瑞安建業
SOCAM DEVELOPMENT

MAXIMISING SHAREHOLDER VALUE

釋放潛力 締造股東價值

ANNUAL REPORT 2011

STOCK CODE: 983

Maximising Shareholder Value

Profit performance at one level is driven by informed operational decisions made over the course of the year, in the context of prevailing market conditions.

At another, maximising shareholder value entails, among others, strategic restructuring and continuous search for optimum asset deployment and opportunities that leverage our strengths to achieve sustainable growth.

With our ongoing corporate transformation now at an advanced stage, and our solid achievements in recent years, we are exceptionally well-placed to pursue a business model that gives synergistic momentum to SOCAM's development in the years ahead.

CONTENTS

ABOUT SOCAM

SOCAM Development Limited (SOCAM) (HKSE Stock Code: 983) was listed on the Hong Kong Stock Exchange in February 1997. The Company is a member of Shui On Group, which has over 40 years of history.

SOCAM has been undergoing a corporate transformation in the past few years, and has expanded far beyond its origin as a construction and building materials company. Today, it is rapidly developing exciting business in the niche property sector in the Chinese Mainland, and is poised to become a leading niche property developer, marked by a rebranding exercise undertaken in September 2011.

With its dedication in the pursuit of excellence, SOCAM is continually seeking opportunities in areas where it has an unassailable China knowledge of the many factors that determine the business success.

CORPORATE MISSION

- To achieve sufficient profit to provide an attractive return to our shareholders and to finance our growth.
- To provide our customers with quality products and services.
- To provide an environment whereby our people can excel, develop and grow with the company.
- To provide an environment that encourages and rewards merit and team effort.

CORPORATE VALUES

- Integrity
- Quality
- Excellence
- Innovation

Quality
Innovation
Excellence
Integrity

SOCAM AT A GLANCE

SOCAM's property business focuses on special situation projects and knowledge communities.

The Company is specialised in developing quality high-end projects with visionary plans and precise moves, leveraged on its strong expertise and solid background in project management, construction and deal structuring. SOCAM's businesses are built on proven business models that seek to tap into and contribute towards the sustained economic and social development of China.

In addition to property, SOCAM currently owns construction and cement operations in the Chinese Mainland, Hong Kong and Macau.

PROPERTY

- Special Situation Projects
- Knowledge Community Project
- Private Equity Property Fund

CONSTRUCTION

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

CEMENT

- Lafarge Shui On Cement

KEY EVENTS IN 2011

JAN

- China Securities Regulatory Commission approved injection of certain cement interests in Sichuan by Lafarge Shui On Cement (LSOC) into Sichuan Shuangma Cement
- SOCAM and Tsinghua Science Park forged strategic partnership to pursue knowledge community business opportunities in Nanjing

FEB

- SOCAM and Mitsui Fudosan Residential Company Limited formed strategic partnership in developing residential and retail properties in Dalian Tiandi

MAR

- SoTan China Real Estate I, LP was formed, targeting special situation projects in the Chinese Mainland
- Launch of pre-sale of residential units of Parc Oasis in Guangzhou

- Acquisition of Guizhou Project was completed

APR

- SOCAM received a Caring Company Logo for the 5th consecutive year from Hong Kong Council of Social Service

MAY

- Shui On Building Contractors (SOBC) secured a district term maintenance contract from Hong Kong Housing Authority (HKHA)
- SOBC and Shui On Construction was awarded International Safe Workplace under World Health Organisation

JUN

- SOCAM joined hands with Four Seasons Hotels and Resorts Group for the development of branded residence in Shanghai
- Disposal of 49% shareholding in Chengdu Orient Home Project to LaSalle Investment Management

AUG

- SOBC was awarded a HKHA public housing contract at Kwai Shing Circuit

SEP

- Shui On Construction and Materials Limited was renamed as SOCAM Development Limited to reflect the significant progress of its transformation

- SOCAM announced a three-year plan

- Selected as a constituent of the Hang Seng Corporate Sustainability Benchmark Index
- Official opening of Mee Mall in Chongqing Creative Concepts Center

OCT

- Agreement for the acquisition of Panyu Project in Guangzhou was signed

NOV

- Serviced apartments at Parc Oasis in Guangzhou and apartments in Dalian Tiandi were put up for pre-sale

- SOBC secured a district term maintenance contract from HKHA
- LSOC successfully issued an offshore RMB bond
- Completely exited cement operation in Guizhou, with the disposal of the remaining plant in Kaili
- Termination of joint venture with Tsinghua Science Park

DEC

- SOCAM entered into an agreement for the acquisition of land parcels in Tianjin
- Acquisition of 20% remaining shareholding in Shenyang Project Phase II was completed
- Pre-sale of residential units of Beijing Centrium Residence commenced

- LSOC completed construction of a new dry kiln in Sichuan with 2,500 tonne-per-day capacity

MAJOR AWARDS AND RECOGNITION

Corporate

- Gold Award in the Best Corporate Governance Disclosure Awards 2011 under Non-Hang Seng Index (Mid-to-small Market Capitalisation) – *The Hong Kong Institute of Certified Public Accountants*
- The Best of Asia for Corporate Governance Award in the 7th Corporate Governance Asia Recognition Awards 2011 – *Corporate Governance Asia*
- The Gold Corporate Award in The Asset Corporate Awards 2011 – *The Asset*
- 2011 International ARC Awards for Annual Report 2010 – *MerComm, Inc*
  - Gold Award in Written Text
  - Silver Award in Chairman's Letter
- 2010 Vision Awards for Annual Report 2010 – *League of American Communications Professionals*
  - Gold Award in Conglomerates
  - Silver Award in Real Estate/REIT

Quality

- Silver Construction Award in International Horticultural Exposition 2011 Xi'an China for Hong Kong Garden – *The Executive Committee of International Horticultural Exposition 2011 Xi'an China*
- Special Architectural Award (Sustainable Design) in ArchSD Annual Award 2011 for Hong Kong Garden – *Architectural Services Department, HKSAR Government*
- Quality Public Housing Construction and Maintenance Awards 2011 for Shek Kip Mei Estate Phase 5 – *Hong Kong Housing Authority, HKSAR Government*
- The Outstanding Urban Composite Project 2011 – Dalian Tiandi – *Dalian Association of Real Estate Developers and Dalian New Business*
- The Most Influential Branded Industrial Park 2011 – Dalian Tiandi – *China Software Industry Association*
- Northeast China Innovation Summit 2011 – *house.sina.com.cn & house.baidu.com*
  - The Best Property Enterprise in Shenyang
  - The Best High-end Property Project in Shenyang – Shenyang Project

Corporate Social Responsibility

- LEED – Silver Level of Core & Shell Certificate for Chengdu Central Point Phase II – *The United States Green Building Council*
- BEAM Platinum Standard for Hong Kong Customs Headquarters Building – *Building Environmental Assessment Method Society, Hong Kong*
- A Constituent of Hang Seng Corporate Sustainability Benchmark Index – *Hang Seng Indexes Company Limited*
- Caring Company Logo for the 5th Consecutive Year – *The Hong Kong Council of Social Service*
- Corporate Social Responsibility Awards 2011 – *Capital Magazine*
- Distinguished Family-friendly Employer Award in 2011 – *Family Council, Hong Kong*
- HKQAA-HSBC CSR Advocate Mark for the 3rd Consecutive Year – *Hong Kong Quality Assurance Agency*
- Bronze and Meritorious Awards in Construction Industry in Hong Kong Awards for Environmental Excellence 2010 – *Environmental Campaign Committee, Hong Kong*

Safety

- International Safe Workplace under World Health Organisation – *Occupational Safety and Health Council, Hong Kong*
- IFAWPCA – Choi Construction Fieldman Award in the 39th International Federation of Asian and Western Pacific Contractors' Associations Convention – *International Federation of Asian and Western Pacific Contractors' Associations*
- Considerate Contractors Site Award Scheme 2010 – *Works Branch of the Development Bureau, HKSAR Government*
  - Silver and Merit Awards in Considerate Contractors Site Award
  - Silver and Merit Awards in Outstanding Environmental Management and Performance Award
- Gold Awards in Construction Industry Safety Award Scheme 2010/2011 – *Labour Department, HKSAR Government*

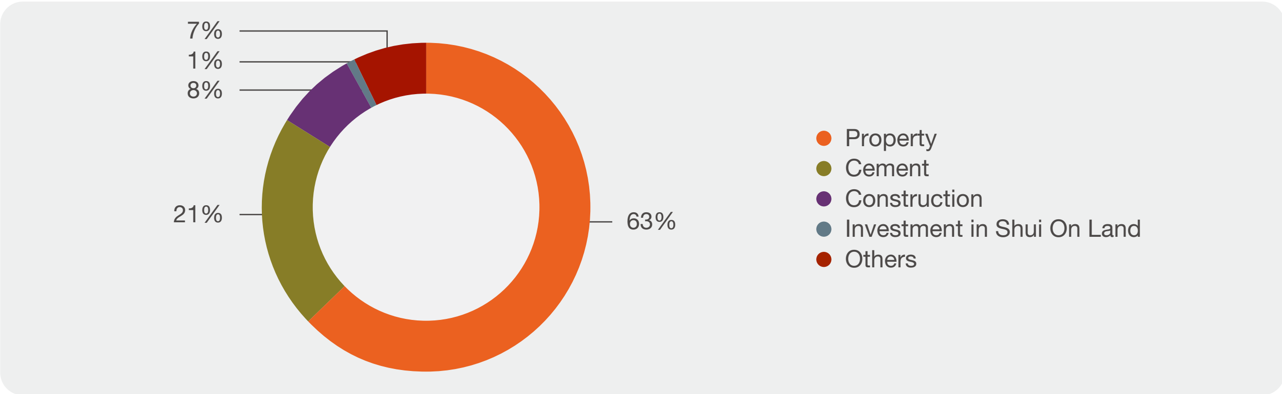
FINANCIAL HIGHLIGHTS

	Year ended 31 December 2011	2010	Change
Turnover	**HK$5,900 million**	HK$8,044 million	▼ 26.7%
Profit attributable to shareholders	**HK$910 million**	HK$903 million	▲ 0.8%
Basic earnings per share	**HK$1.86**	HK$1.85	▲ 0.5%
Total dividends per share	**HK$0.65**	HK$0.60	▲ 8.3%

	At 31 December 2011	2010	Change
Total assets	**HK$22.2 billion**	HK$21.0 billion	▲ 5.7%
Net assets	**HK$10.0 billion**	HK$9.2 billion	▲ 8.7%
Net asset value per share	**HK$20.43**	HK$18.82	▲ 8.6%
Net gearing	**50.5%**	51.3%	down 0.8%

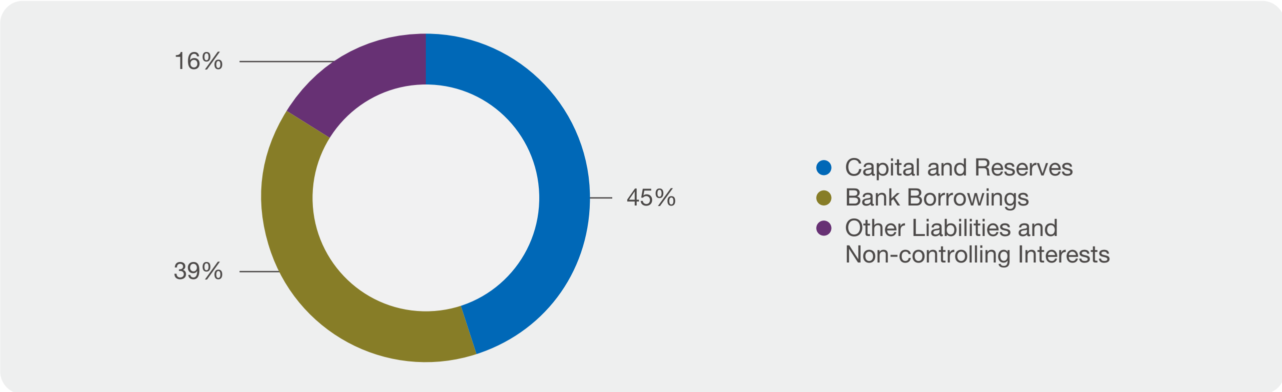
Assets Employed

At 31 December 2011

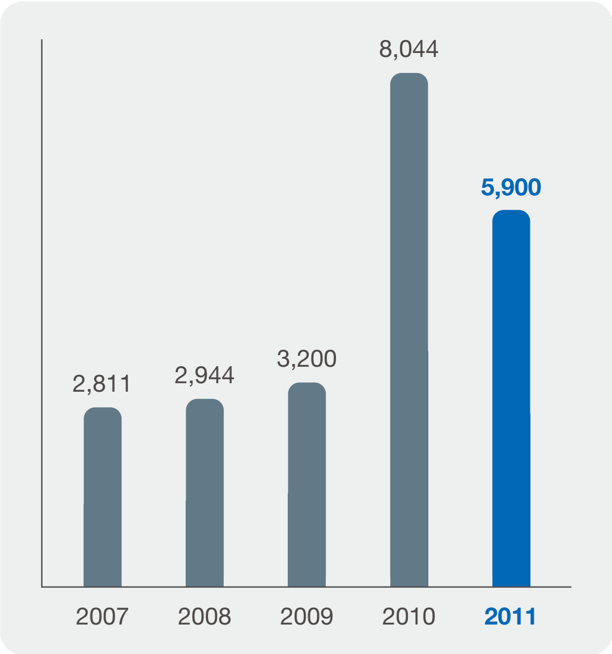


Capital and Liabilities

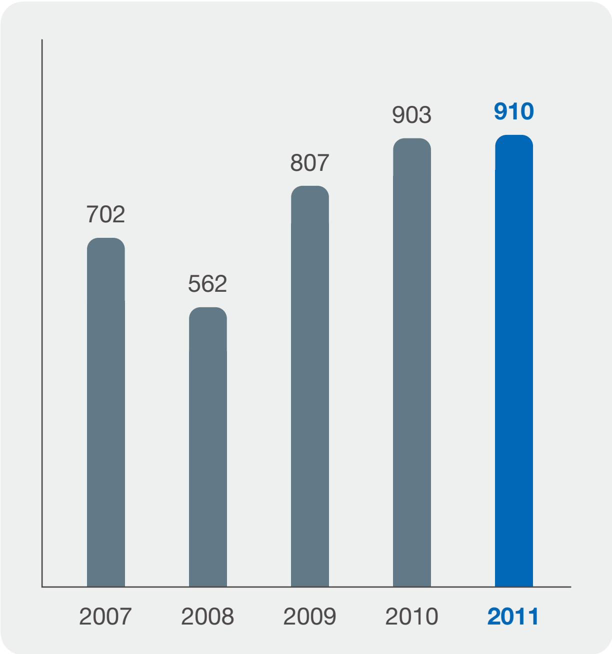
At 31 December 2011



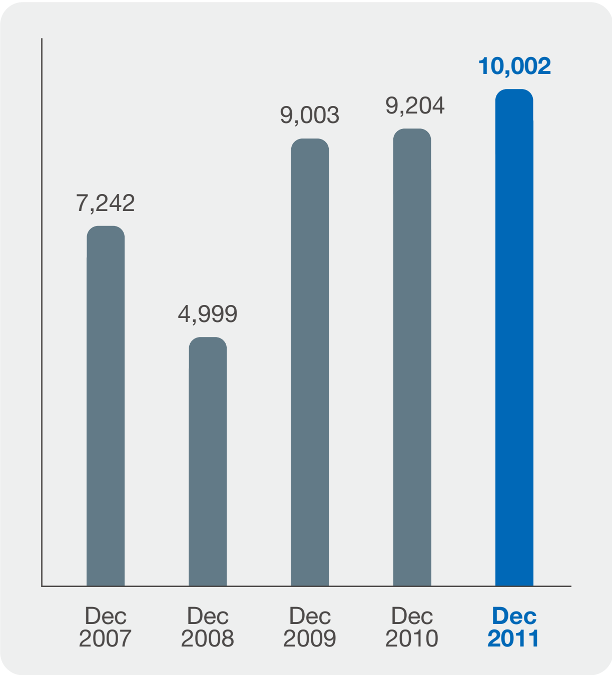
Turnover
HK$ million



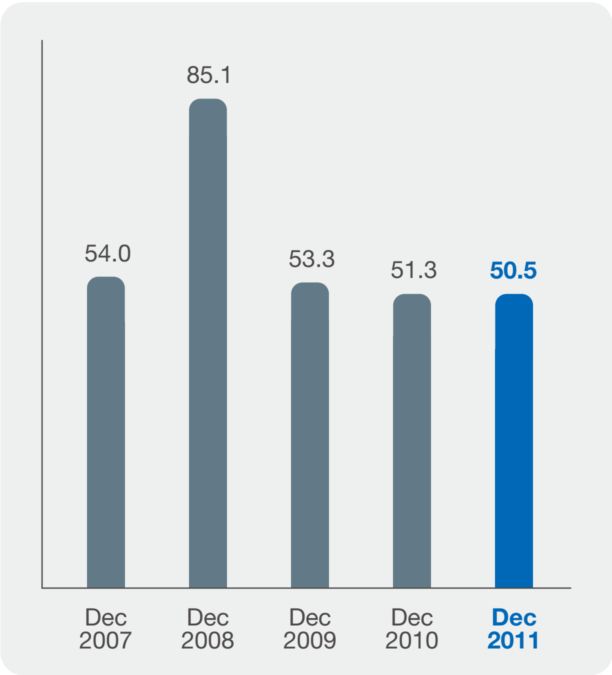
Profit Attributable to Shareholders of the Company
HK$ million



Equity Attributable to Shareholders of the Company
HK$ million



Gearing
Percentage



Amidst the challenging operating environment, the year has been a satisfactory one for SOCAM in the course of its transformation to becoming a leading niche property developer in the Chinese Mainland.

Vincent H. S. Lo

Chairman

CHAIRMAN'S STATEMENT

Dear Shareholders,

Performance in 2011

The deepening of the European sovereign debt crisis and the intensified austerity measures in the Chinese Mainland in 2011 have created a very difficult operating environment for commercial enterprises. Amidst the challenging operating environment, the year has however been a satisfactory one for SOCAM in the course of its transformation to becoming a leading niche property developer in the Chinese Mainland.

Your Group generated a profit attributable to shareholders of HK$910 million (2010: HK$903 million) with earnings per share at HK$1.86 (2010: HK$1.85). Our gearing level remained steady at 51%.

At the end of 2011, our property business accounted for 63% of total assets. Despite the substantial reduction in property transaction volumes in the Mainland throughout the year, a welcoming growth has been seen in our property operations which delivered a net profit of approximately HK$1.1 billion. This indicates that our transformation strategy to focus on the special situation property sector continues to bear fruit.

> *"SOCAM continued its path of reorganisation and announced a clear strategy to reshape the company during the year."*

Strategic and Operational Review

SOCAM continued its path of reorganisation and announced a clear strategy to reshape the company during the year. The launch of your Company's new name, SOCAM Development Limited, in September represented an important milestone and highlighted the Company's change in business focus.

The concentration of our business resources and asset deployment in specialised property areas has gathered pace, and your Group has firmly laid the foundation to evolve from a construction and building materials company to a leading niche property developer in the Chinese Mainland. Projects in our property portfolio are progressing well as they entered construction stages. Our projects have successfully been taken up by reputable institutional buyers, attracted by their high quality and desirable locations, which is the result of our very selective acquisition policy and stringent construction standard. A good example is the disposal of a 49% interest in our Chengdu Orient Home project during the year to an international investment fund which resulted in a good profit for your Company.

Another premium project, the 21st Century Tower in Pudong, Shanghai, in the heart of the Lujiazui Financial District, is also proceeding well with valuable input from our prestigious partner, the Four Seasons Hotels and Resorts Group. We are looking forward to the soft opening of this luxurious hotel in the summer which is poised to become a new landmark in the area. The branded residence on top of the hotel will also be launched soon which comprises luxurious apartments for discerning purchasers and tenants. This new business concept could create a market niche and edge for your Company in the future.

SoTan, the investment vehicle with two international pension funds, which committed a total of approximately US$200 million to co-invest with your Company in special situation projects in high-growth secondary cities on the Mainland, has approved the first investment with SOCAM in Tianjin.

Lafarge Shui On Cement Joint Venture however experienced yet another disappointing year and incurred a small loss, as stiff competition in Chongqing and Sichuan continued and considerable excess capacities still existed. A return to an equilibrium state of supply and demand is only expected towards the end of 2013. After taking a strategic decision last year to divest our 45% interest in this joint venture, we have been actively exploring different options to secure an early exit. We are reasonably confident that a suitable arrangement for our disposal will likely take place within the year.

In the course of searching for new business opportunities, we have also been prudent in our investment decisions. In November, your Board decided not to proceed with our participation in a joint venture with Tsinghua Science Park in a knowledge community development project in Nanjing. It was a difficult decision, but one made because a substantial long term commitment would not be justified under the worsening global economy and the further tightening of liquidity. As we put the project on hold, we nevertheless remain confident in the prospects of knowledge communities, and will continue to look for attractive investment opportunities as they arise.

> *"The concentration of our business resources and asset deployment in specialised property areas has gathered pace."*

Looking Forward

The first signs of recovery are emerging in the United States but the sovereign debt problems in the Euro-zone look likely to last for some time, which could still create financial chaos globally if not handled well.

In the Chinese Mainland, following the injection of massive liquidity into the economy after the 2008 global financial crisis, undesirable effects emerged with high inflation and excessive escalation in housing prices. The austerity measures in the past two years have effectively brought the heated economy back on the right track. Contrary to certain negative views in the West, this second largest economy in the world has shown resilience in 2011 and is now heading towards a soft landing as economic growth moderates.

The downward adjustment announced recently by the Central Government on the 2012 GDP growth target from 8% to 7.5% reflects the current thinking of the Chinese leadership that persistently high growth may not benefit the country in the long term, as huge resources needed to attain growth targets have repeatedly created inflationary pressure and social instability.

> “We will explore ways in which your Company can create greater values for shareholders by working more closely with the much larger Shui On entity, which is engaged in different and high-end projects in the Mainland on a much bigger scale.”

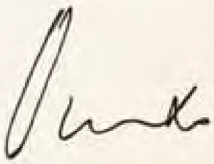
This is apparently the beginning of a shift of the Central Government's effort to promoting an economic growth which is more balanced and sustainable. Moving ahead, increases in domestic consumption, personal income as well as real growth in purchasing power will be given priority and less reliance will be placed on exports.

In 2012, regulatory measures are likely to be only selectively relaxed, particularly in the real estate sector, unless global financial turmoil will recur and adversely affect the Chinese economy. The coming year will therefore remain to be challenging for property developers. However, in the long term, the economic growth in China will still rank among the highest in the world and the desire of buyers in an increasingly affluent society to look for better living conditions will support a growing property market.

In Hong Kong, public housing and some form of revised home ownership scheme are likely to be introduced quickly by the incoming new administration to lessen public pressure and to satisfy the vast demand for affordable housing. This, together with the HKSAR Government's plan to utilise the substantial fiscal surplus on new projects and the various transport related infrastructural works now in progress, will mean a very busy construction sector in the next few years, albeit putting a strain on the labour market.

Meanwhile, with our now reorganised core business in the niche property sector, supplemented by our well established construction capabilities, we will explore ways in which your Company can create greater values for shareholders by working more closely with the much larger Shui On entity, which is engaged in different and high-end projects in the Mainland on a much bigger scale.

We would not have weathered the challenging market conditions last year without the hard work of our dedicated staff, our proactive management and the underlying strength of our business. I would also like to thank your Directors for their guidance amid the stormy economic environment. I am confident that we will be successful in our resolve to build on our strengths and to sustain the delivery of value for our shareholders in the future.



Vincent H. S. Lo
Chairman

Hong Kong, March 2012

With redefined long-term growth and business objectives, we shall move forward to capture new market opportunities and explore ways to unlock asset values to maximise shareholder return.

Philip K. T. Wong

Managing Director
and Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS

The financial markets and global economies were significantly disturbed in 2011 by the seemingly intractable sovereign debt crisis in Europe, albeit that the Chinese Mainland has once again showed exceptional resilience and contributed 40% of the worldwide economic growth. China continued to register a notable GDP growth of 9.2% in 2011 due to strong fixed assets investment and rising domestic consumption.

The Central Government's austerity measures directed at the property sector have intensified and successfully dampened unchecked price upsurge and transaction volumes. Although the investment in real estate remained strong with a year-on-year growth of 28% in 2011, it represented a slowdown from the 33% growth in the previous year. With stringent monetary measures which tighten bank lending, the liquidity tightening has now clearly resulted in slower growth in almost all industries and businesses across the country, notwithstanding that selective relaxation in certain austerity policies seems to be appearing in a number of sectors. It has however been widely anticipated that the Central Government's control over the property market is unlikely to be lifted in 2012.

Driven by an ambitious social housing plan and the continued robust infrastructure development, demand for cement in the Chinese Mainland overall remained strong during 2011. The overall performance of the cement industry nationwide posted a steady growth. Unfortunately, however, the operating areas of Lafarge Shui On Cement Joint Venture fared less well, as over-capacity in Sichuan and Chongqing intensified, the degree of market consolidation remains relatively low and weaker players can only be gradually eliminated towards the end of 2013, hence a disappointing year is once again shown in our share of the cement operation results.

The construction industry in Hong Kong, in particular the public sector, continued to benefit from economic expansion and increase in expenditure on capital works, but profitability was incapable of increasing in tandem due to a significant rise in material and labour costs.

Against this backdrop, SOCAM took further significant steps along its path of transformation in 2011. SOCAM changed its name from "Shui On Construction and Materials Limited" to "SOCAM Development Limited" and launched a rebranding exercise in September 2011. This marks the Company's change of business strategy from a construction and building materials entity to a niche property developer, and also more accurately reflects the Group's business and asset focus in the Mainland. With redefined long-term growth and business objectives, we shall move forward to capture new market opportunities and explore ways to unlock asset values to maximise shareholder return, among which is our attempt to divest our interest in the Lafarge Shui On Cement Joint Venture.

BUSINESS REVIEW

PROPERTY P.20

CONSTRUCTION P.48

CEMENT P.52

FINANCIAL REVIEW P.56

NICHE PROPERTY DEVELOPER

SOCAM has built up a strong market reputation in the acquisition of special situation projects, and their subsequent development, market repositioning and timely disposal.

21st Century Tower, Shanghai

PROPERTY

The Group's property business in the Chinese Mainland consists of two distinct niche areas. They are well supported by the combination of the strengths of SOCAM and its strategic partners.

SPECIAL SITUATION PROJECTS

KNOWLEDGE COMMUNITIES

Gross Floor Area*

2,199,100 **Square Metres**
At 31 December 2011

1,672,900 Square Metres
At 31 December 2010

* Excluding that of the knowledge community project in Dalian

Total Assets

HK$13,879 **Million**
At 31 December 2011

HK$12,519 Million
At 31 December 2010

Profit after Tax

HK$1,055 **Million**
Year ended 31 December 2011

HK$714 Million
Year ended 31 December 2010

PROPERTY

Panoramic view of Pudong from our 21st Century Tower in Shanghai

Three-year Plan

Under SOCAM's Three-year Plan, announced in September 2011, the Group targets to achieve a profit after tax of HK$1.8 billion and project delivery of 1.25 million square metres of GFA, while raising net asset value to HK$13 billion in 2014.

The Group's property business in the Chinese Mainland consisted of two distinct niche areas. They are well supported by the combination of the strengths of SOCAM and its strategic partners.

On the special situation side, SOCAM has established a firm footing in the market in the Chinese Mainland over the past few years, and the Group's development mix and quality are well-regarded by the market. Project partners and international investors are attracted by our acquisition and project management expertise, as well as our unique strategy of quick asset turnover.

In 2011, the increase in profit over the previous year is mainly attributable to the disposal of property interest and the increase in fair value of our investment property portfolio.

Profound changes took place in the Mainland property market during 2011. The Central Government's new rounds of initiatives, introduced from April 2010 onwards, to cool the property sector and control housing prices resulted in a fall in transaction volumes and price declines. Market adjustment deepened in the latter half of the year as the liquidity crunch took its toll.

The tightening of bank lending, particularly to the property sector, has posed challenges to many developers. Yet, this squeeze on capital flow also gives rise to opportunities for acquisitions, especially for corporations in a strong financial position.

In 2011, the Group continued to make satisfactory progress in acquisitions and development of existing projects. Though already a proven business model

Centrium Residence, in the heart of Beijing's Central Business District

for SOCAM, high-end special situation projects are still an under-served segment. On the other hand, the emergence of an affluent middle class in China and the country's avowed intention to establish a knowledge-based economy reinforce the Group's belief in the great potential for the development of knowledge communities. In order to attain a sustainable growth model that fully capitalises on the quick asset turnover of the special situation business to support the steady growth in earnings from knowledge communities in the long term, SOCAM announced an ambitious Three-year Plan in September 2011.

Under the Three-year Plan, the Group targets to achieve a profit after tax of HK$1.8 billion, net asset value of HK$13 billion and project delivery of 1.25 million square metres of GFA in 2014. We will continue to accelerate growth in our strategic markets and strengthen our capabilities as a niche developer.

Despite challenging market conditions in the property sector ahead, SOCAM believes that our corporate transformation over the last few years has provided a solid platform for capturing exciting opportunities and unleashing our potential.

A show flat of Centrium Residence

STRONG EXECUTION, TIMELY AND QUALITY DELIVERY

Our seasoned management team combines specialised talents in the areas of deal structuring, construction and project management. We differentiate ourselves through developing special situation projects that deliver quick asset turnover and meaningful returns.

Centrium Residence, Beijing

SPECIAL SITUATION PROJECTS

The strategy to increase special situation assets in the Group's property portfolio is progressing smoothly. SOCAM has been actively identifying projects, and acquired three with good profit potential during the year.

Our project with green surroundings

Property Type

RESIDENTIAL

RESIDENTIAL AND RETAIL

COMPOSITE

BRANDED RESIDENCE & HOTEL

Overview

SOCAM owns a diversified portfolio with a total developable gross floor area (GFA) of approximately 2.5 million square metres and an attributable GFA of 2.2 million square metres, spanning Beijing, Shanghai, Chongqing, Chengdu, Guangzhou, Tianjin, Guizhou and Shenyang.

In March 2011, we announced the successful formation of the SoTan China Real Estate I, LP (SoTan), a private equity vehicle for investing in special situation projects in high-growth second tier cities in the Chinese Mainland, with a focus on residential development and mixed-use projects. Partnering with some of the world's leading institutional investors, the fund will co-invest on a 50-50 basis with SOCAM in selected special situation projects with a combined equity of approximately US$400 million. This enhanced access to a larger pool of capital provides SOCAM with a larger investment base and enables us to move swiftly in capturing exceptional market opportunities when they arise.

The strategy to increase special situation assets in the Group's property portfolio is progressing smoothly. SOCAM has been actively identifying projects, and acquired three with good profit potential during the year, with an additional attributable GFA of over 0.8 million square metres. This brings the total number of projects to 11.

