瑞安建業
SOCAM DEVELOPMENT

瑞安建業有限公司*

SOCAM Development Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 983)

Announcement of results for the year ended 31 December 2014

FINANCIAL HIGHLIGHTS

		Year ended 31 December	
		2014	2013
Turnover			
Company and subsidiaries	*HK$ million*	**6,102**	7,952
Share of joint ventures and associates	*HK$ million*	**3,985**	4,460
Total	*HK$ million*	**10,087**	12,412
Loss attributable to shareholders	*HK$ million*	**(1,374)**	(889)
Basic loss per share	*HK$*	**(2.84)**	(1.81)

		At 31 December	
		2014	2013
Total assets	*HK$ billion*	**18.5**	23.1
Net assets	*HK$ billion*	**7.8**	9.3
Net asset value per share	*HK$*	**16.2**	19.3
Net gearing	*%*	**53.7**	48.3

CHAIRMAN'S STATEMENT

Dear Shareholders,

In the past year, the return to sustainable growth in the United States did not have a significant impact on other world economies, and the performance among European countries was mixed, with Greece's debt problems still plaguing the fragile recovery in the euro zone.

This uncertain global recovery, as well as the moderate growth and a weak property market in China, created a most challenging operating environment for your Company in 2014. Results were very disappointing, but the year saw steady and meaningful progress in our monetisation strategy, culminating in a significant milestone in the first quarter of 2015.

On the Chinese Mainland, the Central Government no longer rigidly followed and promoted the previously targeted economic growth of more than 8% annually. The inevitable slowdown, together with continuous austerity measures and restrictive mortgage policies, resulted in yet another difficult year for the property market. In the keenly competitive cement market, Lafarge Shui On Cement (LSOC), the joint venture with Lafarge in which your Company owns a 45% interest, once again posted very discouraging results.

SOCAM reported a loss of HK$1,374 million (2013: HK$889 million) for the year ended 31 December 2014. Turnover was HK$6.1 billion (2013: HK$8.0 billion). Loss per share was HK$2.84 (2013: HK$1.81).

Property sales had a slow start in the year as a result of the unprecedentedly poor market conditions in the Mainland until the fourth quarter. A potential offer received in March 2014 to acquire the shares of SOCAM from the controlling shareholder also curtailed the activities of your Company in the few months of due diligence which followed. Nonetheless, we managed to make steady progress through different channels. Shenyang Project Phase II and Tianjin Project Phase II were divested for approximately HK$1.7 billion in the first half of 2014. With the relaxation of austerity measures in the final quarter and a less restrictive lending policy, strata-title sales activity started to pick up momentum towards the end of the year. The disposals of the remaining inventories at Shanghai Lakeville Regency Tower 18, Beijing Centrium Residence, Guangzhou Parc Oasis and the sales launch of Chengdu Centropolitan in late 2014, together generated a meaningful amount of cash proceeds that helped your Company reduce its bank borrowings and finance the development costs of remaining projects.

While we remained vigilant in choosing the most appropriate way and the timing of disposals, certain of the sales were at considerations lower than book costs. Together with overheads, sales and marketing expenses and taxes, a loss of HK$779 million was incurred by the property division.

In the cement sector, overall market prices were often governed by the speed of urbanisation and spending on infrastructure projects, both of which saw a continued slowdown. In the Southwest region where LSOC operates, the new capacities worsened the over-supply situation and drove prices further downwards, resulting in yet another year of operating loss which your Company has to share.

In Hong Kong, however, our construction business benefited from our outstanding track record and leadership position, which put us at the forefront of the growing public housing market. Amid rising labour and material prices, we have tightened our controls to prevent any significant cost overruns.

PROGRESS IN MONETISATION

Our continued efforts to monetise our assets saw significant progress in 2014.

On 3 March 2015, your Company signed an agreement with Lafarge to dispose of its 45% interest in LSOC for a cash consideration of HK$2.55 billion. Completion of the transaction is subject to the successful merger of Lafarge and Holcim, which is expected to close in July 2015. This will free your Company from the negative impact of recurring operating losses of the joint venture and is an important step in our exit strategy. The Company will record a small gain, and the net proceeds will enable us to reduce our bank borrowings significantly and strengthen our balance sheet. We now look forward to exiting this investment in the not too distant future because of the impending sale.

A number of en-bloc sales were also concluded following the successful completion of disposal of our interests in Shenyang Project Phase II and the sale of Tianjin Project Phase II. An agreement was signed in January 2015 to sell the Beijing Centrium Residence Project, in which SOCAM has a 65% interest. In addition, the sale of our entire interest in Shanghai 21st Century Tower, comprising Four Seasons Hotel Pudong and Four Seasons Place, was under negotiation.

In October 2014, we also divested our building construction and interior fitting-out business in the Chinese Mainland.

OUTLOOK

Despite a very disappointing set of financial results for 2014, management believes that many of the major factors causing the unsatisfactory performance of your Company in the past two years are now behind us. Continued economic expansion of around 7% in China and steady growth of about 2.3% in Hong Kong will provide a more re-assuring environment for our business. With the further sale of our remaining property portfolio, your Company will then be able to focus on its underlying core business of construction in Hong Kong, which has always been our strength.

In the latest Policy Address, the Hong Kong SAR Government announced a massive public housing plan - the building of an average of 20,000 units of public housing per annum in the next ten years.

Our long history of consistently high performance will undoubtedly enable us to capture the abundant opportunities arising from this program. Currently, our order book and outstanding workloads are both among the highest in the Company’s history.

In the course of monetising our property portfolio, we are always mindful of the benefits which early realisations can bring to the Company, to cash flow, to the reduction of interest costs, and to enabling the streamlining of our manpower needs. With the substantial repayment of bank borrowings, your Company will be in a better position to consider distributing dividends, which is a priority for our shareholders who have shown great patience during the transformation period in the past two years.

I would like to extend my heartfelt thanks to our Board of Directors, the management team, and our loyal staff members for their untiring efforts in the past year, which was the most challenging one in the Company's history. I would also like to express my sincere thanks to our shareholders for your continued support, and I look forward to putting the Company on a solid foundation to utilise our strengths in the Hong Kong market.

Lo Hong Sui, Vincent
Chairman

Hong Kong, 26 March 2015

BUSINESS REVIEW

Uneven growth worldwide continued in 2014 at an average, yet slower-than-expected, rate of 3.3%. Among major advanced economies, the United States rebounded solidly and unemployment declined further. However, the euro zone was disturbed by the currency turmoil and the Greek debt situation, and recovery was only moderate.

