瑞安建業
SOCAM DEVELOPMENT

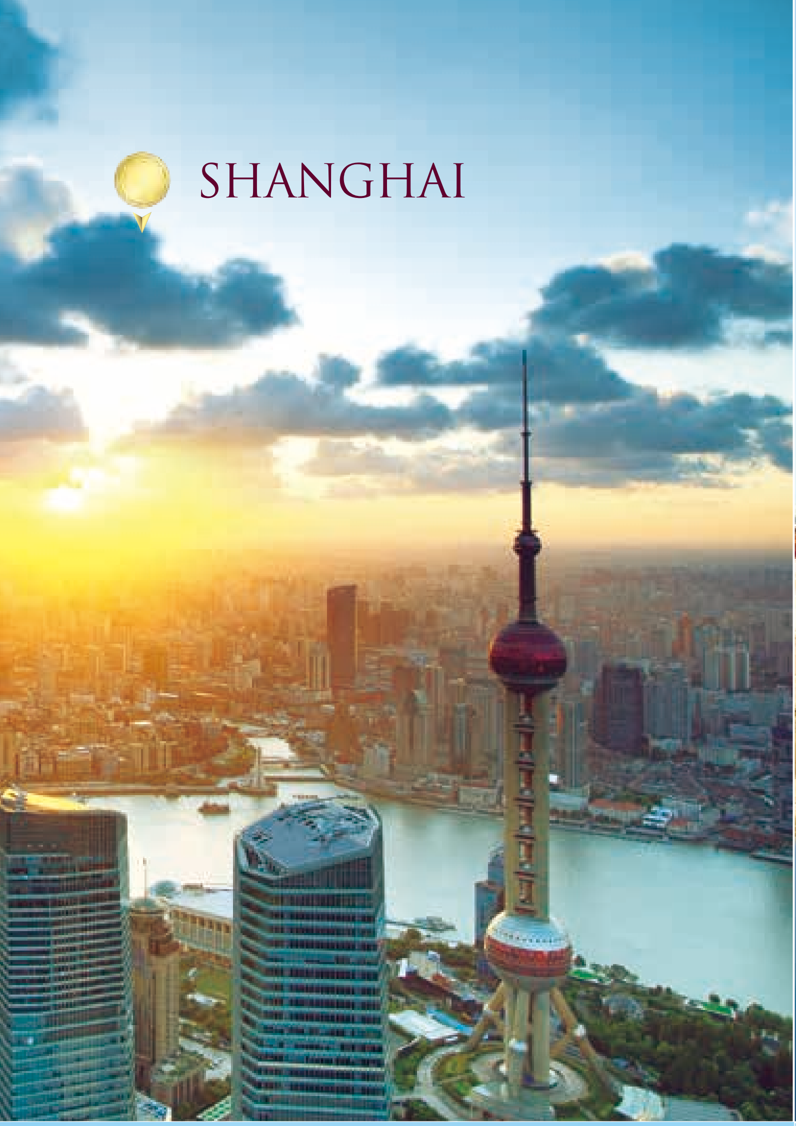
MONETISATION

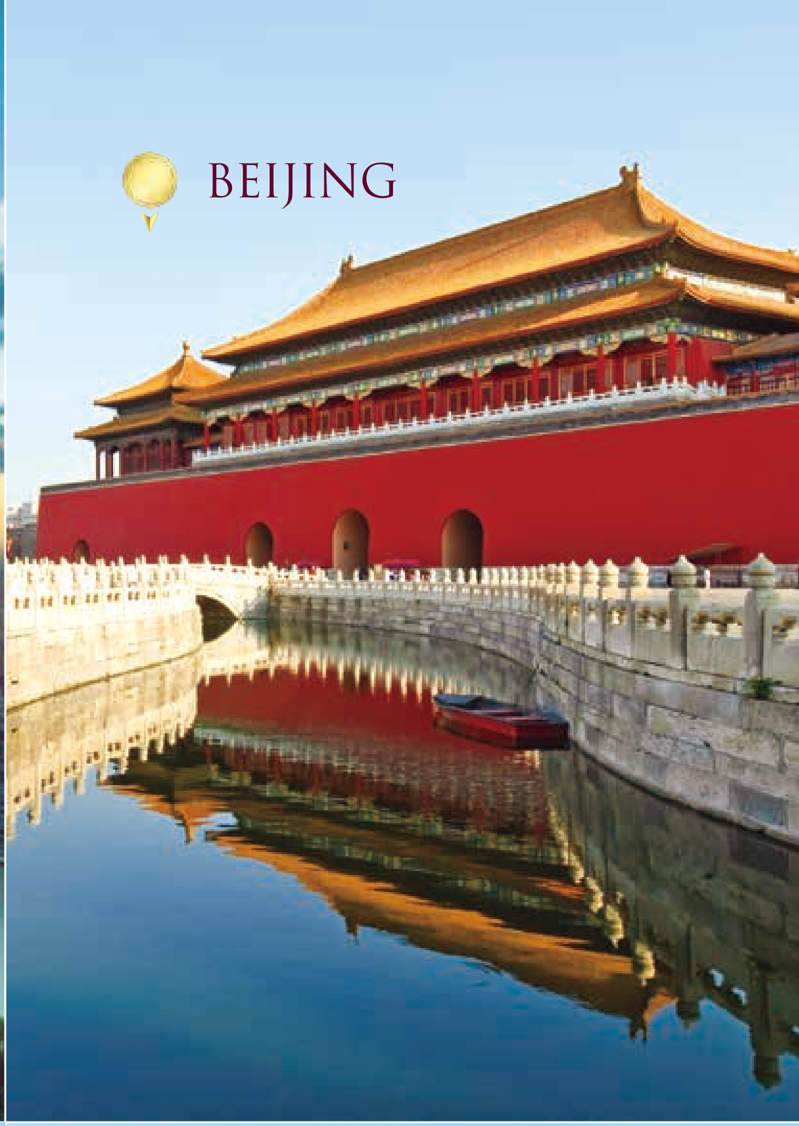
# UNLCK ASSET VALUE



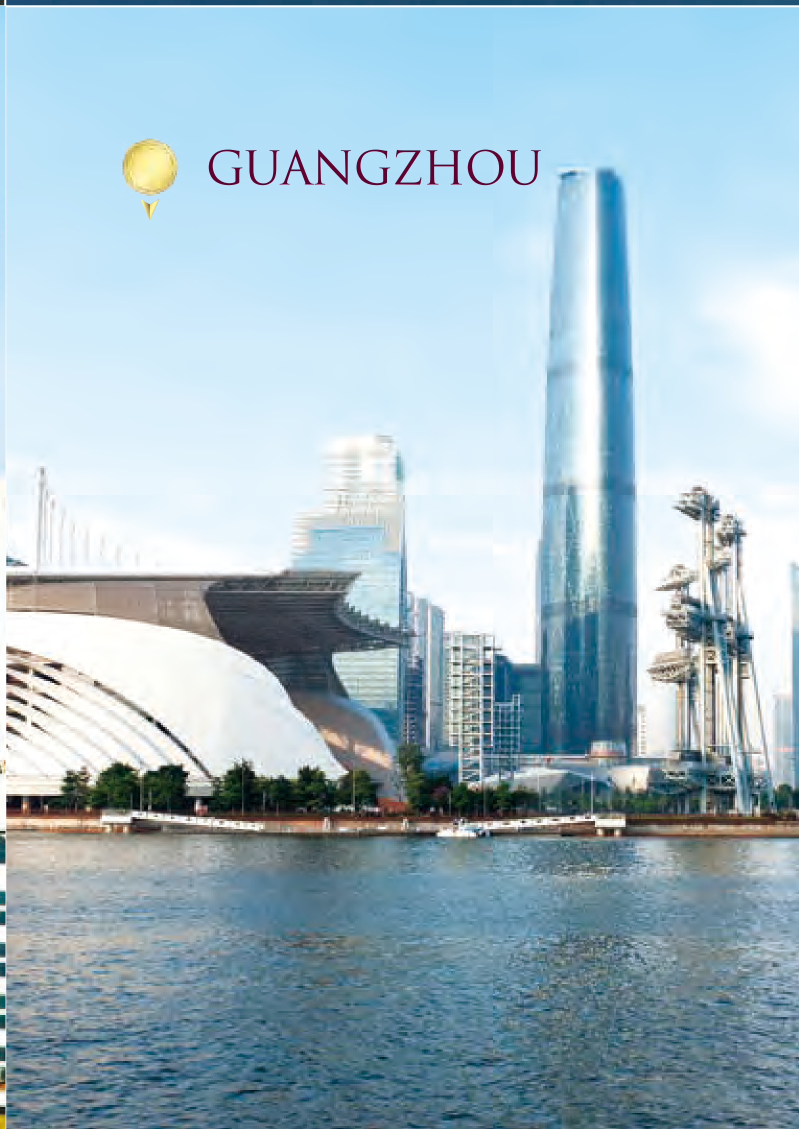
ANNUAL REPORT 2012

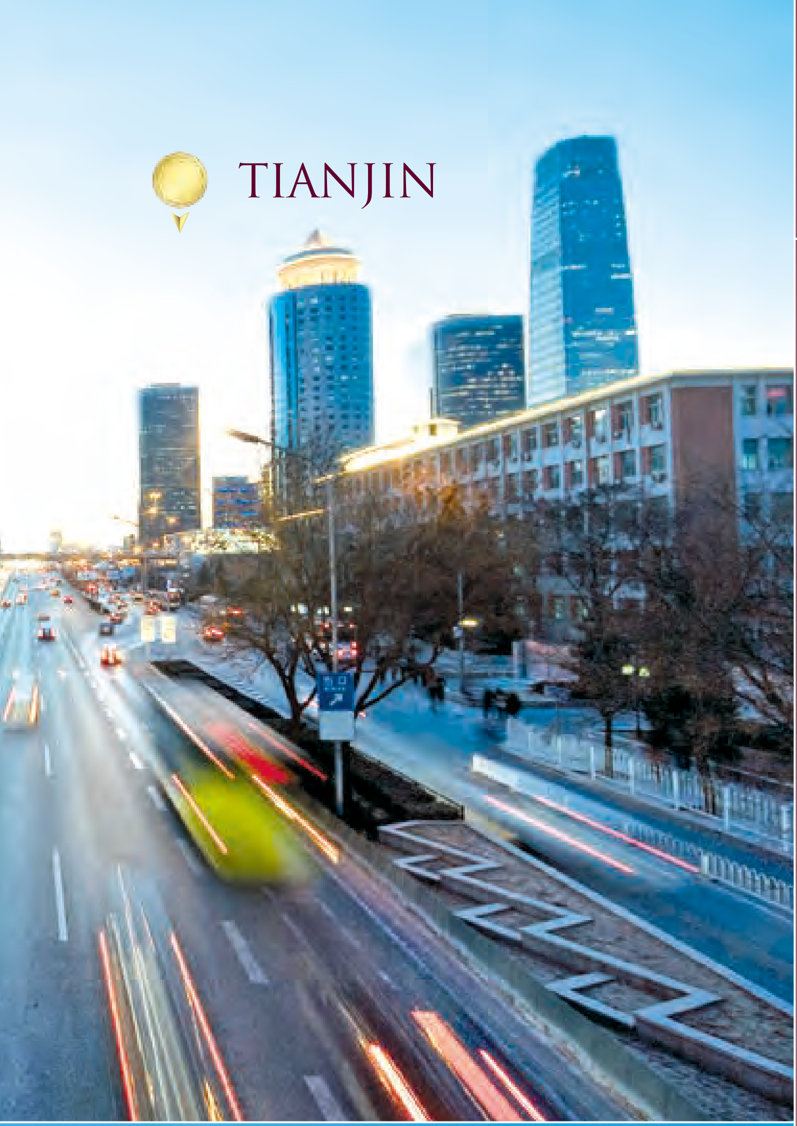
STOCK CODE: 983

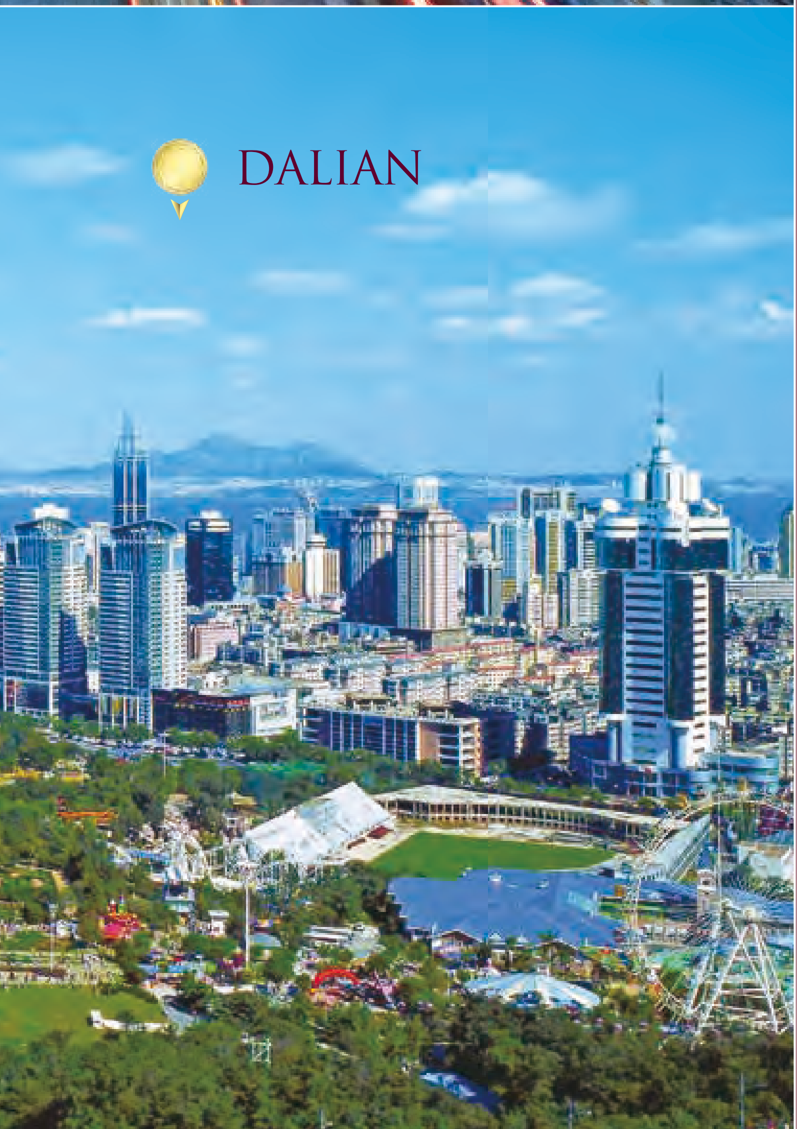

SHANGHAI


BEIJING


SHENYANG


GUANGZHOU




# CONTENTS

# ABOUT SOCAM

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

SOCAM's primary business interests encompass three main areas:

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

# CORPORATE VALUES

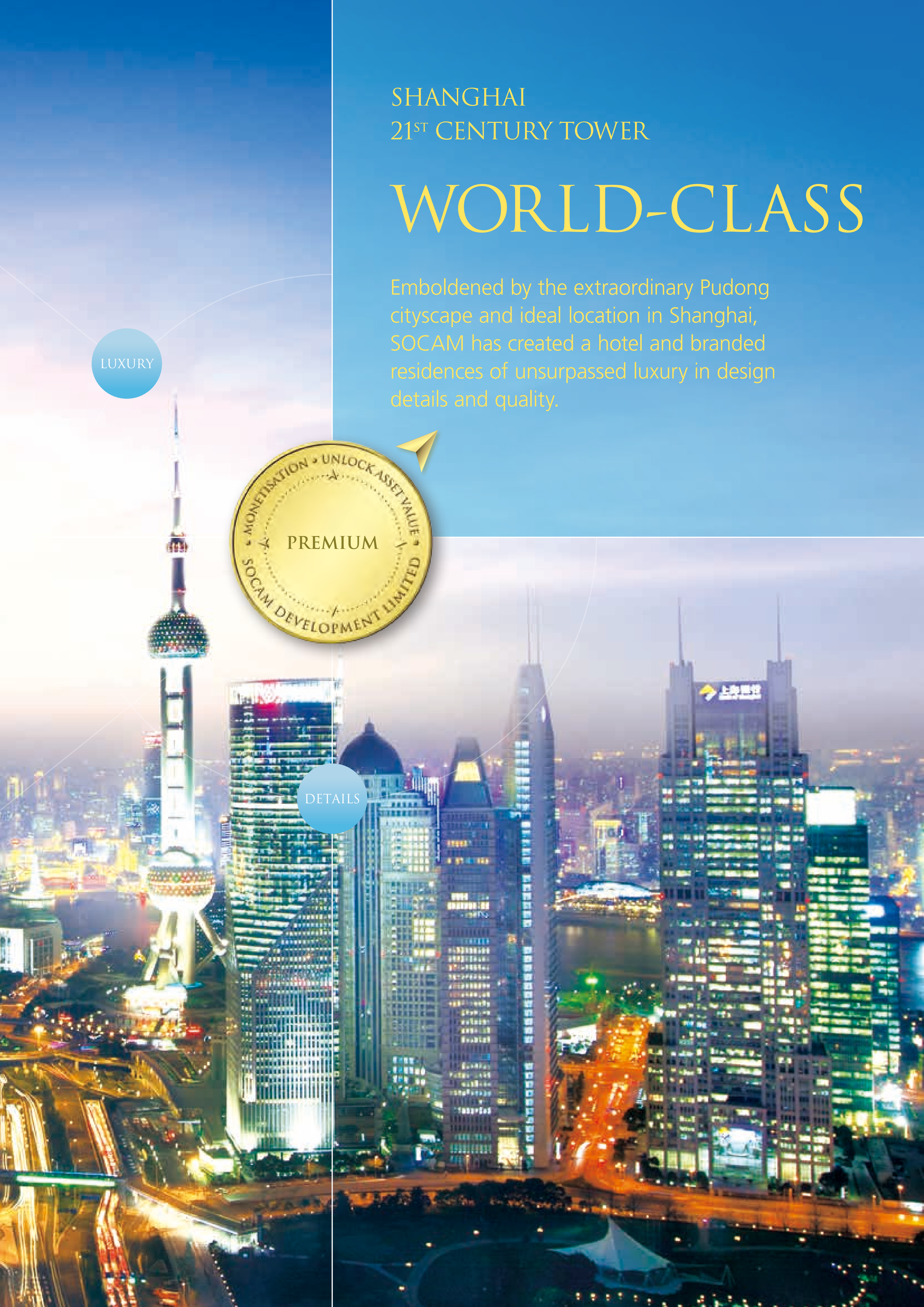
- INTEGRITY
- QUALITY
- INNOVATION
- EXCELLENCE


LOCATION

## SHANGHAI
## 21ST CENTURY TOWER

# WORLD-CLASS

Emboldened by the extraordinary Pudong cityscape and ideal location in Shanghai, SOCAM has created a hotel and branded residences of unsurpassed luxury in design details and quality.



# BUSINESS STRUCTURE

瑞安建業
SOCAM DEVELOPMENT

## 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


Shenyang
Beijing
Dalian
Tianjin
CHINA
Nanjing
Sichuan
Chengdu
Wuhan
Shanghai
Chongqing
Guizhou
Yunnan
Guangzhou
Foshan
Hong Kong
Macau

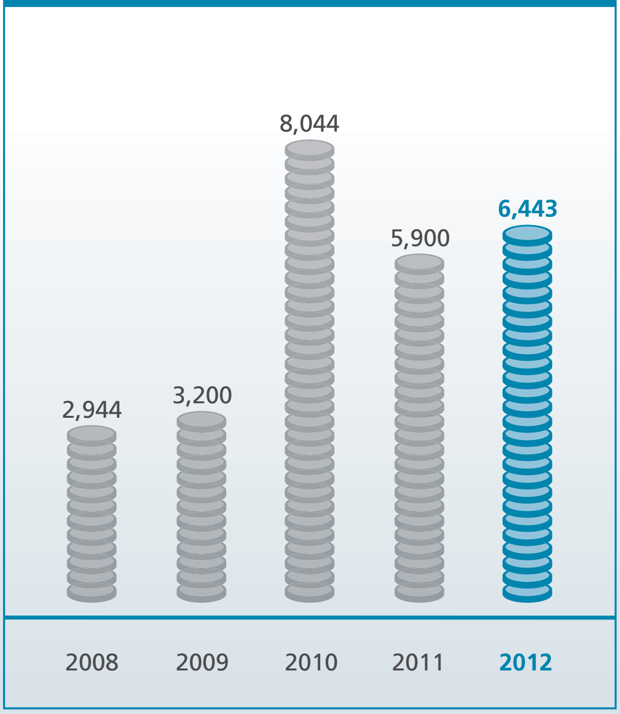
# FINANCIAL HIGHLIGHTS

| | Year ended 31 December | | |
|---|---|---|---|
| | **2012** | 2011 | Change |
| Turnover | | | |
| Company and subsidiaries | **HK$6,443 million** | HK$5,900 million | ▲ 9.2% |
| Share of jointly controlled entities and associates | **HK$1,484 million** | HK$248 million | ▲ 498.4% |
| Total | **HK$7,927 million** | HK$6,148 million | ▲ 28.9% |
| Profit attributable to shareholders | **HK$848 million** | HK$910 million | ▼ 6.8% |
| Basic earnings per share | **HK$1.73** | HK$1.86 | ▼ 7.0% |
| Total dividends per share | **HK$0.50** | HK$0.65 | ▼ 23.1% |

| | At 31 December | | |
|---|---|---|---|
| | **2012** | 2011 | Change |
| Total assets | **HK$23.7 billion** | HK$22.2 billion | ▲ 6.8% |
| Net assets | **HK$10.6 billion** | HK$10.0 billion | ▲ 6.0% |
| Net asset value per share | **HK$21.51** | HK$20.43 | ▲ 5.3% |
| Net gearing | **45.5%** | 50.5% | down 5.0% |

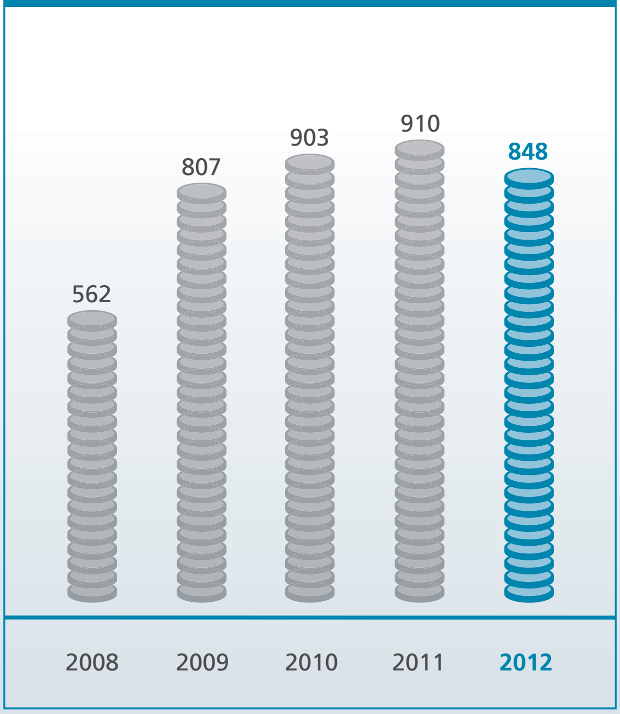
## Turnover

HK$ million



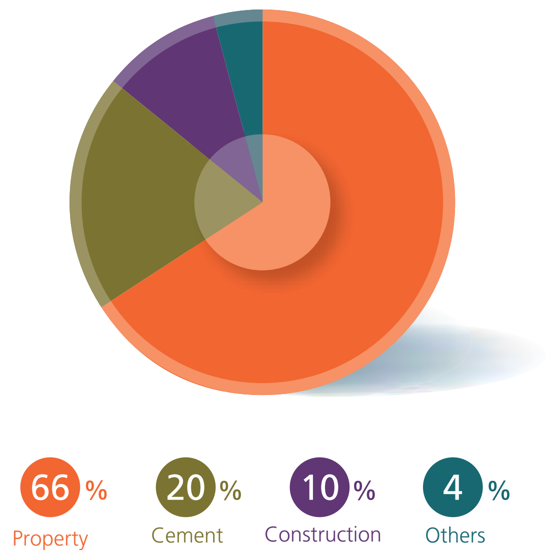

## Profit Attributable to Shareholders of the Company

HK$ million



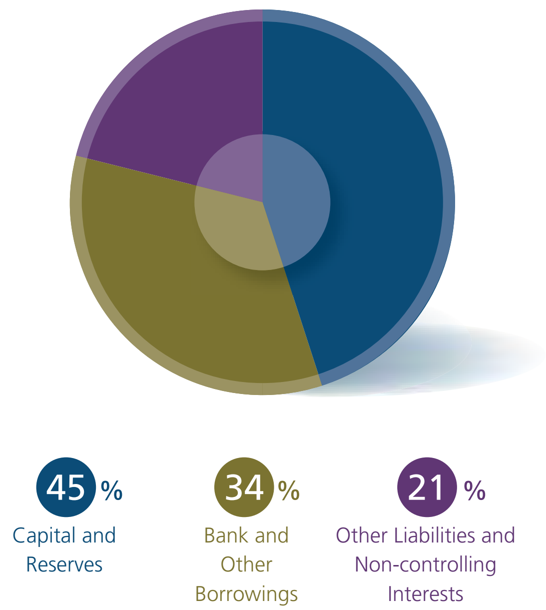
## Assets Employed

At 31 December 2012



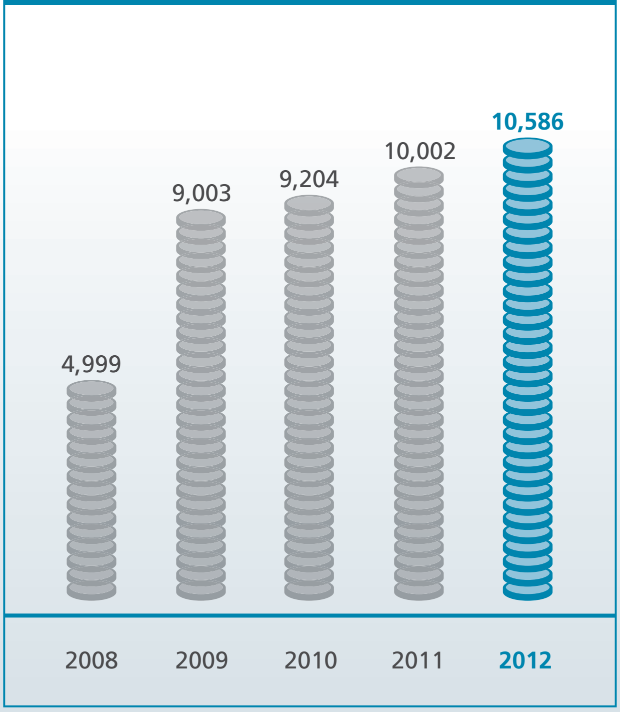

## Capital and Liabilities

At 31 December 2012



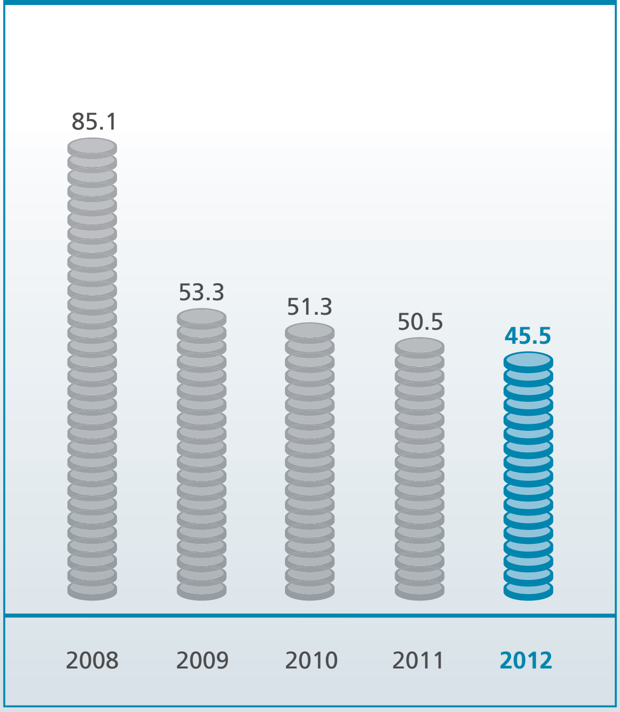

## Equity Attributable to Shareholders of the Company

HK$ million




## Gearing

Percentage




MODERN
DESIGN

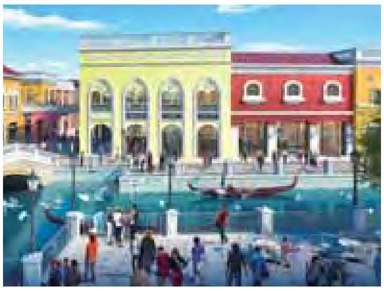

FOUR SEASONS PLACE AND
FOUR SEASONS HOTEL
PUDONG, SHANGHAI

# PERFECT QUALITY

The details in design and execution have elevated a development to a human space in place and time.

# KEY EVENTS IN 2012

**JAN**



- Completed the acquisition of the Wuqing Project Veneto in Tianjin which is to be jointly developed with SOTAN on a 50-50 basis.

**FEB**

- Completion of Shek Kip Mei Estate Phase 5 for the Hong Kong Housing Authority.

**MAR**

- Launch of pre-sale of serviced apartment units in Parc Oasis in Guangzhou.

**APR**

- Awarded the contract for design and construction of West Kowloon Law Courts Building.
- Completed the design and construction of staff quarters for the Hong Kong Immigration Department in Kwai Chung.

**MAY**

- Awarded the 5-year Plus Caring Company Logo from the Hong Kong Council of Social Service, and Corporate Social Responsibility Award 2012 from Capital Magazine.

**JUN**

- An exclusive sales event for the Shanghai Four Seasons Place and Beijing Centrium Residence was held in Hong Kong.
- SOCAM was named "The Best of Asia" at the Corporate Governance Asia Recognition Award 2012. Mr. Philip Wong, Managing Director and CEO, received the 3rd Asian Corporate Director Recognition Award 2012.
- Redevelopment of Lam Tin Estate Phases 7 and 8 received the Grand Award in the Quality Building Award 2012 under the Hong Kong Residential (Multiple Building) category.

JUL

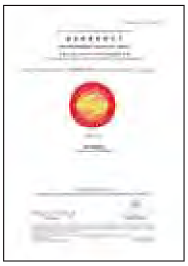
- Awarded the main contract works for the Sha Tin Stables Refurbishment and Redevelopment at Sha Tin Racecourse.

AUG

- Pre-sale of Four Seasons Place in Pudong Shanghai commenced.
- Entered into an agreement with Ping An Insurance Group for the disposal of an office tower of Shenyang Project Phase I.

SEP

- Shui On Building Contractors obtained ISO 50001 Accreditation on Energy Efficiency.



OCT

- Awarded the contract for the construction of public rental housing development at So Uk Estate Phase I.
- Entered into an agreement for the acquisition of a plot of land in Tianjin for urban residential usage.


NOV

- Grand opening of Four Seasons Hotel Pudong, Shanghai.
- Ground-breaking ceremony of Zunyi Project in Guizhou.
- Obtained Platinum Award in the Best Corporate Governance Disclosure Awards 2012, non-HSI (Mid-to-small Market Capitalisation) category, by Hong Kong Institute of Certified Public Accountants.

DEC

- Awarded the contract for the construction of Sports Centre, Community Hall and District Library in Sha Tin.
- Signed an agreement with Lafarge on a road map to facilitate the exit of SOCAM from Lafarge Shui On Cement joint venture.

