ million	HK$ million (restated)
Current service cost	**16**	15
Net interest on net defined benefit liabilities/(assets)	**1**	1
Administrative expenses paid from scheme assets	**2**	2
Defined benefit cost recognised in the consolidated statement of profit or loss	**19**	18
Actuarial loss due to experience adjustment	**35**	21
Actuarial (gain) loss due to financial assumption changes	**(27)**	31
Actuarial loss due to demographic assumption changes	**5**	–
Return on Scheme assets greater than discount rate	**(31)**	(39)
Remeasurement effects recognised in the consolidated statement of other comprehensive income	**(18)**	13
Total	**1**	31

The amount included in the consolidated statement of financial position arising from the Group's obligations in respect of the Scheme is as follows:

	2013	2012
	HK$ million	HK$ million
Present value of defined benefit obligation	**(515)**	(510)
Fair value of Scheme assets	**411**	398
Defined benefit liabilities included in the consolidated statement of financial position	**(104)**	(112)

The Scheme assets do not include any shares in the Company (2012: Nil).

32. RETIREMENT BENEFIT PLANS (CONTINUED)

Hong Kong (continued)

Defined Benefit Scheme (continued)

Movements of the present value of defined benefit obligation are as follows:

	2013 **HK$ million**	2012 HK$ million
At the beginning of the year	**510**	442
Current service cost	**16**	15
Interest cost	**2**	6
Employees' contributions	**7**	6
Actuarial loss – experience adjustment	**35**	21
Actuarial (gain) loss – financial assumptions	**(27)**	31
Actuarial loss – demographic assumptions	**5**	–
Benefits paid	**(27)**	(11)
Transfer out	**(6)**	–
At the end of the year	**515**	510

Movements of the present value of Scheme assets are as follows:

	2013 **HK$ million**	2012 HK$ million (restated)
At the beginning of the year	**398**	352
Interest income on Scheme assets	**2**	5
Return on scheme assets greater than discount rate	**30**	39
Employers' contributions	**9**	9
Employees' contributions	**7**	6
Benefits paid	**(27)**	(11)
Transfer out	**(6)**	–
Administrative expenses paid from scheme assets	**(2)**	(2)
At the end of the year	**411**	398

32. RETIREMENT BENEFIT PLANS (CONTINUED)

Hong Kong (continued)

Defined Benefit Scheme (continued)

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

	2013 HK$ million	2012 HK$ million
Equities	**241**	217
Hedge funds	**70**	69
Bonds and cash	**100**	112
	411	398

The fair value of the Scheme assets are determined based on quoted market price in active market.

The below table summarises the results of sensitivity analysis on the defined benefit obligation ("DBO") at 31 December 2013, based on reasonably possible changes in significant actuarial assumptions.

	Adopted rate	**Change to Adopted rate**	**Rate used in sensitivity analysis**	**Effect on DBO HK$ million**	**Effect on DBO %**
Discount rate	**1.8%**	**+0.25%**	**2.05%**	**(9)**	**(1.7)%**
		–0.25%	**1.55%**	**9**	**1.8%**
Expected rate of salary increase	**5.0%**	**+0.25%**	**5.25%**	**9**	**1.8%**
		–0.25%	**4.75%**	**(9)**	**(1.7)%**

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The expected contributions to the Scheme during the next financial year are as follows:

	2013 HK$ million	2012 HK$ million
Expected employer contributions	**19**	9
Expected member contributions	**7**	6

The weighted average duration of the defined benefit obligation at 31 December 2013 is 6.7 years (2012: 6.6 years).

32. RETIREMENT BENEFIT PLANS (CONTINUED)

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. The Group's contributions to state-managed retirement plans charged to the consolidated statement of profit or loss as staff cost during the year amounted to HK$4 million (2012: HK$4 million).

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

33. 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	Total HK$ million
At 1 January 2012	(1)	(444)	18	(427)
Exchange adjustments	–	(1)	–	(1)
Disposal of subsidiaries (note 40(a))	–	(22)	–	(22)
Credit (charge) to consolidated statement of profit or loss	–	(15)	7	(8)
At 31 December 2012	(1)	(482)	25	(458)
Exchange adjustments	**–**	**(10)**	**1**	**(9)**
Reclassify as assets classified as held for disposal (note 28)	**–**	**38**	**–**	**38**
Charge to consolidated statement of profit or loss	**–**	**(260)**	**–**	**(260)**
At 31 December 2013	**(1)**	**(714)**	**26**	**(689)**

Notes:

(a) For the purposes of the consolidated statement of financial position presentation certain deferred tax assets and liabilities have been offset.

(b) At 31 December 2013, the Group had unused tax losses of HK$954 million (2012: HK$660 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 (2012: HK$100 million). No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$854 million (2012: HK$560 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses at 31 December 2013 are tax losses of approximately HK$336 million (2012: HK$115 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$624 million at 31 December 2013 (2012: HK$400 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.

34. LEASE ARRANGEMENTS

As lessor

Property rental income in respect of the investment properties and car parking spaces earned during the year ended 31 December 2013 was HK$44 million (2012: HK$52 million).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2013 **HK$ million**	2012 HK$ million
Within one year	**29**	34
In the second to fifth years inclusive	**13**	22
	42	56

As lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2013 **HK$ million**	2012 HK$ million
Within one year	**12**	18
In the second to fifth years inclusive	**11**	7
	23	25

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.