On the Chinese Mainland, the economy expanded at a more moderate rate of 7.4% in 2014, driven by reduced property investment, dwindling liquidity, and weakening industrial production. Looking ahead, China is likely to see economic growth further decelerating to 7% in 2015 as a result of continued slowdown in various sectors.

The ongoing austerity measures and tight lending policies resulted in China's real estate market being dominated by falling prices and excessive inventories until the fourth quarter of 2014 when signals of relaxation were released. For most of the year, therefore, various sectors, including cement, also underperformed. Against this backdrop, the Group's two major businesses, namely property and cement, were significantly and adversely affected. However, in Hong Kong, our construction business continued to benefit from the HKSAR's rapidly-growing public housing programme. In the year under review, the Group recorded a loss of HK$1,374 million, compared with a loss of HK$889 million in 2013.

Nevertheless, the Group has made good progress with its monetisation plan during the year despite a slow start. The disposal of Shenyang Project Phase II, Tianjin Project Phase II and the sales of construction business in the Chinese Mainland generated total gross proceeds of approximately HK$2.1 billion during the year.

In March 2015, another major step was made when we signed an agreement to dispose of our stake in Lafarge Shui On Cement (LSOC), a major player in the cement industry in Southwest China. This is a key milestone in our exit strategy which will allow the Group to release significant resources tied-up in this non-performing joint venture. Completion of the transaction is subject to the success of the proposed merger of Lafarge and Holcim.

MONETISATION PROGRESS

The monetisation plan announced in March 2013 aims to achieve timely divestment of a significant proportion of the Group's property assets in an orderly manner. Along with the exit strategy for our interest in LSOC, this programme targets to unlock value for shareholders in the most efficient manner.

Property Sales

Following weak performance in property sales in the first three quarters of 2014, the gradual easing of administrative measures and restrictions on lending saw the beginning of an upswing in the fourth quarter in a few major Mainland cities. However, new home prices continued to fall moderately and clearance of inventory remained the main feature of the market.

In January and April, the Group completed the disposal of its 80% interest in Shenyang Project Phase II and the sale of Tianjin Project Phase II respectively. The disposals together realised gross proceeds of approximately HK$1.7 billion.

There have been abundant interests from potential buyers on our entire shareholding in Four Seasons Hotel Pudong and Four Seasons Place, the branded residence of Shanghai 21st Century Tower. If eventually sold, this will further consolidate the monetisation progress.

SOCAM also stepped-up sales activities of its key projects as the market conditions improved, including Shanghai Lakeville Regency Tower 18 and the remaining units at Beijing Centrium Residence, Guangzhou Parc Oasis and Shenyang Project Phase I. We also launched the pre-sale of residential units in Chengdu Centropolitan in September and within a relatively short time of 6 months, more than half of the approximately 2,000 residential apartments was disposed of, although at prices lower than originally expected due to severe market competition in that city.

Sales of Construction Business in the Chinese Mainland

In October 2014, the Company disposed of its 85% interest in Shui On Construction Company Limited ("SOCM"), which was principally in building construction business in the Chinese Mainland; and of its 100% interest in Pat Davie (China) Limited, which was engaged in providing construction management consultancy services, fitting-out works, and trading of fitting-out materials. These units recorded a profit of HK$17 million in 2014 prior to the disposal. The total sales proceeds amounted to HK$355 million.

Significant Progress beyond 2014

The agreement signed with Lafarge in early March to divest SOCAM's 45% stake in LSOC is for a consideration of HK$2.55 billion. Completion of the transaction is subject to the successful merger of Lafarge and Holcim, which is expected to close in July 2015.

The performance of LSOC has consistently been unsatisfactory, with substantial losses in the past few years. For a consideration close to the book value of the Group's interest, the disposal will free SOCAM from the negative impact of sharing the continued operating losses of the joint venture, provide significant cash flow and strengthen the financial position of the Group. A small gain of approximately HK$103 million will be recognised on the disposal.

In January, an agreement was reached to sell Beijing Centrium Residence, in which the Group has a 65% interest, for a consideration of HK$660 million. The transaction is expected to be completed in April.

PROPERTY

Special Situation Projects

As of 31 December 2014, SOCAM owned 11 special situation property projects, with a total developable GFA attributable to the Group of approximately 1.6 million square metres. The projects are well located in nine Mainland cities, as summarised below:

Property type	Location	Project	Total Developable GFA attributable to the Group (square metres)	Estimated completion year	SOCAM's interest
Residential	Beijing	Centrium Residence	4,400*	Completed	65%
	Guangzhou	Parc Oasis	11,400*	Completed	100%
	Shanghai	Lakeville Regency Tower 18	13,800*	Completed	100%
	Nanjing	Nanjing Project	58,800	2017	50%
Branded residence and hotel	Shanghai	21st Century Tower	36,400*	Completed	70%
Composite	Chengdu	Centropolitan	386,100	2015	81%
	Chongqing	Creative Concepts Center	31,500*	Completed	100%
	Shenyang	Shenyang Project Phase I	101,100*	Completed	100%
		Shenyang Project Phase II	130,600	Contracted disposal of remaining 20% interest in 2015	20%
Residential and retail	Guizhou	Zunyi Project	780,700	2018	100%
	Tianjin	Veneto	60,400	2017	45%
		Total:	1,615,200 square metres		

* *The GFA shown above has excluded sold and delivered areas*

Project Development and Marketing Progress

Beijing Centrium Residence

Situated in the sought-after Chaoyang District, this low-density, luxury apartment development offers a total of 210 units. Property prices and sales volumes in Beijing remain resilient due to limited supply and sustained demand. In response to strong market demand, car parking spaces put up for sale were transacted at good prices.

Guangzhou Parc Oasis

Despite a fall in residential sales volume and the weakening sentiment in Guangzhou, 741 of the 744 units in the three 35-storey residential towers and the 32-storey serviced apartment tower of Parc Oasis have been sold, and handover of 732 units has been completed. We are currently under negotiation with interested buyers for the sales of the small commercial arcade and the remaining carparks.

Shanghai Lakeville Regency Tower 18

This luxury serviced apartment building is situated in an upmarket and much sought-after location in the Xintiandi area. Since the sale was launched in December 2013, the response has been encouraging, and only 22 units of the 103 high-end residential units remained in stock.

Tianjin Veneto and Tianjin Project Phase II

This retail-led development with serviced apartments is situated at a prime location close to the Wuqing Station on the Beijing-Tianjin Intercity Railway. The booming district is located at a strategic area striving to become a home for high-tech industries and modern service sector.

Jointly-developed with the SoTan Fund on a 50-50 basis, the project is expected to be fully completed in 2017 and will provide a total above-ground GFA of 134,300 square metres. The first phase of the retail section was opened in January 2015, and customer flow is encouraging. Development of other phases is underway.