# MAJOR AWARDS AND RECOGNITION

## Corporate Governance

- Platinum Award in the Best Corporate Governance Disclosure Awards 2012 under non-HSI (Mid-to-small Market Capitalisation) category – Hong Kong Institute of Certified Public Accountants
- "The Best of Asia" at the Corporate Governance Asia Recognition Awards 2012 – Corporate Governance Asia
- The 3rd Asian Corporate Director Recognition Award – Corporate Governance Asia

## Corporate Social Responsibility

- 5-year Plus Caring Company Logo – The Hong Kong Council of Social Service
- Corporate Social Responsibility Award 2012 – Capital Magazine
- Merit Award in the 3rd Hong Kong Outstanding Corporate Citizenship Award under Enterprise category – Hong Kong Productivity Council and the Committee on the Promotion of Civic Education
- Manpower Developers 1st Award in Manpower Developer Award Scheme – Employees Retraining Board, Hong Kong

## Corporate Performance

- 2012 Gold Award in The Asset Corporate Awards – The Asset
- 2012 International ARC Awards for Annual Report 2011
  - Sliver Award in Written Text – Conglomerate
  - Bronze Award in Financial Data – Conglomerate
  - Honors Award in Chairman's Letter – Diversified Business
- 2011 Vision Awards for Annual Report 2011 – League of American Communications Professionals
  - Silver Award in Conglomerates, Holding Companies, Diversified Investment

## Environmental Performance

- BEAM Platinum for Staff Quarters for Hong Kong Immigration Department
- BEAM Plus Platinum (Provisional) for Energising Kowloon East Office
- LEED Silver Level of Core & Shell for Dalian Tiandi Lot D22
- LEED Gold Level of Core & Shell (Provisional) for Dalian Tiandi Lot D14
- ISO 50001 Accreditation for Energy Management Systems – Requirements – Hong Kong Certification Services International Limited
- Meritorious Award for the Construction Industry in Hong Kong Awards for Environmental Excellence 2011 – Environmental Campaign Committee
- Merit Award for Outstanding Environmental Management & Performance Award in the Considerate Contractors Site Award Scheme 2011 – Works Branch of the Development Bureau, HKSAR Government

## Quality and Safety

- Grand Award in the Quality Building Award 2012, the Hong Kong Residential (Multiple Building) category, for the redevelopment of Lam Tin Estate – Quality Building Award 2012
- Gold Award for Outstanding Contractors (Building), Main Contractor of Outstanding Building Project, Best Site Safety in the Quality Public Housing Construction and Maintenance Award 2012 – Hong Kong Housing Authority
- 11th Hong Kong Occupational Safety and Health Award
  - Occupational Safety and Health Council, Labour Department and 13 organisations
  - Safety Performance Award – Construction
  - Silver Award in Safety Management System Award – Construction
  - Silver Award in Work Safe Behaviour Award
  - Merit Award in Safety Culture Award
- Bronze Award in Considerate Contractor Site Award 2011 – Works Branch of the Development Bureau, HKSAR Government
- Gold, Silver and Meritorious Awards for Minor Renovation & Maintenance Works in Construction Industry Safety Award Scheme 2011/2012 – Labour Department
- Construction Safety Promotional Campaign 2012 – Occupational Safety and Health Council and 17 other organisations
  - Best Safety Culture Site – Silver Award
  - Best Safe Working Cycle Site – Bronze Award
- Good Housekeeping Silver Award 2012 – Occupational Safety and Health Council
- Merit Award in Safe Lifting Operation Competition – Occupational Safety and Health Council


## BEIJING
## CENTRIUM RESIDENCE

# LANDMARK

Situated at the intersection of the four business circles within the East 3rd Ring Road, this prime development enjoys a rare sense of tranquility amidst the booming Beijing metropolis, and offers an exquisite residential opportunity for elites of the capital city.


HIGH-END
EXECUTION

# CHAIRMAN'S STATEMENT

CREATING VALUE


**Vincent H. S. Lo**
Chairman

"Despite the challenging conditions, we have been moving steadily forward with our strategy of unlocking asset value for shareholders."

Dear Shareholders,

As a company with a major part of our business in the Chinese Mainland, the operating environment in 2012 has not been easy, given the continuing austerity measures in force which adversely affected our property and cement businesses. On the whole, the growth in the Mainland was still encouraging with a GDP increase of 7.8%, amid the turbulence in the debt stricken European communities and the uncertain American economic recovery.

Despite the challenging conditions, we have been moving steadily forward with our strategy of unlocking asset value for shareholders.

I am pleased to announce that your Group generated a profit attributable to shareholders of HK$848 million (2011: HK$910 million) with earnings per share at HK$1.73 (2011: HK$1.86). The gearing level decreased to 46% (2011: 51%).

The Board of Directors proposes a final dividend of HK$0.50 per share for approval at the annual general meeting on 30 May 2013.

## Strategic and Operational Review

Austerity measures have become a regular feature in the China property sector and market transactions further reduced in the first half of the year. While SOCAM managed our financial position and operation prudently, our effort was not reflected in the financial results in the first half of 2012 as the development and delivery cycle of the Group's property portfolio available for sale occurred only later in the year.

In the last two quarters of 2012, we increased our resolve to address the challenges. Firstly, your Group carefully adjusted the timing of major property sale launches as the policy controls eased slightly. Secondly, we capitalised on the changing market conditions and explored en-bloc disposals of some of our projects.

The monetisation of our property portfolio progressed well and buyers and investors responded favourably to the sales of our projects in Beijing, Shanghai, Guangzhou and Shenyang, which resulted in contracted sales in excess of RMB3.5 billion in total for the year. Both the Beijing Centrium Residence and the Guangzhou Parc Oasis projects were well received and only a relatively small portion of these properties remained unsold at the end of 2012.

The highlight of our operation was the opening in November of the Four Seasons Hotel in Pudong, Shanghai and the branded residence, Four Seasons Place, a unique product of its kind in Shanghai. The first tranche of the residential units was put onto the market in August and potential buyers were excited by their quality and investment potential.

We were successful in en-bloc sales which have always been a key part of our strategy to unlock asset values efficiently. The whole of an office tower in Shenyang Project Phase I was sold to Ping An Insurance Group, which is also the buyer of our completed office tower in Chengdu in 2010. This second transaction with this reputable company is testimony to the quality of our development projects. And, in February 2013, on the back of the improved market sentiment in southern China, we signed an agreement to dispose of our entire interest in the Guangzhou Panyu project. Both of these disposals will generate desirable returns and cash flows for your Group.

We persisted with our strategy of expediting completion and replenishing projects on a continuous basis. At the end of 2012, SOCAM was in possession of a total developable gross floor area (GFA) of approximately 2.73 million square metres and an attributable GFA of approximately 2.16 million square metres. Our footprint covers major Mainland cities including Beijing, Chengdu, Chongqing, Guangzhou, Guizhou, Shanghai, Shenyang and Tianjin. A prominent feature of our diversified portfolio is the relatively large proportion of properties which are ready for sale and delivery to buyers, which puts us in a good position to realise their underlying values through timely disposal.

The agreement reached in December with our partner, Lafarge, on a road map to facilitate the exit of the Group from the Lafarge Shui On Cement Joint Venture has paved the way to a realisation of our exit from this investment. We shall closely monitor the implementation of the action plan and update our shareholders as and when appropriate.

In Hong Kong, our construction business has benefited from increasing government expenditure on infrastructure works and accelerated building programmes for public housing, which vastly increased activities in the construction sector. SOCAM won a record amount of new contracts which reflected our strong competitiveness amidst rising labour and material costs. Our construction division continued to receive recognition on site safety and environmental protection, as evidenced in the winning of many prestigious industry awards in 2012.

“In line with the overall strategy of the Group to create maximum value for our shareholders, the Company will, subject to appropriate market conditions, carry out more active steps, which include working more closely with the much larger Shui On Group, to bring about monetisation of potentially a significant portion of our property assets.”

## Market Outlook

While we see some uncertainty and short term weakness in market momentum, we maintain a positive outlook in the longer term in the property sector and the Chinese economy as a whole.

Looking ahead, it is expected that policy makers in the Mainland will still be cautiously striking a delicate balance between keeping house prices stable and ensuring sustainable economic growth. Various government regulatory measures are likely to be maintained, if not further reinforced. However, a healthy real estate market is important to the social and economic development of China. It is therefore imperative that sufficient and affordable units are built for the low-income population across the country. Meanwhile, the solid underlying demand for housing and the mega trend of urbanisation in China will undoubtedly continue.

In line with the overall strategy of the Group to create maximum value for our shareholders, the Company will, subject to appropriate market conditions, carry out more active steps, which include working more closely with the much larger Shui On Group, to bring about monetisation of potentially a significant portion of our property assets. In the event of satisfactory completion of this monetisation plan, we would consider the possibility of declaring a special dividend to shareholders. Meanwhile, we will continue to capture the opportunities in construction works arising from the Government of the Hong Kong SAR’s policy to expand the building programme for public housing and infrastructure.

I would like to sincerely thank your Board of Directors, the management team and our loyal staff members for their unfailing efforts in the past year, which was one with obviously more challenges than recent years. To our shareholders, I would like to thank you for your continued support, and I look forward to fulfilling our promise to creating value for you.

**Vincent H. S. LO**
Chairman

Hong Kong, March 2013

GUANGZHOU
PARC OASIS

# QUALITY DELIVERY

This eco-friendly residential development is situated in prestigious North Tianhe and has met with favourable market response.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

"Amidst such an adverse environment, SOCAM continued to pursue our strategy of maximising value for shareholders."

During 2012, the European financial crisis lingered and most of the Western economies continued to stall. Concerns over the unresolved debt problems in the Euro-zone and the US fiscal cliff remained major risks, and weighed heavily on global economic activities.

In the Chinese Mainland, the principal area of SOCAM's operation, steady growth has been maintained, albeit GDP increase was 7.8% in 2012, the slowest rate since 1999. External conditions created significant obstacles to healthy economic growth, but Central Government's stimulus measures and investment in infrastructure have generated desirable results in domestic consumption. Challenging market conditions and the tightening of austerity measures in the property sector continued to dampen buying sentiment.

Amidst such an adverse environment, SOCAM continued to pursue our strategy of maximising value for shareholders, as outlined in our annual report last year. We adjusted our property development and delivery cycle, and were able to bring to the market four major developments in Beijing, Shanghai, Guangzhou and Shenyang, sales of which were all satisfactory. The opening of the Four Seasons Hotel Pudong, Shanghai and the branded residence, Four Seasons Place, in November were well received by customers and the public.

Meanwhile, Lafarge and SOCAM have agreed on a road map to enable the exit of our Group from the Lafarge Shui On joint venture. This represents encouraging progress in our divestment plan.

With the HKSAR Government's increasing expenditure on infrastructure projects and accelerated programmes on public housing development, activity in the construction sector in Hong Kong picked up significantly in 2012. This welcome trend was however accompanied by rapidly-rising labour and material costs. SOCAM has both the confidence and experience to expand our market share in the sector and deliver high quality projects with due care on environmental requirements. In 2012, SOCAM won a record amount of new contracts totaling HK$8,826 million.

SOCAM has been guided by a set of strong corporate governance and corporate social responsibility principles. The coveted Platinum award in Best Corporate Governance Disclosure was awarded by the Hong Kong Institute of Certified Public Accountants.

## BUSINESS REVIEW

# PROPERTY

We adjusted our property development and delivery cycle, and were able to bring to the market four major developments in Beijing, Shanghai, Guangzhou and Shenyang, sales of which were all satisfactory. The opening of the Four Seasons Hotel Pudong, Shanghai and the branded residence, Four Seasons Place, in November were well received by customers and the public.

SPECIAL SITUATION PROJECTS

KNOWLEDGE COMMUNITIES

GFA*

**2,159,400**
**Square Metres**
**at 31 December 2012**

2,199,100
Square Metres
at 31 December 2011

* Excluding that of the knowledge community project in Dalian

Total Assets

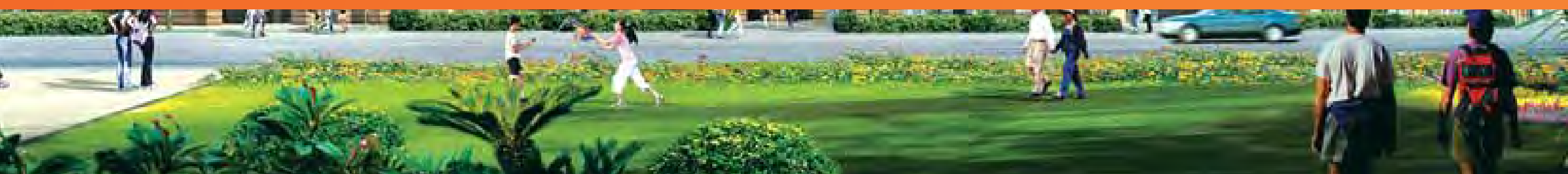
**HK$15,633 Million**
**at 31 December 2012**

HK$13,879 Million
at 31 December 2011

Profit after Tax

**HK$920 Million**
**Year ended 31 December 2012**

HK$1,055 Million
Year ended 31 December 2011



# BUSINESS REVIEW

*The spacious reception area of the Four Seasons Hotel Pudong,Shanghai*

China's property sector remains important to its social and economic development with real estate investment accounting for around 14% of GDP. The dilemma for policy makers remains to be stabilising house prices while ensuring sustainable economic growth, and at the same time, a sufficient number of affordable units are available to accommodate the demand of the general public and the younger generation.

In the second half of 2012, home prices showed signs of the property market warming up again as the Central Government eased certain market controls to spur economic growth. Mindful of the property sector's key role in the economy, policy makers launched efforts to ensure bank credits were available to first-time home buyers and those looking to upgrade to better homes. Investment in property development in China increased 16.2% to RMB7.18 trillion in 2012. Comparable growth in 2011 stood at 27.9%.

Despite challenging market conditions in 2012, SOCAM progressively put up for sale four projects in Beijing, Shanghai, Guangzhou and Shenyang in the year. Already, sales of Beijing Centrium Residence, the Four Seasons Place branded residences in Shanghai, Guangzhou Parc Oasis and Shenyang Project Phase I have met with satisfactory market response.

The sector outlook for 2013 is under observation. The year began with new-home prices in China rising 1% in January, the eighth straight month-on-month increase since June 2012. In the same month, January, the area of land sold in

*Superb detail in finishing and furnishing*

China's 10 key cities posted a 77% year-on-year increase. Against this backdrop, the Chinese government has asked related provincial governments to keep a tight grip on imposed restrictions in the housing market and introduce further timely curbing measures where necessary. Yet, solid underlying demand, and continuing urbanisation, are likely to benefit developers in a prudent financial position and with a diversified portfolio in prime locations across the first- and second-tier cities.

SOCAM was the first mover in the special situation market segment and our accumulated experience and expertise are now well-recognised in the market. The unlocking of the value of our property portfolio, with a significant portion being completed developments, will remain a high priority.

*A show flat of Beijing Centrium Residence*

# SPECIAL SITUATION PROJECTS

*A mixed-use development in Shenyang, northeast China*

## Property Type

- Residential
- Branded Residence & Hotel
- Composite
- Residential and Retail

## Overview

Our portfolio in the Chinese Mainland embraces residential, hotel, retail and office buildings. During the year, our strategy to expedite project completion and the constant replenishment of projects continued. At 31 December 2012, SOCAM owned a diversified portfolio with a total developable gross floor area (GFA) of approximately 2.73 million square metres and an attributable GFA of approximately 2.16 million square metres, spanning Beijing, Chengdu, Chongqing, Guangzhou, Guizhou, Shanghai, Shenyang and Tianjin.

*Chengdu Centropolitan*

*Veneto, Tianjin*

| Property type | Location | Project | Total Developable GFA attributable to the Group (square metres) | Estimated completion year | SOCAM's interest |
|---|---|---|---|---|---|
| Residential | **Beijing** | Centrium Residence | 13,500* | 2013 | 52.5% |
| | **Guangzhou** | Parc Oasis | 70,900* | Completed | 100% |
| | **Shanghai** | Lakeville Regency Tower 18 | 22,200 | Completed | 100% |
| | **Tianjin** | Wuqing Project Phase II | 87,000 | 2016 | 55% |
| Branded residence and hotel | **Shanghai** | 21st Century Tower | 38,400* | 2013 | 70% |
| Composite | **Chengdu** | Centropolitan | 240,800 | 2015 | 51% |
| | **Chongqing** | Creative Concepts Center | 34,700* | Completed | 100% |
| | **Guangzhou** | Panyu Project | 108,800 | Disposed in 2013 | 100% |
| | **Shenyang** | Shenyang Project Phase I | 195,700* | 2013 | 100% |
| | | Shenyang Project Phase II | 653,900 | 2016 | 100% |
| Residential and retail | **Guizhou** | Zunyi Project | 624,600 | 2018 | 80% |
| | **Tianjin** | Veneto (Formerly "Wuqing Project") | 68,900 | 2016 | 45% |
| Total: | | | 2,159,400 | | |

* The GFA shown above has excluded sold and delivered areas

# SPECIAL SITUATION PROJECTS

*Chengdu Centropolitan*

## Project acquisition

The Group continued to adopt a prudent approach in making selected acquisitions during the year. In October 2012, SOCAM entered into a joint-venture agreement with a partner for the acquisition of a residential development project in Wuqing, Tianjin, with a total GFA of approximately 158,000 square metres. The development stands on an adjacent site to Veneto, a primarily retail and residential development project acquired by the Group in January 2012, and marks the Group's second venture in the Tianjin property market. The acquisition represents an opportunity to strengthen the Group's portfolio as the two projects are expected to create a synergy in mixed-use development.

## Project development, property sales and leasing

In 2012, we continued to make careful adjustments to the timing of project completion and marketing in line with prevailing and expected market conditions. With stalling property demand in the first half of the year, and fewer properties being completed and delivered according to our project development and delivery cycle, SOCAM issued an interim profit warning in May. The second half of the year, as expected, saw improved sentiment, allowing us to capitalise on sales campaigns and unlock asset value.

*Shanghai Four Seasons Place*

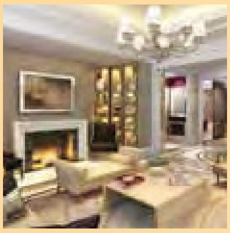
Marketing activity was duly stepped up for projects that included Beijing Centrium Residence, Guangzhou Parc Oasis and Shenyang Project Phase I. November saw the grand opening of the Four Seasons Hotel Pudong, Shanghai and, above the hotel occupying the top 12 floors of the Shanghai 21st Century Tower, the branded residences of Four Seasons Place began to attract high-end luxury purchasers.

Our projects have proven attractive to both project partners and investors, with their visionary design and high-quality finishing. In August, an agreement for the en-bloc sale of an office tower of Shenyang Project Phase I, with a total saleable area of approximately 43,000 square metres, was entered into with the reputable Ping An Insurance Group, which had previously bought our completed office tower in central Chengdu. The sale enables the Group to monetise a meaningful portion of its investment in this Shenyang project and generate desirable returns.

In addition to taking existing developments to project completion and sales on a strata title basis, we are always looking closely at selling selected projects en-bloc to interested investors. In February 2013, SOCAM capitalised on buoyant market sentiment in southern China and entered into an agreement for the disposal of its entire interest in the Guangzhou Panyu project. This disposal, upon completion in March 2013, has yielded a HK$37 million profit for the Group and the net proceeds will be used as general working capital.

# SPECIAL SITUATION PROJECTS

## Beijing Centrium Residence



Beijing Centrium Residence, a low-density complex, comprises two neighbouring towers totaling 51,700 square metres of 210 high-end apartments in the Chaoyang District of Beijing. Within walking distance of Sanlitun, the property delivers the highest standards of luxury living. Pre-sale permits were issued in December 2011. During the year, all the apartment units were progressively offered for sale, of which over 64% were subscribed for by year end.

External and interior fit-out works on the towers were substantially completed and handover of apartment units to buyers commenced in December.

## Chengdu Centropolitan

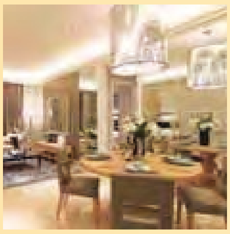
Centropolitan is a large-scale mixed-use development which will comprise approximately 472,000 square metres of GFA. Conveniently accessible from a future metro interchange station, Centropolitan is positioned as a high quality city-core composite development, consisting of 11 residential towers, an office tower, a serviced apartment tower and a shopping mall. The development will also offer car parking spaces, a clubhouse and a kindergarten. Site preparation and construction work commenced in the second half of 2012 and the project is scheduled for pre-sale in the third quarter of 2013.

The project is being jointly developed with LaSalle Investment Management, a private equity fund. SOCAM has a 51% interest in the project.

## Chongqing Creative Concepts Center

Creative Concepts Center, close to Jiefangbei Square in the heart of Chongqing, was completed in 2010. Occupying a prime location with significant frontage to the central business district of Chongqing, the project continues to attract strong market interest. Over 90% of the office units with 20,400 square metres GFA and all the residential apartments with 30,000 square metres GFA were sold and gradually handed over to the buyers. Approximately 50% of the retail spaces in the shopping centre, Mee Mall, with 21,000 square metres GFA was taken up by the end of December 2012.

## Guangzhou Parc Oasis



Parc Oasis is a residential project in the prestigious area of North Tianhe. All four towers of Parc Oasis with a GFA of 112,000 square metres were topped out in late 2011, and subsequently put up for sale. Sales activity began in 2011, and 99% of the bare-shell units in the serviced apartment tower and 87% of residential units were sold by the end of 2012. The first batch of the residential units has been delivered to buyers.

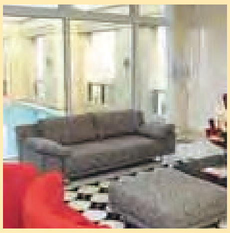
## Guangzhou Panyu Project

The project site was acquired in 2011 with plans for serviced apartments plus office and retail areas with a total GFA of 108,800 square metres. A disposal opportunity with a good return arose in February 2013 when SOCAM entered into an agreement to sell our 100% interest in this project.

## Guizhou Zunyi Project

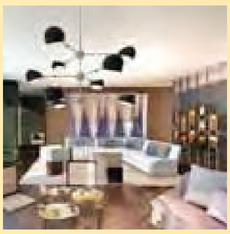
This well-located project was acquired in 2011 as the area was rezoned for commercial and residential development from industrial use. The project will be developed into a composite development consisting of townhouses, high-rise apartments and retail elements with a total GFA of approximately 780,700 square metres upon completion. Site clearance and resettlement works have largely been completed, and product and design planning are underway. The project reached a new milestone with its ground breaking held in November, and is expected to be completed in 2018.

## Shanghai Lakeville Regency Tower 18



In the upmarket Luwan district in close proximity to Xintiandi, the serviced apartments featuring around 100 high-end residential units continue to benefit from the growth in the number of visitors both in the business and tourist sectors. Occupancy and average room rates were strong, with average occupancy of 93%. The project provided the Group with stable recurrent rental income.

## Shanghai 21st Century Tower



The Group acquired the 26th to 49th floors of 21st Century Tower in the heart of the financial district in Lujiazui, Pudong in December 2010, in a joint-venture where the Group has a 70% interest. SOCAM took a lead role in the development of a deluxe hotel, recently opened as the Four Seasons Hotel Pudong, Shanghai and the branded residences above.

Managed by the international renowned Four Seasons Hotels and Resorts Group, Four Seasons Place is the first branded residence project of SOCAM, offering 73 luxurious serviced apartments commanding spectacular views of the Pudong area. The hotel was completed in the second half of 2012 with the first tranche of branded residences launched for sale in August. As of December, 22% of saleable area of the branded residences was sold.

Four Seasons Hotel Pudong, Shanghai marked its grand opening in November. This prime hotel features 187 superior rooms and suites, two restaurants serving Japanese, Chinese and international cuisines, as well as a deluxe spa and health club.

## Shenyang Project Phase I

Situated on the 'Golden Corridor', this mixed-use development project comprises residential and serviced apartments, a Grade A office tower and an upmarket shopping mall with a total GFA of 281,200 square metres. As of December, over 75% of the residential GFA and all serviced apartment units were sold. Construction works of the residential towers were completed and the pre-sold units were progressively delivered to buyers. The shopping mall was completed and interior fit-out works are being carried out by tenants.

Construction of the office tower is on schedule and it was sold to Ping An Insurance Group en-bloc, with a total saleable area of approximately 43,000 square metres. Delivery to the buyer is expected in the middle of 2013.

## Shenyang Project Phase II

The development is scheduled for completion in 2016. Relocation and clearance of land parcels by Shenyang local authorities has been completed satisfactorily. This urban, mixed-use development comprises upscale residential premises, serviced apartments, modern office space and a shopping mall with a total GFA of 653,900 square metres.

## Tianjin Veneto (Formerly "Wuqing Project")

The Group completed the acquisition of the project in January 2012 which is now known as Veneto. It has excellent transport connections and is situated at a prime location close to the Wuqing Station of the Beijing-Tianjin Intercity Railway. The area is undergoing a major transformation into an important hub for knowledge and innovation, modern logistics and trading enterprises. The Group plans to develop the site with a total GFA of 153,000 square metres into retail-led property with serviced apartments by 2016. Construction permits from local government authorities have been obtained and site preparation work is underway.

The project is jointly developed with the SoTan Fund, a private equity vehicle for investing in special situation projects, on a 50-50 basis with SOCAM.

TIANJIN
Veneto

Residential
and retail
SOCAM Shareholding
45%

SHANGHAI
Lakeville Regency
Tower 18

Property type
Residential
SOCAM Shareholding
100%

Property type
Branded
residence and hotel
SOCAM Shareholding
70%

BEIJING
Centrium
Residence

Property type
Residential
SOCAM Shareholding
52.5%

CHENGDU
Centropolitan

Property type
Composite
SOCAM Shareholding
51%

SHANGHAI

21st Century Tower

Property type
Residential
SOCAM Shareholding
100%

GUANGZHOU

Parc Oasis

SHENYANG

Shenyang Project
Phases I & II

Property type
Composite
SOCAM Shareholding
100%

CHONGQING

Creative Concepts
Center

Property type
Composite
SOCAM Shareholding
100%

# KNOWLEDGE COMMUNITIES

*Creating a knowledge hub and pleasant lifestyle*

## Overview

Dalian, a major seaport in northeast China, is emerging as an attractive city under the direction of the Municipal Government. The city has recorded average annual GDP growth of 14.2% over the past five years, with GDP in 2012 standing at RMB700 billion. With a diversified economy, high living quality and easy accessibility, Dalian is emerging as an ideal location for developing a world-class knowledge hub.

Dalian's location on the northeast seaboard of China gives close connections by sea and air with both Japan and South Korea. Synergies in microprocessing, bio-pharmacy and knowledge process outsourcing, spurred by increasing international investments, have helped drive the local economy towards a more value-added and low carbon commercial specialisation. Businesses located in highly livable master-planned knowledge communities such as Dalian Tiandi are now offering attractive opportunities to a skilled workforce.

## Dalian Tiandi

The project is a large-scale knowledge community comprising approximately 3.1 million square metres of GFA. SOCAM has a 22% interest in the project, jointly developed with Shui On Land (SOL) and the Yida Group. The project is poised to become a first-class and eco-friendly environment which will offer spacious outdoor recreation, educational campuses, environmental facilities and public amenities.

*Low Carbon Park*

*Retail area*

*Green Community for knowledge workers*

LIVE PLAY

LEARN WORK

The development is being developed in phases and construction works progressed satisfactorily. At 31 December 2012, a total GFA of 350,000 square metres has been developed, and the GFA under construction totaled 975,000 square metres, comprising residential premises for sale of 511,000 square metres and leasing properties of 464,000 square metres.

Sales of townhouses and apartments in the Huang Ni Chuan area are progressing well, and the sold units are being handed over to buyers in phases. The retail complex in IT Tiandi in the Huang Ni Chuan zone was completed and a number of tenants have moved in, including some international brand names and food and beverage outlets. With the growing number of tenants, retail occupancy and sales are quickly gaining momentum.

The location and concept of the project continue to attract major leasing commitments from multinational corporations in the fields of research, IT development and education with major clients including IBM, Chinasoft, and Ambow Education. At year end, the occupancy rate of leasing properties stood at 75%.

The project will be completed in phases by 2020, by which time Dalian Tiandi will be a self-contained knowledge community in China, a green and pleasant hub for hi-tech industries, education and dynamic entrepreneurial activities.

# CONSTRUCTION

The Group's construction business performed in line with expanding market opportunities, and continued to be a recognised practitioner in site safety, energy-saving, environmental awareness, waste management and recycling.

**Outstanding Value of Contracts on Hand**

**HK$10.0 Billion**
**at 31 December 2012**

HK$6.0 Billion
at 31 December 2011

**Turnover**

**HK$5.4 Billion**
**year ended 31 December 2012**

HK$4.7 Billion
year ended 31 December 2011

**Profit**

**HK$252 Million**
**year ended 31 December 2012**

HK$118 Million
year ended 31 December 2011

## Market Review

Amid mounting uncertainty in the global economy, the external environment continued to overshadow the Hong Kong economy which achieved only modest GDP growth of 1.4% in 2012. The unemployment rate was steady at 3.4%, and modest wage increases were seen across most sectors as underlying inflation fell slightly to 4.7%, down from 5.3% in 2011.

*Quality interior fit-out*

*Jockey Club Innovation Tower at Hong Kong Polytechnic University*

Tenders and project activities in the construction sector picked up significantly during the year. Government capital works expenditure continued to play an important role, with an approved budget for infrastructure projects totaling over HK$400 billion, of which HK$62 billion was for the current fiscal year. Public sector infrastructure works in 2012 benefited from several major projects being at mid-point in their construction cycle. Private sector construction activities were also buoyant as demand for private housing units continued to outstrip supply.

In addition to the launching of infrastructure projects, the HKSAR Government has put increasing emphasis on public housing development. Further, plans are in place to revitalise the Home Ownership Scheme, and to increase and expedite the supply of public rental housing to almost 80,000 units over the next five years.

Overall, prospects for the construction sector look bright. Yet this positive outlook should be tempered by the keen competition in tendering, the ever-rising cost of materials and labour, and macroeconomic variables in both Hong Kong and in the Mainland.

Looking ahead, we expect that the increase in tender opportunities from the Hong Kong Architectural Services Department (ASD) and the Hong Kong Housing Authority (HKHA) will auger well for SOCAM's construction business. Our track record of timely completion, safety, quality and environmental awareness will continue to give us an advantage in the award of government contracts.

## Operational Performance

The Group's construction business performed in line with expanding market opportunities. Total turnover was HK$5,358 million (2011: HK$4,742 million) during the year, while new contracts totaling HK$8,826 million (2011: HK$3,537 million) were won. The construction division recorded a profit of HK$256 million, which included a gain of HK$89 million due to resumption of a workshop site in Fanling by the HKSAR Government.

We continued to strengthen our operational efficiency by implementing measures to improve competitive advantages, and to enhance the profitability of existing contracts, in order to cope with inflation and rising costs.

*Quality public housing in Hong Kong*

At 31 December 2012, the gross value of contracts on hand was approximately HK$17.4 billion and the value of outstanding contracts to be completed was approximately HK$10.0 billion, compared with HK$13.7 billion and HK$6.0 billion respectively at 31 December 2011.

## Shui On Building Contractors (SOBC)

SOBC has tapped thriving market opportunities and was awarded several construction projects during the year. These included a public rental housing development at So Uk Estate with a value of HK$2,105 million, and a 3-year maintenance and refurbishment term contract, for properties within designated districts in Kowloon West and Hong Kong, valued at HK$325 million.

During the year, major projects completed by SOBC included HKHA's Shek Kip Mei Estate Phase 5 which was recognised as an Outstanding Building Project in the Quality Public Housing Construction & Maintenance Awards 2012. SOBC also completed two ASD maintenance term contracts for the design and construction of minor works on government and subvented properties, and two maintenance and refurbishment term contracts for HKHA's housing estates within designated districts.

SOBC has successfully been admitted to the Turn-key Interior Design and Fitting-out Works specialist list of the Development Bureau, allowing the Group to tender for and undertake more projects in this category going forward. As part of our commitment to a greener community, SOBC was among the first building contractors in Hong Kong to receive accreditation for ISO 50001 on energy management systems during the year.

## Shui On Construction (SOC)

SOC was awarded two ASD contracts during the year. It won a contract for the design and construction of West

*Quality finishing*

*Office fit-out work*

Kowloon Law Courts Building at Sham Shui Po which has a total value of approximately HK$2.2 billion, the highest contract value recorded for a project in the company's record. It also won the construction of a sports centre, community hall and district library complex in Sha Tin valued at approximately HK$799 million. The construction of the Town Park and Indoor Velodrome-cum-Sports Centre in Tseung Kwan O made good progress; the cycling track in the velodrome commenced construction in November. The contract for the design and construction of staff quarters for the Hong Kong Immigration Department in Kwai Chung was completed during the year.