35. CAPITAL COMMITMENTS

(a) At 31 December 2013, the Group's capital commitment in respect of investment properties is as follows:

	2013 HK$ million	2012 HK$ million
Authorised but not contracted for	**–**	447
Contracted but not provided for	**–**	20

(b) In addition, the Group had other capital commitments in respect of certain investments contracted but not provided for in the consolidated financial statements amounting to approximately HK$102 million at 31 December 2013 (2012: HK$137 million).

(c) At 31 December 2013, the Group's share of capital commitments of its joint ventures mainly in relation to long-lived assets is as follows:

	2013 HK$ million	2012 HK$ million
Authorised but not contracted for	**–**	–
Contracted but not provided for	**149**	215

36. SHARE-BASED PAYMENTS

On 22 August 2012, the Company adopted a share option scheme (the "Share Option Scheme") to replace the share option scheme adopted on 27 August 2002, which has expired on 30 August 2012. The principal terms of the Share Option Scheme, which remains in force until the 10th anniversary of its adoption date, are summarised below:

1. Purpose

(a) The Share Option Scheme is a share incentive scheme and was established to recognise, acknowledge and promote the contributions which eligible participants have made or may make to the Group.

(b) The Share Option Scheme provides eligible participants an opportunity to have a personal stake in the Company with a view to achieving the following objectives:

(i) motivate eligible participants to utilise their performance and efficiency for the benefit of the Group;

(ii) attract and retain eligible participants whose contributions are or will be beneficial to the long-term growth of the Group; and

(iii) provide long-term incentives to eligible participants to achieve pre-determined strategic plan for the future growth of the Group.

2. Eligible participants

(a) The Board may at its discretion make offers inviting 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 employee, director, officer, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any invested entity.

(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 performance and 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.

36. SHARE-BASED PAYMENTS (CONTINUED)

3. Total number of shares available for issue under the Share 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 Share 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 Share 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 Share Option Scheme and any other share option scheme of the Company must not, in aggregate, 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 from time to time. 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 exceeding 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 Share 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 not less than the highest of: (a) the closing price of a share of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (b) the average closing price of the shares of the Company as shown in the daily quotations sheets of the Stock Exchange for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a share of the Company.

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 option within 28 days from the date of the offer.

36. SHARE-BASED PAYMENTS (CONTINUED)

The following tables disclose details of the Company's share options held by employees (including the Directors of the Company) 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 2013	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2013	Period during which share options outstanding are exercisable	Average closing reference price for exercise of options HK$ (Note)
7 May 2008	3	19.76	2,221,043	–	–	(2,221,043)	–	7 November 2008 to 6 May 2013	–
7 May 2008	4	19.76	219,296	–	–	(219,296)	–	7 November 2009 to 6 May 2013	–
9 April 2009	5	7.63	2,018,616	–	(1,127,690)	(35,647)	855,279	9 October 2009 to 8 April 2014	10.56
9 April 2009	6	7.63	380,000	–	–	–	380,000	9 April 2012 to 8 April 2019	–
5 June 2009	9	11.90	550,000	–	–	(550,000)	–	7 May 2011 to 6 May 2013	–
12 April 2010	10	12.22	5,460,000	–	–	(450,000)	5,010,000	12 October 2010 to 11 April 2015	–
12 April 2010	11	12.22	3,500,000	–	–	(1,050,000)	2,450,000	12 April 2013 to 11 April 2020	–
13 May 2011	12	10.66	4,790,000	–	(24,000)	(560,000)	4,206,000	13 November 2011 to 12 May 2016	10.92
23 June 2011	13	10.90	1,930,000	–	–	–	1,930,000	23 December 2011 to 22 June 2016	–
28 July 2011	14	10.00	46,300,000	–	–	–	46,300,000	1 May 2015 to 27 July 2021	–
26 November 2012	15	8.18	5,210,000	–	(638,000)	(330,000)	4,242,000	26 May 2013 to 25 November 2017	9.85
14 June 2013	16	9.93	–	4,890,000	–	(40,000)	4,850,000	14 December 2013 to 13 June 2018	–
			72,578,955	4,890,000	(1,789,690)	(5,455,986)	70,223,279		
Number of shares subject to options exercisable at the end of the year							14,165,279		

36. SHARE-BASED PAYMENTS (CONTINUED)

Date of grant	Grant	Subscription price per share HK$	Number of shares subject to options: At 1 January 2012	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2012	Period during which share options outstanding are exercisable	Average closing reference price for exercise of options HK$ (Note)
14 June 2007	1	20.96	2,395,666	–	–	(2,395,666)	–	14 December 2007 to 13 June 2012	–
14 June 2007	2	20.96	405,058	–	–	(405,058)	–	14 December 2008 to 13 June 2012	–
7 May 2008	3	19.76	2,761,043	–	–	(540,000)	2,221,043	7 November 2008 to 6 May 2013	–
7 May 2008	4	19.76	219,296	–	–	–	219,296	7 November 2009 to 6 May 2013	–
9 April 2009	5	7.63	2,994,314	–	(939,934)	(35,764)	2,018,616	9 October 2009 to 8 April 2014	7.74
9 April 2009	6	7.63	2,778,000	–	(1,778,000)	(620,000)	380,000	9 April 2012 to 8 April 2019	7.57
5 June 2009	7	11.90	3,906,000	–	–	(3,906,000)	–	3 January 2010 to 2 January 2012	–
5 June 2009	8	11.90	1,270,000	–	–	(1,270,000)	–	1 July 2010 to 13 June 2012	–
5 June 2009	9	11.90	992,000	–	–	(442,000)	550,000	7 May 2011 to 6 May 2013	–
12 April 2010	10	12.22	6,060,000	–	–	(600,000)	5,460,000	12 October 2010 to 11 April 2015	–
12 April 2010	11	12.22	3,916,000	–	–	(416,000)	3,500,000	12 April 2013 to 11 April 2020	–
13 May 2011	12	10.66	5,070,000	–	–	(280,000)	4,790,000	13 November 2011 to 12 May 2016	–
23 June 2011	13	10.90	2,080,000	–	–	(150,000)	1,930,000	23 December 2011 to 22 June 2016	–
28 July 2011	14	10.00	51,300,000	–	–	(5,000,000)	46,300,000	1 May 2015 to 27 July 2021	–
26 November 2012	15	8.18	–	5,210,000	–	–	5,210,000	26 May 2013 to 25 November 2017	–
			86,147,377	5,210,000	(2,717,934)	(16,060,488)	72,578,955		
Number of shares subject to options exercisable at the end of the year							11,007,377		