SPECIAL SITUATION PROJECTS

The Group's total attributable developable GFA of special situation projects at 29 February 2012 is summarised below:

Location	Project	Total developable GFA attributable to the Group (sq. metres)	Property type	Estimated completion year	SOCAM shareholding
Beijing	Centrium Residence	30,300	Residential	2012	52.5%
Chengdu	Orient Home	240,800	Composite	2015	51%
Chongqing	Creative Concepts Center	35,000*	Composite	Completed	100%
Guangzhou	Parc Oasis	112,000	Residential	2012	100%
	Panyu Project	103,000	Composite	2015	100%
Guizhou	Zunyi Project	620,000	Residential and retail	2018	100%
Shanghai	Lakeville Regency Tower 18	22,200	Residential	Completed	100%
	21st Century Tower	43,800	Branded residence and hotel	2012	70%
Shenyang	Shenyang Project Phase I	232,400*	Composite	2012	100%
	Shenyang Project Phase II	653,900	Composite	2016	100%
Tianjin	Wuqing Project	103,500	Residential and retail	2014	90%
Total		2,196,900			

* The GFA shown above has excluded sold areas

Project Acquisitions, Sales and Development Progress

Project acquisitions

During the year, the Group continued to extend its footprints in the Chinese Mainland and acquired three special situation projects in Guangzhou, Guizhou and Tianjin, and an additional 20% shareholding in one of our current projects in Shenyang.

The Group acquired a well-located project in Zunyi, Guizhou through a public listing-for-sale in the first quarter of 2011. The site, previously housing a cement plant of the Group, has been rezoned from industrial use to that for commercial and residential development and is expected to yield a total GFA of approximately 620,000 square metres upon completion.

Another project in Panyu, Guangzhou was acquired in October 2011. This is a redevelopment involving the conversion of existing industrial buildings and plants in a prime residential area into commercial properties comprising serviced apartment, office and retail areas with a total GFA of 103,000 square metres.

In December 2011, we entered into an agreement to acquire a 90% interest in three commercial plots of land located in the Wuqing District, Tianjin with a total GFA of 115,000 square metres. The land is situated between Beijing and Tianjin and 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 properties, modern logistics and trading. The Group plans to develop the site into retail property and serviced apartments.

A show flat of Shenyang Project Phase I

Parc Oasis, a residential oasis in Guangzhou

We have also strengthened our management control over a project on hand and purchased the remaining 20% interest in Shenyang Project Phase II from the minority financial investor.

Project development and property sales

The Group's property sales in the Chinese Mainland continued to gather pace. Marketing and sales activities focused primarily on our Guangzhou Parc Oasis, Chongqing Creative Concepts Center, Shenyang Project Phase I and Beijing Centrium Residence. However, austerity measures imposed by the Central Government to curb the rapid rise of housing prices, including home purchase restrictions and higher down payments and mortgage rates for second homes, resulted in a dampening of sentiment in the residential property market.

A number of projects are coming onstream for completion in 2012, which include Shanghai 21st Century Tower, Beijing Centrium Residence, Guangzhou Parc Oasis, and the commercial portion of Shenyang Project Phase I, while other projects proceeded satisfactorily and were on schedule during the year.

SPECIAL SITUATION PROJECTS

Shenyang Project Phases I & II, a mixed-use development

Beijing Centrium Residence

Situated in the Chaoyang District of Beijing within walking distance of Sanlitun, the 210 high-end apartments of this development are committed to very high standards in prestige living. Superstructure works was completed and show flats and the sales gallery were opened in the latter part of 2011.

Pre-sale permit was issued in late 2011, and at the end of February 2012, 45 of the first batch of around 140 units offered for sale were signed up. The project will be ready for occupation in 2012.

Chengdu Orient Home

Orient Home is positioned as a high quality city-core composite development close to a major interchange of the future Chengdu metro, with 11 residential towers, a 28-storey office tower, a 28-storey serviced apartment tower and a 6-storey shopping mall. The development will also offer car parking spaces, a clubhouse and a kindergarten. Construction work is expected to start in the second half of 2012. In June 2011, we disposed of 49% of our interest in this project for a consideration of RMB440 million to a private equity fund of LaSalle Investment Management.

Chongqing Creative Concepts Center

Enjoying a convenient transportation network with a prime location close to Jiefangbei Square, the central business district of Chongqing, Creative Concepts Center continues to be a sought-after choice in the market. Almost 100% of the residential apartments with 30,000 square metres GFA, and over 90% of the office units with 22,000 square metres GFA, were sold. Over 50% of the retail spaces with 21,000 square metres GFA was taken up by the end of December 2011. The project was completed in 2010.

Guangzhou Parc Oasis

Parc Oasis is located in the well sought-after North Tianhe area, and comprises three residential towers, each of 35 storeys, and one serviced apartment tower of 31 storeys, featured with a clubhouse and eco-friendly design. All four towers were topped out in late 2011 as planned.

The first batch of 100 residential units began sales activity in March 2011. By December 2011, approximately 60% of the units in this pre-sale launch was sold. Additionally, pre-sale of 100 serviced apartment units of this project was launched in November, with over 60% pre-sold as of February 2012.

Shanghai Lakeville Regency Tower 18, a luxury serviced apartment

“ Through this strategic partnership, Four Seasons’ globally acclaimed service quality will put SOCAM in a unique position to develop the “branded residences” in the high-end market. ”

Shanghai Lakeville Regency Tower 18

This luxury serviced apartment, in close proximity to Xintiandi, continues to be an accommodation of choice. It performed consistently above expectations during the year, with average occupancy of around 87%, and provided the Group with stable recurrent rental income.

Shanghai 21st Century Tower

SOCAM acquired the hotel and serviced apartments on the 26th to 49th floors of this 49-storey tower in Pudong in December 2010. A management agreement was entered into with Four Seasons Hotels and Resorts Group to provide unparalleled services to this exquisite and luxurious project, with 43,800 square metres of total developable GFA, to be completed in the second half of 2012. Through this strategic partnership, Four Seasons’ globally acclaimed service quality will put SOCAM in a unique position to develop the “branded residences” in the high-end market.

Shenyang Project Phase I

Construction works of the residential towers was completed. The project comprises upscale residential units, serviced apartments, grade A offices and a shopping mall. It has received encouraging market feedback since the pre-sale launch of residential units in the third quarter of 2009, with over 65% of the residential GFA sold and progressively delivered to the buyers during the year. Preparation for the opening of the mall is underway and leasing activities have progressed smoothly with around 80% of the retail space being taken up. Grand opening of the mall is scheduled for 2012.

Shenyang Project Phase II

Relocation and clearance of land parcels by Shenyang local authorities is progressing satisfactorily. Design and planning are underway and construction is targeted to commence in mid 2012.

Shanghai
21st Century Tower

Situated in the heart of Pudong, next to the Shanghai World Financial Center, this flagship development offers branded residences on upper floors with prestigious concierge services provided by world-renowned Four Seasons Hotels and Resorts Group.

Chongqing

Creative Concepts Center

Located close to Jiefangbei Square, the primary business district of Chongqing, this superior development offers designer office space and boutique residences.

Beijing
Centrium Residence

Offers an enviable metropolitan lifestyle in premium apartments with high-quality finishing and customised services in Sanlitun district, a popular entertainment area.

Shanghai

Lakeville Regency Tower 18

A top-tier serviced apartment tower in the upmarket Shanghai Xintiandi district, which is highly sought-after by those seeking high-quality intimate living.

Chengdu
Orient Home

A large scale city-core composite development near the interchange hub of the future Chengdu Metro.

Guangzhou

Parc Oasis

A residential oasis in the fashionable North Tianhe district, featuring a clubhouse of advanced eco-friendly design.

Shenyang

Shenyang Project Phases I & II

A contemporary multi-use complex with upscale apartments and Grade A offices, ideally situated on the "Golden Corridor", the north/south spine of northeastern China's largest city.

INTERNATIONAL PARTNERS

Riding on our commitment to best corporate governance, we have become a partner of choice as we join hands with our co-investors on a project basis to tap into respective experience and expertise to achieve the best results.

Dalian Tiandi, Dalian

KNOWLEDGE COMMUNITIES

Development of our Dalian Tiandi project continues apace as the location and concept attract major leasing commitments from multinational corporations in the fields of research, IT development and education.


Dalian Tiandi, a home to knowledge workers

WORK + LIVE + LEARN + PLAY

As early as 2006, the Group saw significant new market opportunities across China in the development of world-class knowledge hubs, each envisioned as an integral community focusing on the latest technologies such as software and IT outsourcing industries, clean tech, health care, finance, as well as the entrepreneur start-ups and the learning world. The city of Dalian was identified as an ideal location for such a concept which can specialise in software, business process outsourcing and IT outsourcing. A strategic partnership was formed with Shui On Land and the Yida Group, a leading property developer in northeast China to pursue these opportunities.

KNOWLEDGE COMMUNITIES

IT Tiandi, a software hub sets amongst greenery

“A strategic partnership was formed with Mitsui Fudosan Residential Company to jointly develop six parcels of land in the Hekou Bay and Huang Ni Chuan zones into residential and retail properties.”

Dalian Tiandi

Dalian, a major seaport in northeast China, is emerging as an internationally attractive city with a diversified economy, high living quality and excellent global accessibility. Under the direction of the Dalian Municipal Government, the city has recorded double-digit GDP growth every year since 1992. International trade flows reached a record high of US$58.5 billion in 2011, representing a 16.6% increase over the previous year.

SOCAM holds a 22% interest in the Dalian Tiandi project, an integrated development with GFA of approximately 3.41 million square metres which includes software offices, landscaped office, residential and retail spaces, educational campuses, outdoor recreation and environmental facilities, as well as public amenities. The development excels in connectivity and eco-awareness and is poised to be a leading knowledge community to meet the rapidly growing needs in China and the Asia-Pacific region.

In February 2011, a strategic partnership was formed with Mitsui Fudosan Residential Company (Mitsui), a leading real estate developer in Japan, to jointly develop six parcels of land in the Hekou Bay and Huang Ni


Software offices in Dalian Tiandi

Chuan zones into residential and retail properties with a total GFA of about 206,000 square metres. Mitsui has a 30% interest in the partnership and the properties are scheduled for completion by 2014.

Development of this project continues apace as the location and concept attract major leasing commitments from multinational corporations in the fields of research, IT development and education. Construction progressed according to the master development plan with GFA under construction in 2011 at approximately 507,000 square metres, comprising areas for residential of 237,000 square metres and leasing properties of 270,000 square metres.

As of 31 December 2011, major tenants already moved in included IBM, Kingsoft, Zhongke Tianjian, Chinasoft, and Ambow Education, the leading e-learning provider in China with the first batch of students enrolled in April. The occupancy rate of leasable office achieved 91%.

Sales of townhouses and apartments, Greenville, are progressing well, with almost 70% of the first tranche of residences sold by the year end. Total contracted sales for 2011 were approximately RMB423 million. The retail complex in IT Tiandi in the Huang Ni Chuan zone was partially opened in October, providing food and beverage outlets and other convenience to the community.

In November 2011, the Annual Meeting of the New Champions convened in Dalian met with great success. This "Summer Davos" is the foremost global business gathering in Asia and attended by international and regional business leaders. With international activities in this city, our knowledge community is taking shape as a well recognised hub for hi-tech industry, education and knowledge exchange.

Joint venture in Nanjing

In January 2011, SOCAM signed an agreement with Tsinghua Science Park to jointly develop a knowledge community in Nanjing. In the last quarter of 2011, the global economic uncertainties and the Central Government's austerity and monetary measures reining in particularly the property sector made the investment climate very uncertain, and the Company decided prudently in November to put this project on hold.

SOCAM continues to hold a strong belief in the exciting opportunities which our knowledge community concept offers, and will pursue suitable opportunities as they arise when more favourable economic and market conditions return.


Greenville villas

MODERN AND INTELLIGENT

With an eye for the intrinsic beauty of China cities, we unlock the modern city lifestyle with intelligence and innovation and our developments become landmarks in their respective cities and add value to the local communities.

Shenyang Project, Shenyang

CONSTRUCTION

SOCAM continues to implement measures to improve operational efficiency and comparative advantages, strengthen its partnership with subcontractors and maintain tight control over project costs and corporate overheads to enhance the profitability of the contracts on hand.

Turnover

HK$4.7 Billion
Year ended
31 December 2011

HK$4.8 Billion
Year ended
31 December 2010

Profit

HK$118 Million
Year ended
31 December 2011

HK$84 Million
Year ended
31 December 2010

Outstanding Value of Contracts on Hand

HK$6.0 Billion
At 31 December 2011

HK$6.7 Billion
At 31 December 2010

Despite the uncertain global economic environment, the Hong Kong economy performed well in 2011 and achieved a GDP growth of 5% in real terms, which was underpinned by strong consumption demand and heavy investment in public sector construction works. The total gross value of construction works in Hong Kong increased 8% in real terms over the year. These economic activities pushed total employment to successive new highs, with the unemployment rate falling to a 13-year low of 3.3% and wages recording their largest increases since the mid-1990s. Inflation also went up visibly and averaged at 5.3%.

In recent years, the HKSAR Government has been increasing expenditures in capital works with the objective of promoting economic growth through infrastructural development. The capital works expenditure saw an increase to HK$58 billion in 2011 and is expected to increase to over HK$70 billion each year in the next few years. In addition, the current public housing construction programme will bring about the building of 75,000 public rental housing flats in the next five years. In the 2011/12 Policy Address, the HKSAR Government announced the resumption of Home Ownership Scheme and has planned to provide more than 17,000 flats over the four years from 2016/17 onwards.

Looking ahead, we expect acceleration of the public housing construction programme given the election pledges made by the incoming new administration as

Facilities that meet international cycling competition standards

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

well as an increase in tender opportunities for design-and-build and construction-only projects from the Hong Kong Architectural Services Department (ASD) and the Hong Kong Housing Authority (HKHA). Our track record of timely completion, safety and environmental awareness will continue to give us an advantage in the award of government contracts.

The Group's construction business performed steadily during the year. Total turnover was HK$4,742 million (2010: HK$4,812 million), while new contracts totalling HK$3,537 million (2010: HK$4,457 million) were won. It recorded a 40% increase in profit to HK$118 million, despite increasing building material and labour costs and a 1.5% decrease in turnover from the previous year.

During the year, the construction division continued to implement measures to improve operational efficiency and comparative advantages, strengthen its partnership with subcontractors and maintain tight control over project costs and corporate overheads to enhance the profitability of existing contracts to cope with the rising costs.

At 31 December 2011, the gross value of contracts on hand was approximately HK$13.7 billion and the value of outstanding contracts to be completed was approximately HK$6.0 billion, compared with HK$12.3 billion and HK$6.7 billion respectively at 31 December 2010.

CONSTRUCTION

Pat Davie provides support to the Group's property business

Shui On Building Contractors (SOBC)

SOBC was awarded a public rental housing project at Kwai Shing Circuit from the HKHA with a value of HK$597 million. In addition, it also secured two 3-year contracts from HKHA for the maintenance and refurbishment works at various housing estates in Kowloon and the New Territories, valued at approximately HK$626 million in total.

During the year, major projects completed by SOBC included the public rental housing estates at Tseung Kwan O Area 73B, Kwai Luen Road, and Eastern Harbour Crossing Site Phases 5 & 6 in Yau Tong, and a district term maintenance contract and a total maintenance scheme term contract for HKHA, and the refurbishment works on a residential development for the Hong Kong Housing Society.

Shui On Construction (SOC)

SOC made good progress on the two contracts from ASD, namely, the HK$1 billion contract for the construction of the Town Park and Indoor Velodrome-cum Sports Centre in Tseung Kwan O, and the design and construction of staff quarters for the Hong Kong Immigration Department in Kwai Chung.

SOBC and SOC place paramount importance on site safety, energy-saving, environmental awareness, waste management and recycling. During the year, they continued to receive awards for outstanding performance in safety and environmental management, including the International Safe Workplace under the World Health Organisation Safe Community Programmes, and the industry-acclaimed Special Architectural Awards (Sustainable Design) organised by the HKSAR Government.

A leader in office fit-out works in Hong Kong

Fit-out and refurbishment works for a hotel in Hong Kong

Shui On Construction, Mainland (SOCM)

SOCM, the Group's 70%-owned construction arm in the Chinese Mainland saw a considerable increase in turnover for the year. It provided construction services for Chongqing Tiandi, Foshan Lingnan Tiandi and Wuhan Tiandi of Shui On Land and Shenyang Project Phase I, Guangzhou Parc Oasis and Dalian Tiandi projects of SOCAM during the year. SOCM also completed the renovation works on an office building in Shanghai.

SOCM secured RMB1.3 billion worth of new contracts, including construction works for Foshan Lingnan Tiandi, Wuhan Tiandi and 21st Century Tower in Shanghai, and a shopping mall and an office building in Shenyang.

Subsequent to the year-end, the Group completed the acquisition of additional 15% interest in SOCM, thereby raising its interest in SOCM to 85%, to further strengthen management control over SOCM and expand its construction business in the Chinese Mainland.

Pat Davie (PDL)

Our interior fit-out and refurbishment arm PDL recorded increased profitability on a slight decrease in turnover. While corporate clients remain cautious with expansion or relocation of offices amid global economic uncertainty, the booming retail sector creates strong demand for refurbishment and upgrading of retail premises. In addition, conversion of disused industrial buildings into office premises or serviced apartments provided a major source of business activity in Hong Kong during the year. However, business volume in Macau decreased as the frenetic pace of casino and hotel building slowed down. Leveraging its expertise in the hospitality sector, PDL acted as a fit-out contractor and materials procurement agent for selected up-market property projects of SOCAM in the Mainland.

During the year, PDL completed a number of projects, including fit-out and refurbishment works for The Link, MTR Corporation, Hong Kong Polytechnic University, Hong Kong Disneyland and a major investment bank in Hong Kong, and MGM, Altira, One Central Macau and a golf club in Macau.

PDL secured new contracts of approximately HK$604 million, of which 65%, 18% and 17% by value were in Hong Kong, Macau and the Chinese Mainland respectively. Major contracts include the fit-out of offices and a hotel, renovation works on conversion of an industrial building into office premises and refurbishment of a shopping mall in Hong Kong, as well as the fit-out of three major casino hotels and a serviced apartment in Macau, and the hotel and branded residence in 21st Century Tower in Shanghai. After the year-end, PDL was awarded fit-out and renovation contracts in Hong Kong, Macau and the Chinese Mainland with a total value of approximately HK$100 million.

High quality finishing and design detail

CEMENT

The Twelfth Five-year Plan reaffirms the Central Government's policy to upgrade the cement industry through promoting market consolidation and technology, in order to help the sustainable development of the cement industry in China.

Production Capacity (Annual)

31 Million Tonnes
At 31 December 2011

32 Million Tonnes
At 31 December 2010

Turnover+

HK$3.4 Billion
Year ended
31 December 2011

HK$3.0 Billion
Year ended
31 December 2010

Profit*+

HK$12 Million
Year ended
31 December 2011

HK$95 Million
Year ended
31 December 2010

* Before impairment losses
+ Attributable share

Market Review

Supported by strong domestic economic growth, cement output in China rose 11.7% in 2011 over the previous year to 2.1 billion tonnes, notwithstanding a slowdown from the 15.5% year-on-year increase in 2010. In 2011, China saw record expansion of cement production capacities, with a total of 166 new dry kilns commissioned, adding about 260 million tonnes capacity across the country. China's cement sector now accounts for about 60% of global output. Over-capacity arising from excessive investments in cement in the last few years has exacerbated in certain parts of the country, particularly Sichuan and Chongqing. However, investment in China's cement industry dropped 8.3% in 2011 to RMB143.9 billion, which was the first decrease in five years amid the Central Government's suppressive policies to curb the industry's over-capacity. In the southwestern region, cement investment was down by approximately 28%. The Ministry of Industry and Information Technology (MIIT) expects the growth in China's cement output will further ease to below 10% in 2012.

Nationwide infrastructure works and other fixed assets investments, coupled with increasing urbanisation, rural modernisation and the Central Government's massive social housing construction, continues to boost demand for cement. Fixed assets investment in 2011 sustained a remarkable 23.8% expansion from the previous year. However, the liquidity crunch as a result of tightened monetary policy to curb inflation and escalation in property prices severely affected funding for infrastructure and building construction activities in the second half of the year; hence also dampening demand for cement. Contrary to previous trends, marked recovery in terms of volumes and prices was not noted during the traditional peak season for cement in the fourth quarter of the year.

MIIT forecasts the domestic demand for cement to rise by 3-4% annually on average in the next few years to reach 2.2 billion tonnes in 2015, a much slower pace than the current level as the Central Government steps up efforts to make the China economy less reliant on fixed assets investment and more on domestic consumption.

The Twelfth Five-year Plan released in 2011 reaffirms the Central Government's policy to upgrade the cement industry through promoting industry consolidation and technology. In the 2011-2015 period, it aims to concentrate 35% output around the 10 largest producers, reduce the total number of cement enterprises by one-third and eliminate 250 million tonnes of backward and energy-inefficient capacity, foster industrial upgrade and set higher emission control standards. All these will help the sustainable development of the cement industry in China.

Lafarge Shui On Cement (LSOC)

Operating performance

LSOC, in which the Group holds a 45% interest, is a market leader in southwest China with a major presence in Sichuan, Chongqing, Guizhou and Yunnan. Its total annual production capacity increased slightly to approximately 31 million tonnes at the end of 2011, from approximately 30 million tonnes a year ago.

In 2011, total sales volume of LSOC was approximately 26.5 million tonnes, which was higher than that of the previous year by approximately 14%, largely due to the additional capacities of seven million tonnes contributed by the three new dry kilns that were commissioned in late 2010.

For a consecutive second year, LSOC posted disappointing results largely due to depressed pricing and rising costs, despite higher sales volume on expanded production. Back in 2007-2008, the then high pricing and upcoming massive post-quake reconstruction works, additional to the already robust infrastructure development, attracted significant, yet imprudent, investments in the building of cement plants in Sichuan and Chongqing. The substantial new capacities coming onto the market in the past two years resulted in over-capacity and intensified competition that exerted considerable pressure on cement prices in these areas. In Guizhou, cement prices staged a strong rebound in the second and third quarters as production was disrupted by restriction of power supply. This upward trend however receded markedly from September after easing of power shortage. Prices

CEMENT

Dujiangyan plant of LSOC, setting a benchmark for sustainable development

in Yunnan saw a slight increase during the year as producers were more cautious about price competition due to persistently high coal prices. Overall, the average selling price of LSOC for the year stayed at the level of the year before.

The significant increase in the price of coal since 2010 continued to erode margins. Despite the implementation of various initiatives by LSOC to lower energy consumption, reduce headcount and contain the rise in other production costs, the variable cost of production increased by approximately 8% over the previous year.

Issuance of bond

In November 2011, LSOC issued a 3-year offshore Renminbi-denominated bond with a total amount of RMB1.5 billion to strengthen its financial structure. LSOC is the first foreign joint venture in China's cement industry issuing such an offshore Renminbi bond and the demand was overwhelming.

Capacity expansion

Construction of a new dry kiln in Gongxian, Sichuan with a capacity of 2,500 tonnes per day (tpd) was completed towards the end of 2011. Another dry kiln in Hedigang, Yunnan with a capacity of 2,500 tpd is currently under construction, with completion targeted for 2013.

Assets injection

In January 2011, the China Securities Regulatory Commission granted LSOC an approval to inject its 50% interest in the Dujiangyan plants into Sichuan Shuangma Cement (Shuangma), a listed company on the Shenzhen Stock Exchange, at a valuation of RMB2.3 billion for new shares issued by Shuangma. LSOC now holds beneficial interests of approximately 78% and 64% in Shuangma and the Dujiangyan plants respectively.

LSOC plans to inject all of its cement plants into Shuangma over the next few years. These asset injections will be subject to fair market valuation of the cement assets as well as approvals of the relevant regulatory authorities in the Mainland, independent shareholders of Shuangma and minority shareholders of relevant cement companies. On 30 June 2011, LSOC entered into conditional agreements with Shuangma for the injection of its remaining 25% interest in the Dujiangyan plants, 100% interest in the cement plant in Sancha, Guizhou and 75% interests in the cement plants in Xinpu and Dingxiao, Guizhou. In addition, Shuangma also announced that it will conduct a private placement of shares to raise funds for the acquisition of the aforementioned cement assets from LSOC. The asset injection and share placement are expected to


LSOC continues to increase its production capacity

take place before the end of 2012. Thereafter, LSOC will continue to hold a majority interest in Shuangma. Further injections of LSOC's cement assets in Yunnan and Chongqing, as well as its interests in the remaining cement plants in Guizhou, into Shuangma will follow.

As part of its transformation strategy, SOCAM is actively working on various options for the strategic divestment of its interest in LSOC.

Sustainability

LSOC progressed well during the year with its five-year plan called "Sustainability Ambitions 2012", which covers energy saving, safety, emission reduction and quarry rehabilitation. Various initiatives to protect the environment during the industrial process will continue, while enhancing operational efficiency.

The installation of low-temperature waste heat recovery systems, which lower coal consumption and reduce carbon emissions, while generating electricity with exhaust heat from the clinker production process, is in progress in six of LSOC's plants in Yunnan. It is expected that these systems will progressively be put into operation in the first and second quarters of 2012 with these plants consuming about 30% less power thereafter.

In November 2011, LSOC entered into a strategic co-operation agreement with a subsidiary in Yunnan of Sparton Resources Inc. to use waste coal ash as an additive in its cement manufacturing process, which will bring significant positive environmental benefits.

Guizhou Cement

SOCAM accomplished its exit plan for the cement plants in Guizhou which have not been injected into LSOC. It completed the disposal of the dry line in Kaili with a net cash receipt of HK$474 million and the sale of its minority interest in the cement plant in Liupanshui for HK$110 million in the second half of the year.

Nanjing Grinding Plant

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


The Group's cement business focuses on southwest China

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group maintains a fair and judicious balance between apportioning profit to meet clearly defined corporate growth objectives and rewarding shareholders' confidence in our business.

Financial Results

The Group's profit attributable to shareholders for the year ended 31 December 2011 was HK$910 million on a turnover of HK$5,900 million, compared with a profit of HK$903 million on a turnover of HK$8,044 million for the previous year.

Dividends

The Directors of the Company recommend the payment of a final dividend of HK$0.40 per share for the year ended 31 December 2011 (2010: HK$0.40 per share). Subject to shareholders' approval at the forthcoming annual general meeting (the "AGM"), the final dividend will be paid on 3 July 2012 to shareholders whose names appear on the Company's register of members on 4 June 2012.

This, together with the interim dividend of HK$0.25 per share, yields a total of HK$0.65 per share for the year.

Closure of Register of Members

For ascertaining the shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 16 May 2012 to Friday, 18 May 2012, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM of the Company to be held on 18 May 2012, all completed share transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Tuesday, 15 May 2012.

For ascertaining the shareholders' entitlement to the proposed final dividend for the year ended 31 December 2011, the register of members of the Company will be closed from Wednesday, 30 May 2012 to Monday, 4 June 2012, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all completed share transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Tuesday, 29 May 2012.

Turnover and Profits

The Group's cement operations and venture capital investments are conducted through jointly controlled entities. The HK$5,900 million turnover for the year has not included the Group's share of the turnover of these jointly controlled entities. Set out below is an analysis of the total turnover:

	Year ended 31 December 2011 HK$ million	Year ended 31 December 2010 HK$ million
Turnover		
SOCAM and subsidiaries		
Construction and building maintenance	**4,742**	4,812
Property	**1,156**	3,225
Others	**2**	7
Total	**5,900**	8,044
Jointly controlled entities and associates		
Cement operations	**3,422**	2,982
Property and others	**94**	4
Total	**3,516**	2,986
Total	**9,416**	11,030

FINANCIAL REVIEW

Turnover from construction and building maintenance work was steady following the substantial expansion of workload in Hong Kong and the Mainland during 2010. Revenue from the property business during the year was mainly the result of the disposal of the Qianxinian Building in Chongqing and the recognition of sales of residential and office units of Chongqing Creative Concepts Center and Shenyang Project Phase I. In 2010, the high turnover in property was largely attributed to the en-bloc disposals of four property projects in Chengdu, Chongqing and Beijing. Turnover from the cement operations increased during the year on higher sales volume resulting from the added capacities of three new kilns. Dalian Tiandi, in which the Group has a 22% interest, began to recognise property sales revenue in 2011.

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

	Year ended 31 December 2011 HK$ million	Year ended 31 December 2010 HK$ million
Property		
Project fee income	**118**	52
Profit from property sales and net rental income	**226**	501
Gain on disposal of a subsidiary	**337**	–
Fair value gain on investment properties, net of deferred tax provision	**446**	314
Dalian Tiandi	**74**	36
Net operating expenses	**(155)**	(133)
	1,046	770
Construction	**118**	84
Cement operations		
LSOC	**(49)**	104
Guizhou cement	**5**	(9)
Gain on disposal of cement plants	**56**	–
Impairment losses	**(16)**	(99)
	(4)	(4)
Investment in Shui On Land		
Dividend income and gain on scrip option	**10**	64
Net gain on disposal of shares	**–**	373
	10	437
Venture capital investments	**53**	29
Net finance costs	**(165)**	(216)
Corporate overheads and others	**(99)**	(110)
Taxation	**(24)**	(72)
Non-controlling interests	**(25)**	(15)
Total	**910**	903

Property

Property operations recorded a considerable growth in total net profit to HK$1,046 million, reflecting the quality of the Group's portfolio of special situation properties and the distinct business model. Project fee income from jointly controlled entities and associates increased substantially to HK$118 million due to the larger property portfolio managed by the Group.

The profit from property sales for the year was mainly attributed to the recognition of sales of the residential and office units of Chongqing Creative Concepts Center and Shenyang Project Phase I upon handover of the pre-sold units as well as the en-bloc disposal of the Qianxinian Building in Chongqing. Rental income was derived from the Group's investment properties, Lakeville Regency Tower 18 in Shanghai and the retail portion of Chongqing Creative Concepts Center.

In addition, the Group disposed of its 49% interest in the Chengdu Orient Home project in June, for an aggregate consideration of RMB440 million (approximately HK$527 million) and recognised a net gain of HK$337 million in accordance with applicable accounting standards.

The valuation of the Group's investment properties, including both completed and those under development, at the year-end, produced a net gain of HK$446 million, reflecting the enlarged investment property portfolio of the Group following the acquisition of the remaining 20% interest in Shenyang Project Phase II and re-designation of the retail portion of Chongqing Creative Concepts Center from inventory. In 2010, the fair value gain was largely the result of the year-end valuation of Lakeville Regency Tower 18 in Shanghai, which was acquired by the Group at a discount to market price in early 2010.

The Group's 22% share of Dalian Tiandi's profit for the year increased to HK$74 million, from HK$36 million for the previous year, due to the recognition of sales revenue following the gradual handover of the residential villas and mid/high-rise apartments in 2011.