In April, the Group successfully disposed of Tianjin Project Phase II en-bloc, which is located adjacent to Veneto with a site area of approximately 80,000 square metres.

Shanghai 21st Century Tower

Four Seasons Hotel Pudong, which was opened in November 2012, saw occupancy rates improve to around 60%, amidst strong market competition in the luxury hotel sector in Shanghai. A fair number of the 73 branded residences in Four Seasons Place, which is located above the Hotel on the top-most floors of the 21st Century Tower, was sold.

Chengdu Centropolitan

Chengdu Centropolitan is an 81%-owned mixed-use development offering approximately 476,700 square metres of GFA and comprising 11 residential towers and an office block, as well as a serviced apartment tower and a shopping mall. Amidst intense market competition, pre-sale of the residential units was launched in September and received enthusiastic market response. More than half of the units was sold as at to date.

Chongqing Creative Concepts Center

The Creative Concepts Center in Chongqing, situated close to the city’s major shopping precinct of Jiefangbei Square, commands a prime location with significant frontage to the central business district of Chongqing. With all office and residential units sold, the retail mall achieved an occupancy rate of about 70%.

Shenyang Project Phases I and II

Phase I of the project is completed. Almost all of the residential units and upscale apartments and around 80% of the office spaces have been disposed of, while approximately 70% of the retail space was leased.

The disposal of an 80% interest in Phase II was completed in January 2014. According to the agreement, the Group will sell the remaining 20% interest to the same buyer by July 2015.

Project Acquisition

While the Group focuses on its monetisation plan, acquisition activities have been restricted to limited and smaller projects that will help preserve the overall value of our portfolio. In September 2014, a joint venture with the SoTan Fund acquired a further 35% interest in a project in the Jiangning District of Nanjing. Upon completion, the development will consist of a residential complex with a total GFA of approximately 118,000 square metres, situated in the heart of the Yangtze River Delta Economic Zone.

Knowledge Community

Dalian Tiandi, in which SOCAM has a 22% interest, is a large-scale knowledge community developed jointly by Shui On Land (SOL), SOCAM and the Yida Group. The project will offer a total GFA of 3.4 million square metres on completion.

As at 31 December 2014, the leasable and saleable GFA completed and under construction were 323,000 square metres and 1,027,000 square metres respectively. The overall office occupancy rate stood at 82%, up from 75% in 2013.

CONSTRUCTION

The HKSAR Government is determined to resolve the shortage of affordable accommodation and is committed to accelerating the building of public housing, targeting the delivery of an average of about 20,000 public rental units and 9,000 subsidised flats for sale per annum for the next ten years. This will provide tremendous market opportunities for your company.

While the outlook for the sector is promising, the sector is still facing a competitive tendering environment and rapid rises in costs, due mainly to shortage in skilled labour.

In its latest policy address in January 2015, the HKSAR Government vowed to introduce measures to help the industry manage labour shortage issues and escalating construction costs. Management has been proactive in conducting regular in-house trainings to enrich staff technical know-how and enhance our core competitiveness. Through strategic partnering with reliable subcontractors, the division continues to improve its operational efficiency.

During the year, the construction business recorded an operating profit of HK$112 million (2013: HK$115 million). Turnover increased by 16% to HK$5,599 million (2013: HK$4,829 million). As at 31 December 2014, the gross value of contracts on hand was approximately HK$16.6 billion and the value of outstanding contracts to be completed was approximately HK$11.4 billion, as compared to HK$14.8 billion and HK$11.5 billion at 31 December 2013 respectively which have been re-stated to exclude the contracts of the Mainland operation which was sold in October 2014.

Shui On Building Contractors (SOBC)

SOBC completed the construction of the Public Rental Housing Development at Kwai Shing Circuit, offering 1,507 housing units, valued at HK$597 million, two contracts for the Maintenance, Improvement and Vacant Flat Refurbishment of properties managed by the District Maintenance Office, valued at HK$626 million, and a contract for the substation refurbishment works for CLP Power, valued at HK$120 million.

This company also successfully secured a number of new projects totaling HK2,570 million, which included the construction of a public rental housing in San Po Kong at HK$560 million, and several terms contracts for Maintenance works for Government and subverted properties, including two 3-year term maintenance contracts for the Architectural Services Department amounting to HK$820 million. Riding on our solid presence in the market, we will expand our order book by capturing the expanding building programme for public housing, and maintenance projects implemented by various government institutions.

The Company prides itself in timely delivery of projects while upholding high standards in safety, for which it has received numerous prestigious awards and recognitions throughout the years. Among the awards received in 2014, Yau Lai Estate Phase 5, a project of SOBC, won the Grand Award in the Quality Building Awards 2014.

Shui On Construction (SOC)

Based on the track record and current contract pipeline, SOC will continue to contribute meaningfully to the growth of the construction division. During the year, SOC completed the design and construction of Hong Kong Garden for the Qingdao International Horticultural Exposition 2014, and proceeded with the works on a number of government buildings according to schedule, including the design and construction of the Hong Kong Children's Hospital via joint venture with China State Construction Engineering (Hong Kong) Ltd, relocation of the Department of Justice to Central Government Offices (Main and East wings) and construction of Sports Centre, Community Hall and District Library Complex in Shatin.

Shui On Construction, Mainland (SOCM)

SOCM, the Group's construction arm in the Mainland, was disposed of to Shui On Land in October 2014, in line with our monetisation policy. Prior to the sale, it completed construction contracts valued at HK$920 million and recorded a profit after tax amounting to HK$7 million.

Pat Davie (PDL)

Building on its competitive edge, well-established relationship with clients and extensive project references, PDL, the interior fitting-out and building renovation arm, continued to capture the ample business opportunities in both Hong Kong and Macau. During the year, PDL secured interior decoration contracts worth approximately HK$1,060 million, representing a 45% increase from the previous year (2013: HK$730 million). Major contracts won in Hong Kong included a HK$203 million shopping mall project for The Link, HK$110 million Hong Kong Jockey Club office, and contracts from Galaxy, Wynn and Altira in Macau totaling HK$325 million. Completions in the year reached HK$940 million, including Shatin Stables Refurbishment for Hong Kong Jockey Club, Pacific Place Phases I & II and the Consulate General of Canada in Hong Kong, and Altira, City of Dreams and Wynn in Macau.

CEMENT

China's slower GDP growth has caused cement output in 2014 to increase by a mere 1.8%, and the countrywide figure is approximately 2.48 billion tonnes.