The Construction division continued to be a recognised practitioner in site safety, energy-saving, environmental awareness, waste management and recycling. Of particular note, SOBC received the Gold Award for outstanding building contractor for new works projects in the Quality Public Housing Construction & Maintenance Awards 2012. The redevelopment project for Lam Tin Estate also made SOBC the Grand Award Winner under the Hong Kong Residential (Multiple Building) Category in Quality Building Award 2012.

## Shui On Construction, Mainland (SOCM)

SOCM, the Group's 85%-owned construction arm in the Chinese Mainland provided services for the Chongqing Tiandi, Foshan Lingnan Tiandi, Wuhan Tiandi, Shanghai Rui Hong Xin Cheng and Dalian Tiandi projects of SOL, and Shenyang Project Phase I, Guangzhou Parc Oasis and Shanghai 21st Century Tower projects of SOCAM during the year. SOCM completed the main construction contracts for lots A6 and A4-3 in Wuhan Tiandi, and secured approximately HK$2.3 billion worth of new contracts, including construction works for Chengdu Centropolitan and Four Seasons Place in Shanghai.

SOCM is working proactively with the Property Division to develop an approach of Enhanced Construction Management support for our development projects in the Mainland. This new focus has already made valuable contributions in the progress of the Chengdu Centropolitan project. SOCM is also working in tandem with Pat Davie, our interior fit-out and refurbishment arm, in the Tianjin Veneto project.

## Pat Davie (PDL)

PDL completed the fit-out and refurbishment works for The Link, Hong Kong Disneyland, Cathay Pacific Cargo Centre and the Hong Kong Jockey Club, and the conversion of an industrial building into office premises in Hong Kong. In Macau, refurbishment work for Hard Rock Hotel, City of Dreams, Wynn and MGM was also completed.

PDL secured new contracts of approximately HK$1.0 billion, of which 74%, 20% and 6% by value were in Hong Kong, Macau and the Chinese Mainland respectively. Major contracts include, in Hong Kong, two refurbishment and re-development projects at Sha Tin Racecourse for the Hong Kong Jockey Club, the renovation of two shopping centres and one fresh market for The Link, and relocation work for a consulate general. Contracts were also signed for four casino projects in Macau. In February 2013, PDL was awarded fit-out contracts in Hong Kong and Macau with a total value of approximately HK$238 million.

# CEMENT

There is now a consensus that the cement sector will recover and achieve modest growth as the Central Government has reaffirmed its policy to upgrade this industry in the Twelfth Five-year Plan through promoting industry consolidation and technology. Large players are poised to benefit under such an environment.

**Production Capacity (Annual)**

**31 Million Tonnes**
**at 31 December 2012**

31 Million Tonnes
at 31 December 2011

## Market Review

Fixed asset investment growth in China in 2012 slowed slightly to 20.6% compared with 23.8% the previous year, amidst steady economic growth. Investment in China's cement industry dropped as a result of the Central Government's policies to regulate over-capacity. While a decrease in the annual expansion of cement supply continued, over-capacity persisted, particularly in the Southwest, due to excessive investments in the past few years which saw a considerable downward adjustment to cement prices.

*Major emphasis on clean production process*


*Lafarge Shui On Cement Plant*

There were widespread expectations last year that the annual demand for cement would rise at a slower pace as a result of the Central Government's effort to make the China economy less reliant on fixed assets investment. However, substantial plans for urbanisation, rural modernisation and massive social housing construction managed to provide fundamental support to the cement industry.

There is now a consensus that the cement sector will recover and achieve modest growth as the Central Government has reaffirmed its policy to upgrade this industry in the Twelfth Five-year Plan through promoting industry consolidation and technology. Large players are poised to benefit under such an environment.

As sustainable development is fostered, higher emission control standards have been planned so that the remaining 250 million tonnes of backward and energy-inefficient capacity will be completely phased out by 2015. One-third of the cement enterprises, which are mainly smaller operators, will be eliminated, and 35% of the national output is targeted to concentrate on the top 10 largest producers. Industry leaders equipped with the necessary skills and technology are poised to benefit from a more rational operating environment.

## Lafarge Shui On Cement (LSOC)

LSOC, in which the Group holds a 45% interest, has a major presence in Sichuan, Chongqing, Guizhou and Yunnan. Its total annual production capacity was approximately 31 million tonnes at the end of 2012.

### Operating performance

Amid very difficult market conditions and fierce competition, LSOC's results were below target for the year. Total sales volume for the year was approximately 27 million tonnes, which was slightly higher than that of the previous year. Cement prices in all the operating areas of LSOC came under tremendous pressure due to intensified competition from new capacities and sluggish market demand. The average selling price for the year decreased by approximately 8%, while variable costs decreased by approximately 3%, due mainly to lower fuel costs.

### Capacity expansion

Construction of new dry kilns in Hedigang and Luquan, Yunnan with respective capacities of 2,500 and 4,600 tonnes per day were in progress. Completion is targeted for 2013 and 2015 respectively.

### Asset injections

LSOC has planned to inject cement plants into Sichuan Shuangma Cement (Shuangma), a listed company on the Shenzhen Stock Exchange, over the next few years, subject to applicable laws and regulations, approvals by relevant regulatory authorities and third parties, and valuation of the assets to be injected based on market conditions.

### Divestment

As disclosed in the Company's 2011 annual report, SOCAM has been actively working on various options to secure an exit for the Group's investment in LSOC. In December, Lafarge and SOCAM came to an agreement on a road map to enable our exit from the joint venture.

## Nanjing Grinding Plant

The grinding plant in Nanjing suffered from decrease in both sales volume and selling prices, but saw an improvement in operating results, driven by the considerable decrease in cost of purchased clinker.

# FINANCIAL REVIEW

EQUITY

FINANCING

GEARING

## Financial Results

The Group's turnover was HK$6,443 million for the year ended 31 December 2012, a 9% increase from the previous year. Consolidated profit after taxation and non-controlling interests was HK$848 million, a 7% decrease compared to the previous year.

## Dividend

The Directors of the Company recommend the payment of a final dividend of HK$0.50 per share for the year ended 31 December 2012 (2011: HK$0.40 per share). Subject to shareholders' approval at the forthcoming annual general meeting (the "AGM"), the final dividend will be paid on 26 July 2013 to shareholders whose names appear on the Company's register of members on 28 June 2013.

## 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 Tuesday, 28 May 2013 to Thursday, 30 May 2013, 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 30 May 2013, 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 Monday, 27 May 2013.

For ascertaining the shareholders' entitlement to the proposed final dividend for the year ended 31 December 2012, the register of members of the Company will be closed from Monday, 24 June 2013 to Friday, 28 June 2013, 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 Friday, 21 June 2013.

## Turnover and Profits

Certain of the Group's property business, cement operations and venture capital investments are conducted through jointly controlled entities and associates. The HK$6,443 million turnover for the year has not included the Group's share of the turnover of these jointly controlled entities and associates. An analysis is as follows:

| | **Year ended 31 December 2012 HK$ million** | Year ended 31 December 2011 HK$ million (Re-presented) |
|---|---|---|
| **Turnover** | | |
| **SOCAM and subsidiaries** | | |
| Construction and building maintenance | **5,358** | 4,742 |
| Property | **1,084** | 1,156 |
| Others | **1** | 2 |
| Total | **6,443** | 5,900 |
| **Jointly controlled entities and associates** | | |
| Property | **1,402** | 88 |
| Cement and others | **82** | 160 |
| Total | **1,484** | 248 |
| **Total** | **7,927** | 6,148 |

Turnover from construction and building maintenance work increased as a result of a substantial expansion of workload in Hong Kong and the Mainland during the year. Revenue from the property business during the year mainly came from the recognition of strata-title sales of residential units of Guangzhou Parc Oasis and Shenyang Project Phase I, and office units of Chongqing Creative Concepts Center. In 2011, the turnover was mainly from the en-bloc disposal of the Qianxinian Building in Chongqing and the recognition of strata-title sales of residential and office units of Chongqing Creative Concepts Center and Shenyang Project Phase I. In addition, certain of the Group's property projects are developed through jointly controlled entities. The Beijing Centrium Residence project and the Shanghai Four Seasons Place project, in which the Group has a 52.5% and 70% interest respectively, began to recognise property sales revenue in the second half of 2012. Together with the 22% owned Dalian Tiandi project, the Group's share of property sales revenue from these joint development projects increased to HK$1,402 million for 2012, from HK$88 million in the previous year.

Following the strategic decision of the Group to divest its 45% interest in LSOC, the Group's interest in LSOC was accounted for as "Assets classified as held for disposal" with effect from 1 January 2012. In accordance with applicable accounting standards, the Group has discontinued to equity account for the results of this cement joint venture. Accordingly, the Group's 45% share of LSOC's loss for the current year, amounting to HK$359 million, has not been included in the Group's results for the year.

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

| | **Year ended 31 December 2012 HK$ million** | Year ended 31 December 2011 HK$ million |
|---|---|---|
| **Property** | | |
| Project fee income | **84** | 118 |
| Profit from property sales and net rental income | **134** | 226 |
| Gain on disposal of subsidiaries | **492** | 337 |
| Fair value gain on investment properties, net of deferred tax provision | **185** | 446 |
| Share of results of jointly controlled entities and associates | **300** | 152 |
| Net operating expenses | **(233)** | (233) |
| | **962** | 1,046 |
| **Construction** | | |
| Operating profit | **163** | 118 |
| Land resumption compensation | **89** | – |
| | **252** | 118 |
| **Cement operations** | | |
| LSOC | **8** | (41) |
| Guizhou cement | **(4)** | 5 |
| Impairment losses – reversal / (provision) | **21** | (16) |
| Gain on disposal of cement plants | **–** | 56 |
| | **25** | 4 |
| **Investment in SOL** | | |
| Dividend income | **17** | 10 |
| Net gain on disposal of shares | **134** | – |
| | **151** | 10 |
| **Venture capital investments** | **(73)** | 53 |
| **Net finance costs** | **(262)** | (165) |
| **Corporate overheads and others** | **(96)** | (107) |
| **Taxation** | **(85)** | (24) |
| **Non-controlling interests** | **(26)** | (25) |
| **Total** | **848** | 910 |

## Property

Project fee income from jointly controlled entities and associates decreased to HK$84 million following the gradual completion of certain of the property projects managed by the Group.

Handover of the residential and office units to the buyers of Chongqing Creative Concepts Center and Shenyang Project Phase I has commenced since late 2010 and early 2011 respectively. Accordingly, property sales profit from these two projects decreased in 2012, which was partly compensated by the recognition of property sales of Guangzhou Parc Oasis upon handover of residential units starting from the second half of 2012. In 2011, the profit from property sales also included the en-bloc disposal of the Qianxinian Building in Chongqing. Rental income continued to be derived from the Group's investment properties, Lakeville Regency Tower 18 in Shanghai and the retail portion of Chongqing Creative Concepts Center.

In November 2012, the Group disposed of its 20% interest in the Guizhou Zunyi project and recognised a net gain of HK$398 million in accordance with applicable accounting standards. In addition, certain property holding companies were disposed of during the year, and exchange gains totalling approximately HK$91 million previously recognised in translation reserve in the consolidated statement of financial position were released to income. In 2011, the net disposal gain of HK$337 million was the result of the disposal of the Group's 49% interest in the Chengdu Centropolitan project in June.

The revaluation of the Group's investment properties, including both completed and those under development, at the current year-end, produced a net gain of HK$185 million. The substantial valuation gain last year was mainly attributable to the re-designation of the retail portion of Chongqing Creative Concepts Center from inventory.

As mentioned above, the Group's jointly developed projects, Beijing Centrium Residence and Shanghai Four Seasons Place commenced to recognise property sales profit from the second half of 2012, coupled with the contribution from Dalian Tiandi, share of net income from these jointly controlled entities and associates posted a significant increase to HK$300 million for 2012, from HK$152 million in the previous year.

## Construction

Construction business reported higher operating profit on an increased turnover for 2012, and average net margin was increased to 3.0% of turnover, from 2.5% in the previous year.

In 2012, parcels of workshop land owned by the Group's construction division were reverted to the Hong Kong SAR Government, and a net compensation of HK$89 million was included in the results of the construction segment.

## Cement operations

As mentioned above, the Group no longer took up its share of results of LSOC from 1 January 2012. The HK$8 million income from LSOC in the current year represented advisory fee payable by LSOC to SOCAM. In 2011, LSOC reported an operating loss as margins were eroded by higher coal and power prices in its areas of operation, while pricing remained depressed due to over-capacities, particularly in Sichuan and Chongqing.

The reversal of HK$21 million impairment loss was the result of compensation received from the local government for closure of a wet kiln in Guizhou in 2010 under government regulations, for which provisions were made in previous years. In 2011, the impairment losses mainly represented the Group's 45% share of the provisions made by LSOC on its plant and equipment.

In 2011, the Group disposed of a dry production line and a 40.16% interest in a cement plant, both in Guizhou, as part of its exit plan and recognised total disposal gain of HK$56 million.

## Investment in SOL

In December 2012, the Group disposed of approximately 2.01% of its then holding of 2.38% of the issued share capital of SOL, at a price of HK$3.60 per share, and recognised a net gain on disposal of HK$134 million.

## Venture capital

The venture capital funds in which the Group invested recorded valuation losses on the funds' interests in a number of investee companies, including a manufacturer of biodegradable materials, a microelectronics company focusing on multi-media and communication semiconductor markets and a producer of sunlight readable LCD monitors for outdoor applications, all of which achieved lower-than-expected results for 2012.

In the previous year, the HK$53 million gain was largely attributable 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 the take-over of the company by an independent buyer.

### Net finance costs

Despite the decline in average bank borrowings in 2012, net finance costs increased to HK$262 million for the year, from HK$165 million for the previous year, as higher interest margins were charged by banks upon renewal of the loan facilities granted to the Group. There was also a decrease in interest income as a result of the decrease in the Group's average cash and deposit balances.

## Assets Base

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

| | **31 December 2012 HK$ million** | 31 December 2011 HK$ million |
|---|---|---|
| Total assets | **23,688** | 22,231 |
| Net assets | **10,586** | 10,002 |
| | **HK$** | HK$ |
| Net assets per share | **21.5** | 20.4 |

Total assets of the Group increased by 6.6% to HK$23.7 billion at 31 December 2012, from HK$22.2 billion at 31 December 2011, while the net assets of the Group and the net assets per share increased by 5.8% and 5.3% respectively in 2012 due largely to the HK$848 million profit for the year.

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

| | **31 December 2012 HK$ million** | **%** | 31 December 2011 HK$ million | % |
|---|---|---|---|---|
| Property | **15,633** | **66** | 13,879 | 63 |
| Cement | **4,627** | **20** | 4,727 | 21 |
| Construction | **2,274** | **10** | 1,759 | 8 |
| Investment in SOL shares | **84** | **–** | 324 | 1 |
| Others | **1,070** | **4** | 1,542 | 7 |
| **Total** | **23,688** | **100** | 22,231 | 100 |

## Equity, Financing and Gearing

The shareholders' equity of the Company increased to HK$10,586 million on 31 December 2012, from HK$10,002 million on 31 December 2011, which was mainly attributable to the HK$848 million profit for the year.

Net bank borrowings of the Group represented bank and other borrowings, net of bank balances, deposits and cash, and amounted to HK$4,815 million on 31 December 2012. This compared with HK$5,056 million on 31 December 2011. The decrease in net bank borrowings during the year was mainly due to the gradual receipt of property sales proceeds and repayment of onshore project loans following completion of certain property projects.

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

| | **31 December 2012 HK$ million** | 31 December 2011 HK$ million |
|---|---|---|
| Bank and other borrowings repayable: | | |
| Within one year | **4,786** | 6,134 |
| After one year but within two years | **3,215** | 2,131 |
| After two years but within five years | **78** | 296 |
| Total bank and other borrowings | **8,079** | 8,561 |
| Bank balances, deposits and cash | **(3,264)** | (3,505) |
| Net bank and other borrowings | **4,815** | 5,056 |

The short-term portion of bank borrowings, i.e. those repayable within one year, reduced from 72% of total bank and other borrowings on 31 December 2011 to 59% on 31 December 2012, after the successful renewal/refinancing of bank borrowings with tenors beyond the next twelve months.

The net gearing ratio of the Group, calculated as net bank and other borrowings over shareholders' equity, decreased to 46% at 31 December 2012, from 51% at 31 December 2011, mainly as a result of the HK$848 million profit for the year as well as the decrease in net bank borrowings as explained above.

## Treasury Policies

The Group's financing and treasury activities are centrally managed and controlled at the corporate level.

The Group's bank borrowings are mainly denominated in Hong Kong dollars and have been arranged on a floating-rate basis. Investments in the Chinese Mainland are partly funded by capital already converted into Renminbi and partly financed by borrowings in Hong Kong dollars. Renminbi financing is at project level only where the sources of repayment are also Renminbi denominated. Given that income from operations in the Chinese Mainland is denominated in Renminbi, the Group expects that the steady appreciation of the Renminbi in the long run will have positive effect on the Group's business performance and financial status. Therefore, no hedging against Renminbi exchange risk has been arranged. It is the Group's policy not to enter into derivative transactions for speculative purposes.

## Employees

At 31 December 2012, the number of employees in the Group was approximately 1,100 (31 December 2011: 1,170) in Hong Kong and Macau, and 8,640 (31 December 2011: 8,860) 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 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.

# CORPORATE SOCIAL RESPONSIBILITY

SOCAM's Corporate Social Responsibility initiatives focus on three key areas – Community, Environment and our People – to realise the WE CARE Spirit across our business footprints in Hong Kong, Macau and the Chinese Mainland.

In each city we operate there are three CSR Steering Committee sub-groups that, in their own specialist area, devise and drive our caring projects in line with CSR policies and principles that are explicitly set out in our CSR manifesto.

# CARING FOR THE COMMUNITY

As in past years, our charitable and volunteering instincts led us to focus our contributions towards disadvantaged youths, through opportunities for education, and the elderly through personal support. SOCAM continually seeks meaningful community care programmes that are as rewarding to our employees in their positive results as they are to the recipients.

## Pre-school Children of Migrant Workers in Shanghai

With the completion of the Four Seasons Hotel Pudong, Shanghai, SOCAM considered how best to reciprocate to the community around us. Sharing the same intentions, SOCAM's project partner, the Four Seasons Hotels & Resorts Group, and Wai Yin Association, a charitable organisation in Hong Kong, joined hands with SOCAM to participate in a charity project to promote the wellbeing and social development of young children of migrant workers in Shanghai. In November, the "Shui On Four Seasons Charity Fund" was established, in collaboration with the Shanghai Charity Foundation.

These young children of migrant workers are always of concern, as their parents leave their home towns and villages to work in Shanghai, they may be left unattended. The Fund is set up to help them receive proper education, become a part of the community and contribute to the community when they grow up.


*Shanghai Charity Foundation – Shui On Four Seasons Charity Fund*

SOCAM will contribute to the Fund for a preliminary period of 3 years to support day-care centres for pre-school children so as to improve the teaching facilities and materials, and to provide training for teachers.

## AIDS Impacted Children in Central China

The Shui On Seagull Club, our employee-run volunteer organisation established in 1982, collaborated with the Chi Heng Foundation (CHF) in 2012, and launched a series of programmes to reach out to AIDS impacted children who need support for their health, living, education and psychological needs.

During the year, SOCAM supported the programmes both in monetary and volunteering terms. In addition to corporate donations, our volunteers provided support for affected families in Anhui and delivered daily necessities during the winter, when items such as rice, fuel, quilts etc. are most in need. An Art Exhibition was held to display the creations of AIDS orphans in the Art Counseling Programme, which provides psychological support to orphans with traumatic experiences.

In Hong Kong, our volunteers joined hands with CHF to organise a family drawing and art appreciation session for members of the Hong Kong Single Parents Association. An Art Album of the exhibits was offered for sale with the proceeds going to support CHF's programmes for AIDS impacted children in the Chinese Mainland.


*Art Exhibition*

**Mr. Chung To, Chairman & Founder of Chi Heng Foundation**

In addition to sponsoring educational opportunities for AIDS orphans, our work is about strengthening communities and the ability of extended families to provide and care for these children, thereby mainstreaming them into society and reducing their marginalisation.

## Youth Development

SOCAM continues to focus on youth development and knowledge exchange. In 2012, SOCAM continued to facilitate exchanges with university students from different cities following a series of scholarships offered in Hong Kong and the Chinese Mainland in 2011. Personal exchanges with youths are often the best form of education. SOCAM senior executives have been active in a series of mentorship programmes with Po Leung Kuk, University of Hong Kong as well as the Hong Kong University of Science and Technology.

*"Working in SOCAM was a valuable, eye-opening experience for me as I gained practical knowledge which I obviously cannot get from lectures. I learnt what a commercial organisation does to reach out to the community, protect the environment and enrich the lives of its employees."*

*Miss Alva Lau Wing Ka, SOCAM CSR Ambassador from The Chinese University of Hong Kong*

We receive positive feedback from students returning from our sponsored exchange programmes. A "SOCAM CSR Ambassador" was selected and awarded an internship opportunity to apply her learning in further developing SOCAM's CSR initiatives. The participating students at The Chinese University of Hong Kong benefit from our scholarship to focus on CSR research worldwide in 2011. We also welcomed a student mission from Sichuan University who was under one of our sponsored exchange programmes.

*Corporate care and support are integral to development of university students. I am thankful to the contribution of Shui On in realising our exchange tour to Japan.*

*Mr. Xu Ce, a student of Dalian University of Technology on our sponsored exchange programme.*

## Creating Community Bonds

The Shui On Seagull Club seeks to create bonds between low income families in the local community and the elderly who lack family care. Volunteers from low income families are trained to pay home visits to the elderly to express their care and concern, to serve them festive feasts and run small errands. Outdoor activities, museum visits and festive dinners were organised for them and single parent families. SOCAM colleagues took part in a number of charity and sports events. They raced in the MTR Hong Kong Race Walking, Standard Chartered Hong Kong Marathon, Run for the Chest and Wai Yin Association 30th Anniversary Charity Walk. A blood donation day, moon cake donation and Fai Chun Charity Sales were organised to offer help to people in need.

**Volunteer service**

No. of staff participation **466**

No. of volunteer hours **2,679**


*Standard Chartered Hong Kong Marathon*

**Staff Quarters for Hong Kong Immigration Department at Kwai Chung – BEAM Platinum**

**10%**
annual energy consumption reduction

**12.1%**
peak electricity demand reduction

**35.3%**
annual water saving by using water efficient devices

**48%**
reduction in annual sewage volumes through application of dual-flush systems

Comply with EMSD's Code of Practice for Energy Efficiency of Lift and Escalator Installations 2007

Average daylight factor
**>2%**
for normally occupied spaces

Comply with EMSD's Code of Practice for Energy Efficiency of Electrical Installations 2007

# CARING FOR THE ENVIRONMENT

SOCAM seeks to continually improve its environmental performance as a prime obligation to the betterment of society in general.

*Staff Quarters for Hong Kong Immigration Department at Kwai Chung*

Attaining the highest possible environmental certifications for our projects, and accreditation for our management system, helps us to integrate our operational measures of resources conservation, waste management and innovative working practices into our business strategy and practices. At each stage, from planning through design and construction to operation and maintenance, we seek to minimise our impact on the environment.

## Building Certifications

Our property and construction projects continue to achieve recognition from internationally recognised building assessment schemes like LEED (Leadership in Energy and Environmental Design) of the U. S. Green Building Council and BEAM (Building Environmental Assessment Method) of BEAM Society in Hong Kong.

During the year, Staff Quarters for Hong Kong Immigration Department achieved BEAM Platinum standard, while another project, Energising Kowloon East Office, achieved BEAM Plus Platinum rating in the provisional assessment. In the Chinese Mainland, the development of Dalian Tiandi Lots D14 and D22 has achieved LEED Gold Level of Core & Shell in the provisional assessment and Silver Level of Core & Shell certification respectively.

Obtaining the ratings has brought perceptible benefits to our environment as exemplified by our projects' green achievements:

*Energising Kowloon East office*

## Energising Kowloon East Office – BEAM Plus Platinum (Provisional)

- 33% or 48,500 kWh/year reduction of annual energy consumption
- 37% reduction in peak electricity demand
- 57% or 805,000 L/year reduction in fresh water consumption by harvesting rainwater for irrigation
- 22% or 51,600 L/year reduction in flushing water demand by using low flow urinal and dual flush toilets
- 69% or 10,500 kg of construction waste will be recycled or reused
- 50% of building materials are prefabricated

| | Dalian Tiandi Lot D14 – LEED Gold Level of Core & Shell (Provisional) | Dalian Tiandi Lot D22 – LEED Silver Level of Core & Shell |
|---|---|---|
| Water saving with recycled use of waste water | 45% | 77% |
| Percentage of regularly occupied area designed to enjoy daylight to reduce the use of artificial lighting | 75% | 79% |
| Use of recycled content in construction materials to reduce material wastage | 18% | 13.2% |
| Percentage of energy saving with the adoption of LOW-E glass, high-efficiency lighting, air-conditioning, pump and ventilation systems as well as renewable energy | 14% | 13% |

We also target to achieve the following certifications for our projects on completion:

| Property Projects | LEED Certification |
|---|---|
| Guangzhou Parc Oasis | Silver Level of Core & Shell for clubhouse |
| Shenyang Project Phase I | Silver Level of Core & Shell for commercial portion |
| Dalian Tiandi Huangnichuan | Silver Level of Neighbourhood Development |
| **Construction Projects** | **BEAM Certification** |
| West Kowloon Law Courts Building, Hong Kong | BEAM Plus Gold |
| Town Park, Velodrome-cum-Sports Centre, Tseung Kwan O, Hong Kong | BEAM Platinum |
| Sports Centre, Community Hall and District Library in Area 14B, Sha Tin, Hong Kong | BEAM Plus Platinum |

## ISO 50001 Energy Management

Our construction arm, Shui On Building Contractors (SOBC), a leading building contractor in Hong Kong, prides itself on being one of the first contractors accredited with ISO 50001 in Energy Management in 2012.

Our project sites were an early mover in the application of energy saving devices like timer control and motion sensor for electrical appliances and lighting systems, adoption of LED lighting, and solar power water heater systems. To comply with the ISO requirement, we have further identified significant energy use and adopted energy management plans through a series of baseline performance indicators and energy targets. Supported by regular audits and management reviews, as well as comprehensive training and promotion among staff, our energy management systems are proven to be effective in the continual improvement of our environmental performance.

Our green commitment is driving us further with planning underway for a carbon audit for our office and some sites in Hong Kong. With the planned audit, we seek to effectively reduce greenhouse gas emission.

**ISO 50001 Audit Report**

*Management and staff showed commitment to the implementation of the energy management system. Innovative design and effective procurement of energy services and products were demonstrated.*

**ISO 14001 Audit Review**

*Shui On's strength lies in its top management commitment in environmental protection and sustainable development; willingness to work with clients, regulatory bodies and interested parties for environmental concerns; positive attitude of staff towards environmental protection and dedicated management support; effective environmental, operational and monitoring control on site.*

## Conservation of an Ancient Miao Village in Chongqing


*Conservation project*

With a view to conserving the precious nature and culture of the ancient Miao Village, Shi Quan Zhai, the Chongqing branch of the Shui On Seagull Club has taken timely action to support the conservation campaign of the local government.

Shi Quan Zhai is a quiet village, home to some five hundred residents who are still living in the wooden houses and using the utensils their ancestors have used since the Ming Dynasty. To better equip the village and its residents in facing up to the development of the area into a tourist spot, our volunteers promote waste management knowledge to the villagers who are yet to be aware of the potential impact of tourism. Our focus throughout has been to conserve the original atmosphere and historic interests of the Village, in conjunction with local government and the villagers themselves.


## Green Engagement

We continue to encourage all colleagues to 'think green' through creative initiatives. These include a series of internal campaigns and activities:

- Green office campaigns: a series of promotional display and quiz games were used to encourage support in saving paper and energy in our daily office operations.
- Recycling campaigns were organised on a regular basis for the collection of used paper, glass bottles, used clothes and accessories.
- Competition: essay and photo competitions among our employees were held to promote the appreciation and sharing of nature and a green lifestyle.

*Action Seedling Programmes*

*Beijing tree planting*

*Green office – plant adoption*

Mr. Chan Kwan Yuen, Project Mechanic at Tuen Mun Area 18 project.

*"We are keen to introduce new tools to help ensure a safe and efficient working environment for everyone working at Shui On Sites. Some examples include the H-Shape storage system installed for safe storage of steel formworks and the temporary refuse chute alert system. Training and monitoring are provided and we are happy to see that safety awareness of all workers is ever rising. Together with our practice of the safe working cycle, it earned the Project Mechanic team a Gold award for the Best Safety Culture Activity Team in the Construction Safely Promotional Campaign 2012."*

# CARING FOR OUR PEOPLE

In nurturing our talents, SOCAM promotes safety and work/life balance along with offering learning opportunities in professional and personal development at all employee levels.

## Safety is Foremost

Keeping the accident rate at a single-digit level for the fifth consecutive year demonstrates our Construction Division's continual commitment to safety. In 2012, the accident rate was 6.75 cases per thousand workers compared to the industry average of 50 cases per thousand workers in 2011.

This achievement is a result of a strong management commitment, clear and easily understood health & safety systems with frequent inspections and encouragement for frontline project teams with sound safety awareness. This is supported by quarterly safety meetings, annual audits and management review as reported in the OHSAS 18001 audit.

Our safety culture is reinforced through a series of campaigns and events like the annual HSE Target Seminar, Sub-contractor HSE Workshop, a half-yearly survey by the Behavioural-based Safety Working Group, onsite briefing and promotional games with souvenirs to cultivate workers' risk assessment habits, tea with foreman, independent site inspections, a red-

*On-site safety promotion*

yellow card disciplinary system and sharing of good practices among sites. Workers with outstanding safety performance are rewarded with incentives.

In the 11th Hong Kong Occupational Safety and Health Award organised by the Occupational Safety and Health Council and Labour Department, SOCAM was recognised with silver awards in Safety Management System Award and Work Safe Behaviour Award, a merit award in Safety Culture Award and a Safety Performance Award which reward outstanding performance in Occupational Safety and Health over the past three years.

## Work/life balance

The well-being of our employees is vital to the performance and values of the Company. SOCAM is a keen supporter of the Work/Life Balance Week, and seeks to instil its concept year-round. A series of wellness initiatives including healthy fruits and drinks sharing, art jamming, movie appreciation, birthday parties and talks on subjects such as spinal care and healthy massage all help to promote an awareness of personal health.

*Massage for good health*

Regular recreational and volunteer activities serve to encourage our employees to spend their spare time meaningfully beyond the workplace. Our community service leave programme grants leave for staff participating in our community reach-out initiatives to facilitate work/life balance while contributing to the community.

*Art jamming for fun*

## Learning and Development

Lifelong learning forms part of the corporate culture of the Shui On Spirit and puts emphasis on the value of our human capital. With structured career development and training programmes and other campaigns focusing on self-learning, our people of all levels are well-equipped to excel at work and in personal development.

Structured career development programmes cover Management Cadet Programme, Management Trainee Programme, Graduate Engineer Programme and Apprentice Programmes which are critical in driving the business development of SOCAM across locations with the right mix of human assets.

Learning at SOCAM includes structured, formal training, casual exchanges among staff and self-learning of individuals. Matching the needs of all levels and professions, our training programme is comprehensive and covers:

- Executive Development Programme
- Advanced Management Programme
- Fundamental Management Programme
- Personal Effectiveness Programme
- New Employee Programme
- Professional Knowledge Programme
- E-learning Programme

More casual forms of exchange like Lunch and Learn Talks widen a general knowledge base on topics such as nutrition, wine tasting and magic. These help to create a learning culture for all, and are supported by self-learning facilities like a library, book exhibition and e-learning system.

**Training hours in 2012**

Internal
**5,186** hours

External
**6,564** hours

# CORPORATE GOVERNANCE REPORT


TRANSPARENCY
INTEGRITY
MONETISATION • UNLOCK ASSET VALUE •
SOCAM DEVELOPMENT LIMITED
MONETISATION • UNLOCK ASSET VALUE •
SOCAM DEVELOPMENT LIMITED

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of integrity, transparency, accountability and independence. The Board of Directors of the Company (the "Board") believes that good corporate governance is essential for sustainable development and growth of the Company, enhancement of its credibility as well as shareholders' value.