Construction

Construction business reported higher profit, despite a marginal decline in turnover, as average net margin increased to 2.5% of turnover, from 1.7% for the previous year.

Cement operations

LSOC, in which the Group holds a 45% interest, reported an operating loss in 2011, and the Group's share was HK$49 million. Although both sales volume and turnover were higher than the previous year as a result of the addition of three new kilns with aggregate annual capacity of approximately seven million tonnes, margins were eroded by higher coal and power prices in its areas of operation, while pricing remained depressed due to over-capacity particularly in Sichuan and Chongqing. The three new dry lines of LSOC, which experienced instability in production in their early months of operation after commissioning in late 2010, added to the disproportionate increase in the manufacturing fixed and variable costs in 2011.

During the year, the Group disposed of its dry production line in Kaili, and its 40.16% interest in the cement plant in Liupanshui, both in Guizhou and recognised total disposal gain of HK$56 million.

The HK$16 million impairment losses mainly represented the Group's 45% share of the provisions made by LSOC on its plant and equipment in 2011. In the previous year, the Group incurred HK$40 million impairment losses on closure of two wet kilns in Guizhou and took up its share of HK$59 million provisions made by LSOC largely on the closure of a semi-dry kiln and a wet kiln in Sichuan.

Investment in Shui On Land (SOL)

In June 2010, the Group disposed of approximately 6.3% of its then holding of 8.7% of the issued share capital of SOL and recognised a net non-recurrent gain of HK$373 million. Such divestment resulted in the reduction of dividend income from SOL for the year.

Venture capital

The venture capital funds in which the Group invested reported a net attributable gain of HK$53 million in 2011, largely due to the gain on disposal of all the shares in a listed infrastructure company in Hong Kong held by the fund at a substantial premium as a result of a general offer for the company by an investor, and valuation gain on the fund's interest in a manufacturer of biodegradable materials resulting from a new round of equity financing.

Net finance costs

Net finance costs decreased to HK$165 million for the year, from HK$216 million for the previous year, mainly because of the increase in interest income from the Group's increased average cash and deposit balances.

Assets Base

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

	31 December 2011 HK$ million	31 December 2010 HK$ million
Total assets	**22,231**	21,048
Net assets	**10,002**	9,204
	HK$	HK$
Net assets per share	**20.4**	18.8

The total assets of the Group increased by 6% to HK$22.2 billion at 31 December 2011, from HK$21.0 billion at 31 December 2010, while both the net assets of the Group and net assets per share increased by 9% in 2011 largely due to the HK$910 million profit for the year.

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

	31 December 2011 HK$ million	**%**	31 December 2010 HK$ million	%
Property	**13,879**	**63**	12,519	60
Cement	**4,727**	**21**	5,366	25
Construction	**1,759**	**8**	1,279	6
Investment in SOL shares	**324**	**1**	514	2
Others	**1,542**	**7**	1,370	7
Total	**22,231**	**100**	21,048	100

The value of property assets increased while the cement operation saw a decrease in total assets at 31 December 2011, when compared with those at 31 December 2010. This coincides with the Group's strategy in the transformation into a leading niche property developer in the Chinese Mainland. The proportions of total assets of other segments remained relatively stable at the year-end when compared with their positions a year ago.

Equity, Financing and Gearing

The shareholders' equity of the Company increased to HK$10,002 million on 31 December 2011, from HK$9,204 million on 31 December 2010, which was mainly attributable to the HK$910 million profit for the year.

Net bank borrowings of the Group represented bank borrowings, net of bank balances, deposits and cash, and amounted to HK$5,056 million on 31 December 2011. This compared with HK$4,722 million on 31 December 2010.

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

	31 December 2011 HK$ million	31 December 2010 HK$ million
Bank borrowings repayable:		
Within one year	**6,134**	2,864
After one year but within two years	**2,131**	3,770
After two years but within five years	**296**	1,565
Total bank borrowings	**8,561**	8,199
Bank balances, deposits and cash	**(3,505)**	(3,477)
Net bank borrowings	**5,056**	4,722

The net gearing ratio of the Group, calculated as net bank borrowings over shareholders' equity, was maintained at about 51% on 31 December 2011 and 31 December 2010. In addition to scheduled term loan repayments, the Group renewed approximately HK$3 billion credit facilities during the year. Given the persistent volatility in the global financial markets, these renewals were however mostly for a further one year period leading to a significant increase in the amount of bank borrowings due within the next year.

The Group continues to seek longer term financings to match more closely with its assets portfolio. Subsequent to the year-end, the Group renewed a total of HK$2,208 million bank loans for a further one to two years.

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 primarily at project level where the sources of repayment are also Renminbi denominated. Given that income from operations in the Chinese Mainland is denominated in Renminbi, the Group expects that the continual appreciation of the Renminbi exchange rate in the foreseeable future will have positive effect on the Group's business performance and financial status. Therefore, no hedging against Renminbi exchange risk has been effected. It is the Group's policy not to enter into derivative transactions for speculative purposes.

Employees

At 31 December 2011, the number of employees in the Group was approximately 1,170 (31 December 2010: 1,180) in Hong Kong and Macau, and 8,860 (31 December 2010: 11,630) in subsidiaries and jointly controlled entities in the Chinese Mainland. While staff costs are kept stable during the year, employee remuneration packages are maintained at competitive levels and employees are rewarded on a performance-related basis. Other staff benefits, including provident fund schemes and medical insurance, remained at appropriate levels. The Group continued to retain and develop talents through executive development and management trainee programmes. Share options are granted annually by the Board of Directors to senior management and staff members under different schemes as reward and long-term incentives. Likewise, in the Chinese Mainland, staff benefits are commensurate with market levels, with an emphasis on building the corporate culture and providing professional training and development opportunities for local employees. It remains our objective to be regarded as an employer of choice to attract, develop and retain high calibre competent staff.

Philip K. T. Wong
Managing Director and Chief Executive Officer

Hong Kong, March 2012

CORPORATE SOCIAL RESPONSIBILITY

At SOCAM, we remain proactive in incorporating social and environmental considerations into our business strategies and daily operations. We seek to have a beneficial impact on the wider community as well as to promote a harmonious workplace, with particular emphasis on investing in the next generation.

Reaching Out to The Wider Community

SOCAM plays an active role in the property development, construction and cement industries in the Chinese Mainland and Hong Kong. In each area of operation, and in every city in which we have interests, we aspire to set an example of the best CSR practice.

We divide our CSR initiatives into three areas – Community, Environment and People. Each sector is represented by its own working group on our CSR Steering Committee, itself comprising staff members from different SOCAM operational areas. Thus we achieve working group focus and an overall diversity of voices and skill sets.

SOCAM's CSR POLICY

Our CSR activities centre on these three key areas, explained in more detail in the following pages:

CARING FOR THE COMMUNITY

- Building a "We Care" culture throughout Shui On
- Contributing resources to charitable causes and educational initiatives in the community

CARING FOR THE ENVIRONMENT

- Devoting systematic efforts towards the conservation of energy and natural resources
- Reduction of waste and emissions at both an operational and individual level

CARING FOR OUR PEOPLE

- Enhancing the level of engagement, health and safety
- Overall wellness and personal growth of our employees

THE COMMUNITY – A SHARING SPIRIT

As a company spanning Mainland cities and Hong Kong, SOCAM has a collective wealth of knowledge and experience that can make contributions to the well-being of the wider community.

These can be small and thoughtful, or sometimes even life-changing, and take the form of volunteering our time, sharing our expertise, promoting education and making monetary donations. Primarily, we partner with educational institutions and charitable causes to enhance the targeted effectiveness of our donations and volunteered time.

Investing in Education – Programmes for Youths

We see investment in youth as a very worthwhile way to contribute to society in helping young people become more fulfilled and self-reliant, and to become leaders for our next generation. We also look to lend a hand to the underprivileged youths in our community.

Through mentorship programmes, our senior executives are keen to share with university students and underprivileged teenagers their insights and advice in academic, career and personal development. In 2011, in partnership with The Chinese University of Hong Kong's Business School, SOCAM sponsored the first scholarship scheme introduced in Hong Kong to focus on CSR research. Under this programme, we support undergraduate students on exchange programmes to gain first-hand CSR experience in their host countries and return with fresh ideas for local CSR activities. In doing so, we aim to help students spread the CSR message and become responsible leaders in future.

In the Chinese Mainland, SOCAM contributes to promoting and financially supporting international student exchange opportunities. Grants are offered to university students to fulfill their ambitions to spend time in other parts of the world. We seek to help broaden their horizons and to nourish their global vision.

Raising funds for charity

SOCAM Partnerships in Education

Programme	Target	Theme
Hong Kong		
The Chinese University of Hong Kong – SOCAM CSR Research Scholarship	University students	Global CSR research and experiential learning
The University of Hong Kong BEA Mentorship Programme	University students	To enrich personal growth and development, social skills and competence
Po Leung Kuk Children and Youth Mentorship Programme	Underprivileged teenagers aged 10-16	To enrich teenagers' capital in financial, career and life planning

Programme	Target	Theme
Hong Kong		
Hong Kong Sea Cadet Corps Overseas Exchange Programme	Sea cadets	To broaden the outlook and help build character and confidence in today's youths
Hong Kong Management Association Business Enrichment Scheme	University students	To widen students' horizons and appreciation of the business world and values
Chinese Mainland		
Dalian University of Technology	University students	Exchange programmes in Hong Kong, Japan, France and Germany to nourish students' global vision.
Dongbei University of Finance and Economics in Dalian	University students	
Sichuan University	University students	
Southeast University in Nanjing	University students	

Visits to the elderly

Reaching out to the young

Spreading a smile

Supporting NGOs and Charity Events

SOCAM supports local community activities through sponsorship and donations, both cash and in-kind to various Non-Governmental Organisations (NGOs). On corporate level, we contribute to such worthwhile programmes as:

- **The Community Chest of Hong Kong:** contributed to its Corporate and Employee's Contribution Scheme.
- **Standard Chartered Hong Kong Marathon:** organised corporate teams to participate in the marathon in support of the physically disabled and underprivileged community members.
- **MTR Hong Kong Race Walking:** participated in the Walk in support of the work on disease prevention and health education.
- **Construction Industry Charity Concert:** donations to support the Construction Charity Fund. The fund is used to provide immediate financial assistance and support to families of construction workers who suffer fatal injuries.
- **World Wildlife Fund (WWF-HK):** joined its Corporate Membership Programme to become involved in both global and local conservation efforts.
- **Hong Kong Red Cross and Salvation Army of Hong Kong:** in-kind donation including blood giving day and moon cake donation.

Volunteering Our Time and Expertise

The "Shui On Seagull Club" is an employee-run association, established as early as 1982, whose dedicated members support various NGOs and charities in Hong Kong and the Chinese Mainland as our volunteers spread the "We Care" spirit. Our employees' time is willingly given both at weekends and during the working week under SOCAM's Community Service Leave Policy.

Support for The Elderly and Disadvantaged

In Hong Kong, our volunteers reach out to the elderly who live alone or without family support. We seek to brighten up their lives through home visits and to reconnect them with the community through various activities such as exercise days, museum visits, nature tours, restaurant visits, often organised in partnership with the Hong Kong Young Women's Christian Association. The Shui On Seagull Club also organises activities for single-parent families, such as an organic farm visit to the Produce Green Foundation.

Helping The Underprivileged Youth in China

In Dalian, SOCAM staff volunteers pay regular visits to disadvantaged children living in a "Children's Village" as a result of parental imprisonment. We help provide such necessities as clothing and educational materials as well as treats and presents on festive occasions. We organised "Our World in Books", an initiative to help a primary school build up a library for its students to gain insights into the wider world beyond.

Visiting disadvantaged children in China

In Chengdu and Chongqing, we continued to conduct visits to schools in rural districts. We visited Mianzhu and supported the victims of the 2008 Sichuan earthquake where 97 underprivileged pupils were granted scholarships to support their education needs.

Volunteer Participation in 2011	
No. of staff participating in volunteer activities	**967**
No. of volunteer hours	**3,028**

CARING FOR THE COMMUNITY

SHUI ON GROUP 40TH ANNIVERSARY CHARITY WALK

In November, SOCAM organised a company-wide charity event as one of the programmes to celebrate the Shui On Group's 40th Anniversary. In Hong Kong and various cities in the Mainland, our staff joined a charity walk which, together with a corporate donation, raised HK$1 million for the Chi Heng Foundation that supports children from AIDS-affected families in the poverty areas in the Chinese Mainland. The event received wide support from our colleagues, as part of our long tradition of reciprocating to society by raising money for the needy in the many communities in which we operate.

THE ENVIRONMENT – NURTURING GREEN THINKING

As a responsible company, SOCAM aims to manage effectively and continuously improve our environmental performance.

Creating green communities

Installed energy-saving solar panels

To this end, we integrate environmental considerations into the planning, design, construction, operation and maintenance of all our projects. We set up stringent measures on waste management, conservation of energy and natural resources, as well as employ innovative designs and working practices. We continuously identify areas for improvement and integrate these environmental concerns into our business strategy and practices.

Certifications

SOCAM supports building rating schemes that set rigorous standards on-site and in completed buildings. During the year, our Chengdu Central Point Phase II and the Hong Kong Customs Headquarters Building achieved certifications from the Leadership in Energy and Environmental Design (LEED) of The U.S. Green Building Council and Building Environmental Assessment Method (BEAM) of BEAM Society in Hong Kong respectively.

Meeting or exceeding these standards brings very real environmental benefit, as seen in completed projects in 2011:

Hong Kong Customs Headquarters Building – BEAM Platinum Standard

- A 25.3% annual energy consumption reduction.
- 32.2% fresh water reduction with the use of water saving devices.
- 40% reduction in annual sewage volumes with the use of infra-red urinals and dual flush system.
- Excellent Class in Indoor Air Quality Certification Scheme.

Central Point Phase II, Chengdu – LEED Silver Level of Core & Shell

- A total water saving of 31.9% through the installation of innovative new “low-flow” sanitary fixtures and kitchen faucet.
- A 17.5% saving in annual energy consumption with high-efficiency lighting, air-conditioning and pump systems coupling effective thermal insulation of building envelope.
- 92% of the regularly occupied areas were designed to enjoy daylight to reduce the use of artificial lighting.
- 86% recycling and/or salvaging of the total construction wastes including air brick, reinforced steel, wood and general waste.

Modern, green building design

Other projects are also on target to achieve relevant certification as below:

Property Projects	LEED Certification
Guangzhou Parc Oasis	Target to achieve Silver Level of Core & Shell for clubhouse
Shenyang Project Phase I	Target to achieve Silver Level of Core & Shell for commercial portion
Dalian Tiandi Lot D14 and D22	Target to achieve Gold Level of Core & Shell
Dalian Tiandi Huangnichuan	Target to achieve Silver Level of LEED-Neighborhood Development (Part 2)
Construction Projects	**BEAM Certification**
West Kowloon Law Court, Hong Kong	Target to achieve BEAM Plus Gold
Staff Quarters for Hong Kong Immigration Department	Target to achieve BEAM Gold
Town Park, Velodrome-cum Sports Centre, Tseung Kwan O, Hong Kong	Target to achieve BEAM Plus Platinum

Waste Management and Resource Use

SOCAM adopts the best green practices in our construction sites accredited with ISO 14001 certification as far as practicable. Key targets for 2011 focused on the adoption of environmentally-friendly materials or practices, waste management mechanisms and the establishment of environmental performance indicators.

In the resources aspect, the use of aluminum slabform in our public housing projects minimises the use of timber as formwork thus conserving forest resources. At our project in Tuen Mun Area 18, the two blocks of 33-storey buildings alone have saved some 52,000 square metres of timber formwork area. Moreover, around 70% of standard aluminum paneling can be reused on other sites. A solar heater system was installed to operate the workers’ bathroom to reduce the use of electricity. Other green practices include the adoption of LED lighting and T5 tubes instead of T8, and the installation of timer controls for lighting and air-conditioning systems.

To expedite waste management, a green procurement reference list was compiled and an e-platform for materials exchange among sites at various stages of their life cycle was established to best utilise our resources. We established seven environmental key performance indicators (EKPIs) to strengthen effective use of resources. Data on the consumption of electricity, water, A4 paper, inert waste to public fill, non-inert waste to landfill, diesel and petrol were collated for analysis of environmental performances.

Green Thinking and Education

On an individual level, SOCAM actively encourages all employees and the community to "go green" in their daily lives.

To help foster a sense of belonging and social responsibility among our employees, various community events and programmes were organised:

- Over 1,000 employees participated in the signing of a "Green Charter" to raise environmental consciousness at work and at home.
- 213 employees participated in the National Tree-planting Day in the Chinese Mainland in March 2011. This farsighted scheme aims to increase forest coverage to 20% of China's land mass.
- A series of slogan and drawing competitions and green education programmes for primary schools and kindergartens.
- A "We Care Green Carnival" to spread green messages to the elderly and low income group was organised.
- The "Action Seedling" greening activity: co-organised with the Hong Kong Housing Authority. The programme distributed seedling plants to primary school students who nurtured the plants and transplanted them into the planters of nearby new estates when sufficiently mature.

ECO FORUM 2011 IN DALIAN TIANDI

The Annual Meeting of the New Champions, the "Summer Davos", is the foremost global business gathering in Asia, last year held in September in Dalian and attended by regional and international business leaders. It proved to be an excellent opportunity for Shui On to host an Eco Forum 2011 at our Dalian Tiandi knowledge community project. Not only could we share from the podium the sustainability vision of the Group, we could also attest to the success of the project's "work, live, learn, play" concept and its benefits to business. Here was sustainability in its progressive realisation.

OUR PEOPLE – SOCAM'S GREATEST ASSET

Our promotion of employee well-being begins with safety on-site and extends to offering opportunities for career, skills and personal development.

Monthly staff birthday celebrations

Comprehensive training programmes

SOCAM's career development and training programmes match our people's needs across the many skill sets that are critical to our operations.

We Put Safety First

As a leading company in promoting safety in the industry, SOCAM's Construction Division continued to place emphasis and resources in ensuring a low accident rate at our sites. In 2011, we achieved a single-digit accident rate for the fourth consecutive year. Our 2011 record of 7.86 cases per thousand workers compared favourably to the industry average of 52 cases per thousand workers in 2010.

Systematic "review of method" studies on operational practices and training needs were conducted along with a series of initiatives to reinforce site safety culture to meet and even exceed legislated standards. These include the annual Target Seminar, Sub-contractor Safety Workshop, a half-yearly survey by a Behavioural-based Safety Working Group, an annual safety culture survey, independent site inspections, a Red-yellow card disciplinary system, sharing of good site practices, and onsite dissemination of safety messages by senior management. The safety incentive system rewarded safety model workers with medical check-up, cake and supermarket coupons and family gatherings while external safety training was arranged further to the training needs analysis.

Employees' Well-being

At SOCAM, we value each employee as a member of the Shui On community. Across all our locations we have dedicated Family Fun Days where the emphasis is on pure enjoyment and meeting up. In Hong Kong, a fun day at Ocean Park to celebrate Shui On Group's 40th Anniversary attracted 3,000 participants. In other Mainland cities, various outings were organised to build and strengthen the sense of Shui On community.

Employee wellness is naturally a key concern. The Group supported the Work-Life Balance Week organised by Community Business in October 2011. We organised a series of wellness initiatives to stress the importance of physical as well as psychological fitness. Daily exercises, healthy fruits, movie sharing, and recreational activities were offered.

Employee Development

SOCAM continued to promote a learning culture for all, which has been a pillar of our corporate culture, Shui On Spirit, and helps our employees stay competitive. We established a library system and book exhibition to promote reading. We also encourage sharing of knowledge and interests among employees, mastering calligraphy and use of digital devices were

WHO INTERNATIONAL SAFE WORKPLACE CERTIFICATION

The strong commitment of Shui On towards safety is testified once again in the international arena. Shui On Construction (SOC) and Shui On Building Contractors (SOBC) were among the first four Hong Kong companies accredited as World Health Organisation (WHO) International Safe Workplace in May 2011.

A workplace will be designated as a "WHO International Safe Workplace" if it meets the following assessment criteria:

- an infrastructure based on partnership and collaboration;
- safe workplace policies;
- long-term, sustainable operational programmes;
- programmes that target high-risk groups and environments, and promote safety for vulnerable groups;
- programmes that document the frequency and causes of injuries;
- evaluation measures; and
- ongoing participation in Safe Workplace networks.

Our participation in this WHO initiative, and our commitment and professionalism in safety, can help promote safety standards and the pubic image of the industry as a whole, and to help us even further reduce our exceptionally low accident occurrence.

just two of the classes taught by our colleagues which received positive feedback and reflected the joy of learning in sharing.

Our comprehensive career development and training programmes match our people's needs at various professions and levels. Employees are equipped with necessary professional knowledge and soft skills through various training programmes, and are given opportunities to practise these competencies at work with guidance from supervisors. Structured management training programmes continued to serve as a vital talent pool for SOCAM which, coupled with a strong learning culture, contribute to the sustainable growth of the company as whole.

CSR IN THE YEARS AHEAD

The Community

SOCAM operates in economies that are rapidly expanding, with standards of living ever improving. Yet we will continue to recognise, and reach out to, the disadvantaged sections of the community that growing prosperity often leaves behind. Educational opportunities for the young and concern for the elderly will remain equal priorities.

The Environment

New technology, materials and design methodologies are constantly progressing, allowing developers to conserve natural resources and the green part of our environment. SOCAM will actively look to implement innovative ways to be environmentally responsible in project construction and landscaping.

Our People

As the Group expands, we are dedicated to taking our employees with us and give them every opportunity to broaden their horizons to share in our success, finding workplace fulfillment and sharing a real sense of participation while maintaining an important work-life balance.

CORPORATE GOVERNANCE REPORT

At the centre of SOCAM's corporate culture is a requirement for integrity in the way we conduct business, and a belief that shareholders' interests have primacy in all we do.

The Board of Directors of the Company (the “Board”) is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2011.

Commitment to Corporate Governance

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

The Company has applied the principles and complied with all the Code Provisions of the Code on Corporate Governance Practices (the “CG Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) during the year ended 31 December 2011, 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.

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

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

The management has an obligation to supply to the Board and its committees adequate, complete and reliable information in a timely manner to enable them to make informed decisions. A Director’s portal has been in place to facilitate computer access to information needed by Board members. The Board and each Director have separate and independent access to the management.

In 2008, the Company engaged an external consultant to carry out an evaluation of the performance of the Board as a whole and of individual Directors. The exercise concluded with a detailed report of findings and recommendations as well as an open-exchange session where Executive and Non-executive Directors expressed and aligned their mutual expectations of roles and working relationships, so as to enhance the functioning of the Board. The Company promptly followed up on the recommendations whereby various actions have been enforced afterwards, such as formulating and adopting a board charter and a corporate social responsibility (“CSR”) statement, establishing a nomination committee, undertaking a skills audit and arranging an annual strategy development session and field visits. Further, in 2011, the Board conducted a self-evaluation to assess its overall performance and effectiveness and to identify areas for improvement. Follow-up actions have been taken in response to the recommendations, such as arranging more strategy sessions each year for the Board to discuss the corporate strategy and growth plan, submitting investor relation plan and CSR program to the Board for review annually, and arranging more informal meetings amongst Directors and management to enhance communication.

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

Composition

The composition of the Board is as follows:

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

With effect from 1 September 2011, Mr. Wong Yuet Leung, Frankie has retired from all executive responsibilities in the Group and was re-designated from the role of Executive Director to Non-executive Director of the Company. Following his re-designation, Mr. Wong has also ceased to be a Vice Chairman of the Company.

Biographical details of the Directors are shown on pages 91 to 95. None of the members of the Board is related to one another.

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

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

Distinct Roles of Chairman and Chief Executive Officer

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

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

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

Appointment, Re-election and Removal of Directors

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

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

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

Each of the Non-executive Directors of the Company is appointed for a specific term of three 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 three years.

In accordance with the Bye-laws of the Company, Mr. Wong Kun To, Philip, Mr. Wong Fook Lam, Raymond, Mr. Gerrit Jan de Nys and Mr. David Gordon Eldon shall retire by rotation at the forthcoming annual general meeting (the "AGM") of the Company to be held on 18 May 2012. Except for Mr. Eldon who does not stand for re-election, all the said Directors, being eligible, will offer themselves for re-election at the AGM.

Board Committees

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

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

Code Provision B.1.3 of the CG Code provides that the terms of reference of the Remuneration Committee should include, as a minimum, the specific delegated responsibility to determine the detailed remuneration packages of all Executive Directors and senior management. In 2008, the Remuneration Committee had reviewed its functions and considered that the delegated responsibility to determine the specific remuneration packages of senior management should be vested in the Executive Directors who have a better understanding of the level of expertise, experience and performance expected of the senior management in the daily business operations. The Remuneration Committee would continue to be primarily responsible for the determination and review of the remuneration packages of the Executive Directors. After due consideration, the Board resolved to amend the terms of reference of the Remuneration Committee in 2008 to exclude from its scope of duties the responsibility to determine the specific remuneration packages of senior management, which deviates from Code Provision B.1.3. Notwithstanding such deviation, the Remuneration Committee is still responsible for reviewing, approving and making recommendations to the Board on the guiding principles applicable to the determination of the remuneration and benefits of senior management.

Having reviewed the practices and procedures of remuneration committees in other jurisdictions, the Remuneration Committee decided that it would be better practice for the Non-executive Directors to cease involvement in recommending their own remuneration. Such recommendations were made to the Board by the Chairman of the Company, taking the advice of external professionals as appropriate. This practice was formally adopted and the Board approved the relevant amendment to the terms of reference of the Remuneration Committee in this respect in 2009. The Non-executive Directors have abstained from voting in respect of the determination of their own remuneration at the relevant Board meetings.

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

The major roles, compositions and frequencies of meetings of the aforementioned committees are summarised as follows:

	Major roles and functions	Composition at 31 December 2011	Frequency of meetings
Audit Committee	• To review the financial statements of the Group • To review the accounting policies adopted by the Group and their implementation • To review the effectiveness of the risk management and internal control systems • To oversee the engagement, services provided and remuneration of the external auditor and its independence • To review and monitor the effectiveness of the internal audit function	**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 at 31 December 2011	Frequency of meetings
Remuneration Committee	• To make recommendation to the Board on the policy and structure for remuneration of Directors and senior management • To determine the specific remuneration packages of all Executive Directors • To review and approve performance-based remuneration with reference to the corporate goals and objectives	**Independent Non-executive Directors** Mr. David Gordon Eldon *(Chairman)* Ms. Li Hoi Lun, Helen Mr. Tsang Kwok Tai, Moses **Executive Director** Mr. Lo Hong Sui, Vincent	At least twice a year
Nomination Committee	• To review the size and composition of the Board from time to time • To identify, select and make recommendations to the Board on individuals nominated for appointment as directors • To assess the independence of Independent Non-executive Directors • To make recommendations to the Board on any matters relating to the appointment or re-appointment of Directors and succession planning for Directors • To implement and oversee periodic performance evaluation of the Board and its committees	**Executive Directors** Mr. Lo Hong Sui, Vincent *(Chairman)* Mr. Wong Kun To, Philip **Independent Non-executive Directors** Mr. Gerrit Jan de Nys Mr. David Gordon Eldon Mr. Tsang Kwok Tai, Moses	On an as needed basis
Finance Committee	• To set overall financial objectives and strategies for the Group • To adopt a set of financial policies for the Group and oversee its consistent application throughout the Group • To review investment projects/major capital expenditures to be undertaken and advise on the financing viability of the investment projects/major capital expenditures • To monitor cash flow and liquidity of the Group and review cash flow forecast to ensure sustainability	**Executive Directors** Mr. Wong Kun To, Philip *(Chairman)* Mr. Wong Fook Lam, Raymond **Non-executive Director** Mr. Wong Yuet Leung, Frankie **Independent Non-executive Directors** Mr. Gerrit Jan de Nys Mr. David Gordon Eldon Mr. Chan Kay Cheung Mr. Tsang Kwok Tai, Moses	At least four times a year

	Major roles and functions	Composition at 31 December 2011	Frequency of meetings
Investment Committee	• To review preliminary and detailed investment and disposal recommendations on target property projects and projects currently owned by the Group • To make recommendation to the Board as to whether the Group should acquire a property or, as the case may be, dispose of a property and if so, the terms, timing and strategy • To review the overall investment strategy of the Group, make recommendation to the Board on any proposed changes to the investment strategy, and to monitor its implementation	**Executive Directors** Mr. Choi Yuk Keung, Lawrence *(Chairman)* Mr. Wong Kun To, Philip Mr. Wong Fook Lam, Raymond **Independent Non-executive Directors** Ms. Li Hoi Lun, Helen Mr. Chan Kay Cheung	On an as needed basis
Executive Committee	• To monitor the macro business environment and market trends with respect to the current and potential business areas of the Group • To evaluate and set business strategies for ensuring the long-term growth and competitiveness of the core businesses of the Group • To formulate corporate goals and plan and allocate human and financial resources and otherwise, for execution • To monitor the execution of approved strategies and business plans • To review and approve acquisitions and disposals of assets in the ordinary course of business with investment costs/net book values not exceeding certain thresholds • To review the operating performance and financial position of the Company and its strategic business units on a monthly basis	**Executive Directors** Mr. Choi Yuk Keung, Lawrence *(Chairman)* Mr. Lo Hong Sui, Vincent Mr. Wong Kun To, Philip Mr. Wong Fook Lam, Raymond **Other key executives**	Monthly

The Directors' attendance at the meetings held is set out in the section below. Separate reports prepared by the Audit Committee and the Remuneration Committee, which summarise their work performed during the year, are set out on pages 84 to 85 and 86 to 90 respectively.

Board and Board Committee Meetings

Number of Meetings and Directors' Attendance

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

Practices and Conduct of Meetings

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

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

Papers for Board meetings or Committee meetings together with all relevant information are 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 Board and each Director also have direct and independent access to the management whenever necessary.

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

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

Meeting Attendance

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

	Attendance/Number of meetings during the year						
Name of Directors	**Board meetings**	**Audit Committee meetings**	**Remuneration Committee meetings**	**Nomination Committee meeting**	**Executive Committee meetings**	**Finance Committee meetings**	**Investment Committee meetings**
Mr. Lo Hong Sui, Vincent	4/8 (Note 1)	N/A	3/4	1/1	11/12	N/A	N/A
Mr. Choi Yuk Keung, Lawrence	7/8	N/A	N/A	N/A	12/12	N/A	6/6
Mr. Wong Kun To, Philip	8/8	N/A	N/A	1/1	11/12	8/8	6/6
Mr. Wong Fook Lam, Raymond	8/8	N/A	N/A	N/A	11/12	8/8	6/6
Mr. Wong Yuet Leung, Frankie	7/8	1/1 (Note 2)	N/A	N/A	8/8 (Note 3)	8/8	N/A
Mr. Gerrit Jan de Nys	6/8	3/4	N/A	0/1	N/A	7/8	N/A
Ms. Li Hoi Lun, Helen	8/8	4/4	4/4	N/A	N/A	N/A	6/6
Mr. David Gordon Eldon	5/8	N/A	4/4	1/1	N/A	7/8	N/A
Mr. Chan Kay Cheung	8/8	4/4	N/A	N/A	N/A	8/8	6/6
Mr. Tsang Kwok Tai, Moses	7/8	N/A	4/4	1/1	N/A	7/8	N/A

Notes:

1. During the year, in addition to the regular Board meetings, four Board meetings were held to consider certain ad hoc transactions. Mr. Lo Hong Sui, Vincent was absent from these meetings in view of his personal interests in the companies involved in these transactions to avoid any conflict of interest.
2. Mr. Wong Yuet Leung, Frankie was appointed as a member of the Audit Committee on 1 September 2011. His attendance at the Audit Committee meeting is shown with reference to the number of the Audit Committee meeting held during the year after his appointment as an Audit Committee member.
3. Mr. Wong Yuet Leung, Frankie ceased to be a member of the Executive Committee on 1 September 2011. His attendance at the Executive Committee meetings is shown with reference to the number of the Executive Committee meetings held during the year before his cessation as an Executive Committee member.