The cement industry in the southwestern region continued to be hard-hit by over-capacity problems and suffered a further decrease in cement prices and profitability.

LSOC, in which the Group holds a 45% interest, is a major cement producer in southwest China. As of December 2014, LSOC had 20 cement plants in operation, with a total production capacity of approximately 32 million tonnes per annum.

The operation sustained another year of substantial loss of HK$722 million, of which your company's share is HK$325 million, due mainly to price decrease, reduced margins and high financing cost. Total sales volume for 2014 was approximately 28 million tonnes, which was marginally higher than that of 2013, largely due to the contribution of the new dry kiln in Hedigang, Yunnan, with a capacity of 2,500 tonnes per day, which commenced production in December 2013. Cement prices in all the operating areas of LSOC continued to come under considerable pressure on intensified competition and sluggish demand, and saw a further decrease of approximately 2.7% on average in 2014. On the other hand, variable costs of production decreased by approximately 2.5%, attributable mainly to lower coal cost.

LSOC progressed well with the injection of its cement plants into Sichuan Shuangma Cement, a listed company on the Shenzhen Stock Exchange. In November 2014, the injection of the 25% interest in the Dujiangyan plants by LSOC into Sichuan Shuangma for a share consideration of RMB832 million received the formal approval of the China Securities Regulatory Commission. New shares of Sichuan Shuangma will be issued to LSOC in the second quarter of 2015, which will raise the shareholding of LSOC in Sichuan Shuangma from 69.3% to 75.3%. In March 2015, the injection of 100% interest in the Sancha plant in Guizhou by LSOC into Sichuan Shuangma for a cash consideration of RMB540 million was approved by the board of Sichuan Shuangma. The approval of independent shareholders will be sought in April 2015.

RESULTS

The Board of Directors (the "Board") of SOCAM Development Limited (the "Company" or "SOCAM") presents the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**2014** **HK$ million**	2013 HK$ million
Turnover			
The Company and its subsidiaries		**6,102**	7,952
Share of joint ventures/associates		**3,985**	4,460
		10,087	12,412
Group turnover	2	**6,102**	7,952
Other income and gains		**152**	260
Changes in inventories of finished goods, work in progress, contract work in progress and cost of properties sold		**(484)**	(2,641)
Raw materials and consumables used		**(847)**	(831)
Staff costs		**(641)**	(621)
Depreciation and amortisation expenses		**(15)**	(37)
Subcontracting, external labour costs and other expenses		**(4,341)**	(3,871)
Dividend income from available-for-sale investments		**2**	2
Fair value changes on investment properties		**(63)**	349
Finance costs		**(372)**	(368)
Loss on disposal of interests in joint ventures		**(7)**	–
Loss on disposal of subsidiaries		**(11)**	–
Share of results of joint ventures		**(707)**	(426)
Share of results of associates		**(113)**	(98)
Loss before taxation		**(1,345)**	(330)
Taxation	3	**(14)**	(542)
Loss for the year		**(1,359)**	(872)
Attributable to:			
Owners of the Company		**(1,374)**	(889)
Non-controlling interests		**15**	17
		(1,359)	(872)
Loss per share	5		
Basic		**HK$(2.84)**	HK$(1.81)
Diluted		**HK$(2.84)**	HK$(1.81)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2014 **HK$ million**	2013 HK$ million
Loss for the year	**(1,359)**	(872)
Other comprehensive (expense) income		
Items that may be subsequently reclassified to profit or loss:		
Fair value changes of available-for-sale investments	**(3)**	(27)
Exchange differences arising on translation of financial statements of foreign operations	**(28)**	218
Share of exchange differences of joint ventures	**(33)**	113
Share of exchange differences of associates	**(2)**	15
Share of other comprehensive income of a joint venture	**13**	–
Reclassification adjustments for amounts transferred to profit or loss:		
– upon disposal of subsidiaries	**(32)**	–
– upon disposal of property inventories, net of deferred tax of HK$2 million (2013: HK$4 million)	**(5)**	(20)
Item that will not be reclassified to profit or loss:		
Recognition of actuarial (loss) gain	**(38)**	18
Other comprehensive (expense) income for the year	**(128)**	317
Total comprehensive expenses for the year	**(1,487)**	(555)
Total comprehensive (expenses) income attributable to:		
Owners of the Company	**(1,502)**	(573)
Non-controlling interests	**15**	18
	(1,487)	(555)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2014 HK$ million**	31 December 2013 HK$ million
Non-current Assets			
Investment properties		**2,087**	2,096
Property, plant and equipment		**40**	57
Interests in joint ventures		**3,217**	3,698
Available-for-sale investments		**55**	71
Interests in associates		**311**	416
Club memberships		**1**	1
Trade debtors		**25**	38
Amounts due from joint ventures		**2,725**	2,388
Amounts due from associates		**854**	865
		9,315	9,630
Current Assets			
Inventories		**1**	1
Properties held for sale		**554**	843
Properties under development for sale		**820**	874
Debtors, deposits and prepayments	6	**1,632**	1,545
Amounts due from customers for contract work		**295**	426
Amounts due from joint ventures		**1,122**	1,158
Amounts due from associates		**555**	498
Amounts due from related companies		**15**	196
Taxation recoverable		**92**	42
Other financial asset		**–**	127
Restricted bank deposits		**516**	946
Bank balances, deposits and cash			
– Cash and cash equivalents		**1,919**	2,606
– Other bank balances		**–**	150
		7,521	9,412
Assets classified as held for disposal		**1,684**	4,078
		9,205	13,490
Current Liabilities			
Creditors and accrued charges	7	**1,830**	2,538
Sales deposits received		**466**	346
Amounts due to customers for contract work		**294**	397
Amounts due to joint ventures		**376**	484
Amounts due to associates		**2**	3
Amounts due to related companies		**287**	201
Amounts due to non-controlling shareholders of subsidiaries		**3**	3
Taxation payable		**192**	216
Bank and other borrowings due within one year		**6,268**	6,892
		9,718	11,080
Liabilities directly associated with assets classified as held for disposal		**–**	543
		9,718	11,623
Net Current (Liabilities) Assets		**(513)**	1,867
Total Assets Less Current Liabilities		**8,802**	11,497
Capital and Reserves			
Share capital		**484**	484
Reserves		**7,349**	8,840
Equity attributable to owners of the Company		**7,833**	9,324
Non-controlling interests		**37**	67
		7,870	9,391
Non-current Liabilities			
Bank and other borrowings		**372**	1,313
Defined benefit liabilities		**140**	104
Deferred tax liabilities		**420**	689
		932	2,106
		8,802	11,497

Notes:

1. Basis of preparation

The Group reported net current liabilities of HK$513 million at 31 December 2014. Included in the current liabilities were long-term bank borrowings (with maturity dates over one year) totalling HK$1,188 million being reclassified as current liabilities at 31 December 2014 due to the breach of certain financial covenants stipulated in the facility agreements of these bank borrowings. Subsequent to the end of the reporting period, except for a bank loan of HK$231 million, the Group has obtained consent from all the lenders of the HK$957 million loans to waive the financial covenants concerned and not to demand for immediate repayment of these loans. Such bank borrowings of HK$957 million will be due and repayable after 2015 according to the original terms of repayment. Notwithstanding this, accounting reclassification of these HK$957 million long-term bank borrowings as current liabilities is still required at 31 December 2014 under applicable accounting standard because the bank waivers were obtained subsequent to the end of the reporting period. As a result, in the Group's consolidated statement of financial position at 31 December 2014, net current liabilities of HK$513 million, rather than net current assets of HK$444 million, were recorded.