Note:

The average closing reference price represented the average of the closing prices of the Company's shares at the dates on which the share options were exercised during the year, weighted by the number of shares subject to the options exercised by such category of eligible participants.

36. SHARE-BASED PAYMENTS (CONTINUED)

The vesting conditions of the respective share option grants are as follows:

For Grants 1, 3, 5, 10, 12, 13, 15 and 16:

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 7 and 9:

Service Requirement	All options might vest on 3 January 2010 (for Grant 7) or 7 May 2011 (for Grant 9) 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 7) or 2008, 2009 and 2010 (for Grant 9). Assessment of performance at each financial year end date would 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%

For Grant 6:

Vesting of the options was conditional upon the performance of the Company's shares over the period from close of trading in Hong Kong on 1 January 2009 to 31 December 2011 ("Performance Period"). Vesting would only occur if the change in the total shareholder return ("TSR") of the Company's shares over the relevant Performance Period was (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.

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 was negative compared to the positive change in TSR of the Company, full vesting would apply.

36. SHARE-BASED PAYMENTS (CONTINUED)

For Grant 8:

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 years/period ended 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010. Assessment of performance at each financial year/period end date would 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%

For Grants 2 and 4:

Service Requirement	Subject to the satisfaction of all the performance conditions, the options might 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 was 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.

36. SHARE-BASED PAYMENTS (CONTINUED)

For Grant 11:

Service Requirement	All options might vest on 12 April 2013 subject to the satisfaction of all the performance conditions.
Performance Hurdle	All options might vest on vesting date depending on the Group's performance during the 3 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 were 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 might be determined at the discretion of the Board.

For Grant 14:

Service Requirement	All options may vest on 1 May 2015 subject to the satisfaction of all the performance conditions, and the vested options will become exercisable in accordance with the following schedule: 50%: from 1 May 2015 25%: from 1 January 2016 25%: from 1 January 2017
Performance Hurdle	Vesting of the options will be based on, in the case of grants to Executive Directors, the achievement of corporate performance targets covering three major areas of financial performance, project-specific achievement and future growth potential and, in the case of grants to selected key executives, both the achievement of the said corporate performance targets as well as individual performance, over a period of 3.5 years from 1 July 2011 to 31 December 2014.

The vesting schedule is as follows:

Performance	Vested portion of options
Excellent (> 150% of target)	Up to 100%
Superior (125%–150% of target)	Up to 80%
Good (100% of target)	Up to 40%
Fair (75% of target)	Up to 20%
Poor (<75% of target)	0%

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 Grant 6, which adopts 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
Date of grant	14 June 2007	14 June 2007	7 May 2008	7 May 2008	9 April 2009	9 April 2009	5 June 2009	5 June 2009	5 June 2009
Average fair value	HK$5.72	HK$5.78	HK$5.06	HK$5.09	HK$2.26	HK$2.16	HK$3.21	HK$3.42	HK$3.80
Share price on the date of grant	HK$20.90	HK$20.90	HK$19.28	HK$19.28	HK$7.27	HK$7.27	HK$11.78	HK$11.78	HK$11.78
Exercise price	HK$20.96	HK$20.96	HK$19.76	HK$19.76	HK$7.63	HK$7.63	HK$11.90	HK$11.90	HK$11.90
Expected volatility	40% p.a.	40% p.a.	42% p.a.	42% p.a.	52% p.a.	52% p.a.	55% p.a.	55% p.a.	55% p.a.
Average expected life	4.17 years	3.48 years	4 years	4 years	5 years	5 years	2.1 years	2.6 years	3.5 years
Average risk-free rate	4.61% p.a.	4.62% p.a.	2.35% p.a.	2.37% p.a.	1.56% p.a.	1.91% p.a.	1.10% p.a.	1.10% p.a.	1.10% 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.
Rate of leaving service	3% p.a.	3% p.a.	3% p.a.	3% p.a.	3.5% p.a.	n/a	3% p.a.	3% p.a.	3% p.a.
Expected volatility of HSI TRI	n/a	n/a	n/a	n/a	n/a	38% p.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	n/a	58% p.a.	n/a	n/a	n/a