By invitation, the Chief Financial Officer attends all meetings of the Audit Committee. Where appropriate, the Chief Executive Officer is also invited to attend the meetings of the Remuneration Committee.

Training, Induction and Continuing Development for Directors

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

Since 2007, the Board has further enhanced its induction process for all new Directors, including a comprehensive introduction to the strategies and activities of the Group, its history, its principal policies and procedures. This induction is supplemented by visits to selected operational sites to provide a better understanding of the operations of the Group to the new Directors.

Two strategy sessions were organised by the Company for the Board of Directors in June and December 2011 respectively to discuss and review the long-term business and corporate strategy of the Group. In addition, the Board made a site visit to a potential property project in Nanjing in June 2011. During the year, site visits to the potential property projects in Beijing and Tianjin were also made by the Independent Non-executive Directors who are Investment Committee members.

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

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

The Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. Following specific enquiries by the Company, the Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2011.

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

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

The Board is responsible for presenting a balanced, clear and understandable assessment in respect of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2011.

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

Annual Report and Financial Statements

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

Accounting Policies

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

Accounting Records

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

Safeguarding Assets

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

Going Concern

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

The remuneration payable to the external auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2011 amounted to approximately HK$5 million and HK$2.9 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, and acting as reporting accountant in relation to a major transaction of the Group as well as the partial cash offer by Shui On Company Limited to acquire the shares of the Company.

Internal Control Systems

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

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

The Board has conducted a review of the Company's internal control systems for the year ended 31 December 2011, including financial, operational and compliance controls and risk management functions and assessed the effectiveness of internal control systems by considering the work performed by the Audit Committee, executive management, external consultants and internal auditors.

Internal Audit

The internal audit function, which is fully independent of the daily operations of the Group, is carried out by the Company's Corporate Evaluation Department, the Senior Manager in charge of which reports to the Audit Committee, and at the Audit Committee's instruction, briefs the Chief Executive Officer on the outcome of all internal audit projects. The Chief Executive Officer, with the approval of the Audit Committee, may instruct the Senior Manager in charge of the Corporate Evaluation Department to undertake internal audit activities of an urgent or sensitive nature. All other Directors are informed of all findings. The Department is closely involved in the assessment of the quality of risk management of the Group and during the year reviewed the effectiveness of the formal risk management system as well as the effectiveness of the Group's internal controls. When considered appropriate and with the approval of the Audit Committee, review work is outsourced either to obtain the assistance of specialists or due to the volume of work to be undertaken within a specific period. The Senior Manager in charge of the Corporate Evaluation Department attends all Audit Committee meetings. Four meetings were held by the Audit Committee in 2011 and details of the major areas reviewed are set out in the Audit Committee Report on pages 84 to 85. The Audit Committee regularly reviews the key performance indicators relating to the work of the Corporate Evaluation Department.

Internal Control

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

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

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

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

Communications with Shareholders

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

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

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

The Audit Committee of the Company is pleased to present its report for the year ended 31 December 2011.

Composition

The composition of the Audit Committee during the year and at 31 December 2011 is as follows:

Mr. Chan Kay Cheung *(Chairman)*
Mr. Gerrit Jan de Nys
Ms. Li Hoi Lun, Helen
Mr. Wong Yuet Leung, Frankie
(appointed on 1 September 2011)

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. 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 publicly listed companies.

Meeting Attendance

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

Name of Committee members	Attendance/ Number of meetings
Mr. Chan Kay Cheung	4/4
Mr. Gerrit de Nys	3/4
Ms. Li Hoi Lun, Helen	4/4
Mr. Wong Yuet Leung, Frankie *(appointed on 1 September 2011)*	1/1 (Note)

Note:

The attendance of Mr. Wong Yuet Leung, Frankie at the Committee meeting is shown with reference to the number of the Committee meeting held during the year after his appointment.

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

Role and Duties

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

Work during the Year

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

- the estimates and judgment of a material nature made by management in accordance with the accounting policies of the Group;
- the audited consolidated financial statements of the Group and other related documents for the year ended 31 December 2010 and the related final results announcement, with a recommendation to the Board for approval;
- the unaudited consolidated financial statements of the Group and other related documents for the six months ended 30 June 2011 and the related interim results announcement, with a recommendation to the Board for approval;
- the business risks and the operational and financial controls of the property projects of the Group in the Chinese Mainland;

- the operational and financial controls of the construction and fitting-out businesses in Hong Kong, Macau and the Chinese Mainland;
- the involvement in the internal audit of Lafarge Shui On Cement Limited, a joint venture 45%-owned by the Group;
- the guidelines and procedures of the Group on handling data with threat of privacy leakage;
- the quarterly reports of connected transactions, including the application of and compliance with the Company's policy on connected transactions;
- the adequacy of the provisions for doubtful debts on quarterly basis;
- the 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 2010 and its review of the Group's consolidated financial statements for the six months ended 30 June 2011;
- the fee proposals of the external auditor for the review of the Group's consolidated financial statements for the six months ended 30 June 2011 and for the audit of the Group's consolidated financial statements for the year ended 31 December 2011 and its scope of work;
- the key performance indicators and annual work programme of the Company's Corporate Evaluation Department as well as its work progress, staffing and resources planning;
- the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget; and
- the risk management functions and corporate controls of the Group.

The Committee members also serve as the contact persons under the whistle-blowing policy of the Company. During the financial year, four complaints were received through this reporting channel regarding certain contract management and human resources issues and the matters 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 internal controls of the Group was performed at the end of the year. The Committee will continue to examine the Group's systems and policies for assessing and taking action to contain the different types of risk in its various operations as part of the Committee's ongoing review of the adequacy of the Group's internal controls.

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

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

Subsequent to the financial year end, the Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2011, including the accounting principles and practices adopted by the Group, and recommended them to the Board for approval.

The Remuneration Committee of the Company is pleased to present its report for the year ended 31 December 2011.

Composition

The composition of the Remuneration Committee during the year and at 31 December 2011 is as follows:

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

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

Meeting Attendance

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

Name of Committee members	Attendance/ Number of meetings
Mr. David Gordon Eldon	4/4
Mr. Lo Hong Sui, Vincent	3/4
Ms. Li Hoi Lun, Helen	4/4
Mr. Tsang Kwok Tai, Moses	4/4

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

Role and Duties

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

The Remuneration Committee is given the tasks to:

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

Code Provision B.1.3 of the Code on Corporate Governance Practices provides that the terms of reference of the Remuneration Committee should include, as a minimum, the specific delegated responsibility to determine the detailed remuneration packages of all Executive Directors and senior management. In 2008, the Remuneration Committee had reviewed its functions and considered that the delegated responsibility to determine the specific remuneration packages of senior management should be vested in the Executive Directors who have a better understanding of the level of expertise, experience and performance expected of the senior management in the daily business operations. The Remuneration Committee would continue to be primarily responsible for the determination and review of the remuneration packages of the Executive Directors. After due consideration, the Board resolved to amend the terms of reference of the Remuneration Committee in 2008 to exclude from its scope of duties the responsibility to determine the specific remuneration packages of senior management, which deviates from Code Provision B.1.3. Notwithstanding such deviation, the Remuneration Committee is still responsible for reviewing, approving and making recommendations to the Board on the guiding principles applicable to the determination of the remuneration and benefits of senior management.

Having reviewed the practices and procedures of remuneration committees in other jurisdictions, the Remuneration Committee decided that it would be better practice for the Non-executive Directors to cease involvement in recommending their own remuneration. Such recommendations were made to the Board by the Chairman of the Company, taking the advice of external professionals as appropriate. This practice was formally adopted and the Board approved the relevant amendment to the terms of reference of the Remuneration Committee in this respect in 2009. The Non-executive Directors have abstained from voting in respect of the determination of their own remuneration at the relevant Board meetings.

Remuneration Policy

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

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

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

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

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

Remuneration Structure

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

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

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

Where appropriate, to recognise the contributions of the Executive Directors, the bonus element could be increased relative to performance delivered by up to twice the amount that would be given normally.

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

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

Work during the Year

During the year, the Remuneration Committee:

- reviewed the pay of the Executive Directors, taking into account the report of an external consultant on the analysis of directors' remuneration in comparable Hong Kong listed companies;
- reviewed and determined the amount of bonuses awarded to the Executive Directors based on personal and company performances;
- considered and discussed the remuneration package of an Executive Director upon his re-designation as a Non-executive Director, the treatment and the vesting recommendations for the share options granted to him;
- reviewed and approved the recommendation of a new long-term incentive plan for award of share options to Executive Directors and selected key executives;
- reviewed the proposals for the annual award of share options to Executive Directors and management staff based on their performances and the policy of encouraging their participation in the equity of the Company; and
- reviewed the vesting recommendations for share options granted to Executive Directors and certain key executives.

Remuneration of Directors for the Year

The Directors received the following remuneration for the year:

Name of Directors	Fees (Note 1) HK$'000	Salary and other benefits (Note 2) HK$'000	Performance Bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Value of share options granted (Note 3) HK$'000	For the year ended 31 December 2011 Total HK$'000	For the year ended 31 December 2010 Total HK$'000
Executive Directors							
Mr. Lo Hong Sui, Vincent	10	–	–	–	–	10	10
Mr. Choi Yuk Keung, Lawrence	10	3,682	2,368	223	4,006	10,289	9,417
Mr. Wong Kun To, Philip	10	4,631	5,157	207	4,213	14,218	10,645
Mr. Wong Fook Lam, Raymond	10	3,429	2,439	206	2,680	8,764	6,800
Non-executive Director							
Mr. Wong Yuet Leung, Frankie	133	1,899	2,180	8	3,223	7,443	15,505
Independent Non-executive Directors							
Mr. Gerrit Jan de Nys	410	–	–	–	–	410	386
Ms. Li Hoi Lun, Helen	415	–	–	–	–	415	399
Mr. David Gordon Eldon	410	–	–	–	–	410	345
Mr. Chan Kay Cheung	505	–	–	–	–	505	412
Mr. Tsang Kwok Tai, Moses	380	–	–	–	–	380	327
Total	2,293	13,641	12,144	644	14,122	42,844	44,246

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 should also receive an annual fee for his chairmanship or membership in each of the Board Committees for the year ended 31 December 2011 as set out below:

Board Committees	Fees per annum HK$
Audit Committee chairmanship	125,000
Audit Committee membership	65,000
Remuneration Committee chairmanship	65,000
Remuneration Committee membership	35,000
Nomination Committee membership	30,000
Finance Committee membership	65,000
Investment Committee membership	65,000

The fees for Audit Committee chairmanship and membership for the year ending 31 December 2012 have been increased to HK$150,000 and HK$75,000 respectively upon annual review by the Board, taking into account the market data from an external consultant. All the other fees as set out in the above schedule remain unchanged.

(2) With effect from 1 September 2011, Mr. Wong Yuet Leung, Frankie ("Mr. Frankie Wong") was re-designated from the role of Executive Director to Non-executive Director and was appointed as a member of the Audit Committee, while remaining as a member of the Finance Committee. The remuneration package of Mr. Frankie Wong has been reviewed by the Committee following his re-designation. With effect from 1 January 2012, the annual salaries and allowances of Mr. Choi Yuk Keung, Lawrence, Mr. Wong Kun To, Philip and Mr. Wong Fook Lam, Raymond have been adjusted to HK$3,819,600, HK$4,815,600 and HK$3,640,800 respectively upon annual review by the Committee.

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

Service Contracts

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

Share Options

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

Annual Grants

To reward employees (including Directors) of the Group for their contribution to the success of the Group through acquisition of an interest in the share capital of the Company, the Board will offer annual grant of share options to selected employees in Senior Manager grade and above based on their work performance and contribution to the Group during the relevant year.

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

Name of Directors	Subscription price per share HK$	Number of shares subject to the options granted (Note)
Mr. Choi Yuk Keung, Lawrence	10.90	250,000
Mr. Wong Kun To, Philip	10.90	400,000
Mr. Wong Fook Lam, Raymond	10.90	250,000
Mr. Wong Yuet Leung, Frankie	10.90	150,000

Note:

These share options are subject to the following vesting schedule:

20%: 6 months after the date of grant
20%: 1st anniversary of the date of grant
20%: 2nd anniversary of the date of grant
20%: 3rd anniversary of the date of grant
20%: 4th anniversary of the date of grant

Details of the annual grants of share options to the other executives and employees of the Group during the year are set out in the Directors' Report on pages 96 to 112.

Long-term Incentive Grants

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

In view of the volatility of share prices affected by market sentiment and the global financial crisis, the Committee observed that 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 long-term incentive ("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 are 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.

During the year, the Committee further reviewed the LTI scheme for award of share options and recommended the Board to adopt a new LTI plan which aims 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 held on 7 September 2011, grants of share options were made to certain Executive Directors and selected key executives pursuant to the new LTI plan with the vesting of such share options 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 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. Details of the grants of share options to the Executive Directors during the year under such LTI plan are set out as follows:

Name of Directors	Subscription price per share HK$	Number of shares subject to the options granted
Mr. Choi Yuk Keung, Lawrence	10.00	6,500,000
Mr. Wong Kun To, Philip	10.00	10,800,000
Mr. Wong Fook Lam, Raymond	10.00	6,500,000

Following the implementation of the new LTI plan as mentioned above, the Executive Directors and key executives who are participants of such LTI plan will, during the 3.5-year performance period, no longer be eligible for the annual grant of share options which is made to certain employees in recognition of their contribution based on the financial performance of the Group and individual performance on an annual basis.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lo Hong Sui, Vincent

Mr. Choi Yuk Keung, Lawrence

Mr. Wong Kun To, Philip

Mr. Wong Fook Lam, Raymond

Mr. Wong Yuet Leung, Frankie

Executive Directors

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

aged 63, has been the Chairman of the Company since 1997. He is the Chairman of the Shui On Group, which he founded 41 years ago, and the Chairman of Shui On Land Limited, which he established in 2004 and became listed in Hong Kong in 2006. He has been the Chief Executive Officer of Shui On Land Limited since its listing in Hong Kong and has relinquished such position since March 2011. 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 Eleventh National Committee of the Chinese People's Political Consultative Conference, a Hong Kong's representative to the Asia Pacific Economic Cooperation (APEC) Business Advisory Council, the President of the Yangtze Council, an Economic Adviser of the Chongqing Municipal Government, a Vice Chairman of the Chamber of International Commerce Shanghai, the Honorary Life President of the Business and Professionals Federation of Hong Kong and an Honorary Court Chairman of The Hong Kong University of Science and Technology. Mr. Lo is currently a Non-executive Director of Great Eagle Holdings Limited and Hang Seng Bank Limited, both of which are listed in Hong Kong.

Mr. Lo was awarded the Gold Bauhinia Star in 1998 and appointed a Justice of the Peace in 1999 by the Government of the Hong Kong Special Administrative Region. He was 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.

Mr. Choi Yuk Keung, Lawrence

aged 58, has been the Vice Chairman of the Company since July 2004 and was the Managing Director of the Company from 1997 to 2004. He has been an Executive Director of the Shui On Group since 1990 and is also a Director of various subsidiaries of the Company. He was a Director of Shui On Land Limited from May 2004 to May 2006. He was appointed Managing Director of the Shui On Group's Construction Division in 1991 and of the Construction Materials Division in 1995. Mr. Choi is a member of the Standing Committee of the Ninth and the Tenth Guizhou Provincial Committee of the Chinese People's Political Consultative Conference. He joined the Shui On Group in 1973 and has over 35 years of experience in construction. He holds a Bachelor of Science degree in Engineering from the University of California, Berkeley.

Mr. Wong Kun To, Philip

aged 55, has been an Executive Director of the Company since July 2009 and the Chief Executive Officer of the Company since April 2010. He has also been appointed as the Managing Director of the Company in March 2011. He started his career in the Shui On Group and worked from 1979 to 1992. He rejoined the Company in 2006 to oversee the Property Division of the Company. He has been the Managing Director of SOCAM Asset Management (HK) Limited and Shui On China Central

Mr. Gerrit Jan de Nys

Ms. Li Hoi Lun, Helen

Mr. David Gordon Eldon

Mr. Chan Kay Cheung

Mr. Tsang Kwok Tai, Moses

Properties Limited since April 2007 and August 2009 respectively, and is also a Director of certain other subsidiaries of the Company. Mr. Wong has over 25 years of experience in construction management, investment and property development. He is a member of the Dalian Municipal Committee of the Chinese People's Political Consultative Conference. He holds a Bachelor of Engineering degree and is a member of The Hong Kong Institution of Engineers.

Mr. Wong Fook Lam, Raymond

aged 57, has been an Executive Director of the Company since July 2009 and is the Chief Financial Officer of the Company. He joined the Shui On Group in 1989 and was the Finance Director between 1992 and 1995. He was an Executive Director of the Company from 1997 to 2007. In March 2007, Mr. Wong was appointed as an Executive Director of CCP, which was listed on the Alternative Investment Market ("AIM") of the London Stock Exchange plc. Following the privatisation of CCP as a wholly-owned subsidiary of the Company in June 2009, he rejoined the Company. He is one of the Trustees of the Shui On Provident and Retirement Scheme and is also a Director of various 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 Director

Mr. Wong Yuet Leung, Frankie

aged 63, has been re-designated from an Executive Director to a Non-executive Director of the Company with effect from 1 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 six 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 and has been the Managing Director of Shui On Holdings Limited since 1991. He was a Director of Shui On Land Limited ("SOL") from May 2004 to May 2006 prior to its listing in Hong Kong, and has been appointed as a Non-executive Director of SOL with effect from 17 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. Mr. Wong was a Director of CCP, a subsidiary of the Company which was privatised in 2009, from April 2007 to August 2011. He was also 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, and a Non-executive Director of Walcom Group Limited, a company listed on AIM of the London Stock Exchange plc.

Independent Non-executive Directors

Mr. Gerrit Jan de Nys

aged 68, has been an Independent Non-executive Director of the Company since August 2007. He joined the Shui On Group in 1978 as Managing Director of the Construction Materials Division and subsequently also assumed the position of Managing Director of the Construction and Contracting Division, and was appointed Deputy Chairman and Chief Executive of the then publicly listed Shui On (Contractors) Limited in 1988. He left the Shui On Group in 1991 and returned to Australia to set up his own businesses in home building and the leisure industry. In 1994, Mr. de Nys joined the IMC Pan Asia Alliance Group assuming chief executive roles in its subsidiaries and had worked in its Thailand and Singapore offices. He retired from executive responsibilities of the IMC Group in 2006 and is currently a Director of the IMC Resources Group in Australia. Mr. de Nys has been a Non-executive Director of Horizon Oil Limited since June 2007 and the Non-executive Chairman of Red Sky Energy Limited since October 2009, both companies being listed in Australia. Mr. de Nys has extensive experience in construction. He graduated with a Bachelor of Technology degree in Civil Engineering from The University of Adelaide 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 56, has been an Independent Non-executive Director of the Company since August 2008. She is a qualified lawyer in the jurisdictions of Hong Kong, England and Wales and New South Wales, Australia. She studied law in England and commenced practising law in Hong Kong in 1982. Ms. Li worked in private practice, with emphasis on property, commercial and corporate work with a China focus. Prior to joining the Company, she was employed as in-house legal counsel for the companies, and an Executive Director of the property arm, of the Shui On Group and took early retirement in 2005.

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

aged 66, has been an Independent Non-executive Director of the Company since January 2010. He has served as an Independent Non-executive Director of CCP during the period from April 2007 to September 2009. Mr. Eldon commenced a career in banking in 1964 and joined the HSBC Group in 1968 assuming a variety of roles in the Middle East and Asia. He became the Chairman of Hang Seng Bank Limited and The Hongkong and Shanghai Banking Corporation Limited in 1996 and 1999 respectively. He was also appointed as a Director of HSBC Holdings plc in 1999. After 37 years of service, he retired from the HSBC Group in 2005. He is now a Senior Adviser of PricewaterhouseCoopers, Hong Kong and has been the Non-executive Chairman of HSBC Bank Middle East Limited since May 2011. He is a member of the Higher Board of the Dubai International Financial Centre, Honorary Steward of the Hong Kong Jockey Club, Special Adviser to the Korea National Competitiveness Council – Office of the President, past Chairman of the Hong Kong General Chamber of Commerce, founding member and past Chairman of the Seoul International Business Advisory Council, in addition to holding a number of government and community appointments in Hong Kong. Mr. Eldon was an Independent Non-executive Director of Champion Real Estate Investment Trust, a collective investment scheme listed in Hong Kong, from May 2006 to June 2011. He is currently the Senior Independent Non-executive Director of Noble Group Limited, a listed company in Singapore.

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

Mr. Chan Kay Cheung

aged 65, has been an Independent Non-executive Director of the Company since January 2010. He has served as an Independent Non-executive Director of CCP during the period from April 2007 to September 2009. Mr. Chan is a Senior Adviser 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 China UnionPay International Advisory Group and an International Senior Economic Consultant of The People's Government of Shaanxi Province. He was appointed as a member of the Committee of Overseers of Lee Woo Sing College of The Chinese University of Hong Kong in August 2011. Mr. Chan is also an Independent Non-executive Director of China Electronics Corporation Holdings Company Limited, Chu Kong Shipping Development Company Limited and Hong Kong Food Investment Holdings Limited, all of which are listed in Hong Kong.

Mr. Tsang Kwok Tai, Moses

aged 63, has been an Independent Non-executive Director of the Company since January 2010. He has served as an Independent Non-executive Director of CCP during the period from April 2007 to September 2009. Mr. Tsang has been the Chairman and Chief Executive Officer of EC Investment Services Limited since 2000. Prior to joining EC Investment Services Limited, he was a General Partner of Goldman Sachs Group where he led the establishment of the Fixed Income Group in Tokyo and headed the Debt Syndicate Group in London. He was the Chairman of Goldman Sachs (Asia) L.L.C. between 1989 and 1994 and the Chairman and Managing Partner of Ajia Partners Inc. from 2003 to 2010. He was a Non-executive Director of North Asia Strategic Holdings Limited, which is listed in Hong Kong, from November 2009 to October 2010. He is currently an Independent Non-executive Director of Fubon Bank (Hong Kong) Limited, which was delisted from the Hong Kong Stock Exchange in June 2011. He serves as Co-chair of the Asia Pacific Council and is a member of the Board of Directors of The Nature Conservancy. He is 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 59, is an Executive Director of Shui On Building Contractors Limited and Shui On Construction Company Limited. He has been working in the Shui On Group since 1985 and has over 35 years of experience in construction. Mr. Lee is currently the Vice President of The Hong Kong Construction Association, Limited and the Chairman of its Building Committee. He is also a member of the Committee on Employees' Compensation of the Labour Advisory Board. He holds a Bachelor of Science degree in Civil Engineering. He is a chartered civil engineer.

Ir Kwan Chi Ping, Edgar *JP*

aged 62, rejoined the Company and was appointed as Deputy Managing Director of SOCAM Asset Management (HK) Limited in May 2007. He has over 35 years of international experience in construction and project management as well as facilities management. He is a chartered engineer in the United Kingdom and a registered structural engineer in Hong Kong. He is also a Fellow of The Institution of Civil Engineers and The Institution of Structural Engineers in the United Kingdom and The Hong Kong Institution of Engineers. He received his Bachelor of Science and Master of Science degrees both in Civil Engineering from The University of Hong Kong and a Master of Business Administration degree from The Chinese University of Hong Kong. He has been actively involved in a wide array of public services in Hong Kong and the Chinese Mainland and has been appointed a Justice of the Peace by the Government of the Hong Kong Special Administrative Region.

Mr. Ng Yat Hon, Gilbert

aged 51, is a Director and the General Manager of Pat Davie Limited, specialising in interior fitting out and renovation in Hong Kong and Macau. He joined the Shui On Group in 1996 and has over 25 years of experience in construction. He holds a Bachelor's degree in Civil Engineering from The University of Manchester and a Master's degree in Project Management from The University of New South Wales. He is a chartered civil engineer.

Mr. Li Chi Keung, Evans

aged 50, is the Director – Corporate Finance of the Company. He joined the Shui On Group in 1991 and has over 25 years of accounting, finance and company secretarial experience. He holds a Master's degree in Business Administration from the University of Leicester. He is a Fellow of The Association of Chartered Certified Accountants and an Associate of the Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

Mr. Yeung Mario Bercasio

aged 49, is the Chief Legal Officer of the Company. He joined the Company in 2010. He has over 10 years of legal and corporate finance experience with listed conglomerates and investment banks in Hong Kong prior to joining the Company. He holds a Bachelor of Engineering degree and postgraduate certificate in laws from Newcastle Upon Tyne Polytechnic and The University of Hong Kong respectively. He is a qualified lawyer in Hong Kong and a member of The Law Society of Hong Kong since 1999.

The Directors present their annual report and the audited financial statements for the year ended 31 December 2011.

Principal Activities

The Company is an investment holding company. The principal activities of its principal subsidiaries, jointly controlled entities and associates are set out in notes 42, 43 and 44 to the consolidated financial statements respectively.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 114.

The Directors recommend the payment of a final dividend of HK$0.4 per share to the shareholders whose names appear on the register of members of the Company on 4 June 2012, amounting to HK$196 million.

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 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 118.

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

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

(ii) the realisable value of the Company's assets would thereby be less than its liabilities.

At 31 December 2011, the Company's reserves, including the contributed surplus, available for distribution to shareholders amounted to HK$1,115 million (2010: HK$656 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 198.

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 Kun To, Philip
Mr. Wong Fook Lam, Raymond

Non-executive Director:

Mr. Wong Yuet Leung, Frankie
(re-designated from Executive Director to Non-executive Director on 1 September 2011)

Independent Non-executive Directors:

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

In accordance with Bye-law 87(1) of the Bye-laws of the Company, Mr. Wong Kun To, Philip, Mr. Wong Fook Lam, Raymond, Mr. Gerrit Jan de Nys and Mr. David Gordon Eldon shall retire by rotation at the forthcoming annual general meeting (the "AGM") of the Company to be held on 18 May 2012. Except for Mr. Eldon who does not stand for re-election, all the said Directors, being eligible, will offer themselves for re-election at the AGM.

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 Executive

At 31 December 2011, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO") (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") or which were required to be entered in the register required to be kept under section 352 of the SFO were as follows:

(a) Long position in the shares of the Company

Name of Directors	Number of ordinary shares				Approximate percentage of the issued share capital
	Personal interests	Family interests	Other interests	Total	
Mr. Lo Hong Sui, Vincent	–	312,000 (Note 1)	235,981,000 (Note 2)	236,293,000	48.26%
Mr. Choi Yuk Keung, Lawrence	540,000	–	–	540,000	0.11%
Mr. Wong Kun To, Philip	–	192,533 (Note 3)	–	192,533	0.03%
Mr. Wong Fook Lam, Raymond	32,000	–	–	32,000	0.01%
Mr. Wong Yuet Leung, Frankie	600,000	–	–	600,000	0.12%

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 235,981,000 shares mentioned in note (2) below.

(2) These shares were beneficially owned by Shui On Company Limited ("SOCL"). Of these 235,981,000 shares beneficially owned by SOCL, 220,148,000 shares were held by SOCL itself and 15,833,000 shares were held by Shui On Finance Company Limited, an indirect wholly-owned subsidiary of SOCL. SOCL was owned by the Bosrich Unit Trust, the trustee of which was Bosrich Holdings (PTC) Inc. ("Bosrich"). The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was 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.

(3) These shares were beneficially owned by the spouse of Mr. Wong Kun To, Philip. Under the SFO, Mr. Wong was deemed to be interested in such shares.

(b) Short position in the shares of the Company

Name of Director	Number of ordinary shares: Personal interests	Family interests	Other interests	Total	Approximate percentage of the issued share capital
Mr. Lo Hong Sui, Vincent	–	–	1,600,000 (Note)	1,600,000	0.32%

Note:

These shares represent the underlying shares of the Company subject to the call option granted by SOCL on 27 August 2002 to Mr. Wong Yuet Leung, Frankie as part of the incentive reward to his services to the Company. Mr. Lo, Mrs. Lo, HSBC Trustee and Bosrich were deemed to have a short position in these shares under the SFO.

(c) Share options of the Company

Pursuant to the share option scheme of the Company, certain Directors were granted share options to subscribe for the shares of the Company and details of the Directors' interests in share options are set out under the section headed "Share Options" below.

(d) Call option over the shares of the Company

At 31 December 2011, the following Director had a call option granted by SOCL over the shares of the Company pursuant to the arrangement mentioned in the note to item (b) above:

Name of Director	Exercise price per share	Exercise period	Number of ordinary shares subject to the call option
Mr. Wong Yuet Leung, Frankie	HK$6.00	27-8-2005 to 26-8-2012 (Note)	1,600,000

Note:

Pursuant to a letter of agreement entered into between SOCL and Mr. Wong Yuet Leung, Frankie in July 2010, the exercise period for this call option was extended from 26 August 2010 to 26 August 2011. The exercise period was further extended to 26 August 2012 pursuant to a letter of agreement between the two parties in July 2011.

Save as disclosed above, at 31 December 2011, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO) or the Model Code or which were required to be entered in the register required to be kept under section 352 of the SFO.

Share Options

Particulars of the share option scheme adopted by the Company on 27 August 2002 (the "Scheme") are set out in note 36 to the consolidated financial statements.