The Directors of the Company believe that these loan facilities will continue to be made available to the Group and will not be withdrawn by the banks within the next twelve months from the end of the reporting period. Taking into account of the internally generated funds, the available banking facilities and gross proceeds from the disposal of the Group's property and cement assets subsequent to the end of the reporting period, the Directors of the Company are of the opinion that the Group will be able to meet its financial obligations when they fall due for at least the next twelve months from the end of the reporting period, and accordingly, the consolidated financial statements have been prepared on a going concern basis.

In the current year, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and an interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are mandatorily effective for the Group's financial period beginning on 1 January 2014.

HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – INT 21	Levies

The application of the amendments to HKFRSs and an interpretation has had no material effect on the amounts reported and disclosures set out in the consolidated financial statements of the Group for the current or prior accounting periods.

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle[3]
HKFRS 9	Financial Instruments[5]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception[3]
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations[3]
HKFRS 15	Revenue from Contracts with Customers[4]
HKAS 1	Disclosure Initiative[3]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[3]
HKAS 19 (Amendments)	Defined Benefits Plans: Employee Contributions[1]
HKAS 27 (Amendments)	Equity Method in Separate Financial Statement[3]

1. Basis of preparation (continued)

[1] Effective for annual periods beginning on or after 1 July 2014
[2] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
[3] Effective for annual periods beginning on or after 1 January 2016
[4] Effective for annual periods beginning on or after 1 January 2017
[5] Effective for annual periods beginning on or after 1 January 2018

A final version of HKFRS 9 was issued in 2014 that includes new requirements for (a) classification and measurement of financial assets, (b) impairment assessment and measurement and (c) hedge accounting.

With regards to classification and measurement, 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.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

HKFRS 15 was issued in 2014 which establishes a single model to deal with revenue arising from contracts with customers. When HKFRS 15 becomes effective, HKFRS 15 will supersede HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations.

HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract(s)
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract(s)
- Step 5: Recognise revenue when the entity satisfies a performance obligation

With regard to step 5, an entity should recognise revenue when a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Specifically, HKFRS 15 requires entities to recognise revenue over time when certain conditions are met. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

1. Basis of preparation (continued)

The Directors of the Company will assess the impact on the application of HKFRS 9 and HKFRS 15. For the moment, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 and HKFRS 15 until the Group performs a detailed review.

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

2. Segment information

For management reporting purposes, the Group is currently organised into four operating divisions based on business nature. These divisions are the basis on which the Group reports information to its chief operating decision makers, who are the Executive Directors of the Company, for the purposes of resource allocation and assessment of segment performance.

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

1. Property – property development for sale and investment and provision of property asset management services

2. Construction and building maintenance – construction, interior fit-out, renovation and maintenance of building premises, sales of building materials and provision of related consultancy services

3. Cement operations through Lafarge Shui On Cement Limited ("LSOC")

4. Other businesses – venture capital investment, cement operations not through LSOC, and others

2. Segment information (continued)

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

For the year ended 31 December 2014

	Property	Construction and building maintenance	Cement operations through LSOC	Other businesses	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
REVENUE					
Sales of goods	**400**	**2**	**–**	**18**	**420**
Rental income	**40**	**–**	**–**	**–**	**40**
Revenue from rendering of services	**43**	**11**	**–**	**2**	**56**
Construction contract revenue	**–**	**5,586**	**–**	**–**	**5,586**
Revenue from external customers	**483**	**5,599**	**–**	**20**	**6,102**
Inter-segment revenue	**–**	**21**	**–**	**–**	**21**
	483	**5,620**	**–**	**20**	**6,123**
Share of joint ventures/associates' revenue	**571**	**1**	**3,345**	**68**	**3,985**
Total segment revenue	**1,054**	**5,621**	**3,345**	**88**	**10,108**

Inter-segment revenue is charged at mutually agreed prices.

	Property	Construction and building maintenance	Cement operations through LSOC	Other businesses	Total
Reportable segment results	**(710)**	**125**	**(311)**	**(32)**	**(928)**
Unallocated items:					
Other income					**6**
Finance costs					**(372)**
Other corporate expenses					**(51)**
Consolidated loss before taxation					**(1,345)**
Segment results have been arrived at after crediting (charging):					
Cost of properties sold	**(341)**	**–**	**–**	**–**	**(341)**
Depreciation and amortisation	**(7)**	**(5)**	**–**	**(1)**	**(13)**
Interest income	**97**	**4**	**6**	**1**	**108**
Dividend income from available-for-sale investments	**2**	**–**	**–**	**–**	**2**
Fair value changes on investment properties	**(63)**	**–**	**–**	**–**	**(63)**
Loss on disposal of interests in joint ventures	**(7)**	**–**	**–**	**–**	**(7)**
(Loss) gain on disposal of subsidiaries	**(20)**	**9**	**–**	**–**	**(11)**
Loss on disposal of investment properties held for disposal	**(67)**	**–**	**–**	**–**	**(67)**
Share of results of joint ventures					
Property development	**(358)**	**–**	**–**	**–**	**(358)**
Cement operations through LSOC	**–**	**–**	**(325)**	**–**	**(325)**
Cement operations in Guizhou	**–**	**–**	**–**	**4**	**4**
Venture capital investments	**–**	**–**	**–**	**(28)**	**(28)**
					(707)
Share of results of associates					
Property development	**(113)**	**–**	**–**	**–**	**(113)**

2. Segment information (continued)

For the year ended 31 December 2013

	Property	Construction and building maintenance	Cement operations through LSOC	Other businesses	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
REVENUE					
Sales of goods	2,983	75	–	18	3,076
Rental income	44	–	–	–	44
Revenue from rendering of services	77	25	–	1	103
Construction contract revenue	–	4,729	–	–	4,729
Revenue from external customers	3,104	4,829	–	19	7,952
Inter-segment revenue	–	109	–	–	109
	3,104	4,938	–	19	8,061
Share of joint ventures/associates' revenue	950	14	3,416	80	4,460
Total segment revenue	4,054	4,952	3,416	99	12,521

Inter-segment revenue is charged at mutually agreed prices.