	Grant 10	Grant 11	Grant 12	Grant 13	Grant 14	Grant 15	**Grant 16**
Date of grant	12 April 2010	12 April 2010	13 May 2011	23 June 2011	28 July 2011	26 November 2012	**14 June 2013**
Average fair value	HK$4.33	HK$4.73	HK$3.66	HK$3.72	HK$3.71	HK$1.95	**HK$1.65**
Share price on the date of grant	HK$12.22	HK$12.22	HK$10.66	HK$10.90	HK$10.00	HK$8.10	**HK$9.93**
Exercise price	HK$12.22	HK$12.22	HK$10.66	HK$10.90	HK$10.00	HK$8.18	**HK$9.93**
Expected volatility	55% p.a.	48% p.a.	53% p.a.	53% p.a.	47% p.a.	40% p.a.	**30% p.a.**
Average expected life	5 years	10 years	5 years	5 years	8 years	5 years	**5 years**
Average risk-free rate	1.70% p.a.	2.64% p.a.	1.34% p.a.	1.04% p.a.	1.99% p.a.	0.26% p.a.	**0.66% p.a.**
Expected dividend paid	4% p.a.	4% p.a.	4% p.a.	4% p.a.	4% p.a.	4.5% p.a.	**5% p.a.**
Rate of leaving service	3% p.a.	0% p.a.	3% p.a.	3% p.a.	3% p.a.	3% p.a.	**4% p.a.**

For the grant in 2013, the expected volatility was determined by using the average historical volatility of the Company's share price over last 4.5 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$113 (2012: HK$115).

The Group recognised a total expense of HK$2 million for the year ended 31 December 2013 (2012: HK$30 million) in relation to share options granted by the Company.

37. ACQUISITION OF PROPERTY INVENTORIES AND OTHER ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

(a) In May 2013, the Group acquired the remaining 10% equity interest in 貴州凱里瑞安水泥有限公司 ("Kaili Shui On"), a 90% joint venture of the Group. Kaili Shui On was previously engaged in the production and sale of cement in Guizhou, which ceased operation in 2011 and it currently owns a land parcel for property development in Guizhou. Following the completion of the acquisition, Kaili Shui On became a wholly-owned subsidiary of the Company. The assets acquired and liabilities assumed did not constitute a business combination as defined in HKFRS 3 "Business Combinations" and therefore, the acquisition was accounted for as assets acquisition.

The assets acquired and liabilities assumed in the transaction were as follows:

	HK$ million
Property under development for sale	**72**
Debtors, deposits and prepayments	**10**
Amount due from related companies	**10**
Bank balances, deposits and cash	**1**
Creditors and accrued charges	**(6)**
Net assets of the subsidiary acquired	**87**
Transferred from interests in joint ventures	**(75)**
Consideration	**12**
Total consideration satisfied by:	
Cash consideration paid	**12**
Net cash outflow arising on acquisition:	
Cash consideration paid	**(12)**
Cash and cash equivalents acquired	**1**
	(11)

37. ACQUISITION OF PROPERTY INVENTORIES AND OTHER ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (CONTINUED)

(b) In December 2013, the Group acquired the remaining 20% equity interest in Link Reach Holdings Limited, a 80% jointly venture of the Group. Following the completion of the acquisition, Link Reach Holdings Limited became a wholly-owned subsidiary of the Company. The assets acquired and liabilities assumed did not constitute a business combination as defined in HKFRS 3 "Business Combinations" and therefore, the acquisition was accounted for as assets acquisition.

The assets acquired and liabilities assumed in the transaction were as follows:

	HK$ million
Property under development for sale	**741**
Property, plant and equipment	**1**
Debtors, deposits and prepayments	**12**
Bank balances, deposits and cash	**5**
Creditors and accrued charges	**(1)**
Shareholders' loans	**(393)**
Amounts due to related companies	**(66)**
Net assets of the subsidiary acquired	**299**
Transferred from interests in joint ventures	**(198)**
Cash consideration paid	**101**
Total consideration satisfied by:	
Cash consideration paid	**53**
Consideration outstanding at 31 December 2013	**48**
	101
Net cash outflow arising on acquisition:	
Cash consideration paid	**(53)**
Cash and cash equivalents acquired	**5**
	(48)

37. ACQUISITION OF PROPERTY INVENTORIES AND OTHER ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (CONTINUED)

(c) In January 2012, the Group acquired the entire issued capital of 廣州市番禺廣鋁實業有限公司, which directly owns a land parcel for property development in Guangzhou. The assets acquired and liabilities assumed did not constitute a business combination as defined in HKFRS 3 "Business Combinations" and therefore, the acquisition was accounted for as assets acquisition.

The assets acquired and liabilities assumed in the transaction were as follows:

	HK$ million
Property under development for sale	110
Creditors and accrued charges	(12)
Net assets of the subsidiary acquired	98
Total consideration satisfied by:	
Cash consideration paid – current year	20
Cash consideration paid – 2012	50
Consideration outstanding at 31 December 2013	28
	98
Net cash outflow arising on acquisition:	
Cash consideration paid	(70)

38. ACQUISITION OF A SUBSIDIARY

In May 2013, the Group acquired the remaining 25% equity interest in 貴州凱里建安混凝土有限公司 ("Kaili Ken On"), a 75% joint venture of the Group. Following the completion of the acquisition, Kaili Ken On became a wholly-owned subsidiary of the Company.

The net assets acquired in the transaction were as follows:

	HK$ million
Property, plant and equipment	**9**
Inventories	**1**
Debtors, deposits and prepayments	**16**
Bank balances, deposits and cash	**1**
Creditors and accrued charges	**(3)**
Amounts due to shareholders	**(5)**
Amounts due from related companies	**(5)**
Net assets of the subsidiary acquired	**14**
Transferred from interests in joint ventures	**(11)**
Net consideration	**3**
Total consideration satisfied by:	
Cash consideration paid	**3**
Net cash outflow arising on acquisition:	
Cash consideration paid	**(3)**
Cash and cash equivalents acquired	**1**
	(2)

39. DISPOSAL OF PROPERTY INVENTORIES THROUGH DISPOSAL OF SUBSIDIARIES

(a) During the year ended 31 December 2013, the Group disposed of a property held for sale in Shenyang through the disposal of the entire equity interests in a wholly-owned subsidiary, which owned the property. The transaction was accounted for as a sale of property inventories in the ordinary course of the Group's property business.