Throughout the year ended 31 December 2012, the Company complied with all the code provisions of the Code on Corporate Governance Practices and its new edition effective 1 April 2012, the Corporate Governance Code (the "CG Code"), set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for their respective applicable periods, 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 management as to their powers and circumstances where management should report back. Approval has to be obtained from the Board prior to any decision being made or any commitments being entered into on behalf of the Company that are outside the limits of the authority given to them by the Board.

The 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. The Chairman also holds informal meetings with the Non-executive Directors at least annually, without the Executive Directors present, to evaluate the functioning of 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, including all papers for the meetings of the Board and its Committees and the monthly management updates on the Group's financials. The Board and each Director have separate and independent access to 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. The Board conducts a review of the Board Charter regularly to ensure that it remains appropriate to the Company's needs.

The Board is collectively responsible for the following corporate governance functions:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the Company's code of conduct applicable to Directors and employees;
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and
- to review and monitor the training and continuous professional development of Directors and senior management.

These Board functions have been set out in the Board Charter following a review conducted by the Board during the year.

## Composition

At the date of this report, the Board comprises nine Directors and the composition of the Board is set out as follows:

| **Executive Directors** |
|---|
| Mr. Lo Hong Sui, Vincent *(Chairman)* |
| Mr. Choi Yuk Keung, Lawrence *(Vice Chairman)* |
| Mr. Wong Kun To, Philip<br>*(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. Chan Kay Cheung |
| Mr. Tsang Kwok Tai, Moses |

Mr. David Gordon Eldon, a former Independent Non-executive Director of the Company, did not stand for re-election due to his other business commitments and retired at the annual general meeting of the Company held on 18 May 2012 in accordance with the Bye-laws of the Company.

Biographical details of the existing Directors are shown on pages 84 to 87. None of the members of the Board is related to one another.

The Company has throughout the year exceeded the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors (and the appointment of Independent Non-executive Directors representing at least one-third of the Board by 31 December 2012), with at least one Independent Non-executive Director possessing appropriate professional qualifications, accounting or related financial management expertise. The Company has received written annual confirmation from each Independent Non-executive Director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all of its Independent Non-executive Directors to be independent of management and free of any relationship that could materially interfere with the exercise of their judgment.

## Chairman and 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.

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

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 businesses of the Group. 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. Choi Yuk Keung, Lawrence, Mr. Chan Kay Cheung and Mr. Tsang Kwok Tai, Moses shall retire by rotation at the forthcoming annual general meeting of the Company to be held on 30 May 2013. All the said Directors, being eligible, will offer themselves for re-election at the annual general meeting.

## Board Committees

The Board has set up six 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. Following a comprehensive review during the year, the Board adopted a set of revised terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee in light of the changes in the CG Code. The updated terms of reference of these Committees are available on the websites of the Company and the Stock Exchange.

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

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

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

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

| | Major roles and functions | Composition | Frequency of meetings |
|---|---|---|---|
| **Audit Committee** | • To review the financial statements of the Group<br>• To review the accounting policies adopted by the Group and their implementation<br>• To review the effectiveness of the risk management and internal control systems<br>• To oversee the engagement, services provided by and remuneration of the external auditor and its independence<br>• To review and monitor the effectiveness of the internal audit function | **Independent Non-executive Directors**<br>Mr. Chan Kay Cheung *(Chairman)*<br>Mr. Gerrit Jan de Nys<br>Ms. Li Hoi Lun, Helen<br><br>**Non-executive Director**<br>Mr. Wong Yuet Leung, Frankie | At least four times a year |
| **Remuneration Committee** | • To make recommendations to the Board on the policy and structure for remuneration of Directors and senior management<br>• To determine the remuneration package of individual Executive Director<br>• To review and approve performance-based remuneration of Executive Directors with reference to the corporate goals and objectives | **Independent Non-executive Directors**<br>Mr. Tsang Kwok Tai, Moses *(Chairman)*<br>Ms. Li Hoi Lun, Helen<br><br>**Executive Director**<br>Mr. Lo Hong Sui, Vincent | At least twice a year |
| **Nomination Committee** | • To review the structure, size and composition of the Board at least annually<br>• To identify, select and make recommendations to the Board on individuals nominated for appointment as Directors<br>• To assess the independence of Independent Non-executive Directors<br>• To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors<br>• To review annually the time commitment required of Directors<br>• To implement and oversee periodic performance evaluation of the Board and its Committees | **Executive Directors**<br>Mr. Lo Hong Sui, Vincent *(Chairman)*<br>Mr. Wong Kun To, Philip<br><br>**Independent Non-executive Directors**<br>Mr. Gerrit Jan de Nys<br>Mr. Chan Kay Cheung<br>Mr. Tsang Kwok Tai, Moses | At least once a year |

| | Major roles and functions | Composition | Frequency of meetings |
|---|---|---|---|
| **Finance Committee** | • To set overall financial objectives and strategies for the Group<br>• To adopt a set of financial policies for the Group and oversee its consistent application throughout the Group<br>• To review investment projects/major capital expenditures to be undertaken and advise on the financing viability of the investment projects/major capital expenditures<br>• To monitor cash flow and liquidity of the Group and review cash flow forecast to ensure sustainability | **Executive Directors**<br>Mr. Wong Kun To, Philip *(Chairman)*<br>Mr. Wong Fook Lam, Raymond<br><br>**Non-executive Director**<br>Mr. Wong Yuet Leung, Frankie<br><br>**Independent Non-executive Directors**<br>Mr. Gerrit Jan de Nys<br>Mr. Chan Kay Cheung<br>Mr. Tsang Kwok Tai, Moses | At least four times a year |
| **Investment Committee** | • To review preliminary and detailed investment and disposal recommendations on target property projects and projects currently owned by the Group<br>• 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<br>• To review the overall investment strategy of the Group, make recommendation to the Board on any proposed change to the investment strategy, and to monitor its implementation | **Executive Directors**<br>Mr. Choi Yuk Keung, Lawrence *(Chairman)*<br>Mr. Wong Kun To, Philip<br>Mr. Wong Fook Lam, Raymond<br><br>**Independent Non-executive Directors**<br>Ms. Li Hoi Lun, Helen<br>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<br>• To evaluate and set business strategies for ensuring the long-term growth and competitiveness of the core businesses of the Group<br>• To formulate corporate goals and plan and allocate human and financial resources and otherwise, for execution<br>• To monitor the execution of approved strategies and business plans<br>• 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<br>• To review the operating performance and financial position of the Company and its strategic business units on a monthly basis | **Executive Directors**<br>Mr. Choi Yuk Keung, Lawrence *(Chairman)*<br>Mr. Lo Hong Sui, Vincent<br>Mr. Wong Kun To, Philip<br>Mr. Wong Fook Lam, Raymond<br><br>**Other key executives** | Monthly |

Mr. David Gordon Eldon stepped down as the Chairman of the Remuneration Committee and a member of the Nomination Committee and the Finance Committee following his retirement as a Director at the annual general meeting of the Company held on 18 May 2012. Mr. Tsang Kwok Tai, Moses, an Independent Non-executive Director of the Company and a member of the Remuneration Committee, was appointed as the Chairman of the Remuneration Committee to succeed Mr. David Gordon Eldon. Mr. Chan Kay Cheung, an Independent Non-executive Director of the Company, was also appointed as a member of the Nomination Committee to fill the vacancy occasioned by the departure of Mr. David Gordon Eldon.

Separate reports prepared by the Audit Committee, the Remuneration Committee and the Nomination Committee, which summarise their work performed during the year, are set out on pages 74 to 75, pages 76 to 81 and page 82 respectively.

## Board and Board Committee Meetings

The Board meets at least four times each year and more frequently as the needs of the business demand. Apart from the Board meetings, the Board would from time to time devote separate sessions to consider and review the Group's strategy and business activities. The frequencies of the Board Committee meetings are set out in the section above.

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

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

## Directors' Commitment

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

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

| Name of Director | Attendance/Number of meetings during the year | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Board meetings | Audit Committee meetings | Remuneration Committee meetings | Nomination Committee meeting | Investment Committee meetings | Finance Committee meetings | Executive Committee meetings | Annual general meeting | Special general meetings |
| Mr. Lo Hong Sui, Vincent | 4/4 | N/A | 3/3 | 1/1 | N/A | N/A | 9/9 | 1/1 | 1/3 |
| Mr. Choi Yuk Keung, Lawrence | 4/4 | N/A | N/A | N/A | 3/3 | N/A | 9/9 | 1/1 | 3/3 |
| Mr. Wong Kun To, Philip | 4/4 | N/A | N/A (Note a) | 1/1 | 3/3 | 7/7 | 9/9 | 1/1 | 3/3 |
| Mr. Wong Fook Lam, Raymond | 4/4 | N/A (Note b) | N/A | N/A | 3/3 | 7/7 | 9/9 | 1/1 | 3/3 |
| Mr. Wong Yuet Leung, Frankie | 4/4 | 4/4 | N/A | N/A | N/A | 7/7 | N/A | 1/1 | 3/3 |
| Mr. Gerrit Jan de Nys | 4/4 | 4/4 | N/A | 1/1 | N/A | 6/7 | N/A | 1/1 | 1/3 |
| Ms. Li Hoi Lun, Helen | 4/4 | 4/4 | 3/3 | N/A | 3/3 | N/A | N/A | 1/1 | 3/3 |
| Mr. Chan Kay Cheung | 4/4 | 4/4 | N/A | N/A (Note c) | 3/3 | 7/7 | N/A | 1/1 | 3/3 |
| Mr. Tsang Kwok Tai, Moses | 3/4 | N/A | 3/3 | 1/1 | N/A | 6/7 | N/A | 0/1 | 2/3 |
| Mr. David Gordon Eldon (retired on 18 May 2012) (Note d) | 1/2 | N/A | 2/2 | 1/1 | N/A | 2/3 | N/A | 1/1 | 0/1 |

Notes:

(a) By invitation, Mr. Wong Kun To, Philip, as the Chief Executive Officer, attended two meetings of the Remuneration Committee.

(b) By invitation, Mr. Wong Fook Lam, Raymond, as the Chief Financial Officer, attended all meetings of the Audit Committee.

(c) Mr. Chan Kay Cheung was appointed as a member of the Nomination Committee with effect from 18 May 2012. The Nomination Committee did not hold any meeting during the year after his appointment.

(d) Mr. David Gordon Eldon retired as a Director at the annual general meeting of the Company held on 18 May 2012 and stepped down as the Chairman of the Remuneration Committee and a member of the Nomination Committee and the Finance Committee following his retirement. His attendance at the meetings is shown with reference to the number of meetings he was entitled to attend prior to his retirement.

## 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 Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Since 2007, the Board has further enhanced its induction process for all new Directors, including a comprehensive introduction to the strategies and activities of the Group, its history, 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 in May and December 2012 respectively to discuss and review the long-term business and corporate strategy of the Group. Site visits to new or potential property projects of the Group in several cities of the Chinese Mainland were also arranged for the Directors during the year.

The Company continues its effort in providing updates on the changes in the relevant regulatory requirements applicable to the Group from time to time and recommending and organising relevant seminars/ conferences and internal briefing sessions to the Directors as and when appropriate. During the year, all Directors attended a training session organised by the Company on topics covering the regulatory updates relevant to their responsibilities as directors, e.g. inside information. In addition, all Directors were requested to provide the Company with the records of the other training they received.

The Directors acknowledge the need for continuous professional development so that they can continue contributing to the Company, 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, all Directors have confirmed that they complied with the required standards set out in the Model Code throughout the year ended 31 December 2012.

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

## Responsibilities in respect of 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, announcements of inside information and other disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for preparing the financial statements of the Company for each financial period.

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

### Annual Report and Financial Statements

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

### Accounting Policies

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

### Accounting Records

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

### Safeguarding Assets

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

## Going Concern

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

## Auditor's Remuneration

The remuneration payable to the external auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2012 amounted to approximately HK$5 million and HK$2.5 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 tax advisory services.

# Internal Control Systems

The Board has overall responsibility for the maintenance of sound and effective internal control systems within the Group. The Board has delegated to 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 2012, including financial, operational and compliance controls and risk management functions and assessed the effectiveness of internal control systems by considering the work performed by the Audit Committee, executive management, external consultants and internal auditors.

## Internal Audit

The internal audit function, which is fully independent of the daily operations of the Group, is carried out by the Company's Corporate Evaluation Department, the senior executive in charge of which reports 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 executive in charge of the Corporate Evaluation Department to undertake internal audit activities of an urgent or sensitive nature. All other Directors are informed of 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 executive in charge of the Corporate Evaluation Department attends all Audit Committee meetings. Four meetings were held by the Audit Committee in 2012 and details of the major areas reviewed are set out in the Audit Committee Report on pages 74 and 75. 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 and business units.

The systems and policies of the Group are designed to help minimise and manage business risks, protect the assets of the Group from loss or impairment, accurately report the performance of the Group and its financial position, and to ensure compliance 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.

## Shareholder and Investor Relations

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

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

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

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

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

## Shareholders' Rights

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

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

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

## Corporate Governance Enhancement

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

On behalf of the Board
**Lo Hong Sui, Vincent**
*Chairman*

Hong Kong, 27 March 2013

# AUDIT COMMITTEE REPORT

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

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

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

## Meeting Attendance

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

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

Other attendees at each of the Committee meetings included the senior executive in charge of the Company's Corporate Evaluation Department responsible for the internal audit function 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 websites of the Company and the Stock Exchange.

## Summary of Work Done

During the year, the Audit Committee:

- reviewed and discussed with management and external auditor the audited consolidated financial statements of the Group for the year ended 31 December 2011 (including estimates and judgments of a material nature made by management in accordance with the accounting policies of the Group) and the related final results announcement, with a recommendation to the Board for approval after due consideration given to the matters raised by staff responsible for the accounting and financial reporting, compliance and internal audit functions;

- reviewed the disclosures in the Corporate Governance Report and the Audit Committee Report included in the 2011 Annual Report of the Company, with a recommendation to the Board for approval;

- reviewed and discussed with management and external auditor the unaudited consolidated financial statements of the Group for the six months ended 30 June 2012 (including estimates and judgments of a material nature made by management in accordance with the accounting policies of the Group) and the related interim results announcement, with a recommendation to the Board for approval;

- reviewed and considered the reports and management letters submitted by the external auditor, which summarised matters arising from its audit of the Group's consolidated financial statements for the year ended 31 December 2011 and its review of the Group's consolidated financial statements for the six months ended 30 June 2012;

- reviewed and considered the reports of the Corporate Evaluation Department on the business risks and the operational and financial controls of selected property projects of the Group in the Chinese Mainland;
- reviewed and considered the reports of the Corporate Evaluation Department on the operational and financial controls of the Group's construction and fitting-out businesses in Hong Kong and the Chinese Mainland;
- reviewed the involvement of the Corporate Evaluation Department in the internal audit of Lafarge Shui On Cement Limited, a joint venture 45%-owned by the Group;
- reviewed and considered the report of the Corporate Evaluation Department on the access controls and intrusion test concerning the information technology system of the Company;
- reviewed the quarterly reports of the Corporate Evaluation Department on connected transactions, including the application of and compliance with the Company's policy on connected transactions;
- reviewed and considered the adequacy of the Group's provisions for doubtful debts on quarterly basis;
- reviewed and considered the fee proposals of the external auditor for the review of the Group's consolidated financial statements for the six months ended 30 June 2012 and for the audit of the Group's consolidated financial statements for the year ended 31 December 2012 and the scope of work;
- reviewed the key performance indicators and annual work programme of the Corporate Evaluation Department as well as its work progress, staffing and resources planning;
- conducted a high level review of the effectiveness of the internal control systems of the Group (covering financial, operational and compliance controls and risk management functions) by considering the work of the executive management and the Corporate Evaluation Department, including a review of the adequacy of resources, staff qualifications and experience, and training programmes and budget of the Company's accounting and financial reporting function; and
- reviewed and endorsed the revised terms of reference of the Audit Committee in light of the changes to the Corporate Governance Code, with a recommendation to the Board for approval.

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

The Committee reviews the Group's risk management policy annually. A high level review of the effectiveness of the internal control systems of the Group is also performed at each year end. The Committee will continue to examine the Group's systems and policies for assessing and taking 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 executive in charge of the Corporate Evaluation Department and the external auditor to assess their application to the accounting policies adopted by the Group and, where applicable, their effective adoption by the Group.

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

Subsequent to the financial year end, the Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2012, including the accounting principles and practices adopted by the Group, in conjunction with the external auditor and recommended them to the Board for approval.

The Committee was satisfied with the external auditor's work, its independence and objectivity, and therefore recommended the re-appointment of Deloitte Touche Tohmatsu as the Company's external auditor for 2013 for shareholders' approval at the forthcoming annual general meeting of the Company.

**Chan Kay Cheung**
*Chairman, Audit Committee*

Hong Kong, 27 March 2013

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

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

The composition of the Remuneration Committee has been changed during the year following the retirement of Mr. David Gordon Eldon as a Director of the Company at the annual general meeting of the Company held on 18 May 2012. Mr. Tsang Kwok Tai, Moses, a member of the Remuneration Committee, was appointed as the Chairman of the Committee to succeed Mr. David Gordon Eldon.

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

| Name of Committee member | Attendance/ Number of meetings |
|---|---|
| Mr. Tsang Kwok Tai, Moses | 3/3 |
| Mr. Lo Hong Sui, Vincent | 3/3 |
| Ms. Li Hoi Lun, Helen | 3/3 |
| Mr. David Gordon Eldon (ceased to act on 18 May 2012) | 2/2 (Note) |

Note: Mr. David Gordon Eldon stepped down from the Remuneration Committee following his retirement at the annual general meeting of the Company held on 18 May 2012. His attendance at the meetings is shown with reference to the number of the Committee meetings held prior to his retirement.

Where appropriate, the Chief Executive Officer and the Director – Corporate Services in charge of the Group's human resources function 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 websites of the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Remuneration Committee is given the tasks to:

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

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

Having reviewed the practices and procedures of remuneration committees in other jurisdictions, the Remuneration Committee decided that it would be better practice for the Non-executive Directors to cease involvement in recommending their own remuneration. Such recommendations were made to the Board by the Chairman of the Company, taking the advice of external professionals as appropriate. This practice was formally adopted and the Board approved the amendment to the terms of reference of the Remuneration Committee in this respect. The Non-executive Directors abstain 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;
- emphasis will be given to corporate and individual performance, taking into account the different responsibilities of each Executive Director, who 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 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.

## Summary of Work Done

During the year, the Remuneration Committee:

- considered and approved the salary review recommendations for 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;
- reviewed and approved the recommendation of bonus award to a Non-executive Director for his service as an Executive Director prior to his re-designation in 2011;
- reviewed the proposal for the annual grants of share options to management staff based on their performances, with a recommendation to the Board for approval;
- reviewed the vesting recommendation for the share option granted in 2009 to an Executive Director under a long-term incentive ("LTI") scheme, with a recommendation to the Board for approval;
- discussed and determined the preliminary company performance ratings based on the results achieved in 2011 for the 2010 and 2011 LTI grants of share options;
- reviewed and approved the guidelines for performance assessment of the 2011 LTI grant and the proposal for comparable peers as assessment benchmarks;
- reviewed and endorsed the Remuneration Committee Report included in the 2011 Annual Report of the Company, with a recommendation to the Board for approval; and
- reviewed and endorsed the revised terms of reference of the Remuneration Committee in light of the changes to the Corporate Governance Code, with a recommendation to the Board for approval.

## Remuneration of Directors

The Directors received the following remuneration for the year:

| | Fees (Note a) HK$'000 | Salary and other benefits (Note b) HK$'000 | Performance Bonuses HK$'000 | Retirement benefit scheme contributions HK$'000 | Value of share options granted (Note c) HK$'000 | For the year ended 31 December 2012 Total HK$'000 | For the year ended 31 December 2011 Total HK$'000 |
|---|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | | |
| Mr. Lo Hong Sui, Vincent | 10 | – | – | – | – | 10 | 10 |
| Mr. Choi Yuk Keung, Lawrence | 10 | 3,842 | 2,415 | 235 | 4,012 | 10,514 | 10,289 |
| Mr. Wong Kun To, Philip | 10 | 4,839 | 4,666 | 217 | 5,977 | 15,709 | 14,218 |
| Mr. Wong Fook Lam, Raymond | 10 | 3,666 | 2,350 | 222 | 3,716 | 9,964 | 8,764 |
| **Non-executive Director** | | | | | | | |
| Mr. Wong Yuet Leung, Frankie | 390 | – | 505 (Note d) | – | – | 895 | 7,443 |
| **Independent Non-executive Directors** | | | | | | | |
| Mr. Gerrit Jan de Nys | 420 | – | – | – | – | 420 | 410 |
| Ms. Li Hoi Lun, Helen | 425 | – | – | – | – | 425 | 415 |
| Mr. Chan Kay Cheung | 549 | – | – | – | – | 549 | 505 |
| Mr. Tsang Kwok Tai, Moses | 385 | – | – | – | – | 385 | 380 |
| Mr. David Gordon Eldon (retired on 18 May 2012) | 156 | – | – | – | – | 156 | 410 |
| **TOTAL** | 2,365 | 12,347 | 9,936 | 674 | 13,705 | 39,027 | 42,844 |

Notes:

(a) According to the fee schedule as approved by the Board, each Executive Director is entitled to an annual fee of HK$10,000 while a Non-executive Director or an Independent Non-executive Director is entitled to an annual fee of HK$250,000. In addition, a Non-executive Director or an Independent Non-executive Director also received an annual fee for his chairmanship or membership in each of the Board Committees for the year ended 31 December 2012 as set out below:

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

(b) With effect from 1 January 2013, 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$3,984,000, HK$5,034,000 and HK$3,804,000 respectively upon annual review by the Remuneration Committee.

(c) 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.

(d) The amount represents the bonus awarded to Mr. Wong Yuet Leung, Frankie for his service as an Executive Director of the Company prior to his re-designation as a Non-executive Director in 2011.

## Remuneration of Senior Management

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

| | Number of individuals |
|---|---|
| HK$2,000,001 – HK$3,000,000 | 1 |
| HK$3,000,001 – HK$4,000,000 | 2 |
| HK$5,000,001 – HK$6,000,000 | 1 |

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

### Annual grants

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

Details of the annual grants of share options made under the Existing Scheme to the employees of the Group during the year are set out in the Directors' Report on pages 89 to 100.

## LTI grants

To motivate the Executive Directors and key executives through share ownership and performance-based incentives, the Board adopted the proposal of the Remuneration Committee to give long-term incentive to the Executive Directors through share options granted under the Old Scheme and applied vesting conditions based on certain performance criteria to such grants. Under this LTI arrangement, the total shareholders' return ("TSR") was used as an important measurement criterion for such awards made during 2007 to 2009. Share options were granted conditionally to the Executive Directors over rolling 3-year periods that would vest only if the TSR of the Company at the end of each specific 3-year period was positive and equaled or exceeded the return of the Hang Seng Index. External consultants were retained to assist with the measurement of the TSR of the Company and the return of the Hang Seng Index.

In view of the volatility of share prices affected by market sentiment and the global financial crisis, the Committee observed that share options using TSR as a performance measurement criterion could no longer serve as an effective way to motivate and reward the Executive Directors. Therefore, in 2010, the Committee reviewed the performance measurement for LTI awards and, after consideration, recommended to the Board to adopt a new set of performance measurement criteria for the future grants of share options to the Executive Directors under the LTI scheme. The new measurement criteria comprise a range of specific performance criteria/targets that the Executive Directors were required to achieve in a 3-year performance period for creating shareholders' value, which include return on equity, free cash flow and risk management, achievement of strategic goals, financial and operational performance targets.

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

Details of the outstanding share options granted to the Executive Directors during the previous years are set out in the Directors' Report on pages 89 to 100.

**Tsang Kwok Tai, Moses**
*Chairman, Remuneration Committee*

Hong Kong, 27 March 2013

# NOMINATION COMMITTEE REPORT

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

Mr. Lo Hong Sui, Vincent *(Chairman)*
Mr. Wong Kun To, Philip
Mr. Gerrit Jan de Nys
Mr. Chan Kay Cheung
Mr. Tsang Kwok Tai, Moses

The composition of the Nomination Committee has been changed during the year following the retirement of Mr. David Gordon Eldon as a Director of the Company at the annual general meeting of the Company held on 18 May 2012. Mr. Chan Kay Cheung, an Independent Non-executive Director of the Company, was appointed as a member of the Committee to succeed Mr. David Gordon Eldon.

With the exception of Mr. Lo Hong Sui, Vincent (Chairman of the Board) and Mr. Wong Kun To, Philip (Managing Director and Chief Executive Officer), the members of the Committee are Independent Non-executive Directors of the Company.

## Meeting Attendance

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

## Role and Duties

Under its terms of reference, the primary function of the Nomination Committee is to review the structure, size and composition of the Board to ensure that it has a balance of appropriate expertise, skills and experience for the business needs of the Group. 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 commitment 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. The Nomination Committee is also responsible for assessing the independence of Independent Non-executive Directors, making recommendations to the Board on the re-appointment of Directors, succession planning for Directors and membership of the Board Committees, reviewing the time commitment required of Directors, and implementing and overseeing periodic performance evaluation of the Board and its Committees. The terms of reference of the Nomination Committee are available on the websites of the Company and The Stock Exchange of Hong Kong Limited.

## Summary of Work Done

During the year, the Nomination Committee:

- reviewed the size and composition of the Board and considered the nomination of three retiring Directors for the Board's recommendation to stand for re-election by shareholders at the 2012 annual general meeting of the Company;
- reviewed the composition of the Board Committees and considered the proposed changes to the composition of the Remuneration Committee, the Nomination Committee and the Finance Committee in view of the retirement of Mr. David Gordon Eldon, with a recommendation to the Board for approval;
- considered the renewal of service contracts with two Independent Non-executive Directors and the proposed change of member of the Executive Committee, with a recommendation to the Board for approval;
- reviewed the time commitment required of Directors to perform their responsibilities to the Company; and
- reviewed and endorsed the revised terms of reference of the Nomination Committee in light of the changes to the Corporate Governance Code, with a recommendation to the Board for approval.

**Lo Hong Sui, Vincent**
*Chairman, Nomination Committee*

Hong Kong, 27 March 2013

# DIRECTORS AND SENIOR MANAGEMENT

Mr. Lo Hong Sui, Vincent

Mr. Choi Yuk Keung, Lawrence

Mr. Wong Kun To, Philip

Mr. Wong Fook Lam, Raymond

## Executive Directors

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

aged 64, has been the Chairman of the Company since 1997. He is the Chairman of the Shui On Group, which he founded 42 years ago, and the Chairman of Shui On Land Limited ("SOL"), which he established in 2004 and became listed in Hong Kong in 2006. He has been the Chief Executive Officer of SOL since its listing in Hong Kong and relinquished such position in 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 Twelfth National Committee of the Chinese People's Political Consultative Conference, a Hong Kong's representative to the Asia Pacific Economic Cooperation (APEC) Business Advisory Council, the President of the Council for the Promotion & Development of Yangtze, an Economic Adviser of the Chongqing Municipal Government, a Vice Chairman of the Chamber of International Commerce Shanghai, the Honorary Life President of the Business and Professionals Federation of Hong Kong and an Honorary Court Chairman of The Hong Kong University of Science and Technology. He was appointed as a member of the Board of the Airport Authority Hong Kong in January 2013. 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. In 2012, the 4th World Chinese Economic Forum honoured Mr. Lo with the Lifetime Achievement Award for Leadership in Property Sector.

Mr. Wong Yuet Leung, Frankie

Mr. Gerrit Jan de Nys

Ms. Li Hoi Lun, Helen

Mr. Chan Kay Cheung

Mr. Tsang Kwok Tai, Moses

## Mr. Choi Yuk Keung, Lawrence

aged 59, 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 appointed Managing Director of the Shui On Group's Construction Division in 1991 and of the Construction Materials Division in 1995. He was also a Director of SOL from May 2004 to May 2006. Mr. Choi is a member of the Standing Committee of the Ninth, the Tenth and the Eleventh Guizhou Provincial Committee of the Chinese People's Political Consultative Conference. He joined the Shui On Group in 1973 and has over 35 years of experience in construction. He holds a Bachelor of Science degree in Engineering from the University of California, Berkeley.

## Mr. Wong Kun To, Philip

aged 56, has been an Executive Director of the Company since July 2009 and the Chief Executive Officer of the Company since April 2010. He was also 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 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 58, 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 64, has been a Non-executive Director of the Company since September 2011. Mr. Wong was the Vice Chairman of the Company from 1997 to 2004 and assumed the role of Chief Executive Officer in July 2004. After serving as the Chief Executive Officer for nearly 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 SOL from May 2004 to May 2006 prior to its listing in Hong Kong, and has been a Non-executive Director of SOL since August 2011. He is one of the Trustees of the Shui On Provident and Retirement Scheme. Prior to joining the Shui On Group, Mr. Wong had many years of banking experience with several major international banks in Hong Kong. He graduated with a Bachelor of Science degree in Economics and a Master of Arts degree from the London School of Economics and Political Science and The University of Lancaster in the United Kingdom respectively. He was a Non-executive Director of CIG Yangtze Ports PLC, which is listed in Hong Kong, from November 2003 to November 2011. He is currently an Independent Non-executive Director of Solomon Systech (International) Limited, which is listed in Hong Kong, a Non-executive Director of Walcom Group Limited, a company listed on AIM of the London Stock Exchange plc., and a Director of Sichuan Shuangma Cement Co., Ltd., a company listed on the Shenzhen Stock Exchange.

## Independent Non-Executive Directors

### Mr. Gerrit Jan de Nys

aged 69, 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 public listed Shui On (Contractors) Limited in 1988. He left the Shui On Group in 1991 and returned to Australia to set up his own businesses in home building and the leisure industry. In 1994, Mr. de Nys joined the IMC Pan Asia Alliance Group assuming chief executive roles in its subsidiaries and had worked in its Thailand and Singapore offices. He retired from executive responsibilities of the IMC Group in 2006. He is currently a Director of the IMC Resources Group in Australia and the Chairman of the Group Audit Committee of IMC Pan Asia Alliance Corporation. Mr. de Nys has been a Non-executive Director of Horizon Oil Limited since June 2007 and the Non-executive Chairman of Red Sky Energy Limited since October 2009, both companies being listed in Australia. Mr. de Nys has extensive experience in construction. He graduated with a Bachelor of Technology degree in Civil Engineering from The University of Adelaide and was a chartered professional engineer. He is a Fellow of the Institution of Engineers, Australia and The Australian Institute of Company Directors.

## Ms. Li Hoi Lun, Helen

aged 57, has been an Independent Non-executive Director of the Company since August 2008. She is a qualified lawyer in the jurisdictions of Hong Kong, England and Wales and New South Wales, Australia. She studied law in England and commenced practising law in Hong Kong in 1982. Ms. Li worked in private practice, with emphasis on property, commercial and corporate work with a China focus. Prior to joining the Company, she was employed as an in-house legal counsel for the companies, and an Executive Director of the property arm, of the Shui On Group and took early retirement in 2005.

## Mr. Chan Kay Cheung

aged 66, has been an Independent Non-executive Director of the Company since January 2010. 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 Committee of Overseers of Lee Woo Sing College of The Chinese University of Hong Kong, a member of The China UnionPay International Advisory Group and an International Senior Economic Consultant of The People's Government of Shaanxi Province. Mr. Chan was appointed as an Independent Non-executive Director of Dah Chong Hong Holdings Limited, a company listed in Hong Kong, in December 2012. He is also an Independent Non-executive Director of China Electronics Corporation Holdings Company Limited, Chu Kong Shipping Enterprises (Group) Company Limited and Hong Kong Food Investment Holdings Limited, all of which are listed in Hong Kong.

## Mr. Tsang Kwok Tai, Moses

aged 64, has been an Independent Non-executive Director of the Company since January 2010. Mr. Tsang is the Executive Chairman of AP Capital Holdings Inc. and the Chairman and Chief Executive Officer of EC Investment Services Limited. Prior to joining AP Capital Holdings Inc., he was a General Partner of Goldman Sachs Group where he led the establishment of the Fixed Income Group in Tokyo and headed the Debt Syndicate Group in London. He was the Chairman of Goldman Sachs (Asia) L.L.C. between 1989 and 1994 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 60, 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 a Council member of The Hong Kong Construction Association, Limited. He is also a member of the Committee on Employees' Compensation of the Labour Advisory Board. He holds a Bachelor of Science degree in Civil Engineering. He is a chartered civil engineer.