During the year, options were granted to subscribe for a total of 58,610,000 shares of the Company under the 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:

			Number of shares subject to options							
Name or category of eligible participants	Date of grant	Subscription price per share HK$	At 1.1. 2011	Granted during the year (Note a)	Exercised during the year	Lapsed during the year	Cancelled during the year (Note b)	At 31.12.2011	Period during which options outstanding at 31.12.2011 are exercisable	Average closing reference price for exercise of options (Note c) HK$
Directors										
Mr. Choi Yuk Keung, Lawrence (Note d)	14.6.2007	20.96	250,000	–	–	–	–	250,000	14.12.2007 to 13.6.2012	–
	7.5.2008	19.76	250,000	–	–	–	–	250,000	7.11.2008 to 6.5.2013	–
	7.5.2008	19.76	1,000,000	–	–	(1,000,000)	–	–	7.5.2011 to 6.5.2018	–
	9.4.2009	7.63	250,000	–	–	–	–	250,000	9.10.2009 to 8.4.2014	–
	9.4.2009	7.63	1,000,000	–	–	–	–	1,000,000	9.4.2012 to 8.4.2019	–
	12.4.2010	12.22	250,000	–	–	–	–	250,000	12.10.2010 to 11.4.2015	–
	12.4.2010	12.22	1,000,000	–	–	–	–	1,000,000	12.4.2013 to 11.4.2020	–
	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 d)	5.6.2009	11.90	1,602,000	–	–	–	–	1,602,000	3.1.2010 to 2.1.2012	–
	5.6.2009	11.90	88,000	–	–	–	–	88,000	1.7.2010 to 13.6.2012	–
	12.4.2010	12.22	350,000	–	–	–	–	350,000	12.10.2010 to 11.4.2015	–
	12.4.2010	12.22	1,500,000	–	–	–	–	1,500,000	12.4.2013 to 11.4.2020	–
	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	–
Mr. Wong Fook Lam, Raymond (Note d)	1.8.2006	14.00	176,000	–	–	(176,000)	–	–	1.2.2007 to 31.7.2011	–
	14.6.2007	20.96	200,000	–	–	–	–	200,000	14.12.2007 to 13.6.2012	–
	12.4.2010	12.22	200,000	–	–	–	–	200,000	12.10.2010 to 11.4.2015	–
	12.4.2010	12.22	1,000,000	–	–	–	–	1,000,000	12.4.2013 to 11.4.2020	–
	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 Yuet Leung, Frankie (Notes d and e)	1.8.2006	14.00	2,000,000	–	–	(2,000,000)	–	–	1.2.2007 to 31.7.2011	–
	14.6.2007	20.96	500,000	–	–	–	–	500,000	14.12.2007 to 13.6.2012	–
	7.5.2008	19.76	500,000	–	–	–	–	500,000	7.11.2008 to 6.5.2013	–
	7.5.2008	19.76	2,000,000	–	–	(2,000,000)	–	–	7.5.2011 to 6.5.2018	–
	9.4.2009	7.63	750,000	–	–	–	–	750,000	9.10.2009 to 8.4.2014	–
	9.4.2009	7.63	2,000,000	–	–	(222,000)	–	1,778,000	9.4.2012 to 8.4.2019	–
	12.4.2010	12.22	350,000	–	–	–	–	350,000	12.10.2010 to 11.4.2015	–
	12.4.2010	12.22	1,000,000	–	–	(584,000)	–	416,000	12.4.2013 to 11.4.2020	–
	23.6.2011	10.90	–	150,000	–	–	–	150,000	23.12.2011 to 22.6.2016	–
Sub-total			18,216,000	24,850,000	–	(5,982,000)	–	37,084,000		

			Number of shares subject to options							
Name or category of eligible participants	Date of grant	Sub-scription price per share HK$	At 1.1. 2011	Granted during the year (Note a)	Exercised during the year	Lapsed during the year	Cancelled during the year (Note b)	At 31.12.2011	Period during which options outstanding at 31.12.2011 are exercisable	Average closing reference price for exercise of options (Note c) HK$
Employees	1.8.2006	14.00	952,000	–	–	(834,000)	(118,000)	–	1.2.2007 to 31.7.2011	–
(in aggregate)	14.6.2007	20.96	1,704,000	–	–	(10,758)	(247,576)	1,445,666	14.12.2007 to 13.6.2012	–
	14.6.2007	20.96	600,000	–	–	–	(194,942)	405,058	14.12.2008 to 13.6.2012	–
	7.5.2008	19.76	2,490,000	–	–	(75,436)	(403,521)	2,011,043	7.11.2008 to 6.5.2013	–
	7.5.2008	19.76	300,000	–	–	–	(80,704)	219,296	7.11.2009 to 6.5.2013	–
	9.4.2009	7.63	2,845,000	–	(365,701)	(43,174)	(441,811)	1,994,314	9.10.2009 to 8.4.2014	10.58
	5.6.2009	11.90	2,882,000	–	–	–	(578,000)	2,304,000	3.1.2010 to 2.1.2012	–
	5.6.2009	11.90	1,182,000	–	–	–	–	1,182,000	1.7.2010 to 13.6.2012	–
	5.6.2009	11.90	1,236,000	–	–	(244,000)	–	992,000	7.5.2011 to 6.5.2013	–
	12.4.2010	12.22	5,390,000	–	–	(180,000)	(300,000)	4,910,000	12.10.2010 to 11.4.2015	–
	13.5.2011	10.66	–	5,150,000	–	(80,000)	–	5,070,000	13.11.2011 to 12.5.2016	–
	23.6.2011	10.90	–	1,110,000	–	(80,000)	–	1,030,000	23.12.2011 to 22.6.2016	–
	28.7.2011	10.00	–	27,500,000	–	–	–	27,500,000	1.5.2015 to 27.7.2021	–
Sub-total			19,581,000	33,760,000	(365,701)	(1,547,368)	(2,364,554)	49,063,377		
Total			37,797,000	58,610,000	(365,701)	(7,529,368)	(2,364,554)	86,147,377		

Notes:

(a) The closing prices of the Company's shares preceding the dates on which the share options were granted on 13 May 2011, 23 June 2011 and 28 July 2011 were HK$10.46, HK$10.80 and HK$10.00 respectively.

(b) These share options were taken up by SOCL and cancelled on 15 June 2011 pursuant to a voluntary conditional option offer by SOCL, details of which have been set out in the composite offer document dated 9 May 2011 and various joint announcements issued by SOCL and the Company.

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

(d) Mr. Choi Yuk Keung, Lawrence, Mr. Wong Kun To, Philip, Mr. Wong Fook Lam, Raymond and Mr. Wong Yuet Leung, Frankie were previously granted share options in excess of their respective maximum individual entitlement of 1%.

(e) Mr. Wong Yuet Leung, Frankie has retired from employment of the Company on 1 September 2011. In accordance with the terms of the Scheme and subject to the terms of the relevant offer letters, the outstanding share options of Mr. Wong were exercisable within a period of 12 months after the date of his retirement.

(f) 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 Executive" above, the Directors are not aware of any other person (other than a Director or chief executive of the Company or his/her respective associate(s)) who, at 31 December 2011, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholders	Capacity	Number of ordinary shares/ underlying shares	Approximate percentage of the issued share capital
Penta Investment Advisers Limited	Investment manager	114,864,259 (L) (Note 2)	23.46%
Penta Asia Long/Short Fund, Ltd.	Beneficial owner	40,378,120 (L) (Note 3)	8.24%
Penta Master Fund, Limited	Beneficial owner	33,097,392 (L) (Note 4)	6.76%

Notes:

(1) The letter "L" denotes a long position.

(2) Among the interests held by this shareholder, 20,801,100 shares were cash settled derivative interests.

(3) Among the interests held by this shareholder, 5,095,988 shares were cash settled derivative interests.

(4) Among the interests held by this shareholder, 4,045,673 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 arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Purchase, Sale or Redemption of Listed Securities

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

Corporate Governance

The Company has complied throughout the year ended 31 December 2011 with the Code on Corporate Governance Practices set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except for the deviations from Code Provision B.1.3. Details are set out in the Corporate Governance Report on pages 72 to 83.

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. The Directors have confirmed, following specific enquiries by the Company, that they have complied with the required standard set out in the Model Code during the year ended 31 December 2011.

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

Connected Transactions

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

(1) Provision of guarantee to Mitsui Fudosan Residential Co. Ltd. ("Mitsui") and Many Praises Dalian Limited (the "JV Co.")

On 3 February 2011, Richcoast Group Limited ("Richcoast") entered into a framework agreement (the "Framework Agreement") with Mitsui for a joint venture arrangement relating to the co-development of six parcels of land (the "Dalian Projects") under the Dalian Tiandi property development project located in Dalian, the People's Republic of China (the "PRC"). Pursuant to the Framework Agreement, Richcoast as vendor and Mitsui as purchaser entered into a sale and purchase agreement on 22 February 2011 (the "Sale and Purchase Agreement") for the sale and purchase of 30% of the issued shares of the JV Co. On 28 February 2011, Richcoast, Mitsui and the JV Co. further entered into a shareholders agreement (the "Shareholders Agreement") in relation to the rights and obligations of Richcoast and Mitsui in the JV Co. A development participation agreement (the "Participation Agreement") was also entered into, among others, between Richcoast and the JV Co. in respect of the Dalian Projects on the same date.

In accordance with the terms and conditions of the Framework Agreement and the Sale and Purchase Agreement, Shui On Development (Holding) Limited ("SODH") and the Company, as guarantors, entered into a guarantee (the "Guarantee") with Mitsui and the JV Co., as beneficiaries, on 28 February 2011 whereby SODH and the Company severally (but not jointly) guaranteed to Mitsui and the JV Co. in the respective proportions of 69% and 31% of the obligations under the Sale and Purchase Agreement, the Shareholders Agreement and the Participation Agreement with the aggregate guaranteed amount not exceeding RMB500 million.

In consideration for the provision of the Guarantee, on 28 February 2011, Many Gain International Limited ("Many Gain") executed a counter guarantee and indemnity (the "Counter Indemnity") in favour of SODH and the Company, pursuant to which Many Gain agreed to provide a counter guarantee to SODH and the Company with the maximum amount payable by Many Gain being 30% of the guaranteed obligations paid by SODH and the Company to Mitsui and the JV Co. under the Guarantee.

Richcoast is a joint venture company held as to 61.54% by Innovate Zone Group Limited, a wholly-owned subsidiary of Shui On Land Limited ("SOL"), 28.20% by Main Zone Group Limited, a wholly-owned subsidiary of the Company, and 10.26% by Many Gain respectively. Richcoast, through its wholly-owned subsidiaries, holds 70% equity interest in the JV Co. with the remaining 30% held by Mitsui. Mr. Lo, the Chairman and controlling shareholder of the Company, is also the Chairman and controlling shareholder of SOL. Accordingly, Richcoast and the JV Co. are associates of Mr. Lo and are connected persons of the Company under the Listing Rules. Many Gain is also a connected person of the Company by virtue of being an associate of a substantial shareholder of a subsidiary of the Company for the purposes of the Listing Rules. Therefore, both the provision of the Guarantee by the Company to Mitsui and the JV Co. and the provision of the Counter Indemnity by Many Gain to the Company constituted connected transactions of the Company under the Listing Rules. Details of the transactions have been set out in the joint announcement dated 28 February 2011 issued by SOL and the Company.

(2) Provision of management contracting consultancy services to Shanghai 21st Century Real Estate Co., Ltd. ("Shanghai 21st") and provision of renovation services for Shui On Centre

On 6 April 2011, 上海德基諮詢有限公司 (Shanghai Pat Davie (Consultancy) Limited) ("Shanghai Pat Davie"), an indirect non-wholly owned subsidiary of the Company, and Shanghai 21st entered into a consultancy agreement (the "Consultancy Agreement") whereby Shanghai Pat Davie was appointed as the management contracting consultant to provide management contracting consultancy services to Shanghai 21st in relation to the fitting-out works for the hotel and apartment-style office (except the office zone on 3rd Floor to 24th Floor) at the 21st Century Tower, a mixed use building comprising a hotel, apartment-style office, office and carparking spaces located in Shanghai, the PRC, for an initial term of 24 months, which may be extended to 36 months if required by Shanghai 21st. The total service fee payable to Shanghai Pat Davie for the provision of such management contracting consultancy services shall be calculated at 3.5% of the final total cost of all construction related matters of the fitting-out works (the "Construction Cost"). Shanghai Pat Davie will also be entitled to a bonus payment for the fitting-out works on the hotel and a further bonus payment for the fitting-out works on the apartment-style office, both calculated at 0.25% of the Construction Cost, if the works are completed by the prescribed milestone dates respectively. The total service fee and bonus payment to be received by Shanghai Pat Davie under the Consultancy Agreement shall not exceed RMB24 million.

In addition, on 6 April 2011, Pat Davie Limited ("Pat Davie"), an indirect non-wholly owned subsidiary of the Company, and Shui On Centre Property Management Limited ("SOC Property Management") entered into a renovation services agreement (the "Renovation Services Agreement") whereby SOC Property Management agreed to engage Pat Davie as the contractor for renovating lavatories at Shui On Centre, a commercial building located in Hong Kong, for a fixed lump sum fee of HK$19.3 million which includes a provisional sum of HK$2.5 million for contingencies that will be payable if additional work is required.

As Shanghai 21st is indirectly owned as to 10% by an associate of Penta Investment Advisers Limited ("Penta"), which is a substantial shareholder of the Company, it is a connected person of the Company under the Listing Rules. SOC Property Management, being the property manager of Shui On Centre, and the owners of various units in Shui On Centre are also connected persons of the Company by virtue of being the indirect wholly-owned subsidiaries of SOCL, which is the controlling shareholder of the Company. Accordingly, the entering into of the Consultancy Agreement and the Renovation Services Agreement constituted connected transactions of the Company under the Listing Rules. Details of the transactions have been set out in the announcement dated 6 April 2011 issued by the Company.

(3) Provision of corporate guarantee for the benefit of 北京啓夏房地產開發有限公司 (Beijing Qi Xia Real Estate Development Co., Ltd.) ("Beijing Qi Xia")

On 30 June 2011, the Company as guarantor entered into a corporate guarantee (the "Corporate Guarantee") in favour of a bank as a security for the provision of a construction loan facility of RMB200 million granted by the bank to Beijing Qi Xia, an indirect 52.5%-owned jointly controlled entity of the Company, for a term maturing on 26 March 2013 for the purpose of funding its normal commercial operation and development of a property project located at Chaoyang District, Beijing, the PRC (the "Beijing Chaoyang Project"). At the same time, each of Many Gain and Penta has provided a counter guarantee and indemnity to the Company in respect of 35% and 12.5% of the guaranteed obligations of the Company under the Corporate Guarantee in proportion to the respective shareholdings of their associates in Beijing Qi Xia.

As Beijing Qi Xia is indirectly owned as to 12.5% by the associates of Penta, which is a substantial shareholder of the Company, it is a connected person of the Company under the Listing Rules. Accordingly, the provision of the Corporate Guarantee by the Company for the benefit of Beijing Qi Xia constituted a connected transaction of the Company under the Listing Rules. Details of the transaction have been set out in the announcement dated 30 June 2011 issued by the Company.

(4) Provision of main contracting services, interior fitting-out works and procurement agency services to Shanghai 21st

On 27 July 2011, Shui On Contractors Limited ("SOC") and SOCAM Asset Management Limited ("SAM"), both being wholly-owned subsidiaries of the Company, entered into a master agreement (the "Master Agreement") with Shanghai 21st whereby Shanghai 21st may engage SOC, SAM or any other subsidiaries of the Company (collectively the "SOCAM Subsidiaries") to provide main contracting services, interior fitting-out works and procurement agency services in relation to the development of the 21st Century Tower for a term ranging from 12 months to 24 months. The aggregate amount of fees receivable by the SOCAM Subsidiaries under the Master Agreement and the Consultancy Agreement as mentioned in item (2) above shall not exceed RMB200 million.

As Shanghai 21st is indirectly owned as to 10% by an associate of Penta, which is a substantial shareholder of the Company, it is a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Master Agreement and the transactions contemplated thereunder constituted connected transactions of the Company under the Listing Rules. Details of the transactions have been set out in the announcement dated 27 July 2011 issued by the Company.

(5) Provision of corporate guarantee for the benefit of Prime Asset Investment Limited ("Prime Asset")

On 1 September 2011, the Company as guarantor entered into a supplemental facility agreement (the "Supplemental Facility Agreement") with Prime Asset, an indirect 52.5%-owned jointly controlled entity of the Company, and the agent for certain banks in relation to a HK$550 million term loan facility (the "Loan Facility") granted by the banks to Prime Asset for the purpose of funding the acquisition and development of the Beijing Chaoyang Project. Pursuant to the Supplemental Facility Agreement, the maturity date of the Loan Facility was extended to 5 October 2012 and the corporate guarantee (the "Corporate Guarantee") provided by the Company in 2009 as a security for the Loan Facility shall remain in force until the full repayment of the Loan Facility by Prime Asset.

Each of Many Gain and Penta has, in 2009, provided a counter guarantee and indemnity (the "Counter Indemnities") to the Company in respect of 35% and 12.5% of the guaranteed obligations of the Company under the Corporate Guarantee in proportion to the respective shareholdings of their associates in Prime Asset. Many Gain and Penta have acknowledged and consented that both the Corporate Guarantee and the Counter Indemnities shall remain in force until the full repayment of the Loan Facility by Prime Asset pursuant to the Supplemental Facility Agreement.

As Prime Asset is indirectly owned as to 12.5% by the associates of Penta, which is a substantial shareholder of the Company, it is a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Supplemental Facility Agreement and the provision of the Corporate Guarantee by the Company as continuing security for the Loan Facility for the benefit of Prime Asset constituted a connected transaction of the Company under the Listing Rules. Details of the transaction have been set out in the announcement dated 1 September 2011 and the circular dated 16 September 2011 issued by the Company. Since one of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in respect of the maximum potential liability of the Company under the Corporate Guarantee exceeded 5%, such transaction was subject to the approval of the independent shareholders of the Company which has been obtained at a special general meeting held on 3 October 2011.

(6) Acquisition of 15% equity interest in Shui On Construction Co., Ltd. ("SOCC")

On 8 December 2011, 重慶豐德豪門實業有限公司 (Chongqing Fengde Haomen Co., Ltd.) ("Chongqing Fengde"), an indirect wholly-owned subsidiary of the Company, was notified that a tender submitted by it to acquire 15% equity interest in SOCC, an indirect 70%-owned subsidiary of the Company, put up for sale by SIG Assets Management Co., Ltd. ("SIG Assets Management") (the "Acquisition") in a listing-for-sale process administered by the Shanghai United Assets and Equity Exchange at a consideration of approximately RMB12.4 million has been accepted by SIG Assets Management. An equity transfer agreement has subsequently been entered into between Chongqing Fengde as purchaser and SIG Assets Management as vendor in respect of the Acquisition. Upon completion of the relevant regulatory procedures for the transfer of the 15% equity interest to Chongqing Fengde, the Company will indirectly hold 85% equity interest in SSOC.

As SIG Assets Management is a substantial shareholder of SOCC, which is a subsidiary of the Company, it is a connected person of the Company under the Listing Rules. Accordingly, the Acquisition constituted a connected transaction of the Company under the Listing Rules. Details of the transaction have been set out in the announcement dated 8 December 2011 issued by the Company.

Continuing Connected Transactions

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

As disclosed in the joint announcement dated 15 December 2008 issued by SOL and the Company and the circular dated 5 January 2009 issued by the Company, the construction contracts awarded or to be awarded by SOL Group in favour of SOCC under a framework agreement (the "Framework Agreement") dated 4 June 2006 (as supplemented by a supplemental agreement dated 15 December 2008) made between SOL and SOCC constituted continuing connected transactions of the Company as Mr. Lo, the Chairman and controlling shareholder of the Company, is also the Chairman and controlling shareholder of SOL. Such transactions were subject to the annual caps of RMB410 million, RMB561 million and RMB845 million for the three financial years ended 31 December 2011 respectively.

The amount paid or payable to SOCC for the provision of construction services under the Framework Agreement (as supplemented by the supplemental agreement dated 15 December 2008) for the year ended 31 December 2011 was approximately RMB816 million. The Independent Non-executive Directors have reviewed such transactions for the year ended 31 December 2011 and confirmed that such transactions have been entered into by the Group in the ordinary and usual course of its business, on normal commercial terms, and in accordance with the terms of the Framework Agreement (as supplemented by the supplemental agreement dated 15 December 2008) that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

On 9 December 2011, SOC, a wholly-owned subsidiary of the Company, and SOL entered into a new framework agreement (the "New Framework Agreement") to provide new guidelines and basis of annual caps on the provision of construction services by SOC and its subsidiaries (collectively the "SOC Group"), including SOCC as one of its members, to SOL Group for a further term of three financial years to 31 December 2014. Pursuant to the New 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 2012, 31 December 2013 and 31 December 2014 shall not exceed RMB970 million, RMB1,060 million and RMB1,250 million respectively (the "Caps"). As SOL is an associate of Mr. Lo and is a connected person of the Company, the transactions contemplated under the New 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. Since the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in respect of the Caps exceeded 5%, such transactions were subject to the approval of the independent shareholders of the Company which has been obtained at a special general meeting held on 20 January 2012.

(2) Provision of management services to 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.

Pursuant to the Management Services Agreement (as supplemented by the Renewed Management Services Agreement), Max Clear agreed to provide management services relating to day-to-day management, project management, quality and safety control, sales and marketing, land acquisition and asset management for the Dalian Project at an annual management services fee from the Dalian Group based on 1.5% of an amount calculated based on the total budgeted construction cost for the Dalian Project (which may be revised from time to time). The annual management fees charged by Max Clear are subject to the annual caps of RMB37 million, RMB71 million and RMB68 million for the three financial years ending 31 December 2013 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 controlling shareholder of the Company, is also the Chairman and controlling shareholder of SOL. Accordingly, each member of the Dalian Group is an associate of Mr. Lo and is a connected person of the Company under the Listing Rules. 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 by the 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 and 28 December 2010 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 by the Renewed Management Services Agreement) for the year ended 31 December 2011 amounted to approximately RMB28.5 million. The Independent Non-executive Directors have reviewed such transaction for the year ended 31 December 2011 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 by the Renewed Management Services Agreement) that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

(3) Leasing of commercial premises from SOCL or any of its subsidiaries and associates from time to time (collectively the "SOCL Group")

On 31 May 2010, SOCL and the Company entered into a master lease agreement (the "Master Lease Agreement") pursuant to which any member of the Group may as the lessee continue, amend or renew the existing leases or enter into new leases, sub-leases and licences in relation to the commercial premises owned or leased by the SOCL Group (the "Properties") in Hong Kong and the PRC with any member of the SOCL Group as the lessor from time to time as are necessary for the business needs of the Group during the period from 1 June 2010 to 31 December 2012. The transactions contemplated under the Master Lease Agreement were subject to the annual caps of HK$2 million, HK$1 million and HK$1 million in respect of the leases of the Properties in Hong Kong (the "HK Leases") and annual caps of RMB2.5 million, RMB5 million and RMB7 million in respect of the leases of the Properties in the PRC (the "PRC Leases") for the three financial years ending 31 December 2012 respectively. On 17 June 2011, SOCL and the Company entered into a supplemental agreement (the "Supplemental Agreement") to amend the Master Lease Agreement for revising the annual caps applicable to the HK Leases to HK$2.5 million for both the two financial years ending 31 December 2012, while the annual caps in respect of the PRC Leases remain unchanged.

As SOCL is the controlling shareholder of the Company, it is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Master Lease Agreement (as amended by the Supplemental Agreement) constitute continuing connected transactions of the Company under the Listing Rules. Details of the transactions have been set out in the announcements dated 31 May 2010 and 17 June 2011 issued by the Company.

The aggregate amount of rent and management fees paid or payable by the Group to the SOCL Group in respect of the HK Leases and the PRC Leases under the Master Lease Agreement (as amended by the Supplemental Agreement) for the year ended 31 December 2011 amounted to approximately HK$1.7 million and RMB2.5 million respectively. The Independent Non-executive Directors have reviewed such transactions for the year ended 31 December 2011 and confirmed that such transactions have been entered into by the Group in the ordinary and usual course of its business, on normal commercial terms, and in accordance with the terms of the Master Lease Agreement (as amended by the Supplemental Agreement) that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

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 businesses, which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules as set out below:

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

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

Directors' Interests in Contracts of Significance

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

Remuneration Policy

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

The emoluments of the Executive Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics, while those of the Non-executive Directors are decided by the Board upon the recommendations by the Chairman of the Company taking into consideration the findings of independent survey on directorate pay of listed companies in Hong Kong. Further details of the remuneration policy is set out in the Remuneration Committee Report on pages 86 to 90.

The Company has adopted a share option scheme as an incentive to the Directors and eligible employees. Details of the scheme are set out in note 36 to the consolidated financial statements.

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 26% of the total purchases of the Group for the year.

The five largest customers of the Group accounted for approximately 57% of the total turnover of the Group for the year with the largest customer, Hong Kong Housing Authority, accounting for approximately 19% of the turnover of the Group.

Mr. Lo, the Chairman and controlling shareholder of the Company, is also the Chairman and controlling shareholder of SOL, the third largest customer of the Group which accounted for approximately 15% of the total turnover of the Group for the year ended 31 December 2011. Save as disclosed herein, none of the Directors, their associates or any shareholder (which, to the knowledge of the Directors, owns more than 5% of the issued share capital of the Company) has a beneficial interest in the five largest customers of the Group.

Donations

During the year, the Company and its subsidiaries made donations of approximately HK$2.5 million to business associations and institutions.

Pre-emptive Rights

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

Sufficiency of Public Float

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

Disclosure under Rule 13.22 of the Listing Rules

Financial assistance and guarantees to affiliated companies

Financial assistance and guarantees provided by the Group to its affiliated companies amounted to HK$3,826 million at 31 December 2011, details of which are as follows:

	Balance at 31 December 2011				
		Unsecured loans			
Affiliated companies	**Approximate effective percentage of interest**	**Interest free with no fixed repayment terms** HK$ million	**Interest bearing with no fixed repayment terms** HK$ million (Note a)	**Guarantee** HK$ million	**Total** HK$ million
Brisfull Limited	50%	5	50	–	55
Eagle Fit Limited	53%	229	–	394	623
Gracious Spring Limited	51%	–	633	61	694
Guizhou Bijie Shui On Cement Co., Ltd.	80%	33	–	–	33
Guizhou Kaili Ken On Concrete Co., Ltd.	75%	2	2	–	4
貴州習水瑞安水泥有限公司 (Guizhou Xishui Shui On Cement Co. Ltd.)	90%	13	–	–	13
貴州遵義瑞安水泥有限公司 (Guizhou Zunyi Shui On Cement Co. Ltd.)	80%	28	–	–	28
Lamma Yue Jie Company Limited	60%	17	–	–	17
Lead Wealthy Investments Limited	70%	–	753	350	1,103
Nanjing Jiangnan Cement Co., Ltd.	60%	147	–	–	147
Richcoast Group Limited	28%	586	242	280	1,108
Super Race Limited	50%	–	1	–	1
		1,060	1,681	1,085	3,826

The proforma combined balance sheet of the above affiliated companies at 31 December 2011 is as follows:

	HK$ million
Non-current assets	9,755
Current assets	10,129
Current liabilities	(8,118)
Net current assets	2,011
Non-current liabilities	(9,028)
Non-controlling interests	(996)
Shareholders' funds	1,742

Details of the above affiliated companies are set out in notes 43 and 44 to the consolidated financial statements.

Notes:

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

Affiliated companies	Interest rate per annum
Brisfull Limited	Fixed at 2.5%
Gracious Spring Limited	Loans in a total amount of HK$100 million bear interest at 7.5% per annum. The remaining loans bear base interest at 13.175% per annum plus payment in kind interest at 14% per annum on a notional sum of RMB175 million
Guizhou Kaili Ken On Concrete Co., Ltd.	3-month HIBOR + 2%
Lead Wealthy Investments Limited	HIBOR + 3.5%
Richcoast Group Limited	Fixed at 5%
Super Race Limited	1-month HIBOR

(b) All affiliated companies are accounted for as jointly controlled entities or associates of the Group.