The net assets disposed of in the transactions were as follows:

	HK$ million
Properties held for sale	491
Net assets disposed of	491
Gain on disposal	146
Costs incurred in connection with the disposal	57
Consideration	694
Total consideration satisfied by:	
Cash consideration received – current year	516
Sales deposits received – 2012	69
Consideration outstanding at 31 December 2013	109
	694
Net cash inflow arising on disposal:	
Cash consideration received	516
Costs incurred in connection with the disposal	(57)
	459

39. DISPOSAL OF PROPERTY INVENTORIES THROUGH DISPOSAL OF SUBSIDIARIES (CONTINUED)

(b) During the year ended 31 December 2013, the Group disposed of a property under development for sale in Guangzhou through the disposal of the entire equity interests in a wholly-owned subsidiary, which owned the property. The transaction was accounted for as a sale of property inventories in the ordinary course of the Group's property business.

The net assets disposed of in the transactions were as follows:

	HK$ million
Properties under development for sale	**304**
Bank balances, deposits and cash	**1**
Net assets disposed of	**305**
Gain on disposal	**54**
Costs incurred in connection with the disposal	**13**
Consideration	**372**
Total consideration satisfied by:	
Cash consideration received	**372**
Net cash inflow arising on disposal:	
Cash consideration received	**372**
Costs incurred in connection with the disposal	**(13)**
Cash and cash equivalents disposed of	**(1)**
	358

40. DISPOSAL OF SUBSIDIARIES

(a) In November 2012, the Group entered into an agreement (the "Agreement") with an independent third party (the "JV partner") to dispose of 20% of the issued share capital of, and assign 20% of the shareholder's loans made to a subsidiary, which indirectly owns a property development project in Guizhou, at an aggregate consideration of approximately RMB69 million (equivalent to approximately HK$85 million). Following the disposal in November 2012 and pursuant to the terms of the relevant shareholders' agreement, the Group and the JV partner have joint control over the disposed subsidiary as all of the operating and financing activities require unanimous consent of the Group and the JV partner. As a result, the subsidiary has become a 80% joint venture of the Group.

The net assets disposed of in the transaction were as follows:

	HK$ million
Property, plant and equipment	2
Property under development for sale	275
Debtors, deposits and prepayments	1
Bank balances, deposits and cash	8
Creditors and other payables	(5)
Amount due to a joint venture	(281)
Net assets disposed of	–
Consideration	85
Net assets disposed of	–
Fair value of 80% retained interest in joint venture	221
Amounts due from this joint venture	121
Deferred tax recognised	(22)
Cumulative exchange differences reclassified to profit or loss	1
Transaction costs incurred in connection with the disposal	(8)
Gain in connection with the disposal	398
Total consideration satisfied by:	
Cash consideration received	85
Net cash inflow arising on disposal:	
Cash consideration received	85
Cash and cash equivalents disposed of	(8)
	77

40. DISPOSAL OF SUBSIDIARIES (CONTINUED)

(b) In December 2012, the Group entered into two agreements with certain independent third parties to dispose of the entire issued share capital of two subsidiaries at an aggregated consideration of approximately HK$22 million.

The aggregated net assets disposed of in the transactions were as follows:

	HK$ million
Debtors, deposits and prepayments	28
Amounts due from related companies	276
Bank balances, deposits and cash	2
Creditors and accrued charges	(10)
Amounts due to related companies	(276)
Taxation payable	(1)
Net assets disposed of	19
Gain on disposal	94
Cumulative exchange differences reclassified to profit or loss	(91)
Total consideration	22
Total consideration satisfied by:	
Consideration outstanding at 31 December 2013	22
Net cash outflow arising on disposal:	
Cash and cash equivalents disposed of	(2)

40. DISPOSAL OF SUBSIDIARIES (CONTINUED)

(c) In September 2012, the Group entered into an agreement with certain independent third parties to dispose of the entire issued share capital of a subsidiary at a consideration of approximately HK$18 million.

The net assets disposed of in the transaction were as follows:

	HK$ million
Debtors, deposits and prepayments	1
Inventories	6
Creditors and accrued charges	(2)
Net assets disposed of	5
Gain on disposal	12
Transaction costs incurred in connection with the disposal	1
Consideration	18
Total consideration satisfied by:	
Cash consideration received – current year	9
Cash consideration received – 2012	9
	18
Net cash inflow arising on disposal:	
Cash consideration received	18

41. CONTINGENT LIABILITIES

At 31 December 2013, 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 to secure a bank loan of RMB110 million (HK$140 million) (2012: HK$145 million) granted to a subsidiary of an associate.

(b) Effective share of guarantees issued in favour of banks amounting to HK$456 million (2012: HK$733 million) to secure bank loans granted to certain joint ventures.

(c) Effective share of a guarantee issued in favour of a joint venture (the "Joint Venture", which was formed between an associate and an independent third party (the "Joint Venture Partner")) and the Joint Venture Partner for an amount not exceeding RMB110 million (HK$140 million) (2012: RMB110 million (HK$136 million)) in respect of certain of the Group's payment obligations to the Joint Venture and the Joint Venture Partner.