### Mr. Li Chi Keung, Evans

aged 51, is the Director – Corporate Finance of the Company. He joined the Shui On Group in 1991 and has over 25 years of accounting, finance and company secretarial experience. He holds a Master's degree in Business Administration from the University of Leicester. He is a Fellow of The Association of Chartered Certified Accountants and an Associate of the Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

### Mr. Wong Shing Chuen, Leonard

aged 52, joined SOCAM Asset Management (HK) Limited in 2007 and is currently the Director – Project Operations. He has 29 years of experience in the development and construction industry working with international companies. He is on the panel of arbitrators of the China International Economic and Trade Arbitration Commission. He is also an accredited mediator of the Hong Kong International Arbitration Centre. He holds a Master's degree in Arbitration and Dispute Resolution from the City University of Hong Kong and an Associateship in Building Technology and Management from The Hong Kong Polytechnic University. He is a Fellow of both The Chartered Institute of Building and the Chartered Institute of Arbitrators. He is also a member of The Hong Kong Institution of Engineers.

### Mr. Ng Yat Hon, Gilbert

aged 52, is a Director and the General Manager of Pat Davie Limited, specialising in interior fitting out and renovation in Hong Kong, Macau and the Chinese Mainland. 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.

The Directors present their annual report and the audited financial statements for the year ended 31 December 2012.

## Principal Activities

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

## Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 102.

The Directors recommend the payment of a final dividend of HK$0.50 per share to shareholders whose names appear on the register of members of the Company on 28 June 2013, amounting to a total of HK$246 million.

## Share Capital

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

## Reserves

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 106.

At 31 December 2012, the Company's reserves, including the contributed surplus, available for distribution to shareholders amounted to HK$959 million.

## Financial Summary

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

## Investment Properties

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

## Property, Plant and Equipment

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

## Directors

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

### Executive Directors:

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

### Non-executive Director:

Mr. Wong Yuet Leung, Frankie

### Independent Non-executive Directors:

Mr. Gerrit Jan de Nys
Ms. Li Hoi Lun, Helen
Mr. Chan Kay Cheung
Mr. Tsang Kwok Tai, Moses
Mr. David Gordon Eldon (retired on 18 May 2012)

In accordance with Bye-law 87(1) of the Bye-laws of the Company, Mr. Choi Yuk Keung, Lawrence, Mr. Chan Kay Cheung and Mr. Tsang Kwok Tai, Moses shall retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting ("AGM") of the Company to be held on 30 May 2013.

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 2012, 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:

### (1) Long position in the shares of the Company

| | Number of ordinary shares | | | | Approximate percentage of the issued share capital |
|---|---|---|---|---|---|
| Name of Director | Personal interests | Family interests | Other interests | Total | |
| Mr. Lo Hong Sui, Vincent | – | 312,000 (Note a) | 234,381,000 (Note b) | 234,693,000 | 47.67% |
| Mr. Choi Yuk Keung, Lawrence | 540,000 | – | – | 540,000 | 0.10% |
| Mr. Wong Kun To, Philip | – | 192,533 (Note c) | – | 192,533 | 0.03% |
| Mr. Wong Fook Lam, Raymond | 32,000 | – | – | 32,000 | 0.01% |
| Mr. Wong Yuet Leung, Frankie | 4,728,000 | – | – | 4,728,000 | 0.96% |

Notes:

(a) These shares were beneficially owned by Ms. Loletta Chu ("Mrs. Lo"), the spouse of Mr. Lo Hong Sui, Vincent ("Mr. Lo"). Under the SFO, Mr. Lo was deemed to be interested in such shares and both Mr. Lo and Mrs. Lo were also deemed to be interested in 234,381,000 shares mentioned in note (b) below.

(b) These shares were beneficially owned by Shui On Company Limited ("SOCL"). Of these 234,381,000 shares beneficially owned by SOCL, 220,148,000 shares were held by SOCL itself and 14,233,000 shares were held by Shui On Finance Company Limited, an indirect wholly-owned subsidiary of SOCL. SOCL was owned by the Bosrich Unit Trust, the trustee of which was Bosrich Holdings (PTC) Inc. ("Bosrich"). The units of the Bosrich Unit Trust were the property of a discretionary trust, of which Mr. Lo was one of the discretionary beneficiaries and HSBC International Trustee Limited ("HSBC Trustee") was the trustee. Accordingly, Mr. Lo, Mrs. Lo, HSBC Trustee and Bosrich were deemed to be interested in such shares under the SFO.

(c) 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.

### (2) Share options of the Company

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

Save as disclosed above, at 31 December 2012, 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

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

Particulars of the Existing Scheme are set out in note 37 to the consolidated financial statements.

During the year, options were granted to subscribe for a total of 5,210,000 shares of the Company under the Existing Scheme. The fair values of the share options granted during the year are set out in note 37 to the consolidated financial statements.

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

| Name or category of eligible participants | Date of grant | Subscription price per share HK$ | Number of shares subject to options | | | | | Period during which options outstanding are exercisable | Average closing reference price for exercise of options (Note b) HK$ |
|---|---|---|---|---|---|---|---|---|---|
| | | | At 1.1.2012 | Granted during the year (Note a) | Exercised during the year | Lapsed during the year | At 31.12.2012 | | |
| **Directors** | | | | | | | | | |
| Mr. Choi Yuk Keung, Lawrence (Note c) | 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 | – |
| | 9.4.2009 | 7.63 | 250,000 | – | – | – | 250,000 | 9.10.2009 to 8.4.2014 | – |
| | 9.4.2009 | 7.63 | 1,000,000 | – | – | (620,000) | 380,000 | 9.4.2012 to 8.4.2019 | – |
| | 12.4.2010 | 12.22 | 250,000 | – | – | – | 250,000 | 12.10.2010 to 11.4.2015 | – |
| | 12.4.2010 | 12.22 | 1,000,000 | – | – | – | 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 c) | 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 c) | 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 c and d) | 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 | – |
| | 9.4.2009 | 7.63 | 750,000 | – | (750,000) | – | – | 9.10.2009 to 8.4.2014 | 7.57 |
| | 9.4.2009 | 7.63 | 1,778,000 | – | (1,778,000) | – | – | 9.4.2012 to 8.4.2019 | 7.57 |
| | 12.4.2010 | 12.22 | 350,000 | – | – | (350,000) | – | 12.10.2010 to 11.4.2015 | – |
| | 12.4.2010 | 12.22 | 416,000 | – | – | (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** | | | 37,084,000 | – | (2,528,000) | (4,676,000) | 29,880,000 | | |
| **Employees** (in aggregate) | 14.6.2007 | 20.96 | 1,445,666 | – | – | (1,445,666) | – | 14.12.2007 to 13.6.2012 | – |
| | 14.6.2007 | 20.96 | 405,058 | – | – | (405,058) | – | 14.12.2008 to 13.6.2012 | – |
| | 7.5.2008 | 19.76 | 2,011,043 | – | – | (40,000) | 1,971,043 | 7.11.2008 to 6.5.2013 | – |
| | 7.5.2008 | 19.76 | 219,296 | – | | – | 219,296 | 7.11.2009 to 6.5.2013 | – |
| | 9.4.2009 | 7.63 | 1,994,314 | – | (189,934) | (35,764) | 1,768,616 | 9.10.2009 to 8.4.2014 | 8.39 |
| | 5.6.2009 | 11.90 | 2,304,000 | – | – | (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 | 992,000 | – | – | (442,000) | 550,000 | 7.5.2011 to 6.5.2013 | – |
| | 12.4.2010 | 12.22 | 4,910,000 | – | – | (250,000) | 4,660,000 | 12.10.2010 to 11.4.2015 | – |
| | 13.5.2011 | 10.66 | 5,070,000 | – | – | (280,000) | 4,790,000 | 13.11.2011 to 12.5.2016 | – |
| | 23.6.2011 | 10.90 | 1,030,000 | – | – | – | 1,030,000 | 23.12.2011 to 22.6.2016 | – |
| | 28.7.2011 | 10.00 | 27,500,000 | – | – | (5,000,000) | 22,500,000 | 1.5.2015 to 27.7.2021 | – |
| | 26.11.2012 | 8.18 | – | 5,210,000 | – | – | 5,210,000 | 26.5.2013 to 25.11.2017 | – |
| **Sub-total** | | | 49,063,377 | 5,210,000 | (189,934) | (11,384,488) | 42,698,955 | | |
| **Total** | | | 86,147,377 | 5,210,000 | (2,717,934) | (16,060,488) | 72,578,955 | | |

Notes:

(a) The closing price of the Company's shares preceding the date on which the share options were granted on 26 November 2012 was HK$8.21.

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

(c) 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%.

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

(e) The vesting of all share options granted to the eligible participants is subject to the vesting schedules and/or performance conditions as set out in the respective offer letters. Details about the performance conditions and the vesting schedules for the share options granted are set out in note 37 to the consolidated financial statements.

## Substantial Shareholders

Save as disclosed below and under the section headed "Interests of Directors and Chief Executive" above, the Directors are not aware of any other person (other than a Director or chief executive of the Company or his/her respective associate(s)) who, at 31 December 2012, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

| Name of shareholder | Capacity | Number of ordinary shares/ underlying shares | Approximate percentage of the issued share capital |
|---|---|---|---|
| Penta Investment Advisers Limited | Investment manager | 112,551,888 (L) (Note b) | 22.86% |
| Penta Master Fund, Limited | Beneficial owner | 33,097,392 (L) (Note c) | 6.72% |

Notes:

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

(b) Among the interests held by this shareholder, 20,748,729 shares were cash settled derivative interests.

(c) 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 arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## Purchase, Sale or Redemption of Listed Securities

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

## Corporate Governance

The Company is committed to maintain a high standard of corporate governance. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 60 to 73.

## Connected Transactions

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

### (1) Sale of a residential unit at Beijing Centrium Residence

On 5 April 2012, 北京啓夏房地產開發有限公司 (Beijing Qi Xia Real Estate Development Co., Ltd.) ("Beijing Qi Xia"), an indirect 52.5%-owned jointly controlled entity and a subsidiary of the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), as vendor, entered into a commodity housing pre-sale agreement with Ms. Lo Wai Ki (the "Purchaser") for the sale (the "Property Sale") of a residential unit at Beijing Centrium Residence, a property project located at No. 4 Gongti Bei Lu, Chaoyang District, Beijing, the People's Republic of China (the "PRC"), at a consideration of approximately RMB10.68 million. Such consideration would be adjusted if, among other things, the final usable area of the relevant residential unit as determined by a professional valuer exceeded or fell short of the estimated usable area of approximately 119 square metres. An amount of approximately RMB10.81 million being the consideration after adjustment has been received from the Purchaser.

The Purchaser is a sister of Mr. Lo, the Chairman and the controlling shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Property Sale by Beijing Qi Xia to the Purchaser constituted a connected transaction of the Company under the Listing Rules. Details of the transaction have been set out in the announcement dated 5 April 2012 issued by the Company.

### (2) Joint venture arrangement in relation to the Wuqing Residential Project

On 16 October 2012, (i) Wealth Frame Limited ("Wealth Frame"), a wholly-owned subsidiary of the Company; (ii) Silver Reach Limited ("Silver Reach"), a wholly-owned subsidiary of Wealth Frame prior to completion of the Shareholders Deed (as defined below); (iii) Needham Fortune Ltd. ("Needham"); (iv) PGR Asian Real Estate Fund, L.P. ("PGR"), as guarantor for the performance of Needham's obligations; and (v) the Company, as guarantor for the performance of Wealth Frame's obligations, entered into a shareholders deed (the "Shareholders Deed") in respect of a joint venture arrangement (the "Joint Venture Arrangement") for undertaking a residential development project located at the Wuqing District of Tianjin, the PRC (the "Wuqing Residential Project").

As disclosed in an announcement of the Company dated 21 September 2012, Silver Reach would acquire an interest in the Wuqing Residential Project upon the terms and conditions contained in a master agreement (the "Master Agreement") entered into by it on 21 September 2012. It was a condition to the completion of the Master Agreement that the Group should find a co-investor to invest in the Wuqing Residential Project.

Pursuant to the Shareholders Deed, Needham would subscribe at par value of US$1.00 each in cash for 353 ordinary shares of Silver Reach, representing 35.3% of the enlarged issued share capital of Silver Reach. In addition, Needham would provide and procure shareholder loans to Silver Reach and the project company undertaking the Wuqing Residential Project (the "Project Company") in stages in an aggregate amount of approximately HK$10.6 million and RMB80.5 million, and Wealth Frame would also provide and procure shareholder loans to Silver Reach and the Project Company in stages in an aggregate amount of approximately HK$19.5 million and RMB147.6 million. The aforesaid shareholder loans to be made or procured, on an unsecured and interest free basis, by Needham and Wealth Frame were calculated in proportion to their shareholding interests in Silver Reach under the Joint Venture Arrangement based on (i) all the payments in relation to the acquisition of 85% interest in the Wuqing Residential Project by Silver Reach under the Master Agreement; and (ii) the estimated initial working capital of Silver Reach and the Wuqing Residential Project.

Subject to the terms and conditions as stipulated in the Master Agreement, Silver Reach may either at its own discretion or upon request acquire the remaining 15% interest in the Wuqing Residential Project. In such event, Silver Reach will require further funding which may be satisfied by way of third party loans and/or additional shareholder loans to be made or procured by Needham and Wealth Frame in proportion to their shareholding interests in Silver Reach under the Joint Venture Arrangement.

Needham and PGR are associates of Penta Investment Advisers Limited, which is a substantial shareholder of the Company. In addition, PGR is a substantial shareholder of a subsidiary of the Company for the purposes of the Listing Rules. Therefore, both Needham and PGR are connected persons of the Company under the Listing Rules. Accordingly, the Joint Venture Arrangement and the transactions contemplated under the Shareholders Deed constituted connected transactions of the Company under the Listing Rules. Details of the transactions have been set out in the announcement dated 16 October 2012 and the circular dated 2 November 2012 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 Group's financial commitment under the Shareholders Deed 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 21 November 2012.

## Continuing Connected Transactions

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

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

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

As SOL is an associate of Mr. Lo and is a connected person of the Company, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules. Details of the transactions have been set out in the joint announcement dated 9 December 2011 issued by SOL and the Company and the circular dated 3 January 2012 issued by the Company. 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.

The amount paid or payable to SOC Group for the provision of construction services under the Framework Agreement for the year ended 31 December 2012 was approximately RMB933 million. The Independent Non-executive Directors have reviewed such transactions for the year ended 31 December 2012 and confirmed that such transactions have been entered into by the Group in the ordinary and usual course of its business, on normal commercial terms, and in accordance with the terms of the Framework Agreement that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

On 28 April 2008, Max Clear Holdings Limited ("Max Clear"), a wholly-owned subsidiary of the Company, Shui On Development Limited ("Shanghai SOD"), a wholly-owned subsidiary of SOL, Yida Group Company Limited ("Yida") and certain subsidiaries of Richcoast (collectively the "Dalian Group") entered into a management services agreement (the "Management Services Agreement") pursuant to which each of Max Clear, Shanghai SOD and Yida agreed to provide management services to the Dalian Group in relation to the development and operation of Dalian Tiandi (the "Dalian Project") for a term of three years commencing from 1 January 2008 to 31 December 2010. On 28 December 2010, Max Clear, Shanghai SOD, Yida and the Dalian Group entered into an agreement (the "Renewed Management Services Agreement") to extend the term of the Management Services Agreement for another three years to 31 December 2013, and extend the definition of the Dalian Group by including certain new PRC subsidiaries of Richcoast.

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

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

The Dalian Group is effectively held as to 22% by the Company, 48% by SOL and 30% by Yida. Mr. Lo, the Chairman and the controlling shareholder of the Company, is also the Chairman and the controlling shareholder of SOL. Accordingly, each member of the Dalian Group is an associate of Mr. Lo and is a connected person of the Company under the Listing Rules. In addition, in view of Mr. Lo's interest in SOL, Shanghai SOD is an associate of Mr. Lo and is a connected person of the Company under the Listing Rules. Yida, by virtue of being an associate of a substantial shareholder of a subsidiary of the Company for the purposes of the Listing Rules, is also a connected person of the Company. Accordingly, the provision of management services by Max Clear to the Dalian Group under the Management Services Agreement (as supplemented and amended by the Renewed Management Services Agreement and the Further Renewed Management Services Agreement) constitutes a continuing connected transaction of the Company under the Listing Rules. Details of the transaction have been set out in the joint announcements dated 28 April 2008, 28 December 2010 and 29 October 2012 issued by SOL and the Company.

The fees payable by the Dalian Group to Max Clear for the provision of management services under the Management Services Agreement (as supplemented and amended by the Renewed Management Services Agreement and the Further Renewed Management Services Agreement) for the year ended 31 December 2012 amounted to approximately RMB14.7 million. The Independent Non-executive Directors have reviewed such transaction for the year ended 31 December 2012 and confirmed that such transaction has been entered into by the Group in the ordinary and usual course of its business, on normal commercial terms, and in accordance with the terms of the Management Services Agreement (as supplemented and amended by the Renewed Management Services Agreement and the Further Renewed Management Services Agreement) that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

## (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 ended 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 ended 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 2012 amounted to approximately HK$1.7 million and RMB1.6 million respectively. The Independent Non-executive Directors have reviewed such transactions for the year ended 31 December 2012 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 the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the 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 Director | Name of entity with businesses considered competing or likely to compete with the businesses of the Group | Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group | Nature of interest of the Directors in the entity |
|---|---|---|---|
| Mr. Lo Hong Sui, Vincent | SOL | Property development in the PRC | Director and controlling shareholder |
| Mr. Wong Yuet Leung, Frankie | SOL | Property development in the PRC | Director |

As the Board of Directors of the Company is independent from the board of directors of SOL and the above Directors are unable to control the Board, 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 76 to 81.

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

## Retirement Benefit Plans

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

## Major Suppliers and Major Customers

The five largest suppliers of the Group accounted for less than 23% of the total purchases of the Group for the year.

The five largest customers of the Group accounted for approximately 56% of the total turnover of the Group for the year with the largest customer, the Government of Hong Kong Special Administrative Region – Architectural Services Department, accounting for approximately 19% of the turnover of the Group.

Mr. Lo, the Chairman and the controlling shareholder of the Company, is also the Chairman and the controlling shareholder of SOL, the second largest customer of the Group which accounted for approximately 17% of the total turnover of the Group for the year ended 31 December 2012. 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$5.2 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$4,240 million at 31 December 2012, details of which are as follows:

| Affiliated companies | Balance at 31 December 2012 | | | | |
|---|---|---|---|---|---|
| | | Unsecured loans | | | |
| | 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% | – | 36 | – | 36 |
| Cosy Rich Limited | 50% | 114 | – | – | 114 |
| Eagle Fit Limited | 53% | 54 | – | 418 | 472 |
| Gracious Spring Limited | 51% | – | 935 | – | 935 |
| Guizhou Bijie Shui On Cement Co., Ltd. | 80% | 27 | – | – | 27 |
| 貴州凱里建安混凝土有限公司 (Guizhou Kaili Ken On Concrete Co., Ltd.) | 75% | 4 | 2 | – | 6 |
| 貴州遵義瑞安水泥有限公司 (Guizhou Zunyi Shui On Cement Co. Ltd.) | 80% | 16 | – | – | 16 |
| Lamma Yue Jie Company Limited | 60% | 17 | – | – | 17 |
| Lead Wealthy Investments Limited | 70% | – | 856 | 315 | 1,171 |
| Link Reach Holdings Limited | 80% | 121 | – | – | 121 |
| Nanjing Jiangnan Cement Co., Ltd. | 60% | 142 | – | – | 142 |
| Richcoast Group Limited | 28% | 608 | 242 | 281 | 1,131 |
| Silver Reach Limited | 65% | 51 | – | – | 51 |
| Super Race Limited | 50% | – | 1 | – | 1 |
| | | 1,154 | 2,072 | 1,014 | 4,240 |

The proforma combined balance sheet of the above affiliated companies at 31 December 2012 is as follows:

| | HK$ million |
|---|---|
| Non-current assets | **10,663** |
| Current assets | **13,134** |
| Current liabilities | **(9,159)** |
| Net current assets | **3,975** |
| Non-current liabilities | **(11,201)** |
| Non-controlling interests | **(1,090)** |
| Shareholders' funds | **2,347** |

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

Notes:

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

| Affiliated companies | Interest rate per annum |
|---|---|
| Brisfull Limited | Fixed at 2.5% |
| Gracious Spring Limited | A total 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 |
| 貴州凱里建安混凝土有限公司 (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 Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

**Lo Hong Sui, Vincent**
*Chairman*

Hong Kong, 27 March 2013

Deloitte.
德勤

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

We have audited the consolidated financial statements of SOCAM Development Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 102 to 185, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

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

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

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

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012, 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

27 March 2013

# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

| | Notes | 2012 HK$ million | 2011 HK$ million (Re-presented) |
|---|---|---|---|
| **Continuing operations** | | | |
| Turnover | | | |
| The Company and its subsidiaries | | 6,443 | 5,900 |
| Share of jointly controlled entities/associates | | 1,484 | 248 |
| | | 7,927 | 6,148 |
| **Group turnover** | 7 | 6,443 | 5,900 |
| Other income and gains | 8 | 246 | 241 |
| Changes in inventories of finished goods, work in progress, contract work in progress and cost of properties sold | | (933) | (815) |
| Raw materials and consumables used | | (758) | (770) |
| Staff costs | | (581) | (575) |
| Depreciation and amortisation expenses | | (23) | (23) |
| Subcontracting, external labour costs and other expenses | | (4,170) | (3,685) |
| Dividend income from available-for-sale investments | | 17 | 10 |
| Fair value changes on investment properties | 16 | 242 | 275 |
| Finance costs | 9 | (314) | (238) |
| Gain on disposal of available-for-sale investments | 20 | 134 | – |
| Gain on disposal of interest in a jointly controlled entity | | – | 44 |
| Gain on disposal of subsidiaries | 40 | 504 | 341 |
| Gain on transfer of property inventories to investment properties | 16 | – | 292 |
| Share of results of jointly controlled entities | 7 | 177 | 83 |
| Share of results of associates | 7 | 24 | 53 |
| Profit before taxation | | 1,008 | 1,133 |
| Taxation | 10 | (142) | (145) |
| Profit for the year from continuing operations | 13 | 866 | 988 |
| **Discontinued operations** | | | |
| Profit (loss) for the year from discontinued operations | 11 | 8 | (53) |
| **Profit for the year** | | 874 | 935 |
| Attributable to: | | | |
| Owners of the Company | | 848 | 910 |
| Non-controlling interests | | 26 | 25 |
| | | 874 | 935 |
| Earnings per share | 15 | | |
| From continuing and discontinued operations | | | |
| Basic | | HK$1.73 | HK$1.86 |
| Diluted | | HK$1.73 | HK$1.86 |
| From continuing operations | | | |
| Basic | | HK$1.71 | HK$1.97 |
| Diluted | | HK$1.71 | HK$1.97 |

| | **2012 HK$ million** | 2011 HK$ million |
|---|---|---|
| **Profit for the year** | **874** | 935 |
| **Other comprehensive income (expense)** | | |
| Gain (loss) on fair value changes of available-for-sale investments | **176** | (190) |
| Exchange differences arising on translation of financial statements of foreign operations | **(19)** | 308 |
| Share of exchange differences of jointly controlled entities | **1** | 205 |
| Share of exchange differences of associates | **–** | 20 |
| Recognition of actuarial loss | **(34)** | (125) |
| Reclassification adjustments for amounts transferred to profit or loss: | | |
| – upon disposal of available-for-sale investments | **(141)** | – |
| – upon disposal of interest in a jointly controlled entity | **(4)** | (23) |
| – upon disposal of subsidiaries | **(92)** | (14) |
| – upon disposal of property inventories, net of deferred tax of HK$2 million (2011: HK$3 million) | **(5)** | (16) |
| Other comprehensive (expense) income for the year | **(118)** | 165 |
| **Total comprehensive income for the year** | **756** | 1,100 |
| Total comprehensive income attributable to: | | |
| Owners of the Company | **730** | 1,074 |
| Non-controlling interests | **26** | 26 |
| | **756** | 1,100 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2012

| | Notes | 2012 HK$ million | 2011 HK$ million |
|---|---|---|---|
| **Non-current Assets** | | | |
| Investment properties | 16 | **4,065** | 3,609 |
| Property, plant and equipment | 17 | **72** | 77 |
| Prepaid lease payments | 18 | **41** | 44 |
| Interests in jointly controlled entities | 19 | **871** | 4,562 |
| Available-for-sale investments | 20 | **84** | 324 |
| Interests in associates | 21 | **511** | 495 |
| Club memberships | | **1** | 1 |
| Amounts due from jointly controlled entities | 22 | **1,861** | 1,162 |
| Amounts due from associates | 23 | **860** | 828 |
| Restricted bank deposits | 28 | **–** | 185 |
| | | **8,366** | 11,287 |
| **Current Assets** | | | |
| Inventories | 24 | **29** | 21 |
| Prepaid lease payments | 18 | **1** | 1 |
| Properties held for sale | 25 | **1,896** | 428 |
| Properties under development for sale | 25 | **2,569** | 3,641 |
| Debtors, deposits and prepayments | 26 | **1,567** | 1,557 |
| Amounts due from customers for contract work | 24 | **321** | 323 |
| Amounts due from jointly controlled entities | 22 | **797** | 995 |
| Amounts due from associates | 23 | **393** | 313 |
| Amounts due from related companies | 27 | **308** | 241 |
| Taxation recoverable | | **25** | 12 |
| Restricted bank deposits | 28 | **1,214** | 910 |
| Bank balances, deposits and cash | 26 | | |
| – Cash and cash equivalents | | **1,854** | 2,410 |
| – Other bank balances | | **196** | – |
| | | **11,170** | 10,852 |
| Assets classified as held for disposal | 29 | **4,152** | 92 |
| | | **15,322** | 10,944 |
| **Current Liabilities** | | | |
| Creditors and accrued charges | 30 | **2,376** | 1,803 |
| Sales deposits received | | **1,301** | 721 |
| Amounts due to customers for contract work | 24 | **347** | 186 |
| Amounts due to jointly controlled entities | 22 | **65** | 45 |
| Amounts due to associates | 23 | **1** | – |
| Amounts due to related companies | 27 | **64** | – |
| Amounts due to non-controlling shareholders of subsidiaries | 27 | **4** | 11 |
| Taxation payable | | **109** | 117 |
| Bank and other borrowings due within one year | 31 | **4,786** | 6,134 |
| | | **9,053** | 9,017 |
| **Net Current Assets** | | **6,269** | 1,927 |
| **Total Assets Less Current Liabilities** | | **14,635** | 13,214 |

| | Notes | **2012 HK$ million** | 2011 HK$ million |
|---|---|---|---|
| **Capital and Reserves** | | | |
| Share capital | 32 | **492** | 490 |
| Reserves | | **10,094** | 9,512 |
| Equity attributable to owners of the Company | | **10,586** | 10,002 |
| Non-controlling interests | | **70** | 66 |
| | | **10,656** | 10,068 |
| **Non-current Liabilities** | | | |
| Bank and other borrowings | 31 | **3,293** | 2,427 |
| Defined benefit liabilities | 33 | **112** | 90 |
| Other payables | 30 | **116** | 202 |
| Deferred tax liabilities | 34 | **458** | 427 |
| | | **3,979** | 3,146 |
| | | **14,635** | 13,214 |

The consolidated financial statements on pages 102 to 185 were approved and authorised for issue by the Board of Directors on 27 March 2013 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 2012

| | Attributable to owners of the Company | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$ million | Share premium account HK$ million | Translation reserve HK$ million | Contributed surplus (Note a) HK$ million | Goodwill HK$ million | Retained profits HK$ million | Reserve funds HK$ million | Share option reserve HK$ million | Actuarial gain and loss HK$ million | Investment revaluation reserve HK$ million | Other reserve (Note b) HK$ million | Total HK$ million | Non-controlling interests HK$ million | Total Equity HK$ million |
| At 1 January 2012 | 490 | 3,208 | 1,355 | 197 | (3) | 4,328 | 6 | 138 | (149) | (5) | 437 | 10,002 | 66 | 10,068 |
| Fair value changes of available-for-sale investments | – | – | – | – | – | – | – | – | – | 176 | – | 176 | – | 176 |
| Exchange differences arising on translation of financial statements of foreign operations | – | – | (19) | – | – | – | – | – | – | – | – | (19) | – | (19) |
| Share of exchange differences of jointly controlled entities | – | – | 1 | – | – | – | – | – | – | – | – | 1 | – | 1 |
| Recognition of actuarial loss | – | – | – | – | – | – | – | – | (34) | – | – | (34) | – | (34) |
| Disposal of available-for-sale investments | – | – | – | – | – | – | – | – | – | (141) | – | (141) | – | (141) |
| Disposal of interest in a jointly controlled entity | – | – | (4) | – | – | – | – | – | – | – | – | (4) | – | (4) |
| Disposal of subsidiaries | – | – | (92) | – | – | – | – | – | – | – | – | (92) | – | (92) |
| Disposal of property inventories | – | – | – | – | – | – | – | – | – | – | (5) | (5) | – | (5) |
| Profit for the year | – | – | – | – | – | 848 | – | – | – | – | – | 848 | 26 | 874 |
| Total comprehensive income (expense) for the year | – | – | (114) | – | – | 848 | – | – | (34) | 35 | (5) | 730 | 26 | 756 |
| Issue of shares upon exercise of share options | 2 | 18 | – | – | – | – | – | – | – | – | – | 20 | – | 20 |
| Contribution from non-controlling interests | – | – | – | – | – | – | – | – | – | – | – | – | 5 | 5 |
| Acquisition of additional interest in a subsidiary | – | – | – | – | – | – | – | – | – | – | – | – | (10) | (10) |
| Recognition of share-based payments | – | – | – | – | – | – | – | 30 | – | – | – | 30 | – | 30 |
| Transfer upon exercise/lapse of share options | – | 6 | – | – | – | 66 | – | (72) | – | – | – | – | – | – |
| Transfer to statutory reserve | – | – | – | – | – | (5) | 5 | – | – | – | – | – | – | – |
| Dividends recognised as distribution (note 14) | – | – | – | – | – | (196) | – | – | – | – | – | (196) | – | (196) |
| Dividends paid to non-controlling interests | – | – | – | – | – | – | – | – | – | – | – | – | (17) | (17) |
| At 31 December 2012 | 492 | 3,232 | 1,241 | 197 | (3) | 5,041 | 11 | 96 | (183) | 30 | 432 | 10,586 | 70 | 10,656 |

| | 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 (note 14) | – | – | – | – | – | (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 |

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 (2011: 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 (2011: 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$35 million (2011: HK$36 million), which represents the Group's share of revaluation reserve of a then associate, China Central Properties Limited ("CCP"), arising from an acquisition achieved in stages by CCP during the year ended 31 December 2009, net of the amount released as a result of subsequent disposal of property inventories; and (iv) an amount of HK$38 million (2011: HK$42 million), which represents the revaluation surplus of the Group's 42.88% previously held interest in CCP, recognised upon the acquisition of the remaining 57.12% interest in CCP during the year ended 31 December 2009, net of the amount released as a result of subsequent disposal of property inventories.