Auditor

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

On behalf of the Board

Lo Hong Sui, Vincent
Chairman

28 March 2012

Deloitte.
德勤

TO THE MEMBERS OF
SOCAM DEVELOPMENT LIMITED (formerly known as Shui On Construction and Materials 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 114 to 197, which comprise the consolidated balance sheet as at 31 December 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 March 2012

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2011

	Notes	2011 HK$ million	2010 HK$ million
Turnover			
The Company and its subsidiaries		**5,900**	8,044
Share of jointly controlled entities/associates		**3,516**	2,986
		9,416	11,030
Group turnover	7	**5,900**	8,044
Other income	8	**249**	200
Changes in inventories of finished goods, work in progress, contract work in progress and cost of properties sold		**(815)**	(2,598)
Raw materials and consumables used		**(770)**	(720)
Staff costs		**(575)**	(504)
Depreciation and amortisation expenses		**(23)**	(24)
Subcontracting, external labour costs and other expenses		**(3,685)**	(3,967)
Dividend income from available-for-sale investments		**10**	60
Fair value changes on investment properties	15	**275**	422
Interest on bank loans and overdrafts and other borrowing costs	9	**(238)**	(249)
Gain on disposal of available-for-sale investments	19	**–**	373
Gain on disposal of interest in a jointly controlled entity		**44**	–
Gain on disposal of subsidiaries	39	**341**	–
Gain on transfer of property inventories to investment properties	15	**292**	–
Share of results (excluding impairment loss) of jointly controlled entities	7	**34**	115
Share of impairment loss of jointly controlled entities	7	**(12)**	(70)
Share of results of associates	7	**53**	16
Profit before taxation		**1,080**	1,098
Taxation	10	**(145)**	(180)
Profit for the year	12	**935**	918
Attributable to:			
Owners of the Company		**910**	903
Non-controlling interests		**25**	15
		935	918
Earnings per share	14		
Basic		**HK$1.86**	HK$1.85
Diluted		**HK$1.86**	HK$1.84

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011 HK$ million	2010 HK$ million
Profit for the year	**935**	918
Other comprehensive income (expense)		
Loss on fair value changes of available-for-sale investments	**(190)**	(475)
Exchange differences arising on translation of financial statements of foreign operations	**308**	211
Share of exchange differences of jointly controlled entities	**205**	154
Share of exchange differences of associates	**20**	8
Recognition of actuarial (loss) gain	**(125)**	12
Reclassification adjustments for amounts transferred to profit or loss:		
– upon disposal of available-for-sale investments	**–**	(374)
– upon disposal of interest in a jointly controlled entity	**(23)**	–
– upon disposal of subsidiaries	**(14)**	–
– upon disposal of property inventories, net of deferred tax of HK$3 million (2010: HK$11 million)	**(16)**	(56)
Other comprehensive income (expense) for the year	**165**	(520)
Total comprehensive income for the year	**1,100**	398
Total comprehensive income attributable to:		
Owners of the Company	**1,074**	382
Non-controlling interests	**26**	16
	1,100	398

CONSOLIDATED BALANCE SHEET

At 31 December 2011

	Notes	2011 HK$ million	2010 HK$ million
Non-current Assets			
Investment properties	15	3,609	2,310
Property, plant and equipment	16	77	89
Prepaid lease payments	17	44	43
Interests in jointly controlled entities	18	4,562	4,432
Available-for-sale investments	19	324	514
Interests in associates	20	495	425
Club memberships		1	1
Amounts due from jointly controlled entities	21	1,162	1,624
Amounts due from associates	22	828	683
Defined benefit assets	32	–	22
Restricted bank deposits	27	185	275
		11,287	10,418
Current Assets			
Inventories	23	21	7
Prepaid lease payments	17	1	1
Properties held for sale	24	428	718
Properties under development for sale	24	3,641	3,267
Debtors, deposits and prepayments	25	1,557	1,730
Amounts due from customers for contract work	23	323	346
Amounts due from jointly controlled entities	21	995	459
Amounts due from associates	22	313	68
Amounts due from related companies	26	241	49
Taxation recoverable		12	4
Pledged bank deposit		–	359
Restricted bank deposits	27	910	260
Bank balances, deposits and cash	25	2,410	2,583
		10,852	9,851
Assets classified as held for sale	28	92	779
		10,944	10,630
Current Liabilities			
Creditors and accrued charges	29	1,803	2,028
Sales deposits received		721	406
Amounts due to customers for contract work	23	186	154
Amounts due to jointly controlled entities	21	45	15
Amounts due to non-controlling shareholders of subsidiaries	26	11	3
Taxation payable		117	180
Bank borrowings due within one year	30	6,134	2,864
		9,017	5,650
Liabilities associated with assets classified as held for sale	28	–	403
		9,017	6,053
Net Current Assets		1,927	4,577
Total Assets Less Current Liabilities		13,214	14,995

	Notes	2011 HK$ million	2010 HK$ million
Capital and Reserves			
Share capital	31	490	489
Reserves		9,512	8,715
Equity attributable to owners of the Company		10,002	9,204
Non-controlling interests		66	56
		10,068	9,260
Non-current Liabilities			
Bank borrowings	30	2,427	5,335
Defined benefit liabilities	32	90	–
Other payables	29	202	–
Deferred tax liabilities	33	427	400
		3,146	5,735
		13,214	14,995

The consolidated financial statements on pages 114 to 197 were approved and authorised for issue by the Board of Directors on 28 March 2012 and are signed on its behalf by:

Wong Kun To, Philip
Chief Executive Officer

Wong Fook Lam, Raymond
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	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 2011	489	3,205	859	197	(3)	3,705	4	133	(24)	185	454	9,204	56	9,260
Fair value changes of available-for-sale investments	–	–	–	–	–	–	–	–	–	(190)	–	(190)	–	(190)
Exchange differences arising on translation of financial statements of foreign operations	–	–	307	–	–	–	–	–	–	–	–	307	1	308
Share of exchange differences of jointly controlled entities	–	–	205	–	–	–	–	–	–	–	–	205	–	205
Share of exchange differences of associates	–	–	20	–	–	–	–	–	–	–	–	20	–	20
Recognition of actuarial loss	–	–	–	–	–	–	–	–	(125)	–	–	(125)	–	(125)
Disposal of interest in a jointly controlled entity	–	–	(23)	–	–	–	–	–	–	–	–	(23)	–	(23)
Disposal of subsidiaries	–	–	(13)	–	–	–	–	–	–	–	(1)	(14)	–	(14)
Disposal of property inventories	–	–	–	–	–	–	–	–	–	–	(16)	(16)	–	(16)
Profit for the year	–	–	–	–	–	910	–	–	–	–	–	910	25	935
Total comprehensive income (expense) for the year	–	–	496	–	–	910	–	–	(125)	(190)	(17)	1,074	26	1,100
Issue of shares upon exercise of share options	1	2	–	–	–	–	–	–	–	–	–	3	–	3
Disposal of interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	1	1
Recognition of share-based payments	–	–	–	–	–	–	–	39	–	–	–	39	–	39
Transfer upon exercise/lapse of share options	–	1	–	–	–	33	–	(34)	–	–	–	–	–	–
Transfer to statutory reserve	–	–	–	–	–	(2)	2	–	–	–	–	–	–	–
Dividends recognised as distribution	–	–	–	–	–	(318)	–	–	–	–	–	(318)	–	(318)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(17)	(17)
At 31 December 2011	490	3,208	1,355	197	(3)	4,328	6	138	(149)	(5)	437	10,002	66	10,068

	Attributable to owners of the Company													
	Share capital HK$ million	Share premium account HK$ million	Translation reserve HK$ million	Contributed surplus (Note a) HK$ million	Goodwill HK$ million	Retained profits HK$ million	Reserve funds HK$ million	Share option reserve HK$ million	Actuarial gain and loss HK$ million	Investment revaluation reserve HK$ million	Other reserve (Note b) HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total Equity HK$ million
At 1 January 2010	488	3,196	501	197	(3)	3,010	3	114	(36)	1,034	499	9,003	45	9,048
Fair value changes of available-for sale investments	–	–	–	–	–	–	–	–	–	(475)	–	(475)	–	(475)
Exchange differences arising on translation of financial statements of foreign operations	–	–	210	–	–	–	–	–	–	–	–	210	1	211
Share of exchange differences of jointly controlled entities	–	–	154	–	–	–	–	–	–	–	–	154	–	154
Share of exchange differences of associates	–	–	8	–	–	–	–	–	–	–	–	8	–	8
Recognition of actuarial gain	–	–	–	–	–	–	–	–	12	–	–	12	–	12
Disposal of available-for-sale investments	–	–	–	–	–	–	–	–	–	(374)	–	(374)	–	(374)
Disposal of property inventories	–	–	(14)	–	–	–	–	–	–	–	(42)	(56)	–	(56)
Profit for the year	–	–	–	–	–	903	–	–	–	–	–	903	15	918
Total comprehensive income (expense) for the year	–	–	358	–	–	903	–	–	12	(849)	(42)	382	16	398
Issue of shares upon exercise of share options	1	9	–	–	–	–	–	(2)	–	–	–	8	–	8
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(1)	(1)
Deemed disposal of interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	(3)	(3)	3	–
Recognition of share-based payments	–	–	–	–	–	–	–	34	–	–	–	34	–	34
Transfer upon exercise/lapse of share options	–	–	–	–	–	13	–	(13)	–	–	–	–	–	–
Transfer to statutory reserve	–	–	–	–	–	(1)	1	–	–	–	–	–	–	–
Dividends recognised as distribution	–	–	–	–	–	(220)	–	–	–	–	–	(220)	–	(220)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(7)	(7)
At 31 December 2010	489	3,205	859	197	(3)	3,705	4	133	(24)	185	454	9,204	56	9,260

Notes:

(a) The contributed surplus of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1997.

(b) Other reserve of the Group mainly include (i) an amount of HK$231 million recognised in prior years, which arose when the Group entered into agreements with Shui On Company Limited ("SOCL"), the Company's substantial shareholder, to co-invest in Shui On Land Limited during the year ended 31 March 2005; (ii) an amount of HK$102 million, which represents the Group's share of compensation recognised by Lafarge Shui On Cement Limited in the form of donation in respect of losses in the earthquake in Sichuan during the year ended 31 December 2008; (iii) an amount of HK$36 million (2010: HK$42 million) recognised during the year ended 31 December 2009, 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, net of the amount released as a result of disposal of property inventories; and (iv) an amount of HK$42 million (2010: HK$53 million), which represents the revaluation surplus of the Group's 42.88% previously held interest in CCP, recognised upon the acquisition of the remaining 57.12% interest in CCP during the year ended 31 December 2009, net of the amount released as a result of disposal of property inventories.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2011

	2011 HK$ million	2010 HK$ million
OPERATING ACTIVITIES		
Profit before taxation	1,080	1,098
Adjustments for:		
Impairment loss in respect of interests in jointly controlled entities	4	29
Gain on disposal of interest in a jointly controlled entity	(44)	–
Gain on disposal of assets classified as held for sale	–	(7)
Gain on disposal of subsidiaries	(341)	–
Gain on transfer of property inventories to investment properties	(292)	–
Share of results (excluding impairment loss) of jointly controlled entities	(34)	(115)
Share of impairment loss of jointly controlled entities	12	70
Share of results of associates	(53)	(16)
Interest income	(73)	(33)
Interest on bank loans and overdrafts and other borrowing costs	238	249
Imputed interest income on loans to jointly controlled entities/associates	(75)	(71)
Dividend income from available-for-sale investments	(10)	(60)
Fair value changes on investment properties	(275)	(422)
Fair value changes on embedded derivatives expired during the year	–	(4)
Depreciation of property, plant and equipment	22	23
Amortisation of prepaid lease payments	1	1
Gain on disposal of property inventories through disposal of subsidiaries	(14)	(220)
Gain on disposal of available-for-sale investments	–	(373)
Unrealised gain on income from associates/jointly controlled entities	–	12
Share-based payment expense	39	34
Effect of exchange rate changes on inter-company balances	(2)	(7)
Gain in relation to defined benefit scheme	(5)	(4)
Operating cash flows before movements in working capital	178	184
Increase in inventories	(11)	(13)
Decrease in properties held for sale	194	233
Increase in properties under development for sale	(98)	(392)
Decrease (increase) in debtors, deposits and prepayments	180	(761)
Decrease (increase) in amounts due from customers for contract work	28	(42)
Increase in amounts due from related companies	(193)	(8)
Increase in amounts due from associates	(123)	(34)
Increase in amounts due from jointly controlled entities	(192)	(24)
(Decrease) increase in creditors and accrued charges	(68)	702
Increase in sales deposits received	290	94
Increase in amounts due to customers for contract work	32	29
Increase (decrease) in amounts due to jointly controlled entities	6	(9)
Increase (decrease) in amounts due to non-controlling shareholders of subsidiaries	8	(3)
Contribution to defined benefit scheme	(9)	(6)
Cash generated from (used in) operations	222	(50)
Hong Kong Profits Tax paid	(22)	(13)
Hong Kong Profits Tax refunded	1	1
Income tax of other regions in the People's Republic of China ("PRC") paid	(144)	(31)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	57	(93)

	2011 HK$ million	2010 HK$ million
INVESTING ACTIVITIES		
Investments in jointly controlled entities	–	(32)
Advance to jointly controlled entities	(224)	(549)
Advance to associates	(224)	(188)
Additions in property, plant and equipment	(17)	(53)
Payment for construction of investment properties	(347)	(99)
Payment in respect of acquisition of interest in a jointly controlled entity	(349)	–
Purchase of property, plant and equipment for disposal groups classified as held for sale	(22)	(16)
Dividends received from jointly controlled entities	32	24
Proceeds from disposal of available-for-sale investments	–	1,080
Interest received	50	33
Proceeds from sales of property, plant and equipment and leasehold land	9	3
Dividends received from available-for-sale investments	10	–
Net proceeds from disposal of subsidiaries (notes 39(a) and (c))	502	–
Net proceeds from disposal of property inventories through disposal of subsidiaries (note 38(a))	185	1,675
Net proceeds from disposal of a jointly controlled entity	47	–
Net proceeds from disposal of assets classified as held for sale (notes 28 and 39(b))	284	–
Refund of deposits for disposal of assets classified as held for sale	–	(302)
Acquisition of investment properties, property inventories and other assets and liabilities through acquisition of subsidiaries (note 37(a))	42	(470)
Increase in restricted bank deposits	(560)	(236)
Pledged bank deposits refunded (placed)	359	(359)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(223)	511
FINANCING ACTIVITIES		
New bank loans raised	1,107	4,700
(Decrease) increase in liabilities associated with assets held for sale	(22)	35
Net proceeds received on issue of shares	3	8
Repayments of bank loans	(642)	(3,568)
Interest paid	(207)	(211)
Other borrowing costs paid	(32)	(38)
Proceeds from partial disposal of interest in a subsidiary	1	–
Repayment to a related company	–	(134)
Dividends paid	(318)	(220)
Dividends paid to non-controlling shareholders of subsidiaries	(17)	(7)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(127)	565
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(293)	983
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,595	1,551
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	108	61
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	2,410	2,595
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances, deposits and cash	2,410	2,583
Bank balances, deposits and cash included in assets classified as held for sale (note 28)	–	12
	2,410	2,595

Note:
During the current and prior years, the Group disposed of certain property inventories classified as properties under development for sale and properties held for sale under current assets, through disposals of equity interests in the subsidiaries holding these properties. According to HKAS 7 "Cash Flow Statements", as such disposals were effected through disposals of subsidiaries, the aggregate net cash inflow of approximately HK$185 million (2010: HK$1,675 million) arising therefrom was included in cash flows from investing activities, rather than operating activities.

1. GENERAL

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

The principal activity of the Company is investment holding. Its subsidiaries, jointly controlled entities and associates are principally engaged in 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, a number of new or revised standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial period beginning on 1 January 2011. The new or revised standards, amendments and interpretations has had no material effect on the consolidated financial statements of the Group for the current or prior accounting years.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of Right Issues
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HK(IFRIC)-INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-INT 19	Extinguishing Financial Liabilities with Equity Instruments

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

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

HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 19 (Revised 2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) - INT 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2015
[4] Effective for annual periods beginning on or after 1 July 2012
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2014

3. POTENTIAL IMPACT ARISING ON THE NEW OR 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.

Key requirements of HKFRS 9 are described as follows:

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 Directors of the Company anticipate that the application of HKFRS 9 may have an impact on amounts reported in respect of the Group's available-for-sale investments and the management of the Group is in the process of ascertaining the financial impact. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The five new or revised standards on consolidation, joint arrangements, associates and disclosures, namely HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 and HKAS 28 were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Early application is permitted provided that all of these five new or revised standards are applied early at the same time. The Directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for the financial year ending 31 December 2013.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in HKFRS 11 is based on parties' rights and obligations under the arrangements. In contrast, under HKAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities are currently accounted for using the equity method of accounting under HKAS 31. The application of HKFRS 11 might result in changes in the classification of the Group's joint arrangements and their accounting treatments.

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

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

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it 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, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

The Directors of the Company are in the process of assessing the potential impact of the above mentioned new or revised standards and amendments; and anticipate that the application of other new and revised standards, amendments or interpretation will have no material impact on the results and financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

– 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 Standard.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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

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

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

Investments in associates and jointly controlled entities

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and jointly controlled entities (continued)

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

Non-current assets held for sale

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

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

Revenue recognition

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

Sales of properties

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

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

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

Others

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

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

Service income is recognised when services are provided.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction and building maintenance contracts

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

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

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

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

Investment properties

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

Property inventory is transferred to investment properties 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 income statement in the year in which the item is derecognised.

Property, plant and equipment

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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

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

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

Borrowing costs

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

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

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

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

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

Taxation

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

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

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

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 each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities. 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 income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

Foreign currencies

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

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

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

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 each balance sheet date. All actuarial gains and losses of defined benefit scheme are recognised immediately in other comprehensive income in the period in which they occur.

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

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

Financial instruments

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets. 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 each balance sheet date subsequent to initial recognition, loans and receivables (including trade debtors, amounts due from jointly controlled entities, associates and related companies, pledged and 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 each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for any impairment at each balance sheet date. Financial assets are 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

For certain categories of financial asset, such as trade debtors, assets that are assessed not to be impaired individually are 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. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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 Group are recognised at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Borrowings

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

Other financial liabilities

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

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).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

Share options granted to employees (continued)

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

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

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 income statement.

Impairment of other assets

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

As disclosed in note 25(b), at 31 December 2011, receivables of HK$314 million (2010:HK$235 million) are expected to be settled when the legal title of the property is transferred to the buyer, which is expected to take place within the next twelve months from the balance sheet date. In determining the recoverable amount of such a receivable, the management has exercised judgement in estimating the timing and future cash flows to be recovered and determined that no impairment was necessary at the balance sheet date. If the actual recoverable amount or timing of recovery are different from expectation, an impairment loss may arise.

Financial guarantee contracts

As disclosed in note 40, at 31 December 2011, the Group has provided guarantees under financial guarantee contracts for an aggregate amount of HK$1,861 million (2010: HK$1,697 million). In determining whether provision should be recognised in respect of the Group's financial guarantee contracts, the Directors of the Company exercise judgment in evaluation of the probability of resources outflow that will be required and the assessment of whether a reliable estimate can be made of the amount of the obligation. The Directors of the Company are of the opinion that it is not probable that outflow of resources will result from the financial guarantee contracts. Accordingly, no provision has been recognised in the consolidated balance sheet. Should the actual outcome be different from expected, provision for losses will be recognised in consolidated financial statements.

6. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

6. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Categories of financial instruments

	2011 HK$ million	2010 HK$ million
Financial assets		
Available-for-sale investments	**324**	514
Loans and receivables (including cash and cash equivalents)	**8,575**	8,080
Financial liabilities		
Amortised cost	**10,268**	9,831

(a) Market risk

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

(i) Interest rate risk

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

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

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to cash flow interest rate risk for variable-rate borrowings. The analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. An increase or decrease of 100 basis points (2010: 100 basis points) is used when reporting the interest rate risk internally and represents management's assessment of the reasonably possible change in interest rates.

At the balance sheet date, if interest rates had been increased/decreased by 100 basis points (2010: 100 basis points) and all other variables were held constant, the Group's profit before tax would decrease/increase by approximately HK$86 million for the year ended 31 December 2011 (2010: HK$82 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 jointly controlled entities and borrowings, which are denominated in foreign currencies and hence exposure to exchange rate fluctuations arises. The Group does not use any derivative contracts to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

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:

	2011 HK$ million	2010 HK$ million
Assets		
United States dollars	98	520
Hong Kong dollars	11	7
Liabilities		
Renminbi	185	–
United States dollars	265	277
Hong Kong dollars	802	1,029

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% (2010: 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% (2010: 7%) change in foreign currency rates. The following table indicates the impact to the profit before tax where the foreign currencies strengthen against the functional currencies of the relevant group entities. For a 7% (2010: 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.

	2011 HK$ million	2010 HK$ million
Increase (decrease) in profit for the year		
Renminbi	(13)	–
United States dollars	7	6
Hong Kong dollars	(55)	(72)

(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% (2010: 20%), the Group's reserve at 31 December 2011 would increase/decrease by approximately HK$65 million (2010: HK$103 million).

6. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(b) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet and the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in note 40. In order to minimise credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the credit risk is significantly reduced.

The Group has certain concentration of credit risk in respect of amounts due from jointly controlled entities and trade debtors and other receivables. At 31 December 2011, 39% (2010: 43%) of total amounts due from jointly controlled entities and 20% (2010: 43%) of total trade debtors and other receivables was due from one single jointly controlled entity and a counterparty respectively. At 31 December 2011, other receivables of HK$314 million (2010: HK$235 million) were due from this counterparty and a guarantee of HK$669 million (2010: HK$637 million) was issued by the Company in respect of this counterparty. In order to reduce credit risk, the Group has procedures in place to monitor the credit standing of this counterparty and to ensure that follow-up action is taken to recover these debts. The Group also reviews the recoverable amounts of the relevant debts and the probability of default by the counterparty at each balance sheet date. The Directors of the Company considered that no provision for impairment loss is necessary at the balance sheet date. Except for the above, the Group has no other significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

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

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

(c) Capital risk

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

The capital structure of the Group consists of debts, which include bank 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 2011							
Bank deposits	1.96%	1,320	146	–	–	1,466	1,462
Trade and other payables	–	(1,402)	(264)	(41)	–	(1,707)	(1,707)
Bank borrowings (variable rate)	3.54%	(3,028)	(3,315)	(2,195)	(306)	(8,844)	(8,561)
		(3,110)	(3,433)	(2,236)	(306)	(9,085)	(8,806)
Financial guarantee contracts (note)	–	(348)	(1,102)	(411)	–	(1,861)	–
At 31 December 2010							
Bank deposits	0.93%	1,462	–	–	–	1,462	1,460
Trade and other payables	–	(1,357)	(209)	(66)	–	(1,632)	(1,632)
Bank borrowings (variable rate)	3.13%	(640)	(2,452)	(3,875)	(1,581)	(8,548)	(8,199)
		(535)	(2,661)	(3,941)	(1,581)	(8,718)	(8,371)
Financial guarantee contracts (note)	–	(842)	(505)	–	(350)	(1,697)	–

Note:

At the balance sheet date, the Group has provided financial guarantees to certain parties (note 40). 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 or using prices from observable current market transactions.

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

Fair value measurements recognised in the consolidated balance sheet

At 31 December 2011 and 31 December 2010, the only financial instrument of the Group that was measured subsequent to initial recognition at fair value is available-for-sale investments, of which the fair value was derived from quoted prices (unadjusted) in active market.

7. TURNOVER AND SEGMENT INFORMATION

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

For management reporting purposes, the Group is currently organised into four operating divisions based on business nature. These divisions are the basis on which the Group reports information to its chief operating decision makers, who are the 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 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 – investment in cement operations through certain jointly controlled entities of the Group

4. Others – venture capital investment and others

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 2011

			Cement operations			
	Property HK$ million	Construction and building maintenance HK$ million	Through LSOC# HK$ million	Other cement operations HK$ million	Others HK$ million	Total HK$ million
REVENUE						
Sales of goods (note)	991	16	–	–	–	1,007
Rental income	47	–	–	–	–	47
Revenue from rendering of services	118	20	–	–	2	140
Construction contract revenue	–	4,706	–	–	–	4,706
Revenue from external customers	1,156	4,742	–	–	2	5,900
Inter-segment revenue	–	239	–	–	–	239
	1,156	4,981	–	–	2	6,139
Share of jointly controlled entities/associates' revenue	88	6	3,268	154	–	3,516
Total segment revenue	1,244	4,987	3,268	154	2	9,655
Inter-segment revenue is charged at mutually agreed prices.						
# LSOC denotes Lafarge Shui On Cement Limited, a jointly controlled entity of the Group.						
Reportable segment results	1,246	118	(53)	54	52	1,417
Segment results have been arrived at after crediting (charging):						
Depreciation and amortisation	(17)	(4)	–	–	(1)	(22)
Interest income	60	3	–	5	–	68
Imputed interest income on loans to jointly controlled entities/associates	75	–	–	–	–	75
Fair value changes on investment properties	275	–	–	–	–	275
Dividend income from available-for-sale investments	10	–	–	–	–	10
Impairment loss recognised in respect of interests in jointly controlled entities	–	–	–	(4)	–	(4)
Gain on disposal of subsidiaries	337	–	–	–	4	341
Gain on disposal of interest in a jointly controlled entity	–	–	–	44	–	44
Gain on transfer of property inventories to investment properties	292	–	–	–	–	292
Share of results (excluding impairment loss) of jointly controlled entities						
Cement operations in						
– LSOC	–	–	(49)	–	–	(49)
– Guizhou	–	–	–	7	–	7
Venture capital investments	–	–	–	–	53	53
Property development	78	–	–	–	–	78
Imputed interest expense	(54)	–	–	–	–	(54)
Others	–	(1)	–	–	–	(1)
						34
Share of impairment loss of jointly controlled entities	–	–	(12)	–	–	(12)
Share of results of associates						
Property development	74	–	–	–	–	74
Imputed interest expense	(21)	–	–	–	–	(21)
						53

Note:

Included in the Group's property segment revenue for the year ended 31 December 2011 are sales of completed properties of HK$806 million (2010: HK$977 million), which are mainly residential and commercial properties, and sales of properties under development for sale of HK$185 million (2010: HK$2,158 million).

7. TURNOVER AND SEGMENT INFORMATION (continued)

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

For the year ended 31 December 2010

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

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 2011

			Cement operations			
	Property HK$ million	Construction and building maintenance HK$ million	Through LSOC HK$ million	Other cement operations HK$ million	Others HK$ million	Total HK$ million
Reportable segment assets	**14,428**	**2,099**	**4,075**	**722**	**1,883**	**23,207**
Reportable segment liabilities	**3,462**	**1,592**	**–**	**858**	**49**	**5,961**

At 31 December 2010

			Cement operations			
	Property HK$ million	Construction and building maintenance HK$ million	Through LSOC HK$ million	Other cement operations HK$ million	Others HK$ million	Total HK$ million
Reportable segment assets	13,169	1,654	3,947	1,463	1,695	21,928
Reportable segment liabilities	3,236	1,404	–	1,207	112	5,959

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

	Year ended 31 December	
	2011 HK$ million	2010 HK$ million
Revenue		
Reportable segment revenue	**9,655**	11,297
Elimination of inter-segment revenue	**(239)**	(267)
Elimination of share of revenue of jointly controlled entities/associates	**(3,516)**	(2,986)
Consolidated turnover	**5,900**	8,044

7. TURNOVER AND SEGMENT INFORMATION (continued)

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

	Year ended 31 December	
	2011	2010
	HK$ million	HK$ million
Profit before taxation		
Reportable segment results	**1,417**	1,444
Unallocated other income	**5**	1
Interest on bank loans and overdrafts and other borrowing costs	**(238)**	(249)
Other unallocated corporate expenses	**(104)**	(98)
Consolidated profit before taxation	**1,080**	1,098

	At 31 December	
	2011	2010
	HK$ million	HK$ million
Assets		
Reportable segment assets	**23,207**	21,928
Elimination of inter-segment receivables	**(988)**	(906)
Other unallocated assets	**12**	26
Consolidated total assets	**22,231**	21,048

	At 31 December	
	2011	2010
	HK$ million	HK$ million
Liabilities		
Reportable segment liabilities	**5,961**	5,959
Elimination of inter-segment payables	**(988)**	(906)
Unallocated liabilities		
– Bank borrowings	**6,556**	6,155
– Taxation and others	**634**	580
Consolidated total liabilities	**12,163**	11,788

7. TURNOVER AND SEGMENT INFORMATION (continued)

(d) Other segment information

At 31 December 2011

			Cement operations			
	Property HK$ million	Construction and building maintenance HK$ million	Through LSOC HK$ million	Other cement operations HK$ million	Others HK$ million	Total HK$ million
Interests in jointly controlled entities and associates	**669**	**(25)**	**4,060**	**91**	**262**	**5,057**
Capital expenditure	**358**	**4**	**–**	**–**	**–**	**362**
Tax charges	**113**	**25**	**–**	**7**	**–**	**145**

At 31 December 2010

			Cement operations			
	Property HK$ million	Construction and building maintenance HK$ million	Through LSOC HK$ million	Other cement operations HK$ million	Others HK$ million	Total HK$ million
Interests in jointly controlled entities and associates	568	(22)	3,934	136	241	4,857
Capital expenditure	151	5	–	–	–	156
Tax charges	164	15	–	1	–	180

(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**	
	2011 HK$ million	2010 HK$ million	**2011 HK$ million**	2010 HK$ million
Hong Kong	**3,125**	3,665	**17**	16
PRC (excluding Hong Kong)	**2,775**	4,379	**3,714**	2,427
	5,900	8,044	**3,731**	2,443

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

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

7. TURNOVER AND SEGMENT INFORMATION (continued)

(f) Information about major customers

Included in external revenue arising from construction and building maintenance of HK$4,742 million (2010: HK$4,812 million) is revenue of HK$1,103 million and HK$967 million, which arose from services provided to the Group's largest and second largest customers respectively (2010: HK$1,318 million and HK$1,306 million from the Group's largest and second largest customers respectively) contributing over 10% of the total turnover of the Group.

8. OTHER INCOME

	2011 HK$ million	2010 HK$ million
Included in other income are:		
Gain on disposal of non-current assets classified as held for sale	**–**	7
Interest income	**73**	33
Imputed interest income on loans to jointly controlled entities/associates	**75**	71

9. FINANCE COSTS

	2011 HK$ million	2010 HK$ million
Interest on bank loans and overdrafts and other loans wholly repayable within 5 years	**257**	259
Other borrowing costs	**32**	38
Less: amounts capitalised	**(51)**	(48)
	238	249

10. TAXATION

	2011 HK$ million	2010 HK$ million
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	13	12
PRC Enterprise Income Tax	37	134
PRC Land Appreciation Tax	46	14
	96	160
Deferred taxation (note 33)	49	20
	145	180

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) on the estimated assessable profits for the year.

PRC Enterprise Income Tax is calculated at 25% (2010: 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 profit before taxation per the consolidated income statement as follows:

	2011 HK$ million	2010 HK$ million
Profit before taxation	1,080	1,098
Tax at Hong Kong Profits Tax rate of 16.5% (2010: 16.5%)	178	181
Effect of share of results of jointly controlled entities	(4)	(7)
Effect of share of results of associates	(9)	(3)
Effect of different tax rates on operations in other jurisdictions	33	74
PRC Land Appreciation Tax	46	14
Tax effect of PRC Land Appreciation Tax	(8)	(2)
Tax effect of expenses not deductible for tax purposes	65	56
Tax effect of income not taxable for tax purposes	(121)	(146)
Tax effect of tax losses not recognised	18	22
Tax effect of utilisation of tax losses previously not recognised	(2)	(9)
Underprovision of current taxation in prior year	7	–
Overprovision of deferred taxation in prior year	(56)	–
Others	(2)	–
Tax charge for the year	145	180

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Directors

The emoluments paid or payable to each of the ten (2010: twelve) Directors were as follows:

Name of Directors	Notes	Fees HK$'000	Salaries and other benefits HK$'000	Bonuses* HK$'000	Retirement benefit scheme contributions HK$'000	Share-based payments HK$'000	2011 Total HK$'000	2010 Total HK$'000
Mr. Lo Hong Sui, Vincent		10	–	–	–	–	10	10
Mr. Choi Yuk Keung, Lawrence		10	3,682	2,368	223	4,006	10,289	9,417
Mr. Wong Kun To, Philip		10	4,631	5,157	207	4,213	14,218	10,645
Mr. Wong Fook Lam, Raymond		10	3,429	2,439	206	2,680	8,764	6,800
Mr. Wong Yuet Leung, Frankie	(a)	133	1,899	2,180	8	3,223	7,443	15,505
Mr. Gerrit Jan de Nys	(b)	410	–	–	–	–	410	386
Ms. Li Hoi Lun, Helen	(b)	415	–	–	–	–	415	399
Mr. David Gordon Eldon	(b)	410	–	–	–	–	410	345
Mr. Chan Kay Cheung	(b)	505	–	–	–	–	505	412
Mr. Tsang Kwok Tai, Moses	(b)	380	–	–	–	–	380	327
Professor Michael Enright	(c)	–	–	–	–	–	–	143
Mr. Anthony Griffiths	(d)	–	–	–	–	–	–	180
Total		2,293	13,641	12,144	644	14,122	42,844	44,569
2010		2,242	14,677	11,845	468	15,337	44,569	

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

Notes:

(a) Mr. Wong Yuet Leung, Frankie retired as the Vice Chairman & Executive Director with effect from 1 September 2011 and appointed as a Non-executive Director with effect from the same date.

(b) Independent Non-executive Directors.