	Property	Construction and building maintenance	Cement operations through LSOC	Other businesses	Total
Reportable segment results	447	120	(286)	(135)	146
Unallocated items:					
Other income					4
Finance costs					(368)
Other corporate expenses					(112)
Consolidated loss before taxation					(330)
Segment results have been arrived at after crediting (charging):					
Cost of properties sold	(2,692)	–	–	–	(2,692)
Depreciation and amortisation	(29)	(5)	–	(2)	(36)
Interest income	93	5	6	2	106
Imputed interest income on loans to joint ventures/associates	30	–	–	–	30
Dividend income from available-for-sale investments	2	–	–	–	2
Fair value changes on investment properties	349	–	–	–	349
Loss on disposal of leasehold land and related assets	–	–	–	(47)	(47)
Impairment loss recognised in respect of interests in joint ventures	–	–	–	(14)	(14)
Share of results of joint ventures					
Property development	(42)	–	–	–	(42)
Cement operations through LSOC	–	–	(300)	–	(300)
Cement operations in Guizhou	–	–	–	11	11
Venture capital investments	–	–	–	(88)	(88)
Imputed interest expense	(7)	–	–	–	(7)
					(426)
Share of results of associates					
Property development	(75)	–	–	–	(75)
Imputed interest expense	(23)	–	–	–	(23)
					(98)

3. Taxation

	2014 HK$ million	2013 HK$ million
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	**16**	19
PRC Enterprise Income Tax	**133**	137
PRC Land Appreciation Tax	**131**	126
	280	282
Deferred taxation	**(266)**	260
	14	542

Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) on the estimated assessable profits for the year.

PRC Enterprise Income Tax is calculated at 25% (2013: 25%) on the estimated assessable profits for the year.

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

4. Dividends

The Board does not recommend the payment of a final dividend (2013: nil) for the year ended 31 December 2014.

	2014 HK$ million	2013 HK$ million
Dividends recognised as distribution during the year:		
Final dividend in respect of the year ended 31 December 2013:		
Nil (2013: in respect of 2012 of HK$0.50 per share)	**–**	247

5. Loss per share

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

	2014 HK$ million	2013 HK$ million
Loss:		
Loss for the purpose of basic and diluted loss per share	**(1,374)**	(889)
Number of shares:	**Million**	Million
Weighted average number of ordinary shares for the purpose of basic loss per share	**484**	491
Effect of dilutive potential ordinary shares:		
Share options	**–**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**484**	491

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

6. Debtors, deposits and prepayments

The Group maintains a defined credit policy. The general credit term ranges from 30 to 90 days.

Included in debtors, deposits and prepayments are trade debtors net of allowance for doubtful debts with an aged analysis (based on the repayment terms set out in sale and purchase agreements or invoice date) at the end of the reporting period as follows:

	31 December 2014 HK$ million	31 December 2013 HK$ million
Trade debtors aged analysis:		
Not yet due or within 90 days	**625**	911
Amounts past due but not impaired:		
91 days to 180 days	**7**	6
181 days to 360 days	**4**	40
Over 360 days	**8**	32
	644	989
Less: amounts classified as amounts due from joint ventures, associates and related companies	–	(336)
Retention receivable	**197**	231
Consideration receivables in respect of disposal of subsidiaries/ a joint venture	**32**	32
Prepayments, deposits and other receivables (note c)	**784**	667
	1,657	1,583
Less: amounts due for settlement after 12 months	**(25)**	(38)
	1,632	1,545

Notes:

(a) Included in the trade debtors are receivables of HK$49 million (2013: HK$182 million), which are aged over 180 days, based on the date on which revenue was recognised.

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

(c) Included in prepayments, deposits and other receivables are receivables of HK$411 million (2013: HK$400 million) due from China Central Properties Limited'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$152 million (2013: HK$153 million) carries interest at prevailing market rates. A court in the PRC issued a notice to attach the aforesaid property interest until November 2015 to cause the Debtor to settle part of the outstanding receivable in the amount of RMB120 million (approximately HK$152 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 8(d)). In the opinion of the Directors of the Company, given that there have been continued positive outcomes in the legal disputes in relation to the property interest, these receivables will be fully settled and the guarantee provided by the Company will be released either after completion of the transfer of the legal title to the aforesaid property interest to the Debtor or the sale of the equity interest of the entity holding the property interest, which is expected to take place within twelve months from the end of the reporting period.

7. Creditors and accrued charges

The aged analysis of creditors (based on invoice date) of HK$524 million (2013: HK$1,097 million), which are included in the Group's creditors and accrued charges, is as follows:

	31 December 2014 HK$ million	31 December 2013 HK$ million
Trade creditors aged analysis:		
Not yet due or within 30 days	**385**	901
31 days to 90 days	**21**	33
91 days to 180 days	**14**	55
Over 180 days	**104**	108
	524	1,097
Retention payable	**303**	348
Consideration payable in respect of acquisition of subsidiaries	**–**	117
Provision for contract work/construction cost	**689**	617
Other accruals and payables	**314**	359
	1,830	2,538

8. Contingent liabilities

At 31 December 2014, the Group had the following contingent liabilities, which have not been provided for in the consolidated financial statements:

(a) Standby documentary credit arranged with a bank to secure a bank loan of RMB110 million (HK$139 million) (2013: RMB110 million (HK$140 million)) granted to a subsidiary of an associate.

(b) Effective share of guarantees issued in favour of banks and other financial institution amounting to HK$975 million (2013: HK$456 million) to secure bank and other loans granted to certain joint ventures and associates.

(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 RMB99 million (HK$125 million) (2013: RMB110 million (HK$140 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 China Central Properties Limited ("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 6 for details of receivables due from the Former Subsidiary arising from such disposal). In October 2011, the Company received a notice from the aforesaid bank that it had entered into an agreement to sell all its rights and interests, including the Guarantee, to a new lender (the "New Lender"). At the same time, the Company entered into a restructuring deed with the New Lender, which was subsequently supplemented by supplemental restructuring deeds, whereby the New Lender agreed not to demand fulfilment of the Company's obligations under the Guarantee to October 2015, subject to extension after further discussions. The outstanding principal amount of the loan under the Guarantee amounting to RMB542 million (HK$687 million) at 31 December 2014 (2013: RMB542 million (HK$689 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.