| | 2012 HK$ million | 2011 HK$ million |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Profit for the year | **874** | 935 |
| Adjustments for: | | |
| Taxation | **142** | 145 |
| (Reversal) provision of impairment loss in respect of interests in jointly controlled entities | **(21)** | 4 |
| Gain on disposal of interest in a jointly controlled entity | **–** | (44) |
| Gain on disposal of subsidiaries | **(504)** | (341) |
| Gain on transfer of property inventories to investment properties | **–** | (292) |
| Gain on disposal of property, plant and equipment and leasehold land | **(87)** | – |
| Share of results of jointly controlled entities | **(177)** | (22) |
| Share of results of associates | **(24)** | (53) |
| Interest income | **(52)** | (73) |
| Finance costs | **314** | 238 |
| Imputed interest income on loans to jointly controlled entities/associates | **(28)** | (75) |
| Dividend income from available-for-sale investments | **(17)** | (10) |
| Fair value changes on investment properties | **(242)** | (275) |
| Depreciation of property, plant and equipment | **22** | 22 |
| Amortisation of prepaid lease payments | **1** | 1 |
| Gain on disposal of property inventories through disposal of subsidiaries | **–** | (14) |
| Gain on disposal of available-for-sale investments | **(134)** | – |
| Unrealised gain on income from associates/jointly controlled entities | **22** | – |
| Share-based payment expense | **30** | 39 |
| Effect of exchange rate changes on inter-company balances | **–** | (2) |
| Gain in relation to defined benefit scheme | **(3)** | (5) |
| Operating cash flows before movements in working capital | **116** | 178 |
| Increase in inventories | **(14)** | (11) |
| Decrease in properties held for sale | **214** | 194 |
| Increase in properties under development for sale | **(640)** | (98) |
| (Increase) decrease in debtors, deposits and prepayments | **(14)** | 180 |
| Decrease in amounts due from customers for contract work | **1** | 28 |
| Increase in amounts due from related companies | **(66)** | (193) |
| Increase in amounts due from associates | **(78)** | (123) |
| Increase in amounts due from jointly controlled entities | **(207)** | (192) |
| Increase (decrease) in creditors and accrued charges | **588** | (68) |
| Increase in sales deposits received | **579** | 290 |
| Increase in other bank balances (note 26) | **(196)** | – |
| Increase in amounts due to customers for contract work | **160** | 32 |
| Increase in amounts due to jointly controlled entities | **20** | 6 |
| Increase in amounts due to related companies | **1** | – |
| Increase in amounts due to associates | **1** | – |
| (Decrease) increase in amounts due to non-controlling shareholders of subsidiaries | **(7)** | 8 |
| Contribution to defined benefit scheme | **(9)** | (9) |
| Cash generated from operations | **449** | 222 |
| Hong Kong Profits Tax paid | **(13)** | (22) |
| Hong Kong Profits Tax refunded | **1** | 1 |
| Income tax of other regions in the People's Republic of China ("PRC") paid | **(142)** | (144) |
| **NET CASH FROM OPERATING ACTIVITIES** | **295** | 57 |

| | 2012 HK$ million | 2011 HK$ million |
|---|---|---|
| **INVESTING ACTIVITIES** | | |
| Investments in jointly controlled entities | (6) | – |
| Investments in associates | (4) | – |
| Advance to jointly controlled entities | (61) | (224) |
| Advance to associates | – | (224) |
| Additions in property, plant and equipment | (24) | (17) |
| Payment for construction of investment properties | (216) | (347) |
| 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) |
| Dividends received from jointly controlled entities | 62 | 32 |
| Interest received | 39 | 50 |
| Proceeds from sales of property, plant and equipment and leasehold land | – | 9 |
| Dividends received from available-for-sale investments | – | 10 |
| Net proceeds from disposal of available-for-sale investments | 427 | – |
| Net proceeds from disposal of subsidiaries (notes 40(a), (b), (c) and (f)) | 107 | 502 |
| Net proceeds from disposal of property inventories through disposal of subsidiaries (note) | – | 185 |
| Net proceeds from disposal of a jointly controlled entity | 58 | 47 |
| Net proceeds from disposal of assets classified as held for sale | – | 284 |
| Acquisition of investment properties, property inventories and other assets and liabilities through acquisition of subsidiaries (notes 38(a) and (b)) | (184) | 42 |
| Increase in restricted bank deposits | (119) | (560) |
| Pledged bank deposits refunded | – | 359 |
| **NET CASH FROM (USED IN) INVESTING ACTIVITIES** | 79 | (223) |
| **FINANCING ACTIVITIES** | | |
| New bank and other loans raised | 1,659 | 1,107 |
| Loan from related companies | 62 | – |
| Increase in liabilities associated with assets held for sale | – | (22) |
| Net proceeds received on issue of shares | 20 | 3 |
| Repayment of bank loans | (2,140) | (642) |
| Interest paid | (270) | (207) |
| Other borrowing costs paid | (43) | (32) |
| Payment in respect of acquisition of additional interest in a subsidiary | (10) | – |
| Cash contribution from non-controlling interests | 5 | – |
| Proceeds from partial disposal of interest in a subsidiary | – | 1 |
| Dividends paid | (196) | (318) |
| Dividends paid to non-controlling shareholders of subsidiaries | (17) | (17) |
| **NET CASH USED IN FINANCING ACTIVITIES** | (930) | (127) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | (556) | (293) |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** | 2,410 | 2,595 |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES** | – | 108 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | 1,854 | 2,410 |
| **ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS** | | |
| Bank balances, deposits and cash | 1,854 | 2,410 |

Note:

During the prior year, 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 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, the following amendments to standards, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial period beginning on 1 January 2012.

| | |
|---|---|
| HKFRS 7 (Amendments) | Disclosures – Transfers of Financial Assets |
| HKAS 12 (Amendments) | Deferred Tax: Recovery of Underlying Assets |

As a result of the application of the amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets", the Directors of the Company reviewed the Group's portfolio of investment properties, which is located in the People's Republic of China ("PRC"), and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, and that the presumption set out in the amendments to HKAS 12 is rebutted. Therefore, deferred taxation in relation to the investment properties continues to be measured based on the tax consequences of recovering through use. The application of the amendments has had no material effect on the consolidated financial statements of the Group for the current or prior accounting years.

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

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

| | |
|---|---|
| HKFRSs (Amendments) | Annual Improvements to HKFRSs 2009-2011 Cycle[1] |
| HKFRS 7 (Amendments) | Disclosures – Offsetting Financial Assets and Financial Liabilities[1] |
| HKFRS 9 | Financial Instruments[2] |
| HKFRS 9 and HKFRS 7 (Amendments) | Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2] |
| HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments) | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1] |
| HKFRS 10, HKFRS 12 and HKAS 27 (Amendments) | Investment Entities[4] |
| HKFRS 10 | Consolidated Financial Statements[1] |
| HKFRS 11 | Joint Arrangements[1] |
| HKFRS 12 | Disclosure of Interests in Other Entities[1] |
| HKFRS 13 | Fair Value Measurement[1] |
| HKAS 1 (Amendments) | Presentation of Items of Other Comprehensive Income[3] |
| HKAS 19 (2011) | Employee Benefits[1] |
| HKAS 27 (2011) | Separate Financial Statements[1] |
| HKAS 28 (2011) | Investments in Associates and Joint Ventures[1] |
| HKAS 32 (Amendments) | Offsetting Financial Assets and Financial Liabilities[4] |
| HK(IFRIC) – INT 20 | Stripping Costs in the Production Phase of a Surface Mine[1] |

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2015
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2014

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

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

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 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. 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. HK (SIC) – Int 12 Consolidation – Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. 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 Directors of the Company anticipate that the application of HKFRS 10 will have no material impact on the amount reported in the consolidated financial statements.

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. HK (SIC) – Int 13 Jointly Controlled Entities – Non-monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. 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 or proportionate accounting under HKAS 31.

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 remaining mentioned new or revised standards and amendments and interpretation; and anticipate that the application of these 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 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 in line with those used by other members of the Group.

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

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

### Allocation of total comprehensive income to non-controlling interests

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

## Business combinations

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

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

– deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

– liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

# 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## Business combinations (continued)

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.

## 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 disposal (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). The financial statements of associates and jointly controlled entities used for equity accounting purposes are prepare using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates and jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of profit or loss and other comprehensive income of the associates and the 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 and 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 and liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss. A discount on acquisition arising on an acquisition of an associate or a jointly controlled entity (which is accounted for using the equity method) is included as income in the determination of the investor's share of results of the associate or jointly controlled entity in the period in which the investment is acquired.

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

# 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## Non-current assets held for disposal

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

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

## 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 is recognised when the Group's right to receive the relevant payment has been established.

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

Service income is recognised when services are provided.

## 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 end of the reporting period, as measured by reference to the value of work carried out during the period. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

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

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

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

### Investment properties

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

Property inventory is transferred to investment 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.

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Club memberships

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

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

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

### Inventories

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

### Leasehold land and building

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is released over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

# 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

## Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated 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 end of the reporting period.

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

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

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

# 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## Taxation (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 Income Taxes. Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

## Leasing

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

### The Group as lessor

Rental income from operating leases is recognised in the consolidated 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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

## 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 Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in translation reserve. Such exchange differences are recognised as profit or loss in the period in which the foreign operation is disposed of.

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

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

### Retirement benefits costs

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

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

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

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

### Financial instruments

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

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

# 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## Financial instruments (continued)

### Financial assets

The Group's financial assets are classified into loans and receivables 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 the end of the reporting period subsequent to initial recognition, loans and receivables (including debtors, amounts due from jointly controlled entities, associates and related companies, restricted bank deposits and bank balances, deposits and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss (see the accounting policy on impairment loss on financial assets below).

*Available-for-sale investments*

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

*Impairment of financial assets*

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

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

# 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.

### Financial liabilities and equity

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

#### *Equity instruments*

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

# 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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

#### *Borrowings*

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

#### *Other financial liabilities*

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

### Financial guarantee contracts

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

### Derecognition

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

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

# 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## Share-based payment transactions

### Share options granted to employees

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

At the end of the reporting period, for share options, which are conditional upon satisfying specified non-market performance vesting conditions, the Group revises its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to the share option reserve.

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

# 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

## Construction contracts

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

## Investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have used a method of valuation, which involves certain estimates of market conditions. In relying on the valuation report, the Directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated 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 the end of the reporting period to determine whether there is any indication that those assets have suffered an impairment loss. Management has exercised judgement to estimate the timing and future cash flows expected to be derived from the assets and ascertain their recoverable amounts. Where the recoverable amount of an asset is estimated to be less than its carrying amount, an impairment loss will be provided for such asset and recognised in the consolidated income statement.

As disclosed in note 26(b), at 31 December 2012, receivables of HK$363 million (2011: HK$314 million) are expected to be settled when the legal title of the property is transferred to the buyer, which is expected to take place within the next twelve months from the end of the reporting period. In determining the recoverable amount of such a receivable, the management has exercised judgement in estimating the timing and future cash flows to be recovered and determined that no impairment was necessary at the end of the reporting period. If the actual recoverable amount or timing of recovery are different from expectation, an impairment loss may arise.

### Deferred taxation on investment properties

The Group's investment properties at fair value are all held to earn rental income and they are considered to be held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly, deferred tax on the Group's investment properties at fair value is measured based on the tax consequences of recovering the carrying amounts of the investment properties through use.

### Financial guarantee contracts

As disclosed in note 41, at 31 December 2012, the Group has provided guarantees under financial guarantee contracts for an aggregate amount of HK$1,682 million (2011: HK$1,754 million). In determining whether provision should be recognised in respect of the Group's financial guarantee contracts, the Directors of the Company exercise judgement in evaluation of the probability of resources outflow that will be required and the assessment of whether a reliable estimate can be made of the amount of the obligation. The Directors of the Company are of the opinion that it is not probable that outflow of resources will result from the financial guarantee contracts. Accordingly, no provision has been recognised in the consolidated statement of financial position. Should the actual outcome be different from expected, provision for losses will be recognised in the consolidated financial statements.

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

## Assets classified as held for disposal

As mentioned in note 11, at 31 December 2012, the Group has accounted for its 45% interest in Lafarge Shui On Cement Limited ("LSOC") as "Assets classified as held for disposal", because (a) the Group remains committed to a plan to exit from this investment that will ultimately result in the Group losing joint control over LSOC; and (b) the Directors of the Company are of the view that it is highly probable that the exit will be completed by the end of 2013. In addition, the Directors of the Company are of the view that the fair value less costs to complete the exit is higher than the carrying amount of the investment of HK$4,060 million as stated in the Group's consolidated statement of financial position and, accordingly, no impairment is considered necessary.

Should the investment ceases to be classified as held for disposal due to the criteria for such classification are no longer met, the investment should be measured at the lower of (a) its carrying amount at 31 December 2012 of HK$4,060 million, adjusted for the Group's share of loss of LSOC for the year ended 31 December 2012 amounting to HK$359 million, being the amount that would have been recognised had the interest in LSOC not been classified as held for disposal; and (b) the recoverable amount at the date of the subsequent decision not to exit, with any adjustment to the carrying amount of the investment being recognised in profit or loss.

# 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, bank balances, creditors, amounts due to jointly controlled entities, related companies and non-controlling shareholders of subsidiaries and bank and other borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

### Categories of financial instruments

| | **2012 HK$ million** | 2011 HK$ million |
|---|---|---|
| **Financial assets** | | |
| Available-for-sale investments | **84** | 324 |
| Loans and receivables (including cash and cash equivalents) | **9,072** | 8,575 |
| **Financial liabilities** | | |
| Amortised cost | **9,968** | 10,268 |

### (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:

# 6. FINANCIAL INSTRUMENTS (CONTINUED)

## Financial risk management objectives and policies (continued)

### (a) Market risk (continued)

#### *(i) Interest rate risk*

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

The Group's exposure to interest rates on bank deposits and financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate, London Interbank Offered Rate and People's Bank of China Prescribed Interest Rate arising from the Group's borrowings.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to cash flow interest rate risk for variable-rate borrowings. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. An increase or decrease of 100 basis points (2011: 100 basis points) is used when reporting the interest rate risk internally and represents management's assessment of the reasonably possible change in interest rates.

At the end of the reporting period, if interest rates had been increased/decreased by 100 basis points (2011: 100 basis points) and all other variables were held constant, the Group's profit for the year would decrease/increase by approximately HK$81 million for the year ended 31 December 2012 (2011: HK$86 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.

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

| | **2012 HK$ million** | 2011 HK$ million |
|---|---|---|
| **Assets** | | |
| United States dollars | **97** | 98 |
| Hong Kong dollars | **13** | 11 |
| **Liabilities** | | |
| Renminbi | **185** | 185 |
| United States dollars | **254** | 265 |
| Hong Kong dollars | **795** | 802 |

## 6. FINANCIAL INSTRUMENTS (CONTINUED)

### Financial risk management objectives and policies (continued)

(a) Market risk (continued)

*(ii) Foreign currency risk* (continued)

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% (2011: 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% (2011: 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% (2011: 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.

| Increase (decrease) in profit for the year | **2012 HK$ million** | 2011 HK$ million |
|---|---|---|
| Renminbi | **(13)** | (13) |
| United States dollars | **7** | 7 |
| Hong Kong dollars | **(55)** | (55) |

*(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% (2011: 20%), the Group's reserve at 31 December 2012 would increase/decrease by approximately HK$17 million (2011: HK$65 million).

(b) Credit risk

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

# 6. FINANCIAL INSTRUMENTS (CONTINUED)

## Financial risk management objectives and policies (continued)

### (b) Credit risk (continued)

The Group has certain concentration of credit risk in respect of amounts due from jointly controlled entities, associates and trade debtors and other receivables. At 31 December 2012, 40% (2011: 39%) of total amounts due from jointly controlled entities and 24% (2011: 20%) of total trade debtors and other receivables was due from one single jointly controlled entity and a counterparty respectively. The amounts due from associates represented the receivables solely from an associate. At 31 December 2012, other receivables of HK$363 million (2011: HK$314 million) were due from this counterparty and a guarantee of HK$668 million (2011: HK$669 million) was issued by the Company in respect of this counterparty. In order to reduce credit risk, the Group has procedures in place to monitor the credit standing of this counterparty and to ensure that follow-up action is taken to recover these debts. The Group also reviews the recoverable amounts of the relevant debts and the probability of default by the counterparty at the end of each reporting period. The Directors of the Company considered that no provision for impairment loss is necessary at the end of the reporting period. Except for the above, the Group has no other significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

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

With respect to credit risk arising from amounts due from 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 and other borrowings, and equity attributable to the owners of the Company, comprising issued share capital, reserves and retained profits.

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

### (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.

# 6. FINANCIAL INSTRUMENTS (CONTINUED)

## Financial risk management objectives and policies (continued)

### (d) Liquidity risk (continued)

| | 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 2012** | | | | | | | |
| Bank deposits | 1.52% | 1,214 | – | – | – | 1,214 | 1,212 |
| Trade and other payables | – | (1,473) | (247) | (169) | – | (1,889) | (1,889) |
| Bank borrowings (variable rate) | 4.35% | (1,129) | (3,930) | (3,268) | (79) | (8,406) | (8,079) |
| | | (1,388) | (4,177) | (3,437) | (79) | (9,081) | (8,756) |
| Financial guarantee contracts (note) | – | (425) | (1,257) | – | – | (1,682) | – |
| 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) | – | (241) | (1,102) | (411) | – | (1,754) | – |

Note:

At the end of the reporting period, the Group has provided financial guarantees to certain parties (note 41). In the event of the failure of those parties to meet their obligations under these facilities, the Group may be required to pay up to the guaranteed amounts upon demand. Management does not consider that it is probable for these parties to claim the Group under these guarantees.

### (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.

# 6. FINANCIAL INSTRUMENTS (CONTINUED)

## Financial risk management objectives and policies (continued)

### (e) Fair value of financial instruments (continued)

*Fair value measurements recognised in the consolidated statement of financial position*

At 31 December 2012 and 31 December 2011, 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 three operating divisions based on business nature. These divisions are the basis on which the Group reports information to its chief operating decision makers, who are the Executive Directors of the Company, for the purposes of resource allocation and assessment of segment performance.

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

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

The cement operations through LSOC were classified as discontinued operations in the current year. The segment information reported in this note 7 does not include any amounts for the discontinued operations in the current and prior years, which are described in detail in note 11. The cement operations not through LSOC are now included under the "Other businesses" operating segment. Accordingly, segment information for prior year has been re-presented.

# 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 from continuing operations by reportable and operating segment is as follows:

For the year ended 31 December 2012

| | Property HK$ million | Construction and building maintenance HK$ million | Other businesses HK$ million | Total HK$ million |
|---|---|---|---|---|
| **REVENUE** | | | | |
| Sales of goods | 948 | 183 | – | 1,131 |
| Rental income | 52 | – | – | 52 |
| Revenue from rendering of services | 84 | 39 | 1 | 124 |
| Construction contract revenue | – | 5,136 | – | 5,136 |
| Revenue from external customers | 1,084 | 5,358 | 1 | 6,443 |
| Inter-segment revenue | – | 341 | – | 341 |
| | 1,084 | 5,699 | 1 | 6,784 |
| Share of jointly controlled entities/ associates' revenue | 1,402 | 1 | 81 | 1,484 |
| Total segment revenue | 2,486 | 5,700 | 82 | 8,268 |
| Inter-segment revenue is charged at mutually agreed prices. | | | | |
| **Reportable segment results** | 1,208 | 256 | (40) | 1,424 |
| **Segment results have been arrived at after crediting (charging):** | | | | |
| Depreciation and amortisation | (17) | (4) | (1) | (22) |
| Interest income | 38 | 4 | 3 | 45 |
| Imputed interest income on loans to jointly controlled entities/associates | 28 | – | – | 28 |
| Dividend income from available-for-sale investments | 17 | – | – | 17 |
| Fair value changes on investment properties | 242 | – | – | 242 |
| Gain on disposal of available-for-sale investments | 134 | – | – | 134 |
| Gain on disposal of leasehold land | – | 89 | – | 89 |
| Gain on disposal of subsidiaries | 492 | – | 12 | 504 |
| Reversal of impairment loss recognised in respect of interests in jointly controlled entities | – | – | 21 | 21 |
| Share of results of jointly controlled entities | | | | |
| Cement operations in Guizhou | – | – | (4) | (4) |
| Venture capital investments | – | – | (73) | (73) |
| Property development | 254 | – | – | 254 |
| Imputed interest expense | (6) | – | – | (6) |
| Others | – | 6 | – | 6 |
| | | | | 177 |
| Share of results of associates | | | | |
| Property development | 46 | – | – | 46 |
| Imputed interest expense | (22) | – | – | (22) |
| | | | | 24 |

## 7. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

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

For the year ended 31 December 2011 (re-presented)

| | Property HK$ million | Construction and building maintenance HK$ million | Other businesses HK$ million | Total HK$ million |
|---|---|---|---|---|
| **REVENUE** | | | | |
| Sales of goods | 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 | 154 | 248 |
| Total segment revenue | 1,244 | 4,987 | 156 | 6,387 |
| Inter-segment revenue is charged at mutually agreed prices. | | | | |
| **Reportable segment results** | 1,246 | 118 | 106 | 1,470 |
| **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 |
| Dividend income from available-for-sale investments | 10 | – | – | 10 |
| Fair value changes on investment properties | 275 | – | – | 275 |
| 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 of jointly controlled entities | | | | |
| Cement operations in Guizhou | – | – | 7 | 7 |
| Venture capital investments | – | – | 53 | 53 |
| Property development | 78 | – | – | 78 |
| Imputed interest expense | (54) | – | – | (54) |
| Others | – | (1) | – | (1) |
| | | | | 83 |
| Share of results of associates | | | | |
| Property development | 74 | – | – | 74 |
| Imputed interest expense | (21) | – | – | (21) |
| | | | | 53 |

# 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 2012

| | Property HK$ million | Construction and building maintenance HK$ million | Others HK$ million | Total HK$ million |
|---|---|---|---|---|
| Reportable segment assets | **16,159** | **2,915** | **2,242** | **21,316** |
| Reportable segment liabilities | **4,637** | **2,201** | **935** | **7,773** |

At 31 December 2011 (re-presented)

| | Property HK$ million | Construction and building maintenance HK$ million | Others HK$ million | Total HK$ million |
|---|---|---|---|---|
| Reportable segment assets | 14,428 | 2,099 | 2,605 | 19,132 |
| Reportable segment liabilities | 3,462 | 1,592 | 907 | 5,961 |

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

| | Year ended 31 December 2012 HK$ million | 2011 HK$ million (re-presented) |
|---|---|---|
| **Revenue** | | |
| Reportable segment revenue | **8,268** | 6,387 |
| Elimination of inter-segment revenue | **(341)** | (239) |
| Elimination of share of revenue of jointly controlled entities/associates | **(1,484)** | (248) |
| Consolidated turnover (from continuing operations) | **6,443** | 5,900 |

## 7. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

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

| | Year ended 31 December 2012 HK$ million | 2011 HK$ million (re-presented) |
|---|---|---|
| **Profit before taxation** | | |
| Reportable segment results | **1,424** | 1,470 |
| Unallocated other income | **7** | 5 |
| Finance costs | **(314)** | (238) |
| Other unallocated corporate expenses | **(109)** | (104) |
| Consolidated profit before taxation (from continuing operations) | **1,008** | 1,133 |

| | At 31 December 2012 HK$ million | 2011 HK$ million (re-presented) |
|---|---|---|
| **Assets** | | |
| Reportable segment assets | **21,316** | 19,132 |
| Elimination of inter-segment receivables | **(1,734)** | (988) |
| Assets relating to discontinued operations | | |
| – Interest in a jointly controlled entity | **4,060** | 4,060 |
| – Amount due from this jointly controlled entity | **21** | 15 |
| Other unallocated assets | **25** | 12 |
| Consolidated total assets | **23,688** | 22,231 |

| | At 31 December 2012 HK$ million | 2011 HK$ million |
|---|---|---|
| **Liabilities** | | |
| Reportable segment liabilities | **7,773** | 5,961 |
| Elimination of inter-segment payables | **(1,734)** | (988) |
| Unallocated liabilities | | |
| – Bank and other borrowings | **6,314** | 6,556 |
| – Taxation and others | **679** | 634 |
| Consolidated total liabilities | **13,032** | 12,163 |

# 7. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

## (d) Other segment information

### At 31 December 2012

| | Property HK$ million | Construction and building maintenance HK$ million | Others HK$ million | Total HK$ million |
|---|---|---|---|---|
| Interests in jointly controlled entities and associates | **1,023** | **(13)** | **372** | **1,382** |
| Capital expenditure | **234** | **4** | **–** | **238** |
| Tax charges | **99** | **43** | **–** | **142** |

### At 31 December 2011 (re-presented)

| | Property HK$ million | Construction and building maintenance HK$ million | Others HK$ million | Total HK$ million |
|---|---|---|---|---|
| Interests in jointly controlled entities and associates | 669 | (25) | 353 | 997 |
| Capital expenditure | 358 | 4 | – | 362 |
| Tax charges | 113 | 25 | 7 | 145 |

## (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** | |
|---|---|---|---|---|
| | **2012 HK$ million** | 2011 HK$ million | **2012 HK$ million** | 2011 HK$ million |
| Hong Kong | **3,316** | 3,125 | **13** | 17 |
| PRC (excluding Hong Kong) | **3,127** | 2,775 | **4,166** | 3,714 |
| | **6,443** | 5,900 | **4,179** | 3,731 |

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

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

## (f) Information about major customers

Included in external revenue arising from construction and building maintenance of HK$5,358 million (2011: HK$4,742 million) is revenue of HK$1,225 million and HK$1,123 million, which arose from services provided to the Group's largest and second largest customers respectively (2011: HK$1,103 million and HK$967 million from the Group's largest and second largest customers respectively) contributing over 10% of the total turnover of the Group.

## 8. OTHER INCOME AND GAINS

| | 2012<br>HK$ million | 2011<br>HK$ million |
|---|---|---|
| **Continuing operations** | | |
| Included in other income are: | | |
| Interest income | 52 | 73 |
| Imputed interest income on loans to jointly controlled entities/associates | 28 | 75 |
| Gain on disposal of property, plant and equipment and leasehold land | 87 | – |
| Reversal of impairment loss recognised in respect of interests in jointly controlled entities | 21 | – |

## 9. FINANCE COSTS

| | 2012<br>HK$ million | 2011<br>HK$ million |
|---|---|---|
| **Continuing operations** | | |
| Interest on bank loans and overdrafts and other loans wholly repayable within 5 years | 326 | 257 |
| Other borrowing costs | 43 | 32 |
| Less: amounts capitalised to properties under development | (55) | (51) |
| | 314 | 238 |

## 10. TAXATION

| | 2012<br>HK$ million | 2011<br>HK$ million |
|---|---|---|
| **Continuing operations** | | |
| The charge comprises: | | |
| Current taxation | | |
| Hong Kong Profits Tax | 14 | 13 |
| PRC Enterprise Income Tax | 61 | 37 |
| PRC Land Appreciation Tax | 59 | 46 |
| | 134 | 96 |
| Deferred taxation (note 34) | 8 | 49 |
| | 142 | 145 |

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) on the estimated assessable profits for the year.

PRC Enterprise Income Tax is calculated at 25% (2011: 25%) on the estimated assessable profits for the year.

## 10. TAXATION (CONTINUED)

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

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

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

| | 2012<br>HK$ million | 2011<br>HK$ million<br>(re-presented) |
|---|---|---|
| **Profit before taxation from continuing operations** | **1,008** | 1,133 |
| Tax at Hong Kong Profits Tax rate of 16.5% (2011: 16.5%) | **166** | 187 |
| Effect of share of results of jointly controlled entities | **(29)** | (14) |
| Effect of share of results of associates | **(4)** | (9) |
| Effect of different tax rates on operations in other jurisdictions | **35** | 33 |
| PRC Land Appreciation Tax | **59** | 46 |
| Tax effect of PRC Land Appreciation Tax | **(10)** | (8) |
| Tax effect of expenses not deductible for tax purposes | **118** | 65 |
| Tax effect of income not taxable for tax purposes | **(209)** | (120) |
| Tax effect of tax losses not recognised | **24** | 18 |
| Tax effect of utilisation of tax losses previously not recognised | **(13)** | (2) |
| Underprovision of current taxation in prior year | **2** | 7 |
| Overprovision of deferred taxation in prior year | **–** | (56) |
| Others | **3** | (2) |
| Tax charge for the year | **142** | 145 |

## 11. DISCONTINUED OPERATIONS

Pursuant to the Group's strategic decision to divest its 45% interest in LSOC, the Group has initiated various exit plans to actively locate buyers and engaged in negotiations with interested parties. Though the divestment did not come to fruition in 2012 due to unexpected adverse market conditions, the Group remains committed to its plan to exit entirely from its investment in LSOC. In December 2012, an agreement was reached with the other shareholder of LSOC, and various plans have been initiated and implemented to facilitate the exit of the Group from this joint venture. The Directors of the Company are of the view that it is highly probable that the exit will take place by the end of 2013; therefore, the Group's interest in LSOC, amounting to HK$4,060 million at 31 December 2012, has been accounted for as "Assets classified as held for disposal" in the consolidated statement of financial position at 31 December 2012 (see note 29), and the Group's cement operations through LSOC have been classified as discontinued operations for the year ended 31 December 2012. The prior year figures have been re-presented for conformity with current year presentation.

Profit for the year from discontinued operations attributable to owners of the Company is HK$8 million (2011: loss of HK$53 million), which include other income of HK$8 million (2011: HK$8 million) and share of results of jointly controlled entities of nil (2011: share of loss of HK$61 million).

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

## Directors and Chief Executive

The emoluments paid or payable to each of the ten (2011: ten) 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$'000 | 2012 Total HK$'000 | 2011 Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| Mr. Lo Hong Sui, Vincent | | 10 | – | – | – | – | 10 | 10 |
| Mr. Choi Yuk Keung, Lawrence | | 10 | 3,842 | 2,415 | 235 | 4,012 | 10,514 | 10,289 |
| Mr. Wong Kun To, Philip | (a) | 10 | 4,839 | 4,666 | 217 | 5,977 | 15,709 | 14,218 |
| Mr. Wong Fook Lam, Raymond | | 10 | 3,666 | 2,350 | 222 | 3,716 | 9,964 | 8,764 |
| Mr. Wong Yuet Leung, Frankie | (b) | 390 | – | 505 | – | – | 895 | 7,443 |
| Mr. Gerrit Jan de Nys | (c) | 420 | – | – | – | – | 420 | 410 |
| Ms. Li Hoi Lun, Helen | (c) | 425 | – | – | – | – | 425 | 415 |
| Mr. Chan Kay Cheung | (c) | 549 | – | – | – | – | 549 | 505 |
| Mr. Tsang Kwok Tai, Moses | (c) | 385 | – | – | – | – | 385 | 380 |
| Mr. David Gordon Eldon | (d) | 156 | – | – | – | – | 156 | 410 |
| Total | | 2,365 | 12,347 | 9,936 | 674 | 13,705 | 39,027 | 42,844 |
| 2011 | | 2,293 | 13,641 | 12,144 | 644 | 14,122 | 42,844 | |

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

Notes:

(a) Mr. Wong Kun To, Philip is the Chief Executive of the Group.

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

(c) Independent Non-executive Directors.

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

Of the five highest paid individuals in the Group, three (2011: four) are Directors of the Company whose emoluments are set out above. The emoluments of the remaining two (2011: one) highest paid employees were as follows:

| | 2012 HK$ million | 2011 HK$ million |
|---|---|---|
| Salaries, bonuses and allowances | 10 | 6 |
| Retirement benefits scheme contributions | – | – |
| Share-based payments | 1 | 1 |
| | 11 | 7 |

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

### Directors and Chief Executive (continued)

The emoluments were within the following band:

| | 2012 No. of employees | 2011 No. of employees |
|---|---|---|
| HK$5,000,001 to HK$5,500,000 | 1 | – |
| HK$6,000,001 to HK$6,500,000 | 1 | – |
| HK$6,500,001 to HK$7,000,000 | – | 1 |

## 13. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

| | 2012 HK$ million | 2011 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 | 24 |
| Less: amounts capitalised | (2) | (2) |
| | 23 | 23 |
| Auditors' remuneration | 5 | 5 |
| Operating lease payments in respect of rented premises | 23 | 22 |
| Cost of properties sold | 774 | 758 |
| (Reversal) provision of impairment loss in respect of interests in jointly controlled entities | (21) | 4 |
| Staff costs (including directors' emoluments): | | |
| Salaries, bonuses and allowances | 556 | 546 |
| Retirement benefits cost | 15 | 10 |
| Share-based payment expense | 30 | 39 |
| Less: amounts capitalised | (20) | (20) |
| | 581 | 575 |
| Gross rental revenue from investment properties | (52) | (57) |
| Less: direct rental outgoings | 12 | 22 |
| Net rental income | (40) | (35) |
| Share of tax of jointly controlled entities (included in share of results of jointly controlled entities) | 192 | 48 |
| Share of tax of associates (included in share of results of associates) | 19 | 20 |

## 14. DIVIDENDS

| | 2012<br>HK$ million | 2011<br>HK$ million |
|---|---|---|
| Dividends recognised as distribution during the year: | | |
| Final dividend in respect of the year ended 31 December 2011: | | |
| HK$0.40 per share (2011: in respect of 2010 of HK$0.40 per share) | 196 | 196 |
| Interim dividend in respect of the year ended 31 December 2011 | | |
| at HK$0.25 per share | – | 122 |
| | 196 | 318 |
| Proposed: | | |
| Final dividend in respect of the year ended 31 December 2012: | | |
| HK$0.50 per share (2011: in respect of 2011 of HK$0.40 per share) | 246 | 196 |

The final dividend in respect of the year ended 31 December 2012 of HK$0.50 per share has been proposed by the Directors and is subject to approval by the shareholders of the Company at its forthcoming annual general meeting.