(d) In 2007, the Company issued a guarantee (the "Guarantee") in favour of a bank for a loan granted to an entity which was a wholly-owned subsidiary of CCP at that time (the "Former Subsidiary"). Subsequently, the Former Subsidiary was sold by CCP in 2008, but the Company remained as the guarantor for the bank loan following the disposal (see note 25(b) for details of receivables due from the Former Subsidiary arising from such disposal). In October 2011, the Company received a notice from the aforesaid bank that it had entered into an agreement to sell all its rights and interests, including the Guarantee, to a new lender (the "New Lender"). At the same time, the Company entered into a restructuring deed with the New Lender, which was subsequently supplemented by supplemental restructuring deeds, whereby the New Lender agreed not to demand fulfilment of the Company's obligations under the Guarantee to October 2014, subject to extension after further discussions. The outstanding principal amount of the loan under the Guarantee amounting to RMB542 million (HK$689 million) at 31 December 2013 (2012: RMB542 million (HK$668 million)) and the related interests is secured by a property interest in the PRC held by the Former Subsidiary. Both of the parent company of the acquirer and the acquirer of the Former Subsidiary have agreed to procure the repayment of the loan and agreed unconditionally to undertake and indemnify the Group for all losses as a result of the Guarantee.

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 after taking into consideration the possibility of the default of the parties involved. Accordingly, no value has been recognised in the consolidated statement of financial position.

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	2013 HK$ million	2012 HK$ million
SOCL and its subsidiaries		
Construction work income	577	851
Dividend income	2	17
Management and information system services	1	1
Rental expenses	3	4
SOCL's associates		
Construction work income	–	281

The outstanding balances with SOCL Private Group at the end of the reporting period are disclosed in note 26.

(b) During the year, the Group had the following transactions with joint ventures.

Nature of transactions	2013 HK$ million	2012 HK$ million
Interest income	233	162
Imputed interest income	7	6
Management fee income	99	120
Construction/subcontracting work income	125	14
Revenue from sales of goods	75	27
Construction/subcontracting cost	3	–

The outstanding balances with joint ventures at the end of the reporting period are disclosed in note 21.

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

Nature of transactions	2013 HK$ million	2012 HK$ million
Interest income	64	12
Imputed interest income	23	22
Management fee income	12	16
Construction/subcontracting work income	15	24

The outstanding balances with associates at the end of the reporting period are disclosed in note 22.

42. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(d) The Group is licensed by Shui On Holdings Limited, a wholly-owned subsidiary of SOCL, to use the trademark, trade name of "Shui On", "瑞安" and/or the Seagull devices on a non-exclusive, royalty-free basis for an unlimited period of time.

(e) During the year, the Group repaid unsecured non-interest bearing short-term loans of HK$50 million and RMB10 million (HK$13 million) to the wholly-owned subsidiaries of SOCL.

(f) During the year, the Group was granted unsecured non-interest bearing short-term loans of HK$200 million from a wholly-owned subsidiary of SOCL.

(g) During the year, the Group received dividend income amounting to HK$160 million from joint ventures.

(h) During the year ended 31 December 2012, the Group acquired the land use rights of the land parcels located at Zunyi, Guizhou from a joint venture at a consideration of RMB312 million (HK$385 million).

(i) During the year ended 31 December 2012, the Group received dividend income amounting to HK$62 million from a joint venture.

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

	2013 HK$ million	2012 HK$ million
Fees	**2**	2
Salaries and other benefits	**29**	34
Performance bonuses	**17**	17
Retirement benefit scheme contributions	**2**	2
Share-based payments	**(6)**	18
	44	73

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 made reference to market trends.

43. EVENT AFTER THE REPORTING PERIOD

On 23 January 2014, the Group entered into an agreement for the disposal of 43.53% share interest in Gracious Spring Limited (a joint venture indirectly owned as to 51% by the Company) (the "Disposal"), which indirectly owns the Chengdu Centropolitan project, for an aggregate consideration of RMB665 million (HK$845 million). The agreement will only take effect upon completion of the acquisition of the remaining 49% share interest in Gracious Spring Limited from the existing shareholder by the Group. Following completion of the Disposal, the Group will own 56.47% share interest in Gracious Spring Limited, which will continue to be accounted for as a joint venture in the consolidated financial statements of the Group as decision about the relevant activities of the project continued to require unanimous consent of the joint venturers. The transaction has not been completed on the date when the consolidated financial statements are authorised for issue. Details of these transactions are set out in the announcements of the Company dated 23 January 2014 and 24 February 2014.

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 2013 and 31 December 2012, which principally affect the results or assets of the Group. All the companies listed below were incorporated and are operating in Hong Kong except otherwise indicated.

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				
Dynamic Mark Limited	100 ordinary shares of HK$1 each 3,000,000 non-voting deferred shares of HK$1 each	–	80%	Investment holding
P.D. (Contractors) Limited	1,000,000 ordinary shares of HK$1 each	–	92%	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	–	92%	Interior decoration, fitting out, design and contracting
Pat Davie (Macau) Limited##	Two quotas of total face value of MOP1,000,000	–	92%	Interior decoration, fitting out, design and contracting
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 of RMB100,000,000	–	85%	Building construction and maintenance
Cement operations				
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
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 of US$670,000	–	100%	Provision of consultancy services
貴州凱里建安混凝土有限公司** (Guizhou Kaili Ken On Concrete Co., Ltd.)	Registered and paid up capital of RMB10,000,000	–	100%	Supply of ready mixed concrete
貴州凱里瑞安水泥有限公司** (Guizhou Kaili Shui On Cement Co. Ltd.)	Registered and paid up capital of RMB60,000,000	–	100%	Trading of cement
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