9. Events after the reporting period

On 3 March 2015, the Group entered into a conditional sale and purchase agreement to dispose of the Group's 45% interest in LSOC to the other joint venture partner, which holds 55% interest in LSOC, for a cash consideration of approximately HK$2,553 million. Completion of the disposal is subject to certain conditions being satisfied. The Directors of the Company expect that, upon completion, the disposal will not record a loss in the Group's consolidated statement of profit or loss. Details of the transaction are set out in an announcement of the Company dated 3 March 2015.

FINANCIAL REVIEW

FINANCIAL RESULTS

The Group's loss attributable to shareholders for the year ended 31 December 2014 was HK$1,374 million on a turnover of HK$6,102 million, compared with a loss of HK$889 million on a turnover of HK$7,952 million for the previous year. The Directors of the Company do not recommend the payment of any final dividend for the year ended 31 December 2014 (2013: nil).

Certain of the Group's property business and cement operations are conducted through joint ventures and associates. The HK$6,102 million turnover for the year has not included the Group's share of the turnover of these joint ventures and associates. An analysis is as follows:

	Year ended 31 December 2014 HK$ million	Year ended 31 December 2013 HK$ million
Turnover		
SOCAM and subsidiaries		
Construction and building maintenance	**5,599**	4,829
Property	**483**	3,104
Others	**20**	19
Total	**6,102**	7,952
Joint ventures and associates		
Property	**571**	950
Cement	**3,413**	3,496
Others	**1**	14
Total	**3,985**	4,460
Total	**10,087**	12,412

Turnover from construction and building maintenance work increased as a result of an expanded workload in Hong Kong and the Mainland during the year. Revenue from the property business, however, decreased substantially to HK$483 million, from HK$3,104 million last year, largely because of the slowdown in the disposal of the Group's property projects and inventories amid the unfavourable property market sentiment in the Chinese Mainland and the impending restructuring of the Group. In addition, over 97% of the residential units in Guangzhou Parc Oasis and around 85% of the office and apartment spaces in Shenyang Project Phase I were sold by the end of 2013, hence much reduced revenue was derived from these two projects in 2014. In 2013, the high turnover in property came mainly from strata-title sales of residential units of Guangzhou Parc Oasis and en-bloc disposals of Guangzhou Panyu project and an office tower of Shenyang Project Phase I.

The disposal of 80% interest in Shenyang Project Phase II and our entire 55% interest in Tianjin Project Phase II during this year generated gross proceeds of around HK$1.7 billion; however such proceeds have not been included in turnover under applicable accounting standard because an agreement to dispose of the former was signed in December 2013 and the relevant asset was accounted for as "Assets classified as held for disposal" at the end of last year, while the latter being disposed of was an equity interest in a joint venture. As part of the monetisation plan, in December 2013, the Group commenced strata-title sales of the apartment units of an investment property – Lakeville Regency Tower 18 in Shanghai. Again, the sales revenue of this property for the current year, amounting to HK$804 million, has not been included in turnover according to applicable accounting standard.

Beijing Centrium Residence and Shanghai Four Seasons Place, in which the Group has a 65% and 70% interest respectively, recorded lower revenues in 2014, as around 90% of the apartment units of Beijing Centrium Residence has already been disposed of by the end of December 2013 and sales of the Group's luxury branded residence in Shanghai remained sluggish this year, due to the continued austerity measures on the Mainland property market. Together with the 22%-owned Dalian Tiandi, the Group's share of property sales revenue from these joint developments decreased to HK$571 million in the current year, compared with HK$950 million in the previous year. Turnover from the cement operation remained relatively stable, although total sales volume increased slightly while pricing was further depressed.

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

	Year ended 31 December 2014 HK$ million	Year ended 31 December 2013 HK$ million
Property		
(Loss) profit from property sales and net rental income	**(38)**	244
Fair value changes on investment properties, net of deferred tax provision	**(39)**	(7)
Share of results of joint ventures and associates	**(428)**	(117)
Net loss on disposal of a subsidiary and joint ventures	**(27)**	–
Operating expenses, net of project fee income	**(198)**	(124)
	(730)	(4)
Construction		
Operating profit	**112**	115
Gain on disposal of Mainland operations	**9**	–
	121	115
Cement operations		
LSOC	**(317)**	(286)
Guizhou cement	**4**	11
	(313)	(275)
Venture capital investments	**(28)**	(88)
Net finance costs	**(258)**	(264)
Corporate overheads and others	**(71)**	(170)
Taxation	**(80)**	(186)
Non-controlling interests	**(15)**	(17)
Total	**(1,374)**	(889)

Property

As a result of the substantial reduction in property sales as explained above, the Group recorded a loss in the property division in 2014. In the previous year, property sales profit was mainly generated from strata-title sales of residential units of Guangzhou Parc Oasis, and en-bloc disposals of Guangzhou Panyu project and an office tower of Shenyang Project Phase I. Rental income was derived from the Group's investment properties, including Lakeville Regency Tower 18 in Shanghai and the shopping malls of Chongqing Creative Concepts Center and Shenyang Project Phase I.

The Group's jointly developed projects, Beijing Centrium Residence and Shanghai Four Seasons Place recorded much less property sales in 2014, hence contributing much smaller sales profit to the Group. In addition, following the completion of the Shanghai Four Seasons Place, interest on related project loans ceased to be capitalised and were expensed. Results of the joint developments for 2014 also included share of net impairment loss of approximately HK$83 million with respect to the 81%-owned Chengdu Centropolitan project, which arose from the general decrease in the selling prices of residential units in the local market amid unfavourable property market sentiment.

These, coupled with foreign exchange losses incurred on borrowings due to the depreciation of Renminbi against Hong Kong dollars during the current year, caused the Group to record a net loss of HK$428 million attributable to its interests in the property joint ventures and associates. In contrast, the Group's share of results of these joint ventures and associates for the previous year was lifted by foreign exchange gains of a meaningful amount resulting from appreciation of Renminbi.

During the current year, the disposals of Shenyang Project Phase II, Tianjin Project Phase II and a 19% interest in Chengdu Centropolitan produced a net loss of HK$27 million, but realised net cash proceeds of HK$1.9 billion, which have reduced the Group's finance costs.

Increase in net operating expenses for the current year, as compared with the previous year, was largely due to foreign exchange losses incurred on bank borrowings as a result of the aforementioned fluctuations of Renminbi against Hong Kong dollars. In addition, project fee income from joint ventures and associates decreased in 2014 following the scheduled completion of certain property projects managed by the Group. Disregarding these effects, the Group recorded saving in net operating overheads of some HK$80 million in the current year.