## 15. EARNINGS PER SHARE

### From continuing and discontinued operations

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

| | 2012<br>HK$ million | 2011<br>HK$ million |
|---|---|---|
| Earnings: | | |
| Earnings for the purpose of basic and diluted earnings per share | 848 | 910 |
| Number of shares: | Million | Million |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 491 | 489 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | – | 1 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 491 | 490 |

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 both years when those options were outstanding.

# 15. EARNINGS PER SHARE (CONTINUED)

## From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations is based on the following data and the denominators detailed above for both basic and diluted earnings per share.

| | 2012 HK$ million | 2011 HK$ million |
|---|---|---|
| Earnings: | | |
| Profit for the year attributable to owners of the Company | **848** | 910 |
| Adjust: (Profit) loss for the year from discontinued operations | **(8)** | 53 |
| Earnings for the purpose of basic and diluted earnings per share from continuing operations | **840** | 963 |

## From discontinued operations

Basic and diluted earnings per share for the discontinued operations is HK$0.02 per share (2011: loss of HK$0.11 per share), based on the profit for the year from discontinued operations of HK$8 million (2011: loss of HK$53 million) and the denominators detailed above for both basic and diluted earnings per share.

# 16. INVESTMENT PROPERTIES

| | Completed investment properties HK$ million | Investment properties under construction HK$ million | Total HK$ million |
|---|---|---|---|
| **FAIR VALUE** | | | |
| At 1 January 2011 | 1,494 | 816 | 2,310 |
| Exchange adjustments | 78 | 16 | 94 |
| Additions | 26 | 321 | 347 |
| Acquisition of subsidiaries (note 38(b)) | – | 230 | 230 |
| Disposal of a subsidiary (note 40(d)) | – | (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 |
| Exchange adjustments | **(1)** | **(1)** | **(2)** |
| Additions | **30** | **186** | **216** |
| Increase in fair value recognised | **37** | **205** | **242** |
| **At 31 December 2012** | **2,510** | **1,555** | **4,065** |

## 16. INVESTMENT PROPERTIES (CONTINUED)

The carrying amount of investment properties shown above comprises:

| | 2012<br>HK$ million | 2011<br>HK$ million |
|---|---|---|
| **Situated in the PRC under:** | | |
| Long lease | 1,751 | 1,727 |
| Medium-term lease | 2,314 | 1,882 |
| | 4,065 | 3,609 |

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 2012 and 31 December 2011 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 at by reference to direct comparison method as available in the market and where appropriate, on the basis of capitalisation of net income. In the valuation, the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuer for the similar properties in the locality and adjusted based on the valuer's knowledge of the factors specific to the respective properties.

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 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 was recognised in the consolidated income statement for the year ended 31 December 2011.

## 17. PROPERTY, PLANT AND EQUIPMENT

| | Properties in Hong Kong HK$ million | Properties in other regions of the PRC HK$ million | Plant and machinery HK$ million | Motor vehicles HK$ million | Equipment, furniture and other assets HK$ million | Total HK$ million |
|---|---|---|---|---|---|---|
| **AT COST** | | | | | | |
| At 1 January 2011 | 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 |
| Additions | **–** | **12** | **–** | **6** | **6** | **24** |
| Disposals | **(4)** | **–** | **(42)** | **(5)** | **(6)** | **(57)** |
| **At 31 December 2012** | **–** | **62** | **7** | **31** | **96** | **196** |
| **ACCUMULATED DEPRECIATION AND IMPAIRMENT** | | | | | | |
| At 1 January 2011 | 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 |
| Charge for the year | **–** | **9** | **–** | **4** | **11** | **24** |
| Eliminated on disposals | **(2)** | **–** | **(42)** | **(5)** | **(3)** | **(52)** |
| **At 31 December 2012** | **–** | **25** | **4** | **18** | **77** | **124** |
| **CARRYING VALUES** | | | | | | |
| **At 31 December 2012** | **–** | **37** | **3** | **13** | **19** | **72** |
| At 31 December 2011 | 2 | 34 | 3 | 11 | 27 | 77 |

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% |

## 18. PREPAID LEASE PAYMENTS

| | 2012 HK$ million | 2011 HK$ million |
|---|---|---|
| Leasehold land under medium-term lease: | | |
| In Hong Kong | – | 3 |
| In other regions of the PRC | 42 | 42 |
| | 42 | 45 |
| Analysed for reporting purposes as: | | |
| Non-current | 41 | 44 |
| Current | 1 | 1 |
| | 42 | 45 |

Amortisation of prepaid lease payments amounting to HK$1 million (2011: HK$1 million) was charged to the consolidated income statement.

## 19. INTERESTS IN JOINTLY CONTROLLED ENTITIES

| | 2012 HK$ million | 2011 HK$ million |
|---|---|---|
| Cost of unlisted investments in jointly controlled entities, net of impairment | 4,077 | 3,773 |
| Share of post-acquisition profits and other comprehensive income | 942 | 877 |
| Less: Assets held for disposal (note 29) | (4,148) | (88) |
| | 871 | 4,562 |

Note:

Goodwill of HK$136 million (2011: 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.

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

During the year ended 31 December 2011, the Group disposed of a jointly controlled entity with 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 45.

## 19. INTERESTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

The summarised financial information in respect of the assets, liabilities, income and expenses of jointly controlled entities (excluding those classified as held for disposal in note 29) at and for each of the years ended 31 December 2012 and 31 December 2011 attributable to the Group's interest is as follows:

| | 2012<br>HK$ million | 2011<br>HK$ million |
|---|---|---|
| Current assets | **4,134** | 6,382 |
| Non-current assets | **1,571** | 9,749 |
| Current liabilities | **(2,303)** | (7,166) |
| Non-current liabilities | **(2,802)** | (3,833) |
| Non-controlling interests | **(57)** | (1,096) |
| Income | **1,500** | 3,922 |
| Expenses | **(1,323)** | (3,900) |

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:

| | 2012<br>HK$ million | 2011<br>HK$ million |
|---|---|---|
| Unrecognised share of losses of the jointly controlled entity for the year ended 31 December | **(6)** | (3) |
| Accumulated unrecognised share of losses of the jointly controlled entity | **(48)** | (42) |

## 20. AVAILABLE-FOR-SALE INVESTMENTS

| | 2012<br>HK$ million | 2011<br>HK$ million |
|---|---|---|
| Available-for-sale investments comprise: | | |
| Listed equity securities in Hong Kong (at market price) | **84** | 324 |

Available-for-sale investments at 31 December 2012 and 31 December 2011 represent the Group's equity interest in Shui On Land Limited ("SOL"). In December 2012, the Group disposed of 120.6 million SOL shares for a cash consideration of HK$434 million, representing approximately 2.0% equity interest in SOL, to certain independent third parties. As a result, the Group recognised a gain on disposal of HK$134 million, after deducting transaction cost of HK$7 million, in the consolidated income statement for the year ended 31 December 2012. At 31 December 2012, the Group held a 0.4% (31 December 2011: 2.6%) equity interest in SOL.

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

## 21. INTERESTS IN ASSOCIATES

| | **2012 HK$ million** | 2011 HK$ million |
|---|---|---|
| Cost of unlisted investments in associates | **135** | 131 |
| Share of post-acquisition profits and other comprehensive income | **376** | 364 |
| | **511** | 495 |

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

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

| | **2012 HK$ million** | 2011 HK$ million |
|---|---|---|
| **Results for the year ended 31 December** | | |
| Turnover | **626** | 401 |
| Profit for the year | **164** | 264 |
| Profit for the year attributable to the Group | **24** | 53 |

| | **2012 HK$ million** | 2011 HK$ million |
|---|---|---|
| **Financial position at 31 December** | | |
| Total assets | **14,852** | 13,627 |
| Total liabilities | **(12,015)** | (10,999) |
| Non-controlling interests | **(1,042)** | (997) |
| Net assets | **1,795** | 1,631 |
| Net assets attributable to the Group | **511** | 495 |

## 22. AMOUNTS DUE FROM/TO JOINTLY CONTROLLED ENTITIES

| | 2012 HK$ million | 2011 HK$ million |
|---|---|---|
| Amounts due from jointly controlled entities | | |
| Non-current (note a) | **1,861** | 1,162 |
| Current (note b) | **797** | 995 |
| | **2,658** | 2,157 |
| Amounts due to jointly controlled entities (note c) | **65** | 45 |

Notes:

(a) The balances are unsecured and repayable on demand, but not expected to be recovered in the next twelve months from the end of the reporting period. Out of the total balance, a total of HK$1,702 million (2011: HK$1,107 million) bear interest from 2.50% to 13.18% (2011: 3.73% to 13.18%) per annum and the rest is carried at amortised cost using the effective interest rate of 7.68% (2011: 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$1 million (2011: HK$3 million) bear interest from 0.33% to 0.45% (2011: 0.11% to 2.31%) per annum and the remaining balance is interest-free. Out of the total interest-free balance, a total of HK$54 million (2011: nil) is carried at amortised cost using the effective interest rate of 2.9% per annum. In the opinion of the Directors of the Company, the balances will be recoverable in the twelve months from the end of the reporting period.

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

## 23. AMOUNTS DUE FROM/TO ASSOCIATES

| | 2012 HK$ million | 2011 HK$ million |
|---|---|---|
| Amounts due from associates | | |
| Non-current (note a) | **860** | 828 |
| Current (note b) | **393** | 313 |
| | **1,253** | 1,141 |
| Amounts due to associates (note b) | **1** | – |

Notes:

(a) The balances represent advances to associates for financing the development of Dalian Tiandi. The advances are unsecured and have no fixed terms of repayment. Pursuant to the joint venture agreement, other than an amount of HK$242 million (2011: 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% (2011: 4.8%) per annum.

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

## 24. INVENTORIES AND CONTRACTS IN PROGRESS

| | 2012<br>HK$ million | 2011<br>HK$ million |
|---|---|---|
| **Inventories** | | |
| Work-in-progress | – | 3 |
| Finished goods | – | 2 |
| Raw materials | 29 | 15 |
| Spare parts | – | 1 |
| | 29 | 21 |

| | 2012<br>HK$ million | 2011<br>HK$ million |
|---|---|---|
| **Contracts in progress** | | |
| Costs incurred to date | 13,433 | 11,940 |
| Recognised profits less recognised losses | 476 | 339 |
| | 13,909 | 12,279 |
| Less: Progress billings | (13,935) | (12,142) |
| Net contract work | (26) | 137 |
| Represented by: | | |
| Amounts due from customers for contract work | 321 | 323 |
| Amounts due to customers for contract work | (347) | (186) |
| | (26) | 137 |

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

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

| | 2012<br>HK$ million | 2011<br>HK$ million |
|---|---|---|
| Properties held for sale | | |
| In Hong Kong | 6 | 24 |
| In other regions of the PRC | 1,890 | 404 |
| | 1,896 | 428 |
| Properties under development for sale | | |
| In other regions of the PRC (note) | 2,569 | 3,641 |

Note: Properties under development for sale of HK$1,659 million at 31 December 2012 (2011: HK$1,332 million) represent the carrying value of the properties expected to be completed and available for sale after one year from the end of the reporting period.

## 26. OTHER CURRENT ASSETS

### Debtors, deposits and prepayments

| | 2012<br>HK$ million | 2011<br>HK$ million |
|---|---|---|
| Trade debtors | 932 | 860 |
| Less: Allowance for doubtful debts | (1) | (1) |
| | 931 | 859 |
| Less: amounts classified as amounts due from jointly controlled entities, associates and related companies | (381) | (240) |
| Retention receivable | 190 | 160 |
| Consideration receivables in respect of disposal of subsidiaries/a jointly controlled entity | 40 | 90 |
| Deposit for acquisition of property projects | 7 | 51 |
| Prepayments, deposits and other receivables (note b) | 780 | 637 |
| | 1,567 | 1,557 |

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$363 million (2011: HK$314 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 (2011: 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 41(d)). In the opinion of the Directors of the Company, these receivables will be fully settled and the guarantee provided by the Company will be released either after completion of the transfer of the legal title to the aforesaid property interest to the Debtor or the sale of the equity interest of the entity holding the property interest, which is expected to take place within twelve months from the end of the reporting period.

## 26. OTHER CURRENT ASSETS (CONTINUED)

### Debtors, deposits and prepayments (continued)

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

| | **2012 HK$ million** | 2011 HK$ million |
|---|---|---|
| Trade debtors aged analysis: | | |
| Not yet due or within 90 days | **804** | 753 |
| *Amounts past due but not impaired:* | | |
| 91 days to 180 days | **57** | 85 |
| 181 days to 360 days | **40** | 6 |
| Over 360 days | **30** | 15 |
| | **127** | 106 |
| | **931** | 859 |
| Retention receivable is analysed as follows: | | |
| Due within one year | **95** | 94 |
| Due after one year | **95** | 66 |
| | **190** | 160 |

Movement in the allowance for doubtful debts

| | **2012 HK$ million** | 2011 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. Balances at 31 December 2012 include an amount of HK$196 million, which is earmarked for payments of certain properties under development. For the purposes of the consolidated statement of cash flows, cash and cash equivalents at 31 December 2012 amounted to HK$1,854 million. Bank balances carry interest at market rates, which range from 0.01% to 3.10% (2011: 0.01% to 3.10%) per annum.

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

| | 2012 HK$ million | 2011 HK$ million |
|---|---|---|
| Amounts due from related companies | 308 | 241 |
| Amounts due to related companies | 64 | – |
| Amounts due to non-controlling shareholders of subsidiaries | 4 | 11 |

The related companies are subsidiaries or associates of SOCL.

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

## 28. RESTRICTED BANK DEPOSITS

Balances at 31 December 2012 represent custody deposits amounting to HK$1,214 million (2011: HK$1,095 million) placed with banks and financial institution in relation to certain banking facility arrangements and guarantees of the Group (see notes 31 and 41). The balances carry interest at market rates, which range from 0.39% to 3.10% (2011: 0.50% to 3.10%) per annum.

## 29. ASSETS CLASSIFIED AS HELD FOR DISPOSAL

| | 2012 HK$ million | 2011 HK$ million |
|---|---|---|
| Interests in jointly controlled entities | | |
| LSOC (note a) | 4,060 | – |
| Other jointly controlled entities (note b) | 88 | 88 |
| | 4,148 | 88 |
| Amounts due from other jointly controlled entities (note b) | 4 | 4 |
| **Total assets classified as held for disposal** | 4,152 | 92 |

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 disposal transactions (see note 11). Accordingly, the assets attributable to the above jointly controlled entities are classified as held for disposal in the consolidated statement of financial position.

Notes:

(a) The Group is committed to various plans to exit entirely from its investment in LSOC, which is engaged in the production and sale of cement in the PRC (see note 11 for details).

(b) The Group is also committed to sell the Group's equity interest in and the related shareholder's loans to certain jointly controlled entities, which are engaged in the production and sale of cement and concrete in Guizhou (not operated through LSOC), and has initiated a programme to actively locate buyers and complete the disposal.

## 30. CREDITORS AND ACCRUED CHARGES

The aged analysis of creditors (based on invoice date) of HK$771 million (2011: HK$682 million), which are included in the Group's creditors and accrued charges, is as follows:

| | **2012 HK$ million** | 2011 HK$ million |
|---|---|---|
| Trade creditors aged analysis: | | |
| Not yet due or within 30 days | **577** | 550 |
| 31 days to 90 days | **41** | 55 |
| 91 days to 180 days | **29** | 14 |
| Over 180 days | **124** | 63 |
| | **771** | 682 |
| Retention payable (note b) | **302** | 305 |
| Consideration payable in respect of acquisition of subsidiaries (note c) | **249** | 335 |
| Provision for contract work/construction cost | **568** | 260 |
| Other accruals and payables | **602** | 423 |
| | **2,492** | 2,005 |
| Less: amounts due for settlement after 12 months (note c) | **(116)** | (202) |
| | **2,376** | 1,803 |

Notes:

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

(b) The balances include retention payable of HK$53 million (2011: HK$41 million), which is due after one year from the end of the reporting period.

(c) The amounts represent the outstanding considerations in respect of the acquisition of a subsidiary during the year ended 31 December 2012 and the remaining 20% equity interest in a jointly controlled entity during the year ended 31 December 2011. Out of the total outstanding considerations, a total of HK$133 million (2011: HK$133 million) will be settled within 1 year and the balance will be settled in 2 to 3 years, from the end of the reporting period.

## 31. BANK AND OTHER BORROWINGS

| | 2012 HK$ million | 2011 HK$ million |
|---|---|---|
| Secured bank loans | **4,264** | 3,720 |
| Unsecured bank loans | **3,445** | 4,841 |
| Other secured loans | **370** | – |
| | **8,079** | 8,561 |
| Less: Amounts due within 12 months | **(4,786)** | (6,134) |
| Amounts due for settlement after 12 months | **3,293** | 2,427 |
| Carrying amount repayable: | | |
| Within one year | **4,786** | 6,134 |
| More than one year but not exceeding two years | **3,215** | 2,131 |
| More than two years but not exceeding five years | **78** | 296 |
| | **8,079** | 8,561 |

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

| Denominated in | Interest rate (per annum) | 2012 HK$ million | 2011 HK$ million |
|---|---|---|---|
| Renminbi | 3.75% to 12.00% (2011: 2.75% to 7.90%) | **1,151** | 1,389 |
| Hong Kong dollars | 2.12% to 4.78% (2011: 1.57% to 5.04%) | **6,675** | 6,908 |
| United States dollars | 2.96% to 3.34% (2011: 2.65% to 3.06%) | **253** | 264 |
| | | **8,079** | 8,561 |

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 as security for certain banking facilities and other loans granted to the Group at the end of the reporting period:

| | 2012 HK$ million | 2011 HK$ million |
|---|---|---|
| Investment properties | **2,510** | 3,293 |
| Properties held for sale | **1,668** | 232 |
| Properties under development for sale | **699** | 2,890 |
| Amounts due from jointly controlled entities | **12** | 37 |
| | **4,889** | 6,452 |

Notes:

(a) Custody deposits amounting to RMB692 million (HK$854 million) at 31 December 2012 (2011: RMB888 million (HK$1,095 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 end of the reporting period.

## 32. SHARE CAPITAL

| | **2012 Number of shares** | 2011 Number of shares | **2012 HK$ million** | 2011 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 | **489,530,487** | 489,164,786 | **490** | 489 |
| Exercise of share options | **2,717,934** | 365,701 | **2** | 1 |
| At the end of the year | **492,248,421** | 489,530,487 | **492** | 490 |

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

## 33. RETIREMENT BENEFIT PLANS

### Hong Kong

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

#### Mandatory Provident Fund Scheme

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

The Group's contributions to the MPF Scheme charged to the consolidated income statement as staff cost during the year amounted to HK$15 million (2011: HK$11 million). The amount of employer's voluntary contributions to the MPF Scheme forfeited for the year ended 31 December 2012 and 31 December 2011 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% (2011: 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.

## 33. RETIREMENT BENEFIT PLANS (CONTINUED)

### Hong Kong (continued)

#### Defined Benefit Scheme (continued)

The most recent actuarial valuations of the Scheme assets and the present value of the defined benefit obligation were carried out at 31 December 2012 by Ms. Elaine Hwang of Towers Watson Hong Kong Limited, who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations and the related current service cost were measured using the Projected Unit Credit Method.

The principal actuarial assumptions used at the end of the reporting periods are as follows:

| | **2012** | 2011 |
|---|---|---|
| Discount rate | **0.5%** | 1.4% |
| Expected rate of return on Scheme assets | **7.0%** | 7.0% |
| Expected rate of salary increase | **3.5% p.a.** | 3.5% p.a. |

The actuarial valuation shows that the fair value of the Scheme assets attributable to the Group at 31 December 2012 was HK$398 million (2011: HK$352 million), representing 78% (2011: 80%) of the benefits that has accrued to members.

The actual return on Scheme assets for the year ended 31 December 2012 was a gain of HK$42 million (2011: loss 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** | |
|---|---|---|
| | **2012** | 2011 |
| | **HK$ million** | HK$ million |
| Current service cost | **15** | 12 |
| Interest cost | **6** | 10 |
| Expected return on Scheme assets | **(24)** | (27) |
| Net amount credited to consolidated income statement as staff costs | **(3)** | (5) |

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

| | **2012** | 2011 |
|---|---|---|
| | **HK$ million** | HK$ million |
| Present value of funded obligations | **(510)** | (442) |
| Fair value of Scheme assets | **398** | 352 |
| Defined benefit liabilities included in the consolidated statement of financial position | **(112)** | (90) |

The Scheme assets do not include any shares in the Company (2011: Nil).

## 33. RETIREMENT BENEFIT PLANS (CONTINUED)

### Hong Kong (continued)

Defined Benefit Scheme (continued)

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

| | 2012<br>HK$ million | 2011<br>HK$ million |
|---|---|---|
| At the beginning of the year | **442** | 365 |
| Current service cost | **15** | 12 |
| Interest cost | **6** | 10 |
| Employees' contributions | **6** | 6 |
| Benefits paid | **(11)** | (12) |
| Actuarial loss (note) | **52** | 61 |
| At the end of the year | **510** | 442 |

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:

| | 2012<br>HK$ million | 2011<br>HK$ million |
|---|---|---|
| At the beginning of the year | **352** | 387 |
| Expected return on Scheme assets | **24** | 27 |
| Actuarial gain (loss) (note) | **18** | (64) |
| Employers' contributions | **9** | 8 |
| Employees' contributions | **6** | 6 |
| Benefits paid | **(11)** | (12) |
| At the end of the year | **398** | 352 |

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:

| | 2012<br>HK$ million | 2011<br>HK$ million |
|---|---|---|
| Experience adjustment on Scheme liabilities | **(21)** | (11) |
| Experience adjustment on Scheme assets | **18** | (64) |

## 33. 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:

| | 2012 | 2011 |
|---|---|---|
| Equities | 54.6% | 51.3% |
| Hedge funds | 17.2% | 19.8% |
| Bonds and cash | 28.2% | 28.9% |
| | 100% | 100% |

The Group expects to make a contribution of HK$9 million (2011: HK$9 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:

| | 2012<br>HK$ million | 2011<br>HK$ million |
|---|---|---|
| Actuarial loss on present value of funded obligations | (52) | (61) |
| Actuarial (loss) gain on fair value of Scheme assets | 18 | (64) |
| Net actuarial losses recognised | (34) | (125) |
| Accumulated amount of actuarial losses recognised in the actuarial gain and loss reserve | (183) | (149) |

### PRC

The employees of the Group's subsidiaries in the PRC are members of state-managed retirement plans operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement plans to fund the benefits. The only obligation of the Group with respect to the retirement plans is to make the specified contributions. The Group's contributions to state-managed retirement plans charged to the consolidated income statement as staff cost during the year amounted to HK$4 million (2011: HK$4 million).

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

## 34. DEFERRED TAXATION

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

| | Accelerated tax depreciation HK$ million | Revaluation of properties HK$ million | Tax losses HK$ million | Other temporary differences HK$ million | Total HK$ million |
|---|---|---|---|---|---|
| At 1 January 2011 | (1) | (425) | 25 | 1 | (400) |
| Exchange adjustments | – | (5) | 1 | – | (4) |
| Disposal of subsidiaries (note 40(d)) | – | 26 | – | – | 26 |
| Charge to consolidated income statement | – | (40) | (8) | (1) | (49) |
| At 31 December 2011 | (1) | (444) | 18 | – | (427) |
| Exchange adjustments | **–** | **(1)** | **–** | **–** | **(1)** |
| Disposal of subsidiaries (note 40(a)) | **–** | **(22)** | **–** | **–** | **(22)** |
| Credit (charge) to consolidated income statement | **–** | **(15)** | **7** | **–** | **(8)** |
| **At 31 December 2012** | **(1)** | **(482)** | **25** | **–** | **(458)** |

Notes:

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

(b) At 31 December 2012, the Group had unused tax losses of HK$653 million (2011: HK$621 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to HK$100 million (2011: HK$70 million). No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$553 million (2011: HK$551 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses at 31 December 2012 are tax losses of approximately HK$115 million (2011: HK$125 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$400 million at 31 December 2012 (2011: HK$518 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

## 35. LEASE ARRANGEMENTS

### As lessor

Property rental income in respect of the investment properties and car parking spaces earned during the year ended 31 December 2012 was HK$52 million (2011: HK$55 million).

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

| | **2012 HK$ million** | 2011 HK$ million |
|---|---|---|
| Within one year | **34** | 35 |
| In the second to fifth years inclusive | **22** | 20 |
| | **56** | 55 |

## 35. LEASE ARRANGEMENTS (CONTINUED)

### As lessee

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

| | 2012<br>HK$ million | 2011<br>HK$ million |
|---|---|---|
| Within one year | 18 | 21 |
| In the second to fifth years inclusive | 7 | 14 |
| | 25 | 35 |

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for lease terms ranging from one to three years.

## 36. CAPITAL COMMITMENTS

(a) At 31 December 2012, the Group's capital commitment in respect of investment properties is as follows:

| | 2012<br>HK$ million | 2011<br>HK$ million |
|---|---|---|
| Authorised but not contracted for | 447 | 601 |
| Contracted but not provided for | 20 | 19 |

(b) In addition, the Group had other capital commitments in respect of certain investments contracted but not provided for in the consolidated financial statements amounting to approximately HK$137 million at 31 December 2012 (2011: HK$11 million).

(c) At 31 December 2012, the Group's share of capital commitments of its jointly controlled entities mainly in relation to long-lived assets is as follows:

| | 2012<br>HK$ million | 2011<br>HK$ million |
|---|---|---|
| Authorised but not contracted for | – | – |
| Contracted but not provided for | 215 | 305 |

## 37. SHARE-BASED PAYMENTS

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

### 1. Purpose

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

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

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

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

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

### 2. Eligible participants

(a) The Board may at its discretion make offers inviting anyone belonging to any of the following classes of persons to take up options to subscribe for shares of the Company, subject to such conditions as the Board may think fit: any employee, director, officer, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any invested entity.

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

### 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.

## 37. SHARE-BASED PAYMENTS (CONTINUED)

### 3. Total number of shares available for issue under the Share Option Scheme (continued)

#### (b) 30% limit

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company must not, in aggregate, exceed 30% of the shares of the Company in issue from time to time.

### 4. Maximum entitlement of each participant

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

### 5. Performance target

The Share Option Scheme allows the Board, when offering the grant of any option, to impose any condition including any performance target, which must be met before the option shall vest and become exercisable.

### 6. Minimum period for which an option must be held

The Board may at its discretion, when offering the grant of any option, impose any minimum period for which an option must be held before it can be exercised.

### 7. Exercise price

The exercise price is determined by the Board and shall be not less than the highest of: (a) the closing price of a share of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of grant; and (b) the average closing price of the shares of the Company 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 of the Company.

### 8. Amount payable upon acceptance of option

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

## 37. SHARE-BASED PAYMENTS (CONTINUED)

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

| | | | Number of shares subject to options | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Date of grant | Grant | Subscription price per share HK$ | At 1 January 2012 | Granted during the year | Exercised during the year | Lapsed during the year | Cancelled during the year | At 31 December 2012 | Period during which share options outstanding are exercisable | Average closing reference price for exercise of options HK$ (Note 1) |
| 14 June 2007 | 2 | 20.96 | 2,395,666 | – | – | (2,395,666) | – | – | 14 December 2007 to 13 June 2012 | – |
| 14 June 2007 | 3 | 20.96 | 405,058 | – | – | (405,058) | – | – | 14 December 2008 to 13 June 2012 | – |
| 7 May 2008 | 4 | 19.76 | 2,761,043 | – | – | (540,000) | – | 2,221,043 | 7 November 2008 to 6 May 2013 | – |
| 7 May 2008 | 5 | 19.76 | 219,296 | – | – | – | – | 219,296 | 7 November 2009 to 6 May 2013 | – |
| 9 April 2009 | 7 | 7.63 | 2,994,314 | – | (939,934) | (35,764) | – | 2,018,616 | 9 October 2009 to 8 April 2014 | 7.74 |
| 9 April 2009 | 8 | 7.63 | 2,778,000 | – | (1,778,000) | (620,000) | – | 380,000 | 9 April 2012 to 8 April 2019 | 7.57 |
| 5 June 2009 | 9 | 11.90 | 3,906,000 | – | – | (3,906,000) | – | – | 3 January 2010 to 2 January 2012 | – |
| 5 June 2009 | 10 | 11.90 | 1,270,000 | – | – | (1,270,000) | – | – | 1 July 2010 to 13 June 2012 | – |
| 5 June 2009 | 11 | 11.90 | 992,000 | – | – | (442,000) | – | 550,000 | 7 May 2011 to 6 May 2013 | – |
| 12 April 2010 | 12 | 12.22 | 6,060,000 | – | – | (600,000) | – | 5,460,000 | 12 October 2010 to 11 April 2015 | – |
| 12 April 2010 | 13 | 12.22 | 3,916,000 | – | – | (416,000) | – | 3,500,000 | 12 April 2013 to 11 April 2020 | – |
| 13 May 2011 | 14 | 10.66 | 5,070,000 | – | – | (280,000) | – | 4,790,000 | 13 November 2011 to 12 May 2016 | – |
| 23 June 2011 | 15 | 10.90 | 2,080,000 | – | – | (150,000) | – | 1,930,000 | 23 December 2011 to 22 June 2016 | – |
| 28 July 2011 | 16 | 10.00 | 51,300,000 | – | – | (5,000,000) | – | 46,300,000 | 1 May 2015 to 27 July 2021 | – |
| 26 November 2012 | 17 | 8.18 | – | 5,210,000 | – | – | – | 5,210,000 | 26 May 2013 to 25 November 2017 | – |
| | | | 86,147,377 | 5,210,000 | (2,717,934) | (16,060,488) | – | 72,578,955 | | |
| Number of shares subject to options exercisable at the end of the year | | | | | | | | 11,007,377 | | |

## 37. SHARE-BASED PAYMENTS (CONTINUED)

| | | | 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 2) | At 31 December 2011 | Period during which share options outstanding are exercisable | Average closing reference price for exercise of options HK$ (Note 1) |
| 1 August 2006 | 1 | 14.00 | 3,128,000 | – | – | (3,010,000) | (118,000) | – | 1 February 2007 to 31 July 2011 | – |
| 14 June 2007 | 2 | 20.96 | 2,654,000 | – | – | (10,758) | (247,576) | 2,395,666 | 14 December 2007 to 13 June 2012 | – |
| 14 June 2007 | 3 | 20.96 | 600,000 | – | – | – | (194,942) | 405,058 | 14 December 2008 to 13 June 2012 | – |
| 7 May 2008 | 4 | 19.76 | 3,240,000 | – | – | (75,436) | (403,521) | 2,761,043 | 7 November 2008 to 6 May 2013 | – |
| 7 May 2008 | 5 | 19.76 | 300,000 | – | – | – | (80,704) | 219,296 | 7 November 2009 to 6 May 2013 | – |
| 7 May 2008 | 6 | 19.76 | 3,000,000 | – | – | (3,000,000) | – | – | 7 May 2011 to 6 May 2018 | – |
| 9 April 2009 | 7 | 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 | 8 | 7.63 | 3,000,000 | – | – | (222,000) | – | 2,778,000 | 9 April 2012 to 8 April 2019 | – |
| 5 June 2009 | 9 | 11.90 | 4,484,000 | – | – | – | (578,000) | 3,906,000 | 3 January 2010 to 2 January 2012 | – |
| 5 June 2009 | 10 | 11.90 | 1,270,000 | – | – | – | – | 1,270,000 | 1 July 2010 to 13 June 2012 | – |
| 5 June 2009 | 11 | 11.90 | 1,236,000 | – | – | (244,000) | – | 992,000 | 7 May 2011 to 6 May 2013 | – |
| 12 April 2010 | 12 | 12.22 | 6,540,000 | – | – | (180,000) | (300,000) | 6,060,000 | 12 October 2010 to 11 April 2015 | – |
| 12 April 2010 | 13 | 12.22 | 4,500,000 | – | – | (584,000) | – | 3,916,000 | 12 April 2013 to 11 April 2020 | – |
| 13 May 2011 | 14 | 10.66 | – | 5,150,000 | – | (80,000) | – | 5,070,000 | 13 November 2011 to 12 May 2016 | – |
| 23 June 2011 | 15 | 10.90 | – | 2,160,000 | – | (80,000) | – | 2,080,000 | 23 December 2011 to 22 June 2016 | – |
| 28 July 2011 | 16 | 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 | | |

Notes:

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

(2) 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 were set out in the composite offer document dated 9 May 2011 and various joint announcements issued by SOCL and the Company.