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

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

Of the five highest paid individuals in the Group, four (2010: four) are Directors of the Company whose emoluments are set out above. The emoluments of the remaining one (2010: one) highest paid employee were as follows:

	2011 HK$ million	2010 HK$ million
Salaries, bonuses and allowances	6	6
Retirement benefits scheme contributions	–	–
Share-based payments	1	1
	7	7

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

The emoluments were within the following band:

	2011 No. of employees	2010 No. of employees
HK$6,500,001 to HK$7,000,000	1	1

12. PROFIT FOR THE YEAR

	2011 HK$ million	2010 HK$ million
Profit for the year has been arrived at after charging (crediting):		
Depreciation and amortisation:		
Prepaid lease payments	1	1
Property, plant and equipment	24	25
Less: amounts capitalised	(2)	(2)
	23	24
Auditors' remuneration	5	5
Operating lease payments in respect of rented premises	22	26
Cost of properties sold	758	2,622
Impairment loss in respect of interests in jointly controlled entities	4	29
Staff costs (including directors' emoluments):		
Salaries, bonuses and allowances	546	474
Retirement benefits cost	10	10
Share-based payment expense	39	34
Less: amounts capitalised	(20)	(14)
	575	504
Gross rental revenue from investment properties	(57)	(45)
Less: direct rental outgoings	22	17
Net rental income	(35)	(28)
Share of tax of jointly controlled entities (included in share of results of jointly controlled entities)	48	30
Share of tax of associates (included in share of results of associates)	20	17

13. DIVIDENDS

	2011 HK$ million	2010 HK$ million
Dividends recognised as distribution during the year:		
Final dividend in respect of the year ended 31 December 2010:		
HK$0.40 per share (2010: in respect of 2009 of HK$0.25 per share)	196	122
Interim dividend in respect of the year ended 31 December 2011:		
HK$0.25 per share (2010: in respect of 2010 of HK$0.20 per share)	122	98
	318	220
Proposed:		
Final dividend in respect of the year ended 31 December 2011:		
HK$0.40 per share (2010: in respect of 2010 of HK$0.40 per share)	196	196

The final dividend in respect of the year ended 31 December 2011 of HK$0.40 per share has been proposed by the Directors and is subject to approval by the shareholders of the Company at the forthcoming annual general meeting.

14. EARNINGS PER SHARE

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

	2011 HK$ million	2010 HK$ million
Earnings:		
Earnings for the purpose of basic and diluted earnings per share	910	903
Number of shares:	Million	Million
Weighted average number of ordinary shares for the purpose of basic earnings per share	489	489
Effect of dilutive potential ordinary shares:		
Share options	1	1
Weighted average number of ordinary shares for the purpose of diluted earnings per share	490	490
Earnings per share:	HK$	HK$
Basic	1.86	1.85
Diluted	1.86	1.84

14. EARNINGS PER SHARE (continued)

The computation of the diluted earnings per share for the current and prior years does 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 the year when those options were outstanding.

15. INVESTMENT PROPERTIES

	Completed investment properties HK$ million	Investment properties under construction HK$ million	Total HK$ million
FAIR VALUE			
At 1 January 2010	–	622	622
Exchange adjustments	52	20	72
Additions	1	98	99
Acquisition of subsidiaries (note 37(b))	1,095	–	1,095
Increase in fair value recognised	346	76	422
At 31 December 2010	1,494	816	2,310
Exchange adjustments	**78**	**16**	**94**
Additions	**26**	**321**	**347**
Acquisition of subsidiaries (note 37(a))	**–**	**230**	**230**
Disposal of a subsidiary (note 39)	**–**	**(364)**	**(364)**
Transfer from properties held for sale	**717**	**–**	**717**
Increase in fair value recognised	**129**	**146**	**275**
At 31 December 2011	**2,444**	**1,165**	**3,609**

15. INVESTMENT PROPERTIES (continued)

The investment properties are situated in the PRC and are held under medium-term or long lease.

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 2011 and 31 December 2010 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 using the method 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.

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.

During the year ended 31 December 2011, the Group has transferred certain properties inventories with carrying amount of RMB344 million (HK$425 million) to investment properties at fair value of RMB581 million (HK$717 million) upon change in use, which was evidenced by completion of development of the properties and commencement of operating leases. A gain on transfer of properties held for sale to investment properties amounted to HK$292 million has been recognised in the consolidated income statement for the year ended 31 December 2011.

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 2010	4	18	49	27	70	168
Additions	–	36	2	3	16	57
Disposals	–	–	–	(3)	(3)	(6)
Exchange adjustments	–	1	–	–	1	2
At 31 December 2010	4	55	51	27	84	221
Additions	**–**	**1**	**–**	**6**	**11**	**18**
Disposals	**–**	**(8)**	**(2)**	**(4)**	**(1)**	**(15)**
Exchange adjustments	**–**	**2**	**–**	**1**	**2**	**5**
At 31 December 2011	**4**	**50**	**49**	**30**	**96**	**229**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2010	1	3	47	15	43	109
Charge for the year	–	5	1	4	15	25
Eliminated on disposals	–	–	–	(2)	–	(2)
At 31 December 2010	1	8	48	17	58	132
Charge for the year	**1**	**8**	**–**	**4**	**11**	**24**
Eliminated on disposals	**–**	**–**	**(2)**	**(2)**	**(1)**	**(5)**
Exchange adjustments	**–**	**–**	**–**	**–**	**1**	**1**
At 31 December 2011	**2**	**16**	**46**	**19**	**69**	**152**
CARRYING VALUES						
At 31 December 2011	**2**	**34**	**3**	**11**	**27**	**77**
At 31 December 2010	3	47	3	10	26	89

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

	2011 HK$ million	2010 HK$ million
Leasehold land under medium-term lease:		
In Hong Kong	3	3
In other regions of the PRC	42	41
	45	44
Analysed for reporting purposes as:		
Non-current	44	43
Current	1	1
	45	44

Amortisation of prepaid lease payments amounting to HK$1 million (2010: HK$1 million) was charged to the consolidated income statement.

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2011 HK$ million	2010 HK$ million
Cost of unlisted investments in jointly controlled entities, net of impairment	3,773	3,749
Share of post-acquisition profits and other comprehensive income	877	766
Less: Assets held for sale (note 28)	(88)	(83)
	4,562	4,432

Note:

Goodwill of HK$136 million (2010: HK$136 million) is included in the cost of unlisted investments in jointly controlled entities. The goodwill arose from the contributions to a jointly controlled entity, Lafarge Shui On Cement Limited ("LSOC").

During the year ended 31 December 2011, the Group disposed of a jointly controlled entity with the carrying amount of HK$90 million at a consideration of approximately HK$114 million.

Particulars of the principal jointly controlled entities are set out in note 43.

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

The summarised financial information in respect of the assets, liabilities, income and expenses of jointly controlled entities (excluding those held for sale in note 28) at and for each of the years ended 31 December 2011 and 31 December 2010 attributable to the Group's interest is as follows:

	2011 **HK$ million**	2010 HK$ million
Current assets	**6,382**	6,008
Non-current assets	**9,749**	8,585
Current liabilities	**(7,166)**	(5,817)
Non-current liabilities	**(3,833)**	(3,697)
Non-controlling interests	**(1,096)**	(901)
Income	**3,922**	4,364
Expenses	**(3,900)**	(4,319)

The summary of aggregate financial information of the Group's significant jointly controlled entities, including LSOC, engaged in the manufacture and sale of cement, based on the financial statements prepared under the HKFRSs for the years ended 31 December 2011 and 31 December 2010, is as follows:

	2011 **HK$ million**	2010 HK$ million
Results for the year ended 31 December		
Turnover	**7,573**	8,563
(Loss) profit before taxation	**(20)**	151
(Loss) profit before taxation attributable to the Group	**(9)**	55

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

	2011 HK$ million	2010 HK$ million
Financial position at 31 December		
Non-current assets	19,598	18,547
Current assets	8,093	6,278
Current liabilities	(12,689)	(11,063)
Non-current liabilities	(4,034)	(2,760)
Non-controlling interests	(2,374)	(1,928)
Net assets	8,594	9,074
Net assets attributable to the Group	4,239	4,153
Reclassified as assets held for sale (note 28)	(88)	(83)
	4,151	4,070

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

	2011 HK$ million	2010 HK$ million
Unrecognised share of losses of the jointly controlled entity for the year ended 31 December	(3)	(6)
Accumulated unrecognised share of losses of the jointly controlled entity	(42)	(39)

19. AVAILABLE-FOR-SALE INVESTMENTS

	2011 HK$ million	2010 HK$ million
Available-for-sale investments comprise:		
Listed equity securities in Hong Kong (at market price)	324	514

Available-for-sale investments at 31 December 2011 and 31 December 2010 represent the Group's 2.6% equity interest in Shui On Land Limited ("SOL").

In June 2010, the Group disposed of 316.8 million SOL shares for an aggregate amount of cash consideration of HK$1,080 million, representing approximately then 6.3% equity interest in SOL, to a wholly-owned subsidiary of Shui On Company Limited ("SOCL"), a substantial shareholder of the Company that has significant influence over the Group and SOL. As a result, the Group recognised a net gain on disposal of HK$373 million in the consolidated income statement for the year ended 31 December 2010.

20. INTERESTS IN ASSOCIATES

	2011 HK$ million	2010 HK$ million
Cost of unlisted investments in associates	**131**	131
Share of post-acquisition profits and other comprehensive income	**364**	294
	495	425

Particulars of the principal associates are set out in note 44.

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

	2011 HK$ million	2010 HK$ million
Results for the year ended 31 December		
Turnover	**401**	–
Profit for the year	**264**	147
Profit for the year attributable to the Group	**53**	16

	2011 HK$ million	2010 HK$ million
Financial position at 31 December		
Total assets	**13,627**	10,231
Total liabilities	**(10,999)**	(8,034)
Non-controlling interests	**(997)**	(894)
Net assets	**1,631**	1,303
Net assets attributable to the Group	**495**	425

21. AMOUNTS DUE FROM/TO JOINTLY CONTROLLED ENTITIES

	2011 HK$ million	2010 HK$ million
Amounts due from jointly controlled entities		
Non-current (note a)	**1,162**	1,624
Current (note b)	**995**	459
	2,157	2,083
Amounts due to jointly controlled entities (note c)	**45**	15

Notes:

(a) The balances are unsecured and repayable on demand, but not expected to be recovered in the next twelve months from the balance sheet date. Out of the total balance, a total of HK$1,107 million (2010: HK$537 million) bear interest from 3.73% to 13.18% (2010: 3.73%) per annum and the rest is carried at amortised cost using the effective interest rate of 2.9% to 4.8% (2010: 2.9% to 4.8%) per annum.

(b) The balances are unsecured and repayable on demand. Out of the total balance, a total of HK$3 million (2010: HK$14 million) bear interest from 0.11% to 2.31% (2010: 0.08% to 5.56%) per annum. The remaining balance is interest-free. In the opinion of the Directors of the Company, the balances will be recoverable in the twelve months from the balance sheet date.

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

22. AMOUNTS DUE FROM ASSOCIATES

	2011 HK$ million	2010 HK$ million
Amounts due from associates		
Non-current (note a)	**828**	683
Current (note b)	**313**	68
	1,141	751

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 (2010: 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% (2010: 4.8%) per annum.

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

23. INVENTORIES AND CONTRACTS IN PROGRESS

	2011 HK$ million	2010 HK$ million
Inventories		
Work-in-progress	3	3
Finished goods	2	2
Raw materials	15	–
Spare parts	1	2
	21	7

	2011 HK$ million	2010 HK$ million
Contracts in progress		
Costs incurred to date	11,940	9,557
Recognised profits less recognised losses	339	224
	12,279	9,781
Less: Progress billings	(12,142)	(9,589)
Net contract work	137	192
Represented by:		
Amounts due from customers for contract work	323	346
Amounts due to customers for contract work	(186)	(154)
	137	192

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:

	2011 HK$ million	2010 HK$ million
Properties held for sale		
In Hong Kong	24	47
In other regions of the PRC	404	671
	428	718
Properties under development for sale		
In other regions of the PRC (note)	3,641	3,267

Note:
Properties under development for sale of HK$1,332 million at 31 December 2011 (2010: HK$1,369 million) represent the carrying value of the properties expected to be completed and available for sale after one year from the balance sheet date.

25. OTHER CURRENT ASSETS

Debtors, deposits and prepayments

	2011 HK$ million	2010 HK$ million
Trade debtors	860	1,167
Less: Allowance for doubtful debts	(1)	(1)
	859	1,166
Less: amounts classified as amounts due from jointly controlled entities, associates and related companies	(240)	(47)
Retention receivable	160	152
Consideration receivables in respect of disposal of a subsidiary/jointly controlled entity	90	–
Deposit for acquisition of property projects	51	–
Prepayments, deposits and other receivables (note b)	637	459
	1,557	1,730

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$314 million (2010: HK$235 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$148 million carries interest at prevailing market rates. In December 2011, a court in the PRC issued a notice to attach the aforesaid property interest for two years until December 2013 to cause the Debtor to settle part of the outstanding receivable in the amount of RMB120 million (approximately HK$148 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 40(e)). In the opinion of the Directors of the Company, these receivables will be fully settled and the loan guaranteed by the Group will be released after the completion of the transfer of the legal title to the aforesaid property interest to the Debtor, 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 invoice date) net of allowance for doubtful debts at the balance sheet date:

	2011 HK$ million	2010 HK$ million
Trade debtors aged analysis:		
Not yet due or within 90 days	753	1,144
Amounts past due but not impaired:		
91 days to 180 days	85	6
181 days to 360 days	6	6
Over 360 days	15	10
	106	22
	859	1,166
Retention receivable is analysed as follows:		
Due within one year	94	103
Due after one year	66	49
	160	152

25. OTHER CURRENT ASSETS (continued)

Debtors, deposits and prepayments (continued)

Movement in the allowance for doubtful debts

	2011 HK$ million	2010 HK$ million
Balance at beginning/end of the year	**1**	1

Bank balances, deposits and cash

Bank balances, deposits and cash comprise cash held by the Group and deposits with maturity of three months or less held with banks not restricted as to use. Bank balances carry interest at market rates, which range from 0.01% to 3.10% (2010: 0.01% to 1.91%) per annum.

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

	2011 HK$ million	2010 HK$ million
Amounts due from related companies	**241**	49
Amounts due to non-controlling shareholders of subsidiaries	**11**	3

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 2011 represent custody deposits amounting to RMB888 million (HK$1,095 million) (2010: RMB455 million (HK$535 million)) placed with banks in relation to certain banking facility arrangements of the Group. The balances carry interest at market rates, which range from 0.50% to 3.10% (2010: 0.36% to 1.91%) per annum.

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

The Group has committed to disposing of certain jointly controlled entities and a subsidiary, relating to the cement operation not operated by LSOC. The assets and liabilities attributable to these companies have been treated as assets classified as held for sale and liabilities associated with assets classified as held for sale, and are presented separately in the consolidated balance sheet.

	2011 HK$ million	2010 HK$ million
Jointly controlled entities classified as held for sale (note b), comprising		
Interests in jointly controlled entities	**88**	83
Amounts due from jointly controlled entities	**4**	87
	92	170
A subsidiary classified as held for sale (note a)		
Property, plant and equipment	**–**	479
Inventories	**–**	38
Debtors, deposits and prepayments	**–**	80
Bank balances, deposits and cash	**–**	12
	–	609
Total assets classified as held for sale	**92**	779
A subsidiary classified as held for sale (note a)		
Amounts due to jointly controlled entities	**–**	(130)
Creditors and accrued charges	**–**	(61)
Bank borrowings	**–**	(212)
Liabilities associated with assets classified as held for sale	**–**	(403)

Notes:

(a) In July 2011, the Group entered into an agreement with an independent third party to sell the Group's equity interest in and the related shareholder's loan to this subsidiary. The transaction was completed in November 2011 and the net cash inflow arising from the transaction was approximately HK$284 million. Details of this transaction are set out in note 39(b).

(b) The Group is committed to a plan to sell the Group's equity interest in and the related shareholder's loans to certain jointly controlled entities (the "Disposal Group"), which are engaged in the production and sale of cement and concrete in Guizhou and has initiated a programme to actively locate suitable buyers for it and complete the plan. The Directors of the Company consider that the carrying amount of the Group's investment in these jointly controlled entities will be recovered principally through a sale transaction at market price and the sale is expected to be completed within twelve months from the date of classification. Accordingly, the assets and liabilities attributable to the Disposal Group are classified as held for sale at 31 December 2011.

29. CREDITORS AND ACCRUED CHARGES

The aged analysis of creditors (based on invoice date) of HK$682 million (2010: HK$590 million), which are included in the Group's creditors and accrued charges, is as follows:

	2011 HK$ million	2010 HK$ million
Trade creditors aged analysis:		
Not yet due or within 30 days	550	382
31 days to 90 days	55	169
91 days to 180 days	14	26
Over 180 days	63	13
	682	590
Retention payable	305	275
Consideration payable in respect of acquisition of interest in a jointly controlled entity	–	349
Consideration payable in respect of acquisition of a subsidiary (note b)	335	–
Provision for contract work	260	378
Other accruals and payables	423	436
	2,005	2,028
Less: amount due for settlement after 12 months (note b)	(202)	–
	1,803	2,028

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 amount represents the outstanding consideration in respect of the acquisition of the remaining 20% equity interest in a jointly controlled entity, details of which are set out in note 37(a). Out of the total outstanding consideration, a total of HK$133 million will be settled within 1 year and the remaining balance will be settled in 2 to 3 years, from the balance sheet date.

30. BANK BORROWINGS

	2011 HK$ million	2010 HK$ million
Secured bank loans	3,720	3,259
Unsecured bank loans	4,841	4,940
	8,561	8,199
Less: Amounts due within 12 months	(6,134)	(2,864)
Amounts due for settlement after 12 months	2,427	5,335
Carrying amount repayable:		
Within one year	6,134	2,864
More than one year but not exceeding two years	2,131	3,770
More than two years but not exceeding five years	296	1,565
	8,561	8,199

30. BANK BORROWINGS (continued)

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

Denominated in	Interest rate (per annum)	2011 HK$ million	2010 HK$ million
Renminbi	2.75% to 7.90% (2010: 5.04% to 5.60%)	**1,389**	1,022
Hong Kong dollars	1.57% to 5.04% (2010: 1.59% to 3.84%)	**6,908**	6,905
United States dollars	2.65% to 3.06% (2010: 2.53% to 3.02%)	**264**	272
		8,561	8,199

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

	2011 HK$ million	2010 HK$ million
Investment properties	**3,293**	1,957
Properties held for sale	**232**	390
Properties under development for sale	**2,890**	2,322
Amounts due from jointly controlled entities	**37**	69
	6,452	4,738

Notes:

(a) Custody deposits amounting to RMB888 million (HK$1,095 million) at 31 December 2011 (2010: RMB455 million (HK$535 million)) were placed with banks in relation to certain banking facility arrangements entered into with the Group.

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

31. SHARE CAPITAL

	2011 Number of shares	2010 Number of shares	2011 HK$ million	2010 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	**489,164,786**	488,096,786	**489**	488
Exercise of share options	**365,701**	1,068,000	**1**	1
At the end of the year	**489,530,487**	489,164,786	**490**	489

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 income statement as staff cost during the year amounted to HK$11 million (2010: HK$10 million). The amount of employer's voluntary contributions to MPF schemes forfeited for the year ended 31 December 2011 and 31 December 2010 was immaterial and was used to reduce the existing level of contributions.

Defined Benefit Scheme

Contributions to the Scheme are made by the members at 5% of their salaries and by the Group at rates, which are based on recommendations made by the actuary to the Scheme. The current employer contribution rate is 7% (31 December 2010: 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 most recent actuarial valuations of the Scheme assets and the present value of the defined benefit obligation were carried out at 31 December 2011 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.

32. RETIREMENT BENEFIT PLANS (continued)

Hong Kong (continued)

Defined Benefit Scheme (continued)

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

	2011	2010
Discount rate	1.4%	2.7%
Expected rate of return on Scheme assets	7.0%	7.0%
Expected rate of salary increase	3.5% p.a.	3.0% p.a.

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

The actual return on Scheme assets for the year ended 31 December 2011 was a loss of HK$37 million (2010: gain of HK$37 million).

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

	Year ended 31 December	
	2011	2010
	HK$ million	HK$ million
Current service cost	12	12
Interest cost	10	8
Expected return on Scheme assets	(27)	(24)
Net amount credited to consolidated income statement as staff costs	(5)	(4)

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

	2011	2010
	HK$ million	HK$ million
Present value of funded obligations	(442)	(365)
Fair value of Scheme assets	352	387
Defined benefit (liabilities) assets included in the consolidated balance sheet	(90)	22

The Scheme assets do not include any shares in the Company (2010: Nil).

32. RETIREMENT BENEFIT PLANS (continued)

Hong Kong (continued)

Defined Benefit Scheme (continued)

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

	2011 HK$ million	2010 HK$ million
At the beginning of the year	365	350
Current service cost	12	12
Interest cost	10	8
Employees' contributions	6	6
Benefits paid	(12)	(12)
Actuarial loss (note)	61	1
At the end of the year	442	365

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

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

	2011 HK$ million	2010 HK$ million
At the beginning of the year	387	350
Expected return on Scheme assets	27	24
Actuarial (loss) gain (note)	(64)	13
Employers' contributions	8	6
Employees' contributions	6	6
Benefits paid	(12)	(12)
At the end of the year	352	387

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

Additional disclosure in respect of the Scheme is as follows:

	2011 HK$ million	2010 HK$ million
Experience adjustment on Scheme liabilities	(11)	(5)
Experience adjustment on Scheme assets	(64)	13

32. RETIREMENT BENEFIT PLANS (continued)

Hong Kong (continued)

Defined Benefit Scheme (continued)

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

	2011	2010
Equities	51.5%	55.6%
Hedge funds	19.7%	22.9%
Bonds and cash	28.8%	21.5%
	100%	100%

The Group expects to make a contribution of HK$9 million (2010: HK$8 million) to the Scheme during the next financial year.

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

	2011 HK$ million	2010 HK$ million
Actuarial loss on present value of funded obligations	(61)	(1)
Actuarial (loss) gain on fair value of Scheme assets	(64)	13
Net actuarial (losses) gains recognised	(125)	12
Accumulated amount of actuarial losses recognised in the actuarial gain and loss reserve	(149)	(24)

PRC

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

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

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	Other temporary differences HK$ million	Total HK$ million
At 1 January 2010	(2)	(403)	24	3	(378)
Exchange adjustments	–	(3)	1	–	(2)
Credit (charge) to consolidated income statement	1	(19)	–	(2)	(20)
At 31 December 2010	(1)	(425)	25	1	(400)
Exchange adjustments	**–**	**(5)**	**1**	**–**	**(4)**
Disposal of subsidiaries (note 39(a))	**–**	**26**	**–**	**–**	**26**
Charge to consolidated income statement	**–**	**(40)**	**(8)**	**(1)**	**(49)**
At 31 December 2011	**(1)**	**(444)**	**18**	**–**	**(427)**

Notes:

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

(b) At 31 December 2011, the Group had unused tax losses of HK$635 million (2010: HK$598 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to HK$70 million (2010: HK$100 million). No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$565 million (2010: HK$498 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses at 31 December 2011 are tax losses of approximately HK$125 million (2010: HK$156 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$518 million at 31 December 2011 (2010: HK$180 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 park spaces earned during the year ended 31 December 2011 was HK$55 million (2010: HK$45 million).

34. LEASE ARRANGEMENTS (continued)

As lessor (continued)

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

	2011 HK$ million	2010 HK$ million
Within one year	35	18
In the second to fifth years inclusive	20	–
	55	18

As lessee

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

	2011 HK$ million	2010 HK$ million
Within one year	21	12
In the second to fifth years inclusive	14	4
	35	16

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 2011, the Group's capital commitment in respect of investment properties is as follows:

	2011 HK$ million	2010 HK$ million
Authorised but not contracted for	601	357
Contracted but not provided for	19	216

(b) In addition, the Group had other capital commitments in respect of certain investments contracted but not provided for in the financial statements amounting to approximately HK$11 million at 31 December 2011 (2010: HK$9 million).

35. CAPITAL COMMITMENTS (continued)

(c) At 31 December 2011, the Group's share of the capital commitments of its jointly controlled entities mainly in relation to long-lived assets is as follows:

	2011 HK$ million	2010 HK$ million
Authorised but not contracted for	–	–
Contracted but not provided for	305	463

36. SHARE-BASED PAYMENTS

The principal terms of the share option scheme adopted by the Company on 27 August 2002 (the "Share Option Scheme"), which continues in force until the 10th anniversary of such date, are summarised below:

1. Purpose

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

(b) The 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) motivating eligible participants to utilise their performance and efficiency for the benefit of the Group; and

(ii) attracting and retaining eligible participants whose contributions are or will be beneficial to the long term growth of the Group.

2. Eligible participants

(a) The Board may at its discretion invite anyone belonging to any of the following classes of persons to take up options to subscribe for shares of the Company, subject to such conditions as the Board may think fit: any Director (whether Executive or Non-executive or Independent Non-executive), employee (whether full time or part time), officer, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any invested entity and for the purpose of the Share Option Scheme, the options may be granted to any corporation wholly owned by any person mentioned in this paragraph.

(b) The eligibility of any of the above persons for the grant of any option is determined by the Board from time to time on the basis of his contribution to the development and growth of the Group. The Company is entitled to cancel any option granted to a grantee but not exercised if such grantee fails to meet the eligibility criteria determined by the Board after an option is granted but before it is exercised.

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 exceed 30% of the shares of the Company in issue from time to time.

4. Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue. Where any further grant of options to a grantee would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares of the Company in issue, such further grant must be separately approved by the shareholders in general meeting with such grantee and his associates abstaining from voting.

5. Performance target

The 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 at least the highest of: (a) the closing price of a share as stated in the daily quotations sheet of the Stock Exchange on the date of grant; and (b) the average closing price of the shares as shown in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

8. Amount payable upon acceptance of option

HK$1.00 is payable by each eligible participant to the Company on acceptance of an offer of options, to be paid within 28 days from the date of the offer.

36. SHARE-BASED PAYMENTS (continued)

The following tables disclose details of the Company's share options held by employees (including Directors) and movements in such holdings during the year.

			Number of shares subject to options							
Date of grant	Grant	Subscription price per share HK$	At 1 January 2011	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year (Note 1)	At 31 December 2011	Period during which share options outstanding at 31 December 2011 are exercisable	Average closing reference price for exercise of options HK$ (Note 2)
1 August 2006	2	14.00	3,128,000	–	–	(3,010,000)	(118,000)	–	1 February 2007 to 31 July 2011	–
14 June 2007	4	20.96	2,654,000	–	–	(10,758)	(247,576)	2,395,666	14 December 2007 to 13 June 2012	–
14 June 2007	5	20.96	600,000	–	–	–	(194,942)	405,058	14 December 2008 to 13 June 2012	–
7 May 2008	6	19.76	3,240,000	–	–	(75,436)	(403,521)	2,761,043	7 November 2008 to 6 May 2013	–
7 May 2008	7	19.76	300,000	–	–	–	(80,704)	219,296	7 November 2009 to 6 May 2013	–
7 May 2008	8	19.76	3,000,000	–	–	(3,000,000)	–	–	7 May 2011 to 6 May 2018	–
9 April 2009	9	7.63	3,845,000	–	(365,701)	(43,174)	(441,811)	2,994,314	9 October 2009 to 8 April 2014	10.58
9 April 2009	10	7.63	3,000,000	–	–	(222,000)	–	2,778,000	9 April 2012 to 8 April 2019	–
5 June 2009	11	11.90	4,484,000	–	–	–	(578,000)	3,906,000	3 January 2010 to 2 January 2012	–
5 June 2009	12	11.90	1,270,000	–	–	–	–	1,270,000	1 July 2010 to 13 June 2012	–
5 June 2009	13	11.90	1,236,000	–	–	(244,000)	–	992,000	7 May 2011 to 6 May 2013	–
12 April 2010	14	12.22	6,540,000	–	–	(180,000)	(300,000)	6,060,000	12 October 2010 to 11 April 2015	–
12 April 2010	15	12.22	4,500,000	–	–	(584,000)	–	3,916,000	12 April 2013 to 11 April 2020	–
13 May 2011	16	10.66	–	5,150,000	–	(80,000)	–	5,070,000	13 November 2011 to 12 May 2016	–
23 June 2011	17	10.90	–	2,160,000	–	(80,000)	–	2,080,000	23 December 2011 to 22 June 2016	–
28 July 2011	18	10.00	–	51,300,000	–	–	–	51,300,000	1 May 2015 to 27 July 2021	–
			37,797,000	58,610,000	(365,701)	(7,529,368)	(2,364,554)	86,147,377		
Number of shares subject to options exercisable at the end of the year								16,684,385		

36. SHARE-BASED PAYMENTS (continued)

			Number of shares subject to options							
Date of grant	Grant	Subscription price per share HK$	At 1 January 2010	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	At 31 December 2010	Period during which share options outstanding at 31 December 2010 are exercisable	Average closing reference price for exercise of options HK$ (Note 2)
29 July 2005	1	9.30	238,000	–	(56,000)	(182,000)	–	–	29 January 2006 to 28 July 2010	11.52
1 August 2006	2	14.00	3,248,000	–	–	(120,000)	–	3,128,000	1 February 2007 to 31 July 2011	–
3 January 2007	3	16.78	2,900,000	–	–	(2,900,000)	–	–	3 January 2010 to 2 January 2017	–
14 June 2007	4	20.96	2,830,000	–	–	(176,000)	–	2,654,000	14 December 2007 to 13 June 2012	–
14 June 2007	5	20.96	600,000	–	–	–	–	600,000	14 December 2008 to 13 June 2012	–
7 May 2008	6	19.76	3,440,000	–	–	(200,000)	–	3,240,000	7 November 2008 to 6 May 2013	–
7 May 2008	7	19.76	300,000	–	–	–	–	300,000	7 November 2009 to 6 May 2013	–
7 May 2008	8	19.76	3,000,000	–	–	–	–	3,000,000	7 May 2011 to 6 May 2018	–
9 April 2009	9	7.63	4,661,000	–	(762,000)	(54,000)	–	3,845,000	9 October 2009 to 8 April 2014	10.65
9 April 2009	10	7.63	3,250,000	–	(250,000)	–	–	3,000,000	9 April 2012 to 8 April 2019	9.88
5 June 2009	11	11.90	5,752,000	–	–	(1,268,000)	–	4,484,000	3 January 2010 to 2 January 2012	–
5 June 2009	12	11.90	2,182,000	–	–	(912,000)	–	1,270,000	1 July 2010 to 13 June 2012	–
5 June 2009	13	11.90	1,236,000	–	–	–	–	1,236,000	7 May 2011 to 6 May 2013	–
12 April 2010	14	12.22	–	6,560,000	–	(20,000)	–	6,540,000	12 October 2010 to 11 April 2015	–
12 April 2010	15	12.22	–	4,500,000	–	–	–	4,500,000	12 April 2013 to 11 April 2020	–
			33,637,000	11,060,000	(1,068,000)	(5,832,000)	–	37,797,000		
Number of shares subject to options exercisable at the end of the year								16,001,000		

Notes:

(1) These share options were taken up by Shui On Company Limited ("SOCL") and cancelled on 15 June 2011 pursuant to a voluntary conditional option offer by SOCL, details of which have been set out in the composite offer document dated 9 May 2011 and various joint announcements issued by SOCL and the Company.

(2) The average closing reference price represented the average of the closing prices of the Company's shares immediately before the dates on which the share options were exercised during the year, weighted by the number of shares subject to the options exercised.