Construction

Construction business reported a decline in profit for the current year, mainly because of the upsurges in material and labour costs, and profit having not been recognised under the Company's accounting policy on longer-term, large-scale construction contracts that were at their early stage of works. Average net profit margin decreased to 2.0% of turnover, from 2.4% in the previous year.

In line with the Group's monetisation plan to divest its property projects and inventories in the Mainland, the Group completed the disposal of its construction business in the Chinese Mainland in October 2014 and recognised a net disposal gain of HK$9 million.

Cement operations

Total sales volume increased slightly, while pricing continued to be depressed as the over-capacity problems in southwest China remain unresolved. Notwithstanding the decrease in variable cost of production on lower fuel charges, both margins and EBITDA were eroded by the falling selling prices. The Group's 45% share of loss of LSOC increased to HK$317 million for 2014, from HK$286 million for 2013.

Net finance costs

Net finance costs decreased to HK$258 million for 2014, from HK$264 million for 2013, which was in line with the reduction in bank and other borrowings during the current year.

Corporate overheads and others

Decrease in expenses for 2014 was due to saving in corporate overheads and absence of HK$60 million disposal and impairment losses on certain other assets and investments incurred in 2013.

Taxation

Taxation decreased significantly to HK$80 million for 2014, from HK$186 million for 2013, which was the result of the substantial decrease in property sales recognised for the current year.

ASSETS BASE

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

	31 December 2014 HK$ million	31 December 2013 HK$ million
Total assets	**18,520**	23,120
Net assets	**7,833**	9,324
	HK$	HK$
Net assets per share	**16.2**	19.3

Total assets of the Group decreased to HK$18.5 billion at 31 December 2014 from HK$23.1 billion at 31 December 2013, which will be explained in the segment analysis below. The decrease in net assets of the Group and net assets per share was largely attributable to the loss incurred during the current year and reduction in the translation reserve as a result of the depreciation of Renminbi against Hong Kong dollars.

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

	31 December 2014 HK$ million	**%**	31 December 2013 HK$ million	%
Property	**12,575**	**68**	15,266	66
Cement	**3,523**	**19**	4,004	17
Construction	**1,689**	**9**	2,281	10
Others	**733**	**4**	1,569	7
Total	**18,520**	**100**	23,120	100

The proportion of total assets of each business segment remained relatively stable at 31 December 2014, when compared with that at 31 December 2013. However, as our monetisation efforts yielded results with, in particular, the disposals of Shenyang Project Phase II and Tianjin Project Phase II and the sales of the residential units of Lakeville Regency Tower 18 in Shanghai, the total value of property assets decreased by HK$2.7 billion in 2014, and the sales proceeds were largely applied towards repayment of the Group's bank borrowings and settlement of other liabilities. Decrease in the total value of construction assets in 2014 was the result of the disposal of the Group's construction business in the Chinese Mainland as part of the Group's strategic monetisation plan.

EQUITY, FINANCING AND GEARING

The shareholders' equity of the Company decreased to HK$7,833 million on 31 December 2014, from HK$9,324 million on 31 December 2013, which was mainly attributable to the loss for the year and the decrease in the translation reserve as aforementioned.

The orderly realisation of the Group's property projects and inventories in the Mainland has reduced the total bank and other borrowings to HK$6,640 million on 31 December 2014, from HK$8,205 million on 31 December 2013. Net bank and other borrowings of the Group, which represented bank and other borrowings, net of bank balances, deposits and cash, amounted to HK$4,205 million on 31 December 2014, as compared with HK$4,503 million on 31 December 2013.

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

	31 December 2014 HK$ million	31 December 2013 HK$ million
Bank and other borrowings repayable:		
Within one year	**6,268**	6,893
After one year but within two years	**140**	1,312
After two years but within five years	**232**	–
Total bank and other borrowings	**6,640**	8,205
Bank balances, deposits and cash	**(2,435)**	(3,702)
Net bank and other borrowings	**4,205**	4,503

The net gearing ratio of the Group, calculated as net bank and other borrowings over shareholders' equity, increased to 53.7% at 31 December 2014, from 48.3% at 31 December 2013, mainly as a result of the decrease in shareholders' equity during the current year.

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 in Renminbi, the Group expects that the appreciation of 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 2014, the number of employees in the Group was approximately 1,240 (31 December 2013: 1,110) in Hong Kong and Macau, and 6,900 (31 December 2013: 7,650) in subsidiaries and joint ventures in the Chinese Mainland. While staff costs are kept stable during the year, employee remuneration packages are maintained at competitive levels and employees are rewarded on a performance-related basis. Other staff benefits, including provident fund schemes and medical insurance, remained at appropriate levels. The Group continued to retain and develop talents through executive development and management trainee programmes. Based on the financial performance of the Group as well as the individual performance and contribution of the staff members each year, share options may be granted to senior management and staff members under different schemes as reward and long-term incentives. Likewise, in the Chinese Mainland, staff benefits are commensurate with market levels, with an emphasis on building the corporate culture and providing professional training and development opportunities for local employees. It remains our objective to be regarded as an employer of choice to attract, develop and retain high calibre competent staff.

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 maintaining a high standard of corporate governance through its continuous effort in improving its corporate governance practices and processes.

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2014, including the accounting principles and practices adopted by the Group. It has also considered selected accounting, internal control and financial reporting matters of the Group, in conjunction with the Company's external auditor.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2014, the Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the deviations explained below.

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 standard set out in the Model Code throughout the year ended 31 December 2014.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting (the "AGM") of the Company will be held at Regal Ballroom, Basement 1, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Friday, 29 May 2015 at 11:30 a.m. The notice of the AGM will be published on the websites of the Company and the Stock Exchange and despatched to shareholders on or around 27 April 2015.

For ascertaining the shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 27 May 2015 to Friday, 29 May 2015, 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, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Tuesday, 26 May 2015.

By Order of the Board
SOCAM Development Limited
Lo Hong Sui, Vincent
Chairman

Hong Kong, 26 March 2015

At the date of this announcement, the Executive Directors of the Company are Mr. Lo Hong Sui, Vincent, Mr. Choi Yuk Keung, Lawrence and Mr. Wong Fook Lam, Raymond; the Non-executive Directors of the Company are Mr. Wong Kun To, Philip and Mr. Tsang Kwok Tai, Moses; and the Independent Non-executive Directors of the Company are Mr. Gerrit Jan de Nys, Ms. Li Hoi Lun, Helen and Mr. Chan Kay Cheung.

** For identification purpose only*

Website: www.socam.com