## 37. SHARE-BASED PAYMENTS (CONTINUED)

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

For Grants 1, 2, 4, 7, 12, 14, 15 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 9 and 11:

| | |
|---|---|
| Service Requirement | All options might vest on 3 January 2010 (for Grant 9) or 7 May 2011 (for Grant 11) subject to the satisfaction of all the performance conditions. |
| Performance Hurdle | All options might vest on vesting date depending on performance appraisal grading that includes 50% weight of Property Development team performance and 50% weight of individual performance, which the grantee would achieve in his/her performance appraisal during the financial years ended 31 December 2007, 2008 and 2009 (for Grant 9) or 2008, 2009 and 2010 (for Grant 11). Assessment of performance at each financial year end date would be applied for that year to 1/3 of the options granted respectively. |

The vesting schedule is as follows:

| Performance | Vested portion of options |
|---|---|
| Superior | 100% |
| Superior minus | 90% |
| Good plus | 75% |
| Good | 60% |

For Grants 6 and 8:

Vesting of the options was conditional upon the performance of the Company's shares over the period from close of trading in Hong Kong on 1 January 2008 to 31 December 2010 (for Grant 6) or 1 January 2009 to 31 December 2011 (for Grant 8) ("Performance Period"). Vesting would only occur if the change in the total shareholder return ("TSR") of the Company's shares over the relevant Performance Period was (1) positive and (2) equal to or greater than the change in the total return index ("TRI") of the Hang Seng Index ("HSI") over the relevant Performance Period.

## 37. SHARE-BASED PAYMENTS (CONTINUED)

For Grants 6 and 8: (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 was negative compared to the positive change in TSR of the Company, full vesting would apply.

For Grant 10:

| | |
|---|---|
| Service Requirement | All options might vest on 1 July 2010 subject to the satisfaction of all the performance conditions. |
| Performance Hurdle | All options might vest on vesting date depending on performance appraisal grading that includes 50% weight of Property Development team performance and 50% weight of individual performance, which the grantee would achieve in his/her performance appraisal during the financial years/period ended 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010. Assessment of performance at each financial year/period end date would be applied for that period to 1/6, 1/3, 1/3 and 1/6 of the options granted respectively. |

The vesting schedule is as follows:

| Performance | Vested portion of options |
|---|---|
| Superior | 100% |
| Superior minus | 90% |
| Good plus | 75% |
| Good | 60% |

For Grants 3 and 5:

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

## 37. SHARE-BASED PAYMENTS (CONTINUED)

For Grant 13:

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.

For Grant 16:

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% |

## 37. SHARE-BASED PAYMENTS (CONTINUED)

The fair values of services received in return for share options granted is measured by reference to the fair value of share options granted. Except for Grants 6 and 8, 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 | 1 August 2006 | 14 June 2007 | 14 June 2007 | 7 May 2008 | 7 May 2008 | 7 May 2008 | 9 April 2009 | 9 April 2009 | 5 June 2009 | 5 June 2009 |
| Average fair value | HK$3.83 | HK$5.72 | HK$5.78 | HK$5.06 | HK$5.09 | HK$3.03 | HK$2.26 | HK$2.16 | HK$3.21 | HK$3.42 |
| Share price on the date of grant | HK$14.00 | HK$20.90 | HK$20.90 | HK$19.28 | HK$19.28 | HK$19.28 | HK$7.27 | HK$7.27 | HK$11.78 | HK$11.78 |
| Exercise price | HK$14.00 | HK$20.96 | HK$20.96 | HK$19.76 | HK$19.76 | HK$19.76 | HK$7.63 | HK$7.63 | HK$11.90 | HK$11.90 |
| Expected volatility | 40% p.a. | 40% p.a. | 40% p.a. | 42% p.a. | 42% p.a. | 42% p.a. | 52% p.a. | 52% p.a. | 55% p.a. | 55% p.a. |
| Average expected life | 4.21 years | 4.17 years | 3.48 years | 4 years | 4 years | 4 years | 5 years | 5 years | 2.1 years | 2.6 years |
| Average risk-free rate | 4.40% 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. | 1.10% p.a. | 1.10% p.a. |
| Expected dividend paid | 5% p.a. | 5% p.a. | 5% p.a. | 5% p.a. | 5% p.a. | 5% p.a. | 5% p.a. | 5% p.a. | 5% p.a. | 5% p.a. |
| Rate of leaving service | 2% p.a. | 3% p.a. | 3% p.a. | 3% p.a. | 3% p.a. | n/a | 3.5% p.a. | n/a | 3% p.a. | 3% p.a. |
| Expected volatility of HSI TRI | n/a | n/a | n/a | n/a | n/a | 25% p.a. | n/a | 38% p.a. | n/a | n/a |
| Expected correlation between TSR of the Company and HSI TRI | n/a | n/a | n/a | n/a | n/a | 45% p.a. | n/a | 58% p.a. | n/a | n/a |

| | Grant 11 | Grant 12 | Grant 13 | Grant 14 | Grant 15 | Grant 16 | **Grant 17** |
|---|---|---|---|---|---|---|---|
| Date of grant | 5 June 2009 | 12 April 2010 | 12 April 2010 | 13 May 2011 | 23 June 2011 | 28 July 2011 | **26 November 2012** |
| Average fair value | HK$3.80 | HK$4.33 | HK$4.73 | HK$3.66 | HK$3.72 | HK$3.71 | **HK$1.95** |
| Share price on the date of grant | HK$11.78 | HK$12.22 | HK$12.22 | HK$10.66 | HK$10.90 | HK$10.00 | **HK$8.10** |
| Exercise price | HK$11.90 | HK$12.22 | HK$12.22 | HK$10.66 | HK$10.90 | HK$10.00 | **HK$8.18** |
| Expected volatility | 55% p.a. | 55% p.a. | 48% p.a. | 53% p.a. | 53% p.a. | 47% p.a. | **40% p.a.** |
| Average expected life | 3.5 years | 5 years | 10 years | 5 years | 5 years | 8 years | **5 years** |
| Average risk-free rate | 1.10% p.a. | 1.70% p.a. | 2.64% p.a. | 1.34% p.a. | 1.04% p.a. | 1.99% p.a. | **0.26% p.a.** |
| Expected dividend paid | 5% p.a. | 4% p.a. | 4% p.a. | 4% p.a. | 4% p.a. | 4% p.a. | **4.5% p.a.** |
| Rate of leaving service | 3% p.a. | 3% p.a. | 0% p.a. | 3% p.a. | 3% p.a. | 3% p.a. | **3% p.a.** |

For the grant in 2012, the expected volatility was determined by using the average historical volatility of the Company's share price over last 4 years before the grant date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

Total consideration received during the year from employees, including the Directors of the Company, for taking up the options granted was HK$115 (2011: HK$149).

The Group recognised a total expense of HK$30 million for the year ended 31 December 2012 (2011: HK$39 million) in relation to share options granted by the Company.

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

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

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

| | **HK$ million** |
|---|---|
| Property under development for sale | **110** |
| Creditors and accrued charges | **(12)** |
| Net assets of the subsidiary acquired | **98** |
| Total consideration satisfied by: | |
| Cash consideration paid | **50** |
| Consideration outstanding at 31 December 2012 | **48** |
| | **98** |
| Net cash outflow arising on acquisition: | |
| Cash consideration paid | **(50)** |

(b) 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 became a wholly-owned subsidiary of the Company. This transaction was reflected as a purchase of assets and liabilities.

The assets acquired and liabilities assumed in the transaction were 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 | 335 |
| Total consideration satisfied by: | |
| Cash consideration paid – current year | 134 |
| Consideration outstanding at 31 December 2012 | 201 |
| | 335 |
| Net cash outflow arising on acquisition: | |
| Cash consideration paid | (134) |
| Cash and cash equivalents acquired | 42 |
| | (92) |

## 39. DISPOSAL OF PROPERTY INVENTORIES THROUGH DISPOSAL OF SUBSIDIARIES

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 was accounted for as a sale of property inventories in the ordinary course of the Group's property business.

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

| | HK$ million |
|---|---|
| Properties under development for sale | 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 |

## 40. DISPOSAL OF SUBSIDIARIES

(a) In November 2012, the Group entered into an agreement (the "Agreement") with an independent third party (the "JV partner") to dispose of 20% of the issued share capital of, and assign 20% of the shareholder's loans made to a subsidiary, which indirectly owns a property development project in Guizhou, at an aggregate consideration of approximately RMB69 million (equivalent to approximately HK$85 million). Following the disposal in November 2012 and pursuant to the terms of the relevant shareholders' agreement, the Group and the JV partner have joint control over the disposed subsidiary as all of the operating and financing activities require unanimous consent of the Group and the JV partner. As a result, the subsidiary has become a 80% jointly controlled entity of the Group. Upon completion of the disposal, the assets and liabilities of the subsidiary were deconsolidated from the Group's consolidated statement of financial position. The fair value of the 80% retained interest in the jointly controlled entity at the date on which the control was lost, which was arrived at 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$78 million, net of transaction costs, on disposal of the 20% interest, and a fair value gain of HK$320 million on the 80% retained interest have been recognised in the consolidated income statement for the year ended 31 December 2012.

## 40. DISPOSAL OF SUBSIDIARIES (CONTINUED)

(a) (continued)

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

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

Note:

Pursuant to the terms of the Agreement, the JV partner has the right to require the Group to repurchase its 20% equity interest in the jointly controlled entity if certain post-completion conditions could not be met within one year from the date of completion of the disposal. Based on the present assessment, the Directors of the Company consider that such conditions are non-substantive and are confident that such conditions would be fulfilled.

## 40. DISPOSAL OF SUBSIDIARIES (CONTINUED)

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

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

| | HK$ million |
|---|---|
| Debtors, deposits and prepayments | 28 |
| Amounts due from related companies | 276 |
| Bank balances, deposits and cash | 2 |
| Creditors and accrued charges | (10) |
| Amounts due to related companies | (276) |
| Taxation payable | (1) |
| Net assets disposed of | 19 |
| Gain on disposal | 94 |
| Cumulative exchange differences reclassified to profit or loss | (91) |
| Total consideration | 22 |
| Total consideration satisfied by: | |
| Consideration outstanding at 31 December 2012 | 22 |
| Net cash outflow arising on disposal: | |
| Cash and cash equivalents disposed of | (2) |

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

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

| | HK$ million |
|---|---|
| Debtors, deposits and prepayments | 1 |
| Inventories | 6 |
| Creditors and accrued charges | (2) |
| Net assets disposed of | 5 |
| Gain on disposal | 12 |
| Transaction costs incurred in connection with the disposal | 1 |
| Consideration | 18 |
| Total consideration satisfied by: | |
| Cash consideration received | 9 |
| Consideration outstanding at 31 December 2012 | 9 |
| | 18 |
| Net cash inflow arising on disposal: | |
| Cash consideration received | 9 |

## 40. DISPOSAL OF SUBSIDIARIES (CONTINUED)

(d) 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 statement of financial position 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, were recognised in the consolidated income statement for the year ended 31 December 2011. Details of this transaction were set out in an announcement of the Company dated 17 June 2011.

The net assets disposed of in the transaction were 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 |

## 40. DISPOSAL OF SUBSIDIARIES (CONTINUED)

(e) 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 were set out in an announcement of the Company dated 12 July 2011.

The net assets disposed of in the transaction were 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 |

(f) 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 were 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/net cash inflow arising on disposal: | |
| Cash consideration received – current year | 23 |
| Cash consideration received – 2011 | 13 |
| | 36 |

## 41. CONTINGENT LIABILITIES

At 31 December 2012, the Group had the following contingent liabilities, which have not been provided for in the consolidated financial statements:

(a) Standby documentary credit arranged with a bank amounting to HK$145 million (2011: RMB117 million (HK$144 million)) to secure a bank loan granted to a subsidiary of an associate.

(b) Effective share of guarantees issued in favour of banks amounting to HK$733 million (2011: HK$805 million) to secure bank loans granted to certain jointly controlled entities.

(c) Effective share of a guarantee issued in favour of a joint venture (the "Joint Venture", which was formed between an associate and an independent third party (the "Joint Venture Partner")) and the Joint Venture Partner for an amount not exceeding RMB110 million (HK$136 million) (2011: RMB110 million (HK$136 million)) in respect of certain of the Group's payment obligations to the Joint Venture and the Joint Venture Partner.

(d) In 2007, the Company issued a guarantee (the "Guarantee") in favour of a bank for a loan granted to an entity which was a wholly-owned subsidiary of CCP at that time (the "Former Subsidiary"). Subsequently, the Former Subsidiary was sold by CCP in 2008, but the Company remained as the guarantor for the bank loan following the disposal (see note 26(b) for details of receivables due from the Former Subsidiary arising from such disposal). In October 2011, the Company received a notice from the aforesaid bank that it had entered into an agreement to sell all its rights and interests, including the Guarantee, to a new lender (the "New Lender"). At the same time, the Company entered into a restructuring deed with the New Lender, which was subsequently supplemented by a supplemental restructuring deed dated 12 October 2012, whereby the New Lender agreed not to demand fulfilment of the Company's obligations under the Guarantee for two years, subject to extension after further discussions. The outstanding principal amount of the loan under the Guarantee amounting to RMB542 million (HK$668 million) at 31 December 2012 (2011: RMB542 million (HK$669 million)) and the related interests is secured by a property interest in the PRC held by the Former Subsidiary. Both of the parent company of the acquirer and the acquirer of the Former Subsidiary have agreed to procure the repayment of the loan and agreed unconditionally to undertake and indemnify the Group for all losses as a result of the Guarantee.

In the opinion of the Directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition after taking into consideration the possibility of the default of the parties involved. Accordingly, no value has been recognised in the consolidated statement of financial position.

## 42. MATERIAL RELATED PARTY TRANSACTIONS

(a) During the year, the Group had the following transactions with SOCL and its subsidiaries and associates other than those of the Group ("SOCL Private Group").

| Nature of transactions | 2012<br>HK$ million | 2011<br>HK$ million |
|---|---|---|
| SOCL and its subsidiaries | | |
| Construction work income | 851 | 6 |
| Dividend income | 17 | – |
| Management and information system services income | 1 | 1 |
| Rental expenses | 4 | 4 |
| SOCL's associates | | |
| Dividend income | – | 10 |
| Construction work income | 281 | 902 |

The outstanding balances with SOCL Private Group at the end of the reporting period are disclosed in note 27.

## 42. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) During the year, the Group had the following transactions with jointly controlled entities.

| Nature of transactions | 2012 HK$ million | 2011 HK$ million |
|---|---|---|
| Interest income | **162** | 107 |
| Imputed interest income | **6** | 54 |
| Management fee income | **120** | 108 |
| Construction/subcontracting work income | **14** | 46 |
| Revenue from sales of goods | **27** | 16 |
| Construction/subcontracting cost | **–** | 9 |

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

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

| Nature of transactions | 2012 HK$ million | 2011 HK$ million |
|---|---|---|
| Interest income | **12** | 12 |
| Imputed interest income | **22** | 21 |
| Management fee income | **16** | 31 |
| Construction/subcontracting work income | **24** | 85 |

The outstanding balances with associates at the end of the reporting period are disclosed in note 23.

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

(e) During the year, the Group acquired the land use rights of the land parcels located at Zunyi, Guizhou from a jointly controlled entity at a consideration of RMB312 million (HK$385 million).

(f) During the year, the Group received dividend income amounting to HK$62 million (2011: HK$32 million) from a jointly controlled entity.

(g) During the year, the Group was granted unsecured non-interest bearing short-term loans of HK$50 million and RMB10 million (HK$12 million) from the wholly-owned subsidiaries of SOCL.

(h) During the year ended 31 December 2011, 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).

## 42. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(i) Disclosures of the remuneration of Directors and other members of key management during the year under HKAS 24 "Related Party Disclosures", were as follows:

| | 2012<br>HK$ million | 2011<br>HK$ million |
|---|---|---|
| Fees | **2** | 2 |
| Salaries and other benefits | **34** | 40 |
| Bonuses | **17** | 19 |
| Retirement benefit scheme contributions | **2** | 2 |
| Share-based payments | **18** | 19 |
| | **73** | 82 |

The remuneration of Executive Directors is determined by the Remuneration Committee having regard to the performance of each individual. The Remuneration Committee also determines the guiding principles applicable to the remuneration of key executives who are not Directors. In both cases, the Remuneration Committee has made reference to market trends.

## 43. EVENT AFTER THE REPORTING PERIOD

On 28 February 2013, the Group entered into an agreement for the disposal of the entire issued share capital of Gifted Leader Limited (an indirect wholly-owned subsidiary of the Company), which indirectly owns a land parcel for property development in Guangzhou for a consideration of RMB300 million (HK$371 million). The disposal is expected to generate a gain of approximately RMB30 million (HK$37 million) to the Group on completion. Details of this transaction are set out in an announcement of the Company dated 28 February 2013.

## 44. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The Directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the following list contains only the particulars of subsidiaries at 31 December 2012 and 31 December 2011, 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<br>3,000,000 non-voting deferred shares of HK$1 each | – | 80% | Investment holding |
| P.D. (Contractors) Limited | 1,000,000 ordinary shares of HK$1 each | – | 92% | Renovation work |
| Pacific Extend Limited | 10,000 ordinary shares of HK$1 each<br>6,000 special shares of HK$1 each | – | 67% | Maintenance contractor |
| Pat Davie Limited | 2,600,100 ordinary shares of HK$1 each<br>100,000 non-voting deferred shares of HK$10 each<br>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<br>33,000,100 non-voting deferred shares of HK$1 each<br>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<br>69,000,000 non-voting deferred shares of HK$1 each<br>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<br>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 RMB80,000,000 | – | 85% | Building construction and maintenance |

## 44. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

| Subsidiaries | Issued and fully paid share capital/ registered capital | Percentage of issued share/ registered capital held by the Company | | Principal activities |
|---|---|---|---|---|
| | | Directly | Indirectly | |
| **Cement operations** | | | | |
| Glorycrest Holdings Limited* | 1 share of US$1 | – | 100% | Investment holding |
| Shui On Building Materials Limited | 100 ordinary shares of HK$1 each<br>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 |
| 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 |
| **Property business** | | | | |
| Jade City International Limited | 2 ordinary shares of HK$1 each | – | 100% | Property holding |
| New Rainbow Investments Limited* | 1 share of US$1 | 100% | – | Investment holding |
| Brilliance Investments Limited* | 1 share of US$1 | 100% | – | Investment holding |
| Main Zone Group Limited* | 1 share of US$1 | 100% | – | Investment holding |
| China Central Properties Limited^ | 281,193,011 shares of GBP0.01 each | 57.12% | 42.88% | Investment holding |
| Shui On China Central Properties Limited | 1 share of US$1 | – | 100% | Investment holding |
| Dalian Shengyuan Real Estate Consulting Co., Ltd.**+ | Registered and paid up capital of RMB50,000,000 | – | 100% | Investment holding |
| 北京億達房地產開發有限公司**++ (Beijing Yida Real Estate Development Co., Ltd.) | Registered and paid up capital of RMB30,000,000 | – | 100% | Property development |
| 北京超騰投資管理有限公司**++ (Beijing Chaoteng Investment Management Co., Ltd.) | Registered and paid up capital of RMB10,000,000 | – | 100% | Property investment |
| Chengdu Shui On Huiyuan Property Co., Ltd.**+ | Registered and paid up capital of US$21,000,000 | – | 100% | Property development |

## 44. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

| Subsidiaries | Issued and fully paid share capital/ registered capital | Percentage of issued share/ registered capital held by the Company | | Principal activities |
|---|---|---|---|---|
| | | Directly | Indirectly | |
| **Property business** (continued) | | | | |
| 重慶豐德豪門實業有限公司**++ (Chongqing Fengde Haomen Co., Ltd.) | Registered and paid up capital of RMB10,000,000 | – | 100% | Property development |
| Chongqing Hui Zheng Properties Co., Ltd.**+ | Registered and paid up capital of US$75,000,000 | – | 100% | Property development |
| Honest Joy Investments Limited* | 100 shares of US$1 each | – | 100% | Investment holding |
| Pacific Hill Limited | 1 share of HK$1 | – | 100% | Investment holding |
| Shenyang Hua Hui Properties Co. Ltd.**+ | Registered and paid up capital of US$70,000,000 | – | 100% | Property development |
| 廣州英發房地產開發有限公司**+ (Guangzhou Infotach Property Development Co., Ltd.) | Registered and paid up capital of US$64,700,000 | – | 100% | Property development |
| SOCAM Asset Management Limited* | 1 share of US$1 | 100% | – | Investment holding |
| SOCAM Asset Management (HK) Limited | 1 ordinary share of HK$1 | – | 100% | Provision of management services |
| Beijing SOCAM Real Estate Consulting Co., Ltd.**+ | Registered and paid up capital of RMB800,000 | – | 100% | Provision of consultancy services |
| Shui On Project Management (China) Limited* | 1 share of US$1 | – | 100% | Investment holding |
| Trillion Earn Limited | 1 ordinary share of HK$1 | – | 100% | Investment holding |
| High Spirit Project Management Consultancy Limited | 1 ordinary share of HK$1 | – | 100% | Project management consultancy services |
| Poly Edge Enterprises Limited* | 1 share of US$1 | 100% | – | Investment holding |
| Max Clear Holdings Limited* | 1 share of US$1 | 100% | – | Provision of management services |
| Dalian Zhong Hui Construction Materials Co., Ltd.**+ | Registered and paid up capital of US$32,000,000 | – | 100% | Wholesale of construction materials |
| Dalian Jiarui Science & Technology Development Co., Ltd.**+ | Registered and paid up capital of US$10,000,000 | – | 100% | Software and hardware development and technical consultancy services |
| Broad Wise Limited* | 100 shares of US$1 each | – | 100% | Investment holding |
| 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 |
| 廣州市番禺廣鋁實業有限公司**+ (Guangzhou Panyu Guanglu Industrial Co., Ltd.) | Registered and paid up capital of RMB5,400,000 | – | 100% | Property development |

## 44. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

| Subsidiaries | Issued and fully paid share capital/ registered capital | Percentage of issued share/ registered capital held by the Company | | Principal activities |
|---|---|---|---|---|
| | | Directly | Indirectly | |
| **Other businesses** | | | | |
| Rise Huge International Limited* | 1 share of US$1 | 100% | – | Investment holding |
| Gold Honour Holdings Limited* | 1 share of US$1 | 100% | – | Investment holding |
| Lamma Rock Products Limited | 100 ordinary shares of HK$10 each<br>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
++ Limited liability company

None of the subsidiaries had any debt securities subsisting at 31 December 2012 or at any time during the year.

Notes:

1. Asia No.1 Material Supply Limited, Chongqing Fengde Land Limited and Qingdao Zhongcheng Yinchu Development Co., Ltd., indirectly held subsidiaries of the Company, were disposed of during the year ended 31 December 2012.
2. Dalian Jiasheng Science & Technology Development Co., Ltd., indirectly held subsidiary of the Company, was deregistered during the year ended 31 December 2012.

## 45. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES

The Directors are of the opinion that a complete list of the particulars of all jointly controlled entities will be of excessive length and therefore the following list contains only the particulars of principal jointly controlled entities of the Group at 31 December 2012 and 31 December 2011. 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 | 3 |
| Sichuan Shuangma Cement Co., Ltd.**@ | Registered and paid up capital of RMB615,862,000 | 33.89% | Production and sales of cement and cement related products | 3 |
| 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 | 3 |
| 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 | 3 |
| 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 | 3 |
| Chongqing TH Special Cement Co. Ltd.**@ | Registered and paid up of capital RMB210,000,000 | 36% | Production and sales of cement and cement related products | 3 |
| 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 | 3 |
| Guangan TH Cement Co., Ltd.**+ | Registered and paid up capital of RMB110,000,000 | 45% | Production and sales of cement and cement related products | 3 |

## 45. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES (CONTINUED)

| Indirect jointly controlled entities | Issued and paid up share capital/ registered capital | Effective percentage of issued share/ registered capital held by the Group | Principal activities | Notes |
|---|---|---|---|---|
| **Cement operations** (continued) | | | | |
| 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 | 3 |
| 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 | 3 |
| 貴州凱里建安混凝土有限公司**@ (Guizhou Kaili Ken On Concrete Co., Ltd.) | Registered and paid up capital of RMB10,000,000 | 75% | Supply of ready mixed concrete | 1 & 3 |
| 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 & 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 | 3 |
| 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 | 3 |
| Lafarge Dujiangyan Cement Co., Ltd.**@ | Registered and paid up capital of RMB856,839,300 | 28.2% | Production and sales of cement and cement related products | 3 |
| Lafarge Shui On Cement Limited | 2,089,199 ordinary shares of HK$1 each | 45% | Investment holding | 3 |
| Nanjing Jiangnan Cement Co., Ltd.**@ | Registered and paid up capital of RMB120,000,000 | 60% | Manufacture and trading of cement | 1 |
| Panzhihua Jinsha Cement Co., Ltd.** | Registered and paid up capital of RMB10,000,000 | 45% | Production and sales of cement and cement related products | 3 |
| Yunnan Shui On Construction Materials Investment Holding Co., Ltd.**@ | Registered and paid up capital of RMB1,000,000,000 | 45% | Investment holding | 3 |
| Yunnan State Assets Cement Chuxiong Co., Ltd.** | Registered and paid up capital of RMB32,600,000 | 45% | Production and sales of cement and cement related products | 3 |

## 45. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES (CONTINUED)

| Indirect jointly controlled entities | Issued and paid up share capital/ registered capital | Effective percentage of issued share/ registered capital held by the Group | Principal activities | Notes |
|---|---|---|---|---|
| **Cement operations** (continued) | | | | |
| Yunnan State Assets Cement Dongjun Co., Ltd.** | Registered and paid up capital of RMB260,000,000 | 45% | Production and sales of cement and cement related products | 3 |
| Yunnan State Assets Cement Haikou Co., Ltd** | Registered and paid up capital of RMB54,556,806 | 45% | Production and sales of cement and cement related products | 3 |
| Yunnan State Assets Cement Honghe Co., Ltd.** | Registered and paid up capital of RMB263,785,829 | 45% | Production and sales of cement and cement related products | 3 |
| Yunnan State Assets Cement Jianchuan Co., Ltd.** | Registered and paid up capital of RMB122,483,913 | 45% | Production and sales of cement and cement related products | 3 |
| Yunnan State Assets Cement Kunming Co., Ltd.** | Registered and paid up capital of RMB130,375,098 | 45% | Production and sales of cement and cement related products | 3 |
| **Property business** | | | | |
| 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 |
| Eagle Fit Limited* | 200 shares of US$1 each | 52.5% | Investment holding | 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 |
| Cosy Rich Limited* | 2 shares of US$1 each | 50% | Investment holding | 2 |
| Chengdu Xianglong Real Estate Co., Ltd.**+ | Registered capital of RMB550,000,000 and paid up capital of RMB450,000,000 | 51% | Property development | 2 |
| 遵義天時利房地產開發有限公司**+ (Zunyi Tinsley Real Estate Development Co., Ltd.) | Registered capital of HK$388,000,000 and paid up capital of HK$139,429,970 | 80% | Property development | 2 |
| Silver Reach Limited* | 1,000 shares of US$1 each | 64.7% | Investment holding | 2 |

## 45. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES (CONTINUED)

| Indirect jointly controlled entities | Issued and paid up share capital/ registered capital | Effective percentage of issued share/ registered capital held by the Group | Principal activities | Notes |
|---|---|---|---|---|
| **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. These jointly controlled entities were classified under assets classified as held for sale at 31 December 2012.

## 46. PARTICULARS OF PRINCIPAL ASSOCIATES

The Directors are of the opinion that a complete list of the particulars of all associates will be of excessive length and therefore the following list contains only the particulars of principal associates of the Group at 31 December 2012 and 31 December 2011.

| Indirect associates | Issued and paid up share capital/ registered capital | Effective percentage of issued share/ registered capital held by the Group | Principal activities |
|---|---|---|---|
| Richcoast Group Limited* | 780 shares of US$1 each | 28.2% | Investment holding |
| Dalian Qiantong Science & Technology Development Co., Ltd.**@ | Registered and paid up capital of RMB800,000,000 | 22% | Software park development |
| Dalian Ruisheng Software Development Co., Ltd.**@ | Registered and paid up capital of RMB800,000,000 | 22% | Software park development |
| Dalian Delan Software Development Co., Ltd.**@ | Registered and paid up capital of RMB300,000,000 | 22% | Software park development |
| Dalian Jiadao Science & Technology Development Co., Ltd.**@ | Registered and paid up capital of RMB300,000,000 | 22% | Software park development |
| 大連軟件園瑞安發展有限公司** (Dalian Software Park Shui On Fazhan Co., Ltd.) | Registered and paid up capital of RMB600,000,000 | 22% | Software park development |
| 大連軟件園瑞安開發有限公司**(Dalian Software Park Shui On Kaifa Co., Ltd.) | Registered and paid up capital of RMB600,000,000 | 22% | Software park development |
| 大連軟件園中興開發有限公司**(Dalian Software Park Zhong Xing Kaifa Co., Ltd.) | Registered and paid up capital of RMB1,900,000,000 | 22% | Software park development |
| 大連軟件園榮達開發有限公司** (Dalian Software Park Rong Da Kaifa Co., Ltd.) | Registered and paid up capital of RMB660,000,000 | 22% | Software park development |
| 大連軟件園榮泰開發有限公司**(Dalian Software Park Rong Tai Kaifa Co., Ltd.) | Registered and paid up capital of RMB100,000,000 | 22% | Software park development |
| 大連軟件園榮源開發有限公司**(Dalian Software Park Rong Yuan Kaifa Co., Ltd.) | Registered and paid up capital of RMB350,000,000 | 22% | Software park development |

* Incorporated in the British Virgin Islands

** 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 | | | | |
|---|---|---|---|---|---|
| | 2008<br>HK$ million | 2009<br>HK$ million | 2010<br>HK$ million | 2011<br>HK$ million | **2012**<br>**HK$ million** |
| Turnover | 2,944 | 3,200 | 8,044 | 5,900 | **6,443** |
| Profit before taxation | 584 | 828 | 1,098 | 1,080 | **1,016** |
| Taxation | (15) | (16) | (180) | (145) | **(142)** |
| Profit for the year | 569 | 812 | 918 | 935 | **874** |
| Attributable to: | | | | | |
| Owners of the Company | 562 | 807 | 903 | 910 | **848** |
| Non-controlling interests | 7 | 5 | 15 | 25 | **26** |
| | 569 | 812 | 918 | 935 | **874** |

## 2. ASSETS AND LIABILITIES

| | At 31 December | | | | |
|---|---|---|---|---|---|
| | 2008<br>HK$ million | 2009<br>HK$ million | 2010<br>HK$ million | 2011<br>HK$ million | **2012**<br>**HK$ million** |
| Total assets | 11,536 | 18,641 | 21,048 | 22,231 | **23,688** |
| Total liabilities | (6,482) | (9,593) | (11,788) | (12,163) | **(13,032)** |
| | 5,054 | 9,048 | 9,260 | 10,068 | **10,656** |
| Equity attributable to: | | | | | |
| Owners of the Company | 4,999 | 9,003 | 9,204 | 10,002 | **10,586** |
| Non-controlling interests | 55 | 45 | 56 | 66 | **70** |
| | 5,054 | 9,048 | 9,260 | 10,068 | **10,656** |

# CORPORATE INFORMATION

## 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. Chan Kay Cheung
Mr. Tsang Kwok Tai, Moses

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

Mr. Lo Hong Sui, Vincent (Chairman)
Mr. Wong Kun To, Philip
Mr. Gerrit Jan de Nys
Mr. Chan Kay Cheung
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. 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

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

## STOCK CODE

983

## WEBSITE

www.socam.com

CONCEPT & DESIGN: YELLOW CREATIVE (HK) LIMITED www.yellowcreative.com PRINTING & PRODUCTION: GenNex Financial Media Limited www.gennexfm.com

瑞安建業
SOCAM DEVELOPMENT

www.socam.com