36. SHARE-BASED PAYMENTS (continued)

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

For Grants 1, 2, 4, 6, 9, 14, 16 and 17:

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 11 and 13:

Service Requirement	All options might vest on 3 January 2010 (for Grant 11) or 7 May 2011 (for Grant 13) 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 11) or 2008, 2009 and 2010 (for Grant 13). Assessment of performance at each financial year end date will be applied for that year to 1/3 of the options granted respectively.

The vesting schedule is as follows:

Performance	Vested Portion of Options
Superior	100%
Superior minus	90%
Good plus	75%
Good	60%

For Grants 3, 8 and 10:

Vesting of the options is conditional upon the performance of the Company’s shares over the period from close of trading in Hong Kong on 3 January 2007 to 2 January 2010 (for Grant 3) or 1 January 2008 to 31 December 2010 (for Grant 8) or 1 January 2009 to 31 December 2011 (for Grant 10) (“Performance Period”). Vesting will only occur if the change in the total shareholder return (“TSR”) of the Company’s shares over the relevant Performance Period is (1) positive and (2) equal to or greater than the change in the total return index (“TRI”) of the Hang Seng Index (“HSI”) over the relevant Performance Period.

36. SHARE-BASED PAYMENTS (continued)

For Grants 3, 8 and 10: (continued)

The vesting schedule is as follows:

Positive change in TSR of the Company compared to the change in the HSI TRI during the relevant Performance Period	Vested Portion of Options
Less than the change in the HSI TRI	0%
Equal to the change in the HSI TRI	30%
For each percentage point up to 35% above the change in the HSI TRI	2%
Higher than the change in the HSI TRI by 35% or above	100%

If the change in HSI TRI is negative compared to the positive change in TSR of the Company, full vesting will apply.

For Grant 12:

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 will be applied for that period to 1/6, 1/3, 1/3 and 1/6 of the options granted respectively.

The vesting schedule is as follows:

Performance	Vested Portion of Options
Superior	100%
Superior minus	90%
Good plus	75%
Good	60%

36. SHARE-BASED PAYMENTS (continued)

For Grants 5 and 7:

Service Requirement	Subject to the satisfaction of all the performance conditions, the options may vest in accordance with the following schedule: 40%: 18 months after the date of grant 20%: 2nd anniversary of the date of grant 20%: 3rd anniversary of the date of grant 20%: 4th anniversary of the date of grant
Performance Hurdle	The vesting of these share options is subject to the satisfactory performance of the Property Development business as a whole during the next 18 months after the date of grant as assessed by the Company's executive management.

For Grant 15:

Service Requirement	All options may vest on 12 April 2013 subject to the satisfaction of all the performance conditions.
Performance Hurdle	All options may vest on vesting date depending on the Group's performance during the three years from 1 January 2010 to 31 December 2012 according to the performance measures comprising a range of specific performance criteria/targets that the grantees are required to achieve in the said 3-year performance period for creating shareholder value, which include return on equity, free cash flow and risk management, achievement of strategic goals, financial and operational performance targets.

The vesting schedule is as follows:

Performance	Vested Portion of Options
Superior	100%
Superior minus	90%
Good plus (more or less achieving all targets)	75%
Good	60%
Good minus and below	0–35%

Intermediate vesting percentages may be determined at the discretion of the Board.

36. SHARE-BASED PAYMENTS (continued)

For Grant 18:

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 the three and a half 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%

36. SHARE-BASED PAYMENTS (continued)

The fair values of services received in return for share options granted is measured by reference to the fair value of share options granted. Except for Grants 3, 8 and 10, which adopt the Monte Carlo model, the estimate of the fair value of the share options granted is measured based on the Binomial model. The inputs into the models were as follows:

	Grant 1	Grant 2	Grant 3	Grant 4	Grant 5	Grant 6	Grant 7	Grant 8	Grant 9	Grant 10
Date of grant	29 July 2005	1 August 2006	3 January 2007	14 June 2007	14 June 2007	7 May 2008	7 May 2008	7 May 2008	9 April 2009	9 April 2009
Average fair value	HK$2.27	HK$3.83	HK$3.46	HK$5.72	HK$5.78	HK$5.06	HK$5.09	HK$3.03	HK$2.26	HK$2.16
Share price on the date of grant	HK$9.30	HK$14.00	HK$16.50	HK$20.90	HK$20.90	HK$19.28	HK$19.28	HK$19.28	HK$7.27	HK$7.27
Exercise price	HK$9.30	HK$14.00	HK$16.78	HK$20.96	HK$20.96	HK$19.76	HK$19.76	HK$19.76	HK$7.63	HK$7.63
Expected volatility	40% p.a.	40% p.a.	40% p.a.	40% p.a.	40% p.a.	42% p.a.	42% p.a.	42% p.a.	52% p.a.	52% p.a.
Average expected life	3.81 years	4.21 years	3.48 years	4.17 years	3.48 years	4 years	4 years	4 years	5 years	5 years
Average risk-free rate	3.53% p.a.	4.40% p.a.	3.62% p.a.	4.61% p.a.	4.62% p.a.	2.35% p.a.	2.37% p.a.	2.36% p.a.	1.56% p.a.	1.91% p.a.
Expected dividend paid	5% p.a.	5% p.a.	5% p.a.	5% p.a.	5% p.a.	5% p.a.	5% p.a.	5% p.a.	5% p.a.	5% p.a.
Rate of leaving service	2% p.a.	2% p.a.	0% p.a.	3% p.a.	3% p.a.	3% p.a.	3% p.a.	n/a	3.5% p.a.	n/a
Expected volatility of HSI TRI	n/a	n/a	15% p.a.	n/a	n/a	n/a	n/a	25% p.a.	n/a	38% p.a.
Expected correlation between TSR of the Company and HSI TRI	n/a	n/a	35% p.a.	n/a	n/a	n/a	n/a	45% p.a.	n/a	58% p.a.

	Grant 11	Grant 12	Grant 13	Grant 14	Grant 15	Grant 16	Grant 17	Grant 18
Date of grant	5 June 2009	5 June 2009	5 June 2009	12 April 2010	12 April 2010	**13 May 2011**	**23 June 2011**	**28 July 2011**
Average fair value	HK$3.21	HK$3.42	HK$3.80	HK$4.33	HK$4.73	**HK$3.66**	**HK$3.72**	**HK$3.71**
Share price on the date of grant	HK$11.78	HK$11.78	HK$11.78	HK$12.22	HK$12.22	**HK$10.66**	**HK$10.90**	**HK$10.00**
Exercise price	HK$11.90	HK$11.90	HK$11.90	HK$12.22	HK$12.22	**HK$10.66**	**HK$10.90**	**HK$10.00**
Expected volatility	55% p.a.	55% p.a.	55% p.a.	55% p.a.	48% p.a.	**53% p.a.**	**53% p.a.**	**47% p.a.**
Average expected life	2.1 years	2.6 years	3.5 years	5 years	10 years	**5 years**	**5 years**	**8 years**
Average risk-free rate	1.10% p.a.	1.10% p.a.	1.10% p.a.	1.70% p.a.	2.64% p.a.	**1.34% p.a.**	**1.04% p.a.**	**1.99% p.a.**
Expected dividend paid	5% p.a.	5% p.a.	5% p.a.	4% p.a.	4% p.a.	**4% p.a.**	**4% p.a.**	**4% p.a.**
Rate of leaving service	3% p.a.	3% p.a.	3% p.a.	3% p.a.	0% p.a.	**3% p.a.**	**3% p.a.**	**3% p.a.**

For grants in 2011, the expected volatility was determined by using the average historical volatility of the Company's share price over last 4 years and 8 years before the grant date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

Total consideration received during the year from employees, including the Directors of the Company, for taking up the options granted was HK$149 (2010: HK$115).

The Group recognised a total expense of HK$39 million for the year ended 31 December 2011 (2010: HK$34 million) in relation to share options granted by the Company.

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

(a) In December 2011, the Group acquired the remaining 20% equity interest in Broad Wise Limited, a 80% jointly controlled entity of the Group. Following completion of the acquisition, Broad Wise Limited has become a wholly-owned subsidiary of the Group. This transaction was reflected as a purchase of assets and liabilities.

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

	HK$ million
Investment property under construction	**230**
Property, plant and equipment	**1**
Property under development for sale	**1,318**
Bank balances, deposits and cash	**42**
Creditors and accrued charges	**(52)**
Bank borrowings	**(74)**
Shareholders' loans	**(843)**
Amount due to related companies	**(159)**
Net assets of the subsidiary acquired	**463**
Transferred from interests in jointly controlled entities	**(128)**
Consideration, which was outstanding at 31 December 2011	**335**
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	**42**

(b) In January 2010, the Group acquired the entire issued share capital of Dignitary Limited, which indirectly owns an investment property known as Tower 18 of the Lakeville Regency, located at the Luwan District of Shanghai. The assets acquired and liabilities assumed did not constitute a business as defined under HKFRS 3 Business Combinations and therefore, the acquisition was accounted for as assets acquisition.

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

	HK$ million
Investment property	1,095
Property, plant and equipment	3
Debtors, deposits and prepayments	2
Bank balances, deposits and cash	28
Creditors and accrued charges	(11)
Bank borrowings	(587)
Amount due to a related company	(134)
Net assets of the subsidiary acquired	396
Total consideration satisfied by:	
Cash consideration paid	363
Costs incurred in connection with the acquisition	33
	396
Net cash outflow arising on acquisition:	
Cash consideration paid	(363)
Costs incurred in connection with the acquisition	(33)
Cash and cash equivalents acquired	28
	(368)

38. DISPOSAL OF PROPERTY INVENTORIES THROUGH DISPOSAL OF SUBSIDIARIES

(a) During the year ended 31 December 2011, the Group disposed of a property under development for sale in Chongqing through the disposal of the entire equity interests in a wholly-owned subsidiary, which owned the property. The transaction has been accounted for as a sale of property inventories in the ordinary course of the Group's property business.

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

	HK$ million
Properties under development for sale	171
Net assets disposed of	171
Gain on disposal	14
	185
Total consideration satisfied by/net cash inflow arising on disposal:	
Cash consideration received	185

(b) During the year ended 31 December 2010, the Group disposed of a property held for sale in Chengdu through the disposal of the equity interests in certain wholly-owned subsidiaries, which owned the property. The transaction had been accounted for as a sale of property inventory in the ordinary course of the Group's property business.

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

	HK$ million
Property, plant and equipment	1
Property held for sale	504
Debtors, deposits and prepayments	3
Bank balances, deposits and cash	53
Creditors and accrued charges	(8)
Bank borrowings	(183)
Net assets disposed of	370
Gain on disposal	29
Costs incurred in connection with the disposal	18
	417
Total consideration satisfied by:	
Cash consideration received	417
Net cash inflow arising on disposal:	
Cash consideration received	417
Costs incurred in connection with the disposal	(18)
Cash and cash equivalents disposed of	(53)
	346

38. DISPOSAL OF PROPERTY INVENTORIES THROUGH DISPOSAL OF SUBSIDIARIES (continued)

(c) During the year ended 31 December 2010, the Group disposed of a property under development for sale in Beijing through the disposal of the entire equity interests in a wholly-owned subsidiary, which owned the property. The transaction had been accounted for as a sale of property inventory in the ordinary course of the Group's property business.

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

	HK$ million
Property under development for sale	874
Net assets disposed of	874
Gain on disposal	172
Costs incurred in connection with the disposal	37
	1,083
Total consideration satisfied by:	
Cash consideration received	1,083
Net cash inflow arising on disposal:	
Cash consideration received	1,083
Costs incurred in connection with the disposal	(37)
	1,046

(d) During the year ended 31 December 2010, the Group disposed of two properties under development for sale in Chongqing through the disposal of the entire equity interests in two wholly-owned subsidiaries, which owned the properties respectively. The transactions had been accounted for as a sale of property inventories in the ordinary course of the Group's property business.

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

	HK$ million
Properties under development for sale	278
Net assets disposed of	278
Gain on disposal	19
Costs incurred in connection with the disposal	4
Exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss upon disposal of the subsidiary	(14)
	287
Total consideration satisfied by:	
Cash consideration received	287
Net cash inflow arising on disposal:	
Cash consideration received	287
Costs incurred in connection with the disposal	(4)
	283

39. DISPOSAL OF SUBSIDIARIES

(a) In June 2011, the Group entered into an agreement with an independent third party (the "JV partner") to dispose of 49% of the issued share capital of and assign 49% of the shareholder's loans made to a subsidiary, which indirectly owns a property development project in Chengdu, at an aggregate consideration of approximately RMB440 million (equivalent to approximately HK$527 million). Following completion of the disposal in June 2011 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 major strategic financial and operating decisions require unanimous consent of the Group and the JV partner. As a result, the subsidiary has become a 51% jointly controlled entity of the Group. The assets and liabilities of the subsidiary were deconsolidated from the Group's consolidated balance sheet and the interest in this jointly controlled entity has been accounted for using equity method. The fair value of the 51% retained interest in the jointly controlled entity at the date on which the control was lost, which was based on the consideration for this disposal, was regarded as the cost on initial recognition of the investment in the jointly controlled entity. A gain of HK$180 million, net of transaction costs, on disposal of the 49% interest, and a fair value gain of HK$157 million on the 51% retained interest, have been recognised in the consolidated income statement for the year ended 31 December 2011. Details of this transaction are set out in an announcement of the Company dated 17 June 2011.

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

	HK$ million
Investment property	364
Property under development for sale	773
Debtors, deposits and prepayments	3
Bank balances, deposits and cash	30
Creditors and other payables	(201)
Bank borrowings	(227)
Deferred tax liabilities	(78)
Net assets disposed of	664
Cash consideration received	527
Net assets disposed of	(664)
Fair value of 51% retained interest in jointly controlled entity	209
Amounts due from this jointly controlled entity	341
Deferred tax recognised	(52)
Cumulative exchange differences and other reserve reclassified to profit or loss	2
Transaction costs incurred in connection with the disposal	(26)
Gain in connection with the disposal	337
Net cash inflow arising on disposal:	
Cash consideration received	527
Cash and cash equivalents disposed of	(30)
Transaction costs paid in connection with the disposal	(8)
	489

39. DISPOSAL OF SUBSIDIARIES (continued)

(b) In July 2011, the Group entered into an agreement with an independent third party to sell the Group's equity interest in and the related shareholder's loan to a subsidiary, which was classified as held for sale at 31 December 2010. Details of this transaction are set out in an announcement of the Company dated 12 July 2011.

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

	HK$ million
Assets classified as held for sale	
Bank balances, deposits and cash	14
Other assets	645
Liabilities associated with assets classified as held for sale	(467)
Net assets disposed of	192
Transaction costs incurred in connection with the disposal	1
Cumulative exchange differences reclassified to profit or loss	(12)
	181
Settlement of debts and loans due to the Group	293
Aggregate consideration	474
Net cash inflow arising on disposal:	
Cash consideration received	299
Cash and cash equivalents disposed of	(14)
Transaction costs incurred in connection with the disposal	(1)
	284

(c) In December 2011, 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$36 million.

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

	HK$ million
Debtors, deposits and prepayments	31
Inventories	1
Net assets disposed of	32
Gain on disposal	4
	36
Total consideration satisfied by:	
Cash consideration received	13
Consideration receivable	23
	36
Net cash inflow arising on disposal:	
Cash consideration received	13

40. CONTINGENT LIABILITIES

At 31 December 2011, the Group had the following contingent liabilities, which have not been provided for in the consolidated financial statements:

(a) Standby documentary credit arranged with a bank amounting to RMB117 million (HK$144 million) (2010: HK$216 million) to secure a bank loan granted to a subsidiary of an associate.

(b) Guarantees issued in favour of banks amounting to RMB87 million (HK$107 million) (2010: RMB174 million (HK$205 million)) in respect of mortgage facilities granted by the banks to the buyers of the Group's property inventories.

(c) Effective share of guarantees issued in favour of banks amounting to HK$805 million (2010: HK$639 million) to secure bank loans granted to certain jointly controlled entities.

(d) 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$136 million) in respect of certain of the Group's payment obligations to the Joint Venture and the Joint Venture Partner.

(e) 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, whereby the New Lender agreed not to demand fulfilment of the Company's obligations under the Guarantee initially for one year, subject to extension after further discussions. The outstanding principal amount of the loan under the Guarantee amounting to RMB542 million (HK$669 million) at 31 December 2011 (2010: RMB542 million (HK$637 million)) is secured by a property interest in the PRC. 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 balance sheet.

41. 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	2011 HK$ million	2010 HK$ million
SOCL and its subsidiaries		
Income recognised:		
Management and information system services	1	1
Construction work	6	–
Cost and expenses recognised:		
Rental expenses	4	6
SOCL's associates		
Income recognised:		
Dividend income	10	60
Construction work	902	565
Cost and expenses recognised:		
Interest expense	–	8

The outstanding balances with SOCL Private Group at the balance sheet date are disclosed in note 26.

(b) During the year, the Group had the following transactions with jointly controlled entities.

Nature of transactions	2011 HK$ million	2010 HK$ million
Income recognised:		
Interest income	107	1
Imputed interest income	54	51
Management fee	108	56
Construction/subcontracting work	46	–
Sales of goods	16	–
Cost and expenses recognised:		
Construction/subcontracting work	9	7
Interest expense	–	1

The outstanding balances with jointly controlled entities at the balance sheet date are disclosed in note 21.

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

Nature of transactions	2011 HK$ million	2010 HK$ million
Income recognised:		
Interest income	12	12
Imputed interest income	21	20
Management fee	31	16
Construction/subcontracting work	85	40

The outstanding balances with associates at the balance sheet date are disclosed in note 22.

41. 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 acquired car parking spaces situated in an investment property of the Group from a wholly-owned subsidiary of SOL at a consideration of RMB19 million (HK$23 million).

(f) In connection with the acquisition of an investment property in January 2010, the Group assumed from the seller an amount due to a wholly-owned subsidiary of SOL of approximately US$17.2 million (HK$133 million), which was unsecured and bore interest at 8% per annum. The Group incurred interest expense of approximately HK$8 million on such payable during the year ended 31 December 2010. The outstanding principal together with the accrued interest were repaid in 2010.

(g) During the year ended 31 December 2010, the Group disposed of HK$1,080 million worth of SOL shares to a wholly-owned subsidiary of SOCL.

(h) During the year ended 31 December 2011, the Group received dividend income amounting to HK$32 million (2010: HK$24 million) from certain jointly controlled entities.

(i) Disclosures of the remuneration of Directors and other members of key management during the year under HKAS 24 Related Party Disclosures, were as follows:

	2011 HK$ million	2010 HK$ million
Fees	**2**	2
Salaries and other benefits	**40**	41
Bonuses	**19**	18
Retirement benefit scheme contributions	**2**	1
Share-based payments	**19**	21
	82	83

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.

42. 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 2011 and 31 December 2010, which principally affect the results or assets of the Group. All the companies listed below were incorporated and are operating in Hong Kong except as otherwise indicated.

Subsidiaries	Issued and fully paid share capital/ registered capital	Percentage of issued share/ registered capital held by the Company		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%	Supply of metal gates
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
Panyu Dynamic Mark Steel and Aluminium Engineering Co. Ltd.**@	Registered and paid up capital of HK$4,000,000	–	64%	Steel fabrication
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
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 RMB50,000,000	–	70%	Building construction and maintenance

42. 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	
Cement operations				
Asia No.1 Material Supply Limited	100 ordinary shares of HK$100 each 1,000 non-voting deferred shares of HK$100 each	–	100%	Holding of a quarry right
Glorycrest Holdings Limited*	1 share of US$1	–	100%	Investment holding
Shui On Building Materials Limited	100 ordinary shares of HK$1 each 1,000,000 non-voting deferred shares of HK$1 each	–	100%	Investment holding
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
Middleton Investments Limited***	2 ordinary shares of US$1 each	–	100%	Investment holding
Tinsley Holdings Limited***	2 ordinary shares of US$1 each	–	100%	Investment holding
Top Bright Investments Limited***	2 ordinary shares of US$1 each	–	100%	Investment holding
Winway Holdings Limited***	2 ordinary shares of US$1 each	–	100%	Investment holding
Fortune Smooth Investments Limited*	1 share of US$1	–	100%	Investment holding
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

42. 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)				
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
Chongqing Fengde Land Limited***	Registered and paid up capital of US$35,896,300	–	100%	Investment holding
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	–	100%	Investment holding
Pacific Hill Limited	1 share of HK$1	–	100%	Investment holding
Qingdao Zhongcheng Yinchu Development Co., Ltd.***	Registered and paid up capital of HK$10,000,000	–	100%	Property development
Shenyang Hua Hui Properties Co. Ltd.***	Registered and paid up capital of US$70,000,000	–	100%	Property development
Chengdu Xianglong Real Estate Co., Ltd.***	Registered and paid up capital of RMB300,000,000	–	100%	Property development
廣州英發房地產開發有限公司*** (Guangzhou Infotach Property Development Co., Ltd.)	Registered and paid up capital 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
Park Wealth Investments Limited*	1 share of US$1	100%	–	Investment holding
Poly Edge Enterprises Limited*	1 share of US$1	100%	–	Investment holding

42. 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)				
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 Jiasheng Science & Technology Development Co., Ltd.***+	Registered capital of US$6,000,000 and paid up capital of US$1,200,000	–	100%	Software and hardware development and technical consultancy services
Dalian Jiarui Science & Technology Development Co., Ltd.***+	Registered and paid up capital 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
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
Other businesses				
Asia Materials Limited	2 ordinary shares of HK$1 each	–	100%	Trading
Rise Huge International Limited*	1 share of US$1	100%	–	Investment holding
Gold Honour Holdings Limited*	1 share of US$1	100%	–	Investment holding
Lamma Rock Products Limited	100 ordinary shares of HK$10 each 3,500,000 non-voting deferred shares of HK$10 each	–	100%	Investment holding
T H Industrial Management Limited#	2,740 ordinary shares of US$1 each	–	100%	Investment holding
Prelude Group Limited*	2,000 ordinary shares of US$1 each	–	100%	Investment holding
Chongqing Yugang Foreign Investment Consulting Limited**	Registered and paid up capital of RMB800,000	–	100%	Provision of investment consultation

* Incorporated in the British Virgin Islands
** Registered and operated in other regions of the PRC
*** Incorporated in Mauritius
\# Incorporated in the Bahamas
\## Incorporated in Macau Special Administrative Region of the PRC
\+ Wholly-foreign owned enterprise
^ Incorporated in Isle of Man
@ Equity joint venture

None of the subsidiaries had any debt securities subsisting at 31 December 2011 or at any time during the year.

Notes:

1. Wayly Holdings Limited, 貴州凱里瑞安建材有限公司 and 重慶豐德尊鼎實業有限公司, indirectly held subsidiaries of the Company, were disposed of during the year ended 31 December 2011.
2. The shareholding interest held by the Group in Broad Wise Limited and 瀋陽中匯達房地產有限公司 was increased from 80% to 100% during the year ended 31 December 2011 (note 37(a)).

43. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES

The Directors are of the opinion that a complete list of the particulars of all jointly controlled entities will be of excessive length and therefore the following list contains only the particulars of principal jointly controlled entities of the Group at 31 December 2011 and 31 December 2010. All the companies listed below were incorporated and are operating in Hong Kong except otherwise indicated.

Indirect jointly controlled entities	Issued and paid up share capital/ registered capital	Effective percentage of issued share/ registered capital held by the Group	Principal activities	Notes
Construction and building maintenance business				
Brisfull Limited	5,000,000 ordinary shares of HK$1 each	50%	Sale and installation of aluminium window products	
Super Race Limited	420,000 ordinary shares of HK$1 each	50%	Supply of sink units and cooking benches	
鶴山超合預制件有限公司**@ (Heshan Chaohe Yizhi Jian Co. Ltd.)	Registered and paid up capital of US$1,284,600	50%	Manufacture of sink units and cooking benches	1
Cement operations				
Beijing Yicheng Lafarge Concrete Co., Ltd.**@	Registered and paid up capital of RMB30,340,000	34.52%	Production and sales of concrete and concrete related products	
Sichuan Shuangma Cement Co., Ltd.**@	Registered and paid up capital of RMB615,862,000	34.92%	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 capital of 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	
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	

43. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES (continued)

Indirect jointly controlled entities	Issued and paid up share capital/ registered capital	Effective percentage of issued share/ registered capital held by the Group	Principal activities	Notes
Cement operations (continued)				
Guizhou Kaili Ken On Concrete Co., Ltd.**@	Registered and paid up capital of RMB10,000,000	75%	Supply of ready mixed concrete	1
貴州凱里瑞安水泥有限公司**@ (Guizhou Kaili Shui On Cement Co. Ltd.)	Registered and paid up capital of RMB60,000,000	90%	Manufacture and sale of cement	1
貴州六礦瑞安水泥有限公司**@ (Guizhou Liu Kuang Shui On Cement Co. Ltd.)	Registered and paid up capital of RMB233,950,000	40.16%	Manufacture and sale of cement	3
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	28.71%	Production and sales of cement and cement related products	
Nanchong T.H. Cement Co., Ltd.**+	Registered and paid up capital of RMB15,000,000	45%	Manufacture and sale of cement	3
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	36%	Production and sales of cement and cement related products	
Yunnan Shui On Construction Materials Investment Holding Co., Ltd.**@	Registered and paid up capital of RMB1,000,000,000	36%	Investment holding	
Yunnan State Assets Cement Chuxiong Co., Ltd.**	Registered and paid up capital of RMB32,600,000	36%	Production and sales of cement and cement related products	
Yunnan State Assets Cement Dongjun Co., Ltd.**	Registered and paid up capital of RMB260,000,000	36%	Production and sales of cement and cement related products	
Yunnan State Assets Cement Haikou Co., Ltd**	Registered and paid up capital of RMB54,556,806	36%	Production and sales of cement and cement related products	
Yunnan State Assets Cement Honghe Co., Ltd.**	Registered and paid up capital of RMB263,785,829	36%	Production and sales of cement and cement related products	

43. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES (continued)

Indirect jointly controlled entities	Issued and paid up share capital/ registered capital	Effective percentage of issued share/ registered capital held by the Group	Principal activities	Notes
Cement operations (continued)				
Yunnan State Assets Cement Jianchuan Co., Ltd.**	Registered and paid up capital of RMB122,483,913	36%	Production and sales of cement and cement related products	
Yunnan State Assets Cement Kunming Co., Ltd.**	Registered and paid up capital of RMB130,375,098	36%	Production and sales of cement and cement related products	
Property business				
Eagle Fit Limited*	200 shares of US$1 each	52.5%	Investment holding	2
Lead Wealthy Investments Limited	100 shares of HK$1 each	70%	Investment holding	2
Shanghai 21st Century Real Estate Co., Ltd. **+	Registered and paid up capital of US$76,000,000	70%	Property development	2
Prime Asset Investment Limited	1 ordinary share of HK$1	52.5%	Investment holding	2
北京啟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	52.5%	Property development	2
Other businesses				
The Yangtze Ventures Limited#	1,000 ordinary shares of HK$0.1 each	65.5%	Venture capital investments	2
The Yangtze Ventures II Limited#	1,000 ordinary shares of HK$0.1 each	75.4%	Venture capital investments	2
On Capital China Fund Series A#	13,923 participating shares of US$0.01 each	66.81%	Venture capital investments	2
On Capital China Fund Series B#	8,418 participating shares of US$0.01 each	61.54%	Venture capital investments	2

* Incorporated in the British Virgin Islands
** Registered and operated in other regions of the PRC
\# Incorporated in the Cayman Islands
\+ Wholly-foreign owned enterprise
@ Equity joint venture

Notes:

1. The Group is under contractual arrangements to jointly control these entities with PRC partners. Accordingly, the Directors consider they are jointly controlled entities.
2. The respective boards of directors of these entities are jointly controlled by the Group and other investors. Accordingly, the Directors consider they are jointly controlled entities.
3. The company was disposed of/deregistered during the year ended 31 December 2011.

44. 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 2011 and 31 December 2010.

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 RMB1,200,000,000	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 RMB300,000,000	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 RMB150,000,000	22%	Software park development

* Incorporated in the British Virgin Islands
** Registered and operated in other regions of the PRC
@ Equity joint venture

The end of the consolidated financial statements.

The statement below from the Company does not form part of the consolidated financial statements:

Readers of these consolidated financial statements are strongly encouraged to read the Management Discussion and Analysis 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.

1. RESULTS

	Year ended 31 December				
	2007 HK$ million	2008 HK$ million	2009 HK$ million	2010 HK$ million	**2011 HK$ million**
Turnover	2,811	2,944	3,200	8,044	**5,900**
Profit before taxation	716	584	828	1,098	**1,080**
Taxation	(12)	(15)	(16)	(180)	**(145)**
Profit for the year	704	569	812	918	**935**
Attributable to:					
Owners of the Company	702	562	807	903	**910**
Non-controlling interests	2	7	5	15	**25**
	704	569	812	918	**935**

2. ASSETS AND LIABILITIES

	At 31 December				
	2007 HK$ million	2008 HK$ million	2009 HK$ million	2010 HK$ million	**2011 HK$ million**
Total assets	13,300	11,536	18,641	21,048	**22,231**
Total liabilities	(6,005)	(6,482)	(9,593)	(11,788)	**(12,163)**
	7,295	5,054	9,048	9,260	**10,068**
Equity attributable to owners of the Company	7,242	4,999	9,003	9,204	**10,002**
Non-controlling interests	53	55	45	56	**66**
	7,295	5,054	9,048	9,260	**10,068**

BOARD

Executive Directors

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

Non-executive Director

Mr. Wong Yuet Leung, Frankie

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. Lo Hong Sui, Vincent (Chairman)
Mr. Wong Kun To, Philip
Mr. Gerrit Jan de Nys
Mr. David Gordon Eldon
Mr. Tsang Kwok Tai, Moses

FINANCE COMMITTEE

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

INVESTMENT COMMITTEE

Mr. Choi Yuk Keung, Lawrence (Chairman)
Mr. Wong Kun To, Philip
Mr. Wong Fook Lam, Raymond
Ms. Li Hoi Lun, Helen
Mr. Chan Kay Cheung

EXECUTIVE COMMITTEE

Mr. Choi Yuk Keung, Lawrence (Chairman)
Mr. Lo Hong Sui, Vincent
Mr. Wong Kun To, Philip
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

HSBC Securities Services (Bermuda) Limited
6 Front Street, Hamilton HM 11, Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
26th Floor, Tesbury Centre
28 Queen's Road East, Wanchai, Hong Kong

PRINCIPAL BANKERS

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

STOCK CODE

983

WEBSITE

www.socam.com

CONCEPT & DESIGN: YELLOW CREATIVE (HK) LIMITED www.yellowcreative.com PRODUCTION & PRINTING: iOne Financial Press Limited www.ione.com.hk

瑞安建業
SOCAM DEVELOPMENT

www.socam.com

MIX
Paper from responsible sources
FSC™ C007445
FSC
www.fsc.org