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 of 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 of 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 of RMB10,000,000	–	100%	Property investment
Chengdu Shui On Huiyuan Property Co., Ltd.**+	Registered and paid up capital of US$21,000,000	–	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 of RMB10,000,000	–	100%	Property development
Chongqing Hui Zheng Properties Co., Ltd.**+	Registered and paid up capital of 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

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 (continued)				
Shenyang Hua Hui Properties Co. Ltd.**+	Registered and paid up capital of US$70,000,000	–	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 of US$64,700,000	–	100%	Property development
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 of 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
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 of US$32,000,000	–	100%	Wholesale of construction materials
Dalian Jiarui Science & Technology Development Co., Ltd.**+	Registered and paid up capital of US$10,000,000	–	100%	Software and hardware development and technical consultancy services
Broad Wise Limited*	100 shares of US$1 each	–	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	
Property business (continued)				
瀋陽中匯達房地產有限公司***+ (Shenyang Zhong Hui Da Properties Co., Ltd.)	Registered and paid up capital of US$149,400,000	–	100%	Property development
遵義天時利房地產開發有限公司**+ (Zunyi Tinsley Real Estate Development Co., Ltd.)	Registered and paid up capital of HK$388,000,000	–	100%	Property development
Other businesses				
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
Chongqing Yugang Foreign Investment Consulting Limited**++	Registered and paid up capital of RMB800,000	–	100%	Provision of investment consultation

* Incorporated in the British Virgin Islands
** Established and operated in other regions of the PRC
*** Incorporated in Mauritius
\# Incorporated in the Bahamas
\## Incorporated in Macau Special Administrative Region of the PRC
^ Incorporated in Isle of Man
\+ Wholly-foreign owned enterprise
@ Equity joint venture
++ Limited liability company

None of the subsidiaries had any debt securities subsisting at 31 December 2013 or at any time during the year.

Notes:

1. 廣州市番禺廣鋁實業有限公司, indirectly held subsidiary of the Company, was disposed of during the year ended 31 December 2013.
2. Panyu Dynamic Mark Steel and Aluminium Engineering Co. Ltd., indirectly held subsidiary of the Company, was deregistered during the year ended 31 December 2013.
3. The equity interests held by the Group in 貴州凱里建安混凝土有限公司 and 貴州凱里瑞安水泥有限公司 were increased from 75% and 90% respectively to 100% during the year ended 31 December 2013.
4. The equity interest held by the Group in 遵義天時利房地產開發有限公司 was increased from 80% to 100% during the year ended 31 December 2013.

45. PARTICULARS OF PRINCIPAL JOINT VENTURES

The Directors are of the opinion that a complete list of the particulars of all joint ventures will be of excessive length and therefore the following list contains only the particulars of principal joint ventures of the Group at 31 December 2013 and 31 December 2012. All the companies listed below were incorporated and are operating in Hong Kong except otherwise indicated.

Indirect joint ventures	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 and paid up capital of US$1,284,600	50%	Manufacture of sink units and cooking benches	1
Cement operations				
Sichuan Shuangma Cement Co., Ltd.**@	Registered and paid up capital of RMB615,862,000	32.27%	Production and sales of cement and cement related products	
Chongqing TH New Building Materials Co., Ltd.**@	Registered and paid up capital of RMB41,500,000	33.75%	Production and sales of cement and cement related products	
Chongqing TH Diwei Cement Co., Ltd.**@	Registered and paid up capital of RMB274,078,000	43.16%	Production and sales of cement and cement related products	
Chongqing TH Fuling Cement Co., Ltd. **+	Registered and paid up capital of RMB44,000,000	45%	Production and sales of cement and cement related products	
Chongqing TH Special Cement Co. Ltd.**@	Registered and paid up of 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 of RMB270,000,000	33.3%	Production and sales of cement and cement related products	

45. PARTICULARS OF PRINCIPAL JOINT VENTURES (CONTINUED)

Indirect joint ventures	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)				
Guangan TH Cement Co., Ltd.**+	Registered and paid up capital of 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 of RMB48,000,000	80%	Manufacture and sale of cement	1
Guizhou Dingxiao Shui On Cement Co., Ltd.**@	Registered and paid up capital of RMB264,256,751	45%	Production and sales of cement and cement related products	
Zunyi Sancha Lafarge Shui On Cement Co., Ltd. **+	Registered and paid up capital of RMB440,672,000	45%	Production and sales of cement and cement related products	
Guizhou Shuicheng Shui On Cement Co., Ltd.**@	Registered and paid up capital of 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 of RMB92,000,000	80%	Manufacture and sale of cement	1
Lafarge Chongqing Cement Co., Ltd.**@	Registered and paid up capital of RMB340,000,000	35.73%	Production and sales of cement and cement related products	
Lafarge Dujiangyan Cement Co., Ltd.**@	Registered and paid up capital of RMB856,839,300	27.38%	Production and sales of cement and cement related products	
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 of RMB120,000,000	60%	Manufacture and trading of cement	1
Panzhihua Jinsha Cement Co., Ltd.**	Registered and paid up capital of RMB10,000,000	45%	Production and sales of cement and cement related products	

45. PARTICULARS OF PRINCIPAL JOINT VENTURES (CONTINUED)

Indirect joint ventures	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)				
Yunnan Shui On Construction Materials Investment Holding Co., Ltd.**@	Registered and paid up capital of RMB1,000,000,000	45%	Investment holding	
Yunnan State Assets Cement Chuxiong Co., Ltd.**	Registered and paid up capital of RMB32,600,000	45%	Production and sales of cement and cement related products	
Yunnan State Assets Cement Dongjun Co., Ltd.**	Registered and paid up capital of RMB260,000,000	45%	Production and sales of cement and cement related products	
Yunnan State Assets Cement Haikou Co., Ltd**	Registered and paid up capital of RMB54,556,806	45%	Production and sales of cement and cement related products	
Yunnan State Assets Cement Honghe Co., Ltd.**	Registered and paid up capital of RMB263,785,829	45%	Production and sales of cement and cement related products	
Yunnan State Assets Cement Jianchuan Co., Ltd.**	Registered and paid up capital of RMB122,483,913	45%	Production and sales of cement and cement related products	
Yunnan State Assets Cement Kunming Co., Ltd.**	Registered and paid up capital of RMB130,375,098	45%	Production and sales of cement and cement related products	
Property business				
Lead Wealthy Investments Limited	100 ordinary shares of HK$1 each	70%	Investment holding	1
Shanghai 21st Century Real Estate Co., Ltd. ***+	Registered and paid up capital of US$76,000,000	70%	Property development	1
Eagle Fit Limited*	200 shares of US$1 each	65%	Investment holding	1 & 2
Prime Asset Investment Limited	1 ordinary share of HK$1	65%	Investment holding	1 & 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 of US$91,000,000	65%	Property development	1 & 2

45. PARTICULARS OF PRINCIPAL JOINT VENTURES (CONTINUED)

Indirect joint ventures	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)				
Cosy Rich Limited*	2 shares of US$1 each	50%	Investment holding	1
Chengdu Xianglong Real Estate Co., Ltd.**+	Registered and paid up capital of RMB450,000,000	51%	Property development	1
Silver Reach Limited*	1,000 shares of US$1 each	64.7%	Investment holding	1
Win Lead Holdings Limited*	100 shares of US$1 each	50%	Investment holding	1
Other businesses				
The Yangtze Ventures Limited#	1,000 ordinary shares of HK$0.1 each	65.5%	Venture capital investments	1
The Yangtze Ventures II Limited#	1,000 ordinary shares of HK$0.1 each	75.4%	Venture capital investments	1
On Capital China Fund Series A#	13,923 participating shares of US$0.01 each	66.81%	Venture capital investments	1
On Capital China Fund Series B#	8,418 participating shares of US$0.01 each	61.54%	Venture capital investments	1

* Incorporated in the British Virgin Islands
** Established and operated in other regions of the PRC
\# Incorporated in the Cayman Islands
\+ Wholly-foreign owned enterprise
@ Equity joint venture

Notes:

1. The Group and the other joint venturers are contractually agreed sharing of control and have rights to the net assets of these entities. The decisions about the relevant activities of these entities require unanimous consent of the Group and the other joint venturers. Accordingly, the Directors consider they are joint ventures.
2. The shareholding interest held by the Group in Eagle Fit Limited, Prime Asset Investment Limited and 北京啓夏房地產開發有限公司 increased from 52.5% to 65% during the year ended 31 December 2013.

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 2013 and 31 December 2012.

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 of RMB800,000,000	22%	Software park development
Dalian Ruisheng Software Development Co., Ltd.**@	Registered and paid up capital of RMB800,000,000	22%	Software park development
Dalian Delan Software Development Co., Ltd.**@	Registered and paid up capital of RMB300,000,000	22%	Software park development
Dalian Jiadao Science & Technology Development Co., Ltd.**@	Registered and paid up capital of RMB300,000,000	22%	Software park 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 of RMB600,000,000	22%	Software park 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 of RMB600,000,000	22%	Software park development
大連軟件園中興開發有限公司** (Dalian Software Park Zhong Xing Kaifa Co., Ltd.)	Registered and paid up capital of RMB1,900,000,000	22%	Software park development
大連軟件園榮達開發有限公司** (Dalian Software Park Rong Da Kaifa Co., Ltd.)	Registered and paid up capital of RMB660,000,000	22%	Software park development
大連軟件園榮泰開發有限公司** (Dalian Software Park Rong Tai Kaifa Co., Ltd.)	Registered and paid up capital of RMB100,000,000	22%	Software park development
大連軟件園榮源開發有限公司** (Dalian Software Park Rong Yuan Kaifa Co., Ltd.)	Registered and paid up capital of RMB350,000,000	22%	Software park development

* Incorporated in the British Virgin Islands

** Established 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 section 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

	Year ended 31 December				
	2009 HK$ million	2010 HK$ million	2011 HK$ million	2012 HK$ million	**2013** **HK$ million**
Turnover	3,200	8,044	5,900	6,443	**7,952**
Profit (loss) before taxation	828	1,098	1,080	627	**(330)**
Taxation	(16)	(180)	(145)	(142)	**(542)**
Profit (loss) for the year	812	918	935	485	**(872)**
Attributable to:					
Owners of the Company	807	903	910	459	**(889)**
Non-controlling interests	5	15	25	26	**17**
	812	918	935	485	**(872)**

2. ASSETS AND LIABILITIES

	At 31 December				
	2009 HK$ million	2010 HK$ million	2011 HK$ million	2012 HK$ million	**2013** **HK$ million**
Total assets	18,641	21,048	22,231	23,320	**23,120**
Total liabilities	(9,593)	(11,788)	(12,163)	(13,032)	**(13,729)**
	9,048	9,260	10,068	10,288	**9,391**
Equity attributable to:					
Owners of the Company	9,003	9,204	10,002	10,218	**9,324**
Non-controlling interests	45	56	66	70	**67**
	9,048	9,260	10,068	10,288	**9,391**

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